

Akelius VS Wallenstam

Mikael Rånes, 2011-01-06

Introduction

A comparison of the two companies within the same sector, it is important to clarify differences and similarities that exist, both in terms of ownership structure, accounting and corporate culture.

The following facts are retrieved from the interim report January – September 2010 for both companies and will serve as a basis for the key figures who then shall be calculated for group work.

Ownership Structure

Wallenstam was founded in 1944, is a Swedish-owned company with headquarters in Gothenburg and its B shares are listed on Nasdaq OMX Stockholm, Mid Cap.

Main owners are the family Wallenstam with Hans Wallenstam in the lead as CEO and they hold 100% of A-shares, 22 per cent of the total share capital and 58 per cent of the voting rights. In addition to the family Wallenstam six other families owns 26 per cent of the share capital and 14 per cent of the voting rights. Institutional ownership amounts to 38 per cent of total voting rights of 27 per cent, other owner is less than 1 per cent of the share capital.

Shareholders 2010-03-31

	A shares	B shares	Capital , %	Votes, %
Hans Wallenstam with companies and family	5 750 000	6 970 000	21,6	58,2
Family Agneta Wallenstam		4 770 000	8,1	4,3
Family Anders Berntsson		3 434 475	5,8	3,1
Family Henrik Wiman		2 314 500	3,9	2,1
Bengt Norman with companies		2 230 000	2,9	1,6
Family U Wallenstam		1 716 000	2,5	1,3
AMF - Insurance and funds		1 467 190	2,0	1,1
Länsförsäkringar fondförvaltning		1 200 490	2,0	1,1
Family Brandström with companies		1 164 800	1,9	1,0
Livförsäkringsaktiebolaget Skandia		1 099 612	1,86	0,99
Other owners		25 882 933	43,9	23,4
Total		52 250 000	96,4	98,1
Shares bought back		1 000 000	1,7	0,9
Registered shares	5 750 000	53 250 000		
Total registered shares	59 000 000		100,0	100,0
Total outstanding shares		58 000 000		

Akelius group owned by the ultimate owner in the form of a foundation with the name Akelius Foundation. Founder of the Group and subsequently Foundation is Roger Akelius. 1994 Roger started Akelius Fastigheter AB and the company is now one of Sweden's largest real estate companies. If you only counting rental rights then is Akelius the biggest Swedish private housing company.

Real Estate Stocks

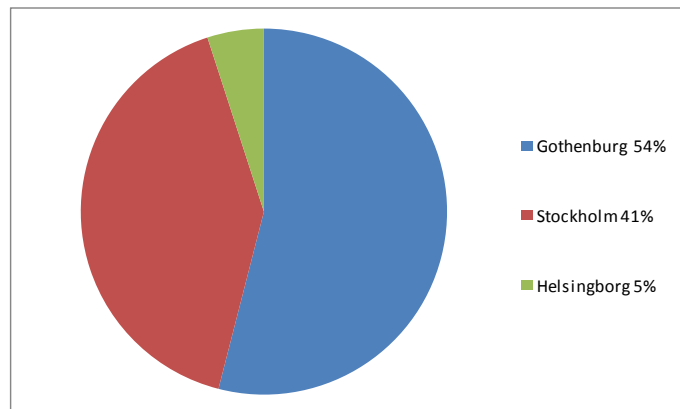
Wallenstams total real estate portfolio amounts to 1 244 264 square meters, of which 500 000 square meters are commercially.

The property is located in Gothenburg, Stockholm and Helsingborg. The commercial premises are preferably in Gothenburg and in central areas, as well as other attractive office areas.

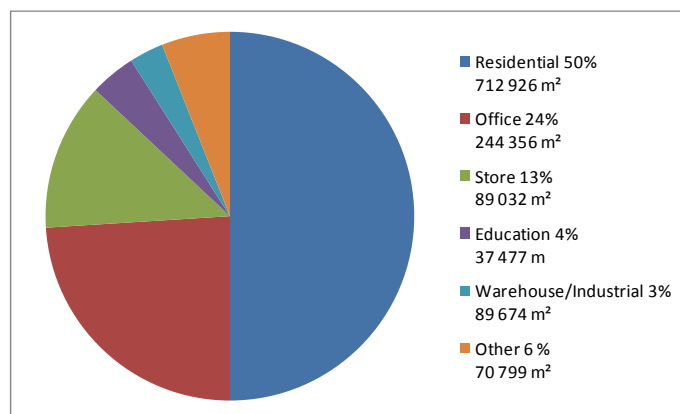
SEK 22 621 m is property value as of 30 September and loan to value rate is 52 per cent or SEK 12 878 m.

Almost 50 per cent of the loans have a shorter binding period than one year, an average rate of return is 3, 76 per cent and the average refixing period is 2.5 years.

Accounting policy is drawn up in accordance with IFRS International Financial Reporting Standards.

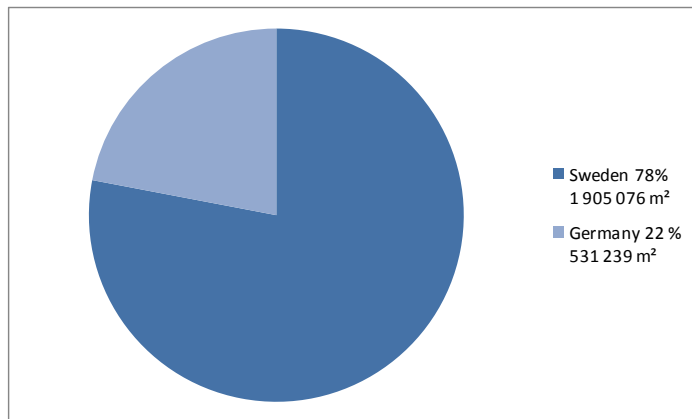


Wallenstams geographical allocation of 1,244 264 m²

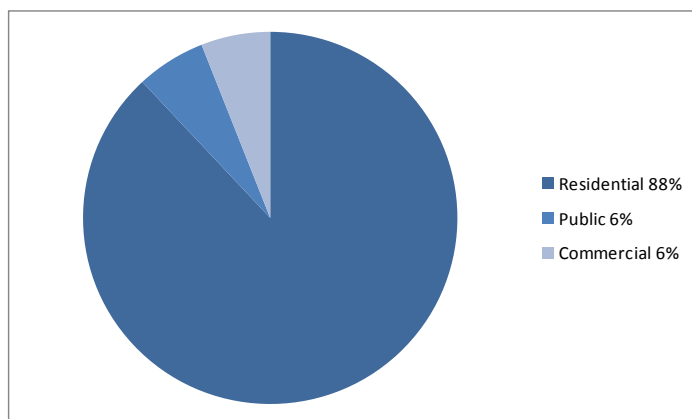


Wallenstams rental value allocation

Akelius total real estate portfolio amounts to 2 436 316 square meters including 1 905 076 square meters is in Sweden. Broken down by residence of 1 774 632 square meters or 23 328 apartments and commercial 370 445 square meters. Germany has thus 531 239 square meters, of which 510 460 square meters is living space with 8 365 apartments. Akelius focus is growth centers, and they are currently at 25 locations throughout Sweden and in Germany at 14 points. SEK 28 279 m is property value as of September 30 and the lone to value rate is 63 per cent or SEK 14 034 m in the property mortgaged and 3 808 m of unsecured loan through Akelius Spar and Invest. Borrowings have an average fixation on 5, 5 years and an interest rate of 5.11 percent. Accounting policy used is GAAP, generally accepted accounting principles.



Akelius geographical allocation of 2 436 316 m²



Akelius rental value allocation

Other business areas

Wallenstam Group invested not only in buildings but also to become self-sufficient in renewable energy. So far, they have invested in water and wind turbines which provide them with an output of 75 MW which represents 75 per cent of their consumption needs.

The total value of the power stations is 1088 m.

Akelius group has since the 1980s offers investments with fixed interest bonuses and has since had thousands of loyal customers who invested their savings recurring with Akelius. This money is then invested in real estate acquisition and rebuilding to a high and secure returns.

Wallenstam has during the last five years increasingly invested in new production of dwellings. The objective is that until 2012 to produce 2,500 apartments to a dividend yield of at least 7 per cent.

Akelius has during 2005 – 2010 bought and built different kind of public buildings for total of 149 914 squares meters. They have for example built a police station in Eksjö, nursing homes in Norrköping and Uppsala. They also invested in 35 000 squares meters school and nursing homes in Umeå.

Turnover and profits

Wallenstams rental income amounted to SEK 1075 m and profits SEK 944 m. The most to gain size was a positive change in value of the property about SEK 1 140 m which to a large extent, SEK 965 m, due to the prevailing required yield were decreased to an average of 4.3 per cent of the dwellings. Managing the operation net landed at SEK 572 m and with a surplus ratio of 53 per cent. After financial costs of SEK 306 m ended up profit on SEK 265 m. Ads one period realized values after restructuring operations undertaken so emerged SEK 428 m. Vacancy rate was 98 per cent.

Akelius rental income amounted to SEK 1 832 m and profits SEK 568 m. Administration operating net per last September were SEK 922 m giving an operating surplus of 50.3 per cent including the central administration. After write-downs on SEK 130 m and financial costs of SEK 794 m leaves only SEK 2 m, but during the period, sales to housing associations to a gain of SEK 550 m. Notable is that, on average, real estate portfolio Akelius have required yield of 5 per cent in the ratings. Vacancy rate amounted to 98.3 per cent.

Equity capital and liquidity

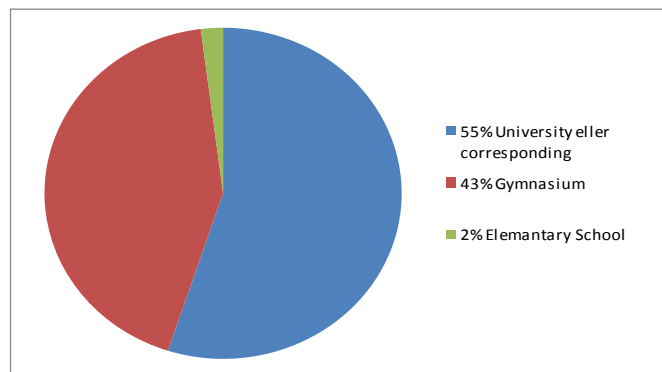
Wallenstams equity is SEK 9 178 m and the available liquidity is per last September SEK 812 m, shareholders ' equity increased by SEK 724 m during the first three quarters including dividends on SEK -189 m and repurchase of own shares SEK - 104 m. The sharp increase of equity will depend on the value of the change that occurred on the property on which the yield requirement has been reduced. Equity ratio remained stable at about 37 per cent.

Akelius equity during the period increased by SEK 595 m to SEK 4 814 m and liquidity is at SEK 1 740 m including unutilized credit facilities.

Organization

Wallenstam has 180 employees and buy caretaking and maintenance measures external vendors included in a partner concept, called Wallenstam partners. These have their cars, clothes and ID card with Wallenstams sign. Sick leave is low, 2 percent, and their employees have health benefits and ongoing health checks. Medieval employment is 8 years old and very important in the context of recruitment is the personal characteristics and qualities.

An incentive program was launched in 2008 for all employees and will continue until 2012, a synthetic option programs. During 2009 underwent training in mainly IT and a total of 160 training days were carried out.



Wallenstams educational attainment of the workforce

Akelius decided in 2006 to outsource all the services of caretaking, only few technicians were offered continued employment. Numbers of employees at 30 September are 144 people, 107 in Sweden and 37 in Germany and sick are low, 1.7 per cent. Employees have access to health surveillance and health benefits. Medieval employment in Sweden is 7 year old and staffs provide training through inter alia Akelius University, MBA education and a newly established real estate economist training starting in 2011. The objective of the company is to have the real estate branch most relevant trained personnel.

Group Work

Akelius VS Wallenstam

Mikael Rånes, 2011-01-06

You all have heard there are more similarities between companies. Both are stable, delivers a good profit which generates an increase in shareholders ' equity. But there are also some differences and we now value this!

To the questions below!

1. How much would Akelius lower their interest expense if they took the same risk as Wallenstam?
2. How much would Akelius value increase when their yield requirements were reduced in dwellings from current level to Wallenstams level?
3. What are the company's total operating expenses in square meters including administration and property tax enumerated on an annual basis?
4. Which of the companies has actually the highest surplus ratio in their dwellings portfolio and what is their respective surplus ratio?
5. Calculate the key figures interest cover ratio (ICR) and adjusted equity ratio for Wallenstam and Akelius. Give the firms a credit score from 1-10 where 10 is the highest. Explain why the companies have different credit scores.
6. Wallenstam is a listed company and Akelius is not listed. What are the advantages and disadvantages to be listed?
7. Wallenstam diversify its business through investments in different asset classes. Akelius diversify is business geographically. Give arguments in favor for or against the different strategies.

WALLENSTAM

INTERIM REPORT

January 1–September 30, 2010

- Rental income for the period increased by just over 6 per cent to SEK 1,075 million (1,011).
- Profit for the period after tax amounted to SEK 944 million (122). Earnings per share amounted to SEK 16 (2).
- Changes in the value of buildings amounted to SEK 1,140 million (–9) and SEK –131 million (–99) for derivative instruments.
- Investments in properties amounted to SEK 1,458 million (1,932), of which acquisitions amounted to SEK 729 million (1,195). Investments in wind and hydroelectric power amounted to SEK 361 million (290).
- The net asset value per share increased to SEK 209 (188).

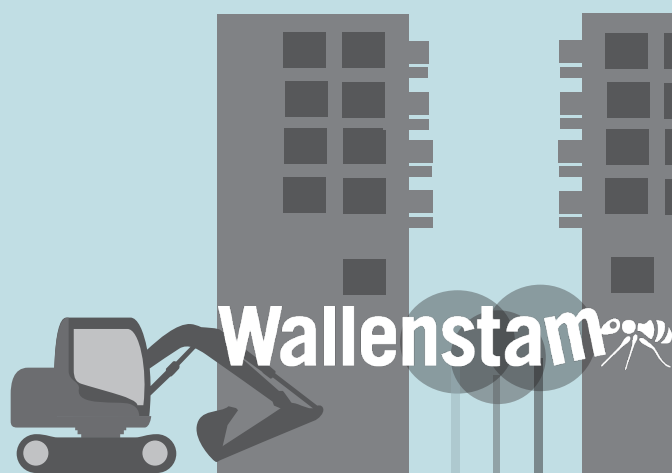
Comment from Hans Wallenstam, Managing Director:

“The objective of producing 2,500 apartments in line with the business plan remains in place. Thus far we have started construction of just over 900 apartments and we note continued high demand for housing in our markets. Value growth in our new production projects has exceeded 50 per cent on average over the past few years, thanks to cost-effective production.”

“We have delivered extremely good earnings for the period. A more positive market has resulted in greater demand for properties. For us this has meant major, positive value changes and all property transactions carried out have been concluded at prices above valuation.”

GROUP DEVELOPMENT IN SUMMARY

	3 months July-Sept		9 months Jan-Sept		Rolling 12 months Oct-Sept		Jan-Dec
	2010	2009	2010	2009	2010	2009	2009
Rental Income, SEK M	364	337	1,075	1,011	1,420	1,324	1,356
Property result, SEK M	105	102	265	277	333	304	346
Profit after tax, SEK M	160	21	944	122	1,312	414	489
Total result, SEK M	159	72	1,016	266	1,383	343	631
Investments, SEK M	760	288	1,819	1,228	2,813	1,593	2,222
Profit after tax/share, SEK	3	0.3	16	2	23	7	8



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The Interim report has been prepared in accordance with IAS 34. The parent company's reporting principles follow the Annual Accounts Act and RFR 2:2. For information about Wallenstam's reporting principles see page 74 of the Annual report.

The information in this Interim report is information that Wallenstam shall publish in accordance with the securities market legislation and/or the legislation relating to trading with financial instruments. This information was submitted for publication in Swedish at 08:00 (CET) on November 10, 2010.

Comparisons in brackets refer to the corresponding period in the previous year, except in sections describing assets and financing where the comparisons relate to the previous year-end.

INTERIM REPORT

January 1–September 30, 2010

Managing Director's comments on the quarter

Important developments for Wallenstam during the third quarter were as follows:

- We acquired the prime, 4,200 sq m property Avenyn 1 in Gothenburg which is an outstanding complement to our other properties on Kungsporsavenyen. In addition we have also acquired a central residential property of 6,300 sq m on Sten Sturegatan immediately next to the entertainment precinct in Gothenburg.
- Our investments in new construction continue according to our business plan, and we have hitherto begun production of just over 900 apartments. In the beginning of September we started our latest, most energy-efficient construction thus far – A passive building with 196 apartments at Poseidons Torg in Haninge.

THIRD QUARTER IN SUMMARY

Rental income during the third quarter amounted to SEK 364 million (337). The increase is explained by a larger property holding and a continued high occupancy rate. Operating expenses amounted to SEK 108 million (96), mainly as a result of a larger property holding. The operating surplus increased to SEK 256 million (242). Net value changes in properties amounted to SEK 77 million (-1); the increase is chiefly an effect of a higher operating surplus. Required rates of return remain unchanged. Changes in value of electricity and interest rate derivatives were chiefly influenced by changed interest rates, and amounted to SEK 35 million (-82).

Result January 1 – September 30, 2010

Earnings after tax amounted to SEK 944 million (122) which in earnings per share was SEK 16 (2), due principally to the effect of positive changes of SEK 1,140 million (-9) in the value of buildings. Value changes in derivative instruments affected earnings by SEK -131 million (-99). Wallenstam's other comprehensive income increased to SEK 1,016 million (266).

RENTAL INCOME

Consolidated rental income for the period increased to SEK 1,075 million (1,011). SEK 602 million (566) of rental income consists of revenue from business area Residential, while SEK 470 million (442) was from business area Commercial. Rental increases in the

residential holding are mainly an effect of acquisitions, completed projects and rent increases in existing holdings. A continued high occupancy rate in commercial holdings together with rent negotiations and new lets has influenced rental income positively. We estimate that demand for commercial properties in the Gothenburg area will continue to be good.

OPERATING EXPENSES

Operating expenses for the period amounted to SEK 378 million (334); the increase is chiefly an effect of a larger property holding and a cold, snowy beginning to the year. The operating surplus for the period amounted to SEK 697 million (676).

MANAGEMENT COSTS AND ADMINISTRATION EXPENSES

Management costs and administration expenses amounted to SEK 152 million (117) and were comprised primarily of increased personnel costs due to additional employees. Since the previous year 17 people have been taken on. In addition, administration expenses were affected by Wallenstam's synthetic options scheme. The scheme runs until the end of June 2013 and will involve an estimated total cost to the company of SEK 83 million in the event of a maximum payout. Just over SEK 18 million has been expensed, of which SEK 10 million was charged to the quarter.

VALUE CHANGES, PROPERTIES

Value changes in Wallenstam's property holding amounted to SEK 1,140 million (-9), of which realized changes in value amounted to SEK 152 million (16). The increase is mainly the effect of a distinctly more stable market and a higher operating surplus.

	SEK M
Change in yield	965
Capitalization of change in operating surplus	175
Future investment requirements	-177
Completed reconstruction projects	25
Realized changes in value	152
Change in value of investment properties	1,140

FINANCIAL INCOME AND EXPENSES

Income from financial items amounted to SEK 21 million (25) and financial expenses to SEK 330 million (322).

Wallenstam uses interest derivatives to achieve the desired interest maturity structure and electricity derivatives to manage price risks in electricity trading. If the agreed price differs from the market price, a theoretical surplus or deficit value arises in the income statement.

The unrealized change in value of financial derivative instruments amounted to SEK -134 million (-99), of which SEK -101 million is a result of completed hedge accounting. This has no effect on comprehensive income in accounting terms as it is balanced by a write-back under other comprehensive income with an equivalent amount. Realized change in value amounted to SEK 3 million (-0).

TAXES

Wallenstam reports a tax expense of SEK 328 million (45). Current tax for the 2010 income year was calculated based on a corporation tax of 26.3 per cent. The use of loss carryforwards means that in principal no actual tax payment occurs. This means that the major part of the Group's tax expense comprises deferred tax. t.

SEASONAL EFFECTS

For Wallenstam, seasonal effects consist mainly of variable operating costs; these costs are highest during the first and fourth quarters during which heating and maintenance expenses for properties are higher.

Wallenstam's markets

Wallenstam's property holdings total 1,244,000 sq m and are concentrated in Stockholm, Gothenburg and Helsingborg; they consist of residential properties, offices and retail stores in prime locations. Residential properties make up around 60 per cent of Wallenstam's total property value; the remaining 40 per cent consists of commercial properties.

HOUSING MARKET

The housing market in areas where Wallenstam has chosen to set up business is characterized by strong demand and low new construction rates for rental properties. Wallenstam's residential property holdings comprise approximately 11,000 apartments which make up around 60 per cent of the Group's total lettable area. The residential holding is fully let and only a small proportion of apartments become vacant during the year as a result of relocations.

During the period rent negotiations have resulted in increases that on average amount to 1.80 per cent for the Stockholm region, 1.15 per cent for the Gothenburg region, and 2.45 per cent in Helsingborg. This is estimated to bring in just over SEK 10 million in increased rents.

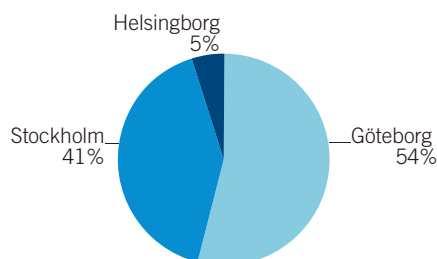
COMMERCIAL PREMISES MARKET

Wallenstam's commercial holdings are located in Gothenburg's inner city and attractive business districts. During the period net rentals fell somewhat but the occupancy rate is stable and amounts to around 96 per cent. On average the occupancy rate for office space in the Gothenburg market amounted to around 92 per cent, according to Jones Lang LaSalle (JLL).

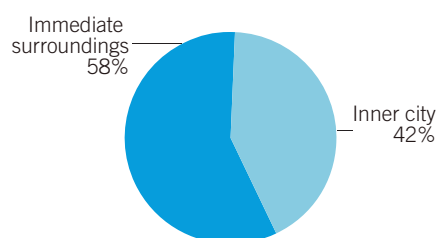
During the year, Wallenstam let approximately 17,000 sq m of commercial property in the Gothenburg region. Wallenstam commercial tenants' ability to pay is good and its customer structure stable, which in combination with prime property locations, provides a low risk profile

PROPERTY HOLDING

GEOGRAPHIC DISTRIBUTION, AREA*

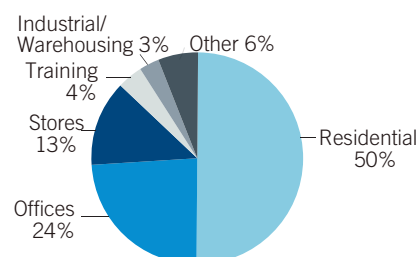


LOCAL DISTRIBUTION, AREA*



* Total lettable area amount to 1,244,264 kvm.

DISTRIBUTION, TYPE OF PREMISES, RENTAL VALUE



THE 10 LARGEST PREMISES TENANTS

Tenant	Area, sqm
Försäkringskassan	15,336
Göteborgs Kommun	14,797
Mölnlycke Health Care AB	13,684
SF Bio AB	13,355
Landsarkivet i Göteborg	11,000
SCA Hygiene Products AB	7,600
Göteborgs Universitet	7,522
Törnskogen Utbildning AB	6,285
Folkuniversitetet	6,270
Härryda Kommun	5,597
Total	101,446

Total commercial lettable area is 500,000 kvm.

PROPERTY MARKET

According to JLL, property transactions completed in Sweden during 2010 amounted to a value of SEK 67 billion, equivalent to an increase of 159 per cent compared to the same period for the previous year. A noticeable trend is that the size of individual property transactions is becoming ever larger.

Wallenstam acquired four properties during the period, one in Sollentuna and three in the Gothenburg city centre. During the same period, eight properties were sold for a total of SEK 707 million, of which five properties were to housing associations. All were sold at prices above valuation.

The demand for housing association properties is stable in both Gothenburg and Stockholm. Interest among our tenants remains high regarding the transfer of residential rental properties to housing associations.

Investments

PROPERTIES

During the period SEK 1,458 million (1,115) was invested in properties, of which acquisitions amounted to SEK 729 million (1,195), while new construction and conversions totalled SEK 729 million (737).

In total the acquisitions comprise just over 46,600 square metres, of which around 30,000 square metres are made up of housing.

The biggest current new construction projects are Kungsholmsporten, Strandparken and Poseidons Gränd in greater Stockholm and Stårtered in Partille outside Gothenburg. A further 300 apartments are also planned to commence construction around New Year.

WIND POWER AND HYDROELECTRIC POWER

So far this year SEK 361 million (290) has been invested in wind and hydroelectric power. Completion and commissioning of the five wind turbines at Rätans-Digerberget is anticipated by New Year as planned. Investments approved up until report date amount to an output of just over 75 MW, which is equivalent to around 75 per cent of Wallenstam's current requirement for self-sufficiency in renewable energy on a monthly basis

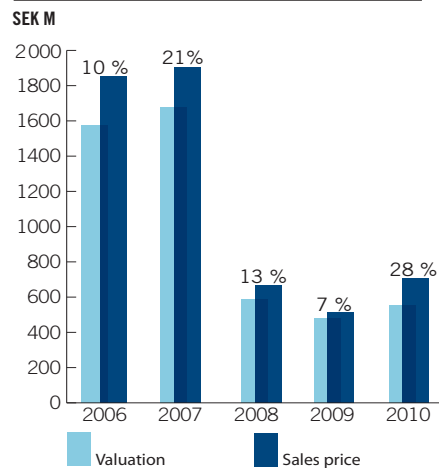
Financial position

LOANS

Loans amounted to SEK 12,878 million (12,185) on closing day. Loans are secured against traditional mortgage deeds and restricted bank accounts. Wallenstam's loan-to-value ratio amounted to 52 per cent (53). Of the total loan portfolio, 50 per cent of the loans have fixed terms longer than one year. Loans are in Swedish kronor. The average remaining fixed term is 29 months (29).

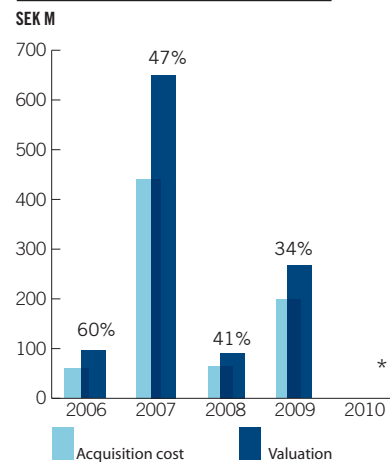
Available liquidity, including unutilized bank overdraft facilities, amounted to SEK 812 million (1,117) on closing day. As of closing day, average interest amounted to 3.76 per cent (3.87).

SALES PRICE/VALUATION, SOLD PROPERTIES



*The data for 2006-2009 include 12 months.

VALUE GROWTH OF NEW PRODUCTION



* During 2010, no new production was completed.

WIND & HYDROELECTRIC POWER 2010

In operation	Effect, MW
18 wind-powerplants in 9 parks	29,4
3 hydroelectricpower parks	0,7
Total	30,1

Under construction	Effect, MW
Middagsberget	9,0
Rålanda 2	4,0
Rätans – Digerberget	11,5
Vettåsen	23,0
Total	47,5

Future projects	Effect, MW
17 wind-power plants	34

SHAREHOLDERS' EQUITY

Shareholders' equity amounted to SEK 9,178 million (8,454), equivalent to SEK 160 per share (145). The equity/assets ratio amounted to 37 per cent (37). Shareholders' equity was influenced by comprehensive income for the period, plus dividends and buy-backs.

DEFERRED TAX

A net liability of SEK 1,852 million for deferred tax is reported in the Group. This liability consists of a deferred tax asset of SEK 985 million and a deferred tax liability of SEK 2,837 million. 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

NET ASSET VALUE

The net asset value per share is estimated at SEK 209 (188). The net asset value describes the Group's total value, equity and the untaxed surplus value of properties. Wallenstam sells properties both directly and via companies and the tax burden may therefore vary.

Parent company

The parent company's operations consist primarily of the performance of group-wide services, in addition to which the parent company owns a small number of properties. Total sales for the period amounted to SEK 218 million (199), of which rental income constituted SEK 54 million (52). Earnings after tax amounted to SEK 768 million (538). Earnings for the period include dividends from subsidiaries of SEK 800 million (490). Investments in fixed assets during the period amounted to SEK 24 million (33). Parent company loans amounted to SEK 6,527 million (5,356) on closing day. Among other assets amounting to SEK 11,864 million (9,300), SEK 4,287 million (8,808) consist of receivables from Group companies.

Opportunities and risks

In order to prepare the accounts in accordance with generally accepted accounting principles, senior management must make evaluations and assumptions that affect asset and liability items and income and expense items reported in the accounts as well as information provided in general. Actual outcomes may differ from these evaluations. Wallenstam's risks are described in its annual report from page 53 onwards. Wallenstam has three categories of opportunities and risks; cash flow changes, changes in value and other risks

CASH FLOW

Wallenstam's loan-to-value ratio is low and its cash flow strong, which combined with properties in prime locations, a total occupancy rate of 98 per cent, good tenants and a good rental agreement contract structure in the commercial holding, provide a stable basis for business. The risk of major future vacancies is estimated to be low.

Residential rental income is comparatively secure and predic-

FIXE-RATE PERIOD AVERAGE INTEREST RATE

	Liability, SEK M	Average interest rate, %	Share %
<3 months	5,447	3.65*	42.30
>3 months <= 1year	942	4.41	7.32
>1 year <= 2 year	904	4.06	7.02
>2 year <= 3 year	1,540	3.96	11.96
>3 year <= 4 year	775	3.90	6.02
>4 year <= 5 year	520	3.72	4.04
>5 year <= 6 year	400	3.07	3.11
>6 year <= 7 year	920	4.08	7.14
>7 year	1,430	3.28	11.10
Total	12,878	3.76	100

* Loans with an interest maturity within three months have an average interest rate of 1.69 per cent includes the effect of swap agreements and fixed rate interest loans which mature within the three month period.

table. A change of one per cent in residential rental income is equivalent to approximately SEK 8 million on a full-year basis.

Approximately half of Wallenstam's rental income derives from commercial properties. A change of one per cent in the letting ratio in the commercial holding is equivalent to an income change of around SEK 6 million on a full-year basis. Wallenstam's ten most important tenants for commercial premises represented approximately 9 per cent of Wallenstam's total rental value. Taken overall, these conditions mean that Wallenstam does not foresee any risk for major reductions in cash flow.

PROPERTY VALUES

Wallenstam reports the estimated market value of its properties in the balance sheet and changes in value in the income statement. Property values depend on market conditions and the latter change over time. As of closing day, the estimated market value amounted to SEK 22,621 million. A price change of +/-10 per cent is equivalent to a change in net asset value of approximately SEK 39 per share. Properties sold during 2010 resulted in sales prices that on average exceeded their valuations by just over 20 per cent.

An attractive property holding reduces the risk of loss of rent and fall in value. Wallenstam does business in locations where there are significant housing shortages. Approximately 60 per cent of property holdings consist of residential properties in prime locations in Gothenburg, Stockholm and Helsingborg. Commercial properties are located chiefly in prime Gothenburg locations. Required rates of return for the valuation of Wallenstam's commercial properties average 6.7 per cent and 4.3 per cent for residential properties. The structure of the property holding, the properties' attractive locations and a high letting ratio mean that overall, Wallenstam's risk profile in respect of its property values is low.

FINANCING

Interest expense is Wallenstam's largest single expense item and conditions for market interest rates can change rapidly. The Swedish economy is growing well, but uncertainty remains

in the surrounding world. The Swedish Central Bank is expected to raise the repo rate during 2011, but by how much depends on trends in the world at large. Despite this, interest rates remain at historically low levels, although they fluctuate with new political regulations and discussions around the support programmes of various central banks. Rate rises are often perceived as negative, but they are usually a sign of good economic trends which means that increased interest charges are also generally compensated by increased revenues.

Financial policy governs Wallenstam's actions on the credit market, its loan portfolio structure and the distribution between the number of lenders. Work with fixed-rate interest and capital tied up is prioritized in order to achieve a good average interest level on the loan portfolio over time, and a low refinancing risk for the business. The loan portfolio comprises a mix of loans with varying maturity dates and relative amounts from different creditors.

Wallenstam does not work with covenant agreements but has traditional loans secured against properties. The financing of wind farms is secured through the transfer of leases and the pledging of shares in wind-power companies. Wallenstam is secured both with regard to refinancing and price.

Wallenstam has elected to work mainly with interest derivatives, which provide a flexible and cost-efficient means of extending loans with short fixed-interest terms. Currency policy governs Wallenstam's activities regarding trade in foreign currencies. Loans in foreign currency may only be raised on condition that they are hedged on the borrowing date to ensure that the currency risk is minimized. The purchasing of wind turbines is conducted in Euros. Wallenstam hedges purchases in order to minimize exchange risks and to secure the calculated rate.

TAX-FREE CAPITAL GAINS

As of January 1, 2010, capital gains on participations in trading partnerships will be taxed in the same way as applies to other business-related participations. If a participation has a negative adjusted acquisition expenditure, an amount equivalent to the negative adjusted acquisition expenditure must be entered as income. For companies in the Wallenstam Group, this is estimated not to reach significant amounts.

TAXMATTER

The National Tax Board has decided to revalue one company in the Wallenstam Group as a result of the sale of participations during 2006 and 2007 which, in the opinion of the National Tax Board, are not covered by the rules of tax exemption on the sale of so-called business-related participations. The total revaluation amounts to SEK 1,473 million, which entails a tax demand of SEK 412 million. The National Tax Board also expects to make a decision to revalue the sale of participations during 2008 of SEK 245 million, this wouldn't include any demands regarding payment since the Wallenstam Group can neutralize the revalue with an tax deficit.

The National Tax Board's decision has been appealed and a deferment of the payment of the additional tax has been

granted. Wallenstam is of the firm opinion that the sales have been reported and declared in accordance with the current regulations and therefore no provision is made in the balance sheet. Wallenstam's opinion is shared by external lawyers who have analyzed the sales and the National Tax Board's argumentation. Wallenstam expects the matter to be decided within two years at the earliest.

The Wallenstam share

The Wallenstam B share is quoted on the Nasdaq OMX Stockholm, Mid Cap list. Since the beginning of the year the Stockholm exchange OMXSPI has increased by 14.5 per cent, the Stockholm SX4040 property index by 28.7 per cent and the Wallenstam share price by 33.5 per cent. At the end of the period the Wallenstam share price was SEK 172 (128.75) and the market value was SEK 10,148 million (7,596) calculated by the number of registered shares. The net asset value per share increased to SEK 209 (188), and equity per share to SEK 160 (145). Wallenstam has a mandate from the Annual General Meeting to buy back shares. During 2010, 785,301 shares were bought back at an average price of SEK 131.85. Since Wallenstam began buying back shares in August of 2000, the company has bought back shares equivalent to around 36 per cent of the original quantity.

Events after the end of the reporting

On October 1 Wallenstam acquired an 18,600 sq m property in central Sundbyberg that also included planning permission for 15,000 sq m. Wallenstam anticipates commencing construction of around 170 apartments in central Sundbyberg at the end of 2011

Future

Wallenstam's board has approved a business plan that runs until 2012 and Wallenstam's goal is to achieve a net asset value per share that reaches SEK 300 in 2012. The company is planning an ambitious new residential construction programme, primarily for rental properties. In recent years, value growth in Wallenstam's new constructions has exceeded 50 per cent on average, due to an efficient building process and well-chosen locations. Wallenstam continues to develop its residential areas with a focus on sustainability. The company is also planning continued investments in renewable energy. Wallenstam's chosen strategy of an attractive property holding concentrated in Stockholm, Gothenburg and Helsingborg provides a stable foundation for future growth

CONSOLIDATED INCOME STATEMENT IN SUMMARY

SEK M	2010 Jan-Sep	2009 Jan-Sep	2010 July-Sep	2009 July-Sep	2009/2010 Oct-Sep	2009 Jan-Dec
Rental income	1,075	1,011	364	337	1,420	1,356
Operating costs	-378	-334	-108	-96	-515	-471
Management costs and administrative expenses	-152	-117	-59	-40	-196	-161
Other operating income and expenses	28	13	19	12	33	18
Change in value of properties	1,140	-9	77	-1	1,544	394
Operating profit	1,713	563	293	213	2,286	1,136
Financial income	21	25	6	9	28	33
Financial expenses	-330	-322	-113	-111	-434	-426
Change in value of derivative instruments	-131	-99	35	-82	-117	-86
Profit before taxes (Note 1)	1,273	167	222	29	1,763	657
Taxes	-328	-45	-62	-7	-451	-168
Profit after tax	944	122	160	21	1,312	489
Total consolidated profit						
Value adjustment, hedging reported financial derivative instruments	101	147	0	80	106	152
Value adjustment, shares	-2	48	0	-12	-9	42
Translation difference	-2	0	-1	-	-2	0
Tax attributable to other total profit	-26	-51	0	-18	-25	-51
Total profit	1,016	266	159	72	1,381	631
Distribution of the period's profit						
Attributable to minority interest	-0	-	-0	-	-0	-
Attributable to holders of shares in the parent company	944	122	160	21	1,312	489
Earnings after tax per share no dilution effects exist	16	2	3	0	23	8

NOTE 1. DISTRIBUTION OF RESULT

SEK M	2010 Jan-Sep	2009 Jan-Sep	2010 July-Sep	2009 July-Sep	2009/2010 Oct-Sep	2009 Jan-Dec
Rental income	1,075	1,011	364	337	1,420	1,356
Operating costs	-378	-334	-108	-96	-515	-471
<i>Operating surplus</i>	<i>697</i>	<i>676</i>	<i>256</i>	<i>242</i>	<i>905</i>	<i>885</i>
Management costs and administrative expenses	-126	-102	-45	-35	-163	-139
Financial income/expenses	-306	-297	-106	-104	-409	-400
<i>Profit from property management activities</i>	<i>265</i>	<i>277</i>	<i>105</i>	<i>102</i>	<i>333</i>	<i>346</i>
Sales result, dwellings	15	12	8	8	20	17
Sales result, properties	152	16	-1	2	169	34
Administrative expenses	-16	-15	-5	-5	-23	-22
<i>Transaction result</i>	<i>151</i>	<i>13</i>	<i>2</i>	<i>5</i>	<i>166</i>	<i>28</i>
Other income and expenses	13	1	11	4	13	1
<i>Realised result</i>	<i>428</i>	<i>291</i>	<i>117</i>	<i>111</i>	<i>512</i>	<i>375</i>
Unrealised value changes, buildings	988	-26	79	-3	1,375	361
Unrealised value changes, derivative instruments*	-145	-99	25	-80	-125	-79
<i>Value change result</i>	<i>844</i>	<i>-124</i>	<i>104</i>	<i>-83</i>	<i>1,250</i>	<i>282</i>
Profit before taxes	1,273	167	222	29	1,763	657

*This includes value changes in the synthetic options scheme for personnel of SEK -10 million of which SEK -9 million during the quarter.

CONSOLIDATED BALANCE SHEET IN SUMMARY

SEK M	30.09.2010	30.09.2009	31.12.2009
Assets			
Properties	22,621	19,753	20,728
Wind-power plants	1,088	521	695
Tangible fixed assets	53	51	50
Financial fixed assets	386	462	417
Financial derivative instruments	10	14	16
Current assets	614	840	948
Total assets	24,772	21,642	22,854
Equity and liabilities			
Shareholders' equity	9,178	8,118	8,454
Deferred tax	1,852	1,257	1,379
Interest-bearing liabilities	12,878	11,522	12,185
Financial derivative instrument	308	305	283
Non-interest-bearing liabilities	556	440	553
Total equity and liabilities	24,772	21,642	22,854
The minority's share of shareholders' equity amounts to	1	0	0

CHANGE IN EQUITY IN SUMMARY

SEK M	Share capital	Additional paid in capital	Other reserve	Retained earnings	Total equity
Opening equity 01.01.2009	118	357	-217	7,770	8,028
Total profit	-	-	142	489	631
Dividend	-	-	-	-176	-176
Buy-back of own shares	-	-	-	-31	-31
Closing equity 31.12.2009	118	357	-73	8,051	8,454
Total profit	-	-	71	944	1,016
Dividend	-	-	-	-189	-189
Buy-back of own shares	-	-	-	-104	-104
Closing equity 30.09.2010	118	357	-2	8,703	9,178

The minority's share of shareholders' equity amounts to 1 SEK M (0).

REPORTING OF SEGMENT/BUSINESS AREA IN SUMMARY

SEK M	Residential 2010 Jan-Sep	Commercial 2010 Jan-Sep	Other 2010 Jan-Sep	Elim. 2010 Jan-Sep	Total 2010 Jan-Sep	Residential 2009 Jan-Sep	Commercial 2009 Jan-Sep	Other 2009 Jan-Sep	Elim. 2009 Jan-Sep	Total 2009 Jan-Sep
Income statement										
Rental income	602	470	4	-1	1,075	566	442	4	-1	1,011
Operating costs	-244	-124	-10	-	-378	-211	-118	-6	-	-334
<i>Operating surplus</i>	<i>358</i>	<i>345</i>	<i>-5</i>	<i>-1</i>	<i>697</i>	<i>355</i>	<i>324</i>	<i>-2</i>	<i>-1</i>	<i>676</i>
Management costs and administrative expenses	-72	-45	-118	108	-126	-61	-38	-76	72	-102
Financial income and expenses	-66	-171	-70	-	-306	-77	-153	-67	-	-297
<i>Management result</i>	<i>221</i>	<i>129</i>	<i>-193</i>	<i>107</i>	<i>265</i>	<i>217</i>	<i>133</i>	<i>-144</i>	<i>71</i>	<i>277</i>
Sales result, dwellings	15	-	-	-	15	12	-	-	-	12
Sales result, properties	152	-	-	-	152	17	-1	-	-	16
Administrative expenses	-12	-3	0	-	-16	-11	-4	-	-	-15
<i>Result of transactions</i>	<i>155</i>	<i>-3</i>	<i>0</i>	<i>-</i>	<i>151</i>	<i>18</i>	<i>-5</i>	<i>-</i>	<i>-</i>	<i>12</i>
Other income and expenses	0	1	119	-107	13	-	-	72	-71	1
<i>Realised result</i>	<i>376</i>	<i>127</i>	<i>-74</i>	<i>0</i>	<i>428</i>	<i>235</i>	<i>128</i>	<i>-72</i>	<i>0</i>	<i>291</i>
Unrealised changes in value, properties	718	255	15	-	988	222	-234	-14	-	-26
Unrealised changes in value, derivative instruments*	-	-	-145	-	-145	-	-	-99	-	-99
<i>Result of changes in value</i>	<i>718</i>	<i>255</i>	<i>-129</i>	<i>-</i>	<i>844</i>	<i>222</i>	<i>-234</i>	<i>-113</i>	<i>-</i>	<i>-124</i>
Result before taxes	1,094	381	-203	0	1,273	458	-106	-185	0	167
Balance sheet										
Properties	13,344	8,724	553	-	22,621	11,978	7,155	620	-	19,753
Undistributed assets	-	-	-	-	2,151	-	-	-	-	1,889
Total assets					24,772					21,642
Loans	7,544	3,750	1,584	-	12,878	6,993	3,567	962	-	11,522
Undistributed liabilities	-	-	-	-	2,716	-	-	-	-	2,002
Total liabilities					15,594					13,524

*This includes value changes in the synthetic options scheme for personnel of SEK -10 million.

CONSOLIDATED CASH FLOW STATEMENT IN SUMMARY

SEK M	2010 Jan-Sep	2009 Jan-Sep	2010 July-Sep	2009 July-Sep	2009/2010 Oct-Sep	2009 Jan-Dec
Operating profit	1,713	563	293	213	2,286	1,136
Adjustment for items not affecting the cash flow	-1,125	43	-79	-26	-1,506	-339
Received interest	26	14	13	1	31	20
Paid interest	-330	-313	-109	-101	-434	-417
Paid tax	-	-	-	-	-0	-0
Cash flow before change in working capital	284	308	118	87	377	400
Change in working capital	-21	77	52	35	3	101
Cash flow from current operations	263	384	170	122	381	501
Investment/Sales						
Investment in properties	-1,458	-1,118	-563	-268	-2,277	-1,934
Investment in wind-power plants/ tangible fixed assets	-371	-113	-188	-21	-549	-294
Sale of properties/ tangible fixed assets	716	264	-1	16	980	528
Cash flow from investment operations	-1,113	-967	-759	-273	-1,847	-1,700
Financing						
Raised long-term liabilities	1,001	1,220	291	112	1,698	1,915
Amortisation of long-term liabilities	-188	-59	98	-50	-221	-92
Paid dividend	-189	-176	-	-	-189	-176
Buy-back of own shares	-104	-	-18	-	-135	-31
Investment in financial fixed assets	-43	-467	-	-	-91	-513
Sale of financial fixed assets	66	469	-4	110	113	516
Cash flow from financial operations	545	989	367	172	1,177	1,620
Change in liquid funds	-305	406	-223	21	-289	422
Cash, bank at the start of the period	717	295	635	680	701	295
Cash flow for the period	-305	406	-223	21	-289	422
Cash, bank at the end of the period	412	701	412	701	412	717
Unutilised bank overdraft facility at the end of the period	400	400	400	400	400	400
Unappropriated liquidity	812	1,101	812	1,101	812	1,117

PARENT COMPANY INCOME STATEMENT

SEK M	2010 Jan-Sept	2009 Jan-Sept	2009 Jan-Dec
Income	218	199	278
Expences	-197	-170	-246
Financial income/expences	842	528	537
Profit before taxes	862	557	570
Taxes	-95	-20	-25
Profit after taxes	768	538	545

PARENT COMPANY BALANCE SHEET

Mkr	30.09.2010	30.09.2009	31.12.2009
Properties	823	814	813
Participations in Group companies	1,945	1,303	1,297
Other assets	11,864	9,300	10,115
Cash and bank	62	119	152
Total assets	14,693	11,537	12,377
Shareholders' equity	3,756	3,366	3,280
Interest-bearing liabilities	6,527	5,356	6,048
Interest-bearing liabilities in Group companies	4,287	2,700	2,934
Other liabilities	125	115	115
Total equity and liabilities	14,693	11,537	12,377
Pledged assets	6,526	5,356	5,762
Contingent liabilities	6,388	6,206	4,318

PROPERTY HOLDING

PROPERTY HOLDING STRUCTURE ON 30.09.2010

Lettable area, sq	Residential	Offices	Industrial/		Education	Other	Total	
			Stores	Warehousing				
Stockholm	456,474	15,624	13,463	8,934	7,421	12,176	514,092	41 %
Göteborg	204,121	225,811	71,450	79,257	29,961	56,108	666,708	54 %
Helsingborg	52,331	2,921	4,119	1,483	95	2,515	63,464	5 %
Totalt	712,926	244,356	89,032	89,674	37,477	70,799	1,244,264	
	57 %	20 %	7 %	7 %	3 %	6 %		

PROPERTIES UNDER CONSTRUCTION

NEW PRODUCTION IN PROGRESS

Property designation	Sq m	Number apartments	Estimate to be completed
Göteborg			
Stärtered	3,600	59	Q4 2010
Stockholm			
Poseidons Torg	11,300	196	Q2 2012
Kungsholmsporten	18,900	267	Q1 2011/ Q3 2012
Södra Strandparken	5,100	73	Q3 2011
Summa	38,900	595	

PLANNED NEW PRODUCTION 2010

Property designation	Number/apartments
Göteborg	
Kvillebäcken	100
Mölnlycke C	100
Stockholm	
Barlasten	42
Riddaren	61
Summa	303

CHANGE IN PROPERTY HOLDING

	Book value, SEK M	Sq m
Property holding on January 1, 2010	20,728	1,216,922
+ Acquisitions	729	46,651
+ Constructions	729	3,329
- Sales	-553	-22,638
+ Unrealised change in value, net	988	-
Property holding on sept 30, 2010	22,621	1,244,264

YIELD REQUIREMENT

Type of property	Locality	Yield-requirement, %
Residential	Göteborg	3.25-6.5
Residential	Stockholm	3.25-6.0
Residential	Helsingborg	3.25-6.5
Average yield requirement residential		4.3
Commercial		5.25-10.0
Average yield requirement Commercial		6.7

PROPERTY SALES DURING 2010

Property designation	Adress	Year of construction/ year of refurbishment	Residential sqm	Offices sqm	Stores sq m	Industrial/ Warehose., sq m	Education sq m	Other sq m	Total sq m
Stockholm									
Grönland 18	Nordenskiöldsgatan 82	1929/1930	365					10	375
Hälsökällan 6	Odengatan 35/Tulegatan 33	1950/1998	2,367		1,084	17			3,468
Röda Rosen 3	Storskärsgatan 4	1932	1,852	133					1,985
Skärgårdsbåten 3	Fendergatan 6-8	2009	3,329						3,329
Göteborg									
Olskroken 11:9	Övre Olskroksgatan 20	1928/1979	985		69	60		15	1,129
Vasastaden 12:21	Föreningsgatan 16 A-E/ Viktoriagatan 19-23	1972/1995	7,694	457	160	21	2,069	1,951	12,352
Mark									
Kvillebäcken 12:1									
Orrekullen 1:2, Kolbäck 1:9-11									
Total			16,592	590	1,313	98	2,069	1,976	22,638

PROPERTY ACQUISITIONS DURING 2010

Property designation	Adress	Year of construction/ year of refurbishment	Residential sqm	Offices sqm	Stores sq m	Industrial/ Warehousing, sq m	Education sq m	Other sq m	Total sq m
Stockholm									
Traktören 5	Malmvägen 18-24	1971	25,670	435	3,363			3,151	32,619
Göteborg									
Gårda 18:22	Drakegatan 5	1989		3,420		76			3,496
Heden 24:13	Sten Sturegatan 34-36	1964	3,693	450	750			1,423	6,316
Lorensberg 43:1	Kungsportsavenyen 1	1883	801	1,933	1,486				4,220
Mark									
Brämaregården 62:1									
Kvillebäcken 3:1, 73:1, 74:1									
Total			30,164	6,238	5,599	76		4,574	46,651

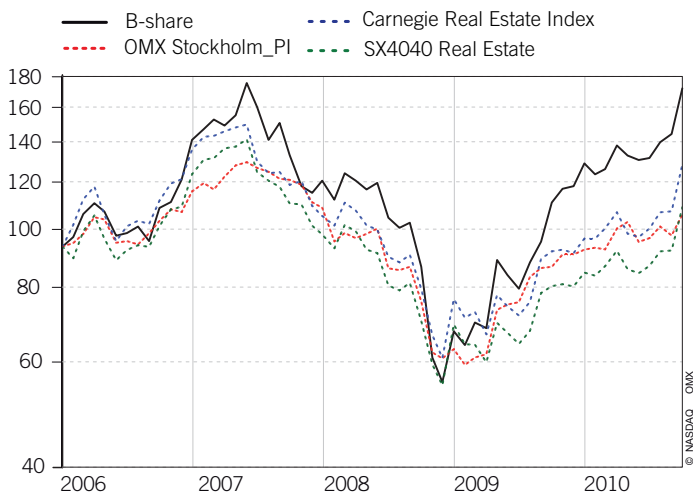
NEW CONSTRUCTION DURING 2010

Property designation	Adress	Year of construction/ year of refurbishment	Residential sq m	Total sq m
Stockholm				
Skärgårdsbåten 3	Fendergatan 6-8	2009	3,329	3,329
Total			3,329	3,329

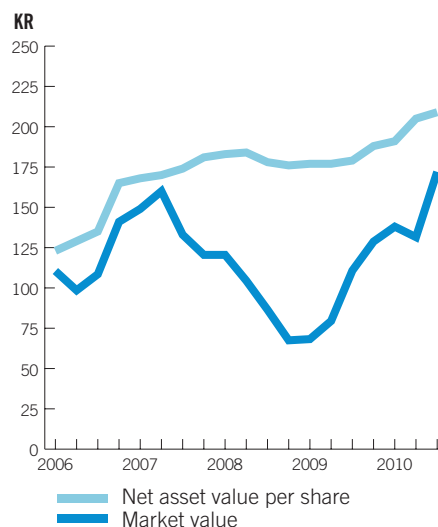
THE WALLENSTAM SHARE

PRICE DEVELOPMENT

2006-2010



MARKET VALUE - NET ASSET VALUE PER SHARE



SHAREHOLDERS ON 30.09.2010

	A shares	B shares	Capital, %	Votes, %
Hans Wallenstam med bolag och familj	5,750,000	7,090,000	21.76	58.32
Familjen Agneta Wallenstam		4,770,000	8.08	4.31
Familjen Anders Berntsson med bolag		3,434,000	5.82	3.10
Familjen Henrik Wiman		2,314,500	3.92	2.09
Bengt Norman med bolag		2,300,000	3.90	2.08
AMF - Försäkring och fonder		1,728,000	2.93	1.56
Familjen U Wallenstam		1,517,190	2.57	1.37
Familjen Brandström med bolag		1,164,800	1.97	1.05
Länsförsäkringar fondförvaltning		1,162,511	1.97	1.05
Livförsäkringsbolaget Skandia		1,014,502	1.72	0.92
Övriga ägare		25,259,413	42.83	22.80
Total	5,750,000	51,754,916		
Bought-back own shares		1,495,084	2.53	1.35
Registered shares	5,750,000	53 250,000		
Totalt registered shares		59,000,000	100.00	100.00
Summa utestående aktier		57,504,916		

The share of institutional ownership amounts to approximately 38 per cent of the holding and 27 per cent of the votes. Foreign ownership amounts to approximately 5 per cent of the holdings and 3 per cent of the votes.

Source: Euroclear Sweden AB.

KEY FIGURES - YEARLY SUMMARY

	2010 30 sep	2010 30 June	2010 31 March	2009 31 Dec	2009 30 Sep	2009 30 June	2009 31 March	2008 31 Dec	2008 30 Sep
Rental Income, SEK M	1,075	711	352	1,356	1,011	674	335	1,250	937
Operating income/expense, SEK M	697	441	199	885	676	435	204	810	622
Surplus ratio, %	65	62	57	65	67	65	61	65	66
Income from property management, SEK M	265	158	57	346	277	175	75	241	214
Realised result, SEK M	428	310	105	375	291	180	75	292	260
Profit after tax, SEK M	944	784	39	489	122	100	32	368	76
Total profit, SEK M	1,016	858	112	631	266	194	28	80	3
Return on equity, %	15	14	6	6	5	3	4	5	6
Return on total capital, %	9	9	5	5	2	1	1	2	4
Value of the properties, SEK M	22,621	21,958	21,002	20,728	19,753	19,489	19,459	18,881	18,762
Yield of the properties, %	4	4	4	5	5	4	4	4	4
Total return on the properties, %	11	10	6	6	4	2	3	3	4
Pledging ratio, %	52	52	53	53	53	53	52	51	50
Interest coverage ratio, times	2.4	2.5	2.0	2.0	1.9	1.9	1.7	1.6	1.8
Average interest rate, on the balance sheet date, %	3.76	3.73	3.93	3.87	3.96	4.02	3.90	4.23	5.28
Average fixed interest-term, months	29	29	30	29	31	32	30	30	24
Equity/asset ratio, %	37	37	37	37	38	37	38	40	40
Shareholders equity, SEK M	9,178	9,037	8,528	8,454	8,118	8,046	8,055	8,028	7,951
Market value, SEK M	10,148	7,759	8,142	7,596	6,534	4,691	4,027	3,983	5,363
Number of sq m (thousand)	1,244	1,234	1,244	1,217	1,199	1,183	1,191	1,141	1,142
Letting ratio - area, %	98	98	98	98	98	98	98	98	98
Number of employees	180	174	168	163	163	158	158	159	160
Data per share									
Profit after tax, SEK	16.3	13.3	0.7	8.4	2.1	1.7	0.5	6.3	1.3
Total result, SEK	17.5	14.8	1.9	10.8	4.6	3.3	0.5	1.4	0.1
P/E ratio, times	7.6	6.5	16.2	15.4	15.7	17.2	13.2	10.8	11.4
Cash flow, SEK	-5.3	-1.4	-3.5	7.2	6.9	6.6	7.4	4.0	1.2
Shareholders equity, SEK	160	157	147	145	139	137	138	137	136
Net asset value, SEK	209	205	191	188	179	177	177	176	178
Market value, SEK	172	131.50	138.00	128.75	110.75	79.50	68.25	67.50	86.50
Market value as percentage of shareholders equity	108	84	94	89	80	58	49	49	64
Market value as percentage of net asset value	82	64	72	68	62	45	39	38	49
Number of shares at the period end, thousand	57,504	57,625	58,000	58,290	58,548	58,548	58,548	58,548	58,548
Average number of shares, thousand	57,863	57,989	58,153	58,461	58,548	58,621	58,831	58,919	59,031

The result is based on average number of outstanding shares. Other key figures are based on number of shares at the period end.

KEY FIGURES QUARTERLY SUMMARY

	2010 July-Sept	2010 April-June	2010 Jan-March	2009 Oct-Dec	2009 July-Sept	2009 April-June	2009 Jan-March	2008 Oct-Dec	2008 July-Sept
Rental income, SEK M	364	359	352	345	337	339	335	313	314
Income from property management, SEK M	105	101	57	69	102	100	75	27	82
Return on equity, %	15	14	6	6	5	3	4	5	6
Yield of the properties, %	4	4	4	5	5	4	4	4	4
Equity/asset ratio, %	37	37	37	37	38	37	38	40	40
Shareholders equity per share, SEK	160	157	147	145	139	137	138	137	136
Cash flow per share, SEK	-3.8	2.1	-3.5	0.3	0.3	-0.8	7.4	2.8	-0.1
Profit after tax per share, SEK	3	13	1	6	0	1	1	5	-2
Net asset value per share, SEK	209	205	191	188	179	177	177	176	178
Market value as percentage of net asset value	82	64	72	68	62	45	39	38	49

The result is based on average number of outstanding shares.

Report signatures

The Board and Managing Director certify that the interim report provides a fair view of the Parent Company's and Group's operations, position and earnings and describes the significant risks and uncertainties to which the Parent Company and Group Companies are exposed.

Gothenburg, November 10, 2010



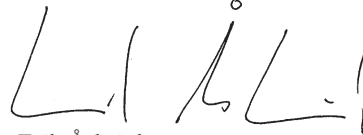
Christer Villard
Chairman



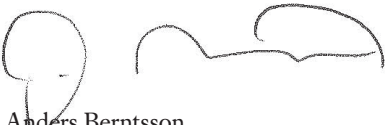
Agneta Wallenstam
Member of the Board



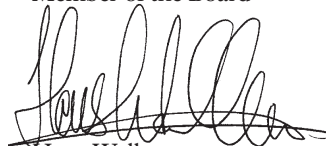
Ulrica Jansson Messing
Deputy Chairman



Erik Åsbrink
Member of the Board



Anders Berntsson
Member of the Board



Hans Wallenstam
Managing Director

AUDITOR'S REPORT REGARDING THE LIMITED REVIEW:

To the Board of Directors of Wallenstam AB (publ)

I have conducted a review of the condensed set of financial statements in the interim report of Wallenstam AB (publ) as of September 30, 2010 and the nine-month report that ended on this date. It is the responsibility of the Board and the Managing Director to prepare and present this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. My responsibility is to express an opinion on the interim report based on our review.

Scope of the limited review

I have conducted my review in accordance with the Swedish Standard on Review Engagements SÖG2410, Review of Interim Report Performed by the Independent Auditor of the Entity, issued by the Swedish institute for professional authorized public accountants. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing in Sweden, RS, and other generally accepted auditing standards. The procedures performed in a review do not enable me to obtain assurance that would make me aware of all significant matters that might be identified in an audit. The opinion expressed is based on a limited review and does not therefore have the same level of assurance as an opinion expressed on the basis of an audit.

Conclusion

Based on my review procedures, nothing has come to my attention that causes me to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act.

Gothenburg, November 10, 2010.



Sven-Arne Gårdh
Authorized Public Accountant

This is Wallenstam

Wallenstam was founded in 1944 and is today a developed property company that builds, develops and administers properties for sustainable living and the pursuit of business in Stockholm, Gothenburg and Helsingborg. Ownership is focused on residential properties, and also commercial properties in Gothenburg. Wallenstam has a total lettable floor space of 1,244,000 sq m. Residential properties make up around 60 per cent of the total property value. Wallenstam also has a comprehensive project portfolio regarding new construction of residential and commercial properties.

Wallenstam invests in environmentally friendly energy with the aim of achieving self sufficiency in renewable energy by 2012 and to cover its own and its customers' needs on a monthly basis. Wallenstam's criteria for investing in wind power is that a turbine must provide a return that exceeds 7 per cent in year 1 and an average of at least 15 per cent per year over the economic lifetime of the turbine.

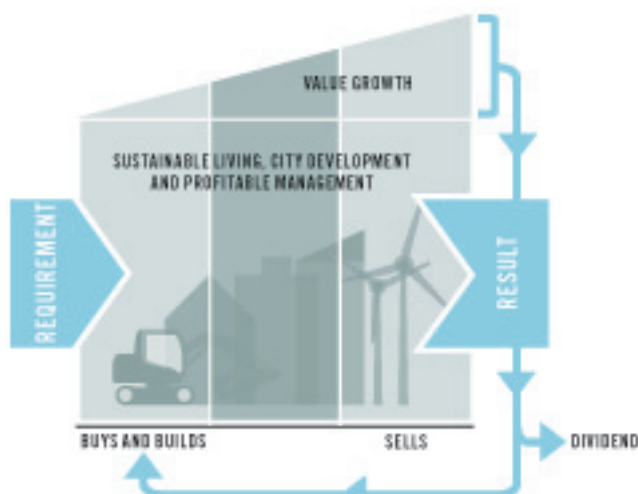
The Group has income of around SEK 1.4 billion in rent and a property value of around SEK 22 billion. The Wallenstam B share is quoted on the Nasdaq OMX Stockholm, Mid Cap list. Market value is approximately SEK 10 billion.

BUSINESS CONCEPT

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

BUSINESS PROCESS

The basis for Wallenstam's business operations is sustainable property administration. Wallenstam buys and builds properties for people and businesses based on the requirements of its customers, the community and shareholders. The properties are developed and administered in a sustainable and profitable manner that creates growth in value. Earnings are re-invested and used to develop the business further. Dividends provide shareholders a participation in earnings.



STRATEGIES AND VALUE CREATING FACTORS

Wallenstam conducts operations based on business plans, objectives and strategies. Overall strategies have been established in the following areas: business operations, shareholders, administration, sustainability, organization and personnel. For more information visit: www.wallenstam.se/strategier

The factors that create value for the business consist basically of the Group's business process with a focus on the sustainable, profitable development and administration of properties, which together generate growth in value. In combination with Wallenstam's overall strategies and guiding principles, they provide the most important tools for contributing to the positive development of both income and the business over time.

Operations and organization

The Wallenstam Group has 180 employees. The head office is located in Gothenburg. Wallenstam is organized into two business areas: Residential and Commercial. Administrative staffs support the business units.

BUSINESS TARGETS, 2012

Net worth per share must reach SEK 300.

Wallenstams ledstjärnor:

- Equity/assets ratio must exceed 25 per cent every year.
- The commercial portfolio rental level must exceed 95 per cent every year.
- During the period 2,500 new apartments must be built with an effective yield in excess of 7 per cent.
- Wallenstam must produce energy from renewable sources sufficient for its own and its customer's needs calculated in kWh per month.
- A continued positive earnings trend

FINANCIAL REPORTING

Fourth quarter report 2010;	February 23, 2011
Annual report, prel.	March 30, 2011
Interim report, 1st quarter,	April 27, 2011
Annual General Meeting, 2011	April 27, 2011
Interim report, 2nd quarter,	August 10, 2011
Interim report, 3rd quarter,	November 9, 2011
Fourth quarter report 2010;	February 22, 2012

The Annual General Meeting will be held in Gothenburg.

Information regarding Wallenstam's business operations, financial reporting and press releases can all be found at the Wallenstam website.

Definitions

Book value of properties – The assessed fair value of the property holdings according to internal valuation.

Cash flow per share – Change in liquid assets for the period in relation to the average number of outstanding shares.

Comprehensive income – Profit after tax including equity transactions after tax that are not transactions with the owner.

Debt/equity ratio – Interest-bearing liabilities in relation to equity.

Direct rate of return on properties – Operating surplus as a percentage of the weighted average book value of the properties, calculated on a rolling 12 month basis.

Dividend yield – Dividend as a percentage of the share price at year-end.

Earnings from property management – Operating surplus less management costs, administration expenses and net financial income/expense.

Equity ratio – Equity in relation to total capital employed at the end of the period.

Interest coverage ratio – Operating profit excluding unrealized changes in value in investment properties in relation to financial income and expenses.

Loan to value ratio – Interest-bearing loans as a percentage of the book value of the properties.

Net asset value – Equity less deferred tax liabilities.

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

Occupancy rate – floor space – Let floor space in relation to total floor space.

Operating profit – Realized profit excluding profit from property sales.

P/E ratio – Share price at year end in relation to earnings after tax per share for the latest rolling 12 month period.

Realized change in property values – Profit on income from the year's property sales deduction for the properties' estimated fair values at the beginning of the year.

Realized profits – Earnings before tax excluding unrealized changes in value.

Realized profits after tax – Basis for calculating dividends. Realized profits after standard tax of 26.3 per cent.

Profit per share after tax – Profit after tax in relation to the average number of outstanding shares.

Profit from property operations – Profit on income from investment property sales after deduction for the properties' fair value at the beginning of the year, value adjustments in management properties and administrative expenses attributable to property sales.

Return on equity – Profit after tax in relation to average equity, calculated on a rolling 12 month basis.

Return on total capital – Profit before tax less interest expenses in relation to average capital employed, calculated on a rolling 12 month basis.

Surplus ratio – Operating surplus as a percentage of rental income.

Total yield – Share price trend, including dividend, divided by the share price on January 1.

Total rate of return on properties – Operating surplus plus/minus unrealized change in property value as a percentage of weighted average book value of the properties, calculated on a rolling 12 month basis.

Unrealised change in property values – Result of change in fair value from the beginning of the year to the end of the reporting period.

Wallenstam 

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