

WALLENSTAM

ANNUAL REPORT 2009



FINANCIAL REPORTS

Report of the Board of Directors	2
Consolidated income statement	9
Consolidated balance sheet	10
Consolidated change in equity	11
Consolidated cash flow statement	12
Group accounting principles and notes	13
Parent company income statement	27
Parent company balance sheet	28
Parent company change in equity	29
Parent company cash flow statement	30
Parent company accounting principles and notes	31
Auditor's report	37
Corporate governance report	38

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors and the Managing Director of Wallenstam AB (publ), Corporate ID No. 556072-1523, herewith submit the annual accounts and consolidated accounts for 2009.

OWNERSHIP STRUCTURE AND STOCK EXCHANGE LISTING

Wallenstam AB is quoted on the Nasdaq OMX Stockholm Mid Cap list. The company has around 6,000 shareholders, and the proportion of shares held by legal entities amounts to around 37 per cent of equity and 26 per cent of voting rights. Foreign ownership makes up 5 per cent of equity and 3 per cent of the votes. The principal owner Hans Wallenstam & family and companies own approximately 21 per cent of the equity and 58 per cent of the voting rights. The board of directors has its registered office in Gothenburg, and the head office street address is Kungssport-savenyen 2, Gothenburg.

BUSINESS CONCEPT

Wallenstam's mission is to buy, build, develop and sell properties that are sustainable in business and human terms in selected big city regions.

OPERATIONS AND ORGANIZATION

Wallenstam has around 160 employees. The head office is located in Gothenburg. Wallenstam is organized into two business areas: Residential and Commercial. Staff within administration, economy and finance etc. support the sales areas while development staff are responsible for new construction, property renovation and wind power projects.

Wallenstam has a well-concentrated, centrally located property portfolio in Stockholm, Gothenburg and Helsingborg – some of Sweden's most expansive regions. Business area Residential has operations in Stockholm, Gothenburg and Helsingborg and manages around 10,500 apartments. Operations within business area Commercial are pursued in Gothenburg. The company has around 2,200 commercial premises agreements. Residential properties make up around 60 per cent of Wallenstam's total property value of SEK 21 billion, and the remaining 40 per cent are commercial properties. The Wallenstam Group owns and manages around 1,217,000 sq. m of floor space in around 300 properties.

OBJECTIVES, 2012

Wallenstam runs operations based on business plans, objectives and strategies. Objectives are established in the business plan and are grouped under financial and operational objectives (guiding principles). Wallenstam's ability to achieve goals and thus deliver expected results is an important criterion for its stakeholders.

OPERATIONAL OBJECTIVES, 2012

Net worth per share shall amount SEK 300.

WALLENSTAM'S GUIDING PRINCIPLES

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The year 2009 was an exciting one for Wallenstam. All of our operational branches were able to develop in line with business plan objectives despite the turbulent financial market.

Wallenstam acquired properties for a total of SEK 1,195 million (220) during the year. Possession was taken of five residential properties with 556 apartments in the beginning of January, as was part of a development property in Älta outside Stockholm. In August, 172 apartments were acquired in Bergsjön, Gothenburg. Four commercial properties with central Gothenburg locations were acquired during the financial year: the Filmstaden Bergakungen multiplex on the entertainment street and three commercial properties at Kungssportsplatsen and along Avenyn.

Negotiations were concluded during the autumn regarding a large holding of 454 apartments in Sollentuna; the properties will be occupied in April, 2010.

Wallenstam carried out six property sales during 2009 totaling SEK 511 million (670), all to housing associations.

Wallenstam's investments in new construction continue. During 2009 the company had over 500 apartments under construction. In May ground was broken for 267 rental apartments in Stockholm's Kungsholmen district. In connection with this a declaration of intent was made together with the City of Stockholm which means that Wallenstam will be given priority when it comes to land allocation for new construction rental properties in Stockholm. Construction of 59 energy-efficient flats began in Stårtered outside Gothenburg in December; the flats will have an energy requirement of less than half the limit set by the Swedish Board of Housing, Building and Planning.

Interest in new Wallenstam construction projects is great. During 2009 flats were completed in Hammarby Sjöstad, Stockholm and Högsbo in Gothenburg, creating new homes for 198 families. All of Wallenstam's new construction projects fulfil the company's requirements for a 7 per cent rate of return. Overall, SEK 737 million (750) was invested in new construction and renovations.

SEK 408 million (606) was invested in reconstruction and upgrades in the existing holdings.

Work on establishing wind turbines continues, and during 2009 Wallenstam invested SEK 290 million (278) in wind energy.

The Susan H and Rose-Marie G wind farms in Hörby and Lynby were supplemented at the end of March with an additional wind turbine each, and the Anders A. windfarm at Silkomhöjden in the Dalarna region was commissioned in April. At the end of the year Wallenstam had eleven wind turbines in operation with a total output of 16.7 MW. The Stentjärnåsen wind farm in Jämtland is expected to be in full operation by the beginning of 2010. There are also a large number of wind power projects at various stages of development.

SUSTAINABILITY EFFORTS

Wallenstam engages in important issues regarding community development and long-term sustainability. Examples of this are dedicated environmental efforts and healthy, safe housing areas – efforts that resulted in the award of the Swedish Nonviolence Foundation's business prize for 2009. The prize recognizes and encourages Wallenstam's objective, constructive efforts to reduce the risk of violence and create security for residents in its housing areas.

The working method involves a sharp focus on customers, characterized by concern for humanity and the environment. Wallenstam's sustainability work is planned, implemented and followed up based on a Group-wide policy. Day to day work is managed by the respective business areas. In its efforts to reduce environmental impact, Wallenstam has identified activities with the biggest negative effect in a range of environmental areas. Overall goals have been established for each environmental area. In their basic design, new construction Wallenstam buildings have an energy consumption of 74 kWh/sq.m, which is lower than GreenBuilding and low-energy building requirements alike. Individual tenant metering of electricity and water is standard in all new construction. For example, the substantial energy saving efforts Wallenstam began in the property at Bergen 1 in Husby, Stockholm will reduce energy use in the property by around 80 per cent, the equivalent of the annual heat consumption of about 175 detached houses, among other things with the aid of ground source heat, compact solar panels, efficient ventilation energy recycling and waste water heat exchangers. Furthermore, the company is expanding its collaboration with Renova to enable customized solutions in waste and recycling for Wallenstam commercial tenants in Gothenburg.

Wallenstam strives to be a proactive member of the communities it does business in and is happy to contribute in different ways toward increasing well-being and security in cities and towns. Helping young people find gainful employment is a passionate issue for Wallenstam. Sports classes where children and youths can try out various sports are arranged through clubs sponsored by Wallenstam. As far as possible the company tries to help in meeting special requirements from municipalities regarding the design and provision of housing for people with special needs.

Apart from providing new housing, Wallenstam's investments in new construction also create jobs. The construction of a property containing 100 apartments means around 100 man years of employment.

Wallenstam has elected to support organizations that work

with the homeless, those with drug problems and children at risk. Wallenstam's most significant agreements regarding social work are with Swedish International Help for Children, BRIS (Children's Rights in Society), the refugee Mission in Gothenburg and the Stockholm City Mission.

RESULTS

Profit after tax increased by 33 per cent to SEK 489 million (368). Earnings per share amounted to SEK 8 (6). The improvement derives partly from property transactions that generated a higher operating surplus, and also from a positive trend in comparable holdings.

Group rental income for the period increased to SEK 1,356 million (1,250). SEK 760 million (688) of the rental income was from the Residential business area and SEK 592 million (562) from Commercial. Regarding residential holdings, the increase was created with the aid of measures to raise standards, completed construction and the results of rent negotiations. A continued high occupancy rate in commercial holdings together with rent negotiations and new lets has influenced rental income positively. All in all, the growth in rental income amounted to 8 per cent compared to 2008.

Wallenstam's commercial holdings are located in Gothenburg's inner city and in attractive business locations.

The average rental level for Wallenstam's office properties in Gothenburg amounts to SEK 1,510 per sq. m (1,480). During the year, Wallenstam let approximately 26,000 sq. m of commercial property in the Gothenburg region. The occupancy rate in commercial holdings is 95 per cent (96). Residential holdings are fully let and the average occupancy rate adds up to 98 per cent (98).

Wallenstam continues to work with a cost-effective management and is able to report the same surplus ratio in 2009 as it did the previous year. Operating costs amounted to SEK 471 million (440), equivalent to SEK 396 per sq. m (386). The cost increase results mainly from a larger property holding, and also from colder weather and an increased number of adaptations to commercial premises. The operating surplus increased by 9 per cent to SEK 885 million (810).

Administration and management costs were reduced to SEK 161 million (181). The reduction is the effect of Wallenstam's focus on cost control and efforts to lower management costs. The previous year's expenses were charged with SEK 8 million for an option scheme for personnel.

Other operating income and expenses amounted to SEK 18 million net (12) and was comprised chiefly of the sale of shares in housing associations.

Changes in the value of Wallenstam's property holdings amounted to SEK 394 million net (-225), of which realized changes in value amounted to SEK 34 million (59). All in all Wallenstam can report increased property values which are the effect of a more stable market where required rates of return are falling in certain parts of the residential holding. This, together with the continued increases in operating surpluses that are the combined effect of higher rental income and a focus on operating costs, results in increased values. Required rates of return on commercial properties

have been gradually raised during the period of economic turbulence, but have now stabilized. The change in value is principally attributable to the following factors:

SEK million	
Change in yield	-72
Capitalization of change in operating surplus	546
Future investment requirements	-211
Completed projects	97
Realized changes in value	34
Change in value of investment properties	394

Due to the re-classification of owner-occupied properties to investment properties, changes in the value of these are now reported under unrealized changes in value. Depreciations amounted to SEK 29 million during the corresponding period in the previous year, and are now included under unrealized changes in value of investment properties.

Income from financial items amounted to SEK 33 million (14). The increase comprises chiefly interest from a financial investment in securities. Financial expenses amounted to SEK 426 million (429). As of closing day the average interest amounted to 3.87 per cent (4.23). 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 which is reported in the income statement. The change in value of the derivatives amounted to SEK -86 million (78), of which SEK -132 million is an effect of completed hedging reporting; an equivalent amount has been reversed from a reserve in shareholders' equity. Unrealized change in value of other financial derivative instruments amounted to SEK 53 million (-85). Realized change in value amounts to SEK -7 million (7).

TAXES

Wallenstam reports a tax expense of SEK 168 million (-445). Current tax for the 2009 income year was calculated based on a corporation tax of 26.3 per cent. In principle no tax payment will occur due to the opportunity to make tax-related deductions, depreciations and the ability to utilize loss carryforwards.

COMPREHENSIVE INCOME

Total comprehensive income of the year amounted to SEK 631 million (80). The profit/loss effect that arose due to completed hedging reporting of SEK 132 million has no effect on total profit/loss as it is counteracted by the dissolution of reserves in equity of an equivalent amount. Moreover, changes in value of shareholdings in other companies are reported in the consolidated income statement.

REALIZED PROFIT

Wallenstam's realized profit, i.e. profit excluding unrealized changes in value and taxes, amounted to SEK 375 million (292). The realized profit is higher than that of the previous year, and this was primarily achieved through a higher operating surplus and lower management costs.

PROPERTIES

The estimated market value of Wallenstam's properties amounted to SEK 20,728 million (18,881). During the year Wallenstam acquired properties for SEK 1,195 million. Five properties with 556 apartments were acquired in the beginning of the year, as was part of a development property in Älta outside Stockholm. In addition to that, three residential properties with a total of 172 flats were acquired in Bergsjön in Gothenburg, and four commercial properties in Gothenburg's inner city were also acquired. A total of SEK 737 million (750) was invested in new construction and conversions during the year. Large new construction projects under way during 2009 are Henriksdalskajen and Kungsholmen in Stockholm, Stårtered in Partille and Högsbo in Gothenburg.

Property valuation

Property investments are one of Wallenstam's operational branches and the company has good valuation expertise. Wallenstam's properties are valued by an internal valuation team.

The following parameters are used as the basis for property valuations:

- An analysis of completed and non-completed property investments.
- An assessment of the required rates of return in the markets concerned.
- An assessment of a property's specific prerequisites in regard to e.g. condition and location.
- An analysis of rent levels, contract periods and trends in vacancies and rentals.
- An analysis of existing tenants.
- Conditions on the credit market.

In Wallenstam's experience, required rates of return for commercial properties in general increased during 2009, primarily in peripheral locations. Therefore Wallenstam raised its required rates of return during the first half of the year for parts of the commercial property holding. The market stabilized during the autumn and required rates of return have since remained unchanged. Overall required rates of return for Wallenstam's commercial properties rose by 0.25–1.00 percentage point.

The year began cautiously for the residential holding, but since the autumn a part of the previous year's reduction in value has been recovered. This, in combination with an improved operating surplus that was chiefly achieved through increased rents, means that the value of Wallenstam's properties increased overall.

According to a rate of return evaluation the residential holding is valued in the 3.5–6.5 per cent range. Wallenstam's commercial properties are valued, according to a rate of return evaluation, in the 5.25–10.0 per cent range. Average required rates of return in the commercial holdings amounted to 6.9 per cent. Average required rates of return in residential holdings amounted to 4.4 per cent. A location premium is added in cases where the required rate of return deviates from the local price.

Acquired properties are valued at an assessed market value according to the same principles that apply to the rest of the prop-

erty holding. Properties that undergo comprehensive conversion are valued at the value prior to reconstruction plus accrued expenses. Revaluations to market value of new construction projects are carried out gradually as soon as critical project prerequisites such as rental income are determined. The estimated market value is charged with the remaining project expense and a risk premium of 0.5 percentage points on the required rates of return. Land and building rights for land with planning permission are valued at market value.

A property's estimated market value only becomes reality at the moment of sale, therefore a valuation is merely an estimation.

WIND POWER INVESTMENTS

Wallenstam's investments in wind power continued during 2009. Investments in wind power amounted to SEK 290 million (278) for the year. Two existing wind farms were completed with one additional turbine each, and the wind farm at Kjökeberget in the Dalarna region was put into operation. As of the closing date the combined output of Wallenstam's wind turbines totaled 16.7 MW, which is the equivalent of around 17 per cent of Wallenstam's monthly self-sufficiency requirement. The major part of the year's investments were in the wind farm at Stentjärnåsen in Jämtland, which was put into test operation at the beginning of 2010. Wallenstam criteria for wind power investments are that turbines must generate a return in excess of 7 per cent in year one and a minimum average of 15 per cent per year over the turbine's economic lifetime.

Wallenstam has taken investment decisions equivalent to an output of around 49 MW. Currently an installed output of 100 MW is necessary in order to become self-sufficient in electricity and to cover the Group and its customers' needs on a monthly basis. In order to safeguard its expansion plans Wallenstam signed a sub-order agreement with Enercon in 2008 covering 29 turbines.

FINANCIAL POSITION

Loans amounted to SEK 12,185 million (10,376) as of closing day, which is equivalent to a loan-to-value ratio of 53 per cent (51). The total loan portfolio has increased due to property acquisitions and projects. Loans are secured against traditional mortgage deeds and blocked bank accounts. At the beginning of the year Wallenstam secured the entire financing for the Kungsholmsporten project in Stockholm. An equivalent amount was invested in interest-bearing securities to be used for payment of the contract.

Of the total loan portfolio, 55 per cent of the loans have fixed terms greater than one year. The loans run without currency risk. The average remaining fixed term is 29 months (30). Available liquidity, including unutilized bank overdraft facilities, amounted to SEK 1,117 million (428) as of closing day. As of closing day the average interest amounted to 3.87 per cent (4.23).

SHAREHOLDER'S EQUITY

On closing day shareholders' equity amounted to SEK 8,454 million (8,028), equivalent to SEK 145 per share (137). The equity/

assets ratio amounted to 37 per cent (40). Shareholders' equity was influenced by the total profit for the period, dividends and buy-backs.

TAXES

A net liability of SEK 1,379 million for deferred tax is reported in the Group. This liability consists of a deferred tax asset of SEK 1,098 million and a deferred tax liability of SEK 2,477 million. The deferred tax asset refers to the value of loss carryforwards in Group companies. The deferred tax liability refers to differences between reported values and fiscal residual values in Group properties.

NET ASSET VALUE

The net asset value is estimated at SEK 188 per share (176), excluding deferred tax. 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 278 million (301), of which rental income constituted SEK 70 million (68). Profit/loss after tax amounted to SEK 545 million (1,383). Profit/loss for the period includes a dividend from subsidiary companies of SEK 490 million (1,140). Investments in fixed assets during the period amounted to SEK 36 million (24). Parent company loans amounted to SEK 6,048 million (5,460) on closing day. Of other assets, SEK 9,590 million (7,283) consisted of receivables from Group companies. Because of internal restructuring, participations in Group companies fell by SEK 1,237 million. These are instead owned by other 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 which 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 has three categories of opportunities and risks: change in cash flows, change in values and other risks.

Wallenstam does business in locations where there are significant housing shortages. Around 60 per cent of property holdings are residential. This, combined with the structure of the property holdings and their attractive locations together with a high occupancy rate means that Wallenstam's risk profile is low. The loan-to-value ratio is low and cash flow strong, and in combination with good tenants this provides Wallenstam with a stable operational foundation. Residential rental income is comparatively secure and predictable. Against this background the risk of future vacancies is deemed to be low. At year end, Wallenstam's 10 biggest commercial customers corresponded to 9 per cent of the company's total rental value, and equivalent to 17 per cent of the rental value of the commercial holding. Demand for com-

mercial premises remains at a relatively high level and the ability to pay among Wallenstam's commercial tenants continues to be good. Wallenstam enjoys a good, stable tenant structure. Wallenstam believes in a continued stable commercial premises market in Gothenburg in respect of its own property holding.

Property values

Wallenstam reports the estimated market value of the 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 20,728 million. A price change of +/-10 per cent is equivalent to a change in net asset value of approximately SEK 36 per share. Properties sold during 2009 resulted in sales prices that on average exceeded their valuations by around 7 per cent.

Financing

Access to capital is an absolute necessity for Wallenstam's business operations. Without a secure supply of capital Wallenstam's ability to develop and expand to the desired extent would be limited. In order to secure access to capital Wallenstam has built up long-term relationships with a number of banks. This means that Wallenstam has been able to secure financing to attractive new construction projects, acquisitions and a continued expansion in wind power.

A property company's single largest expense is interest payments. In order to gain a stable interest expense trend it is important to achieve a balance between long fixed terms which provide stability and short, which provide the lowest interest costs. Wallenstam's financing policy governs the company's activities on the credit market. Finance policy is established annually by the board and is analyzed on an ongoing basis based on market conditions. The policy governs the relationship between the ratio of fixed-term and variable-term loans in the loan portfolio. In order to minimize the refinancing risk, the financial policy also regulates the distribution between the number of lenders and the maturity profile of the loan portfolio. Wallenstam works actively with both fixed-rate interest and capital tied up in order to achieve a good average interest level on the loan portfolio over time, and a low refinancing risk for the operation. Wallenstam's loan portfolio comprises a mix of loans with varying maturity dates and relative amounts from different creditors.

Wallenstam's financial policy regulates the ratio between the proportion of variable-term and fixed-term loans. In order to minimize the refinancing risk, the financial policy also regulates the distribution of the portfolio among the number of lenders and the maturity profile. 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 pledging of shares in wind-power companies. Wallenstam is secure both with regard to refinancing and price.

Wallenstam's currency policy governs the company's activities regarding trade in foreign currencies. In order to minimize currency exposure, 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. Wallenstam currently has no loans in foreign currency. Purchases of wind turbines are made in foreign currency (EUR). Wallenstam hedges purchases in order to minimize exchange risks and to secure the calculated rate.

Current tax matters

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 industrially-contingent participations. The total revaluation amounts to SEK 1,473 million, which entails a tax demand of SEK 412 million. 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 Wallenstam's 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.

WALLENSTAM SHARES

The Wallenstam B share is quoted on the Nasdaq OMX Stockholm, Mid Cap list. During the 2009, the OMXS Index (SAX) of the Stockholm Exchange rose by 47 per cent and the Carnegie property index by 26 per cent. Wallenstam shares rose by 91 per cent during 2009. The year's highest price for the share was SEK 129.50 and the lowest SEK 63. At year end the Wallenstam share price was SEK 128.75 (67.50). A total of 13 million (10) Wallenstam shares changed hands at a value of SEK 1,183 million (1,024). During 2009 share trading reached an average turnover of 50,000 shares (41,000) per day. At year end Wallenstam's market value was SEK 7,596 million (3,983). The net asset value per share is calculated to SEK 188 (176). Equity per share is calculated to SEK 145 (137).

Wallenstam has a mandate from the Annual General Meeting to buy back shares. During 2009 257,435 shares were bought back at an average price of SEK 120.41. Since Wallenstam began buying back shares in August of 2000, the company has bought back shares equivalent to 35 per cent of the original number.

DIVIDEND POLICY

Against the background of the company's strong position, the Board of Directors proposes a dividend of SEK 3.25 per share, equivalent to a yield of 2.5 per cent. The Board of Directors' basic principle and Wallenstam's dividend policy prescribes that the reported profit in the first instance be re-invested in the company for continued development and increased growth in value. Wallenstam's dividend policy aims to maintain stable development over the long term. When determining the size of the dividend, consideration must be given to the company's investment requirements, its consolidation requirements, position and future development. However, the distributable amount must never exceed realized profit after tax.

WORK OF THE BOARD OF DIRECTORS DURING THE YEAR

Wallenstam's Board of Directors has five members. During 2009 the board held six meetings for which minutes were taken, in addition to day-to-day contacts. The board's most important task is to take decisions on strategic issues. In general the board handles issues of significant importance for the Group. The main issues during the year were property transactions and investments in new construction and renewable energy. During 2009 an evaluation of the board's work was also carried out. Work was judged to be proceeding extremely well.

GUIDELINES FOR DETERMINING REMUNERATIONS FOR SENIOR EXECUTIVES

The board of directors of Wallenstam AB (publ) proposes that the following guidelines for determining salaries and other remunerations to senior executives in the company apply to agreements entered into during the period between the 2010 AGM and the conclusion of the 2011 AGM.

The guidelines include the Managing Director and Deputy Managing Directors in Wallenstam AB.

Fixed salaries

Senior executives must be offered fixed salaries on prevailing market terms which are based on the employee's area of responsibility and performance.

Pension benefits

Senior executives must be offered pension benefits on prevailing market terms in the form of premium-based pension agreements.

Non-monetary benefits

Senior executives must be offered customary non-monetary benefits that among other things facilitate the performance of their work such as cars, mobile telephones and company health care. Additionally, benefits in the form of accommodation may also be offered in individual cases.

Variable remuneration

In addition to fixed salaries, variable remunerations that reward goal-oriented performance may also be offered. Variable remunerations must seek to promote the long-term creation of value within the Group.

Such variable remuneration must be paid in the form of salary and may not exceed the fixed remuneration for the executive concerned for the period to which the remuneration pertains. Payments in respect of the above incentive program shall not be pensionable.

Share-related remuneration

Senior executives may be offered incentives in the form of so-called synthetic options if such an offer is available to all permanent employees in the company.

Period of notice and severance pay

A reciprocal period of notice of six months shall apply to senior executives. Severance pay, including salary during the period of notice, should not exceed 24 monthly salary payments.

The board retains the right to deviate from the guidelines if there are special reasons for this in individual cases.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Wallenstam's investments in renewable energy continue. Agreements regarding investments in eleven wind turbines were signed. The turbines will be erected in Gästrikland, Bohuslän and Skåne. Ten of the eleven wind turbines are part of the sub-order agreement entered into with Enercon earlier. In addition, Wallenstam has purchased just over 90 per cent of Hökensås kraft HB, which owns Domneån's power stations in Bankeryd, Småland and a wind turbine in Torseröd, Bohuslän.

THE FUTURE

Wallenstam's Board of Directors has adopted a business plan which will apply until the end of 2012 and Wallenstam's target is to achieve a net asset value per share that shall amount to 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 construction 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 choice of strategy centered on an attractive property holding concentrated in Stockholm, Gothenburg and Helsingborg is a dependable platform, and provides a stable foundation for future growth.

PROPOSED ALLOCATION OF PROFITS

The Annual General Meeting has at its disposal the following profits:

Profit/loss brought forward	2,499,985
Profit/loss for the year	545,393
SEK, thousand	3,045,378

The Board of Directors proposes the following allocation of funds:

Shareholder dividend, SEK 3.25 per share	189,443
To be carried forward	2,855,935
SEK, thousand	3,045,378

The Board of Directors proposes that a dividend of SEK 3.25 be distributed. The number of shares giving entitlement to a dividend may be lower by the time of the AGM due to an increase in the company's holding of repurchased shares.

Statement by the Board of Directors on the proposed dividend

Group equity has been calculated in accordance with the IFRS standards adopted by the EU and their interpretation (IFRIC), and in accordance with Swedish legislation through the implementation of Swedish Financial Accounting Standards Council recommendation RFR 1.2. Parent company equity has been calculated in accordance with Swedish legislation and the implementation of Swedish Financial Accounting Standards Council recommendation RFR 2.2.

The proposed dividend to shareholders reduces the company's equity/assets ratio from 27 per cent to 25. The Group equity/assets ratio remains unchanged at 37 per cent. The equity/assets ratio is satisfactory considering that the company's and the Group's operations continue to be run profitably. Liquidity in the company and Group are considered to be capable of maintenance at a likewise satisfactory level.

In the view of the board, the proposed dividend will not prevent the company and other companies in the Group from fulfilling their obligations in both the short and the long term or from carrying out necessary investments. The proposed dividend can thus be justified in respect of the provisions of the Companies Act (2005:551), section 17, sub-sections 2-3 (the prudence rule). For additional information on the profits and financial position of the company and the Group on the closing day as well as financing and capital utilization during the year, please refer to the following income statement, balance sheet, statements of change in financial position and notes to the financial statements. All figures are in SEK million unless otherwise indicated.

CONSOLIDATED INCOME STATEMENT

SEK million		2009	2008
Rental income	(notes 5, 6)	1,356	1,250
Operating expenses	(note 7)	-471	-440
Management costs and administration expenses	(notes 7, 8, 11)	-161	-181
Other operating income	(notes 5, 12)	140	100
Other operating costs	(note 12)	-122	-88
Change in value of investment properties	(notes 13, 17)	394	-225
Operating profit/loss	(note 5)	1,136	416
Interest income	(note 14)	33	14
Interest expenses	(note 14)	-426	-429
Change in value of derivative instruments	(notes 14, 29)	-86	-78
Net financial items	(note 5)	-479	-493
Profit/loss before tax	(note 4)	657	-77
Current tax	(note 15)	-0	-0
Deferred tax	(note 15)	-168	445
Profit/loss for the year	(note 5)	489	368
Other comprehensive income			
Change in value of financial derivative instruments reported as hedging instruments	(note 29)	152	-339
Change in value, shares	(note 20)	42	-52
Translation difference		0	0
Tax attributable to other comprehensive income	(note 15)	-51	103
Comprehensive income		631	80
Per share data			
Profit after tax, SEK, before and after dilution		8	6
Dividend, SEK (proposed 2009)		3.25	3.00
Average number of outstanding shares at year end, thousand.		58,461	58,919

The entire result is attributable to the parent company's shareholders.

CONSOLIDATED BALANCE SHEET

SEK million		31/12/09	31/12/08
ASSETS			
FIXED ASSETS			
Intangible assets	(note 16)		
Activated expenses, computer software		5	7
		5	7
Tangible fixed assets			
Investment properties	(notes 5, 17)	20,728	18,040
Owner-occupied properties	(notes 5, 17)	-	657
Properties under const. or conversion	(notes 5, 17)	-	184
Wind turbines	(note 18)	695	416
Equipment	(note 19)	45	47
		21,468	19,344
Financial fixed assets			
Other long-term holdings of securities	(notes 3, 20)	287	305
Long-term receivables	(notes 3, 20)	129	164
Financial derivative instruments	(notes 3, 29)	-	1
		417	469
Total fixed assets		21,889	19,821
CURRENT ASSETS			
Trade receivables	(notes 3, 21)	13	12
Other receivables	(notes 3, 22)	90	77
Prepaid expenses and accrued income	(note 23)	58	23
Financial derivative instruments	(notes 3, 29)	16	3
Participations	(note 24)	70	18
		247	133
Cash and bank balances	(note 25)	717	295
Total current assets		964	428
Total assets	(note 5)	22,854	20,249
EQUITY AND LIABILITIES			
EQUITY			
Share capital	(note 26)	118	118
Other capital contributed		357	357
Other reserves		-73	-217
Profit/loss brought forward		8,051	7,770
Total equity		8,454	8,028
LONG-TERM LIABILITIES			
Loans	(notes 3, 5, 28)	4,797	5,684
Financial derivative instruments	(notes 3, 29)	96	304
Deferred tax	(note 27)	1,379	1,146
Other liabilities	(note 3)	6	6
Total long-term liabilities		6,278	7,140
CURRENT LIABILITIES			
Loans	(notes 3, 5, 28)	7,388	4,692
Financial derivative instruments	(notes 3, 29)	187	35
Accounts payable	(note 3)	207	85
Other liabilities	(note 3)	42	13
Accrued expenses and prepaid income	(note 30)	298	257
Total current liabilities		8,122	5,081
Total equity and liabilities	(note 5)	22,854	20,249
PLEGDED ASSETS	(note 31)	12,630	10,376
CONTINGENT LIABILITIES	(note 32)	*	*

CONSOLIDATED CHANGE IN EQUITY

SEK million	Attributable to the parent company's shareholders				Total equity
	Share capital	Other capital contributed	Other reserves	Profit brought forward	
CHANGE IN EQUITY 2008					
Opening balance on 01/01/2008	124	357	72	7,704	8,257
Profit/loss for the year	-	-	-	368	368
Other comprehensive income	-	-	-289	-	-289
Transactions with shareholders					
Reduction share capital	-6	-	-	6	-
Dividends	-	-	-	-177	-177
Repurchase/sale of own shares (incl. expenses)	-	-	-	-132	-132
Closing balance on 31/12/2008	118	357	-217	7,770	8,028
CHANGE IN EQUITY 2009					
Opening balance on 01/01/2009	118	357	-217	7,770	8,028
Profit/loss for the year	-	-	-	489	489
Other comprehensive income	-	-	142	-	142
Transactions with shareholders					
Dividends	-	-	-	-176	-176
Repurchase/sale of own shares (incl. expenses)	-	-	-	-31	-31
Closing balance on 31/12/2009	118	357	-73	8,051	8,454

CLASSIFICATION OF EQUITY

Share capital

The item Share capital includes the registered share capital for the parent company. Share capital consists of 5,750,000 A shares (quota value SEK 2) and 53,250,000 B shares (quota value SEK 2)

Other capital contributed

Other capital contributed includes the total amount from the transactions Wallenstam AB has had with the share holder circle. The transactions that took place were issues at a premium. The amount included in other capital contributed therefore corresponds wholly to capital received above the nominal amount of the issue.

Other reserves

Other reserves consist in their entirety of changes in the value of financial derivative instruments reported as hedges, together with shares and translation differences.

Profit/loss brought forward

Profit/loss brought forward is equivalent to the total accumulated profits and losses generated in the Group, less dividends paid and repurchased shares.

CONSOLIDATED CASH FLOW STATEMENT

SEK million	2009	2008
Cash flow from operating activities		
Operating profit/loss	1,136	416
Adjustment for items not affecting cash flow (Note 33)	-339	246
Interest payments and interest subsidies received	20	24
Interest paid	-417	-408
Taxes paid	-0	-0
Cash flow from operating activities before change in working capital	400	277
Change in working capital		
Current receivables	-50	-30
Current liabilities	151	-42
Cash flow from operating activities	501	205
Cash flow from investing activities		
Acquisition of properties (Note 33)	-1,197	-219
Acquisition of equipment, wind turbines and intangible assets	-294	-287
Investments, buildings (Note 33)	-737	-750
Sale of properties (Note 33)	528	669
Cash flow from investing activities	-1,700	-587
Cash flow from financing activities		
Long-term liabilities raised	1,915	1,661
Amortization, long-term liabilities	-92	-723
Dividend paid	-176	-177
Repurchase of own shares	-31	-132
Investment financial fixed assets	-513	-17
Sale of financial fixed assets	516	2
Change, long-term receivables	-	5
Cash flow from financing activities	1,620	617
Changes to liquid assets	422	235
Cash and bank balances, January 1	295	60
Cash flow for the year	422	235
Cash and bank balances, December 31	717	295
Unutilized credit at year end	400	133
Available liquid assets	1,117	428

GROUP ACCOUNTING PRINCIPLES AND NOTES

NOTE 1. Summary of important accounting principles

BASIS FOR THE ANNUAL REPORT

Wallenstam's consolidated accounts have been prepared in accordance with EU-approved International Financial Reporting Standards (IFRS) and IFRIC interpretations. Wallenstam has applied Swedish Financial Accounting Standards Council recommendation RFR 1.2. A summary of new and forthcoming accounting principles is included at the end of this note.

The accounts were prepared based on historical acquisition value with the exception of investment properties and certain financial instruments.

CONSOLIDATED ACCOUNTS

The parent company and subsidiaries have the same financial year. The consolidated accounts and the parent company's accounting principles are the same besides a number of differences arising from Swedish legislation.

Subsidiaries

Companies in which the parent company exercises a controlling influence are reported as subsidiaries. Subsidiaries are reported according to the purchase method which means that the subsidiaries' equity at the time of their acquisition, assessed as the difference between the fair values of their assets and liabilities, is eliminated in its entirety. Accordingly, consolidated equity includes only the portion of the subsidiaries' equity that has arisen after the acquisition.

Companies acquired during the financial year are included in the income statement in an amount corresponding to the period from their acquisition date. Divested companies are included for the period up until the date of their sale.

Intra-group receivables, liabilities and internal profits are eliminated in their entirety.

Transactions in foreign currencies

The consolidated accounts have been prepared in SEK, which is the parent company's working and reporting currency. Other companies are reported in the working currencies at their places of operation.

Foreign currency in Group companies in Norway is reported in the local currency according to the exchange rate method. The exchange rate method means that assets and liabilities are translated to the closing day exchange rate and the income statement is translated to an average exchange rate. Translation differences that occur are reported under Other total profit. If the object that gives rise to the translation difference is sold, the translation difference is reported in the income statement.

SEGMENT REPORTING

Wallenstam's business segments are the residential market and commercial markets. These are the Group's primary segments in that they differ in terms of rates of return, risks and opportunities. The Group's organizational and management structures and internal reporting systems are constructed with consideration given to following up the rate of return from the Group's assets and services from an operational perspective.

INCOME

Income is recognized when significant risks or benefits are transferred to the counterparty. The income is reported net of VAT and with deductions for any rebates.

Rental income

Rental income is accrued in accordance with rental agreements/leases and is recognized as income during the rental period. Income is reported net, excluding VAT. In applicable cases services provided by Wallenstam such as cable TV, electricity and heating are included. Rent paid in advance is reported as prepaid rental income

Other operating income

Other income comprises chiefly income from the sale of shares in housing associations, electricity invoiced to customers who are not tenants and where appropriate income from the sale of fixtures and fittings.

Income from property sales

Profit/loss on the sale of a property is reported as a realized change in value, which consists of the difference between the contracted selling price and the fair value reported at the latest year-end. The profit/loss on the sale is reported when risks and benefits associated with the right of ownership are transferred to the buyer, which takes place in conjunction with the day of taking possession, provided that this does not conflict with special conditions in the contract. In the case of property sales via companies, the transaction is reported as gross income in respect of the property price and deferred tax.

Percentage-of-completion method

Wallenstam applies the percentage-of-completion method. Wallenstam's operations include the sales of homeowner association condominiums. The profit/loss from these sales is reported when the risks and benefits associated with ownership are transferred to the buyer, which takes place in conjunction with the day of taking possession. Profit/loss is calculated based on the sales price for the sold housing association share (condominium) less acquisition cost and any expenses. The remaining acquisition value is reported as work in progress or housing association shares, depending on the prevailing project phase.

Income from state subsidies

Income from state subsidies is reported in the income statement in the same period as the expense for which the subsidy was received is reported. State subsidies received for investments in properties are reported in the balance sheet by reducing the invested amount.

Financial income

Rental income and rent subsidies are reported in the periods they concern. Dividends are reported when the shareholder's right to receive payment is approved.

EXPENSES

Operating expenses

Operating expenses are reported in the period they concern.

Financial expenses

Financial expenses are reported in the period they concern. Penalties for differences in interest in connection with early loan redemption are reported in the income statement as an interest expense at the time of redemption.

TAXES

Income taxes comprise current tax and deferred tax. Taxes reported in the income statement consist of tax on the profit for the year, adjustments to tax relating to previous years and changes in deferred tax.

Deferred tax assets and deferred tax liabilities are valued at their nominal amounts in the balance sheet in accordance with the prevailing tax regulations and tax rates.

For items reported in the income statement, associated tax effects are also reported in the income statement. Tax effects for items reported under other total profit are also reported under other comprehensive income.

Deferred tax is calculated in accordance with the balance sheet method on the basis of all temporary differences that occur between the reported and taxable values of assets and liabilities. Deferred tax liabilities in the Group

refer principally to differences in fair value and estimated market value and the taxable value of properties and differences between the fair value and the acquisition value of financial instruments. Deferred tax liabilities are not reported for Group surplus values in respect of indirectly acquired properties owned by limited/general partnerships. In the case of a sale of such a limited partnership no taxable reversal of the accumulated difference between the taxable and reported depreciations takes place.

Deferred tax assets concerning deductible temporary differences and tax-loss carryforwards are reported to the extent that it is probable they will entail lower tax payments in the future.

In the case of the acquisition of a company an assessment is made regarding whether the acquisition is an operation or an asset (property). Acquisition of a company means that the acquisition includes the company's properties and the takeover of its personnel or processes. Deferred tax in the case of the acquisition of a company including its property, personnel or processes is reported as nominal deferred tax under temporary differences. In those cases where the acquisition of assets (property) is carried out, the deferred tax is reported as a deduction from the estimated market value of the assets (properties).

INVESTMENT PROPERTIES

Investment properties refers to properties that are held with the objective of generating rental income or an increase in value or both. Investment properties are reported at their estimated market value. From the beginning of 2009 our offices are also reported in this category. Additional expenses are added to the reported value in those cases where such an investment is deemed to add value. Expenses in respect of running maintenance and repairs are carried in the period when they arise. In the case of large new constructions and conversions, interest expenses are activated for the period until the property is possessed. Property acquisitions and property sales are reported on the day of taking possession, when risks and benefits are transferred.

Property valuation takes place internally. Valuations are performed as rate of return valuations, which means that the operating surplus of each individual property is divided by the required rate of return for the property concerned. Different required rates of return have been used for different markets and types of property. For a more detailed description, refer to the evaluation model in Note 17.

TANGIBLE FIXED ASSETS

Tangible fixed assets are reported at acquisition value less accumulated depreciation and any impairment loss.

Wind turbines

Depreciation is made according to plan at 4 per cent of the acquisition value over its useful life. The useful life of a wind turbine, the depreciation method and residual value are assessed on an ongoing basis. Depreciations are included in the income statement item Other operating expenses.

Equipment

Equipment is reported at acquisition value less accumulated depreciation and any impairment loss. Depreciation of the acquisition value is made according to plan over the equipment's useful life. Depreciation is 33 per cent for computers, 10 per cent for furniture and 20 per cent for other equipment. The useful life of equipment, the depreciation method and residual value are assessed on an ongoing basis. Works of art reported as equipment are not depreciated. Depreciations are included in the income statement item Management costs and administration expenses.

INTANGIBLE ASSETS

Expenses for software developed and adapted for the Group, are capitalized as intangible assets if they provide probable economic benefits in coming years. Capitalized expenses for acquired software are written down according to plan by 20 per cent of the acquisition value over the software's economic life. The useful life of the assets, the depreciation method and residual value are assessed on an ongoing basis. Depreciations are included in the income statement item Management costs and administration expenses. Standard software and annual licences are carried as expenses.

IMPAIRMENT LOSSES ON FIXED ASSETS

The reported values of the Group's fixed assets are assessed during the company's ongoing evaluations. Assets covered by impairment tests as described in IAS 36 are intangible assets, fixtures and fittings and wind turbines.

Whenever there is an indication that an asset has fallen in value, an

evaluation of the asset's reported value is made. In cases where the reported value exceeds the calculated recoverable value the asset is written down to its recoverable value. Recoverable value is calculated as value in use or the net sales value, whichever is the higher. Value in use is measured as expected future discounted cash flow. An impairment loss is reported in the income statement.

A previously made impairment loss is reversed if conditions for the impairment loss no longer pertain and when changes have taken place in the assumptions that formed the basis for the calculation of the recoverable value. The reverse is made up to the asset's reported value less estimated depreciation up until closing date. A reverse is reported in the income statement.

FINANCIAL INSTRUMENTS

Derivative instruments are reported on the balance sheet at fair value. The Group uses derivatives in order to limit interest risks in the loan portfolio and to be able to affect in a flexible way the average duration of fixed term loans in the loan portfolio.

Derivative instruments are also used to hedge forecast future purchases of electricity. The Group's derivatives are used for hedging cash flow, i.e. hedging the uncertainty in future cash flows and fair value. When the transaction is entered into, the relationship between the hedging instrument and the hedged item is documented, along with the objective of the risk management and the strategy for taking various hedging actions. An assessment is also made regarding whether the hedging transaction is effective when it concerns evening out of fluctuations in the cash flow for the hedged items. The assessment is documented at the beginning of the hedge, during its term and at the end of the duration.

The effective portion of the changes in fair value of derivative instruments used to hedge cash flow and which fulfil the conditions for hedge accounting is recognized in other comprehensive income. The ineffective portion is recognized in the income statement.

When a hedging instrument expires or is sold, or when the hedge no longer fulfils the conditions for hedge, the items previously reported under equity are recognized in the income statement.

Calculation of fair value

Wallenstam holds only financial instruments that are traded on an active market. Fair value is based on the listed market price on the closing date.

Financial assets that are reported in the balance sheet include liquid assets, rental receivables, loan receivables and derivatives and participations in companies other than subsidiaries or associated companies. Financial liabilities are in the form of trade accounts payable, loan liabilities and derivatives.

A financial asset or liability is reported in the balance sheet when the company becomes party to contractual conditions. A financial asset is removed from the balance sheet when the obligations of the agreement are fulfilled, lapse or the company loses control of them. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or ceases in any other way. Accounts payable are reported upon receipt of invoice.

Financial assets are initially classified according based on the purpose for which the instrument was acquired. The following classifications are used:

- Financial assets valued at fair value in the income statement
- Loan and rental receivables
- Financial assets available for sale

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

Financial assets and liabilities valued at fair value in the income statement comprise one of the following categories:

Tradable financial instruments

- Financial instruments that are classified in accordance with so-called fair value options

In order to be a tradable financial instrument it is necessary for the asset to have been acquired with the principle objective of being sold within a short period and that it is part of a managed portfolio and that there is a demonstrable pattern of short-term realization of profit. Derivatives are classified as if they are held for trading purposes if they do not form part of a demonstrably effective hedging account or comprise a financial guarantee.

These assets are valued on an ongoing basis to fair value and changes in value that occur are reported in the period in which they arise. Assets within this category are reported as current assets. Corresponding conditions are applied when reporting liabilities.

The fair value of listed financial assets corresponds to the asset's listed

buying rate on the closing date. Realized and unrealized profits and losses resulting from changes in fair value are included in the income statement for the period when they arise.

Financial assets and liabilities that are valued to fair value via the income statement are reported in Note 29.

Wallenstam purchases electricity for its own future use on the electricity futures market. Future purchase prices are hedged through forward contracts. Electricity derivatives are valued at the forward market price on the closing day.

Loan and rental receivables

Loan and rental receivables are financial assets with payments that can be stipulated. They are reported in the amounts that are expected to be received after deductions for doubtful receivables. The receivables are included in current assets with the exception of items with maturity dates more than twelve months after the closing date, which are reported as financial assets.

Rental receivables are reported as receivables in the period in which performance equivalent to the receivable's value has been delivered and where payment corresponding to the receivable's value has not yet been obtained.

An impairment loss on rental receivables is reported in the income statement as a reduction of the operation's income and an impairment of a loan receivable is reported as a financial expense.

Financial assets available for sale

Financial assets available for sale comprise non-derivative assets that are available for sale. If the purpose of the holding is long term, i.e. longer than twelve months, the asset is reported as fixed. Initial valuation is at fair value. Changes in value are reported directly in other comprehensive income. When the asset is sold the previously reported accumulated profit or loss is transferred from other comprehensive income to the income statement.

Unlisted financial assets are valued at acquisition value. Their values are insignificant amounts. Financial assets available for sale are reported in Note 20.

Hedge accounting

The method for reporting profit or loss arising from a revaluation of derivative instruments depends on whether the derivative is identified as a hedge instrument. A derivative can either be a hedge of the fair value of an asset or debt or a hedge of a forecast transaction (cash flow hedge); see also Note 3. In order to fulfil the requirements for hedge accounting there is a clear connection between the derivative and the hedged items. In addition there is a calculation of the effectiveness and all hedging circumstances are documented in accordance with the requirements of IAS 39. In order to calculate fair value of interest derivatives the current value of the estimated future cash flow is used.

Wallenstam has, with the objective of managing financial risks in the loan portfolio, entered into swap agreements. This means that variable interest is swapped with fixed interest, which was also the interest applied to the underlying loan. Future cash flow is thus effectively hedged. Hedge accounting fulfils the requirements in IAS 39 regarding effectiveness. Changes in derivative values are reported so that the effective portion is reported in other comprehensive income and the ineffective portion as financial income and expense.

Liquid assets

Liquid assets include cash, bank balances and overdraft facilities. Utilized overdraft facilities are reported in the balance sheet as borrowing under current liabilities.

SHARES

Housing association shares comprise condominium units that have been valued according to the lowest value principle, i.e. acquisition value or fair value, whichever is the lowest. Fair value comprises estimated sales value less deductions for calculated selling expenses.

When condominium units are sold the income is reported as other income and the sold unit's book value under other expenses.

LEASING

Lessor

In its capacity as landlord the Group holds operational leases with tenants, see Note 6. They are reported as operational because the risks and benefits remain with the lessor.

Lessee

The Group has a small number of leasing agreements in respect of cars, office equipment and ground leases. Because the total amount of these leases is negligible the agreements are reported as operational lease. Leasing charges are reported as expenses during the lease period starting from the date of use.

EQUITY

Equity in the Group is as follows:

- Share capital is equivalent to the parent company's share capital.
- Other contributed capital consists of all capital contributed by shareholders in excess of share capital; this includes the amount contributed by the shareholders to the parent company's statutory reserve.
- Other reserves consisting of amounts that must be reported in other comprehensive income as a result of IFRS regulations.
- Profit brought forward consists of accumulated profits from the Group's operations plus profit/loss for the year, less dividends to shareholders. This category includes the amount carried forward from the profit for the year in the parent company's statutory reserve.

Repurchased shares

Repurchased shares, including expenses, are reported as a reduction in retained earnings.

CASH FLOW STATEMENT

The cash flow statement was prepared according to IAS 7. The cash flow statement was prepared according to the indirect method. The reported cash flow includes only those transactions that entail payments and disbursements. Liquid assets include cash, bank balances and unutilized overdraft facilities.

REMUNERATION TO EMPLOYEES

Pension commitments

Wallenstam's pension commitments for retirement and family pensions in respect of white-collar staff are, in accordance with the national pension scheme, secured through insurance with Alecta. According to the Swedish Financial Reporting Board, UFR 3, this must be reported as a defined benefit plan. The company does not have access to information which makes it possible to report this plan as a defined-benefit plan for the 2009 financial year. The ITP pension plan, which is secured through an insurance policy from Alecta, is therefore reported as a defined benefit plan in accordance with IAS 19, refer to Note 8. The contributions are recognized as personnel expenses during the period of service for pension rights.

Pension commitments for the Group's senior management are classified as defined contribution and are assured by the payment of premiums to the insurance company.

Share-Based Payment

Share-based payments are reported according to IFRS 2. Synthetic options granted to employees are valued in accordance with Black & Scholes' valuation model on the closing date. Important input data were: share price per closing date SEK 128.75, exercise price SEK 150 with a ceiling of SEK 300, anticipated share price volatility 25 per cent, option duration midnight 30/06/2013, anticipated dividend SEK 3.25 and an annual risk-free interest rate of 2.1%. Volatility is calculated as the estimated future volatility for the remainder of the options' duration. Changes in value are reported under management costs and administration expenses.

CONTINGENT LIABILITIES

The economic outcome of an event that may have an impact on Wallenstam's profit or position is recognized as a contingent liability. However, the probability of such occurrence is deemed to be low and is therefore not reported as a liability or a provision.

CHANGED ACCOUNTING PRINCIPLES FOR THE GROUP

According to IAS 8 items 28 and 30, certain information will be published regarding new and revised standards from IASB and interpretations issued by IFRIC.

The following new accounting principles have affected the Group in the annual accounts for this financial year:

- IAS 1 – Presentation of financial statements

The standard, which has been revised, must be applied from the financial year commencing January 1, 2009 or later. The standard means that capital

transactions with owners must be presented in their own account. Other direct transactions against equity must be presented as a continuation of the income statement. In respect of other direct transactions against equity, the amount of income tax due on each component must be shown separately.

- Change to IAS 40 – Investment property

Buildings that are extended or exploited for future use must be classified as management property. Previously Wallenstam's own offices were classified as tangible fixed assets and thus reported at acquisition value.

- IFRS 8 – Operating segments

The standard came into force on January 1, 2009. Operating segments and the key ratios presented must be those which senior management follows in business operations. For Wallenstam this has meant that secondary segments have been removed, and changes to reported profit amounts to Realized profit.

Future changes to accounting principles

Set out below is a summary of the new standards and declarations that must be applied during the 2010 calendar year, or later, and which are considered will affect the Groups' financial reports. Wallenstam reports this as a continuation of the income statement.

- Revised IFRS 3 – Business Combinations

Consultancy expenses in connection with acquisitions e.g. accountants, legal advisors and valuers must be reported as expenses during the period in which they were incurred and the services performed. These expenses previously formed part of the acquisition value. Additions to purchase prices are reported as liabilities and differences that arise compared to actual outcome are reported against profit/loss. These adjustments were previously reported against goodwill.

The minority share may be reported to fair value, so-called full goodwill. The selection is made for every acquisition, i.e. full goodwill may be applied to a company on certain acquisitions, but not on others.

Purchase prices conditional upon continued employment are reported as remuneration expenses. These were previously reported against goodwill.

If an acquisition entails the attaining of influence in a part-owned company, the previously owned share is revalued to fair value via the income statement. No revaluation took place previously.

NOTE 2. Critical estimates

In order to prepare the accounts senior management makes estimates and assumptions that affect the company's profit/loss and position.

Investment properties

The estimates and assumptions made when valuing investment properties to fair value have a significant influence of the company's profit/loss and balance sheet. Reported value corresponds to estimated market value based on an internal rate of return valuation. Refer to Note 17 for further description.

Deferred tax assets

Deferred tax assets concerning tax-loss carryforwards are reported to the extent that it is probable they will entail lower tax payments in the future. The current expectation is that future profit/loss will mean that it will be possible to use the loss in full.

Current tax matters

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 industrially-contingent participations. The total revaluation amounts to SEK 1,473 million, which entails a tax demand of SEK 412 million. 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 Wallenstam's 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.

Other items

Other items that include critical estimates are impairment losses, options programmes and financial instruments; please refer to further descriptions in the respective sections.

NOTE 3. Financial risk management and derivative instruments

Financial risk factors

The Group is exposed to various financial risks through its operations. Wallenstam employs active risk management to minimize these risks. Risk management is handled by a central finance department in accordance with annually-reviewed policies adopted by the Board of Directors.

The overall objective of the financial policy is:

- To secure the Group's short and long-term supply of capital
- To adapt the financial strategy to the Group's operations in order to achieve an optimal capital structure
- To work actively to achieve low refinancing risk and high flexibility in regard to fixed-term loans and assets
- To achieve the best possible financial income/expense within a given risk framework.
-

MARKET RISKS

Currency risk

The Group is not exposed to any significant currency risks. The Group holds no loans in foreign currency and is therefore not exposed to any currency risk through borrowing.

Wallenstam purchases electricity on the electricity futures market in euros and investments in wind power projects have taken place in EUR and NOK. The currency risk in these activities was however marginal during 2009.

Price risk

Price risks arising from fluctuations in electricity prices are managed through Wallenstam's electricity policy. The policy means that purchasing may be carried out to a maximum of a 2.5 year future period, divided into quarters. The policy is reviewed continuously as circumstances change. Wallenstam is not exposed to any other significant price risks.

Interest rate risks

The Group's average fixed-term loans must be within the 24–48 month range.

The fixed portion of the loan portfolio covers a ten-year period with a well-balanced, even distribution. The Group aims for an even distribution of loan conversions during the year.

All trading in derivatives (swaps, etc.) should be carried out throughout the underlying loan portfolio. Derivatives are used to spread risks and to protect the underlying portfolio. The average duration of fixed-term loans is 29 months (30).

With the distribution of fixed-term loans existing at the beginning of 2010 a change in the interest rate of one percentage point at the beginning of the year would affect Wallenstam's interest costs by around SEK 43 million. This is equivalent to 9 per cent of Wallenstam's cash flow from operating activities before changes in working capital. Commercial rental contracts are normally index linked, and interest rate raises also have an effect on residential rents.

For a description of loan agreement maturity profiles and interest maturity profiles, refer to the description in Note 28.

CREDIT RISKS

Wallenstam's credit risks concern primarily rental receivables and reverse receivables. Credit risks in respect of rental receivables are limited and all rents must be paid in advance.

LIQUIDITY RISKS

Liquidity risk refers to liquid assets, short-term investments and unutilized credit. The Group's liquidity risk should be limited by having liquidity corresponding to at least three months of net payments, including interest payments and renewals of loans, at any given time.

Refinancing risk

The Group must limit refinancing risk by always being well-prepared at refinancing negotiations.

No single lender may hold more than 50 per cent of the total loan volume, and a maximum of 60 per cent of the of the loan portfolio should be subject to refinancing negotiations in any given year.

NOTE 3. Financial risk management and derivative instruments, cont.

Fair value

Reported and fair values of financial assets and liabilities are as follows:

	Reported amount	Fair value	Reported amount	Fair value
Financial assets	2009	2009	2008	2008
Other long-term securities held as fixed assets	287	287	305	305
Long-term receivables	129	129	164	164
Financial derivative instruments	16	16	4	4
Trade receivables	13	13	12	12
Other current receivables	90	90	81	81
	Reported amount	Fair value	Reported amount	Fair value
Financial liabilities	2009	2009	2008	2008
Loans	12,185	12,185	10,376	10,376
Financial derivative instruments	283	283	339	339
Other non-current liabilities	6	6	6	6
Accounts payable	207	207	85	85
Other current liabilities	42	42	13	13

NOTE 4. Distribution of earnings

Note 4 is a supplement to the income statement that shows both realized and unrealized profit.

	2009	2008
Rental income	1,356	1,250
Operating expenses	-471	-440
Operating surplus	885	810
Management costs and administration expenses	-139	-161
Net financial items	-400	-408
Profit/loss from property management	346	241
Profit/loss from sales, residential	17	14
Profit/loss from sales, properties	34	59
Administration expenses	-22	-20
Profit/loss from transactions	28	53
Other income and expenses	1	-2
Realized profit	375	292
Unrealized changes in value, investment properties	361	-285
Unrealized changes in value, derivative instruments	-79	-85
Profit/loss from changes in value	282	-369
Profit/loss before tax	657	-77
Taxes	-168	445
Profit/loss after tax	489	368

NOTE 5. Segment information

Operational segments – business segments

Wallenstam's business segments are the residential and commercial markets.

	Business area: Residential		Business area: Company		Other		Elimination		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Income statement										
Rental income, external	760	688	591	561	6	2	-	-	1,356	1,250
Rental income from other segments	1	0	1	1	1	0	-2	-1	-	-
Sales income, property sales	511	486	-	184	-	0	-	-	511	670
Other income, external	107	84	0	2	33	13	-	-	140	100
Other income, internal	-	-	-	-	134	21	-134	-21	-	-
Total income	1,379	1,258	592	748	174	37	-136	-22	2,007	2,020
Operating profit/loss	1,039	575	214	-109	-116	-50	-	-	1,136	416
Financial items, net	-103	-123	-207	-240	-170	-130	-	-	-479	-493
Taxes	-	-	-	-	-	-	-	-	-168	445
Profit/loss for the year	-	-	-	-	-	-	-	-	489	368
Realized profit	305	239	164	120	-94	-67	-	-	375	292
Balance sheet										
Properties	12,331	10,956	7,871	7,296	526	629	-	-	20,728	18,881
Unapportioned assets	-	-	-	-	-	-	-	-	2,126	1,368
Total assets									22,854	20,249
Loans	7,162	6,199	3,678	3,488	1,345	689	-	-	12,185	10,376
Unapportioned liabilities	-	-	-	-	-	-	-	-	2,215	1,845
Total liabilities	-	-	-	-	-	-	-	-	14,400	12,221
Investments	1,197	703	725	247	300	307	-	-	2,222	1,257

NOTE 6. Rental income

	2009	2008
Apartments, parking	726	661
Commercial premises	630	589
Total rental income	1,356	1,250

Change in rental income from 2008 to 2009

Rental income according to income statement, 2008	1,250
Change in rental income, existing properties	60
Properties acquired	56
Properties sold	-10
Rental income according to income statement, 2009	1,356
Adjustment to current full-year value	
Vacancies	46
Rental value, 31/12/2009	1,402

Rental cont. duration	Number of contracts	Rent, SEK thou. assessed full yr. value 2010	Total, %
2010	784	105,043	7
2011	481	177,324	12
2012	334	126,932	9
2013	238	117,309	8
2014-	97	135,230	9
Total commercial premises	1,934	661,838	45
Vacant objects	309	35,600	2
Apartments and parking	17,141	778,791	53
Total	19,384	1,476,229	100

Rental contract sizes

above SEK 5.0 million	17	141,032	9
SEK 4.0-5.0 million	7	31,134	2
SEK 3.0-4.0 million	12	41,011	3
SEK 2.0-3.0 million	31	72,571	5
SEK 1.0-2.0 million	84	115,899	8
SEK 0.5-1.0 million	167	115,860	8
under SEK 0.5 million	1,617	144,332	10
Total commercial premises	1,934	661,838	45
Vacant objects	309	35,600	2
Apartments and parking	17,141	778,791	53
Total	19,384	1,476,229	100

NOTE 7. Expenses classified by type

Operating expenses include expenses for e.g. electricity, water, heating, property maintenance, cleaning, repairs, site leasehold rents and property tax.

A part of the operating expenses are passed to tenants in the form of rent supplements.

	2009	2008
Operating expenses		
Fuel expenses	113	102
Other operating expenses	193	166
Maintenance expenses	97	106
Site leasehold/rent	15	14
Property tax	54	52
Total	471	440

Operating expense, SEK/sq. m

Fuel expenses	95	89
Other operating expenses	162	146
Maintenance expenses	82	93
Site leasehold/rent	13	12
Property tax	45	46
Total	396	386

Management costs and administration expenses

Depreciation of equipment and activated expenses, computer software	9	9
Marketing expenses	14	21
Personnel expenses	124	136
Other expenses	13	15
Total	161	181

NOTE 8. Salaries, other remunerations and social security expenses

costs	2009					2008				
	Basic salary	Benefits	Variable remun.	Social security expenses	Pension costs	Basic salary	Benefits	Variable remun.	Social security expenses	Pension costs
Chairman of the board	0.6	-	-	0.2	-	0.6	-	-	0.2	-
Board members	0.6	-	-	0.2	-	0.9	-	-	0.2	-
Total directors' remunerations	1.2	-	-	0.4	-	1.5	-	-	0.4	-
MD, parent company	2.5	0.5	-	1.0	1.1	2.5	0.8	-	1.2	1.1
Other senior executives 5 persons (5)	8.4	0.9	-	5.0	3.7	8.3	1.6	-	5.1	3.3
Other employees	61.8	3.8	-	19.9	6.6	63.7	9.0	-	23.0	6.3
Total	73.9	5.2	-	26.3	11.4	75.9	11.4	-	29.7	10.7

Remunerations

The MD received a salary, the use of a car and a residence to a totalling SEK 3.00 million (3.1). No variable remuneration or share-related remunerations were paid during the 2009 financial year. (SEK 0).

Senior executives were offered fixed salaries at prevailing market levels. In addition to fixed salaries, variable remunerations may be offered. The principles for these were determined by the AGM. The MD's and Deputy MD's salaries are determined by a remuneration committee, which consists of the board's executive leadership (chairman and vice chairman). Remunerations to other senior executives have been determined according to the board's guidelines.

In accordance with the decision of the AGM, the board of directors is paid a fee of SEK 1,200 thousand (1,450) for the period April, 2009, until the AGM in 2010, of which sum SEK 600 thousand (600) is to the Chairman of the Board Christer Villard, SEK 225 thousand (225) to Deputy Chairman Marianne Lervik Nivert and SEK 125 thousand (125) to each of the other board members (Anders Berntsson, Ulrica Jansson Messing and Erik Åsbrink). No remuneration additional to the fee decided on by the annual general meeting was paid to the board.

Pensions and severance pay

The company has taken out a pension insurance policy with an annual premium amounting to 35% of the MD's gross salary, including benefits in respect of a car, a residence and a life insurance policy.

Termination of employment of the MD on the part of the company is subject to a period of notice of six months. If the MD has reached the age of 50 when his employment is terminated, the company shall meet its obligations regarding pension insurance by paying an annual premium of 50% of his gross salary together with benefits, including housing benefits, which applied at the time of termination of his employment.

If the MD himself terminates his contract, he shall give six months' notice. On leaving the company the MD has the right to purchase his tied accommodation for 1.33 times the taxable value at the time of sale.

Customary pension commitments within the framework of a general pension scheme apply to senior executives. The period of notice for senior executives is six months.

Share-related remuneration to Group senior management and other employees

In May 2008 all permanently employed personnel were offered synthetic options free of charge. 147 employees accepted the offer and each received 3,000-15,000 synthetic options. The MD received 15,000 synthetic options and the other senior executives a total of 65,000. The options were valued using the Black & Scholes valuation model. Important input data were: share price per closing date SEK 128.75, exercise price SEK 150 with a ceiling of SEK 300, anticipated share price volatility 25 per cent, option duration midnight 30/06/2013, anticipated dividend SEK 3.25 and an annual risk-free interest rate of 2.1%. Volatility is calculated as the estimated future volatility for the remainder of the options' duration.

The option programme runs until 2013 and means that company employees are able to share in the value growth created. In the event of a maximum outcome, which will be reached at a price of SEK 300 per share, the cost of the option program will be SEK 83 million.

Cost of option program

	2009	2008
MD	0.0	0.2
Other senior executives 5 persons (5)	0.1	0.9
Other employees	0.6	6.5
Total	0.7	7.6

Pension insurance with Alecta

Pension insurance contributions for the year in Alecta total SEK 4.4 million (3.6). Alecta's surplus may be distributed to the policy-holders and/or the insured. At the end of 2009, Alecta's surplus in the form of the collective consolidation level was 141 per cent (112).

NOTE 9. Average number of employees, etc

	2009		2008	
	Average no. employees	Of whom women	Average no. employees	Of whom women
	161	89	155	87
	2009		2008	
Board members and senior executives	Number on closing date	Of whom women	Number on closing date	Of whom women
Board members	5	2	7	2
MD and senior executives	6	1	6	1

NOTE 10. Transactions with related parties

No significant transactions with related parties took place during 2009.

NOTE 11. Management costs and administration expenses

Management costs and administration expenses amounted to SEK 161 million (181). This includes the Group's administrative expenses such as personnel, office, premises and marketing expenses and the depreciation of fixtures and fittings.

Management costs and administration expenses also include expenses of SEK 1 million (8) for the personnel option programme.

Wallenstam has engaged Ernst & Young as auditors.

	2009	2008
Audit assignment	1.7	1.9
Other assignments	1.3	0.8
	3.0	2.7

NOTE 12. Other operating income and operating expenses

	2009	2008
Income from the sale of participations	62	79
Electricity sales	31	10
Other	46	11
Total other operating income	140	100

	2009	2008
Acquisition cost of participations	46	65
Electricity sales	30	19
Other	46	4
Total other operating expenses	122	88

NOTE 13. Change in value of investment properties

	2009	2008
Income from sales	511	670
Opening reported value, properties sold	-436	-486
Investments in properties sold	-41	-125
Unrealized change in value, investment properties	361	-285
Total change in value, investment properties	394	-225

Change in yield	-72	-962
Capitalization of change in operating surplus	546	746
Future investment requirements	-211	-127
Completed projects	97	59
Unrealized change in value, investment properties	361	-285

The change in yield for the year is equivalent to a reduction in value of 0.3 per cent. The corresponding entry for the previous year amounted to -5 per cent. During the first quarter the required rates of return for commercial properties in B locations was raised by 0.25–1.00 percentage points. Additional raises were made during the second quarter when required rates of return for commercial properties in Gothenburg's inner city were raised by 0.25 percentage points. During the third quarter required rates of return remained unchanged for Wallenstam's properties. During the fourth quarter the required rates of return were reduced by 0.25 percentage points for certain residential properties in the Stockholm area.

Improved operating surpluses in the form of higher rents and lower operating costs influence property values positively. Deductions from the rate of return are made for estimated future investment requirements.

New construction projects have been revalued to investment properties on the basis of a rate of return valuation with reservation for unpaid project expenses and a risk premium of 0.5 percentage points. The revaluation of project properties is done when significant data such as rental income can be determined with certainty.

NOTE 14. Interest income and expenses

Interest income includes interest subsidies of SEK 3 million (4), interest income from financial investments of SEK 14 million (0) and dividends from financial investments of SEK 5 million (5).

Interest expenses amounted to SEK 426 million (429). The change in derivative instrument value of SEK -86 million (-78) relates to derivative instruments that are not reported as hedges and the ineffective portion of derivative instruments reported as hedges.

NOTE 15. Tax expense/income

Tax reported in the income statement

	2009	2008
Current tax	-0	-0
Deferred tax	-168	445
Total tax	-168	445

Difference between the Group's reported tax and tax based on applicable tax of 26.3 per cent (28)

Reported profit/loss before tax	657	-77
Tax according to applicable rate	-173	21
Tax effect of:		
Expenses, non-deductible	-4	-29
Income not liable to tax	0	2
Non-taxable profit on shares sold	9	91
Losses approved during the year	-	283
Revaluation of deferred tax 26.3 per cent	-	77
Tax on profit/loss for the year in the income statement	-168	445

Tax items reported under other comprehensive income

	2009	2008
Deferred tax attributable to:		
Change in value of financial instruments reported as hedges	-40	89
Change in value, shares	-11	14
	-51	103

NOTE 15. Tax expense/income, cont.

Distribution of deferred and current tax

	2009		2008	
	Basis appl. tax	Basis deferred tax	Basis appl. tax	Basis deferred tax
Profit/loss before tax	657	-	-77	-
Tax deductible:				
Investments	-195	195	-137	137
Depreciations and impairment losses	-243	249	-295	295
Non-tax deductible:				
Unrealized change in value, properties	-361	361	285	-285
Realized value change, properties	198	-231	-79	-248
Unrealized change in value, financial derivative instruments	79	-79	85	-85
Realized change in value, financial derivative instruments	15	-15	-	-
Other non-deductible costs	10	0	30	56
Other Group related adjustments	-4	3	6	11
Losses approved during the year	-	-	-	-1,012
Current tax-related profit/loss	157	483	-183	-1,130
Changes to tax-loss carryforwards for the year	-156	156	183	-183
Taxable profit/loss	1	640	0	-1,313
Of which 26.3% (28) applicable/deferred tax	-0	-168	-0	368
Revaluation of deferred tax, 26.3 per cent	-	-	-	77
Tax for the year	-0	-168	-0	445

NOTE 16. Intangible assets

Intangible assets refer to activated expenses for computer software.

	31/12/09	31/12/08
Opening acquisition value	30	30
Investments for the year	2	1
Sales/retirements for the year	-	-1
Accumulated acquisition value carried forward	32	30
Opening depreciation	-23	-21
Depreciations for the year	-3	-3
Sales/retirements for the year	-	1
Closing accumulated depreciation	-26	-23
Book value at year end	5	7

NOTE 17. Property

	31/12/09	31/12/08
Reported value at beginning of year	18,040	17,922
Acquisitions during the year	1,195	220
Construction during the year	737	615
Sales during the year	-446	-508
Reclassification from construction or conversion	184	46
Reclassification from owner-occupied property	657	-
Unrealized changes in value	361	-256
Reported value at year end	20,728	18,040
	31/12/09	31/12/08
Tax assessment value		
Buildings	7,856	7,141
Land	2,246	2,050
Land leasehold rights	836	772
Total tax assessment value	10,937	9,963

Investment commitments

Future expenditure for contracted investments as of the accounting date which have not been recognized in the financial reports, relate primarily to properties under construction or undergoing conversion.

	31/12/09	31/12/08
Investments	777	77

NOTE 17. Property, continued

Valuation model

Wallenstam reports investment properties at estimated market values. Wallenstam has estimated its property holding internally. A complete valuation of each individual building is made in connection with the annual accounts. Valuations are performed according as rate of return valuations, which means that the operating surplus of each individual property is divided by the required rate of return for the property concerned. Different required rates of return have been used for different types of property.

In the interim reports, the valuation is adjusted in the event of significant changes in the underlying factors, such as the required rate of return, rental level, vacancy rate, effects of contracted sales and completed conversions. Revaluation of new construction projects takes place in stages as soon as project conditions such as rental income are determined with consideration for the remaining investment expenses and a risk supplement. Wallenstam carries out a significant number of property transactions every year which provides for a good feel for the market. When a transaction is completed a cross-check is made of the evaluations concerned. Wallenstam also follows completed property transactions in relevant business areas on an ongoing basis.

Wallenstam's valuation model

+	Rental value*
-	General vacancies of three per cent in the commercial holding.
-	Operating costs including property tax, excluding administration
=	Operating surplus
÷	Required rate of return for the property
=	The property's gross rate of return
-	Two years' rent for vacant floor space
-	Planned investments and significant repairs
+/-	Current value of temporary additions/deductions
+	Location premium
=	Estimated market value of property

* The rental value is calculated on the basis of the budgeted 2010 rent less current vacancies.

Basis for determining anticipated required rate of return

Required rates of return differ between properties depending on market differences and various types of property. Rate of return valuations are made based on living area and commercial premises' floor space, with different rates of return required for the respective rentable space. Analyses and comparisons are made with current price statistics for similar objects.

Assumptions per property category

Different required rates of return have been used in valuations for different markets and types of property.

Property type	Location	Required rate of return %	%	Property value, MSEK
Residential	Gothenburg	3.50-6.50	18	3,684
Residential	Stockholm	3.50-6.00	36	7,556
Residential	Helsingborg	3.50-6.50	5	1,031
Commercial properties		5.25-10.00	41	8,457
Average required rate of return		5.30	100	20,728

In Wallenstam's experience, required rates of return for commercial properties increased during 2009, primarily in peripheral locations. Required rates of return on Wallenstam's commercial properties were raised during the first half of the year by 0.25–1.00 percentage points. During the autumn markets where Wallenstam operates stabilized and required rates of return have since remained unchanged.

The year began cautiously for the residential holding, but since the autumn a part of the previous year's reduction in value has been recovered. Together with an improved operating surplus, primarily due to increased rents, the value of Wallenstam's properties is increasing.

During the year owner-occupied buildings were reclassified to investment properties, and changes in value of these are now reported under unrealized changes in value. The estimated market value of Wallenstam's investment properties amounted to SEK 20,728 million (18,881).

A property's estimated value is an estimation that contains an uncertainty range usually of 5–10 per cent. This means that value changes contain a measure of uncertainty, and a property's value only becomes a reality once it is sold. During the year Wallenstam sold properties for SEK 511 million, which is 7 per cent (13) above valuation.

NOTE 17. Property, continued

Property values with various required rates of return

SEK million	
1.0% lower	25,948
0.5% lower	23,014
Our estimate	20,728
0.5% higher	18,889
1.0% higher	17,373

Distribution of changes in value, investment properties

SEK million	
Change in yield	-72
Capitalization of change in operating surplus	546
Future investment requirements	-211
Completed projects	97
Unrealized changes in value	360
Realized changes in value	34
Change in value of investment properties	394

	Owner occupied		Properties under const. or conv.	
	31/12/09	31/12/08	31/12/09	31/12/08
Book value				
at beginning of year	702	679	184	140
Construction during the year	-	23	-	112
Sales during the year	-	-	-	-22
Reclassification to Investment property	-702	-	-184	-46
Total	-	702	-	184
Opening depreciation	-45	-16	-	-
Depreciations for the year	-	-29	-	-
Reclassification to investment property	45	-	-	-
Closing depreciations	-	-45	-	-
Book value at year end	-	657	-	184
Tax assessment value				
Buildings	-	167	-	9
Land	-	61	-	5
Land leasehold rights	-	-	-	-
Total tax assessment value	-	228	-	14

Investment commitments

Future expenses for contracted investments that have not been recognized in the financial reports under new construction or conversions:

	31/12/09	31/12/08
Investments	-	153

NOTE 18. Wind turbines

	31/12/09	31/12/08
Opening acquisition value	419	141
Investments for the year	290	278
Closing accumulated acquisition values	709	419
Opening depreciation	-3	-1
Depreciations for the year	-11	-2
Closing accumulated depreciation	-14	-3
Book value at year end	695	416
Future investment commitments	1,011	750

NOTE 19. Fixtures and fittings

	31/12/09	31/12/08
Opening acquisition value	67	63
Investments for the year	4	8
Sales/retirements for the year	0	-4
Closing accumulated acquisition values	71	67
Opening depreciation	-20	-16
Depreciations for the year	-5	-6
Sales/retirements for the year	-	2
Closing accumulated depreciation	-24	-20
Opening impairment losses	-	-
Impairment losses for the year	-2	-
Accumulated impairment losses, closing balance	-2	-
Closing acquisition value	45	47

NOTE 20. Financial assets**Other shares and participations**

	31/12/09	31/12/08
Opening acquisition value	305	332
Investments for the year	513	25
Value changes for the year	7	-52
Sales during year	-537	-
Closing accumulated acquisition values	287	305

Other long-term securities consist of unlisted shares and participations. Holding in Heba is equivalent to 2.9 per cent (13.2) of the company's shares and 1.5 per cent (7.0) of the votes. Share price on closing date SEK 55.00 (49.00)

Long-term receivables

	31/12/09	31/12/08
Opening acquisition value	164	170
New receivables	40	84
Reclassification to current	-4	-18
Amortization	-71	-72
Closing accumulated acquisition values	129	164

Weighted average effective interest rates on long-term receivables amounted to 1.9 per cent (2.0). All long-term receivables follow payment plans. No requirements for impairment losses are considered necessary.

There are no overdue long-term receivables.

NOTE 21. Accounts receivable

	31/12/09	31/12/08
Trade receivables	23	18
Less provision for depreciation of receivables	-10	-6
Trade receivables – net	13	12
Provision for doubtful accounts receivable		
	31/12/09	31/12/08
Provisions at beginning of year	-6	-6
Confirmed losses	-1	-1
Provision for probable losses	-4	-
Reversed unutilized amount	1	1
Provisions at year end	-10	-6

Trade receivables past due by more than two months are SEK 1 million (6).

NOTE 22. Other receivables

	31/12/09	31/12/08
Receivables relating to property transactions	25	2
Other receivables	65	74
Tax assets	0	1
Total other receivables	90	77

There are no overdue other receivables.

NOTE 23. Prepaid expenses and accrued income

	31/12/09	31/12/08
Prepaid insurance premiums	1	1
Prepaid operating expenses	15	11
Prepaid administration expenses	10	8
Prepaid expenses relating to property transactions	11	-
Accrued interest income	21	3
Total prepaid expenses and accrued income	58	23

NOTE 24. Participations

	31/12/09	31/12/08
Opening acquisition value	18	22
Investments for the year	96	62
Sales during year	-44	-66
Closing accumulated acquisition values	70	18

The participations consist of holdings in housing associations.

NOTE 25. Cash and bank balances/Overdraft facilities

	31/12/09	31/12/08
Cash and bank balances	717	295
Overdraft facilities/Approved amount	400	133
Overdraft facilities/Utilized amount	-	-
Available amount	400	133
Available liquid assets	1,117	428

NOTE 26. Equity

A specification of the change in equity can be found in the report Change in equity, directly after the balance sheet.

No. of shares	A shares	B shares	Own shares	Outstanding shares	Total number
Number, 31/12/2007	5,750,000	53,949,337	2,300,663	59,699,337	62,000,000
Repurchase	-	-1,151,685	1,151,685	-	-
Reduction	-	-	-3,000,000	-	-
Number, 31/12/2008	5,750,000	52,797,652	452,348	58,547,652	59,000,000
Repurchase	-	-257,435	257,435	-	-
Reduction	-	-	-	-	-
Number, 31/12/2009	5,750,000	52,540,217	709,783	58,290,217	59,000,000

Repurchase of own shares

The share capital in Wallenstam AB consists of 5,750,000 A shares with ten votes each and 53,250,000 B shares with one vote each. As of the Annual General Meeting in 2009 the number of repurchased shares amounted to 452,348. Wallenstam has since continued to repurchase shares and as of 31/12/2009 owns 709,783 shares (452 348) repurchased to an average price of SEK 112.03.

The proposed dividend for the 2009 financial year is SEK 3.25 per share (3.00).

NOTE 27. Deferred tax

	31/12/09		31/12/08	
	Basis	Tax 26.3 %	Basis	Tax 26.3 %
Deferred tax asset				
At beginning of year	-4,275	-1,124	-3,137	-878
Change during year				
loss carryforward	156	41	-183	-51
During the year				
approved loss	-	-	-1,011	-283
Other adjustment	-57	-15	55	15
Revaluation to 26.3%	-	-	-	73
At year end	-4,177	-1,098	-4,275	-1,124
Deferred tax liability				
Difference between book and fiscal values:				
Properties				
At beginning of year	8,899	2,341	9,006	2,522
Investments for the year	195	51	137	38
Depreciations for the year and impairment losses	249	65	295	78
Value changes for the year	361	95	-285	-75
Reverse for the year				
due to sales	-231	-61	-248	-69
Other adjustments	-17	-4	-6	-2
Acquisitions during year	113	30	-	-
Revaluation to 26.3%	-	-	-	-151
At year end	9,569	2,516	8,899	2,341
Financial instruments and shares				
At beginning of year	-357	-94	104	29
Change during year	100	26	-461	-129
Revaluation to 26.3%	-	-	-	6
At year end	-257	-68	-357	-94
Wind turbines				
At beginning of year	88	23	-	-
Change during year	-1	-0	88	25
Other adjustments	20	5	-	-
Revaluation to 26.3%	-	-	-	-2
At year end	107	28	88	23
Net deferred tax liability				
At beginning of year	4,355	1,146	5,973	1,673
Change during year	888	234	-1,618	-453
Revaluation to 26.3%	-	-	-	-74
At year end	5,243	1,379	4,355	1,146

NOTE 28. Loans

	31/12/09	31/12/08
Long-term loans		
Bank loans	4,797	5,684
	4,797	5,684
Short-term loans		
Bank loans	7,388	4,692
	7,388	4,692
Total borrowing	12,185	10,376

Security for bank loans consists of the Group's properties (Note 17) and long-term securities (Note 20). Unutilized overdraft facility amounts to SEK 400 million (133). Loans that mature within 12 months are reported as short-term loans

Loan agreement maturity profiles

	31/12/09	31/12/08
0-3 months	2,482	3,858
3 months-1 year	4,906	834
1-2 years	776	1,398
2-3 years	1,860	1,476
3-4 years	1,649	950
4-5 years	100	861
5-6 years	200	600
6-7 years	0	300
> 7 years	212	100
Total	12,185	10,376

Interest maturity profile

	31/12/09		31/12/08	
	Amount	Aver. interest %	Amount	Aver. interest %
0-3 months	4,183	3.66*	3,378	4.34
3 months-1 year	1,369	4.13	734	4.46
1-2 years	1,248	4.14	1,276	4.14
2-3 years	600	4.45	1,257	4.14
3-4 years	1,540	3.96	950	4.43
4-5 years	775	3.90	832	4.11
5-6 years	520	3.72	600	4.29
6-7 years	900	3.90	300	4.14
> 7 years	1,050	3.61	1,050	3.85
Total	12,185	3.87	10,376	4.23

The average remaining fixed term at year end was 29 months (30).

* Loans with an interest maturity within three months have an average interest of 1.75%. 3.66% includes the effect of swap agreements and fixed rate loans that fall due within a three month period.

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

%	2009	2008
Loans	3.9	4.6
Overdraft facility	2.1	4.6

NOTE 29. Financial derivative instruments

Financial derivative instruments are reported under the provisions of IAS 39.

	31/12/09		31/12/08	
	Assets	Liabilities	Assets	Liabilities
Long-term derivative instruments				
Interest swap contracts – cash flow hedges	-	96	1	304
Short-term derivative instruments				
Interest swap contracts – cash flow hedges	13	175	3	3
Electricity derivatives – hedge of fair value	3	12	-	32
Total derivative instruments	16	283	4	339

Maturity profile, financial derivative instruments

	31/12/09		31/12/08	
	Cash flow hedge	Fair value hedge	Cash flow hedge	Fair value hedge
0–3 months	-	2	0	-
3 months–1 year	14	7	3	32
1–5 years	164	0	178	-
>5 years	80	-	122	-
Total	258	9	303	32

Financial derivative instruments

The total change in cash flow hedge value during the year amounted to SEK 45 million (-388). The ineffective portion represents SEK -106 million (-48), which is reported in the income statement. The effective portion is reported under other comprehensive income at SEK 152 million (-339).

Interest swaps

On 31 December, the nominal amount of loans relating to the Group's outstanding interest swaps amounted to SEK 6,538 million (6,081). On December 31, the fixed swap interest rates payable to banks varied from 2.56 percent to 5.20 (2.84–5.21). The variable swap interest rates obtained from the banks correspond to STIBOR 3M. A description of the financial policy and financial risks can be found in Note 3.

NOTE 30. Accrued expenses and deferred income

	31/12/09	31/12/08
Accrued salary costs	16	16
Accrued interest expenses	61	52
Accrued operating expenses	56	39
Accrued administration expenses	7	11
Prepaid rental income	158	130
Accrued expenses relating to property transactions	-	9
Total accrued expenses and deferred income	298	257

NOTE 31. Pledged assets

	31/12/09	31/12/08
Property mortgages concerning property-linked loans	11,907	10,223
Aktiedepå	30	107
Wind turbines	263	46
Blocked bank funds	430	-
Total pledged assets	12,630	10,376

NOTE 32. Contingent liabilities

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 industrially-contingent participations. The total revaluation amounts to SEK 1,473 million, which entails a tax demand of SEK 412 million. The National Tax Board's decision has been appealed and a deferral 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 Wallenstam's 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.

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

Other contingent liabilities refer to responsibility as a joint owner for tenants' associations' liabilities of SEK 4 million (4).

NOTE 33. Cash flow statement

The cash flow statement has been adjusted for items not affecting liquidity in order to show receipts and disbursements in operating activities. Operating activities have been adjusted to reflect changes in temporary entries, deferred tax and depreciation. Adjustments have also been made for changes in value to investment properties as these do not affect liquidity.

Investing activities have been adjusted for as yet unpaid investments and sales, seller's notes and business transactions not yet settled in cash.

Financing activities have been adjusted to reflect seller's notes in property transactions and changes in temporary entries.

	2009	2008
Adjustment items not affecting cash flow		
Residential sales not yet settled in cash	-	-9
Change in value of investment properties	-394	225
Depreciations	20	10
Other adjustments	36	20
	-339	246
Acquisition of properties and investments in buildings		
Investments for the year	-1,932	-970
Cash transactions, not yet settled, advance payment	-	-
Cash transactions, not recog. as not yet settled	-	2
Transactions from prev. years not yet settled in cash	-2	-
	-1,934	-969
Sale of properties		
Sales income	511	670
Cash transactions, not recog. as not yet settled	-18	-59
Transactions from prev. years not yet settled in cash	36	74
Expenses	-1	-15
	528	669
Liquid assets		
Cash and bank balances	717	295
Unutilized credit at year end	400	133
	1,117	428
Total bank overdraft facilities	400	133

NOTE 34. Company acquisitions

On January 16, 2009 the Group acquired 100 per cent of the company Ålta AB, corporate ID no. 556720-1198. The company owns and administers movable and immovable property and pursues compatible operations. The acquisition has been reported as a business combination.

	Book value	Re-valuation	Assessed value
Assets			
Investment properties	385	113	498
Current assets	0	-	0
Cash and bank balances	0	-	0
Total assets	385	113	498
Liabilities			
Current liabilities	385	-	385
Other liabilities	0	-	0
Deferred tax liability	0	30	30
Total liabilities	385	30	415
Net assets	0	83	83
Purchase price paid for participations			83

Since the time of acquisition Ålta AB has contributed SEK 46 to sales and SEK 13 million to the operating profit/loss before tax. If the acquisition had taken place on January 1, sales and the profit/loss would have been affected marginally.

Company acquisition after the close of the financial year

On January 1, 2010 the Group acquired approximately 90.3 per cent of the company Hökensås Kraft HB, corporate ID no. 916570-0676. The company pursues operations and administration of hydro power.

	Book value	Re-valuation	Assessed value
Assets			
Machinery	6	35	41
Current assets	1	-	1
Cash and bank balances	1	-	1
Total assets	7	35	42
Liabilities			
Current liabilities	0	-	0
Other liabilities	7	-	7
Deferred tax liability	-	9	9
Total liabilities	7	9	16
Net assets	0	26	26
Purchase price paid for participations			26

PARENT COMPANY INCOME STATEMENT

SEK million		2009	2008
Rental income		70	68
Operating expenses	(note 2)	-25	-21
Net operating income		45	47
Depreciation, properties	(note 12)	-6	-6
Management costs and administration expenses	(notes 3, 4, 5, 6)	-210	-238
Other operating income	(note 7)	205	233
Other operating costs		-1	-3
Operating profit/loss, property management		33	34
Sales income	(note 13)	-	-
Cost of properties sold		-	-
Administration expenses		-0	0
Operating profit/loss, property operations		0	0
Operating profit/loss		33	34
Profit/loss from participations in Group companies	(notes 8, 13)	487	1,127
Other interest income and similar profit/loss items	(note 9)	746	755
Interest expenses and similar profit/loss items	(note 9)	-695	-732
Net financial items		537	1,150
Profit/loss before tax		570	1,184
Tax on profit for the year	(note 10)	-25	199
Profit/loss for the year		545	1,383

PARENT COMPANY BALANCE SHEET

SEK million		31/12/09	31/12/08
ASSETS			
FIXED ASSETS			
Intangible assets	(note 11)		
Activated expenses, computer software		5	7
		5	7
Tangible fixed assets	(note 12)		
Investment properties		813	788
Equipment		16	18
		829	806
Financial fixed assets			
Participations in subsidiaries	(notes 13, 14)	1,297	2,531
Participations in other Group companies	(notes 13, 15)	0	3
Receivables with other Group companies	(note 13)	9,590	7,283
Other long-term holdings of securities	(note 13)	183	8
Deferred tax asset	(note 19)	270	256
		11,340	10,081
Total assets		12,174	10,894
CURRENT ASSETS			
Rent receivables		0	1
Other receivables		0	0
Prepaid expenses and accrued income	(note 16)	50	35
		51	36
Cash and bank balances	(note 17)	152	246
Total current assets		203	282
Total assets		12,377	11,175
EQUITY AND LIABILITIES			
RESTRICTED EQUITY			
Restricted equity	(note 18)		
Share capital		118	118
Statutory reserve		117	117
Total restricted equity		235	235
NON-RESTRICTED EQUITY			
Profit brought forward		2,500	1,386
Profit/loss for the year		545	1,383
Total non-restricted equity		3,045	2,769
Total equity		3,280	3,004
LONG-TERM LIABILITIES			
Loans	(note 20)	3,189	2,850
Liabilities to other Group companies		2,934	2,620
Other liabilities		6	6
Total long-term liabilities		6,129	5,476
CURRENT LIABILITIES			
Loans	(note 20)	2,859	2,610
Accounts payable		8	9
Other liabilities		20	5
Accrued expenses and prepaid income	(note 21)	81	71
Total current liabilities		2,968	2,695
Total equity and liabilities		12,377	11,175
PLEGGED ASSETS	(note 22)	5,762	5,460
CONTINGENT LIABILITIES	(note 23)	4,318	4,919

PARENT COMPANY CHANGE IN EQUITY

Note 18, SEK million	Restricted equity		Non-restricted equity	Total equity
	Share equity	Reserve fund		
CHANGE IN EQUITY 2008				
Opening balance on 01/01/2008	124	111	1,746	1,981
Profit/loss for the year	-	-	1,383	1,383
Group contributions paid after tax	-	-	-51	-51
Transactions with shareholders				
Reduction of share capital	-6	6	-	-
Dividends	-	-	-177	-177
Repurchase/sale of own shares (including expenses)	-	-	-132	-132
Closing balance on 31/12/2008	118	117	2,769	3,004
CHANGE IN EQUITY 2009				
Opening balance on 01/01/2009	118	117	2,769	3,004
Profit/loss for the year	-	-	545	545
Group contributions paid after tax	-	-	-62	-62
Transactions with shareholders				
Reduction of share capital	-	-	-	-
Dividends	-	-	-176	-176
Repurchase/sale of own shares (including expenses)	-	-	-31	-31
Closing balance on 31/12/2008	118	117	3,045	3,280

PARENT COMPANY CASH FLOW STATEMENT

SEK million	2009	2008
Current operations		
Operating profit/loss, property management	33	34
Adjustment items not affecting cash flow (Note 24)	15	30
Dividend from subsidiary company	490	1,140
Interest payments and interest subsidies received	729	755
Interest paid	-685	-704
Cash flow from operating activities before change in working capital	582	1,255
Change in working capital		
Current receivables	-0	2
Current liabilities	14	-0
Cash flow from operating activities	596	1,257
Investing activities		
Acquisition of properties, shares and participations	-	-
Investments, buildings	-32	-21
Sale of properties/equipment/intangible assets	0	0
Investments in properties/equipment/intangible assets	-4	-3
Total investments	-36	-24
Financing operations		
Repurchase of own shares	-31	-132
Group contributions after tax	-51	-8
Dividends	-176	-177
Loans raised	813	1,235
Amortization of loans	-224	-212
Change, long-term receivables	-194	-13
Change in participations in subsidiaries	1,236	-5
Change in Group company liabilities	281	323
Change in Group company receivables	-2,307	-2,038
Total financing	-654	-1,027
Changes to liquid assets	-94	205
Cash and bank balances, January 1	246	41
Change during year	-94	205
Cash and bank balances, December 31	152	246
Unutilized credit at year end	400	133
Available liquid assets	552	379

PARENT COMPANY ACCOUNTING PRINCIPLES AND NOTES

NOTE 1. Accounting principles

The parent company Wallenstam AB's Annual Report was prepared in accordance with the Swedish Annual Accounts Act. The company applies RFR 2:2 issued by the Swedish Financial Reporting Board. The accounting principles applied are described in Note 1 in the Consolidated Accounting Principles with the following additions for the parent company.

Properties

Properties are reported at acquisition cost less depreciation according to plan of one per cent over their useful life and with requisite depreciation.

Equipment

Equipment is reported at acquisition value less accumulated depreciation and any impairment loss. Depreciation of the acquisition value is made according to plan over the equipment's useful life. Depreciation is 33 per cent for computers, 10 per cent for furniture and 20 per cent for other equipment. The useful life of equipment, the depreciation method and residual value are assessed on an ongoing basis. Depreciations are included in the income statement item Management costs and administration expenses.

Intangible assets

Expenses for software developed and adapted for the Group, are capitalized as intangible assets if they provide probable economic benefits in coming years. Capitalized expenses for acquired software are written down according to plan by 20 per cent of the acquisition value over the software's economic life. The useful life of the assets, the depreciation method and residual value are assessed on an ongoing basis. Depreciations are included in the income statement item Management costs and administration expenses. Standard software and annual licences are carried as expenses.

NOTE 3. Salaries, other remunerations and social security expenses

	Basic salary	Benefits	Variable remunerations	Social security expenses	Pension expenses
2009					
Chairman of the board	0.6	-	-	0.2	-
Board members	0.6	-	-	0.2	-
Total directors' remunerations	1.2	-	-	0.4	-
MD, parent company	2.5	0.5	-	1.0	1.1
Other senior management 5 persons	8.4	0.9	-	5.0	3.7
Other employees	61.6	3.8	-	19.9	6.6
Total	73.7	5.2	-	26.3	11.4
2008					
Chairman of the board	0.6	-	-	0.2	-
Board members	0.9	-	-	0.2	-
Total directors' remunerations	1.5	-	-	0.4	-
MD, parent company	2.5	0.8	-	1.2	1.1
Other senior management 5 persons	8.3	1.6	-	5.1	3.3
Other employees	63.4	9.0	-	22.9	6.3
Total	75.6	11.4	-	29.6	10.7

Refer to the Group's Note 8 for information on remunerations, pensions and severance pay for senior management.

NOTE 1. Accounting principles, cont.

Financial instruments

Financial receivables and liabilities are reported at acquisition cost. The risk of loss as regards financial receivables and derivative instruments is taken into account. However, the negative value of derivative instruments included in hedging relations is not recognized until the hedged item is recognized in the income statement.

The premium for interest options (interest rate ceilings and floors) are accrued over the duration as an interest expense. Income and expenses relating to interest swaps are reported net under interest expenses.

Group contribution

Group contributions after deduction for tax are recognized as a decrease or increase in non-restricted equity.

Shareholders' contributions are reported by the contributor as an increase in the book value of shares and by the recipient as an increase in non-restricted equity.

Shares in subsidiaries

Shares in subsidiaries are reported at acquisition value. The book value is assessed on an ongoing basis against the subsidiaries' Group-related equity. In cases where the book value falls below the subsidiary's Group-related value, an impairment loss is reported. The impairment loss is recognized in the income statement. When impairment losses in subsidiaries are an effect of internal Group restructuring, a write-up is carried out in an amount equivalent to other subsidiaries' shares. In full accordance with RR 1:00 para. 38, these transactions are not reported in the income statement.

NOTE 2. Operating expenses

	2009	2008
Fuel expenses	3	3
Other operating expenses	9	8
Maintenance costs	8	5
Property tax	5	5
Total operating expenses	25	21

NOTE 4. Average number of employees, etc

	2009		2008	
	Average no. employees	Of whom women	Average no. employees	Of whom women
Number of employees	160	88	155	87

	2009		2008	
	Number on closing date	Of whom women	Number on closing date	Of whom women
Board members	5	2	7	2
MD and senior executives	6	1	6	1

%	2009	2008
Absence due to sickness		
Total absence due to sickness*	2.4	1.6
Absence due to sickness, men	1.3	0.9
Absence due to sickness, women	3.2	2.1
Employees –29 years	3.2	2.1
Employees aged 30–49 years	2.2	1.7
Employees, 50 years–	2.0	0.8
*of which proportion of long term > 60 days	11.5	14.4

NOTE 5. Transactions with related parties

Purchases and sales between Group companies

The parent company performs administrative services for the other Group companies. Income from these services is reported as other operating income; see Note 7.

The parent company has expenses from other Group companies in respect of electricity and the rent of floor space of SEK 20 million (19).

Sales to related parties

No transactions with related parties have taken place during the year.

NOTE 6. Management costs and administration expenses

Management costs and administration expenses amounted to SEK 210 million (238). Included in the management and Administration expenses are all of the Group's administrative expenses such as those for offices and commercial premises, personnel, marketing and auditing.

Expenses for the personnel option programme of SEK 1 million (8) were charged to management costs and administration expenses.

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

	2009	2008
Audit assignment	1.7	1.9
Other assignments	1.3	0.8
	3.0	2.7

NOTE 7. Other operating income

Other operating income consists mainly of payment for administrative and project management services performed for other Group companies. Income from Group companies amounted to SEK 205 million (232).

NOTE 8. Profit/loss from participations in Group companies

Refers to profit/loss from subsidiaries amounting to SEK -3 million (-3); no write-down of subsidiary participations took place during the year (SEK 10 million). Dividends from subsidiaries totalling SEK 490 million (1,140).

NOTE 9. Financial income and expenses

Financial income and expenses relate to interest income from receivables from Group companies of SEK 731 million (753) and interest expenses from liabilities with Group companies of SEK 441 million (493).

NOTE 10. Tax on profit for the year

Tax reported in the income statement

	2009	2008
Current tax	-	-
Deferred tax	-25	199
Total tax	-25	199

Difference between recognized tax and tax based on the applicable tax rate of 26.3% (28).

Reported profit/loss before tax	570	1,184
Tax according to applicable rate	-150	-331

Tax effect of:

Expenses, non-deductible	-2	-22
Adjustment previous years	-1	-
Dividends	129	319
Loss approved during the year	-	250
Revaluation of deferred tax 26.3 per cent	-	-17

Tax on profit/loss for the year in the income statement	-25	199
---------------------------------------------------------	-----	-----

Tax items reported directly in equity

Tax on Group contributions received/paid	22	20
	22	20

Distribution of deferred and current tax

	2009		2008	
	Basis cur. tax	Deferred tax	Basis cur. tax	Deferred tax
Profit/loss before tax	570	-	1,184	-
Tax deductible depreciations	-5	5	-5	5
Expenses, non-deductible	9	-	23	56
Dividends	-490	-	-1,140	-
Group contribution	-85	85	-71	71
Adjustment previous years	1	4	-	-
During the year approved loss	-	-	-	-892
Operating profit/loss for tax purposes	1	94	-9	-760
The year's utilization of loss carryforwards	-1	1	9	-9
Taxable profit/loss	-	95	-	-769
Of which 26.3% (28) applic./deferred tax	-	-25	-	215
Revaluation deferred tax 26,3%	-	-	-	-17
Tax on profit for the year	-	-25	-	199

NOT 11. Intangible assets

Intangible assets refer to activated expenses for computer software.

	31/12/09	31/12/08
Opening acquisition value	30	30
Investments for the year	2	1
Sales/retirements for the year	-	-1
Closing accumulated acquisition values	32	30
Opening depreciation	-23	-21
Depreciations for the year	-3	-3
Sales/retirements for the year	-	1
Closing accumulated depreciation	-26	-23
Entered value at year end	5	7

NOT 12. Tangible fixed assets

Investment properties

	31/12/09	31/12/08
Buildings		
Opening acquisition value	582	561
Investments for the year	32	21
Sales during the year	-	-
Closing accumulated acquisition value	614	582
Opening depreciation	-28	-22
Depreciations for the year	-6	-6
Sales during the year	-	-
Closing accumulated depreciations	-34	-28
Book value, building	580	554
Land		
Opening acquisition value	233	233
Investments for the year	-	-
Sales during the year	-	-
Closing accumulated acquisition value	233	233
Book value land	233	233
Entered value, property, at year end	813	788

Tax assessment value

Buildings	464	464
Land	218	218
Total tax assessment value	682	682

NOT 12. Tangible fixed assets, cont.

Equipment

	31/12/09	31/12/08
Opening acquisition value	37	38
Investments for the year	2	2
Sales/retirements for the year	-0	-3
Closing accumulated acquisition values	39	37
Opening depreciation	-19	-15
Depreciations for the year	-5	-6
Sales/retirements for the year	0	2
Closing accumulated depreciation	-24	-19
Book value at year end	16	18

NOTE 13. Financial assets

Participations in subsidiaries

	31/12/09	31/12/08
Opening acquisition value	2,579	2,564
Withdrawal/deposit, equity	3	-
Sales	-222	-
Shareholders' contribution	-	15
Closing accumulated acquisition values	2,360	2,579
Opening impairment losses	-1,118	-1,108
Sales for the year	55	-
Impairment losses for the year	-	-10
Closing accumulated impairment losses	-1,063	-1,118
Opening write-ups	1,073	1,073
Sales for the year	-1,073	-
Closing accumulated write-ups	-	1,073
Closing residual value	1,297	2,534

Receivables with other Group companies

Receivables from other Group companies are not intended to be amortized but are anticipated to run to manage subsidiary liquidity flows.

Weighted average effective interest rates on receivables amounted to:

Per cent	2009	2008
Receivables from subsidiaries	4.0	4.3

Other long-term holdings of securities

	31/12/09	31/12/08
Opening acquisition value	8	7
Investments for the year	175	1
Sales for the year	-	-
Closing accumulated acquisition values	183	8

NOTE 14. Participations in subsidiaries

The number of participations and book value are given for directly owned companies; other companies are owned indirectly. (All participations are included in the Swedish Companies Registration Office version).

	Corporate ID number	Domicile	Participation, %	Number of shares	Book value, MSEK
KB Myran, no.193	916446-7905	Gothenburg	100	1	19
KB Myran, no. 347	969614-6381	Gothenburg	100	1	15
KB Myran, no. 393	969637-7986	Gothenburg	100	1	0
KB Myran, no. 510	969666-6818	Gothenburg	100	1	18
Wallenstam Energi AB	556618-8552	Gothenburg	100	1 000	5
Wallenstam Stacken AB	556720-9910	Gothenburg	100	1 000	5
Wallenstam Förvaltnings AB	556692-0251	Gothenburg	100	1 000	1,234
Wallenstam Investment AB	556089-7000	Gothenburg	100	2 000	2
Total					1,297

NOTE 15. Participations in other Group companies

The Parent Company's participations as a limited partner in indirectly owned limited partnership companies.

NOTE 16. Prepaid expenses and accrued income

	31/12/09	31/12/08
Prepaid insurance premiums	0.5	0.1
Prepaid interest expenses	17.1	0.4
Prepaid operating expenses	0.4	0.4
Accrued income	32.0	34.3
Total prepaid expenses and accrued income	50.0	35.2

SEK 20 million of the accrued income relates to receivables from Group companies.

NOTE 18. Equity

A specification of the change in equity can be found in the report Change in equity, directly after the balance sheet.

No. of shares	A shares	B shares	Own shares	Outstanding shares	Total number
Number, 31/12/2007	5,750,000	53,949,337	2,300,663	59,699,337	62,000,000
Repurchased	-	-1,151,685	1,151,685	-	-
Reduction	-	-	-3,000,000	-	-
Number, 31/12/2008	5,750,000	52,797,652	452,348	58,547,652	59,000,000
Repurchased	-	-257,435	257,435	-	-
Reduction	-	-	-	-	-
Number, 31/12/2009	5,750,000	52,540,217	709,783	58,290,217	59,000,000

Repurchase of own shares

The share capital in Wallenstam AB consists of 5,750,000 A shares with ten votes each and 53,250,000 B shares with one vote each. As of the Annual General Meeting in 2009 the number of repurchased shares amounted to 452,348. Wallenstam has since continued to repurchase shares and as of 31/12/2009 owns 709,783 shares (452 348) repurchased to an average price of SEK 112.03.

The proposed dividend for the 2009 financial year is SEK 3.25 per share (3.00).

NOTE 19. Deferred tax

	31/12/09	31/12/08
Deferred tax liability		
Difference depreciation entered/for tax	10	8
Deferred tax asset		
Tax-loss carryforwards	-279	-16
Loss approved during the year	-	-250
At year end	-279	-265
Net deferred tax asset/liability	-270	-256

NOTE 20. Loans

	31/12/09	31/12/08
Long-term loans		
Bank loans	3,189	2,850
Short-term loans		
Bank loans	2,859	2,610
	6,048	5,460
Loan agreement maturity profiles million		
	31/12/09 Amount, SEK million	31/12/08 Amount, SEK million
0-3 months	1,986	1,888
3 months-1 year	873	722
1-2 years	600	400
2-3 years	1,360	1,000
3-4 years	929	550
4-5 years	100	600
5-6 years	200	100
6-7 years	-	200
> 7 years	-	-
Total	6,048	5,460

Interest maturity profile	31/12/09		31/12/08	
	Amount, SEK million	Aver. interest %	Amount, SEK million	Aver. interest %
0-3 months	-307	-20.83	1,379	4.75
3 months-1 year	800	3.77	300	4.38
1-2 years	1,073	4.09	600	3.96
2-3 years	600	4.45	781	4.40
3-4 years	800	4.05	550	4.62
4-5 years	775	3.90	600	4.06
5-6 years	500	3.74	100	4.85
6-7 years	900	3.90	200	3.82
> 7 years	907	3.62	950	3.76
Total	6,048	5.19	5,460	4.30

*All of the Group's interest derivatives except those in respect of wind turbine financing are taken up through banks via the parent company. The volume of the parent company's interest derivatives exceed the volume of loans with the parent company, which means that the short interval has a negative average interest. Wallenstam takes up interest derivatives in the parent company in order to hedge Group subsidiaries' interest maturity profile.

The unutilized overdraft facility amounts to SEK 400 million (133).

%	2009	2008
Weighted average effective interest rates on loans amounted to:		
Loans	4.6	4.6
Overdraft facility	2.1	5.3

Recognized and fair values of other liabilities agree.

NOTE 20. Loans, cont.**Liabilities to other Group companies**

Liabilities to other Group companies are not intended to be amortized but are anticipated to run to manage subsidiary liquidity flows.

NOTE 21. Accrued expenses and deferred income

	31/12/09	31/12/08
Accrued salary costs	16.1	16.2
Accrued interest expenses	45.3	35.1
Accrued operating expenses	1.1	1.0
Prepaid rental income	11.2	11.5
Accrued administration expenses	7.1	7.5
Total accrued expenses and deferred income	80.8	71.3

NOTE 22. Pledged assets

	31/12/09	31/12/08
Property mortgages for own commitments:		
Concerning loans	677	653
Internal notes and property mortgages	5,085	4,807
Total pledged assets	5,762	5,460

NOTE 23. Contingent liabilities

Guarantee undertakings for group companies amounted to SEK 4,135 million (4 916). Other guarantee undertakings refer to complementary responsibility for the external liabilities of limited partnership companies of SEK 3 million (3).

NOTE 24. Cash flow statement

The cash flow statement has been adjusted for items not affecting liquidity in order to show receipts and disbursements in operating activities. Operating activities have been adjusted to reflect changes in temporary entries, deferred tax and depreciation.

	2009	2008
Adjustment items not affecting cash flow		
Accrued unpaid rental income	0	4
Accrued unpaid operating expenses	0	-
Accrued unpaid management and administration expenses	1	10
Depreciations	14	16
	15	30

Liquid assets		
Cash and bank balances	152	246
Unutilized credit at year end	400	133
	552	379

Total bank overdraft facilities	400	133
---------------------------------	-----	-----

The Income Statements and Balance Sheets will be submitted to the Annual General Meeting on 28/04/2010.

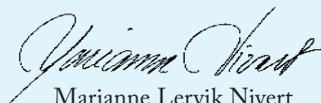
We affirm that the annual accounts, to the best of our knowledge, have been prepared in accordance with generally accepted accounting principles for a publicly listed company. The information provided reflects the actual state of affairs, and nothing of material importance has been omitted which could affect the view of the Company presented by the annual accounts.

Gothenburg, February 23, 2010

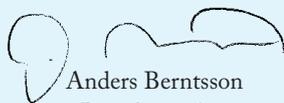
WALLENSTAM AB



Christer Villard
Chairman of the Board



Marianne Lervik Nivert
Vice Chairman



Anders Berntsson
Board member



Erik Åsbrink
Board member



Ulrica Jansson Messing
Board member



Hans Wallenstam
Managing Director

My Audit Report concerning this annual report and the consolidated accounts was issued on 23/02/2010



Sven-Arne Gårdh
Authorized Public Accountant

AUDITOR'S REPORT

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

I have examined the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of Wallenstam AB (Publ) for 2009. The company's annual accounts are contained in the printed version of this document on pages 64-97. The Board of Directors and Managing Director are responsible for the accounts, the administration of the company and for applying the Annual Accounts Act in preparing the annual accounts, as well applying the International Financial Reporting Standards (IFRS) as adopted for use in the EU, and the Annual Accounts Act in preparing the consolidated accounts. My responsibility is to comment on the annual accounts and the consolidated accounts and the administration based on my audit.

The audit was conducted in accordance with auditing standards generally accepted in Sweden. This means that I planned and performed the audit in order to achieve a high, but not absolute, level of certainty in ensuring that the annual report and the consolidated accounts do not contain material misstatements. An audit includes the examination of a selection of the supporting documents and other information in the accounts documentation. An audit also include an assessment of the accounting principles used and their application by the Board and the Managing Director as well as an assessment of the important valuations made by them when preparing the annual accounts and consolidated accounts, and evaluating the information of the annual report and consolidated accounts. As a basis for my opin-

ion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any board member or the Managing Director. I also examined whether any board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for the opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act, and, consequently, present a true and fair view of the results and position of the company and the Group in accordance with generally accepted accounting standards in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU and the Annual Accounts Act and thereby give a true and fair view of the group's financial position and results of operations. The directors' report is consistent with the other sections of the annual accounts and the consolidated accounts.

I recommend to the Annual General Meeting of shareholders that the income statement and balance sheet for the Parent Company and the Group be adopted, that the profit in the parent company be dealt with in accordance with the proposal in the administration report and that board members and the Managing Director be discharged from liability for the financial year.

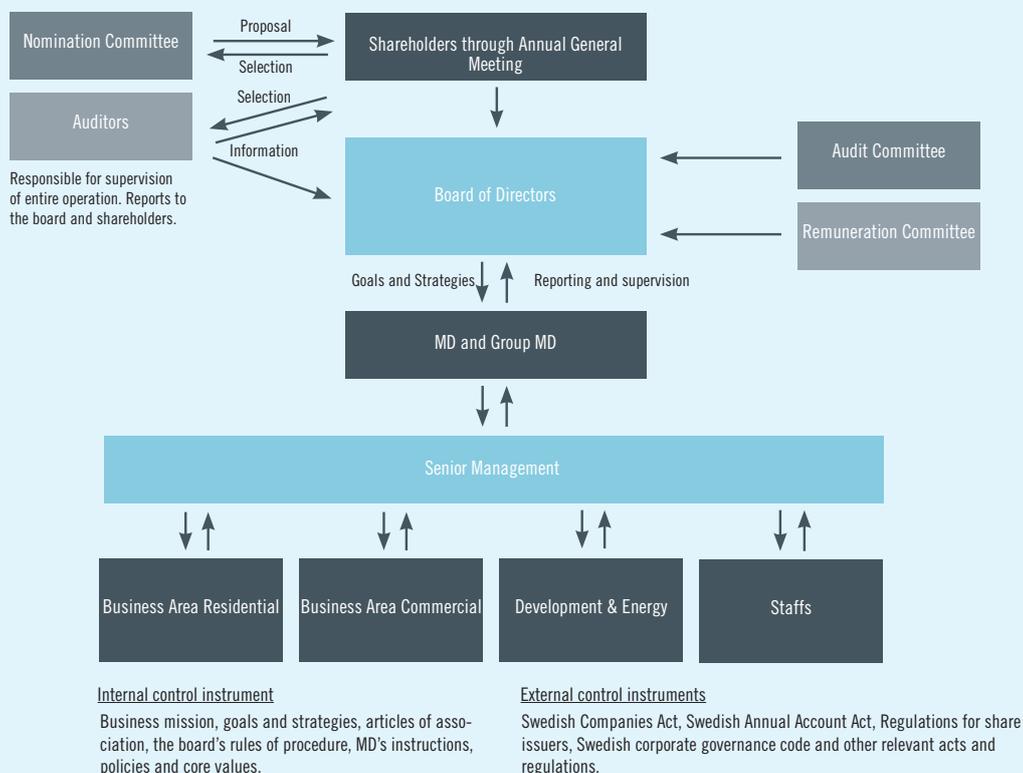
Gothenburg, February 23, 2010



Sven-Arne Gårdh
Authorized Public Accountant

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE STRUCTURE



Wallenstam AB is a public company quoted on the Nasdaq OMX Stockholm Mid Cap list, which is an integrated marketplace for the Nordic and Baltic countries.

The direction, management and supervision of a limited liability company is shared between the shareholders, board of directors and managing director and the Group's senior management. Governance is regulated by Swedish law, articles of association, regulations for issuers and other regulations and recommendations such as the Swedish corporate governance code.

Wallenstam's board and executive management strives to ensure that the company lives up to the demands placed on it by the stock exchange, share holders and other stakeholders. Wallenstam strives to provide insight into reporting relationships, responsibilities, authority and control systems through transparency and accessibility.

Wallenstam applies the Swedish corporate governance code (the code) and any departures from it are reported and justified according to the code's "comply or explain" principle. The following departures were noted during 2009:

2.3 Composition of the nomination committee - The code lays down that the managing director or other board member may not be a member of the nomination committee. Wallenstam's MD is a member of the nomination committee in his capacity as principal shareholder.

3.1, item 5 Adoption of ethical guidelines - The code prescribes that ethical guidelines be adopted regarding the company's conduct.

These guidelines are being drafted and have not been adopted yet.

SHAREHOLDERS

The number of shareholders at year end totaled 6,070. Wallenstam's principal shareholder is Hans Wallenstam with around 21 per cent of the equity and 58 per cent of the votes. Foreign share ownership makes up 5 per cent of equity and 3 per cent of the votes. The ten largest shareholders together held the equivalent of around 55 per cent of the equity and 76 per cent of the votes.

Wallenstam's share capital amounted to SEK 118 million on December 31, 2009, distributed among 5,750,000 A shares (ten votes per share) and 53,250,000 B (one vote per share). The shares all carry identical rights to the company's assets and profits. Repurchased shares have no dividend rights.

The Wallenstam B share is quoted on the Mid Cap list in the finance sector of the Nasdaq OMX Stockholm. Wallenstam's market capitalization at year end amounted to SEK 7,596 million. The Board of Directors' basic principle prescribes that reported profit in the first instance be re-invested in the company for continued development and increased growth in value. When determining the size of the dividend, consideration must be given to the company's investment requirements, its consoli-

dition requirements, position and future development. However, the distributable amount must never exceed realized profit after tax. For further information about shares, please refer to pages 57–59 and www.wallenstam.se

ANNUAL GENERAL MEETING

The annual general meeting (AGM) is Wallenstam's highest decision making body. The AGM is held within six months of the end of the financial year. In accordance with Swedish legislation and Wallenstam's articles of association, shareholders exercise their voting rights at the AGM in order to take decisions. The AGM elects the company's board chairman and other board members. It is also charged with adopting the company's balance sheets and income statements and deciding on the disposition of earnings as well as discharging the members of the board and the managing director from liability for the financial year. When appropriate, the AGM also elects auditors. Notice to attend the AGM is published in the daily press, the Official Swedish Gazette and Wallenstam's website. The notice to attend describes the agenda, nomination committee proposals for election to the board and fees for the board of directors and auditors. According to the Swedish Companies Act, shareholders have the right to have an issue dealt with at the AGM if the board is notified in time. Shareholders also have the opportunity to ask questions at the AGM. Wallenstam's AGM was held on April 21, 2009 in Gothenburg and 161 shareholders attended. They represented about 48 per cent of the number of shares and about 72 per cent of the total number of votes in the company.

In addition to the MD and the Group's senior management, a majority of board members were present. The company's auditors were also present. The AGM re-elected Christer Villard and members Marianne Lervik Nivert, Anders Berntsson, Erik Åsbrink and Ulrica Jansson Messing. The AGM determined that a fee of SEK 1,200,000 (1,450,000) would be paid to the board, of which SEK 600,000 (600,000) would be to the board chairman, SEK 225,000 (225,000) to the deputy chairman and SEK 125,000 (125,000) each to the other members. The AGM adopted the annual accounts for 2008 and discharged the MD and board of directors from liability. A dividend of SEK 3.00 per share as proposed by the board was also decided upon. The AGM also adopted the principles for remuneration and other employment terms for senior executives, and a change to the articles of association. The board was given continued authority for the repurchase of shares. Minutes and a presentation of the AGM are available in Swedish at www.wallenstam.se/bolagsstyrning.

NOMINATION COMMITTEE

The nomination committee is charged with preparing and making proposals for the election of the chairman and other members of the board, the choice of auditor, the chairman of the AGM, matters concerning fees and associated affairs.

According to a decision by the AGM the nomination committee shall comprise the chairman of the board of Wallenstam AB and one person in the capacity of principal shareholder. These two individuals shall mutually appoint a third person to chairman of the nomination committee. The nomination committee

is elected annually at the AGM for the period up until the end of the next AGM. In the case of changes in majority ownership of the company a new nomination committee may be appointed at an extraordinary AGM. In the case of a nomination committee member leaving the committee before the assignment is concluded, the two remaining committee members shall mutually appoint a new member to the committee. The AGM re-elected Christer Villard to the nomination committee in the capacity of chairman of the board of Wallenstam AB and Hans Wallenstam in the capacity of principal shareholder in Wallenstam AB. Dick Brenner was re-elected as chairman of the nomination committee.

It is the duty of the chairman of the board to inform the committee about the circumstances relating to the work of the board, the need for special competence, etc., that may be of importance for the committee's work. As support for its proposals to the AGM the nomination committee performed an assessment of whether the current board was suitably constituted for its purpose and fulfils the demands placed on it by the company's position and future direction. As the basis for this assessment the nomination committee studied among other things the results of the evaluation of the board's work that had been carried out. The nomination committee convenes as necessary.

BOARD OF DIRECTORS

According to the articles of association, Wallenstam's board must comprise at least four and no more than eight members with a maximum of an equivalent number of deputies. The members are elected annually at the AGM for the period up until the end of the next AGM. The board's work must take place in accordance with legislation, articles of association and rules of procedure. Rules of procedure are taken up at statutory board meetings and are adopted annually. During 2009 Wallenstam's board comprised five members elected at the AGM, and no deputies. A presentation of the members can be found on page 13. The MD is not a member of the board. The board elected its members on April 21, 2009 and elected Marianne Lervik Nivert as vice chairman until the next AGM.

BOARD COMPOSITION

Name	Function	Elected	Committee*	Attendance	In-dependent**
Christer Villard	Chairman	1995	Remuneration Audit	6	Yes
Marianne Lervik Nivert	Vice chair	1991	Remuneration	6	Yes
Anders Berntsson	Member	1997	Audit	6	No
Erik Åsbrink	Member	2000		6	Yes
Ulrica Jansson Messing	Member	2008		6	Yes

* Wallenstam established an audit committee during 2009.

** Independent refers to independence both in relation to the board, company management and to major shareholders in accordance with item 4.4 of the code (applicable from July 1 to midnight February 1, 2010). The majority of the members elected

at the AGM are independent in relation to the company, company management and the company's major shareholders. It has been customary for many years at Wallenstam that a board member leaves the board at the AGM in which the member concerned reaches the age of 70 years. Marianne Lervik Nivert will celebrate her 70th birthday in 2010 and therefore she will retire from her Wallenstam board membership at the 2010 AGM.

The nomination committee will propose the election of Agneta Wallenstam. The nomination committee is of the opinion that after the election the board will be suitably constituted for its purpose and that the board members will complement one another well in respect of backgrounds, competence and experience.

BOARD RULES OF PROCEDURE

The board of directors shall establish instructions to the managing director. The board has the duty to follow up and supervise company operations on an ongoing basis. It is therefore the responsibility of the board to ensure the availability of a functioning reporting system and that the board receives the necessary information regarding the company's position, profit/loss, financing and liquidity through periodical reporting.

In addition to its responsibility for the company's organization and administration the board's most important task is to take decisions on strategic issues. In general the board handles issues of significant importance for the Group such as:

- the approval of strategic plans
- the approval of policies
- decisions on major acquisitions and sales of property
- decisions on major investments in construction and wind power
- the approval of business and profitability targets

THE WORK OF THE BOARD

In the first instance it is the responsibility of the chairman of the board, and in the second that of the deputy chairman, to lead the board's work in an efficient manner. The chairman of the board follows operations and is responsible for ensuring that other members receive the information necessary for board work to be carried out in accordance with Swedish Companies Act and the articles of association. In addition to leading the work of the board the chairman follows the Group's day-to-day development through continual contacts with the MD on strategic issues and represents the company on matters pertaining to its ownership structure.

During 2009 the board held six meetings for which minutes were taken, in addition to day-to-day contacts. The board constitutes a quorum if more than half of its members are present. The chairman must ensure that the board convenes whenever necessary, bearing in mind that board meetings should be held regularly, usually four times per year.

Focus of the meetings

- February – annual accounts, preparations for AGM, meetings with company auditors, report concerning internal supervision.
- April – before AGM.
- September – 2nd quarter profit/loss, strategy and planning, forecasts.

- December – budget, 3rd quarter profit/loss, evaluation of board's work, evaluation of MD's work, approval of policies.

At each and all of these meetings the following matters are also taken up: business position, financial report and investment decisions and other matters of significant importance for the company.

REMUNERATION COMMITTEE

Within the board there is a committee that comprises the board's executive leadership (chairman and vice chairman). The remuneration committee is charged with reviewing and providing the board appropriate principles for remuneration, including performance-related remuneration and pension terms, for the company's senior executives. Issues that concern the MD's employment terms, remunerations and benefits are prepared by the remuneration committee and approved by the board.

The following guidelines for the determination of salaries and other remuneration to senior executives were approved by the 2009 AGM:

- Senior executives must be offered fixed salaries on prevailing market terms and which are based on the employee's area of responsibility and performance.
- Senior executives must be offered pension benefits on prevailing market terms in the form of premium-based pension agreements.
- Senior executives must be offered customary non-monetary benefits that among other things facilitate the performance of their work such as cars, mobile telephones and company health care. Additionally, benefits in the form of accommodation may also be offered in individual cases.
- In addition to fixed remuneration senior executives may be offered variable remuneration that rewards distinct goal-oriented performance. Such variable remuneration must be paid in the form of salary and may not exceed the fixed remuneration for the period to which the remuneration pertains. Payments in respect of the above incentive program shall not be pensionable.
- Senior executives may be offered incentives in the form of so-called synthetic options if such an offer is available to all permanent employees in the company.
- A reciprocal period of notice of six months shall apply to senior executives. Severance pay, including salary during the period of notice, should not exceed 24 monthly salary payments.

AUDIT COMMITTEE

The board is ultimately responsible for reporting, internal supervision and risk management and that the company's financial information is reliable. During 2009 the board appointed an audit committee comprising two board members. The committee shall provide recommendations and prepare questions prior to the board's attending to matters in the following areas:

- Financial reporting
- External audits
- Internal supervision
- Management and reporting of financial risks of a substantial nature.

The committee's work does not replace auditor's communications with the board in overarching issues concerning audit work, audit observations or its view of the company's risks. The committee's rules of procedure are approved annually by the board.

EXTERNAL AUDITORS

Wallenstam's auditors are elected by the AGM for a period of four years. The current period began in 2006 with a duration until the AGM in 2010. The nomination committee proposal to the AGM is for the re-election of auditor Sven-Arne Gårdh, and the election of Anna Gullmarstrand as deputy auditor, both from Ernst & Young.

The auditors examine the board's and the MD's administration of the company and the quality of the company's accounting. The auditors report the outcome of their examination to the shareholders through the audit report, which is presented at the AGM. Moreover, the auditors present detailed statements to the board once per year. In addition to the audit, Ernst & Young carries out certain auditing assignments for Wallenstam. These refer chiefly to legal matters concerning accounting and limited companies, and Wallenstam is of the opinion that the performance of these services does not jeopardize Ernst & Young's independence. Further information regarding remuneration to the auditors can be found in the Group's Note 11.

MD AND GROUP MANAGEMENT

The MD and Group MD lead operations in accordance with the Swedish Companies Act, other legislation and enactments, and applicable regulations for publicly listed companies including the code.

The MD leads the company's operations on the basis of the instructions prepared and approved by the board of directors. The managing director is responsible for keeping the board informed and ensuring that it has the necessary, and as complete as possible, information on which to base its decisions. The MD reports to the board and is not a board member. The managing director also keeps the chairman of the board continuously informed of developments in the company and the Group as well as their financial positions.

The MD is responsible for the company's day-to-day administration and for ensuring that decisions taken by the board are executed. It is the responsibility of the MD to prepare support documentation for board meetings, present matters for discussion and to justify his proposals for actions and decisions. In his day-to-day work the MD leads Group management. The division of work between the board and the MD and the latter's responsibilities and authority is specified in the MD's work instruction. An evaluation of the MD's work takes place regularly. Wallenstam's MD Hans Wallenstam is the company's principal owner. It is a great advantage for Wallenstam to have an MD with a long term interest in the company. Apart from continuity, it also means quick decisions, which has proved to be a competitive advantage on several occasions.

The MD and other members of Group senior management have weekly meetings in order to follow up developments and

results in the business areas, update forecasts and plans, and to discuss strategic issues. In 2009 Wallenstam's Group senior management comprised 6 individuals; they are presented on page 12. Wallenstam's directors and other key personnel also meet several times a year. The Wallenstam Group comprises Wallenstam AB (publ) and a number of subsidiaries, and these report directly to the MD. Reporting takes place on an ongoing monthly basis, and also via in-depth quarterly reviews of the respective operations. Investment reports are followed up on an ongoing basis. Subsidiary company boards comprise members from Wallenstam's Group senior management and in certain cases additional key personnel.

INTERNAL SUPERVISION

The board has responsibility for ensuring that there is an effective system for internal supervision and risk management. This responsibility has been delegated to the MD in order to create favourable conditions for work with these matters. Group senior management and executives at different levels bear this responsibility in their respective areas. Authority and responsibilities are defined in policies, guidelines, descriptions of responsibilities and attestation instructions.

CONTROL ENVIRONMENT

The control environment sets the tone for internal controls within Wallenstam and influences employee control awareness in which effective board efforts lay the foundation for good internal controls. The board's rules of procedure and instructions for the MD and board committees seek to ensure a distinct division of roles and responsibilities that benefits an effective management of operational risks. The board has also adopted a number of policies and fundamental guidelines important for work involving internal controls such as policies governing finance, investments, foreign currencies and reporting guidelines. Company management reports regularly to the board on the basis of established procedures. Furthermore, auditors report on their examination of internal controls.

Company management is responsible for the system of internal controls necessary for the management of risks associated with day-to-day operations. This responsibility includes guidelines for various managerial positions and other employees in order for them to understand and grasp their respective roles in the maintenance of good internal controls.

RISK ASSESSMENT AND CONTROL ACTIVITIES

Internal controls at Wallenstam seek to support the company in achieving its goals. Risks that are associated with the attainment of goals – critical success factors – must be identified and evaluated. The identification and evaluation of such risks are prerequisites for internal control; Wallenstam's internal control mechanisms and procedures ensure that risk management measures proceed according to plan.

Wallenstam has created a model for evaluating the risk for errors in accounting and financial bookkeeping. The board has identified a number of items in the income statement and balance sheet where there is an increased risk of significant mistakes such as in the valuation of properties and financial instruments. Particular attention was paid to the design of controls that prevent and detect shortcomings in these areas.

INFORMATION AND COMMUNICATION

Guidelines, manuals and suchlike important for financial reporting are updated and communicated to the employees concerned on an ongoing basis. There are both formal and informal information channels to company management and the board for essential information from employees. Regarding external communications, there are guidelines that ensure the company lives up to demands for correct information to the market.

FOLLOW-UP

The board continually evaluates information received from company management and the auditors. The work of the auditors is of particular importance in following up the effectiveness of company management in this regard. Among other things, the work entails ensuring that action is taken concerning shortcomings and proposals for measures resulting from the annual review of internal controls and the management audit carried out by external auditors.

INTERNAL AUDIT

Hitherto the company has found no reason to set up an internal audit function. Ongoing follow-up of internal controls is performed by financial management.

This report is not part of the formal Annual Report and has not been examined by the company's auditors as this is not mandatory. This report was prepared in accordance with the code. This means that the report is limited to a description of how the internal controls are organized in respect of financial reporting.

Gothenburg, February 23, 2010

The board