

Corporate Governance Report

"At this time of writing, it's been less than a year since I was entrusted with leading the Board's work at Castellum. It is a pleasure to work closely with the company again; I had the privilege of advising Castellum prior to the IPO in 1997.

Castellum's organizational form and business model have remained intact, just as objectives and general strategies have done. The greatest difference is that Castellum's property values have risen by a factor of three. The portfolio is also characterized by significant activity, including the active management of existing properties as well as property acquisitions and project developments.

Castellum's corporate governance design is based squarely on the specific structure and operations of the company. Effective reporting systems and reliable controlling systems comprise robust financial factors of major importance.

Of even more fundamental importance, however, are the stable culture and ethical fundamentals that permeate the entire organization - i.e., from executive management to the employee closest to the customer.

Castellum's operational risk has been reduced via a wide distribution in the number of properties and customers. The Castellum management model and small-scale operational structure are based on the belief that the best decisions are made close to the customer and in the local competitive environment. The Group's stated objectives, strategies, policies and guidelines point out the direction and framework that



enable employees to work in a uniform direction with the overall objective of generating shareholder value.

2012 has been an intense business year for both Board and management. In addition to the traditional governance issues outlined above, the recruitment of a CEO to succeed Håkan Hellström has held a unique position. As part of the task, the Board focussed specifically on future issues to define the possibilities and challenges that we expect a new CEO to take on. This process was undertaken with a broad approach and it attracted strong candidates; both externally and internally. The Board now looks forward to further developing Castellum's open and well-functioning governance with incoming CEO, Henrik Saxborn.

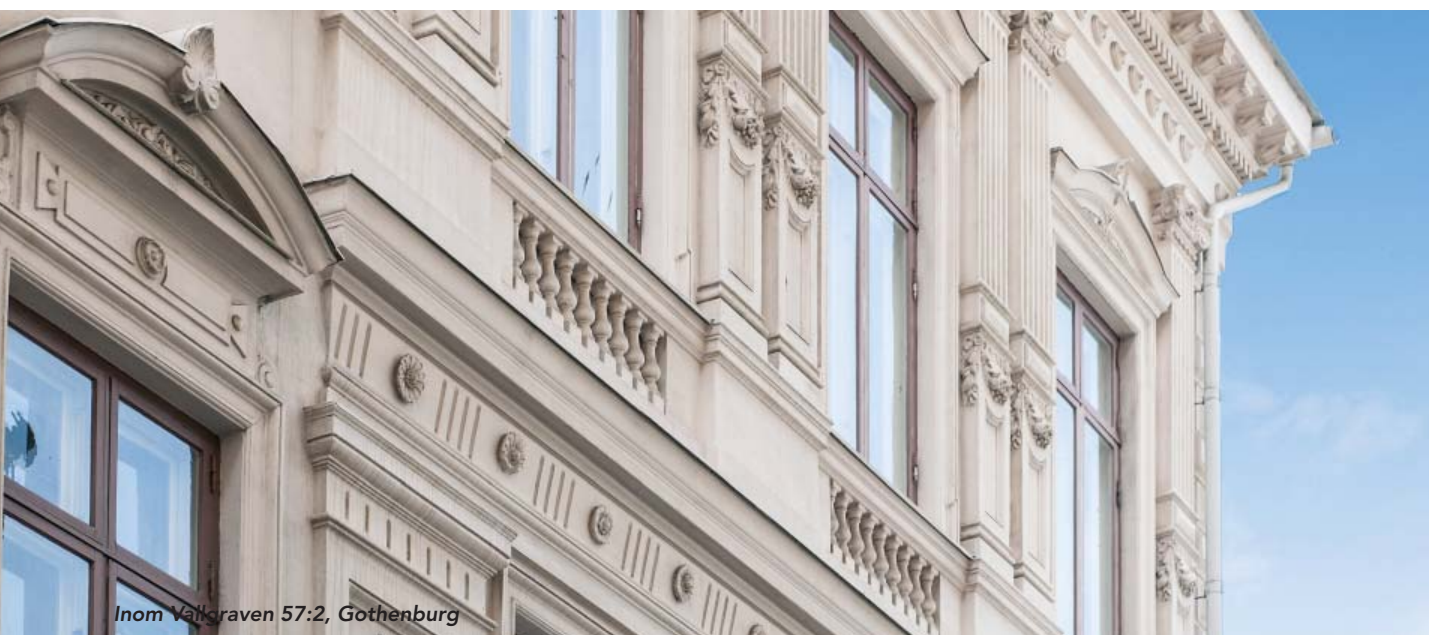
Another area that required special Board attention was a thorough evaluation of the remuneration structure for executive management while renewing the incentive plan for submission to the AGM.

To conclude, from 2012 Board efforts, I'd like to highlight Castellum's high activity in business development – reflected in increased volumes and the number of investment matters requiring Board approval. To maintain the Board's capacity to properly support and challenge management, we follow a rolling schedule where "doing our homework" and providing inspiration on crucial company issues alternate with hands-on business visits, as critical and significant components.

Based on Castellum's strong position, both the Board and corporate management are determined to identify and capture business opportunities that create sustainable shareholder value."

January 2013

*Charlotte Strömberg
Chairman of the Board in Castellum*



Inom Valograven 57:2, Gothenburg

Swedish code for corporate governance

Corporate governance covers the various means of decision making by which the shareholders – directly and indirectly – control the company. Corporate governance has evolved through laws, recommendations, the “Code” (Swedish Code for Corporate Governance), and through self-regulation. It is based upon the comply-or-explain principle, meaning that all rules do not always have to be followed and there is no crime in deviating from one or more particular rules of the Code if there are motives and explanations. The Swedish code for corporate governance is conducted by the Swedish Corporate Governance Board and is found at www.bolagsstyrning.se.

Castellum applies the Code with the purpose of creating good preconditions for taking on the role of active and responsible ownership. The model below describes the overall structure of corporate governance in Castellum AB.

Castellum deviates from the paragraph, “making the members of the Election Committee public”, which according to the code shall be made six month prior to the AGM. The AGM 2011 decided, according to previous practice, that an Election Committee should be established at the end of the third quarter, and that the names of the members of the Election Committee should be published in the company’s third interim report for the year. According to this composition of the Election Committee was published approximately five months prior to the AGM.

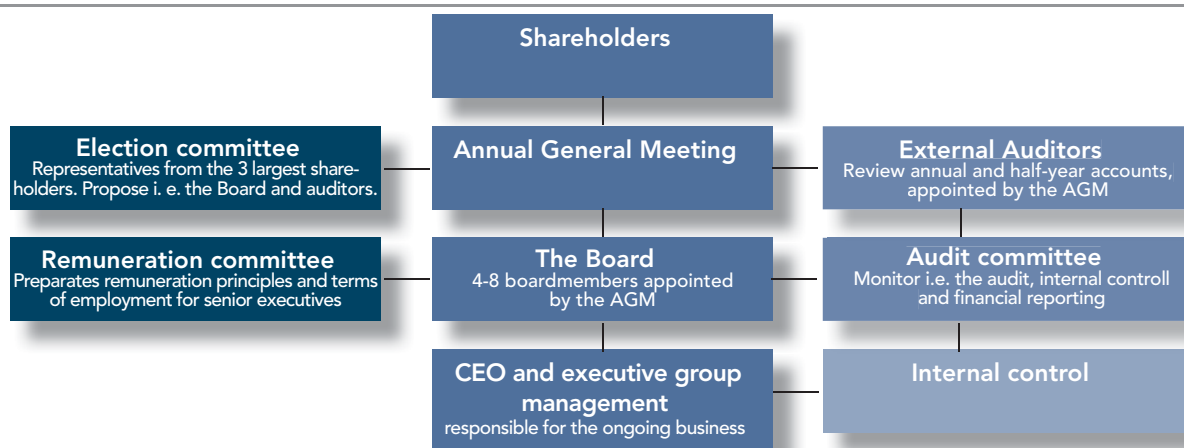
The time for publication of the election committee is proposed to be changed to the AGM 2013 so that the Code will be followed.

Shares and shareholders

The Castellum share is listed on NASDAQ OMX Stockholm AB Large Cap. At year end, Castellum had approx. 9,900 shareholders. Of the total share capital, 40% was owned by mainly Swedish institutions and mutual funds and 60% was owned by foreign investors. Castellum has no direct registered shareholders with holdings exceeding 10%.

The share capital amounts to SEK 86,003,354, distributed among 172,006,708 shares with a par value of SEK 0.50. Each share, except the company’s own repurchased shares of 8,006,708, entitles the holder to one vote and carries an equal right to a share in Castellum’s capital. Potential shares (e.g., convertible bonds) do not occur.

Overall Structure for Corporate Governance



Major external regulations

- Swedish Companies Act.
- Rules for issuers at NASDAQ OMX Stockholm
- Swedish Code of Corporate Governance

Important internal regulations

- Articles of Association
- Board of Directors’ rules of procedures
- Policies for information to the stock market, finance, accounting
- Processes for internal control and risk management
- Code of Conduct

Articles of association

The name of the company is Castellum Aktiebolag and the company is a public limited company. The registered office of the Board is in Gothenburg.

The objective of the company’s activities is to acquire, administer, develop and sell real estate and securities – directly or indirectly through wholly or partially owned companies – and to carry out other activities compatible with these. Changes in Castellum’s articles of association are made in accordance with the regulations in the Companies Act. The articles of association, which also includes information on share capital, number of board members and auditors as well as rules for summons and agenda for the annual general meeting is available as a whole on the company’s web site.

Annual General Meeting

The decision-making rights of shareholders in Castellum are exercised at the shareholders' meeting. The AGM (ordinary shareholders' meeting) is held in Gothenburg during the first half-year. The annual general meeting elects the board of directors and the company's auditors as well as making decisions on changes in the articles of association and on changes in the share capital.

Participation in decision-making requires the shareholder's presence at the meeting, either personally or through a proxy. In addition, the shareholder must be registered in the share register by a stipulated date prior to the meeting and must provide notice of participation in the manner prescribed. Individual shareholders requesting that a specific issue be included in the agenda of a shareholders' meeting can normally request the Castellum board to do so well in advance of the meeting via an address provided on the Group's website.

Decisions at the meeting are usually taken on the basis of a simple majority. However, regarding certain issues, the Swedish Companies Act stipulates that proposals must be approved by shareholders representing a larger number of votes than the number of votes cast and shares represented at the meeting.

Annual General Meeting 2012

The latest AGM was held on March 22, 2012 in RunAn, Chalmers Kårhus in Gothenburg. At the AGM, 406 shareholders were represented, representing 43.7% of the total number of shares and votes. All members of the board and one of the company's auditors and the deputy auditor were present at the AGM.

The AGM adopted the financial reports for 2011 and discharged the board of directors and the chief executive officer from liability regarding operations for 2011.

On the AGM on March 22, 2012 the board of directors decided;

- a dividend of SEK 3.70 per share for fiscal year 2011,
- that remuneration to the board of directors should be SEK 1,980,000 out of which SEK 510,000 should be allocated to the Chairman of the Board and SEK 245,000 to each one of the remaining members of the board of directors. The remuneration include work on the committees,
- re-election of the present board members Mr. Per Berggren, Mrs. Marianne Dicander Alexandersson, Mrs. Ulla-Britt Fräjdin-Hellqvist, Mr. Christer Jacobson and Mr. Johan Skoglund, as members of the board of directors. In addition to this Mrs. Charlotte Strömberg and Mr. Jan Åke Jonsson were elected as new members of the board of directors. Mrs. Charlotte Strömberg was elected as new chairman of the board of directors,
- to approve the Board's proposed guidelines for remuneration to members of the executive management,
- to authorize the Board in order to adjust the company's capital structure and be able to transfer company-owned shares as a payment or financing of real property investments to resolve on the acquisition and transfer of company-owned shares.

Minutes of the annual general meeting held on March 22, 2012 are available on the company's web site.

Annual General Meeting 2013

For the AGM on March 21, 2013 the board of directors proposes:

- a dividend of SEK 3.95 per share and March 26, 2013 as record day,
- guidelines for remuneration to members of the executive management,
- a renewed incentive program to the executive management,
- a renewed mandate for the Board to decide on purchase or transfer of the company's own shares.

The election committee proposes for the AGM;

- re-election of all the present board members; Mrs. Charlotte Strömberg, Mr. Per Berggren, Mrs. Marianne Dicander Alexandersson, Mrs. Ulla-Britt Fräjdin-Hellqvist, Mr. Christer Jacobson, Mr. Jan Åke Jonsson and Mr. Johan Skoglund. Mrs. Charlotte Strömberg is proposed to be re-elected as chairman of the board of directors,
- that remuneration to the members of the board of directors is proposed to be SEK 2,025,000, out of which SEK 525,000 should be allocated to the chairman of the board of directors and SEK 250,000 to each of the other members of the board of directors (including remuneration for work in the audit committee). The board of directors has decided to establish a separate remuneration committee within the board of directors. The remuneration committee shall include three board members, including the chairman of the board of directors, who also will be the chairman of the remuneration committee. The level of remuneration for work on the remuneration committee is proposed to be SEK 30,000 per person, in total SEK 90,000. Compared with last year, the proposal entails an increase of the total remuneration with SEK 135,000 and a total remuneration to the members of the board of directors, including remuneration for work in the remuneration and audit committees, of SEK 2,115,000.
- for AGM to decide on appointing an election committee for the AGM 2014 and for the Chairman to contact the three largest registered or in an other way known shareholders at the end the last day of share trade in August 2013 and invite them to each appoint one member to the election committee, the appointed members together with the Chairman of the board of directors shall constitute the election committee. The election committee will appoint a chairman amongst its members. The name of the members in the election committee shall be published at the latest six months before the next AGM.

Election Committee

The AGM resolves upon the nomination process for the board of directors and, when appropriate, the auditors. The Annual General Meeting 2012 decided that an election committee should be appointed for the AGM 2013 in order to present proposals for the number of members of the board of directors, election of members of the board of directors, chairman of the board of directors and remuneration to members of the board of directors.

The election committee's proposals are publicly announced no later than on the date of notification of the AGM. Shareholders may contact the election committee with proposals for nomination.

The election committee is appointed according to the AGM's decision that the election committee should be established by the Chairman contacting the three largest shareholders at the end of the third quarter in order for them to each appoint one member to the election committee. The appointed members, together with the Chairman of the board of directors as convener, should constitute the election committee. The election committee would appoint chairman amongst its members.

For the AGM in 2013 the process to appoint the election committee is proposed to be changed so that the three largest shareholders are contacted the last day of trade in August 2013 instead of at the end of the third quarter. The change means that Castellum not deviate from the code in time of making the members of the election committee public.

The election committee to the AGM 2013 includes: Rutger van der Lubbe representing Stichting Pensioenfonds ABP, Maj-Charlotte Wallin representing AFA Försäkring, Johan Strandberg representing SEB Fonder, and the Chairman of the Board Charlotte Strömberg. Maj-Charlotte Wallin is the chairman of the election committee.

The election committee has held three meetings with minutes where all the issues the election committee are obliged to address according to the Swedish Code for corporate governance has been dealt with.

The election committee has decided to propose re-election of all the Board members and the Chairman of the Board. The proposed board of directors is considered to possess the versatility and competence, experience and background required with respect to Castellum's business, phase in the development and other circumstances.

In order to be able to judge the proposed board member's independency in relation to Castellum and its executive management as well as to the larger shareholders in Castellum, the election committee has gathered information on the proposed members of the board of directors.

Finally, the election committee has informed Castellum about the work of the election committee and which proposals the election committee has decided to put forward.

Election Committee AGM 2013

Representative	Representing	Share of votes September 30, 2012
Rutger van der Lubbe	Stichting Pensioenfonds ABP	approx 7,5%
Maj-Charlotte Wallin	AFA Försäkring	approx. 4,0%
Johan Strandberg	SEB Fonder	approx 2,8%
Charlotte Strömberg	Chairman of the Board in Castellum	



Inom Vallgraven 22:3, Gothenburg

Board of Directors

According to the articles of association, Castellum's Board shall consist of no less than four and no more than eight members. Board members are elected at the annual general meeting for the time until the end of the first annual general meeting held after the year the board member was elected. During 2012, the Board was made up of seven regular members. The Board works according to a set of procedural rules containing instructions on the allocation of work between the Board and the CEO. No board member is entitled to remuneration if leaving the assignment.

New board members receive an introduction of the company and its operations and take the stock exchange's training program according to the agreement with the stock exchange. The Board receives regular information of regulatory changes and issues concerning the operations and board responsibilities for a listed company.

For Board decisions the rules of the Companies Act apply, stating that at least half of the board members present and more than one third of the total number of board members must vote in order for a decision to be made. On equal count the Chairman has the deciding vote. The Board's work is governed by the Swedish Companies Act, the Code and the Board's rules of procedure.

The Board of Directors responsibility

According to the Swedish Companies Act and the board of directors' rules of procedure, the Board is responsible for outlining overall, long-term strategies and objectives, budgets and business plans, reviewing and establishing the accounts, as well as making decisions on issues regarding investments and significant changes in Castellum's organization and operations. The Board appoints the company's Chief Executive Officer and sets remuneration and other terms of employment benefits for the CEO.

The Board of Directors' rules of procedure

The board of directors' rules of procedure are set annually. The rules of procedure describe the work of the Board and the distribution of responsibility between the Board and the Chief Executive Officer. The rules of procedure also state which topics should be dealt with at each Board meeting and give instructions regarding the financial reporting to the board of directors.

The rules of procedure also prescribe that the Board shall have an audit committee and a remuneration committee. The Chairman of the committees should be the Chairman of the board of directors.

The Chairman of the Board of Directors

The Chairman of the board of directors is responsible for making sure that the members of the Board regularly receive information needed from the Chief Executive Officer in order to follow up on the company's financial position, results, liquidity, financial planning and development. The Chairman of the board of directors is also obliged to fulfill decisions made by the Annual General Meeting regarding establishment of a election committee and to take part in the work of the committee.

The Board of Directors' activities during 2012

During 2012, Castellum's Board has held 13 meetings of which one was a Board meeting following election. According to the prevailing procedural rules, the Board must hold at least seven scheduled board meetings each calendar year, of which one is a Board meeting following election.

Board meetings are held in connection with the publication of the company's reports, year end, proposed appropriation of profits and issues relating to the AGM (dealt with in January), interim accounts (April, July and October), strategy (May). The Business Plan for the next year is dealt with at the meeting held in December.

The Board's year - issues besides current state of operations, prospects, investments, sales och financing

Boardmeeting December:

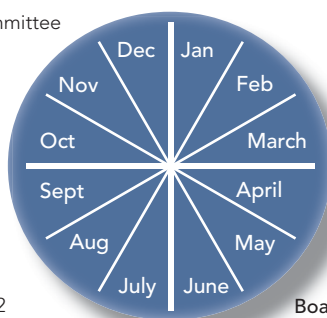
- Business plan
- Evaluation of the Board and CEO
- Audit Committee
- Remuneration Committee
- Visit subsidiary

Boardmeeting January:

- Net income for the year
- Annual Report
- Proposed distribution of profits
- Documents for Annual General Meeting

Boardmeeting October:

- Interim Report Q3
- Decision log
- Insurance review



Boardmeeting March:

- Preparation for Annual General Meeting
- Audit Committee

Annual General meeting

Board meeting following election March:

- Signatory appointed

Boardmeeting April:

- Interim Report Q1
- Decision log
- 3-year follow up of investments
- Rules of procedure

Boardmeeting July:

- Interim Report Q2

Boardmeeting May:

- Strategy
- Audit Committee
- Remuneration Committee
- Visit subsidiary

At each of the scheduled Board meetings, matters of significance for the company, such as investments, sales of properties and funding are covered. Furthermore, the Board is informed about the current state of operations and the rental and real estate markets as well as the credit and stock markets.

The regular matters dealt with by the Board during 2012 included the Business Plan, company-wide policies, overall strategies, the procedural rules for the Board, the capital structure and funding needs, and the company's insurance situation. During 2012, the Board also worked with the recruitment of a new CEO.

During 2012, the Board has made an external evaluation of its work which demonstrated an open and constructive climate and well-functioning decision making. The evaluation and following discussion in the Board serves as a basis for the continuous development of the Board's work and ensures that the Board can make decisions which are as well-informed as possible.

The evaluation has been handed over to the election committee and the Board for discussion. The evaluation covers topics such as working climate, working procedures in the business process, crisis management, follow-up and control systems, morals, ethics and communication.

No other compensation beside the remuneration has been paid.

Remuneration Committee

The Remuneration Committee consists of all Board members and functions according to the following:

- Prepares, according to remuneration principles, remuneration and other employment terms for the CEO and senior executives. The guidelines for remuneration of senior executives are to be submitted to the Board and decided upon at the Annual General Meeting,
- Decides on outcome of the current incentive program,
- Monitors and evaluate ongoing and completed incentive plans for senior executives. The evaluation is to be presented on the company's website,
- Annually evaluates the work of the Chief Executive Officer and, where appropriate, deal with issues concerning the appointment of a CEO.

The Remuneration Committee shall meet at least twice a year. During 2012, the Committee held four meetings.

Issues addressed at the meetings included the review of the remuneration of the Managing Director and Group Executive, decisions about changes in the remuneration of members of executive management, evaluation of previous incentive programs and proposals for renewal of the incentive program. In 2012, the Remuneration Committee also made an external evaluation of the structure and levels of management's overall compensation, which consists of a fixed salary, pension, variable remuneration and non-monetary benefits. The operating premise is that the remuneration structure of Castellum will contribute to the overall goal of creating shareholder value over time. The Remuneration Committee has also worked with the recruitment of a new CEO since Håkan Hellström announced that he will leave his position as CEO in connection with the 2013 AGM.

During 2012, the Board decided to establish a separate Remuneration Committee, effective from the 2013 AGM. The separate remuneration committee is to include three Directors, including the Chairman, who will be the Chairman of the remuneration committee.

Audit Committee

The Audit Committee, which consists of all members of the Board, functions as follows:





- Reviews and monitors both financial control as well as internal audit and risk management,
- Keeps informed about the Annual Report and consolidated accounts,
- Review and monitors the auditor's impartiality and independence, and evaluates auditing activities and informs the election committee of the outcome of the evaluation,
- Assists the Committee in preparing proposals for auditors and compensation to them.

The Audit Committee is to meet at least three times a year, of which the auditors must attend at least twice. At one of those times when the Audit Committee meets with the auditors, no one from corporate management is to be present.





In 2012, the Committee met on three occasions.

Board of directors



	 <p>Charlotte Strömberg <i>Chairman of the Board</i> Born 1959, Master of Business Administration and Economics.</p>	 <p>Per Berggren, <i>Board member</i> Born 1959, Master of Science and economic education from Stockholm University. CEO of Hemsö Fastighets AB.</p>	 <p>Marianne Dicander Alexandersson <i>Board member</i> Born 1959, Master of Science. CEO Global Health Partner AB.</p>	 <p>Ulla-Britt Fräjdin-Hellqvist, <i>Board member</i> Born 1954, Master of Science. Own operations in Fräjdin & Hellqvist AB.</p>
Previous positions	CEO for the nordic business at Jones Lang LaSalle, leading positions in investment banking at Carnegie Investment Bank and Alfred Berg (ABN AMRO).	CEO of Jernhusen AB, division manager in Fabege AB, CEO of Drott Kontor AB and property manager in Skanska Fastigheter Stockholm AB.	CEO Sjätte AP-fonden and CEO Kronans Droghandel, deputy CEO of Apoteket AB and positions within Volvo, ICI, Pharmacia.	Executive positions within Volvo Personvagnar and Head of Department in Confederation of Swedish Enterprise.
Other assignments	Director in Boomerang AB, Fjärde AP-fonden, Intrum Justitia AB (publ), Skanska AB (publ) and Swedbank AB (publ).		Director of Chalmers University of Technology and Mölnlycke Healthcare AB.	Chairman of the Board in Kongsberg Automotive ASA, Sinter-Cast AB and Stiftelsen för Strategisk Forskning. Board member in Data Respons ASA, e-man, Fouriertransform, Micronic Mydata, Stockholm Environment Institute, Tällberg Foundation and Vindora Holding.
Elected	2012	2007	2005	2003
Remuneration, SEK	510,000	245,000	245,000	245,000
Attendance, Board meetings	11/11	12/13	13/13	13/13
- Remuneration Committee	4/4	4/4	4/4	4/4
- Audit Committee	2/2	3/3	3/3	3/3
Shareholdings in Castellum AB	5 100	2 700	3 030	800
Independent	Yes	Yes	Yes	Yes



	 <p>Christer Jacobson, <i>Board member</i> Born 1946, Master of Business Administration and Economics DHS. Own operations in Bergsrådet Kapital AB.</p>	 <p>Jan Åke Jonsson <i>Board member</i> Born 1951, education in computing and business administration from Högre Tekniska Läroverket in Linköping and Uppsala University.</p>	 <p>Johan Skoglund, <i>Board member</i> Born 1962, Master of Science KTH and the program of Master of Science Handelshögskolan, Stockholm. CEO JM.</p>	 <p>Johan Ljungberg, <i>Styrelsesekreterare</i> Born 1974, Secretary of the Board since 2008. Lawyer, Mannheimer Swartling Advokatbyrå.</p>
Previous positions	Stock commentator and market manager at Affärsvärlden and Head of Analysis and CEO of the Alfred Berg-group.	CEO at Saab Automobile AB and different operational management positions in Saab Automobil and General Motors.	Has experience since 1986 from JM AB in different positions.	
Other assignments	Director in Viscogel AB and Max Matthiessen Värdepapper AB.	Chairman of the board of directors of Polstieman Industri AB, Bythjul i Norden AB, Västkustens Affärsänglar AB and Datachassi AB. Boardmember of Vattenfall AB and Opus Group AB.	Director of JM AB, Mentor Sverige and Infranord AB.	
Elected	2006	2012	2010	
Remuneration, SEK	245,000	245,000	245,000	
Attendance, Board meetings	12/13	11/11	13/13	
- Remuneration Committee	4/4	4/4	3/4	
- Audit Committee	3/3	2/2	2/3	
Shareholdings in Castellum AB	40,000	0	3,000	
Independent	Yes	Yes	Yes	

Jan Kvarnström, who has been Chairman of the Board in Castellum AB since 1994 until the AGM March 22, 2012, has during 2012 attended in 2/2 board meetings and 1/1 meeting in the audit committee.

The information above refers to the situation in the end of January 2013. Shareholdings include own holdings and those of spouse, minors or children living at home and associated companies and holdings through capital assurance.

Audit

Castellum's auditors are elected by the AGM for a period of three years. The present period began in 2011 and the next election will therefore take place at the AGM in 2014. The company's auditors are Carl Lindgren, from KPMG, Magnus Fredmer, who works at Ernst & Young and deputy auditor Conny Lysér, who works at KPMG. All of them are certified public accountants.

Auditor Carl Lindgren, who has been an auditor of the company since 2007, has announced that he will leave his profession as auditor in 2013 and thereby leaves as auditor for Castellum, in connection with the AGM. Deputy auditor Conny Lysér will, as deputy auditor, replace Carl Lindgren for his remaining mandate, i.e. until after the 2014 AGM.

Remuneration to auditors

	2012	2011	2010
Audit assignment	2,610	2,671	2,682
Audit business in addition to the audit assignment	221	313	287
Tax consulting	1,481	1,599	1,410
Other consulting	8	-	-
Total	4,320	4,583	4,379
<i>of which KPMG</i>	<i>4,127</i>	<i>4,184</i>	<i>4,103</i>
<i>of which Ernst & Young</i>	<i>193</i>	<i>399</i>	<i>276</i>



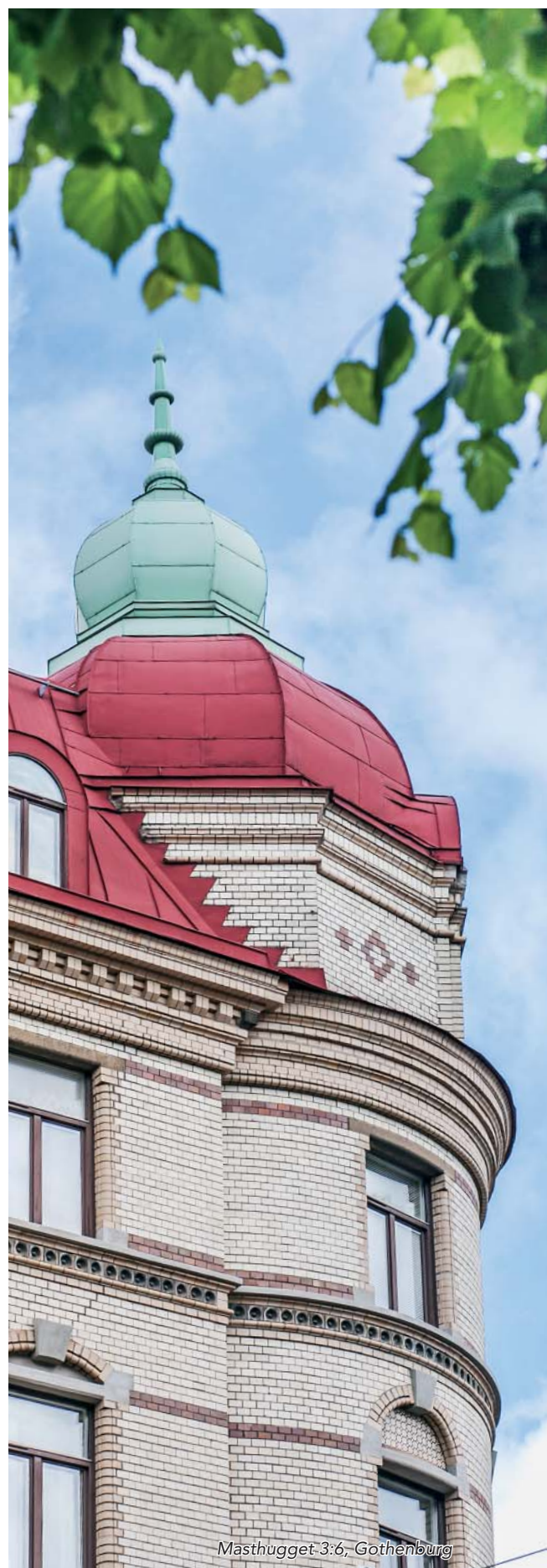
Carl Lindgren
Born 1958
Company's auditor since 2007



Magnus Fredmer
Born 1964
Company's auditor since 2011



Conny Lysér
Born 1962
Company's deputy auditor since 2003



Masthugget 3:6, Gothenburg

Executive Group Management

Executive Group Management at Castellum includes the Chief Executive Officer, the Deputy Chief Executive Officer, with responsibility for business development, the Financial and Finance Directors of Castellum AB and the six Managing Directors of the Subsidiaries. Each member of the executive group management has their own area of responsibility and at the meetings, mostly issues of overall operations are covered. The executive management has held 9 meetings in 2012.

The Chief Executive Officer and the Deputy Chief Executive Officer together with the Managing Director of each Subsidiary constitutes the Board for each local subsidiary.

The Chief Executive Officer

The Chief Executive Officer is responsible for the company's day-to-day operations and for leading operations according to the guidelines and directives submitted by the Board of Directors and for providing the Board with information and the necessary background/documentation for decision-making. The Chief Executive Officer also reports at the Board meetings and is to assure that members of the Board regularly receive the information required to follow the company's and the Group's financial position, results, liquidity, and development.

CEO change

Håkan Hellström, who has worked for the company since 1994 and as CEO since 2006, has announced that he will leave his position and retire in connection to the AGM March 21, 2013.

The Board has appointed Henrik Saxborn as new CEO to succeed Håkan Hellström. Henrik Saxborn has been deputy CEO in Castellum since 2006.

Guidelines for remuneration for Senior Executives

The AGM 2012 decided on the following guidelines for remuneration for senior executives:

Castellum is to uphold the remuneration levels competitive and terms of employment required in order to recruit and maintain excellent management with the competence and capacity to achieve set objectives. A fixed

salary will be paid for work performed in a satisfactory manner. In addition, flexible remuneration under an incentive plan may also be offered. The formulation is based on the objective of interconnecting the executive team's interests with shareholder interests and that senior management members also are shareholders in Castellum. Moreover, it entails that an increased proportion of total remuneration is directly connected to the Group's development. This flexible remuneration will aim to promote long-term value creation within the Group. Flexible remuneration which generally cannot exceed the fixed salary is determined by how far in advance its objectives for growth in property management earnings-per-share and share-price-development are achieved. It is also determined by how well soft factors, such as customer and employee satisfaction, are developed. Flexible remuneration is paid as non-pensionable salary. Executives who receive flexible remuneration are committed to acquiring Castellum shares for at least half the amount of flexible remuneration after tax.

The pension terms of the executive management are to be set according to general market practice and will be based on pension plans with fixed payments.

Upon termination by the Company, such period of notice shall not exceed 24 months for the Chief Executive Officer and 12 months for other executives, with the obligation to work the first six months. During the notice period full salary and other benefits are paid, less pay and compensation received from other employment.











Castellum has followed the guidelines decided by the AGM 2012.

The proposed guidelines for remuneration for senior executives which will be put forward at the AGM on March 22, 2013 are in principle unchanged compared with those put forward at the AGM in 2011.

The proposal for a renewed incentive plan for members of executive management will be submitted, which in principle is an extension of the existing program. In respect of the annual profit-based bonus, the incentive program is to be applicable for 2014-2016, and, for the share-price-based bonus, the effective period will be June 1st, 2011-May 31, 2017.

For further information regarding remuneration for management see note 10.

Executive Group Management

				
<p>Håkan Hellström <i>Chief Executive Officer, Castellum AB</i> Born 1956, Master of Business Administration and Economics. Leaves his position as CEO in connection with the AGM March 21, 2013.</p>	<p>Henrik Saxborn <i>Deputy Chief Executive Officer, Castellum AB, with responsibility for business development</i> Born 1964, Master of Science. Enter as CEO in connection with the AGM March 21, 2013.</p>	<p>Anette Asklin <i>Financial Director, Castellum AB</i> Born 1961, Master of Business Administration and Economics.</p>	<p>Tage Christoffersson <i>Managing Director, Eklandia Fastighets AB</i> Born 1952, upper secondary school and real estate/economy at KTH.</p>	<p>Ulrika Danielsson <i>Finance Director, Castellum AB</i> Born 1972, Master of Business Administration and Economics.</p>
<p>Employed 1994 as Financial and Finance Director. CEO since 2006. Has previously worked as Authorized Public Accountant. Other assignments: Member of the Board of West Sweden Chamber of Commerce and Industry. Shareholdings: 127,300</p>	<p>Long experience from both construction business, management and acquisitions of properties, i.e. as CEO for a property management company. Employed since 2006. Shareholdings: 23,800</p>	<p>More than 20 years experience from bank and finance. Employed since 2000 and Financial Director since 2006. Shareholdings: 31,310</p>	<p>Has been working in the real estate business since 1976. Employed since 1994 and Managing Director of Eklandia since 1995. Shareholdings: 55,000</p>	<p>Experience within the financial and controlling function. Employed since 1998 and Finance Director since 2006. Shareholdings: 9,000</p>
				
<p>Claes Junefelt <i>Managing Director, Fastighets AB Corallen</i> Born 1960, Master of Science.</p>	<p>Claes Larsson <i>Managing Director, Aspholmen Fastigheter AB</i> Born 1957, Master of Science.</p>	<p>Anders Nilsson <i>Managing Director, Fastighets AB Brostaden</i> Born 1967, Master of Science.</p>	<p>Christer Sundberg <i>Managing Director, Harry Sjögren AB</i> Born 1955, Master of Science.</p>	<p>Gunnar Östenson <i>Managing Director, Fastighets AB Briggen</i> Born 1956, Master of Business Administration and Economics.</p>
<p>More than 15 years experience from building construction as team manager/district manager. Employed and Managing Director of Corallen since 2005. Shareholdings: 12,220</p>	<p>More than 10 years experience from building construction as team manager/district manager. Employed and Managing Director of Aspholmen since 2002. Shareholdings: 25,400</p>	<p>More than 15 years experience from the real estate business. Employed since 1993 and Managing Director of Brostaden since 2006. Shareholdings: 10,534</p>	<p>More than 25 years experience from banks and real estate companies. Employed and Managing Director of Harry Sjögren AB since 1993. Shareholdings: 50,075</p>	<p>Previous experience from real estate management and the construction industry. Employed and Managing Director of Briggen since 2006 Shareholdings: 11,350</p>

The information above refers to the situation in the end of January 2013. Shareholdings include own holdings and those of spouse, minors or children living at home and associated companies and holding through capital assurance.

Internal control

According to the Swedish Companies Act and the Swedish Code for Corporate Governance, the Board of Directors is responsible for internal control. This report has been drawn up in accordance with the Swedish Annual Accounts Act and the Code for corporate governance and is therefore limited to internal control regarding financial reporting.

Internal control in Castellum follows an established framework, Internal Control – Integrated Framework, "COSO", comprising the following five components: control environment, risk assessment, control activities, information-and-communication, and monitoring.

Control environment

The basis for internal control of financial reporting comprises a control environment, which consists of various parts that form Castellum's management culture and values. The fundamentals for Castellum's internal control comprise the following: a decentralized small-scale organization with over 600 properties, as well as cost centres, which are managed by six Subsidiaries, each with approx. 35-45 employees. The decision-making processes, authorizations and responsibilities which have been drawn up and communicated in documents such as the Board of Directors' rules of procedure, rules for decision making, rules for authorization, accounting and reporting manuals, internal policies and manuals, etc., are also important for internal control. Documents in use are updated regularly to reflect changes in legislation, accounting standards or listing requirements etc.

Risk assessment

At Castellum, risk management is built into our processes and various methods are used to evaluate and limit risks. We secure that the risks Castellum is exposed to are managed in accordance with set policies and guidelines. In accordance

with the rules of procedure, the Board of Directors, and the Audit Committee, review internal control once a year. Identified risks are assessed and measures are set to reduce these risks. The important risks Castellum has identified in financial reporting are errors in accounting and valuation of properties, interest-bearing liabilities, taxes and VAT, as well as the risk of fraud, loss or embezzlement of assets.

Control activities

The risks identified in financial reporting are addressed by the company's control structure, resulting in a number of control measures. The control measures aim to prevent, discover and correct errors and deviations. They comprise analytical reviews on many levels in the organization: comparisons of income statement items; reconciliation of accounts; follow-up and reconciliation of Board decisions and policies set by the Board; authorization and reporting of business transactions; structure for proxy and authorization; authorized signatory; compliance-officer activities; group-wide definitions; templates and tools for reporting as well as accounting and valuation principles.

Castellum subsidiaries have their own financial functions, which take part in the planning and follow-up of financial results for their units. The regular self-analysis of unit financial reporting and the analysis made at Group level constitute an important part of internal control. This ensures that financial reporting does not contain any significant errors.

Information and communication

Castellum has processes for information and communication that aim to ensure the effective and correct distribution of information regarding financial reporting. This demands that all areas of the operation communicate and share relevant and important information. Policies and guidelines regarding financial reporting as well as updates and changes are

Castellum's internal control environment



The internal control is governed by;

- Board of Directors' rules of procedures
- Rules for decision making
- Instructions for authorization
- Accounting manuals
- Reporting manuals
- Policies, manuals and Code of Conduct

made available and clearly communicated to the personnel concerned. The executive management as well as the Board of Directors regularly receive financial information about the subsidiaries with comments on financial results and risks. The Board of Directors also receives additional information regarding risk management, internal control and financial reporting from the auditors through the Audit Committee. In order to ensure that the external distribution of information is correct and complete, we have both a policy for communicating with the stock market and an information security policy.

Company culture

That Castellum's operations are conducted in a responsible way is a prerequisite for the company's long-term successful business. The objective is to make sound and proper business decisions in all respects high business morality, good business ethics, responsibility awareness and impartiality. The base of Castellum's code of conduct is to offer good quality and service, to follow laws and regulations, not to discriminate against anyone and to create good working environment and safety.

Corner stones for Castellum's company culture has been: The decentralized organization, which creates responsibility and committed employees, where each single colleague is a business collaborator. The geographical proximity to customers, community, suppliers and other parties involved creates a responsibility to act correctly and businesslike.

In Castellum's flat organization each employee has an important role and new ideas are valued, as well as a high level of competence is available within the organization.

When Castellum was established clear guidelines were formed, where the work is carried out in structured processes, creating order and clarity and thus guarantee

credibility and quality in the work. The flat organization provides a natural transparency and quality assurance.

Monitoring

Regular follow-ups take place on many levels in the Group, on both property-level and Subsidiary-level as well as Group level. The Board of Directors, which also makes up the Audit Committee, regularly evaluates the information provided by company management and the auditors. The company's auditors also report in person directly to the Audit Committee at least twice a year re their observations from the audit and their assessment of internal control. In addition, the Audit Committee conducts an annual review of the risk assessments and agreed-upon measures. Monitoring by the Audit Committee and the Board of Directors is of particular importance for the development of internal control and for ensuring that measures are taken for possibly emerging shortcomings and suggestions.

The need for internal audits

Castellum features a small-scale organization with approx. 35-45 employees in each company. Together, these units manage over 600 cost centres. All property management is run by the Subsidiaries while financial management is taken care of by the parent company's treasury department. This means that Castellum AB is not a profit centre. It places the financial function of the parent company in the twin roles of a controlling function for the Subsidiaries as well as a compliance-officer function for the treasury department. The finance director in the parent company also report directly to the Audit Committee, without other management attendance, observations made and measures relating to compliance. In all, this structure provides a rationale for the assessment that there is no need for a special internal auditing unit.



Atollen, Jönköping

Audit Report

To the annual meeting of the shareholders of Castellum AB (publ) corporate identity number 556475-5550

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Castellum AB (publ) for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 4-110.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act.

The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Castellum AB (publ) for the year 2012.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Gothenburg January 31, 2013



Carl Lindgren
Authorized Public Accountant



Magnus Fredmer
Authorized Public Accountant