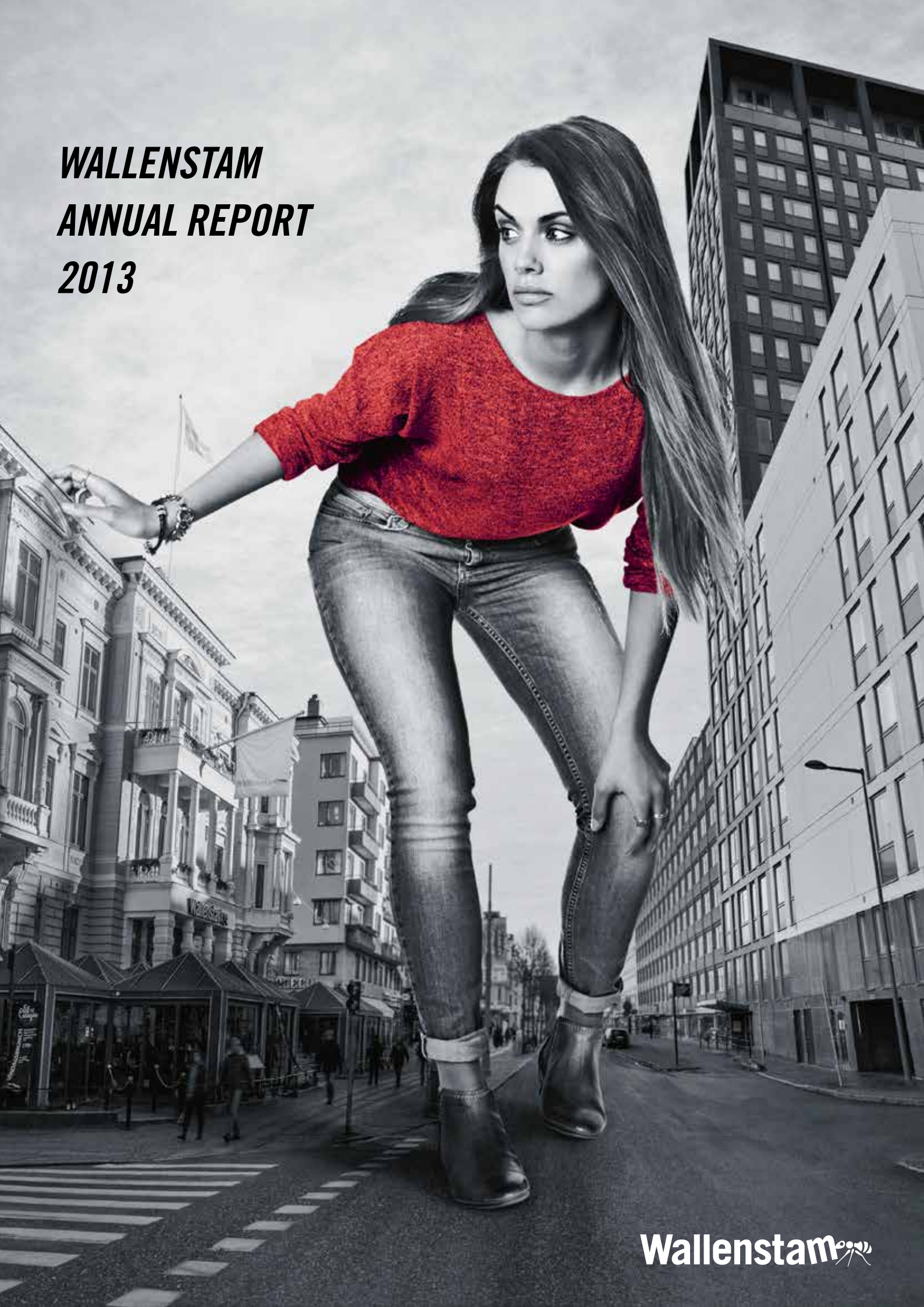


**WALLENSTAM
ANNUAL REPORT
2013**



THIS IS WALLENSTAM

“AGGRESSIVE NEW CONSTRUCTION AND PROFITABLE TRANSACTIONS. WALLENSTAM 2013 IN THREE SECONDS FLAT. A SUBSTANTIAL INCREASE IN OUR PROJECT VOLUME WILL SAFEGUARD THE COMPANY’S VALUE GROWTH AND CONTRIBUTE TO MORE HOMES AND POSITIVE CITY DEVELOPMENT IN OUR MARKETS.”

HANS WALLENSTAM, MD

1,500 APARTMENTS PER YEAR

Wallenstam is a property company that has developed, built and managed properties since 1944. Our vision is to be a leading city developer and the market-leading property owner in selected big city regions. One of the guiding principles in our new business

plan is to start construction on around 1,500 apartments per year on average. This will entail a tripling of production compared to the average during the previous business plan. The organization is well prepared and we are ready as a company to change gear and raise the tempo. We will celebrate 70 years of responsible city development in 2014.

CUSTOMER FOCUS

We build and develop with a focus on security, sustainability, smart floor plans and reasonable monthly costs for the customer. In our view city development is not just about developing our existing properties but also about new construction – a combination that creates value. We take care of just over 8,600 housing tenants and around 1,000 commercial customers. Without them we are nothing.

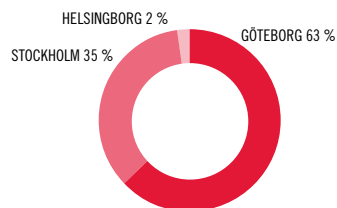
REDUCED CARBON FOOTPRINT

Sustainable development is part of our day-to-day world. We work close to the city to create safe areas that people love to live in, work in and visit. Our new constructions are energy efficient and we are self sufficient in green electricity generated by our 60 wind turbines and hydro stations.

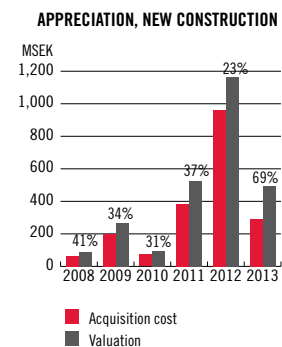
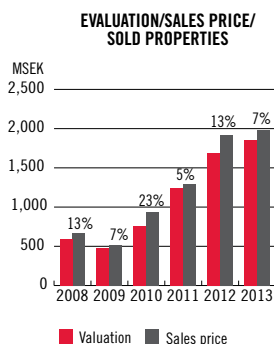
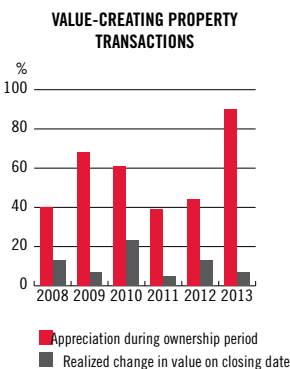
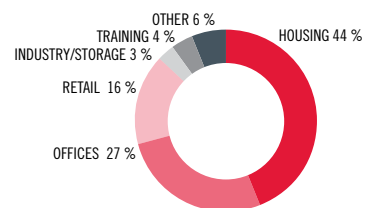
We try in our own way to contribute actively to a better society through safety and security efforts in our areas, the sponsoring of broad youth sports programmes and contributions to relief organizations that combat alienation.

- NUMBER OF PROPERTIES: APPROXIMATELY 250
- RENTAL VALUE 2013: SEK 1.6 BILLION
- PROPERTY VALUE: SEK 29 BILLION
- TOTAL LETTABLE AREA: 1.1 MILLION SQ M
- OCCUPANCY RATE, LETTABLE AREA: 98%

GEOGRAPHIC DISTRIBUTION, LETTABLE AREA



DISTRIBUTION BY PREMISES, RENTAL VALUE



CONTENTS

Vision, Business Concept and Goal _____	4
Strategies and Core Values _____	6
A Word from the MD _____	8
A Word from the Chairman _____	11
Wallenstam 70 years _____	13
Board of Directors _____	14
Group Management and Auditor _____	16
Environmental and Social Responsibility _____	18

FINANCIAL REPORTS

Administration Report _____	22
Consolidated Accounts _____	28
Accounting Principles and Notes, Consolidated Accounts _____	34
Parent Company Accounts _____	54
Accounting Principles and Notes, Parent Company Accounts _____	58
Auditor's Report _____	66
Corporate Governance Report _____	67



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

VISION

Wallenstam's vision is to be a leading city developer and the 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.

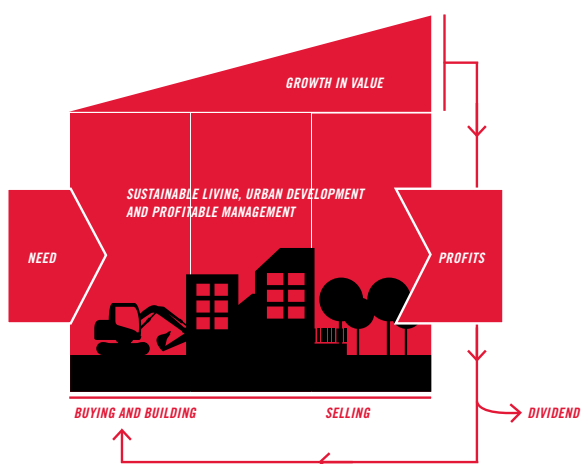
GOAL

Our goal for the business plan recently concluded was to achieve a net asset value of SEK 100 per share. A number of operational goals – guiding principles – acted as important tools in reaching the goal.

Wallenstam's goals and guiding principles for the 2018 business plan are presented in connection with A Word from the MD on page 8.

BUSINESS PROCESS/BUSINESS MODEL:

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



GOALS, 2013

NET ASSET VALUE

Net asset value of SEK 100 per share.

GUIDING PRINCIPLES/OPERATIONAL GOALS

EQUITY/ASSETS RATIO

Equity/assets ratio to exceed 25 per cent annually.

OCCUPANCY

The commercial portfolio occupancy rate must exceed 95 per cent every year.

NEW CONSTRUCTION

During the period 2,500 new apartments will be built with an effective yield in excess of 7 per cent.

ENERGY PRODUCTION

Wallenstam will produce energy from renewable sources sufficient for its own and its customer's needs calculated in kWh per month.

PROFITABILITY

A continued positive earnings trend in operations.

REMARKS

During the business plan the net asset value enjoyed extremely strong growth and increased by 60 per cent which, excluding dividends to shareholders, corresponds to an annual increase of just over 9 per cent. The result for the period – SEK 95 per share – is in line with our expectations and was a clear

result of work with profitable new construction, efficient management, a motivated letting operation, value-creating investments and successful business transactions. Moreover, dividends to shareholders amounted to SEK 7 per share for the period.

RESULTS

NET ASSET VALUE PER SHARE, SEK



A good earnings trend and cost control during the business plan resulted in an equity/assets ratio of 40 per cent as of December 31, 2013.

The equity/assets ratio demonstrates our stability and ability to survive in the longer term and how our capital base must be adapted to operational risk taking.

EQUITY/ASSETS RATIO, %



The occupancy rate for commercial premises was 95 per cent at year end 2013, around 1.5 percentage points better than the average for commercial properties in Gothenburg.

A high, stable occupancy rate provides a greater ability to focus on customer requirements and wishes regarding property development.

OCCUPANCY RATE IN COMMERCIAL HOLDING, %



The new construction of housing is a central issue for Wallenstam. Perseverance and hard work resulted in around 1,700 apartment construction starts during the 2013 business plan.

We build quality apartments in good locations where demand is high, which generates good yields and good appreciation.

NUMBER OF APARTMENTS UNDER CONSTRUCTION, ACCUMULATED



Wallenstam was already self-sufficient in renewable energy by year end 2012 through its subsidiary Svensk NaturEnergi.

With 57 wind turbines and three hydroelectric plants in operation with a total installed output of 118 megawatts, we cover our own and our customers' needs on a monthly basis.

INSTALLED OUTPUT OF TOTAL REQUIREMENT ON MONTHLY BASIS, %, ACCUMULATED



Operational earnings, which is an internal measurement that covers gains or losses from property management including the sale of apartments, performed well throughout the business plan.

Operational earnings for 2013 amounted to SEK 436 million.

CONTINUED POSITIVE EARNINGS TREND IN OPERATIONS, MSEK



STRATEGIES

Wallenstam's strategies have been revised in connection with the 2018 business plan. To achieve a sustainable development, our strategies rest on three pillars; financial, social and environmental responsibility.

STRATEGY, FINANCIAL SUSTAINABILITY

To meet market requirements through good business development, a flexible organization and an optimum capital structure. To create value for customers, the community in general and the company through the profitable development of properties in the appropriate growth markets.

STRATEGY, 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 customers and employees. To support vulnerable groups and contribute to active leisure and youth activities in the areas where we do business.

STRATEGY, 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.

CORE VALUES

Systematic efforts to disseminate a distinct image of Wallenstam among its shareholders, customers, politicians, the general public and other decision makers is an ongoing, day-to-day process. Our core values provide guidelines for our work and strengthen the organization's team spirit. We know from experience that consideration for, and commitment to, a city's development are necessary if we are to contribute in the best way and gain the opportunity to work on interesting projects.

We attach great importance to the way our brand is protected and perceived by the world at large.

Our core values are:

- Taking active responsibility for progress.
- Showing respect for people and the environment.
- Having a deep, genuine dedication to housing.

ASSET-CREATING FACTORS

Wallenstam's asset-creating factors consist of a dynamic business process in which sustainable living, urban development and profitable property management for the basis for appreciations in value and the constant advancement 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, customers, employees, investors and other interested parties.

Parameters that affect the development of the company to varying degrees are:

- Attractive properties and good property management – An attractive property holding and good property management result in satisfied tenants, who in turn ensure high occupancy rates, stable rental incomes and good business opportunities for the company.
- Access to land – Wallenstam operates in attractive cities with significant migration where there are enormous housing shortages. Access to land in the right locations is a crucial factor for safeguarding new construction.
- Market situation – Property values are affected by market conditions that change over time. We build properties in attractive locations where demand is high, which generates good yields and good appreciation.
- Secure financing – Capital is a vital resource for operations and access to it is crucial if we are to develop and expand to the desired extent.
- Sound company culture and skills – the ability to attract and employ the right personnel and maintain a congenial company culture is an important factor for continued successful development.



*Right: "City Experiences".
Pictured: Wallenstam's properties on Södra
Larmgatan in Gothenburg.*

A young man with dark hair, wearing a bright red button-down shirt and blue jeans, stands on the edge of a rooftop. He is looking upwards and to the left. The background shows a large, multi-story brick building with arched windows and a clock tower. The sky is overcast with grey clouds. The text is positioned in the upper right corner of the image.

OUR CORE VALUES

***TAKING ACTIVE RESPONSIBILITY FOR
PROGRESS***

***SHOWING RESPECT FOR PEOPLE AND
THE ENVIRONMENT***

***HAVING A DEEP, GENUINE DEDICATION
TO HOUSING***



A WORD FROM MD ***HANS WALLENSTAM***

We've delivered, achieved our goals and now it's time to celebrate 70 years as a company this year. And what a celebration it will be! I'm so very proud of our successes, and together with the rest of our organization, I'm more than ready for new, inspiring goals and ambitions.

We were very successful in achieving our goals in the 2013 business plan, and we skilfully handled a number of challenges along the way. When I cast my mind back to the launch of the plan in 2008 I can only declare that despite the turbulent times we recovered spectacularly and delivered what was anticipated and expected of us. You won't catch me in a bow-tie everyday. I choose such times with care, and they are always special occasions.

CHALLENGING GOALS ACHIEVED

We can consider our goal of achieving a net asset value of SEK 100 per share by the close of 2013 as done and dusted. Our net asset value is a great summary of all the effort we put into efficient property management, profitable new construction and good transactions. During the business plan our net asset value increased by more than 60 per cent and the average annual growth in net asset value amounted to just over 9 per cent. At the end of the year it reached SEK 95 per share, and we also paid out SEK 7 per share to shareholders during the period. Unfortunately the share price did not reach SEK 100 before the end of the year, but it got there in January.

Thanks to hard work and joint efforts we also achieved all of our

guiding principles. We raised the equity/assets ratio while also investing just over SEK 6 billion in new construction and conversions during the period – a unique, impressive combination. I'm also proud to declare that ours is the only property company in Sweden that is self-sufficient in renewable energy, which is a wise investment for the future in many ways. But our greatest achievement during these years was in going from being a property management company to a property developer.

Our production of new housing has really picked up speed with around 2,700 apartment construction starts since 2008. I am delighted to declare that in 2013 we were the biggest private producer of rental properties in Sweden and had the most approved

planning applications – a fantastic performance from our organization and one that creates an excellent climate for continued profitable project development.

OWN HARD WORK KEY TO GROWTH

Conditions are tough worldwide and I expect only weak growth in the Swedish economy in the next few years. This naturally creates challenges for us too, and it's one of the reasons I foresee only a moderate increase in value in the existing holding. At the same time I would like to emphasize that we are in a favourable position. We operate in the two cities where the prospects for future growth are highest, and we offer a product the market has an enormous demand for – the construction and management of properties people want to live and spend time in, and attractive shopping and office locations in the most central areas of Gothenburg.

We have to take care of growth on our own. Because we've developed our project portfolio and organization in an efficient, profitable manner, we're in a position to step up the pace. We currently have a project portfolio of just over 5,000 apartments in our regions and we work constantly to increase the number of projects. It's here we enjoy the biggest leverage for both earnings and growth in the future.

NEW BUSINESS PLAN

We haven't made any revolutionary changes in our 2018 business plan, but once again we've set truly challenging

goals. For us a goal is a clear, well-defined challenge that governs our entire operation and something which everyone in the company can relate to. For precisely that reason we've chosen to prioritize net asset value growth as the goal for Business Plan 2018.

We can now harvest the fruits of our successful labours, change gears and raise the tempo thanks to the platform we've established. Our goal is to achieve an average rate of net asset value growth of 10 per cent per annum up until the end of 2018. To this end we have also based plans on two important operational key ratios, namely the equity/assets ratio and the realized interest coverage ratio, which means that in contrast to the interest coverage ratio we can also include our property transactions. We also have a number of guiding principles that focus on satisfied customers, reduced carbon footprint and an average annual production of 1500 apartments. This is a veritable challenge!

STRONG FINANCIAL POSITION

We are in a favourable starting position. Our strong balance sheet and stable financial position provide good conditions for continued positive development. New production with surplus value, good profitability, good business operations and efficient property management are our success factors. With this as our foundation and our new business plan as inspiration, we will continue to create value for the company and our owners alike.

CHALLENGES LEAD TO INNOVATION

We could begin to build more apartments today, but what we need is land. The lead time in the construction process is far too long. While we enjoy enormous strength from our presence in the regions where we do business, maintaining high rates of production is a great challenge as judicial appeals against new construction often put a spanner in the works. Furthermore, we need a constant stream of projects to meet expenses and allow us to build quality housing at reasonable rents. But despite this I look to the future with great confidence. Our core product is the construction of rental apartments for in-house property management. Our higher level of ambition means we will build more cooperative housing projects than previously.

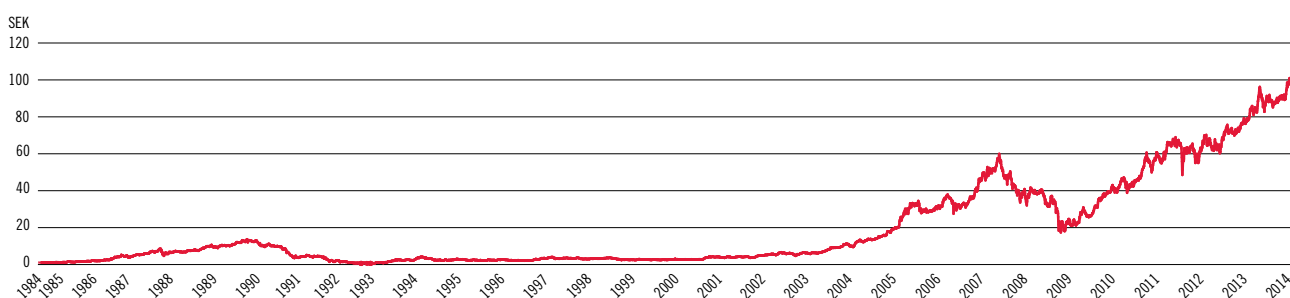
In recent years we have also become increasingly involved in major development projects that entails so much more than just building more housing. We help create entirely new city districts and mixed-use developments. The way I see it, this is urban development at its very best!

We've also concluded a number of exciting contracts. Among others I can mention the City of Uppsala where we are currently on the starting blocks for our first project, which will involve the construction of 1000 apartments over a five-year period.

GREAT SHARE PERFORMANCE

The Wallenstam share overtook SEK 100 per share in the new year. When it comes to share price trends we've been

THE WALLENSTAM SHARE, PRICE DEVELOPMENT 1984-2014



in the top five property companies every year since the turn of the millennium, and we have every intention of continuing with that. During the 2013 business plan we had a share price increase of more than 140 per cent.

It's especially pleasing to enjoy new and continued confidence from our ownership. During 2013 the number of shareholders passed 8,000.

We are offering a new synthetic options scheme to all of our employees in connection with the new business plan. As before, the majority have chosen to participate, which strengthens the bond between shareholders and employees in their endeavours to reach a common goal.

JUBILEE

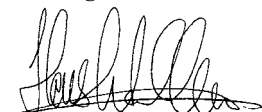
We'll not only be celebrating 70 years in business this year, but also the fact that we've been a publicly listed company for 30 years! It's worth remembering that anyone who bought a share at the nominal price of SEK 32 in 1984 had a share value of SEK 2,707 at year end 2013. An increase of around 8,500 per cent.

We aim to celebrate these major events at the AGM together with our shareholders.

THE FUTURE

As proud of our history as we may well be, we have absolutely no intention of resting on our laurels. With a product that is in huge demand and an organization bursting to take on new challenges, it's both fun and rewarding to continue the development of Wallenstam.

I'd like to thank everyone for a fantastic journey so far! Now it's time to take a stride toward new, exciting challenges and successes.



Hans Wallenstam
MD

GOAL 2018

“WE'VE SET OURSELVES A GOAL FOR BUSINESS PLAN 2018 THAT IS BOTH CHALLENGING AND STIMULATING, BASED ON NET ASSET VALUE GROWTH RATE AND LINKED TO THREE IMPORTANT GUIDING PRINCIPLES.”

THE GOAL IS AN AVERAGE NET ASSET VALUE INCREASE OF AT LEAST 10 PER CENT PER YEAR DURING THE PERIOD.

GUIDING PRINCIPLES

- * An average annual housing production of 1,500 apartments.
- * To reduce the carbon load in the property holding by 15 per cent per sq m by the end of 2018.
- * The proportion of customers willing to recommend Wallenstam should increase yearly.



A WORD FROM CHRISTER VILLARD, BOARD CHAIRMAN

Wallenstam took a giant step forward in its 2013 business plan and finished of the year as Sweden's biggest private producer of rental apartments! Because the Board of Directors would like the shareholders to share in this success, we will propose a dividend of SEK 2.00 per share at the AGM, of which SEK 0.75 is a bonus directly linked to the business plan.

STRATEGIC CROSSROADS

I've had the privilege of following Wallenstam over a long period of time. When I was elected to the

Board in 1995 the company had a visible equity/assets ratio of around 3 per cent and the market value of the Group's properties was around SEK 5 billion. Developments since then have been fantastic. Our organization held single-mindedly to the chosen course, namely that Wallenstam should be present in the growth regions of Stockholm and Gothenburg – two major cities that are growing, developing and which have a huge need for the product we offer.

What's more, in just a few years

Wallenstam has gone from being a property purchasing, management and sales company to become one of Sweden's biggest producers of rental apartments in respect of approved building applications in 2013. This is an extraordinarily good performance.

TOWARD NEW GOALS

Just as before, we've adopted a pretty tough plan up until 2018. Once again we have chosen to work over a lengthy period as the industry is characterized by long lead times. Wallenstam's

primary focus in the new business plan is on creating an increase in the net asset value through profitable new construction, efficient property management and profitable transactions. The Wallenstam share is one that builds value over time.

SUSTAINABLE DEVELOPMENT – A CONSCIOUS CHOICE

Wallenstam's strategies have changed in connection with Business Plan 2018 and are now based on three pillars of responsible entrepreneurialism: the environmental, social and financial sustainability. This feels precisely right and summarizes in a clear way how central these issues are for our business.

Wallenstam is the first property company in Sweden to be self-sufficient in renewable energy. During the year the company also invested in the Swedish solar cell company Exeger's initiative in the next generation solar cells, which among other things can be integrated into roofs and walls.

From the social point of view, Wallenstam is a company that works actively and conscientiously in its commitment to social responsibility and community security wherever it does business. This is an increasingly important issue considering how our society looks today.

Sound financial sustainability is a basic condition of all business activities. Wallenstam's business concept is based on generating value for customers, owners and the community in general by building and managing attractive housing and business premises at reasonable cost.

SOUGHT-AFTER PRODUCT

If we consider the threats and risks of our operation, we enjoy a stable position, financial muscles, a good loan-to-value ratio and a sought-after product.

Nobody knows what tomorrow has in store, but I'm certain that the need for housing where Wallenstam has chosen to do business is currently insatiable. This, in combination with the company's ambitions, guarantees an exciting future.

CORPORATE GOVERNANCE

Wallenstam has an effective organization with a well-defined governance based on established strategies. However, what I would especially like to highlight is the unique feeling that greets me every time I visit. As soon as I step into reception I encounter a familiar, friendly yet extremely professional atmosphere. It's a truly genuine feeling and part of the building.

I am very proud to have the privilege of representing the company in my role as Chairman of the Board. In 2014 I will have been chairman of Wallenstam's Board for 10 years, but this seems much shorter as new, exciting things happened all the time.

BOARD COMPOSITION AND THE WORK OF THE BOARD

This year we have chosen to perform an internal evaluation of the work of the Board, which I can verify as having performed very well. We enjoy stability and continuity of Board composition, which corresponds well with the company's lead times, goals and guiding principles. While the Board is relatively small it is competent to the highest degree, evenly divided according to gender, versatility and experience; members complement each other well and contribute to development processes and decisions.

We also carry out annual analyses and evaluations of the company's managing director and deputy MDs in connection with discussions on corporate governance. We also have

the privilege to meet the entire executive management group several times a year, and we can certify that they represent long and outstanding experience, continuity and equality.

One of several positive conclusions arrived at is that the company's excellent working practices and earnings are the result of the steadfast governance and exceptional leadership of Wallenstam's Managing Director. The entire organization does a fantastic job, which not only inspires but also engenders confidence about continued progress within the new business plan.



Christer Villard
Chairman of the Board

70 YEARS IN BUSINESS, 30 YEARS LISTED

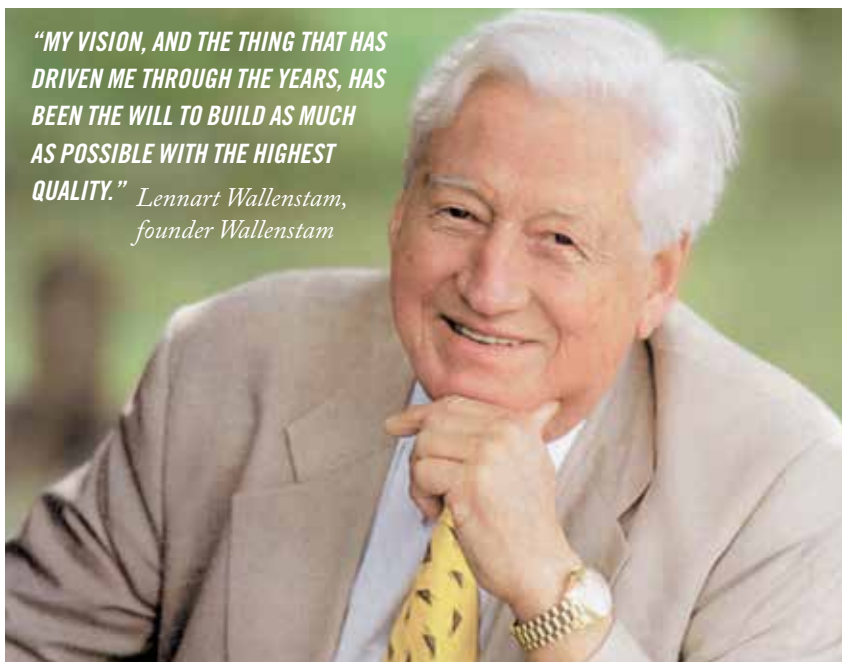
Optimism was in short supply on the housing market when Lennart Wallenstam – in November 1944 in the middle of the Second World War – rolled up his sleeves, negotiated his first two first building plots and built four carefully designed semi-detached houses. The company has continued to build and do business in that spirit. Now we're celebrating 70 years in business, and 30 as a listed company!

Hans Wallenstam took over as Wallenstam's MD in 1991. When he ponders the company's future he looks back as well as forwards.

"It's all about being bold and learning from crises. We've always gone our own way; we always dared to. Just as my father dared to start a business in the middle of the war, we dared to take the road to investment during the 1990s when everyone else was doing the opposite. We dared to start new construction projects in the beginning of the 2000s when nobody else would, and then invest aggressively in sustainability and environmental savings for the company and its customers. An increasingly central future issue for all, regardless of their industry, is show-

ing humility for the world at large and ensuring progress is based on the customer's and society's needs instead of only according to what a company wants and is able to do. But it has to be profitable, naturally. To achieve success we must constantly spare a thought for the future and maintain a course that meets tomorrow's needs. I'm convinced that tomorrow's successful companies will be perceived as social partners who do not look just to their own needs. We will keep on taking care of our tenants and the environment, carry on urban development with municipalities and go on developing our new construction, and in this way continue to create value for our shareholders."

"MY VISION, AND THE THING THAT HAS DRIVEN ME THROUGH THE YEARS, HAS BEEN THE WILL TO BUILD AS MUCH AS POSSIBLE WITH THE HIGHEST QUALITY." *Lennart Wallenstam, founder Wallenstam*



WALLENSTAM MILESTONES

1944 Lennart Wallenstam founds Olsson & Wallenstam Byggnadsfirma which later becomes Lennart Wallenstam Byggnads AB and Wallenstam AB. Initially builds occasional single-family homes but expands quickly into apartment blocks.

50S AND 60S Construction grow substantially. At its largest, Wallenstam employs 500 people, mostly construction workers. Around ten people work at the office.

60S Vita Björn is built in the Majorna district and receives praise from the City of Gothenburg and the Architectural Beauty Council for its aesthetics.

LATE 70S Switches to owning, managing and upgrading properties and winds down its in-house construction operation.

1984 Goes public to gain access to more capital and to continue developing the business.

MIDDLE OF THE 80S Establishes offices in Stockholm and Helsingborg.

1991 Property crisis sees share price plummet. Hans Wallenstam takes over as MD. The company accelerates its way out of the crisis by concentrating on the growth regions of Stockholm and Gothenburg. It is the sole surviving, publicly listed property company in west Sweden.

2003 Resumes construction operations; develops a proprietary method of efficient, profitable construction.

2007 Establishes new goals in its 2013 business plan with guiding principles concerning construction and self-sufficiency in renewable energy, and adds sustainability to its construction concept.

2011 Builds housing flat out including a spectacular 20 story building with 267 rental apartments along Essingeleden at Hornsbergs Strand, nominated as Stockholm's Building of the Year.

2013 Concludes its 2013 business plan with goals attained and guiding principles achieved.

2014 Celebrates 70 years in business, 30 years as a listed company, and sets its sights securely on Business Plan 2018.

"SO MANY EASILY WIND UP FOLLOWING THE HERD; WHAT COUNTS IS FINDING OUR OWN WAY FORWARD BUT DOING SO BASED ON EXPERIENCES FROM CRISES, SO THAT WE ACT PRUDENTLY. CONTINUED CURIOSITY ABOUT THE FUTURE IS AN IMPORTANT INGREDIENT."

*Hans Wallenstam,
MD, Wallenstam*

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 MD at Wallenstam AB 1979–2006 and a number of other Board assignments in the real estate industry.

Other assignments: Board chairman at Dadbro Holding AB.

Shareholding in Wallenstam: 9,621,000 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.

Shareholding in Wallenstam: 10,502,000 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, Retriva AB and Deputy MD at Götabanken and World Bank advisor to governments of Lithuania and Indonesia.

Other assignments: Board chairman, Aptic AB, Drottningholmsteaterns vänner, 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*.

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 Riksbank 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, LightLab Sweden AB and Svensk Hypotekspension AB.

Board chairman at Bemanningsföretagens Auktorisationsnämnd. Board member in Bilspektion Transportörer Förvaltnings AB and Stiftelsen Cancercentrum Karolinska. International advisor to Goldman Sachs and senior advisor to Ernst & Young.

Shareholding in Wallenstam: 1,500 B shares.



ULRICA JANSSON MESSING

Vice Chairman

Born 1968, upper secondary qualification in Social science.

Board member since 2008.

Previous experience from Hassela behandlingshem, member of parliament and cabinet minister at the Ministries of Labour, Culture and Enterprise, Energy and Communications.

Other assignments: Chairman of Astrid Lindgrens Värld, vice chairman at ACR. Board member at Bergvik Skogs and Länsförsäkringar Livbolag.

Shareholding in Wallenstam: 150,737 B shares*.

** Including family members. The above information refers to circumstances at the New Year.*

BENNY OLSSON

Deputy MD 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, MD, Wallenstam i Göteborg AB, MD Wallenstam Lokaler AB, Construction Director, MD, Wallenstam Bostad AB.

External assignments: Board member, Barn i Nöd (Swedish international help for children).

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

HANS WALLENSTAM

MD, Wallenstam AB

Born 1961, employed since 1986.

Education: Bachelor of Science (Economics).

Previous executive positions at Wallenstam: Finance Director, MD Wallenstam i Göteborg AB.

Shareholding in Wallenstam: 17,250,000 A shares, 22,249,000 B shares** and 50,000 synthetic options.



GROUP MANAGEMENT

ELISABETH VANSVIK

PR and HR director

Born 1970, employed since 2002.

Education: M.A., media and communications science.

Previous executive positions at Wallenstam: Head of Public Relations, Public Relations Director.

External assignments: Board member, Barn i Nöd (Swedish international help for children).

Shareholding in Wallenstam: 1,347 B shares* and 30,000 synthetic options.

MATHIAS ARONSSON

Deputy MD Wallenstam AB in charge of region Stockholm

Born 1972, employed since 1996.

Previous executive positions at Wallenstam: MD Wallenstam Stockholm AB, Regional Director Stockholm Wallenstam Bostad AB, MD Wallenstam Bostad AB.

External assignments: Board member, Bofrämjandet and Nordisk Byggdag.

Shareholding in Wallenstam: 124,500 B shares* and 50,000 synthetic options.

THOMAS DAHL

Deputy MD 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, MD, Wallenstam Företag AB.

External assignments: Board member, Fastighetsägarna Göteborg region 1.

Shareholding in Wallenstam: 200,950 B shares* and 50,000 synthetic options.

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.

**SUSANN LINDE**

Administrative Director

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.

AUDITOR

Harald Jagner, Auditor, Född 1971, Authorized Public Accountant, Deloitte AB. Elected auditor in 2013.

Other assignments: Opus Group, SEFA, Surahammars Bruk, Böhler-Uddeholm, KVD Kvarndammen Group, Skeppshypotekskassan, Älvstranden Utveckling and Higab.

Pernilla Lihnell, Substitute auditor, Born 1969, Authorized Public Accountant, Deloitte AB.

Elected Substitute auditor in 2013

Other assignments: Viking Malt, MediCarrier and S:t Eriks Ögonsjukhus.

*Shareholding also includes shares owned via companies ** Shareholding also includes shares owned via companies including family members.

The above information refers to circumstances at the New Year.

As one of Sweden's biggest property companies we seek to 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 that provide added value for the company and our stakeholders and which contribute to progress in our regions.

FOCUS AREAS AND REPORTING

Focus areas in our sustainability efforts include taking active social responsibility by reducing energy consumption and investing in renewable energy sources; energy-efficient construction and ongoing improvements in the environmental status and performance of our properties.

We report what we do and how we work with sustainability issues every year through the Carbon Disclosure Project (CDP), where we were awarded 68 points of 100 possible in 2013. In addition to CDP we report according to Global Reporting Initiative (GRI) guidelines, where we apply level C, and in the Swedish survey Hållbart Värdeskapande (Sustainable Value Creation).

ORGANIZATION AND GOVERNANCE

Group management bears overall responsibility for the company's sustainability issues. Sustainability efforts are run by managers in each region's operations. Our PR and HR Director is responsible for compilation and central reporting.

Work with identifying the environmental impact and social demands that surround our operation is constantly in progress. Daily operations are carried out by technical personnel in each region, and major attention is paid to lowering the energy consumption of our buildings. We maintain an ongoing constant dialogue with stakeholder groups, collaborative partners, business associations and other associations on a continuous basis to gain impressions from the world at large.

SPONSORSHIPS AND SUPPORT

Our commitment to the community is clearly linked to our core values of taking active responsibility for progress, showing respect for people and the environment and having a deep, genuine dedication to housing. We concentrate our commitment primarily to the areas where we do business. In 2013 our sponsorships included an end-of-school party for youths in Sollentuna and Saturday samba football evenings together with the Samba Football Academy in the Majorna district of Gothenburg. We also support the Låxhjälpfen founda-

tion (educational assistance for high school students) and the association Majornas Samverkansförening, whose arrangements include music camps for children and youths. During the year we also offered summer employment to youths from several of our housing areas, where they work together with our building caretakers.

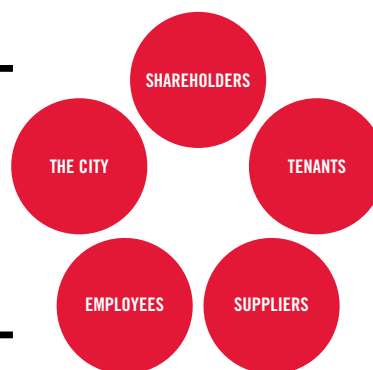
For five years starting in the spring of 2014 we will be upgrading and modernizing Östergården on Barnens Ö (Children's Island) in the Stockholm archipelago. Summer camps are held here every year for children and youths between 9 and 16, most of whom come from the City of Stockholm.

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

We also support organizations that combat drug problems and 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.

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.



YOUTH HOUSING AND HOMELESS HOUSING

We provided transitional accommodation in Stockholm during 2013 to help rehabilitate homeless people as part of our fight against homelessness. We also participate in the youth guidance project Ungdomsstegen and the rehabilitation project Vägvalet Väst, which work in various ways to provide apartments for youths. At year end we had 145 active contract of a social or medical nature, or apartments earmarked for students.

RESPONSIBILITY FOR PROGRESS

We are among the major property owners in the regions where we operate, and as a relatively large housing producer we also contribute to employment when new properties and areas are developed. For example, our Södra Strandparken project in Älta with its 73 rental apartments generated around 100 man-years of employment.

We base both our new construction and property management on the fact that buildings affect the environment throughout their life cycle. Our new construction is under constant development to become more energy efficient. We achieved our goal of self-sufficiency in renewable energy at the beginning of 2013, thereby becoming the first property company in the country to supply its properties with its own green electricity.

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 floorspace. We then prepare an action plan. We continued our work in reducing the energy requirement of our build-

ings in 2013, and we also added 10 new wind turbines to our wind farms.

GREEN PROGRAMMES AS CONTROL TOOLS

When we renovate a property we investigate how it can be developed to become more eco-friendly. In the case of new construction we incorporate buildings with an energy consumption of around 60 kWh/sq m/year, which is lower than the National Board of Housing's requirements and on par with the energy consumption of low energy buildings. Thus far we have chosen not to certify our buildings according to the environmental programmes available on the market. However, we use them in requirements specifications to achieve high quality and reduce environmental impact.

A COMPLETELY CARBON FREE BUILDING

In April 2013 we began conversion of our property on Kungsporsavenyen 29–35 in Gothenburg, where we are renovating the offices and adding more shop floor space and new apartments. The entire building will be heated by geothermal heating. We collect the geo-energy (which is mainly solar energy stored in the ground and the rock) by means of 40 or more holes drilled into the bedrock to a depth of 300 meters; it is led to a utilities distribution station to provide the entire building with heat, hot water and cooling. The heat pumps supplying our properties are driven by electricity from our own wind turbines, which means energy consumption is completely carbon free.

OTHER PRIORITY MATTERS

In addition to the priority environmental goals and activities presented in detail on the following page, we are actively investigating environmental risks and prioritizing a focus on sustainability regarding e.g. property acquisitions, business travel and waste etc.

ENVIRONMENTAL RISK MANAGEMENT

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

GREEN BUSINESS TRAVEL

We work proactively to minimize the number of journeys and transport trips. During 2013 we actively encouraged green business travel. We also have an IT platform that makes remote conferencing easy.

ACTIVE WASTE MANAGEMENT

As far as possible waste must be handled according to the ecocycle principle. Reducing the amount of waste from our own operation and from our tenants, businesses and suppliers is therefore an important matter. We continued to develop waste management and create more opportunities for tenants to recover and handle dangerous or bulky waste, and confidential material, etc.

SECURITY AND THE DEVELOPMENT OF PROPERTIES

We continued modernization, improvement and security-enhancing renovation work on our properties in 2013. We installed access control systems for our tenants at several locations. Moreover, we've improved the outdoor environment through better lighting, new play areas, BBQ grills and green spaces – all things which meet the wishes customers have expressed in surveys.

ENVIRONMENTAL GOALS 2013

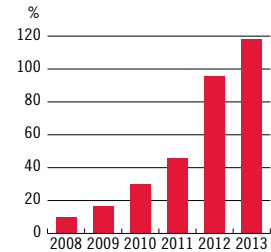
ENERGY PRODUCTION FROM RENEWABLE SOURCES SUFFICIENT FOR OUR OWN AND OUR CUSTOMER'S NEEDS

In 2013, Wallenstam became the first property company in Sweden to be self-sufficient in renewable energy. This means our production of energy from renewable sources cover our own and our customers' needs.

The installed effect at closing totalled 118 MW from 57 wind turbines and three hydro stations.

There are also two projects under construction with a further nine turbines estimated for completion during 2014.

PROPORTION OF TOTAL ENERGY REQUIREMENT WE GENERATE, AS MONTHLY AVERAGE

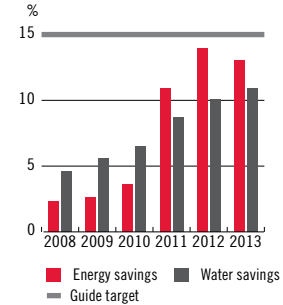


LOWER ENERGY AND WATER CONSUMPTION BY 15 PER CENT

We will reduce the company's total energy and water consumption (heating, cooling, electricity and water) by 15 per cent without a negative impact on the environment. To achieve this, each individual property will have its own energy plan and we are actively engaged in optimizing operations, improving technical installations and replacing fossil fuel with more eco-friendly technology,

individual metering and real-time information to tenants. During the business plan, energy consumption was reduced by around 13 per cent and water use by around 11 per cent. During the period we sold properties in which energy-saving measures had been completed. If we also include sold properties, the reduction of energy and water consumption is more than 15 per cent.

REDUCED ENERGY AND WATER USE



GREEN OPERATIONS

OPTIMIZING OPERATIONS

We optimize the operation of our buildings by updating control systems and regulators with more modern technology, which not only benefits our customers, but also the environment. Our technical installations are also gradually improved and developed in connection with new construction and conversions.

During 2013 we consolidated our own resources for optimizing operations. Collaboration with energy and operations consultants engaged by us as energy experts continues according to plan.



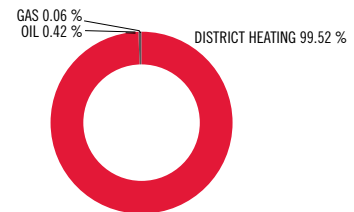
REPLACING FOSSIL FUEL

The conversion to more eco-friendly technology is a continual process and only a marginal proportion of properties are currently heated by fossil fuel. And thanks to our investment in wind power, we are also

able to offer all of our tenants renewable energy at advantageous prices.

Today only three properties remain that in some way use oil as a supplement to more eco-friendly heating.

ENERGY SOURCES FOR HEATING

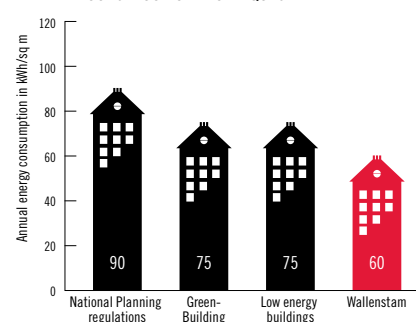


ENERGY EFFICIENT CONSTRUCTION AND INDIVIDUAL METERING

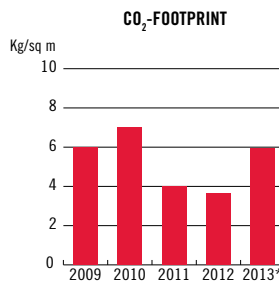
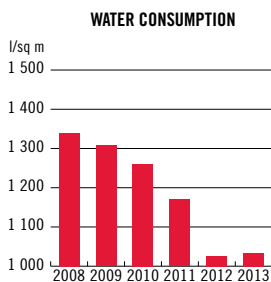
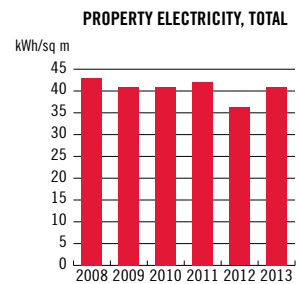
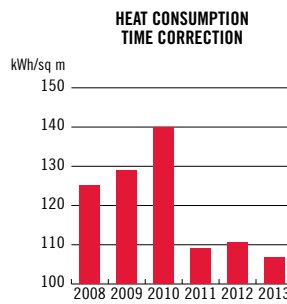
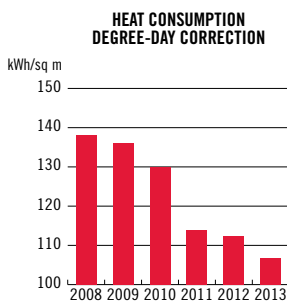
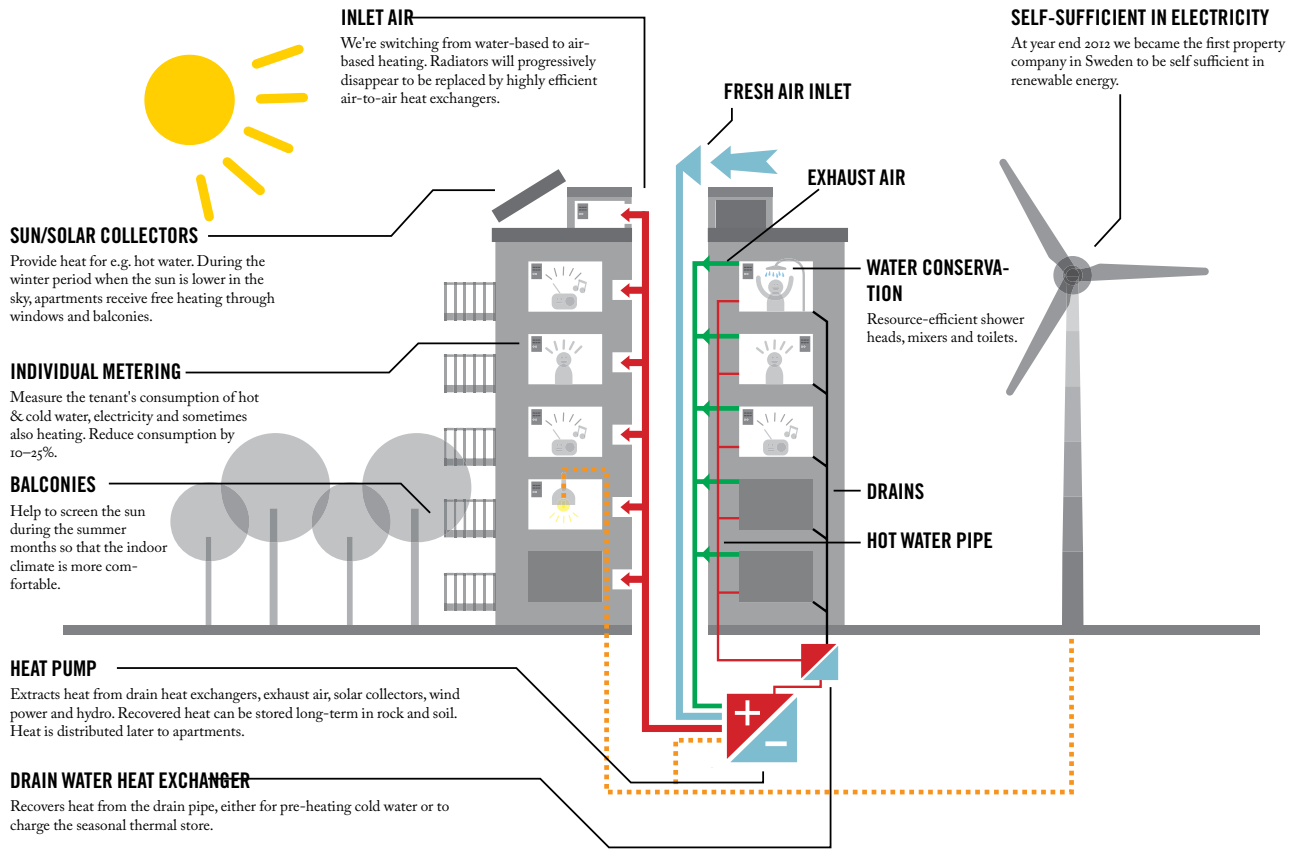
Our new construction is under constant development to become more energy efficient. We build properties whose basic versions have an energy consumption of around 60 kWh/sq m/year. See page 26. We often add energy-smart technology to allow energy consumption to be lowered further.

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.

ENERGY CONSUMPTION USING DIFFERENT CONSTRUCTION TECHNIQUES



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



* Estimated value for actual impact.

ADMINISTRATION REPORT

The Board of Directors and the Managing Director of Wallenstam AB (publ), Swedish company registration number 556072-1523, herewith submit the annual accounts and consolidated financial statements for 2013. The previous year's figures are shown in parentheses.

THIS IS WALLENSTAM

Wallenstam was founded in 1944 to become a property company that today builds, develops and administers properties for sustainable living and the pursuit of business in Stockholm and Gothenburg. Ownership is focused on residential properties in both regions, and also commercial properties in Gothenburg. All in all Wallenstam has around 8,600 apartments and 1,000 commercial customers, and since the beginning of 2013 it has been self-sufficient in renewable energy to meet both its own and its customers' needs on a monthly basis. The Wallenstam B share is quoted on the NASDAQ OMX 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, which was begun in 2008, is concluded in conjunction with the closing of these accounts. The overall goal of this plan, which was restated following the 3:1 split, was to achieve a net asset value per share of SEK 100 per share; refer also to page 4.

The Board of Directors adopted a new five-year business plan on 10 December 2013 for the period 2014–2018, referred to as 'Business Plan 2018'. Its goals are:

- To achieve an average net asset value increase of at least 10 per cent per year during the period.

The goal is supplemented by three important guiding principles:

- An average annual housing production of 1,500 apartments.
- To reduce the carbon load in the property holding by 15 per cent per sq m by the end of 2018.
- The proportion of customers willing to recommend Wallenstam should increase yearly.

OPERATIONS AND ORGANIZATION

The Board of Directors has its registered office in Gothenburg, and the head office street address is Kungsporsavenyen 2. A total of 197 individuals (185) were employed by the Group as of 31/12/2013. Operations were run in three business areas – properties in the Gothenburg and Stockholm regions and renewable energy through NaturEnergi. The administrative support functions provide the business areas with skills and expertise in economics, finance, IT, law, communications, customer service, personnel and taxes. The two property regions also include responsibility for leasing and management of housing and commercial premises together with planning and construction work.

The Group's commercial properties are located primarily in Gothenburg where Wallenstam manages around 455,000 sq m of centrally located floor space at an occupancy rate of 95 per cent (95).

The property holding comprises a total of 1,103,550 sq m

distributed over approximately 250 properties in Stockholm and Gothenburg. Residential properties make up around 50 per cent of the lettable area and have a value of SEK 29 billion, while the remaining 50 per cent are made up of commercial properties and parking. The residential property holding of just over 8,600 apartments is fully let.

NaturEnergi's primary task is to ensure Wallenstam produces sufficient energy from renewable sources to meet our own and our customer's needs calculated in kWh per month. To achieve this and to cover future new construction an installed output of around 100 MW will be necessary. At year end our installed output was 118 MW (96). Thus far the business area has focused primarily on wind power, but also works with other energy forms including solar energy through our participation in the development company Exeger, an involvement that increased during 2013.

RESPONSIBLE ENTREPRENEURIALISM

Wallenstam's sustainability initiatives are based on a common Group policy and are reported according to the Carbon Disclosure Project (CDP), the Global Reporting Initiative's Sustainability Reporting Guidelines (GRI index) and Hållbart värdeskapande (sustainable value creation).

The overarching sustainability goals to be achieved by the close of the 2013 business plan were:

- Energy production from renewable sources sufficient for its own and its customers' needs calculated in kWh per month.
- A reduction in the company's total energy and water consumption (heating, cooling, electricity and water) by 15 per cent without a negative impact on the environment.

Energy consumption was reduced by 13 per cent (14) and water usage by 11 per cent (10). By owning and operating wind turbines and electrical installations, the Group conducts operations that are notifiable and subject to authorization in accordance with the Swedish Environmental Code. The Group holds all licences required for current operations. We are also working on security-enhancing initiatives for our tenants; we contribute toward accommodation for the young and homeless, free support activities such as school homework and football training, 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), the refugee Mission in Gothenburg and other charities.

IMPORTANT EVENTS DURING THE FINANCIAL YEAR

Wallenstam had an extremely busy 2013. We completed several good transactions and continued to grow our property holding through new construction and conversions. During the year NaturEnergi increased its capacity in part by commissioning wind power projects and also through the acquisition of wind farms already in operation. New projects were begun and others were divested during the year.

Twenty six properties were acquired for SEK 1.2 billion (0.6). The acquisitions were properties located centrally in Gothenburg, of which eight are commercial. Meanwhile, 34 properties were sold for SEK 1,986 million (1,926), all in all at prices 7 per cent above the previous year-end valuation. Disposals included 24 properties in Helsingborg, six in Gothenburg and four in Stockholm. The sales included apartment buildings and land.

The investment offensive in new construction continues. The construction of 2,700 apartments was begun during the concluded business plan. At year end around 1,100 apartments were under construction, of which 900 in Stockholm and 270 in Gothenburg. Altogether investments in new construction and conversions for the year amounted to SEK 1,374 million (1,193).

Investments in renewable energy continued according to plan, totalling SEK 337 million (615). Eight installations were commissioned during the year, and two operational turbines were acquired. In addition some projects were divested as a part of the refinement of the business area into more of an asset management operation. As of December 31, 2013, following the year's completed transactions and commissionings, Wallenstam had three hydro stations and 57 wind turbines in operation. The value of some wind turbines in six wind farms was adjusted downward by a total of SEK 150 million (100) in connection with the annual accounts. These turbines were acquired in times when purchase prices and foreign exchange rates were substantially higher than the current market position. Conditions continue to force electricity prices down to historic lows. If conditions change, these impairments may be reversed. Although the current market situation is tough, it provides us with the opportunity to make acquisitions at good price levels.

Sales began in September of housing cooperative shares in Wallenstam's new construction on Grev Turegatan on Östermalm in Stockholm. The project, which is one-of-a-kind for Wallenstam, comprises a total of 61 exclusive housing cooperative apartments that are estimated for completion in the summer of 2014. The project has received a great deal of media attention, among other things because of the record high prices per square meter that were noted in connection when sales began at the end of September, 2013.

In connection with a major property transaction, Wallenstam acquired approximately 9 per cent of the shares in Platzer in the spring of 2012. When Platzer was listed on the NASDAQ OMX at the end of 2013, demand for the shares was great, whereupon Wallenstam on request sold its holding of just over 6 million shares at a profit of around SEK 15 million.

On January 8, 2013, the Administrative Court of Appeal ruled in favour of Wallenstam in a tax dispute. For further information, refer to the Annual report, 2012.

GROUP EARNINGS

Profit after tax in 2013 totalled SEK 1,276 million (1,927), equivalent to earnings per share of SEK 7.5 (11.3). In addition to gains from normal property management operations, earnings were affected in part by changes in the value of properties totalling SEK 703 million (1,406), and partly by unrealised changes in value in derivative instruments of SEK 328 million (-72). Rental income and the operating surplus showed positive trends and property management earnings amounted to SEK 431 million (375). Interest expenses were lower than for the previous year as a result of lower average interest rates, which for the full year amounted to 3.3 per cent (3.8). As of closing day, average interest amounted to 3.11 per cent (3.51). Comprehensive income amounted to SEK 1,267 million (1,930).

Rental income

The Group's rental income (net) increased to SEK 1,578 million (1,576), of which SEK 1,056 million (1,082) consisted of rental income from Gothenburg and SEK 513 million (487) 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. This year's rent negotiations resulted in an average rise of 2.2 per cent in Gothenburg, 2.4 per cent in Helsingborg and 2.3 per cent in Stockholm. Rent levels for Wallenstam's commercial premises rose by around 1 per cent compared to the previous year. 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 respect of floor space amounted to 95 per cent on closing day.

Operating expenses and operating surplus

Operating expenses fell and amounted to SEK 483 million (503). Efficient management, optimized energy consumption and a changed property holding with newer buildings and milder weather during the last quarter contributed to reduced operating expenses. The operating surplus increased to SEK 1,095 million (1,073), an improvement of 2 per cent over the previous year. Seasonal effects at Wallenstam consist mainly of variable operating costs, which are usually greatest during quarters one and four when expenses for heating and property maintenance are often higher.

Management costs and administration expenses

Management and administrative expenses amounted to SEK 277 million (237). Expenses refer mainly to personnel expenses. These include costs for two synthetic options schemes for employees; one scheme has been concluded, while the other scheme was adopted during the autumn of 2013. The payout of the concluded scheme, which ran for the period between 2008 and 2013, was a total cost of SEK 58 million. SEK 45 million was taken up as income at the beginning of the year, for which reason this year's costs for the scheme amount to SEK 13 million. An extraordinary shareholders meeting in September 2013 adopted a new synthetic options scheme also aimed at all employees. The scheme, important input data for which includes the share price per closing date of SEK 97.25; an exercise price of SEK 105 with a ceiling of SEK 160, an anticipated share price volatility of 22 per cent, an anticipated dividend of SEK 1.50, an annual risk-free interest rate of 2.0 per cent and a maximum payout of SEK 250 million, will have an option duration until midnight 31/05/2019. Expenses for the year in regard to the new scheme amount to SEK 28 million including social security contributions. For more detailed information, refer to Note 7.

Value trends, investment properties

The transaction volume on the Swedish property market during 2013 amounted to SEK 87 billion according to assessments by Jones Lang LaSalle. This corresponds to a reduction of 9 per cent compared to the previous year.

During the period Wallenstam sold properties totalling SEK 1,986 million (1,926). The sales were concluded at prices that on average exceeded the latest year-end valuation by around 7 per cent (13) taking into account investments for the year. This means that in relation to the amount invested totalling SEK 1,057 million, Wallenstam will realize a profit in connection with the sales and associated expenditures of SEK 929 million (579), or 89 per cent (43). The divested properties were held for an average of 21 years, corresponding to an annual average 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 compo-

ment of the item Change in value, investment properties. Value changes in Wallenstam's property holding as of December 31, 2013 amounted to SEK 703 million (1,406), of which realized changes in value amounted to SEK 98 million (208). The year showed stable levels with few changes in the market's required rates of return, for which reason value growth was primarily generated through improved operating surpluses as a result of the year's rental negotiations, conversion and new construction projects which added new properties and brought improved operating surpluses. Our deliberate strategy of concentrating on attractive properties in popular locations that results in long-term value growth is also deemed to contribute. Estimated market values for new construction projects are charged initially with a risk supplement to the required rate of return of 0.25 per cent (0.50) compared to an investment property in the same location. This is done 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.

Value trends, investment properties

SEK million	2013	2012
Change in the value of yield	39	479
Capitalization of change in operating surplus	540	524
Future investment requirements	-199	-98
Completed projects	225	293
Realized changes in value, properties	98	208
Changes in value of investment properties	703	1,406

Other income and other expenses

The item consists primarily of revenues and expenses from the net sale of electricity of SEK 52 million (46) including the depreciation of wind turbines. This also includes the positive result from wind power projects sold totalling SEK 2 million (10) and individual housing cooperative shares sold for SEK 5 million (8). Other expenses for the year include an impairment loss of SEK 150 million (100) in respect of investments in wind turbines; refer also to NaturEnergi below.

Financial income and expenses

Income from financial items amounted to SEK 45 million (41) and financial expenses to SEK 504 million (573), of which SEK 502 are interest expenses (547). Income from financial items includes earnings from the sale of securities of net SEK 10 million (-) and dividends of SEK 3 million (1).

Wallenstam uses interest rate derivatives, which is a versatile and cost-effective way to extend credits with short fixed interest terms to obtain the desired interest maturity structure. If the contractual price differs from the market price of derivatives, the difference in value is reported in the balance sheet and income statement. This does not affect Wallenstam's interest expenses but makes their reporting more volatile as the difference to the market value influences reporting on an ongoing basis.

During 2013 the deficit value of the company's interest derivatives portfolio was reduced to a net liability of SEK 158 million (495), which affected earnings positively by a total of SEK 337 million. The positive value trend for interest derivatives is in effect of anticipated higher long-term interest rates. This means that even though the actual interest paid for the year is lower than previous years when market interest rates continued to fall, derivative liabilities have also fallen compared to the previous year. There are advantages to falling interest rates. New financing is taken out at lower interest rates, which boosts prop-

erty management earnings. Falling rates can also affect the value of properties positively in cases where they also lead to reduced required rates of return. In addition to interest derivatives, profit/loss was affected by expenses for electricity futures of SEK 13 million (2) and SEK 4 million in respect of a positive change in the value of other financial assets.

Taxes

Reported tax for the year amounts net to SEK -23 million (326) of which deferred tax constitutes SEK -21 million (327) and current tax SEK -2 million (-1). Tax for other comprehensive income is SEK 3 million (-1). In cases where sales of properties have taken place through sales 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 117 million (186) for tax liabilities were reversed. Non-recurring items have a net positive tax affect of SEK 148 million (700), which results in a net tax expense of SEK 23 million.

In addition to income tax expenses, the Group is also affected by other tax expenses where 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 e.g. property tax, stamp duty and personnel-related taxes and charges. The expense for Wallenstam for these taxes in 2013 amounted to around SEK 475 million; they are reported under operating expenses and property management earnings and investments in the construction operation.

WALLENSTAM'S BUSINESS SEGMENTS

Wallenstam purchases, builds, develops and sells properties that are sustainable in business and human terms in selected regions. We also produce and supply renewable energy through NaturEnergi. Operations are conducted in three business areas, Gothenburg, Stockholm and NaturEnergi.

Gothenburg and Stockholm

All of the cities in which Wallenstam is present are characterized by substantial 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 just over 3,200 apartments and around 1,000 commercial customers who rent office space and retail stores mostly in inner city locations. The residential property holding in Helsingborg totalling around 200 apartments is centrally located. Wallenstam manages just over 5,200 apartments in Stockholm and the major part of our new construction is currently in this area.

NaturEnergi

Operations at NaturEnergi consist of both the generation of, and trade in, renewable energy. The objective, which is to produce sufficient energy from renewable sources by year end 2013 to meet our own and our customers' needs calculated in kWh per month, was achieved immediately following the 2013 New Year. At the end of December the installed output was 118 MW (96). During 2013, 281.5 GWh (180.1) were generated. Electricity is sold to Wallenstam tenants and external customers at either fixed or variable prices. To protect our income against fluctuations in the spot price we hedge the electricity price on the financial market through various financial instruments and electricity derivatives with varying maturities.

THE GROUP'S FINANCIAL POSITION

Properties

The estimated market value of properties amounted to SEK 29,049 million (27,680); refer to Notes 12 and 16. Wallenstam's properties are valued quarterly by an internal valuation team and their evaluation is approved by the Board of Directors. In evaluating the properties the following is 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 rental levels, contract lengths, and vacancy and rental trends.
- An analysis of existing tenants.
- Credit market conditions.

During the period we invested SEK 2,589 million (1,810) in properties, of which acquisitions amounted to SEK 1,215 million (617), while new construction and conversions totalled SEK 1,374 million (1,193). By year end 2013 we had begun new construction of around 2,700 apartments under the current business plan, which means that the goal of 2,500 apartment starts during the period 2008-2013 was thus achieved. Major new construction and conversion projects currently in progress are Ture No 8, Segelflyget and Tuletorget in Stockholm and Vita Björn and Kvillebäcken in Gothenburg.

Wind power and hydroelectric plants

We invested SEK 337 million (615) in wind and hydroelectric power during 2013. Net investments for finished turbines and new turbines under construction after depreciations and impairment charges amounted at year end to SEK 1,982 million (1,906). Projects in progress at year end were Tommared and Nyckeltorp. When preparing the annual accounts, an impairment totalling SEK 150 million (100) was made against the value of six of our wind farms. These wind farms were acquired when purchase prices were significantly higher due to a higher EUR exchange rate at the same time as pricing on the electricity market was significantly more favourable than at present. If conditions change, these impairments may be reversed.

Equity and net asset value

Shareholders' equity amounted to SEK 12,840 million (11,893), equivalent to SEK 76 per share (70). The equity/assets ratio stands at 40 per cent (38). Shareholders' equity was influenced by comprehensive income for the year, dividends and buy-backs. Net asset value, which describes the Group's total value and includes equity and deferred tax liability, is estimated at SEK 95 per share (88). Adjustments to equity with additions for a deferred tax liability are made to better reflect the net asset value as the effective tax rate is significantly lower than the nominal rate. The deferred tax liability refers mainly to differences between reported values and fiscal residual values in Group properties.

SEK/share	2013	2012
Equity	76	70
Deferred tax liability	19	18
Net asset value per share	95	88

Net tax liability

The Group reports a net tax liability of SEK 2,014 million (2,006). It consists in part of a deferred tax asset of SEK 1,173

million (1,131) and a deferred tax liability of SEK 3,187 million (3,137). The deferred tax asset refers primarily to the value of loss carryforwards in Group companies. The deferred tax liability consists mainly of differences between carrying amounts and fiscal residual values in Group properties.

Liabilities to credit institutions

Wallenstam's loan portfolio amounts to SEK 16,704 million (16,042). The loans are primarily secured against traditional mortgage deeds in properties and collateral security in wind turbines. The loan-to-value ratio is 51 per cent (52). The loan portfolio has increased due to property acquisitions, new construction and reconstruction projects and investments in wind turbines. Of the loans, 49 per cent (46) have fixed-interest terms longer than one year. The average remaining fixed-interest term is 38 months (34). The average effective interest rate at year end was 3.11 per cent (3.51). Of interest bearing liabilities, loans with capital tied up for long terms are calculated to be in the region of 6 per cent (9) of the total portfolio.

Available liquid assets

Available liquidity, including unutilized bank overdraft facilities, amounted to SEK 784 million (594) on closing day. In addition, building credit of SEK 1,725 million (495) remains unutilized.

OPPORTUNITIES AND RISKS

Wallenstam has defined risks and uncertainty factors in the following areas: operations, the surrounding world and financing. In accordance with IFRS, management makes assumptions, estimations and assessments that affect the content of financial statements. Actual outcomes may differ from these estimations and assessments, which is also made clear in accounting principles.

Operations

Operational risks are those related to our core activities, business development and property management. When we build new housing we do so in good locations where demand is high and 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.

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

Surrounding world

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 three 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. Properties sold during 2013 resulted in sales prices that on average exceeded the previous year-end valuations with regard to that year's investments by

around 7 per cent (13). As of December 31, 2013, the estimated market value amounted to SEK 29 billion. A change in value of plus/minus 10 per cent is equivalent to a change in value of around SEK 2.9 billion and a change in net asset value of around SEK 17.00 per share. The structure of the property holding, attractive locations and a high occupancy rate add up to a low overall risk profile. External risks in the NaturEnergi business area are primarily connected with political decisions and general business cycle conditions including the 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. Financial risks are limited through our finance policy, which controls 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 2013 the Board held seven minuted meetings in addition to day-to-day contacts. The Board's most important duty is to take decisions on strategic issues. In general the Board handles issues of substantial importance for the Group. The main issues during the year were property transactions, investments in new construction, renewable energy and the preparation of a new business plan. During the year an evaluation of the Board's work found that the Board performs its duties extremely well.

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 remunerations to senior management in the company will apply to agreements entered into during the period between the 2014 AGM and the conclusion of the 2015 AGM. The guidelines include the Managing Director and other individuals in the Wallenstam AB.

Fixed salary – Senior executives must be offered fixed salaries on prevailing market terms and 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 telephones 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 remunerations that reward pre-determined, measurable performance may also be offered. Such variable remunerations must seek to promote the creation of long-term value within the Group. Furthermore, the Board, in connection with the conclusion of a published company business plan and to the extent the Board considers appropriate, will have the right to take a decision on monetary compensation to the Managing Director and the Deputy Managing Directors 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-related remuneration – 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 management. 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 254 million (348), of which rental income constituted SEK 60 million (76). During the year, long-term market interest rates in particular have risen which has affected the value of interest derivatives positively. In total, earnings were affected by value changes of SEK 337 million (-70) in financial interest rate derivative instruments. After-tax earnings amounted to SEK 2,469 million (3,054), as did comprehensive income. Earnings for the period include dividends from subsidiaries of SEK 2,712 million (3,150). Investments in fixed assets during the period amounted to SEK 91 million (15).

Parent company external loans amounted to SEK 7,995 million (5,876) as of closing day. A total of 195 individuals (183) were employed by the parent company as of December 31, 2013.

TRANSACTIONS WITH RELATED PARTIES

Wallenstam's related parties consist chiefly of Group companies. Board members, company management and families and the companies they control are also related parties. Wallenstam's transactions with related parties consist chiefly of administrative fees and the rent of premises from Group companies. Companies related to Wallenstam Board members rent premises on prevailing market terms. All in all these do not amount to significant sums for Wallenstam or its counterparties. Furthermore, contract services were purchased for a project from a company in which a Wallenstam board member is an indirect owner and where a related party is a Board member. The contract was entered into in 2012 on prevailing market terms. During the year, Wallenstam acquired a minor shareholding equivalent to SEK 12 million in companies where Wallenstam's Chairman of the Board is a Board member.

THE WALLENSTAM SHARE

The Wallenstam B share is quoted on the NASDAQ OMX Stockholm, Large Cap. An reduction in share capital through the withdrawal of shares was approved at the Wallenstam AGM on April 23, 2013. Wallenstam's share capital fell by SEK 2 million through the withdrawal of 2,000,000 B shares. After the resolution the number of shares registered totalled 170,000,000 and the registered share capital is 170,000,000 Swedish Crowns.

During 2013, the Wallenstam share price increased by 23 per cent. The OMX Stockholm Real Estate and OMX Stockholm PI property indices grew by 21 per cent and 23 per cent respectively during the same period. At the end of the period the

Wallenstam share price was SEK 97.25 (79.35) and the market value was SEK 16,533 million (13,648) calculated by the number of registered shares. The net asset value per share increased to SEK 95 (88), and equity per share to SEK 76 (70). The share's highest price during the year was SEK 99.50 and its lowest SEK 76.20. A total of 25 million (24) Wallenstam shares changed hands at a total value of SEK 2,186 million (1,715). Average daily turnover totalled around 99,300 share (99,800). Wallenstam has a mandate from the AGM to buy back shares. During 2013, 1,200,000 shares were repurchased at an average price of SEK 89.65. The company holds 1,200,000 treasury shares.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Svensk NaturEnergi will be a new electricity supplier to SF Bio's 36 cinemas around the country. The contract began on January 1, 2014 and will run for two years. Wallenstam concluded a fifteen-year agreement with SF Bio for a new cinema which will take up residence on Kungsporsavenyen at Götaplatsen 9 in Gothenburg.

In February 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.

THE FUTURE

Wallenstam conducts operations based on business plans. The business plan that ran during the period 2008-2013 was concluded at the end of the financial year, and a new plan running from the beginning of 2014 to year end 2018, known as Business Plan 2018, will begin. The new plan raises our game and continues at an aggressive pace where e.g. the rate of new construction will be tripled compared to the 2013 business plan. Our goal is to reach an average net asset value growth of at least 10 per cent per year throughout the period. Wallenstam's guiding principles for Business Plan 2018 are:

- An average annual housing production of 1,500 apartments.
- To reduce the carbon load in the property holding by 15 per cent per sq m by the end of 2018.
- The proportion of customers willing to recommend Wallenstam should increase yearly.

An ambitious new housing construction programme, an efficient construction process and well-chosen locations all contribute to good value growth. We will continue our aggressive tempo during 2014 and plan to invest the equivalent of SEK 2 billion, of which around half is for new construction. We plan to start construction of around 5,700 apartments in addition to reconstructions 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 re-invested in operations to enable continued development of the Group's core business and thus create increased growth in 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 realized profit after tax. When determining the size of the dividend, consideration must also be given to the Group's investment requirements, its position in general and the ability

of the Group to develop 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	4,845,364,603
Profit for the year	2,469,188,140
SEK	7,314,552,743
Shareholder dividend SEK 2 per share	337,600,000
To be carried forward, SEK	6,976,952,743
SEK	7,314,552,743

The Board of Directors proposes that a dividend of SEK 2 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 interpretation (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 the implementation of Swedish Financial Accounting Standards Council 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 realized profit after tax. When determining the size of the dividend, the Board also considered the Group's investment requirements, its equity/assets ratio, its position in general and the ability of the Group to develop while maintaining its financial strength and freedom of action.

The proposed dividend to shareholders reduces the parent company's equity/assets ratio from 37 per cent to 35 per cent. The Group's equity/assets ratio fell by 1 per cent from 40 to 39 per cent through 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 were appraised at fair value according to Chapter 4, Section 14a of the Swedish Annual Accounts Act (1995:1554). In doing so a deficit value of SEK 123 million after tax became evident, and which has affected equity by the same amount.

It is the view of the Board that the proposed dividend will not prevent the company and other Group companies from fulfilling their obligations in both the short and long terms 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	2013	2012
Rental income	5	1,578	1,576
Operating expenses	6	-483	-503
Management costs and administration expenses	6, 7, 10	-277	-237
Other operating income	11	277	331
Other operating expenses	11	-368	-368
Change in value of investment properties	12	703	1,406
Operating profit		1,430	2,205
Financial income	13	45	41
Financial expenses	13	-504	-573
Change in value of derivative instruments	13	328	-72
Net financial items		-131	-604
Profit before tax		1,299	1,601
Current tax	14	-2	-1
Deferred tax	14	-21	327
Profit for the year after tax		1,276	1,927
Other comprehensive income			
<i>Items that will be transferred to profit for the period</i>			
Change in value of derivative instruments reported as cash flow hedges		-	2
Translation difference		-12	2
Tax attributable to other comprehensive income	14	3	-1
Comprehensive income		1,267	1,930
Distribution of earnings for the year			
Attributable to minority interest		-1	-
Attributable to holders of parent company shares		1,277	1,927
Per share data			
Profit after tax, SEK (no dilution effects exist)		7.5	11.3
Dividend, SEK (proposed 2013)		2.00	1.25
Average number of outstanding shares at year end, thousand		169,533	171,084

COMMENTS TO GROUP EARNINGS

Operating surplus, properties

Operating expenses for the year were around 4 per cent lower than the equivalent period in 2012 as a result of efficiency measures in combination with the milder late winter in 2013. The surplus ratio for the year was 69 per cent (68).

Property management earnings

Management costs and administration expenses were in total SEK 40 million higher than the previous year. This is chiefly the result of a charge on the year's earnings regarding expenses for two options programmes, one which was concluded and another which began during the year, and where a total of SEK 41 million (20) was charged to the income statement. Because net financial income/expense is lower than the previous year's due primarily to a lower average interest rate of 3.34 per cent (3.79), property management earnings were a net 5 per cent better than the equivalent period for the previous year.

Realized change in value, investment properties

During 2013 properties were sold for a total of SEK 1,986 million (1,926). This means that in relation to the amount invested totalling SEK 1,033 million, Wallenstam will realize a profit of SEK 953 million, or 92 per cent, through these sales. The divested properties were held for just under 21 years, corresponding to an annual average 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 change in value, investment properties.

Unrealized change in value, investment properties

New construction – Refers to newly produced investment properties completed during the year and whose total investment amount to SEK 292 million. Fair value for these properties in the annual accounts amount to SEK 410

million, which equates to an increase in the value of completed properties of 40 per cent. The effect of removing risk surcharges from properties completed during 2012 contributed SEK 85 million, for which reason total changes in value from completed new production amounted to SEK 203 million. Including other projects, unrealized changes in value of new production for the year amounts to SEK 225 million.

Other investment property – Other unrealized changes in value are primarily the result of operating surplus changes of SEK 540 million, and a smaller effect from a rate of return valuation of SEK 39 million. Future investment requirements of SEK 199 million are deducted, for which reason total unrealized changes in value for the year excluding new production projects amount to SEK 380 million. Capitalization of operating surplus changes are primarily the result of rental negotiations and streamlined operating expenses.

Property management earnings, energy

Operating profits from energy production and energy sales for the year amounted to SEK 58 million (33). Property management earnings include finance, management costs and administration expenses, and changes in the value of renewable energy certificates of SEK 66 million (64).

EARNINGS DISTRIBUTION FROM AN OPERATIONAL POINT OF VIEW

The summary below shows budget follow-up from an operational point of view.

SEK million	2013	2012
Rental income	1,578	1,576
Operating expenses	-483	-503
Operating surplus, properties	1,095	1,073
Management costs and administration expenses*	-199	-172
Financial income	45	41
Financial expenses	-468	-490
Property management earnings	473	452
Revenue, property sales	28	27
Expenses, property sales	-24	-19
Property management earnings, energy	-8	-31
Capital gains, wind power assets	3	10
Realized changes in value, investment properties**	67	180
Earnings before unrealized change in value and impairment charges	539	616
Unrealized change in value, investment properties	605	1,198
<i>Of which new production for the year</i>	225	293
<i>Of which other investment property</i>	380	905
Unrealized change in value, financial instruments	328	-75
Unrealized change in value, synthetic options	-23	-20
Impairment losses on fixed assets	-150	-121
Profit before tax	1,299	1,601
** Specification realized changes in value, investment properties		
<i>Of which conventionally realized earnings</i>	953	600
<i>Of which previously reported changes in value</i>	-831	-371
<i>Of which sales and administration expenses</i>	-55	-49
	67	180

* Management costs and administration expenses also include expenses of SEK 18 million (0) for the synthetic options scheme for personnel.

CONSOLIDATED BALANCE SHEET

SEK million	Note	31/12/2013	31/12/2012
ASSETS			
FIXED ASSETS			
Intangible assets			
Activated expenses, computer software	15	7	8
Total intangible assets		7	8
Property, plant and equipment			
Investment properties	12, 16	29,049	27,680
Wind power and hydroelectric plants	17	1,982	1,906
Equipment	18	44	43
Total Property, plant and equipment		31,075	29,629
Financial fixed assets			
Other non-current holdings of securities	19	109	402
Non-current receivables	19	391	398
Financial derivative instruments	3	75	2
Total financial assets		575	802
Total assets		31,657	30,439
CURRENT ASSETS			
Current intangible assets	20	58	49
Trade receivables	21	18	17
Other receivables	22	192	231
Prepaid expenses and accrued income	23	80	95
Financial derivative instruments	3	1	-
Participations	24	47	188
Liquid assets	25	384	194
Total current assets		780	774
TOTAL ASSETS		32,437	31,213
EQUITY AND LIABILITIES			
EQUITY			
	26		
Share capital		170	172
Other capital contributed		359	357
Other reserves		-12	-3
Profit brought forward		12,323	11,367
Total equity		12,840	11,893
NON-CURRENT LIABILITIES			
Provisions for deferred tax	27	2,014	2,006
Other provisions	28	30	28
Liabilities to credit institutions	3	1,064	1,490
Financial derivative instruments	3	236	492
Other liabilities		40	63
Total non-current liabilities		3,384	4,079
CURRENT LIABILITIES			
Liabilities to credit institutions	3	15,640	14,552
Financial derivative instruments	3	12	9
Accounts payable	3	179	182
Other liabilities	3	37	180
Accrued expenses and prepaid income	29	345	318
Total current liabilities		16,213	15,241
TOTAL EQUITY AND LIABILITIES		32,437	31,213
PLEGGED ASSETS	30	17,900	16,986
CONTINGENT LIABILITIES	31	2	6

COMMENTS TO 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. 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 and reconstruction phases. During the year the property holding changed as follows:

	Book value, SEK million	Sq m
Property holding January 1, 2013	27,680	1,161,075
Acquisitions	1,215	30,002
Construction	1,374	16,878
Sales	-1,825	-104,405
Unrealized change in value, net	605	-
Property holding Dec 31, 2013	29,049	1,103,550

During the year a total of SEK 2,589 million (1,810) was invested in properties, of which acquisitions amounted to SEK 1,215 million (617), while investments in new construction and conversions totalled SEK 1,374 million (1,193). Wallenstam determines property value through internal evaluations based on the cash flow model with an individual assessment of each property. The assessment considers future earnings potential on the one hand and required market rates of return on the other. 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. Rate of return valuations are made based on living area and commercial premises' floor space, with different rates of return required for the respective lettable area. Analyses and comparisons are made with current price statistics for similar objects. Wallenstam carries out a signif-

icant 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 with planning permission are valued at market value.

Wind turbines

Wind turbines and hydro stations are reported at cost less accumulated depreciation and any impairment charges. Depreciation is made according to plan over the equipment's useful life, estimated at 25 years. During the year a total of SEK 337 million (615) was invested. Closing value after depreciations and impairment charges amounted to SEK 1,982 million (1,906). Wallenstam has a total of 67 wind turbines and three hydro stations which have a total combined installed output of 118 MW and a demand of 113 MW. During 2013 281.5 GWh were generated.

EQUITY AND LIABILITIES

Net asset value

Shareholders' equity amounted to SEK 12,840 million (11,893), equivalent to SEK 76 per share (70). The equity/assets ratio stands at 40 per cent (38). Shareholders' equity was influenced by comprehensive income, dividends and buy-backs. Net asset value, which describes the Group's total value and includes equity and deferred tax liability, is estimated at SEK 95 per share (88). Adjustments to equity with additions for a deferred tax liability are made to better reflect the net asset value as the effective tax rate is significantly lower than the nominal rate. The deferred tax liability refers mainly to differences between reported values and fiscal residual values in Group properties.

SEK/share	2013	2012
Equity	76	70
Deferred tax liability	19	18
Net asset value per share	95	88

Liabilities to credit institutions and financial derivative instruments

Wallenstam's loan portfolio amounts to SEK 16,704 million (16,042). The loans are secured chiefly against traditional mortgage deeds in properties and collateral security in wind turbines. The loan-to-value ratio is 51 per cent (52). The loan portfolio increased mainly due to property acquisitions and more new construction and reconstruction projects; Of the loan portfolio, 49 per cent (46) of the loans have fixed terms longer than one year. The average remaining fixed-interest term is 38 months (34). The average effective interest rate on closing day was 3.11 per cent (3.51). Of interest bearing liabilities, loans with capital tied up for long terms are calculated to be in the region of 6 per cent (9) of the total portfolio.

Wallenstam uses interest rate derivatives, which is a versatile and cost-effective way to extend credits with short fixed interest terms to obtain the desired interest maturity structure. If the contractual price differs from the market price of derivatives, the difference in value is reported in the income statement. This does not affect Wallenstam's interest expenses but makes their reporting more volatile as the difference to the market value influences reporting on an ongoing basis. During the year, value growth for opening interest rate derivatives contracts was positive, primarily as a result of rising long-term interest rates, which affected the year's earnings positively by SEK 328 million (-72) and provided a net closing liability for the year of SEK 172 million (498) including electricity derivatives.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

— Attributable to the parent company's shareholders —

SEK million	Note 26	Share-Other capital equity contributed	Other reserves	Profit brought forward	Minority interests	Total equity	
OPENING EQUITY 01/01/2012		115	357	-6	9,829	-	10,295
Profit for the year		-	-	-	1,927	-	1,927
Other comprehensive income							
<i>Items that may be transferred to profit/loss for the period</i>							
Translation difference		-	-	2	-	-	2
Change in value of derivative instruments reported as hedges		-	-	2	-	-	2
Tax attributable to other comprehensive income		-	-	-1	-	-	-1
Transactions with shareholders							
Dividends to shareholders		-	-	-	-206	-	-206
Displacement of equity		-	-	-	-3	3	-
Increase in equity (bonus issue)		57	-	-	-57	-	-
Repurchase/sale of own shares (incl. expenses)		-	-	-	-126	-	-126
Closing equity 31/12/2012		172	357	-3	11,364	3	11,893
OPENING EQUITY 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 transferred to profit/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	-	-	-	-
Increase in equity (bonus issue)		-	-	-	-	-	-
Repurchase/sale of own shares (incl. expenses)		-	-	-	-108	-	-108
Closing equity 31/12/2013		170	359	-12	12,321	2	12,840

CLASSIFICATION OF EQUITY

Share capital

The item Share capital includes the registered share capital for 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 includes the total amount from the transactions Wallenstam AB has had with the shareholder circle. The transactions that took place were 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 in their entirety of changes in the value of financial derivative instruments reported as hedges and 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 12,840 million (11,893) at year end. Return on equity totalled 11 per cent (18). The Group's financial strategy is based on the creation of satisfactory financial conditions for operations and development. At the end of 2013 the equity/assets ratio was 40 per cent (38).

Wallenstam's basic principle prescribes that reported profit in the first instance be re-invested 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 of SEK 2.00 per share (1.25) for 2013. Calculated on 168,800,000 outstanding shares the proposed dividend amounts to approximately SEK 338 million. Wallenstam is implementing share repurchasing as a means to modify the company's capital structure. No changes to the Group's principles for capital management took place during the year.

CONSOLIDATED STATEMENT OF CASH FLOW

SEK million	Note	2013	2012
Cash flow from operating activities	32		
Operating profit		1,430	2,205
Change in value of investment properties		-703	-1,406
Earnings from the sale of wind farm projects and co-op shares		-7	-18
Other non-cash flow influencing items		253	162
Interest payments and interest subsidies received		40	50
Interest paid		-508	-561
Taxes paid		-2	-1
Cash flow before change in working capital		503	431
Change in working capital			
Current receivables		114	-308
Current liabilities		-107	153
Change in working capital		7	-155
Cash flow from operating activities		510	276
Cash flow from investing activities			
Acquisition of properties		-1,215	-517
Investments, buildings		-1,386	-1,193
Acquisition of fixtures and fittings, wind turbines and immaterial assets		-299	-565
Investment, financial fixed assets		-12	-167
Divestments of properties, plant and equipment		1,973	1,803
Cash flow from investing activities		-939	-639
Cash flow from financing activities			
Change in non-current liabilities		616	773
Dividend paid		-212	-206
Repurchase of own shares		-108	-126
Payment received for financial assets		323	30
Cash flow from financing activities		619	471
Changes to liquid assets			
Liquid assets at beginning of year		194	86
Cash flow for the year		190	108
Liquid assets at year end		384	194
Unutilized credit at year end		400	400
Available liquid assets		784	594

ACCOUNTING PRINCIPLES AND NOTES, CONSOLIDATED ACCOUNTS

NOTE 1. Accounting principles

GENERAL INFORMATION

Wallenstam AB (publ) is a Swedish public limited company with its registered office in Gothenburg. The Wallenstam share is listed on the NASDAQ OMX 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 annual reports for Wallenstam AB (publ) for the financial year ending December 31, 2013 were approved by the Board of Directors and the Managing Director on March 7, 2014. The reports will be presented to the Annual General Meeting (AGM) on April 29, 2014 for approval.

BASIS FOR THE ANNUAL REPORT

The consolidated financial statements have been prepared in accordance with EU-approved International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations valid on December 31, 2013. In addition, the Group applies Swedish Financial Reporting Board 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 accounts, on page 98.

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

The accounting principles described below for the Group have been applied consistently throughout the periods presented in the consolidated financial statements, unless otherwise indicated. 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 accounting currency is the Swedish krona (SEK). All amounts are in millions of Swedish crowns (SEK million) unless otherwise indicated.

The consolidated financial statements 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.

Estimations made by company management when applying IFRS that can have a significant impact on the financial statements and estimations that can entail significant adjustments to the following year's financial statements are described in more detail below.

Changed accounting principles

No new or changed IFRSs for application from January 1, 2013 have had any significant impact on the consolidated financial statements. For information on new standards, refer to the final paragraph of accounting principles.

ESTIMATIONS AND ASSESSMENTS

In order to prepare the report in accordance with IFRS and good accounting practice, company management must make various assumptions, estimations and assessments that affect assets and liabilities, revenues and expenses, contingent assets and liabilities and other information reported in the accounts. These estimations and assessments are based on historical experience and expectations about future events that are considered reasonable under the prevailing circumstances. By their very nature, actual outcomes may differ from these estimations and assessments if other assumptions are made or other conditions exist or arise. Changes in estimations 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 when the changes affect both current and future periods.

Investment properties

Estimations may have a significant impact on the Group's earnings and position, especially 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. Estimations made affect the carrying amount of the item 'Investment properties' in the balance sheet, and the item 'Changes in value in investment properties' reported in the income statement. When a transaction is completed a cross-check is made of the assumptions concerned. Wallenstam also monitors relevant completed property transactions.

Wallenstam carries out quarterly valuations of its entire property holding. In order to reflect the uncertainty of assumptions, estimations and assessments made, a so-called valuation range of plus/minus 5 to 10 per cent is specified. Information on uncertainties for significant assumptions and estimations made in the internal valuation are shown in Note 16.

Asset acquisition versus business combination

Acquisitions may either be classified as business combinations or asset acquisitions. It 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 discounts reduce the property's 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. All transactions for the year were considered to be asset acquisitions.

Wind power and hydroelectric plants

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 based on 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 its anticipated exchange rate trend is included. The useful life of a wind turbine is estimated to be 25 years, which forms the basis for the investment calculation. Assumptions made in regard to testing impairment losses including the associated sensitivity analysis are described in Note 17.

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. In Wallenstam there are mainly three items where temporary differences occur that constitute the basis for reporting deferred tax – properties, changes in value of derivative instruments and loss carryforwards. When valuing loss carryforwards an assessment is made of the probability of the loss's being used in the future. Confirmed losses that can be used against future gains with a high degree of security form the basis for calculating deferred tax assets. Wallenstam is of the opinion, considering current tax regulations, that all Swedish loss deductions can be used against future gains. Refer also to Note 27, Deferred tax

Other items

Other items that include critical estimations are e.g. 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 preparation 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 flow in.

NOTE 1. Accounting principles, 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 involves the right to determine a subsidiary's financial and operational strategies with the purpose of obtaining economic benefits. 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 based on accounting information prepared for all subsidiaries as of December 31, 2013. Thus consolidated equity 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 transactions 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 to the closing date's foreign exchange rate (current rate method) except for equity, which is translated at the historical acquisition rate of exchange. 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. Currency profits/losses related to operations are reported under operating income and operating expenses respectively. Financial currency profits/losses are reported as financial income and expenses.

The proportion of equity attributable to owners with holdings without a controlling influence (previously designated minority holdings) is reported as a special item within equity separate from the parent company's owners' equity. In addition special disclosure is made regarding its share of profit/loss for the period.

Participations in subsidiaries

A company is reported as an associated company when Wallenstam holds at least 20 per cent of the votes and max 50 per cent, or 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

Operational segments are reported in a manner that corresponds to the internal reporting to the highest executive decision maker, Wallenstam's MD. Operations are run and followed-up in the Group's three reporting segments, i.e. business areas; properties in the Gothenburg region, properties in the Stockholm region and renewable energy through NaturEnergi. Reporting principles applicable in segment reporting, Note 4, correspond in all material respects to accounting principles, consolidated accounts, and classification and presentation of the income statement in accordance with the distribution of profits on page 29.

Statement of cash flows

The statement of cash flows shows changes in cash and cash equivalents and the Group's disposable liquidity 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 operational segments:

- Day-to-day operations: Revenues and expenses included in operating profit/loss, interest received and paid, tax paid and change in working capital.
- Investment activities: Acquisition of assets and other types of investments.
- Financing activities: Loans raised and amortized, dividends paid, the repurchase of shares and any new share issues.

Classification

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

INCOME STATEMENT ITEMS

Income

Income is measured at the fair value of what was received or will be received. The Group reports revenue when the amount can be measured in a reliable manner and it is probable that future economic benefits will flow to the Group.

Rental income

Rental agreements attributable to Wallenstam's investment properties are considered operational leases according to IAS 17. Income includes the fair value of what will be received in the Group's day-to-day operations. Reported incomes refer mainly to rental income. In applicable cases, 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 announced in advance, allocated 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 reconstructions and/or in connection with taking possession, are reported in the period they concern. Compensation in connection with the premature cancellation of rental agreements is recognized as income if no obligations toward the tenant remain.

Changes in value of investment property including revenues from property sales

Changes in value of investment property include both unrealized and realized changes in value. Realized changes in value refers to gains or losses from the sale of properties, while unrealized changes in value refer to other changes in value.

Realized profit or loss, i.e. profit/loss from property sales, is reported from the day of surrendering possession provided this does not contradict specific conditions in the contract of sale. This also applies to the sale of properties via companies. In the case of property sales via companies, the transaction is reported as gross income in respect of the property price and deferred tax. Gains or losses from the sale of property consist of the difference between the contracted selling price (less selling expenses and investments incurred up until the day of surrendering possession) and the estimated market value reported at the latest year end. This in connection with a sale, gains or losses in the change in value previously reported during the year as unrealized, are reported as realized.

Investment property is appraised on a continuous basis in accordance with IAS 40 at an estimated fair value. This valuation takes place in connection with every interim report. The difference between the valuation on closing date and the valuation at the previous year end is reported as and unrealized change in value in the income statement. Properties that are contracted for sale with occupation after the closing date are evaluated at sales price on the reporting date with due consideration for any remaining uncertainty.

Other operating income

Income from activities outside the Group's principal property operations is reported under Other income. Other operating income is recognized at the time of delivery. Such income comprises chiefly income from the sale of individual shares in housing cooperatives, revenue from the sale of electricity and renewable energy certificates to external customers, the revaluation of such certificates and income from the sale of fixtures and fittings. The profit/loss from the sale of individual shares in housing cooperatives is reported when the risks and benefits associated with ownership are transferred to the buyer, which usually takes place in conjunction with the day of taking possession.

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

NOTE 1. Accounting principles, cont.

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

Financial income

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

Expenses

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, depreciations for fixtures and fittings and expenses for the employees' synthetic options scheme. 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. 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 options are valued according to Black & Scholes and reported as an expense in the income statement from the date when an obligation pertains in relation to contractual conditions. For further information and conditions regarding personnel-related commitments, see below under Employee benefits and Note 7.

Other operating expenses

Acquisition expenses for the sale of individual shares in housing cooperatives, the reported value of fixtures and fittings sold and expenses for electricity sold including renewable energy certificates are reported under Other operating expenses. There is an obligation to deliver renewable energy certificates to the competent authority in the country concerned in connection with electricity sales. This commitment is reported as an expense and a liability where the expense corresponds to the latest reported value according to the revaluation method for intellectual property rights.

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 activated 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 for the period they concern. Net financial income/expense is not affected by market valuations of concluded interest rate derivative contracts, but are instead reported as changes in value under their own heading.

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

Change in value of derivative instruments

Wallenstam uses interest rate derivatives to achieve a desired interest maturity structure. If the agreed interest rate deviates from the market interest rate, a theoretical surplus or deficit value will arise on the interest rate derivatives. The difference in value that arises and 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 in relation to the price attached at redemption. Unrealized changes in value refer to the change in value that occurs on Wallenstam's interest rate derivative contracts from 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 in the 'Changes in the value of investment properties' row. 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 all temporary differences that occur between the reported and taxable values of assets and liabilities. The amounts are calculated based on how the temporary differences are expected to be realized and by applying tax rates and regulations adopted or announced by the closing date. However, the 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 the 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 tax 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 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.

Leasing contracts

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

Site leasehold agreements must also be considered operational leasing contracts from an accounting standpoint. Site leasehold rents are reported as expenses for the period they concern.

There are also a small number of minor leasing contracts in which Wallenstam is the lessee. These leasing contracts are also operational leasing contracts and refer primarily to copy machines, company cars and similar. Payments made during the leasing period are expensed on a straight-line basis in the income statement over the leasing period.

ASSETS

Property, plant and equipment

Property, plant and equipment is reported at cost less accumulated depreciation and impairment losses incurred, except in the case of investment property which is reported at fair value in accordance with IAS 40. Depreciation is carried out on a straight-line basis over the period of use. Assets covered by impairment tests as described in IAS 36 are Intangible assets, Wind turbines and Fixtures and fittings. When there are indications that an asset has fallen in value, an evaluation of the asset's reported value is made. In cases where the reported value 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 when the conditions for an impairment loss no longer exist. The reverse is made up at maximum to the asset's cost less estimated depreciation according to plan up until closing date. Reverses 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 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

NOTE 1. Accounting principles, cont.

to the estimated market value and is determined by an internal valuation model described in more detail in Note 16, 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 under revenues, changes in value from the valuation of investment properties are reported at fair value in the income statement and consist of both unrealized and realized changes in value.

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 of the the closing date are evaluated at sales price on the reporting date with due consideration for any uncertainty.

All of Wallenstam's properties are classified as investment properties. 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 and reconstruction phases. During the construction phase of new production, fair value is considered to correspond to the Group's investment on the closing date concerned. Estimated market values for recently finished new investment properties are initially charged with a risk supplement to the required rate of return of 0.25 percentage points (previous years 0.50) 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 (max 12 months) when actual conditions are known the required rate of return is tested anew. In the case of conversions, estimation is made of the fair value, which usually consists of 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 reconstructions, interest expenses are activated 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, estimations and assessments about future cash flows and the determination of required rates of return for each individual property. As described above under 'Estimations and assessments' valuations are only forecasts and actual outcomes may differ from assessments made as it is only when settlement is received following a sale that the value of a property can be determined with certainty. In order to reflect the uncertainty of assumptions and estimations made, a so-called valuation range of plus/minus 5 to 10 per cent is specified. Information about uncertainties, the estimations made during the internal valuation, the valuation model and sensitivity analysis are described in Note 16,

Wind power and hydroelectric plants

Wind turbines and hydro 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. The useful life of a wind turbine, the depreciation method and residual value are assessed on an ongoing basis according to the principles described above under 'Estimations and assessments'. Depreciation regarding wind power and hydroelectric plants are included in the income statement item Other operating expenses.

Equipment

Equipment is reported at cost less accumulated depreciation and any impairment losses. Depreciation of the cost is made according to plan over the equipment's useful life. Depreciation is 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. Depreciations are included in the income statement item Management costs and administration expenses.

Intangible assets

Expenditures for software developed and adapted for the Group, are reported as intangible assets if they 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 an asset, the depreciation method and residual value are assessed on a continuous basis. Depreciations are 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 valued at fair value in the income statement.
- Loan receivables and accounts receivable.
- Investments held until maturity
- Financial assets available for sale
- Financial liabilities measured at accrued cost

The classification is dependent 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 via the income statement, 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. Accounts receivable are entered in the balance sheet as invoices are sent. A liability is entered 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 extinguished in any other way. Financial assets and financial liabilities are offset and reported as a net amount in the balance sheet only when there exists a legal right to offset the amounts and there is an intention to settle the items with a net amount or to simultaneously realize the asset and settle the liability. Wallenstam reports its financial contracts at gross value for financial instruments such as interest rate swaps and forward exchange-rate contracts as there exist no legally binding agreements on netting. Wallenstam has not identified any embedded derivatives that can 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 though 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 2013 was around seven months. Wallenstam has a diversified property holding with approximately equal proportions of housing and commercial space. This, combined with the company's development over time, which has been stable, means no immediate substantial changes to the 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 an impairment. When there is a requirement to recognize an impairment the size of the reserve is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted with the original effective interest rate.

Financial assets and financial liabilities valued at fair value in the income statement

This category consists of two sub-groups: financial assets and financial liabilities that are held for trading purposes, 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 being held for trading purposes if they are not identified as hedges. Financial assets and liabilities in this category are valued on an ongoing basis at fair value with changes in value reported in the income statement. This category includes primarily interest derivatives, electricity derivatives and forward exchange rate contracts.

Derivative instruments are reported in the balance sheet on the date of contract at fair value, both initially and at subsequent valuations. The Group uses derivative financial instruments in order to reduce interest rate risks. Borrowing at variable interest rates is switched to fixed rate loans through interest swap contracts. The Group reports interest derivatives

NOTE 1. Accounting principles, cont.

as financial instruments at fair value via the income statement. Electricity derivatives, forward exchange rate contracts used for electricity trading and renewable energy certificates are reported in the same way. To a very limited extent, Wallenstam also works with forward exchange rate contracts, which are identified as hedges according to IAS 39, to safeguard investments in wind turbines. The effective portion of changes in value in the forward exchange rate is reported in other comprehensive income and the ineffective portion in financial income or expenses.

Loans and accounts receivable

This category includes rents and accounts receivable, cash and cash equivalents, loan receivables and other receivables. These are valued at accrued cost. Accrued cost is determined based on the effective rate of interest calculated at the time of acquisition. The anticipated duration of accounts receivable is short, for which reason they are reported at nominal amounts without discounts. Accounts and loans receivable are reported in the amounts at which they are expected to flow in, i.e. less doubtful receivables. Cash and bank balances are reported at nominal value.

Investments held until maturity

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

Financial assets available for sale

Financial assets available for sale comprise non-derivative assets that are available for sale. Valuation is initially at fair value, usually cost. Changes in value are reported in the income statement.

The value of investments in listed shares is calculated by using quoted market prices. Adjustment to the fair value of these instruments is reported in other comprehensive income and in the balance sheet as holdings of non-current securities.

Financial liabilities reported at accrued cost

Loans from credit institutions and suppliers and other liabilities are measured at accrued cost. Wallenstam's liabilities consist primarily of liabilities to credit institutions and operating liabilities such as trade accounts payable. Liabilities with a duration of more than 12 months are reported as non-current, others as current. The majority of Wallenstam's liabilities have shorter capital tied up times than 12 months and are reported as non-current. Overdraft facilities refer to loans under current liabilities. Loans are entered in Swedish kronor and reported in the balance sheet on settlement day at cost. Where applicable, liabilities in foreign currencies consist primarily of payments to wind turbine suppliers. Currency risk in these payments is eliminated through forward exchange agreements; refer to 'Financial assets and financial liabilities valued at fair value in the income statement' above.

Current assets

Assets whose remaining holding period is less than 12 months are reported as current assets.

Intangible current assets

Intangible current assets consist of renewable energy certificates, which according to IAS 38, are initially reported at cost. Following an intangible current asset's initial recognition it must be reported on an ongoing basis at a re-estimated value equivalent to fair value at the time of revaluation.

In its capacity as a generator of electricity from renewable energy sources, Wallenstam receives renewable energy certificates from Svenska Kraftnät. 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 revalued at market value at the closing day spot price. The price is set through bids from market players via Svensk Kraftmäklings (Swedish Energy Broking). Purchased certificates are initially reported at cost and are then revalued quarterly. Wallenstam's power generation produces a surplus of renewable energy certificates. Renewable energy certificates created are reported as income under Other income. There is an obligation to deliver renewable energy certificates to the competent authority in the country concerned in connection with electricity sales. This commitment is reported as an expense and a liability. The expense per certificate represents the latest reported value as determined by the revaluation method for intellectual property rights.

Accounts receivable and other receivables

Accounts receivable consist chiefly of rent receivables and accounts receivable in respect of the sale of electricity. Other receivables consist principally of promissory notes related to property transactions. For further information, refer to Financial instruments above.

Participations

Reported participations consist of shares in housing cooperatives. These have been valued according to the lowest value principle, i.e. cost or fair value, whichever is the lower. Fair value comprises estimated sales value less deductions for calculated selling expenses. When housing cooperative units are sold, the income is reported as other income and the sold unit's book value under other expenses.

Liquid assets

Wallenstam's liquid assets consist of cash and bank balances and current investments with durations shorter 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 is equivalent 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 earnings 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 adopted by the AGM.

Liabilities and financial liabilities

A liability is entered 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 extinguished in some other way. The classification determines the valuation of the liability, i.e. of the liability is measured at fair value or at accrued cost. Financial liabilities are classified as follows:

- Financial liabilities are measured at fair value via the income statement. Group derivatives with negative fair value for which hedge accounting is not applied are reported here. Their fair value has been set to level 2 according to IFRS 7. Changes to fair value are reported in earnings for the year.
- Other financial liabilities, loans from credit institutions and suppliers and other liabilities are measured at accrued cost. The majority of Wallenstam's liabilities have shorter capital tied up times than 12 months and are reported as non-current.

For further information, refer to Financial instruments above.

Provisions

Provisions are reported when the Group has an existing legal or informal obligation as a result of prior events where it is more probable than not that an outflow of resources to settle the commitment will be required and a reliable estimate of the amount can be made. The amount that is anticipated as necessary 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 conversions in sold properties and where appropriate estimated amounts for risks in disputes.

Provision for deferred tax

A provision for deferred tax is calculated in accordance with the balance sheet method on all temporary differences that occur between the reported and taxable values of assets and liabilities. Deferred tax assets and deferred 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 taxable value of properties

NOTE 1. Accounting principles, cont.

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. Wallenstam has reported all properties acquired during the year indirectly through companies as asset acquisitions.

Deferred tax assets concerning deductible temporary differences and tax-loss carryforwards are reported 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 regarding the Group's losses and 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).

Remuneration to employees

Remuneration to employees is reported as and when said employees have performed services in exchange for the remuneration.

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-benefits 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 fixed premiums but which is instead based on the size of the pension benefit 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 to defined contribution plans are reported as a consolidated expense as they are earned.

Wallenstam's pension commitments for retirement and family pensions in respect of white-collar staff are, in accordance with the national pension scheme, secured through insurance with Alecta. According to the Swedish Financial Reporting Board, UFR 3, this is a defined-benefits plan covering several employers. Alecta has not had access to information to enable Wallenstam to report this plan as a defined-benefit plan for the 2013 financial year. The ITP pension plan, which is secured through an insurance policy from Alecta, is therefore reported as a defined benefit plan in accordance with UFR 6. The contributions are recognized as personnel expenses as they are earned. There is nothing which indicates any substantial commitments in excess of what has been paid to Alecta.

Share-related remuneration

Share-related remuneration is reported according to IFRS 2. During 2013 a synthetic options scheme aimed at personnel was concluded and a new scheme with similar basic conditions was begun. The concluded scheme is settled and has been fully taken up as income. Synthetic options to employees are valued according to Black & Scholes' valuation model on the closing date. Important closing date input data per share in the model for the programme begun during the autumn of 2013 was: Share price SEK 97.25, exercise price SEK 105 with a ceiling of SEK 160, anticipated share price volatility 22 per cent, option duration midnight 31/05/2019, anticipated dividend SEK 1.50 and an annual risk-free interest rate of 2.0 per cent. Volatility is calculated as the estimated future volatility for the remainder of the options' duration. Changes in value are reported under management costs and administration expenses. Tax on initially identified assessed benefit values are reported when the option is signed. Refer also to Note 7 for further details.

Compensation for termination

A provision is reported in connection with the termination of personnel only where the company is obliged to terminate employment before the normal date or when compensation is offered as an incentive for voluntary retirement. 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.

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 changed standards applied by the Group

None of the IFRS or IFRIC interpretations that are obligatory for the financial year that commenced on January 1, 2013 has had any significant impact on the Group's profit/loss and position.

An update made to IAS 1 has affected the presentation of other comprehensive income, which will now be split into two categories. The minor change to IFRS 7 Financial Instruments has given rise to new disclosure requirements but does not have any effect on financial statements in other regards. Moreover, while reporting of defined benefits pensions as per IAS 19 has changed, it will have no significant impact as defined-benefits ITP policies at Wallenstam are reported as defined contribution policies owing to insufficient information from Alecta. IFRS 13 Fair Value Measurement is a new framework for items that are measured at fair value. The Group measures investment property, certificates and derivatives at fair value. The recommendation has had no effect on valuations or thus accounts, but has given rise to increased supplementary information.

New Standards

Future standards, changes and interpretations of existing standards that have not yet come into force have not been applied in advance by the Group. The following changes are considered to affect Wallenstam Group accounts:

The EU has decided on a number of new standards that must be applied at the latest by the financial year beginning January 1, 2014.

- IFRS 10 Consolidated Financial Statements replaces the parts of IAS 27 that concern rules for consolidated financial statements.
- IFRS 11 Joint Arrangements replaces IAS 31 Interests in Joint Ventures.
- IFRS 12 Disclosure of Interests in Other Entities formulates new disclosure requirements, regardless of whether the company is consolidated or not.

As a result of these recommendations, adjustments have been made to IAS 27 Consolidated and Separate Financial Statements and IAS 28 Investments in Associates. Additionally, there are changes to IAS 32 Financial Instruments as regards classification where a clarification is made in the 'Guidance to Application' section regarding the offsetting of financial assets and financial liabilities. In addition, IAS 36 has been updated with regard to disclosure requirements as a result of the implementation of IFRS 13.

There are currently no new standards set by the EU for application to financial years that commence no later than January 1, 2015.

None of the IFRS or IFRIC interpretations that are obligatory for the financial years that commence on January 1, 2014 and January 1, 2015 are expected to have any significant impact on the Group's profit/loss and position. The introduction of these new standards will entail a somewhat more extensive disclosure requirement.

The above new and amended standards and interpretations have not yet been applied by the Group.

IASB has also issued the following standards, interpretations and amendments not yet adopted by the EU:

- Interpretation IFRIC 21 Levies (for application from January 1, 2014 or later).
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions and annual improvements to IFRSs cycle 2010–2012 and cycle 2011–2013 (for application from July 1, 2014).
- IFRS 9 Financial Instruments (2009 and 2011) (for application from January 1, 2015 or later).

IFRIC 21 Levies is not anticipated to have any effect on the Group's full-year earnings, but may affect the Group's interim reports in 2014 insofar as capital employed increases, which may affect key ratios. The effect of the interpretation is also estimated to be marginal regarding quarterly accounts.

NOTE 2. Financial risks

FINANCIAL RISK FACTORS

Wallenstam's financial operations are centralized to the parent company's finance department and acts as an internal bank with responsibility for borrowing, cash management and financial component risk management. Wallenstam strives to achieve balance between 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, refinancing and liquidity risks. 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.

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 to the company with 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. Cash and cash equivalents are defined as non-current investments and unutilized credits. The Group's liquidity risk is limited by holding liquidity corresponding to at least three months of known net payments, including interest payments and renewals of loans, at any given time.

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 financial income/expense within a given risk framework. The Group has a long-term collaboration 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. Individual lenders may not have more than 50 per cent of the total loan volumes. 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 amortization. Because no borrowing takes place in foreign currency the Group is not exposed to any significant currency risk.

The interest-bearing liabilities, which consist largely of conventional bank loans combined with interest derivatives, amount to SEK 16,704 million (16,042) of which SEK 1,064 million (1,490) is long term. The short-term component includes a commercial paper programme with the framework of SEK 2 billion. Closing liabilities as of 31/12/2013 amounted to SEK 1,379 million (488). In order to optimize loan portfolio conditions, the Group's borrowing is made chiefly with sureties from the parent company. We have mainly conventional loans secured against mortgages. The financing of wind farms is secured through the transfer of leases and the pledging of shares in wind-power companies. No sureties are pledged for the commercial paper programme.

The average remaining fixed-interest term is 38 months (34) and the average remaining term for capital tied up is 7 months (10). As of closing date the average interest rate amounted to 3.11 per cent (3.51). The average effective interest rate for the financial year was 3.34 per cent (3.79). The loan-to-value ratio was 51 per cent (52).

As of 31/12/2013, the Group had non-current unutilized loan commitments of SEK 1,725 million (495) in the form of credit for construction and similarly unutilized overdraft facilities totalling SEK 400 million (400).

Loan agreement maturity profiles

	31/12/2013		31/12/2012	
	Amount, SEK million	Particip. %	Amount, SEK million	Particip. %
0-3 mo.	5,467	33	3,165	20
3 mo-1 yr	10,172	60	11,387	71
1-2 yrs	454	3	817	5
2-3 yrs	390	2	157	1
3-4 yrs	-	-	185	1
4-5 yrs	-	-	-	-
5-6 yrs	105	1	-	-
6-7 yrs	-	-	112	1
> 7 yrs	116	1	219	1
	16,704	100	16,042	100

In addition to the above there are other liabilities that also include trade accounts payable, which usually have a maturity of 30 days, and interest derivatives with a negative value of SEK 158 million (481).

INTEREST RATE RISK

Interest rate risks refer to how changes in interest rates will affect the Group's net financial income/expense and the value of financial instruments as market rates change. Wallenstam's loan portfolio consists of loans of different durations from different creditors. 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 a stable interest expense development. Based on its finance policy, Wallenstam works with fixed-interest terms to achieve good average interest rates.

The Group's average fixed-term loans must fall within the 24-48 month range. The fixed portion of the loan portfolio mainly covers a ten-year period with a well-balanced, even distribution. The Board of Directors may decide on longer time periods. The Group aims for an even distribution of loan conversions during the year.

Interest derivatives are used to spread risk and with the aim of protecting the underlying portfolio. Financial instruments, chiefly interest rate swaps, are used in order to limit interest risks in the loan portfolio and to enable flexible influence over the average duration of fixed term loans 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 structure. 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 valued at fair value in the income statement. Consequently, hedge accounting according to IAS 39 is not applied in the interest portfolio.

The average duration of fixed-term loans is 38 months (34). With the distribution of fixed-term loans existing at the beginning of 2014 a change in the interest rate of one percentage point at the beginning of the year would affect Wallenstam's interest costs by around SEK 61 million (57), which is equivalent to around 15 per cent (15) of Wallenstam's cash flow from operating activities before changes in working capital.

Interest maturity profile

	31/12/2013		31/12/2012	
	Amount, SEK million	Average interest, %	Amount, SEK million	Average interest, %
0-3 mo.	7,177	3.50	* 6,235	4.25*
3 mo-1 yr	1,292	2.71	2,385	2.70
1-2 yrs	980	2.07	1,372	3.32
2-3 yrs	850	3.56	550	3.69
3-4 yrs	600	3.02	950	3.58
4-5 yrs	500	2.99	620	3.03
5-6 yrs	530	3.05	400	2.98
6-7 yrs	800	2.98	530	3.05
7-8 yrs	1,000	3.26	700	3.08
8-9 yrs	1,400	2.53	1,000	3.26
> 9 yrs	1,575	2.69	1,300	2.48
	16,704	3.11	16,042	3.51

* Loans with an interest maturity within three months have an average interest of 2.16% (2.61). 3.50% (4.25) includes the effect of swap agreements and fixed rate loans that fall due within a three month period.

NOTE 2. Financial risks, cont.

Weighted average effective interest rates on loans taking into account derivatives accounted for as hedging instruments amounted to:

	31/12/2013	31/12/2012
Weighted average effective interest rates on loans taking into account derivatives accounted for as hedging instruments amounted to:	3.34 %	3.79 %
Loans, overdraft facilities	2.10 %	3.00 %

Interest on liabilities to credit institutions is calculated to be in the region of SEK 546 million (560) for 2014.

CREDIT RISK

Wallenstam's credit risks concern primarily rental receivables and reverse receivables. Credit risk is the risk of loss if the Group's counterparties do not fulfil their contractual obligations, and any securities do not cover the Group's receivables. The goal is to minimize credit risk through rents in advance and by making credit transactions primarily with major financing institutions. Credit risk can mainly be attributed to outstanding rent and accounts receivable, promissory notes, cash and cash equivalents and financial derivative agreements.

Losses from rents receivable, accounts receivable 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 enjoy documented abilities to pay. To limit risks, Group customers and their financial positions are subjected to credit checks e.g. through the collection of information from credit reporting agencies.

In cases where a counterparty's ability to pay is considered uncertain, Wallenstam, in accordance with its credit policy, 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 8 per cent of Wallenstam's assessed full-year value. The table below shows rental agreement durations and the size of commercial tenancy contracts together with housing as a proportion of total contracts, and the significance of revenue.

Rental contract durations

	Number of contracts	SEK million, assessed full-year value	Total, %
2014	659	109,855	7
2015	485	197,456	12
2016	363	201,512	12
2017	271	145,867	9
2018–	108	161,034	11
Total commercial premises	1,886	815,724	51
Vacant objects	479	52,791	2
Residential and parking	14,373	782,343	47
Total	16,738	1,650,858	100

Rental contract sizes

	Number of contracts	SEK million, assessed full-year value	Total, %
above SEK 5 million	18	152,082	9
SEK 4.0–5.0 million	12	53,862	3
SEK 3.0–4.0 million	18	61,602	4
SEK 2.0–3.0 million	36	89,625	6
SEK 1.0–2.0 million	116	161,072	10
SEK 0.5–1.0 million	203	141,151	9
under SEK 0.5 million	1,483	156,330	10
Total commercial premises	1,886	815,724	51
Vacant objects	479	52,791	2
Residential and parking	14,373	782,343	47
Total	16,738	1,650,858	100

OTHER FINANCIAL RISKS

ELECTRICITY PRICE RISK

Electricity prices have an impact on the operation's earnings. Because 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. In order to protect the business and reduce the impact of market fluctuations the Group makes use of forward financial agreements 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 period of maximum five years ahead. Renewable energy certificates sales are also hedged by means of forward agreements 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 foreign 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 revaluations 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. In order 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. They report financial position in local currency which is translated to Swedish crowns, which gives rise to a translation difference when assets and liabilities are translated at the closing date's 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 under the provisions of IAS 39.

	31/12/2013		31/12/2012	
	Assets	Liabilities	Assets	Liabilities
Non-current derivative instruments				
Interest swap contracts – cash flow hedges	75	229	2	490
Electricity derivatives & forward exchange rate contracts – cash flow hedges	-	7	-	-
Current derivative instruments				
Interest swap contracts – cash flow hedges	1	4	-	7
Electricity derivatives & forward exchange rate contracts – cash flow hedges	-	8	-	4
Total derivative instruments	76	247	2	501

Maturity profile, financial derivative instruments

	31/12/2013		31/12/2012	
	Cash flow hedge		Cash flow hedge	
0–3 mo.	-3		-2	
3 mo.–1 yr	-7		-9	
1–5 yrs	-110		-170	
> 5 yrs	-52		-318	
Total	-172		-499	

NOTE 2. Financial risks, cont.

The total change in cash flow hedge value during the year amounted to SEK 328 million (-72). All cash flow hedges in respect of interest swap contracts and electricity derivatives are measured at fair value and reported in the income statement. The effective portion of forward exchange rate contracts totalling SEK 0 million (2) treated as hedge accounting in accordance with IAS 39 is reported in other comprehensive income, which amounted to SEK 101 million for hedges for investments in wind turbines and buildings as of December 31, 2013.

Financial assets and financial liabilities are offset and reported as a net amount in the balance sheet only when there exists a legal right to offset the amounts and there is an intention to settle the items with a net amount or to simultaneously realize the asset and settle the liability. All of Wallenstam's contracts for financial instruments such as interest rate swaps and forward exchange rate contracts are reported at gross value as there exist no legally binding agreements on netting. Wallenstam has not identified any embedded derivatives that can be separated from their host contracts and reported individually.

INTEREST SWAPS

The nominal amount referring to the Group's outstanding interest swaps as per December 31, 2013, amounted to SEK 8,555 million (8,015). On December 31, the fixed swap interest rates payable to banks varied from 0.330–4.960 (0.715–4.960). The variable swap interest rates obtained from the banks correspond to STIBOR 3 M.

The interest derivatives portfolio includes interest derivatives with option features amounting to SEK 1,100 million. Upon maturity these may, on the initiative of the lender, be converted to interest rate swaps in the interest rate range 1.49–2.6 per cent.

Sensitivity analysis, cash flow

	SEK million
Change of loan interest rate in percentage points (annual)	61
EUR/SEK + 50 öre	1
El. price +/- 5 öre	16

NOTE 3. Classification of financial instruments

SEK million	Financial assets measured at fair value in the income statement				Investments held until maturity		Loan receivables and trade receivables		Financial assets available for sale		Total	Income statement	
	Fair value		Derivatives used for hedging account		2013	2012	2013	2012	2013	2012			
	2013	2012	2013	2012									
Financial assets													
Promissory notes	-	-	-	-	390	473	-	-	-	-	390	473	Interest income
Participations	-	-	-	-	-	-	-	-	47	188	47	188	Other expenses
Other marketable security holdings	18	14	-	-	175	175	-	-	62	182	255	371	Net financial income/expense
Interest derivatives	76	2	-	-	-	-	-	-	-	-	76	2	Changes in value, derivatives
Electricity derivatives	-	-	-	-	-	-	-	-	-	-	-	-	Changes in value, derivatives
Forward exchange rate contracts	-	-	-	-	-	-	-	-	-	-	-	-	Changes in value, derivatives
Trade receivables	-	-	-	-	-	-	18	17	-	-	18	17	Rental income
Other current receivables	-	-	-	-	-	-	219	156	-	-	219	156	-
Liquid assets	-	-	-	-	-	-	384	194	-	-	384	194	-
Total financial assets	94	16	-	-	565	648	621	367	109	370	1,389	1,401	

SEK million	Financial liabilities measured at fair value in the income statement				Financial liabilities measured at accrued cost		Total	Income statement
	Fair value		Derivatives used for hedge accounting		2013	2012		
	2013	2012	2013	2012				
Financial liabilities								
Other non-current liabilities	-	-	-	-	-	-	-	- Administration expenses
Interest derivatives	236	497	-	-	-	-	236	497 Changes in value, derivatives
Electricity derivatives	15	2	-	-	-	-	15	2 Changes in value, derivatives
Forward exchange rate contracts	-	-	-	2	-	-	-	2 Changes in value, derivatives
Liabilities to credit institutions	-	-	-	-	16,704	16,042	16,704	16,042 Interest expenses
Accounts payable	-	-	-	-	179	182	179	182 Operation and administration
Accrued expenses	-	-	-	-	185	170	185	170 Operation and administration
Other current liabilities	-	-	-	-	37	218	37	218 Operation and administration
Total financial liabilities	251	499	-	2	17,105	16,612	17,356	17,113

According to IFRS 13, there must be a description 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 according to:

- Quoted prices (unadjusted) on active markets for identical assets or liabilities (Level 1).
- 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 unlisted companies are measured at cost. Loans from credit institutions, suppliers and other liabilities are measured at accrued cost. These are also classified at level 2.

No change or transfer of any instruments between the the different of value levels has taken place during 2013.

DESCRIPTION OF EVALUATION TECHNIQUES, LEVELS 2 AND 3

Valuation of liabilities to credit institutions and derivative instruments specified within level 2 are based on information from the banks concerned. The same applies to investments held until maturity (hybrid contracts with short maturities).

In respect of information concerning electricity derivatives, market information is obtained from NordPool and classified as level 2.

Other liabilities are valued at accrued 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 in 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 NaturEnergi. Administrative support function operations are reported under Other and internal Group transactions are eliminated in the Elimination column.

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

SEK million	2013						2012					
	Region Gothen- burg	Region Stockholm	Natur- Energi	Other	Elim- ination	Total	Region Gothenburg	Region Stockholm	Natur- Energi	Other	Elimina- tion	Total
Income statement												
Rental income	1,056	513	-	17	-8	1,578	1,082	487	-	15	-8	1,576
Operating expenses	-290	-182	-	-11	-	-483	-314	-178	-	-11	-	-503
Electricity income	-	-	219	-	-219	-	-	-	133	-	-133	-
Electricity expenses	-	-	-161	-	161	-	-	-	-100	-	100	-
Operating surplus	766	331	58	6	-66	1,095	768	309	33	4	-41	1,073
Management costs and administration expenses	-122	-83	-24	-151	175	-205	-117	-73	-17	-131	149	-189
Net financial items	-250	-54	-35	-120	-	-459	-300	-66	-62	-82	1	-509
Property management earnings	394	194	-1	-265	109	431	351	170	-46	-209	109	375
Profit from sales of properties, housing, wind turbines	68	34	3	-	-	105	143	73	10	-	-	226
Administration expenses	-19	-12	-	-	-	-31	-16	-12	-	-	-	-28
Profit from transactions	49	22	3	-	-	74	127	62	10	-	-	198
Other income and expenses	-	-	-	169	-109	60	-	-	-	142	-109	33
Realized profit	443	216	2	-96	-	565	478	231	-36	-67	-	606
Impairment losses, fixed assets	-	-	-150	-	-	-150	-	-	-100	-	-	-100
Outcome from synthetic options scheme, personnel	-	-	-	-41	-	-41	-	-	-	-	-	-
Unrealized change in value, properties	394	211	-	-	-	605	712	492	-	-6	-	1,198
Unrealized changes in value of renewable energy certificates and derivative instruments	-	-	-21	341	-	320	-	-	11	-114	-	-103
Earnings from changes in value and revaluations	394	211	-171	300	-	734	712	492	-89	-120	-	995
Profit before tax	837	427	-169	204	-	1,299	1,190	723	-125	-187	-	1,601
Balance sheet												
Properties	18,407	10,077	-	565	-	29,049	17,393	9,723	-	564	-	27,680
Wind turbines	-	-	1,982	-	-	1,982	-	-	1,906	-	-	1,906
Unapportioned assets	-	-	-	-	-	1,406	-	-	-	-	-	1,627
Total assets						32,437						31,213
Equity	-	-	-	-	-	12,840	-	-	-	-	-	11,893
Loans	8,062	2,586	1,124	4,932	-	16,704	8,177	2,366	957	4,542	-	16,042
Unapportioned liabilities and equity	-	-	-	-	-	2,893	-	-	-	-	-	3,278
Total equity and liabilities						32,437						31,213
Investments	736	638	337	-	-	1,711	1,082	728	615	-	-	2,425

Note 5. Rental income

SEK million	2013	2012
Residential, parking	790	778
Commercial premises	788	798
Total rental income	1,578	1,576

Change in rental income from 2012 to 2013

Rental income according to income statement, 2012	1,576	1,532
Change in rental income, existing properties	17	43
New production	29	42
Properties acquired	42	88
Properties sold	-86	-129
Rental income according to income statement, 2013	1,578	1,576

Adjustment to current full-year value		
Vacancies and vacated properties	75	57
Rental value, December 31	1,653	1,633

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.

SEK million	2013	2012
Operating expenses		
Fuel expenses	100	102
Other operating expenses	179	185
Maintenance costs	123	134
Site leasehold/rent	15	15
Property tax	66	67
Total	483	503

Operating expense, SEK/sq m

Fuel expenses	88	85
Other operating expenses	157	155
Maintenance costs	107	112
Site leasehold/rent	13	13
Property tax	58	56
Total	423	421

Management costs and administration expenses

Depreciation, fixtures & fittings and activated software expenses	7	9
Marketing expenses	20	19
Personnel expenses	227	195
Other expenses	23	14
Total	277	237

NOTE 7. Wages, other remunerations and social security costs

SEK million	2013					2012				
	Basic salary	Benefits	Variable pay	Social costs	Pensions expenses	Basic salary	Benefits	Variable pay	Social costs	Pensions expenses
Chairman of the Board	0.6	-	-	0.2	-	0.6	-	-	0.2	-
Board members	0.6	-	-	0.2	-	0.6	-	-	0.2	-
Total directors' remunerations	1.2	-	-	0.4	-	1.2	-	-	0.4	-
MD, parent company	4.0	0.9	-	2.3	1.6	3.5	0.5	-	1.9	1.4
Deputy MDs 3 persons (3)	9.2	1.6	-	4.4	3.2	12.1	0.4	-	4.8	3.1
Other senior executives 2 persons (2)	2.1	0.6	-	1.1	1.1	1.8	-	-	0.9	1.0
Other employees	96.0	18.1	-	36.5	12.3	86.0	3.9	-	28.4	10.3
Total	112.5	21.2	-	44.7	18.2	104.6	4.8	-	36.4	15.8

Remunerations

The MD received a salary, the use of a car and a residence totalling SEK 4.9 million (4.0). No (SEK 0.00) variable remuneration or share-related remunerations were paid during the 2013 financial year.

Senior management is offered fixed salaries at prevailing market levels. In addition to fixed salaries, variable remunerations may be offered. The principles for these are approved by the AGM. The MD's and Deputy MD's salaries are determined by a remunerations committee, which consists of the Board's presiding committee. Remunerations to other senior executives are determined according to the Board's guidelines. The management Group was increased by one person from November, 2103.

In accordance with the decision of the AGM, the Board of Directors is paid a fee of SEK 1,250 thousand (1,200) for the period April, 2013, until the AGM in 2014, of which sum SEK 630 thousand (600) is to the Chairman of the Board Christer Villard, SEK 230 thousand (225) to Deputy Chairman Ulrica Janson Messing and SEK 130 thousand (125) to each of the other Board members (Anders Bertsson, Agneta Wallenstam and Erik Åsbrink). No remuneration additional to the fee 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 MD with an annual premium amounting to 35 per cent of the MD's gross salary, including benefits and a life insurance policy equivalent to 50 per cent of gross salary. If the MD resigns his position, six months' notice must be given. Termination of employment of the MD on the part of the company is subject to a period of notice of six months. If the MD is given notice because of illness, the company must, up until the MD reaches 65 years of age, meet its obligations regarding pension insurance by paying an annual premium equivalent to 50 per cent of his gross salary including the benefits that applied at the time notice was given. On leaving the company the MD 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 MDs, the PR and HR Director, the Administrative Director and the Finance Director. Pensions for other senior management are provided in accordance with the remuneration policy by defined contribution pensions. To fulfil pension benefits for other senior management the company has taken out pension policies equivalent to 35 per cent of gross salary. The period of notice for senior management is six months. In regard to Deputy MDs, 18 months' severance pay will apply in the case of termination of employment on the part of the company. Deputy MDs with tied accommodation have the right right to purchase said accommodation at the market value prevailing at the time of sale.

Pensionable age for the MD and other senior management is 65 years unless separate agreements are concluded.

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

SHARE-RELATED REMUNERATION TO GROUP MANAGEMENT AND OTHER EMPLOYEES

Options scheme, 2013–2019

In September 2013, 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 MD and Deputy MDs each received 50,000 synthetic options and other senior management a total of 90,000. The options are valued according to the Black & Scholes' model. Important input data to the model includes the share price per closing date of SEK 97.25; an exercise price of SEK 105 with a ceiling of SEK 160, an anticipated share price volatility of 22 per cent, an option duration until midnight 31/05/2019, an anticipated dividend of SEK 1.50 and an annual risk-free interest rate of 2.0 per cent. Volatility is calculated as the estimated future volatility for the remainder of the options' duration.

The option programme runs until May 31, 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 at a price of SEK 160 per share, the cost of the option programme will be SEK 250 million. Closing liabilities at year end totalled SEK 23 million. Expenses for the year totals SEK 28 million 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 final 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, a total of whom 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	2013	2012
MD	1.0	0.7
Deputy MDs, 3 persons (3)	3.0	2.0
Other senior management, 2 persons (2)	1.5	0.6
Other employees	35.8	16.7
Total	41.3	20.0

Pension insurance with Alecta

Pension insurance contributions for the year in Alecta total SEK 7.4 million (7.4). Alecta's surplus may be distributed among the policy holders and/or the insured. At the end of 2013, Alecta's surplus in the form of the collective consolidation level was 127% per cent (130).

NOTE 8. Average number of employees

	2013		2012	
	Average no. employees	Of whom women	Average no. employees	Of whom women
	196	109	189	105

Board members and senior management

	31/12/2013		31/12/2012	
	Number of	Of whom women	Number of	Of whom women
Board members	5	2	5	2
MD and senior management	7	2	6	1

NOTE 9. Related Party Disclosures

Related party transactions

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 families 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 under businesslike conditions. Special attention must be paid to the guidelines pertaining to conflicts of interest during such transactions. In order to ensure that no irrelevant consideration is taken 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 their assurance regarding whether or not 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 the 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 and the rent of floor space totalling around SEK 19 million (20).

The parent company manages loan procurements and interest derivatives on behalf of the subsidiaries.

In addition to transactions with Group companies, companies related to Wallenstam Board members rent premises on prevailing market terms. All in all these do not amount to significant sums for Wallenstam or its counterparties.

A construction contract was signed at the end of 2012 with a company in which a member of Wallenstam's Board is an indirect owner and where a related party is a Board member. The contract was entered into on prevailing market terms.

During the year, Wallenstam acquired a minor shareholding equivalent to SEK 12 million in companies where Wallenstam's Chairman of the Board is a Board member.

NOTE 10. Management costs and administration expenses

Management costs and administration expenses amounted to SEK 277 million (237). This includes the Group's administrative expenses such as personnel, office, premises and marketing expenses and the depreciation of fixtures and fittings.

Management costs and administration expenses also include expenses of SEK 41 million (20) for the personnel option programme.

Wallenstam has engaged Deloitte (2012 Ernst & Young) as auditors.

SEK million	2013	2012
Audit assignment	0.9	1.3
Audit-related advice	-	0.3
Tax advice	-	0.1
Other assignments	0.1	0.2
	1.0	1.9

NOTE 11. Other operating income and expenses

SEK million	2013	2012
Other operating income		
Income from the sale of participations	28	27
Income from contract work	-	101
Income from the sale of wind farm projects	14	55
Electricity sales	241	138
Unrealized change in value, certificates	-8	10
Other	2	-
Total other operating income	277	331

SEK million	2013	2012
Other operating expenses		
Acquisition cost of participations	24	19
Expenses, contract work	-	98
Acquisition cost, wind farm project	11	45
Electricity sales	101	47
Realized changes in value, electricity contracts	-	3
Unrealized change in value, electricity contracts	-	2
Depreciation, wind turbines	79	50
Impairment loss	150	100
Other	3	4
Total other operating expenses	368	368

NOTE 12. Change in value of investment properties

Changes in value are reported in the consolidated financial statements based on internal quarterly valuations, and also through sales. For further information on the valuation of investment properties, refer to Note 16.

SEK million	2013	2012
Income from sales	1,986	1,926
Opening reported value, properties sold	-1,825	-1,624
Investments in properties sold	-63	-94
Unrealized change in value, investment properties	605	1,198
Total change in value, investment properties	703	1,406
<i>Unrealized change in value, investment properties</i>		
Change in rate of return value	39	479
Capitalization of change in operating surplus	540	524
Future investment requirements	-199	-98
Completed projects	225	293
Unrealized change in value, investment properties	605	1,198

NOTE 13. Financial income and expenses

SEK million	2013	2012
Financial income		
Interest income, current assets	32	40
Dividends	3	1
Other income from financial items	10	-
Total interest income	45	41
Financial expenses		
Interest expenses	-502	-547
Impairment of financial instrument	-	-22
Other financial expenses	-2	-4
Total interest expenses	-504	-573

During the year SEK 44 million (55) in interest in respect of investments in projects was activated. The average interest rate was used on activation, which amounts to 3.3 per cent (3.5).

SEK million	2013	2012
Changes in value, financial derivative instruments		
Unrealized changes in value	328	-72
Total changes in value	328	-72

The change in value refers principally to financial derivatives measured at market value.

Net financial income/expense including changes in value amounted to SEK -131 million (-604).

NOTE 14. Income tax expense/income

The applicable tax rate for limited liability companies in Sweden is 22 per cent (26.3). 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 differs from the reported profit/loss. This depends primarily on the ability to:

- utilize tax-related depreciations
- utilize tax deductions for certain conversions on properties activated for accounting purposes
- utilize the Group's existing tax-related loss carryforwards
- sell properties in a tax-efficient manner.

Current tax, i.e. paid tax, that arises despite the Group's tax losses is due to the lack of tax deductible Group contribution opportunities to certain subsidiaries.

Deferred tax is calculated in accordance with the balance sheet method on the basis of all temporary differences that occur between the reported and taxable values of assets and liabilities. The deferred tax asset refers to the value of loss carryforwards in Group companies. The deferred tax liability refers mainly to differences between reported values and fiscal residual values in Group properties. Deferred tax assets and deferred tax liabilities are valued at their 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 or due to other tax-related adjustments, which is primarily because the disposal of subsidiaries is not taxable.

Tax reported in the income statement

SEK million	2013	2012
Current tax	-2	-1
Deferred tax	-21	327
Total tax	-23	326

NOTE 14. Income tax expense/income, cont.

Difference between the the Group's reported tax and tax based on the applicable tax rate of 22 per cent (26.3).

SEK million	2013	2012
Reported profit/loss before tax	1,299	1,601
Tax according to applicable rate	-286	-421
Tax effect of:		
Expenses, non-deductible	-11	-9
Income not liable to tax	4	
Impairment charges, non-deductible	-	-33
Adjustment of tax, previous year	35	122
Reversed impairment charges	3	10
Non-taxable profit on properties sold	241	253
Acquisition of companies	-6	11
Pension commitment assured via endowment insurance	1	1
Revaluation of tax to 22%	-	392
Other items	-4	-
Tax on earnings for the year in the income statement	-23	326

Tax items reported under other comprehensive income

SEK million	2013	2012
Deferred tax attributable to:		
Changes in value, translation differences	3	-
Change in value, cash flow hedges	-	-1
Total tax items reported under other comprehensive income	3	-1

Allocation of deferred and current tax

SEK million	2013		2012	
	Basis current tax	Basis deferred tax	Basis current tax	Basis deferred tax
Profit before tax	1,299		1,601	
Tax deductible:				
Property conversions	-253	253	-188	188
Depreciations	-225	225	-219	219
Accelerated depreciations	-304	304	-504	504
Impairment charges and reverses	121	-132	129	-38
Sale of properties	4	-1,097	-154	-811
Unrealized change in value, properties	-605	605	-1,198	1,198
Unrealized change in value, financial derivative instruments	-320	320	64	-64
Realized change in value, financial derivative instruments	-	-	12	-12
Revaluation, renewable energy certificates	-8	8	-17	17
Other non-deductible costs	50	-5	32	-4
Other Group related adjustments	-19	19	3	-3
Acquisition of companies	-	26	-	-41
Adjustment of tax, previous years	-	-159	-	-462
Current tax-related profit	-260	367	-439	691
Changes to tax-loss carryforwards for the year	271	-271	443	-443
Taxable profit	11	96	4	248
Tax for the year	-2	-21	-1	-65
Revaluation, changed tax rate	-	-	-	392
Tax on earnings for the year in the income statement	-2	-21	-1	327

NOTE 15. Intangible assets

Intangible assets refer to activated expenses for computer software.

SEK million	31/12/2013	31/12/2012
Acquisition cost brought forward	36	33
Investments for the year	2	3
Sales/retirements for the year	-5	-
Accumulated cost carried forward	33	36
Depreciation brought forward	-28	-24
Depreciations for the year	-3	-4
Sales/retirements for the year	5	-
Accumulated depreciation carried forward	-26	-28
Book value at year end	7	8

NOTE 16. Properties

SEK million	31/12/2013	31/12/2012
Reported value at beginning of year	27,680	26,296
Acquisitions during the year	1,215	617
Construction during the year	1,374	1,193
Sales during the year	-1,825	-1,624
Unrealized changes in value	605	1,198
Reported value at year end	29,049	27,680

Activated interest during the year amounted to SEK 37 million (43). The average interest rate was around 3.3 per cent (3.5).

Distribution of changes in value, investment properties

SEK million	2013	2012
Change in yield	39	479
Capitalization of change in operating surplus	540	524
Future investment requirements	-199	-98
Completed new construction, projects	225	293
Unrealized change in value	605	1,198
Realized changes in value	98	208
Change in value of investment properties	703	1,406

During 2013 Wallenstam sold properties at values that were on average, after taking into account investments for the year, 7 per cent above valuation (13).

SEK million	31/12/2013	31/12/2012
Tax assessment value		
Buildings	7,367	7,215
Land	3,449	3,175
Land leasehold rights	2,874	2,828
Total tax assessment value	13,690	13,218

Investment commitments

Future expenditure for contracted investments as of the accounting date which have not been recognized in the financial reports relating to properties:

SEK million	31/12/2013	31/12/2012
Investments	1,080	482

Valuation

Wallenstam reports investment properties at estimated market values. A complete valuation of each individual building is made in connection with interim and annual accounts by an internal valuation team, whereupon the valuation is approved by the Board. Valuations are performed according to 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.

NOTE 16. Properties, cont.

In evaluating the properties the following is 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 rental levels, contract lengths, and vacancy and rental trends.
- An analysis of existing tenants.
- Credit market conditions.

On the occasion of 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, rental level, occupancy rate, effects of contracted sales and completed conversions. Revaluation of new production projects are made successively in relation to how large a part of a property has been transferred to property management. Wallenstam participates in a substantial 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 evaluations concerned. Wallenstam also monitors completed property transactions in relevant business areas on an ongoing basis.

According to IFRS 13 the fair value of investment properties is attributable to one of the 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
- +/- Current value of temporary additions/deductions
- + Location premium
- = Estimated market value of property

* The rental value is calculated on the basis of the budgeted 2014 rent less current vacancies.

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 rent negotiations for 2013 resulted in an average rise of 2.2 per cent in Gothenburg, 2.4 per cent in Helsingborg and 2.3 per cent in Stockholm. Rent levels for Wallenstam's commercial premises in comparable holdings have risen by around 1 per cent compared to 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 markets and various types of property. Rate of return valuations are made based on living area and commercial premises' floor space, with different rates of return required for the respective lettable space. 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. When a transaction is completed, a cross-check is made of the evaluations concerned. Wallenstam also monitors completed property transactions in relevant business areas on an ongoing basis.

Properties that undergo comprehensive reconstruction are measured initially at the value prior to construction, and then with consideration given to expenses accrued 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 evaluation model described above. Estimated market values for new construction projects are charged initially with a risk supplement to the required rate of return of 0.25 percentage points (0.50) compared to an investment property in the same location.

NOTE 16. Properties, cont.

This is done 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.

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

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

Assumptions per property category

The following rates of return have been used in valuations for different markets and types of property:

Property type	Location	Required yield, %Per cent	Property value, SEK million
Residential	Gothenburg	3.25–5.25	22
Residential	Stockholm	3.25–5.00	34
Commercial properties		3.75–8.50	44
			100
			29,049

Average required rate of return, housing	3.8
Average required rate of return, commercial	5.7

Sensitivity analysis

Fair value is an estimation of a probable sales 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 estimations of market value a value range is often specified, usually plus/minus 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 December 31, 2013 Wallenstam had investment properties valued at SEK 29,049 million; an uncertainty range of +/- 5–10 per cent means their estimated fair value varies by plus/minus SEK 1.5 billion at plus/minus 5 per cent and by SEK 2.9 billion at plus/minus 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 1.4–1.6 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	2013	2012
0.5% point lower	32,328	30,896
0.25% point lower	30,562	29,186
Our estimate	29,049	27,680
0.25% point lower	27,633	26,342
0.5% point lower	26,401	25,146

NOTE 17. Wind power and hydroelectric plants

SEK million	31/12/2013	31/12/2012
Acquisition cost brought forward	2,120	1,612
Reclassification	-21	-62
Investments for the year	337	615
Sales during the year	-11	-45
Accumulated cost carried forward	2,425	2,120
Depreciation brought forward	-114	-64
Depreciations for the year	-79	-50
Accumulated depreciation carried forward	-193	-114
Impairment losses brought forward	-100	-
Impairment losses for the year	-150	-100
Accumulated impairment losses carried forward	-250	-100
Book value at year end	1,982	1,906
Future investment commitments	210	415

NOTE 17. Wind power and hydroelectric plants, cont.

An impairment test is based on a calculation of value in use. This value is based on cash flow forecasts for the coming five years and a terminal period. 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, 2014–2018, are based on internal prognoses established by the Board where no increase in the electricity price is anticipated, expenses increase by 2 per cent annually and electricity certificates by 8 per cent annually commencing January 1, 2015. Following that, a growth rate of 2–3 per cent has been applied to the terminal period. Sensitivity analyses were carried out.

Valuation was made by identifying the recoverable value of wind farms as corresponding to value in use with required rates of return before tax equivalent to 7 per cent. The choice of required rates of return reflects the Group's initial intention of making these investments partly as a hedge against a significant property management cost component, i.e. electricity. Valuation took place per wind farm, which corresponds to the lowest cash-generating unit. Discounted cash flows are compared to the book value of the cash-generating unit.

During the year investments in wind farms were written down by a total of SEK 150 million (100). The impairment loss, which is reported in the income statement among Other expenses, is primarily a result of low market prices for electricity. Furthermore, the turbines concerned were acquired in times when both purchase prices and the currency (EUR) exchange rate were high, which affected costs. 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. The choice of required rates of return reflects the Group's initial intention of making these investments partly as a hedge against an important property management cost component. Valuation took place per wind farm, which corresponds to the lowest cash-generating unit. In all, six wind farms were affected by impairment charges.

NOTE 18. Equipment

SEK million	31/12/2013	31/12/2012
Acquisition cost brought forward	76	74
Investments for the year	5	3
Sales/retirements for the year	-10	-1
Accumulated cost carried forward	71	76
Depreciation brought forward	-31	-26
Depreciations for the year	-4	-5
Sales/retirements for the year	8	-
Accumulated depreciation carried forward	-27	-31
Impairment losses brought forward	-2	-2
Impairment losses for the year	2	-
Accumulated impairment losses carried forward	-	-2
Book value at year end	44	43

NOTE 19. Financial fixed assets

Other non-current holdings of securities

SEK million	31/12/2013	31/12/2012
Acquisition cost brought forward	402	249
Sales during the year	-155	-
Investments for the year	36	164
Value changes for the year	1	-19
Reclassification	-175	8
Book value at year end	109	402

Other non-current securities consist of Exeger SEK 22 million, Eolus Vind AB SEK 18 million and other participations SEK 32 million, and SEK 28 million in K-insurance pledged for future commitments. Receivables of SEK 8 million in associated companies are included. The holdings in Platzer and Triventus AB were divested during the year. SEK 175 million in special deposits was reclassified as current receivables.

Non-current receivables

SEK million	31/12/2013	31/12/2012
Acquisition cost brought forward	398	354
New receivables	88	63
Reclassification to current	-13	-6
Amortizations	-82	-13
Book value at year end	391	398

Non-current receivables consist mainly of promissory notes. Weighted average effective interest rates on interest-bearing non-current receivables amounted to 3.59 per cent (2.88). All non-current receivables follow payment plans. No impairment requirements are considered necessary for non-current receivables. There are no overdue non-current receivables.

NOTE 20. Current intangible assets

SEK million	31/12/2013	31/12/2012
Renewable energy certificates		
Reported value at beginning of year	49	23
Production during the year	53	31
Cancellations during the year	-4	-3
Acquisitions during the year	-	-
Sales for the year	-32	-12
Unrealized changes in value	-8	10
Book value at year end	58	49

Renewable energy certificates are measured at fair value corresponding to IFRS value level 2.

NOTE 21. Trade receivables

SEK million	31/12/2013	31/12/2012
Trade receivables	28	26
Less provision for depreciation of receivables	-10	-9
Book value at year end	18	17

Provision for doubtful receivables

SEK million	31/12/2013	31/12/2012
Provisions at beginning of year	-9	-7
Verified losses	1	2
Provision for probable losses	-3	-5
Reversed unutilized amount	1	1
Provisions at year end	-10	-9

Trade receivables past due by more than two months are SEK 10 million (9).

NOTE 22. Other receivables

SEK million	31/12/2013	31/12/2012
Receivables relating to property transactions	-	123
Other receivables	192	17
Promissory notes	-	91
Book value at year end	192	231

Other receivables refer mainly to a special deposit of SEK 175 million that was previously a non-current receivable.

NOTE 23. Prepaid expenses and accrued income

SEK million	31/12/2013	31/12/2012
Prepaid insurance premiums	3	2
Prepaid operating expenses	32	20
Prepaid administration expenses	26	20
Prepaid expenses relating to transactions	1	31
Prepaid rental expenses	7	7
Accrued interest income	10	15
Book value at year end	80	95

NOTE 24. Participations

SEK million	31/12/2013	31/12/2012
Acquisition cost brought forward	188	52
Investments for the year	219	282
Sales during the year	-360	-146
Book value at year end	47	188

The participations consist of holdings in housing cooperatives.

NOTE 25. Liquid assets

SEK million	31/12/2013	31/12/2012
Liquid assets	384	194
Approved amount	400	400
Utilized amount	-	-
Available amount, overdraft facilities	400	400
Available liquid assets	784	594

In addition to this there is available as yet unutilized building credit of SEK 1,725 million (495).

NOTE 26. Equity

A specification of the change in equity can be found in the Consolidated statement of changes in equity, immediately after the balance sheet.

Number of shares	A shares	B shares	Total number	Of which shares in own purch.	Outstanding shares	Quota value, SEK
Number, 31/12/2012	17,250,000	154,750,000	172,000,000	2,000,000	170,000,000	1.00
Repurchase				1,200,000	-1,200,000	
Withdrawn	-			-2,000,000		
Number, 31/12/2013	17,250,000	152,750,000	170,000,000	1,200,000	168,800,000	1.00

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 date the number of repurchased shares amounted to 1,200,000. During 2013, 1,200,000 shares were bought back at an average price of SEK 89.65.

The proposed dividend for the 2013 financial year is SEK 2.00 per share (1.25).

Earnings per share

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

Specification of parameters used	2013	2012
Earnings for the year excl. share attributable to holdings without controlling influence, SEK million	1,277	1,927
Number of shares outstanding as per closing date, thousands	168,800	170,000
Earnings per share, SEK	7.5	11.3
No dilution has occurred		

NOTE 27. Deferred tax

SEK million	31/12/2013		31/12/2012	
	Basis	Tax 22 %	Basis	Tax 26.3 %
Deferred tax asset				
At beginning of year	5,145	1,131	4,131	1,086
Changes to loss carryforwards for the year	271	60	443	117
Divested losses	-3	-1	-1	-
Acquired losses	-	-	-	-
Adjustment of tax, previous years	111	25	483	127
Pension commitments assured via endowment insurance	5	1	4	1
Temporary differences, derivatives	-337	-74	70	18
Temporary differences, share-holdings	-4	-1	-	-
Temporary differences, wind turbines	150	33	-	-
Non-measured loss	-6	-1	-	-
Reclassification	-	-	15	4
At year end	5,332	1,173	5,145	1,353
Revaluation to 22 %	-	-	-	-222
At year end as per balance sheet	5,332	1,173	5,145	1,131

The Deferred tax asset includes evaluated loss carryforwards totalling SEK 1,076 million (1,017), which corresponds to all of the Group's Swedish loss carryforwards.

SEK million	31/12/2013		31/12/2012	
	Basis	Tax 22 %	Basis	Tax 26.3 %
Deferred tax liability				
<i>Properties</i>				
At beginning of year	13,525	2,975	12,770	3,358
Property conversions during the year	253	56	188	49
Depreciations for the year	227	50	221	58
Impairment charges and reverses	18	4	-38	-10
Value changes for the year	605	133	1,198	315
Add-backs for the year due to sales	-1,140	-251	-811	-213
Adjustment of tax, previous years	-23	-5	38	10
Taxes exempted due to asset acquisitions	11	2	-	-
Acquisitions during year	121	27	323	85
At year end	13,597	2,991	13,889	3,652
Deducted, attrib. to asset acquis.	-121	-27	-364	-96
At year end	13,476	2,964	13,525	3,557
Revaluation to 22%	-	-	-	-582
At year end as per balance sheet	13,476	2,964	13,525	2,975
<i>Financial instruments and hares</i>				
At beginning of year	-	-	7	2
Value changes for the year	-	-	-7	-2
Reclassification	-	-	-	-
At year end as per balance sheet	-	-	-	-
<i>Wind turbines</i>				
At beginning of year	739	162	203	53
Accelerated depreciations for the year	304	67	504	133
Value changes for the year	-13	-3	17	4
Acquisitions during year	-	-	-	-
Revaluation of participations in foreign subsidiaries	-12	-3	2	1
Other adjustments	-3	-1	-2	-1
Reclassification	-	-	15	4
At year end	1,015	222	739	194
Revaluation to 22%	-	-	-	-32
At year end as per balance sheet	1,015	222	739	162
Net deferred tax				
At beginning of year	9,120	2,006	8,850	2,327
Change during year	39	8	270	71
At year end	9,159	2,014	9,120	2,398
Revaluation to 22%	-	-	-	-392
At year end as per balance sheet	9,159	2,014	9,120	2,006

NOTE 28. Other provisions

SEK million	31/12/2013	31/12/2012
Capital value of pension commitments	28	23
Other	2	5
Book value at year end	30	28

NOTE 29. Accrued expenses and prepaid income

SEK million	31/12/2013	31/12/2012
Accrued salary costs	31	25
Accrued interest expenses	63	63
Accrued operating expenses	48	68
Accrued administration expenses	41	8
Prepaid rental income	160	148
Accrued expenses relating to property transactions	2	6
Book value at year end	345	318

NOTE 30. Pledged assets

SEK million	31/12/2013	31/12/2012
Property mortgages in respect of property-linked loans	16,262	15,407
Pension commitments	28	23
Wind turbines	1,603	1,556
Blocked bank funds	7	-
Total pledged assets	17,900	16,986

NOTE 31. Contingent liabilities

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

Other contingent liabilities refer to responsibility as a joint owner for tenants' associations' liabilities of SEK 0 million (4) and an SEK 2 million (2) loan guarantee to Fastigo.

NOTE 32. 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 changes in value to investment properties as these do not affect liquidity.

Investment 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	2013	2012
Adjustment items not affecting cash flow		
Change in value of investment properties	-703	-1,406
Realized earnings from the sale of other assets	-7	-18
Depreciations and impairment losses	180	159
Other adjustments	-	3
	-530	-1,262
Interest payments and interest subsidies received		
Interest income received	40	48
Interest subsidies received	-508	0
Realized financial derivatives	-2	2
	-470	50
Acquisition of properties and investments in buildings		
Investments for the year	-2,601	-1,710
	-2,601	-1,710
Sale of properties and property, plant and equipment		
Sale of properties and participations	2,046	1,989
Overhead expenses	-73	-186
	1,973	1,803
Liquid assets		
Cash and bank balances	384	194
Unutilized credit at year end	400	400
	784	594
Total bank overdraft facilities	400	400

NOTE 33. Company acquisition and sale

During the year Wallenstam acquired a number of properties converted into companies. All transactions for the year were assessed as being asset acquisitions. A number of properties were divested in a similar manner. Disclosures regarding asset acquisitions and property sales are shown in Note 17.

PARENT COMPANY INCOME STATEMENT

SEK million	Note	2013	2012
Management revenue	2	194	271
Management costs and administration expenses	3, 4, 5, 6	-330	-305
Rental income		60	76
Operating expenses	7	-43	-28
Depreciation, properties	12	-6	-6
Retirement, property	12	-30	-
Operating profit		-155	8
Profit/loss from participations in Group companies	8, 13	2,918	3,201
Interest income and similar profit/loss items	9	699	861
Interest expenses and similar profit/loss items	9	-769	-867
Unrealized changes in value, derivative instruments		337	-70
Net financial items		3,185	3,125
Profit before tax		3,030	3,133
Group contributions		-610	-247
Tax on earnings for the year	10	49	168
Profit for the year		2,469	3,054
Comprehensive income		2,469	3,054

PARENT COMPANY BALANCE SHEET

SEK million	Note	31/12/2013	31/12/2012
ASSETS			
FIXED ASSETS			
Intangible assets	11	7	8
Total intangible assets		7	8
Property, plant and equipment			
Investment properties	12	893	845
Equipment		15	14
Total Property, plant and equipment		908	859
Financial fixed assets			
Participations, subsidiaries	13, 14, 15	6,334	6,842
Receivables from other Group companies	13	11,325	9,502
Financial derivative instruments	16	74	2
Other non-current holdings of securities	13	61	212
Deferred tax asset	20	423	374
Total financial assets		18,217	16,932
Total assets		19,132	17,799
CURRENT ASSETS			
Financial derivative instruments	16	1	-
Other receivables		176	2
Prepaid expenses and accrued income	17	44	61
Liquid assets	18	301	166
Total current assets		522	229
Total assets		19,654	18,028
EQUITY AND LIABILITIES			
RESTRICTED EQUITY			
Share capital	19	170	172
Statutory reserve		122	120
Total restricted equity		292	292
NON-RESTRICTED EQUITY			
Profit brought forward		4,845	2,112
Profit for the year		2,469	3,054
Total non-restricted equity		7,314	5,166
Total non-restricted equity		7,606	5,457
NON-CURRENT LIABILITIES			
Liabilities to credit institutions	21	30	627
Liabilities to other Group companies		3,605	6,015
Pension provision		28	23
Financial derivative instruments	16	229	490
Other liabilities		26	42
Total non-current liabilities		3,918	7,197
CURRENT LIABILITIES			
Liabilities to credit institutions	21	7,965	5,249
Financial derivative instruments	16	3	7
Accounts payable		53	26
Other liabilities		22	15
Accrued expenses prepaid income	22	87	77
Total current liabilities		8,130	5,374
Total equity and liabilities		19,654	18,028
PLEGGED ASSETS	23	3,651	3,239
CONTINGENT LIABILITIES	24	8,891	10,249

PARENT COMPANY CHANGE IN EQUITY

SEK million	Restricted equity		Non-restricted equity	Total equity
	Share capital	Statutory reserve		
Change in equity 2012				
Opening balance	115	120	2,500	2,735
Profit for the year	-	-	3,054	3,054
Transactions with shareholders				
Bonus issue	57	-	-57	-
Dividends	-	-	-206	-206
Repurchase/sale of own shares (including expenses)	-	-	-126	-126
Closing balance	172	120	5,165	5,457
Change in equity 2013				
Opening balance	172	120	5,165	5,457
Profit for the year	-	-	2,469	2,469
Transactions with shareholders				
Bonus issue	-2	2	-	-
Dividends	-	-	-212	-212
Repurchase/sale of own shares (including expenses)	-	-	-108	-108
Closing balance	170	122	7,314	7,606

PARENT COMPANY STATEMENT OF CASH FLOWS

SEK million	Note	2013	2012
Current operations			
Operating profit, property management		-155	8
Adjustment items not affecting cash flow	25	83	47
Dividend from subsidiaries		3,450	3,349
Interest payments and interest subsidies received		700	861
Interest paid		-760	-877
Cash flow from operating activities before change in working capital		3,318	3,388
Change in working capital			
Current receivables		1	-6
Current liabilities		34	-42
Cash flow from operating activities		3,353	3,340
Investing activities			
Acquisition of properties		-	-4
Acquired participations		-503	-1,475
Withdrawal/deposited shares		481	-811
Investments, buildings		-85	-15
Sale of properties/equipment/intangible assets		-	-
Investments in properties/equipment/intangible assets		-7	-6
Total investments		-114	-2,311
Financing operations			
Repurchase of own shares		-108	-126
Group contributions		-610	-247
Dividends		-212	-206
Non-current liabilities raised		3,173	1,609
Amortization, loans		-1,094	-2,799
Change in non-current receivables		-20	-
Change in Group company liabilities		-2,410	-117
Change in Group company receivables		-1,823	1,012
Total financing		-3,104	-874
Change in cash and cash equivalents		135	155
Liquid assets at beginning of year		166	11
Change during year		135	155
Liquid assets at year end		301	166
Unutilized credit at year end		400	400
Available liquid assets		701	566

ACCOUNTING PRINCIPLES AND NOTES, PARENT COMPANY ACCOUNTS

NOTE 1. Accounting principles

The parent company has prepared the annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and Swedish Financial Reporting Board recommendation RFR 2 Reporting for legal entities.

Differences between the consolidated and parent company accounting principles

RFR 2 states that a legal entity must apply the same IFRS/IAS applied in the consolidated accounts as far as this is possible within the framework of the Swedish Annual Accounts Act, 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.

Changed accounting principles

No new principles or enactments were adopted during the year that have had any significant effect on the parent company's financial statements.

Classification and presentation

The parent company's income statement and balance sheet are presented as described by the Swedish Annual Accounts Act. The difference to IAS 1 Presentation of Financial Statements applied in the presentation of the consolidated financial statements is chiefly the reporting of financial income and expenses, fixed assets (chiefly investment properties), equity and the occurrence of provisions under their own heading in the balance sheet.

Income

The parent company's net sales consist of management services for subsidiaries. Financial income is reported in the period it concerns. The parent company receives compensation in the form of dividends for management services from subsidiaries that are limited partnerships in which the parent company as a partner. This is a change compared to previous years regarding the presentation of 'Property management earnings' and 'Earnings from participations in Group companies'. The change does not entail any affect on income but is an adjustment between property management income and dividends. Previous years have been restated.

Dividends

Dividends received from subsidiaries are reported as revenues on the condition that they derive from income earned after the acquisition. Dividends that exceed these earned incomes are considered to be a repayment of the investment and reduce the value of the participation.

Anticipated dividends

Anticipated dividends from subsidiaries are reported in cases where the parent company has sole right to decide on the size of dividends, and where it decided on the size of a dividend before it published its annual report.

Investment properties

The parent company's investment properties are measured at cost less accumulated depreciations according to plan over useful life and with necessary impairment charges. Depreciation according to plan is made at 1 per cent on properties.

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 activated. The activated interest is calculated on the basis of the average weighted borrowing cost. Only expenses that generate lasting increases in the value of properties are activated. Expenses for reconstructions of a maintenance nature are charged to earnings.

Valuation of investment properties

The carrying amount of Investment properties and Fixtures and fittings is tested for a need 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 at cost.

In cases where the carrying amount of the participations exceeds the subsidiaries' fair value, an impairment loss is charged to the income statement. In cases where a previous impairment is no longer motivated, it is reversed.

Value transfers between subsidiaries may arise in connection with intra-group restructuring whereupon an adjustment of 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. Because Wallenstam does not apply hedge accounting in respect of interest derivatives, all changes in value are reported directly among financial income and expenses in the income statement.

Receivables

Receivables are carried in the amounts in which they are expected to be received.

Liabilities

Liabilities are reported in the balance sheet at nominal amounts.

Group contributions and shareholder contributions

Wallenstam AB reports Group contributions rendered and received as appropriations in the income statement.

Shareholders' contributions in the parent company (donor) are reported by the contributor 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 rendered activated by the parent company are tested in accordance with the description 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 said holder suffers as a result of a named debtor's failure to fulfil 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 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 191 million (271).

NOTE 3. Wages, other remunerations and social security costs

SEK million	Basic salary	Benefits	Variable remunerations	Social expenses	Pension expenses
2013					
Chairman of the Board	0.6	-	-	0.2	-
Board members	0.6	-	-	0.2	-
Total directors' remunerations	1.2	-	-	0.4	-
MD, parent company	4.0	0.9	-	2.3	1.6
Deputy MDs, 3 persons	9.2	1.6	-	4.4	3.2
Other senior management, 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
2012					
Chairman of the Board	0.6	-	-	0.2	-
Board members	0.6	-	-	0.2	-
Total directors' remunerations	1.2	-	-	0.4	-
MD, parent company	3.5	0.5	-	1.9	1.4
Deputy MDs 3 persons	12.1	0.4	-	4.8	3.1
Other senior management, 2 persons	1.8	-	-	0.9	1.0
Other employees	84.5	3.8	-	28.3	10.2
Total	103.1	4.7	-	36.3	15.7

Refer to the Group's Note 7 for information on remunerations, pensions and severance pay and remunerations for senior management.

NOTE 4. Average number of employees etc.

	2013		2012	
	Aver. number of employees	Of whom women	Aver. number of employees	Of whom women
Number of employees	193	109	187	105

	31/12/2013		31/12/2012	
	Number of	Of whom women	Number of	Of whom women
Board members	5	2	5	2
MD and senior management executives	7	2	6	1

NOTE 5. Transactions with related parties

Purchases and sales between Group companies

The parent company performs administrative services for the 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 and the rent of floor space of SEK 19 million (20).

The parent company manages loan procurements and interest derivatives on behalf of the subsidiaries.

In addition to transactions with Group companies, companies related to Wallenstam Board members rent premises on prevailing market terms.

All in all these do not amount to significant sums for Wallenstam or its counterparties.

A construction contract was signed at the end of 2012 with a company in which a member of Wallenstam's Board is an indirect owner and where a related party is a Board member. The contract was concluded on prevailing market terms.

During the year, Wallenstam acquired a minor shareholding equivalent to SEK 12 million in companies where Wallenstam's Chairman of the Board is a Board member.

NOTE 6. Management costs and administration expenses

Management costs and administration expenses amounted to SEK 330 million (305). Included in the management and Administration expenses are all of the Group's administrative expenses such as those for offices and commercial premises, personnel, marketing and auditing.

Expenses of SEK 41 million (20) for the personnel option programme were charged to management costs and administration expenses.

Wallenstam has engaged Deloitte (2012 Ernst & Young) for the audit and the Group's total expenses are handled by the parent company and subsequently distributed among the subsidiaries.

SEK million	2013	2012
Audit assignment	0.7	1.0
Audit-related advice	-	0.3
Tax advice	-	0.1
Other assignments	-	0.2
Total	0.7	1.6

NOTE 7. Operating expenses

SEK million	2013	2012
Fuel expenses	3	3
Other operating expenses	9	6
Maintenance costs	24	12
Site leasehold/rent	1	-
Property tax	6	6
Total operating expenses	43	28

NOTE 8. Profit/loss from participations in Group companies

Refers to profit/loss from subsidiaries of SEK 688 million (199). Profit from sale of DB shares SEK 50 million (-). Impairment losses of SEK 541 million (161) in respect of subsidiary participations were incurred during the year. Reversed impairment of subsidiary participations SEK 9 million (12). Dividends from subsidiaries totalling SEK 2,712 million (3,150).

NOTE 9. Interest income/expenses and similar items

Financial income and expenses includes interest income from receivables from Group companies of SEK 680 million (841) and interest expenses from liabilities with Group companies of SEK 472 million (554).

NOTE 10. Tax on earnings for the year

Tax reported in the income statement

SEK million	2013	2012
Current tax	-	-
Deferred tax	49	168
Total tax	49	168
Reported profit/loss before tax	2,420	2,886
Tax according to applicable rate	-532	-759
Tax effect of:		
Expenses, non-deductible/tax-free revenues	-10	-7
Adjustment of tax, previous year	-8	200
Dividends	596	828
Deferred tax due to acquisition of a limited partnership	-5	-22
Deferred tax due to disposal of limited partnership	7	-
Pension commitments assured via endowment insurance	1	1
Tax on earnings for the year, 22 % (26.3 %)	49	241
Revaluation of deferred tax, 22 %	-	-73
Tax on earnings for the year in the income statement	49	168

NOTE 10. Tax on earnings for the year, cont.

Allocation of deferred and current tax

SEK million	2013		2012	
	Basis for curr. tax	Deferred tax	Basis for curr. tax	Deferred tax
Profit before tax	2,420	-	2,886	-
Tax-deductible depreciations	-30	30	-28	28
Add-back of deduction for reduced value due to sold properties	68	-68	20	-20
Expenses, non-deductible/tax-free revenues	-292	337	98	-70
Dividends	-2,712	-	-3150	-
Pension commitments assured via endowment insurance	-	-5	-	-4
Adjustment of tax, previous year	-	36	-335	-425
Deferred tax due to disposal of limited partnership	-	-31	-	-
Deferred tax due to acquisition of a limited partnership	-	23	-	85
Current tax-related profit	-546	322	-509	-406
Utilization of tax-loss carryforwards for the year	546	-546	509	-509
Taxable profit	-	-224	-	-915
Tax on earnings for the year, 22 % (26.3 %)	-	49	-	241
Revaluation of deferred tax, 22 %	-	-	-	-73
Tax on earnings for the year in the income statement		49		168

NOTE 11. Intangible assets

Intangible assets refer to activated expenses for computer software.

SEK million	31/12/2013	31/12/2012
Acquisition cost brought forward	36	33
Investments for the year	2	3
Sales/retirements for the year	-5	-
Accumulated cost carried forward	33	36
Depreciation brought forward	-28	-24
Sales/retirements for the year	5	-
Depreciations for the year	-3	-4
Accumulated depreciation carried forward	-26	-28
Book value at year end	7	8

NOTE 12. Property, plant and equipment

Investment properties		
SEK million	31/12/2013	31/12/2012
Acquisition cost brought forward	660	646
Investments for the year	84	14
Retirements for the year	-33	-
Sales during the year	-	-
Accumulated cost carried forward	711	660
Depreciation brought forward	-52	-45
Depreciations for the year	-6	-7
Reversed retirement for the year	3	-
Sales during the year	-	-
Accumulated depreciation carried forward	-55	-52
Book value, building	656	608
Land		
Acquisition cost brought forward	237	232
Investments for the year	-	5
Sales during the year	-	-
Accumulated cost carried forward	237	237
Book value land	237	237
Book value, property, at year end	893	845
Tax assessment value		
Buildings	504	509
Land	323	330
Total tax assessment value	827	839
Equipment		
SEK million	31/12/2013	31/12/2012
Acquisition cost brought forward	44	41
Investments for the year	5	3
Sales/retirements for the year	-8	-
Accumulated cost carried forward	41	44
Depreciation brought forward	-30	-25
Depreciations for the year	-4	-5
Sales/retirements for the year	8	-
Accumulated depreciation carried forward	-26	-30
Book value at year end	15	14

NOTE 13. Financial fixed assets

Participations in subsidiaries		
SEK million	31/12/2013	31/12/2012
Acquisition cost brought forward	8,182	6,123
Withdrawal/deposit, equity	-481	-289
Sales	-	-
Acquisitions	503	1,475
Liquidation	-	-227
Shareholders' contribution	-	1,100
Accumulated cost carried forward	8,204	8,182
Impairment losses brought forward	-1,340	-1,418
Sales for the year	-	-
Impairment losses for the year	-539	-161
Liquidation	-	227
Reversed impairment loss for the year	9	12
Accumulated impairment losses carried forward	-1,870	-1,340
Closing book value	6,334	6,842

Receivables from other Group companies

Receivables with other Group companies are non-current but are anticipated to continue in order to manage subsidiary liquidity flows. The parent company has taken out interest swaps on behalf of the Group.

Weighted average interest rates on receivables amounted to:

Per cent	2013	2012
Receivables from subsidiaries	3.59	3.51

Other non-current holdings of securities		
	31/12/2013	31/12/2012
Acquisition cost brought forward	212	207
Investments for the year	24	3
Revaluations for the year	-	2
Transfer to current receivable	-175	-
Accumulated cost carried forward	61	212

NOTE 14. 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.)

	Corporate reg. number	Dom.	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. 322	969678-0387	Gothenburg	100	1	3
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	68
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	21
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	215
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	149
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	66

6,334

During the year, Wallenstam AB acquired shares in Rikshem Göteborg KB which has changed name to KB Gårda-Stampen, and sold shares in 17 KB with properties located in Helsingborg to Rikshem. The company is a partner in the above limited partnership.

NOTE 15. 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 16. Financial derivative instruments

SEK million	31/12/2013		31/12/2012	
	Assets	Liabilities	Assets	Liabilities
Non-current derivative instruments				
Interest swap contracts				
cash flow hedges	74	229	2	490
Current derivative instruments				
Interest swap contracts				
cash flow hedges	1	3	-	7
	75	232	2	497

SEK million	31/12/2013	31/12/2012
Maturity profile, financial derivative instruments		
0-3 mo.		1
3 mo.-1 yr		2
1-5 yrs		103
> 5 yrs		51
Total		157

NOTE 19. Equity

A specification of the change in equity can be found in the Consolidated statement of changes in equity, immediately after the balance sheet.

Number of shares	A shares	B shares	Total number	Of which shares in own safekeeping	Outstanding shares	Quota value, SEK
Number, 31/12/2012	17,250,000	154,750,000	172,000,000	2,000,000	170,000,000	
Repurchase				1,200,000	-1,200,000	
Withdrawn		-2,000,000		-2,000,000		
Number, 31/12/2013	17,250,000	152,750,000	170,000,000	1,200,000	168,800,000	1.00

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 date the number of repurchased shares amounted to 1,200,000. During 2013, 1,200,000 shares were bought back at an average price of SEK 89.65.

The proposed dividend for the 2013 financial year is SEK 2.00 per share (1.25).

NOTE 20. Deferred tax

SEK million	31/12/2013	31/12/2012
Deferred tax liability		
Difference booked/fiscal depreciation	76	81
Deferred tax asset		
Loss carryforwards	458	340
Pension commitments assured via endowment insurance	7	6
Temporary differences, derivatives	34	109
Net deferred tax asset/liability	423	374

All losses run for unlimited periods.

NOTE 17. Prepaid expenses and accrued income

SEK million	31/12/2013	31/12/2012
Prepaid insurance premiums	3	1
Prepaid interest expenses	14	16
Prepaid operating expenses	-	-
Accrued income	27	44
Total prepaid expenses and accrued income	44	61

SEK 10 million (27) of the accrued income relates to receivables from Group companies.

NOTE 18. Liquid assets

SEK million	31/12/2013	31/12/2012
Liquid assets	301	166
Overdraft facilities/Approved amount	400	400
Overdraft facilities/Utilized amount	-	-
Available amount	400	400
Available liquid assets	701	566

NOTE 21. Liabilities to credit institutions

SEK million	31/12/2013	31/12/2012
Non-current loans		
Bank loans	30	627
Current loans		
Bank loans	7,965	5,249
	7,995	5,876

NOTE 21. Liabilities to credit institutions, cont.

	31/12/2013	31/12/2012
	Amount, SEK million	Amount, SEK million
Loan agreement maturity profiles		
0-3 mo.	2,821	1,658
3 mo.-1 yr	5,144	3,591
1-2 yrs	30	597
2-3 yrs	-	30
Total	7,995	5,876

Interest maturity profile	31/12/2013		31/12/2012	
	Amount, SEK million	Average interest, %	Amount, SEK million	Average interest, %
0-3 mo.	-1,103	-6.23	-3,217	-0.34
3 mo.-1 yr	1,213	2.60	1,671	2.53
1-2 yrs	630	1.67	1,372	3.32
2-3 yrs	850	3.56	550	3.69
3-4 yrs	600	3.02	950	3.58
4-5 yrs	500	2.99	620	3.03
5-6 yrs	530	3.05	400	2.98
6-7 yrs	800	2.98	530	3.05
7-8 yrs	1,000	3.26	700	3.08
8-9 yrs	1,400	2.53	1,000	3.26
> 9 yrs	1,575	2.69	1,300	2.48
Total	7,995	4.06	5,876	4.87

All of the Group's interest derivatives except those in respect of wind turbine financing are taken up through banks via the parent company. The volume of the parent company's interest derivatives exceeds the volume of loans held by the parent company. Wallenstam takes up interest derivatives in the parent company in order to hedge Group subsidiaries' interest maturity profiles. 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 400 million (400).

Per cent	2013	2012
Weighted average effective interest rates on loans amounted to:		
Loans	4.6	4.3
Overdraft facility	2.1	3.0

Recognized and fair values of other liabilities agree.

Liabilities to other Group companies

Liabilities to other Group companies are not intended to be amortized but are expected to bear interest with which to manage subsidiary liquidity flows.

NOTE 22. Accrued expenses and prepaid income

SEK million	31/12/2013	31/12/2012
Accrued salary costs	31	25
Accrued interest expenses	43	34
Accrued operating expenses	7	1
Prepaid rental income	1	8
Accrued administration expenses	5	9
Total accrued expenses and deferred income	87	77

NOTE 23. Pledged assets

SEK million	31/12/2013	31/12/2012
Property mortgages	1,197	797
Internal notes and property mortgages	2,426	2,419
Pledged endowment insurance	28	23
Total pledged assets	3,651	3,239

NOTE 24. Contingent liabilities

Warranty commitments for Group companies amounted to SEK 8,686 million (9,825). Other warranty commitments refer to supplementary responsibility for the external liabilities of limited partnership companies of SEK 205 million (424).

NOTE 25. 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	2013	2012
Adjustment items not affecting cash flow		
Accrued unpaid rental income	-1	-4
Accrued unpaid operating expenses	-	-
Accrued unpaid management costs and administration expenses	41	36
Depreciation/Retirement	43	15
	83	47
Liquid assets	301	166
Unutilized credit at year end	400	400
	701	566
Total bank overdraft facilities	400	400

The Income Statements and Balance Sheets will be submitted to the Annual General Meeting on April 29, 2014.

We affirm that the annual accounts, to the best of our knowledge, have been prepared in accordance with generally accepted accounting principles for a publicly listed company. 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, March 7, 2014

Wallenstam AB (publ)

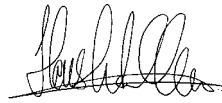

Christer Villard
Chairman of the Board


Ulrica Jansson Messing
Vice Chairman


Anders Berntsson
Board Member


Erik Åsbrink
Board Member


Agneta Wallenstam
Board Member


Hans Wallenstam
Managing Director

My Audit Report concerning this annual report and the consolidated financial statements was issued on March 7, 2014.


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 01/01/2013–31/12/2013. The annual report and consolidated financial statements of the company are included in the printed version of this document on pages 62–105.

The Board of Directors and the Managing Director are responsible for the annual accounts and consolidated financial statements

The Board of Directors and the Managing Director are responsible for 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 Managing Director consider necessary for the preparation of annual accounts and consolidated financial statements that do not contain material misstatements, whether or not the latter are 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 the assessment of the risk of material misstatement in the annual accounts and consolidated financial statements whether or not such misstatements are 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 Managing Director, 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 December 31, 2013 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 December 31, 2013

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 directors' 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.

Other information

The audit of the annual report and consolidated financial statements for the financial year 01/01/2012 to 31/12/2012 was carried out by a different auditor who submitted an audit report dated February 22, 2013 with unmodified opinions in his audit of the annual report and consolidated financial statements.

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 Managing Director of Wallenstam AB (publ) for the financial year 01/01/2013–31/12/2013.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for allocating the company's profit or loss, and it is the Board of Directors and Managing Director 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 on its 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.

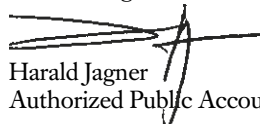
As a basis for my opinion concerning discharge from liability I examined, in addition to my audit of the annual accounts and consolidated financial statements, significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the Managing Director. I also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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 Managing Director be discharged from liability for the financial year.

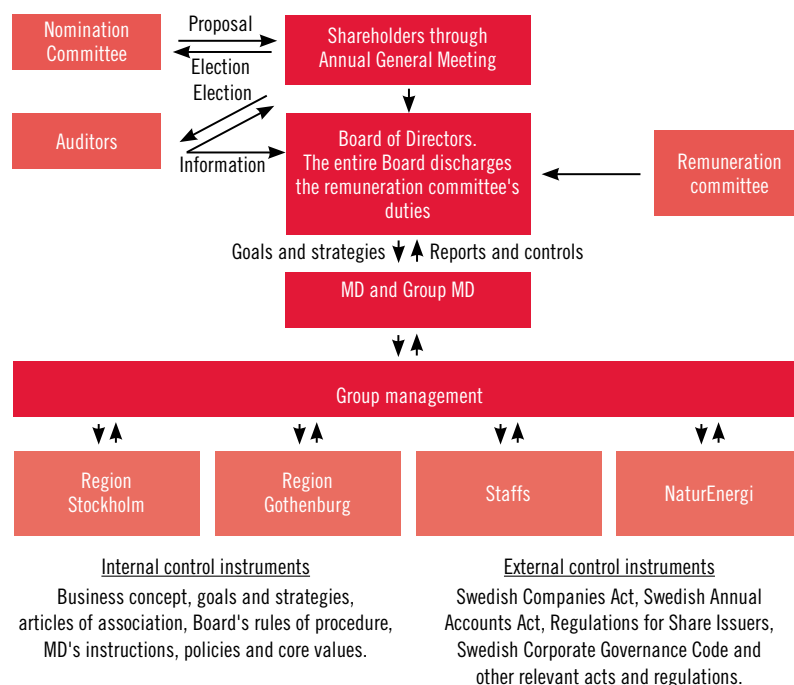
Gothenburg, March 7, 2014



Harald Jagner
Authorized Public Accountant

CORPORATE GOVERNANCE REPORT 2013

WALLENSTAM'S CORPORATE GOVERNANCE STRUCTURE



PRINCIPLES OF CORPORATE GOVERNANCE

Wallenstam AB (publ) is a Swedish public company with its registered office in Gothenburg. The company's shares are listed on the NASDAQ OMX 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.bolagsstyrning.se). The Code is based on the comply or explain principle 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 2013 as follows:

2.3 Composition of the nomination committee –The Code lays down that the Managing Director or other Board member may not be a member of the nomination committee. Wallenstam does not follow this rule as the MD Hans Wallenstam is a member of the nomination committee. The reason for the deviation is that because the MD Hans Wallenstam is also the principal shareholder in the company, he is a member of the nomination committee in that capacity.

SHARES AND OWNERS

The Wallenstam share is listed on the NASDAQ OMX Stockholm, Large Cap. The number of shareholders totalled 8,067 at year end. Wallenstam's principal shareholder is Hans Wallenstam who together with the family and company 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 December 31, 2013, 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. Repurchased shares lack voting and dividend rights. Wallenstam's market capitalization at year end amounted to SEK 16,533 million.

The dividend policy adopted by the Board of Directors states that reported earnings should primarily be re-invested 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 be given to the company's investment requirements, its equity/assets ratio, its position in general and the ability of the Group to develop while maintaining its financial strength and freedom of action. However, the distributable amount must never exceed realized profit after tax.

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 legislation and Wallenstam's articles of association, shareholders exercise their voting rights at the AGM in order to take

decisions. The AGM elects the Board Chairman, other Board members and the company auditor. It is also charged with adopting the company's balance sheets and income statements and deciding on the disposition of earnings as well as discharging the members of the Board and the Managing Director 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- and Inrikes Tidningar) and Wallenstam's website. Notice that an AGM is convened must be advertised in Svenska Dagbladet and Göteborgs-Posten. The notice to attend describes e.g. the agenda and the Board of Directors and nomination committee's proposals for adoption. According to the Swedish Companies Act, shareholders have the right to have an issue taken up 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 April 23, 2013 in Gothenburg; 168 shareholders attended or were represented. They represented around 50 per cent of the shares and about 74 per cent of the total number of votes in the company. The MD, Group management, the Board of Directors and the company's auditor were present.

The following resolutions were made by the AGM of April 23, 2013:

- adoption of the parent company's and consolidated annual accounts for 2012,
- a dividend of SEK 1.25 per share for the 2012 financial year,
- the fee to the Board would be in the amount of SEK 1,250,000 of which SEK 630,000 is to the Board Chairman, SEK 230,000 to the Deputy Chairman and SEK 130,000 to each of the other Board members. The sums include compensation for committee work.
- discharge from liability of the MD and Board of Directors,
- re-election of Board members Christer Villard, Agneta Wallenstam, Anders Berntsson, Erik Åsbrink and Ulrica Jansson Messing. Christer Villard was 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,
- a reduction of share capital through the withdrawal of shares, 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 2014 consists of:

- Dick Brenner (nomination committee chairman)
- Christer Villard (Board Chairman, Wallenstam AB)
- Hans Wallenstam (biggest shareholder, Wallenstam AB)
- Lars-Åke Bokenberger (representative for AMF)

The nomination committee has held three minuted meetings since the 2013 AGM in which all of the issues the committee is tasked with taking up according to the Code were duly processed. The nomination committee's proposals to the AGM will be published in connection with notice to attend. The nomination committee will also submit to the AGM a reasoned opinion in regard to 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 issues. In general the Board handles issues of significant importance for the Group such as:

- the 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

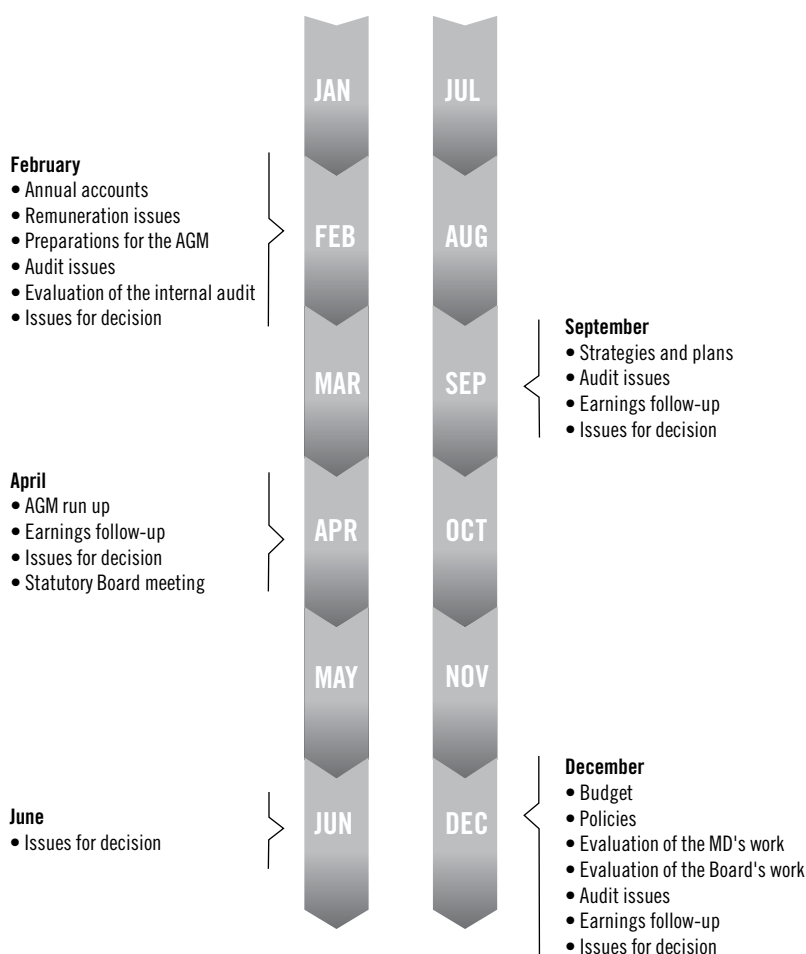
BOARD COMPOSITION

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 regulations in the articles of association concerning the appointment 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 2013 Wallenstam's Board comprised five members elected at the AGM, and no deputies. Board members are presented on page 18. The MD does not sit on the Board. The Board elected its members on 23 April 2013 and elected Ulrica Jansson Messing as vice chairman until the next AGM.

THE BOARD'S ANNUAL PLANNING IN ADDITION TO STANDING ITEMS

Such as investment decisions, situation reports, projects in progress, administration, liquidity and financing.



THE BOARDS ASSIGNMENTS

Name	Function	Elected	Attendance, Board meetings	Attendance, audit committee meetings	Attendance, remunerations committee meetings	Independent*
Christer Villard	Chairman	1995	7/7	3/3	2/2	Yes
Ulrica Jansson						
Messing	Vice chair	2008	5/7	2/3	2/2	Yes
Anders						
Berntsson	Board member	1997	6/7	2/3		No
Erik Åsbrink	Board member	2000	4/7	3/3		Yes
Agneta						
Wallenstam	Board member	2010	7/7	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 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 decisive issues. The rules of procedure also govern the distribution of responsibilities between the Board of Directors and the MD.

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 follows the Group's day-to-day development through continual contacts with the MD on strategic issues and represents the company on matters pertaining to its ownership structure.

During 2013 the Board held seven 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 MD regarding the business situation, a financial report, investment decisions and other matters of material importance for the company.

Remunerations committee

Within the Board there is a remunerations committee that comprises Board Chairman Christer Villard and Vice Chairman Ulrica Jansson Messing. The committee is tasked with preparing the Board's decisions on issues that involve remuneration principles, remunerations and other company management employment terms. In addition, the remunerations committee must monitor and evaluate the application of guidelines for remunerations to senior executives the AGM has to decide upon in accordance with the law, and current remuneration structures and levels within the company. Where appropriate the remunerations committee must monitor and evaluate ongoing programmes for variable remunerations for company management together with those concluded during the year. The remuneration committee held two minuted meetings during 2013 in which the above issues were taken up.

Audit Committee

The Board of Directors discussed the establishment of an audit committee but chose not to establish one. Thereby the Board as a whole performs the tasks that are the duty of the audit committee in accordance with the Swedish Companies Act. In this way the Board's expertise can be put to use fully 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 superintending auditor impartiality and independence, and
- assisting the nomination committee with the preparation of proposals for auditors and their compensation.

During 2013 the audit committee met three times to take up the above-mentioned matters.

MD AND GROUP MANAGEMENT

The MD 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 MD to prepare decision support data for Board meetings, present matters for discussion and to justify his proposals for actions and decisions. The MD also keeps the Chairman of the Board continuously informed of the development and financial positions of the company and the Group. The MD's work is evaluated regularly.

Wallenstam's MD Hans Wallenstam is the company's biggest share holder. It is a great advantage for Wallenstam to have an MD 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 several occasions.

In his day-to-day work the MD leads Group management.

Wallenstam's Group management includes the MD, Deputy MD responsible for business area Stockholm, Deputy MD responsible for business area Gothenburg, Deputy MD responsible for business area NaturEnergi, the Finance Director, PR and HR Director and the Administrative Director. Wallenstam's Group management is presented on page 20. The MD 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 MD 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.

Remunerations to the MD and Group management

Guidelines for salaries and other remunerations to senior company executives are decided by the AGM. The following guidelines, which apply to the MD and other persons in company management, were adopted by the 2013 AGM:

- Senior management must be offered fixed salaries on prevailing market terms based on the employee's area of responsibility and performance.
- Senior management must be offered pension benefits on prevailing market terms chiefly in the form of premium-based pension agreements.
- Senior management must be offered customary non-monetary benefits that among other things facilitate the performance of their work such as cars, mobile telephones and occupational health services. Additionally, benefits in the form of accommodation may also be offered in exceptional cases.
- In addition to fixed salaries, variable remunerations that reward measurable goal-oriented performance may also be offered. Variable remunerations must seek to promote the long-term creation of value within the Group. Such variable remuneration must be paid in the form of salary and may not exceed the fixed remuneration for the position concerned for the period to which the remuneration pertains. Payments in respect of the above incentive programme are not pensionable.
- Senior management 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 management. 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 2013 AGM elected Harald Jagner and Pernilla Lihnell, both from Deloitte AB, as auditor and substitute auditor respectively, until the end of the 2014 AGM.

The auditors examine the Board's and the MD'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 per year. In addition to the audit, Deloitte AB carries out certain audit-related services for Wallenstam. These services refer chiefly to legal matters concerning accounting, tax and limited companies, 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 CONTROLS IN RESPECT OF THE FINANCIAL STATEMENTS

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 for 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 controls in respect of financial accounts. Wallenstam's control environment is based on a clear division and distribution of responsibilities and assignments between the Board and the MD, and also within the company's operational activities. The Board's rules of procedure and MD 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 those affecting finances, information and the company's Code of Conduct are also important for the performance of work with internal controls. Group management reports regularly to the Board on the basis of established procedures. In this regard we can also mention annual reporting from the auditors' review to the Board. 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 controls. All policy documents are accessible and have been made known to personnel concerned.

Risk assessment and control activities

Wallenstam's Group management carries out annual reviews and evaluations regarding the management of risks and accounting errors in financial reporting. Accordingly, the Board manages outcomes 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 auditor and also decides on the direction and, where necessary, actions to be taken. Wallenstam's biggest risks have been identified in the following areas:

- Acquisitions and sales of properties/companies
- Valuation of properties
- Construction projects
- Finance
- Taxes

Particular attention was paid to the design of controls that prevent and detect shortcomings in the above areas. Instructions, procedures and manuals are drawn up, updated and published to 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 communications policy adopted by the Board governs internal and external Wallenstam information alike. Company management is responsible for informing employees affected about their responsibilities for maintaining good internal controls. This takes place e.g. through regular information meetings in each respective business area. Employees are also kept informed via the Wallenstam intranet about adopted policies, guidelines, instructions and manuals.

The information and marketing department is responsible for providing information externally. Work is carried out following the principle of current and correct information in accordance with the NASDAQ OMX Stockholm regulatory framework for issuers.

Follow-up

Group management continually evaluates internal controls. This takes place chiefly through internal analyses and by reviewing the finance 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 controls. Among other things, the work entails ensuring that action is taken concerning shortcomings and proposals for measures not only resulting from Group management reports but also from the audit carried out by the company's external auditor.

Internal audit


Wallenstam's Group management continually reviews procedures and documentation in respect of the internal control system. Nothing has occurred that indicates the control system will not work as intended. In the light of this the Board has decided not to set up any 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 resolutions by the exchange Disciplinary Committee or pronouncements by the Swedish Securities Council.

This report does not form part of the official annual report. The report was prepared in accordance with the Code, Swedish Companies Act and the Swedish Annual Accounts Act. This means the report is limited to a description of how the internal controls are organized in respect of financial reporting.

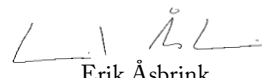
Gothenburg, March 7, 2014


Christer Villard
Chairman of the Board


Anders Berntsson
Board member


Agneta Wallenstam
Board member


Ulrica Jansson Messing
Vice Chairman


Erik Åsbrink
Board member

AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

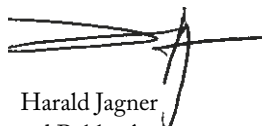
TO THE ANNUAL GENERAL MEETING OF WALLENSTAM AB (PUBL), CORPORATE ID NO. 556072-1523

It is the Board of Directors that is responsible for the corporate governance report for the financial year 01/01/2013–31/12/2013 included in the printed version of this document on pages 107–111, 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, March 7, 2014

A handwritten signature in black ink, consisting of several overlapping horizontal and vertical strokes, positioned above the name and title.

Harald Jagner
Authorized Public Accountant

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