

Dear share holders,

It is a great feeling for me to once again stand here as a representative for Castellum's organization and be able to declare that another successful year has been added to our annals. And this in spite of 2009 being a very turbulent year.

Income Statement

<i>SEKm</i>	<i>2009</i>		<i>2008</i>
Rental value (fully let)	3,026		2,819
./. Vacancies	-332		-318
Property costs and admin. expenses	-1,023		-902
Net financial items	-541		-626
Income from property management	1,130	+ 16%	973
		Objective 10%	
<i>Changes in value</i>			
Properties	-1,027		-1,262
Derivatives	102		-1,010
Tax	-45		636
Net income for the year	160		-663
 <i>Proposed dividend SEK/share</i>	 3.50	 + 11%	 3.15

The rental value for our close to 600 properties amounted to more than SEKm 3,000, an increase by SEKm 200, of which one half came from growth in rental levels and the other half from investments carried out.

Vacancies remained more or less stable at approximately 10 %, slightly higher in absolute numbers, but somewhat less in percent.

The costs increased by more than SEKm100. Apart from a larger portfolio, operating expenses increased due to a considerably colder climate in 2009 and a large number of maintenance measures towards the end of the year.

Rental costs, on the contrary, were heavily reduced because of the interest rate reduction carried out towards the end of 2008 by central banks all

over the world. Net interest expense was decreased by approx. SEKm 140 due to lower interest rate levels, but increased by SEKm 60 as a result of the year's investments. The net effect thus was reduced interest costs by SEKm 80.

To summarize these cash flow influencing items, income from property management amounted to SEKm 1,130 – the best result ever. Our 16 % growth exceeds with good margin the 10 % target.

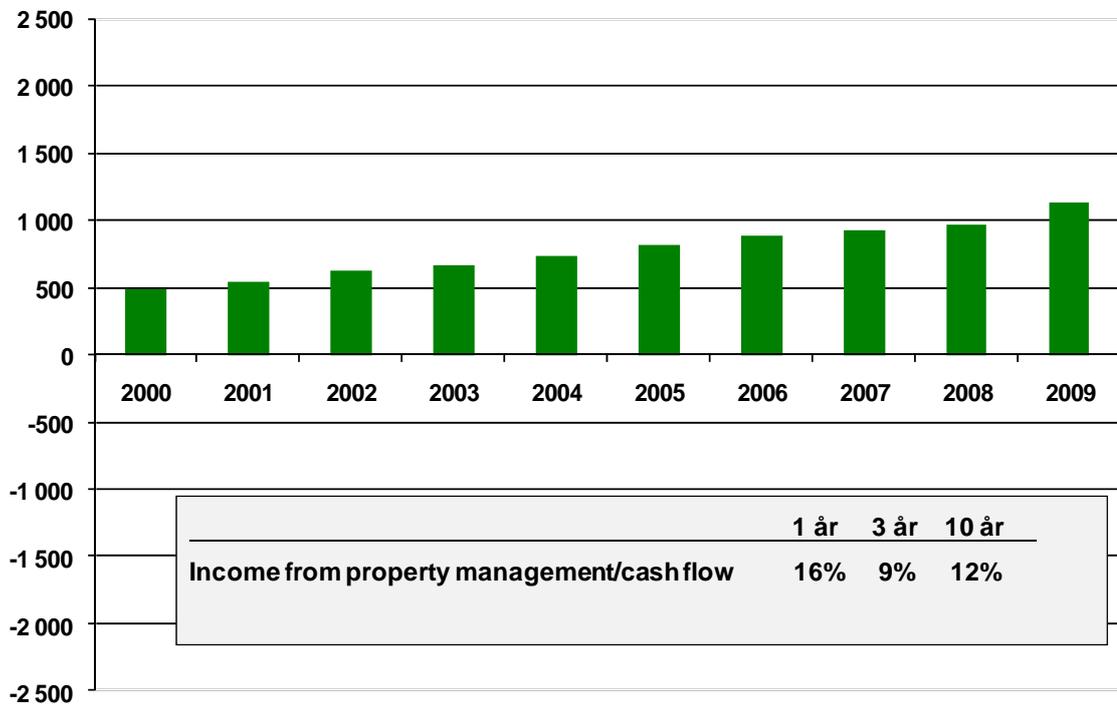
As you all know, since some years all changes in value on properties and financial instruments shall be reflected in the income statement. Real estate values began to decrease during 2008 and have continued to do so, mainly in the first half of 2009. Depreciations amounted to slightly more than SEKm 1,000, or 3 %, while interest rate derivatives recovered by SEKm 100, after a sharp decrease in value in 2008.

All together, net income of the year amounted to SEKm 160.

The excellent growth in income from property management has made a proposed dividend of SEK 3.50 possible, an increase by 11 %.

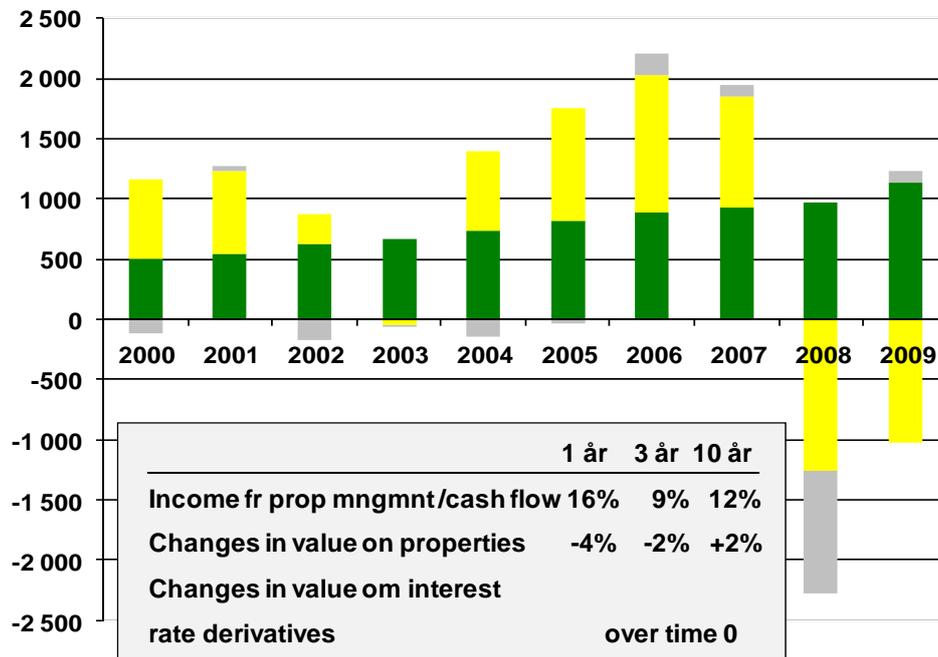
Castellum gladly report each trimester, but act long term. I'm not too comfortable with terms like "trimester capitalism". If you are acting long term, you should also be evaluated over a longer period of time. This is especially true for real estate companies where changes in value constitute a large part.

Income over time



Income from property management, i.e. cash flow, is what is targeted, what constitutes the base for dividends and what in a longer term increases the value of properties. Over time, income from property management has showed a good and steady growth – as an average by 12 % per year over the last 10-year period.

Income over time



Changes in value however are all but stable – large fluctuations and large numbers.

Even though depreciations of properties – here in yellow – have been significant in the last two years, the mean value during the last 10-year period is still positive – plus 2 % per year to be compared to the inflation 1.5 %. My strong opinion is that properties well maintained and well located are “inflation proof”, with prospect of real value growth through active property development.

Regarding interest rate derivatives – grey in the illustration – these will over time always be zero, as value changes are no more than a book-keeping technicality and in my opinion borders on to be confusing.

Balance Sheet

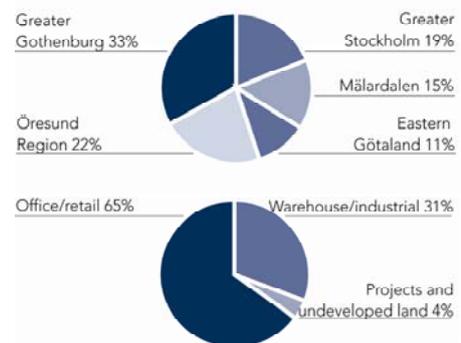
<i>SEKm</i>	<i>Dec 31, 2009</i>	<i>Dec 31, 2008</i>
Investment properties	29,267	29,165
Other assets	209	239
	29,476	29,404
Shareholders' equity	9,692	10,049
Deferred tax liability	2,824	2,785
Interest rate derivatives	865	966
Interest-bearing liabilities	15,294	14,607
<i>Loan to value ratio</i>	52%	50%
Non interest-bearing liabilities	801	997
	29,476	29,404

Assets almost exclusively consist of properties, at a valuated value of SEKm 29,000. Based on a portfolio of 3.2 million sq. m, this value corresponds to approx. SEK 9,000 per sq. m, considerably lower than new production prices.

Real estate portfolio



Investments and sales



Castellum is present in 15 growth regions from Uppsala in the north to Malmö in the south. There is a good mix of different categories – in terms of value 2/3 is office/retail and 1/3 is warehouse/logistics/industry. Of the portfolio 75 % is located to the three big city regions.

In spite of the turbulent year, the pace of the project portfolio has been high – more than SEKm 1,000 in high yield new construction, extension and reconstructions. Acquisitions however were reduced to approx. SEKm 100, primarily as a result of cautiousness in the midst of the crisis, but also because of a very limited number of good opportunities.

Castellum has premises which are in demand from the Swedish industry.

And then naturally another important asset comes to mind, an asset which is not directly visible in the balance sheet, namely our customers.

Customers

- Many customers
- Satisfied customers
- Strong customers
- Good risk exposure



The absolutely most important thing in all business is the customers.

We have many customers, about 4,400.

We have satisfied customers. Our Satisfied Customer Index increased by two units to 75, a high level. But we can still improve.

We have strong customers; in spite of the turbulence 2009, unpaid rents only amounted to SEKm 10, representing 0.4 % of the rental income.

We have a good risk spread, both with relation to sectors where the customers are present, geography, date of maturity and in relation to size, no one exceeding 1 %.

There is another big asset in Castellum which is not visible in the balance sheet.

Decentralized and Small-Scale Organization

- Local brands
- One of the three largest
- Access to and knowledge of the local markets
- Efficient leasing activity
- Satisfied employees
- Satisfied customers



A decentralized and small-scale organization with 230 co-workers and local brands coupled with being one of the largest companies give high closeness to the local markets.

I am totally convinced that the way in which we are organized results in both more satisfied customers and employees, in addition to higher efficiency in the leasing.

Of course a prerequisite is to have a critical mass, which our subsidiaries have, each one being larger than the smallest listed real estate companies.

Now I will take the opportunity to present both our subsidiaries and Castellum's Executive Management Group.

- My name is Christer Sundberg and I am Managing Director for Harry Sjögren AB. We own properties for SEKm 4,400 in Gothenburg, Mölndal, Kungsbacka, Borås, Alingsås and Halmstad.

- I am Tage Christoffersson, Managing Director for Eklandia Fastighets AB. We are managing properties for SEKm 5,200 in Gothenburg.
- Gunnar Östensson, Managing Director for Fastighets AB Briggen with properties in Malmö, Lund and Helsingborg worth SEKm 6,300.
- Anders Nilsson is my name. I am Managing Director for Fastighets AB Brostaden. Brostaden is managing properties for SEKm 5,700 in Stockholm.
- I am Claes Larsson, Managing Director for Aspholmen Fastigheter AB with properties with a value of SEKm 4,300 in Örebro, Västerås and Uppsala.
- And my name is Claes Junefelt, Managing Director for Fastighets AB Corallen. We are administrating properties at a total value of SEKm 3,300 in Värnamo, Jönköping, Växjö and Linköping.

At the parent company Castellum AB we are 14 employees, of which three are members of the Executive Management Group.

- My name is Ulrika Danielsson, Finance Director and responsible for having good economy follow-up systems and providing high quality information to the stock market.
- Anette Asklin is my name, Financial Director with responsibility for borrowing transactions and financial risk management for Castellum's credit portfolio, amounting to SEKm 15,000.
- Henrik Saxborn, Deputy Chief Executive Officer in Castellum, responsible for business development. Sitting on the board of the subsidiaries together with Håkan Hellström and the Managing Director in question.

Balance Sheet

<i>SEKm</i>	<i>Dec 31, 2009</i>			<i>Dec 31, 2008</i>	
Investment properties	29,267			29,165	
Other assets	209			239	
	29,476			29,404	
Shareholders' equity	9,692	} <i>Long term net asset value</i>	13,381	10,049	
Deferred tax liability	2,824		} <i>Actual net asset value</i>	11,979	2,785
Interest rate derivatives	865			12,000	966
Interest-bearing liabilities	15,294	<i>Long term credit agreements</i>	16,462	14,607	
<i>Loan to value ratio</i>	52%	<i>At least</i>	55%	50%	
Non interest-bearing liabilities	801			997	
	29,476			29,404	

SEKm 29,000 in assets need financing. The main source of financing is interest bearing liabilities of more than SEKm 15,000, corresponding to 52 % loan to value ratio. Despite major investments, maintained dividend and large property depreciations, this value is better than the strategy of maximum 55 %.

The other big source is own capital or equity capital, i.e. shareholders' equity. An effect of present accounting principles is that it is not very easy to determine its value. Even if deferred tax liability and interest rate derivatives are accounted for on separate lines they contain a large share of own capital, as they will never be fully regulated. A long-term substance, where these are fully included in the equity capital, can be estimated at more than SEKm 13,000, while if these are only partially included, the actual substance can be estimated at SEKm 12,000.

Another way to estimate the shareholder's capital is to have a look at the stock value. The Castellum share was listed at SEK 73-74, implying a stock value and free-float of SEKm 12,000, making Castellum the largest listed company in the Nordic countries and about the 15th largest in Europe – hence a maintained large share of foreign owners.

The share's total yield and value

	2009	3 years average/year	10 years average/year
Castellum	25%	- 4%	16%
NASDAQ OMX Stockholm AB (SIX Return)	53%	- 3%	2%
Real Estate Index Sweden (EPRA)	24%	- 7%	16%
Real Estate Index Europe (EPRA)	34%	- 23%	46

Total return on net assets during 2009 for the share was 25 %. In spite of the increase it has been negative during the last 3-year period, but still +16 % per year during the last 10-year period, as an average. Castellum and Swedish real estate shares have over time outperformed both the Swedish stock market and foreign real estate shares, even if 2009 isolated did not show the same level of return on net assets.

Share valuation

	<i>SEK/share</i>	<i>Share price</i> <i>SEK 73</i>	
Pre tax income from property management	6.89	P/CE 10.6	9.4% yield
Earnings after tax	0.98	P/E 74.5	1.3% yield
Income from property management +2% fair value of prop., -5% tax	9.93	P/E 7.4	13.6% yield
Dividend	3.50		4.8% dividend yield
Long term net asset value	82	88%	12% discount
Actual net asset value	73	100%	0% discount

Future earnings capacity shall determine the stock value, but using the outcome from 2009 and the rate SEK 73 will result in a cash flow multiple P/CE of close to 11, i.e. a return on net assets of more than 9 %. Net income indicates a high valuation, but last year's real estate depreciations twist the key ratio.

If one has the notion that real estate is an inflation proof asset and you to the cash flow of SEK 7 add 2 % value increase on properties and deduct 5 % tax, the return on net assets will total at more than 13 %.

As shown the dividend will give a yield of 4.8%. Depending on how you judge the net asset value, the share is currently traded at a 12 % discount or a 0 % premium.

Before we go on and have a look at the future I would like to comment on two items which have been on all agendas during 2009. The first one is...

Financial crisis

- Comprehensive threat
- Flexible business world
- Better than expected
- Regulations



... the financial crisis. One year ago the threat was extensive.

We feared mass unemployment and bankruptcies in the Swedish economy and sharply increased number of vacancies in the real estate sector, with heavily decreasing rental levels and real estate prices as a result.

In a retrospective view we can conclude that the effects did not become as bad as feared. The economy has dealt with the strains in a good way; unfortunately unemployment has increased, but not as much as expected.

Even for the real estate sector the outcome has been better than feared, with generally stable rental levels in Castellum's portfolio. Certainly both net lease and property prices have gone down, but not as much as feared. We believed that with a strong balance sheet it should be possible to do business at bargain prices, a belief that afterwards proved to be too good to be true.

My assessment is that the crisis in Sweden in the beginning of the 1990s was far worse.

The biggest remaining threat, according to my judgment, is the risk for a number of new regulations. It was not scarcity of regulations that set off the financial crisis; it was rather lack of transparency and common sense.

Environment

- A natural part in the property management
- Low energy consumption
- Awards as an acknowledgment



The other area is the environment. In Castellum environmental issues are not standing by themselves; they have since 1995 been a natural and integrated part of the management with focus on energy savings, environmental inventories and to reduce oil consumption to a minimal level. Environmental issues don't carry a large price tag; it is more a matter of good order and they give many good investment opportunities.

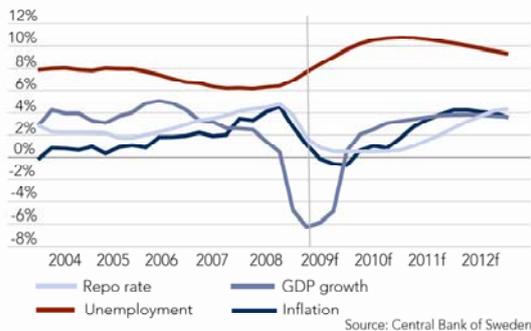
The majority of all Swedish commercial properties have been energy declared, with Boverket – the National Board of Housing, Building and Planning – as responsible authority. The result for Castellum was very pleasing, reaching only 68 % of the average energy consumption in comparable properties.

Therefore it is very satisfying to show what we have done historically. Brostaden has as the first and Harry Sjögren as the third company in Europe been appointed Green Building Corporate Partner.

Within the real estate business there is an ongoing discussion about which environmental system is the best – Green Building, Leeds or Breeam. Castellum has through Eklandia built the first Breeam-certified property in Sweden.

For this audience I can reveal something which is not yet public. We have unofficial information that Brostaden in April will be awarded the honor as, freely translated, “the Greenest Real Estate Company in Europe 2009”.

Castellum and a global recession



- Macro
- The rental and real estate market
- Interest and creditmarket

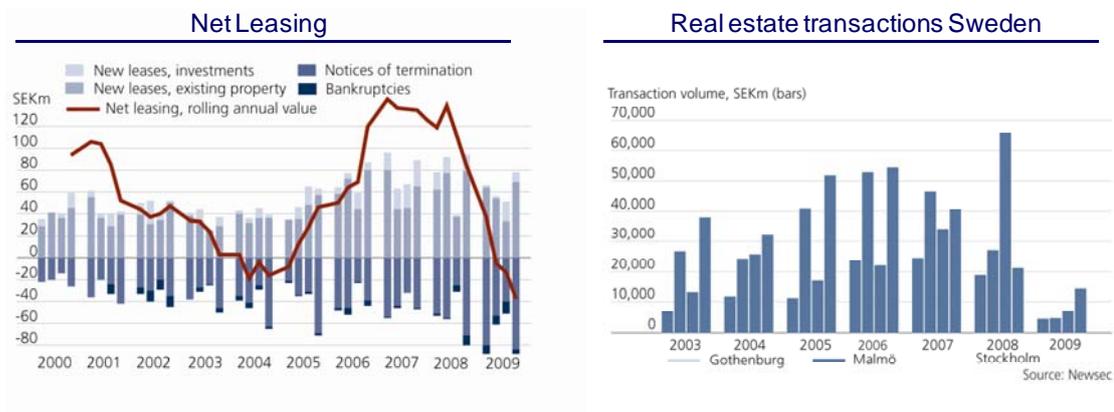
Castellum is through our tenants and customers a mirror of Swedish domestic economy, so in order to analyze the future we have to look around.

Macro: The prospects for Sweden are good. State finances are in good order, notices of redundancy and lay-offs are less than feared, we are an export-dependent country and used to big fluctuations in the trade outlook, with a supportive currency. Both Swedish and foreign analysts are of the opinion that Sweden will recover earlier from the recession than other European countries.

The rental and credit markets: hopefully we will see increasing interest rates, the best proof of growth and inflation in the economy. No real estate company with a strong balance sheet has, as far as I know, suffered from growth and inflation, despite of higher nominal interest levels.

Swedish banks have managed well throughout the crisis, some better and those with problems in the Baltic region somewhat worse. The credit market has clearly recovered since 9 months, even though the margins have doubled, in comparison to before the crisis. Regarding the credit market one may say a few words of warning for an “over regulation”, as has been commented upon before.

Rental and real estate market



The net lease, the red line, in Castellum describes the rental market in an excellent way. From its peak values in 2007 and 2008 the demand fell dramatically, but only marginally under zero. The first part of 2010 shows no signs of further deterioration.

The real estate market, to the left, shows the same pattern, and even more dramatically so. 2009 were stagnant. The last quarter of 2009 showed an improvement, which definitely will be more pronounced in the beginning of the present year.

If is of course impossible to rule out a rebound effect and a double-dip – Greece, the Euro, large credits maturing within the next few years – but yet I choose to believe in a slow growth in the Swedish economy, with a certain inflation.

Development

	2006	2007	2008	2009	Evaluation 2010	Scenario 2011
Rental value						
Vacancies						
Property costs						
Interest rate costs						
Investment SEKbn	2,2	2,6	2,7	1,2	1,5	2,0
Income from property management	8%	5%	5%	16%		
Real estate price						

In such a scenario – a slow growth – I make the following prediction for the next few years.

The rental levels are stable and are expected to remain so. With an increasing inflation a slight growth in rental levels cannot be ruled out for 2011.

With a smaller, but negative net lease during 2009, the number of vacancies will probably increase slightly in 2010, and thereafter stabilize. I am not expecting any major changes, while at the same time I also believe that Castellum's organization can take market shares.

Initially property costs were supposed to go down, but after an extreme winter with unforeseen heating and snow clearing costs, the same level as for 2009 is expected. A return to normal would in that case implicate unchanged costs for 2011.

Market interest rates will almost certainly go up. My prediction is that they will not have any major influence on Castellum's interest costs, as the Riksbank is not supposed to raise the interest rates until the fall and that Castellum has locked in a large part of their credit portfolio for longer

durations. Under this scenario the interest rates will however increase in 2011.

At the moment Castellum has an ongoing project portfolio amounting to approx SEKm 1,000. With some additional projects and acquisitions, a level of 1,500 up to 2,000 SEKm might be possible to reach.

Regarding property prices I might be somewhat aggressive, but I do not rule out minor increases in value towards the end of the current year, increases which to a limited extent will continue during 2011.

All together 2010 is supposed to become an intermediate year – between a turbulent 2009 and a 2011, when the economic upswing will take off.



Regardless of the state of the market, Castellum has got what it takes to keep its progress going – good earnings, strong balance sheet, many and strong customers and last but not least skilful and dedicated employees who like to do business and take care of our customers.

And thereby my speech has come to an end.