

Wallenstam restructures its interest rate derivative portfolio

Wallenstam has carried out a restructuring of its interest rate derivative portfolio, as a consequence of the Swedish Parliament's decision regarding interest deduction limitation rules. The restructuring will result in lower interest expense for Wallenstam in the future, and will provide a better basis for Wallenstam to continue with rental apartment production.

By realizing the deficit on interest rate derivatives of SEK 776 million while simultaneously entering into new interest rate derivatives, Wallenstam has reduced its future average interest expense. The restructuring has no net effect on profit or loss, as the derivatives are continually measured at market value as an unrealized change in value. The interest derivatives realized by Wallenstam had an average interest rate of 2.55 percent and an average maturity of 4.91 years. The new volume of interest rate derivatives has an average interest rate of 1.10 percent and an average maturity of 9.37 years.

“We are naturally keen to reduce our future average interest expense, among other reasons as a direct consequence of the approved change, which means that soon we will no longer be able to make full interest deductions. By reducing our average interest expense, we are creating a better basis for continuing to build rental apartments,” says Hans Wallenstam, CEO of Wallenstam.

Wallenstam's total loan portfolio now has a fixed interest term of approx. 38 months, which is an increase of 4 months compared to March 31, 2018. The total volume of outstanding derivatives after the restructuring amounts to SEK 7.0 billion.

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