

WALLENSTAM

INTERIM REPORT

JANUARY 1–SEPTEMBER 30, 2018

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- The growth rate in net asset value on a rolling full-year basis, excluding dividends and repurchases, amounted to 10.6 percent.
- Income from property management increased by 22 percent and amounted to SEK 758 million (621).
- Rental income increased by 13 percent and amounted to SEK 1,422 million (1,257).
- Construction of properties in the first nine months of 2018 amounted to SEK 1,552 million (1,763).
- On closing day, we had 2,083 apartments under construction.
- Unrealized changes in value of investment properties amounted to SEK 1,075 million (1,817).
- Profit before tax amounted to SEK 1,917 million (2,245) and profit after tax amounted to SEK 1,769 million (1,781), corresponding to SEK 5.5 per share (5.4).
- For the purpose of adapting the Group to future new corporate taxation rules, interest rate derivatives with a deficit value of SEK 776 million were early redeemed, which affects profit before unrealized changes in value and impairment charges but not comprehensive income.

JULY 1–SEPTEMBER 30, 2018

- Income from property management increased by 29 percent and amounted to SEK 296 million (230).
- Rental income increased by 12 percent and amounted to SEK 480 million (428).
- Unrealized changes in value of investment properties amounted to SEK 183 million (179).
- Profit after tax amounted to SEK 459 million (334), corresponding to SEK 1.4 per share (1.0).

Comparisons in brackets refer to the corresponding period of the previous year unless otherwise stated.

“Income from property management during the period developed extremely strongly – by just over 20 percent during the first nine months of the year and by around 30 percent in the quarter.”

“The effects of our business concept are becoming increasingly apparent. We produce cost-efficient rental apartments in popular residential areas with a good total yield. We have concentrated our ownership of commercial properties in Gothenburg inner city. All of this is brought together in efficient management operations. Wallenstam’s business day is characterized by diligent work, where all of our dedicated employees make a fantastic contribution. We are increasingly seeing the results of this, year after year, quarter by quarter.”

HANS WALLENSTAM, CEO

WALLENSTAM IN BRIEF

• No. of investment properties: 219 • Investment property value: SEK 44 billion • Market capitalization: SEK 28 billion
• Occupancy rate, lettable area: 99% • Lettable area: 1.2 million sq m • No. of apts. under construction: 2,083 • No. of wind turbines: 64

Read more about Wallenstam on page 23.

IMPORTANT EVENTS THIRD QUARTER

Gothenburg City Council adopted the zoning plan for Kallebäck's Terrasser during the period, which allows for construction of 1,800 new apartments as well as areas for offices, retail, restaurants, nursery schools and a school in the district. In addition, the zoning plan for Mölnlycke Fabriker, where 600 apartments will be built, gained legal force and is approaching start of construction.

On August 31, the Minister for Finance Magdalena Andersson together with Hans Wallenstam turned the first sod for the 336 new rental apartments in the Elisedal project in Gothenburg, which commenced during the second quarter. During the third quarter, construction started of 440 rental apartments in total, in-

cluding the projects Parkstråket in Haninge and Godhems Backe in Gothenburg. More than 100 rental apartments for our own management operations were completed.

The commercial property Inom Vallgraven 19:16 with the address Korsgatan 12/Kyrkogatan 34-36 in central Gothenburg was taken into possession at the end of August.

On September 1, Ulf Ek left his position as Finance Director and as a member of Wallenstam's Group Management. Ulf will continue to work in the company as a Senior Advisor.

In September, Wallenstam also received an award for best IR website and was ranked second overall in the "Listed Company of the Year" competition.

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SCHEDULE

Capital Markets Day	December 14, 2018
Year-end report 2018	February 6, 2019
Publication of Annual Report 2018	week commencing March 18, 2019
Interim report Q1, 2019	May 2, 2019
Annual General Meeting 2019, Gothenburg	May 2, 2019

CONTACT

For further information, please contact:
Susann Linde, CFO and Head of IR
tel: +46 705 17 11 34
e-mail: susann.linde@wallenstam.se

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COMMENTS BY THE CEO

We will soon reach the finishing line

The effects of our business concept are becoming increasingly apparent. We produce cost-efficient rental apartments in popular residential areas with a good total yield. We have concentrated our ownership of commercial properties in Gothenburg inner city. All of this is brought together in efficient management operations. Wallenstam's business day is characterized by diligent work, where all of our dedicated employees make a fantastic contribution. We are increasingly seeing the results of this, year after year, quarter by quarter.

With three months left of our five-year business plan, there is every reason to believe that we will reach the goal of an annual average growth rate in net asset value of at least 10 percent. This makes me happy and proud!

On a rolling full-year basis, net asset value growth in Q3 2018 was about 11 percent, and for the years completed in the business plan to date, growth was almost 17 percent on average. Net asset value describes the Group's overall value and this growth shows the results when all areas of the operations contribute to the company's positive earnings trend.

Strong development in income from property management

Income from property management during the period developed extremely strongly – by just over 20 percent during the first nine months of the year and by around 30 percent in the quarter. Our cost-efficient new construction of rental apartments is making a positive contribution to income from property management, and is also generating strong value growth. The projects that we converted from cooperative apartments into rental apartments during the year also contributed to the positive development of income from property management.

The development of our existing holdings, for example through investments in optimizing operations, is also having an impact on our income from property management over time, as well as a strong rental trend in our commercial properties, which are located in Gothenburg inner city. It is clearly noticeable that things are going well for Gothenburg, with very strong demand, which is resulting in very low vacancies, particularly in the central areas where our commercial premises are located.

Income from property management was also positively impacted by the restructuring of our interest rate derivative portfolio that was carried out in the previous quarter. The restructuring is part of our positioning ahead of the changes in corporate taxation that will soon take effect, and that will result in lower interest expenses for the company for a long time to come.

Effect of conversion from co-op apartments

A year has passed since we converted 90 apartments in the first project, Orangeriet in Solberga, from co-op apartments into rental apartments. We subsequently converted a further 288 apartments in the same way.

After an average of 6 years as an investment property, our converted projects will reach break-even point, in other words income from property management from these properties will then have generated the same effect on earnings as if we had sold them as co-op apartments, based on our calculations. Because we own the properties for more than 6 years, they will also continue to generate a positive contribution to earnings after these years. At heart, Wallenstam is a rental apartment producer of rental properties



for our own management and this shows that there is nothing dramatic for Wallenstam in converting a co-op apartment project into a rental apartment project.

Construction rate of about 2,000 apartments per year

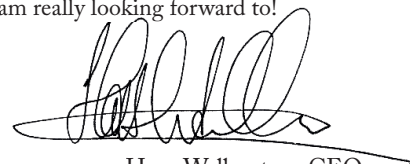
I am very happy that the plan for Mölnlycke Fabriker with 600 apartments has been examined and is ready for construction start, and that Gothenburg City Council has now approved the zoning plan for our 1,800 apartments in Kallebäcks Terrasser. It also feels really great that we started the construction of more than 400 apartments in Gothenburg and in Haninge during the quarter – future new homes for 400 families. We are maintaining our tempo with about 2,000 apartments under construction in our regions.

Efforts to reduce our carbon footprint

We take great care to build with cost and energy efficiency in mind. We also work to achieve lower energy use in our properties through continual measurement and monitoring as well as targeted operations optimization projects. It is also extremely satisfying to be self-sufficient in renewable energy, particularly in light of the climate change issue, which is more topical than ever. The main reason for the investment in our own wind turbines was to supply our properties with renewable energy. This means that we are currently well-equipped for higher electricity prices since we are self-sufficient and therefore it is cost-neutral. The fact that we also produce more electricity at certain times than we use ourselves means that we can supply the market with more renewable electricity. The climate challenge is a core issue and we want to be continually better at reducing our carbon emissions. We are not there yet, but we are continuing our work on finding different solutions.

New business plan will be presented in December

During the final months of the year, we are going to focus on finishing our current business plan and on drawing up the next business plan. I will present the next business plan to the market in December, something I am really looking forward to!



Hans Wallenstam, CEO

CONSOLIDATED INCOME STATEMENT

SEK million	Note	Jan-Sep 2018	Jan-Sep 2017	Jul-Sep 2018	Jul-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
Rental income		1,422	1,257	480	428	1,866	1,701
Operating expenses		-344	-304	-108	-90	-477	-437
Net operating income, properties		1,078	953	372	338	1,389	1,264
Management costs and administrative expenses		-149	-149	-39	-44	-210	-210
Financial income		4	5	0	1	9	10
Financial expenses		-175	-188	-37	-65	-245	-258
Income from property management		758	621	296	230	943	806
Realized changes in value, financial instruments	1	-776	-	-	-	-776	-
Income from natural energy management operations	2	1	-34	-1	-20	-5	-40
Realized changes in value, synthetic options		-	-54	-	-	-	-54
Revenue, co-op apartment and development property sales		110	320	72	12	122	332
Expenses, co-op apartment and development property sales		-88	-268	-59	-8	-104	-284
Realized changes in value, investment and owner-occupied properties including expenses	3	-7	-3	0	-3	2	6
Profit before unrealized changes in value and impairment charges		-2	582	308	211	181	765
Unrealized changes in value, investment properties		1,075	1,817	183	179	1,814	2,556
New construction		421	389	154	142	765	733
Other		654	1,428	29	37	1,049	1,823
Unrealized changes in value, financial instruments	1	861	148	82	37	895	182
Unrealized changes in value, synthetic options*		-17	-2	-2	-	-17	-2
Impairment losses on wind turbines		-	-300	-	-	-200	-500
Profit before tax		1,917	2,245	571	427	2,673	3,001
Taxes		-148	-464	-112	-93	-264	-580
Profit for the period, after tax		1,769	1,781	459	334	2,409	2,421
OTHER COMPREHENSIVE INCOME							
Items that may be transferred to profit/loss for the period		0	8	0	8	0	8
Items that may not be transferred to profit/loss for the period		8	-7	0	-8	7	-8
Tax attributable to other comprehensive income		-3	2	-2	3	-3	2
Comprehensive income		1,774	1,784	457	337	2,413	2,423
DISTRIBUTION OF PROFIT/LOSS FOR THE PERIOD							
Profit for the period attributable to parent company shareholders		1,769	1,781	459	334	2,409	2,421
Average number of outstanding shares, thousands		324,073	327,728	323,408	326,767	324,592	327,333
Profit after tax, SEK per share; dilution does not occur		5.5	5.4	1.4	1.0	7.4	7.4

NOTE 1 – REALIZED CHANGES IN VALUE, FINANCIAL INSTRUMENTS

Refers to realization of interest rate derivatives before maturity.

NOTE 2 – INCOME FROM NATURAL ENERGY MANAGEMENT OPERATIONS

SEK million	Jan-Sep 2018	Jan-Sep 2017	Jul-Sep 2018	Jul-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
Electricity revenue	335	283	115	58	420	368
Electricity expenses	-223	-208	-81	-42	-277	-262
Depreciation	-71	-72	-23	-24	-94	-95
Management costs and administrative expenses, natural energy	-21	-17	-5	-6	-28	-24
Financial expenses, natural energy	-19	-20	-7	-6	-26	-27
Income from natural energy management operations	1	-34	-1	-20	-5	-40

NOTE 3 – REALIZED PROFIT FROM THE SALE OF INVESTMENT AND OWNER-OCCUPIED PROPERTIES

SEK million	Jan-Sep 2018	Jan-Sep 2017	Jul-Sep 2018	Jul-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
Sales revenue	15	295	-	0	327	607
Cost and investments	-35	-154	-	-1	-193	-312
Previously recognized changes in value**	24	-139	-	0	-119	-282
Realized changes in value, investment and owner-occupied properties	4	2	-	-1	15	13
Sales and administrative expenses	-3	-5	0	-2	-5	-7
Realized changes in value, investment and owner-occupied properties including expenses	1	-3	0	-3	10	6

*Includes unrealized expenses connected with the execution of the scheme.

**Of which, SEK 8 million is recognized within Other comprehensive income.

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

JULY 1–SEPTEMBER 30

We feel that the market is very strong. Rental income increased by 12 percent and amounted to SEK 480 million (428) during the quarter. The increase in revenue was mainly related to completed new construction projects as well as new lets and renegotiations in commercial properties. Operating expenses amounted to SEK 108 million (90). Net operating income increased by just over 10 percent and amounted to SEK 372 million (338).

Interest expenses were much lower than the previous year due to the fact that we redeemed interest rate derivatives with deficit values during May and June 2018, which resulted in a non-recurring expense in the second quarter, which was recognized as a separate line item in the income statement. During the third quarter, the average interest rate on our loans was 1.00 percent (1.93).

Income from property management amounted to SEK 296 million (230), which was almost 29 percent better than the year-earlier period. Income from natural energy management operations amounted to SEK -1 million (-20). In line with seasonal variations, the third quarter is usually a weaker quarter for earnings from energy production and energy sales but rising electricity prices and the renewable energy certificate market contributed to a comparatively strong third quarter in 2018 for natural energy. Electricity futures also continued to develop positively.

Unrealized changes in the value of investment properties were positive and amounted to SEK 183 million (179), mainly due to value growth in our cost-efficient new production. Improved new operating income also contributed.

The quarter's unrealized profit was also positively affected by derivative instruments, SEK 82 million (37) in total, of which interest rate derivatives accounted for SEK 69 million (33), electricity derivatives SEK 11 million (8) and others SEK 2 million (-5).

Profit after tax for the second quarter of 2018 amounted to SEK 459 million (334), which corresponds to earnings per share of SEK 1.4 (1.0).

JANUARY 1–SEPTEMBER 30

Rental income

Rental income for the period increased by SEK 165 million, which is equivalent to 13 percent, and amounted to SEK 1,422

million (1,257). Growth in rental income during the period was mainly the result of additional recently constructed rental properties, low vacancy rates as well as successful new lets and rent negotiations with our commercial tenants.

Our residential property holdings are fully let. This year's rent negotiations resulted in an average rise of 1.1 percent for apartments in Gothenburg and of 1.2 percent, starting from April, for apartments in Stockholm.

We are experiencing strong and stable demand for premises, especially in central locations in Gothenburg where our commercial properties are situated. Rental rates for our commercial properties, excluding acquired and divested properties, increased by almost 4.7 percent, as a result of successfully completed new lets, cost index escalations and lower vacancy rates. The surrender rate, which reflects how large a proportion of the cancellable leases are extended, amounted to about 90 percent for the period and net letting of commercial properties amounted to SEK 18 million. Our occupancy rate for commercial properties in terms of lettable area amounted to 97 percent on closing day.

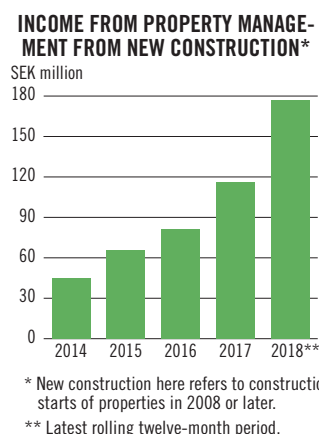
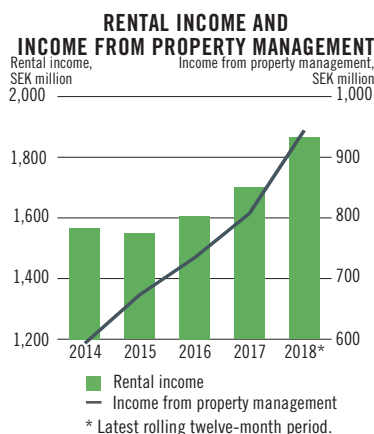
Operating expenses & net operating income

Operating expenses for the period amounted to SEK 344 million (304). Seasonal effects at Wallenstam consist mainly of variable operating expenses. These are usually highest during quarters one and four when expenses for heating and property maintenance are generally higher. Colder weather and more snow meant that expenses were SEK 3 million higher to date in 2018 compared to the year-earlier period.

Net operating income increased by 13 percent and amounted to SEK 1,078 million (953). Additional efficient new production accounted for almost 80 percent of this growth and the existing holdings for the remainder.

Management costs & administrative expenses

Management costs and administrative expenses are distributed among property management, SEK 149 million (149), energy management, SEK 21 million (17) and transactions, properties and cooperative apartments of SEK 9 million (12), SEK 179 million (178) in total. The increase in natural energy operations related to non-recurring events.



Financial income & expenses

Financial income amounted to SEK 4 million (5) and financial expenses totaled SEK 194 million (208), of which SEK 175 million (188) related to property operations and SEK 19 million (20) to natural energy operations.

The average interest rate on closing day, which reflects future interest to pay in relation to our loans, was 0.98 percent (1.92). The reason why the average interest rate on closing day was lower than the previous year is mainly because we realized and simultaneously entered into new interest rates derivative at lower average interest rates during May and June 2018. Also see Financing on page 13. During the period, the average interest rate (excluding early redemption of derivative instruments) was 1.46 percent (1.96). The interest coverage ratio, which is 1.2 times (4.1), is also affected in the short-term (twelve months) by the early redemption of interest rate derivatives. Excluding this, the interest coverage ratio is 4.7 times, see table on page 22. The average debt for the period was SEK 3.1 billion higher than the year-earlier period. Capitalized interest amounted to SEK 40 million (50).

Realized changes in value, financial derivative instruments

During May and June 2018, Wallenstam decided to realize derivative contracts with a deficit value for the purpose of adapting the Group to the new corporate taxation rules, which will apply from January 1, 2019. In total, derivative contracts with a market value of SEK -776 million were realized up to and including June 30, 2018. Within unrealized changes in value financial instruments, a corresponding entry equivalent to the value that these derivatives had on March 31, 2018, arose of SEK 770 million. The difference corresponds to the derivatives' unrealized change in value during the second quarter of 2018 until the realization date. The non-recurring expense that arose when the derivatives were realized prematurely will have no impact on the Group's net profit since all derivatives are continually measured at fair value. Nor will the realization imply any additional expense for the Group over time except for the financing effect arising from the decision to realize the derivatives before maturity. On the other hand, the Group's future average interest is affected as it will be lower due to the fact that the future interest to pay will be lower.

Income from natural energy management operations

Income from natural energy management operations consists of revenue less expenses including depreciation, administrative expenses and interest expenses attributable to electricity trading and

electricity generation. Income from management operations is affected by remeasurement effects and sales results from renewable energy certificates. As we do not apply hedge accounting for electricity derivatives, income is also impacted by the outcome from realized electricity futures that were previously recognized in unrealized changes in value. Depreciation is based on the cost value.

Income from natural energy management operations amounted to SEK 1 million (-34) and included wind turbine depreciation of SEK 71 million (72), which does not affect cash flow. Up to and including September 30, 2018, 238 GWh (261) was produced and 303 GWh (284) was sold to end customers. Production was lower than the previous year due to less wind in 2018, which in profit terms was offset by higher electricity prices, which are currently registering some of the highest levels for many years. The value of renewable energy certificates has developed very positively and on closing day amounted to SEK 233 (62) per renewable energy certificate.

Income from sales of co-op apartments and development properties

A profit or loss from sales of co-op apartments and development properties is recognized when the apartment or property is taken into possession by the purchaser. Apart from the cost, selling and marketing expenses are included, which are expensed as they arise.

Net profit for the period from sales amounted to SEK 22 million (52) and included sales of a small number of individual co-op apartments and the first units in the co-op apartment project Vasagatan 33.

Unrealized changes in value, investment properties

Unrealized changes in value of investment properties during the period amounted to SEK 1,075 million in total (1,817), of which the increase in value generated from our own work in cost-efficient new construction accounted for SEK 421 million (389). The increase in value in investment properties, which were in operation for one calendar year or more amounted to SEK 654 million (1,428) and was the result of a stronger property market and improved net operating income.

Unrealized changes in value, financial instruments

The change in value of financial instruments in the income statement includes changes in value of interest rate and electricity derivatives and holdings of listed shares.

CHANGES IN VALUE OF INVESTMENT AND OWNER-OCCUPIED PROPERTIES

SEK million	Jan-Sep 2018	Jan-Sep 2017
Changes in value of new rental apartment construction in progress	421	389
Changes in value of investment and owner-occupied properties in operation	654	1,421
Realized changes in value, investment and owner-occupied properties	4	2
Total changes in value, investment and owner-occupied properties	1,079	1,812

THE TEN LARGEST COMMERCIAL TENANTS

Tenant	Floor space, sq m
City of Gothenburg	23,733
SF Bio AB	14,508
Essity Hygiene and Health AB	13,317
Academedia AB	11,382
Gothenburg Regional Archives	11,000
Migration Agency	8,936
Västra Götaland County Council	7,425
ICA Fastigheter AB	6,906
Sandryds Handels AB	6,730
Folkuniversitetet	6,308
Total	110,245

Total commercial floor space is approximately 522,000 sq m.

The value of interest rate and electricity derivatives developed positively during the period. The change in value of interest rate derivatives was SEK 806 million (152), of which SEK 770 million was the result of early redemption of derivatives with a deficit value. On closing day, the 10-year swap rate amounted to 1.25 percent, compared to 1.19 percent at the start of the year. The change in value of electricity derivatives was SEK 52 million (8). Changes in value of other financial instruments amounted to SEK 3 million (-12) on closing day.

Unrealized changes in value, synthetic options

The Annual General Meeting on April 24 resolved to introduce a synthetic options scheme directed to all personnel. The term of the scheme runs until May 31, 2024 and the expected cost in the event of a maximum outcome is SEK 330 million. At the start of the scheme in May 2018, personnel were invited to acquire the allotted number of options at a market price. The value of the synthetic options, which varies with Wallenstam's share price, increased during the quarter. The unrealized expense including costs connected to the scheme, amounted to SEK 17 million during the period.

Taxes

The recognized tax expense for the period, which consists in its entirety of deferred tax, amounted to SEK 148 million (464) net.

On June 14, 2018, the Swedish Parliament adopted the Government's proposal for new tax rules for companies, which sharply limit the right to deduction of interest expenses in the corporate sector, among other things. Apart from general limitations on the right to deduction for interest expenses, the proposal also contains a reduction of corporate tax from 22 percent to 21.4 percent during the years 2019-2020 and to 20.6 percent starting from 2021. The rules will apply starting from the financial year, beginning on January 1, 2019 but will have an impact on the net profit for the period as deferred tax assets and tax liabilities have been remeasured to the new tax rates. It should be noted that the remeasurement is based on a number of assumptions, such as future taxable profit/loss. The remeasurement thus constitutes a best estimate, which may be updated. As Wallenstam's deferred tax liabilities exceed the deferred tax assets, the new legislation had a positive non-recurring effect on profit of SEK 291 million net up to and including September 2018.

The Group's largest tax expenditures consist primarily of VAT expenses – for which we have a limited right of deduction as a property company – and property and energy taxes, stamp duty and personnel-related taxes and charges. These other taxes, which amounted to SEK 631 million (550) for the full-year 2017, are recognized among operating expenses within income from property management and investments in the construction operation.



CONSOLIDATED BALANCE SHEET, CONDENSED

SEK million	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
ASSETS			
NON-CURRENT ASSETS			
Investment properties	44,360	39,660	41,410
Wind turbines	610	906	682
Financial assets	343	365	367
Financial derivative instruments	39	13	21
Other non-current assets	65	68	66
Total non-current assets	45,417	41,012	42,546
CURRENT ASSETS			
Development and co-op apartment properties	658	850	606
Financial derivative instruments	29	6	7
Other current assets	251	247	286
Cash and cash equivalents	300	46	228
Total current assets	1,238	1,149	1,127
Total assets	46,655	42,161	43,673
EQUITY AND LIABILITIES			
EQUITY			
Equity	20,686	19,061	19,408
Equity attributable to non-controlling interests	2	12	2
Total equity	20,688	19,073	19,410
NON-CURRENT LIABILITIES			
Provisions for deferred tax	4,191	4,031	4,146
Other provisions	70	57	56
Interest-bearing liabilities	7,075	687	2,432
Financial derivative instruments	8	818	796
Other non-current liabilities	25	7	49
Total non-current liabilities	11,369	5,600	7,479
CURRENT LIABILITIES			
Interest-bearing liabilities	14,005	16,982	16,269
Financial derivative instruments	-	1	1
Other current liabilities	593	505	514
Total current liabilities	14,598	17,488	16,784
Total equity and liabilities	46,655	42,161	43,673
Pledged assets	16,093	15,778	15,344
Contingent liabilities	349	263	239

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

OUR PROPERTIES

Development during the period

During the period, we invested a total of SEK 2,006 million (1,882), of which SEK 1,885 million (1,472) in investment properties and SEK 121 million (410) in construction of cooperative apartments and development properties. New construction projects in progress involve 2,083 apartments. Total investments in rental and cooperative apartment projects in progress amounted to just over SEK 3.6 billion (4.6) on closing day.

Investment properties

Unrealized changes in value affected the value of investment properties positively by SEK 1,075 million (1,817) in total, of which SEK 421 million (389) came from new construction of rental apartments and the remainder from properties that have been in operation for one calendar year or more.

Due to the strong market situation for commercial properties in Gothenburg, the yield requirement during the second quarter was reduced by 0.25 percentage points for a number of central properties. For the commercial holdings, the average yield requirement after that amounts to 4.6 percent (4.8). For residential properties in operation, the average yield requirement amounts to 3.3 percent (3.2). The average yield requirement was unchanged from the previous quarter. The approved value of investment properties was SEK 44,360 million (39,660) at the end of the period.

Development and co-op apartment properties

New construction of development properties includes the Stengläntan and Palsjö projects in Helsingborg. The Stengläntan project has been completed and is part of our management operations until vacation occurs, which will be at the end of November/start of December 2018. Under an agreement signed in late 2015, the property will be taken into possession by Willhem, after completion and a short period in operation.

New construction of co-op apartment properties includes 84 apartments in two projects; Terrassen Elva in Tyresö and Vasagatan 33 in Gothenburg, where sales of Vasagatan 33 have commenced. On closing day, eight apartments had been taken into possession by the new owners. For new construction in progress, also see the table on page 10.

The book value of Development and co-op apartment properties amounted to SEK 658 million (850) at the end of the period.

Our markets

The cities in which we do business are characterized by strong growth and heavy demand for housing. Only a minor proportion

of our rental apartments become available for rent due to relocation, and demand for finished, newly built rental apartments is high.

We build mainly rental apartments, but also cooperative apartments, primarily when the land available for rental apartment construction is limited. Our flexible business model, where co-op apartment sales do not start until the project is approaching completion, makes it possible to convert a co-op apartment project into a rental apartment project if demand for co-op apartments is uncertain.

We see strong demand for office and retail space in Gothenburg, particularly in the central parts of the city, which is also reflected in the low vacancy rate for the period.

Valuation

Investment properties

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

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

A valuation is calculated based on a property's net operating income, set in relation to the yield requirement for each property.

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

New constructions of rental properties are measured at fair value, which is determined as cost plus the estimated surplus on the completion date in relation to the degree of completion of the construction. This is in turn based on expenses incurred.

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

Development and co-op apartment properties

The properties, which are under construction in order to be sold on completion are recognized at cost in the balance sheet in the line item Development and co-op apartment properties. The profit/loss from these projects is recognized when the properties are completed and handed over to the buyer.

TOTAL VALUE, PROJECTS IN PROGRESS

SEK million	
Land for future new production	701
Projects in progress, rental apartments	2,227
Development and co-op apartment properties	658
Total projects in progress	3,586

CHANGES IN PROPERTY HOLDINGS, INVESTMENT PROPERTIES

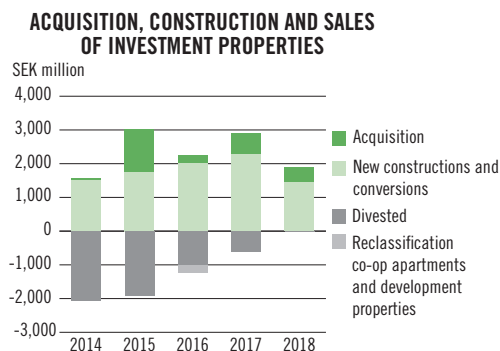
	Book value, SEK million
Property holdings, January 1, 2018	41,410
+ Acquisitions	453
+ Construction	1,432
- Sales	-12
+ Unrealized changes in value of properties, net	1,075
Property holdings, September 30, 2018	44,360

NEW CONSTRUCTION IN PROGRESS SEPTEMBER 30, 2018

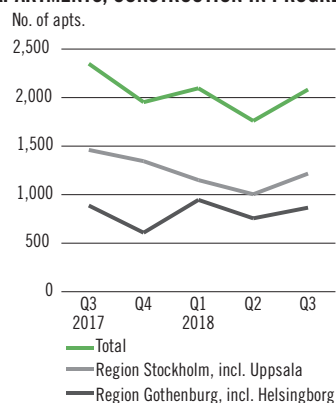
Project	No. of apts.	Expected occupation*
STOCKHOLM		
Umami Park, phase 1A, Sundbyberg	147	2019
Umami Park, phase 1B, Sundbyberg	75	2019
Allén, Tyresö	221	2019/2020
Norrgårdshusen, Österåker	128	2019/2020
Terrassen Elva, Tyresö (co-op)	54	2019/2020
Parkstråket 1, Haninge**	162	2020
Parkstråket 2, Haninge**	131	2020
Trollesunds gårdar, Bandhagen	158	2020
UPPSALA		
Tre vänner, Rosendal	141	2019
GOTHENBURG		
Vasagatan 33 (co-op)	30	Q3 2018
Ulfspärregatan	115	Q4 2018
Stallbacken Nivå5, Mölndal	109	2019
Sten Stures Kröningar, Regenten	33	2019/2020
Elisedal	336	2021
Godhems Backe**	138	2021
HELSINGBORG		
Conversion of commercial premises to apartments**	9	Q4 2018
Pålsjö	96	2019
Summa	2,083	

* Refers to estimated start of occupation. Occupation will occur gradually, often over several quarters.

** Started during quarter 3.



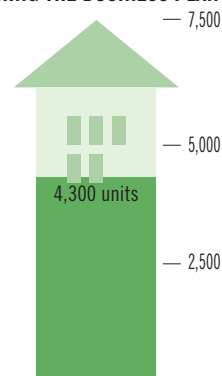
APARTMENTS, CONSTRUCTION IN PROGRESS



CHANGE, CONSTRUCTION IN PROGRESS

	No. of apts.
New construction in progress, Jun 1, 2018	1,759
- Completed	-116
+ Started	440
New construction in progress, Sep 30, 2018	2,083

APARTMENTS, CONSTRUCTION STARTS DURING THE BUSINESS PLAN



COMPLETED NEW CONSTRUCTION, INVESTMENT PROPERTIES, 2018

Name of property	Address	Year of construction/ conversion	Residen- tial sq m	Office sq m	Retail sq m	Industry/ warehou- sing sq m	Education sq m	Garage sq m	Other sq m	Total sq m	No. of apts.
GOTHENBURG											
Rödskloven 1	Gunnebogatan 68-160	2017	2,652	-	-	-	-	-	-	2,652	89
Stallbacken 27 (Project: Stallbacka Allé)	Åby Allé 67	2018	6,252	-	-	-	-	1,913	-	8,165	133
Johanneberg 15:31 (Project: Utforskaren)	Volrat Thamsgratan 2	2018	1,620	-	-	-	-	223	-	1,843	36
STOCKHOLM											
Barkarby 2:44 (Project: Tavernan)	Mustangatan 6A-B, 8A, 10 / Viggengatan 1-5 / Flygfältsvägen 1A, 3-5 / Barkarbyvägen 14A, 16A, 18A, 20A-B	2017	12,231	-	1,203	110	1,278	2,622	-	17,444	205
Balettskon 1 (Project: Grönskan)	Folkparksvägen 91-95 / Skodonsvägen 3-7 / Tåhättevägen 3	2017	8,943	-	-	-	-	1,097	-	10,040	148
Seglarskon 2 (Project: Orangeriet, phase 1)	Tåhättevägen 7-9 / Skodonsvägen 12-16	2018	4,904	-	-	-	-	-	-	4,904	90
Järnet 1 (Project: Trädgårdssporten)	Telefongränd 1 / LM Erics- sons väg 2-10 / Bollmora gårdsväg 3, 5A-5C	2018	9,409	-	63	7	-	2,498	-	11,977	184
Seglarskon 1 (Project: Orangeriet, phase 2)	Skodonsvägen 2-10	2018	4,827	-	-	-	-	-	-	4,827	80
Total			50,838		1,266	117	1,278	8,353	-	61,852	965

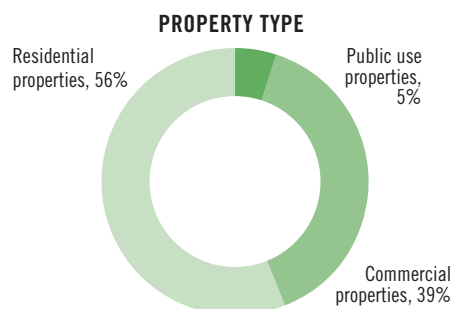
PROPERTY ACQUISITIONS, 2018

Name of property	Address	Year of construction/ conversion	Residen- tial sq m	Office sq m	Retail sq m	Industry/ warehou- sing sq m	Education sq m	Garage sq m	Other sq m	Total sq m	No. of apts.
GOTHENBURG											
Björlanda 1:61	Björlanda Prästgårdsväg 50	1873	550	-	-	-	-	-	898	1,448	1
Inom Vallgraven 19:16	Korsgatan 12 / Kyrkogatan 34-36	1929	60	631	1,630	-	-	-	-	2,321	1
STOCKHOLM											
Framkällningen 3*											
Passfot 2*											
Söderbymalm 3:540*											
UPPSALA											
Dragarbrunn 20:6	Kungsgatan 45-47 / Vaksalagatan 14	1938/2017	372	1,708	845	70	-	-	-	2,995	3
Total			982	2,339	2,475	70	-	-	898	6,764	5

*Land

PROPERTY HOLDING STRUCTURE AS OF SEPTEMBER 30, 2018

Lettable area, sq m	Residential sq m	Office sq m	Retail sq m	Industry/ warehousing sq m	Education sq m	Garage sq m	Other sq m	Total sq m	Distribu- tion, place	No. of apts.
Stockholm	286,938	29,667	18,340	15,340	4,479	49,598	3,102	407,464	34%	4,682
Uppsala	21,491	1,842	1,071	93	-	5,732	-	30,229	3%	401
Gothenburg	244,513	203,163	91,692	91,471	25,849	57,534	31,656	745,878	62%	3,904
Helsingborg	6,308	-	2,338	-	-	3,577	1,520	13,743	1%	110
Total	559,250	234,672	113,441	106,904	30,328	116,441	36,278	1,197,314	100%	9,097
Distribution by type of premises	47%	20%	9%	9%	3%	9%	3%	100%		



Shows the distribution of our property holdings per category. See definitions on page 22.

WIND POWER

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

Wind turbines are measured at cost less depreciation and impairment losses. Depreciation for the period amounted to SEK 71 million (72). On September 30, 2018, the consolidated book value of wind turbines amounted to SEK 610 million (906). The renewable energy certificate inventory amounted to SEK 74 million (23) on closing day.

The energy market has been dominated by falling prices in recent years. During 2018, there was a trend reversal with strongly rising prices of electricity and renewable energy certificates as a consequence. As the energy market has been very volatile, it is difficult at present to determine if the increase in prices is more

than temporary. A new review of the value will be performed in connection with the annual financial statements, in the event that the current conditions persist, which may imply a positive change in value for the Group's wind turbines.

FINANCING

Equity

Shareholders' equity, including non-controlling interests amounted to SEK 20,688 million (19,073), equivalent to SEK 64 per share (58). The equity/assets ratio was 44 percent (45).

Interest-bearing liabilities

On closing day, outstanding bond loans amounted to SEK 3,250 million (900), the outstanding volume of commercial paper, with



a framework amount of SEK 4 billion, amounted to SEK 3,685 million (3,370), and total interest-bearing liabilities amounted to SEK 21,080 million (17,669).

The bond loans consist of SEK 2,750 million within the framework of our MTN program (Medium Term Notes), which has a total framework amount of SEK 5 billion. During the year, bonds totaling SEK 1,000 million were issued within the framework of this program, of which SEK 400 million were issued in January and run for two years with a fixed interest rate of 0.68 percent and SEK 400 million were issued in May and run for two years with a fixed interest rate of 0.48 percent and a further SEK 200 million were issued in September and run for three years with an interest rate of 3M STIBOR +0.93 percent. There is also a green bond for SEK 500 million (900). The bond loans are listed on Nasdaq Stockholm.

The loan-to-value ratio is 46 percent (43). The average remaining fixed interest term is 36 months (34). Of the loan portfolio, 37 percent (48) of the loans have fixed interest terms longer than one year. On closing day, the average interest rate on our loans amounted to 0.98 percent (1.92).

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

Derivative instruments

Wallenstam's financial derivative instruments consist mainly of interest rate and electricity derivatives and to a lesser extent of currency derivatives. On closing day, Wallenstam had a net asset in respect of derivative instruments of SEK 60 million compared to a net indebtedness of SEK 769 million on December 31, 2017. Of this, interest rate derivatives accounted for SEK 19 million (-787), electricity derivatives for SEK 42 million (17) and others SEK - million (1). The large change is due to the fact that the deficit value was realized prematurely as a part of the company's restructuring of its interest rate derivative portfolio. In total, derivatives which had a deficit value of SEK 770 million on March 31, 2018, were realized prematurely. By simultaneously entering into new interest rate derivatives, Wallenstam has reduced its future average interest expense. The fixed interest term is 36 months, an increase of 2 months compared to March 31, 2018. 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 rate 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. The total volume of outstanding derivatives, where Wallenstam pays fixed interest, amounts to SEK 7.0 billion after the restructuring.

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

The arising deficit or surplus value for interest rate derivatives, which reflects how the Group's hedged interest rates relate to the market rate of interest on closing day, is recognized in the balance sheet and in unrealized changes in value, financial instruments in the income statement.

Electricity derivatives are used to mitigate the effect of market fluctuations by hedging income from future electricity sales and electricity production. These are measured at market value and the changes in value are continually recognized in the Group's results. As we do not apply hedge accounting for electricity derivatives, no reversal effect arises in unrealized changes in value in connection with realization of electricity derivatives. From 2017, surpluses and deficits arising are adjusted in advance on a daily basis, for which reason, the closing balance sheet item for electricity derivatives only refers to older contracts.

Currency derivatives are used to a limited extent in order to hedge purchasing from foreign countries. Hedge accounting is applied and therefore translation effects are recognized in other comprehensive income.

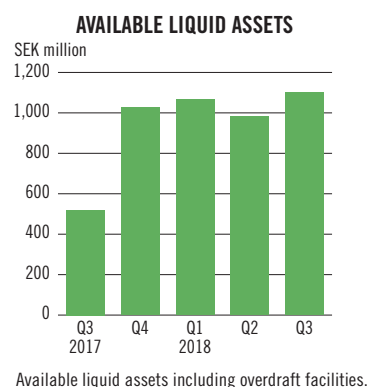
Available liquid assets

Available liquid assets, including available bank overdraft facilities, amounted to SEK 1,100 million (520). Approved overdraft facilities amounted to SEK 800 million (800), of which SEK - million (326) was used on closing day. The Group also has an approved credit commitment and credit facilities of SEK 4,000 million (3,527), of which SEK 3,685 million (3,370) is a credit commitment for outstanding commercial paper programs. The entire amount was available for use on closing day (3,358). On September 30, 2018, available liquidity totaled SEK 5,100 million (3,879).

FIXED TERMS, AVERAGE INTEREST RATES, SEPTEMBER 30, 2018

Interest maturity structure	Amount, SEK million	Average interest rate, %	Proportion, %
0-3 mths	11,553	1.03 *	54.7
3 mths-1 year	1,727	0.17	8.2
1-2 years	800	0.58	3.8
2-3 years	-	-	-
3-4 years	-	-	-
4-5 years	-	-	-
5-6 years	500	0.56	2.4
6-7 years	900	0.76	4.3
7-8 years	1,600	0.92	7.6
8-9 years	1,500	1.16	7.1
> 9 years	2,500	1.24	11.9
Total	21,080	0.98	100

* Variable interest loans with an interest maturity within three months have an average interest rate of 0.53%. 1.03% includes the effect of swap agreements that mature within the three-month period.



Available liquid assets including overdraft facilities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Equity attributable to parent company shareholders					Total equity
	Share capital	Other capital contributed	Other reserves	Profit brought forward	Non-controlling interests	
Opening equity, Jan 1, 2017	170	359	2	17,246	12	17,788
Profit/loss for the period	-	-	-	1,781	-	1,781
Translation difference	-	-	0	-	-	0
Financial instruments for sale	-	-	8	-	-	8
Unrealized changes in value, owner-occupied properties	-	-	-7	-	-	-7
Tax attributable to other comprehensive income	-	-	2	-	-	2
TRANSACTIONS WITH SHAREHOLDERS						
Reduction of the share capital	-5	-	-	5	-	-
Dividends	-	-	-	-279	-	-279
Repurchase of own shares	-	-	-	-220	-	-220
Closing equity, Sep 30, 2017	165	359	5	18,532	12	19,073
Opening equity, Jan 1, 2018	165	359	4	18,880	2	19,410
Profit/loss for the period	-	-	-	1,769	-	1,769
Translation difference	-	-	1	-	-	1
Changes in value of currency derivatives	-	-	-1	-	-	-1
Unrealized changes in value, owner-occupied properties	-	-	0	-	-	0
Tax attributable to other comprehensive income	-	-	-1	-	-	-1
Realized changes in value, owner-occupied property	-	-	-	6	-	6
Changes in revaluation reserve	-	-	6	-6	-	-
TRANSACTIONS WITH SHAREHOLDERS						
Dividends	-	-	-	-292	-	-292
Repurchase of own shares	-	-	-	-204	-	-204
Closing equity, Sep 30, 2018	165	359	9	20,153	2	20,688

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK million	Jan-Sep 2018	Jan-Sep 2017	Jul-Sep 2018	Jul-Sep 2017	Oct-Sep 2017/2018	Jan-Dec 2017
Profit before unrealized changes in value and impairment losses*	-2	582	308	211	181	765
Adjustment for items not included or arising in cash flow	-13	51	-18	27	-21	43
Taxes paid	0	0	0	0	0	0
Cash flow before change in working capital	-15	633	290	238	160	808
Change in working capital	86	66	35	-49	46	26
Cash flow from operating activities	71	699	325	189	206	834
INVESTMENTS/DIVESTMENTS						
Investment in properties and individual co-op apartments	-2,006	-1,901	-767	-685	-3,057	-2,952
Investments in wind turbines, intangible assets & property, plant and equipment	-7	-13	-4	-4	-9	-15
Investments in financial assets	-100	-17	-	-2	-100	-17
Divestment of properties, co-op apartments, development properties & property, plant and equipment	148	615	97	12	467	934
Cash flow from investing activities	-1,965	-1,316	-674	-679	-2,699	-2,050
FINANCING						
Loans raised	9,805	2,865	5,561	592	11,435	4,495
Amortization of loans	-7,427	-1,804	-5,084	-52	-7,981	-2,358
Dividends paid	-292	-279	-	-	-569	-556
Dividends paid to minority	-	-	-	-	-10	-10
Repurchase of own shares	-204	-220	-22	-91	-219	-235
Divestment and amortization of financial assets	84	3	13	1	91	10
Cash flow from financing activities	1,966	565	468	450	2,747	1,346
Changes to liquid assets	72	-52	119	-40	254	130
Cash and cash equivalents at beginning of the period	228	98	181	86	46	98
Cash flow for the period	72	-52	119	-40	254	130
Cash and cash equivalents at the end of the period	300	46	300	46	300	228
Unutilized overdraft facilities at the end of the period	800	474	800	474	800	800
Available liquid assets	1,100	520	1,100	520	1,100	1,028

*Includes interest paid and received, including gross flows from interest rate swap contracts, of SEK -1,038 million (-259) and SEK 0 million (2) respectively, of which SEK 40 million (50) was capitalized as a non-current asset.

SEGMENTS REPORT

2018 SEK million	Gothenburg Jan-Sep	Stockholm Jan-Sep	Svensk NaturEnergi* Jan-Sep	Other Jan-Sep	Elimination Jan-Sep	Total Jan-Sep
INCOME STATEMENT						
Rental income	970	447	-	23	-18	1,422
Operating expenses	-220	-120	-	-5	-	-344
Electricity revenue	-	-	294	-	-294	-
Electricity expenses	-	-	-250	-	250	-
Net operating income	751	327	44	18	-61	1,078
Management costs and administrative expenses	-87	-61	-21	-19	39	-149
Net financial items	-140	-19	-19	-11	19	-171
Income from management operations	523	247	4	-12	-4	758
Income from natural energy management operations	-	-	-	-	1	1
Realized changes in value, financial derivatives	-467	-263	-35	-11	-	-776
<i>Unapportioned items</i>						
Sales result						15
Profit before unrealized changes in value and impairment charges						-2
Unrealized changes in value and impairment charges						1,919
Profit/loss before tax						1,917
BALANCE SHEET						
Investment properties	27,854	15,822	-	684	-	44,360
Wind turbines	-	-	610	-	-	610
Development and co-op apartment properties	556	101	-	-	-	658
Unapportioned assets	-	-	-	-	-	1,027
Total assets						46,655
EQUITY	-	-	-	-	-	20,688
Loans	10,920	3,439	1,258	5,463	-	21,080
Unapportioned liabilities	-	-	-	-	-	4,887
Total equity and liabilities						46,655
<i>Property investments in progress including land</i>	<i>1,672</i>	<i>1,914</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>3,586</i>
2017 SEK million						
	Gothenburg Jan-Sep	Stockholm Jan-Sep	Svensk NaturEnergi* Jan-Sep	Other Jan-Sep	Elimination Jan-Sep	Total Jan-Sep
INCOME STATEMENT						
Rental income	884	366	-	7	-	1,257
Net operating income, properties	688	265	-	5	-5	953
Income from property management operations	476	216	-	-71	-	621
Electricity revenue	-	-	288	-	-288	-
Income from natural energy management operations	-	-	-	-	-34	-34
<i>Unapportioned items</i>						
Realized changes in value, synthetic options						-54
Sales result						49
Profit before unrealized changes in value and impairment charges						582
Unrealized changes in value						1,663
Profit/loss before tax						2,245
BALANCE SHEET						
Investment properties	25,081	13,937	-	642	-	39,660
Wind turbines	-	-	906	-	-	906
Development and co-op apartment properties	606	244	-	-	-	850
Unapportioned assets						745
Total assets						42,161
EQUITY	-	-	-	-	-	19,073
Loans	9,790	2,308	1,313	4,258	-	17,669
Unapportioned liabilities						5,419
Total equity and liabilities						42,161
<i>Property investments in progress including land</i>	<i>1,686</i>	<i>2,956</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>4,642</i>

* Difference between segments and the consolidated income statement relates to the presentation of unrealized and realized electricity derivative instruments and unrealized remeasurement effect of renewable energy certificates. For more information see Annual Report, Note 2.

GOAL FOLLOW-UP

Goal – Net asset value growth

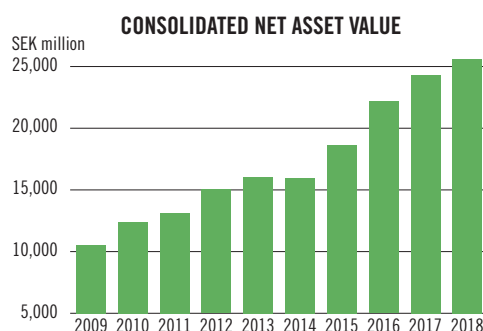
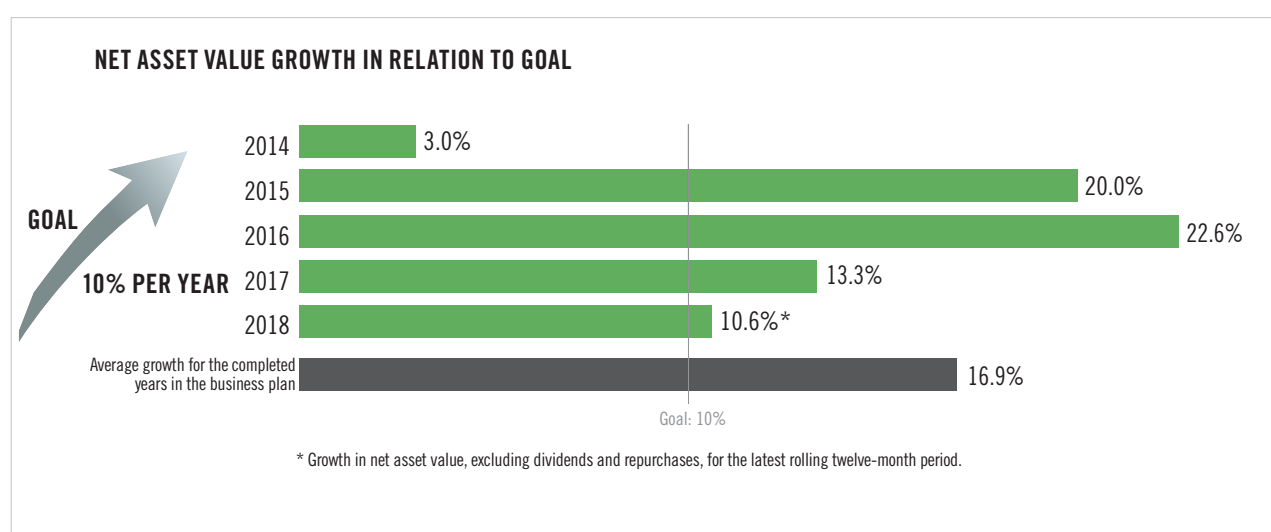
Wallenstam's goal is to achieve an average rate of net asset value growth, excluding dividends and repurchases, of at least 10 per cent per year until the end of 2018.

Estimated net asset value growth in relation to the Group's goal is based on a rolling 12-month development and amounted to 10.6 percent in the third quarter of 2018.

Net asset value

Net asset value describes the Group's total generated value and includes equity and deferred tax liability and amounted to SEK

26,396 million (23,866) on closing day. Deferred tax liability refers mainly to differences between carrying amounts and residual values for tax purposes in Group properties. A net deferred tax liability of SEK 4,191 million (4,031) is recognized in the balance sheet, which consists of a deferred tax asset of SEK 731 million (774) and a deferred tax liability of SEK 4,921 million (4,805). The non-current net asset value (EPRA NAV), which in addition to reversal of deferred tax liabilities also reverses the effects of unrealized changes in value of derivatives, amounted to SEK 25,560 million (24,491).



NET ASSET VALUE GROWTH, GOAL FOLLOW-UP OCT 1, 2017– SEP 30, 2018

SEK million	
Net asset value, Oct 1, 2017	23,866
Change in net asset value for the period	1,741
Consolidated net asset value	25,608
Reversal of dividend and repurchases for the period	789
Net asset value, goal measurement	26,396 10.6 %

NET ASSET VALUE

	Sep 30, 2018	Sep 30, 2017
SEK million		
Equity as per balance sheet excl. minority	20,686	19,061
Deferred tax liability as per balance sheet	4,921	4,805
Consolidated net asset value	25,608	23,866
Derivatives as per balance sheet, net excl. tax	-48	624
Non-current net asset value (EPRA NAV)	25,560	24,491

THE WALLENSTAM SHARE*

The Wallenstam B share is listed on Nasdaq Stockholm, Large Cap. During 2018, the Wallenstam share price has increased by 6.7 percent. The property indices OMX Stockholm Real Estate and OMX Stockholm PI rose by 13.2 percent and 7.8 percent, respectively, during the same period.

At the end of the period, the Wallenstam share price was SEK 84.20 compared to SEK 78.90 at year-end 2017. The market capitalization was SEK 27,786 million (26,037) based on the total number of registered A and B shares. Equity per share amounted to SEK 64 (60).

Wallenstam has a mandate from the Annual General Meeting (AGM) to repurchase so many shares, such that the company's holding at any one time does not exceed 10 percent of all shares in the company. During 2018, 2,690,000 shares have been repurchased up to and including closing day.

On closing day, the company held a total of 6,690,000 treasury shares, repurchased at an average price of SEK 75.84 per share.

Dividend

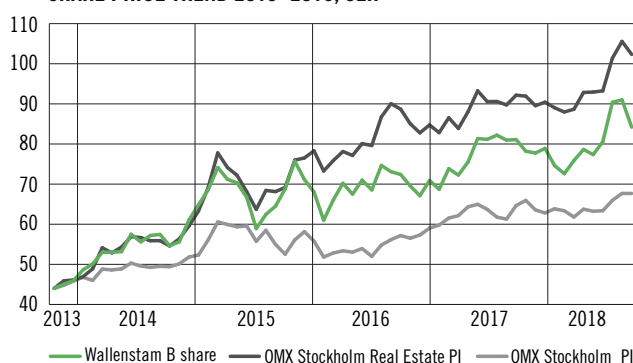
The AGM resolved on a dividend of SEK 1.80 per share (1.70), spread over two payment dates of SEK 0.90 each per share. In May, SEK 292 million was disbursed to the shareholders in total. The next payment will take place in November and is expected to be about the same size. The amount depends on the number of outstanding shares on the record day. In 2017, a total of SEK 556 million was disbursed.

Turnover

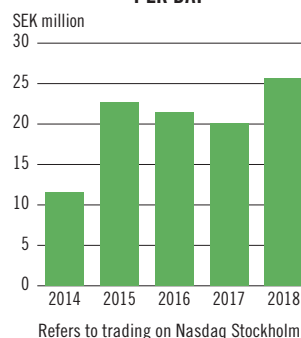
During 2018, the Wallenstam share had an average daily turnover on Nasdaq Stockholm of about SEK 25.7 million (20.1).

* Comparisons in brackets refer to amounts as of December 31, 2017.

SHARE PRICE TREND 2013–2018, SEK



AVERAGE SHARE LIQUIDITY PER DAY



SHAREHOLDINGS, SEPTEMBER 30, 2018

	A shares	B shares	Equity, %	Votes, %
Hans Wallenstam and family, and company	34,500,000	47,861,000	24.96	61.98
AMF – Insurance and funds		31,060,000	9.41	4.90
Agneta Wallenstam		22,204,000	6.73	3.50
Anna-Carin B Wallenstam and Anders Berntsson, and company		20,100,000	6.09	3.17
Henric and Ulrika Wiman		10,140,600	3.07	1.60
Bengt Norman and company		8,200,000	2.48	1.29
Monica and Jonas Brandström		7,673,326	2.33	1.21
Vanguard		5,820,434	1.76	0.92
David Wallenstam		5,640,000	1.71	0.89
Christian Wallenstam and company		5,550,000	1.68	0.88
Other owners		124,560,640	37.76	19.66
Total number of shares	34,500,000	288,810,000		
Repurchased shares**		6,690,000	2.02	
Registered shares	34,500,000	295,500,000		
Total registered shares		330,000,000	100.00	100.00
Total outstanding shares		323,310,000		

The proportion of institutional ownership amounted to around 15 percent of equity and around 8 percent of votes. Foreign ownership amounted to around 10 percent of equity and around 5 percent of the votes.

Source: Euroclear Sweden AB

**Repurchased own shares lack voting rights.

PARENT COMPANY

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

Total revenue during the period amounted to SEK 329 million (291), of which management revenue amounted to SEK 242 million (221) and rental income was SEK 87 million (70). Net interest income/expense includes costs for early redemption of interest rate derivatives of SEK 776 million (-).

The performance was affected by changes of SEK 806 million (152) in the value of financial interest derivative instruments, of which SEK 770 million was a non-recurring item. Profit after tax amounted to SEK 131 million (24).

Investments in non-current assets during the period amounted to SEK 12 million (146). Parent company external loans amounted to SEK 9,750 million (10,419) on closing day.

INCOME STATEMENT, PARENT COMPANY

SEK million	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017
Revenue	329	291	349
Expenses	-325	-338	-460
Profit/loss from participations in Group companies	124	49	3,921
Net interest income/expense	-782	-105	-139
Unrealized changes in value, financial instruments	806	152	182
Profit/loss before tax	152	49	3,853
Group contributions	-	-	279
Taxes	-21	-25	-59
Profit/loss after tax	131	24	4,072
Changes in value of currency derivatives	-	-	1
Tax attributable to other comprehensive income	-	-	0
Comprehensive income	131	24	4,073

BALANCE SHEET, PARENT COMPANY

SEK million	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Assets			
Properties	1,368	1,436	1,383
Participations in Group companies	5,369	5,724	5,369
Financial derivative instruments	27	2	10
Receivables from Group companies	15,760	17,688	19,325
Other assets	379	430	446
Cash and cash equivalents	249	10	207
Total assets	23,152	25,290	26,740
Equity and liabilities			
Equity	7,760	4,369	8,125
Interest-bearing external liabilities	9,750	10,419	8,460
Liabilities to Group companies	5,481	9,564	9,229
Financial derivative instruments	8	820	797
Other liabilities	153	118	129
Total equity and liabilities	23,152	25,290	26,740

OTHER INFORMATION

OPPORTUNITIES & RISKS

Wallenstam's opportunities and risks, and how we manage them, are presented in the 2017 Annual Report on pages 32–35. No significant changes have taken place since then.

SENSITIVITY ANALYSIS

As of September 30, 2018, the estimated market value of the properties amounted to around SEK 44 billion. A change in value of plus/minus 10 percent is thus equivalent to about plus/minus SEK 4.4 billion. A general change of plus/minus 0.25 percentage points in property yield requirements is equivalent to about SEK -2.7 billion or SEK +3.1 billion.

A change in the electricity price of 1 öre per kWh is equivalent to about plus/minus SEK 46 million in the valuation of wind turbines.

TRANSACTIONS WITH RELATED PARTIES

Wallenstam's related parties consist chiefly of Group companies. Board members, company management and their families and the companies they control are also related parties. Transactions with related parties mainly consist of administrative fees and the renting of premises between Group companies. Individuals related to Board members and the Group Management rent apartments and are also electricity customers. Insurance services are purchased from companies where members of Wallenstam's Board of Directors and Group Management are Board members, for a total equivalent to just over SEK 4 million in net expenditure for the year. In addition, a company to which one of Wallenstam's Board members was related at the time of contracting, performed building contract services with a total contract value of SEK 97 million. This company is an electricity customer of Svensk NaturEnergi.

During the second quarter, the CEO acquired the company-owned accommodation, which has previously been used. The agreed purchase price amounted to SEK 15 million, which generated a profit in the accounts of SEK 4 million, which is recognized in the income statement and in other comprehensive income.

The CEO is a joint owner (50 percent) of Aranea Holding AB. Aranea Holding AB through subsidiaries, owns two wind turbines and 48 percent of Renew Group Sweden AB, a floorball equipment manufacturer. Electricity trading for wind turbines is handled by Svensk NaturEnergi. Aranea is a tenant of Wallenstam with an annual rental value equivalent to SEK 0.6 million. Aranea and Renew Group are both electricity customers.

Wallenstam's involvement in environmental and social responsibility issues is described in more detail on pages 24–31 of the 2017 Annual Report. As part of its social responsibility work, the Wallenstam Group not only contributes financially to a number of organizations but also gives its time in the form of e.g. board work. As a result of such board positions, related party status arises in the case of the Rescue Mission in Gothenburg and Barn i Nöd (Swedish International Help for Children). During the year, the Rescue Mission in Gothenburg received contributions and discounts equivalent to SEK 1.8 million. During 2018, an agreement was signed regarding the acquisition of a property from the Rescue Mission in Gothenburg for SEK 25 million. The property was taken into possession during the second quarter. The Rescue Mission in Gothenburg and Barn i Nöd rent premises from Wallenstam equivalent to annual rental income of about SEK 4.4 million and SEK 0.1 million, respectively. Both organizations are

Svensk NaturEnergi electricity customers.

All transactions take place on market-related terms.

ACCOUNTING PRINCIPLES

This report was prepared in accordance with IAS 34. The accounting principles are unchanged compared to the 2017 Annual Report, and the accounting principles mentioned below have been adopted from 2018. The Parent Company's accounting principles comply with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.

New accounting principles from and including Jan 1, 2018 IFRS 15, Revenue from Contracts with Customers

The basic principle of IFRS Revenue from Contracts with Customers, is that the company reports revenue when the customer receives control of the product or service and not like before when the risks and rewards have been transferred to the customer. IFRS 15 in this report has been applied according to the retrospective transition approach, which means that comparative figures for 2017 have been restated.

Wallenstam's revenue mainly consists of rental income, which is not impacted by the standard as it falls under IFRS 16 Leases. Surcharges levied in relation to rental income, such as snow clearance, refuse and, where applicable, water, heating and cooling, constitute service and media revenue. Like revenue in respect of property transactions, and the Group's revenue from electricity sales, these items fall within the scope of IFRS 15.

The transition to IFRS 15 will not have any material impact on comprehensive income or recognized profits.

IFRS 9 Financial Instruments

IFRS 9 implies new principles for classification of financial assets, hedge accounting and credit reserves. The new principles for classification of financial assets are based on an analysis of the business model that the asset is held within and the asset's cash flow characteristics.

The single largest item within the scope of IFRS 9 is derivatives, which are still recognized at fair value through profit or loss. The same applies to listed holdings.

IFRS 9 also means that the principles for making a credit loss provision are based on an expected credit loss model. Our analysis shows that the effect of the transition has not had any material impact on the carrying amounts on account of the risk characteristics of the receivables.

Wallenstam applies hedge accounting on net investments in Norway, which we will continue doing under IFRS 9 and we also estimate that the hedging relationship is effective under the new standard. The transition thus has no effect.

The introduction of IFRS 9 will not have any material impact on Wallenstam's reporting. Comparative figures have not been restated.

EVENTS AFTER THE END OF THE REPORTING PERIOD

In October, Wallenstam acquired newly issued shares in Conventum, equivalent to 11.16 percent of the total number of shares. Through the acquisition, Wallenstam becomes the third largest owner.

KEY RATIOS – MULTI-YEAR SUMMARY

Accumulated during period	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016
PROPERTY-RELATED KEY RATIOS									
Net operating income, properties, SEK million	1,078	706	341	1,264	953	615	301	1,175	891
Surplus ratio, property management, %	76	75	73	74	76	74	73	73	74
Income from property management, SEK million	758	462	217	806	621	391	191	733	564
Unrealized changes in value, new construction*	421	267	93	733	389	247	132	1,195	828
Value of investment properties, SEK million	44,360	43,446	42,187	41,410	39,660	38,797	37,025	36,555	34,646
Area, sq m (thousand)	1,197	1,196	1,175	1,145	1,090	1,078	1,064	1,074	1,072
Occupancy rate – lettable area, %	99	99	99	98	98	98	98	98	97
Development and co-op apartment properties, net, SEK million	658	691	656	606	850	875	765	734	485
FINANCIAL KEY RATIOS									
Profit after tax, SEK million	1,769	1,310	310	2,421	1,781	1,447	540	3,348	1,646
Return on equity, %	12.2	11.8	11.5	13.0	19.3	20.0	21.6	20.9	14.5
Return on total capital, %	8.4	8.3	7.2	8.0	11.6	11.9	12.7	12.2	8.8
Interest coverage ratio, realized, times	1.3	1.2	4.1	4.8	5.4	5.3	6.5	5.6	4.9
Interest coverage ratio, times	1.2	1.1	3.6	3.8	4.1	4.0	4.5	4.1	4.0
Loan-to-value ratio, %	46	46	44	43	43	42	41	43	44
Average interest rate on closing day, %	0.98	1.01	1.90	1.88	1.92	1.95	2.08	1.97	2.05
Average fixed-interest term, months	36	38	34	36	34	36	38	37	39
Equity/assets ratio, %	44	44	44	44	45	45	46	45	43
Equity, SEK million	20,688	20,252	19,572	19,410	19,073	18,826	18,281	17,788	16,145
Net asset value, SEK million	25,608	25,113	24,548	24,314	23,866	23,505	22,741	22,159	20,105
Non-current net asset value (EPRA NAV), SEK million	25,560	25,110	25,123	24,915	24,491	24,163	23,460	22,906	21,048
Market capitalization, SEK million	27,786	26,582	25,031	26,037	26,763	27,591	24,565	24,106	24,616
Repurchase of shares, SEK million	204	182	147	235	220	129	46	192	142
PER SHARE DATA									
Profit after tax, SEK	5.5	4.0	1.0	7.4	5.4	4.4	1.6	10.1	5.0
P/E ratio, times	11.3	11.5	11.3	10.7	7.7	7.7	6.6	7.0	10.6
Cash flow from operating activities, SEK	0.2	-0.8	0.8	2.6	2.1	1.6	1.1	2.0	1.4
Equity, SEK	64	63	60	60	58	57	56	54	49
Share price, SEK	84.20	80.55	75.85	78.90	81.10	81.15	72.25	70.90	72.40
Shares outstanding, average, thousands	324,073	324,405	325,050	327,333	327,728	328,208	328,583	330,409	330,641
Shares outstanding at end of period, thousands	323,310	323,550	324,000	326,000	326,200	327,325	328,350	329,000	329,740

QUARTERLY OVERVIEW

	Jul-Sep 2017	Apr-Jun 2018	Jan-Mar 2018	Oct-Dec 2017	Jul-Sep 2017	Apr-Jun 2017	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016
Rental income, SEK million	480	475	467	444	428	415	414	410	408
Net operating income, properties, SEK million	372	365	341	311	338	314	301	284	312
Surplus ratio, property management, %	77	77	73	70	79	76	73	69	77
Income from property management, SEK million	296	245	217	185	230	200	191	169	214
Return on equity, %	12.2	11.8	11.5	13.0	19.3	20.0	21.6	20.9	14.5
Earnings per share after tax, SEK	1.4	3.1	1.0	2.0	1.0	2.8	1.6	5.2	1.0
Cash flow per share from operating activities, SEK	1.0	-1.6	0.8	0.4	0.6	0.4	1.1	0.6	0.4
Equity per share, SEK	64	63	60	60	58	57	56	54	49
Share price, SEK	84.20	80.55	75.85	78.90	81.10	81.15	72.25	70.90	72.40

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

*Comparative data is restated for the updated definition as per Q4 2016.

REPORT SIGNATURES

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

Gothenburg, October 25, 2018

Christer Villard
Chairman of the Board

Karin Mattsson Weijber
Board member

Ulrica Jansson Messing
Vice Chairman of the Board

Agneta Wallenstam
Board member

Anders Berntsson
Board member

Hans Wallenstam
CEO

REVIEW REPORT

This is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.

Introduction

I have reviewed the interim report for Wallenstam AB (publ) for the period January 1, 2018 - September 30, 2018. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. My responsibility is to express a conclusion on this interim report based on my review.

Scope of Review

I conducted my review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable me to obtain a level of assurance that would make me aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

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

Gothenburg, October 25, 2018

Harald Jagner
Authorized Public Accountant

DEFINITIONS

Share yield

The proposed dividend as a percentage of the share price at the end of the period.

Share total yield

The share price trend during the year including distributed dividend as a percentage of the share price at the start of the period.

Alternative performance measures (APM)

Wallenstam presents a number of financial measures that are outside IFRS definitions (Alternative performance measures, according to ESMA's guidelines) with the aim of enabling effective evaluation of the company's financial position and performance for investors and for the company's management. This means that these measures are not always comparable with measures used by other companies and shall therefore be considered as a complement to measures defined according to IFRS. Wallenstam applies these alternative key ratios consistently over time. The definitions describe how Wallenstam's key ratios are calculated. The key ratios are alternative performance measures according to ESMA guidelines unless otherwise stated.

The number of shares

The number of registered shares at any given time.

Number of shares outstanding: the number of registered shares less repurchased own shares at any given time.

Average number of shares: weighted average number of shares outstanding at any given time.

Residential property

Property, which predominantly consists of residential space.

Loan-to-value ratio

Interest-bearing liabilities less cash and cash equivalents in relation to the Group's investments in properties, development and co-op apartment properties and wind power at the end of the period.

Market capitalization

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

Net operating income

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

Development properties

Development properties refer to properties constructed with the intention of being sold after completion.

Rental value*

Rental income and the estimated market rent for vacant space.

Cash flow per share

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

Cash flow from operating activities per share

Cash flow from operating activities for the period in relation to the average number of shares outstanding.

Commercial property

Property, which predominantly consists of commercial space.

Non-current net asset value (EPRA NAV)

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

Net letting

Net lets entered into during the period less cancellations and removals.

Unrealized changes in value, investment properties**

Gains or losses from a change in the assessed market value of investment properties compared to the previous reporting period.

Unrealized changes in value, New construction: The increase in value is gradually recognized during the construction of the property until the first year it is taken into operation. Unrealized

change in value, new construction recognizes the difference between the cost of construction of a new rental apartment and the value it has on completion.

Unrealized changes in value, Other: Refers to changes in the value of investment properties, which have been in operation for one calendar year or more.

P/E ratio

Share price at the end of the period in relation to profit after tax for the average number of shares over the latest rolling 12-month period.

Realized changes in value, investment properties

Gains or losses from investment property sales during the period less the estimated market value of the properties at the previous reporting period.

Earnings per share after tax

Profit after tax in relation to the average number of outstanding shares, in accordance with IFRS.

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 with the addition of interest expenses in relation to average total capital employed, calculated on the latest rolling 12-month period.

Interest coverage ratio

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

Interest coverage ratio excl. early redeemed derivatives ***

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

Interest coverage ratio, realized

Profit or loss before unrealized changes in value and impairment charges with reversal of net financial items and early redeemed interest rate derivatives excluding realized changes in the value of investment properties with the addition of profit or loss from the sale of investment properties in relation to the invested amount for the latest rolling 12-month period in relation to net financial items and early redeemed interest rate derivatives for the latest rolling 12-month period.

Community property

Property, which is predominantly used by tax funded activities and is specifically adapted for community services.

Average interest

Interest expenses for the period including profit or loss on swap agreements realized during the period in relation to interest-bearing liabilities.

Equity/assets ratio

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

Net asset value

Equity with the addition of deferred tax liabilities.

Occupancy rate – lettable area

Let floor space in relation to total floor space.

Surrender rate

Proportion of leases extended in relation to the proportion of cancellable leases.

Surplus ratio

Net operating income as a percentage of rental income.

For further information, please refer to: www.wallenstam.se/glossary

*Operational key ratios, are not considered alternative key ratios according to ESMA's guidelines.

**The definition relating to new construction and other investment property is updated from the fourth quarter of 2016. Effect of altered definition relating to new construction and other investment properties:

SEK million	Oct-Dec 2016	Jul-Sep 2016
Unrealized changes in value, investment properties		
New construction previous definition	276	141
New construction updated definition	367	140
Other previous definition	1,343	96
Other updated definition	1,252	97

SEK million	Oct-Sep 2017/2018
Profit before unrealized changes in value and impairment charges	181
Reversal prematurely realized financial instruments	776
Reversal net financial items	262
Profit before interest expenses, unrealized changes in value and impairment charges	1,219
Net financial items	262

THIS IS WALLENSTAM

BUSINESS PLAN 2018

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

Guiding principles

- Start production of 7,500 apartments during the business plan.
- To reduce the carbon load in the property holdings by 15 percent per sq m by the end of 2018.
- The proportion of customers willing to recommend Wallenstam should increase yearly.

Defined key ratios

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

BUSINESS CONCEPT

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

STRATEGIES AND ASSET-CREATING FACTORS

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

The factors that create assets for the operations are essentially based on the Group's business process. In combination with overall strategies and guiding principles, this process provides the most important tools for contributing to the positive development of both income and the business over time.

WALLENSTAM TODAY

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

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

Our residential properties are mainly located in Stockholm and Gothenburg, while our commercial properties are concentrated to inner city locations in Gothenburg. In all, Wallenstam has just over 9,000 apartments and 1,000 commercial tenants. Wallenstam is self-sufficient in renewable energy through Svensk NaturEnergi.

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

Stockholm

The majority of our apartments, about 5,000 units, are found in the Stockholm business area. About 400 of these apartments are located in Uppsala. At present, most of our new construction also takes place in the Stockholm region, including Uppsala. The Stockholm business area had around 1,220 apartments under construction on closing day.

Gothenburg

Our property holdings in Gothenburg consist of around 4,000 apartments and around 900 commercial tenants that rent office and retail premises, mostly in inner city locations. The Gothenburg business area had about 870 apartments under construction on closing day.

Svensk NaturEnergi

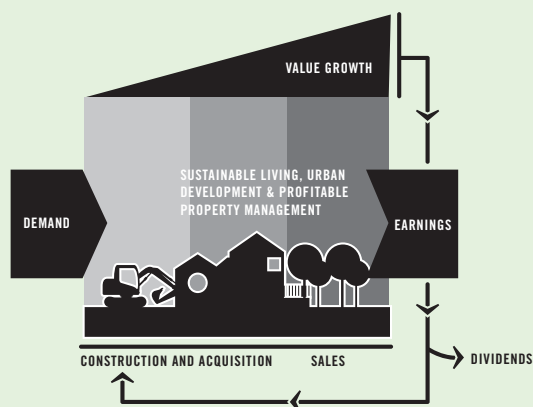
Operations within Svensk NaturEnergi consist of both generation of, and trading in, renewable energy. Production covers our own properties' needs and those of our tenants on a monthly basis.

Business Process

Wallenstam builds, buys and develops properties for people and businesses based on the needs of its tenants, the community and shareholders.

The properties are developed and managed sustainably and profitably to generate value growth.

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



This is information that Wallenstam is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below, at 08:00 CET on October 25, 2018.

For further information, please contact:

Susann Linde, CFO and Head of Investor Relations Wallenstam AB (publ), tel: +46 31 20 00 00 or +46 705 17 11 34

Elisabeth Vansvik, Communications Director Wallenstam AB (publ), tel: +46 31 20 00 00 or +46 705 17 11 38



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