

Chairman of the Board's comment Castellum's annual meeting 2020



To our esteemed shareholders:

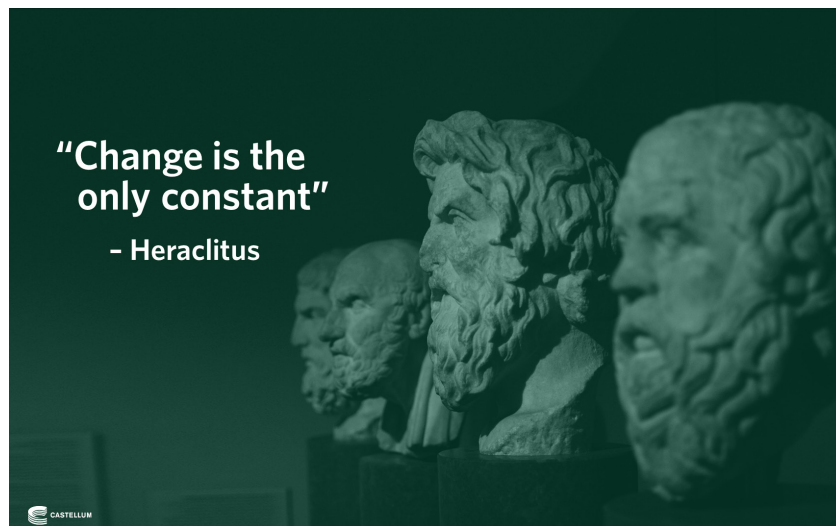
This is the address I would have given at the Annual General Meeting on March 19, but we have decided instead to film it and post it on Castellum's website for the purpose of keeping the meeting brief and thereby reducing the risk of spreading the covid-19 virus.

The rest of the Board of Directors and I, along with the Executive Management, are following the course of events carefully and are engaging in close dialogue regarding considerations and measures for protecting Castellum's shareholders, employees and customers as well as the company's other values.



And so back to the address itself, which as usual, I would like to begin by presenting my colleagues on the Board, a closely knit group that has devoted a tremendous commitment to Castellum and to managing the confidence you, the shareholders, have placed in us.

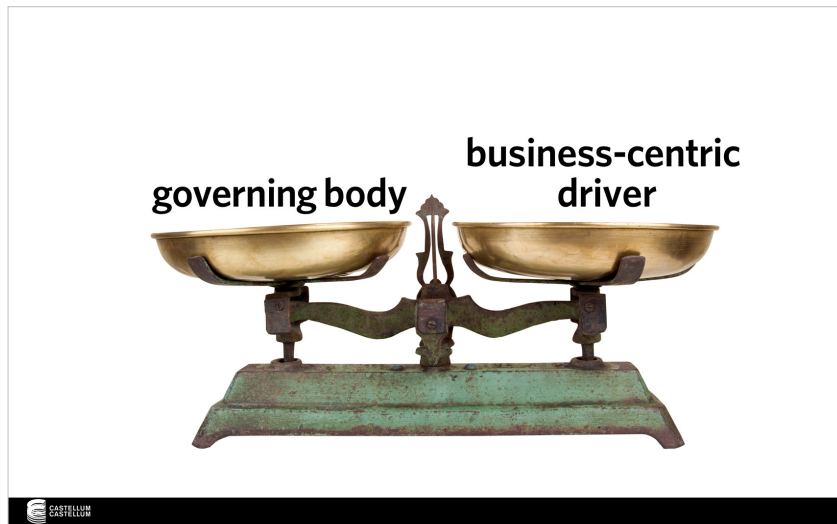
I would like to take this time to highlight a few focus areas from the Board's year now concluded. Once again, it has been a very active year, with changes coming at a furious pace. Change and development are crucial at Castellum for our ability to deliver reliable, sustainable shareholder value over time.



We will return to the present shortly, but for now let me take you back in time 2,500 years – 500 years before the birth of Christ – to Greece and the ancient philosophers. From that time and place come words of wisdom that have never been more current and relevant than now: “Change is the only constant.” That is why this tempo really must be maintained, and change pursued, in order to win and retain a leading position. Castellum has great ambitions here.



The role of the Board in all this is to act as a balance, constituting on the one hand a governing body ...



... and on the other – equally as important – being a business-centric driver that supports, challenges and inspires Castellum’s management to take initiatives that future-proof our business.



I would like to present a sample of the Board's activities from 2019 in four acts: Strategic Initiatives, Remuneration, A Sustainable Position and Financial Muscle.





One of the Board's primary tasks is to keep a long-term perspective, looking steadily at the road ahead and predicting shifts in our business environment so as to position Castellum in a changing landscape. This perspective could be over one year, three years, or even ten years or longer. I want to highlight two examples of strategic initiatives from the past year that will carry Castellum far into the future.



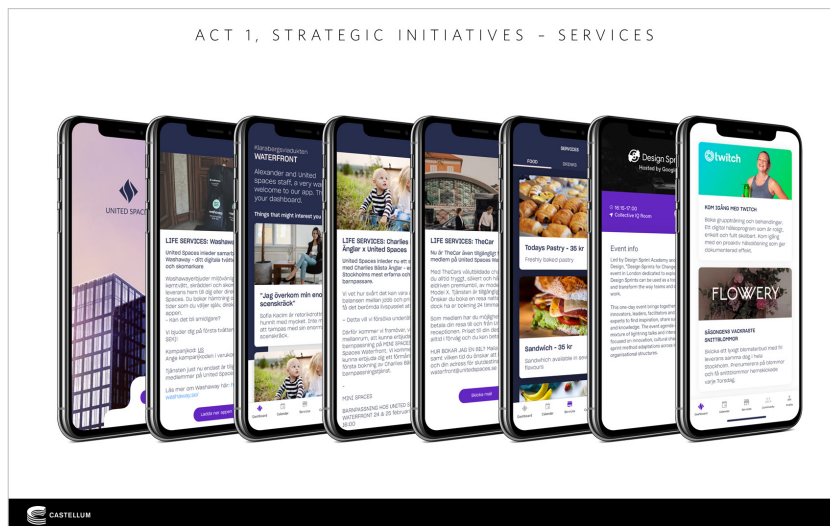
The first consists of our resolute entry into the growing market for co-working through the acquisition of United Spaces. We live in exciting times, where customers large and small will see their supply of premises with completely new eyes. Speed and variation will be in demand, in parallel with fixed establishments. Participants in professional networks, such as co-working, create opportunities for increased job satisfaction and efficiency. Castellum can now offer a full menu, thereby attracting new customer groups, supporting them through several phases of their business life and claiming a larger share of each customer's wallet.



At Castellum, we want to catch that perfect wave resulting from societal trends in which everything is connected: work life and private life, people and technology, and the battle for competence with the importance of values such as health and balance. In this way, we can make our customers into attractive employers and successful businesses. In less than five years, a full 75% of the labor force will consist of millennials – a generation of digital nomads. Creating environments and a work culture in which analog and digital generations can meet, where tenants can create a higher purpose and a soul for their organizations in the space between buildings and people, will become even more of a winning concept.



We are extremely satisfied with the performance of United Spaces in its first year as part of the Castellum family. Its operations produced a small surplus despite strong expansion toward new meeting places while bringing in market rents. Proof of this attractive offering came quickly in the summer, with the prestigious assignment of developing co-working for Geely's major investment in an open-plan innovation center.



Through United Spaces, we are also taking a major, important step towards increased service content – and with that, new revenue streams to supplement our traditional rental income. Our plan is for services and experiences to constitute their own part of our customer offering. These will not only be offered to members of United Spaces but also to tenants with more traditional contracts – and thus to the more than 250,000 people who go to work every day in our buildings. Working life, which is interwoven with private life and social life, is a complex terrain that is difficult for modern people to navigate. Castellum has a unique opportunity to simplify daily life for many – which is something more people are prepared to pay more for.



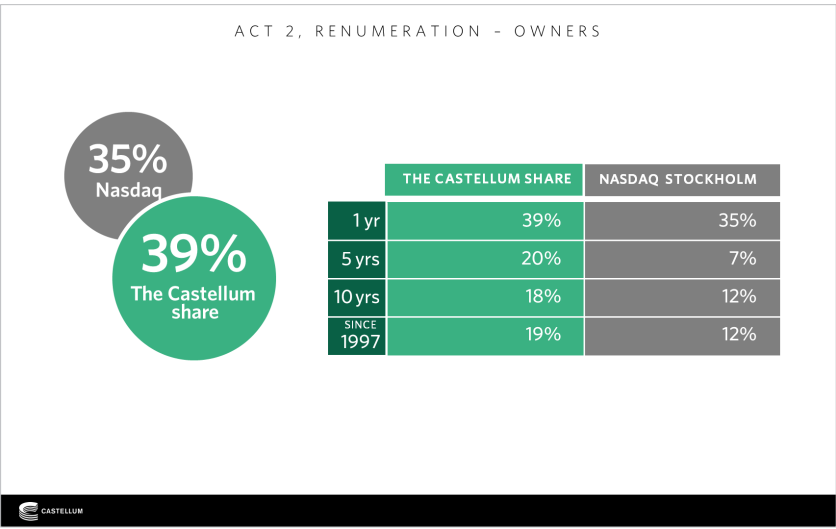
The other strategic initiative was the acquisition of Sävle airport, a unique development area that offers project opportunities of more than SEK 10 billion over the coming decade. In addition to the obvious potential for logistics trends, we note a great deal of interest from the business community, academia and public sector in creating the Nordic region's largest hub for future technology in sustainable transportation and mobility. It is yet another meeting place where creativity and productivity can grow, generating value for our customers.



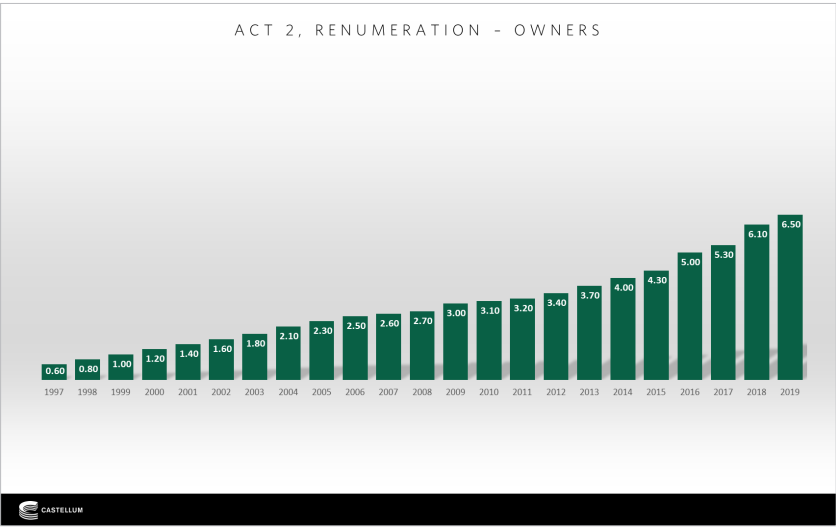
Now let us move on to the second act – namely, remuneration from two different perspectives.



The first is remuneration to executive management, and the second is remuneration to the shareholders. Let me begin with the latter.



2019 was an incredibly strong year on the stock exchange, with a total yield of 35% for Nasdaq Stockholm. The Castellum share delivered nearly 40% despite increasingly lower financial leverage in an environment where the stock market displayed a high level of risk appetite. Looking back over longer time series, in the box on the right you can see Castellum’s total yield over the last five and ten years as well as since its listing in 1997. Competitive, sustainable value creation at low risk.



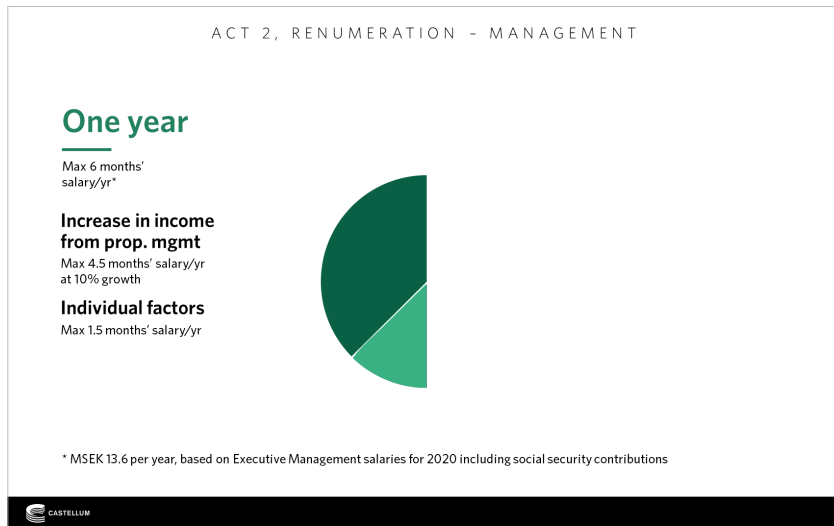
Our ownership spectrum houses differing preferences as regards the transfer of capital. Some prefer repurchases, others would rather have the entire surplus remain with the company. But the dividend is, without a doubt, a central element of Castellum’s promise and important to many of those who choose to invest in us.



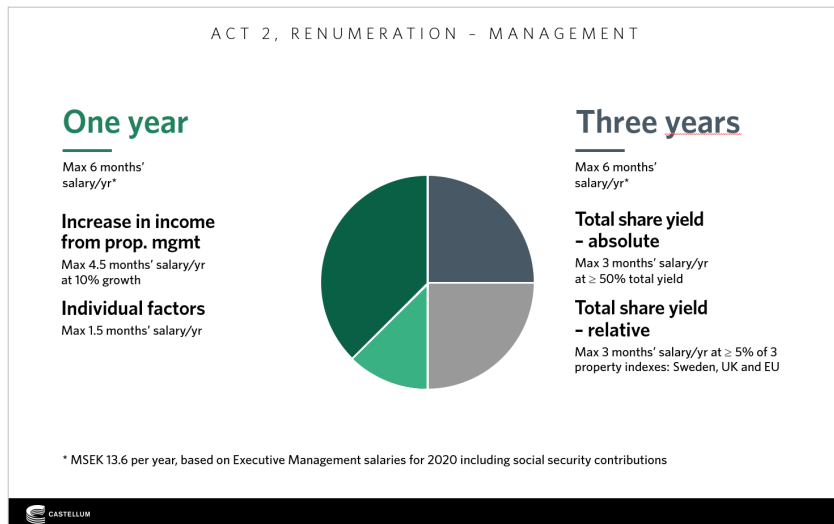
That is why it is gratifying to continue Castellum's tradition by offering you an increased dividend for the 22nd consecutive year.



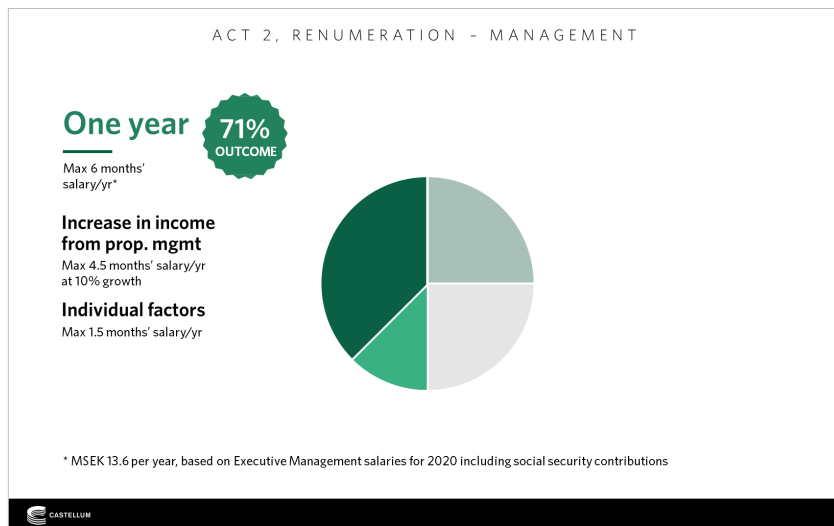
And so, back to remuneration for executive management. The set-up is tailor-made to support growth in value and a competitive total yield. Further linking the interests of executive management with those of shareholders additionally requires that they purchase Castellum shares for 50% of their variable remuneration.



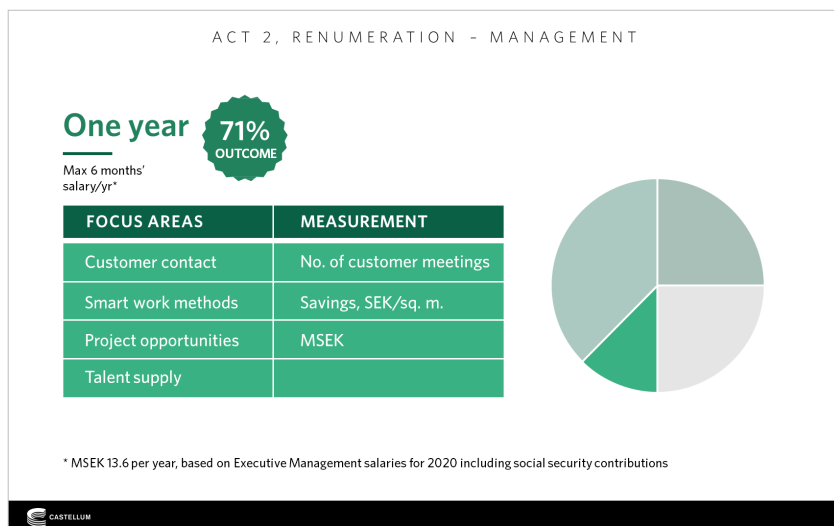
The program comprises a one-year portion ...



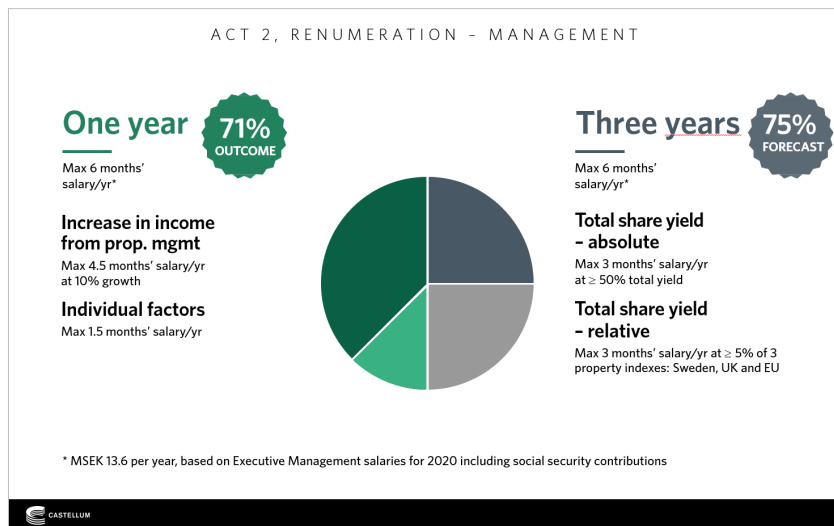
... and a three-year portion, in which the latter is linked entirely to the total yield on the Castellum share.



In 2019, the one-year portion came out at approximately 70%. Most of the performance is measured against growth in income from property management, but is supplemented by individual factors. We are looking for measurable goals that will further accelerate areas that drive value.



In 2019, we chose to spotlight customer contact, smart work methods, project opportunities and talent supply.



The three-year portion will conclude in May. The final outcome will not be determined until the final day, but current measurements indicate a turnout of 75% of the maximum amount.



This leads us to Act Three: A Sustainable Position.



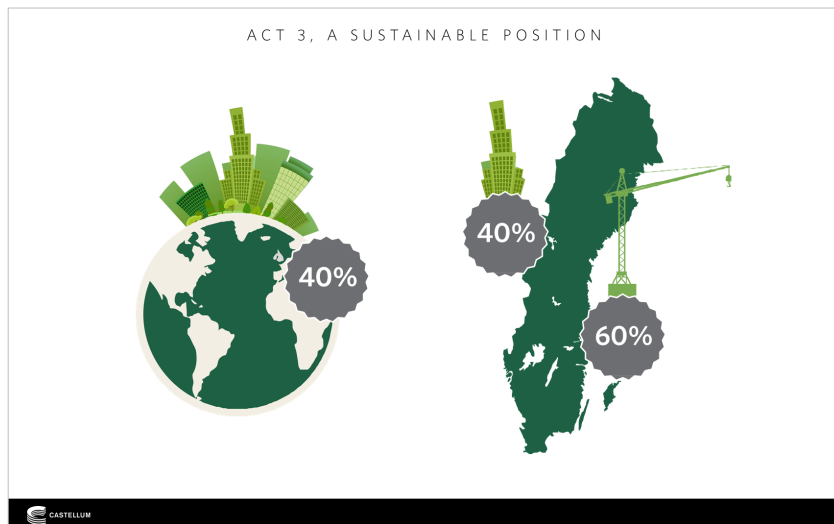
As you may remember, we gather our objectives under the heading “Castellum’s Agenda for the Sustainable City.”



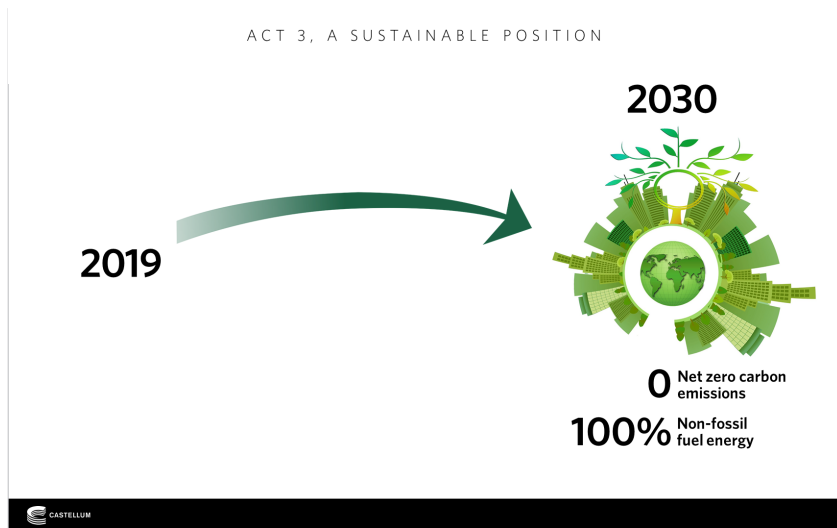
I would like to take the opportunity to go deeper into the ambitious goal that management set in 2017 – namely, that Castellum is to be climate neutral by 2030, 20 years earlier than the objective of the Paris Agreement.



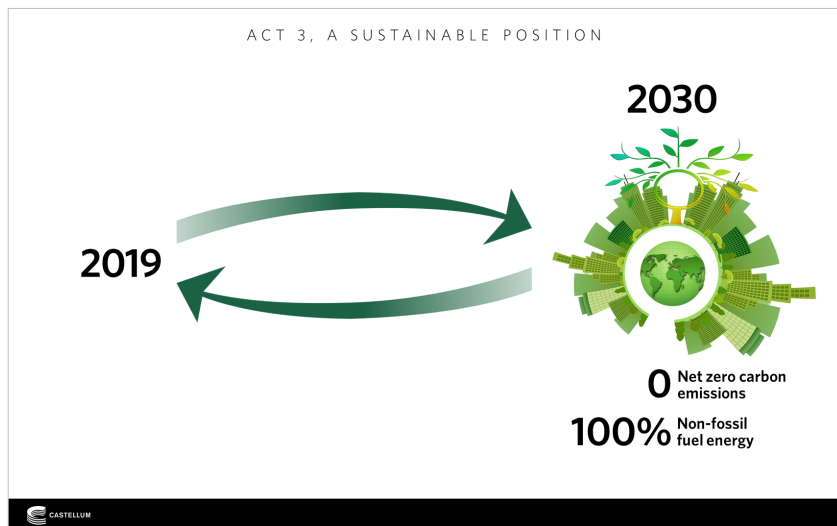
Our sector – construction and properties – is one of the largest culprits in this context, with nearly 40% of the world's carbon emissions.



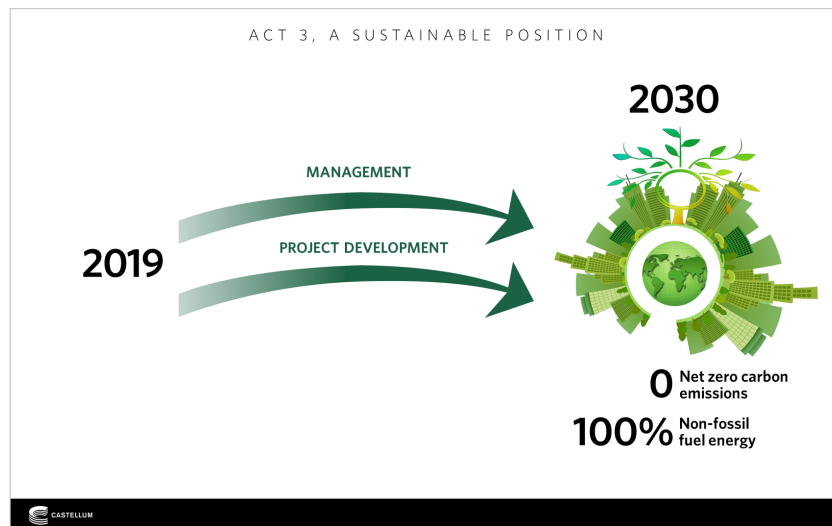
In Sweden, 40% of those emissions come from management of existing properties, but the lion's share – 60% – comes from new construction, renovations and conversions. It is obvious that Castellum and other properties in the sector have a particular responsibility to reduce this footprint, and as quickly as possible.



So what does this goal mean in practice? At Castellum, we allowed our thoughts to take flight to 2030, and the point in time where we have crossed the finish line and become climate neutral.



We then counted backwards to today, and wrestled with putting the measures we need to take – now and every year going forward – into tangible form. Making these targets operational and determining their extent may seem simple, but there are significant challenges associated with it.



We soon realized that we needed to work along two target tracks: one for property management and one for project development. Property management is the easy part, as far as measurements are concerned; the methods are already in place here. Project development, on the other hand, currently lacks reliable data and measurement methods. Quite simply, estimating the indirect impact from the construction process is difficult. We need access to data from our suppliers, they need access to data from theirs and so on in order to measure emissions throughout the entire chain of input materials, manufacturing, transportation and construction.

With time, the construction industry's measurement methods will develop and then Castellum can refine the target track and itinerary as well. It is abundantly clear that the journey backwards in time from climate neutrality in 2030 to the present has provided us with valuable knowledge that affects our decision-making even today, especially in project development. And that with increased profitability. Economizing on natural resources and new smart methods lead to crucial climate benefits, which goes hand in hand with gains in business economics.



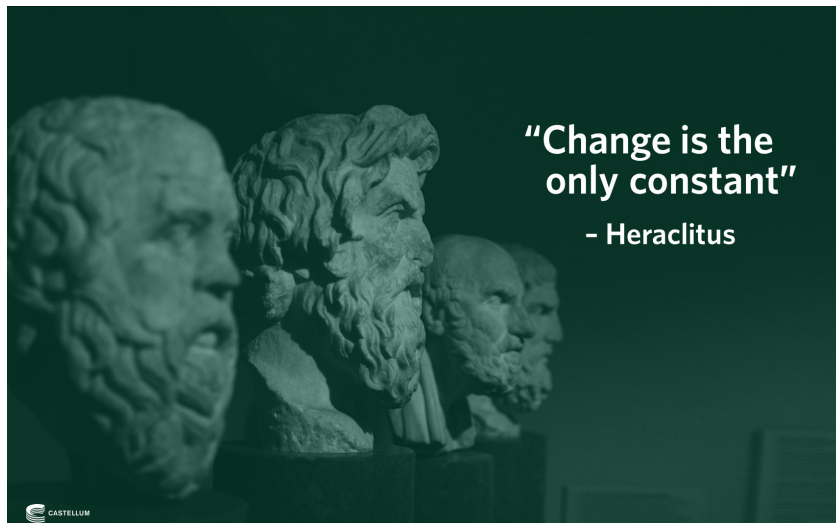
And with that, we enter the fourth and final act. Castellum's financial position is exceedingly strong.



Under the leadership of the Treasury function, long-term development work has resulted in significant financial muscle and access to capital that not only reduces financial risk but also grants us the possibility of capturing future business opportunities.



In my humble opinion, Castellum has a number of distinguishing features that give us a valuable head start over our competitors: Our desire to develop has taken us to a leading position in sustainability. Our strong balance sheet ensures a capacity to be part of building society that few others have. Our defined and delimited areas of operation – commercial properties – provides focus and clarity, and our geographical platform supports and monitors our customers’ development across the entire Nordic region.



And so, to close the circle and come back to where we began: change is the only constant, and things are changing ever more rapidly. The fact is that it will never, ever go any slower than it is today. With that in mind, my colleagues and I, along with our CEO and all his co-workers, are looking forward to having the courage to drive change – whether it’s new offerings to our customers, accelerating the target track to climate neutrality, innovating and creating technology-driven property management or shifts in our property portfolio. All with a view to leveraging an attractive and sustainable yield for you, our shareholders.

Thank you!