

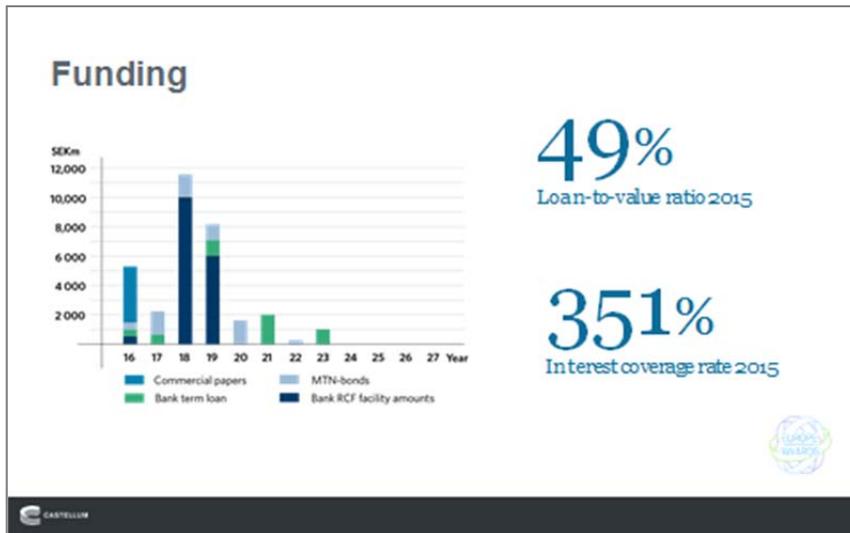
## CEO Speech, Annual General Meeting 2016



### High Activity in 2015

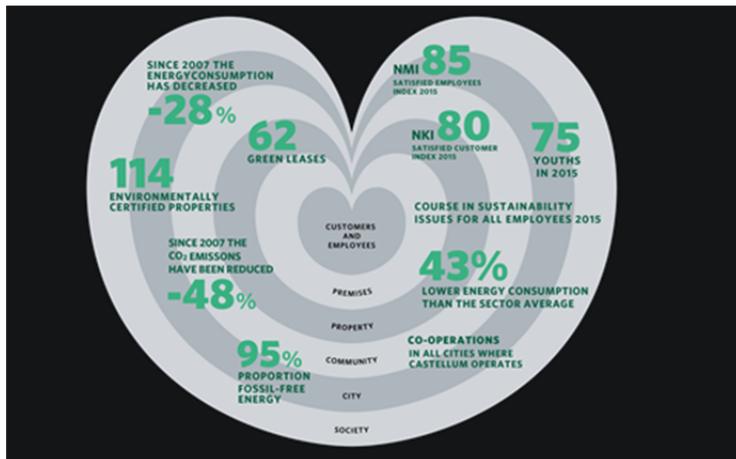
I stood here a year ago and said that 2014 was an active year, but now we can establish that 2015 has been a very active year for Castellum. In the past 15 months, we've sold properties for SEK 4 billion, while acquiring properties for a total of SEK 4.6 billion, excluding shares in CORHEI Fastighets AB. So what have we sold and acquired?

- At the end of January 2015, we doubled our Copenhagen holdings, in a transaction amounting to SEKm. This also included a property in Marievik, Stockholm.
- In mid-April, we entered into a new market, Norrköping, and became established in central Linköping through a property transaction valued at SEK 2.4 billion. In March of this year, 2016, we acquired the entire real estate company.
- Moreover, in the autumn of 2015, Castellum became established in the Hyllie city district of Malmö, for the first time – an upscale office building. The investment amounted to more than SEKm 300.
- In Stockholm there is an ongoing restructuring towards selected market segments, which meant that we acquired properties on Kungsholmen, in Hagastaden and in Marievik for more than SEK 2 billion and sold properties worth approx. SEK 1 billion in Akalla.



## Strong Finances

There's also been a high level of activity in terms of creditor negotiations. By mid-year, these resulted in extended loan facilities, secured interest rate margins totalling SEK 18 billion and issued MTNs amounting to SEK 3.5 billion. This means that Castellum enjoys power-to-act and the ability to finance attractive future investments, as they present themselves. The company currently has over SEK 5 billion in unused long-term credits at its disposition.

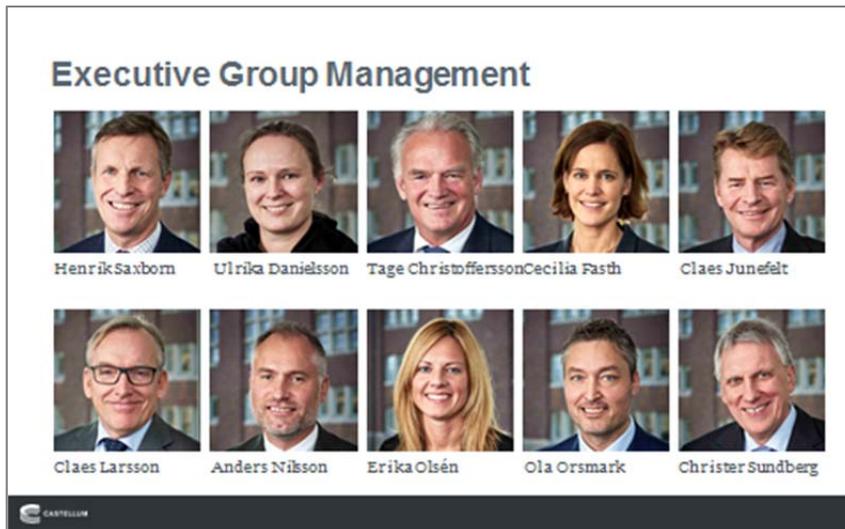


## Sustainability Efforts Rewarded

Sustainability has always been a natural part of Castellum's operations, but in recent years we've set even higher demands. This not only means that our energy consumption has decreased by 28% since 2007, but it's also been reduced by a whole 5% during 2015. However, what's most important is that we contribute to the communities in which we operate. We have therefore decided that as many as 4% of our employees will be apprentices, taking a hands-on step into working life. In 2015, this meant 75 young people came to work with us. The second initiative I'd like to mention is that Castellum was the first real estate company to join Fossil-free Sweden – a government initiative to phase out Swedish use of fossil fuels.

All this has led to Castellum being designated Europe's most sustainable real estate company when we received the Business Leadership in Sustainability award. It's crucial that everyone understands there are profits to be made in creating a sustainable corporation and a sustainable society!

And as part of our efforts to take more responsibility for the surrounding world, you'll not be receiving small souvenir gifts this year. Instead, the money will be donated to the Gothenburg City Mission and to MSF (Doctors Without Borders) – an action we hope you will appreciate.



## Executive Group Management

Leading this organization, and ensuring that we maintain our persistent everyday toil with the highest competence and skills level, is our Executive Group Management. We've added a new name this year; so let's begin with Erika Olsen. She's our new CIO, responsible for investment operations.

- Ulrika Danielsson, Chief Financial Officer
- Tage Christoffersson, Head of Business Development
- Cecilia Fasth, Managing Director of Eklandia here in Gothenburg
- Claes Junefelt, Managing Director of Corallen in Eastern Götaland
- Claes Larsson, Managing Director of Aspholmen in Mälardalen
- Anders Nilsson, Managing Director of Brostaden in Stockholm
- Ola Orsmark, Managing Director of Briggen in Öresund
- Christer Sundberg, Managing Director of Harry Sjögren, with business operations in Western Sweden.

In all, we take care of 5,000 customers together with 299 employees who manage and develop 597 properties.

## Income statement

SEKm	January- December 2015	January- December 2014
Rental income (fully let)	3,720 - SEK 1,100 / sq.m.	3,704 - SEK 1,100 / sq.m.
-/. Vacancies	- 430 10 %	- 476 11%
Property and administration costs	- 1,187 - SEK 320 / sq.m.	- 1,204 - SEK 300 / sq.m.
JV: Income from prop mgmt	23	-
Net interest costs	- 602 2.0% / 2.5 year	- 664 3.4% / 2.8 year
<b>Income from prop. mgmt incl. results from JV</b>	<b>1,533 SEK 0.35 / share</b>	<b>1,450 SEK 0.84 / share</b>
<b>Growth - objective 10%</b>	<b>6%</b>	<b>8%</b>
Change in value		
Properties	1,837	344
Derivatives	216	- 660
JV: Changes in value and tax	- 2	-
Current tax	- 16	- 11
Deferred tax	- 687	88
<b>Net income</b>	<b>2,881 SEK 17.57 / share</b>	<b>1,211 SEK 7.58 / share</b>
<b>Proposed dividend / share, SEK</b>	<b>4.90</b>	<b>4.60</b>



## Our Efforts Yield Results

All this taken together meant that growth in income from property management was 6% in 2015. Hence, we delivered an income from property management that increased by SEKm 83, due to reduced vacancies, additional contributions from investments and lower cost of capital. One can say that, in all, we delivered strong growth, considering property sales conducted during the year. If we were to just focus on 4th quarter growth, it totalled a whole 13%, proving that our implemented measures were effective.

## Balance sheet

SEK,m	December 31, 2015	
Investment properties	41,818	- SEK 12,282 / sq_m and 6.5% yield
Other assets	834	
	42,652	
Equity	15,768	
Deferred tax liability	4,499	} NOOAV SEKm 18,046 / SEK 116 NAV SEKm 21,184 / SEK 129
Derivatives	1,117	
Interest-bearing liabilities	20,396	LTV 49%
Other liabilities	1,072	
	42,652	



### Strong Balance Sheet

We've also created promising conditions for the future, as our balance sheet is strong. We possess properties valued at SEK 42 billion – a net asset value that increased by 13% during the year – but most importantly, the loan-to-value ratio reached no higher than 49% at year-end. This means that we have investment capacity and we're able to consider future risk-taking.



## **Our Markets**

How do things look in those markets in which we operate, i.e. the financial, real estate and rental markets?

### ***Financial Market***

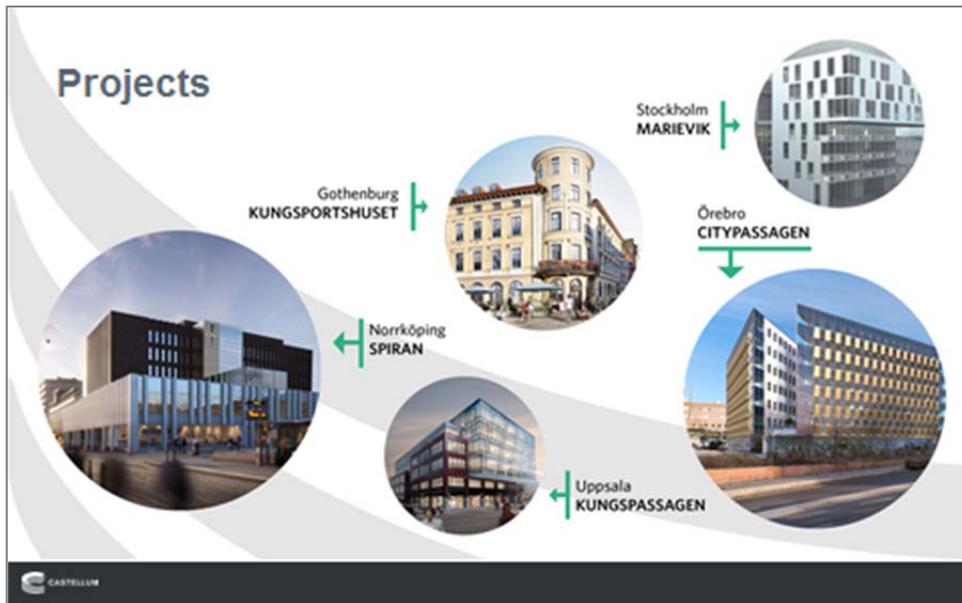
Since the operations we conduct are capital intensive, we are dependent on the financial market. A company such as ours, with a solid balance sheet, has always had access to capital, and I'm confident that this will continue.

### ***Real Estate Market***

Today's market shows high demand. Furthermore, demand still exceeds supply and it is driven by plentiful access to equity capital. In the current real estate market, the next property sold continues to be more expensive than the previous one.

### ***Rental Market***

The rental market is strong in all our areas, and it's strongest where the vacancy rate and new construction volumes are low: in cities like Gothenburg and Stockholm, but also in Jönköping, Örebro etc. This situation enables us to renegotiate leases in the central parts of these cities.



## Projects

In a situation such as this with three strong markets – especially a low-vacancy rental market – it becomes important to initiate as many projects as we can find in attractive locations. That's where our customers want to be and where they'll develop further with us. This means that we're currently compiling a very interesting project portfolio for the future. Here's where a combination of stability, far-sightedness and close cooperation with customers/municipalities continues to create growth conditions all around Sweden.

The picture illustrates a number of potential projects with a total investment volume of more than SEK 1 billion.

It is:

- Marievik in Stockholm
- Citypassagen in Örebro
- Kungspassagen in Uppsala
- Spiran in Norrköping
- Kungsportshuset in Gothenburg

## The Share

	SEK/share	% of share price SEK 433	Growth		
			1 year	3 years average /year	10 years average /year
Income from property management	0.35	7.0%	6%	7%	6%
Dividend (proposed)	4.00	3.7%	7%	7%	6%
Net income of the year	17.57	13.2%	138%	25%	8%
<i>Due to IIN growth in value and EBITDA</i>	11.56	8.7%			
Long term net asset value	120	97.0%	13%	9%	6%
Total yield of the share			4.5%	14.5%	8.3%



## The Share

At year-end, we numbered 19,100 shareholders – an increase of 2,830 since last year. And 50% of Castellum shares were owned by foreign investors. As you can see, we're continuing to increase the dividend in line with growth in income from property management.



## The Future

We'll see a Sweden that develops a lot over the coming years. It will be important to be strategically located in growth areas, where our customers also have the opportunity to expand. It will also be important to participate in ongoing technological development.

Castellum will benefit from continuing to be one of Sweden's leading real estate managers and developers, actively involved in creating a more sustainable society. This means that we'll be an attractive partner for customers as well as for municipalities – thereby creating shareholder value.

## Summary

In summary, our industrious work in 2015 has meant that we have a renegotiated loan portfolio and strengthened positions, in addition to more future projects in the pipeline. Simply put, we've created favourable conditions for leading and developing further. We'll retain the capacity to net invest at least 5% of our balance sheet. With our existing property portfolio, this provides the opportunity for continued improvement in property management incomes, and ultimately: an improved dividend to us, the shareholders.

Thank you