

Ready to meet the work life of the future



2020 Annual Report



2020 Annual Report

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STATUTORY ANNUAL REPORT

The Statutory Annual Report, which contains the Directors' Report and Financial reports, covers pages 12-119 and 122-155. Comparisons shown in brackets refer to the corresponding amounts year-on-year. The key metrics from the European Public Real Estate Association (EPRA) are reported in the section on the Castellum share. Calculation and definitions of financial/alternative performance measures are found on pages 125-126.

Castellum reports in accordance with the GRI Standards: Core. The Sustainability Report, for which the auditors prepared a limited assurance report, is indicated by the page references in the GRI index on pages 180-181. The GRI index refers to Castellum's 2020 Sustainability Report and to the in-depth sustainability information on pages 161-181. The EPRA index is presented on page 179, and the Task Force on Climate-Related Financial Disclosure (TCFD) index is on page 182.


Castellum's statutory sustainability report is found on the following pages: Business model, pages 13-15; Environmental issues, pages 14-15, 18-19, 38-39, 52-56, 64-65, 71, 166-169 and 174-179; social conditions and personnel issues, pages 14-15, 18-19, 55-61, 71-72, 166, 170-172 and 174-178; respect for human rights, pages 18-19, 60-61, 71-72, 166 and 170-172; anti-corruption, pages 55, 71 and 109-111; and diversity in the Board, page 102.

This is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original, the latter shall prevail.

INSIDE COVER



READ CASTELLUM'S ANNUAL REPORT
ONLINE AT
WWW.CASTELLUM.SE



**With a focus on flexibility,
sustainability and innovation,
Castellum is creating work-
places where people
and enterprises thrive**

Castellum is one of the largest listed property companies in the Nordic region that develops flexible workplaces and smart logistics solutions. The Castellum share is listed on Nasdaq Stockholm Large Cap.

Key metrics, 2020

7% growth in income from property management and a proposed dividend increase for the 23rd consecutive year to SEK 6.90 per share.

- Income in 2020 totalled MSEK 6,004 (5,821).
- Income from property management amounted to MSEK 3,380 (3,146), equivalent to SEK 12.35 (11.52) per share – an increase of 7%.
- Change in value on properties amounted to MSEK 3,863 (3,918) and on derivatives to MSEK -120 (-111).
- Net income for the year amounted to MSEK 5,615 (5,650), corresponding to SEK 20.52 (20.68) per share.
- Long-term net reinstatement value amounted to SEK 214 per share (195), an increase of 10%.
- Net investments amounted to MSEK 4,267 (1,974) of which MSEK 2,646 (3,350) pertained to acquisitions, MSEK 2,512 (2,762) to new construction, extensions and reconstructions, and MSEK 891 (4,138) to sales.
- Net lettings for the year were MSEK 239 (-24).
- The Board proposes a dividend of SEK 6.90 (6.50) per share, an increase of 6%, to be distributed in two equal payments of SEK 3.45 each.

Income from property management

MSEK 3,380

Increased dividend by

6%

Lettable area

4.4 million sq. m.

Property value

SEK 103 billion

5,700

tenants

14 cities

in Sweden, as well as in
Copenhagen and Helsinki

Castellum's focus: Workplace as a service

Which service needs will office and logistics tenants have in an increasingly connected and digital work environment, and how does Castellum create workplaces with flexibility and added value?

During the year, when the coronavirus pandemic broke out, the development of digitalisation at workplaces leaped several years forward in time in just a few months. Working digitally as a standard is an obvious choice for many of Castellum's office tenants after a long period of working from home as a result of the coronavirus pandemic. At the same time, e-commerce has snowballed, and the demand for our logistics offering along with it.

In order to adapt to changes in the business environment, Castellum has focused further on the dialogue with tenants and transitioned from annual surveys to brief regular pulse measurements. These will provide the possibility of rapidly measuring tenants' needs in these changing times.

Flexibility is a keyword that our tenants use for both our office and logistics offerings. It is often a question of advice and the opportunity to rapidly change their premises requirements in order to adapt to reduced risk of infection

or expanded space for warehouses and logistics solutions, an area in which Castellum's tenants had extremely strong growth during the year.

During the year, we increased our service capacity for co-working in Stockholm and Gothenburg through our subsidiary, United Spaces. In addition, new co-working facilities will open in Uppsala and Helsingborg in 2021. This expansion means that in 2021 we will be able to take on twice as many members as we can today. At United Spaces, members can easily expand or reduce their office space while receiving maximum service for their operations in the very best locations.

At the in-house Next20 laboratory, Castellum is continually developing ideas and concepts for new service offerings that are being tested both within the company and among our tenants.

During the year, the Castellum app and digital locks were launched at a number of properties, as was lighting that promotes a natural circadian rhythm in an office environment. By working this way, expertise, technology and customer needs are brought together.

Major transactions demonstrate values and create scope for action

As you know, we have chosen to withdraw from the Entra deal since we could not secure sufficient ownership to realise the major synergy effects. This does not mean that Castellum is left without alternatives. Quite the contrary, after a number of other major transactions we have now created unique scope for action for the future. The two major transactions with Blackstone mean that we have realised a great deal of hidden value in our logistics portfolio. "Hidden" in this sense means that the price levels are 20% and 27% higher, respectively, than the valuation as of 30 September 2020.

The best is yet to come

More importantly, it should be emphasised that we will retain the most attractive and expansive parts of our logistics portfolio: Hisingen Logistics Park, Castellum Sève, and Brunna, located north of Stockholm, as well as a number of important locations in southern Sweden. Moreover, several business discussions for logistics establishments on municipal land are in progress. Currently, the value of the remaining property management portfolio in this segment is approximately SEK 11 billion, and the total investment plan for the next few years is just over SEK 10 billion. Moreover, a number of logistics properties for development in the Öresund region were recently added to this portfolio. Within a few years, our logistics portfolio should be just as extensive as it was prior to the divestments, but will be of a much more modern type. New negotiations are under way. Project investment in logistics is extremely profitable for those who can offer the market the flexible, climate-smart and automated solutions that are in demand.

Scope for action

After these transaction, our scope for action is broad. The loan-to-value ratio in early 2021 fell to approximately 37%, which indicates financial strength and low risk. Castellum will now continue to invest in the Nordic

office and logistics market, with a stronger balance sheet than ever. This will take place through both acquisitions and new production of both offices and logistics.

Strong earnings in difficult times

In light of the coronavirus pandemic, we can state that to date, Castellum has managed this major challenge very well. The reasons for this are a healthy risk spread in the portfolio with many state agencies as tenants, a low loan-to-value ratio and strong financial muscle and, not least, devoted and competent employees who have exceeded our customers' expectations in this crisis, which has been hard on everyone.

"In 2020, we proved that we could continue to grow under difficult circumstances."

Some 99% of billing for the year has been collected. Just over 290 contracts with quarterly rent of MSEK 125 have been converted to monthly payments, and rent reductions in the form of discounts total MSEK 14, of which state support covers 50%. We had a very small number of bankruptcies, MSEK 9 (3), and limited rental losses of MSEK 19 (13).

Income from property management rose 7% to MSEK 3,380, or 12.35 per share, which can be considered very strong under the prevailing conditions. During the final quarter, the increase was 3%.

The trend for net lettings was unexpectedly positive during the final quarter of the year, where figures for lettings, notices of termination and bankruptcies were better than in the year-earlier period.

Net asset value increased from SEK 195 per share to SEK 214 per share over the year, at the same time as a



dividend of SEK 6.50 per share was paid. The loan-to-value ratio increased to 44.2% (42.7) at year-end, but included SEK 2.8 billion in acquired Entra shares.

Castellum's financial position after the Blackstone transactions is so strong that some form of extra transfer to the shareholders will be considered. In 2020, 170,203 own shares were repurchased at a value of MSEK 28, and in January 2021, 485,000 own shares were repurchased for an additional MSEK 99.7.

During the year, our sustainability initiatives also advanced, especially through the road maps to climate neutrality that were adopted and the large solar cell installations at locations such as Jollyroom's new warehouse premises at Hisingen in Gothenburg.

Projects yield growth

We are seeing an exciting trend in the development portfolio over the next several years. Castellum has large, fully leased, ongoing projects that will produce a good yield starting next year. At the end of 2020, Castellum had major ongoing projects of SEK 4.7 billion, of which projects for SEK 3.7 billion were started during the year, with a remaining investment volume of SEK 3.1 billion. In addition, Castellum has a large pipeline that will entail additional investment volume.

2021 difficult to predict

The conditions for growth during the current year are somewhat different than usual. Major portfolio sales leading to gains in net asset value, will necessarily entail a temporary drop in income from property management. We feel that despite income from its own projects, the company may have a lag in growth during the year even if they are supplemented with acquisitions and repurchases of own shares. But it seems 2022 will be a year of growth; with that in sight, together with our strong financial position, we will not forego our ambitions regarding dividends even if growth in income from property management this year is mediocre.

Gothenburg, 15 February 2021

Henrik Saxborn
CEO

The year in brief

2020 was an eventful year, and Castellum continued to grow despite the difficult circumstances in its business environment. Activities carried out during the year were a part of the long-term strategy for delivering on the growth target, and help to reinforce Castellum's position as one of the Nordic region's largest commercial property companies.

All events that occurred during the year have been announced in press releases. They can be found in the Press Room at www.castellum.se. At the Castellum website you can subscribe to digital press releases and financial reports in digital format.

FEBRUARY

ENVIRONMENT AND HEALTH PROFILE

In central Västerås, Castellum began construction of a five-storey, 5,800-square metre office building in the attractive Kopparlunden district. Some 350 employees of the Swedish Social Insurance Agency will work in this new office with a clear environmental and health profile: certification under Miljöbyggnad level Gold, solar cells on the roof and an outdoor gym. The investment is estimated at approximately MSEK 198 and will generate annual rental income of around MSEK 14.

JANUARY

100 ON SOLAR

Castellum began the year by presenting its "100 på sol" (100 on Solar) initiative with the goal of building one hundred solar cell installations on our buildings by 2025. This is one of the largest solar cell initiatives in the Nordic region and a key to becoming 100% climate neutral by 2030 at the latest.

THE MOST EQUITABLE COMPANIES

Castellum ranks as the most equitable of 600 listed companies according to a new equality survey by European Women on Boards in which the largest European companies were compared.

UNITED SPACES GROWS

The Castellum-owned co-working company United Spaces experienced robust growth in central Stockholm through establishing approximately 550 attractive office spaces in Castellum's carefully renovated property at Torsgatan 22-30, a stone's throw from the T-centralen subway station with occupancy in November 2020.

MARCH

HEAD OFFICE FOR E.ON

Despite uncertain times owing to the pandemic, Castellum began its largest project ever: the construction of a new Nordic head office for E.ON in the Nyhamnen district of Malmö, near the central station. The property contains approximately 31,000 square metres of lettable area, of which E.ON leases 24,000 square metres for approximately 1,500 employees. The investment corresponds to approximately SEK 1.3 billion including land acquisition. The lease will run for 12 years and corresponds to an annual rental value of MSEK 70.

VEHICLES OF THE FUTURE

Volvo Trucks signed a three-year contract with Castellum for testing and developing autonomous heavy vehicles and electric vehicles at Castellum Säve (the former Säve Airport), an operation entirely in line with the vision of combining the Nordic region's most modern logistics hub with a test bed and innovation hub for the sustainable transports and mobility of the future.

APRIL

LOGISTICS ACQUISITIONS

In the expanding Nyhamnen district, Castellum acquired the Havet 5 logistics property, a site leasehold with approximately 17,000 square metres of land and a lettable area of approximately 6,000 square metres. The investment totalled MSEK 36. In future, Castellum plans to use the site for further development.

MAY

COURT BUILDING IN MALMÖ

In Malmö, construction began on what will be one of northern Europe's largest workplaces for lawyers. The lease with the Swedish National Courts Administration is for 20 years, and the property will house Malmö District Court, the Administrative Court in Malmö and the Rent and Tenancy Tribunal in Malmö. Once completed, the building will consist of approximately 26,500 square metres of modern offices. The investment is estimated at approximately SEK 1.3 billion and will generate annual rental income of around MSEK 81.

JUNE

GREEN POLICE BUILDING

Castellum is constructing the world's first climate-neutral police building, an office building in the Korsningen district of central Örebro. The building is being constructed entirely out of wood and in accordance with the new strict NollCO₂ certification, with the goal of achieving net zero carbon emissions during its lifetime. By using wood, emissions will be approximately 40% lower than with traditional construction. The investment is expected to total approximately MSEK 227 and generate rental income of MSEK 15 on an annual basis.

THE ROAD MAP TOWARD THE GOAL

Castellum is one of the first property companies in the world to have adopted a clear road map for achieving zero carbon emissions by 2030 at the latest. A unanimous Board gave the go-ahead for two road maps, one for property management and one for project development. Castellum's climate targets for 2030 were previously approved by the Science Based Target initiative, which guides companies around the world toward scientific objectives for slowing down global warming.

ANOTHER COURT BUILDING

Within a short period, Castellum has for the second time been commissioned to create modern and suitable premises for the Swedish National Courts Administration, this time in Jönköping. This new assignment in Jönköping covers approximately 9,200 square metres and will house the Göta Court of Appeal and the Administrative Court of Appeal in Jönköping with approximately 180 workspaces. The investment is estimated at approximately MSEK 325 and will generate annual rental income of around MSEK 23.

UPPSALA CBD GROWING

In central Uppsala, Castellum is creating innovative workplaces to provide for the work life of the future, especially regarding sustainability and healthy workplaces. The heart of the city is growing, as the Främre Boländerna district is being transformed into a down-town entrepreneurial hub with workplaces in the form of offices, hotels and laboratories. Approximately 11,000 people may work here in the future.

JULY

FIRST IN THE NORDICS

Castellum received official WELL certification of the Eminent office building in Malmö, which thus became the first in the Nordic region to do so. The foundation of WELL certification is ten concepts with starting points in people's health and well-being. Castellum has several WELL projects under way such as Kungspassagen in Uppsala, GreenHaus in Helsingborg, E.ON in Malmö and Torsgatan in Stockholm.

SEPTEMBER

THE VISION BECOMES REALITY

Castellum Säve is a new flexible logistics hub. In September, Castellum announced that together with the consulting companies Cowi and Sweco, as well as the architectural firm Krook & Tjäder, it would turn vision into reality through investigations and proposals for the planning process. A leading logistics hub and a site for the development of sustainable mobility solutions, such as electric planes and vehicles, will be created here.

OCTOBER

ONLY 3% LEFT

Electricity production commenced at Hisingen Logistics Park with one of Europe's largest roof-based solar cell installations. Castellum started up 14 large installations earlier in the year, and is drawing ever closer to its goal of 100% fossil fuel-free energy in all its properties. A full 97% of the energy used today is already fossil fuel-free.

NOVEMBER

ACQUISITIONS IN HELSINKI

Castellum acquired the Finnish property group Lindström Invest Oy. The portfolio encompasses five office properties with an aggregate lettable area of approximately 36,000 square metres. The investment totalled MEUR 150, of which MEUR 81 was paid via share issue in kind and the remainder comprises the take-over of liabilities. All of the properties are located in Kalasatama, a former harbour district that the City of Helsinki is now developing into a district for 25,000 new residents and 10,000 new workplaces. The buildings contain high-quality office space and conference centres.

COMBINATION OF CASTELLUM AND ENTRA

The Board of Directors of Castellum announced its intention to present a share exchange and cash offer to the shareholders of Entra for the purpose of combining the two companies. Through the combination of these two strong companies, which share Nordic cultural values and a history of profitable growth, Castellum intends to create a leading Nordic commercial property company.

DECEMBER

ASSET PORTFOLIO SOLD

Castellum signed agreements for the sale of an asset portfolio containing 214 properties, consisting primarily of warehouse and logistics properties, to Blackstone. The sale price totalled approximately SEK 19 billion, which exceeded the value as at 30 September 2020 by 20%. Less deferred tax and transaction costs, the net sale price was approximately SEK 18.1 billion.

NEW PROJECTS IN HAGASTADEN

The City of Stockholm approved the construction of the 20,000-square metre Infinity office property. The total investment volume is estimated at approximately SEK 1.7 billion, of which land acquisition is deemed to account for MSEK 650.

Beyond expectations



Family-friendly work life with flex possibilities



Modern "last mile" solutions for e-commerce



Instabox makes life simpler for tenants



We offer connected properties



Healthy workplaces with gyms and changing rooms



Development of climate-smart properties



We make it simple to take the workplace with you



We conduct research into work life of the future



Recycling is self-evident



We create meeting spaces



Green leases favour people and the environment



We help our tenants become more sustainable

Castellum's offering goes far beyond the roofs and walls of our properties. The company creates opportunities for operations to flourish, for people to develop and for cities to grow. This is achieved through advisory services for innovative and healthy work environments, through applied research into flexible work methods, through offering logistics solutions that bring everyday purchases home to the front door, and especially through developing buildings and new city districts with net zero climate impact.



- Convenient with digital locks
- Our property development builds new districts
- We offer co-working and shared offices
- We design unique offices for every tenant
- Our apprenticeship programmes help young people get work
- Diversity in the organisation generates a diversity of solutions
- Solar panels on the roof provide tenants with renewable energy
- An equitable organisation strengthens profitability and customer offerings
- We employ the re-use and circularity of construction material
- Our nesting boxes promote biological diversity
- WorkOut, a concept for outdoor offices
- Our services provide you with more balance in daily life

A changing world

With the coronavirus pandemic as the chief protagonist, 2020 was an exceptional year that challenged our capacity for flexibility, innovation, sustainability and creative business value for existing and future tenants - all with a retained focus on increased shareholder value.

Digitalisation

Even before the coronavirus pandemic, digitalisation was a megatrend that drove development in the property industry and was changing people's behaviours. In conjunction with the fight against the coronavirus, our digital work methods and consumption patterns developed at a pace that corresponded to several years of normal development. The pandemic meant the future arrived sooner than expected.

FLEXIBLE WORK LIFE

In 2020, most office workers learned to work remotely and go completely digital. Many prejudices regarding working from home have come to naught, and it has turned out that efficiency increases and the tasks of daily life mesh together better when commute times disappear. The disadvantages of digital working remotely include the lack of physical meetings. When in October, Castellum conducted a survey and asked Swedish office workers how important the office would be in the future and what they missed most about the office, 87% responded that the office would be important or very important going forward, even if flexibility in working life is here to stay. Most of all, Swedish office workers missed their colleagues and social relations. Young people are the ones who miss the office most.

As a consequence of increased demand for a flexible working life, interest in co-working is greater than ever. Even in this area, the coronavirus pandemic has reinforced and accelerated development that was already under way. Co-working entails work spaces with full service and shared areas, meetings and networks while contracts are short-term and thus provide possibilities for scaling office space up or down on short notice as needed. Through its subsidiary United Space, Castellum continued to expand its offering in co-working throughout the year in Gothenburg, Uppsala and Stockholm, as well as initiating a new facility in Helsingborg.

E-COMMERCE

A major consequence of the more rapid digital transformation is our shopping behaviour on the Internet. E-commerce increased 33% during the year and is expected to continue to grow over the next several years. Growth and development in e-commerce entails increased focus on efficient logistics chains that can meet the demands for rapid delivery times. This development is impacting our cities, creating a need for semi-central properties and flexible warehouses at strategic locations.

In December, Castellum realised the increase in value that the company's logistics properties created by signing agreements for the sale of an asset portfolio consisting primarily of warehouse and logistics properties, to Blackstone.

Castellum, which has long been Sweden's largest player in logistics properties, continues to invest heavily in the logistics segment by developing ultramodern "last mile" solutions with a high degree of flexibility and automation at strategic locations such as Brunna, 30 minutes from the Stockholm City rail terminal, and Säve, just outside Gothenburg. During the year, several logistics properties were constructed in Brunna, and were fully let from the start. Access to land in the area facilitated major construction of logistics solutions in one of Sweden's best locations in close proximity to Stockholm.

Castellum's acquisition of Säve Airport provides unique opportunities to create a modern logistics hub and a business cluster for innovation and development of sustainable transportation and mobility.



Values and health

Questions of values are impacting our behaviour to a much greater extent, and in pace with the increase of the younger generation – millennials – in the labour market, the demands imposed on employers and thereby on work spaces are also expected to increase radically. The driving force for better health, both physically and mentally, has long existed as a growing trend in the Western world.



HEALTH IN WORKPLACES

Health has been a growing trend for many years in the Nordic countries, and is taking up more space at workplaces. Castellum's report, Framtidens arbetsliv (Work Life of the Future) states that health is the strongest driver for young people in their choice of careers. The report shows that the younger generation would rather cut back on their working hours and salaries than risk their mental health, and the workplace service with the greatest demand from all ages is a gymnasium with changing rooms.

During the year, Castellum was the first in the Nordic region to certify an office property under WELL, an international construction standard that puts people's health and well-being first. WELL is based on ten concepts that impact human health: air, water, diet, movement, comfort, sound, material, wellness, a sense of belonging and innovation. The first WELL-certified property is called Eminent, and is located in southern Malmö. WELL certification is planned for more ongoing projects in the Group over the coming years. The knowledge gained from certification has promoted integration of health aspects into all the company's properties in order to create the best possible health conditions for our tenants and their employees.

VALUE-DRIVEN EMPLOYEES

What happens when the proportion of younger people at our workplaces increases? In the future, will we fly between Stockholm and Gothenburg, and will it be okay to offer someone meat? The coronavirus pandemic has pressed "pause" on air travel, but is this a behavioural pattern that will last? It is impossible to answer these questions now, but the attitudes concerning more sustainable methods of travel and consumption have indubitably changed over the year.

In Castellum's report, Framtidens arbetsliv (Work Life of the Future) the majority of responses say that values are crucial in the choice of employer and that values concerning the climate, health and social responsibility are the strongest. Greater expectations on the actions of companies on issues of values will impact the development of both service and products going forward. With ambitious objectives in sustainability, Castellum sees value-driven tenants as their dream customers. In these areas, Castellum has unique offerings and take the lead in offering both healthy and climate-smart workplaces and services. For example, the company already offers yoga, green dry-cleaning and child-minding services in its co-working spaces.

Climate issues

For many years, climate research has shown the gravity and the risks in not coming to grips with the shared challenge of increased greenhouse gas emissions and the impact on the planet and its people. The World Economic Forum 2020 highlighted climate risks as the most serious for the economy and humanity. Over the last several years, the climate issue has come increasingly into focus among companies and individuals. Increased demands are seen especially among the younger generation, who are beginning to occupy a larger share of the labour market.



TOUGH CLIMATE GOALS

The construction and property industry represents one fifth of Sweden's emissions and generates one third of all waste in Sweden. The industry's linear use of resources will need to fundamentally change in order to achieve climate neutrality, to deliver on Fossil Free Sweden's road map and for Sweden to be climate neutral by 2045.

Castellum is an industry leader in sustainability, according to external sustainability evaluations such as GRESB, the Dow Jones

Sustainability Index and CDP, and some time ago set itself the tough goal of being climate neutral by 2030 at the latest. The company's carbon emissions come primarily from the manufacture of materials that are purchased in conjunction with new construction and reconstruction. That is why it is extremely gratifying to have begun one of Sweden's first NetCO₂ buildings in Örebro, with the Swedish Police as the customer. Read more on page 47.



— Strategy

Welcome to Castellum's world. Like our business environment, our world is constantly changing. It challenges us, spurring us on in a time when very little is standing still. Rapid technological development provides new opportunities and places new demands, just like the younger generation now dominating the labour market. With its hand firmly on the wheel, Castellum is navigating with its long-term strategy in order to deliver on its overall growth target: achieving 10% annual growth in income from property management, in SEK per share.

This strategy takes into account business environment factors such as trends, macroeconomic factors and market conditions. By delivering on our strategy, Castellum creates business advantages for our tenants and shareholder value. This long-term effort has laid the foundation and the conditions for Castellum to be one of the Nordic region's largest commercial property companies today.

Strategy that optimises conditions

Castellum's strategy for the next few years (2021–2023) focuses on further strengthening relations with priority customer segments, developing our service offering, and improving our property and development portfolios. The strategy is built on three perspectives: Castellum's tenants, our offering to them and the company's own performance.

The strategy is described in the strategic plan, which is the central policy for the company's strategic orientation, priorities and goals. Extending over a three-year period, the plan is reviewed annually by Executive Management before subsequent adoption by the Board.

Ultimately, the strategic plan aims to optimise the preconditions for Castellum to deliver on the company's overall growth target and creating shareholder value.

Castellum's desire for continual improvement has led us to the position as an industry leader, according to external sustainability evaluations such as GRESB, the Dow Jones Sustainability Index and CDP. Castellum will be the most

sustainable property company in Europe and a major player in building a sustainable society. Sustainability should be integrated into business operations and yield tangible results.

The tenants Castellum has chosen to address are in the office, government agency and civil service sectors, as well as logistics. At present, Castellum manages 642 properties and looks after 250,000 people every day. Based on our tenants' and their employees' needs, we will continue to develop attractive, flexible and easily accessible offerings in four areas: Services, Offices, Public sector properties and Logistics.

The Castellum Spirit

- Personal
- Passionate
- Proactive
- Reliable

Vision

Beyond expectations.

Mission

Creating workplaces where people and enterprises thrive.

Business idea

We create successful and sustainable workplaces in Nordic growth regions by really keeping close to customers, while staying on the cutting edge of innovation and expertise.

Business model

Investment in, and development and administration of commercial premises, as well as service offerings in a decentralised and customer-centric organisation. Castellum focuses on cash flow and operates with low financial risk.

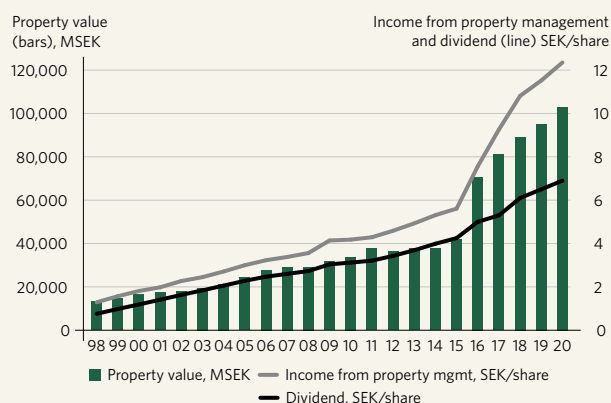
Overall objective

10%

Overall objective: 10% annual growth in income from property management, SEK/share.

7%

Performance 2020: 7% annual growth in income from property management, SEK/share.



Castellum's value creation strategy

Investment in, and development and administration of commercial premises, as well as service offerings in a decentralised and customer-centric organisation. Castellum focuses on cash flow and operates with low financial risk – all to optimise the conditions for delivering on the company's overall growth targets and to create shareholder value.

Property management

Through customer-centric management built on good business conduct, sustainability and innovation, we enable our tenants to reach their business goals.

Project development

Castellum will continually invest in existing portfolios and develop new portfolios, resulting in a quality shift to a more sustainable and stable portfolio, as well as increased earning power. In addition, Castellum will be an active player that promotes urban development and growth.

Transactions

Castellum continually develops its property portfolio in order to strengthen the company's position as the leading player in Nordic growth cities.

STRATEGY - CUSTOMERS

Castellum will offer existing and potential tenants premises, meeting spaces and services that are best suited for their objectives. Castellum will be recognised as an innovative player in selected product and customer segments, by making clear investments in project development, system support, technological development and sustainability that strengthens our business. Services, platforms and payment methods will be developed to meet our tenants' needs and make it possible for them to find out about our services easily. Castellum promotes long-term, close customer relationships, local presence and service that exceeds customer expectations.

Castellum's tenants come from all branches of the business community, as well as public sector authorities and civil service. The company is to have a highly diversified customer base with a good risk spread as regards geographies, premises type, scope of contract and lease terms.

STRATEGY - ASSET AND DEVELOPMENT PORTFOLIO

Castellum will develop and manage an asset portfolio that supports targets set for growth in income from property management, thus creating shareholder value over time. Castellum's portfolio shift is continuously toward greater quality and density through new construction, extensions and reconstructions, acquisitions and sales in the Nordic growth markets. The portfolio will constitute a property exposure alternative for Castellum's shareholders. The portfolio turnover should be actively managed, with a net investment volume of approximately 5% per year.

Castellum will be a leading player in urban development, and the preferred choice of both municipalities and tenants when they are looking for a partner to develop new projects.

STRATEGY - FINANCING

Castellum must maintain a low level of financial risk; the chosen key ratios for risk are loan-to-value ratio and interest coverage ratio. Castellum's financing strategy will support the business operations and manage the Group's financial risks while working for an open and transparent climate. The strategy will be reflected in the financial policy in order to ensure risk management through close monitoring.

Castellum's financial strategy can be summarised by five cornerstones: diversification, liquidity, strength, transparency and flexibility.

Castellum's goal is for the company's share over the long term to yield a competitive return in relation to risk, and to have a high level of liquidity.

STRATEGY - ORGANISATION AND EMPLOYEES

Castellum is to be an attractive employer with committed, motivated employees and managers, all of whom work towards the same goal, thereby meeting high expectations. The company works actively to attract, recruit, develop and retain the right employees and managers. Castellum is building a goal-oriented organisation in which its employees constantly challenge themselves and their colleagues to strengthen both the organisation and individuals.

The organisation continually strives to become better, clearer and more open as regards expectations, and sees constructive monitoring as a natural part of management and employeeship.

STRATEGY - SUSTAINABILITY

Castellum will be the most sustainable property company in Europe and a major player in the construction of a sustainable society. Sustainability should be integrated into business operations and yield tangible results. This work should characterise the entire business from ownership, property management and asset portfolio development to customer relationships, employees and financing.

Castellum's sustainability agenda, "The sustainable city," is divided into four areas of focus: the planet, future-proofing, well-being and social responsibility. Complete reporting on the goals is compiled on pages 52-63.

STRATEGIC TOOL

- High customer satisfaction index (CSI).
- 1st to 3rd largest property company in the respective cities.

OUTCOME 2020

- 74 out of 100 on the CSI in the latest pulse measurement (autumn 2020)
- Castellum is the largest, second largest or third largest property company in 15 of the 17 cities in Sweden where the company was established in 2020.

STRATEGIC TOOL

- At least 5% of the property value in net investments per year, equivalent to SEK 5 billion.

OUTCOME 2020

- MSEK 4,267 in net investments, of which MSEK 2,646 pertained to acquisitions, MSEK 2,512 to new construction, extensions and reconstructions, and MSEK 891 to sales.

STRATEGIC TOOL

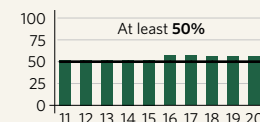
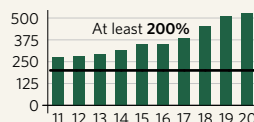
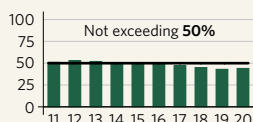
- Loan-to-value ratio - not to permanently exceed 50%.
- Interest coverage ratio - at least 200%.
- Dividend - at least 50% of pre-tax income from property management in dividend pay-outs.

OUTCOME 2020

- The loan-to-value ratio amounted to 44% as of 31 December 2020

- The interest coverage ratio for 2020 was 530%

- SEK 6.90 per share in proposed dividend for 2020, equivalent to a payout ratio of 56%



STRATEGIC TOOL

- High satisfaction index, eNPS (employee Net Promoter Score).

OUTCOME 2020

- 34 on the eNPS

STRATEGIC TOOL

- 15% energy savings per square metre by 2025, cf. 2015.
- Net-zero carbon emissions and 100% non-fossil fuel energy by 2030.
- 50% of the property portfolio in square metres will be environmentally certified in 2025.
- Equality among all occupational categories by 2025.

- 4% of all employees annually will be apprentices.

OUTCOME 2020

- 15% (8) reduction cf. 2015 and 12% reduction (8) in the like-for-like portfolio; 85% (77) less carbon emissions in Scope 1 and 2 since 2007. 95% (96) renewable energy

- 39% of the property portfolio in square metres is environmentally certified, and certification of a further 7% is in progress. Castellum owns the greatest number of environmentally certified buildings out of all the Swedish listed property companies.

- For performance concerning equality and international background, read more on pages 58-59.
- In total, 47 young people had internships or holiday work at Castellum in 2020.

Offer for Entra and sale to Blackstone

At the end of 2020, Castellum withdrew from a public takeover bid to the shareholders in the Norwegian listed property company Entra as a stage in building further on its Nordic platform for offices and logistics.

The offer entailed both 8 newly issued shares in Castellum for every 13 shares in Entra, as well as NOK 54.39 in cash per share in Entra, which valued each individual share in Entra at NOK 185 at the announcement of the offer, and participation in further increases in value in the combined company through both synergies and income from property management, transactions and project development.

The combination with Entra would provide an excellent platform to create continued shareholder value and is logical, from an industrial standpoint: a major Nordic property company with a portfolio value of approximately SEK 145 billion would have been created, with a focus on offices, warehouses and logistics. Active property management in combination with a shift in the portfolio through both project development and transactions was expected to enable increased income from property management and net asset value. In February 2021, however, Castellum withdrew the offer as a result of the offer not gaining sufficient acceptance.

Sale of asset portfolio to Blackstone

In conjunction with the public takeover bid to the shareholders in Entra, Castellum also publicised the sale of a mature, stabilised asset portfolio, consisting primarily of assets in warehouse/logistics of various ages, to Blackstone for net proceeds of approximately SEK 18.1 billion, less expenses and deferred tax of approximately MSEK 900. The sale was divided into two tranches:

- *Portfolio No. 1*, with a net sale price of approximately SEK 5.0 billion and a valuation at year-end of approximately SEK 4.8 billion, with hand-over in early February. In conjunction with the sale, deferred tax income of MSEK 600 will be recognised. The transaction was contingent upon approval by the Swedish Competition Authority, which was received in January 2021, and will thus be recognised as sold in the first quarter of 2021.

- *Portfolio No. 2*, with a net sale price of approximately SEK 13.1 billion and a valuation at year-end of approximately SEK 12.7 billion, with hand-over in late March or early April. Deferred tax income of approximately SEK 1.8 billion would have been recognised in conjunction with the sale. The transaction was contingent upon both approval by the Swedish Competition Authority (received in January 2021) and the successful acquisition of Entra (offer withdrawn in February 2021).

With the sale of the first portfolio, Castellum received approximately SEK 5 billion in proceeds, thereby fortifying an already healthy balance sheet, which will provide the company with the opportunity to put its pace of investment into a higher gear, reduce its financial risk and/or distribute capital to its owners. Since the Entra deal was not completed, the second part of the transaction was not carried out. Instead, Castellum signed a new agreement in February 2021 on the sale of an asset portfolio with 53 properties to Blackstone for SEK 4.8 billion, net, less overheads and deferred tax of SEK 0.2 billion. The agreed property value involves a premium of 27% against the latest Q3 2020 valuation and 15% against the Q4 2020 valuation. Hand-over will take place in May 2021.



Agenda for the sustainable city

Castellum will be one of Europe's most sustainable property companies. Not because we should benefit from it, but because the Earth deserves it. Fortunately, sustainable business is also profitable business. That is why Castellum can go in wholeheartedly for sustainability in all its investments.

One of the most sustainable property companies in Europe

Castellum's sustainability efforts are a natural, integrated part of its operations. Over time, Castellum will be the most sustainable property company in Europe and will actively promote sustainable development. The company regards society's requirements under laws and regulations as minimum requirements and strives for continual improvements with clear goals aimed at promoting sustainable development. As a responsible agent of societal progress, Castellum will be part of driving this development forward.

Sustainability efforts permeate the entire business

Our operations should promote sustainable development, and its sustainability targets should be integrated into its operations, yielding tangible results. This work permeates the entire business from ownership, property management and asset portfolio development to customer relationships, employees and financing. Corporate social responsibility is crucial to the company's success and drives profitability and long-term shareholder value. Castellum's actions should be marked by a high level of expertise, good business ethics and accountability.

THE UN SUSTAINABLE DEVELOPMENT GOALS

At the UN Summit in September 2015, 17 global goals were adopted that will lead the world toward a sustainable and equitable future by 2030. A survey and analysis were conducted at the company using external experts to map out which of the UN Sustainable Development Goals that Castellum has the strongest points of contact with. The relevant goals were deemed to be 3, 4, 5, 6, 7, 10, 11, 12 and 13. In 2017, these goals were implemented in Castellum's sustainability strategy, "Castellum's Agenda for the Sustainable City 2030".



Focus areas and ambitious goals

Castellum's sustainability agenda, "The sustainable city," is divided into four areas of focus: The Planet, Future-proofing, Well-being and Social Responsibility. These areas of focus ensure that Castellum conducts its operations responsibly and create long-term solutions from an economic, ecological and social perspective. Read more about the focus areas on pages 50–60.

Castellum has established a total of 18 measurable interim targets that are monitored and reported annually. During the year, a unanimous Board additionally gave the go-ahead to implement tangible road maps with clear milestones and actions for reaching zero carbon emissions by 2030.

The outcome of the goals linked to the respective focus areas are presented on the following page.



THE PLANET

We will responsibly and efficiently reduce resource use and carbon emissions that cause global warming.



FUTURE-PROOFING

We will create a sustainable asset portfolio in a changing world.



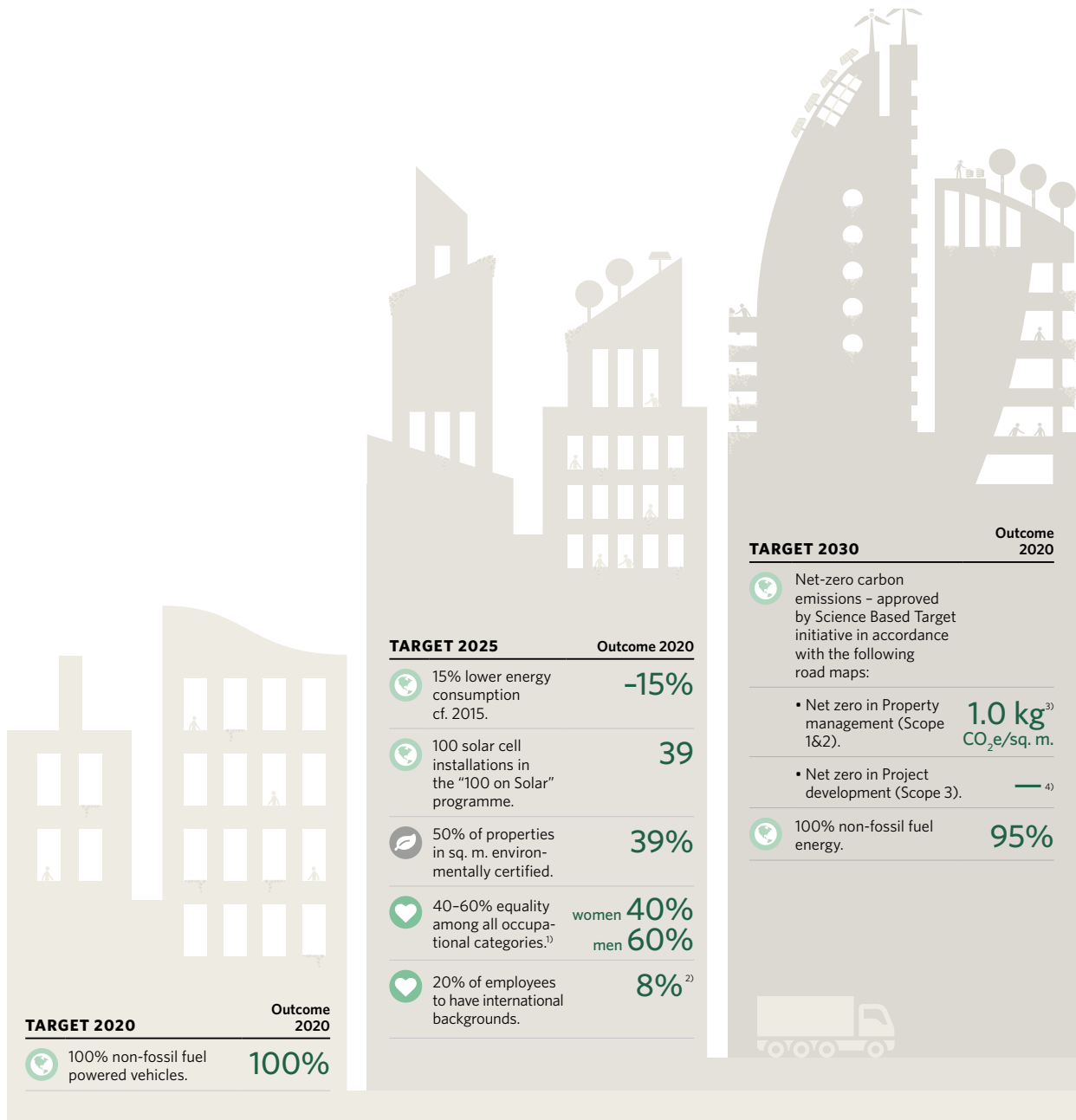
WELL-BEING

We will promote health, wellness and productivity.



SOCIAL RESPONSIBILITY

We will conduct business in a responsible manner in relation to the community as well as to our stakeholders.



ONGOING TARGETS	Outcome 2020	Outcome 2020	Outcome 2020
1% water conservation per year. ⁵⁾	-13%	Provision of ecosystem services in major developments.	100%
1.5% energy efficiency enhancements per year. ⁵⁾	-12%	<2% short-term absenteeism due to illness.	0.9%
All new production and major reconstructions sustainability certified.	100%	<3% long-term sick leave.	1.1%
		4% of all employees to consist of apprentices.	2% ⁶⁾
		Create job opportunities in projects for young people and the long-term unemployed.	100%
		100% of employees to undergo training in Code of Conduct.	86%

1. Accounting policies can be found on page 58.
2. Measured annually.
3. Well under the target of 1.3 kg CO₂e/sq. m.

4. To be reported for the first time at the end of 2021.
5. In the "like-for-like" portfolio.
6. Project on hold due to coronavirus pandemic.

A modern office lounge with round tables, potted plants, and a person sitting on a chair. The scene is brightly lit with large, glowing pendant lights. The background shows a blurred office environment with blue accents.

Operations

Every day more than 250,000 people go to work at Castellum's properties and make a difference. In our properties business can be conducted, and goods and flows can be optimised and moved out to end consumers while people feel at home in workplaces where they can develop. Castellum's business model is built on investing in and developing commercial premises managed by a decentralised and customer-centric organisation. Castellum focuses on cash flow and operates with low financial risk.



Strong local presence

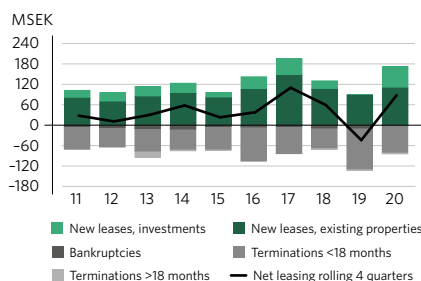
Castellum's organisation, with a local presence in Sweden as well as Helsinki and Copenhagen, creates close relationships with tenants. Castellum can thus offer premises that are suited to tenants' needs, with good personal service and quick responses.

REGION CENTRAL

ÖREBRO, JÖNKÖPING, LINKÖPING, NORRKÖPING, VÄSTERÅS AND VÄXJÖ

	2020	2019
Proportion of the property value, %	24	24
Number of properties	183	178
Area, thousand sq. m.	1,214	1,178
Value of properties, MSEK	24,317	22,908
Rental value, MSEK	1,750	1,663
Net operating income, MSEK	1,254	1,161
Net investments, MSEK	703	2,214
Net lettings, MSEK	88	-44
Employees	95	87

NET LETTINGS

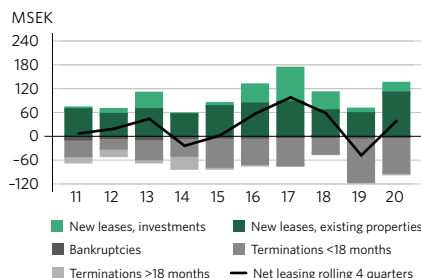


REGION WEST

GREATER GOTHENBURG, BORÅS AND HALMSTAD

	2020	2019
Proportion of the property value, %	22	24
Number of properties	195	203
Area, thousand sq. m.	1,240	1,223
Value of properties, MSEK	23,159	22,411
Rental value, MSEK	1,463	1,451
Net operating income, MSEK	1,070	1,071
Net investments, MSEK	-199	1,757
Net lettings, MSEK	39	-48
Employees	82	83

NET LETTINGS

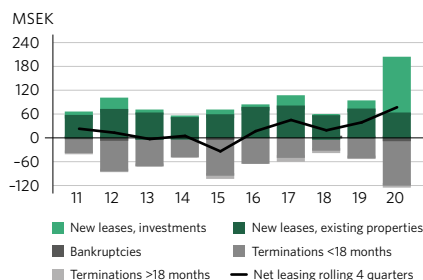


REGION ÖRESUND

MALMÖ, HELSINGBORG, LUND AND COPENHAGEN

	2020	2019
Proportion of the property value, %	20	19
Number of properties	118	112
Area, thousand sq. m.	964	868
Value of properties, MSEK	20,403	18,626
Rental value, MSEK	1,395	1,324
Net operating income, MSEK	990	912
Net investments, MSEK	1,265	1,022
Net lettings, MSEK	77	39
Employees	61	62

NET LETTINGS



REGION NORTH¹⁾**GÄVLE**

	2020	2019
Proportion of the property value, %	2	6
Number of properties	12	12
Area, thousand sq. m.	105	104
Value of properties, MSEK	2,170	2,080
Rental value, MSEK	157	155
Net operating income, MSEK	121	114
Net investments, MSEK	21	-3,274
Net lettings, MSEK	10	1
Employees	6	6

NET LETTINGS

MSEK	2020	2019
New lettings, existing properties	9	4
New lettings, investments	3	—
Bankruptcies	—	—
Terminated <18 months	-2	-3
Terminated >18 months	0	—
Net lettings, annual value	10	1

FINLAND**HELSINKI**

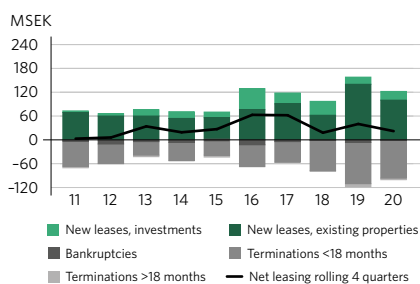
	2020	2019
Proportion of the property value, %	3	1
Number of properties	7	1
Area, thousand sq. m.	58	14
Value of properties, MSEK	2,712	859
Rental value, MSEK	181	53
Net operating income, MSEK	113	46
Net investments, MSEK	1,658	1
Net lettings, MSEK	3	-12
Employees	8	1

NET LETTINGS

MSEK	2020	2019
New lettings, existing properties	3	—
New lettings, investments	—	—
Bankruptcies	—	—
Terminated <18 months	—	-12
Terminated >18 months	—	—
Net lettings, annual value	3	-12

REGION STOCKHOLM¹⁾**GREATER STOCKHOLM AND UPPSALA**

	2020	2019
Proportion of the property value, %	29	30
Number of properties	127	126
Area, thousand sq. m.	866	868
Value of properties, MSEK	30,281	28,284
Rental value, MSEK	1,639	1,531
Net operating income, MSEK	1,243	1,173
Net investments, MSEK	819	245
Net lettings, MSEK	22	40
Employees	64	73

NET LETTINGS

1. Region Stockholm-North is accounted for as two separate sections in this annual report, as market conditions differ significantly.

Market comments

The coronavirus pandemic dominated economic development both globally and in Sweden during most of 2020. The periodic closure of businesses and drastic restrictions to activities across society led to sharp declines in GDP and rapidly rising unemployment.

Swedish, Danish and Finnish economies

During the final quarter of the year, the worst negative projections were adjusted and the opinion among the majority of financial commentators is now that the economic recovery experienced during the latter part of the year, compared with the particularly negative trend that left its mark primarily on the second quarter of 2020, will continue in 2021. Nonetheless, unemployment in Sweden is expected to rise to just over 9% in 2021. Sweden's GDP for the full-year 2020 is now expected to have fallen 4% to then recover, up +2.6% in 2021, after which a robust increase in growth to +5% is predicted for 2022 (Riksbank, Nov. 2020). Low interest rates and very robust monetary policy and fiscal measures have helped to support financial markets. The Swedish housing market has so far not been negatively impacted but rather markedly positively as regards price performance. The housing market could be negatively impacted, however, by a further rise in unemployment and fall in economic activity, resulting in adverse implications for GDP from slowing private consumption.

The development of the Swedish krona exchange rate plays a key role for inflation in Sweden, as a weak exchange rate normally contributes to higher inflation. The krona was weak in 2019 (TCW index) and continued to be so in the first quarter of 2020, though it strengthened during the summer and, for example, closed in on the ten-krona level against the EUR. According to the Riksbank (Nov. 2020), inflation - expressed in terms of CPIF - is expected to have fallen to +0.4% in 2020 and to then rise to approximately +0.9% in 2021 and +1.2% in 2022.

Danish and Finnish GDP growth and unemployment respectively were also severely impacted in 2020 as a consequence of the global coronavirus pandemic. Private consumption has also fallen, in a similar way to Sweden, but weaker export prospects have also had an adverse effect. Fiscal measures have been implemented with some positive effects in addition to the beneficial effects of a highly expansive monetary policy, though it remains unclear how positive an effect these will yield on performance over time. The main scenario, primarily for Denmark, is similar to that of Sweden: relatively strong recovery in 2021 following a sharp drop in GDP in 2020, while recovery in Finland is expected to be somewhat less robust in 2021.

Overall, this means the trend for the economy in the immediate future remains extremely difficult to assess.

MACRO INDICATORS, SWEDEN

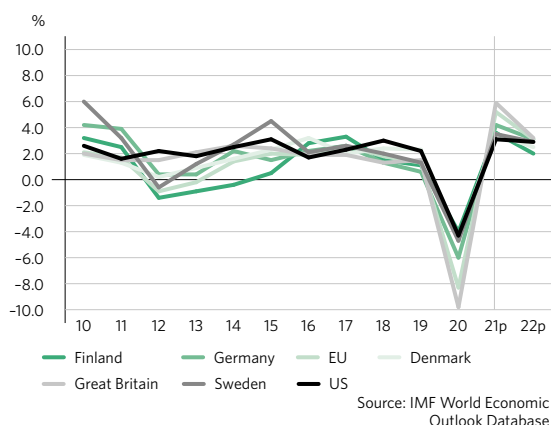
Unemployment	8.6% (November 2020)
Inflation	0.5% (December 2020, cf. December 2019)
GDP growth	4.9% (Q3 2020, cf. Q2 2020)

Source: Statistics Sweden

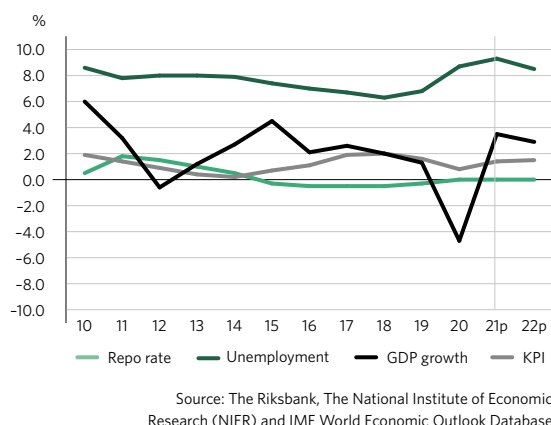
Interest and credit market

In December 2019, Sweden's Riksbank raised interest rates from -0.25% to zero. The Riksbank's latest repo-rate path (Nov. 2020) indicates that the repo rate will remain at zero at least until late 2023. Swedish long-term interest rates fell drastically in 2019 through early autumn, when they bottomed out and subsequently trended upward again.

GDP GROWTH PER YEAR



MACRO INDICATORS, SWEDEN

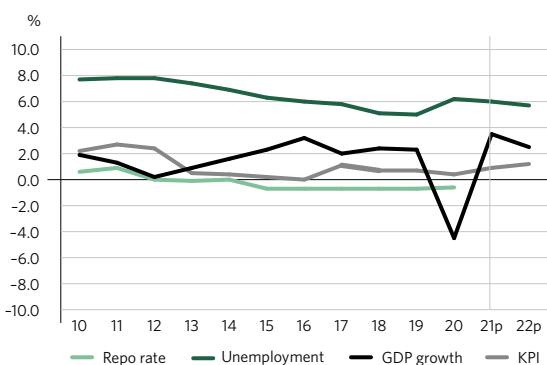


However, the upswing broke off in early 2020 and, since then, long-term interest rates posted a downward trend that nonetheless flagged during the autumn. At the end of 2020, the five-year swap rate was approximately 10 basis points (0.1%), which was marginally higher compared with the half-year mark. Current levels are historically very low. STIBOR 3m, which rose gradually during the first quarter, fell back approximately 25 basis points to about +5 basis points at the end of June and continued slightly downward during the autumn. At the end of December the STIBOR 3m was once again negative, approximately 5 basis points below zero. Taken together, the yield curve was marginally positive between STIBOR 3m and the five-year swap rate at the end of the year.

Access to financing in the Swedish and international capital markets deteriorated radically at the end of the first quarter of 2020 and credit spreads then widened drastically. The situation improved somewhat to become markedly better in late summer and early autumn. The credit spread for investment-grade borrowers during the autumn has again approached the levels in effect in early 2020, even though lending conditions in the property sector have not improved to the same extent as for most other sectors.

In Denmark, the CIBOR 3m fell about 10 basis points in the spring and summer after rising sharply in the first quarter of 2020, primarily in light of the Danish krona coming under a certain amount of pressure against the Euro, which led the central bank of Denmark to raise its marginal rate by 15 basis points. At the end of the fourth quarter of 2020, CIBOR 3m was around -0.2% compared to -0.4% at the end of 2019. EURIBOR 3m also fell slightly during the spring and summer, following a temporary and relatively sharp rise in April and was about -0.55% at the end of the fourth quarter.

MACRO INDICATORS, DENMARK



Source: Danmarks Nationalbank and IMF World Economic Outlook Database

Castellum's market share

Castellum owns a total lettable area of approximately 4.4 million square metres with a total property value of roughly SEK 103 billion. At year end, Castellum's market capitalisation amounted to approximately SEK 57.9 billion, which at that time made the company the 13th largest listed property company in the European property market (excluding 100% housing companies and 100% retail companies), the third largest property company in the Nordic region in terms of market capitalisation and the second largest in terms of its free float.

Together, the 200 largest property owners in Sweden own a taxable area of around 99 million square metres of office, public sector properties, retail, warehouse, logistics and industrial properties, of which Castellum's market share amounts to approximately 4-5%.

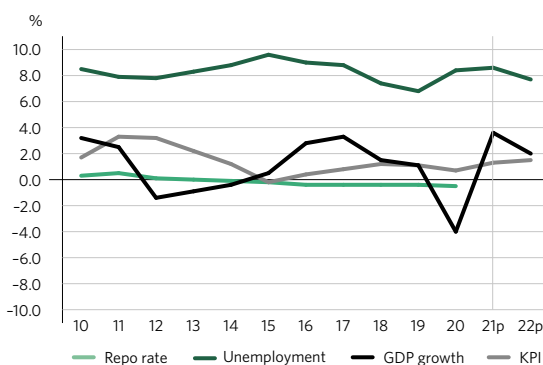
The largest property owners in Sweden, apart from the listed companies, are publicly owned companies as well as Swedish and international institutional investors. In addition, there are a number of smaller property owners such as property and construction companies, small works and private individuals.

Swedish, Danish and Finnish property markets

The volume for transactions over MSEK 40 in the transaction market in Sweden for 2020 totalled around SEK 183 billion (-218) over 447 transactions (447) through 31 December 2020.

Sentiment among investors in the Swedish property market remained strong during the quarter, and there is a great deal of interest in and capital for property investments in the market. During the fourth quarter of 2020, several major portfolio transactions took place at lower yields in both the Office and Warehouse/Logistics segments. The share of foreign investors through 31 December

MACRO INDICATORS, FINLAND



Source: European Central Bank (ECB) and IMF World Economic Outlook Database

SWEDEN'S FOREIGN TRADE

Jan-Oct 2020 (10 months)

Exports	Total SEK 1,180 billion
Germany	125
Norway	125
USA	101
Denmark	88
Finland	83
China	68
Imports	Total SEK 1,125 billion
Germany	204
Norway	108
Netherlands	108
Denmark	77
China	61
Poland	52

Source: Statistics Sweden

2020 was approximately 27% (30), which remains a historically high figure. The Nordic property market remained attractive to international investors.

In Castellum's markets, the required yield for office properties was stable during the year, but the number of comparative transactions following the outbreak of the coronavirus crisis remains limited for the office segment.

Warehouse and logistics properties continue to attract a growing number of both domestic and international investors, driven largely by the growth of e-commerce, a trend that seems to have strengthened during the ongoing coronavirus crisis. Low levels of supply among attractive logistics properties, in combination with high demand among investors, resulted in falling required yields during the year.

In Denmark, the transaction volumes in the property market totalled approximately DKK 65 billion (-52) through 31 December 2020. The mood among investors remains

strong and a shift in investor interest from the housing segment to the office segment has been noted. The required yield for offices in the CBD in Copenhagen is assessed as remaining stable at 3.5%.

In Finland, the transaction volume in the Finnish property market totalled approximately EUR 5.0 billion (6.6) through 31 December 2020. There is a considerable demand among investors for the most attractive objects, and the required yield for offices in the CBD is estimated at 3.4%, which is roughly on a par with Stockholm. Increased investor interest has been noted for secondary and development properties as well.

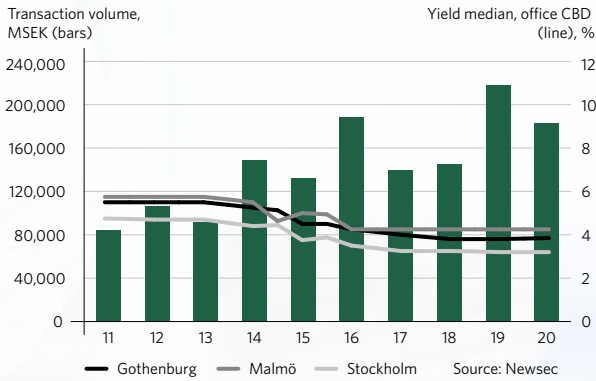
Altogether, this indicates a strong property market, despite the fact that the full macroeconomic effects of the pandemic are as yet not transparent. Most property categories remain very interesting, but in particular those with secure cash flows, such as public sector properties and logistics properties.

DATA PER REGION

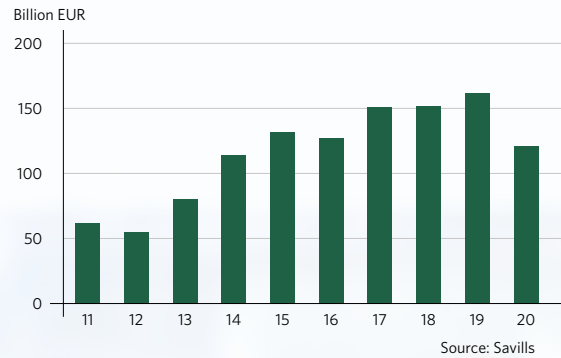
	Population	Population trend 2010-2020 per year	Population trend, 2010-2020 average no. persons/year	Population trend, 2020	Studying at university/college	Employment growth, 2010-2020 per year	Unemployment, 2020	Growth total wages, 2010-2020 per year	Growth total wages, forecast 2020-2030 per year
National	10,438,000	1.0%	102,200	1.1%	429,000	1.4%	8.8%	2.6%	2.7%
Region West									
Gothenburg, Sweden	1,420,000	1.2%	15,800	1.4%	50,000	1.4%	10.1%	2.9%	3.0%
Borås Municipality	114,000	1.0%	1,100	1.0%	9,000	1.4%	8.6%	2.6%	2.2%
Halmstad Municipality	105,000	1.3%	1,300	1.8%	9,000	1.2%	9.4%	2.5%	2.6%
Region Öresund									
Malmö	1,215,000	1.3%	14,700	2.0%	52,000	1.4%	16.0%	2.6%	2.7%
of which Lund Municipality	127,000	1.4%	1,700	1.9%	35,000	1.1%	7.9%	2.2%	2.8%
of which Helsingborg Municipality	151,000	1.6%	2,200	2.2%	— ¹⁾	1.6%	12.3%	2.8%	2.9%
Copenhagen (capital region)	1,854,000	0.9%	15,700	0.3%	120,000	1.2%	4.7%	1.3%	1.5%
Region Stockholm-North									
Stockholm	2,857,000	1.6%	42,100	1.6%	88,000	1.4%	8.6%	3.0%	3.1%
Uppsala Municipality	237,000	1.8%	3,900	2.7%	39,000	1.7%	8.1%	2.9%	2.8%
Gävle Municipality	103,000	0.8%	800	0.8%	11,000	1.2%	11.2%	2.0%	2.1%
Region Central									
Örebro Municipality	157,000	1.5%	2,200	1.1%	13,000	1.7%	9.9%	2.9%	2.6%
Västerås Municipality	157,000	1.4%	2,000	2.1%	11,000	1.5%	10.8%	2.6%	2.5%
Jönköping Municipality	144,000	1.2%	1,700	2.2%	13,000	1.2%	6.6%	2.5%	2.8%
Linköping Municipality	167,000	1.3%	2,000	2.2%	23,000	1.6%	7.4%	2.7%	2.7%
Norrköping Municipality	144,000	1.0%	1,400	0.5%	— ²⁾	1.5%	11.8%	2.6%	2.2%
Växjö Municipality	96,000	1.4%	1,300	1.5%	28,000	1.3%	9.1%	2.5%	2.6%
Region Finland									
Helsinki (capital region)	1,197,000	1.4%	15,200	0.9%	53,000	0.5%	13.5%	0.4%	2.1%

1. Campus Helsingborg included in Lund University. 2. Campus Norrköping included in Linköping University.
Source: Evidens, Statistics Sweden, the Swedish Public Employment Service, Statistics Finland, Statistics Denmark.

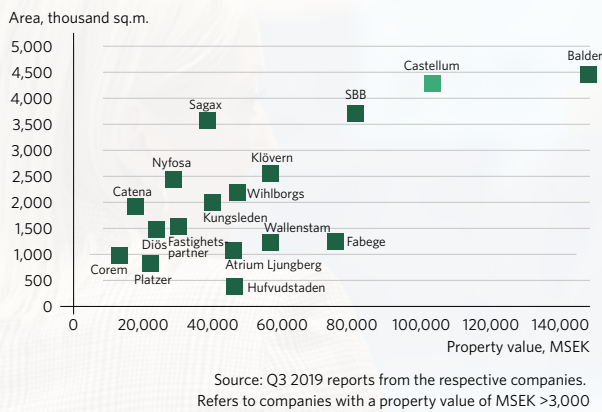
YEARLY TRANSACTION VOLUME SWEDEN AND INVESTMENT YIELD, MAJOR CITIES



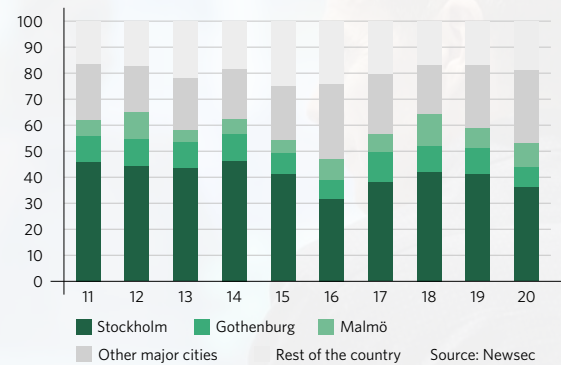
TRANSACTION VOLUMES/YEAR, EUROPEAN PROPERTY MARKET



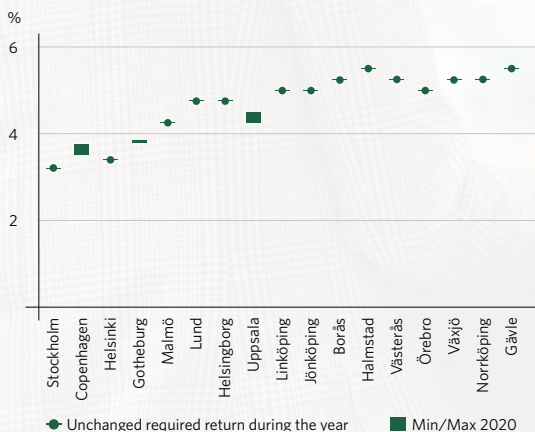
PROPERTY HOLDINGS, LISTED PROPERTY COMPANIES



TRANSACTION VOLUME BY GEOGRAPHY

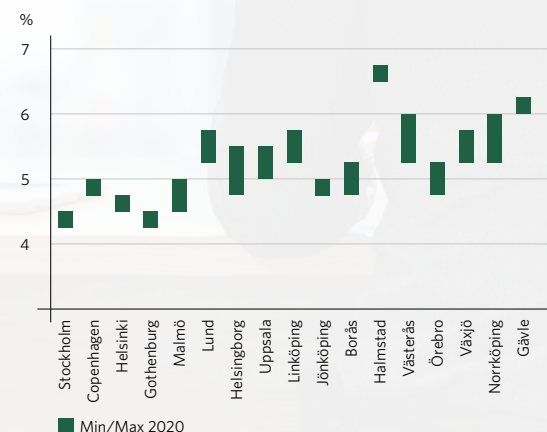


MARKET INVESTMENT YIELD - OFFICE



Investment yield 2020 (bars) according to Forum Fastighetsekonomi (Swedish cities) and JLL (Copenhagen/Helsinki) for a number of different geographical markets and segments in Castellum's portfolio.

MARKET INVESTMENT YIELD - WAREHOUSE/LOGISTICS



Investment yield 2020 (bars) according to Forum Fastighetsekonomi (Swedish cities) and JLL (Copenhagen/Helsinki) for a number of different geographical markets and segments in Castellum's portfolio.

Rental market – office

After many years of high demand and low supply of offices, uncertainty in the market in 2020 increased as a consequence of the coronavirus pandemic, which resulted in reduced take-up. It is too early to speak about the long-term effects of COVID-19 on rental and vacancy levels, but we can state that Castellum went into the crisis with historically low vacancy levels and record-high rental levels in all markets, at the same time as the company has continued to offer office space at the same rental levels as prior to the pandemic. Office rents in 2020 were deemed to generally have been stable, or declined somewhat.

Stockholm-North

Rents in the Stockholm CBD had the strongest performance in Europe during the last five-year period. Uncertainty has increased somewhat as a result of the coronavirus pandemic, though the vacancy rate and offering remain low. The vacancy rate in the CBD is 2.5% and the average rent is estimated at approximately SEK 7,100 per square meter, while top rents in individual contracts in the best locations are over SEK 9,500 per square metre.

The rental market in Uppsala and Gävle remained strong in 2020.

West

In Gothenburg, rental levels were relatively stable. The vacancy rate in the CBD is 3.5% and the average rent is estimated at approximately SEK 2,900 per square meter, while top rents are approximately SEK 3,700 per square metre.

In Halmstad and Borås, rents for offices remained relatively unchanged during the year.

Öresund

In Malmö, rents were stable or rose somewhat in 2020. The vacancy rate in the CBD is 5% and the average rent is

estimated at approximately SEK 2,500 per square metre, while top rents are approximately SEK 3,500 per square metre.

In Lund and Helsingborg, rental levels were relatively stable.

Central

Rental levels in the regional cities of Region Central were generally stable in 2020. This is in line with how things have looked historically during downturns in the economic cycle, where rental levels have generally showed less volatility in regional cities compared with major cities.

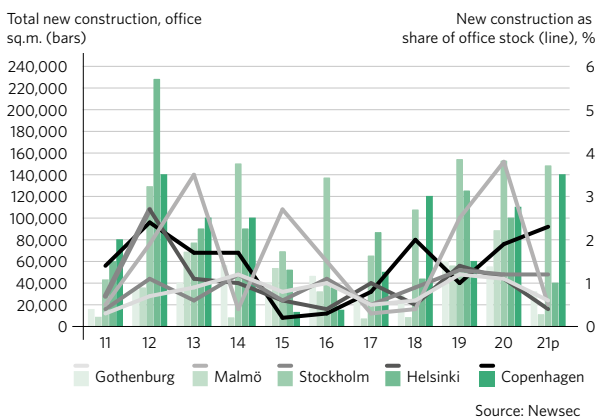
Copenhagen

In Copenhagen, the office market has to date managed the coronavirus pandemic well, which manifested in an increase of 2-3% in rents in the CBD in 2020.

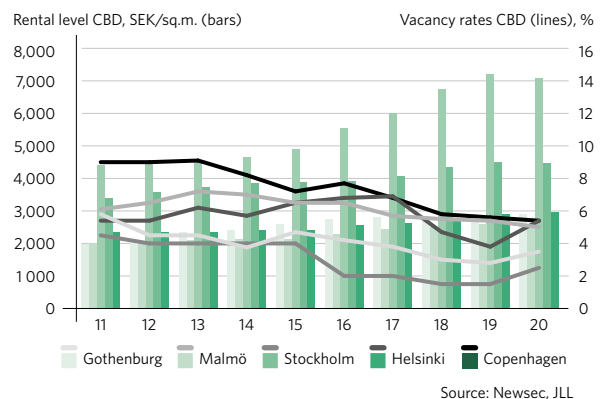
Helsinki

The rent levels for offices in the Helsinki CBD remained unchanged in 2020, with a stable vacancy rate. Demand is beginning to recover, and tenants are looking primarily for flexible properties in prime locations.

NEW PRODUCTION, OFFICE



RENTAL LEVELS AND VACANCY RATES, MAJOR CITIES



Rental market – logistics

As a consequence of the coronavirus pandemic, the year was marked by major changes in purchasing habits that drove e-commerce to record heights in Europe, which in turn promoted increased stockpiling in order to strengthen sensitive supply chains. The increased demand has driven valuations to new levels, of which the deal with Blackstone is one example.

The strongest underlying factor driving logistics market performance in 2020 was the continuing shift from retail space to storage space. The pandemic accelerated this process, and the structural changes have been deemed to be constant over time.

E-commerce reached record high levels

Over the last several years, the logistics market has experienced record high levels. One of the foremost drivers is the robust growth in e-commerce, which as a result of restrictions in conjunction with the pandemic has experienced very strong development. Growth in Swedish e-commerce in 2020 was estimated to be approximately 33% (16).

The establishment of Amazon in Eskilstuna during the autumn was deemed to have a positive impact on online shopping. It is too early, however, to assess the consequences for the Nordic logistics market. The effects of Amazon's entry into other markets indicates a favourable impact on e-commerce, price pressure in specific segments and greater challenges for physical retail.

Increased e-commerce has also result in increased growth among distribution companies, primarily operators active in the "last mile" segment. For Castellum, this means expanded possibilities in the form of letting terminals and warehouses in locations close to cities.

Increased demand for logistics properties

During the first months of the year, Castellum experienced a high level of demand for shorter leases. Production shut-downs in southern Europe resulted in production stoppages in the Nordic region and the need for short-term management of cargo that could not be delivered to end recipients. By acting quickly, letting opportunities were created at locations such as Castellum Säve, where Castellum could offer opportunities for storage and disposition of cargo for companies with immediate needs.

Logistics Establishment of the Year for 2020

In Sweden, new production of logistics facilities during the year corresponded to an area of 55,000 square metres (Intelligent Logistics). The projects were constructed primarily in the traditional locations, centred on Skåne and Gothenburg. The trend in establishing warehouses in close proximity to consumer centres continues, as does consolidation of warehouses, often in combination with an increased degree of automation.

New production increased during the year, and Castellum's projects included a 36,000-square metre logistics building for Jollyroom in Gothenburg. The building was nominated as the Logistics Establishment of the Year for 2020 due to its capacity for promoting increased efficiency for the tenant, a focus on sustainability through solar cell installations on the roof and a focus on the wellness of personnel with, for example, a gym for personnel and well-thought out spaces for personnel.

Sale demonstrates values

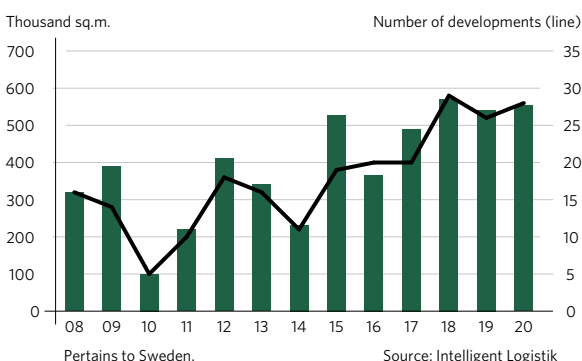
At the end of the year, Castellum signed an agreement with Blackstone that involved the sale, in an initial tranche, of a mixed portfolio with mostly mature, stabilised logistics properties for SEK 5 billion. The price level exceeded the value as at 30 September 2020 by 20%, thereby realising the value that had previously not been visible. At the same time, the most interesting parts of the logistics portfolio that can be developed have been retained: Hisingen Logistics Park, Castellum Säve, and Brunna, located north of Stockholm, as well as important holdings in southern Sweden.

The value of the remaining property management portfolio in the logistics segment remains considerable, and there is potential to build more than 1 million square metres of modern logistics space on the land bank held. The investment plan for the years ahead is more than SEK 10 billion.

The sale provides opportunities for investing even more in modern, flexible logistics properties that the market demands.

Castellum is well equipped to meet continued strong demand for logistics properties. The focus is on strengthening and consolidating our position as a leading property company for logistics properties in the Nordic region.

COMPLETED NEW CONSTRUCTION LOGISTICS >10,000 SQ. M.



Meeting new needs with attentiveness and innovation

Castellum has more than 5,700 tenants – all with unique needs and wishes for premises. The customer journey at Castellum is a circular one, constantly in progress and developing. It's a matter of getting tenants to continue choosing Castellum, regardless of whether they stay in the same premises over time or if their need for space changes.

In every city where Castellum operates there are customer-centric local teams consisting of lessors, commercial administrators, technical administrators and property managers. They follow Castellum's tenants in their daily work, and together they conduct dialogues on everything from daily administration to requirements for reconstruction. In addition, Castellum has its own experts in, for example, fire prevention, energy efficiency, sustainability and digitalisation. Castellum delivers service so its tenants can focus on their business.



BEFORE

When a need for new premises emerges, Castellum's lessors chart the tenant's specific needs. It may be an existing tenant who has grown out of their premises, or a new tenant who is either trying to establish themselves in a new city or simply looking for something new. Castellum's offering includes offices, logistics and warehouse premises of every size and location. Castellum matches requirements against its offering and presents available properties. If the issue concerns existing premises, there is an investigation into the need for adapting them. If, on the other hand, it concerns new production, a close partnership with the tenant is initiated at an early stage, which continues through the occupancy date and the rest of the contract period. If co-working is the option being considered, United Spaces' sales executives will point the way to the right kind of subscription, in which flexibility and access to service offerings are important factors. A co-working agreement can be very easily combined with a normal lease.

SUPPLEMENTARY SERVICES

Some of Castellum's properties also include a service offering. They are all different, with several possibilities for tenants who are leasing new production. It could be a matter of advisory services that ensure the office areas are optimised in terms of space in accordance with the tenant's specific needs. It also concerns services that simplify the workday for both the tenants and for everyone who goes to work in Castellum's premises every day: everything from smart boxes where people can receive their online shopping deliveries to charging stations for electric cars. Castellum also offers exciting solutions such as outdoor offices and other services that promote well-being and more active lifestyles – something that has roused ever greater interest among tenants.

DECISIONS

Once the tenant has decided to choose Castellum, an agreement is signed. These are different, depending on the property type, and can vary as regards length of the contract and commitments on the tenant's part. Leases from United Spaces are offered in a subscription format, which differs from normal leases as regards structure, flexibility and length of contract. Lease periods vary, depending on conditions. A lease in an existing property often expires after 3–5 years, whereas leases for new production are longer. Co-working contracts via United Spaces have a length of three months.





BEING A CASTELLUM TENANT

Being a Castellum should be simple. The company provides premises and wants to offer its tenants the services they need to achieve their business goals. Castellum has an attentive administration, and personal meetings are important. That is why the customer teams prioritise being close to their tenants, and it is also why Castellum has chosen to have its own property managers. There are also general Key Account Managers for the largest tenant customers in several cities, as well as expertise as regards the public sector property segment. Castellum works continually on developing its customer journey by measuring, evaluating and monitoring so as to become even better. To ensure this, there are a central business system, customer surveys and ongoing dialogue with tenants.

TENANTS' EMPLOYEES

The tenants in turn have a total of 250,000 employees who go to work every day in Castellum's premises. This creates unique opportunities to pursue development of premises together, regardless of whether it's an office in the middle of the city or a strategically located logistics space close to one of the country's major highways. For the tenants' employees, a range of different services are offered that simplify their working day. Over the last few years, Castellum has focused on activities that promote health and are aimed at a more active lifestyle at work. Some examples of this are the WorkOut outdoor office concept and WELL certification of part of new production. The WELL standard is based on ten concepts that impact health: air, water, diet, movement, comfort, sound, material, wellness, a sense of belonging and innovation.

NEW NEEDS

The customer journey is a circular one, and when new or changed needs emerge, the journey can continue together with the tenant. Castellum's size and extensive property portfolio means that the tenant can remain with Castellum, regardless of whether their operations grow or shrink, move to another city or expand with a new establishment. For larger customers, there are opportunities to tailor solutions adapted to their specific needs. With United Spaces, tenants who need access to office space on short notice are offered flexible transition solutions.

Customer portfolio and business focus

Castellum has a comprehensive contract portfolio consisting of approximately 5,700 commercial contracts. The single largest lease accounts for 2% of the Group's total rental income, while the corresponding figure for the single largest customer is 3%. This means that Castellum's exposure to credit risk from a single customer is very low.

Castellum's tenants are found in every industry, and the company is represented in many different segments. This means a healthy risk spread as regards geography, type of premises, contract size and tenor. The remaining average length of contract in Castellum is 4 years.

One of Castellum's largest and growing customer groups is government agencies and departments, which provides a stable and secure income based on tenant type and their longer average lease tenors. The logistics segment also has a broad, strong customer portfolio with a healthy spread of longer and shorter leases. The breadth of Castellum's property types ensures opportunities for growth in its existing property portfolio for its tenants, and enables strong rental growth.

Castellum's exposure to the retail segment currently represents 7% of income value, but this segment includes grocery stores and car dealerships. The latter can be found in locations that are becoming more attractive from a logistics perspective as the need for "last mile" premises (i.e. the last stretch in the delivery chain) in our cities is growing.

Close to the tenants - a key to success

Local presence in 14 cities in Sweden as well as Helsinki and Copenhagen, provides Castellum with close tenant relationships and short decision-making processes.

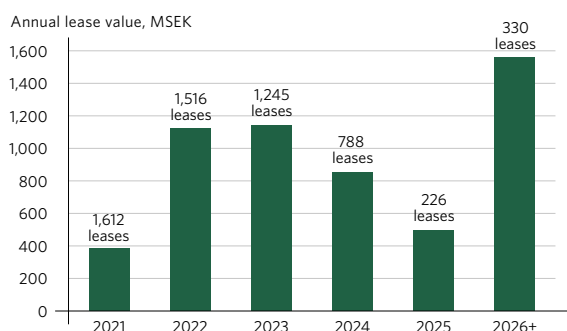
Castellum employees work close to the market, which means natural opportunities for keeping up to date on all its tenants' current and future needs. Castellum can thus offer premises adapted to needs, optimal personal service and quick answers. As one of the largest property owners in its respective local markets, the company collaborates with municipalities and involves itself in local networks - corporate associations, for example - to be an active urban developer that can create attractive work environments for its tenants.

Green leases for increased sustainability

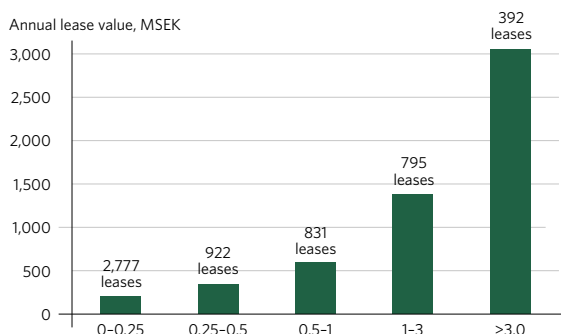
Leases are generally signed for three to five years with a nine-month notice period, and are paid quarterly, in advance. As a consequence of the pandemic, Castellum has introduced greater flexibility into its leases as regards, for example, tenor and options. The rental level can change when the lease in question is due for renegotiation.

Leases usually include a base rent - that is, the rent agreed upon when signing the contract - and an index clause that provides an annual adjustment of the rent corresponding to a certain percentage of the previous year's inflation. A lease commonly contains an addendum for the tenant's share of the property's total heating, cooling and property tax costs.

LEASE MATURITY STRUCTURE



DISTRIBUTED BY CONTRACT SIZE



In line with the company's sustainability profile, both new and existing tenants are offered the opportunity to sign green leases. These are collaboration agreements aimed at reducing the total environmental impact of the premises. At present, Castellum has 143 green leases covering 336,000 square metres.

Castellum listens actively to all its tenants

Positive, long-term customer relationships are of crucial importance for creating growth. That is why Castellum regularly conducts customer surveys. A more comprehensive survey, the Customer Satisfaction Index (CSI), is conducted every year using outside expertise. In 2020, the annual CSI survey was replaced with quarterly pulse surveys (short questionnaires via SMS) to more quickly capture tenants' various needs in the uncertain existence that the coronavirus pandemic brought with it early in the year. The pulse surveys were targeted toward tenants in

the office, retail, warehouse and logistics segments and covered the majority of Castellum's larger tenants in all regions. The pulse surveys showed continued consistent high marks: 74 out of 100, which is in line with the industry benchmark of 75 (75).

The survey shows tenants' general perception of Castellum and also how attentive and flexible the company has been during a period of major concern in the business environment.

As in previous CSI surveys, Castellum received its highest marks in service-mindedness. The category includes parameters such as personal interaction, service and accessibility. Seven out of ten tenants who responded to the survey stated that they would be happy to continue their partnership with Castellum.

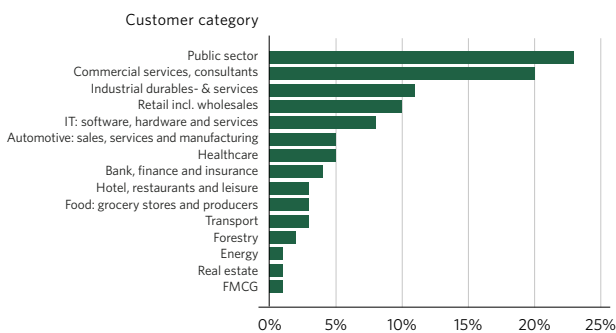
5,700

contracts

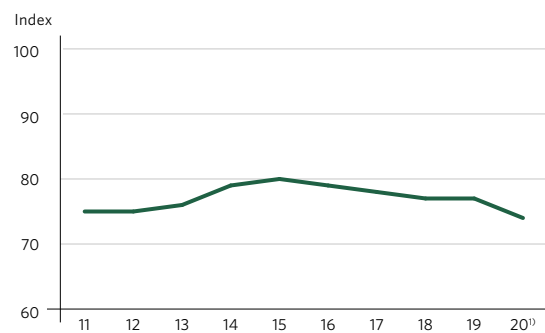
MSEK 5,699

lease value

COMMERCIAL LEASES DISTRIBUTED BY SECTOR



CUSTOMER SATISFACTION INDEX



1. The figure for 2020 is based on the quarterly pulse surveys that were made during the first three quarters of the year.

Welcome to the new office landscape

Since the coronavirus pandemic broke out, the development of digitalisation at workplaces has leaped several years forward in time over just a few months. Castellum knew that work life was facing changes, and had long been working to meet the demands of tomorrow's workplace. And it's here today.

New generations expect smarter solutions, more rewarding partnerships, greater flexibility, and better possibilities for living both personally and professionally. These are the conclusions from Castellum's "Tomorrow's workplace" study, a report presented this spring on how factors such as the millennial generation's drivers and values will influence their expectations of employers in the near future.

Working life changed overnight

As a result of the coronavirus pandemic, flexible working life quickly became the new normal, with new demands for the content of what could be referred to as a workplace. For most companies, working remotely was a simmering trend that essentially exploded when the pandemic broke out. At Castellum, it was a well-tested form of work that was now being scaled up. This trend was supported by strong drivers in the form of technological development, new generations in the labour market and more people working in networks instead of traditional organisations. From a purely technological standpoint, it is fully possible in principle to work from anywhere, and the need for travel has thus minimised.

The biggest change in the views on work is increased flexibility. Castellum itself took up the challenge, and after the summer offered its employees the freedom to perform their work tasks in the way they themselves prefer even when the pandemic is over.

When employees can choose by themselves

When many workplaces moved into the home in the spring of 2020, it became obvious that the office was facing a major change from its traditional form.

TURNKEY FLEXIBILITY

The "turnkey office" concept makes it easy to combine increased flexibility with increased high levels of service. Fully equipped, state-of-the-art, with a focus on health, sustainability and wellness - all in one simple contract that makes it a trouble-free proposition to have a complete office while avoiding all of the hassle. Easy to move in immediately. Easy to start working: everything is included. Furniture, kitchen and conference equipment, electricity, networks - even coffee. And easy to move out on a short notice period.

Even if the office has changed, the workplace has retained an important function as a meeting place and a space for social interaction. It is well documented that creativity is stimulated by interaction with others, and that new influences lead to innovation and development. In addition, social relations have a positive impact on both physical and mental health. Castellum's survey from the late autumn on the theme of the office of the future showed that many respondents missed their workplaces. 87% stated that they wanted to go back to their offices when the pandemic was over, and it was primarily young people who expressed these views.

"Flexibility is not some passing fad. It is the key to the workplace of the future, where smart employers endeavour to make their employees' daily life simpler."

Henrik Saxborn,
CEO

Switching focus from product to service

Castellum's mission is to create workplaces where people and enterprises thrive.

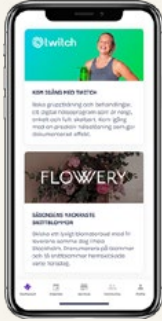
The key to creating service offerings that are appreciated lies in the combination of advanced innovation, where data and AI play an increasingly prominent role, and practical application in the human environment. Castellum's initiatives in innovation are built on insight into how important employees' well-being and comfort are for successful operations, and are oriented on increasing the level of service through developing services that make daily life easier for the 250,000 people who work in the company's properties. One critical area is the boundary between work and leisure, and individuals' possibilities for achieving a healthy balance in their lives. Modern employers know that it is often here that the tug-of-war occurs over the most attractive skills, as well as companies' ability to retain and develop their employees.

The trend is moving towards services that lets them focus on their operations and develop a successful workplace. From help with dry cleaning, receiving packages, floral deliveries and healthy lunches in pleasant environments to

bicycle parking or the possibility of working out immediately adjacent to the office. The services most in demand in Castellum's surveys are gyms and changing rooms for young people, and for older employees health and fitness activities.

APPS FOR A SIMPLER WORK LIFE

During the year, a digital platform in the form of a smart app was developed that not only simplifies life at work but makes the rest of life easier, smarter and more enjoyable. First out was the United Spaces app featuring an information stream, the possibility of booking meeting rooms and workplaces, purchasing relevant services and, not least, creating contacts and networking with others. Access is additionally included, with digital access to workplaces, conference rooms, work-out opportunities and more. In 2021, a similar app was launched for the rest of Castellum's tenants.



First in the logistics phase

Castellum is one of the Nordic region's leading players in logistics solutions, with a broad offering that stretches from large central warehouses to "last mile" locations. During the year, a completed asset portfolio in primarily warehouses and logistics was sold. The sale provides Castellum with the possibility of continuing to invest in and develop its most strategic logistics locations such as Castellum Säve in Gothenburg, for example, and Brunna, just north of Stockholm.

Castellum's tenants thus have access to cost-efficient and secure storage in the best locations, but the company's ambitions don't stop there. The company wants to be first, leading the development of tomorrow's flexible logistics solutions.

Much of these innovation efforts are taking place at Castellum Säve, a three million-square metre space just outside Gothenburg, where great steps were taken in 2020. This includes the work begun on the structural plan for the entire area.

There are plans to construct an approximately 800,000 square metre modern logistics and business premises at Castellum Säve, in stages over a ten-year period. An innovation cluster for developing the sustainable transportation

and mobility of the future, as well as testing grounds for air and ground vehicles, will be created in parallel with the long-term development of the area. This unique combination provides Castellum with excellent conditions for meeting its tenants' ever-increasing needs for flexibility and mobile, sustainable transportation solutions.


With an ear to the rails

Long-term success is determined primarily by how Castellum meets the expectations of existing and potential tenants. This is best done in close collaboration with tenants - their needs and wishes are the best barometer. By being attentive to its tenants, Castellum can produce new and attractive services. The most important questions are: What service and maintenance needs will you have in the future? How can we identify them and create mutual business opportunities?

The dialogue with 5,700 tenants is the most important knowledge bank. Other sources are the results of surveys, questionnaires, seminars and other context that stimulate the development of ideas. Castellum actively monitors developments in other industries, and often takes part in industry-related debates and forums that could provide new perspectives. One example is the European group of experts on sustainability and innovation for which the company was selected for inclusion as the only Nordic property company. The purpose is to create a joint knowledge platform to share experience in sustainability and innovation. This type of collaboration provides valuable input for innovation and research in developing the property industry of tomorrow.

MATILDA

Three years ago, Castellum launched a pilot project to test new wireless technology and to gain further insight into data-driven knowledge about how its tenants' premises and workplaces are being used. The initial service, Matilda, provided a basis for advice pertaining to the needs for and design of premises. Using AI, smart premises and properties were developed so that they could be adapted in order to be as functional as possible.



Services that make life simpler

Castellum acquired the co-working company United Spaces in January 2019, a year before the coronavirus pandemic broke out. The company had high expectations for the deal, but did not suspect that co-working would soon become the symbol for a new, flexible work life.

United Spaces offers resource-efficient, flexible office solutions to companies of varying sizes, and also promotes building a community among people, unexpected meetings and creativity. To date, co-working has been a big-city phenomenon, but it is now spreading quickly across the country. It is still a new offering in which Castellum is pursuing an active learning process in teamwork with its tenants in order to produce competitive services.

“The office will change. The entire concept of workplace will change, expand and improve. We’ve known this since before the pandemic upended the playing field.”

Malin Engelbrecht.
Project Manager, Strategic Initiatives

Co-working is the symbol for flexible working

Co-working involves the lessor offering the tenants both physical and digital platforms where they can interact, explore collaboration and expand their networks. In connection with the workplace, a number of other service and activities are offered – from sandwiches and coffee to conference rooms and yoga lessons. Individuals become part of a creative environment where comprehensive services are included, as is the possibility of meeting and exchanging experiences with other members. Tenants are offered flexibility as regards workplaces, rental terms and agreements – and as a property owner, spaces can be used more efficiently.

United Spaces provides a platform for quickly identifying trends and behaviours and turning these into attractive new service offerings, as well as possibilities for testing new smart ideas. This way, expertise in technology and customer behaviour are brought together. The ability to

continually adapt its offerings in accordance with its tenants’ needs and wishes is the essence of Castellum’s operations.

OPEN, ACCESSY!

A mobile phone app grants access to entrance doors, conference rooms, bicycle garages, parking and the office. Access to logistics, deliveries, alarm services, waste management and more can also be managed with this solution. The same technology makes it possible to rent and unlock a car using the same app. Accessy was tested in the autumn of 2020 and will be rolled out in early 2021 for United Spaces members, and subsequently for other tenants.

INSTABOX

Instabox makes it possible to order goods online and then pick them up from a smart box in the property where you work. The service makes daily tasks easier for people working in over 45 of Castellum’s properties.



Self-learning buildings and digitalised maintenance

In 2017, Castellum started what would become the property industry's first innovation lab. The lab, called Next20, was started to take the lead in digitalisation and development of services for the work life of the future. In just a short time, several projects have been completed and numerous services have been created.

During the year, Castellum put together a strong in-house development team for apps, digital platforms and AI. The team works flexibly – an approach that generates innovative power and a richness of ideas among employees.

New insights increase innovative power

Castellum endeavours to combine technological expertise with knowledge about human behaviour. Data analysis creates insights that can be developed into services and solutions that tenants and employees can benefit from.

With knowledge about properties and their inhabitants comes the capacity to improve. Data-driven knowledge can develop self-learning buildings and make daily living easier for both tenants and property owners. It also provides conditions for creating new smart phone services for them.

With the co-working company United Spaces and the Eminent property as testing arenas, Castellum began collecting data in a "structured data lake" in 2020. Once the lake is sufficiently full, it will be possible to use artificial intelligence in earnest.

One example of service is the United Spaces app, which contains an information stream, the possibility of booking meeting rooms and workplaces, purchasing relevant

services and, not least, creating contacts and networking with others. Accessy is additionally included, with digital access to workplaces, conference rooms, work-out opportunities, bicycles, cars and more.

THE OFFICE AS A LIVING LABORATORY

In 2020, the newly-constructed Eminent office building in Malmö served as a testing arena for innovative solutions in order to develop, over the long term, a self-learning building: a smart connected property that can predict disruptions to operation, act and manage discrepancies and faults. Approximately 3,500 sensors monitor how stairwells, lifts, conference rooms, terraces and garages are used in the building's 9,600 square metres. In addition to data from the sensors, data concerning energy as well as control and regulation technology is also collected and analysed using machine learning and AI.

The scalable platform that has been developed in Eminent will become a tool for integrating data from Castellum's other properties and transforming insights into new smart solutions.



"An important part of the innovation initiatives is openness to collaboration with outside partners, both colleagues in the property industry and in other industries entirely. We also prioritise working with small start-up companies to gain more creativity in our development efforts."

Niclas Ingeström,
Chief Digital Officer

Property portfolio 2020

Castellum has a presence in three of the Nordic region's capitals and growth markets. We own the most properties of any Nordic property company, and our property portfolio is concentrated in select growth regions in Sweden, Copenhagen and Helsinki.

Castellum's geographical markets can be characterised as stable, with good prospects for long-term positive development. The commercial portfolio consists of 48% office, 21% public sector properties, 18% warehouse/logistics, 7% retail and 2% light industry. The properties are located in city centre locations and well-situated business districts, with excellent public transportation and services. The remaining 4% consists of developments and undeveloped land.

Castellum owns approximately 670,000 square metres of unutilised building rights and ongoing larger projects with a remaining investment volume of approximately SEK 3.2 billion.

Castellum's property portfolio at 31 December 2020 comprised 642 properties (632) with a total rental value of MSEK 6,585 (6,177) and a total lettable area of 4,477,000 square meters (4,255,000). For properties owned at year end, the net operating income after property administration expenses over the year was MSEK 4,412 (4,103).

Investments in 2020

During the year, a total of MSEK 5,158 (6,112) was invested, of which MSEK 2,646 (3,350) was acquisitions and MSEK 2,512 (2,762) new construction, extensions and reconstructions. After sales and cash settlements of MSEK 891 (4,138), including a previously unrecognised earnout of MSEK 120, net investments amounted to MSEK 4,267 (1,974).

During the year, the asset portfolio changed according to the table on the right.

Sustainable property portfolio

Environmental inventories are to be carried out for all properties to identify and address environmental and health risks; currently these are 81% complete. Inventory is planned for the remaining 19%, which will be conducted over the next few years and updated every ten years for all properties.

When a property is acquired, it is analysed both in terms of energy utilisation and environmental risk; all new constructions and major reconstructions are environmentally certified. Castellum owns the greatest number of properties among Swedish listed property companies; all together, 39% of the total area – equivalent to 202 buildings (1,747,000 square meters) – is environmentally certified. Further certification is in progress for a further

331,000 square metres, equivalent to 7%. The purpose of certification is to reduce the property portfolio's climate impact and risks, reduce costs, create premises that are attractive to tenants and their businesses, and to improve safety and working environments for them.

The environmental risks in Castellum's property portfolio are considered small, and no fines have been paid for environmental offences.

CHANGES IN THE PROPERTY PORTFOLIO

	Fair value, MSEK	Number
Property portfolio on 1 January 2020	95,168	632
+ Acquisitions	2,646	16
+ New construction, extensions and reconstructions	2,512	-1
- Sales	-740	-5
+/- Unrealised changes in value	3,712	—
+/- Currency translation	-256	—
Property portfolio, 31 December 2020	103,042	642

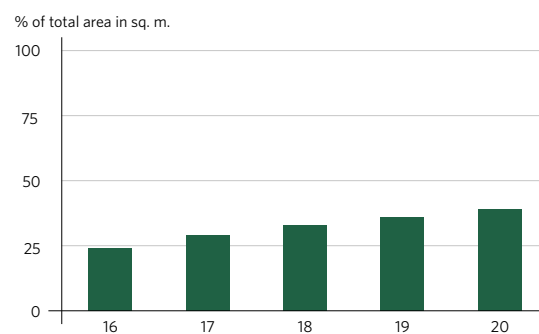
CASTELLUM'S ENVIRONMENTALLY CERTIFIED PROPERTIES¹⁾

	Completed properties		Ongoing projects	
	Number	sq. m.	Number	sq. m.
EU Green Building	53	409	0	0
Miljöbyggnad	59	441	11	109
BREEAM	83	834	25	216
LEED	6	63	0	0
WELL	1	0	3	6
Environmentally certified properties²⁾	202	1,747	39	331

1. Certifications can refer to property, land or part of property.

2. Note that some of Castellum's properties are doubly certified. Hence, the total area is slightly smaller than the sum of the figures above.

SHARE OF ENVIRONMENTALLY CERTIFIED PROPERTIES



ENVIRONMENTAL CERTIFICATION SYSTEM



Miljöbyggnad

Miljöbyggnad is a Swedish system that certifies buildings in energy, indoor environment and building materials. It also includes health and safety aspects. The system awards Gold, Silver or Bronze levels and is used for both residential and commercial premises.



WELL

WELL certification is based on scientific studies and the standard was developed by the WELL Building Institute (IWBI), based in New York. WELL certifies the social sustainability of a building, focusing on health and wellness. The WELL standard is founded on ten concepts known to affect health.

SUSTAINABILITY PROGRAMME IN CONNECTION WITH NEW CONSTRUCTION AND RECONSTRUCTION

MANDATORY REQUIREMENTS FOR ALL CONSTRUCTION PROJECTS AT CASTELLUM

Generally, the following requirements are imposed: Code of Conduct, sustainability policy, environmental management system, waste plan, environmental plan, an environmental project manager and energy-efficient product choices such as sustainable PEFC- or FSC-certified wood raw material, LED lighting and A-certified goods, in addition to the selection of sustainable building materials from both an environmental and health perspective as stipulated by the industry association Byggsvarubedömningen.

1. For new production in Sweden, Miljöbyggnad level Gold applies; in Denmark and Finland, BREEAM Excellent applies. Logistics buildings are certified under Miljöbyggnad Silver level. Other types of projects are certified.
2. Applies to newly constructed offices over MSEK 100.
3. Applies only to construction of office premises.

BREEAM®

BREEAM

BREEAM, from the UK, is together with LEED the most commonly used environmental classification system in the world. The system evaluates and rates the overall environmental impact of buildings.



LEED

LEED, from the US, is together with BREEAM the most commonly used environmental classification system in the world. The system evaluates and rates the overall environmental impact of buildings.

COMPREHENSIVE SUSTAINABILITY PROGRAMME FOR NEW CONSTRUCTION AND RECONSTRUCTION

APPLIED IN ADDITION TO THE MANDATORY REQUIREMENTS IN ALL MAJOR PROJECTS

- Miljöbyggnad level Gold¹.
- Choosing renewable energy sources.
- 15% reduced climate impact per sq. m. in A1-A5².
- Healthy indoor climate and carefully prepared moisture prevention work
- Sustainable construction materials
- Near zero-energy buildings¹.
- Always investigate WELL health certification³.
- Create a more attractive building through aesthetic decoration.
- Engage local artists in projects².
- Install solar cells³.
- Investigate the possibilities of outdoor offices according to Castellum's WorkOut concept³.
- Create inviting stairwells³.
- Energy-efficient and environmentally friendly construction sites.
- Non-fossil fuel powered vehicles at construction sites.
- Restoration and increased amount of ecosystem services.
- Climate risk management.
- Requirements that entrepreneurs create workplaces in the project for people struggling to enter the job market.



NollCO₂

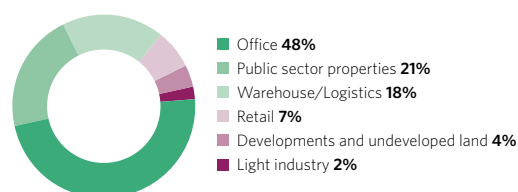
To promote a climate-neutral construction sector in Sweden, the Sweden Green Building Council (SGBC) has produced the NollCO₂ certification. NollCO₂ is a supplementary certification to Miljöbyggnad, BREEAM-SE, LEED and Nordic Swan, and is intended to achieve net zero climate impact from new construction.



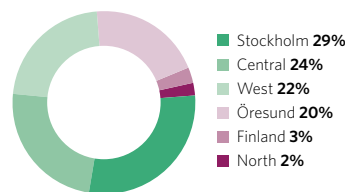
EU GreenBuilding

EU GreenBuilding focuses on improving the efficiency of energy usage. The requirement is to improve energy efficiency by 25%, or to use 25% less energy compared with new construction requirements in the building regulations [BBR] of the National Board of Housing, Building and Planning.

PROPERTY VALUE BY CATEGORY



PROPERTY VALUE BY REGION



PROPERTY PORTFOLIO, 31 DECEMBER 2020

Category	31 December 2020						January–December 2020				
	Number	Area, thousand sq. m.	Property value, MSEK	In SEK/sq. m.	Rental value MSEK	In SEK/sq. m.	Economic occupancy rate	Income MSEK	Property costs, MSEK	In SEK/sq. m.	Net operating income, MSEK
Offices											
Stockholm	31	291	12,922	44,413	705	2,424	90.4%	635	122	420	513
West	66	376	11,011	29,327	682	1,815	92.5%	618	122	325	496
Central	79	557	11,166	20,040	860	1,544	91.9%	778	196	352	582
Öresund	43	398	11,419	28,701	846	2,127	92.0%	759	178	447	581
North	2	5	102	20,802	8	1,632	98.4%	8	2	423	6
Finland	7	58	2,712	46,622	181	3,120	86.2%	157	44	756	113
Total Office	228	1,685	49,332	29,286	3,282	1,949	91.4%	2,955	664	394	2,291
Public sector properties											
Stockholm	12	89	5,839	65,389	283	3,168	97.2%	268	42	472	226
West	12	79	1,614	20,367	108	1,360	90.4%	96	18	232	78
Central	31	317	8,707	27,488	565	1,783	96.7%	543	103	326	440
Öresund	9	98	3,651	37,374	219	2,244	98.7%	214	29	295	185
North	10	100	2,068	20,705	149	1,492	95.3%	141	26	259	115
Total Public sector properties	74	683	21,879	32,039	1,324	1,939	96.5%	1,262	218	320	1,044
Warehouse/logistics											
Stockholm	38	276	5,971	21,597	343	1,242	91.9%	310	42	151	268
West	70	631	8,213	13,021	518	821	93.8%	467	77	122	390
Central	30	166	1,661	10,024	135	812	87.7%	117	24	147	93
Öresund	36	237	2,601	10,973	199	842	94.9%	184	39	163	145
Total Warehouse/Logistics	174	1,310	18,446	14,082	1,195	912	92.8%	1,078	182	139	896
Retail											
Stockholm	28	149	3,542	23,701	230	1,537	94.9%	215	33	216	182
West	16	66	1,290	19,662	84	1,278	96.9%	78	17	267	61
Central	21	114	1,880	16,533	147	1,288	97.6%	140	28	242	112
Öresund	11	45	840	18,455	69	1,522	90.2%	61	13	289	48
Total Retail	76	374	7,552	20,177	530	1,414	95.4%	494	91	241	403
Light industry											
Stockholm	10	43	792	18,302	54	1,250	95.5%	51	9	210	42
West	15	62	763	12,384	54	873	95.8%	51	8	123	43
Central	10	29	404	13,844	31	1,070	96.8%	30	5	189	25
Öresund	4	42	393	9,337	33	792	94.0%	31	4	100	27
Total Light Industry	39	176	2,352	13,353	172	979	95.5%	163	26	150	137
Total investment properties	591	4,228	99,561	23,549	6,503	1,538	93.1%	5,952	1,181	279	4,771
Lettings and property administration expenses									379	90	-379
Total after lettings and property administration expenses									1,560	369	4,392
Developments	34	219	3,011	—	82	—	—	46	26	—	20
Undeveloped land	17	—	470	—	—	—	—	—	—	—	—
Total	642	4,447	103,042	—	6,585	—	—	5,998	1,586	—	4,412

The table above relates to the properties owned by Castellum at the end of 2020 and reflects the income and costs of the properties as if they had been owned during the entire period. The discrepancy between the net operating income of MSEK 4,412 reported above and the net operating income of MSEK 4,335 in the income statement is explained both by the deduction of the net operating income of MSEK 42 in properties sold during the year, by the MSEK 111 upward adjustment of the net operating income on properties acquired/completed during the year, which are recalculated as if they had been owned or been completed during the entire year, and the exclusion of MSEK -8 from the co-working company in the table above.

Enhancement of the development portfolio

Castellum's strategies for reaching an overall growth target of 10% include enhancing its development portfolio and creating new project opportunities through land allocation agreements and acquisition of building rights. Investments in new construction, extensions and reconstructions often result in higher yields than investments through acquisitions. Castellum has invested SEK 67 billion over the last ten years, an average of SEK 6.7 billion per year.

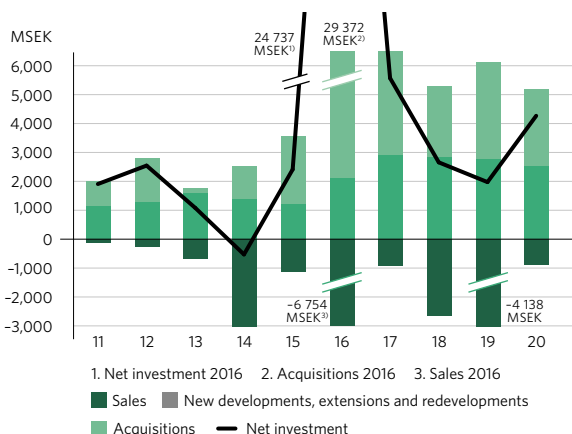
Castellum invested a total of MSEK 5,158 (6,112) in 2020, of which MSEK 2,646 (3,350) pertained to acquisitions and MSEK 2,512 (2,762) to new construction, extensions and reconstructions. After sales and cash settlement of MSEK 891 (4,138), net investments amounted to MSEK 4,267 (1,974).

Castellum's investments in existing portfolios and other development projects also result in a quality shift to a more sustainable and, from a value perspective, stable portfolio, as well as increased earning power. In addition, Castellum intends to be an active player that promotes urban development and growth.

Large projects with stable tenants

For Castellum's project developments, 2020 was a year that, despite an uncertain world, contained a large number of starts on major projects. Several of the projects started are what Castellum refers to as public sector properties, with government authorities or state agencies as tenants. In 2020, Castellum started two of the company's largest projects ever, in the Nyhamnen district of Malmö: E.ON's new head office and a new court building, both of which are investments totalling approximately SEK 1.3 billion. Additionally, construction began on another court building in Jönköping, an office building in Örebro (the Korsningen block) with the police as tenant, and Koppartorget 4 & 5 in Västerås, where the Swedish Social Insurance Agency will move in. Other ongoing major office projects are Kungspassagen in Uppsala and GreenHaus in Helsingborg. Major projects completed in

INVESTMENTS AND SALES PER YEAR



2020 are Emigranten in Gothenburg, Öskaret in Stockholm and the logistics project in Hisingen Logistics Park.

Sustainability a natural part of all development projects

Castellum works for the environmental certification of all its new construction projects. The most common certification is Miljöbyggnad, where new construction projects for offices are to achieve Gold level and logistics are to achieve Silver level. Other certifications exist; the E.ON project, for example, will be certified under the highest level for BREEAM. Castellum also works to create premises with a focus on health and well-being for its tenants; the Green-Haus project in Helsingborg and the Kungspassagen project in Uppsala, for example, will be certified under WELL.

Castellum has adopted a clear road map for achieving its target of zero carbon emissions by 2030 at the latest. As an initial step, emissions in project development will decrease 15% per square metre along the entire project line for new offices over MSEK 100 beginning in 2021 through 2023. Read more about Castellum's road map in the Sustainability Policy and the target documents.

Castellum's first climate-neutral project is the Korsningen block in Örebro, which will also be one of the pilot certifications under the new NollCO₂ standard. The project is the company's first office project with timber carcassing and timber floor elements. Preliminary calculations show that the Korsningen block reduces climate impact by approximately 40% compared with a reference construction. All certifications with a focus on the environment, health and climate are an important part of these projects and are included in the work from the very beginning. In addition to providing Castellum with future-proofing of its properties and sustainable value, the certifications allow the tenants to work in premises with less climate impact that also increase wellness among their employees.

INVESTMENTS AND SALES BY REGION, 2020



Development portfolio, 31 December 2020



1. HISINGEN LOGISTICS PARK, STAGE 2
GOTHENBURG

- Completed - fully/partially occupied
- New construction logistics
- Investment: MSEK 337



9. GODSFINKAN 1
MALMÖ

- Ongoing
- New development, court
- Investment: SEK 1.3 billion



2. BACKA 20:5
GOTHENBURG

- Ongoing
- New construction, warehouse/logistics
- Investment: MSEK 82



10. E.ON
MALMÖ

- Ongoing
- New construction, office
- Investment: SEK 1.3 billion



3. MASTHUGGET 26:1
GOTHENBURG

- Completed - fully/partially occupied
- New construction, office
- Investment: MSEK 238



11. MORÄNEN 3
MALMÖ

- Completed - fully/partially occupied
- New construction, light industry
- Investment: MSEK 54



4. SESAMFRÖET 2
MÖLNDAL

- Ongoing
- Reconstruction, public sector property
- Investment: MSEK 280



5. GÖTALAND 5
JÖNKÖPING

- Ongoing
- New development, court
- Investment: MSEK 325



6. VISIONEN 3
JÖNKÖPING

- Completed - fully/partially occupied
- Reconstruction, office
- Investment: MSEK 87



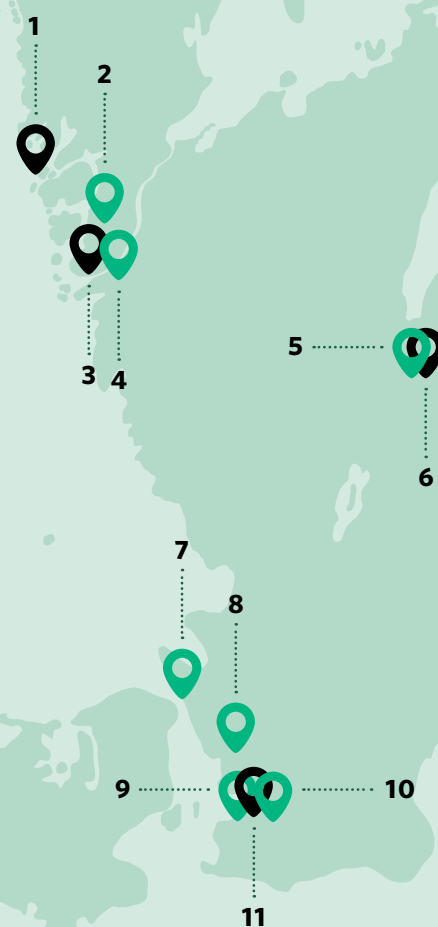
7. GREENHAUS
HELSINGBORG

- Ongoing
- New construction, office
- Investment: MSEK 305



8. SELLERIN 3
LUND

- Ongoing
- New construction, warehouse/car dealership
- Investment: MSEK 88





12. DRAGARBRUNN 21:1
UPPSALA

- Ongoing

New/reconstruction, office
Investment: MSEK 493



13. ÖRNÄS 1:17
UPPLANDS-BRO

- Completed – fully/partially occupied

New construction warehouse/logistics
Investment: MSEK 208



14. ÖSKARET 1
STOCKHOLM

- Completed – fully/partially occupied

Reconstruction, office
Investment: MSEK 638



15. VERKSTADEN 14
VÄSTERÅS

- Ongoing

New construction, office
Investment: MSEK 198



16. HISSMONTÖREN 4
ÖREBRO

- Ongoing

New construction, office
Investment: MSEK 118



17. KORSNINGEN
ÖREBRO

- Ongoing

New construction, office
Investment: MSEK 227



Ongoing



Completed or fully/partially occupied

Building rights and planned developments

As part of Castellum's strategy, its development portfolio is improved through new construction. In this context, owning building rights in attractive locations with local detailed development plans already in place is a competitive advantage, as this entails the shortest possible lead time before tenants can occupy the premises. At year-end, Castellum had approximately 670,000 square metres of unutilised building rights (lettable area). A number of these include finalised project plans which can be launched relatively promptly. During the year, Castellum announced several major potential projects, and these are summarised on the following pages. The projects are characterised by their location in attractive development areas, in combination with a clear sustainability focus.

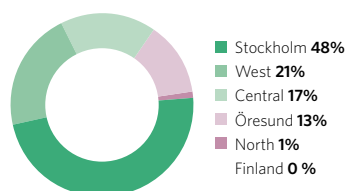
Unutilised building rights are valued at MSEK 1,170 (1,120), equivalent to approximately SEK 1,750 (1,600) per square metre on average. MSEK 600 (600) of the value in

the building rights is recognised as development projects and undeveloped land.

The rest are recognised among offices, public sector properties, warehouse/logistics and light industry properties since they are additions to already developed properties.

At the end of the year, Castellum secured a land allocation agreement in central Gothenburg, adjacent to "Station Centralen", Västlänken's (The West Link) future transportation hub. This will enable the company to contribute to the continued urban development of the area.

BUILDING RIGHTS BY VALUE AND REGION



STOCKHOLM

1. HAGASTADEN

Hagastaden is a new district that links Stockholm and Solna, expanding the inner city northward. It is a central part of the capital's Vision 2040 programme for an innovative and growing region. The previous year, Castellum signed a partnering agreement with Einar Mattsson to jointly develop an area of approximately 23,000 square metres in Hagastaden, for which Castellum has secured land allocation agreements. All residential buildings, office spaces and commercial spaces are expected to be ready for occupancy in 2025. Castellum is also a partner with HSB Bostad for a project covering two blocks, in which Castellum will build, own and manage all the commercial spaces.

STOCKHOLM

2. SLAKTHUSOMRÅDET

After acquisitions of two site leaseholds in Slakthusområdet, Castellum is now beginning to develop an entire city block for offices and businesses. A fantastic environment with offices, businesses and restaurants will be created in the area. The meeting of cultural heritage and modern new additions will produce a special feeling. The block is being developed in close consultation with the City of Stockholm, and is expected to encompass at least 25,000 square metres of modern premises for workplaces.

3. MARIEVIK

Together with the City of Stockholm, Castellum and four other property owners are carrying out an urban development project in the Marievik district in Liljeholmskajen. The adoption of a new detailed development plan is expected in February 2021. In addition to a more mixed, attractive city environment, the new detailed development plan will entail future building rights in two Castellum-owned blocks, Marievik 27 and Marievik 30.



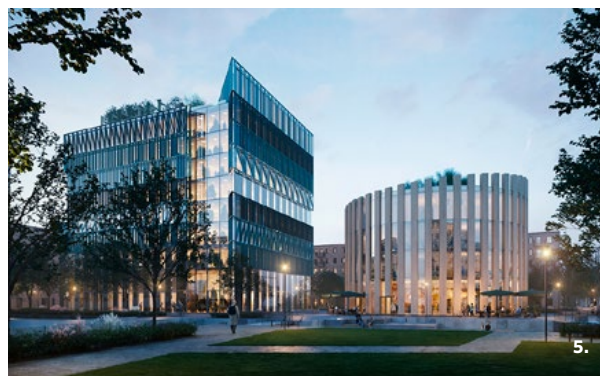
2.



3.



4.



5.



6.



7.

UPPSALA

4. FRÄMRE BOLÄNDERNA

The Främre Boländerna city district is now stepping into Uppsala's limelight. With new office buildings, shops and restaurants, it will be a dynamic part of the growing heart of the country's fourth-largest city. The Uppsala planning and construction board has decided on consultations for the initial detailed development plan involving several players who will be developing Boländerna. Castellum is a major player in the area, and is looking forward to developing the site with modern, sustainable workplaces.

NORRKÖPING

5. INRE HAMNEN

Directly adjacent to Norrköping's new travel centre with Ostlänken (The East Link), Inre hamnen will be a new city district located close to the water. The Nova project in Inre hamnen encompasses two modern, airy buildings for offices and public activities totalling 8,150 square metres. Construction will begin in 2023 at the earliest.

GOTHENBURG

6. CASTELLUM SÄVE

In December 2018, Castellum acquired Säve airport, with a development area containing nearly three million square meters of land. Castellum Säve is the flexible logistics hub of the future, and an area for innovation and development focused on sustainable transportation and mobility. A gradual development of the area is planned over a ten-year period, with a total of approximately 800,000 square metres of modern logistics and business premises and test areas for autonomous vehicles.

MALMÖ

7. TISTLARNÄ, ÖSTRA HAMNEN

In 2020, Castellum prepared the Tistlarna 9 property for the establishment of a new logistics building of approximately 11,000 square metres. It is a fantastic site and location for logistics, close to the E4 and E6 motorways, Malmö Central Stations and both Copenhagen and Malmö airport. The period for completion is approximately 12 months.

Larger ongoing projects



MALMÖ COURT BUILDING (GODSFINKAN 1)

LOCATION:	Nyhamnen district, Malmö
AREA:	~26,500 sq. m.
COMPLETED:	Q1 2023
INVESTMENT:	MSEK 1,270

Castellum is constructing new court offices for the District Court, Administrative Court, and Rent and Tenancy Tribunal in Malmö. The court building will be located in the new Nyhamnen district of Malmö, where Castellum is also constructing a new head office for E.ON. The building will contain approximately 40 courtrooms and will thus be one of northern Europe's largest court buildings.



KUNGSPASSAGEN, UPPSALA (DRAGARBRUNN 21:1)

LOCATION:	Uppsala
AREA:	-14,130 sq. m.
COMPLETED:	Q4 2021
INVESTMENT:	MSEK 493

At year end, Castellum began a new construction project and the reconstruction of Kungspassagen in central Uppsala. The project will cover a total of 14,000 square metres and will be completed in Q4 2021. The property is approximately 80% let and will be clearly characterised by sustainability: solar cells, green electricity and carbon-neutral district heating.



COURT BUILDING, JÖNKÖPING (GÖTALAND 5)

LOCATION:	Jönköping
AREA:	-9,200 sq. m.
COMPLETED:	Q3 2022
INVESTMENT:	MSEK -325.

An assignment that encompasses new premises for the Göta Court of Appeal and the Administrative Court of Appeal in Jönköping. It will be certified under Miljöbyggnad Gold level. A modern, sustainable building that is simultaneously infused with a venerable history. Located adjacent to the beautiful Munksjö lake, illuminated by atria that run through the building and equipped with the energy solutions of the future.



GREENHAUS, HELSINGBORG (JEPPE 1)

LOCATION:	Helsingborg
AREA:	-7,000 sq. m.
COMPLETED:	Q2 2022
INVESTMENT:	MSEK 305

Late in the autumn of 2019, Castellum began the construction of GreenHaus, a modern 7,000-square metre office building, in the new Oceanhamnen district of central Helsingborg. The building is expected to be completed in the spring of 2022 and certified under WELL, the only construction standard that takes the wellness of people in their work life into consideration. The building is 62% let and will also contain co-working operations through United Spaces, a co-working company owned by Castellum.



E.ON MALMÖ (SJUSTJÄRNAN 1)

LOCATION:	Nyhamnen district, Malmö
AREA:	31,460 sq. m.
COMPLETED:	Q1 2023
INVESTMENT:	MSEK -1,296

Castellum is constructing a new Nordic head office for approximately 1,500 employees, in the Nyhamnen district near Malmö Central Station. The building will be a new national landmark in Malmö, and the office has been designed to satisfy a number of different requirements and needs that are imposed on a trendsetting building with sustainable workplaces and attractive architecture. The new construction will be certified under the highest environmental certification level, and in accordance with the WELL building standard's highest level, Platinum. The latter places unique demands on the health and well-being of people at their work.



KV KORSNINGEN ÖREBRO

LOCATION:	Örebro
AREA:	5,650 sq. m.
COMPLETED:	Q2 2022
INVESTMENT:	MSEK -227

Castellum is planning to construct an office building in central Örebro with the Swedish Police as the tenant. The building is made entirely of wood and will be certified under the Sweden Green Building Council's (SGBC) new NollCO₂ certification. The objective is that the building will have net-zero carbon emissions during its lifetime.



KÄLLERUDS PARK ÖREBRO (HISSMONTÖREN 4)

LOCATION:	Örebro
AREA:	-3,400 sq. m.
COMPLETED:	Q1 2022
INVESTMENT:	MSEK -118

Källeruds Park, on the outskirts of central Örebro, is a modern office building in a park environment with a healthy balance between jobs and recreation, between city and green space, and between space-efficient offices and an airy feeling. Källeruds Park includes Castellum's outdoor office concept, WorkOUT, which can already be found in several locations around the country. Research shows that working outdoors has several positive effects on health, strengthens the immune system and reduces stress levels.



KOPPARTORGET 4 & 5 (VERKSTADEN 14)

LOCATION:	Kopparlunden, Västerås
AREA:	5,800 sq. m.
COMPLETED:	Q1 2022
INVESTMENT:	MSEK -198

Castellum plans to construct a new five-storey office building totalling 5,800 square metres in the attractive Kopparlunden district immediately adjacent to central Västerås. Castellum already owns several properties in the Kopparlunden district, which is one of the most dynamic in Västerås in an environment with an inspiring industrial history. Today, the area has been developed into the most densely concentrated office cluster in Västerås featuring modern office buildings.



LARGER ONGOING PROJECTS 2020

Property	Area, sq. m.	Rental value		Occupancy rate, Jan 2021	Total inv. incl. land, MSEK	Of which inv. MSEK 2020	Remaining inv., MSEK	Completed	Category
		MSEK	SEK/sq. m.						
Sjustärnan 1, Malmö ^{1) 3)}	31,460	78	2,775	91%	1,296	349	947	Q1 2023	New construction, office
Godsfinkan 1, Malmö ²⁾	26,500	81	3,030	91%	1,270	471	799	Q1 2023	New construction, court building
Dragarbrunn 21:1, Uppsala ²⁾	14,130	45	3,150	72%	493	269	224	Q4 2021	New/reconstruction, office
Götaland 5, Jönköping ²⁾	9,200	23	2,500	100%	325	33	292	Q3 2022	New construction, court building
Jeppe 1, Helsingborg ^{2) 3)}	7,000	19	2,800	48%	305	195	110	Q2 2022	New construction, office
Korsningen, Örebro ^{2) 4)}	5,650	15	2,800	100%	227	55	172	Q2 2022	New construction, office
Sesamfröet 2, Mölndal ²⁾	5,600	24	4,280	100%	280	17	263	Q3 2022	Reconstruction, pub. sector
Verkstaden 14 ²⁾	5,800	14	2,430	88%	198	78	120	Q1 2022	New construction, office
Hissmontören 4, Örebro ²⁾	3,400	9	2,650	50%	118	20	98	Q1 2022	New construction, office
Sellerin 3, Lund ²⁾	5,190	7	1,300	40%	88	81	7	Q1 2021	New construction, warehouse/ car dealership
Backa 20:5, Gothenburg ²⁾	4,600	7	1,500	100%	82	65	17	Q1 2021	New construction, warehouse/ logistics

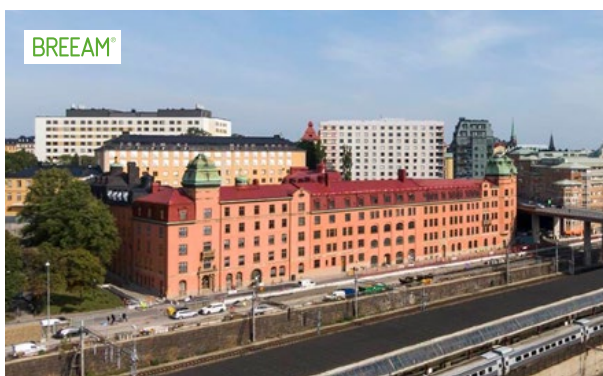
1. BREEAM evaluates and rates the overall environmental impact of buildings.

2. Miljöbyggnad is a certification system intended to create environmentally sustainable buildings. It takes into account energy, indoor environment and building materials.

3. WELL is the first construction standard that takes wellness in work life into account.

4. NollCO₂ is a supplementary certification to Miljöbyggnad, BREEAM-SE, LEED and Nordic Swan, and is intended to achieve net zero climate impact from new construction.

Larger completed projects



ÖSKARET 1, STOCKHOLM

LOCATION:	Central Stockholm
AREA:	10,841 sq. m.
COMPLETED:	Q4 2020
INVESTMENT:	MSEK 638

In 2017, Castellum acquired Stockholm Vatten's former head office at Torsgatan 26 in central Stockholm. The property has a lettable area of 11,000 square metres and the assessed potential for new building rights. The reconstruction into modern premises began in 2018. Castellum also owns some of the neighbouring properties, and envisages great development potential in the area. The plan is to create a vibrant mixed-purpose block in partnership with the City of Stockholm and other property owners. The building is 77% let.



HISINGEN LOGISTICS PARK 2, GOTHENBURG

LOCATION:	Hisingen district, Gothenburg
AREA:	36,700 sq. m.
COMPLETED:	Q3 2020
INVESTMENT:	MSEK 337

In the summer of 2020, Castellum completed the second stage of Hisingen Logistics Park, which encompasses approximately 37,000 square metres of finished logistics space with solar cell installations on the roof. The building has been let in full, to an e-commerce player. As a result of the completion of stage 2, Hisingen Logistics Park became one of the Nordic region's largest logistics facilities, totalling 65,000 square metres with a state-of-the-art standard for a fully automated warehouse.



MASTHUGGET 26:1, GOTHENBURG

LOCATION:	Masthuggskajen district, central Gothenburg
AREA:	4,185 sq. m.
COMPLETED:	Q4 2020
INVESTMENT:	MSEK 238

Construction of the Emigranten Göteborg office block has been completed, on a historic site adjacent to Castellum's existing Amerikahuset property. The building is located in the middle of the Masthuggskajen district, which is a part of the larger RiverCity urban development project. The building is 10% let.

LARGER COMPLETED PROJECTS 2020

Property	Area, sq. m.	Rental value		Occupancy rate, Jan 2021	Total inv. incl. land, MSEK	Of which inv. MSEK 2020	Remaining inv., MSEK	Completed	Comments
		MSEK	SEK/sq. m.						
Öskaret 1, Stockholm ¹⁾	10,841	60	5,550	77%	638	587	51	Q4 2020	Reconstruction, office
Hisingen Logistics Park, Gothenburg ²⁾	36,700	28	750	100%	337	329	8	Q3 2020	New construction logistics
Masthugget 26:1, Gothenburg ²⁾	4,185	13	3,200	10%	238	222	16	Q4 2020	New construction, office
Örnäs 1:17, Upplands-Bro ²⁾	15,719	15	1,000	100%	208	198	10	Q1 2020	New construction logistics
Visionen 3 fd 1, Jönköping ²⁾	5,155	10	1,850	80%	87	67	20	Q2 2020	Reconstruction, office
Moränen 3, Malmö ²⁾	3,421	5	1,350	82%	54	54	0	Q1 2020	New construction, office

1. BREEAM evaluates and rates the overall environmental impact of buildings.

2. Miljöbyggnad is a certification system intended to create environmentally sustainable buildings. It takes into account energy, indoor environment and building materials.

Transactions

Castellum acts from a long-term perspective; its strategy for growth includes continually refining and developing its property portfolio by investing in new construction, extensions and reconstructions, as well as making new acquisitions.

The purpose of the investments is to improve cash flow, thereby increasing the value of the properties. New projects are gradually added through acquisitions of both development properties and unutilised building rights.

Castellum continually develops its property portfolio, which also includes divestments, in order to strengthen its position as the leading player in Nordic growth cities. One excellent example of this is Castellum's announcement in late 2020 of the sale of a mature, stabilised asset portfolio, consisting primarily of properties in warehouse/logistics of various ages, to Blackstone for net proceeds of approximately SEK 18.1 billion, less expenses and deferred tax of approximately MSEK 900. The sale was divided into two tranches:

- *Portfolio No. 1*, with a net sale price of approximately SEK 5.0 billion and a valuation at year-end of approximately SEK 4.8 billion, with hand-over in early February. In conjunction with the sale, deferred tax income of MSEK 600 will be recognised. The transaction was contingent upon approval by the Swedish Competition Authority, which was received in January 2021, and will thus be recognised as sold in Q1 2021.
- *Portfolio No. 2*, with a net sale price of approximately SEK 13.1 billion and a valuation at year-end of approximately SEK 12.7 billion, with hand-over in late March or early April. Deferred tax income of approximately SEK 1.8 billion would have been recognised in conjunction with the sale. The transaction was contingent upon both approval by the Swedish Competition Authority (received in January 2021) and the successful acquisition of Entra (offer withdrawn in February 2021).

Castellum also carried out several acquisitions and occupancies in 2020.

In May, a deal was struck with SBB in which Castellum acquired a central office property in Malmö for MSEK 216, which is being let in its entirety by the Swedish National Courts Administration. With this deal, Castellum created continued development opportunities in central Malmö, since the Swedish National Courts Administration will occupy Castellum's project in the Nyhamnen district in 2022. During the spring, a strategically located logistics property was also acquired for MSEK 35 in the same district, where further development is planned.

In November, the Lindström Invest property company in Helsinki was acquired. Its portfolio contains 36,000 square metres of modern offices in Kalasatama. The investment volume totalled MEUR 150. The transaction was completed in part as a share issue in kind.

Shortly thereafter, an additional office property was acquired in the neighbouring Sörnainen district from Capman for approximately MEUR 23.7. This illustrated Castellum's ambition for continued expansion in the region.

In December, an acquisition in the Slakthusområdet district in Stockholm – an area under robust development – was completed. The strategically located 5,600-square metre Sandhagen 9 office property was acquired from Humlegården for MSEK 296. In early 2020, a smaller property in the same area of the City of Stockholm was also acquired and occupied, meaning that right of disposition was obtained over an entire city block. The block is being developed in close consultation with the City of Stockholm, and is expected to encompass at least 25,000 square metres of modern premises for workplaces.

Castellum has reduced its presence in Halmstad through the sales of properties in the Högskoleområdet district to Intea Fastigheter AB, which has owned the remainder of the campus for some time. The sale price of MSEK 729 exceeded the latest valuation.

A classic office building of 8,690 square metres in Västerås was acquired in December for MSEK 198. The building is located at the intersection in the very heart of the city.

In Gothenburg, Castellum concluded a transaction with the City of Gothenburg that will facilitate future urban development by selling land property to the city in exchange for a land allocation agreement in connection with the future "Station Centralen" transportation hub for Västlänken (The West Link). The building rights encompass approximately 20,000–30,000 square metres GFA for office and retail space, and will include one of the station entrances.

In 2020, Castellum completed acquisitions for MSEK 2,646 (3,350) and sales of MSEK 891 (4,138), including remuneration for an earn out of MSEK 120 that had previously not been recognised.

Larger acquisitions during 2020



SANDHAGEN 9

LOCATION:	Slakthusområdet, Stockholm
AREA:	5,700 sq. m.
OCCUPANCY:	Jan 2021
INVESTMENT:	MSEK 296

The site leasehold is located immediately adjacent to Castellum's already existing properties in the Slakthusområdet district - one of Stockholm's most exciting areas where a new modern city district is being developed. The building, constructed in 1989, contains offices.



FIVE PROPERTIES, HELSINKI

LOCATION:	Kalasadama
AREA:	36,000 sq. m.
OCCUPANCY:	Nov 2020
INVESTMENT:	MSEK 1,440

Castellum acquired the Lindström Invest property company containing five properties, all located close together in Kalasadama, which is a former harbour district that the City of Helsinki is now developing into a new city district. The buildings contain high-quality office space, conference centres and restaurants.



HÄMEENTIE 15

LOCATION:	Sörnäinen
AREA:	7,900 sq. m.
OCCUPANCY:	Dec 2020
INVESTMENT:	MSEK 213

As further proof of Castellum's ambition to grow in the Helsinki area, Hämeentie 15 was acquired in December. The property is strategically located in the Sörnäinen district, next to Kalasadama. The property was built in 1956, with an addition in 1990, and has routinely been renovated since then. In June 2021, Senaatti Verohallinto - the city's partner in occupational health and safety - will occupy the newly renovated 1,100-square metre premises.

LARGER PROPERTY ACQUISITIONS DURING 2020

Property	Area, sq. m.	Rental value		Occupancy rate, Jan 2021	Acquisition cost, MSEK	Occupancy	Category
		MSEK	SEK/sq. m.				
Sandhagen 9	5,700	16	2800	99%	298	Jan 2021	O
Von Conow 57	6,800	13	1,950	100%	216	May 2020	P
Manfred 8	8,700	16	1,850	90%	194	Dec 2020	O
Eggegrund 7	14,900	7	500	100%	114	March 2021	L
Property	Area, sq. m.	MEUR	EUR/sq. m.	Occupancy rate, Jan 2021	Acquisition cost, MEUR	Occupancy	Category
Five properties, Helsinki	36,000	11	300	86%	150	Nov 2020	O
Hämeentie 15	7,900	2	260	86%	23.7	Dec 2020	O

LARGER PROPERTY SALES DURING 2020

Property	Area, sq. m.	Rental value		Underlying prop. price, MSEK	Deferred tax and transaction costs, MSEK	Net sale price, MSEK	Vacated	Category
		MSEK	SEK/sq. m.					
Halmstad, six properties	36,150	55	1,500	743	14	729	Jan 2021	

Tough goals yield results in the fight against global warming

In the Focus area: The Planet (the environment and the climate), the overall goal is net-zero carbon emissions by 2030 at the latest. Preventing global warming is among the highest priorities for both Castellum's operation and the world in general. The Earth's population continues to increase, and resources must be sufficient for more and more people. That is why this area is completely fundamental to Castellum's sustainability efforts.

Focus area: The Planet



ORIENTATION

Castellum will responsibly and efficiently reduce resource use and carbon emissions that cause global warming.

TARGETS

- 15% in energy savings per square metre in 2025, compared with the 2015 index.
- Energy savings of >1.5% yearly in the like-for-like portfolio (properties under administration for two years).
- Net-zero carbon emissions and 100% non-fossil fuel energy by 2030.
- 100% of all vehicles to be non-fossil fuel powered by 2020.
- 1% water conservation per year in the like-for-like portfolio.

OUTCOME

- 15% savings (8) cf. 2015 and 12% savings (saving: 8) in the like-for-like portfolio.
- 85% (77) less CO₂ emissions from property management. (Scope 1 and 2) since 2007. For monitoring of Scope 3, see page 164.
- 95% (96) renewable energy.
- 100% (86) non-fossil fuel powered vehicles.
- 13% (3) water conservation in the like-for-like portfolio.

More efficient energy use

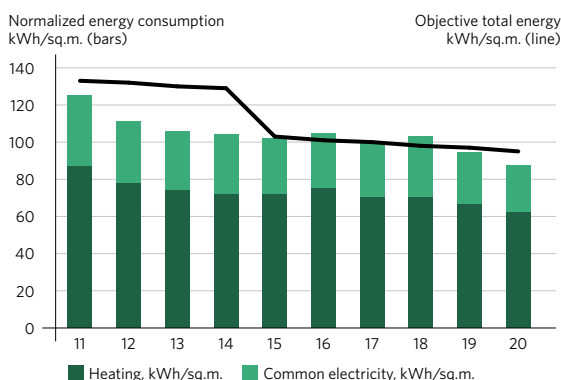
Castellum works continuously to reduce energy use by optimising operations and investing in energy-efficient technologies. Over the past year, 93 developments comprising MSEK 82 were implemented for the purpose of enhancing efficiency. Energy use within the Group is systematically monitored and then analysed. The measures implemented are prioritised in order of greatest potential for enhancing efficiency.

Expansion is under way for Castellum's own portal for online property monitoring, enabling values relating to operation, alarms, elevators and entries to be tracked. This project saves energy and time, and creates customer benefits in the form of better services through preventive measures. At present, 385 properties representing 2,852,000 square metres are connected to the portal.

In 2020, the normalised energy consumption for heating and property electricity in the like-for-like portfolio decreased 12% year-on-year. The efficiency enhancements are due in part to active work to reduce energy use in Castellum's buildings, in part owing to the pandemic – which has entailed lower capacity utilisation in our premises, and thus less need for energy – and in part to milder weather in 2020 compared to the preceding year. Heating use decreased 10% in 2020, while electricity use decreased 5%. Since 2007, energy consumption has decreased by a total of 37% per square metre.

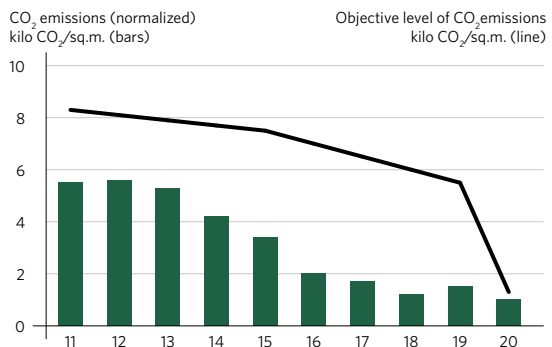
TARGET AND OUTCOME, ENERGY CONSUMPTION PER SQ. M.

Absolute consumption per square metre in the properties Castellum manages.



The actual change in the like-for-like portfolio was 11%, non-degree day adjusted. Castellum began systematically measuring energy consumption and heating in 2007, which is why it is utilised as a comparison year.

CARBON EMISSIONS, PROPERTY MANAGEMENT (SCOPE 1 & 2 MARKET BASED)



Solar cells on the roof generate added value for AFRY

Castellum's "100 on Solar" initiative is one of the Nordic region's largest investments in solar cells, which means that nearly one hundred solar cell installations will be constructed on Castellum properties through 2025.

One of the initiatives is the AFRY office in Solna, where a 255-kilowatt installation covering 2,500 square metres of roof went into operation in 2020.

"As consultants in sustainability and sustainable solutions in buildings, we want to practice what we preach. That is why it is a great pleasure to be able to have this exchange with Castellum, contributing our knowledge as regards solar cell installations," says Kaia Eichler, Sustainability Manager Business Area Buildings at AFRY.

AFRY is a major societal stakeholder that advocates for legislation concerning the imposition of requirements in projects that promote more sustainable energy supply.

"The issue of sustainable entrepreneurship has increased markedly over the last several years, and especially in 2020. For us at Castellum, it is a tremendous feeling to really have worked out a project that is sustainable and good for AFRY, the environment and the economy. We are looking forward to more exciting customer projects that will push us into new challenges and solutions concerning sustainable property management and project development in the near future," says Hanna Björklund, Account Manager for AFRY at Castellum.



Kaia Eichler

100 on Solar

Castellum started the Nordic region's largest solar cell installation in 2019. Since then, the company has constructed 39 out of its target of 100 large solar cell installations.

DISTRIBUTION OF CARBON DIOXIDE EMISSIONS



- District heating and cooling **93%**
- Refrigerant **5%**
- Natural gas **2%**
- Oil **0%**
- Vehicles **0%**

DISTRIBUTION OF TOTAL ENERGY CONSUMPTION



- District heating **68%**
- Building electricity **25%**
- Cooling **5%**
- Bio gas **1%**
- Geo energy **1%**
- Direct acting electricity **0%**
- Natural gas **0%**
- Oil **0%**

The goal of 100% non-fossil fuel powered vehicles has been fulfilled and thus all vehicles – service cars, carpool vehicles and company cars – used by Castellum are either electric or run on biofuel.

Castellum's heating consumption of 50 kWh per square metre can be compared with the industry average, which uses the Swedish Energy Agency's reference value for heating premises of 117 kWh per square metre. This means Castellum's buildings are 57% more energy efficient than the Swedish average for these premises.

Increased share of renewable fuels

Of Castellum's total carbon emissions, 6% can be directly influenced by oil, gas, and vehicles (service, company cars and carpool vehicles) (Scope 1); the remaining 94% – purchased energy such as district heating and electricity – can only be influenced indirectly (Scope 2).

To reduce emissions, work is under way to phase out fossil fuels; currently four oil furnaces are still in operation.

Approximately 13% of Castellum's customers are responsible for their own heating and 23% for electricity on the property. A total of 6,181 kW of solar cells have been installed on Castellum's properties, equivalent to a total of approximately 43,267 square metres of solar cells. Thirteen large solar cell installations were built in 2020.

Castellum's use of district heating means that its carbon emissions are dependent on the fuel mix used by the district heating facilities. At present, Castellum purchases from 29 district-heating facilities, which represent 93% of the Group's total emissions under scopes 1 and 2. Castellum is in dialogue with the district heating suppliers with the highest carbon emissions per kWh

in order to influence these suppliers to reduce emissions. The transfer to green district heating with renewable fuels is ongoing and currently amounts to 48% of district heating suppliers.

During 2020, scope 1 and 2 carbon emissions decreased by 34% per square metre; since 2007 they have decreased by 85% per square metre. The increase is largely due to an increase in emissions from district heating suppliers during the year. Of Castellum's total energy use, 95% is non-fossil fuel.

Since 2001, only green electricity has been used in the Group.

Reduced amount of waste

Castellum has long worked actively to reduce the amount of waste that goes to landfill by offering household waste sorting facilities. Monitoring the work is complicated by several sanitation companies being hired, only a few of which can report follow-up in terms of weights. In addition, tenant operations differ, which means their needs for waste management differ as well. Statistics are currently obtainable from 41% (27) of the sanitation companies and Castellum is working actively to increase the amount of available data. The statistics include waste from buildings managed by Castellum, but not waste from projects or construction contracts.

Water consumption

Castellum utilises water from the municipal water system, monitors consumption and takes measures to reduce it.

In 2017, Castellum adopted a target of reducing water use per square metre in the like-for-like portfolio by 1% per year up until 2030. Conservation in the like-for-like portfolio was 13% year-on-year.

Safe and healthy workplaces for tenants and employees

In Focus area: Future-proofing, the overall objective is to create a sustainable asset portfolio in a changing world. By focusing on long-term sustainability in its property portfolio, Castellum ensures that value is retained over time and that the company is equipped for future changes and challenges.

Focus area: Future-proofing



ORIENTATION

Castellum is to create a sustainable asset portfolio in a changing world.

TARGETS

- 50% of the property portfolio in square metres will be environmentally certified in 2025.
- All new constructions and larger reconstructions will be environmentally certified. Miljöbyggnad level Gold applies to new construction or reconstruction of office and retail premises. A lower certification level may only be used if there are particular reasons why Gold cannot be achieved. Miljöbyggnad, level Silver applies to logistics buildings.
- Eco-system services will be evaluated for new construction and major projects, and at least as many eco-system services – or more – will be recreated on site.

OUTCOME

- 39% of the property portfolio in square metres is environmentally certified, and certification of a further 7% is in progress. Castellum owns the greatest number of environmentally certified buildings out of all the Swedish listed property companies.
- All of Castellum's major new constructions or reconstructions for office and retail met this goal in 2020.
- Ecosystem services are evaluated and implemented in all new major projects.

High levels of ambition for environmental certifications

For Castellum, offering tenants and employees healthy and safe work environments is important. To achieve this, Castellum works with such processes as environmental inventories and accepted property environmental certification systems.

The objective is for all properties to be environmentally inventoried. Castellum environmentally certifies all new constructions and larger reconstructions. If these are office projects, they must be certified under Miljöbyggnad, level Gold. A lower certification level may only be used if there are particular reasons why Gold cannot be achieved. New offices outside of Sweden are to be certified according to BREEAM, level Excellent. Miljöbyggnad, level Silver applies to new production of logistics buildings. Castellum also has

its own sustainability programme that applies to all investments; read more on page 39.

Clear requirements in the supply chain

Castellum works to achieve the smartest and most efficient use of resources possible. Castellum has a Code of Conduct for Suppliers that applies to all procurements, which means that projects are carried out with strict sustainability and climate requirements.

The requirements on our suppliers concern the environment, work environments and safety, working conditions and human rights as well as business ethics and anti-corruption.

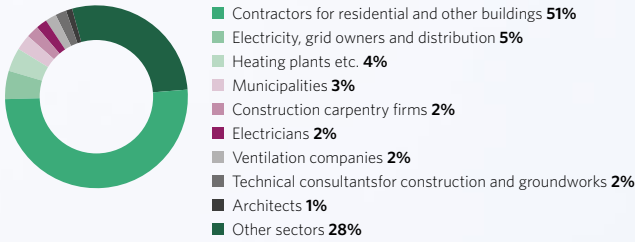
Castellum imposes clear sustainability requirements in new construction and reconstruction by applying Group-wide sustainability programmes for procurements. Read more about Castellum's ideas concerning sustainable investments in connection with new constructions and reconstruction on page 39.

For major purchases and procurements, Castellum's ambition is to monitor suppliers and contractors in accordance with Group-wide requirements. Monitoring takes place in various ways, for example through auditing via Castellum's environmental management system, inspections, questionnaires and site visits. No major deviations were brought to light during the year from monitoring. In 2020, Castellum purchased services or products totalling SEK 3,495 million from a total of 4,105 suppliers, of which the 57 largest suppliers with a purchase volume over MSEK 10 accounted for 60% of the purchase volume. Furthermore, no significant changes occurred in Castellum's work with its chain of suppliers during the year.

As a part of enhancing efficiency and imposing clear requirements in the supplier chain, Castellum systematically signs framework agreements with suppliers. In every procurement, the supplier must also affirm that they work systematically on sustainability and health and safety management. If a supplier violates the Code of Conduct or sustainability and health and safety requirements, the agreement can be cancelled. During the year, Castellum signed 7 new framework agreements; in total, there are 29 framework agreements in the Group for goods and services in property management.

SUPPLIERS

Share of total purchase volume



A workplace where employees have a high sense of well-being

In Focus area: Well-being, the objective is to promote health and wellness and to increase productivity, where equality and diversity are important conditions. In order to make it easier for Castellum's employees to organise their daily lives, the possibility of a more flexible work life was introduced during the year with the vision "Work where you want, when you want". The hope is to promote employee health and wellness, and at the same time to enable increased productivity.

Focus area: Well-being



ORIENTATION

We will promote health, wellness and productivity.

OBJECTIVES

- Equality among all occupational categories by 2025.
- <2% short-term sick leave.
- <3% long-term sick leave.
- By 2025, 20% of Castellum's employees are to have international backgrounds to more closely reflect the composition of society.

OUTCOME

The following distributions regarding equality:

- Executive Management: 50% women, 50% men.
- Regional management groups: 36% women, 64% men.
- Property management/customer relations: 35% women, 65% men.
- Project and business development: 23% women, 77% men.
- Support functions: 66% women, 34% men.
- 0.9% short-term sick leave.
- 1.1% long-term sick leave.
- 8% (6%) of Castellum's employees have an international background.

For more detailed information, refer to page 58-59.

work tasks in the way they prefer, in order to more easily organise their daily lives. Work life as a whole is facing a revolution that Castellum intends to best meet through practising change on itself.

Issues of working remotely, flexibility and balance between work and leisure have been on the agenda for some time. When the pandemic broke out, the company introduced remote working as the standard for most employees, and has now opened itself up for a continued transition to a more flexible work life.

A workplace where employees have a high sense of well-being

Health and safety, and a positive work environment, are priorities at Castellum. The objective is a healthy, accident-free workplace. Using a structured approach, the company is working proactively to avoid work-related accidents and ill health, as well as to prevent risks.

Castellum wants to take good care of its employees, and promotes wellness through various activities and wellness subsidies, as well as by offering regular health examinations and advantageous health insurance plans. Wellness activities are both preventative and rehabilitating, with the aim of promoting continued wellness. Short-term sick leave at the company remains low, equivalent to 1% (1), of which 1% (1) for women and 1% (1) for men. Total sick leave remained low, at 2.0% (2.9).

Castellum protects and supports both employees and suppliers, and it is our responsibility that no one becomes ill, either physically or mentally, or is injured owing to their work. The company works routinely on developing and improving working environments within the entire Group. Castellum has a Code of Conduct for suppliers, in which suppliers are obligated to meet the same requirements the company imposes on itself.

The total occurrence of work-related injuries is very low, equivalent to 1.2 injuries per 200,000 hours worked. During the year, work-related injuries consisted of crushing, sprains and bone injuries as well as injuries sustained during the commute to and from work. Injury figures are low for Castellum's suppliers as well, who reported six work-related injuries for the year. The following type of work injuries

Core values provide guidance in daily life

Castellum's strategic aims have been compiled into the company's three-year strategic plan. The Executive Management holds ultimate responsibility for the plan, which has been presented to and adopted by the Board. The strategic plan contains the company's overall strategies and goals, as well as an action plan for the next three years in which Castellum's culture and core values are important components. Our core values, the Castellum Spirit, provide guidance in everyday assignments and various business situations concerning what is expected of an employee at the company, and how we should conduct ourselves towards each other in the company.

Permanent flexibility for all employees

Under the vision "Work where you want, when you want," Castellum's employees have the freedom to perform their

413

EMPLOYEES AT YEAR END, OF WHICH

- 162 women and 251 men.
- 404 full-time and 9 part-time employees.
- 411 permanent employees and 2 temporary employees.
- The proportion of employees with collective bargaining agreements was 100%.

CASTELLUM'S VALUES

- Personal
- Passionate
- Proactive
- Reliable

IMPORTANT AREAS OF FOCUS

- Support the organisation's managers by developing the organisation and its employees.
- Ensure the right competence now and for the future.
- Develop the leadership and the culture.
- Work to make Castellum a modern and attractive employer.

occurred under supplier responsibility: falls, cuts, broken bones, crushing injuries and burns. There is no significant seasonal variation in the number of employees in the operations.

Focus on diversity and equal opportunity

Diversity and equal opportunity are important to Castellum. Targets have been prepared for these areas, and they are a part of the Group's Sustainable City agenda. These mean that by 2025, Castellum will have achieved a long-term gender equality balance in leadership positions and all professional categories (40-60%) as well as an increased share of co-workers with international backgrounds that reflects the actual composition of our communities over the long term.

At the moment, there is positive gender equality representation, both on the Board and in the company's Executive Management. The total proportion of women in the company was 40% (39) at year end. To ensure a better-balanced company, there are guidelines with concrete action plans for gender equality and diversity.

There is currently a relatively large imbalance in certain professions and trades, while other categories strongly uphold our gender-equality goals. Equal salaries are part of Castellum's diversity efforts. As can be seen in the table on

page 178, salaries are within the range of what is considered equitable. This is continually monitored, and immediate action is taken if gender-based differences in salaries are discovered.

Partnerships and initiatives

Castellum participates in the Jobsprånget internship programme run by IVA, the Royal Swedish Academy of Engineering Sciences, where newly arrived immigrant academics with residence permits are provided with the opportunity to work as interns in the business community for a period of four months.

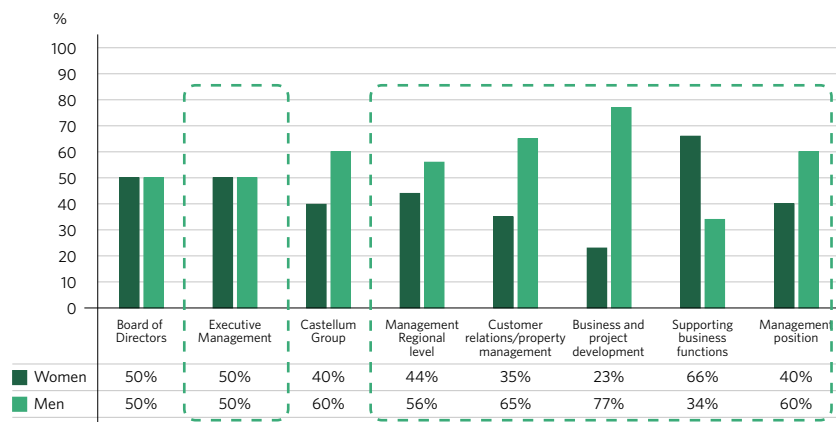
During the year, Castellum initiated a partnership with My Dream Now. This partnership provides the company's employees with the opportunity to become involved as mentors and class coaches for elementary and high-school students.

During the year, the majority of Castellum's employees took an online learning course on diversity and equal opportunity. The training course has been produced internally and is mandatory for all new employees.

High commitment levels, clarity and expectation

At the end of the year, a new employee survey was introduced: Castellum Experience. Commitment levels are also measured in the form of a pulse survey. Commitment encompasses clarity and energy:

EQUALITY AT CASTELLUM, 2020



— Equality involves a distribution in the range of 40-60%. Green markers are subject to goal tracking in accordance with Castellum's sustainability strategy. Action plans must be drawn up annually by the HR department, with focus on the least equal and larger occupational groups, which are monitored at a detailed level (e.g. customer service/property management).

"A committed employee knows what they have to do to contribute to the company's goals (clarity) and has the stamina, strength and desire (energy) to do it." The measurements, consisting of a few questions, will be taken monthly. The purpose of continual measurements is to rapidly identify needs for corrective efforts and to monitor trends.

The commitment index looks good after the first measurement, with results just over the benchmark.

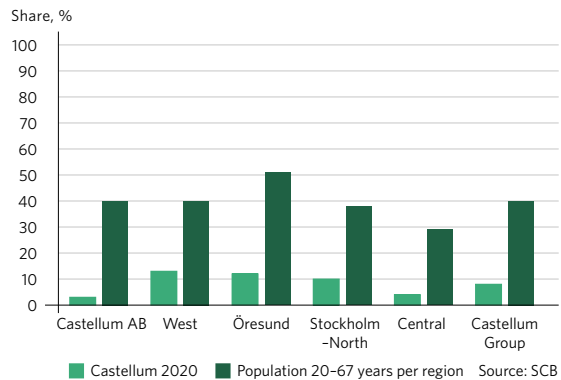
Castellum works as much with competence development as with designing motivational work situations to create committed employees.

Employee dialogues and appraisal reviews are to be carried out annually so that targets can be set and monitored, and competence development requirements can be determined. In the course of 2020, 93% (78) of all employees took part in performance reviews: 89% of women and 95% of men.

The primary reason that not all employees had a performance review in 2020 is the addition of a large number of new employees who had not yet had their first performance review.

Strengthening the Group through continual improvement efforts – known as best practice – is a continuous process. Joint development work is under way in the Group, as are exchanges of experience among the regions in order to make competence available throughout the organisation. The company-wide development teams provide strong prerequisites for continuous improvement, and these groups consist of participants who represent all regions. The groups regularly discuss issues within specific areas, such as lettings, IT, building management, project development, sustainability, communication, purchasing and personnel.

DIVERSITY AT CASTELLUM IN 2020, BY REGION



The number of employees with foreign backgrounds at Castellum in 2019, compared with foreign backgrounds among the populace aged 20-67 in the same locations and respective regional head office. Source: SCB

Work in these project groups has become a central element in the internal development efforts currently being driven within the Group. From these contexts, the company benefits greatly from the new organisational structure, which is very suitable for this kind of collaboration. The Group also runs an intranet channel where experience and know-how can be easily shared among employees, regardless of geographical location.

At Castellum, competence development takes place via both internal and external resources. Within Castellum, competence development is broadly defined; it can be training adapted to a particular co-worker's job description, but it can also be within an area that the company is currently focused upon. In total, 7,913 training hours were completed at Castellum, which is approximately 19 hours per employee.

How Castellum helps to reduce youth unemployment

Through collaboration between schools and the labour market, My Dream Now wants to provide young people with the inspiration to visualise future occupational choices and a pathway into work life.

"Castellum is one of our partners, and by offering its employees the opportunity to be class coaches, it helps reduce segregation and youth unemployment. It is also a way to work for social sustainability while it creates pride and added value for employees," says Jonas Bygdeson, CEO and founder of My Dream Now.

Employees who have worked as class coaches see this as something very positive, and a way to promote

something meaningful and useful to society.

"It makes us an attractive employer and strengthens our brand. At the same time, we hope that more young people will have their eyes opened to all the exciting jobs in the property industry, and that they will apply for jobs with us in the future since we are seeing an increased need for a competence supply in our sector," says Helena Skoglund of Castellum HR.



Jonas Bygdeson

Worthy of trust

Under Focus area: Social Responsibility, the primary goal is to conduct our operations in a responsible manner in relation to the community as well as to stakeholders. Castellum's Code of Conduct describes how employees in our operations are to treat tenants, suppliers, partners and other players in daily operations. The Code of Conduct clarifies Castellum's position on human rights, working conditions, business ethics and information.

Focus area: Social Responsibility



ORIENTATION

We will conduct business in a responsible manner in relation to the community as well as to our stakeholders.

TARGETS

- 4% of all employees annually will be apprentices.
- Job opportunities will be created for young people and the long-term unemployed in all major projects.
- 100% of employees to undergo training in the Code of Conduct.

OUTCOME

- In total, 47 young people had internships or holiday work at Castellum in 2020. Of these, 9 were apprentices, equivalent to approximately 2% of Castellum's employees.
- Seven apprenticeships were created in major projects.
- All employees are trained in Castellum's Code of Conduct.

HR manual addresses issues such as working environment, equal opportunities, salaries, pensions and company cars. Each new employee undergoes mandatory training in the company's Code of Conduct, sustainability efforts and diversity.

Preventative efforts regarding corruption issues, where conduct in various everyday situations is discussed, are conducted throughout the Group. A pivotal element is that all employees understand and follow the Code of Conduct. Castellum has a whistleblower function that can be reached via the Group's website and Intranet. The function aims to help both employees and external parties act responsibly. All whistleblower cases are handled in accordance with established procedures. Those reporting a whistleblower case receive prompt feedback and then the aim is to maintain a dialogue with the initial notifying person. All cases are handled confidentially.

In 2020, Castellum received some ten cases through the whistleblower function. Some of the cases led to a change in routines or to targeted communication efforts.

Executive Management is not aware of any incidents in 2020 that negatively impacted tenants' health and safety. Nor has Castellum had any punishments imposed for violations of the company's Code of Conduct, or crimes of corruption, in 2020 or the last five years.

Values and Code of Conduct

Castellum's values can be summarised as "Worthy of trust" (read more at www.castellum.se).

The Code of Conduct, which applies to all Castellum employees, regulates behaviour towards one another as well as towards Castellum's tenants, suppliers, partners, and other stakeholders that employees meet in daily operations. It is based on Castellum's values and the principles of the UN Global Compact, and clarifies Castellum's position on human rights, working conditions, business ethics and information. Castellum is to provide quality service, comply with laws and regulations, never discriminate against anyone, and create a healthy working environment with a high safety level. Castellum also maintains focus on gender equality issues, as described in the company's diversity plan.

Castellum's operations are subject to each country's laws and regulations concerning, for example, working conditions, occupational safety and freedom of association. Castellum's

Community engagement

For Castellum, community engagement is about offering healthy and productive urban environments where people have a high sense of well-being. It is also about contributing to urban development that encourages the integration of different societal groups.

Another important aspect for Castellum in this area is to contribute to more young people and people with varied cultural backgrounds entering the labour market. Castellum holds stakeholder dialogues and participates in joint projects with other property owners and players to create better living environments together.

In 2020, a total of 47 young people worked at Castellum as vacation replacements, interns, apprentices, trainees or with academic degree projects. Nine of these young people were apprentices (in Castellum's definition, people who are struggling to enter the job market), which is equivalent to approximately 2% of Castellum's employees. Castellum has also set a goal of creating workplaces for young people in all major projects. In addition, Castellum collaborates with organisations such as the Jobsprånget internship programme, which is an initiative that matches companies with academics who have just arrived in Sweden. During the year, Castellum also offered internships to people with non-Swedish backgrounds who had recently come to Sweden.

In 2020, a partnership with My Dream Now was established in which employees at Castellum visit school classes in socially vulnerable areas and talk about their jobs and various potential career paths. This partnership has given rise to a high sense of commitment among Castellum's employees who have the chance to be an inspiration for young people who perhaps lack role models in their lives or don't know anyone with an inspiring job. The effects for young people are an expanded network of contacts in business, and role models they might not otherwise come in contact with. The partnership is very fruitful for both parties.

Developing local communities

Castellum has implemented social programmes in the cities where the company operates. Currently, Castellum's programmes cover 100% of the company's properties. Castellum's engagement varies in accordance with local needs and those of the specific properties; the programmes include a stakeholder analysis to investigate current needs. Depending on the needs and interests of the city, decisions on Castellum's engagement are taken locally. Engagement in the programmes currently includes how Castellum measures and positively influences the environment and societal interaction in order to improve the local community and the environments in and around its properties. The programmes currently comprise 105 different engagement

SOME OF OUR MEMBERSHIPS

- Almega
- Center for Management in the Construction Sector (CMB) at Chalmers University of Technology
- Chamber of Commerce (Handelskammaren)
- EPRA
- European Think Tank
- The Swedish Property Federation
- Fossil Free Sweden
- Green Building Council Denmark
- Network for collaboration in the local cities (Citysamverkan)
- The Trade and Industry group
- SNS (Center for Business and Policy Studies)
- Sweden Green Building Council
- Swedish Energy Agency's Client Group for Premises (BELOK)

initiatives, including societal engagement in the cities where Castellum is located, and participation in city networks, sustainability networks and corporate associations where Castellum interacts with tenants, municipalities and other partners to develop cities.

Castellum also actively works with community associations as well as schools and universities to offer young people apprenticeships and summer jobs.

Castellum's sponsorship and support of local associations focuses primarily on promoting young people's education and health. During the year, the company sponsored organisations such as BRIS, Young Entrepreneurship and local sports associations.

In 2020, Castellum gave a total of MSEK 6.8 in direct support through sponsorships and other initiatives, of which MSEK 4.4 pertained to membership fees for industry organisations.

Sustainability Awards

In 2020, Castellum continued to receive international recognition for its sustainability efforts. The awards are proof of the company's strong position in sustainability, creating continued drive for leading development in the industry.

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA



In 2020, Castellum was ranked AA (on a scale of AAA to CCC) by the MSCI ESG ratings assessment.

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Dow Jones Sustainability Index

For the fifth consecutive year, Castellum retained its position as the only Nordic company in the property and construction sector on the Dow Jones Sustainability Index (DJSI), which includes the companies in all of the world's industries that are the best performers in the field of sustainability. Every year, the DJSI – owned by S&P Global – invites over 3,500 listed companies in all industries internationally to take part in the evaluation. The top performers globally qualify for this prestigious index, established in 1999 for the purpose of steering investors towards more sustainable investments. Castellum is one of seven Swedish companies that qualified for the index.

Named first in the world by GRESB

Every year, the Global Real Estate Sustainability Benchmark (GRESB) conducts a global review of sustainability efforts in major property companies and funds; 1,200 property companies around the world took part in this year's study. For the fifth consecutive year, Castellum was named a global sector leader, which means it ranks first in the world in the office and industrial premises sector.

CDP A-list

Castellum is part of the Climate Disclosure Leadership Index, with a rating of A on a scale of A to D-. CDP is an independent non-profit organisation with the world's largest collection of information on companies' climate impacts.

EPRA Gold

The European Public Real Estate Association (EPRA) works to improve standards and transparency in the property industry in order to strengthen credibility and thus increase security for investors. The prize for the best sustainability reporting in Europe, EPRA Gold, is a recognition that Castellum both does what it promises in the area of sustainability and additionally is clear in its communications.

Climate targets approved by SBT

Castellum is the first property company in the Nordic region to have its climate targets approved by the Science Based Targets initiative (SBTi). Castellum's target is to achieve 100% climate neutrality in its operations by 2030, thereby supporting the UN's climate agreement and the national ambition for a fossil fuel-free Sweden.

Europe's most equitable listed companies

In December, the company took part in one of the UN's equality forums, at which Castellum's equality initiatives were described; during the year, this resulted in Castellum being ranked by European Women on Boards as Europe's most equitable company out of 600 listed companies in Europe.

A foretaste of a dream job

Castellum wants to expand young people's opportunities to enter the labour market by taking on apprentices.

To create conditions for a meaningful, instructive LIA (on-the-job training) period, Castellum has developed a structured model.

"I'm learning a lot while I feel that I'm doing something useful and can contribute to the business," says Max Andskär, LIA intern at Castellum Säve.

Max's mentor Anders Fredriksson, who is the business area manager and airport director at Castellum Säve,

believes in the apprenticeship system and sees it a "win-win" situation. By seeing apprentices as a resource and steering them towards Castellum's profile, they can be developed into future colleagues.

"My dream job is to work with property development and environmental certification, preferably at Castellum," Max says.



Anders Fredriksson, Max Andskär

Climate scenarios - risks and opportunities

Through climate scenario analyses, Castellum evaluates which climate risks and opportunities can impact the company, its properties and investments, both at present and in the future. The aim is to prepare Castellum for various societal trends and to future-proof its property portfolio.

Analysis of future scenarios - the world in 2050

For two years, Castellum has been reporting in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD). In 2019, an analysis was conducted to evaluate climate risks and opportunities based on two different climate scenarios developed by the UN International Panel on Climate Control (IPCC): RCP 8.5 and RCP 2.6.

RCP 8.5 - here called "On the beaten path" - is a business-as-usual scenario in which the world has failed to make any changes and greenhouse gas emissions continue to increase at the current rate.

RCP 2.6 - here called Fulfilling the Paris Agreement - is a scenario in which we have succeeded in limiting the temperature increase to 1.5-2 degrees Celsius.

Both scenarios entail risks for Castellum, but opportunities as well. The company needs to be resilient, adapting its operations based on changed climate conditions both locally and nationally.

Evaluating climate risks

Castellum conducts an annual survey of all the company's risks and their likelihood, impact, priority and development for a period of up to ten years. In addition to this, for climate risks we also analyse risks from a long-term perspective in accordance with the climate scenario described in this chapter. As regards climate risks, both physical and transition risks that could follow from a changed climate are assessed.

Ahead of investments in new production, the climate risks are evaluated for a building during its technical service life, with emphasis on precipitation, extreme weather and the risk of flooding. The IPCC's middle scenario, RCP 4.5, is then used in addition to RCP 2.6 and 8.5. Ahead of decisions on investment, the Head of Sustainability assesses the investment from a sustainability perspective, in which climate change is an important issue.

The resistance of properties to climate change

Castellum is investigating the possibilities of evaluating the resistance of its property portfolio to climate change through participation in the EU-financed Carbon Risk Real Estate Monitor (CRREM) research project. This project will define scientifically-based measures to reduce carbon emissions in commercial properties and housing in the property sector for the purpose of achieving the Paris Agreement.

The world in 2050



"FULFILLING THE PARIS AGREEMENT" (RCP 2.6)¹⁾

- Greenhouse gas emissions halved by 2050.
- +1.5-3° C national temperature increase in Sweden.
- New renewable energy technology introduced on a large scale.
- Low energy intensity.
- Dramatic changes made to society, the infrastructure and buildings.
- The countries of the world succeed in collaborating on shared initiatives.
- Political decisions, taxes and regulations regarding greenhouse gases introduced.
- Increased regulations with sustainability requirements regarding land use and construction codes.
- Changed demands from customers and investors.

"ON THE BEATEN PATH" (RCP 8.5)¹⁾

- Greenhouse gas emissions continue to increase at current rates.
- +2-4° C national temperature increase in Sweden.
- Rising ocean levels.
- More days with extreme weather and flooding.
- Increased number of forest fires.
- Unchanged behaviour and demands from customers and investors.
- High energy intensity and heavy dependence on fossil fuels.
- Political climate initiatives and collaboration fails.
- Poorer indoor climate impacts peoples' health.
- Increased population and immigration to Sweden.
- Operations become more event-driven owing to extreme weather

1. Sources: smhi.se/klimat/framtidens-klimat and TCFD *The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities*

The world in 2050

CLIMATE SCENARIO: "FULFILLING THE PARIS AGREEMENT"

Risks

- Increased regulation, taxes and fees for carbon emissions, land use, construction codes, etc.
- Older properties could become obsolete.
- Risk of unprofitable investments if unproven technology is used to rapidly initiate the transition.
- Requirements for zero emissions of greenhouse gases throughout the value chain; the circular economy requires major changes in the business model.
- Price increase for construction materials, transportation and energy owing to political restrictions.
- Volatile or steeper energy prices.
- Increased need for investments in new technology, new construction and existing properties.

Opportunities

- Increased production of solar energy and increased use of renewable energy.
- Increased demand for innovation and new technology.
- Increased urbanisation and need for consolidation in core city areas make the portfolio attractive.
- Decreased energy needs owing to more efficient resource use.
- Changed customer and investor preferences, as well as increased sustainability requirements make Castellum an attractive property owner and investment.

Potential impact on Castellum's financial performance

- Increased investments in the transition.
- Increased costs for climate adaptation.
- Increased operating costs.
- Decreased value of properties that are not climate-adapted or are located in risk areas.
- Increased value of climate-adapted properties.

CLIMATE SCENARIO: "ON THE BEATEN PATH"

Risks

- Water damage owing to flooding in ocean-front constructions and low-lying zones.
- Damages to roofs and façades owing to extreme weather such as storms, heat waves and fires.
- Decreased demand for properties located in areas at risk.
- Risk of obsolete properties, since the cost of climate adaptation measures exceeds the value.
- Increased need for maintenance, repairs and periodic building closures, as construction materials and technology are negatively impacted by increased temperatures and a moist climate.
- Increased shortages of electricity and energy, which is strongly driven by increased electrification and the need for more energy in society.
- Increased competition from low-price operators who lack sustainable agendas.

Opportunities

- Increased production of solar energy and increased use of renewable energy.
- Measures to enhance energy efficiency become more profitable to carry out.
- Increased requirements for indoor climate place demands on more adaptable properties and districts.
- Climate-adapted properties make Castellum a more attractive property owner.

Potential impact on Castellum's financial performance

- Dramatically increased investments in managing climate changes.
- Dramatically increased costs for climate adaptation.
- Volatile or reduced rental incomes.
- Volatile or increased energy costs.
- Dramatic increase in operating costs.
- Increased insurance costs.
- Decrease in or eradication of value of properties that are not climate-adapted or are located in risk areas.
- Increased value of climate-adapted properties.

STRATEGIES THAT DEAL WITH CLIMATE RISKS AND CLIMATE OPPORTUNITIES

- Net-zero carbon emissions according to the Science Based Targets initiative.
- Climate-proof properties.
- Production of renewable energy and energy storage.
- Enhancements to energy efficiency and limitation of effects.
- Sustainability programme for investments.
- Climate requirements for larger projects.
- Environmental certifications and environmental inventories of buildings.
- Portfolio analysis of climate impact (planned)



Castellum's "100 på sol" (100 on Solar) solar cell programme

READ MORE ON PAGE 69

Financial impact on rental income and the portfolio's value in the event of obsolete properties

The following sensitivity analysis illustrates how Castellum will be impacted financially if 10% of its properties become obsolete, i.e. unusable or unlettable owing to climate changes (e.g. owing to flooding or properties that have not been adapted to climate change becoming unattractive in the market). The reason that we use 10% in the example is because during a demonstration in 2020 we stress-tested a number of properties in Castellum's

portfolio. During the demonstration, approximately 10% of the selected properties analysed will be affected by physical climate risks in climate scenario RCP 8.5. There are plans to refine this analysis over the next several years. According to the IPCC's climate scenario, the Nordic countries are generally less affected by physical climate changes compared with countries further south.

Castellum	Reduced rental income (MSEK)	Reduced total property value (MSEK)
If 10% of properties become obsolete	600	10,992

Risks and risk management

Property ownership and management exposes operations to internal and external risks, or uncertainty factors that could impact the Group's ability to achieve its overall objectives for growth. Castellum therefore works continually, in a structured manner, to identify and actively monitor financial and other risks that operations encounter or are faced with. The Group's risk management involves a structured process of analysis and decision-making with the aim of establishing a balance between the desire to limit uncertainty or risk and the task of generating growth and shareholder value.

Risks, exposure and risk management

Castellum defines risk as an uncertainty factor that may affect the company's ability to achieve its objectives. Risk management aims at balancing the desire to limit risk and achieving objectives. In order to assess the effect of identified risks, an internal risk rating is conducted in which each risk is assessed, from the perspectives of impact and probability. This process determines if the risk should be further monitored (Monitor), if actions should be taken (Focus) or if it can be handled through standard review and management

(Review). Castellum conducts an annual risk survey in which all the company's risks are assessed based on likelihood, impact, priority and development. Short- and medium-term risks are analysed for a period of up to 10 years.

Over the last several years, Castellum has also worked on analysing various future climate-related risks and possibilities over the long term up through 2050.

To facilitate risk management, Castellum has chosen to classify risks into the following categories:

- Business environment – risks due to the influence of external factors and events.
- Strategic risks – risks associated with reputation or the ownership of Castellum's asset portfolio.
- Operational risks – risks associated with routine administration of Castellum's property holdings.
- Sustainability and climate risks – risks associated with the environment, corporate responsibility and/or liability risks.
- People – risks associated with our employees and the people in and around our properties.
- Financial risk – risks in Castellum's financing and reporting.

RISK CATEGORY	RISK	IMPACT	PROBABILITY	PRIORITY	CHANGE
BUSINESS ENVIRONMENT					
Macroeconomic risks	1. Macro – crisis	Serious	Likely	Focus	⬆️
Crises	2. Crises	Medium	Likely	Focus	⬆️
Changes in legislation	3. Changes in legislation	Medium	Certain	Focus	↔️
	4. Regulatory compliance	Serious	Possible	Focus	⬆️
STRATEGIC RISKS					
Composition of the asset portfolio	5. Composition of the asset portfolio	Major	Unusual	Monitor	↔️
	6. Obsolete product/property	Medium	Likely	Monitor	↔️
	7. Size – too big in a sub-market/area	Minor	Unusual	Review	↔️
Reputation	8. Brand	Major	Low	Monitor	✅
	9. Digitalisation	Medium	Possible	Monitor	↔️
Investments	10. Investments	Major	Likely	Focus	↔️
	11. Strategic acquisitions	Serious	Possible	Focus	↔️
Changes in value	12. Changes in value – property	Serious	Certain	Focus	↔️
OPERATIONAL RISKS					
Rental income	13. Rental income	Medium	Possible	Focus	⬆️
	14. Dissatisfied tenants/customers	Serious	Low	Focus	↔️
Property costs	15. Property costs	Insignificant	Possible	Review	↔️
Tax	16. Tax	Major	Low	Review	↔️
SUSTAINABILITY RISKS					
Sustainability	17. Operational environmental risks	Serious	Low	Focus	↔️
	18. Risks attributable to climate change	Medium	Possible	Monitor	↔️
	19. Breach of the Code of Conduct	Serious	Low	Focus	↔️
	20. Liability risks	Major	Possible	Monitor	↔️
PEOPLE					
People	21. Employees	Serious	Likely	Focus	⬆️
	22. People	Serious	Likely	Monitor	↔️

✅ Reduced focus on risk area since previous year
↔️ Unchanged focus on risk area since previous year
⬆️ Increased focus on risk area since previous year

RISK CATEGORY	RISK	IMPACT	PROBABILITY	PRIORITY	CHANGE
FINANCIAL RISK					
Financing	23. Financing	Serious	Possible	Focus	↔
Reporting	24. Reporting	Serious	Unusual	Focus	↔
Changes in value	25. Changes in value - derivatives	Medium	Likely	Monitor	↔

Business environment

External environment risks refer to risks due to the influence of external factors, mainly outside Castellum's control, but to which Castellum has to relate. These risks can be divided into macroeconomic risks, crises changes in legislation and regulatory compliance.

RISK	MANAGEMENT	EXPOSURE
MACROECONOMIC RISKS		PRIORITY: FOCUS DEVELOPMENT: ↕
<p>1. Macro - crisis Macroeconomic risks are risks associated with a general reduction in demand in the economy, low inflation, deflation or situations which entail general difficulties in obtaining financing, or alternatively obtaining financing at higher credit margins.</p>	<ul style="list-style-type: none"> • Business intelligence • Strong balance sheet and low loan-to-value ratio • Well-composed contract portfolio with a wide spread regarding notice period, industry, type of premises, contract size and geography • Deflation protection or a minimum upward adjustment of leases • Multiple sources of financing • Frequent renegotiations and supply of new credit agreements • Asset portfolio concentrated on growth areas • Natural macroeconomic hedging mechanism between higher/lower interest costs and rental income, but with some time delay 	<p>A weak economy negatively impacts the demand for premises, leading to increased vacancies, falling market rents and loss of indexation for existing leases. In addition, the risk of payment problems - or even bankruptcies - among tenants increases, resulting in immediate negative effects on cash flow.</p> <p>Limited access to capital reduces Castellum's opportunities to conduct operations. Ultimately, reduced demand in the economy leads to declining property values.</p>
CRISES		PRIORITY: FOCUS DEVELOPMENT: ↕
<p>2. Crises Crises include all crisis events that arise in the business environment that Castellum cannot influence and are difficult to foresee, for example, terrorist attacks, cyber attacks, pandemics, extreme weather events and environmental disasters as well as information leaks.</p>	<ul style="list-style-type: none"> • Crisis plan • Succession planning for senior executives • Full coverage insurance, properties • Guidelines for information security and the creation of understanding and awareness among users that information is an asset that should be handled with care. • Continuity plan IT • Expanded efforts in digitalisation throughout our entire operations. • Increase knowledge of the impact of climate change on operations. 	<ul style="list-style-type: none"> • No one remained unaffected by last year's global coronavirus pandemic. Castellum was affected as well, even though it has a highly differentiated asset portfolio. • In pace with rapid digitalisation, the threats and vulnerability that digitalisation entails also increase. • IT attacks and hacking in the world around us have increased over the last few years. • In pace with a continued increase in greenhouse gas emissions internationally, the risk of more extreme weather events and environmental catastrophes increases, as do their consequences.
CHANGES IN LEGISLATION		PRIORITY: FOCUS DEVELOPMENT: ↔
<p>3. Changes in legislation Changes in legislation or ordinances, both national and international, can impact Castellum. Some examples are tax legislation, new regulations for banks, procedures for planning processes, and so on.</p>	<ul style="list-style-type: none"> • Monitor developments regarding laws, regulations, praxis and so on within the areas most essential to Castellum. • Actively participate as much as possible in debate. • Prepare Castellum for new or amended regulations. • Continual renegotiation of credit agreements. • Broaden the financing base via more sources of financing and financiers. 	<p>Changes in legislation can impact future opportunities to invest, or alternately result in price increases, which lead to poorer yields moving forward. New banking legislation can impact access to financing and the price of borrowed capital, and could trigger credit covenants that would lead to increased financing costs.</p> <p>Changes in tax rates and tax legislation, such as proposals regarding interest deduction limitations, new regulations concerning tax depreciation and prohibitions on "bundling" of properties, may affect Castellum's future tax expenses.</p>
4. Regulatory compliance		PRIORITY: FOCUS DEVELOPMENT: ↕
<p>Inadequate compliance could lead to financial losses, supervisory sanctions, loss of reputation, and in the worst case to delisting. Some regulations, such as IFRS, are open to interpretation, which means that Castellum and regulatory supervisors may have different opinions.</p>	<ul style="list-style-type: none"> • A corporate culture built on high ethical ideals. • Strict internal control processes with quality assurance at several stages. • Code of Conduct. • Competent and responsible employees. • Monitor the development of legislation, praxis, court orders etc. • Compliance function that reports directly to the Audit and Finance Committee. • Whistleblower function. 	<p>Conducting Castellum's operations responsibly is crucial for the Group's long-term success. The company's operations and ability to continue creating value are based on relationships among employees, tenants, partners, investors, authorities and so on.</p> <p>Each and every employee jointly creates a shared image of Castellum through their conduct and what they provide to the surrounding community.</p>

✔ Reduced focus on risk area since previous year
↔ Unchanged focus on risk area since previous year
↕ Increased focus on risk area since previous year

Strategic risks

Strategic risks are risks associated with Castellum's reputation or the ownership of Castellum's asset portfolio, which in turn can be divided into risks regarding the composition of the portfolio, reputation, digitalisation, investments and corporate acquisitions as well as changes in property values.

SENSITIVITY ANALYSIS - CASH FLOW

Effect on income, next 12 months

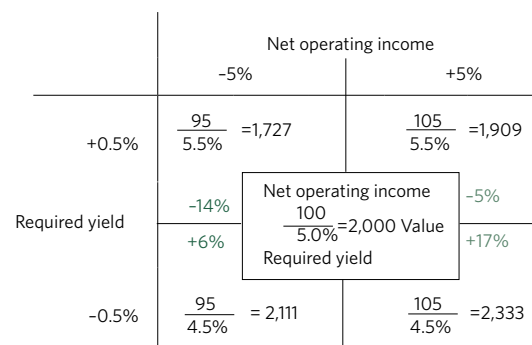
	Effect on income, MSEK	Probable scenario	
	+/- 1 ppt	Boom	Recession
Rental level/Index	+60 / -60	+	—
Vacancy	+66 / -66	+	—
Property costs	-16 / +16	—	0
Interest costs ¹⁾	-165 / 118	0	—

1. Due to such factors as the interest rate floor in credit agreements, Castellum is not able to take full advantage of negative interest rates, which reduced the positive effect on the cash flow when the interest rate drops one percentage point.

SENSITIVITY ANALYSIS - CHANGE IN VALUE

Properties	-20%	-10%	0	+10%	+20%
Change in value, MSEK	-20,608	-10,304	0	10,304	20,628
LTV ratio	55%	49%	44%	40%	37%

VALUE RANGE - SIMPLIFIED EXAMPLE



Figures in green relate to change in value

RISK	MANAGEMENT	EXPOSURE
ASSET PORTFOLIO 5. Composition of the asset portfolio The composition of the asset portfolio can be affected at two levels: unfavourable geographical distribution (Castellum owns properties in the wrong sub-market, community or location with regard to factors such as future growth and current strong urbanisation trend) or that Castellum owns obsolete properties – a property portfolio that is not future-proof based on customer preferences, climate changes, technical requirements, micro-location or flexibility in usage and contractual terms and conditions.	<ul style="list-style-type: none"> Macro analysis: regular reviews of the sub-markets' conditions as regards economic growth, rental market, partnership climate, infrastructure investments and so on. Annual review of the asset portfolio regarding both geographic exposure and product types. Strategy documents established annually by the Board of Directors. Monitor climate risks in the asset portfolio, and analysis of climate risks in conjunction with investment decisions. 	PRIORITY: MONITOR DEVELOPMENT: ◀ Castellum's portfolio is located in 14 cities around Sweden, as well as Helsinki and Copenhagen. Currently, all locations are assessed as having the right conditions for continued holding or investments. Additionally, major transactions have been carried out over the last few years for the purpose of creating better conditions for growth in the cash flow going forward. The Group's asset portfolio in the commercial property segment is divided into offices, public sector properties, and warehouse and logistics. All segments are linked to growth possibilities.
6. Obsolete product/property A property portfolio that is not future-proof may become obsolete due to customer preferences, climate change, technical requirements, micro-location or to flexibility in usage and contractual terms and conditions. It entails a risk of increased vacancies and a decline in value as a result, or alternately large investment commitments.	<ul style="list-style-type: none"> Monitor the rental market and its trends/offering. "Trendspotting" Be customer-centric, to understand not only the needs of today but also those of tomorrow. Monitor infrastructure investments. Participate actively in city/sub-market development. Innovation efforts (an innovation lab) that follows technological developments, focusing on megatrends. Routinely invest in the existing portfolio to "upgrade" and sell properties that are not deemed "right" going forward. Monitor climate crises 	PRIORITY: MONITOR DEVELOPMENT: ◀ Castellum annually invests approximately SEK 5 billion, net, evenly distributed in a normal year between acquisitions and new construction, extensions and reconstructions. Castellum also actively works on sales in order to reallocate capital to investment opportunities with better yields.
7. Size - too big in a sub-market/area Becoming too big in a sub-market or city may result in the municipality or the business environment placing stricter demands on Castellum, for example requiring the company to take overall financial responsibility for an area regarding infrastructure and so on.	<ul style="list-style-type: none"> Be among the top three property owners in each respective city. Monitor market share, which is taken into account in the investment strategy established. Conduct annual analysis of the coming three-year period to identify available growth opportunities. 	PRIORITY: REVIEW DEVELOPMENT: ◀ The property portfolio is concentrated in selected cities, all of which are regarded as stable with favourable conditions for long-term positive development.

✔ Reduced focus on risk area since previous year
 ◀ Unchanged focus on risk area since previous year
 ⬆ Increased focus on risk area since previous year




RISK	MANAGEMENT	EXPOSURE
REPUTATION		PRIORITY: MONITOR DEVELOPMENT:
<p>8. Brand Insufficient preparation for managing sensitive issues, discontent and/or crisis risks triggering a crisis, creating rumours and damaging confidence as a result.</p>	<ul style="list-style-type: none"> Open culture for creating the confidence to pass on information regarding any problematic state of affairs at an early stage. Monitoring in traditional and social media. 	<ul style="list-style-type: none"> Misdirected campaign that creates shock and upset risks ruining our reputation and confidence among tenants, employees and other target groups.
		PRIORITY: MONITOR DEVELOPMENT:
<p>9. Digitalisation Trends in digitalisation move quickly, creating new conditions for the property industry. New digital or innovative solutions replace old technology and working methods, making new service possible and changing tenant demands. These trends also mean that new players enter the market. Players who do not adapt their operations to changing conditions could lose customers, suppliers and employees.</p>	<ul style="list-style-type: none"> Business intelligence with a focus on megatrends and their impact on changing behaviours in operations and people. Innovation initiatives/lab that promote business development. Connected technology in properties to gather data and learn from it. Acquisition of United Spaces, a co-working company, in January 2019. 	<ul style="list-style-type: none"> Risk of inefficient working methods and/or lost tenants and employees if innovation, new technology, digitalisation and efficiency enhancements are not utilised. Risk that new players take over parts of Castellum's business, including tenant contact.
INVESTMENTS		PRIORITY: FOCUS DEVELOPMENT:
<p>10. Investments Erroneous investment strategy or alternately inability to execute the selected investment strategy, or inability to identify profitable investment projects. Investments can be in the form of new construction, extensions and reconstructions, or via acquisitions. Acquisitions of individual properties can be carried out directly as property acquisitions, or indirectly in corporate wrappers. Acquisitions can also be large-scale, either in the form of regional portfolios or property categories, or in the form of strategic corporate acquisitions (i.e. the purchase of an existing organisation).</p>	<ul style="list-style-type: none"> Annual review and evaluation of the chosen investment strategy. Investment decisions linked to the chosen investment strategy to ensure the correct decision. Several investment discussions in parallel. Three-year follow-up of investments made. Risk-based model to determine the share of developments that can start without tenants. Structured decision-making process that analyses market conditions and risks. Contract forms that limit risk Leases signed prior to the production start are designed to limit the negative impact of unforeseen production delays, additional requirements, and so on. Quality assurance and monitoring of completed projects. Quality assured due diligence process regarding legal, financial and tax issues. Introduction programme for new employees. 	<p>Investments with low yield and/or lack of growth potential mean that the growth target of 10% in income from property management is not reached. Additionally, the growth target requires making annual investments, which in a powerfully competitive property market entails increased risk that the chosen investment strategy cannot be carried out.</p> <p>Risks associated with new construction, extensions and reconstructions relate to both the technological side in the form of production risks such as choice of supplier, form of contract, technical design and so on; and to the market side in the form of lease and vacancy risks as well as misjudgements regarding potential rental level and customer desires.</p> <p>In addition, there are risks in the form of negative environmental impact and climate crises.</p> <p>Acquisitions via corporations also involve company-specific risks in the acquired companies – tax, disputes and environmental issues, for example. Takeover of personnel further entails employee integration.</p>
		PRIORITY: FOCUS DEVELOPMENT:
<p>11. Strategic corporate acquisitions Strategic acquisitions can be carried out to obtain various advantages, but can also entail risks such as difficulties integrating operations and employees, drawing management's attention away from other important business issues, a possibly new market the acquirer has limited or no experience with, expenditures for unknown or potential legal liabilities in the acquired company, and an overly expensive acquisition.</p>	<ul style="list-style-type: none"> Due diligence. Thorough planning and structured processes for incorporating a new company. Identify in advance the skills and market awareness needed. Identify key people in advance. Access to the market's best advisers. 	<p>Castellum has the efficient processes and skills (directly or indirectly via advisers) required for major strategic acquisitions.</p>
		PRIORITY: FOCUS DEVELOPMENT:
<p>12. Changes in value – property Changes in value can occur either as a result of macroeconomic factors (see section on macroeconomic risks), microeconomic factors (usually the wrong sub-market, city or location) or property-specific causes (often cash flow-related). In addition, there is also the risk of individual properties being incorrectly appraised. Whatever the reason, changes in value impact the income statement, the financial position and the loan-to-value ratio.</p>	<ul style="list-style-type: none"> Strong balance sheet. A large number of properties, a geographically diversified property portfolio and great variation in lease agreements result in lower volatility in asset portfolio value. Routine analysis of the transaction market and quarterly reviews of the asset portfolio valuation yield early warning signs. Internal quality assurance and internal control of internal valuations. Annual external valuation of at least 50% of the portfolio. 	<p>Large negative changes in value can ultimately lead to agreed terms and commitments in credit agreements being broken, thus resulting in costlier borrowing, or in the worst-case scenario credits falling due for payment.</p>

Reduced focus on risk area since previous year Unchanged focus on risk area since previous year Increased focus on risk area since previous year

Operational risks

Operational risks refer to risks connected with routine administration of Castellum's property portfolio, which directly impacts income from property management. These can be categorised as rental income, dissatisfied customers/tenants, property costs and tax.

RISK	MANAGEMENT	EXPOSURE
<p>RENTAL INCOME</p> <p>13. Rental income Rental income is impacted by a number of factors, both external and internal. External factors may include falling market rents, loss of indexation and bankruptcy (see section on macroeconomic risks). Poor property management can result in dissatisfied tenants, unnecessary vacancies and customer loss owing to a poorly adapted customer offering.</p>	<ul style="list-style-type: none"> Properties in growth areas and a contract portfolio with a large number of agreements, not dependent on a single tenant or business sector, and a maturity structure spread over time. Proximity and attentiveness to customers Experienced and competent property management and leasing staff who prevent notices of termination through active renegotiations before contract expiry. Competitor analysis; measure customer satisfaction and follow up on net lettings. Strive for leases with an index clause with deflation protection and minimum adjustment. 	<p>PRIORITY: FOCUS DEVELOPMENT: </p> <p>For Castellum, reduced income can be derived from lower rental value, which is the potential rent that can be obtained from vacant premises, or alternately lower rental income, which is the actual rent received. Rental income is thus dependent on both the market rent of the property and on how Castellum handles vacancies. Reduced rental income ultimately leads to poorer cash flow and thus to a decline in the value of the asset portfolio. Because of the pandemic, numerous companies have begun reviewing their office spaces. Will these companies need as much office space going forward? Many companies may let their staff work from home to a greater extent even after the pandemic. The needs for creating attractive meeting places that replace traditional office premises are increasing.</p>
<p>14. Dissatisfied tenants/customers Several tenants or customers are dissatisfied and leave the Group. The opportunity to attract new tenants disappears, with large vacancies and decline in value as a result.</p>	<ul style="list-style-type: none"> Be close and attentive to customers. Experienced and competent property management and leasing staff. Annual measurement, Customer Satisfaction Index. 	<p>PRIORITY: FOCUS DEVELOPMENT: </p> <p>Castellum has a strong and clear customer focus, and it is important that the Group lives up to its tenants' expectations. This is why a Customer Satisfaction Index measurement is conducted annually.</p>
<p>PROPERTY COSTS</p> <p>15. Property costs Risks concerning property costs relate primarily to cost increases beyond what Castellum can be compensated for through contractual rents, indexation and supplementary charges for costs incurred. It can also refer to unforeseen costs and extensive renovation needs.</p>	<ul style="list-style-type: none"> High percentage of cost re-invoicing. Compensation via minimum indexation. Continuous optimisation of operations and efficiency enhancement. Demarcation list landlord/tenant. Preventing customer losses via background checks and "in-house" debt recovery. Long-term maintenance planning, in order to optimise maintenance costs over time. 	<p>PRIORITY: REVIEW DEVELOPMENT: </p> <p>The price of electricity is determined by supply and demand in an open, deregulated and partly international market. Other media costs are partly controlled by local monopolies, which creates uncertainty in future costs. The basis for calculating site leasehold fees may change in future renegotiations, and political decisions can change both tax rate and tax assessment value used for calculating property tax. Indirect costs for employees – such as payroll taxes and other obligations – could also be affected by political decisions.</p>
<p>TAX</p> <p>16. Tax Castellum failing to comply with existing regulations or to adapt to changing regulations regarding income tax and VAT. Additionally, tax is an important parameter in a calculation context.</p>	<ul style="list-style-type: none"> Strict internal control processes and external quality assurance of income tax returns, for example. Open claims regarding doubtful items. Routine training of employees. Closely following trends in legislation, praxis and court orders. 	<p>PRIORITY: REVIEW DEVELOPMENT: </p> <p>Incorrect tax governance can lead to the wrong tax being paid, tax penalties and in some cases to remarks in the auditor's report.</p> <p>Incorrect fiscal management in calculations can lead to overestimation of yield – which means insufficient actual yield – or underestimation of yield with the risk of a profitable investment not being made.</p>

 Reduced focus on risk area since previous year  Unchanged focus on risk area since previous year  Increased focus on risk area since previous year

Sustainability and climate-related risks



Sustainability risks refer to risks directly or indirectly associated with environmental risks, climate change, the Code of Conduct and liability risks.




RISK	MANAGEMENT	EXPOSURE
<p>SUSTAINABILITY</p> <p>17. Operational environmental risks Environmental risks directly related to Castellum's operations can include the physical environment that impacts people and properties, as well as prices for natural resources in the form of materials and energy. Castellum estimates that risks related to rising raw materials prices owing to potential resource shortages will increase over the long term. With new construction, extensions and reconstructions there is also a risk that the materials and methods being used could subsequently prove hazardous in the future.</p> <p>In addition, political decisions and general opinion on specific environmental issues could impact Castellum.</p>	<ul style="list-style-type: none"> • Environmentally certify all new constructions. • Develop green relationships with customers. • Require more efficient use of resources. • Prioritise environmental aspects in all parts of operations. • Monitor developments in laws and ordinances. 	<p>PRIORITY: FOCUS DEVELOPMENT: </p> <p>Inadequate management of the work on environmental risks could affect Castellum's brand, legal compliance, and direct costs. Castellum works with environmental certification and environmental inventory to reduce environmental and health risks. 39% of the property portfolio is certified and 81% has undergone environmental inventory. Efficient property management focusing on decreased use of resources reduces the risk of high costs and environmental and health impacts, as well as providing customers with a healthy working environment. Since 2007, energy consumption has been reduced by 37% per square metre and carbon dioxide emissions by 85% per square metre.</p>
<p>18. Risks attributable to climate change Climate change poses a great risk to humanity from a global perspective. From a corporate perspective, climate change implies a risk of property damage caused by weather conditions changing over time, higher water levels and other changes in the physical environment that impact properties. Castellum estimates these risks will potentially increase over the long term. This could mean increased need for investment in properties located in vulnerable areas, so that objects do not become obsolete. In addition, environmental policy decisions could impact Castellum, especially in the form of increased taxes or necessary investments.</p>	<ul style="list-style-type: none"> • All investment issues are to be reviewed from a climate perspective in order to assess a property's sensitivity to climate change. • Environmentally certify all new constructions. • Prioritise environmental aspects in all parts of operations. • Monitor developments in laws and ordinances. • Environmental inventory of existing portfolio and when acquiring properties, in order to identify and address environmental and health risks. • Climate scenario analyses were prepared in 2019 and reviewed in 2020. They will be updated annually to provide Castellum with tools and knowledge of how climate change could affect its operations. 	<p>PRIORITY: FOCUS DEVELOPMENT: </p> <p>Inadequate efforts in analysing climate risks can lead to extensive unforeseen costs for Castellum in the form of emergency measures or obsolete properties, and thus lost rental income. Climate change could also entail increased operating costs. Investments in the wrong kind of measures in our properties could result in a risk of unprofitable investments, if climate change is not taken into account. Castellum is currently reviewing every investment issue from a climate perspective; we also work with environmental certification to reduce climate risks.</p>
<p>19. Breach of the Code of Conduct For a major player in the construction and property industry, there are risks pertaining to working environment, corruption and human rights. These risks can be found within the company, but also among suppliers and partners working on assignments for Castellum.</p> <p>This corporate responsibility risk can cause significant damage to Castellum's operations and brand.</p>	<ul style="list-style-type: none"> • Mandatory training for Castellum employees on the internal Code of Conduct. • Castellum's Code of Conduct for suppliers to be incorporated into contracts. • Compliance function works systematically with monitoring and management. • Whistleblower function. • Comply with standards and documentation requirements. 	<p>PRIORITY: FOCUS DEVELOPMENT: </p> <p>Risk of breaches of the Code of Conduct may exist internally as well as among engaged suppliers. Through properly integrated codes of conduct in the form of procurement requirements, mandatory training for all Castellum employees, an active compliance function and a whistleblower function, the risk of a breach is considered low.</p>
<p>LIABILITY RISKS</p> <p>20. Liability risks All ownership entails responsibility. For Castellum, the properties could be destroyed by fire, water, theft or other damage. Moreover, through negligence Castellum could cause personal injury or property damage and cause environmental damage for which it will be held liable.</p>	<ul style="list-style-type: none"> • Preventive measures to minimise the risk of damage to property, persons or the environment. • Unlimited cover insurance on all properties. • Insurance coverage for liability and property damage. • Environmental inventory of existing portfolio and when acquiring properties, in order to identify and address environmental and health risks. 	<p>PRIORITY: MONITOR DEVELOPMENT: </p> <p>Inadequate insurance coverage may result in unforeseen costs for Castellum. The obligation to pay compensation for damage caused can also arise for personal injury and damage to the property of another, as well as for remediation of environmental damage.</p>

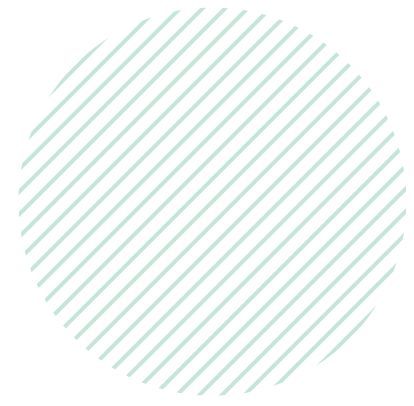
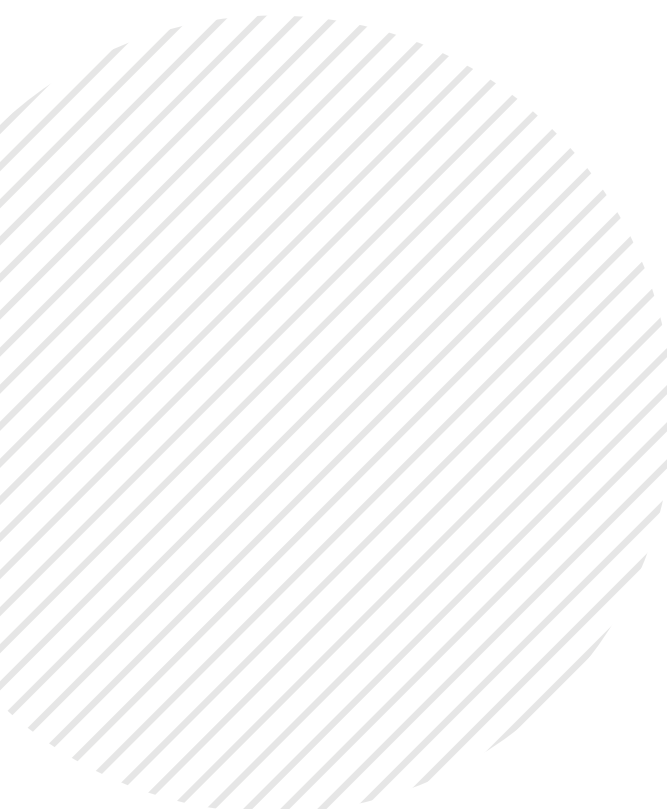
Reduced focus on risk area since previous year Unchanged focus on risk area since previous year Increased focus on risk area since previous year

People

Risks related to people affect both employees and people in Castellum's business environment.

RISK	MANAGEMENT	EXPOSURE
<p>PEOPLE</p> <p>21. Employees Employees are one of our most important assets; their decisions and actions drive our business forward. The largest risk is failure to recruit, develop and retain employees and senior executives with the right skills, which may lead to underperformance at Castellum.</p>	<ul style="list-style-type: none"> • Castellum's core values. • Open and transparent work environment. • Skills and leadership development. • Employee survey. • Succession plan for key employees/senior executives. • Market-based, competitive remuneration. • Analysis of staff turnover. 	<p>PRIORITY: FOCUS DEVELOPMENT: </p> <p>Wrong employees in the wrong place, dissatisfied employees, poor management and an organisation that does not encourage open dialogue and development can lead to employees feeling unhappy, underperforming or quitting. In turn, dissatisfied employees and high employee turnover lead to increased costs, poorer customer relations and reduced internal efficiency, which results in impaired profitability.</p>
<p>22. People Castellum works actively to minimise the risk of employees, insourced staff or other people being injured physically or mentally in connection with its offices, developments or properties.</p>	<ul style="list-style-type: none"> • Continual work in accordance with Castellum's health and safety manual. • Routine monitoring. • Protection committee. • Design and architecture with "people in focus" in order to ensure a good environment for tenants, visitors and employees. • Provide attractive offices and environments where people feel happy and are encouraged to create good conditions for performance. 	<p>PRIORITY: MONITOR DEVELOPMENT: </p> <p>Castellum works actively to minimise the risk of employees, outside staff hired by us or other people being injured in a workplace-related accident or an accident related to deficient working conditions, work environment or work safety.</p>

 Reduced focus on risk area since previous year  Unchanged focus on risk area since previous year  Increased focus on risk area since previous year



Financial risk

Castellum's single greatest risk is not having access to financing. Conditions and rules in the credit market can change quickly, which impacts interest rate risk and financing costs as well as the opportunity to obtain and extend credits. Risks can be divided into funding risk, reporting and changes in values on derivatives.

RISK	MANAGEMENT	EXPOSURE
<p>FINANCING</p> <p>23. Financing Liquidity and funding risk: Financing is either not available or very disadvantageous at a given time. Lacking proper access to the capital market through a loss of an investment-grade rating. Chosen capital structure: Castellum breaching the 50% loan-to-value ratio or similar covenant for 65% can impact market confidence in the company; and</p> <ul style="list-style-type: none"> A proportion greater than 65% could entail certain agreements falling due. A proportion greater than 45% secured borrowing in relation to the Group's total assets could mean certain bond financing will fall due for payment. <p>Interest rate risk: the risk of earnings or cash flow impact as a result of changing market rates. Castellum could breach the established mandate of an interest coverage ratio of not less than 200% or corresponding covenants of a minimum of 150%.</p>	<ul style="list-style-type: none"> A financial policy that establishes risk mandates. Liquidity reserves/unutilised credit facility. Multiple sources of financing in various geographical markets (banks, capital markets including bonds and commercial paper). Several lenders, moreover only counterparties with high credit ratings. Continuous renegotiation of credit agreements. Strong balance sheet. An interest rate maturity structure spread across various tenors. Reduced loan-to-value ratio. Reduced share of secured assets. Long-term credit agreements with fixed margins. Revolving credits to obtain maximum flexibility. Established calculation formulas. Reconciliation between internal and external appraisals. Compliance function to ensure independence. 	<p>PRIORITY: FOCUS DEVELOPMENT: ◀</p> <p>Property ownership is a capital-intensive business that requires a well-functioning credit market. Access to financing is fundamental for Castellum and for continued growth. Insufficient liquidity reserves could result in Castellum missing out on business opportunities. All lenders are not equally strong financially, however, which means there are counterparty risks in the system.</p> <p>Changes in capital structure might cause Castellum to breach the agreed key financial metrics of the loan conditions, which would lead to more expensive loans or to credit agreements maturing. Failure to ensure an appropriate capital structure could negatively impact capital market confidence in Castellum.</p> <p>The market interest rate is impacted by central bank monetary policy, expectations for financial trends – both national and international – and unexpected events.</p> <p>The pandemic has affected financing possibilities. Owing to the prevailing situation globally, there is a significant level of uncertainty on the finance market.</p>
<p>REPORTING</p> <p>24. Reporting The risk that an official report, in the form of interim or annual reports, does not provide a true and fair view of Castellum's operations, earnings and financial position.</p>	<ul style="list-style-type: none"> A corporate culture based on high ethical ideals and orderliness. Strict internal control processes with quality assurance at several stages. Skilled and experienced staff. Monitor trends in regulations in order to implement new changes in good time. Compliance function that reports directly to the Board's Audit and Finance Committee. External audit, full-year and half-year. 	<p>PRIORITY: FOCUS DEVELOPMENT: ◀</p> <p>A misleading report would give Castellum bad will and a poor reputation in the market. This could lead to uncertainty among investors, increased risk premium and ultimately to a negative exchange rate impact, creating economic losses for Castellum's current owners.</p> <p>Other effects include investors making incorrect investment decisions, regulators imposing sanctions and ultimately the Castellum share being delisted.</p>
<p>CHANGES IN VALUE</p> <p>25. Change in values – derivatives Changes in value to Castellum's interest rate derivatives or currency derivatives arise from changes in market interest rate or exchange rates.</p>	<ul style="list-style-type: none"> Financial policy that establishes which derivative instruments may be utilised for interest rate fixing and currency risk. Only marketable instruments in the market to be used, which is why listed prices can be obtained. Established calculation formulas. Reconciliation between internal and external appraisals. Compliance function to ensure independence. 	<p>PRIORITY: MONITOR DEVELOPMENT: ◀</p> <p>Changes in market interest rate and exchange rates impact the market value of the derivatives portfolio. Improper valuation of derivatives may provide an inaccurate picture of the Group's financial position.</p>

✔ Reduced focus on risk area since previous year
◀ Unchanged focus on risk area since previous year
⬆ Increased focus on risk area since previous year



The share

Castellum's goal is for the company's share over the long term to yield a competitive return in relation to risk, and to have a high level of liquidity. The risk level should be lower than the industry average. All actions are based on a long-term perspective and the company presents frequent, transparent, true and fair financial statements to shareholders, capital and credit markets, and the media that facilitate external assessment and evaluation of the company and the share.

Castellum has a goal of 10% yearly growth in income from property management. The outcome for 2020 was 7%, and over the last ten years the average yearly increase was 7%.

The Castellum share

Castellum is one of the major listed property companies in Sweden. Since 1997, the company's share has been listed on Nasdaq Stockholm Large Cap under the symbol CAST. The Board intends to propose that the Annual General Meeting approve a dividend of SEK 6.90 per share, an increase for the 23rd consecutive year.

Castellum's market capitalisation (i.e. the value of all shares outstanding in Castellum) amounted to SEK 57.9 billion (60.1), as of December 31, 2020. This corresponds to approximately 11% of the total market capitalisation, SEK 528 billion, of dedicated Swedish property companies. Furthermore, Castellum's market capitalisation corresponds to approximately 1% of the total market capitalisation – approximately SEK 9,297 billion – of all listed Swedish companies.

The number of Castellum shares outstanding is 277,092,708 (273,201,166). In 2020, a total of 286 million (270) shares were traded, equivalent to an average of 1,137,000 shares (1,080,000) per trading day, corresponding on an annual basis to a turnover rate of 104% (99). The share turnover is based on statistics from Nasdaq Stockholm, Cboe CXE EU, Turquoise and Cboe BXE EU.

Proposed dividend

The Board intends to propose to the Annual General Meeting to approve a dividend of SEK 6.90 per share, an increase of 6% year-on-year. The dividend is proposed to be distributed to the shareholders in two equal payments of SEK 3.45 each. The payout ratio amounts to 56%, based on income from property management before tax.

If the Annual General Meeting approves the Board's proposal, the record date for the first dividend will be Monday, 29 March 2021. This means that the final day for trading shares including the dividend is Thursday, 25 March 2021.

Record date for the second dividend is Monday, 27 September 2021, meaning that

the final day for trading shares including the dividend is Thursday, 23 September 2021. The first dividend is planned for Thursday, 1 April 2021, and the second dividend is planned for Thursday, 30 September 2021.

The proposed dividend, equivalent to 56% of income from property management and 3% of the net asset value, exceeds Castellum's objective of distributing at least 50% of income from property management, taking into account investment plans, consolidation needs, liquidity and financial position in general. Unrealised changes in value, positive or negative, are thus not included in the distributable earnings.

Net asset value

Net asset value describes the total equity that the company manages for its owners. On this basis, Castellum wants to generate stable return and growth at low financial risk. When assets and liabilities are measured at fair value, the net asset value can be calculated using shareholders' equity in the balance sheet. It should be taken into account, however, that the effective tax is lower than the reported nominal tax rate, due in part to the possibility of selling properties in a tax-efficient manner, and in part to the time factor which means the tax is to be discounted.

Long-term net reinstatement value (EPRA NRV) can be calculated to SEK 214 per share (195). The share price at the end of the year was thus 98% (114) of the long-term net reinstatement value.

SEK 6.90

The Board intends to propose that the Annual General Meeting approve a dividend of SEK 6.90 per share, an increase for the 23rd consecutive year.

-1.6%

During 2020, the total yield of the share, including the dividend of SEK 6.50, was -1.6%.



Why Castellum is of interest to investors

Castellum is one of Sweden's largest property companies and has a long-term approach to strategy, growth in property value, income from property management and dividends.

STABLE GROWTH SINCE THE IPO IN 1997

Since 1997, Castellum has enjoyed average annual growth in income from property management of 10% in SEK per share and dividend growth of 11% per year, corresponding to a payout ratio of 52%.

STRONG BALANCE SHEET AND LOW FINANCIAL RISK

Castellum's goal is that the loan-to-value ratio should not permanently exceed 50%. At the end of 2020, it totalled 44%. The target interest coverage ratio is at least 200%. At the end of 2020, it totalled 530%.

WELL DIVERSIFIED PORTFOLIO

The focus is on commercial properties with a contract portfolio of approximately 5,700 customers from a variety of business categories reflecting Swedish, Danish and Finnish business life. Risk diversification is thus broad, and the single largest contract represents approximately 2%.

LOCAL OPERATIONS WITH FOCUS ON SUSTAINABILITY

Currently, Castellum is found in some 14 cities in Sweden, plus Copenhagen and Helsinki, with local organisations. The know-how to create sustainable properties is a prerequisite for having relevant, future-proof transactions.

CREDIBILITY THROUGH TRANSPARENCY

Castellum's ambition is to provide up-to-date, accurate information about company performance that is fully adequate for investment decisions concerning the company's shares.

NET ASSET VALUE

	MSEK	SEK/share
Equity according to the balance sheet	48,243	174
Reversed		
Derivatives according to the balance sheet	1,132	4
Goodwill according to the balance sheet	-1,480	-5
Deferred tax according to the balance sheet	11,376	41
Net reinstatement value (EPRA NRV)	59,271	214
Deduction		
Goodwill due to acquisition of United Spaces	-193	-1
Estimated real liability, deferred tax 4% ¹⁾	-2,285	-8
Net tangible assets (EPRA NTA)	56,793	205
Deduction		
Derivatives according to above	-1,132	-4
Deferred tax	-9,091	-33
Net disposal value (EPRA NDV)	46,570	168

1. The net estimated real deferred tax liability has been estimated at 4% based on a discount rate of 3%. Further, assessments have been made that tax loss carry forwards are realised with a nominal tax of 21.4%, and that the properties are realised in 50 years and where the entire portfolio is sold indirectly in corporate wrappers where the buyers' tax discount is 7%.

Earnings

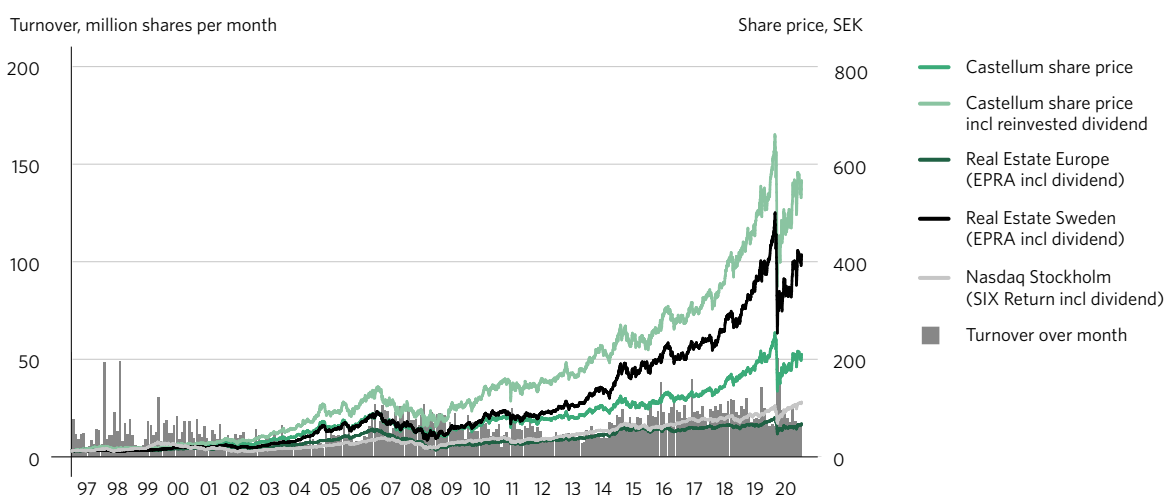
Income from property management per share, adjusted for tax attributable to income from property management (EPRA EPS) amounted to SEK 11.25 (10.44). Based on the share price, this resulted in a yield of 5.4% (4.7) corresponding to a multiple of 19 (21). This visible income from property management should be adjusted for long-term increase in value of the property portfolio and effective tax paid.

Earnings per share after tax amounted to SEK 20.52 (20.68) in 2020. Based on the share price, this yields a return of 9.8% (9.3) corresponding to a P/E ratio of 10 (11).

Total yield

Total yield reflects the development of the share price plus dividends paid during the period.

The Castellum share price at year end was SEK 208.70 (222.00), equivalent to a market capitalisation of SEK 57.9 billion (60.1) calculated on the number of shares outstanding. The total return on the share in 2020, including dividend of SEK 6.50, was -1.6% (38.9).

THE CASTELLUM SHARE'S PRICE TREND AND TURNOVER FROM THE IPO ON 23 MAY 1997 UNTIL 31 DECEMBER 2020**GROWTH, YIELD AND FINANCIAL RISK**

	2020	3 yrs avg/yr	10 yrs avg/yr
Growth			
Rental income SEK/share	4%	5%	3%
Income from prop. mgmt SEK/share	7%	10%	7%
Net profit for the year after tax SEK/share	neg.	neg.	7%
Dividend SEK/share	6%	9%	8%
Long-term EPRA NRV, SEK/share	10%	12%	10%
Property portfolio SEK/share	6%	8%	8%
Change in values on properties	3.9%	4.8%	3.3%
Yield			
Return on long-term EPRA NRV	13.4%	15.6%	14.7%
Return on equity	13.1%	17.6%	16.7%
Return on total capital	7.5%	9.5%	8.3%
Total return per share (incl. dividend)			
CASTELLUM	-1.6%	18.7%	14.4%
Nasdaq Stockholm (SIX Return)	14.8%	14.0%	11.4%
Real Estate Index Sweden (EPRA)	-4.3%	19.2%	16.0%
Real Estate Index Europe (EPRA)	-10.0%	2.5%	8.5%
Real Estate Index Eurozone (EPRA)	-7.4%	1.0%	8.0%
Real Estate Index Great Britain (EPRA)	-15.9%	-1.5%	7.1%
Financial risk			
LTV ratio	44%	44%	48%
Interest coverage ratio	530%	486%	375%

Dividend yield

Dividend yield - the company's dividend divided by the current share price - represents the yield shareholders receive in cash every year following the resolution by the Annual General Meeting. The key ratio thus expresses the relationship between two different "spheres": Castellum's performance in the form of dividends and the stock market's pricing of the company. The valuation thus reflects the market's view of the dividend yield required to achieve a total return that matches the required market yield for the Castellum share.

The proposed dividend of SEK 6.90 (6.50) corresponds to a dividend yield of 3.3% (2.9) based on the share price at the end of the year.

Net asset yield and earnings incl. long-term change in value

In companies managing real assets, such as property, the income from property management only reflects part – albeit a large part – of the overall result. The definition of a real asset is that its value is protected. This means that over time – and with proper maintenance – the real asset increases in value to compensate for inflation.

The net asset value (i.e. the denominator of the income/capital yield ratio) is adjusted annually in accordance with IFRS regulations for changes in value. In order to provide an accurate figure of the yield, the numerator – that is, the income – must be similarly adjusted. The income from property management reported must therefore be supplemented with a component of change in value as well as effective tax to produce an accurate view of income and yield.

One problem is that changes in value can vary greatly between years and quarters, thus leading to volatile results. For a long-term player with a stable cash flow and a properly compiled asset portfolio, the long-term change in value can be used to adjust the numerator in the equation.

NET ASSET YIELD AND EARNINGS INCL. LONG-TERM CHANGE IN VALUE

		Sensitivity analysis	
		-1%-point	-1%-point
Income from prop. mgmt 2020	3,380	3,380	3,380
Change in values on properties (10-year average)	3,141	2,189	4,092
As %	3.3%	2.3%	4.3%
Current tax, 9%	-356	-356	-356
Earnings after tax	6,165	5,213	7,116
Earnings, SEK/share	22.25	18.81	25.68
Return on EPRA NRV	11.6%	9.8%	13.4%
Earnings/share price	10.7%	9.0%	12.3%
P/E ratio	9	11	8

Shareholder value created

At the IPO in May 1997, Castellum's asset portfolio amounted to approximately SEK 10 billion, income from property management to approximately MSEK 300 and shareholders' equity to approximately SEK 4 billion. Since then, Castellum has created shareholder value by increasing shareholder's

equity to SEK 59 billion and dividends of approximately SEK 14.9 billion have also been distributed as of 31 December 2020. The asset portfolio grew over the same period to approximately SEK 103 billion at the end of 2020, while income from property management increased to SEK 3.3 billion.

Valuation

The investor's required yield for a given share forms the basis for valuation over the long term. The required yield is based on the required yield for secure investments plus a risk premium for shares. The risk premium, and thus the required yield varies from share to share as well as over time. This is partly due to the risk investors perceive with a particular company, which they want to be compensated for: the higher the risk, the higher the required yield. Depending on the investor's – or rather the investor collective's – assessment of the share's future total return (dividend yield plus change in share price) and risk level, an acceptable share price will emerge.

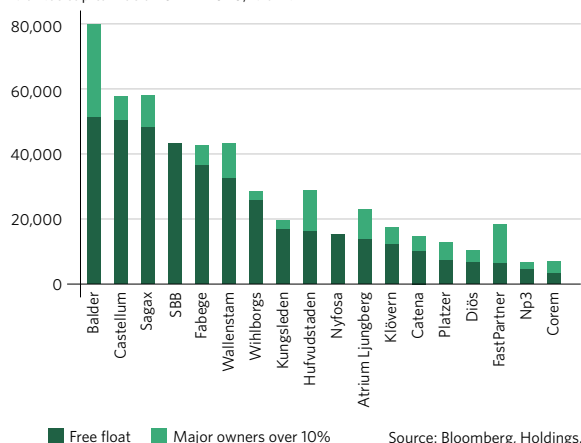
Over the short term, supply and demand for the share in question affect share price movements and set the current share price. Factors affecting price in the short term (apart from current investor assessments of the share's long-term yield) include industry outlook, macroeconomic assessments, geopolitical events, allocation aspects, the potential yield on alternative investments, and regulations. Over the long term, the company's actual performance in terms of total return and growth become crucial to share price development. As shown in the table on page 77, Castellum has achieved a total average yield of 14% per year over the past ten years, of which dividend yield represents approximately 4% and share price development around 10%, with a risk level for the Swedish property market that is moderate. The average dividend growth for the same period amounted to 9% per year.

Shareholders

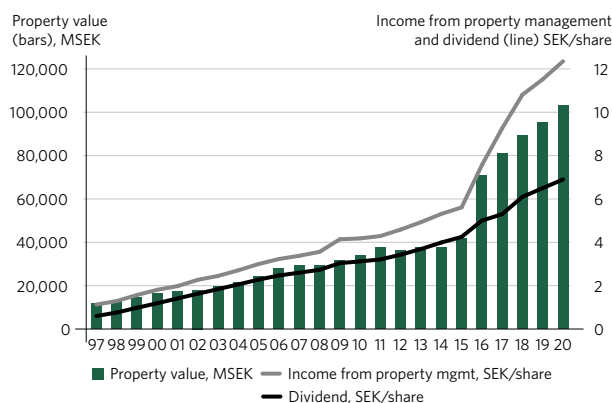
Castellum had approximately 85,000 shareholders (57,000) at year end, an increase of roughly 49% compared with year-end 2019. The proportion of registered shares abroad amounted to 48% (55) at the end of the year. The largest owner constellations confirmed as of 31 December 2020, are shown in the table below.

LISTED PROPERTY COMPANIES

Market capitalization 31-12-2020, MSEK



CASTELLUM'S PROPERTY VALUE AND INCOME FROM PROPERTY MANAGEMENT SINCE THE IPO, 1997



Investor Relations

Investor relations are primarily based on quarterly financial reports, press releases related to significant commercial events and presentations by Castellum. Presentations take place in connection with quarterly financial reports, visits from investors and analysts, and investor meetings both in Sweden and abroad. The large share of foreign shareholders means that there are extensive contacts with foreign investors. Additional market and financial information is provided on the Group's website, www.castellum.com.

Acquisitions and transfers of own shares

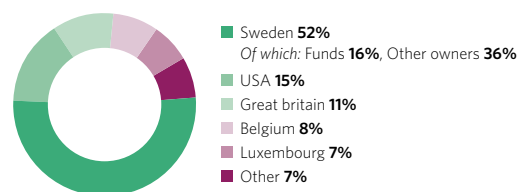
The 2020 Annual General Meeting gave a mandate to the Board up until the next Annual General Meeting to acquire and transfer shares. The acquisition may include no more than the number of shares that corresponds at any time to 10% of the total number of shares outstanding. In May 2020, 170,203 shares were repurchased at an average price of SEK 165.12. On 31 December 2020, the company's holding of treasury shares amounted to 170,203 shares corresponding to 0.06% of the number of shares registered. During the fourth quarter, a share issue in kind of 4,061,745 shares was carried out in conjunction with the acquisition of a property group in Helsinki, Finland.

SHAREHOLDERS AS OF 31 DECEMBER 2020

Shareholders	Number of shares, thousand	Percentage of votes/capital
Rutger Arnhult	49,400	17.8%
APG Asset Management	16,145	5.8%
BlackRock	13,503	4.9%
Vanguard	8,356	3.0%
Länsförsäkringar Fonder	7,884	2.8%
Handelsbanken Fonder & Liv	7,729	2.8%
AMF Pension & Fonder	6,991	2.5%
Norges Bank	6,565	2.4%
Lannebo Fonder	5,640	2.0%
Swedbank Robur Fonder	3,698	1.3%
Szombatfalvy-sfären	3,631	1.3%
Folksam	3,287	1.2%
Amundi	3,192	1.2%
Principal Global Investors	2,834	1.0%
State Street Global Advisors	2,793	1.0%
BNP Paribas Asset Management	2,405	0.9%
Cohen & Steers	2,269	0.8%
Third Swedish National Pension Fund	2,148	0.8%
SEB Fonder & Liv	2,114	0.8%
Nordea Fonder	2,056	0.7%
ACTIAM	1,816	0.7%
C WorldWide Asset Management	1,801	0.6%
AFA Försäkring	1,799	0.6%
Avanza Pension	1,593	0.6%
Castellum Board and Executive Management	177	0.1%
Other shareholders registered in Sweden	48,170	17.4%
Other shareholders registered abroad	69,097	25.0%
Total shares outstanding	277,093	100%

Source: Holdings by Modular Finance AB. Data collected and analysed from Euroclear, Morningstar, Finansinspektionen, Nasdaq and Millistream.

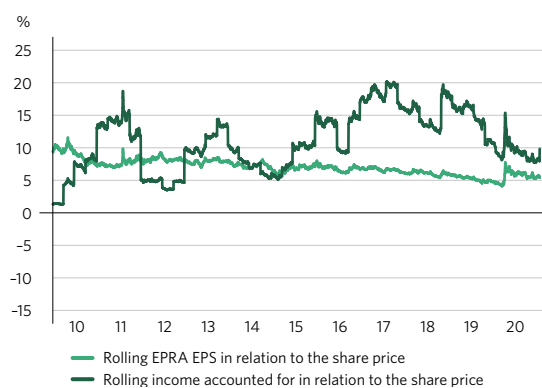
SHAREHOLDERS DISTRIBUTED BY COUNTRY, 31 DEC 2020



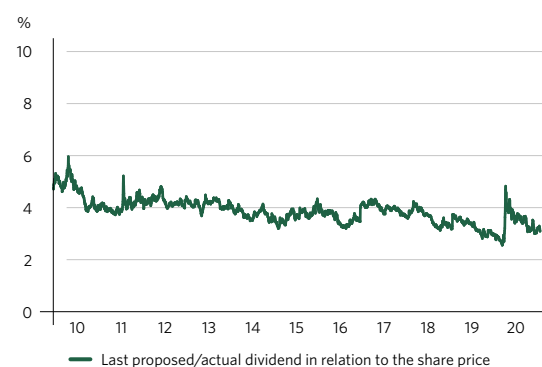
SHARE PRICE/NET ASSET VALUE



YIELD, EARNINGS PER SHARE



DIVIDEND YIELD



TEN-YEAR SUMMARY

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Key metrics, SEK/share										
Income	21.94	21.31	20.41	18.97	19.33	20.12	20.23	19.81	18.74	17.80
Income from prop. mgmt	12.35	11.52	10.81	9.26	8.80	8.11	7.67	7.12	6.64	6.21
Net income for the year	20.52	20.68	27.28	21.51	21.20	15.24	6.41	9.03	7.79	3.76
Dividend (for 2020, proposed)	6.90	6.50	6.10	5.30	5.00	4.25	3.99	3.69	3.43	3.21
Property value	372	348	326	297	259	221	199	200	192	179
Valuation										
Income from prop. mgmt per share/Share price	5.9%	5.2%	6.6%	6.7%	7.0%	7.7%	7.2%	8.2%	8.3%	8.4%
Share price/Income from prop. mgmt per share	17	19	15	15	14	13	14	12	12	12
Income from prop. mgmt after tax per share (EPRA EPS)/Share price	5.4%	4.7%	5.9%	6.1%	6.6%	7.5%	6.8%	8.0%	7.9%	8.2%
Dividend/Share price (dividend yield)	3.3%	2.9%	3.7%	3.8%	4.0%	4.1%	3.8%	4.2%	4.3%	4.3%
Price/Net reinstatement value (EPRA NRV) per share	98%	114%	93%	90%	94%	94%	107%	94%	92%	88%
The share										
Market capitalisation, MSEK	57,865	60,651	44,627	37,811	34,123	19,795	20,024	16,416	15,137	13,989
Total return, Castellum share	-1.6%	38.9	22.3%	15.4%	23.8%	2.3%	26.9%	13.1%	13.0%	-3.1%
Nasdaq Stockholm (SIX Return)	14.8%	35%	-4.4%	9.5%	9.6%	10.4%	15.8%	28.0%	16.5%	-13.5%
Real Estate Index Sweden (EPRA)	-4.3%	53.7%	15.3%	15.9%	7.2%	25.4%	37.1%	20.6%	16.2%	-13.0%
Real Estate Index Europe (EPRA)	-10.0%	29.7%	-7.7%	13.4%	-4.5%	18.8%	26.5%	10.1%	28.7%	-9.2%
Real Estate Index Eurozone (EPRA)	-7.4%	21.0%	-8.2%	17.7%	4.7%	17.4%	24.1%	5.6%	29.2%	-14.2%
Real Estate Index Great Britain (EPRA)	-15.9%	30.6%	-13.0%	12.7%	-8.5%	12.1%	22.5%	22.6%	29.9%	-8.1%
Payout ratio, income from prop. mgmt	56%	56%	56%	57%	57%	52%	52%	52%	52%	52%
Payout ratio, long-term EPRA NRV	3.2%	3.3%	3.5%	3.4%	3.8%	3.8%	4.0%	4.0%	4.0%	3.8%
Share Price, SEK										
Closing share price, final trading day of the year	208.70	220.00	163.35	138.40	124.90	104.73	105.94	86.85	80.08	74.01
highest share price during the year	257	223.00	170.25	140.00	133.50	125.38	108.02	93.27	81.99	84.60
lowest share price during the year	124.20	160.65	121.20	114.80	97.87	97.96	85.94	76.14	66.20	56.61
average (highest/lowest per day)	195.44	188.32	148.05	126.59	117.62	109.18	97.49	82.82	75.73	76.95
Number of shares, thousand										
average	273,628	273,201	273,201	273,201	234,540	164,000	164,000	164,000	164,000	164,000
shares	277,093	273,201	273,201	273,201	273,201	172,008	172,008	172,008	172,008	172,008
Number of shareholders	85,000	57,000	44,400	38,000	30,000	19,100	16,300	12,200	9,900	9,400
Percentage of shareholders registered abroad	48%	55%	55%	50%	51%	50%	52%	62%	60%	51%
Turnover, thousand shares per year	286,500	269,900	300,200	272,600	285,000	188,379	133,083	106,266	129,276	150,482
Turnover rate per year	104%	99%	110%	99%	103%	114%	81%	65%	79%	92%
EPRA measures										
EPRA Earnings (Income from prop. mgmt after tax paid), MSEK	3,078	2,853	2,636	2,291	1,937	1,481	1,355	1,318	1,192	1,149
EPRA Earnings (EPS), SEK/share	11.25	10.44	9.65	8.39	8.26	7.84	7.17	6.97	6.31	6.08
Long-term net reinstatement value (EPRA NRV), MSEK	59,271	53,165	48,009	41,834	36,222	21,184	18,618	17,510	16,480	15,920
EPRA NRV, SEK/share	214	195	176	153	133	112	99	93	87	84
EPRA NTA, MSEK	56,793	51,029	46,118	39,811	35,666	20,668	18,295	17,128	16,267	15,778
EPRA NTA, SEK/share	205	187	169	146	131	109	97	91	86	83
EPRA NDV, MSEK	46,570	42,086	38,090	32,077	27,575	15,768	13,649	13,127	12,065	11,203
EPRA NDV, SEK/share	168	154	139	117	101	83	72	69	64	59
EPRA Vacancy rate	7%	7%	7%	9%	9%	10%	11%	12%	11%	11%
EPRA Yield	4.8%	5.0%	5.1%	5.3%	5.5%	6.1%	6.4%	6.6%	6.7%	6.7%
EPRA "Topped-up" Yield	4.9%	5.1%	5.2%	5.4%	5.6%	6.3%	6.6%	6.7%	6.9%	6.8%
EPRA cost ratio (including direct vacancy costs)	24%	26%	26%	28%	33%	29%	29%	30%	30%	30%
EPRA cost ratio (excluding direct vacancy costs)	23%	24%	24%	26%	30%	26%	26%	26%	27%	27%

EPRA, the European Public Real Estate Association, is an association for listed property owners and investors in Europe that sets standards for financial reporting such as earnings per share (EPRA EPS), net asset value (EPRA NAV) and triple net asset value (EPRA NNAV), EPRA Vacancy, EPRA Yield and EPRA "Topped-up" Yield.



Financial performance

Castellum works with a long-term perspective; its strategy for growth includes continually refining and developing its property portfolio by investing in new construction, extensions and reconstructions, as well as making acquisitions.

Group net income

Castellum's business model is built on investing in and developing commercial premises managed by a decentralised and customer-centric organisation. Castellum focuses on cash flow and operates with low financial risk.

Castellum owns 642 properties encompassing 4.4 million square metres in Sweden, Copenhagen and Helsinki. Our properties can be found in city centre locations and well-situated business districts, with good public transportation and built-out services.

Castellum works with a long-term perspective; its strategy for growth includes continually refining and developing its property portfolio by investing in new construction, extensions and reconstructions, as well as making acquisitions. The purpose of the investments is to improve cash flow, thereby increasing the value of the properties. New projects are gradually added through acquisitions of both development properties and unutilised building rights.

The operations comprise three different areas:

Property management

Through customer-centric property management, that is built on good business conduct, sustainability and innovation, Castellum enables its customers to reach their business goals.

Project development

Castellum will continually invest in existing portfolios and develop new portfolios, resulting in a quality shift to a more sustainable and stable portfolio, as well as increased earning power. In addition, Castellum will be an active player that promotes urban development and growth.

Transactions

Castellum continually develops its property portfolio in order to strengthen the company's position as the leading player in Nordic growth cities.

Castellum's earnings in 2020

Income from property management

Income from property management (i.e. net income excluding acquisition costs and financing fees for acquisitions, changes in value and tax) for the period January–December 2020 amounted to MSEK 3,380 (3,146), corresponding to SEK 12.35 per share (11.52) – an increase of 7%.

SEGMENT INFORMATION

MSEK	Income		Income from prop. mgmt	
	2020	2019	2020	2019
Central	1,595	1,504	913	815
West	1,365	1,328	790	749
Öresund	1,262	1,176	747	665
Stockholm–North	1,611	1,651	1,025	1,008
Finland	59	58	8	22
Co-working	112	104	-10	1
Total	6,004	5,821	3,473	3,260

The difference between the income from property management of MSEK 3,473 (3,260) above and the Group's reported income before tax of MSEK 7,028 (6,765) consists of unallocated income from property management of MSEK -93 (-114), acquisition costs of MSEK -25 (-9), financing fees for acquisitions of MSEK 70 (-), impairment of goodwill of MSEK - (-179), change in values on properties of MSEK 3,863 (3,918) and change in values on derivatives of MSEK -120 (-111).

Income

The Group's income totalled MSEK 6,004 (5,821). Rental income includes discounts of MSEK 119 (90) as well a lump sum of MSEK 16 (16) as a result of early termination of leases. Castellum granted discounts of MSEK 14 in accordance with the government's rent support package linked to COVID-19, whereby Castellum takes 50% of the cost. Accordingly, for reasons of simplification, rental income was reduced by a net amount of MSEK 7. Furthermore, MSEK 20 in non-recurring income was received, which consists of a number of insurance cases that were settled during the second quarter.

The average economic occupancy rate was 93.1% (93.8), where the calculation has been changed to only take into account vacancies unlike previously, where discounts were also included. The comparative figures have been restated. Moreover, the co-working company United Spaces generated income of MSEK 112 (104) in the period.

DEVELOPMENT OF INCOME

MSEK	2020	2019	Change, %
Like-for-like portfolio	5,377	5,259	2.2%
Development properties	254	190	
Transactions	261	268	
Co-working	112	104	
Income	6,004	5,821	3.1%

Rental income in the like-for-like portfolio increased 2.2%, which was due to higher rents, up 2.8%, but also to higher vacancies and discounts of 0.6%. Gross lettings (i.e. the annual value of total lettings) during the period was MSEK 644 (411), of which MSEK 258 (56) pertained to lettings in conjunction with new construction, extensions and reconstructions. Notices of termination amounted to MSEK 405 (435), of which bankruptcies were MSEK 9 (16) and MSEK 17 (18) were notices of termination with more than 18 months left of contract. Accordingly, net lettings for the period totalled MSEK 239 (-24). The time difference between reported net lettings and the income effect thereof is estimated to be between 9-18 months in investment properties and 12-24 months for investments in new construction, extensions and reconstructions.

NET LETTINGS

MSEK	Region						Total
	Central	West	Öresund	Stockholm	North	Finland	
New lettings							
Existing properties	109	107	58	100	9	3	386
Investments	63	27	143	22	3	—	258
Total	172	134	201	122	12	3	644
Terminated							
Terminated	-83	-95	-117	-99	-2	—	-396
Bankruptcies	-1	—	-7	-1	—	—	-9
Total	-84	-95	-124	-100	-2	—	-405
Net lettings	88	39	77	22	10	3	239
In 2019	-44	-48	39	40	1	-12	-24

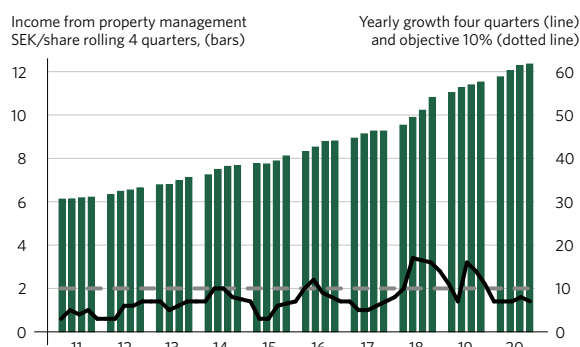
Operating costs

Direct property costs totalled MSEK 1,170 (1,235), corresponding to SEK 279 per square metre (292). Property costs for the like-for-like portfolio decreased 6%. In addition, expenses for co-working totalled MSEK 120 (99).

Property administration totalled MSEK 379 (374), corresponding to SEK 90 per square metre (92).

Central administrative expenses were MSEK 149 (163). Central administrative expenses also included costs related to the earnings and share price-related incentive plans for members of Executive Management of MSEK 14 (10).

INCOME FROM PROPERTY MANAGEMENT PER SHARE



In the fourth quarter, Castellum announced its intention to present the shareholders of Entra with an offer to acquire the Norwegian listed property company. Costs worked up pertaining to the above total approximately MSEK 25.

DEVELOPMENT OF PROPERTY COSTS

MSEK	2020	2019	Change, %
Like-for-like portfolio	1,048	1,119	-6.3%
Development properties	61	51	
Transactions	61	65	
Direct property costs	1,170	1,235	-5.3%
Co-working	120	99	
Property administration	379	374	
Central administration	149	163	
Total property costs	1,818	1,871	-2.8%

PROPERTY COSTS

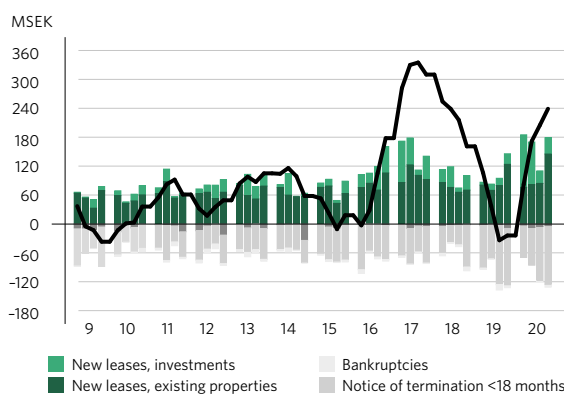
SEK/sq. m.	Offices	Public sector properties	Warehouse/logistics	Light industry	Retail	2020 Total	2019 Total
Operating costs	208	173	93	98	134	155	166
Maintenance	56	35	18	25	32	38	38
Property tax	130	112	28	27	75	86	88
Total property costs	394	320	139	150	241	279	292
Lettings and property administration						90	92
Total	394	320	139	150	241	369	384

Net financial items

Net interest was MSEK -786 (-782). The average interest rate over the period was 1.9% (2.0). Net interest was positively affected by approximately MSEK 27 due to the 0.07 percentage point decrease in the average interest rate. Furthermore, interest costs for leases amounted to MSEK 20 (22), of which site leasehold fees were MSEK 18 (18).

Castellum signed credit agreements both to ensure financing of the combination with Entra and to have full coverage for Entra's outstanding interest-bearing liabilities. Net income for the period was charged with approximately MSEK 70 for these credits.

NET LETTINGS PER QUARTER



Property value and changes in value

Both interest in property investments (which was rather uncertain in the first half-year) and access to capital strengthened during the second half-year, which has resulted in a stable and strong property market despite it still being impossible to fully overview the effects of the pandemic. A certain amount of differentiation is occurring among different property types, with secure cash flows remaining particularly attractive. Castellum recognised an unrealised change in value of MSEK 3,712 (4,276).

Moreover, sales of MSEK 151 (-358) were recognised, which comprised an earnout from the sale of the Archimedes property in Stockholm in 2018 (the detailed development plan entered force during 2020 and the transaction has finally been settled) as well as the sale of five properties at a price that exceeded their value by approximately MSEK 30.

Castellum signed agreements in late 2020 on the sale of an asset portfolio to Blackstone for approximately SEK 18.1 billion, net, less costs and transaction and deferred tax of approximately MSEK 900, entailing an underlying property value of approximately SEK 19 billion. The sale was divided into two tranches:

- *Portfolio No. 1*, with a net sale price of approximately SEK 5 billion and a valuation at year-end of approximately SEK 4.8 billion, with hand-over in early February. The transaction was contingent upon approval by the Swedish Competition Authority (granted in January 2021) and will thus be recognised as sold in the first quarter of 2021.
- *Portfolio No. 2*, with a net sale price of approximately SEK 13.1 billion and a valuation at year-end of approximately SEK 12.7 billion, with hand-over in late March or early April. The transaction was contingent upon both approval by the Swedish Competition Authority (granted in January 2021) and the successful acquisition of Entra (offer withdrawn in February 2021).

The aforementioned portfolios showed unrealised changes in value of approximately SEK 1.6 billion in the last quarter. The portfolio premium, which totals approximately 3% of

the net sale price or 20 basis points in yield requirement, has not been taken into account. The portfolio premium, totalling approximately MSEK 550, will only be realised as a change in value upon transfer.

The value of the derivatives changed by MSEK -120 (-111), mainly due to changes in long-term market interest rates.

CHANGE IN VALUES ON PROPERTIES

MSEK	2020	2019
Cash flow	502	1,638
Project gains/building rights	780	532
Required yield	2,065	1,742
Acquisitions	365	364
Unrealised changes in value	3,712	4,276
NOI %	3.7%	4.7%
Sales	151	-358
Total	3,863	3,918
As %	3.9%	4.3%

AVERAGE VALUATION YIELD, MSEK

(excl. projects/land and building rights)	2020	2019
Net operating income, properties	4,771	4,455
+ CPI/Index 2020	294	94
+ Real occupancy rate, 94% at the lowest	17	228
- Property admin, SEK 30/sq. m.	-133	-128
Normalised net operating income	4,949	4,649
Valuation (excl. building rights of MSEK 608)	98,953	90,614
Average valuation yield	5.0%	5.1%

Income over time

Income from property management over the past ten years shows stable development and has grown by an average of 7% per year. However, changes in value on properties have been volatile over the past ten years, totalling an average of 3.3% per year, which is above the inflation rate (approximately 0.9%) for the corresponding period.

Tax

Recognised tax totalled MSEK 1,413 (1,115), of which MSEK 247 (165) is current tax.

PROPERTY-RELATED KEY METRICS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Rental value, SEK/sq. m.	1,538	1,495	1,407	1,341	1,304	1,095	1,064	1,036	1,015	995
Economic occupancy rate	93.1%	93.8%	94.4%	92.5%	92.2%	91.4%	90.0%	89.6%	90.1%	90.8%
Property costs, SEK/sq. m.	369	384	378	366	376	316	307	307	298	300
Net operating income, SEK/sq. m.	1,039	1,001	933	853	816	673	637	608	601	589
Property value, SEK/sq. m.	23,549	22,363	20,417	18,268	16,558	12,282	11,118	10,285	9,916	9,835
No. of properties	642	632	647	676	665	597	583	626	635	617
Lettable area, thousand sq. m.	4,447	4,255	4,283	4,381	4,292	3,392	3,329	3,623	3,621	3,411
Average valuation yield	5.0%	5.1%	5.3%	5.5%	5.8%	6.5%	6.9%	7.2%	7.3%	7.2%

Financing

FINANCING, 31 DEC 2020



Shareholders' equity	MSEK 39,749 (43%)
Interest bearing liabilities	MSEK 40,358 (44%)
Deferred tax liabilities	MSEK 9,203 (10%)
Other liabilities	MSEK 2,830 (3%)

DISTRIBUTION OF FINANCING, 31 DEC 2020



MTNs	MSEK 29,127 (64%)
Commercial papers	MSEK 8,844 (19%)
Bank loans	MSEK 7,588 (17%)

SECURED CREDIT FACILITIES, 31 DEC 2020



Unsecured credits	MSEK 37,971 (83%)
Secured credits	MSEK 7,588 (17%)

The chosen capital structure is pivotal for the financial returns and risk exposure anticipated by owners. Among the factors influencing the choice are business risk and tax shield, as well as the risks and costs associated with increased borrowing. By the time Castellum was listed, it had already established that the company would have a low level of financial risk – expressed today in the formulation that the long-term loan-to-value ratio should not exceed 50% and that the interest coverage ratio should be at least 200%.

As of 31 December 2020, Castellum's assets amounted to SEK 110 billion and the loan-to-value ratio was 44%, while the interest coverage ratio during the year was 530%.

Financial policy and monitoring

Castellum's financial activities are conducted in accordance with the financial policy established by the Board, and in such a way that ensures the need for long- and short-term financing, and liquidity is fulfilled. Moreover, the aim is to achieve low, stable

net interest expenses, after taking established risk mandates into account. Trends in the financial markets have a great impact on Castellum. Reflecting and supporting the goals and conditions of business operations are of importance to financial operations. Using the financial policy, the Group can control and manage financial risks and ensure risk management through close control and monitoring. The financial risks are monitored and reported quarterly to both the Audit and Finance Committee and the Board. The Board annually conducts a review of the financial policy.

Castellum regularly follows up and monitors future financing needs based on assumptions about earnings, net investment volume, property value growth and maturity profile of the existing debt portfolio, covenants in credit agreements and interest-rate risk exposure. Furthermore, the Group carries out sensitivity analyses to understand how changes in the asset portfolio – as well as movements in market interest rates and property values – affect the balance sheet and earnings.

CASTELLUM'S FINANCIAL POLICY AND COMMITMENTS IN CREDIT AGREEMENTS

	Policy	Commitment	Outcome
LTV ratio	Not exceeding 50%	Not exceeding 65%	44%
Interest coverage ratio	At least 200%	At least 150%	530%
The share of secured borrowing/ total assets		Not exceeding 45%	7%
Funding risk			
• average debt maturity	At least 2 years		3.8 yrs
• maturing within 1 year	No more than 30% of loans outstanding and unutilised credit agreements		14%
• average credit price tenor	At least 1.5 years		3.0 years
• liquidity reserve	Secured credit agreements corresponding to MSEK 750 and 4.5 months upcoming loan maturities		Achieved
Interest rate risk			
• average interest duration	1.5–4.5 years		2.6 years
• maturing within 6 months	No more than 50%		44%
Credit and counterparty risk			
• rating restriction	Credit institutions with high ratings, at least S&P BBB+		Achieved
Currency risk			
• translation exposure	Shareholders' equity is not hedged		Achieved
• transaction exposure	Handled if exceeding MSEK 25		Achieved

Financial strategy

Castellum's financing strategy is to support operations and manage the Group's financial risks while promoting an open and transparent climate. The strategy will be reflected in the financial policy – all to ensure risk management through close control. Castellum's financial strategy can be summarised by five cornerstones: diversification, liquidity, strength, transparency and flexibility.

Interest rate risk

By definition, interest rate risk refers to a potentially negative impact on the income statement and balance sheet caused by a change in market interest rates. To limit fluctuations in net interest costs, Castellum will feature a mix of fixed interest rate durations on loans and interest rate derivatives. However, as long as the STIBOR 3 month rate is negative, derivatives in the form of interest rate swaps do not always provide a stable cost structure for Castellum when combined with bank credits, since elements of the floor for the STIBOR rate occur in individual cases. The choice of interest-rate profiles should take the Group's Business Plan, as well as anticipated inflows and outflows, into account.

Interest costs are the single largest cost item and have a major impact on growth in income from property management. These are partly affected by changes in market interest rates, and partly by the margin required by creditors as compensation for lending money. The short-term market interest rate is primarily controlled by the Riksbank, whereas the long-term market interest rate is affected by other factors such as expectations of future growth and inflation. The credit margin is controlled both by supply and demand for credit and by regulations in the credit and capital markets. Both interest and credit markets can change rapidly, but are beyond Castellum's control.

Rising market interest rates are normally considered a result of economic growth and rising inflation, which in turn are also presumed to result in increased demand for commercial premises, thereby leading to increased rents and/or reduced vacancy rates. Falling market interest rates are normally assumed to have opposite causes and effects. Given this reasoning, rising or falling market interest rates are thus met by rising or falling rental income, over time. Changes in credit margins may occur regardless of prevailing economic conditions; recently, they have been affected by factors such as an broader offering of property-related

CASTELLUM'S FIVE FINANCING CORNERSTONES

<p>DIVERSIFICATION</p>	<p>Castellum is to have a diversified loan portfolio and avoid dependence on both single sources of financing and counterparties. In addition, the maturity of various sources of financing and individual credits is to be distributed over time. Castellum will monitor and follow developments on financial markets for the purpose of acting quickly and matching the needs of the operation.</p> <p>At year end, Castellum's interest-bearing financing amounted to SEK 45.6 billion, of which SEK 38 billion came from capital market financing (an MTN programme totalling 19.3 billion, an EMTN programme totalling MEUR 9.8, and a programme for commercial paper totalling SEK 8.8 billion) equivalent to 83% and the remainder comprising loans in major Nordic banks and credit institutions. As regards loan-to-maturity structure, it averaged 3.8 years at year end and the interval for the loans ranged from 1 month to 20 years.</p>
<p>LIQUIDITY</p>	<p>Castellum will have unused credit facilities available to respond rapidly to the needs of the operations and the opportunities provided. Moreover, there will be revolving credit facilities for the purpose of reducing the need to invest the surplus liquidity.</p> <p>At year end, Castellum had SEK 63.5 billion in credit agreements, of which SEK 45.6 billion was unutilised.</p>
<p>STRENGTH</p>	<p>The Group's financial key ratios must be strong, with a loan-to-value ratio not exceeding 50% and an interest coverage ratio of at least 200%. The strength of our asset portfolio is enhanced by the quality of our cash flow as well as by the composition of our debt and interest rate portfolio.</p> <p>Castellum aims to reduce the risk of a sudden negative impact on net financial items arising from changes in the general interest rate and/or the assessment of Castellum as a borrower, that cannot be offset by earnings from operating activities.</p> <p>The loan-to-value ratio was 44% at year end, while the interest coverage ratio for 2020 was 530%.</p>
<p>TRANSPARENCY</p>	<p>Castellum encourages long-term relationships with both banks and other lenders and investors; its aim is to be transparent in order to increase the relevant parties' understanding of the Group's operations and thereby its credit exposure.</p>
<p>FLEXIBILITY</p>	<p>Castellum must have flexible financing arrangements in order to support the development of operations in relation to acquisitions, divestments and project development. Our credit facilities will provide us with strong flexibility to withdraw and repay on short notice and at no extra cost. Furthermore, Castellum is to have access to flexibility, both in terms of pricing (fixed and floating) and maturities.</p> <p>At year end, Castellum had SEK 25.5 billion in credit agreements, of which SEK 18 billion was unutilised.</p>

bonds in the capital markets and regulatory changes, primarily in the banking credit market. Changes in market interest rates and credit margins affect net financial items. How quickly – and by how much – largely depends on the chosen fixed interest term and the duration of credit margins.

To ensure a low and stable net interest cost in the cash flow, Castellum has chosen to restrict the proportion of fixed maturities due within six months at a maximum 50% of net debt; the average fixed interest term will be between 1.5 and 4.5 years. The interest coverage ratio is the financial key ratio that describes a company's risk level and resilience to fluctuations in net interest.

Castellum's strategy includes an interest coverage ratio of at least 200%. For 2020, the interest coverage ratio was 530% (502). The average fixed interest term at 31 December 2020, was 2.6 years (3.3), while the share of maturities due within 6 months was 44%. The average loan-to-maturity structure for utilised borrowing facilities including extension options at year end was 3.8 years (3.8), whereas the average credit price tenor at the same point in time was 3.0 years (3.2). At the end of the year, the net debt to EBITDA ratio was 11 (10).

Net interest for 2020 amounted to an expense of MSEK 786 (expense: 782) with an average interest rate of 1.9% (2.0), and consisted of market interest rates at issue dates plus creditors' margins. The average effective rate at 31 December 2020 was 1.69% (1.82) excluding unutilised credit agreements, and 1.82% (1.99) including unutilised credit agreements.

In the table, credit margins and fees are distributed according to the maturity segments for the reported credit volumes, while credit fees and rate differences in MTN and EMTN are reported in the segment for 0-1 year.

Funding risk

Funding risk refers to the risk that financing is not available or is very unfavourable at a given time. It is by far the Group's largest funding risk. The Group's assets – primarily commercial properties – should be seen as long-term investments, which thereby comply with demands for a long-term approach to financing the asset portfolio. However, pricing in the credit market should also be taken into account.

Castellum should have sufficient, and competitive, financing so the Group's activities can be conducted in a suitable and cost-efficient manner. The funding risk is managed through advance planning, an appropriate capital maturity structure, balanced loan pricing, diversification of financing sources and maturities, and a reasonable liquidity reserve.

At the end of the year, Castellum held credit agreements totalling MSEK 63,500 (60,604) of which MSEK 46,894 (49,433) were long-term and MSEK 16,606 (11,171) were short-term.

After deduction of cash of MSEK 161 (173), net interest-bearing liabilities were MSEK 45,559 (40,653), of which MSEK 29,127 (27,512) were bonds outstanding and MSEK 8,844 (5,136) commercial paper outstanding (nominal MSEK 29,145 and MSEK 8,853 respectively).

During the year, bank credit facilities of approximately MSEK 1,620 were raised with new counterparties, approximately MSEK 7,400 were extended and approximately MSEK 4,000 were settled. As part of its Swedish MTN program, Castellum also issued new bonds during the year with a nominal amount of MSEK 5,250 while bonds with a nominal value of MSEK 3,250 matured. At the end of the year, the framework amount for the Swedish MTN programme was raised to MSEK 25,000.

Issued commitments in credit agreements – known as covenants – stipulate a loan-to-value ratio of not more than 65% and an interest coverage ratio of at least 150% and, for EMTNs, also that the share of secured borrowing may not exceed 45% of the Group's total assets, which Castellum accomplished by a wide margin: 44%, 530%, and 7% respectively.

CREDIT MATURITY STRUCTURE, 31 DECEMBER 2020

Maturity date	Utilised in				Share, %
	MSEK	Bank	MTN/Comm. paper	Total	
0-1 year	16,606	2,071	13,795	15,866	35%
1-2 years	9,310	814	3,996	4,810	11%
2-3 years	16,799	880	7,619	8,499	19%
3-4 years	2,456	11	2,445	2,456	5%
4-5 years	8,204	11	3,793	3,804	8%
>5 years	10,125	3,801	6,323	10,124	22%
Total	63,500	7,588	37,971	45,559	100%

INTEREST RATE MATURITY STRUCTURE, 31 DECEMBER 2020

Credit agreements	MSEK ²⁾	Share, %	Average interest rate, % ¹⁾	Average fixed interest rate term
0-1 year	22,588	50%	1.62%	0.2
1-2 years	3,148	7%	0.92%	1.5
2-3 years	5,603	12%	2.47%	2.8
3-4 years	1,797	4%	1.06%	3.5
4-5 years	2,599	6%	1.31%	4.5
>5 years	9,824	21%	1.86%	7.8
Total	45,559	100%	1.69%	2.6

1. Including fees for utilised credit agreements and exchange rate differences for MTNs.

2. Calculated on the net volume of interest-bearing liabilities and derivatives.

Credit and counterparty risk

Credit and counterparty risk is the risk that the counterparty cannot fulfil its commitments, such as liquidity supply or payment. In financial operations, credit and counterparty risk arises primarily in connection with long-term credit agreements, derivative contracts and the investment of cash and cash equivalents. Castellum limits this risk by requiring high credit ratings from its counterparties, which are currently all major Nordic banks.

Currency risk

Currency risk refers to a negative impact on the income statement, balance sheet and cash flow due to changes in exchange rates. Currency risk can be divided into translation exposure and transaction exposure. At year end, Castellum owned properties in Denmark and Finland totalling MSEK 9,091 (7,333), which means that the Group is exposed to currency risk. The currency risk primarily occurs when income statements and balance sheets in foreign currency are translated into Swedish kronor. As a rule, shareholders' equity is not hedged for translation exposure, while transaction exposure is hedged if the exposure in any currency exceeds an exchange value of MSEK 25.

Secured interest-bearing liabilities

Long-term bank facilities are mainly secured with collateral comprising the company's property holdings, and commitments also include a number of covenants. Castellum's bonds under the EMTN programme are also covered by financial covenants.

Issued MTNs, commercial paper and certain short-term bank loans – such as overdraft credits – are unsecured. Of net interest-bearing liabilities totalling MSEK 45,559 (40,653), MSEK 7,588 (7,249) was secured against property deeds and MSEK 37,971 (33,404) was unsecured, which means that approximately 17% (18) of loans outstanding were secured. Castellum's share of unsecured assets at the end of the year was 61% (57). Secured borrowing in relation to total assets was 7% (7).

Undertakings issued in credit agreements and EMTNs mean that the loan-to-value ratio may not exceed 65%, the interest coverage ratio may not be less than 150%, and the share of secured borrowing may not exceed 45% of the Group's total assets. Additionally, there are general commitments that Castellum is to provide its creditors with such financial information as annual reports, interim reports and property valuations. In some cases, the banks have the right to renegotiate credit agreements due to a significant change in business direction or delisting, and bondholders have the right to early repayment due to a change in the majority ownership of Castellum AB.

Derivatives

Interest rate derivatives

Under the IFRS 9 accounting standard, derivatives are subject to market valuation. For interest rate derivatives, this means that a surplus or a deficit occurs if the contracted interest rate varies from the current market rate. Castellum recognises this change in value in profit or loss. By extending the fixed interest term, the interest rate risk in terms of cash flow is limited, whereas the risk for accounting-based changes in value is higher. It is worth noting that loans with long-term fixed interest rates that are less flexible, but can – from an interest rate risk perspective – primarily be compared with extension via interest rate derivatives, are normally not subject to market valuation under applicable accounting standards.

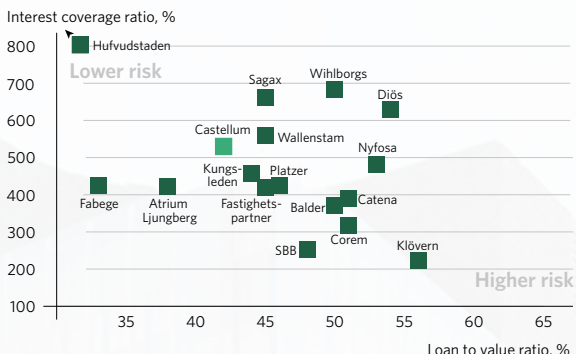
Currency derivatives

Castellum's need for financing in Danish kroner and euros can be achieved through borrowing in Danish kroner and euros respectively and by using currency derivatives. The exposure is the same, but in accordance with the accounting standards in IFRS 9, derivatives are subject to market valuation, which means that a surplus or deficit arises if the stipulated exchange rate differs from the current exchange rate. Castellum applies hedge accounting under IFRS 9, which means that the effective portion of the change in value is reported in other comprehensive income.

Organisation

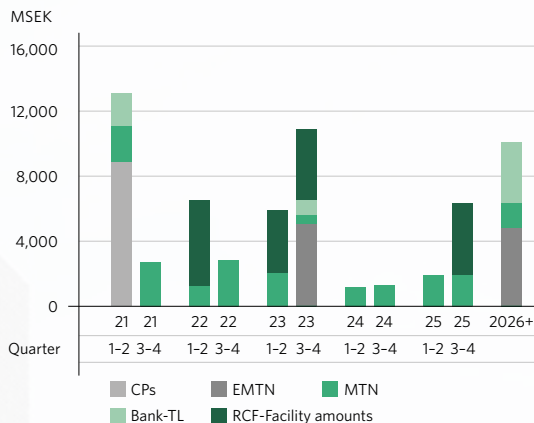
All financial risk management is centralised in the Parent Company. The internal bank is responsible for the Group's credit supply, risk management, financing for subsidiaries and Group-wide cash management. The Parent Company also includes a back-office and compliance function, which provides accounting and independent control of financial operations.

LISTED PROPERTY COMPANIES



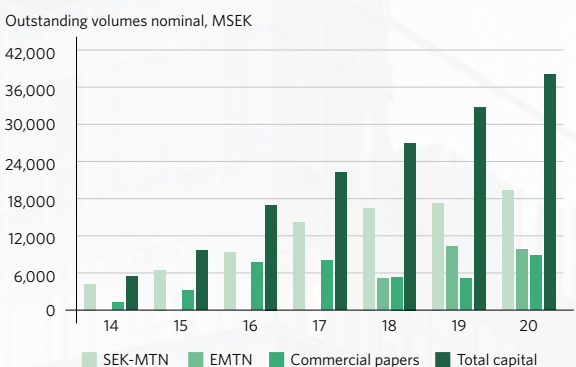
Source: Rolling annual values based on each company's Q3 2020 report.

CREDIT MATURITY STRUCTURE



Bank-TL: Bank Term Loan RCF limits: Revolving Credit Facility - limits

DEVELOPMENT OF CAPITAL MARKET FINANCING, 2014-2020



Current list of MTNs outstanding available at www.castellum.se

FINANCIAL FACILITIES

Credit/facility type	Frame/facility type	Utilised 31 Dec 2020
MTNs, MSEK ¹⁾	25,000	19,300
EMTNs, MEUR ¹⁾	2,000	981
Commercial paper ¹⁾	10,000	8,853
Bank credits incl. overdrafts	25,529	7,588

1. Nominal volume

SECURED BORROWING

	31 Dec 2020
Secured borrowing, share of total borrowings	17%
Secured borrowing, share of total property value	7%
Secured borrowing, share of total assets	7%



Property valuation

Internal valuation

Castellum recognises its properties at fair value and has carried out an internal valuation of all properties as of December 31, 2020. The valuation was conducted in a uniform manner, and was based on a ten-year cash flow model, which is described below. The internal valuation was based on an individual assessment for each property of both its future earnings capacity and its required market yield. In addition to an assumed inflation level of 1.5%, the valuation of a property's future earnings capacity took potential changes in rental levels, occupancy rates and property costs into consideration. Ongoing projects have

been valued in accordance with the same principle, but with deductions for remaining investments. Building rights were valued on the basis of an estimated average market value of approximately SEK 1,750 per square metre (1,600). Further information about the valuation is provided in Note 13.

Required yield

The required yield on equity is individual to each property and based on assumptions regarding a real interest rate of 3.3%, inflation of 1.5% and a risk premium. The risk premium is individual to each property and consists of general risk

Example calculation of internal valuation

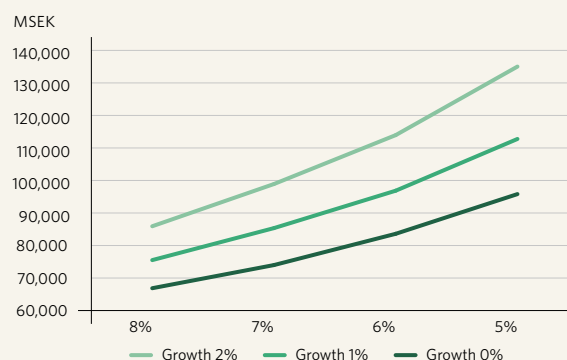
To illustrate the ten-year cash flow model, the example below is provided. It should be noted that assumptions regarding cash flow trends and other assumptions included in the model are for illustrative purposes only. Even though relevant figures are used, the example should not be regarded as a forecast of the company's expected earnings.

ASSUMPTIONS IN THE EXAMPLE:

- The economic occupancy rate is assumed to increase in order to attain a long-term level of 96% in 2025.
- Net operating income for 2020 is based on actual results for the investment properties, assuming a cost of SEK 30 per square metre for dedicated property administration.
- Growth in rental value and property costs is assumed to be 1.5% per year during the calculation period.
- The average economic life of the property portfolio is assumed to be 50 years.
- The value of developments, land and building rights is assumed to be MSEK 4,089.
- The required yield (i.e. the discount factor) is calculated as follows:

	Required yield	Percentage of capital	Weighted required yield
Equity	9%	37%	3.3%
Borrowed capital	5%	63%	3.2%
Weighted required yield		100%	6.5%

PROPERTY VALUE AT DIFFERENT REQUIRED YIELDS AND GROWTH IN RENTAL VALUE AND PROPERTY COSTS



MSEK	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Rental value	6,503	6,603	6,705	6,808	6,913	7,019	7,127	7,237	7,349	7,462	7,577
Rental income	5,952	6,141	6,303	6,400	6,567	6,719	6,835	7,020	7,128	7,238	7,349
Economic occupancy rate	93%	93%	94%	94%	95%	96%	96%	97%	97%	97%	97%
Property costs	-1,308	-1,328	-1,348	-1,368	-1,388	-1,409	-1,430	-1,452	-1,473	-1,496	-1,518
Net operating income = cash flow	4,644	4,813	4,955	5,032	5,179	5,310	5,405	5,568	5,655	5,742	5,831

Discounted cash flow, year 1-9	36,106	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Discounted residual value year 10	59,267	←									
Assumed value for projects, land and building rights	4,089	←									
Total property value	99,462										104,025

and individual risk. General risk reflects the fact that property investment is not as liquid as bonds, and that it is dependent on the general economic trend. Individual risk is specific to each property and constitutes a balanced assessment of a number of factors such as property category, the town or city where the property is located, the location of the property within the town or city, the technical standard and so on. Properties owned by site leasehold rights, where Castellum has a land rehabilitation obligation under contractual agreement, are assigned an additional individual risk premium of 1.0%. On average, the risk premium totals 5.8% with a range of 2.5–11.3%.

The cost of borrowed capital is assumed to be 5.0% and to consist of a long-term view on the real interest rate, credit margin and inflation. The loan-to-value ratio is assumed to be between 55% and 65% depending on the property category. The required yield on total capital is used to discount the estimated ten-year future cash flow. The residual value is discounted by calculating the return on total capital minus growth equivalent to inflation, in order not to assume perpetual real growth.

Average valuation yield, MSEK

(excl. projects/land and building rights)	2020	2019
Net operating income, properties	4,771	4,455
+ Index adjustments 2020, 1%	294	94
+ Real occupancy rate, 94% at the lowest	17	228
- Property admin, SEK 30/sq. m.	-133	-128
Normalised net operating income	4,949	4,649
Valuation (excl. building rights of MSEK 608)	98,953	90,614
Average valuation yield	5.0%	5.1%
Valuation yield per category	2020	2019
Offices	4.9%	5.0%
Public sector properties	4.8%	4.8%
Warehouse/logistics	5.2%	5.6%
Retail	5.5%	5.8%
Light industry	5.9%	6.6%
Total	5.0%	5.1%
Valuation assumptions, year 1	2020	2019
Rental value, SEK/sq. m.	1,534	1,520
Vacancy rate	7%	8%
Direct property costs SEK/sq. m.	286	321
Indirect property costs SEK/sq. m.	31	32

Uncertainty range

Property valuations are calculations performed in accordance with accepted principles on the basis of certain assumptions. The value range indicated in property valuations, which in a functioning market most often lies within +/- 5–10%, should be regarded as a measurement of the uncertainty in the assumptions and calculations made. In a less liquid market, the range may be wider. For Castellum, an uncertainty range of +/- 5% means a range in value of the asset portfolio of MSEK 97,890–108,194, equivalent to +/- MSEK 5,152.

Changes in value

Both interest in property investments (which was rather uncertain in the first half-year) and access to capital strengthened during the second half-year, which has resulted in a stable and strong property market despite it still being impossible to fully overview the effects of the pandemic. A certain amount of differentiation is occurring among different property types, with secure cash flows remaining particularly attractive. Castellum recognised an unrealised change in value of MSEK 3,712 (4,276). Moreover, sales of MSEK 151 (-358) were recognised, which comprised an earnout from the sale of the Archimedes property in Stockholm in 2018 (the detailed development plan entered force during 2020 and the transaction has finally been settled) as well as the sale of five properties at a price that exceeded their value by approximately MSEK 30.

Castellum signed agreements in late 2020 on the sale of an asset portfolio to Blackstone for approximately SEK 18.1 billion, net, less costs for transaction and deferred tax of approximately MSEK 900, entailing an underlying property value of approximately SEK 19 billion. The sale was divided into two tranches:

- *Portfolio No. 1*, with a net sale price of approximately SEK 5 billion and a valuation at year-end of approximately SEK 4.8 billion, with hand-over in early February. The transaction was contingent upon approval by the Swedish Competition Authority (granted in January 2021) and will thus be recognised as sold in the first quarter of 2021.
- *Portfolio No. 2*, with a net sale price of approximately SEK 13.1 billion and a valuation at year-end of approximately SEK 12.7 billion, with hand-over in late March or early April. The transaction was contingent upon both approval by the Swedish Competition Authority (granted in January 2021) and the successful acquisition of Entra (offer withdrawn in February 2021).

The aforementioned portfolios showed unrealised changes in value of approximately SEK 1.6 billion in the last quarter. The portfolio premium, which totals approximately 3% of the net sale price or 20 basis points in yield requirement, has not been taken into account. The portfolio premium, totalling approximately MSEK 550, will only be realised as a change in value upon transfer.

The value of the derivatives changed by MSEK -120 (-111), mainly due to changes in long-term market interest rates.

Change in value	2020	2019
Cash flow	502	1,638
Project gains/building rights	780	532
Required yield	2,065	1,742
Acquisitions	365	364
Unrealised changes in value	3,712	4,276
As %	3.7%	4.7%
Sales	151	-358
Total	3,863	3,918
As %	3.9%	4.3%

Total return

As regards the total return from the properties (i.e. the total of investment yield and changes in value), the result for Castellum depends on when the measurement period commences.

Over the last ten years, Castellum has had a total yield of 8.7% (5.7% investment yield +3.0% change in value). In 2020, the total yield was 9.9% (5.0% investment yield +4.9% change in value). Calculations do not include project gains or acquisitions from the year the acquisition is completed.

	1 yr	3 yrs	10 yrs
		avg/yr	avg/yr
Total return			
Properties	9.9%	10.2%	8.7%
The Castellum share	-1.6%	18.7%	14.4%
Nasdaq Stockholm (SIX Return)	14.8%	14.0%	11.4%
Real Estate Index Sweden (EPRA)	-4.3%	19.2%	16.0%
Real Estate Index Europe (EPRA)	-10.0%	2.5%	8.5%
Real Estate Index Eurozone (EPRA)	-7.4%	1.0%	8.0%
Real Estate Index Great Britain (EPRA)	-15.9%	-1.5%	7.1%
Change in value			
Changes in values on properties, unweighted	3.9%	4.8%	3.3%
Inflation	0.5%	1.4%	0.9%

External valuation

In order to validate the valuation, 180 properties, equivalent in value to 54% of the portfolio, were valued externally by Forum Fastighetsekonomi AB in Sweden and CBRE in Denmark. The properties were selected on the basis of the largest properties in terms of value, but also to reflect the composition of the property portfolio as a whole in terms of category and geographical location. The external valuations of the selected properties totalled MSEK 54,920, within an uncertainty range of +/- 5-10% at the property level, depending on the category and location of the respective properties. Castellum's valuation of the same properties totalled MSEK 55,666, i.e., a net deviation of MSEK 746 corresponding to 1.4%. The gross deviations were MSEK 1,130 and MSEK -1,876 respectively, with an average deviation of 5.4%.

It should be noted that Castellum's deviation in relation to the external valuers falls well within the uncertainty range of +/- 5-10%.

INTERNAL VS EXTERNAL VALUATION, MSEK

	2020	2019	2018	2017
External valuer	54,920	51,790	48,345	43,147
Proportion external of internal	54%	55%	56%	53%
External vs internal	-746	-923	-1,322	-130
NOI %	-1.4%	-1.8%	-2.7%	-0.3%
Gross deviation positive	1,130	1,182	995	1,328
Gross deviation negative	-1,876	-2,104	-2,314	-1,458
Average deviation	5.4%	6.2%	6.7%	6.4%

Tax

At Castellum, there are a number of areas that are taxed: income tax on current earnings, property tax, VAT, stamp duty and energy taxes. Political decisions such as changes in corporate taxation, tax legislation or interpretations thereof may lead to Castellum's tax situation increasing or decreasing.

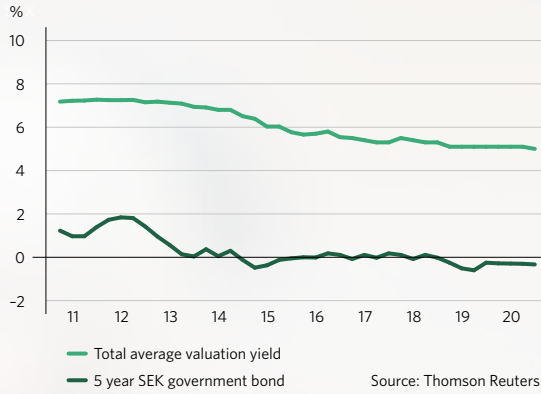
Tax policy

Castellum's work with taxes is governed in the company's tax policy. In managing its taxes, Castellum must comply with the company's tax policy, which in brief entails:

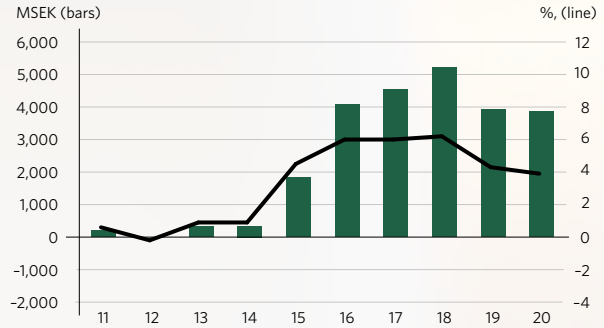
- Castellum must endeavour to pay the correct taxes in every country where it conducts operations.
- Castellum continually monitors changes to laws and legal praxis so that taxes are managed in accordance with applicable laws and regulations.

- Tax management will be evaluated as an integral part of the company's business decisions and general risk management. This evaluation will also take risks to brand and reputation into consideration.
- Castellum will acquire operations not in order to gain tax advantages, but because they are a fit with its business model. In the event of an acquisition, the laws and regulations in force will be complied with.
- The company will operate ethically, legally and in a businesslike manner in view of its tax expenses but at the same time will not operate in grey zones or engage in aggressive tax avoidance. "Aggressive tax avoidance" pertains to transactions that have no business purpose other than reducing tax, or transactions that could risk Castellum's reputation and standing as a responsible societal stakeholder.

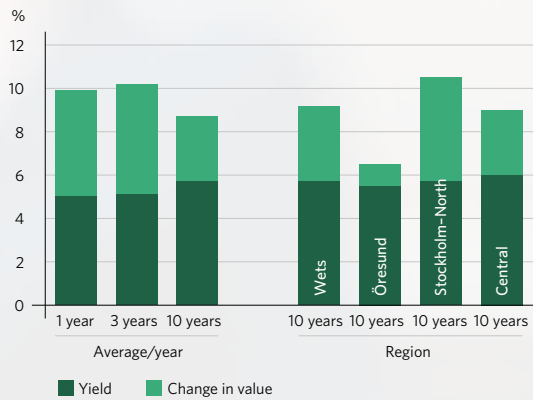
AVERAGE VALUATION YIELD OVER TIME



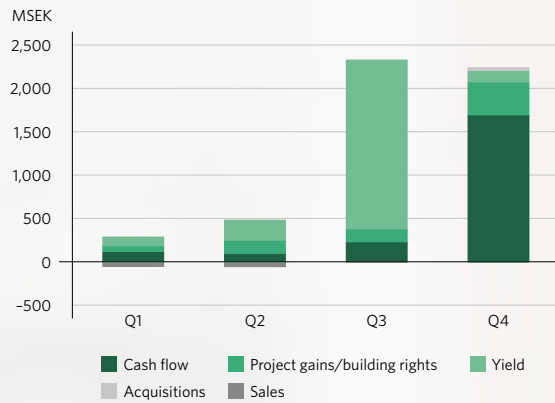
CHANGE IN VALUE



TOTAL AVERAGE YIELD PER YEAR IN DIFFERENT CYCLES THROUGH 2020



CHANGES IN VALUE, 2020



- Castellum's contact with the tax authorities in the respective countries will be marked by openness and transparency. The company will openly describe the principles that govern its tax governance and the tax that is to be paid to its stakeholders. In cases where regulations are unclear or ambiguous, the spirit of the law will be interpreted and Castellum will be proactive and transparent through open requests, applications for preliminary decisions or alternately in dialogue with the tax authority.
- Castellum's tax policy will be revised on a regular basis and adopted by the Board at least once each year.
- Castellum's Chief Financial Officer is the document owner and responsible for the policy.
- Any breach of this policy is to be reported to Castellum's compliance function, also serving as the Group's Chief Legal Officer, who will in turn inform the CEO.

Income tax

Castellum's recognised income from property management for 2020 amounted to MSEK 3,380 (3,146), while taxable income from property management totalled MSEK 1,404 (1,370). In the absence of tax loss carry forwards, current tax of MSEK 302 (293) attributable to the income from property management would arise, equivalent to 9% effective tax paid.

Depreciation for tax purposes

Property investments are divided into different components for which the Swedish Tax Agency specifies different depreciation rates: Buildings (2-5% depending on type of property), land improvements 5% and inventories 20% or 30%. Land is not depreciated.

Tax deductible reconstructions

Costs for building repairs and maintenance can be deducted immediately. The "extended repair concept" allows for direct deduction for certain types of reconstructions, even if they add value and are capitalised in the accounts.

Sales of properties

Properties can be divested directly or indirectly in corporate wrappers; each have different tax consequences.

Profit on sales of properties that fiscally represent fixed assets is taxable, while a loss is put in a "fold" and can only be netted against profits within the Group from direct sales of properties that represents fixed assets. Profit on sales of shares that fiscally are considered fixed assets is not taxable, while a loss is not tax deductible. For properties or shares that fiscally represent current assets, a profit is always taxable while a loss is tax deductible.

TAX CALCULATION 2020

MSEK	Basis current tax	Basis deferred tax
Income from property management	3,380	
Non-deductible interest	174	
Deductions for tax purposes		
depreciations	-1,319	1,319
reconstructions	-392	392
Other tax adjustments	-439	165
Taxable income from property management	1,404	1,876
Current income tax 21.4%, if tax loss carry forwards are not utilised	300	
Sales of properties	3	-181
Change in values on properties	—	3,712
Taxable income before tax loss carry forwards	1,407	5,407
Tax loss carry forwards, opening balance	-854	854
Tax loss carry forwards, closing balance	603	-603
Taxable income	1,156	5,658
Tax according to the income statement for the period	-247	-1,166

NET DEFERRED TAX LIABILITY, 31 DECEMBER 2020

MSEK	Basis	Nominal tax liability	Actual tax liability
Tax loss carry forwards	603	129	129
Untaxed reserves	-671	-144	-144
Properties	-63,027	-12,983	-2,270
Total	-63,095	-12,998	-2,285
Properties, asset acquisitions	7872	1,622	
In the balance sheet	-55,223	-11,376	

Deferred tax is in principle both interest-free and amortisation-free, and can therefore be considered as shareholders' equity. Actual deferred tax is lower than nominal tax partly due to the possibility of selling properties in a tax-efficient way, and partly due to the time factor, which means that the tax will be discounted.

The net estimated real deferred tax liability has been estimated at 4% based on a discount rate of 3%. Further, assessments have been made that tax loss carry forwards are realised with a nominal tax of 21.4%, and that the properties are realised in 50 years and where the entire portfolio is sold indirectly in corporate wrappers where the buyers' tax discount is 7%.

Changes in values on properties and derivatives

Swedish accounting laws do not allow recognition of properties at fair value in a legal entity, meaning that changes in value do not affect taxation. Certain financial instruments, such as interest rate swaps, might be recorded at fair value at entity level. For Castellum, changes in value resulting in a negative value on the instrument constitute a tax-deductible expense, while changes in value up to the instrument's cost are considered taxable income.

Castellum has no ongoing tax disputes.

Deferred tax on the balance sheet

Above all, Castellum has three items that make up the basis for deferred tax: properties, tax loss carry forwards and untaxed reserves. All tax loss carry forwards are recognised since expected future taxable income may be used to net the tax loss carry forwards. Deferred tax attributable to properties arises primarily due to changes in value, tax deductions such as depreciation and deduction of certain reconstructions that are capitalised in the financial accounting. Untaxed reserves consist of transfers to the tax allocation reserve.

Property tax

Property tax is paid on almost all the Group's properties. Special buildings such as communication buildings, educational and healthcare buildings are tax exempt. For other properties, the tax rate – as set by the Swedish Tax Agency – depends on the type of building and site. For offices, the tax is 1% of the assessed value; for logistics and warehouse buildings, it is 0.5%. In Denmark and Finland, tax rates vary depending on which municipality the properties are located in. Property taxes for 2020 amounted to MSEK 371 (374), based on an assessed value of SEK 42 billion. A large part of the property tax will be charged onward to the customer, however, with higher rental income as a result.

Value added tax (VAT)

Properties are exempt from compulsory VAT. If a premises is let to a customer who runs a permanent VAT-liable business, the property owner can voluntarily register for VAT and thus deduct input VAT on both operating costs and investments. No deductions can thus be made for input VAT attributable to operating costs and investments in premises not registered for voluntary tax liability. Non-deductible VAT on operating expenses for 2020 totalled MSEK 20 and was recognised as an operating cost. Non-deductible input VAT on investments for 2020 was MSEK 33 and was recognised as investment in property.

Stamp duty

Upon acquisition of property in Sweden there is a stamp duty (title deed) of 4.25%, calculated on either the purchase price or the assessed value, whichever is greater.

In Denmark, the corresponding tax is 0.6% and in Finland it is 4.0%. In Finland, a stamp duty of 2.0% can also be paid on shares in a property company. In 2020, MSEK 10 in stamp duties was paid. There is also an additional stamp duty of 2% (1.5% in Denmark) for mortgage deeds in properties. No stamp duties were paid in 2020.

Energy taxes

Castellum purchases energy to use for heating, cooling, ventilation and lighting in its properties. Of this, approximately MSEK 26 pertains to energy taxes.

Employees

Employers in Sweden pay 31.42% in social security contributions based on salary and a payroll tax of 24.26% on pension contributions. In 2020, Castellum paid MSEK 109 in social security contributions and payroll taxes.

Summary of tax

In 2020, Castellum's operations generated a total of MSEK 816 (806) in various taxes.

Summary of tax paid

MSEK	2020
Income tax	247
Property tax	371
VAT, not deductible	53
Stamp duty	10
Energy tax	26
Social security contributions and payroll tax	109
Total tax paid	816





Corporate Governance report

Sound corporate governance is the foundation of a trusting relationship with shareholders and other key stakeholders in the company's business environment. Governance is also an important component in managing Castellum sustainably and responsibly - all in accordance with the applicable laws, rules and best practices, and customised based on Castellum's operations. This Corporate Governance Report starts off with comments from the Chairman of the Board, followed by information on the structure of corporate governance, shareholders and the Annual General Meeting, the Nomination Committee, the auditor, the Board of Directors and committee work, Executive Management, and compliance and internal control, and the proposals from the Board of Directors regarding remuneration guidelines.



Time to pass the torch



CHARLOTTE STRÖMBERG
Chairman of the Board

To our esteemed shareholders:
At the meeting of the Nomination Committee following its appointment in October, I announced that after the 2021 Annual General Meeting it would be time for me to focus on other engagements after nine intense and stimulating years with Castellum. It is with some sadness, but also strong faith in the future, that I address myself to you for the last time in a summation of the past year.

Let me touch on some of the focus areas the Board of Directors has prioritised over the past few years to steer Castellum into a position where we can future-proof value creation and deliver on the promise of a long-term sustainable total return for the share, with a low risk profile.

The shift in the asset portfolio to products and areas with secure, healthy growth is about developing existing holdings, but it is also about letting go of holdings to provide scope for new investments. Under its current management and in strong teamwork with the Board, Castellum has transformed from being a stable but somewhat slow and anonymous property management company to one of Sweden's foremost urban and property developers, with a rapid business tempo.

Business that creates values

In early 2013, the company's property value totalled SEK 36 billion. At the end of 2020, the company's value was listed at nearly SEK 103 billion. Over these eight years - which otherwise coincide with CEO Henrik Saxborn's time at the wheel - 280 acquisitions with an aggregate value of SEK 45 billion have been completed, and extensions and reconstructions to existing holdings are estimated at close to SEK 11 billion. Moreover, approximately SEK 7 billion has been invested in the development of new properties. During the same time period, 280 properties at a value of nearly SEK 20 billion were sold. In total, gross activity of close to SEK 85 billion, nearly 2.5 times the value of the original holdings.

Out of all the decisions on the Board's agenda, investment matters are among the most critical for driving and protecting value. Having the courage to take risks, and the wisdom to let things be. Despite the challenges following from COVID-19, the year just concluded has been no exception where activity is concerned. There were a large number of Board meetings: 20 in all, primarily digital. I am extraordinarily proud of the level of commitment, the breadth of competence and the strong integrity that the current Board demonstrated during the year. A mix of members with long and varied experience in major listed companies, and members with more limited Board experience but with expertise in relevant fields have enabled efficient Board activities.

Yield at low risk

Another focus area for the Board goes by the name of business cycle- and trend-proof operations. After a number of years with extremely favourable conditions for the property management industry, with significant increases in rents and falling required investment yields, initiatives to reduce the risk commenced a few years ago. Portfolio risk has been reduced through increased focus on quality and tenants with a stable base, such as government agencies. Efforts that also manifested Castellum as an international leader in sustainability - or, expressed in more international terms, "taking the yellow jersey in Environmental, Social and Governance (ESG)" - have lowered operating risk while driving profitability.

Access to financing under attractive terms is the single largest risk for a property management company. Castellum's CFO has consciously led the company to a position at the forefront as an attractive borrower through successful work on its credit rating as well as access to various financing sources, which have reduced financial risk.

Investors – both domestic and international – are continually raising the bar for ESG and in contrast to other alternatives, Castellum stands out as “investment-worthy” based on these criteria. This is a position worth defending and safeguarding. Wavering confidence can have consequences for financing from both the stock market and creditors.

Gaze fixed on the road ahead

Predictions about the future testified to changed preferences among our customers long before the pandemic, which gave Castellum a head start in developing its customer offering, especially through the acquisition of the co-working pioneer United Spaces two years ago.

The fact that Castellum was already out of the starting gate in comprehensive efforts to change in relation to customers would be a success factor when crisis management in the wake of COVID-19 came to dominate the agenda. It is my conviction that being this close to the customer, which became a must in the spring, will lead to deeper long-term and profitable relationships for Castellum.

During the year, the Board adopted two road maps for climate neutrality by 2030: a more traditional one pertaining to property management, another ground-breaking one in the more challenging field of project development. One important measure towards achieving these goals is the ongoing massive expansion of solar cells on new and existing properties, which both creates dependability and reduces costs, and promotes more renewable electricity in the Swedish power grid.

Passing the torch on

In the years since the company’s listing in 1997, Castellum’s Board of Directors and its management have regarded the annual meeting in Gothenburg as a high point where we have had the opportunity to meet many of our owners, both large and small.

Not only to listen, but to talk about Castellum’s challenges and successes. As a consequence of the COVID-19 pandemic, we were unable to meet in 2020. Nor will the 2021 Annual General Meeting provide opportunities for physical meetings.

It thus remains for me to pass the torch to a new Chairman of Castellum – and a Board of Directors with a new composition – remotely.

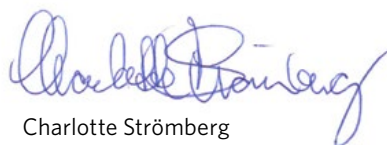
As shareholders, you have a particularly great responsibility at the Annual General Meeting on 25 March 2021 to vote for the future, and Castellum’s management, with all due consideration.

You have a choice between two different proposals for the Board, which is unique in modern Swedish corporate governance. It may seem difficult, but I want to encourage you to carefully study both alternatives and think beyond what’s just around the corner.

My hope is that Castellum will retain its distinctive character as an independent player, with high ambitions for order and clarity and reliable corporate governance that strengthens the confidence of the world around us in the Swedish stock market. Over the last ten years, this model has delivered an average total return of 14% to Castellum’s shareholders despite lower financial leverage than most Swedish listed property companies. For the 23rd year in a row, you as our shareholders will take a position on a proposal from the Board for an increased dividend.

For my part, I look forward to seeing you at the 2022 Annual General Meeting, but then only in my capacity of a devoted shareholder in Castellum, like all the rest of you.

Gothenburg, 15 February 2021



Charlotte Strömberg

Overall governance structure

Articles of Association

The name of the Company is Castellum Aktiebolag and the company is a public limited company. The head office of the Company is in Gothenburg. The objective of the Company's operations is to acquire, administer, develop and sell properties and securities, directly or indirectly through wholly or partially owned companies, and to conduct other operations compatible with these. Changes to Castellum's Articles of Association are made in accordance with the provisions of the Companies Act. The Articles of Association in their entirety can be accessed at the company's website, www.castellum.se.

The Swedish Corporate Governance Code

Corporate governance covers the various means of decision-making by which the shareholders directly and indirectly control the Company. Corporate governance in Swedish listed companies has been developed through laws, recommendations and statements as well as through self-regulation. The Swedish Corporate Governance Code (the "Code") is important for corporate governance in Swedish listed companies.

The model below describes the overall structure of corporate governance at Castellum.

Compliance with the Code

In the opinion of the Board, Castellum complied with the Code in all respects in 2020 and has no deviations to report or explain.

Shareholders and shares

Castellum Aktiebolag (publ) is a Swedish public limited company governed by the Swedish Companies Act, the Nasdaq Stockholm Rulebook for Issuers, the Code and the Articles of Association.

EXTERNAL REGULATIONS

The external framework for corporate governance includes:

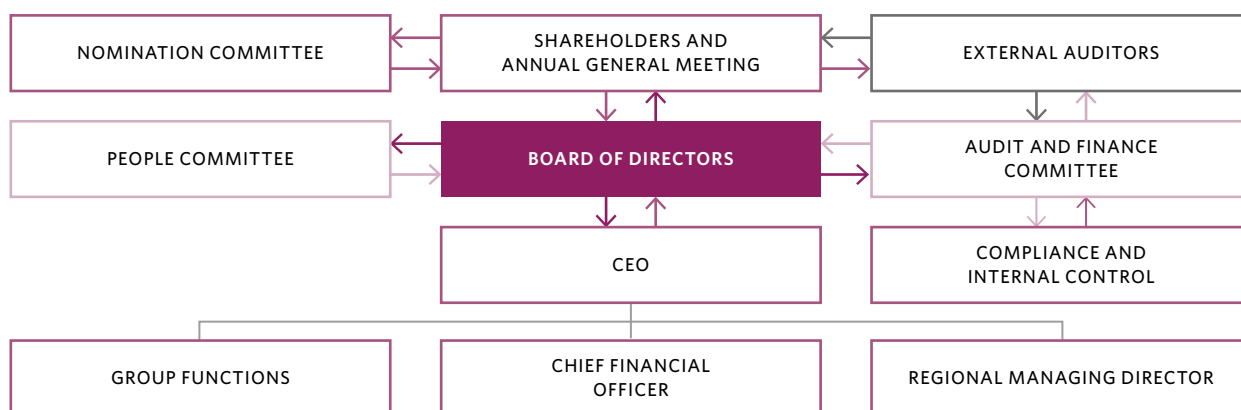
- The Swedish Companies Act
- The Nasdaq Stockholm Rulebook for Issuers
- The Swedish Corporate Governance Code (the Code)
- IFRS standards.
- EU accounting regulations
- The UN Global Compact
- The EU Market Abuse Regulation (MAR)

IMPORTANT INTERNAL REGULATIONS

- Articles of Association
- The Board of Directors' rules of procedure
- Resolution procedure
- Policy regarding the composition of the Board, authorised signatories, proxy forms and authorisations
- Rules of procedure for subsidiary Boards of Directors
- Communication policy, financial policy, tax policy, insider policy, sustainability policy, Code of Conduct, Code of Conduct for suppliers and crisis management policy
- Manuals and guidelines for important parts of operations
- Processes for internal control and risk management

The Castellum share is traded on Nasdaq Stockholm Large Cap. At 31 December 2020, Castellum had approximately 85,000 shareholders. Of the total share capital, 52% was owned primarily by Swedish institutions, funds and private individuals, and 48% by foreign investors. The largest owner of Castellum is Rutger Arnhult, who owns 17.8% of the shares outstanding through a company, which is the only registered shareholder with holdings exceeding 10% of the shares in the Company.

The share capital amounts to SEK 138,631,455.50 distributed among 277,262,911 registered shares with a quotient value of SEK 0.50. Each share entitles the holder to one vote and carries an equal right to a share in Castellum's capital. There are no warrants, convertible bonds or similar securities which may lead to additional shares in the Company.



Annual General Meeting

The Annual General Meeting (the "AGM") is Castellum's supreme decision-making body, where shareholders have the right to take decisions concerning the Group's affairs.

The AGM is held in Gothenburg during the first half-year after the end of the financial year.

The AGM elects the Board of Directors and the Company's auditor, as well as passing resolutions on items including the distribution of profits and the discharge from liability of the Board and the Chief Executive Officer.

Decisions at the AGM are usually taken by simple majority (i.e. with the support of more than half of the votes cast at the meeting). On certain issues, however, the Swedish Companies Act stipulates that proposals must be approved by a larger proportion of the shares represented and votes cast at the AGM.

Annual General Meeting 2020

The latest AGM was held on March 19, 2020, in RunAn, Chalmers Student Union, Chalmersplatsen 1, in Gothenburg. 628 shareholders were represented at the Meeting, representing 58% of the number of shares and votes. The company's auditor was in attendance at the meeting. In order to reduce the spread of COVID-19, only a limited number of people from the Board, corporate management and the Nomination Committee were in attendance.

The AGM adopted the financial reports for 2019 and discharged the Board of Directors and the CEO from liability regarding operations for 2019.

At the AGM on 19 March 2020, the following was decided:

- A dividend of SEK 6.50 per share for the 2019 financial year, divided into two equal payouts (March and September, respectively) of SEK 3.25 per share;
- That remuneration to the members of the Board of Directors is to be KSEK 4,640, of which KSEK 1,215 should be allocated to the Chairman of the Board of Directors and KSEK 425 to each of the other Board members. Fees to the Chairman of the People Committee are to be KSEK 100 and KSEK 75 to the remaining members. Fees to the Chairman of the Audit and Finance Committee are to be KSEK 200 and KSEK 100 to the remaining members;
- Re-election of Board members Charlotte Strömberg, Per Berggren, Anna-Karin Hatt, Christer Jacobson, Christina Karlsson Kazeem and Nina Linander. Election of Zdravko Markovski and Joacim Sjöberg as new members. Re-election of Charlotte Strömberg as Chairman of the Board of Directors; re-election of Deloitte as auditor. Authorised public accountant Hans Warén is Castellum's auditor in charge.

- Approval of the proposed guidelines for remuneration to senior executives.
- Mandate for the Board to resolve, for the purpose of issuing shares as payment or for financing property investments, on new issue of shares.
- Mandate for the Board to resolve, for the purpose of adjusting the Company's capital structure and to transfer treasury shares as payment or for financing of property investments, on the acquisition and transfer of treasury shares.

The 2021 AGM

For the AGM on 25 March 2021 the Board of Directors proposes a dividend of SEK 6.90 per share, divided into two payments of SEK 3.45 each.

Two proposals regarding the Board of Directors have come in ahead of the AGM.

- The Nomination Committee, represented by its majority – Patrik Essehorn, Magnus Strömer and Christina Tillman – propose that the number of Board members should be seven, and that members Per Berggren, Christina Karlsson Kazeem, Zdravko Markovski and Joacim Sjöberg be re-elected. Furthermore, the election of new members Rutger Arnhult, Anna Kinberg Batra and Anna-Karin Celsing is proposed. The election of Rutger Arnhult as the new Chairman of the Board is proposed.
- Stichting Pensioenfonds ABP, and Nomination Committee members Vincent Fokke and Charlotte Strömberg, propose that the number of Board members should be seven and that members Per Berggren, Anna-Karin Hatt, Christer Jacobson, Christina Karlsson Kazeem, Nina Linander, Zdravko Markovski and Joacim Sjöberg be re-elected. The election of Per Berggren as the new Chairman of the Board is proposed. Anna-Karin Hatt, Christer Jacobson and Nina Linander have announced that they will not stand for re-election if Rutger Arnhult is elected as a Board member of Castellum.

The Nomination Committee proposes the following:

- Fees to be paid to Board members as follows.
 - Chairman of the Board: SEK 1,015,000.
 - Each of the other Board members: SEK 425,000.
 - People Committee: Chairman SEK 100,000/each of the other members: SEK 75,000.
 - Audit and Finance Committee: Chairman SEK 200,000/each of the other members: SEK 100,000.

At the individual level, the proposed Board fees are thus unchanged from the previous year.

- Re-election of Deloitte as auditor. Deloitte has announced that Harald Jagner will be the new auditor in charge, if the AGM appoints Deloitte as auditor.

- That the meeting resolve to inaugurate a new Nomination Committee ahead of the 2022 AGM through the Chairman of the Board contacting the four largest registered or otherwise known shareholders, excepting such shareholders that the Chairman of the Board may represent, as of the last share trading day of August 2021 and asking them to appoint one member each. The four members thus appointed, plus the Chairman of the Board, will constitute the Nomination Committee. The Nomination Committee appoints a Chairman from its members. The names of the Nomination Committee members will be announced no later than six months before the next AGM.

Nomination Committee

The 2020 AGM resolved that a Nomination Committee should be appointed for the 2021 AGM in order to present proposals for: the number of members of the Board of Directors; election of members to the Board of Directors, including Chairman; election of auditors; remuneration to Board members and auditors; and a model for appointing a new Nomination Committee for the 2022 AGM.

The Nomination Committee's proposal will be announced at the latest in connection with the notice to attend the AGM, and shareholders will be given the opportunity to contact the Nomination Committee with proposals for nomination.

At the 2020 AGM, it was resolved that the Nomination Committee up until the 2021 AGM would consist of the Chairman of the Board as well as one member elected by

each of the four largest registered or otherwise known shareholders on the last share trading day of August 2020.

For the 2021 AGM, the Nomination Committee consists of Patrik Essehorn, appointed by Rutger Arnhult through his company; Vincent Fokke, appointed by Stichting Pensioenfonds ABP; Magnus Strömer (replacing Johannes Wingborg), appointed by Länsförsäkringar Fonder; Christina Tillman, appointed by Corem Property Group; and Chairman of the Board Charlotte Strömberg. Patrik Essehorn is the Chairman of the Nomination Committee. When the Nomination Committee was formed, the members of the Nomination Committee all together represented approximately 26.4% of the total number of shares and votes in the Company.

Board of Directors

The Board has overall responsibility for Castellum's strategy and organisation and manages Castellum's business on behalf of the shareholders. Under the Articles of Association, Castellum's Board is to consist of no less than four and no more than eight members. The shareholders elect the Board members at the AGM and hold office for the period until the conclusion of the first AGM following their appointment. For 2020, the Board consisted of eight members. The Board works in accordance with established rules of procedure containing instructions on the allocation of work between the Board and the CEO. No Board member is entitled to remuneration upon their assignment coming to an end.

New Board members receive an introduction to the company and its operations and undergo the stock exchange's training programme for board members of listed companies. Subsequently, the Board continually receives information on subjects including changes to regulations, issues that concern operations and the Board's responsibility in a listed company.

The rules of the Companies Act apply to Board decisions, meaning that both more than half of the members in attendance and more than one third of the total number of members must vote for a decision. In the event of a split vote, the Chairman has the deciding vote.

Responsibility of the Board

According to the Swedish Companies Act and the Board of Directors' rules of procedure, the Board is responsible for:

- Preparing business decisions and supporting management.
- Developing, preparing and monitoring overall, long-term strategies and objectives, budgets and business plans.
- Establishing guidelines to ensure that the Company's operations create value over the long term.
- Reviewing and approving the accounts.
- Review of the auditors' conclusions from the audit and the Auditor's report.
- Taking decisions on issues concerning investments and sales.
- Capital structure, dividend policy and decisions on financing.
- Developing the Group's policies.
- Ensuring that there are control systems for monitoring compliance with policies and guidelines.
- Ensuring that there are systems for monitoring and controlling the Company's operations and risks, which also include climate-related risks and opportunities.
- Significant changes to Castellum's organisation and operations.
- Appointing the Company's Chief Executive Officer and setting the CEO's salary and other benefits.

Board members	Remuneration, KSEK	Meeting attendance			Independent
		Board of Directors ¹⁾	People Committee	Audit and Finance Committee	
Charlotte Strömberg	1,215	21 of 21	4 of 4	4 of 4	Yes
Per Berggren	500	21 of 21	4 of 4		Yes
Anna-Karin Hatt	500	19 of 21	4 of 4		Yes
Christer Jacobson	425	21 of 21			Yes
Christina Karlsson Kazeem	425	20 of 21			Yes
Nina Linander	625	21 of 21		4 of 4	Yes
Zdravko Markovski	525	19 of 19		3 of 3	Yes
Joacim Sjöberg	425	18 of 19			Yes

1. The large number of Board meetings should be viewed in the light of the ongoing coronavirus pandemic and a high level of activity on the transaction market.

Each member is to act independently and with integrity, and to look after the interests of the Company and all shareholders. The experiences of the Board members as part of the work of the Board is covered by confidentiality.

A description of the Board’s work year is presented below.

Board of Directors’ rules of procedure

The Board of Directors establishes rules of procedure for Board work every year. The rules of procedure describe the work of the Board and the allocation of responsibility between the Board and the CEO. The rules of procedure also indicate which topics should be covered at each Board meeting, and provide instructions regarding financial reporting to the Board of Directors.

The rules of procedure also prescribe that the Board is to have an Audit and Finance Committee as well as a People Committee. The Committees prepare and produce recommendations to the Board on various matters. Members of the Committees are appointed yearly by the Board of Directors. The Chairman of the People Committee is to be the Chairman of the Board of Directors, whereas the Chairman of the Audit and Finance Committee must not be the Chairman of the Board.

Chairman of the Board

The Chairman of the Board of Directors is responsible for ensuring that Board members regularly receive, through

the agency of the CEO, the information required to monitor the Company’s financial position, earnings, liquidity, financial planning and development. The Chairman of the Board is also obliged to carry out decisions made by the AGM regarding establishment of a Nomination Committee, and to participate in its work.

The work of the Board in 2020

Castellum’s Board held 21 meetings in 2020, of which one was the Board meeting following election. According to the prevailing rules of procedure, the Board is to hold at least seven scheduled Board meetings per calendar year, of which one is a Board meeting following election.

The Board meetings are held in connection with the Company’s financial reporting: annual accounts, proposals for appropriation of profits, and issues in connection with the AGM are covered in January; interim reports in April, July and October; strategy in June and the budget for the coming year in December.

At each of the scheduled Board meetings, matters of significance for the company such as investments, sales of properties and financing, are covered. Further, the Board is informed of the current business situation in both the rental and property markets and the credit and stock markets. Issues concerning work environment, incident reports and customer-related questions are addressed regularly by the Board, and each Board meeting normally concludes with an

THE BOARD’S YEAR

In addition to permanent issues such as business conditions, future outlooks, investments, sales, financing, reporting from the chairmen of the respective committees regarding committee work, work environment issues, customer-related issues and incident reporting.

JAN	FEB	MAR	APR	MAY	JUN
<p>Board Meeting</p> <ul style="list-style-type: none"> Net income for the year Annual Report incl. Sustainability Report Documents for the AGM Proposed appropriation of profits Review of the auditors’ conclusions from the audit Individual meeting, auditors 		<p>Board Meeting</p> <ul style="list-style-type: none"> Preparations for the AGM <p>Board Meeting following election</p> <ul style="list-style-type: none"> Authorised signatory appointed Composition of the committees decided 	<p>Board Meeting</p> <ul style="list-style-type: none"> Q1 interim report Decision log Monitoring investments and letting plans Rules of procedure and policy documents adopted 		<p>Board Meeting</p> <ul style="list-style-type: none"> Strategy review Review of operational risks in the business and financial risks
<p>Audit and Finance Committee</p> <ul style="list-style-type: none"> Financial position Review with auditors of year-end audit Audit plan Incident reporting, Whistleblower Review of disputes Evaluation of Committee work 		<p>Annual General Meeting</p>	<p>Audit and Finance Committee</p> <ul style="list-style-type: none"> Financial position Risk management Internal control Incident reporting, Whistleblower Evaluation of audit work Review and evaluation of strategic objectives Procurement of audit 		<p>People Committee</p> <ul style="list-style-type: none"> Review of incentive plans Review of remuneration policies for senior executives

executive session, without the presence of Group Management.

The Board also holds meetings with the auditors without the presence of corporate management.

Routine matters the Board addressed in 2020 further include Company-wide policies, the overall strategy plan, the Board's rules of procedure, capital structure and financing needs, sustainability initiatives, operational model and organisational issues as well as the Company's insurance situation.

In addition, the Board devoted several meetings to enhancing their knowledge of operations through themed meetings. The Board's activities in 2020, apart from the aforementioned routine matters, focused on initiatives linked to the ongoing coronavirus pandemic, oriented in particular on contingency plans, and initiatives on Castellum's resistance to the effects of the pandemic, as well as monitoring tenants' financial positions and credit issues. The Board continued work on shifting the asset portfolio, based in part on a quality perspective and in part on greater density, and with a clearer orientation on Nordic growth cities, where significant strides have been made in countries including Finland. The Board also continued to invest time and energy into initiatives around the project development process, as well as in issues concerning innovation and technology-based business development, climate initiatives, efficiency enhancement measures and issues

concerning succession and recruitment, as well as risk management. In the final quarter of 2020, the activities of the Board focused largely on public takeover bids that were submitted to the Norwegian property company Entra ASA.

In the autumn of 2020, the Board assessed its work through an internal evaluation based on the report produced by the external consultant who assisted in the comprehensive Board assessment conducted in autumn 2019. The evaluation indicated an open and constructive Board climate and a decision-making process that functions well.

The evaluation has been presented and submitted to the Nomination Committee and was discussed by the Board. Topics reviewed in the evaluation include working climate, forms of work concerning the business process, crisis management, strategic issues, monitoring and control systems, access to – and the need for – particular Board competence, order of succession, morals, ethics and communication.

The evaluation and subsequent Board discussion serve as a basis for the ongoing development of the Board's work methods and ensure that the Board can take decisions that are as well-informed as possible.

The Board evaluation complies with the guidelines for board evaluations in the Code.

No compensation other than remuneration for Board work and Committee work has been paid.

Board Meeting

- Q2 interim report
- Review of the audit of the half-year report

Board Meeting

- Q3 interim report
- Decision log
- Insurance review
- Monitoring investments and letting plans

Board Meeting

- Budget
- Evaluation of the Board and CEO

JUL

AUG

SEP

OCT

NOV

DEC

Audit and Finance Committee

- Financial position
- Review of financial reporting process
- Review of policy compliance
- Incident reporting, Whistleblower
- Recommendation for election of auditor to the Nomination Committee

People Committee

- Guidelines, remuneration principles
- Preparing incentive outcome
- Preparing CEO evaluation

Audit and Finance Committee

- Financial position
- Review of financial reporting
- Incident reporting, Whistleblower
- Review of changed regulations
- Discussions with the auditors about the audit of the quarterly report and internal control

People Committee

The Board's People Committee routinely evaluates the terms of remuneration to senior executives in light of current market conditions. The Committee prepares matters in this area for decision by the Board. The members of the Remuneration Committee are appointed annually by the Board.

The People Committee consists of three Board members, including the Chairman of the Board, who is also Chairman of the Remuneration Committee. The Committee's rules of procedure are included in the Board of Directors' rules of procedure and are ratified annually. The tasks of the People Committee are:

- Preparing recruitments to Group Management and succession issues regarding Executive Management as well as preparing questions regarding talent supply and management expansion within the Group.
- Discussing management by objectives concerning gender equality and diversity issues.
- Preparing and proposing guidelines for remuneration principles, remuneration and terms of employment for the CEO and other senior executives, as well as a separate remuneration report. The guidelines for remuneration are to be submitted to the Board, which in turn will submit remuneration proposals for resolution at the AGM. The same applies as regards the separate remuneration report.
- The People Committee will also Monitor and evaluate programmes – both ongoing and concluded during the year – for variable remuneration to Executive Management.
- Annually evaluating the efforts of the CEO, which is also done by an external expert, including interviews with both the Board of Directors and those reporting directly to the CEO.

The People Committee is to meet at least twice a year. In 2020, the Committee held four meetings. Issues addressed at the meetings included the review of remuneration to the CEO and other senior executives; proposals to the Board regarding the revision of the Executive Management's remuneration package; monitoring and evaluation of incentive plans in effect; and proposals drawn up for parameters for the individually targeted factors in the annual performance-based incentive programme as well as HR and succession issues. Additionally, the People Committee has prepared suggestions for a separate remuneration report as well as guidelines for remuneration to senior executives.

PEOPLE COMMITTEE

The People Committee consists of Chairman Charlotte Strömberg as well as members Per Berggren and Anna-Karin Hatt.

The primary tasks of the People Committee are:

- Guidelines for remuneration policies.
- Remuneration to senior executives.
- Preparation of incentive plans.
- Evaluation of the CEO.
- Preparation of recruitments to Executive Management and succession issues.
- Preparation of issues concerning management expansion and talent supply.
- Management by objectives for equality and diversity.

Audit and Finance Committee

The Board's Audit and Finance Committee monitors such issues as financing and audits, and prepares matters in these areas for decisions by the Board.

Members of the Committee, and its Chairman, are elected yearly by the Board.

The Audit and Finance Committee consists of three Board members not employed by the company. The Committee's rules of procedure are included in the Board of Directors' rules of procedure and are ratified annually. It is the business of the Audit and Finance Committee to:

- Monitor financial reporting and submit recommendations and proposals for ensuring the reliability of the financial reports.
- With regard to financial reporting, monitor the efficiency of the company's internal control, internal audits (if any) and risk management.
- Monitor the work on capital structure and other financing issues, as well as prepare financing issues for decisions by the Board.
- Monitor the work on operational risks and regulatory compliance, and ensure that there are appropriate systems for control and monitoring.
- Issue an annual report on internal control and ensure that the Corporate Governance Report describes the Board's measures for ensuring that internal control functions properly.
- Stay informed about the Annual Report and the consolidated accounts.
- Inform the Board of the results of the audit and how they promoted the reliability of financial reporting.
- Stay informed about the findings of the Swedish Inspectorate of Auditors' control of the auditors.
- Review and monitor the auditor's impartiality and independence, paying particular attention to whether the auditors provide other services besides auditing, as well as evaluating the audit work and informing the company's Nomination Committee of the results of the evaluation.
- Take note of the auditors' report pursuant to Article 11 of the Audit Regulation and, if needed, take appropriate action in this connection.
- Issue guidelines for services other than auditing provided by the auditors and, where appropriate, approve such services in accordance with these guidelines.
- Prepare issues regarding procurement of audit and other services from the auditors.

AUDIT AND FINANCE COMMITTEE

The Audit and Finance Committee consists of Chairman Nina Linander as well as members Zdravko Markovski and Charlotte Strömberg.

The primary tasks of the Audit and Finance Committee are:

- Financial reporting
- Financing and capital structure
- Investment research and monitoring
- Risk management
- Regulatory compliance
- Audit
- Policies
- Operational areas of specialisation
- Internal control

- Assist the Nomination Committee in producing proposals for auditors and remuneration to them, at which point the Committee is to ensure the auditors' mandate period does not exceed the applicable regulations, procure the audit and submit a reasoned recommendation in accordance with the stipulations in Article 16 of the Audit Regulation.

The Audit and Finance Committee is to hold at least four meetings a year, and the Company's auditors must attend at least two of them. On one of the occasions when the Audit and Finance Committee meets with the auditors, no one from Executive Management may be present.

In 2020, the Committee held four meetings. Issues covered at the meetings included capital structure and financing issues, financial reporting including a review of future regulations and their potential impact on Castellum; a survey of the decision-making process as regards investments; internal control and risk management; the impartiality, independence and work of the auditors; policy development and feedback from the whistleblower service. Operational issues were also thoroughly examined. In 2020, the Committee dealt with issues linked to the ongoing coronavirus pandemic, including an orientation on how the pandemic could impact both tenants' and Castellum's financial positions. In addition, the Audit and Finance Committee held individual meetings during the year with compliance and auditors without the presence of management.

CEO and Executive Management

The CEO is responsible for routine administration of the company and managing operations in accordance with the guidelines and instructions of the Board as well as for providing the Board with information and the necessary documentation for decisions. The CEO leads the work of Executive Management and takes decisions after consulting its members.

Chief Executive Officer

The CEO presents reports at Board meetings and is to ensure that Board members are routinely sent the information needed to monitor the Company's and the Group's financial position, earnings, liquidity and development.

Executive Management

Executive Management includes the CEO, the Chief Financial Officer, the Communications Director and the managing directors of the four regions. Executive Management has joint responsibility for delivering on Group-wide goals and strategies, and decisions on overall operational issues are discussed and taken at the meetings that take place. Executive Management held 24 meetings in 2020.

In 2020, Executive Management invested a great deal of time into change and crisis management as a consequence of the coronavirus pandemic. The crisis put both management and procedures to the test, since more than half of the operation transitioned to being managed remotely, and the vast majority of meetings – both internal and external – took place digitally. The crisis management plan that Castellum worked under has functioned very well. The fact is that the crisis promoted better internal communication and closer dialogues with customers, which will furnish Castellum with great value going forward as well.

The work of Executive Management during the year concerned a high level of activity on the transaction market in line with the strategy of increasing quality and refining the portfolio. Worth mentioning among these are crucial acquisitions in Helsinki, the sale of a stabilised, mature portfolio of warehouse and logistics properties to Blackstone at a premium of 20% against the latest valuation at 30 September 2020, and the public takeover offer for the Norwegian listed company Entra ASA.

Remuneration to senior executives

The 2020 AGM resolved on the following guidelines for remuneration to senior executives:

Remuneration levels must be market-based and competitive. For work performed in a satisfactory manner, remuneration will be paid in the form of fixed salary. Pension benefits will be defined-contribution and not exceed 33%

of the annual salary. In addition to fixed salary, variable remuneration will be offered that rewards clearly goal-related performances in simple, transparent constructions in accordance with an earnings and share price-related incentive plan. Variable remuneration of this kind is intended to promote long-term value creation and sustainability initiatives in the Group. Variable remuneration in accordance with the earnings and share price-related incentive plan, which cannot exceed the annual fixed salary in any given year, is determined by the extent to which objectives set in advance regarding growth in income from property management per share, and share price trend, are achieved as well as how individually set factors have developed. The previously determined targets pertaining to variable remuneration must be clearly linked to the business strategy and Castellum's long-term value creation, including its sustainability initiatives. Variable remuneration that has fallen due will be paid in the form of salary, including holiday pay, and will not be pensionable if it does not otherwise follow from compulsory collective bargaining agreements. Additionally, the Board of Directors has the right to call in variable remuneration that was paid on the basis of information that later turned out to be incorrect and submitted with the intent to mislead.

The notice period upon termination by the Company must not exceed six months for the CEO and twelve months for the other executives. When notice of termination is given by the Chief Executive Officer or any other senior executive, the notice period is six months. During the notice period, a full salary and other employment benefits will be paid, less salary and other remuneration received from other employment or operations that the employee has during the period of notice. Deductions of this kind will not take place as regards the CEO. Upon termination of the CEO by the Company, a severance package will be paid of twelve months' fixed salary, which is not to be reduced owing to other income the CEO receives.

The guidelines cover senior executives that are part of Castellum's Executive Management. The Board of Directors will have the right to depart from the guidelines in full or in part in individual cases if there is particular reason to do so and a departure is necessary to provide for Castellum's long-term interests, including its sustainability initiatives.

Castellum has complied with the guidelines resolved by the 2020 AGM.

For further information regarding remuneration to Executive Management, refer to Note 11.

For the 2021 AGM, guidelines have been proposed for remuneration to senior executives; refer to page 113.

Auditor

The auditor is elected by the AGM, is an independent reviewer of Castellum's accounting and corporate governance report, sustainability report and report on green MTNs, and also reviews the administration by the Board and the CEO. Castellum's auditor, Deloitte, was elected by the AGM for a mandate period of one year, until the end of the 2021 AGM. The auditor in charge at Deloitte is authorised public accountant Hans Warén.



HANS WARÉN
Castellum's auditor

Audit fees

KSEK	2020	2019	2018
Audit assignment	4,260	3,252	3,419
Audit business in addition to the audit assignment	2,721	1,127	626
Other services	54	52	624
Total audit fees	7,035	4,431	4,669

Compliance and internal control

Castellum has a Compliance Officer to monitor compliance (i.e. ensuring compliance with laws and ordinances as well as internal policies and guidelines). The Group's Chief Legal Officer is its Compliance Officer.

Internal control at Castellum is based on the established COSO framework, which consists of the following components: control environment, risk assessment, control activities, information, communication and monitoring. Internal control is described in more detail on pages 110-112.

Castellum has a whistleblower function, which is directed both externally and internally. It is available on the Group's website and via the Group's intranet. The service represents an early warning system for reporting deviations from Castellum's values and business ethics guidelines. All incoming cases to the whistleblower function are sent to the appointed official within Castellum as well as to the Chairman of the Audit and Finance Committee.

The Compliance Officer function acts as a support for the operations driving the business when it comes to identifying and monitoring operational risks. The Compliance Officer regularly reports to the CEO and the Audit and Finance Committee regarding risks and regulatory compliance.

Internal control

CASTELLUM'S INTERNAL CONTROL ENVIRONMENT



INTERNAL CONTROL IS GOVERNED BY:

- The Board of Directors' rules of procedure.
- Audit and Finance Committee's rules of procedure.
- Resolution procedure.
- Instructions for signatories, proxy forms and authorisations.
- Accounting structure.
- Reporting structure.
- Financial policy, communication policy, insider policy, sustainability policy, Code of Conduct, Code of Conduct for suppliers and crisis management policy.
- Guidelines for information and IT security, insurance and electricity trading.
- Accounting manual, HR manual, Manager manual.
- Financial instructions.
- Processing routine for personal data.
- Continuity plan.

Under the Swedish Companies Act and the Code, the Board is responsible for internal control. This report has been drawn up in accordance with the Swedish Annual Accounts Act and the Code and therefore refers to internal control relating to financial reporting and other processes relevant to the operations.

The work on introducing self-assessment of internal controls continued in 2020.

Internal control at Castellum follows the Internal Control - Integrated Framework (COSO), which consists of the following five components: control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

The basis for internal control relating to financial reporting is a control environment consisting of various parts that together form the culture and values on which Castellum is governed. Essential for Castellum's internal control are its decentralised, small-scale organisation with more than 600 properties, as are the cost centres administered by four regional companies. The decision-making paths, authorisa-

tions and responsibilities documented and communicated in such policies as the Board of Directors' rules of procedure, resolution procedure, instructions for authorised signatories, proxy forms and authorisations, accounting and reporting instructions, internal policies, guidelines and manuals are also of importance for internal control. Current documents are updated regularly in the event of changes (e.g. to legislation, accounting standards or listing requirements).

Risk assessment

At Castellum, risk management is built into the processes concerned, and various methods are used to evaluate and limit risks as well as to ensure that the risks Castellum is exposed to are managed in accordance with established policies and guidelines. Under the rules of procedure, the Board of Directors and the Audit and Finance Committee annually review customary internal control and operational risk as well as how they are handled; for the latter, see the "Risks and Opportunities" section on pages 66-73. The risks deemed to exist are identified and then each individual risk is ranked from a perspective of impact and likelihood.

GROUP POLICIES ISSUED BY THE BOARD



FINANCIAL POLICY

Establishes overall objectives and guidelines for financial risk and how financial operations are to be conducted. The financial policy also indicates how responsibility for financial operations is allocated, and how risks are to be managed and reported. It also includes instructions for how operational activities are to be pursued.



CODE OF CONDUCT

Provides guidelines for conducting operations responsibly, with the aim of all business being characterised by a high level of business ethics and accountability. Governs the Group in relation to employees, contractors, customers, suppliers and other stakeholders.



CODE OF CONDUCT FOR SUPPLIERS

Provides similar guidelines for suppliers as for Group employees as regards conducting operations responsibly with the objective of having all business characterised by a high level of business morals and accountability.



SUSTAINABILITY POLICY

Provides guidelines for how sustainability activities in the Group are to be pursued. The work must promote sustainable development and be broken down into specific measurable goals as well as being an integral and natural part of operations and based on participation and commitment.



COMMUNICATION POLICY

Ensures that all Group communication is correct and is provided in a professional manner at the right time. The policy covers both internal and external communication.



INSIDER POLICY

Ensures proper ethical management in relation to the capital market by describing trading and reporting requirements.



CRISIS MANAGEMENT POLICY

Provides guidelines for how the Group is to act and communicate in a potential crisis.



TAX POLICY

Ensures a clear framework for tax governance in the Castellum Group as a stage in the company's sustainability initiatives. The tax policy establishes the principles for compliance with taxes in the countries where Castellum operates.

The material risks Castellum has identified as specifically linked to financial reporting are errors in accounting and valuation of properties, lack of financing, interest-bearing liabilities, tax and VAT, workplace injuries and the risks of fraud and loss or embezzlement of assets.

Control measures

The risks identified as regards financial reporting are managed through the Company's control structure, resulting in a number of control measures. The control measures are intended to prevent, detect and correct errors and deviations and cover, for example, analytical reviews at several levels in the organisation and comparisons of income statement items, reconciliation of accounts, monitoring and reconciliation of Board decisions and policies set by the Board, authorisation and recognition of business transactions, structures for proxies and authorisation, authorised signatories, compliance officer functions, and consolidated accounts prior to publication. The auditors issue a review report of the January-June half-year report.

Information and communication

Castellum has information and communication paths that are intended to ensure efficient and correct provision of information as regards financial reporting. This requires all parts of the operations to communicate and exchange relevant, material information. Policies and guidelines regarding financial reporting as well as updates and changes are made available and made known to the personnel concerned. Executive Management and the Board of Directors regularly receive financial information from the regions with comments on financial results and risks.

The Board also receives additional information regarding risk management, internal control and financial reporting from the auditors through the Audit and Finance Committee. In order to ensure that the external provision of information is correct and complete, there are a communication policy and guidelines for information security.

Corporate culture

Conducting Castellum's operations responsibly is crucial for the company's long-term success. Castellum's Code of Conduct governs its daily work, and the Company has signed and supports the principles of the UN Global Compact on human rights, labour issues, the environment and corruption. The objective is to make sound and proper business decisions in all respects, where the Company's actions are characterised by good business conduct with a high level of competence and business morals, good business practices, accountability and impartiality. The Code of Conduct is based on providing good quality and service, complying with laws and regulations, not discriminating against anyone, creating a good work environment and security. Castellum also has a Code of Conduct for suppliers, since Castellum expects suppliers to also promote sustainable development. Castellum's work on diversity and equality are also important components in building a corporate culture in which employees are given the right conditions to work. That is why Castellum has produced an equality policy as well as a diversity and equality plan in order to take a proactive approach to these issues every day. In addition, there are ambitious long-term goals regarding diversity and equality.

A cornerstone of Castellum's corporate culture has been its decentralised organisation, which creates committed employees who take on responsibilities and feel themselves a part of operations.

Long-term value creation

Long-term value creation requires that operations are conducted with a focus on sustainability. Sustainability efforts involve environmental considerations such as efficient and responsible use of resources and developing a future-proof and sustainable asset portfolio as well as social responsibility by promoting the development of the cities where Castellum operates.

The work also involves ensuring a healthy work environment for employees. Sustainability activities are carried out in collaboration with customers and other stakeholders – a requirement for success. Guidelines for conducting value-creating sustainability efforts can be found in the sustainability policy, the Code of Conduct and the Code of Conduct for suppliers. Castellum reports on this work in accordance with the GRI Standards. Reports on sustainability activities are regularly presented to Castellum's Board of Directors.

Monitoring

Routine monitoring takes place at many levels in the Group, at the property and regional levels as well as at Group level. Through the Audit and Finance Committee, the Board of Directors evaluates the information submitted by Executive Management and the auditors. Furthermore, the Company's auditors report their observations from the review, and their assessment of internal controls, directly to the Audit and Finance Committee at least twice a year.

In addition, the Audit and Finance Committee conducts an annual review of the risk assessment and the measures agreed on. Monitoring by the Audit and Finance Committee and the Board of Directors is of particular importance for the development of internal control and for ensuring that action is taken regarding any shortcomings and proposals that emerge.

Internal audit

Castellum has a decentralised and transparent organisation. The economic and Treasury functions are managed from the head office, meaning that routines and processes are uniform but also provide the conditions for various parts of the functions to review one another's processes – a form of self-assessment. All this is to increase and improve internal control. The business units and the Company monitor the income statements and balance sheets on a quarterly basis.

Clear documentation through policies and instructions, along with frequent monitoring and regular discussions with the auditors, continually ensure the work to improve these processes. Management and reporting are reviewed twice a year by the Company's auditors and reported to both the Audit and Finance Committee and the Board. In addition, there is a whistleblower function on the Group's website and intranet. Taken together, this means that a specific division for internal audits is not considered justifiable.

Whistleblower

Castellum's whistleblower service, "Help us to do right," can be accessed on the Group's website and the Group's intranet. The whistleblower service is an early warning system that provides both employees and external stakeholders the opportunity to anonymously report any deviations from Castellum's values and business ethics. The service is administered by an external partner to ensure anonymity and professionalism.

Proposal of the Board of Directors in respect of guidelines for remuneration to the executive management

The Board of Directors of Castellum AB (publ) proposes that the Annual General Meeting to be held on March 25, 2021 resolves to approve the following guidelines for determining salary and other remunerations to the executive management in Castellum, to be applicable until further notice.

The guidelines' promotion of the company's business strategy, long term interests and sustainability

An overall objective of the operations of Castellum is to create a sound development of shareholder value over time, which shall be achieved by implementing the company's business strategy. In short, the company's business strategy is that Castellum shall create successful and sustainable workplaces in Nordic growth regions by really keeping close to customers, while staying on the cutting edge of innovation and expertise (for more information regarding Castellum's business strategy, please see <https://www.castellum.se/en/about-castellum/vision-business-concept-objectives-and-strategy/>). Castellum shall uphold such remuneration levels and terms of employment necessary to recruit and maintain a competent group executive management with capacity to achieve established objectives, implement the business strategy and to safeguard Castellum's long term interest, including its sustainability work. The Board of Directors considers and evaluates the remuneration as a whole, consisting of fixed remuneration, pension terms, variable remuneration and non-monetary benefits. The overall principles in respect of the remuneration to the executive management in Castellum shall be terms adjusted to the conditions of the market and competitiveness and these guidelines enable to offer the executive management such remuneration.

Preparation of matters regarding remuneration to the executive management

Castellum has a People Committee which consists of three Board members, including the Chairman of the Board as Chairman of the People Committee. The members of the People Committee shall be independent of the company and its executive management. The People Committee shall, in relation to the Board of Directors, have a preparatory function in respect of principles for remuneration, remuneration and other terms of employment regarding the executive management. Consequently, the People Committee shall prepare a proposal in respect of guidelines for remuneration to the executive management, which the Board of Directors shall present to, and which shall then be resolved upon by the Annual General Meeting. The People Committee shall also evaluate the application of the guidelines resolved upon by the Annual General Meeting. Further, the People Committee shall, within the scope of the guidelines resolved upon by the Annual General Meeting, prepare proposals regarding remuneration to the Managing Director and other members of the executive management. The People Committee shall annually evaluate the Managing Director's performance. Further, the People Committee shall observe and evaluate programs for variable remuneration to the executive management which are on-going or finished during the year as well as Castellum's current remuneration structure and remuneration levels. Furthermore, the People Committee shall annually prepare a remuneration report regarding

the remuneration to the executive management. The Managing Director or other members of the executive management shall not participate in the People Committee's and the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

The executive members and kinds of remuneration to which the remuneration guidelines apply

The guidelines applies to executive members of the group executive management in Castellum. The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting 2021.

Fixed remuneration

A fixed salary shall be paid for work performed in a satisfactory manner. The fixed salary shall be based on market level conditions, and shall be determined with regard to competence, area of responsibility and performance.

Pension terms

The executive management shall be entitled to pension benefits consisting of retirement pension and premium exemption, that shall be premium defined, and health insurance, that shall be benefit defined. Variable remuneration shall not be pension qualifying income, unless required by mandatory collective agreement provisions applicable for the executive member at the payment date. The pension benefits for executive management shall not exceed 33 per cent of the fixed annual remuneration, including payment for vacation, and 33 per cent of the fixed and variable annual remuneration, including payment for vacation, in those cases variable remuneration shall be pension qualifying income.

Variable remuneration

In addition to the fixed salary, variable remuneration may be offered in order to reward clearly goal-referenced achievements by simple and transparent structures. The variable remuneration shall be linked to predetermined and measurable criteria. Such variable remuneration shall aim to create long term value within the group, by contributing to Castellum's business strategy and long term interests, including its sustainability work, and shall be rewarded within the scope of one profit and share price based incentive program. The executive management shall not be entitled to variable remuneration other than under the incentive program. The program's structure shall be based on the objective to align the interests of the group executive management with the interests of the shareholders by way of the group executive management also being shareholders

of Castellum and by increasing the share of the total remuneration which is connected to the development of the group. The received remuneration according to the incentive program shall be paid as salary, includes payment for vacation and shall not be pension qualifying income, unless required by mandatory collective agreement provisions applicable for the executive member at the payment date. To which extent the criteria for awarding variable remuneration have been satisfied shall be evaluated when the measurement period has ended. The Board of Directors is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by Castellum. Further, the Board of Directors has the right to reclaim variable remuneration that has been paid on the basis of information that later has turned out to be inaccurate and provided with a deceptive purpose.

Profit and share price based incentive program

The remuneration according to the profit and share price based incentive program for the members of the executive management shall be based on (a) growth of the income from property management per share (i. e. cash flow based growth), (b) the development of individually determined factors which the Board of Directors, after consulting the Managing Director, decides to give priority to under the current financial year and (c) to what extent established objectives in respect of the development of the share price have been achieved, in relation to both an absolute amount and in comparison to one or several, given the ownership structure of the company, relevant real property share indexes. Therefore, the performance targets under the profit and share price based incentive program are clearly linked to Castellum's business strategy and long term interests, including its sustainability work, among others by linking the remuneration to the development of shareholder value and by promoting the executive member's long term personal development.

The result-based part of the incentive program according to item (a) and (b) above shall have a one-year performance and earning period. The share price based remuneration according to item (c) shall be for three years.

The undertaking made by Castellum in respect of the profit and share price based incentive program shall, in relation to each of the participants of the program, not exceed a payment corresponding to three additional annual salaries under the three-year period during which the incentive program is effective.

The participants of the profit and share price based incentive program shall undertake to acquire Castellum shares for at least half of the amount of the variable remuneration received, after deduction for tax.

Non-monetary benefits

The non-monetary benefits may include, for example, medical insurance, phone benefits and company car. For the Managing Director, premiums and other costs relating to such benefits may amount to not more than 2 per cent of the fixed annual remuneration. For the other members of the executive management, premiums and other costs relating to such benefits may, in total, amount to not more than 5 per cent of the total fixed annual remuneration for other members of the executive management.

Termination of employment and severance pay

The notice period shall, upon termination by the company, not exceed six months in respect of the Managing Director, and twelve months in respect of any other member of the executive management of the company. The notice period shall, upon termination by the Managing Director or by any other member of the executive management of the company, be six months. During the notice period full salary will be paid and other benefits will be provided to the employee, with deduction for salary and other remuneration received from another employment or business during the notice period. Such deduction shall not be made in respect of the Managing Director. A severance pay, corresponding to twelve fixed monthly salaries, shall be paid to the Managing Director upon termination by the company. Such severance pay shall not be reduced due to other income received by the Managing Director.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the People Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

Deviation from the guidelines for specific reasons in particular cases

The Board of Directors may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the company's long term interests, including its sustainability work. As set out above, the People Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to deviate from the guidelines.

Shareholder's views and material changes to the guidelines

The Board of Directors have not received any views from the shareholders on the existing remuneration guidelines for the executive management. The Board of Directors' proposed guidelines does not contain any material changes in relation to the company's existing remuneration guidelines.



Board of Directors



CHARLOTTE STRÖMBERG

Chairman of the Board since 2012

Born 1959, Master of Business Administration and Economics, Stockholm School of Economics.

Chairman of the Board of Castellum, Chairman of the People Committee and member of the Audit and Finance Committee.

Previous positions: CEO for Nordic business at Jones Lang LaSalle, executive positions in investment banking at Carnegie Investment Bank and Alfred Berg (ABN AMRO).

Board assignments: Deputy Chairman of the Board of Sofina S.A. Board member at Clas Ohlson AB (publ), Kinnevik AB (publ), Lindéngruppen and Accretiv AB. Alternate Board member of Phare AB. Member of the Swedish Securities Council.

Shareholding: 19,800



PER BERGGREN

Board member since 2007

Born 1959, Master of Science KTH and economic education from Stockholm University.

Board member of Castellum, member of the People Committee.

Previous positions: CEO of Hemsö Fastighets AB, CEO of Jernhusen AB, Division Manager of Fabega AB (publ), CEO of Drott Kontor AB and Property Manager at Skanska Fastigheter Stockholm AB.

Board assignments: Board member of Fasticon Kompetens Holding AB, Slättö Förvaltning AB and SSM Holding AB.

Shareholding: 4,500



ANNA-KARIN HATT

Board member since 2015

Born 1972, degree in political science from the University of Gothenburg. President and CEO of the Federation of Swedish Farmers (LRF).

Board member of Castellum, member of the People Committee.

Previous positions: CEO of Almega AB; Minister for Information Technology and Energy in the Swedish government; State Secretary at the Prime Minister's office; second deputy Chairman of the Centre Party and Chief of Staff of the Centre Party's executive staff; CEO of Didaktus Skolor AB, deputy CEO of Kind & Partners AB.

Board assignments: Chairman of the Board of Svensk Kooperation, and Board member of ICC Service AB and Business Sweden.

Shareholding: 1,325



CHRISTER JACOBSON

Board member since 2006

Born 1946, Master of Business Administration and Economics from the Stockholm School of Economics. Own operations in Bergsrådet Kapital AB.

Board member of Castellum.

Previous positions: Stock commentator and market manager at Affärsvärlden and Head of Analysis and CEO of the Alfred Berg group.

Board assignments: Board member of Global Challenges Foundation and GreenGoldGroup AB.

Shareholding: 35,429

**CHRISTINA KARLSSON KAZEEM**

Board member since 2016

Born 1965, Master of Science in Engineering from KTH Royal Institute of Technology.

CEO of ETTNELVA Arkitekter AB.

Board member of Castellum.

Previous positions: Chairman of the Board of Tomorrow China, part of the H&H Communication Group. Communication Manager at Niscayah Group and executive positions at Razorfish AB and Creuna AB. Worked with city planning and development at the City of Stockholm Property Management Administration.

Board assignments: Chairman of the Board of Creador AB and Millimeter Arkitekter AB.

Shareholding: 350

NINA LINANDER

Board member since 2014

Born 1959, Master of Business Administration and Economics from the Stockholm School of Economics and MBA from the International Institute for Management Development, Lausanne, Switzerland.

Board member of Castellum and Chairman of the Audit and Finance Committee.

Previous positions: Founder and partner of Stanton Chase International AB, Group Treasurer at AB Electrolux (publ), executive positions at Vattenfall AB, various positions in corporate finance at various investment banks in London.

Board assignments: Chairman of the Board of Awa Holding AB and Greeniron H2 AB. Board member of Telia Company AB (publ), Suominen Corporation and Swedavia AB (publ).

Shareholding: 12,000

ZDRAVKO MARKOVSKI

Board member since 2020

Born 1964, Master of Science in Engineering from KTH Royal Institute of Technology.

Board member of Castellum, member of the Audit and Finance Committee.

Previous positions: Board member of Backastad AB and BackastadProjekt AB (Backahill Group), President and CEO of Svevia AB, several executive positions in the JM Group and Board member of Sveriges Bygginstitutier in the Confederation of Swedish Enterprise.

Board assignments: Member of Besqab AB (publ) and ZM & Co AB.

Shareholding: 2,000

JOACIM SJÖBERG

Board member since 2020

Born 1964, LL.B. from Stockholm University.

Board member of Castellum.

Previous positions: Managerial roles at Jones Lang LaSalle, Swedbank, Öhman Fondkommission, HSH Nordbank, Alfred Berg Fondkommission and Enskilda Securities. Lawyer at Mannheimer Swartling Advokatbyrå. Chairman of the Board of Beijerinvest Aktiebolag, Räckesbutiken Sweden AB, Centro Kakel & Klinker AB, JLL Transaction Services AB and Tendium Holding AB, and Board member of JLL Capital Markets AB and G&L Beijer Import och export AB.

Board assignments: Chairman of the Board of Moonlighting Industries AB. CEO and Board member of Valhalla Corporate Advisor AB, Board member of Wästbygg Gruppen AB (publ) and KlaraBo Sverige AB.

Shareholding: 1,000

JOHAN LJUNGBERG

Lawyer

Mannheimer Swartling Advokatbyrå;
Secretary of the Board.

The information above refers to the situation at the end of December 2020. Shareholdings include member's own holdings and those of spouses, minors and children living at home, holdings of associated companies and holdings through capital insurance. The CEO has no material holdings or partnerships in companies that Castellum has significant business connections with.

Executive Management



HENRIK SAXBORN

Chief Executive Officer
Castellum Aktiebolag

Born 1964, Master of Science.
Employed since 2006 and Chief Executive Officer of Castellum since 2013.

Previous positions: Extensive experience in construction, property acquisition and management, including as CEO of a property management company. Former Chairman of CMB, Chalmers University of Technology.

Board assignments: Board member of BRIS, EPRA and PSP Swiss Property.

Shareholding: 76,250

ULRIKA DANIELSSON

Chief Financial Officer
Castellum Aktiebolag

Born 1972, Master of Business Administration and Economics.

Employed since 1998, Financial Controller since 2006 and Chief Financial Officer since 2014.

Previous positions: Experience in financial and control functions.

Board assignments: Board member of Alligator Bioscience AB (publ), Infranord AB, John Mattson AB (publ) and Slättö Förvaltning AB.

Shareholding: 24,000

MARTIN BJÖRN

Managing Director, Region
Stockholm-North at Castellum.

Born 1976, Master of Science in Engineering.

Employed as Managing Director Region Stockholm-North at Castellum since 2019.

Previous positions: Extensive experience from managerial positions, lettings, development projects, transactions and so forth in the Swedish and European property industry. Previously managed operations including Eurocommercial's operations in Sweden for 15 years, targeted at shopping centres and retail properties; simultaneously part of a European international management group.

Shareholding: 1,750

MARIETTE HILMERSSON

Managing Director,
Region West at Castellum

Born 1971, Bachelor of Laws, LL.M.

Employed as Managing Director Region West at Castellum since 2018.

Previous positions: Extensive experience from management positions in the property industry, including as CEO of AB Framtiden.

Board assignments: Board member of Tyréns AB.

Shareholding: 3,400

**OLA ORSMARK**

Managing Director,
Region Öresund at Castellum

Born 1971, Master of Science.
Employed as Managing Director,
Region Öresund at Castellum since
2014.

Previous positions: Extensive
experience in the property industry,
most recently as Business Area
Manager at Jernhusen.

Board assignments: Board member
of IDEON Open AB and IDEON AB.
Silent partner in Easy Kommandit-
bolag.

Shareholding: 6,850

PER GAWELIN

Managing Director,
Region Central at Castellum

Born 1978, Business Economics, upper
secondary school.

Employed since 2006, and Managing
Director Region Central at Castellum
since 2018.

Previous positions: Experience in the
property industry and leadership
experience as captain and player for
Örebro SK Football Club.

Shareholding: 2,500

ANNA-KARIN NYMAN

Communications Director,
Castellum Aktiebolag

Born 1983, multimedia journalism and
gender studies at Karlstad University.

Employed as Communications
Director at Castellum since 2018.

Previous positions: Experience from
several managerial positions as
Communications Director at Jern-
kontoret, Head of Press at the
Ministry of Enterprise and Innovation,
Press Officer at the Ministry for Rural
Affairs, political expert in the Riksdag,
journalist, editor and editorial writer.

Board assignments: Board member of
Byggherrarna.

Shareholding: 150

HELENA DINO

HR Director
Castellum Aktiebolag

Born 1967, HR specialist.

Employed as HR Director at Castellum
since May 2020.

Previous positions: Extensive
experience from various managerial
positions at Volvo Cars and Volvo
Ocean Race.

Shareholding: 0

The information above refers to the situation at the end of December 2020. Shareholdings include member's own holdings and those of spouses, minors and children living at home, holdings of associated companies and holdings through capital insurance. The CEO has no material holdings or partnerships in companies that Castellum has significant business connections with.

The Board of Directors' remuneration report for the financial year 2020

Introduction

This report describes how the guidelines for remuneration for executive management in Castellum AB (publ), adopted by the Annual General Meeting 2020, were implemented in 2020. The report also provides information on remuneration to the Managing Director and a summary of the company's outstanding profit and share price based incentive plan. The report has been prepared in accordance with the Swedish Companies Act and the rules on Remuneration of the Board and Executive Management and on Incentive Programmes issued by the Swedish Corporate Governance Board.

Further information on executive management remuneration is available in note 12 in the Annual Report 2020. Information on the work of the People Committee in 2020 is set out in the corporate governance report available in the Annual Report 2020.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and such information will be disclosed in note 12 in the annual report 2020.

The company's development during 2020

A summary of the company's overall performance and development is presented on pages 123-124 in the Annual Report 2020.

The company's remuneration guidelines: scope, purpose and deviations

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability work, is that the company can recruit and retain qualified personnel. To this end, the company must offer competitive remuneration. The company's remuneration guidelines enable the company to offer executives a competitive total remuneration. Under the remuneration guidelines, remuneration to the executive management shall be on market terms and may consist of the following components: fixed remuneration, pension terms, variable remuneration and non-monetary benefits. The variable remuneration shall aim to create long term value within the group, by contributing to Castellum's business strategy and long term interests, including its sustainability work, and shall be rewarded within the scope of a profit and share price based incentive program. The program's structure shall be based on the objective to align the interests of the group executive management with the interests of the shareholders by way of the group executive management also being shareholders of Castellum and by increasing the share of the total remuneration which is connected to the development of the group.

During 2020, the company has complied with the applicable remuneration guidelines adopted by the Annual General Meeting. No deviations from the guidelines have been made and no deviations from the procedure for implementation of the guidelines have been made. The auditor's report regarding the company's compliance with the guidelines will be available on <https://www.castellum.se/investor-relations/bolagsstyrning/arsstamma/> no later than three weeks before the Annual General Meeting 2021. No remuneration to the executive management has been reclaimed by the company.

Profit and share price based remuneration

Castellum has a profit and share price based incentive program concerning the period 2020-2023 (and a similar program for the period 2017-2020 that expired during the financial year 2020). The incentive programs follow the same model and is made up of two parts, one part which is based on the profit each year and one part which is based on the total return on the Castellum share over a three-year period. The participants in the incentive program undertakes to purchase Castellum shares for at least half the received remuneration after deduction for tax.

The annual profit based remuneration

The annual profit based remuneration is based on growth in income from property management per share (i.e. cash flow-based growth) and on an overall determination of the development of certain individual target factors which the Board of Directors, after consulting the Managing Director, decides to give priority to under the current financial year. In order to receive full variable remuneration linked to the income from property management a 10% annual growth of the income from property management is required. In the event of growth in the interval 0-10%, a linear calculation is performed in respect of the outcome and the remuneration to be paid. If remuneration is to be paid, remuneration is paid annually as salary after the closing of accounts. The remuneration has a one-year performance and earning period and maximum outcome in respect of the annual profit-based remuneration is half of the fixed remuneration for each year.

Individually determined factors

A part of the annual profit based part of the incentive program consists of individually determined factors. The individually determined factors for the Managing Director's remuneration is based on the objective to align the interests of the Managing Director with the interests of the shareholders. The individually determined factors has been based on strategic established objectives which the Board of Directors has decided to give priority to under 2020. The individually determined factors shall over time contribute to the company's sustainability targets.

The three-year share price based remuneration

The three-year share price based remuneration is based on the total return on the Castellum share in total numbers during the three-year period, as well as the total return on the Castellum share in comparison to real estate share indexes in Sweden, the United Kingdom and the Eurozone during the period of measurement. In order to receive full variable remuneration in accordance with the three-year program, the total return must amount to at least 50% during the relevant period, and the total return must further exceed the development of the indexes, respectively, with at least 5 percentage units during the relevant period. In the event of an outcome in the interval 0-50% and 0-5 percentage units, respectively, a linear calculation is performed in respect of the outcome and the remuneration to be paid. If remuneration is to be paid, payment is made as salary after the end of the three-year period of measurement. The share price based remuneration has a three-year performance and earning period and the maximum outcome in respect of the three-year share price based remuneration is one and a half annual fixed remuneration for the three-year period.

TABLE 1 - TOTAL REMUNERATION TO THE MANAGING DIRECTOR IN 2020 (MSEK)¹⁾

Name of director (position)	1 Fixed remuneration		2 Variable remuneration		3 Extraordinary items	4 Pension benefits	5 Total remuneration	6 Proportion of fixed and variable remuneration ⁵⁾
	Base salary ²⁾	Non-monetary benefits ³⁾	One-year variable	Three-year variable ⁴⁾				
Henrik Saxborn (CEO)	4.7	0.1	1.7	5.1	0	1.5	13.1	48.1%/51.9%

1. Except for the three-year share priced based variable remuneration, the table reports remuneration earned in 2020. Three-year share priced based variable remuneration is reported to the extent that its paid, as set out in column 3 of Table 2a below.

2. Including holiday pay of MSEK 0.6.

3. Medical insurance, phone benefits and company car.

4. Paid remuneration according to the three-year share priced based remuneration as set out in column 3 of Table 2a below.

5. Pension benefits (column 4), which in its entirety relates to base salary and is premium defined, has been entirely reported as fixed remuneration.

TABLE 2A - PERFORMANCE OF THE MANAGING DIRECTOR IN THE REPORTED FINANCIAL YEAR: PAID REMUNERATION

Name of director (position)	The name of the program	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3 a) Measured performance and b) remuneration outcome
Henrik Saxborn (CEO)	The annual profit-based remuneration	Growth in income from property management per share by 10%	75%	a) 72% b) SEK 1,261,980
		Reduce total cost	6.25%	a) 100% b) SEK 146,063
		Conduct proactive customer meetings	6.25%	a) 100% b) 146 063 kr
		Net leasing	6.25%	a) 100% b) SEK 146,063
	The three-year share price based remunera- tion 2017/2020	Achieve established objectives for the executive management	6.25%	a) 0% b) SEK 0
		Total return of 50% for 2017/2020	50%	a) 100% b) SEK 3,394,503
		Total return 5% higher than the index for real estate shares in Sweden	25%	a) 0% b) SEK 0
		Total return 5% higher than the index for real estate shares in the Eurozone	13.9%	a) 100% b) SEK 942,918
		Total return 5% higher than the index for real estate shares in the United Kingdom	11.1%	a) 100% b) SEK 754,334

TABLE 2B - PERFORMANCE OF THE MANAGING DIRECTOR IN THE REPORTED FINANCIAL YEAR: PRELIMINARY OUTCOME FOR UNPAID SHARE PRICE BASED REMUNERATION

Name of director (position)	The name of the program	1 Description of the criteria related to the remuneration component	2 Relative weighting of the performance criteria	3 a) Preliminary measured performance and b) preliminary remuneration outcome ¹⁾
Henrik Saxborn (CEO)	The three-year share price based remunera- tion 2020/2023	Total return of 50% for 2017/2020 ²⁾	50%	a) 78% b) SEK 532,369
		Total return 5% higher than the index for real estate shares in Sweden ²⁾	25%	a) 0% b) SEK 0
		Total return 5% higher than the index for real estate shares in the Eurozone ²⁾	13.9%	a) 100% b) SEK 189,297
		Total return 5% higher than the index for real estate shares in the United Kingdom ²⁾	11.1%	a) 100% b) SEK 151,438

1. In column 3 of Table 2b, the preliminary measured performance and the preliminary remuneration outcome, respectively, are adjusted for the time of the program pertaining to 2020.

2 Performance period still running.

Comparative information on the change of remuneration and the company's income from property management

TABLE 3 - CHANGE OF REMUNERATION AND THE COMPANY'S INCOME FROM PROPERTY MANAGEMENT OVER THE LAST FIVE REPORTED FINANCIAL YEARS (MSEK)

	2020	2020 vs. 2019	2019 vs. 2018	2018 vs. 2017	2017 vs. 2016	2016 vs. 2015
Remuneration to the Managing Director ¹⁾	9.9	+1.4 (+16%)	-2.2 (-21%)	+2.5 (+30%)	-0.9 (-10%)	+2.8 (+44%)
Income from property management	3,380	+234 (+7%)	+194 (+7%)	+422 (+17%)	+465 (+23%)	+532 (+35%)
Average remuneration on a full time equivalent basis of employees ²⁾ in the group.	0.8	+0.1 (+13%)	+0.0 (+4%)	+0.1 (+16%)	-0.1 (-13%)	+0.1 (+20%)

1. To make comparison possible, and due to the fact that the three-year share price based remuneration is only paid every three years, the remuneration to the Managing Director presented in Table 3 corresponds to the remuneration presented in the remuneration note in the annual report for each year. Consequently, the remuneration to the Managing Director in Table 3 may differ from the remuneration reported in Table 1.

2 Excluding members of the group executive management.

Gothenburg in February 2021
CASTELLUM AB (publ)
The Board of Directors

CASTELLUM



Financial reporting and financial reports

Castellum's financial reporting for 2020 consists of a financial summary and financial reports, as well as accounting policies and notes in which more detailed and company-specific information is presented that further describes the company's financial context.



Quarterly summary

	2020 Jan-Mar	2020 Apr-Jun	2020 Jul-Sep	2020 Oct-Dec	2020	2019 Jan-Mar	2019 Apr-Jun	2019 Jul-Sep	2019 Oct-Dec	2019
Income statement, MSEK										
Income	1,476	1,523	1,489	1,516	6,004	1,433	1,438	1,472	1,478	5,821
Property costs	-438	-391	-367	-473	-1,669	-456	-371	-414	-467	-1,708
Net operating income	1,038	1,132	1,122	1,043	4,335	977	1,067	1,058	1,011	4,113
Central administrative expenses	-37	-38	-30	-44	-149	-48	-42	-29	-44	-163
Letting cost/Site leasehold fee	-7	-5	-6	-2	-20	-4	-6	-6	-6	-22
Net interest costs	-200	-194	-187	-205	-786	-199	-202	-186	-195	-782
Income from prop. mgmt	794	895	899	792	3,380	726	808	837	766	3,146
Acquisition and restructuring costs, etc.	—	—	—	-95	-95	—	-9	—	—	-9
Impairment of goodwill	—	—	—	—	—	-179	—	—	—	-179
Change in values on properties	3	415	398	3,047	3,863	689	1,193	623	1,413	3,918
Change in values on derivatives	-167	-42	-3	92	-120	-12	-176	-120	306	-111
Current tax	-42	-40	-58	-107	-247	-33	-74	-106	48	-165
Deferred tax	-106	-176	-221	-663	-1,166	259	-506	-183	-520	-950
Net income for the year/period	482	1,052	1,015	3,066	5,615	1,341	1,245	1,051	2,013	5,650
Other comprehensive income	140	-178	18	-152	-172	34	25	-3	-11	45
Comprehensive income for the year/period	622	874	1,033	2,914	5,443	1,375	1,270	1,048	2,002	5,695
Balance sheet, MSEK										
Investment properties	96,262	97,012	98,076	103,042	103,042	89,231	91,427	92,719	95,168	95,168
Goodwill	1,691	1,670	1,673	1,673	1,673	1,703	1,691	1,691	1,691	1,691
Other assets	2,257	2,196	2,158	5,040	5,040	2,749	2,122	2,147	1,953	1,953
Cash and cash equivalents	1,174	200	198	161	161	150	157	217	173	173
Total assets	101,384	101,078	102,105	109,916	109,916	93,833	95,397	96,774	98,985	98,985
Equity	42,623	43,469	44,502	48,243	48,243	39,457	40,727	41,775	43,777	43,777
Deferred tax liability	10,279	10,493	10,718	11,376	11,376	8,936	9,433	9,633	10,153	10,153
Other provisions	6	5	3	3	3	6	6	6	5	5
Derivatives	506	863	871	1,132	1,132	777	701	803	715	715
Interest-bearing liabilities	43,544	41,834	42,486	45,720	45,720	40,566	40,242	40,637	40,826	40,826
Non-interest bearing liabilities	4,426	4,414	3,525	3,442	3,442	4,091	4,288	3,920	3,509	3,509
Total equity and liabilities	101,384	101,078	102,105	109,916	109,916	93,833	95,397	96,774	98,985	98,985
Financial Key Metrics										
Surplus ratio	72%	76%	76%	70%	74%	69%	76%	73%	70%	72%
Interest rate, average	2.0%	1.9%	1.9%	1.9%	1.9%	2.1%	2.1%	2.0%	1.9%	2.0%
Interest coverage ratio	497%	561%	581%	486%	530%	465%	504%	550%	512%	502%
Return on EPRA NRV	4.1%	17.6%	9.3%	34.3%	13.4%	13.3%	14.5%	10.3%	19.6%	15.1%
Return on total capital	4.0%	5.9%	5.8%	14.9%	7.5%	7.0%	9.4%	6.9%	9.8%	8.4%
Return on equity	4.5%	9.9%	9.3%	27.6%	13.1%	13.8%	12.6%	10.3%	19.3%	14.5%
Investments in properties, MSEK	643	854	620	3,041	5,158	3,295	948	607	1,262	6,112
Sales, MSEK	—	119	2	770	891	4,021	36	52	29	4,138
Loan-to-value ratio	44%	43%	43%	44%	44%	45%	44%	44%	43%	43%
Data per share (since there are no potential shares, there is no dilution effect)										
Average number of shares, thousand	273,201	273,113	273,031	275,197	273,628	273,201	273,201	273,201	273,201	273,201
Income from prop. mgmt, SEK	2.91	3.28	3.29	2.88	12.35	2.66	2.99	3.06	2.80	11.52
Income from prop. mgmt. after tax (EPRA EPS), SEK	2.65	2.93	2.96	2.71	11.25	2.35	2.61	2.64	2.84	10.44
Earnings after tax, SEK	1.76	3.85	3.72	11.14	20.52	4.91	4.56	3.85	7.37	20.68
Number of shares outstanding, thousand	273,201	273,031	273,031	277,093	277,093	273,201	273,201	273,201	273,201	273,201
Property value, SEK	352	355	359	372	372	327	335	339	348	348
Net reinstatement value (EPRA NRV), SEK	193	199	200	214	214	178	184	186	195	195
Net tangible assets (EPRA NTA), SEK	185	190	191	205	205	170	177	178	187	187
Net disposal value (EPRA NDV), SEK	153	156	157	168	168	141	146	147	154	154
Dividend, SEK (2020 proposed)	—	—	—	—	6.90	—	—	—	—	6.50
Payout ratio	—	—	—	—	56%	—	—	—	—	56%
Property-related key metrics										
Rental value, SEK/sq. m.	1,516	1,551	1,546	1,640	1,538	1,462	1,502	1,532	1,529	1,495
Economic occupancy rate	93.8%	91.4%	92.4%	92.3%	93.1%	94.5%	94.4%	93.6%	92.9%	93.8%
Property costs, SEK/sq. m.	383	344	331	441	369	419	333	374	420	384
Property value, SEK/sq. m.	22,451	22,541	22,836	23,549	23,549	21,084	21,679	21,971	22,363	22,363
Valuation yield	5.1%	5.1%	5.1%	5.0%	5.0%	5.1%	5.1%	5.1%	5.1%	5.1%

Multi-Year Summary

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Income statement, MSEK										
Income	6,004	5,821	5,577	5,182	4,533	3,299	3,318	3,249	3,073	2,919
Property costs	-1,669	-1,708	-1,632	-1,605	-1,497	-1,074	-1,096	-1,105	-1,042	-1,003
Net operating income	4,335	4,113	3,945	3,577	3,036	2,225	2,222	2,144	2,031	1,916
Central administrative expenses	-149	-163	-158	-162	-143	-113	-108	-96	-93	-83
Joint venture (Income from prop. mgmt.)	—	—	—	—	3	23	—	—	—	—
Letting cost/Site leasehold fee	-20	-22	—	—	—	—	—	—	—	—
Net interest costs	-786	-782	-835	-885	-832	-602	-664	-702	-683	-660
Income from prop. mgmt incl. joint venture income	3,380	3,146	2,952	2,530	2,065	1,533	1,450	1,346	1,255	1,173
Acquisition and restructuring costs, etc.	-95	-9	—	-5	-163	—	—	—	—	—
Impairment of goodwill	—	-179	—	—	-373	—	—	—	—	—
Change in values on properties	3,863	3,918	5,216	4,540	4,085	1,837	344	328	-69	194
Change in values on derivatives	-120	-111	152	247	82	216	-660	429	-110	-429
Revaluation of earnings due to stepwise acquisition	—	—	—	—	27	-2	—	—	—	—
Current tax	-186	-165	-74	-96	-23	-16	-11	-6	-7	-10
Deferred tax	-1,227	-950	-793	-1,340	-727	-687	88	-390	404	-217
Net income for the year/period	5,615	5,650	7,453	5,876	4,972	2,881	1,211	1,707	1,473	711
Other comprehensive income	-172	45	8	-8	6	-8	8	3	-4	0
Comprehensive income for the year/period	5,443	5,695	7,461	5,868	4,978	2,873	1,219	1,710	1,469	711
Balance sheet, MSEK										
Investment properties	103,042	95,168	89,168	81,078	70,757	41,818	37,599	37,752	36,328	33,867
Goodwill/Joint Venture (2015)	1,673	1,691	1,659	1,659	1,659	526	—	—	—	—
Other assets	5,040	1,953	1,070	772	5,640	269	442	291	259	207
Cash and cash equivalents	161	173	243	203	257	39	47	70	44	97
Total assets	109,916	98,985	92,140	83,712	78,313	42,652	38,088	38,113	36,631	34,171
Equity	48,243	43,777	39,749	33,736	29,234	15,768	13,649	13,127	12,065	11,203
Deferred tax liability	11,376	10,153	9,203	8,405	7,065	4,299	3,612	3,700	3,310	3,714
Derivatives	1,132	715	716	1,352	1,582	1,117	1,357	683	1,105	1,003
Interest-bearing liabilities	45,720	40,826	40,358	38,226	38,467	20,396	18,446	19,481	19,094	17,160
Non-interest bearing liabilities	3,445	3,514	2,114	1,993	1,965	1,072	1,024	1,122	1,057	1,091
Total equity and liabilities	109,916	98,985	92,140	83,712	78,313	42,652	38,088	38,113	36,631	34,171
Financial Key Metrics										
Surplus ratio	74%	72%	71%	69%	67%	67%	67%	66%	66%	66%
Interest rate, average	1.9%	2.0%	2.0%	2.4%	2.7%	3.0%	3.3%	3.7%	3.9%	4.1%
Interest coverage ratio	530%	502%	454%	386%	348%	351%	318%	292%	284%	278%
Return on long-term EPRA NRV	15.2%	15.1%	22.0%	18.3%	20.9%	20.4%	7.6%	13.2%	7.9%	6.4%
Return on total capital	7.5%	8.4%	10.6%	10.1%	11.9%	10.0%	6.5%	6.4%	5.3%	6.2%
Return on equity	13.0%	14.5%	22.6%	20.6%	20.1%	21.7%	9.5%	14.6%	13.5%	6.6%
Investments in properties, MSEK	5,158	6,112	5,292	6,488	31,491	3,553	2,525	1,768	2,798	2,015
Sales, MSEK	891	4,138	2,635	875	6,754	1,140	3,054	687	253	107
Loan-to-value ratio	44%	43%	45%	47%	50%	49%	49%	51%	52%	50%
Data per share (since there are no potential shares, there is no dilution effect)										
Average number of shares, thousand	273,628	273,201	273,201	273,201	234,540	189,014	189,014	189,014	189,014	189,014
Income from prop. mgmt, SEK	12.35	11.52	10.81	9.26	8.80	8.11	7.67	7.12	6.64	6.21
Income from prop. mgmt. after tax (EPRA EPS), SEK	11.25	10.44	9.65	8.39	8.26	7.84	7.17	6.97	6.31	6.08
Earnings after tax, SEK	20.52	20.68	27.28	21.51	21.20	15.24	6.41	9.03	7.79	3.76
Number of shares outstanding, thousand	277,093	27,201	273,201	273,201	273,201	189,014	189,014	189,014	189,014	189,014
Property value, SEK	372	348	326	297	259	221	199	200	192	179
Net reinstatement value (EPRA NRV), SEK	214	195	176	153	133	112	99	93	87	84
Net tangible assets (EPRA NTA), SEK	205	187	169	146	131	109	97	91	86	83
Net disposal value (EPRA NDV), SEK	168	154	139	117	101	83	72	69	64	59
Dividend, SEK (2019 proposed)	6.90	6.50	6.10	5.30	5.00	4.25	3.99	3.69	3.43	3.21
Payout ratio	56%	56%	56%	57%	57%	52%	52%	52%	52%	52%
Property-related key metrics										
Rental value, SEK/sq. m.	1,538	1,495	1,407	1,341	1,304	1,095	1,064	1,036	1,015	995
Economic occupancy rate	93.1%	92.6%	93.2%	90.9%	91.3%	90.3%	88.7%	88.4%	88.6%	89.3%
Property costs, SEK/sq. m.	369	384	378	364	376	316	307	307	298	300
Property value, SEK/sq. m.	23,549	22,363	20,417	18,268	16,558	12,282	11,118	10,285	9,916	9,835

Financial Key Metrics

A number of the financial metrics presented by Castellum are not defined in accordance with the IFRS accounting standards. However, the company believes that these metrics provide useful supplementary information to investors and Castellum's management, as they facilitate evaluation of the company's performance. It is to be noted that, since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies. These financial measurements should therefore not be seen as a substitute for metrics defined according to IFRS. Unless otherwise stated, the table below presents metrics, along with their reconciliation, which are not defined according to IFRS. Furthermore, definitions for these metrics also appear on page 183.

	Jan-Dec 2020	Jan-Dec 2019
Average number of shares, thousand (key metrics related to income statement) ¹⁾	273,628	273,201
Number of shares outstanding, thousand (key metrics related to balance sheet) ¹⁾	277,093	273,201

Income from property management

Castellum's operations are focused on cash flow growth from ongoing management operations (i.e. income growth from property management), the yearly target being a 10% increase in income from property management. Income from property management also forms the basis of the annual shareholder dividend: at least 50% of income from property management. Income from property management is calculated before tax paid, as well as after the theoretical tax that Castellum would have paid on income from property management had there been no loss carryforwards.

	Jan-Dec 2020		Jan-Dec 2019	
	MSEK	SEK/share	MSEK	SEK/share
Income from prop. mgmt				
Income before tax	7,028	25.68	6,765	24.76
Reversed:				
Acquisition costs	25	0.09	9	0.03
Financing fees, etc. for acquisitions	70	0.26	—	—
Goodwill, impairment	—	—	179	0.66
Change in values on properties	-3,863	-14.12	-3,918	-14.34
Change in values on derivatives	120	0.44	111	0.41
= Income from property management	3,380	12.35	3,146	11.52
EPRA Earnings (Income from property management after tax)				
Income from prop. mgmt	3,380	12.35	3,146	11.52
Reversed:				
Current tax, income from prop. mgmt	-300	-1.10	-293	-1.08
EPRA Earnings/EPRA EPS	3,080	11.25	2,853	10.44

Net asset value

Net asset value describes the total equity that the company manages for its owners. Based on this equity, Castellum wants to create return and growth at a low level of risk. Net asset value can be calculated in different ways, where mainly time and turnover in the asset portfolio impact on the value. Long-term net reinstatement value (EPRA NRV) is based on the balance sheet, with adjustments for items that will not lead to any short-term payment. In Castellum's case, these would include such items as goodwill, derivatives and deferred tax liability. Net tangible assets (EPRA NTA) is the same as long-term EPRA NRV, but with the difference that goodwill that is not attributed to deferred taxes is not seen as an asset. Furthermore, the deferred tax should be based on market value according to how the company has completed property transactions in recent years. Net disposal value (EPRA NDV) is equal to equity according to the balance sheet but with adjustment for goodwill.

	Jan-Dec 2020		Jan-Dec 2019	
	MSEK	SEK/share	MSEK	SEK/share
Net asset value				
Equity according to the balance sheet	48,243	174	43,777	160
Reversed:				
Derivatives according to the balance sheet	1,132	4	715	3
Goodwill attributable to deferred tax	-1,480	-5	-1,480	-5
Deferred tax according to the balance sheet	11,376	41	10,153	37
Net reinstatement value (EPRA NRV)	59,271	214	53,165	195
Deduction				
Goodwill due to acquisition of United Spaces	-193	-1	-211	-1
Estimated real deferred tax, 4% ¹⁾	-2,285	-8	-1,925	-7
Net tangible assets (EPRA NTA)	56,793	205	51,029	187
Reversed				
Derivatives according to above	-1,132	-4	-715	-3
Deferred tax	-9,091	-33	-8,228	-30
Net disposal value (EPRA NDV)	46,570	168	42,086	154

1. The net estimated real deferred tax liability has been estimated at 4% based on a discount rate of 3%. Further, assessments have been made that tax loss carry forwards are realised with a nominal tax of 21.4%, and that the properties are realised in 50 years and where the entire portfolio is sold indirectly in corporate wrappers where the buyers' tax discount is 7%.

Financial risk

Castellum's strategy is to own, develop and manage properties at low financial risk. This is expressed in a loan-to-value ratio not permanently exceeding 50% and an interest coverage ratio of at least 200%. Furthermore, net debt to EBITDA that expresses how many years it takes for a company to repay its interest-bearing debt, is an important financial risk metric.

	Jan-Dec 2020	Jan-Dec 2019
Interest coverage ratio		
Income from prop. mgmt	3,380	3,146
Reversed:		
Net interest costs	786	782
Income from property management excl. net interest	4,166	3,928
Interest coverage ratio	530%	502%
Loan-to-value ratio		
Interest-bearing liabilities	45,720	40,826
Cash and cash equivalents	-161	-173
Net interest-bearing liabilities	45,559	40,653
Investment properties	103,042	95,168
Acquired properties not taken into possession	—	-304
Divested properties still in Castellum's possession	-220	3
Net investment properties	102,822	94,867
Loan-to-value ratio	44%	43%
Net debt to EBITDA		
Interest-bearing liabilities	45,720	40,826
Cash and cash equivalents	-161	-173
Net interest-bearing liabilities	45,559	40,653
Net operating income	4,335	4,113
Central administration expenses	-149	-163
Operating income	4,186	3,950
Net debt to EBITDA	10.9	10.3

Investment

In order to achieve the overall target of 10% growth in income from property management per share, Castellum will make annual net investments of at least 5% of the property value.

	Jan-Dec 2020	Jan-Dec 2019
Net investments		
Acquisitions	2,646	3,350
New construction, extensions and reconstructions	2,512	2,762
Total investments	5,158	6,112
Net sales prices	-891	-4,138
Net investments	4,267	1,974
Proportion of the property value, %	4%	2%

Other key financial metrics

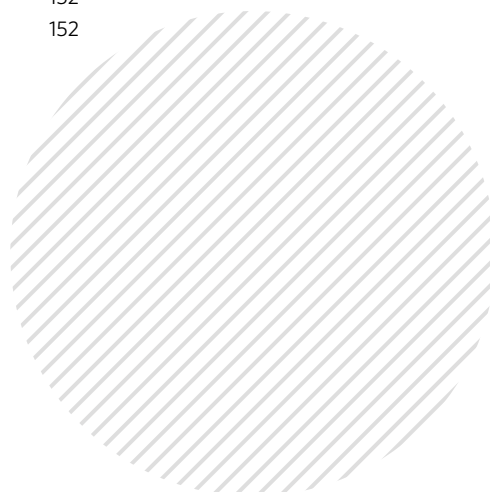
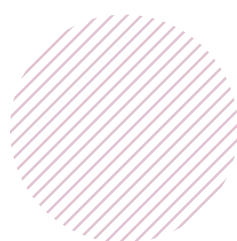
	Jan-Dec 2020	Jan-Dec 2019
Surplus ratio	74%	72%
Interest rate, average	1.9%	2.0%
Net debt to EBITDA	10.9	10.3
Return on EPRA NRV	13.4%	14.5%
Return on total capital	7.5%	8.4%
Return on equity	13.1%	14.5%
Property value, SEK/share	372	348
Gross lettings	644	411
Net lettings	239	-24

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Consolidated statement of comprehensive income

MSEK		2020	2019
Rental income		5,438	5,265
Service income		454	452
Co-working income		112	104
Income	Note 3	6,004	5,821
Operating costs	Note 4	-654	-711
Maintenance expenses	Note 4	-145	-157
Property tax	Note 4	-371	-367
Co-working expenses	Note 4	-120	-99
Lettings and property administration expenses	Note 4	-379	-374
Net operating income		4,335	4,113
Central administrative expenses	Note 4	-149	-163
Acquisition costs	Note 5	-25	-9
<i>Net financial items</i>			
Interest income	Note 6	6	2
Interest costs	Note 7	-792	-784
Financing fees, etc. for acquisitions	Note 7	-70	—
Letting cost/Site leasehold fee	Note 8	-20	-22
Income from property management incl. acquisition costs/financing costs¹⁾		3,285	3,137
<i>of which income from property management</i>		3,380	3,146
Goodwill, impairment	Note 9	—	-179
<i>Changes in value</i>	Note 10		
Properties		3,863	3,918
Derivatives		-120	-111
Income before tax		7,028	6,765
Current tax	Note 11	-247	-165
Deferred tax	Note 11	-1,166	-950
Net income for the year		5,615	5,650
Other comprehensive income			
<i>Items that will be reclassified to net income for the year</i>			
Translation difference of currencies, etc.		-216	92
Change in values on derivatives, currency hedge		44	-47
Comprehensive income for the year²⁾		5,443	5,695
Data per share (since there are no potential shares, there is no dilution effect)			
Average number of shares, thousand		273,628	273,201
Earnings per share, SEK		20.52	20.68

1. For calculation, refer to Financial Key Metrics, page 125.

2. Net income for the year and comprehensive income are assignable in their entirety to the Parent Company's shareholders.

Consolidated balance sheet

MSEK		31 Dec 2020	31 Dec 2019
ASSETS			
Fixed assets			
Investment properties	Notes 13, 23	103,042	95,168
Tangible fixed assets	Note 14	170	156
Leases, right-of-use		888	846
Financial assets	Note 15	2,729	—
Goodwill	Note 16	1,673	1,691
Other fixed assets		30	23
Total fixed assets		108,532	97,884
Current assets			
Rent receivables	Note 3	47	70
Receivables, property sales		220	3
Other receivables		554	430
Prepaid expenses and accrued income		402	425
Cash and cash equivalents		161	173
Total current assets		1,384	1,101
TOTAL ASSETS		109,916	98,985
EQUITY AND LIABILITIES			
Equity attributable to Parent Company shareholders			
Share capital	Note 17	139	137
Other capital contribution		13,259	12,434
Reserves		-122	5
Non-controlling interest		-2	-2
Retained earnings		34,969	31,203
Total equity		48,243	43,777
Liabilities			
<i>Long-term liabilities</i>			
Deferred tax liability	Note 19	11,376	10,153
Other provisions	Note 20	3	5
Derivatives	Note 21	1,132	715
Long-term interest-bearing liabilities	Note 22	45,720	40,826
Other long-term liabilities/Lease liabilities		888	846
<i>Total long-term liabilities</i>		<i>59,119</i>	<i>52,545</i>
<i>Short-term liabilities</i>			
Accounts payable		126	203
Tax liabilities		423	256
Other liabilities		623	685
Accrued expenses and prepaid income	Note 23	1,382	1,519
<i>Total short-term liabilities</i>		<i>2,554</i>	<i>2,663</i>
Total liabilities		61,673	55,208
TOTAL EQUITY AND LIABILITIES		109,916	98,985

Income Statement for the Parent Company

MSEK		2020	2019
Income	Note 3	102	105
Central administrative expenses	Note 4	-216	-222
<i>Financial items</i>			
Impairment of participations in Group companies		-70	-53
Reversal of previous impairment of participations in Group companies	Note 26	—	255
Financial income	Note 6	2,978	2,414
Financial costs	Note 7	-973	-860
Income before changes in value and tax		1,821	1,639
<i>Changes in value</i>			
Derivatives	Note 10	-57	-137
Income before tax		1,764	1,502
Current tax	Note 11	—	—
Deferred tax	Note 11	-15	2
Net income for the year		1,749	1,504

Statement of comprehensive income for the Parent Company

MSEK		2020	2019
Net income for the year according to the income statement		1,749	1,504
Other comprehensive income			
<i>Items that will be reclassified to net income for the year</i>			
Translation difference of currencies		-108	42
Change in values on derivatives, foreign hedging		44	-21
Comprehensive income for the year		1,685	1,525

Balance sheet for the Parent Company

MSEK		31 Dec 2020	31 Dec 2019
ASSETS			
Fixed assets			
Tangible fixed assets	Note 14	49	52
<i>Financial fixed assets</i>			
Participations in Group companies	Notes 25, 26	20,957	20,147
Participations in associated companies		3	2
Financial assets	Note 15	2,729	—
Deferred tax assets	Note 19	0	14
Long-term receivables, Group companies	Notes 24, 27	31,051	28,777
<i>Total financial fixed assets</i>		54,740	48,940
Total fixed assets		54,789	48,992
Current assets			
Current receivables, Group companies		12,658	10,930
Prepaid expenses and accrued income		62	42
Other receivables		8	8
Cash and cash equivalents		6	54
Total current assets		12,734	11,034
TOTAL ASSETS		67,523	60,026
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	Note 17	139	137
Statutory reserves		20	20
<i>Non-restricted equity</i>			
Fair value reserve		-51	13
Share premium reserve		9,258	8,433
Retained earnings		7,269	7,569
Net income for the year		1,749	1,504
Total equity		18,384	17,676
Liabilities			
<i>Long-term liabilities</i>			
Derivatives	Note 18	1,132	715
Long-term interest-bearing liabilities	Note 21	43,318	38,065
Long-term interest-bearing liabilities, Group companies	Note 22	4,126	3,283
<i>Total long-term liabilities</i>		48,576	42,063
<i>Short-term liabilities</i>			
Short-term interest-bearing liabilities, Group companies		—	63
Other short-term liabilities		292	39
Accounts payable		3	4
Accrued expenses and prepaid income	Note 23	268	181
<i>Total short-term liabilities</i>		563	287
Total liabilities		49,139	42,350
TOTAL EQUITY AND LIABILITIES		67,523	60,026

Change in equity

Group, MSEK (Note 15)	Attributable to Parent Company shareholders							Total equity
	Number of shares outstanding, thousand	Share capital	Other capital contribution	Currency translation reserve	Currency hedge reserve	Non-controlling interest	Retained earnings	
Equity, 31 Dec 2018	273,201	137	12,434	274	-269	-2	27,175	39,749
Dividend, Mar and Sep 2019 (SEK 6.10/share)	—	—	—	—	—	—	-1,667	-1,667
Net income 2019	—	—	—	—	—	—	5,650	5,650
Other comprehensive income, 2019	—	—	—	92	-47	—	—	45
Equity, 31 Dec 2019	273,201	137	12,434	366	-316	-2	31,158	43,777
Dividend, Mar and Sep 2020 (SEK 6.50/share)	—	—	—	—	—	—	-1,776	-1,776
Repurchase of own shares	-170	—	—	—	—	—	-28	-28
Share issue in kind	4,062	2	825	—	—	—	—	827
Net income 2020	—	—	—	—	—	—	5,615	56 15
Other comprehensive income, 2020	—	—	—	-216	44	—	—	-172
Equity, 31 Dec 2020	277,093	139	13,259	150	-272	-2	34,969	48,243

Parent Company, MSEK (Note 15)	Number of shares outstanding, thousand	Share capital	Fair value reserve				Retained earnings	Total equity
			Statutory reserve	Currency translation reserve	Currency hedge reserve	Share premium reserve		
Equity, 31 Dec 2018	273,201	137	20	177	-185	8,433	9,236	17,818
Dividend, Mar and Sep 2019 (SEK 6.10/share)	—	—	—	—	—	—	-1,667	-1,667
Net income 2019	—	—	—	—	—	—	1,504	1,504
Other comprehensive income, 2019	—	—	—	42	-21	—	—	21
Equity, 31 Dec 2019	273,201	137	20	219	-206	8,433	9,073	17,676
Dividend, Mar and Sep 2020 (SEK 6.50/share)	—	—	—	—	—	—	-1,776	-1,776
Repurchase of own shares	-170	—	—	—	—	—	-28	-28
Share issue in kind	4,062	2	—	—	—	825	—	827
Net income 2020	—	—	—	—	—	—	1,749	1,749
Other comprehensive income, 2020	—	—	—	-108	44	—	—	-64
Equity, 31 Dec 2020	277,093	139	20	111	-162	9,258	9,018	18,384

Cash flow statement

MSEK	Group		Parent Company	
	2020	2019	2020	2019
Operating activities				
Net operating income	4,335	4,113	102	105
Central administrative expenses	-149	-163	-216	-222
Reversed depreciation	95	64	12	11
Net financial items paid	-789	-761	-80	33
Tax paid	-177	-161	—	—
Translation difference of currencies	-134	45	—	—
Cash flow from operating activities before change in working capital	3,181	3,137	-182	-73
<i>Cash flow from changes in working capital</i>				
Change in current receivables	-78	-165	335	-573
Change in current liabilities	-159	564	-9	38
Cash flow from operating activities	2,944	3,536	144	-608
Investment activities				
Investments in new construction, extensions and reconstructions	-2,512	-2,762	—	—
Property acquisitions	-1,819	-3,350	—	—
Change in liabilities upon property acquisitions	-304	273	—	—
Sales of properties	891	4,138	—	—
Change in receivables on sales of properties	-217	161	—	—
Business combinations	—	-211	—	-211
Investment in financial assets	-2,442	—	-2,442	—
Other investments, net	-105	-214	-76	1,451
Cash flow from investment activities	-6,508	-1,965	-2,518	1,240
Financing activities				
	Note 29			
New borrowing, interest-bearing liabilities	5,345	540	6,520	978
Change in other long-term liabilities	—	-307	—	—
Change in long-term receivables	11	8	-2,390	325
Swap termination	—	-215	—	-215
Repurchase of own shares	-28	—	-28	—
Dividend paid	-1,776	-1,667	-1,776	-1,667
Cash flow from financing activities	3,552	-1,641	2,326	-579
Cash flow for the year	-12	-70	-48	53
Cash and cash equivalents opening balance	173	243	54	1
Cash and cash equivalents, closing balance	161	173	6	54

Accounting policies and Notes

(All figures in MSEK unless stated otherwise.)

Note 1 Accounting policies

General information

The financial reports of Castellum AB (the "Parent Company") for the financial year ending 31 December 2020 were approved by the Board of Directors and the Chief Executive Officer on 15 February 2021, and will be proposed to the 2021 Annual General Meeting for adoption. The Parent Company is a Swedish public limited liability company registered in Gothenburg, Sweden. The business activities of the Group are described in the Directors' Report.

Basis for preparation of the accounts

Castellum's accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated accounts have been prepared according to Swedish law by application of the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Corporate Groups. The accounts are prepared based on the fair value of investment properties and derivatives, the nominal value of deferred tax and acquisition cost for the remaining items.

Critical assessments and estimates

Accounts are completed in accordance with the IFRS, and generally accepted accounting principles require assessments and assumptions affecting recognised assets, liabilities, income and costs, as well as other information. These assessments and assumptions are based upon historical experience and other factors which are considered reasonable under the prevailing circumstances. Actual outcomes may differ from these assessments if other assumptions are made or other conditions exist.

Investment properties

For valuation of investment properties, assessments and assumptions can have a significant effect on the income and financial position of the Group. These valuations require estimates and assumptions of future cash flows and determination of the discounting factor (required yield). To reflect the uncertainty that exists in the assessments and assumptions, an uncertainty range of +/- 5-10% is normally used in property valuations. Information about this, along with prevailing assessments and assumptions, is presented in Note 13.

Asset acquisitions versus business combinations

A company acquisition can be classified as either a business combination or an asset acquisition. An acquisition whose primary purpose is acquiring a company's property (i.e. where the company's potential property management and administration are of secondary importance to the acquisition) is classified as an asset acquisition. Other company acquisitions are classified as business combinations.

For asset acquisitions, no deferred tax is recorded in the acquisition. Instead, a possible tax discount reduces the acquisition cost of the property, meaning that changes in value will be affected by the tax discount in the subsequent valuation.

Deferred tax liability

According to the accounting rules, deferred tax is to be recognised using the nominal tax rate without discount, calculated according to the tax rates set by the Riksdag: 21.4% for 2019 and 2020, and 20.6% from 2021 onward. Actual tax is considerably lower, in part due to the possibility of selling properties in a tax-efficient manner, and in part due to the time factor.

Income from property management

Castellum's operations are focused on cash flow growth from routine property management (i.e. growth in income from property management), the yearly objective being a 10% increase in income

from property management. Income from property management also forms the basis of the annual shareholder dividend: at least 50% of income from property management. The size of the changes in value have therefore not been defined; they are neither part of the basis for dividends nor of any other basis, for example, the Executive Management's incentive plan. To provide an accurate picture of Castellum's view over its business operations, the statement of comprehensive income has been prepared accordingly (i.e. changes in value not affecting cash flow are presented after items affecting cash flow). Furthermore, one performance item has been added by which the business operations are managed and targeted: income from property management.

Classification

Fixed assets and long-term liabilities consist of amounts that are expected to be recovered, or mature more than twelve months from the balance sheet date. Current assets and short-term liabilities consist of amounts that are expected to be recovered or settled within twelve months of the balance sheet date.

Consolidated financial statements

The Group's balance sheet and income statements include all companies where the Parent Company has a direct or indirect controlling interest, which is obtained when Castellum achieves a voting majority. All companies in the Group are wholly owned. In addition to the Parent Company, the Group comprises the Group companies and their respective sub-groups listed in Note 25. The consolidated financial statements are based upon the accounts prepared for all Group companies as of 31 December. The consolidated financial statements are prepared according to the acquisition method, which means that equity in the subsidiaries at the time of acquisition - calculated as the difference between the fair value of the assets and liabilities - is fully eliminated. The equity in the Group includes only the part of the equity in the subsidiaries that has been earned after acquisition.

Companies acquired or sold during the year are included in the consolidated income statement for the period in which they were owned. Intra-Group sales, income, losses and balances are eliminated in the consolidated accounts. The accounts of foreign operations are translated to SEK by translating the balance sheet at the exchange rate on the balance-sheet date - except for equity, which is translated at the historical exchange rate at the acquisition date, while profit or loss is translated at the average exchange rate for the period. Currency translation differences are recognised in other comprehensive income.

Income

Rental and service income, and income from co-working

Rental income, which from an accounting perspective represents income from operating leases, is invoiced in advance and recognised as a linear allocation in profit or loss, based on the terms in the leases. The income is divided into rental income and service income. The former includes the customary rent debited including index adjustments, additional charging for investments, and property tax; the latter refers to all other additional charging for extra services such as heating, cooling, waste, water, and so on. Service income is recognised in the period the service was performed and delivered to the tenant. Rental and service income are paid in advance, and prepaid rents are recorded as deferred rental income.

In cases where a lease permits a reduction in rent during a certain period of time matched by a higher rent at another point in time, this rent deficit and surplus are distributed over the term of the lease. Pure discounts, such as reduction for gradual occupancy, are charged to the period in which they occur.

Income from United Spaces, the wholly owned co-working group, consists of membership fees and sales of other services.

Income from property sales

Income from property sales is entered as of the contract date, unless special conditions exist in the purchasing agreement. Sales of properties in corporate wrappers are net accounted for with reference to underlying property price and calculated tax. Earnings from sales of properties are recognised as changes in value and refer to the differences between received sales prices after deduction of sales costs, calculated tax and recognised values in the latest interim report, with adjustments for investments closed down after the latest interim report.

Financial income

Financial income consists of interest income and is recognised in the period it refers to. Group contributions received, as well as dividends received and anticipated, are also recognised as financial income. The effective interest method is applied in calculating financial income.

Financial costs

Financial costs include interest costs (interest and other costs that arise when borrowing money) and, as of 2020, letting costs and site leasehold fees. Pledging costs for mortgages are not considered financial costs but are capitalised as an increase in value of the investment property. Financial costs are recognised in the period they are attributable to. Interest costs also include costs for interest rate derivative agreements. Payment streams from these agreements are taken up as income in the period they refer to. Net financial items are not affected by market valuation of the interest rate derivatives entered into, which are instead recognised as changes in value under a separate heading. The portion of the interest cost pertaining to interest rates during the production period for larger new construction, extensions or reconstructions is capitalised. Interest is calculated based on the average funding cost for the Group.

Letting costs consist primarily of leases in United Spaces, the co-working group.

From an accounting perspective, site leasehold agreements are leases. The site leasehold fee is recognised as a cost for the period it refers to.

Remuneration to employees

Remuneration to employees is recognised in pace with the performance of services in exchange for remuneration. Remuneration under incentive plans, which is settled in cash and paid as non-pensionable salary, is recognised in pace with achieving objectives and the term of the plan.

Pensions and other post-employment benefits can be classified as defined-contribution or defined-benefit plans. The majority of the Castellum Group's pension commitments are defined-contribution plans, fulfilled through regular payments to independent authorities or bodies administering the plans. Obligations regarding payments to defined-contribution plans are recognised as costs when they arise. A small number of employees within the Castellum Group have defined-benefit ITP plans with ongoing payments to Alecta. These plans are recognised as defined-contribution plans, since Alecta does not provide the information needed in order to report the plan as a defined benefit plan. There are, however, no indications of any significant liabilities exceeding what has been paid to Alecta.

Income taxes

Income tax is divided into current and deferred tax in profit or loss. Income tax is recognised in the income statement except when attributable to transactions recognised directly against equity, as the tax effect is also recognised directly against shareholders' equity. Current tax is calculated based on the current tax rate of 21.4%, while deferred tax is based on the lower tax rate of 20.6% that applies from 2021 in Sweden. As regards Denmark and Finland, current and deferred tax are calculated at 22% and 20% respectively.

Deferred tax

Deferred tax on temporary differences arising between the recognised value of an asset or liability and its tax base is recognised in Castellum under the balance-sheet method. A tax liability or tax asset is thus realised on the date the asset or liability is sold. Exceptions are made for temporary differences arising from the initial recognition of assets and liabilities that make up asset acquisitions. Castellum

has three items that contain temporary differences: properties, tax loss carry forwards and untaxed reserves. Deferred tax assets related to tax loss carry forwards are recognised, since it is probable that future taxable income, which may be utilised to offset tax loss carry forwards, will be available. Deferred tax liability is calculated on the difference between the properties' recognised value and their tax base, as well as on untaxed reserves. For changes to any of the items above, the deferred tax liability/tax asset is also changed, which is recognised in profit or loss as deferred tax.

This year's acquisitions were recognised as asset acquisitions, meaning that the deferred tax existing on the acquisition date was not included in the balance sheet.

Current tax

Current tax recognised in profit or loss corresponds to the tax the company must pay on taxable income for the year, adjusted for any current tax regarding previous periods.

Leases

Leases where essentially all risks and benefits associated with ownership fall to the lessor are classified as operational leases. From a reporting perspective, all current rental agreements attributable to Castellum's investment properties are to be regarded as leases. Recognition of these leases is indicated by the income policy and by Note 3.

There are also a small number of low-value leases, where Castellum is the lessee. These pertain primarily to cars. Payments made during the leasing period are expensed in profit or loss in a straight line over the leasing period.

Investment properties

Investment properties are properties held for the purpose of generating rental income, capital appreciation, or a combination of both rather than for use in the company's own operations for production and supply of goods and services or for administrative purposes and sales in operating activities. All of Castellum's properties, whether owned or used through site leasehold agreements, are deemed to make up investment properties. If the Group begins investment in an existing investment property for continued use as an investment property, it is also recognised as an investment property going forward.

Valuation

Investment properties, which upon acquisition were recognised at acquisition cost including expenses directly attributable to the acquisition, have been recognised in profit or loss at fair value together with changes in value. Fair value was established through an internal valuation model described in Note 13. The note also indicates the assumptions serving as the basis for the valuation. The valuation model is built on a valuation based on the current value of future cash flows with differentiated required yields per property at market rates, depending on factors including location, purpose, condition and standard. In order to provide further assurance for the internal valuation, part of the portfolio has been valued externally.

Change in value

Change in value is recognised in profit or loss and consists of both unrealised and realised change in value. The unrealised change in value is calculated based on the valuation at the end of the period compared with the valuation last year, or alternately on the acquisition cost – if the property was acquired during the year – plus additional expenses capitalised during the period. For properties sold during the year, unrealised change in value is calculated based on the valuation at the latest interim report prior to the sale, compared with the valuation at the end of the preceding year adjusted for additional expenditures capitalised during the period. The method for calculating realised change in value is indicated by the accounting policies for income from property sales.

Additional expenditures

Additional expenditures that entail economic benefits for the company (i.e. they increase valuation and can be reliably calculated) are capitalised. Costs for repairs and maintenance are expensed in the period they arise in. For major new construction, extensions and reconstructions, interest costs during the construction period are capitalised.

Acquisitions and sales

For acquisitions and sales of properties or companies, the transaction is recognised as of the signing date, provided no special conditions exist in the purchasing contract.

Tangible fixed assets

Tangible fixed assets consist of equipment recognised at acquisition cost less any accumulated depreciation and impairment. The acquisition cost includes the purchase price and costs directly attributable to bringing the asset to the site, in usable condition in accordance with the aim of the acquisition. Depreciation of equipment is based on the acquisition cost less any later impairments. The residual value is assumed to be non-existent. Impairments on assets acquired during the year take the acquisition date into account. Depreciation is on a straight-line basis, which means equal depreciation over the period of use – normally five years, except for computers, which are expected to have a three-year period of use.

Goodwill

Goodwill in the consolidated accounts represents the difference between the acquisition cost and the Group's share of the fair value of the acquired Group company's identifiable net assets at the acquisition date.

Goodwill recognised in the Group is attributable to deferred tax and the acquisition of the co-working company United Spaces. On the acquisition date, goodwill is valued at acquisition cost; thereafter, it is valued at acquisition cost less any impairment. Goodwill is tested at least once a year regarding the need for any impairment, or when there is an indication that a recognised value is not recoverable.

Financial instruments

Financial instruments recognised in the balance sheet include cash and cash equivalents, rent receivables, financial assets, other receivables and loan receivables among assets; and interest rate and currency derivative instruments, accounts payable, other liabilities and loans among liabilities.

Financial instruments are initially recorded at fair value equivalent to acquisition cost plus transaction costs, excepting the category of financial instruments recognised at fair value through the income statement, where transaction costs are excluded. Subsequent recognition occurs thereafter depending on classification in accordance with the below.

Financial transactions such as receipt or payment of interest and credits are recognised on the settlement day of the bank keeping the account, while other receipts and payments are recognised on the accounting date of the bank keeping the account.

A financial asset is removed from the balance sheet when the rights in the agreement are realised or expire, or when the company no longer exercises control over it. A financial liability is removed from the balance sheet when contractual obligations in the agreement have been paid or otherwise extinguished.

Cash and cash equivalents

Cash and cash equivalents could consist of the Group's available cash balances in banks and similar institutions, as well as bank deposits with a residual maturity of no more than ten (10) banking days, short-term investments in government bonds and bank and municipal bonds with a residual maturity of a maximum of three (3) months. At 31 December, cash and cash equivalents consisted entirely of unappropriated bank balances.

Receivables

Financial assets which are not derivatives, that feature fixed or fixable payments and are not quoted on an active market, are recognised as receivables. Financial assets are classified under amortised cost, fair value through profit or loss or fair value through other comprehensive income based on the character of the asset's cash flow and on the business model that covers the asset. All Castellum's financial assets that are not derivatives meet the criteria for contractual cash flows and are held in a business model whose purpose is to collect these contractual cash flows. The receivables are thereby recognised at amortised cost. The Group has rent receivables and other receivables, where the latter pertains chiefly

to VAT and tax receivables, and receivables attributable to properties sold. After individual valuation, receivables were taken up at the amount at which they are expected to be received, which means that they are recognised at acquisition cost with allowance for uncertain receivables.

The simplified model for credit loss provisions is used for the Group's receivables with the exception of cash and cash equivalents. Credit provisions are routinely assessed based on historic data as well as current and prospective factors. Owing to the short tenor of the receivables, the amounts of the allowances are insignificant. The Group defines "in default" as receivables that are overdue by more than 90 days; in such cases, an individual assessment and allowance are made. The allowance for cash and cash equivalents is assessed based on the likelihood of default and on prospective factors. Owing to short tenors and high credit ratings, the amounts of the allowances are insignificant.

Receivables in the Parent Company consist only of receivables from the subsidiaries, which are recognised at acquisition cost. Receivables from the subsidiaries are analysed in the general model, and the expected credit reserves are calculated based on the contract, adjusted for prospective factors and taking the value of the collaterals into account. Receivables without collaterals in properties are an insignificant amount, and given the value of the collaterals, the amount of the reserve is insignificant. For comparison figures under IAS 9: Financial assets that are not derivatives, feature fixed or fixable payments and are not quoted on an active market are recognised as receivables. Allowance is made for uncertain receivables when there are objective risk assessments that the Group might not receive the entire receivable.

Liabilities

Liabilities refer to credits and operating liabilities such as accounts payable. The majority of Castellum's credit agreements are long-term. In the event short-term credits covered by unutilised long-term credit agreements are taken out, these are also considered long-term. The credits are recognised in the balance sheet on the settlement day and recognised at amortised cost. Accrued unpaid interest is recognised under accrued expenses. A liability is recognised when the counter-party has delivered and a contractual obligation to pay exists, even if an invoice has not yet been received. Accounts payable are recognised when the invoice is received. Accounts payable and other operating liabilities with short maturities are recognised at nominal value.

Foreign currency

Transactions in foreign currencies are translated to Swedish kronor (SEK) at the exchange rate current at the time of the transaction. Monetary assets and liabilities are translated at the rate on the balance sheet date.

Derivatives

Interest rate derivatives comprise financial assets or liabilities measured at fair value, with changes in value recognised in profit or loss. To manage exposure to fluctuations in the market interest rate in accordance with its adopted financial policy, Castellum has entered into interest rate derivative agreements. Changes in value will occur when using interest rate derivatives, depending primarily on changes to the market interest rate. Interest rate derivatives are initially recognised on the trade date at acquisition cost in the balance sheet, and subsequently appraised at fair value, with changes in value, in the income statement.

Changes in value can be realised as well as unrealised. Realised changes in value refer to settled interest rate derivative contracts and constitute the difference between the price at the time of settlement and the recognised value according to the latest interim report. Unrealised changes in value refer to the changes in value that arose during the period for the interest rate derivative agreements Castellum held at the end of the period. Changes in value are calculated based on valuation at the end of the period, compared to valuation from the previous year, or alternately the acquisition cost if the interest rate derivative agreement was entered into during the year. For interest rate derivatives settled during the year, an unrealised change in value is recognised and calculated based on valuation at the time of the latest interim report, prior to settlement, com-

pared with valuation at the end of the preceding year. Rolling cash flows under the agreement are taken up as income for the period they refer to.

Castellum uses currency derivatives in order to hedge investments in Denmark and Finland as well as to manage currency risk and adjust its interest rate structure for borrowing in the international capital market. Financing of foreign investments can be achieved both through raising loans in the functional currency of the foreign company, and by entering into currency derivatives. Castellum applies hedge accounting for both net investments in foreign operations and currency exposure as a consequence of borrowing in the international capital market in those cases where currency derivatives are used. They are initially recognised in the balance sheet at acquisition cost on the transaction date, and thereafter reported at fair value in which the effective portion of the change in exchange rate regarding the hedging instrument is recognised in other comprehensive income, while the ineffective portion is recognised as a change in value in the income statement. The exchange rate on the balance sheet date is used to establish fair value.

At the time the hedge is opened, there is hedging documentation describing the hedging as well as the company's strategy and risk management, and a description of the efficiency of the hedging and how it is measured and monitored.

Based on the criteria below, the hedging is deemed to be very efficient.

There is a financial link between the hedged item and the hedging instrument. The effects of credit risk are not predominant in the changes following from the financial link. The hedge ratio for the hedging relationship is the same as the one resulting from the quantity of the hedged item that the company actually hedges and the quantity of the hedging instrument that the company actually uses to hedge the amount of hedged items.

If a hedge ceases to be efficient for reasons related to the hedge ratio but nothing changes in the risk strategy, the company will rebalance the hedge.

Castellum designates only the spot risk in hedges using forward contracts; other parts of the market value are recognised in profit or loss.

The Group discontinues hedge reporting only when the hedge no longer meets the qualification criteria: when the hedging instrument is sold or redeemed, or when a hedged forecast no longer meets the requirements for being highly probable. Adjustments for counterparty risk - credit valuation adjustment (CVA) and derivative valuation adjustment (DVA) - are made when appraising derivatives at fair value.

Equity

Repurchase of own shares

Repurchased shares reduce equity by the purchase price paid, including any transaction costs.

Dividends

Dividends are recognised as a reduction of equity after resolution by the Annual General Meeting (AGM). Anticipated dividends are recognised as financial income by the recipient.

Earnings per share

Calculation of earnings per share is based on the Group's net income for the year pertaining to the shareholders of the parent company, and on the weighted average number of shares outstanding during the year.

Provisions

Provisions are liabilities that are uncertain as regards time of payment or amount. A provision is recognised when there are contractual obligations, court orders or other legal grounds likely to involve future payments. The amount allocated is routinely assessed. Obligations that fall due in over a year are appraised through discounting.

Definition of operating segments

The Group's operations are organised, governed and reported by geographical region. Operating segments are consolidated accord-

ing to the same principles as the Group in its entirety. Income and costs reported for each operating segment are actual costs. No allocation of shared costs has thus been made. The same applies to the assets and liabilities recognised in the note on segments.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. Net profit or loss is adjusted for effects of non-cash transactions during the period as well as for income or costs associated with the cash flow from investment or financing activities.

Differences in Group and Parent Company accounting policies

The Annual Report of the Parent Company has been prepared according to the Annual Accounts Act and by application of the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for legal entities. RFR 2 states that a legal entity shall apply the same IFRS/IAS that are applied in the consolidated accounts, with exceptions for and additions of rules and laws mainly according to the Annual Accounts Act, and with consideration to the relationship between accounting and taxation. Differences in accounting policies between the Group and the Parent Company are presented below.

Presentation

The income statement and balance sheet for the Parent Company are presented according to the Annual Accounts Act schedules.

Shares in Group companies

Shareholdings in Group companies are accounted for in the Parent Company according to the acquisition cost method. The carrying amount is regularly compared to the subsidiary's consolidated equity. In the event the carrying amount is lower than the consolidated value of the Group companies, an impairment is recognised in profit or loss. Previous write-downs that are no longer justified are reversed.

Contingent liabilities

Contingent liabilities for the benefit of Group companies are financial guarantees and accounted for in accordance with RFR 2 (i.e. they are not recognised as provisions). Instead, Castellum provides information in the notes.

New accounting policies

New and revised existing standards and interpretations, approved by the EU

New standards that entered force in 2020

As of 2020, IASB has made a change in IFRS 3 concerning setting the boundary between business combinations and asset acquisitions by introducing a new definition of business activities. In practice, the new definition means that if the purchase consideration for the shares in a business acquisition is essentially attributable to the market value of the properties acquired, the acquisition constitutes an asset acquisition. In simpler terms, this means that the surplus value in its entirety is allocated to properties, and no goodwill thus arises.

Other EU-approved new and amended standards, as well as interpretations from the IFRS Interpretations Committee, are currently not expected to affect Castellum's net income or financial position to any significant extent.

Otherwise, accounting policies and calculation methods remain unchanged compared to last year's Annual Report.

Changes in Swedish regulations

Changes in 2020 had no material impact on Castellum's accounting but have primarily entailed slightly increased disclosure requirements.

New standards that enter force in 2021

Other EU-approved new and amended standards, as well as interpretations from the IFRS Interpretations Committee, are currently not expected to affect Castellum's net income or financial position to any significant extent. The same applies to Swedish regulations.

Note 2 Operating Segments

Castellum owns properties above all in Sweden, but in Denmark and Finland as well. The Group's operating segments consist of the following geographical areas: Central (Örebro, Vasterås, Linköping, Norrköping, Jönköping and Växjö), West (Greater Gothenburg incl. Borås and Halmstad), Stockholm-North (Stockholm, Uppsala and

Gävle), Öresund (Malmö, Lund, Helsingborg and Copenhagen) and Finland. The operating segments are identified by geographical field of activity, which is according to how they are followed up and analysed by the highest operational decision-maker in the Group. The Group manages only commercial properties.

Operating segments	Central		West		Stockholm-North		Öresund		Finland		Unallocated items		Total segments	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Rental income, external	1,491	1,406	1,277	1,222	1,492	1,512	1,123	1,069	55	56	0	—	5,438	5,265
Service income, external	104	98	88	106	119	139	139	107	4	2	0	—	454	452
Co-working income, external	0	—	0	—	0	—	0	—	0	—	112	104	112	104
Income	1,595	1,504	1,365	1,328	1,611	1,651	1,262	1,176	59	58	112	104	6,004	5,821
Property costs	-451	-465	-349	-371	-364	-412	-334	-336	-25	-18	-26	-7	-1,549	-1,609
Co-working costs	0	—	0	—	0	—	0	—	0	—	-120	-99	-120	-99
Central administration expenses	-7	-6	-8	-7	-10	-8	-9	-9	-4	0	-111	-133	-149	-163
Interest income	13	14	12	9	10	22	23	17	0	0	-52	-62	6	0
Leases/site leasehold fees	-2	-2	-6	-6	-7	-7	-3	-3	0	—	-2	-4	-20	-22
Interest costs	-235	-230	-224	-204	-215	-238	-192	-180	-22	-18	96	88	-792	-782
Income from prop. mgmt	913	815	790	749	1,025	1,008	747	665	8	22	-103	-113	3,380	3,146
Impairment, goodwill/Trans. costs	0	—	0	—	0	—	0	—	0	—	-95	-188	-95	-188
Change in values on properties	705	1,295	948	743	1,247	1,237	734	624	229	19	0	—	3,863	3,918
Change in values on derivatives	0	—	0	—	0	—	0	—	0	—	-120	-111	-120	-111
Income before tax	1,618	2,110	1,738	1,492	2,272	2,245	1,481	1,289	237	41	-318	-412	7,028	6,765
Investment properties	24,316	22,908	23,160	22,411	32,452	30,364	20,402	18,626	2,712	859	0	—	103,042	95,168
<i>of which investments this year</i>	<i>703</i>	<i>2,401</i>	<i>571</i>	<i>1,755</i>	<i>962</i>	<i>933</i>	<i>1,265</i>	<i>1,022</i>	<i>1,657</i>	<i>1</i>	<i>0</i>	<i>—</i>	<i>5,158</i>	<i>6,112</i>

Of the Group's external rental income and investment properties, MSEK 476 (474) refers to rental income from tenants in Denmark and MSEK 9,091 (7,247) refers to investment properties located in Denmark and Finland.

Note 3 Income

Rental value

The Group's income totalled MSEK 6,004 (5,821). Rental income includes discounts of MSEK 119 (90) as well as a lump sum of MSEK 16 (16) as a result of early termination of leases. Rental income consists of the rental value less the value of vacant premises during the year and service income. Rental value refers to income received and the estimated market rent of vacant premises. The rental value also includes supplementary charges for the tenant such as heating, property tax and an indexation supplement. Income for the year also includes MSEK 112 (104) from United Spaces, the co-working company acquired during the year. Castellum granted discounts of MSEK 14 in accordance with the government's rent support package linked to COVID-19, whereby Castellum takes 50% of the cost. Accordingly, for reasons of simplification, rental income was reduced by a net amount of MSEK 7. Furthermore, MSEK 20 in non-recurring income was received during the year, which consists of a number of insurance cases that were settled.

Rental value in SEK per square metre for the different geographies and types of properties, as well as which areas contributed to the income trend, are shown in the tables below. Rental levels in the like-for-like portfolio increased 2% (4) year-on-year.

Rental value, SEK/sq. m.	Offices		Public sector properties		Warehouse/Logistics	
	2020	2019	2020	2019	2020	2019
Central	1,544	1,510	1,783	1,735	812	829
Öresund	2,127	2,077	2,244	2,190	842	835
Stockholm	2,424	2,251	3,168	3,020	1,242	1,216
West	1,815	1,760	1,360	1,337	821	808
North	1,632	1,521	1,492	1,485	—	—
Finland	3,120	3,660	—	—	—	—
Total	1,949	1,858	1,939	1,859	912	904

Rental value, SEK/sq. m.	Retail		Light industry		Total	
	2020	2019	2020	2019	2020	2019
Central	1,288	1,197	1,070	1,052	1,469	1,440
Öresund	1,522	1,500	792	750	1,667	1,659
Stockholm	1,537	1,584	1,250	1,294	1,901	1,834
West	1,278	1,375	873	851	1,191	1,181
North	—	—	—	—	1,499	1,487
Finland	—	—	—	—	3,120	3,660
Total	1,414	1,417	979	966	1,538	1,495
Earnings trend, MSEK	2020		2019		Change, %	
Like-for-like portfolio	5,377		5,259		2.2%	
Development properties	254		190			
Transactions	261		268			
Co-working	112		104			
Income	6,004		5,821		3.1%	

Renegotiation

Commercial leases, for which rents are paid quarterly in advance, are signed for a fixed period of time, which means that a change in market rents does not have an immediate effect on rental income. Rental levels can only be changed when the lease in question is due for renegotiation. Commercial leases include an index clause, which provides for an upward adjustment of the rent corresponding to a certain percentage of inflation during the previous year.

The lease maturity structure for Castellum's portfolio is shown in the table below, where lease value refers to annual value. The relatively low proportion of contracts maturing in 2021 is primarily due to the fact that most contracts, owing to notice periods, have already been renegotiated. The most common terms for new lettings include a 3-5 year duration, with a nine-month notice period. The average remaining lease duration in the portfolio is 3.9 years (4.0).

Lease maturity structure	No. of leases	thousand sq. m.	Lease value, MSEK	Percentage of value
Commercial, term				
2021	1,612	297	384	7%
2022	1,516	751	1,124	20%
2023	1,245	780	1,140	20%
2024	788	567	854	15%
2025	226	293	496	8%
2026+	330	939	1,558	27%
Total	5,717	3,627	5,556	97%
Residential	446	34	42	1%
Parking spaces and other	5,911	5	101	2%
Total	12,074	3,666	5,699	100%

Economic occupancy rate

The average economic occupancy rate during 2020 was 93.1% (93.8). Gross lettings (i.e. the annual value of total lettings) during the period was MSEK 644 (411), of which MSEK 258 (56) pertained to lettings in conjunction with new construction, extensions and reconstructions. Notices of termination amounted to MSEK 405 (435), of which bankruptcies were MSEK 9 (16). MSEK 17 (18) related to notice periods with more than 18 months left of the contract. Hence, net lettings for the year were MSEK 239 (-24). The time difference between reported net lettings and the effect in income is estimated to be 9-18 months.

Economic occupancy rate	Offices		Public sector properties		Warehouse/Logistics	
	2020	2019	2020	2019	2020	2019
Central	91.9%	91.4%	96.7%	94.4%	87.7%	92.4%
Öresund	92.0%	91.0%	98.7%	99.0%	90.2%	93.5%
Stockholm	90.4%	95.1%	97.2%	95.4%	94.9%	92.6%
West	92.5%	95.7%	90.4%	93.9%	96.9%	93.2%
North	98.4%	93.0%	95.3%	94.6%	—	—
Finland	86.2%	100.0%	—	—	—	—
Total	91.4%	93.2%	96.5%	95.3%	92.8%	93.0%

Economic occupancy rate	Retail		Light industry		Total	
	2020	2019	2020	2019	2020	2019
Central	97.6%	97.2%	96.8%	96.9%	92.5%	93.1%
Öresund	90.2%	86.3%	94.0%	95.4%	91.4%	92.4%
Stockholm	94.9%	94.9%	95.5%	95.9%	91.6%	94.6%
West	96.9%	97.6%	95.8%	95.6%	90.7%	94.8%
North	—	—	—	—	94.6%	94.5%
Finland	—	—	—	—	86.2%	100.0%
Total	95.4%	94.8%	95.5%	95.9%	93.1%	92.6%

Risk exposure, credit risk

Castellum's lease portfolio features a good risk exposure. The Group has approximately 5,700 commercial leases and 44 residential leases; their distribution in terms of size is presented in the table below. The single largest lease accounts for 2% of the Group's total rental income, while the corresponding figure for the single largest customer is 3%, which means that Castellum's exposure to credit risk from a single customer is very low.

Lease size, MSEK	No. of leases	Share	Lease value, MSEK	Share
Commercial				
<0.25	2,777	23%	199	3%
0.25-0.5	922	8%	340	6%
0.5-1.0	831	7%	590	10%
1.0-3.0	795	6%	1,374	24%
>3.0	392	3%	3,053	54%
Total	5,717	47%	5,556	97%
Residential	446	4%	42	1%
Parking spaces and other	5,911	49%	101	2%
Total	12,074	100%	5,699	100%

The table below shows contractual future rental income.

Future rental income for existing leases	Group		Parent Company	
	2020	2019	2020	2019
Contractual rental income, year 1				
Commercial leases	5,755	5,501	—	—
Residential	14	13	—	—
Contractual rental income between 2 and 5 years	12,730	12,315	—	—
Contractual rental income after more than 5 years	6,502	4,747	—	—
Total	25,001	22,576	—	—

Rent receivables

Rents are invoiced and paid in advance, which means that all of the Group's rent receivables total MSEK 47 (70) after provisions/impairments of MSEK 33 (28) fell due for payment.

Parent Company

The Parent Company consists of only Group-wide functions and the turnover mainly consists of intra-Group services.

Note 4 Costs

Direct property costs totalled MSEK 1,170 (1,235), corresponding to SEK 279 per square metre (292). Costs include both direct property costs (such as operation, maintenance, site leasehold fee and property tax) and indirect costs (lettings and property administration expenses). In addition, expenses for co-working of MSEK 120 (99) are included.

Cost trend, MSEK	2020	2019	Change, %
Like-for-like portfolio	1,048	1,119	-6.3%
Development properties	61	51	—
Transactions	61	65	—
Direct property costs	1,170	1,235	-5.3%
Co-working	120	99	—
Property administration	379	374	—
Central administration expenses	149	163	—
Costs	1,818	1,871	-2.8%

Operating costs

Operating costs include costs such as electricity, heating, water, facilities management, cleaning, insurance, rent losses and property-specific marketing costs. Most costs are recharged to the customers as supplements to rent. For warehouse and logistics properties, however, customers are in most cases directly responsible for the majority of operating costs. Operating costs amounted to MSEK 654 (711) corresponding to SEK 155 per square metre (166). Operating

note 4 cont.

costs, which are considered to be at a normal level for the business, are weather dependent, and vary between years and seasons. Operating costs include rent losses of MSEK 19 (13), corresponding to 0.0% of rental income.

Maintenance

Maintenance costs are ongoing measures to maintain the property's standard and technical systems. Maintenance costs totalled MSEK 145 (157), corresponding to SEK 38 per square metre (38).

Property tax

The Group's property tax was MSEK 371 (367), corresponding to SEK 86 per square metre (88). Property tax is a federal tax based on the property's tax-assessed value. The tax rate for 2020 was 1.0% of the tax assessment value for office/retail properties and 0.5% for warehouse/logistics. A large part of the property tax will be charged onward to the customer.

Lettings and property administration expenses

The Group's lettings and property administration expenses 2020 were MSEK 379 (374), corresponding to SEK 90 per square metre (92). Lettings and property administration expenses are indirect costs for routine property management, as well as costs for leasing operations, rent negotiation, leases, and rent debiting and collecting as well as accounting and project administration costs, and costs for depreciation on equipment and installations at subsidiaries. Of those costs, MSEK 220 (202) pertained to employee benefits and MSEK 21 (12) to depreciation on equipment.

Summary property costs

Property costs per square metre, distributed by property category and type of cost are shown below.

Property costs, SEK/sq. m.	Offices		Public sector properties		Warehouse/Logistics	
	2020	2019	2020	2019	2020	2019
Operating costs	208	217	173	185	93	102
Maintenance expenses	56	49	35	42	18	23
Property tax	130	135	112	106	28	29
Direct property costs	394	401	320	333	139	154

Property costs, SEK/sq. m.	Retail		Light industry		Total	
	2020	2019	2020	2019	2020	2019
Operating costs	134	149	98	113	155	166
Maintenance expenses	32	30	25	29	38	38
Property tax	75	73	27	28	86	88
Direct property costs	241	252	150	170	279	292
Lettings /property administration expenses					90	92
Total	241	252	150	170	369	384

Central administrative expenses

Central administrative expenses consist of costs for portfolio management and administration as well as costs for maintaining the Stock Exchange listing. This involves all costs for Castellum AB covering Executive Management, the finance and accounting department, IT, staff, investor relations, annual report, audit fees, depreciation of equipment and facilities, and so on. Costs for the CEO at the regional level are also included. Of the costs, excluding the incentive plan described below, MSEK 79 (80) pertains to remuneration to employees and MSEK 13 (11) to depreciation on equipment.

Central administrative expenses also include costs relating to an earnings and share price-related incentive plan for Executive Management amounting to MSEK 14 (10).

Auditors' fees

Auditors' fees	Group		Parent Company	
	2020	2019	2020	2019
Audit assignment	5	3	1	1
Audit in addition to the audit assignment	2	1	0	1
Other services	0	0	0	1
Total	7	4	1	3

The Group's total remuneration to auditors of KSEK 7,035 (4,431) refers to all remuneration to Deloitte.

Note 5 Acquisition costs

In the fourth quarter of 2020, Castellum announced its intention to present the shareholders of Entra with an offer to combine Castellum with the Norwegian listed property company. Costs worked up pertaining to the above total approximately MSEK 25. In 2019, Castellum acquired the co-working company United Spaces, which resulted in acquisition costs of MSEK 9.

Note 6 Interest and financial income

	Group		Parent Company	
	2020	2019	2020	2019
Interest income	3	2	0	0
Group contributions received, subsidiaries	—	—	207	100
Anticipated dividend, subsidiaries	—	—	1,876	1,441
Interest income, subsidiaries	—	—	895	865
Other financial income	3	—	—	8
Total	6	2	2,978	2,414

Interest income, for both the Group and the Parent Company, is attributable to receivables valued at amortised cost.

Note 7 Interest and financial costs

	Group		Parent Company	
	2020	2019	2020	2019
Interest costs	792	782	804	779
Interest costs, subsidiaries	—	—	74	81
Fees for acquisitions	70	—	70	—
Other financial costs	—	2	25	0
Total	862	784	973	860

Net interest expense for the year was MSEK 786 (expense: 782). During the year, interest expenses of MSEK 37 (28) were capitalised regarding investments in the asset portfolio, where an average interest rate level of 1.9% (2.0) was used. Of the Group's interest costs, MSEK 641 (594) pertains to liabilities valued at amortised cost. The corresponding value for the Parent Company is MSEK 653 (590). The remaining interest costs refer primarily to ongoing interest attributable to Castellum's interest rate and currency derivatives.

Castellum signed credit agreements both to ensure financing of the combination with Entra and to have full coverage for Entra's outstanding interest-bearing liabilities. Net income for the period was charged with approximately MSEK 70 for these credits.

Note 8 Letting cost/Site leasehold fee

Site leasehold fees including leasing fees for 2020 totalled MSEK 18 (22), of which almost half the amount relates to Greater Stockholm. Site leasehold fee is the annual fee paid to the municipality by the owner of a building on land owned by the municipality. The fee is currently calculated in such a way that the municipality receives a fair real interest rate based on the estimated market value of the site. The site leasehold fee is spread over time and is mostly renegotiated at intervals of 10 to 20 years. At year-end 2020, Castellum had 55 (51) properties with site leaseholds. Existing site leasehold agreements mature relatively evenly over the next 60 years. In most cases, when notice of termination is given for a site leasehold agreement, the property owner (the municipality) is to compensate Castellum for buildings, etc. There are, however, a few agreements where the municipality can demand that the land be restored.

Future contractual site leasehold fees	Group		Parent Company	
	2020	2019	2020	2019
Contractual site leasehold fees year 1	18	15	—	—
Contractual site leasehold fees between years 2 and 5	66	54	—	—
Contractual site leasehold fees later than 5 years	297	230	—	—
Total	381	299	—	—

In addition, interest costs for leases totalled approximately MSEK 2 (4) attributable to leases in United Spaces, the wholly owned co-working company.

Note 9 Goodwill

In 2019, Castellum sold its entire portfolio in Sundsvall, which entailed impairment of goodwill corresponding to the deferred tax arising in conjunction with the 2016 acquisition of Norrporten, attributable to the property portfolio in Sundsvall.

Note 10 Changes in value

Properties

Both interest in property investments (which was rather uncertain in the first half-year) and access to capital strengthened during the second half-year, which has resulted in a stable and strong property market despite it still being impossible to fully overview the effects of the pandemic. A certain amount of differentiation is occurring among different property types, with secure cash flows remaining particularly attractive. Castellum recognised an unrealised change in value of MSEK 3,712 (4,276). Moreover, sales of MSEK 151 (-358) were recognised, which comprised an earnout from the sale of the Archimedes property in Stockholm in 2018 (the detailed development plan entered force last year and the transaction has finally been settled) as well as the sale of five properties at a price that exceeded their value by approximately MSEK 30.

Castellum signed agreements in late 2020 on the sale of an asset portfolio to Blackstone for approximately SEK 18.1 billion, net, less costs and deferred tax of approximately MSEK 900, entailing an underlying property value of approximately SEK 19 billion. The sale was divided into two tranches:

- *Portfolio No. 1*, with a net sale price of approximately SEK 5 billion and a valuation at year end of approximately SEK 4.8 billion, with hand-over in early February. The transaction was contingent upon approval by the Swedish Competition Authority (granted in January 2021) and will thus be recognised as sold in the first quarter of 2021.
- *Portfolio No. 2*, with a net sale price of approximately SEK 13.1 billion and a valuation at year end of approximately SEK 12.7 billion, with hand-over in late March or early April. The transaction was contingent upon both approval by the Swedish Competition Authority (received in January 2021) and the successful combination with Entra (offer withdrawn in February 2021).

Since each property is valued individually, consideration has not been given to the portfolio premium that can be seen in the property market. The net increase in value, including this year's change, over the past ten years has been 3.3% per year, which is higher than inflation of approximately 0.9% during the same period.

Derivatives

Castellum uses interest rate derivatives to achieve the desired interest rate maturity structure. If the agreed interest rate deviates from the market interest rate, notwithstanding credit margins, a theoretical surplus or deficit value arises in the interest rate derivatives, where changes in value not affecting the cash flow are recognised in profit or loss. Castellum also holds derivatives in order to hedge currency fluctuation in its investments in Denmark and Finland as well as to manage currency risk and adjust its interest rate structure in connection with borrowing in the international capital market. As for currency derivatives, a theoretical surplus/deficit value occurs if the agreed exchange rate deviates from the current exchange rate, where the effective portion of changes in value is accounted for in other comprehensive income.

The value of the derivatives changed by MSEK -120 (-111), mainly due to changes in long-term market interest rates.

Note 11 Income taxes

Recognised tax totalled MSEK 1,413 (1,115), of which MSEK 247 (165) is current tax. Current tax is calculated based on a nominal tax rate of 21.4%, while deferred tax is based on the lower tax rate of 20.6% in effect in Sweden from 2021. Current tax is based on taxable income for the year, which is lower than the recognised earnings. This is mainly an effect of the possibility to use tax depreciation on buildings, to use direct tax deductions for certain property reconstructions, which are capitalised in the accounts, tax-free sales of properties and to utilise existing tax loss carry forwards. Deferred tax is a provision for future tax that will be paid when the properties are sold, and the depreciation for tax purposes and the capitalised investments deducted for tax purposes are reversed.

Swedish accounting legislation does not permit the recognition of properties at fair value in legal entities; that is why changes in value on properties only occur at Group level and thus do not affect taxation. Certain financial instruments, such as interest rate swaps, might be recorded at fair value at entity level. In Castellum's case, the changes in value on such instruments are covered in the interest deduction limitation regulations introduced in Sweden during 2019.

Tax paid arises as a result of existing tax loss carry forwards being locked in and can thus not be utilised in the Group as a whole.

Tax calculation for the Group	Basis 2020		Basis 2019	
	Current tax	Deferred tax	Current tax	Deferred tax
Income from prop. mgmt	3,380	—	3,146	—
Non-deductible interest	174	—	190	—
Deductions for tax purposes				
depreciation	-1,319	1,319	-1,166	1,166
reconstructions	-392	392	-658	658
Other tax adjustments	-439	165	-142	190
Taxable income from property management	1,404	1,876	1,370	2,014
Sales of properties	3	-181	—	-2,273
Change in values on properties	—	3,712	—	4,276
Change in values on derivatives	—	—	—	—
Taxable income before tax loss carry forwards	1,407	5,407	1,370	4,017
Tax loss carry forwards, opening balance	-854	854	-1,081	1,081
Previously uncapitalised tax loss carry forwards	—	—	-370	370
Tax loss carry forwards, closing balance	603	-603	854	-854
Taxable income	1,156	5,658	773	4,614
Tax in profit or loss	-247	-1,166	-165	-950

note 11 cont.

Tax loss carry forwards consist of prior years' tax losses. The losses, which are not restricted in time, are used to offset future taxable profits. Remaining tax loss carry forwards are estimated at MSEK 603. Total tax may differ from nominal tax due to non-taxable/tax-deductible income/costs or as an effect of other tax adjustments. Total tax recognised by Castellum is less than nominal tax. The effective tax on income from property management, without consideration of tax loss carry forwards, can be calculated to 9%.

Tax cost/income	Group		Parent Company	
	2020	2019	2020	2019
Recognised income before tax	7,028	6,765	1,764	1,502
Tax according to current tax rate	-1,448	-1,394	-377	-309
Tax effects due to:				
non-taxable dividend	—	—	401	297
non-deductible impairment, shares in Group companies	—	—	-14	-11
non-taxable reverse impairment, shares in Group companies	—	—	—	53
non-deductible interest/chg in value on derivatives	-61	-62	-28	-26
non-taxable sales, prop./Group companies	30	394	—	—
Other tax adjustments	66	-53	3	-2
Tax expense/income recognised	-1,413	-1,115	-15	2

Note 12 Personnel and Board of Directors

Number of employees	Group		Parent Company	
	2020	2019	2020	2019
Average number of employees	413	420	81	74
of which women	162	163	49	41
of which Finland (of which women)	2 (1)	1 (0)	—	—
of which Denmark (of which women)	12 (3)	13 (4)	—	—

Salaries, remuneration and benefits

Salaries, remuneration and benefits	Group		Parent Company	
	2020	2019	2020	2019
Chairman of the Board	1.2	1.1	1.2	1.1
Other Board members	3.0	2.9	3.0	2.9
Chief Executive Officer				
Fixed salary	4.7	4.7	4.7	4.7
Variable remuneration	3.5	2.3	3.5	2.3
Benefits	0.1	0.1	0.1	0.1
Other senior executives				
Group: 7 (8), Parent Company: 3 (4)				
Fixed salary	13.2	15.1	5.9	10.1
Variable remuneration	7.2	5.9	2.5	2.9
Benefits	0.6	0.5	0.2	0.2
Employees excl. exec. mgmt	286.1	256.4	79.5	53.1
Total	319.6	289.0	100.6	77.4

Salaries, remuneration and benefits	Group		Parent Company	
	2020	2019	2020	2019
Contractual pensions costs				
Chief Executive Officer	1.5	1.4	1.5	1.4
Other senior executives (7m 3w)	4.2	4.9	1.9	3.3
Employees excl. exec. mgmt	35.6	31.7	11.6	7.0
Total	41.3	38.0	15.0	11.7
Statutory social security expenses incl. payroll tax				
Chairman of the Board	—	0.3	—	0.3
Other Board members	—	0.9	—	0.9
Chief Executive Officer	3.0	2.6	3.0	2.6
Other senior executives (7m 3w)	7.6	7.9	3.2	5.0
Employees excl. exec. mgmt	98.4	88.2	27.8	18.4
Total	109	99.9	34.0	27.2
Total	469.9	426.9	149.6	116.3

During 2020, the Parent Company had 8 (7) board members, of whom 4 (4) were women, while the total number of Board members in the Group's subsidiaries was 13 (14), of whom 4 (5) were women. At year end, the Group had 8 (9) senior executives, of whom 4 (4) were women. The total number of senior executives in the management groups of all the subsidiaries, and senior executives of the Group, was 37 (37), of whom 14 (14) were women.

Board remuneration

Board remuneration was set by the 2020 Annual General Meeting at KSEK 4,640, of which KSEK 1,015 was allocated to the Chairman of the Board and KSEK 425 to each of the remaining Board members. Additional remuneration totalling KSEK 650 is also due. These amounts apply from the AGM on 19 March 2020 to the AGM on 25 March 2021.

Remuneration to the Board	2020	2019
Charlotte Strömberg	1,189	1,076
Per Berggren	490	451
Anna-Karin Hatt	490	451
Christer Jacobson	421	401
Christina Karlsson Kazeem	421	401
Nina Linander	609	551
Johan Skoglund	121	476
Zdravko Markovski	263	0
Joacim Sjöberg	213	0
Total	4,217	3,807

Executive Management

At year end, the CEO, the Chief Financial Officer, the Communications Director and HR Director, as well as the four managing directors of the regions, were part of Castellum AB.

Remuneration and benefits

Remuneration and benefits for Executive Management are prepared by the Remuneration Committee and decided by the Board of Directors. The remuneration comprises a fixed salary as well as a variable remuneration according to an incentive plan, described below. During the three-year period of the plan, variable remuneration can amount to a maximum of three years' salary. Executive Management has an incentive plan that comprises two components:

- A profit-based component that is based on growth in income from property management compared to the previous year, as well as an overall estimation of development for certain individual factors. Full outcome requires that growth in income from property management per share reaches 10% per year. When growth is in the 0-10% range, a linear calculation of the incentive is

made. The profit-based component is paid out yearly as salary after the year-end closing and can total no more than six months' salary per year. The outcome for 2020 was 72% (71), representing a cost of MSEK 6 (6) including social security contributions. The programme expired at the end of 2020.

- A share price-based component that is based on the total return on the Castellum share during a three-year period, both in nominal figures and compared with index for property shares in Sweden, the Eurozone and the UK. For full outcome of the incentive plan, the total return must be at least 50% during the period and the total yield has to exceed index development by at least 5 percentage points during the period. When growth is in the 0-50% and 0-5 percentage points ranges respectively, a linear calculation of the incentive is made. Any variable remuneration is paid as salary after the measurement period from June 2020 to May 2023. During the three-year period, the share price-based portion may total no more than one and a half years' salary, equivalent to a cost for Castellum of MSEK 34 including social security expenses. As of December 2020, the time-adjusted outcome was 64% (75%), representing a cost of MSEK 4 (15) including social security contributions. Final reading and set-offs will occur in May 2023. A three-year share price-related incentive plan expired in May 2020, which is why a set-off occurred that resulted in costs in 2020 of MSEK 1 including social security contributions.

Executives in receipt of variable remuneration according to the incentive plan must acquire Castellum shares for at least half of the amount of the payment due after tax. The paid incentive does not affect pensionable contributions.

Pensions

Members of Executive Management have defined-contribution pensions with no other obligations for the company than to pay an annual premium during the time of employment. This implies that these persons, after completed employment, have the right to decide on their own, the time-frame during which the defined-contribution payments and subsequent return will be received as pension. The retirement age for the CEO and other members of Executive Management is 65 years.

Notice of dismissal

In the event of notice of dismissal by the company, the notice period will not exceed 6 months regarding the Chief Executive Officer and 12 months for any other member of Group executive management. When notice of termination is given by the Chief Executive Officer or any other member of Executive Management of the company, the notice period is six months. During the notice period, salary and other benefits are paid, with deduction for salary and remuneration derived from other employment or activity. No deduction will occur for the Chief Executive Officer. Upon notice of dismissal of the Chief Executive Officer by the company, a severance pay of 12 months' fixed salary is paid, and is not reduced as a result of other income received by the Chief Executive Officer.

Pensions for other employees

Other employees at Castellum have defined-contribution pensions, with no other obligations for the company than to pay an annual premium during the time of employment. This implies that these persons, after completed employment, have their own right to decide on the time-frame during which the defined-contribution payments and their return on investment will be received as pension. However, there is an exception for about 40 employees within the Castellum Group who instead have defined-benefit ITP plans with regular payments to Alecta. Fees for the year for pension insurance policies signed with Alecta totalled MSEK 1.6 (1.6). The surplus in Alecta may be distributed to the insurance holder and/or to the insured. Alecta's surplus in the collective consolidation level as of December had not been made official at the time of signing of this Annual Report and can therefore not be reported. Alecta's latest official consolidation level for 2020 (preliminary figure) was 148% (148). The collective consolidation level is made up by the market value of Alecta's assets as a percentage of the insurance obligations calculated according to Alecta's assumptions for calculating the insurance, which do not comply with IAS 19.

Absence due to illness

Sick leave for the year was 2% (3), of which a 1-percentage point share (2) was for long-term sick leave. Sick leave for men and women were 2% (3) and 2% (3), respectively. Absences due to illness were 2% (4) for the age group 29 years and younger, 2% (3) for the age group 30-49 years and 2% (3) for the age group 50 years or older. Sick leave for the Parent Company was 3% (3), of which a 2% share (1) was for long-term sick leave.

Note 13 Investment properties

Schedule of the changes during the year	Group	
	2020	2019
Opening balance	95,168	89,168
New construction, extensions and reconstructions	2,512	2,762
<i>of which capitalised interest costs</i>	37	28
Acquisitions	2,646	3,350
Sales	-740	-4,496
Change in value	3,712	4,276
Currency translation	-256	108
Closing balance	103,042	95,168
Schedule of tax assessment value		
Buildings	29,008	24,939
Land	13,142	10,181
Total tax assessment value	42,150	35,120
Income from investment properties	5,892	5,717
Property costs for investment properties	1,549	1,609

The year's change per category is shown in the table below.

Change for the year by category	Offices		Public sector properties		Warehouse/Logistics	
	2020	2019	2020	2019	2020	2019
Opening balance	44,667	41,744	21,716	20,255	15,390	13,635
Category adjustments	1,189	394	-4	531	692	305
New construction, extensions and reconstructions	835	862	217	257	389	302
Acquisitions	2,179	1,183	218	1,545	233	144
Sales	-74	-1,347	-612	-2,017	—	-19
Change in value	767	1,734	364	1,136	1,747	1,021
Currency translation	-231	97	-20	9	-5	2
Closing balance	49,332	44,667	21,879	21,716	18,446	15,390

Change for the year by category	Retail		Light industry		Developments and land	
	2020	2019	2020	2019	2020	2019
Opening balance	7,242	7,115	2,119	2,029	4,034	4,390
Category adjustments	14	668	—	42	-1,891	-1,939
New construction, extensions and reconstructions	158	343	12	41	901	957
Acquisitions	—	1	—	—	16	477
Sales	—	-1,011	-20	-97	-34	-5
Change in value	138	126	241	105	455	154
Currency translation	—	—	—	—	—	—
Closing balance	7,552	7,242	2,352	2,119	3,481	4,034

The Parent Company owns no properties.

note 13 cont.

Investments during the year

In 2020, Castellum invested a total of MSEK 5,158 (6,112), of which MSEK 2,646 (3,350) pertained to acquisitions and MSEK 2,512 (2,762) pertained to new construction, extensions and reconstructions.

Significant obligations

In addition, Castellum has commitments to complete initiated projects in which the remaining investment volume amounts to approx. SEK 3.2 billion above and beyond the amounts reported in the balance sheet.

Larger ongoing investments

Property	Investment, MSEK	Of which remaining, MSEK	To be completed
Sjustjärnan/E.ON, Malmö	1,296	947	Q1 2023
Godsfinkan, Malmö	1,270	799	Q1 2023
Dragarbrunn 21:1, Uppsala	493	224	Q4 2021
Götaland 5, Jönköping	325	292	Q3 2022
GreenHaus, Helsingborg	305	110	Q2 2022

Valuation model

According to accepted theory, the value of an asset is the net present value of future cash flows that the asset is expected to generate. This section aims to describe and illustrate Castellum's cash-flow-based model for calculation of the value of the property portfolio.

The value of the property portfolio is calculated in this model as the total present value of net operating income minus remaining investments on ongoing projects, during the next nine years and the present value of the estimated residual value in year ten. The residual value in year ten consists of the total present value of net operating income during the remaining economic life span. The estimated market value of undeveloped land and building rights are added to this. Accordingly, valuation is conducted pursuant to IFRS 13, level 3.

The required yield and the assumption regarding future real growth are crucial for the calculated value of the property portfolio, as they are the most important value-driving factors in the valuation model. The required yield is the weighted cost of borrowed capital and equity. The cost of borrowed capital is based on the market interest rate for loans. The cost of equity is based on a risk-free interest rate equivalent to the long-term government bond rate plus a risk premium. The risk premium is unique to each investment and depends on the investor's perception of future risk and potential.

Internal valuation

Castellum records its investment properties at fair value and has internally appraised all its properties as of 31 December 2020. The valuation was carried out in a uniform manner, and was based on a ten-year cash flow model, which is described in principle above. The internal valuation was based on an individual assessment for each property of both its future earnings capacity and its required market yield. Valuations are made locally in each subsidiary and are quality assured by Castellum AB, which also has overall responsibility for both the process and system as for determining the macroeconomic assumptions.

Assumptions of cash flow

In assessing a property's future earnings capacity, we took into account an assumed level of inflation of 1.5% and potential changes in rental levels from each contract's rent and expiry date compared with the estimated current market rent, as well as changes in occupancy rate and property costs. In the valuation, the economic occupancy rate gradually improves during the ten-year period and reaches 96%. Included in property costs are operating expenses, maintenance, site leasehold fee, property tax, and leasing and property administration.

Valuation assumptions, year 1	2020					
	Public sector properties	Offices	Retail	Logistics	Industry	Total
Rental value, SEK/sq. m.	1,912	1,925	1,444	934	974	1,534
Vacancy rate	6%	8%	3%	7%	6%	7%
Direct property costs, SEK/sq. m.	225	392	240	155	176	286
Indirect property costs, SEK/sq. m.	35	34	34	25	27	31

Valuation assumptions, year 1	2019					
	Public sector properties	Offices	Retail	Logistics	Industry	Total
Rental value, SEK/sq. m.	1,894	1,861	1,372	929	969	1,520
Vacancy rate	4%	8%	6%	7%	5%	8%
Direct property costs, SEK/sq. m.	336	386	228	166	180	321
Indirect property costs, SEK/sq. m.	35	36	33	25	26	32

Assumptions of required yield

The required yield on equity is individual to each property and based on assumptions regarding a real interest rate of 3%, inflation of 1.5% and risk premium. The risk premium is different for each property and can be divided into two components: general risk and individual risk. The general risk makes up for the fact that a property investment is not as liquid as a bond, added to the fact that the asset is affected by the general economic situation. The individual risk is specific to each property and comprises a complex weighted assessment that includes property category; the town/city in which the property is located; the property location within the town/city with reference to the property category; and whether the property has the right design, is appropriate and makes efficient use of space. Further considerations: the property's technical standard with regard to such criteria as choice of materials, the quality of public installations, furnishing and equipment on the premises and in apartments; as well as the nature of the lease agreements with regard to such issues as length, size and number of agreements. Properties owned through site leaseholds, where Castellum has a land rehabilitation obligation under contractual agreement, are assigned an additional individual risk premium of 1.0%. On average, the risk premium totals 5.8% with a range of 2.5–11.3%.

In order to calculate the required yield on total capital, an operating assumption of 5.0% has been made about the cost of borrowed capital. The cost of borrowed capital comprises a long-term view of the real interest rate, the credit margin and inflation. The loan-to-value ratio is assumed to be between 55% and 65% depending on the property category.

The required yield on total capital is calculated by weighing the required yield on equity and the cost of borrowed capital, depending on the capital structure. The required yield on total capital is used to discount the estimated ten-year future cash flow. The residual value is discounted by calculating the return on total capital less growth equivalent to inflation, in order not to assume perpetual real growth. The average required yield per property category is shown in the table below.

Property type	31 Dec 2020	31 Dec 2019
Offices	4.9%	5.0%
Public sector properties	4.8%	4.8%
Warehouse/Logistics	5.2%	5.6%
Retail	5.5%	5.8%
Light industry	5.9%	6.6%
Total	5.0%	5.1%

The calculated required yield is then calibrated compared with the required market yield. To get an opinion about the required market yield, Castellum follows completed property transactions on the market. In an inactive market within a certain area or for a certain type of property, Castellum compares the data from transactions completed in a similar area or for a similar type of property. In the absence of completed transactions the opinion is based on existing macroeconomic factors.

The average valuation yield for Castellum's property portfolio, excluding developments, land and building rights, can be estimated at 5.0% (5.1).

Average valuation yield, MSEK	2020	2019
Net operating income according to income statement	4,335	4,113
Add back lettings and property administration expenses	379	374
Reversed Co-working	8	-5
Net operating income, ongoing development projects	-20	-22
Properties acquired/completed as if owned the whole year	111	55
Properties sold	-42	-60
Net operating income excluding lettings and property administration expenses for properties as if owned during the whole year, excl. projects and land	4,771	4,455
Adjusted for:		
Index adjustments 2020, 0.3% (1)	17	94
Real occupancy rate, 96% at the lowest	294	228
Property administration, SEK 30/sq. m.	-133	-128
Normalised net operating income	4,949	4,649
Valuation excluding building rights of MSEK 608 (520)	98,953	90,614
Average valuation yield	5.0%	5.1%

Projects and building rights

Ongoing projects are valued using the same principle, but with reduction for remaining investment. Building rights were valued on the basis of an estimated average market value of approximately SEK 1,750 per square metre (1,600).

The value of the property portfolio

The internal valuation indicates a fair value of MSEK 103,042 (95,168), corresponding to a change in value of 4% (5). Of this value, approximately 4% (i.e. MSEK 4,311) pertains to properties held via site leasehold agreements, with rental income of MSEK 287. Fair value distributed by property category and region is shown below.

Property value, MSEK, 31 Dec 2020	Offices	Public sector properties	Warehouse/Logistics	Retail	Light industry	Developments and land	Total
Central	11,166	8,707	1,661	1,880	404	498	24,316
Öresund	11,419	3,651	2,601	840	393	1,499	20,403
Stockholm	12,922	5,839	5,971	3,542	792	1,215	30,281
West	11,011	1,614	8,213	1,290	763	269	23,160
North	102	2,068	—	—	—	—	2,170
Finland	2,712	—	—	—	—	—	2,712
Total	49,332	21,879	18,446	7,552	2,352	3,481	103,042

Uncertainty range and sensitivity analysis

A property's market value can only be confirmed when sold. Property valuations are calculations performed in accordance with accepted principles on the basis of certain assumptions. The value range of +/- 5-10%, often used in property valuations in a normal market, should therefore be seen as an indication of the uncertainty that exists in assumptions and calculations. In a less liquid market, the range may be wider. For Castellum, an uncertainty range of +/- 5% means a range in value of the property portfolio of MSEK 97,890-108,194, corresponding to +/- MSEK 5,512.

Sensitivity analysis +/- 1% (point)	Effect on value, MSEK				
	Offices	Public sector properties	Warehouse/Logistics	Retail	Light industry
Rental value	669	280	241	98	31
Economic occupancy rate	669	280	241	98	31
Property costs	141	51	45	18	6
Required yield +	-7,827	-3,258	-2,641	-1,090	348
Required yield	9,374	4,720	3,491	1,538	431

The sensitivity analysis shown above illustrates how a +/- 1 percentage-point change in growth assumptions in future cash flow and required yield affects the valuation. However, the sensitivity analysis is not realistic as one isolated parameter rarely changes; instead, the assumptions made are linked together regarding cash flow and required yield.

External valuation

In order to validate the valuation, 180 properties, equivalent in value to 54% of the portfolio, were valued externally by Forum Fastighets-ekonomi AB in Sweden and CBRE in Denmark. The properties were selected on the basis of the largest properties in terms of value, but also to reflect the composition of the property portfolio as a whole in terms of category and geographical location. The external valuations of the selected properties totalled MSEK 54,920, within an uncertainty range of +/- 5-10% at the property level, depending on the category and location of the respective properties. Castellum's valuation of the same properties totalled MSEK 55,666, i.e., a net deviation of MSEK 746 corresponding to 1.4%. The gross deviations were MSEK 1,130 and MSEK -1,876 respectively, with an average deviation of 5.4%.

It should be noted that Castellum's deviation in relation to the external valuers falls well within the uncertainty range of +/- 5-10%.

Note 14 Equipment

	Group		Parent Company	
	2020	2019	2020	2019
Opening acquisition cost	304	246	78	66
Purchases	58	81	9	12
Sales/retirement of assets	-1	-23	—	—
Closing acquisition cost	361	304	87	78
Opening depreciation	-148	-123	-26	-15
Sales/retirement of assets	1	10	—	—
Depreciation for the year	-44	-35	-12	-11
Closing depreciation	-191	-148	-38	-26
Carrying amount	170	156	49	52

Note 15 Financial assets

In the fourth quarter of 2020, Castellum acquired 15 million shares for NOK 169 per share in the Norwegian listed property company Entra. The acquisition is a stage in the offer Castellum has announced to Entra's shareholders. According to the agreement with the seller, Castellum will pay the same amount as the public offering. As of 31 December 2020, Castellum's offer was approximately NOK 189 per share. The total acquisition cost for the combination is thus MSEK 2,729, of which MSEK 2,442 has already been paid and the remainder entered as a liability. The closing price of the Entra share as of the end of the accounting period was approximately NOK 194 per share, corresponding to a market value at the balance sheet date on holdings of MSEK 2,792.

Note 16 Goodwill

In 2016, the CORHEI and Norrporten companies were acquired. Goodwill arose in connection with the acquisitions, primarily related to the difference between nominal tax and the calculated supplementary tax, which was applied at the time of acquisition. A write-off for goodwill is primarily justified for a major downturn in the property market or a situation wherein properties included in the transaction above are divested. The entire portfolio in Sundsvall was divested in 2019, which resulted in an impairment of MSEK 179. United Spaces, a co-working company, was acquired during the same year, resulting in new goodwill of MSEK 211. The latter was adjusted by MSEK 18 in 2020 as a consequence of an amended acquisition analysis.

	Group		Parent Company	
	2020	2019	2020	2019
Opening acquisition cost	1,691	1,659	—	—
Acquisitions	—	211	—	—
Impairment	-18	-179	—	—
Carrying amount	1,673	1,691	—	—

Note 17 Equity and Net Asset Value

Items in equity

The share capital as of 31 December 2020 consisted of 277,262,911 registered A shares with one vote per share and a quotient value of 0.5 per share. All shares are fully paid.

There are no restrictions regarding dividend or other types of repayment. There is no potential common stock, such as convertibles, or preferential rights to accumulated dividend (preference shares).

Development of share capital	Date	Number of shares	Quotient value/share	Share capital, SEK
Formation A shares	27 Oct 1993	+500	100.00	+50,000
New share issue, A shares	27 Sep 1994	+999,500	100.00	+99,950,000
Share split 50:1	25 Mar 1997	+49,000,000	2.00	—
IPO	23 May 1997	50,000,000	2.00	100,000,000
New share issue, C shares	12 Jul 2000	+7,142,857	2.00	+14,285,714
Redemption, A shares	12 Jul 2000	-6,998,323	2.00	-13,996,646
Redemption, C shares	13 Nov 2000	-7,142,857	2.00	-14,285,714
Share split 4:1	27 Apr 2006	+129,005,031	0.50	—
New issue of shares	14 Jun 2016	+82,000,000	0.50	+41,000,000
Share issue in kind	15 Jun 2016	+19,194,458	0.50	+9,597,229
Share issue in kind	13 Nov 2020	+4,061,745	0.50	+2,030,873
Year end	31 Dec 2020			

Other capital contribution

Other capital contribution is equity contributed by shareholders.

Currency translation reserve

Currency translation differences as a result of foreign operations.

Currency hedge reserve

Refers to the effective part of unrealised changes in value related to currency derivatives used to hedge investments in foreign operations.

Retained earnings

Retained earnings relates to earnings earned within the Group. The Group's earlier appropriations to the statutory reserves is also included in this item.

Attributable to Parent Company shareholders

Group, MSEK (Note 15)	Number of shares outstanding, thousand	Share contribution	Other capital contribution	Currency translation reserve	Currency hedge reserve	Non-controlling interest	Retained earnings	Total equity
Equity, 31 Dec 2018	273,201	137	12,434	274	-269	-2	21,175	39,749
Dividend, Mar and Sep 2019 (SEK 6.10/share)	—	—	—	—	—	—	-1,667	-1,667
Net income 2019	—	—	—	—	—	—	5,650	5,650
Other comprehensive income, 2019	—	—	—	92	-47	—	—	45
Equity, 31 Dec 2019	273,201	137	12,434	366	-286	-2	31,158	43,777
Dividend, Mar and Sep 2020 (SEK 6.50/share)	—	—	—	—	—	—	-1,776	-1,776
Repurchase of own shares	-170	—	—	—	—	—	-28	-28
Share issue in kind	4,062	2	825	—	—	—	—	827
Net income 2020	—	—	—	—	—	—	5,615	5,615
Other comprehensive income, 2020	—	—	—	-216	44	—	—	-172
Equity, 31 Dec 2020	277,093	139	13,259	150	-272	-2	34,969	48,243

Fair value reserve

Parent company, MSEK	Number of shares outstanding, thousand	Share contribution	Statutory reserves	Currency translation reserve	Currency hedge reserve	Share premium reserve	Retained earnings	Total equity
Equity, 31 Dec 2018	273,201	137	20	177	-185	8,433	9,236	17,818
Dividend, Mar and Sep 2019 (SEK 6.10/share)	—	—	—	—	—	—	-1,667	-1,667
Net income 2019	—	—	—	—	—	—	1,504	1,504
Other comprehensive income, 2019	—	—	—	42	-21	—	—	21
Equity, 31 Dec 2019	273,201	137	20	219	-206	8,433	9,073	17,676
Dividend, Mar and Sep 2020 (SEK 6.50/share)	—	—	—	—	—	—	-1,776	-1,776
Repurchase of own shares	-170	—	—	—	—	—	-28	-28
Share issue in kind	4,062	2	—	—	—	825	—	827
Net income 2020	—	—	—	—	—	—	1,749	1,749
Other comprehensive income, 2020	—	—	—	-108	44	—	—	-64
Equity, 31 Dec 2020	277,093	139	20	111	-162	9,258	9,018	18,384

Restricted and non-restricted equity in the Parent Company

According to the Swedish Companies Act, equity is made up of restricted (non-distributable) and non-restricted (distributable) equity. Dividends to the shareholders may only be such that after the distribution there is full coverage for restricted equity in the Parent Company. Further, distribution of profits may only be made if it is justified with respect to the demands put on the amount of equity needed by the type of business, the extent and risk of operations, company and Group consolidation needs, liquidity and financial position in general.

Repurchase of own shares

In 2000, Castellum repurchased 8,006,708 own shares for a total of MSEK 194, equivalent to 4.7% of the total registered number of shares. These repurchased shares were used in connection with the acquisition of Norrporten as a share issue in kind. In May 2020, Castellum repurchased 170,203 own shares at an average price of SEK 165.12.

Dividend

Dividend is proposed by the Board of Directors according to the rules of the Companies Act and decided by the Annual General Meeting. The proposed dividend, not yet paid out, for the financial year 2020 is SEK 6.90 per share, MSEK 1,801 in total. The proposal is to split the dividend into two payments, where the proposed record date for the first payment is 25 March 2021 and the proposed record date for the second payment is 27 September 2021. The amount is recorded as a liability only after the Annual General Meeting has approved the dividend.

Net asset value

Net asset value can be calculated both long and short term. Long term net reinstatement value (EPRA NRV) is based on the balance sheet, with adjustments for items that will not lead to any short-term payment such as – in Castellum's case – derivatives, goodwill attributable to deferred tax and deferred tax liability. This means that equity according to the balance sheet is to increase by MSEK 1,132 and MSEK 11,437 respectively. At the same time, MSEK 1,480 is to be deducted.

Short-term net tangible assets (EPRA NTA) is equity according to the balance sheet, adjusted for the deferred tax liability and goodwill attributable to the acquisition of United Spaces. Present accounting policies state that the deferred tax liabilities are recognised at nominal tax rates, while the real deferred tax is substantially lower, due to the possibility to sell properties in a tax-efficient manner, as well as the time factor. The current assessment is that the actual discounted deferred tax liability is equivalent to MSEK 2,349 and that the aforementioned goodwill totals MSEK 193. An even more short-term net asset value is visible equity adjusted for goodwill of MSEK 1,673.

The value range of +/- 5-10% often used in property valuations should be viewed as indication of the uncertainty that exists in assessments and calculations made. For Castellum, an uncertainty range of +/- 5% is equal to MSEK +/- 4,091 after tax (based on a nominal tax rate of 20.6%).

Net asset value	MSEK	SEK/share
Equity according to the balance sheet	48,243	174
Reversed		
Derivatives according to the balance sheet	1,132	4
Goodwill attributable to deferred tax	-1,480	-5
Deferred tax according to the balance sheet	11,376	41
Net reinstatement value (EPRA NRV)	59,271	214
Deduction		
Goodwill due to acquisition of United Spaces	-193	-1
Estimated real liability, deferred tax 4% ¹	-2,285	-8
Net tangible assets (EPRA NTA)	56,793	205
Reversed		
Derivatives according to above	-1,132	-4
Deferred tax	-9,091	-33
Net disposal value (EPRA NDV)	46,570	168

1. The net estimated real deferred tax liability has been estimated at 4% based on a discount rate of 3%. Further, assessments have been made that tax loss carry forwards are realised with a nominal tax of 21.4%, and that the properties are realised in 50 years and where the entire portfolio is sold indirectly in corporate wrappers where the buyers tax discount is 7%.

Capital structure

Castellum should have a stable capital structure with low financial risk, meaning a loan-to-value ratio not permanently exceeding 50% and an interest coverage ratio of at least 200%.

In the balance sheet, there are, in addition to equity, liabilities that in principle are both interest free and amortisation free and therefore can be considered as shareholders' equity. The property industry therefore uses the loan-to-value ratio as a key metric for capital structure instead of solidity. For the same reason the net asset value can be calculated in different ways, as shown above.

Castellum's target is based on growth in cash flow and is not directly related to the net asset value. The target is an annual growth in cash flow, i.e. income from property management per share, of at least 10%. In order to achieve this objective, net investments of at least 5% of the property value will be made yearly. At the moment, this is equivalent to approximately SEK 5 billion, net, in annual investment volume. All investments are to contribute to the objective of growth in income from property management within 1-2 years and have a potential asset growth of at least 10%. Sales of properties will take place when justified from a business standpoint and when an alternative investment with a higher return can be found.

Appropriation of profits

The Board has proposed that the earnings at the Annual General Meeting's disposal, SEK 18,225,536,070, are to be appropriated as follows: a dividend to shareholders of SEK 6.90/share – totalling SEK 1,908,593,185 (excluding 655,203 treasury shares) – and SEK 16,316,942,855 to be carried forward.

Note 18 Liabilities

	Group		Parent Company	
	2020	2019	2020	2019
Non-interest bearing liabilities due within one year of the balance sheet date	2,493	2,663	563	224
Non-interest bearing liabilities due later than five years after the balance sheet date	—	—	—	—
Interest-bearing liabilities due within one year of the balance sheet date	—	—	—	63
1-5 years after balance-sheet date	37,081	32,421	40,061	33,506
more than 5 years after the balance-sheet date	8,639	8,405	7,383	7,842
Total liabilities excl. deferred tax liability, leases, other provisions and derivatives	48,213	43,489	48,007	41,635

In 2021, current interest-bearing liabilities amounting to MSEK 15,866 (10,409) will fall due. Since they are covered by unutilised long-term credit agreements, they are treated as long-term interest-bearing liabilities.

Note 19 Deferred Tax Liability/Asset

A realisation of all assets and liabilities at consolidated carrying amounts and utilisation of all existing tax loss carry forwards would result in a taxable income of MSEK 63,027 (55,838); with a full tax burden, this would give rise to a tax payment of MSEK 12,983 (11,501). Castellum has a deferred tax liability of MSEK 1,622 (1,348) attributable to the acquisition date of properties recognised as asset acquisitions. According to the applicable regulations, the deferred tax at the acquisition date is not to be recognised in the balance sheet, which is shown in the table below.

The Parent Company recognises a deferred tax asset of MSEK 0 (14), equivalent to 20.6% of the unutilised tax loss carry forwards of MSEK 0 (70).

note 19 cont.

Tax loss carry forwards

As of 31 December 2020, Castellum's tax loss carry forwards are estimated at MSEK 603 (854). The change is presented in Note 11. The tax loss carry forwards have no maturity date.

Surplus and sub value of properties for tax purposes

When calculating the tax effect in the Group of a direct sale of all properties, the tax base in the legal entity – which totals MSEK 40,015 (38,803) – is to be set against the consolidated carrying amount of MSEK 103,042 (95,168). This means that if all of Castellum's properties were sold, the taxable net profit would exceed the profit recorded in the Group by MSEK 63,027 (56,365).

Deferred tax liability	2020		2019	
	Basis	Tax	Basis	Tax
Tax loss carry forwards				
Opening balance	854	182	1,081	231
Change for the year in comprehensive income	-251	-53	-227	-49
Closing balance in the balance sheet	603	129	854	182
Difference between the properties' book and fiscal values				
Opening balance	-56,365	-11,612	-50,553	-10,428
Change for the year in comprehensive income	-5,333	-1,096	-4,235	-861
Acquisitions in corporate wrappers	-1,329	-275	-1,577	-323
Closing balance	-63,027	-12,983	-56,365	-11,612
Less, attributable to asset acquisitions				
Opening balance	6,553	1,348	4,976	1,025
Acquisitions in corporate wrappers	1,319	274	1,577	323
Closing balance in the balance sheet	7,872	1,622	6,553	1,348
Closing balance in the balance sheet	-55,155	-11,361	-49,812	-10,264
Untaxed reserves				
Opening balance	-327	-71	-144	-31
Change for the year in comprehensive income	-344	-73	-183	-40
Closing balance in the balance sheet	-671	-144	-327	-71
Total				
Opening balance	-49,285	-10,153	-44,640	-9,203
Change for the year in comprehensive income	-5,938	-1,223	-4,645	-950
Closing balance in the balance sheet	-55,223	-11,376	-49,285	-10,153

Previous impairments where taxable deductions were paid amount to approximately MSEK 56 (45). These may be reversed in the case of future increases in value.

Note 20 Other provisions

Other provisions relate to rental guarantees, with a maximum commitment to 31 January 2021 estimated at MSEK 3 (5).

Note 21 Derivatives

Valuation

Castellum uses interest rate derivatives in order to manage interest rate risk and achieve the desired interest rate maturity structure. This strategy means that there may be changes in value of the interest rate derivatives portfolio from time to time. In addition, Castellum uses currency derivatives in order to hedge investments in Denmark and Finland as well as to manage currency risk and adjust its interest rate structure linked with borrowing in the international capital market. These also give rise to change in value which are included in the derivative portfolio's market value.

To calculate the fair value of derivatives, market rates for each term and exchange rates as quoted in the market for the closing date are used. Interest rate swaps are valued by discounting future cash flows to present value, while instruments containing options are valued at current repurchase price. When calculating the fair value of derivatives, adjustments are made for counterparty risk in the form of Credit Value Adjustments (CVA) and Debt Value Adjustments (DVA). CVA shows Castellum's risk of experiencing credit loss in the event of counterparty default, whereas DVA shows the opposite. The adjustment is calculated at the counterparty level based on expected future credit exposure, risk of default and the recovery rate of exposed credits. As of 31 December 2020, the market value of the interest rate and currency derivatives portfolio amounted to MSEK -1,132 (-715) where fair value is established according to level 2, IFRS 13.

Castellum recognises derivatives as long-term liabilities since the amount will not be settled in cash. A theoretically maturing amount during 2020, however, can be estimated at MSEK -142.

Counterparty risk

In order to limit counterparty risk, Castellum's derivative contracts are covered by general agreement with derivative contracts (ISDA). This allows Castellum to offset positive and negative market values in the event of default.

	31 Dec 2020			31 Dec 2019		
	Asset	Liability	Net	Asset	Liability	Net
Interest rate derivatives	1	-741	-740	26	-618	-592
Currency derivatives	158	-550	-392	147	-270	-123
Gross value derivatives	159	-1,291	-1,132	173	-888	-715
Netting	-159	159	—	-173	173	—
Net value derivatives	—	-1,132	-1,132	0	-715	-715

Future cash flow

Future cash flows attributable to interest rate derivatives consist of interest paid minus interest received as presented below. To calculate the variable part of the interest rate derivative, the STIBOR and CIBOR interest rates – as listed at year end – have been used throughout the full term of the derivative.

Year	Future cash flow of interest rate derivatives		
	Interest to pay	Interest to receive	Net, MSEK
2021	-357	186	-171
2022	-364	184	-180
2023	-343	160	-183
2024	-227	68	-159
2025	-217	63	-154
2026+	-369	128	-241
Total	-1,877	789	-1,088

Sensitivity analysis

The table below shows the interest rate derivative portfolio's nominal net amount and market value and the market value of the portfolio with a +/- 1 percentage-point change in the interest rate. Based on the date of termination, interest rate derivatives that include an option have been reported in the same time segment as prior to the assumed change in interest rate.

End date	Amount, MSEK	Acquisition cost, MSEK	Market value, MSEK	Average interest rate	Market value, interest rate +1 pp	Market value, interest rate -1 pp
2021	1,350	—	2	0.0%	9	-5
2022	1,600	—	1	0.1%	24	-23
2023	1,166	—	-8	0.2%	-15	-1
2024	900	—	-12	0.5%	16	-41
2025	1,300	—	-26	0.6%	29	-84
2026+	8,389	—	-818	1.3%	-353	-1,325
Total	14,705	—	-861	0.8%	-290	-1,479

Currency derivatives with a market value of MSEK -271 (-81) are not included in the table above, since a change in the market interest rate has an insignificant effect on the market value.

Note 22 Financial Risk Management

Financing

Property is a long-term asset, requiring long-term financing allocated between equity and interest-bearing liabilities. From a security perspective, Castellum credits can be divided into the following categories:

- Credits against collateral in the form of Castellum's promissory note receivables in its subsidiaries, including pledged mortgages.
- Secured credits directly to subsidiaries in the form of pledged mortgages. Credits directly to subsidiaries are supplemented in the majority of cases by the Parent Company's guarantee.
- Unsecured credits.
- Issues of unsecured bonds.
- Issues of unsecured commercial paper.

All types of credit agreements contain standard termination conditions, and in some cases renegotiation terms for changes in business and delisting. If the lender invokes the right to a renegotiation of this type and the parties cannot agree, the credit agreements have established settlement times for those credit agreements covered by such terms.

At the end of the year, utilised credits secured by pledged mortgages totalled MSEK 7,588 (7,249). In addition to mortgages, the majority of credit agreements include commitments regarding loan-to-value ratio and interest coverage ratio - financial covenants - involving a loan-to-value ratio not exceeding 65% and an interest coverage ratio of at least 150%. If the 55% loan-to-value ratio is breached, financing costs will become more expensive for some credit agreements. In all cases, the guarantee to lenders is issued with a comfortable margin in relation to Castellum's capital structure objectives.

Financial policy

Castellum's funding and management of financial risk are conducted in accordance with the financial policy adopted by the Board of Directors. Castellum is to have a low financial risk with a loan-to-value ratio not exceeding 50% over the long term and an interest coverage ratio of at least 200%. The financial operations in Castellum are to be carried out in such a way that the need for long- and short-term financing and liquidity is ensured. In addition, net interest expenses will be optimised at any time, taking the selected level of financial risk into account. The financial policy outlines overall authorisation and how financial risk should be reported and monitored. Financial risks are monitored and reported

quarterly to the Board. As part of continuously improving and adapting financial risk management, the Board conducts an annual review of the financial policy.

The Parent Company holds an internal auditing function, separate from the Treasury function, which provides accounting and independent control of financial management and financial risks.

Risk management

Castellum carries out financial transactions based on estimates of the Group's overall long-term financing needs, liquidity and chosen interest rate risk. Hence, financial risk management is carried out on portfolio level. Portfolio management of borrowing means that an intra-Group transaction (e.g. an internal loan) is not duplicated by an identical external transaction. Instead, loans are drawn under short- or long-term credit agreements based on the Group's overall financing needs.

For cost-effective management of the interest rate risk, an assessment is made of the interest rate risk that occurs when a payment is made or a new loan is drawn with a short, fixed-interest term. Thereafter, interest rate derivative transactions are made in order to achieve the desired fixed interest term on the total amount of debts. Castellum's internal bank works with a cash pool system of bank accounts for the Group's liquidity flows.

Funding risk

Demands for long-term financing make Castellum look for long-term loan-to-maturity structure in credit agreements in order to limit funding risk. To reach maximum flexibility, bank loans are mainly revolving, i.e. the credits are usually traded within 1-3 months. Short-term revolving loans facilitate amortisation at every renewal occasion without any marginal breaking compensation or other compensation to lenders. The objective is to minimise interest-bearing liabilities, and cash is therefore used primarily to repay outstanding debts.

In order to secure Castellum's need for liquidity and long-term financing, the company regularly renegotiates and - when required - enters into new credit agreements or forms of borrowing. At the end of the year, Castellum held credit agreements totalling MSEK 63,500 (60,604) of which MSEK 46,894 (49,433) were long-term and MSEK 16,606 (11,171) were short-term. Of the utilised borrowing facilities at the end of the year, MSEK 29,693 (30,233) was long-term and MSEK 15,866 (10,420) short-term.

After deduction of cash of MSEK 161 (173), net interest-bearing liabilities were MSEK 45,559 (40,653), of which MSEK 29,127 (27,512) were bonds outstanding and MSEK 8,844 (5,136) commercial paper outstanding (nominal MSEK 29,145 and MSEK 8,853 respectively).

During the year, bank credit facilities of approximately MSEK 1,620 were raised with new counterparties, approximately MSEK 7,400 were extended and approximately MSEK 4,000 were settled. As part of its Swedish MTN programme, Castellum also issued new bonds during the year with a nominal amount of MSEK 5,250 while bonds with a nominal value of MSEK 3,250 matured. At the end of the year, the framework amount for the Swedish MTN programme was raised to MSEK 25,000.

The average loan-to-maturity structure for utilised borrowing facilities including extension options at year end was 3.8 years (3.8), whereas the average credit price tenor at the same point in time was 3.0 years (3.2). Net debt to EBITDA at the end of the period was 11 (10).

Credit agreements/limits	Amount, MSEK	Utilised, MSEK
Long-term credit agreements in bank	22,729	5,528
Short-term credit agreements in bank	2,000	2,000
Liquidity	800	60
Total credit agreements	25,529	7,588
MTN programme (MSEK 25,000 facility)	19,300	19,300
EMTN programme (MEUR 2,000 facility)	9,827	9,827
Commercial paper (MSEK 10,000 facility)	8,844	8,844
Total	63,500	45,559

note 22 cont.

Debt maturity structure for credit agreements, presented in the table below, shows when in time the credit agreements fall due for renegotiation or repayment.

Credit agreement maturity structure	Agreements, MSEK	Utilised in			Total	Share, %
		Bank	MTN/Comm. paper			
0-1 year	16,606	2,071	13,795	15,866	35%	
1-2 years	9,310	814	3,996	4,810	11%	
2-3 years	16,799	880	7,619	8,499	19%	
3-4 years	2,456	11	2,445	2,456	5%	
4-5 years	8,204	11	3,793	3,804	8%	
>5 years	10,125	3,801	6,323	10,124	22%	
Total	63,500	7,588	37,971	45,559	100%	

Interest rate risk

Changes in market interest rates and credit margins affect net financial items. How quickly, and by how much, largely depends on the chosen duration. To limit the immediate impact of changes in market interest rates, Castellum has chosen to work with both short- and long-term interest rate maturity structures. For the same reason, Castellum has chosen to enter credit agreements and issue commercial paper and MTNs/EMTNs with varying maturities. However, changes in both interest rates and credit margins will always have an impact on net financial items over time.

The interest coverage ratio is the financial measure that describes a company's risk level and resilience to changes in net interest. Castellum has the objective of an interest coverage ratio of at least 200%. For 2020, the interest coverage ratio was 530% (502). The average interest rate duration at 31 December 2020 was 2.6 years (3.3). The average effective rate at 31 December was 1.69% (1.82) excluding unutilised credit agreements, and 1.82% (1.99) including unutilised credit agreements.

The cash-flow effect on income for the next twelve months at an interest rate change of +/- 1% amounts to MSEK -165/+118. In the interest rate maturity structure, interest rate derivatives are accounted for in the earliest time segment in which they can mature. Credit margins are distributed in the interval of the underlying loan.

Credit agreements	MSEK ²⁾	Share, %	Average interest rate, % ¹⁾	Average fixed interest rate term
0-1 year	22,588	50%	1.62%	0.2
1-2 years	3,148	7%	0.92%	1.5
2-3 years	5,603	12%	2.47%	2.8
3-4 years	1,797	4%	1.06%	3.5
4-5 years	2,599	6%	1.31%	4.5
>5 years	9,824	21%	1.86%	7.8
Total	45,559	100%	1.69%	2.6

1. Including fees for utilised credit agreements and exchange rate differences for MTNs.
2. Calculated on the net volume of interest-bearing liabilities and derivatives.

Currency risk

Castellum owns properties in Denmark and Finland valued at MSEK 9,091 (7,247), which means that the Group is exposed to currency risk. Castellum is also exposed to currency risk through borrowing in euro. Currency risk in borrowing is fully hedged and hedge accounted through both cash flow hedging and hedging of fair value. The currency risk primarily occurs when income statements and balance sheets in foreign currency are translated into Swedish kronor. In cases where currency derivatives are used, Castellum applies hedge accounting for net investments in foreign operations.

Normally, the transaction exposure in the Group is limited and will primarily be managed by matching income and costs.

The impact on financial position due to an appreciation of SEK by 10% in relation to DKK and EUR, respectively is MSEK -304.

Counterparty risk

Counterparty risk refers to the risk deemed to exist - at any given moment - that Castellum's counterparties will not fulfil their contractual obligations. The model is indicated in the "Receivables" section under "Accounting policies."

Castellum limits counterparty risk by requiring high credit ratings of counterparties. High ratings means that no rating agency indicates a rating that is below investment grade. Castellum's counterparties are the major Nordic banks.

Future cash flow

Future cash flows attributable to liabilities are shown in the table below. The assumption is made that a maturing loan is replaced by a new loan during the term of maturity of the underlying credit agreement and at a Stibor interest rate as listed at year end.

Year	Future cash-flow loans			Interest costs, MSEK
	Loan, opening balance	Mature	Loan, closing balance	
2021	45,559	-15,866	29,693	-570
2022	29,693	-5,670	24,023	-454
2023	24,023	-7,639	16,384	-360
2024	16,384	-2,456	13,928	-212
2025	13,928	-3,804	10,124	-161
2026+	10,124	-10,124	0	-249
Total		-45,559		-2,006

Note 23 Accrued expenses and prepaid income

	Group		Parent Company	
	2020	2019	2020	2019
Pre-paid rents	842	1,043	—	—
Accrued interest	145	148	145	147
Other	395	328	123	34
Total	1,382	1,519	268	181

Note 24 Pledged Assets

	Group		Parent Company	
	2020	2019	2020	2019
Pledged mortgages	21,231	20,903	—	—
Chattel mortgages	—	—	—	—
Long-term receivables, Group companies	—	—	16,974	17,343
Total	21,231	20,903	16,974	17,343

Note 25 Contingent Liabilities

	Group		Parent Company	
	2020	2019	2020	2019
Guarantee commitments for Group companies	—	—	2,170	2,538
Total	—	—	2,170	2,538

Normally the parent company is the borrower, but when the property-owning company borrows directly, the Parent Company provides guarantee commitments for subsidiaries.

Note 26 Participations in Group companies

Directly owned subsidiaries are listed below. Other companies in the Group are included in each respective subsidiary's annual report. United Spaces was acquired during the year.

Directly owned subsidiaries	Corporate identity No.	Registered Office	Share of equity	Carrying amount
Castellum Stockholm AB	556002-8952	Stockholm	100%	4,854
Castellum Mitt AB	556121-9089	Örebro	100%	5,507
Castellum Väst AB	556122-3768	Gothenburg	100%	3,579
Castellum Öresund AB	556476-7688	Malmö	100%	4,953
Castellum Norr AB	556594-3999	Sundsvall	100%	978
United Spaces Offices AB	556668-1069	Stockholm	100%	237
Fastighets AB Regeringsgatan	556571-4051	Gothenburg	100%	6
Fastighets AB Regeringsgatan 3	559154-9828	Gothenburg	100%	3
Castellum Projektutveckling AB	559249-3430	Gothenburg	100%	3
Lindstrom Invest Oy	1712795-6	Helsinki	100%	833
Castellum Innovation AB	559110-6538	Gothenburg	100%	4
Total				20,957

Principles for consolidation are described in the accounting policies.

Participations, Group companies	Parent Company	
	2020	2019
Opening acquisition cost	20,147	19,678
Acquisitions	833	211
Paid shareholders' contribution	47	56
Reversal of previous impairments	—	255
Impairment	-70	-53
Closing acquisition cost/carrying amount	20,957	20,147

Note 27 Long-term receivables, Group companies

	Parent Company	
	2020	2019
Opening acquisition cost	28,777	29,062
New borrowing/amortisation from Group companies	2,390	-325
Currency translation	-116	40
Closing acquisition cost/carrying amount	31,051	28,777

Note 28 Financial instruments

The different categories of financial instruments in the Group's balance sheet are presented in the table below.

Financial instruments 2020, MSEK	Amortised cost	Financial assets and liabilities recognised at fair value via profit or loss	Derivatives used in hedge accounting	Financial liabilities valued at amortised cost
Assets				
Long-term receivables	899	—	—	—
Financial assets	—	2,729	—	—
Rent receivables	47	—	—	—
Other receivables	475	—	—	—
Cash and bank	161	—	—	—
Liabilities				
Interest rate derivatives	—	740	—	—
Currency derivatives	—	—	392	—
Long-term liabilities	—	—	—	45,499
Accounts payable	—	—	—	125
Other liabilities	—	—	—	1,497
Total	1,582	1,989	392	47,122

Financial instruments 2019, MSEK	Amortised cost	Financial liabilities recognised at fair value via profit or loss	Derivatives used in hedge accounting	Financial liabilities valued at amortised cost
Assets				
Long-term receivables	856	—	—	—
Rent receivables	70	—	—	—
Other receivables	132	—	—	—
Cash and bank	173	—	—	—
Liabilities				
Interest rate derivatives	—	592	—	—
Currency derivatives	—	—	123	—
Long-term liabilities	—	—	—	40,604
Accounts payable	—	—	—	203
Other liabilities	—	—	—	1,514
Total	1,231	592	123	42,321

Financial instruments such as rent receivables, accounts payable and so on are recognised at amortised cost less any impairments, which is why fair value is deemed to agree with book value. Long-term interest-bearing liabilities have primarily short-term interest conditions – and for long-term MTNs, the fair value must not differ significantly from nominal values – which in all entails that amortised cost corresponds to fair value.

Note 29 Reconciliation of liabilities arising from financing activities

Group	31 Dec 2019	Cash flow	Non-cash items			31 Dec 2020
			Change in value	Amended exchange rate	Periodisation premium/discount	
Long-term interest-bearing liabilities	40,826	5,345	—	-499	48	45,720
Derivatives	715	—	417	—	—	1,132
Total liabilities attributable to financing activities	41,541	5,345	417	-499	48	46,852

Group	31 Dec 2018	Cash flow	Non-cash items			31 Dec 2019
			Change in value	Amended exchange rate	Periodisation premium/discount	
Long-term interest-bearing liabilities	40,358	540	—	-59	-13	40,826
Derivatives	716	-215	214	—	—	715
Total liabilities attributable to financing activities	41,074	325	214	-59	-13	41,541

Parent Company	31 Dec 2019	Cash flow	Non-cash items			31 Dec 2020
			Change in value	Amended exchange rate	Periodisation premium/discount	
Long-term interest-bearing liabilities	38,065	5,677	—	-473	49	43,318
Long-term interest-bearing liabilities to Group companies	3,283	843	—	—	—	4,126
Derivatives	715	—	417	—	—	1,132
Total liabilities attributable to financing activities	42,063	6,520	417	-473	49	48,576

Parent Company	31 Dec 2018	Cash flow	Non-cash items			31 Dec 2019
			Change in value	Amended exchange rate	Periodisation premium/discount	
Long-term interest-bearing liabilities	36,738	1,406	—	-69	-10	38,065
Long-term interest-bearing liabilities to Group companies	3,711	-428	—	—	—	3,283
Derivatives	716	-215	214	—	—	715
Total liabilities attributable to financing activities	41,165	763	214	-69	-10	42,063

The Group's and the Parent Company's interest rate and currency derivatives do not affect cash flow.

Note 30 Events after balance sheet date

The Board of Directors of Castellum AB intends to propose to the Annual General Meeting a dividend of SEK 6.90 per share, to be paid on two occasions during the year. The statement of profit or loss and the balance sheet for the Parent Company and the Group will be adopted at Castellum AB's Annual General Meeting, which will take place on March 25, 2021.

Castellum initiated the voluntary share exchange and cash offer pertaining to all outstanding shares in Entra not already owned by Castellum. Eligible shareholders could accept the Offer between 8 January and 6 February 2021.

On the expiry of the acceptance period, Castellum had not received sufficient acceptances for the Offer in order for the minimum acceptance threshold pursuant to the Offer Document Section 4.12 (Conditions for completion of the Offer) to be met. Castellum therefore decided to withdraw the Offer.

In January 2021, Castellum obtained regulatory approval from the Swedish Competition Authority for the contracted transaction with Blackstone. Portfolio 1, with a net sale price of approximately SEK 5 billion, was handed over on 5 February. Portfolio 2 was contingent on regulatory approval from the Swedish Competition Authority and completion of the combination with Entra.

Castellum has signed a new agreement for the sale of an asset portfolio with 53 properties to Blackstone for SEK 4.8 billion, net, less overheads and deferred tax of SEK 0.2 billion. The agreed property value involves a premium of 27% against the latest Q3 2020 valuation and 15% against the Q4 2020 valuation. Hand-over will take place on 3 May.

Castellum's holding of shares in Entra was valued at the end of the reporting period at the fair value of the asset, which corresponded to the value – according to Castellum's offer – of approximately NOK 189 per share. Since the offer was withdrawn, the fair value of the shares will instead correspond to the market value, which means that an earnings effect of approximately MSEK 300 will be recognised in Q1 2021, assuming unchanged share price performance, as the earnout recognised as a liability at 31 December 2020 will not fall due.

In 2021, 485,000 own shares were repurchased at a value of MSEK 99.7.

Proposed appropriation of profits

The following funds are at the Annual General Meeting's disposal:

Retained earnings	SEK 16,476,248,368
Net income for the year	SEK 1,749,287,702
Total	SEK 18,225,536,070

The Board of Directors propose that the profits be appropriated as follows:

Dividend to shareholders, SEK 6.90 per share	SEK 1,908,593,185
Carried forward	SEK 16,316,942,855
Total	SEK 18,225,536,070

The company has 272,262,911 registered shares, of which 655,203 shares are treasury shares not entitled to a dividend. The total dividend payment proposed above of SEK 1,908,593,185 may change if the number of the company's treasury shares changes before the record date for the dividend.



Statement regarding proposed distribution of profits

Justification

Equity for the Group has been calculated in accordance with IFRS standards as approved by the EU, as well as in accordance with Swedish law through applying Swedish Financial Reporting Board recommendation RFR 1, Supplementary Accounting Rules for Corporate Groups. Equity for the Parent Company has been calculated in accordance with Swedish law and by application of the recommendation RFR 2 (Accounting for Legal Entities) of the Swedish Financial Reporting Board.

The proposed distribution of profits constitutes 57% of the Group's income from property management, which is in line with the expressed objective of distributing at least 50% of the Group's income from property management after taking investment plans, consolidation needs, liquidity and overall position into account. The Group's net income after tax amounted to MSEK 5,615. The distribution policy is based on the Group's income from property management, and as a result non-cash items pertaining to increases or decreases in value of the Group's properties and interest and currency derivatives, do not normally affect the dividend. Nor were any such non-cash gains or losses taken into account in previous year's resolutions regarding the distribution of profits.

The Board of Directors concludes that the company's restricted equity is fully covered after the proposed distribution of profits.

The Board of Directors also concludes that the proposed distribution to the shareholders is justified considering the parameters in Chapter 17, Section 3, second and third paragraphs of the Swedish Companies Act (the nature, scope and risks of the business as well as consolidation needs, liquidity and overall position). Accordingly, the Board of Directors would like to emphasise the following.

The nature, scope and risks of operations

The Board of Directors estimates that the equity for the company as well as the Group will, after the proposed distribution of profits, be sufficient in relation to the nature, scope and risks of the business. The Board of Directors has in this context considered, inter alia, the historical development of the company and the Group, budgeted development, investment plans and the economic situation.

Consolidation needs, liquidity and overall position

Consolidation needs

The Board of Directors has carried out a general assessment of the financial position of the company and the Group, and their prospects for fulfilling their obligations. The proposed dividend constitutes 10% of the shareholders' equity for the company and 4% of the equity for the Group. The Group's loan-to-value ratio and interest coverage ratio for 2020 totalled 44% and 530% respectively.

The express objective for the Group's capital structure, with a loan-to-value ratio not exceeding 50% over the long term and an interest coverage ratio of at least 200%, will be maintained after the proposed dividend. The capital structure of the company and the Group is sound considering the prevailing conditions of the property business. In light of the above, the Board of Directors concludes that the company and the Group have all the necessary requirements to manage future business risks and also to carry potential losses. Planned investments have been considered when deciding on the proposed distribution of profits.

Liquidity

The proposed distribution of profits will not affect the company's or the Group's ability to meet their payment obligations in a timely manner. The company and the Group have good access to liquidity reserves through short-term as well as long-term credits. The credits may be utilised at short notice, implying that the company and the Group are prepared to manage liquidity fluctuations as well as possible unexpected events.

Overall position

The Board of Directors has considered all other known conditions, which might affect the financial position of the company and the Group, which have not been considered within the scope of the considerations above. In this respect, no circumstances have been found that indicate that the proposed dividend would not be justified.

Fair value measurement

Derivatives instruments and other financial instruments have been measured at fair value in accordance with Chapter 4, Section 14 a of the Swedish Annual Accounts Act. In that connection, a deficit of MSEK 899 after tax has become apparent, which had a corresponding impact on equity.

Gothenburg, February 2021

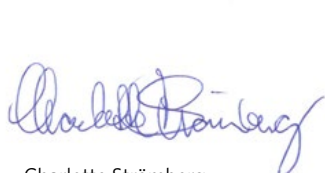
The Board of Directors

Signing of the Annual Report

As far as we can determine, the annual accounts have been prepared in accordance with generally accepted accounting principles. The annual accounts give a true and fair view of the company's financial position and results, and the Directors' Report gives a true and fair overview of the development of the company's operations, financial position and results, and describes the significant risks and factors of uncertainty facing the company.

The consolidated accounts have been prepared in accordance with the international accounting standards covered in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July, 2002 on the application of international accounting standards. The consolidated accounts give a true and fair view of the Group's financial position and results, and the Directors' Report for the consolidated accounts give a true and fair overview of the development of the Group's operations, financial position and results and as well as the significant risks and factors of uncertainty facing the companies within the Group.

Gothenburg, 15 February 2021



Charlotte Strömberg
Chairman of the Board



Per Berggren
Board member



Anna-Karin Hatt
Board member



Christer Jacobson
Board member



Christina Karlsson Kazeem
Board member



Nina Linander
Board member



Zdravko Markovski
Board member



Joacim Sjöberg
Board member



Henrik Saxborn
Chief Executive Officer

Our Auditor's Report regarding these annual accounts was submitted on February 15, 2021.

Deloitte AB



Hans Warén
Authorised public accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Castellum AB (publ) for the financial year 2020 with the exception of the Corporate Governance Report on pages 96-119 and the Sustainability Report on pages 13-15, 18-19, 38-39, 52-65, 71-72, 102, 109-111 and 161-182. The annual accounts and consolidated accounts of the company are included on pages 12-119 and 112-155 in this document.

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 2020 and its financial performance and cash flow 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 2020 and the financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the Corporate Governance Report on pages 96-119 and the Sustainability Report on pages 13-15, 18-19, 38-39, 52-65, 71-72, 102, 109-111 and 161-182. The Directors' report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the Annual General Meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and balance sheet for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Audit and Finance Committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of properties

Description of risk

Investment properties are recognized at fair value in the consolidated accounts. The recorded fair value is MSEK 103,042 at 31 December 2020 and is based on an internal valuation of each property. To validate the internal valuation, 54 % of the property portfolio value has been valued externally.

The internal valuation was based on an individual assessment for each property of its future earnings capacity and its required yield. Changes in value can occur either as a result of macro- and micro-economic factors, or property-specific causes. The valuations are based on assessments and assumptions that could have a significant impact on the income and financial position of the group.

In terms of valuation of investments in existing investment properties, assessment of the group's process for project management with particular regard to expenses for investments and any financial commitments linked to these projects is required.

For further information, please refer to the section Risks and risk management on page 66, Property valuation section on page 90, the group's accounting policies and critical assessments on page 134 and Note 13.

Our audit procedures

Our audit included, but was not limited to, the following procedures:

- We have reviewed the internal valuation procedures and evaluated assumptions and the application of these in the internal valuation model.
- We have reviewed input and calculations in the internal valuation model at property level for a selection of properties for our assessment of completeness and valuation.
- We have obtained the external valuations and assessed whether the differences versus the internal valuations were within the normal uncertainty range.
- We have reviewed Castellum's project management procedures for investments in existing investment properties and for a selection of ongoing projects reviewed investment decisions, authorization procedures, capitalized expenses in the projects and the monitoring of project outcome.
- We have reviewed the recognition of project gains in ongoing projects.
- We have reviewed relevant disclosure notes to the financial statements.

Other information than the annual accounts and consolidated accounts

The other information consists of the remuneration report and pages 1-11, 120-121 and 160-184 including other information than the annual accounts and consolidated accounts. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit and Finance Committee will, without prejudice to the Board of Director's responsibilities and tasks in general, oversee aspects of operations and including the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

An additional description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Castellum AB (publ) for the financial year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to 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.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

An additional description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of the auditor's report.

Deloitte was appointed auditor of Castellum AB by the General Meeting of Shareholders on March 19, 2020 and has been the company's auditor since March 23, 2017. Hans Warén was appointed auditor for Castellum AB by the General Meeting of Shareholders on March 20, 2014 and has been the company's auditor since March 20, 2014. He was the auditor in charge appointed by Deloitte AB for 2017-2020.

The auditor's examination of the Corporate Governance Report

The Board of Directors is responsible for preparing the Corporate Governance Report on pages 96-119 in accordance with the Annual Accounts Act.

Our examination of the Corporate Governance Report is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance report. This means that our examination of the Corporate Governance Report is different and substantially smaller in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A Corporate Governance Report has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, points 2-6 of the Annual Accounts Act and Chapter 7 Section 31, second paragraph of the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Swedish Annual Accounts Act.

The auditor's opinion regarding the Statutory Sustainability Report

The Board of Directors is responsible for the Statutory Sustainability Report on pages 13-14, 18-19, 38-39, 52-65, 71-72, 102, 109-111, 161-182 and for preparing it in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the Statutory Sustainability Report is different and substantially smaller in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A Statutory Sustainability Report has been prepared.

Gothenburg, February 15, 2021

Deloitte AB



Hans Warén
Authorized public accountant

Auditor's Limited Assurance Report on Castellum AB's Sustainability Report

To Castellum AB, corporate identity number 556475-5550

Introduction

We have been engaged by the Board of Directors of Castellum AB to undertake a limited assurance engagement of Castellum AB's Sustainability Report for the year 2020. The Company has defined the scope of the Sustainability Report in connection with the annual report's table of contents.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 180-181 in the Sustainability Report, and are the parts of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Castellum AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Accordingly, the conclusion of the procedures performed do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

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

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Gothenburg February 15, 2021

Deloitte AB



Hans Warén
Authorized Public Accountant



Sustainability notes, with index

Castellum's tradition of sustainability reaches far back into the company's history. Right from its founding, we have worked on energy efficiency and certification. Over time, the sustainability issue has grown and several perspectives have been added. At Castellum, we see ourselves as a long-term builder of communities. In this light, the company's strategy is to take sustainability issues seriously from a financial, ecological and social perspective. Our sustainability efforts are integrated into everything we do, and a natural part of our daily work.

Sustainability notes

Castellum will be one of Europe's most sustainable property companies. Not because we should benefit from it, but because the Earth deserves it. Fortunately, sustainable business is also profitable business. That is why we can go in wholeheartedly for sustainability in all our investments.

About the Sustainability Report

The Annual Report includes Castellum's Sustainability Report, which follows the guidelines in the Global Reporting Initiative (GRI) framework. The basis for the analysis is a completed stakeholder dialogue and a materiality analysis. The Sustainability Report is prepared in accordance with the GRI Standards: Core level. Castellum's ambition is to integrate sustainability initiatives into all its operations, which is why their description is found as part of the regular structure of the annual report.

Castellum has supported the UN Global Compact since 2014 and has taken a position on and responsibility for the ten principles concerning human rights, labour rights, the environment and anti-corruption that comprise the basis of the tasks in the Global Compact. This Sustainability Report comprises Castellum's Communication on Progress and is a report of the company's support for the ten principles of the Global Compact and the UN's 17 Sustainable Development Goals.

The Sustainability Report includes all wholly owned Group companies, but does not include data from the Finnish property group Lindström Invest, which was acquired in the second half of 2020.

Castellum's Sustainability Report follows the financial year and is published annually. Deloitte has conducted a limited assurance engagement with the Sustainability Report. The latest Sustainability Report was published in February 2020.

No material changes regarding the organisation or supply chain occurred in 2020.

Contact person:

Filip Elland, Head of Sustainability for Castellum,
filip.elland@castellum.se

CASTELLUM'S SUSTAINABILITY AGENDA

The objective of Castellum's sustainability agenda is to ensure that the company, by contributing to sustainable development in selected focus areas, is a relevant and successful company, not just for today, but well into the future. Its agenda has been developed through analysis, dialogue and discussion. This agenda is primarily constructed upon:

- The UN's global SDGs for 2030.
- Sweden's road map to Fossil-Free Sweden.
- Local and global challenges and opportunities.
- Identified climate risks and opportunities.
- Priorities voiced by customers, employees and other stakeholders.
- Castellum's ability to create shareholder value.
- Our opportunities to make a real difference.
- The UN's global SDGs for 2030.
- Sweden's road map to Fossil-Free Sweden.
- Local and global challenges and opportunities.
- Identified climate risks and opportunities.
- Castellum's ability to create shareholder value.
- Our opportunities to make a real difference.

Reporting framework



GLOBAL COMPACT

Castellum has signed the UN Global Compact, which is an initiative to coordinate matters of human rights, labour conditions, the precautionary principle and responsibility concerning the environment and anti-corruption. The Global Compact contains 10 principles.

POLICIES FOR SUSTAINABILITY ACTIVITIES

Regulations that control Castellum's sustainability efforts:

External regulations

- The Swedish Companies Act
- The Swedish Environmental Code
- The Swedish Work Environment Act
- Building Regulations from the National Board of Housing, Building and Planning
- Other applicable laws and regulations

External initiatives

- The UN Sustainable Development Goals
- The UN Global Compact
- Environmental classifications: Green Building, Miljöbyggnad, BREEAM, LEED, WELL

ISO 14001

- Science Based Targets
- Local sustainability programmes and climate adaptation plans

Important internal regulations

- Sustainability Policy
- Work environment handbook
- Code of Conduct
- Code of Conduct for suppliers
- Internal environmental management system
- Internal control processes
- Other instructions

Sustainability governance

Our sustainability efforts permeate all operations and are controlled via a management system comprising joint policies, guidelines, overall measurable objectives and detailed action plans. The aim of this work is to monitor, document, evaluate and improve Castellum's sustainability activities. Castellum follows the precautionary principle, which is integrated into Castellum's sustainability policy and business processes, and is monitored via the company's environmental management system. Castellum is ISO 14001 certified for maintaining structured environmental work.

Castellum's CEO is ultimately responsible for all sustainability work, which includes climate-related risks. The Head of Sustainability pursues and develops sustainability initiatives for the Group, which includes the company's climate initiatives, and routinely reports directly to the CEO. The Head of Sustainability further informs the entire Executive Management about this work at least four times a year. The company has not had the need to establish any special climate committee at the executive level. Each region has a dedicated sustainability coordinator, and sustainability efforts are actively integrated into operations. The work as Head of Sustainability and Sustainability Coordinator entails ensuring that the company's sustainability policy is observed, implementing measures that lead to Castellum's sustainability goals and monitoring climate-related risks and opportunities.

Castellum's Board of Directors annually adopts a sustainability policy and Codes of Conduct, and routinely discusses and follows up on various efforts.

As Castellum's sustainability efforts require ever more committed and skilled employees, further training in sustainability issues is offered on a regular basis. All Castellum employees undergo mandatory web-based training in sustainability, diversity and codes of conduct that is a part of the introduction for new employees.

The company's sustainability risks are reviewed every year, which also includes climate-related risks and opportunities. This is part of the company's routine risk review and is reported to the Board of Directors.

SUSTAINABILITY GOVERNANCE

	Financial sustainability	Ecological sustainability	Social sustainability
GRI Standards area	GRI 201: Economic performance GRI 207: Tax	GRI 302: Energy GRI 303: Water and Effluents GRI 305: Emissions GRI 306: Waste GRI 307: Environmental Compliance GRI 308: Supplier Environmental Assessment C1: Product responsibility	GRI 205: Anti-corruption GRI 401: Employment GRI 403: Occupational Health and Safety GRI 404 Training and Education GRI 405: Diversity and Equal Opportunity GRI 413: Local Communities GRI 414: Supplier Social Assessment GRI 416: Customer Health and Safety
Why is this topic important for us?	Delivering on long-term sustainability, financial results and paying tax is a condition for the continued performance of the operation.	By making efficient use of resources and observing the precautionary principle, we can reduce our impact. This also means ensuring compliance and responsibility when developing our properties.	The wellness and development of our employees, and offering them a safe work environment is key to the company continuing to develop in a positive direction. In addition to our employees, it is important that the operation is conducted responsibly with a high degree of ethics and a strong moral compass in relation to our other stakeholders.
Responsibility and impact along the value chain	Meeting customer needs is our responsibility. We primarily develop properties together with our customers, but other stakeholder groups are also included in these procedures. Together with our customers, we contribute to the impact that occurs in conjunction with construction, purchasing, property management and development.	Making efficient use of resources in our operation while putting demands on suppliers and collaborating with customers is our responsibility. Together with our suppliers and our customers, we contribute to the impact that occurs in conjunction with construction, purchasing, property management and development.	We have a formal responsibility towards our employees, and endeavour to have a goal-oriented organisation where everyone feels involved. We are responsible for placing clear requirements on suppliers, and they have a great responsibility for complying with these. We have a direct impact on our employee's workday in conjunction with construction, property management and purchasing, but we are also responsible for our properties being safe for their users and the local community.
Limitations in reporting	The sustainability data that is reported applies to Castellum as a Group. There are no limitations in the reporting.	The sustainability data that is reported applies to Castellum as a Group. We focus on our own operation, from planning to implementation and administration. We also report carbon emissions from both upstream and downstream in the value chain. Any missing data is indicated in the respective tables.	Reporting occurs primarily for employees with supplementary disclosures from suppliers where available. We do not report information about customers and users. Any missing data is indicated in the respective tables.
How we work	We develop our properties, taking into account current and future needs in dialogue with customers and other stakeholders.	by ensuring efficient use of materials and natural resources, as well as efficient use of premises. Read more in the chapters "The Planet" and "Future-proofing".	By clearly structuring requirements and expectations of our employees and suppliers. Read more in the chapters "Well-being" and "Social Responsibility".
We intend to achieve the following:	The goal is to achieve workplaces that create value for us and for our customers.	The goal is to reduce our climate impact, achieving climate neutrality by 2030.	We intend to create a healthy, risk-free and inspiring workplace where people feel committed and motivated, with a high degree of business ethics and a sense of responsibility.
Policies	<ul style="list-style-type: none"> Sustainability Policy Accounting manual Financial policy Sustainability Policy Tax policy Other procedures 	<ul style="list-style-type: none"> Sustainability Policy Guidelines for sustainability goals Code of Conduct Code of Conduct for suppliers Guidelines for sustainable vehicles and travel Other procedures 	<ul style="list-style-type: none"> Sustainability Policy Guidelines for sustainability goals Health and safety manual, and work environment policy Code of Conduct Code of Conduct for suppliers HR manual and Manager manual Internal control procedures Other procedures
Commitments beyond Swedish law and guidelines	<ul style="list-style-type: none"> Supports the UN Global Compact 	<ul style="list-style-type: none"> Science Based Targets initiative Fossil Free Sweden Certification of buildings Supports the UN Global Compact 	<ul style="list-style-type: none"> Supports the UN Global Compact
Targets	<ul style="list-style-type: none"> Growth in income from property management Net investments Low financial risk Customer satisfaction index (CSI) 	<ul style="list-style-type: none"> Climate neutrality 2030 Energy efficiency Proportion of certified buildings 100% renewable energy Fossil fuel-free vehicles 	<ul style="list-style-type: none"> Low sick leave Diversity and Equal Opportunity High employee satisfaction index
Special procedures, projects, programmes and initiatives		<ul style="list-style-type: none"> Environmental management system Method for climate calculations. E-learning in sustainability 	<ul style="list-style-type: none"> Whistleblower function E-learning in Code of Conduct and diversity
Evaluation of management	<ul style="list-style-type: none"> Analysis of Customer Satisfaction Index (CSI). Policies are evaluated annually and adopted by the Board. 	<ul style="list-style-type: none"> Monitoring of resource use and greenhouse gas emissions. Resource use, environmental management systems and product responsibility are monitored as part of management's annual review. Policies are evaluated annually and adopted by the Board. 	<ul style="list-style-type: none"> Monitoring of internal control. Monitoring of cases in the whistleblower function on the Audit and Finance Committee. Monitoring of diversity and equality, local communities, health and safety; evaluation of suppliers regarding social criteria in conjunction with management's annual review. Policies are evaluated annually and adopted by the Board.

Read more about the allocation of responsibility and control mechanisms in the Corporate Governance Report on pages 96–121. Read more about the targets and outcomes on pages 52–61. All of Castellum's properties and units are included.

Stakeholder dialogue and materiality analysis

To develop and improve operations, Castellum has identified and analysed stakeholder expectations of our operations.

Castellum conducts continual dialogue, interviews and surveys with customers, suppliers, employees, Executive Management and the Board of Directors that shows which sustainability issues the stakeholders consider to be most important for Castellum. The stakeholders consulted are those regarded as having the greatest impact on the company or who are impacted the most by the company's operations.

In addition to the stakeholder dialogue, Castellum conducts an ongoing dialogue concerning sustainability-related issues at board meetings, meetings with shareholders, and in everyday encounters with customers, employees and suppliers. Stakeholder dialogue is limited to areas where Castellum is considered to have significant impact or could be significantly impacted by.

CASTELLUM'S MOST IMPORTANT ISSUES FROM A STAKEHOLDER GROUP PERSPECTIVE

Stakeholder group	Most important issues
CUSTOMERS	<ul style="list-style-type: none"> Efficient use of resources Environmental certification of buildings Renewable energy¹⁾
BOARD OF DIRECTORS	<ul style="list-style-type: none"> Efficient use of resources Attractive workplace Environmental certification of buildings
SUPPLIERS	<ul style="list-style-type: none"> Efficient use of resources¹⁾ Renewable energy Sustainable building materials and installations
EXECUTIVE MANAGEMENT	<ul style="list-style-type: none"> Efficient use of resources Diversity and equal opportunity Attractive workplace
EMPLOYEES	<ul style="list-style-type: none"> Efficient use of resources Attractive workplace Create attractive communities, e.g. offering apprenticeships¹⁾

The table shows the most relevant issues that Castellum's stakeholder groups presented in stakeholder dialogues conducted in 2016, with the latest update in 2020.

1. New most important issues from the 2020 stakeholder dialogue.

The survey was conducted using online questionnaires and qualitative interviews.

CASTELLUM'S MATERIAL SUSTAINABILITY TOPICS AND HOW THEY CORRELATE WITH THE GRI STANDARDS

Castellum's sustainability topics	GRI Standards area
Adapting the properties for climate change	Emissions
Good business ethics and anti-corruption	Anti-corruption, financial performance, tax
Diversity and equal opportunity	Diversity and equal opportunity
Efficient use of resources	Energy, water, environmental compliance
Attractive workplace	Employment and working conditions, training, health and safety
Ensure sustainable supply chains	Evaluation of suppliers regarding societal and environmental impact
Sustainable financing	Financial performance
Healthy premises	Customer Health and Safety
Renewable energy	Energy
Environmental certification of buildings	Product responsibility
Sustainable building materials and installations	—
Collaborate with customers to achieve higher sustainability performance, (e.g. waste sorting, charging stations)	—
Contribute to attractive local communities (e.g. through apprenticeships)	Local communities
Offer smart, flexible workplaces	—
Biodiversity and ecosystem services	—
Environmental and climate risks	—
Occupational Health and Safety	Occupational Health and Safety

The table shows how Castellum's sustainability topics correlate with the topics of the GRI Standards. A number of Castellum's sustainability topics are considered important for the company's sustainability efforts and therefore extend outside the GRI reporting system.

Materiality analysis

The result of the stakeholder dialogues that were conducted, in combination with the company's materiality analysis, means that Castellum is focusing on the following topics. All areas are considered important for Castellum, but are evaluated on a matrix with a low-medium-high axis.

Castellum's work with these areas is compiled in "Castellum's Agenda for the Sustainable City". The prioritised areas in the matrix below, which is based on the materiality analysis that was conducted, has resulted in the following four focus areas described briefly below.

**FOCUS AREA
THE PLANET**

How Castellum will responsibly and efficiently reduce resource use and carbon emissions that cause global warming.

**FOCUS AREA
FUTURE-PROOFING**

How Castellum will create a sustainable asset portfolio in a changing world.

**FOCUS AREA
WELL-BEING**

How Castellum will promote health, wellness and productivity.

**FOCUS AREA
SOCIAL RESPONSIBILITY**

How Castellum can create better communities, with increased employment and involvement.

Relevance for stakeholders	High	<ul style="list-style-type: none"> Healthy premises. Create attractive communities, e.g. offering apprenticeships. Attractive workplace. 	<ul style="list-style-type: none"> Efficient use of resources (energy, water and materials). Renewable energy. Environmental certification of buildings. Sustainable building materials and installations. Diversity and equal opportunity. Collaborate with customers to achieve higher sustainability performance (e.g. waste sorting, charging stations). 	
	Medium	<ul style="list-style-type: none"> Sustainable financing. 	<ul style="list-style-type: none"> Adapting the properties for climate change. Offer smart, flexible workplaces. Occupational Health and Safety. 	<ul style="list-style-type: none"> Ensure sustainable supply chains.
	Low	<ul style="list-style-type: none"> Good business ethics and anti-corruption. Environmental and climate risks. 	<ul style="list-style-type: none"> Biological diversity and ecosystem services (Biological diversity and ecosystem services have been reassessed from high relevance for stakeholders to low, with a high level of impact on sustainable development). 	
		Low	Medium	High
		Castellum's impact on sustainable development		

Impact on the business community

Many of Castellum's sustainability topics have an impact outside the company's legal framework; for example, on our customers, suppliers, and in the communities in which the company operates. Castellum reports background descriptions for each essential

sustainability topic and precisely where in the company's value chain this topic has an impact. Refer to Castellum's GRI index on pages 180-181 for references to information regarding sustainability governance.

Sustainability initiatives and commitments

Responsible agent of societal progress

As a responsible agent of societal progress, Castellum will be part of driving this development forward. Castellum regards the precautionary principle and society's requirements under laws and regulations as minimum requirements, and strives for continual improvements for the purpose of promoting sustainable development.

Attitude to climate change and the planet's limits

Castellum acknowledges the scientific evidence that human activity is accelerating climate change. Overstepping the planet's limits involves great risk for our future. To promote a global agenda, Castellum must therefore govern its operations and set goals in line with the UN's Sustainable Development Goals and the Paris Agreement. To future-proof Castellum's portfolio, buildings will be made more energy-efficient, life cycle perspectives will be taken into account in investments, responsibility for natural resources and biological diversity will be assumed, the share of renewable energy will be increased and operations will be adapted to climate change. Castellum will be involved in the climate plans and policies of its customers and of government agencies, it will display leadership and to the greatest extent possible will inspire the industry toward a greener approach.

Castellum regards the impact of a changed climate as a significant risk that over the long term constitutes a risk to our operations, our properties and our tenants. If extreme weather arises – floods or heavy rains, for example – it causes damage and disruptions in several ways: directly to the property or neighbouring infrastructure (e.g. electrical outages, waste water backing up out of drains, or disruptions to public transportation to and from our properties). Therefore, Castellum has implemented specific risk analysis processes for all investments in order to take into account such climate risks as the risk of flooding, land erosion and vulnerability to extreme weather.

The Science Based Targets Initiative (SBT) is a collaboration between the Carbon Disclosure Project (CDP), the UN, the World Resource Initiative (WRI) and the World Wildlife Fund (WWF). The purpose of the SBT is to guide companies across the globe in defining carbon emissions and in establishing scientifically correct objectives in line with the goals of the Paris Agreement on reducing global warming.

Castellum is the first property company in the Nordic region to have its climate targets approved by SBT. Castellum's target is to achieve 100% climate neutrality in its operations by 2030, thereby supporting the UN's climate agreement and the national ambition for a fossil fuel-free Sweden.

Castellum's strategy for reducing its environmental impact focuses on several areas, including:

- Converting to 100% renewable energy
- Reducing energy consumption in our properties.
- Converting to a fossil fuel-free vehicle fleet by 2020
- Orientation toward reduced climate impact in developments

To achieve properly functional sustainability initiatives, Castellum will:

Overall

- Govern its operations in line with the UN Sustainable Development Goals.
- Comply with Castellum's Code of Conduct, which is built on the UN Global Compact. All Castellum's employees and partners must understand and comply with their respective Codes of Conduct.
- Continually increase competence in sustainability through education and communication of sustainability issues.
- Routinely monitor, report on and improve our sustainability efforts.

Ecological sustainability

- Minimise carbon emissions in Scopes 1, 2 and 3 (refer to pages 52-54), which promote global warming.
- Use natural resources responsibly and efficiently so as not to jeopardise the planet's limits, and thus our climate and the opportunities for future generations in a finite world.
- Build and manage from a service life perspective, and promote circular models.
- Promote increased biological diversity and limit the use and spread of environmentally hazardous products.
- All properties held for more than one year are to be environmentally inventoried, and these will be updated at least every ten years.
- Create conditions for responsible waste management through minimising waste, guarding against pollutants and regarding waste as a resource for reuse and recycling.

Social sustainability

- Offer comfortable, healthy environments for people in and around our properties and for our employees' well-being.
- Create an equitable organisation with a diversity reflecting the composition of society.
- Contribute to employment and young people's opportunities to enter the labour market.
- Engage in issues that are significant for societal development.
- Call attention to and change discriminatory structures in the organisation.
- Be an attractive employer and attract the best and most professional employees.

Financial sustainability

- Maintain long-term, sustainable financial growth in cash flows.
- Create business models for collaboration regarding sustainable investments.
- Maintain low financial and operational risk for a strong increase in value in the company while offering shareholders a competitive dividend.
- Use financial and human capital efficiently.

Supplementary information

This section reports on the methods, assumptions and conversion factors used to produce Castellum's GRI disclosures. In addition, supplementary tables are presented, as well as information for the Annual Report and descriptions of omitted information.

Environmental and climate data

Efficient use of resources

Castellum's efforts to reduce the company's climate impact are ambitious, and are in progress throughout operations. The ambition of working efficiently to develop a more sustainable property portfolio has been a goal of the company since the mid-1990s. This work has yielded results, and Castellum is now among the most sustainable companies in the industry.

To future-proof Castellum's asset portfolio and promote the sustainable development goals established by the UN and prioritised by the company, several challenging goals have been set. Buildings must be more energy-efficient, natural resources must be more efficiently utilised, biodiversity in urban environments must be increased, renewable energy must be improved and changing weather conditions must be taken into account. Castellum is involved in the climate plans and policies of its customers and of government agencies. It supports international treaties such as the Paris Agreement, displays leadership and to the greatest extent possible influences the industry to reduce its climate impact. Castellum is the first property company in the Nordic region to have its climate targets approved by the Science Based Targets initiative (SBTi). Castellum's target is to achieve 100% climate neutrality in its operations by 2030, thereby supporting the UN's climate agreement and the national ambition for a fossil fuel-free Sweden. Despite the strong possibilities we see for adjusting emissions from property management (scopes 1 and 2), there are major challenges to achieving climate neutrality in Scope 3. At present, we are far from having all the solutions to becoming climate neutral by 2030. But we know that ambitious goals drive innovation.

Emissions, GRI 305-1, 305-2 and 305-3

Energy, GRI 302-1

Energy source	Absolute energy use, 2020	Renewable share
Building electricity	70,357	100%
Electricity, geothermal and cooling	1,586	100%
Electricity, direct	1,155	100%
Biogas	1,723	100%
Total fuel consumption from renewable fuels	74,821	100%
Natural gas	312	0%
Oil	1	0%
Total fuel consumption from non-renewable fuels	313	0%
District heating	189,382	94%
District cooling	14,903	95%
Total energy consumption	279,419	95%

All energy consumption is reported in megawatt-hours (MWh); to recalculate energy consumption from MWh to gigajoules (GJ), use a conversion factor of 3.6. Castellum uses no steam power.

Castellum monitors its greenhouse gas emissions annually in accordance with the Greenhouse Gas (GHG) Protocol. 2017 was chosen as the base year for Castellum's Science Based Target of net-zero CO₂ emissions by 2030. This is because it was the first year when a complete Scope 3 inventory could be carried out. For scopes 1 and 2, and for business travel, there is comparable data back to 2007.

The table on the next page reports on the activities, assumptions and conversion factors forming the basis for reporting Castellum's energy consumption and greenhouse gas emissions.

Waste by type and disposal method, GRI 306-2

Castellum does not fully break down waste information by type or management method, as the company currently does not have access to this information at a detailed level. The information will be developed over the next few years in pace with our having the possibility of obtaining more complete information from our suppliers.

COMPLETE INVENTORY OF GHG EMISSIONS

Absolute emissions are indicated in metric tons of CO₂eq, and intensity in kg per square metre

	2020		2019		2018		2017		Method for calculation ⁹⁾
	Absolute	Intensity	Absolute	Intensity	Absolute	Intensity	Absolute	Intensity	
Scope 1 Includes natural gas, oil, refrigerants and fuels for company cars									
Direct emissions	284	0.1	458	0.1	675	0.2	1,122	0.3	Fuel-based method
Biogenic emissions	339	0.1	535	0.1	664	0.2	924	0.2	Fuel-based method
Scope 2 Includes electricity, district heating and cooling									
Market-based method	3,991	0.9	5,764	1.4	4,362	1.0	6,133	1.3	Fuel-based method
Location-based method	18,128	4.1	37,222	8.8	47,818	11.3	48,560	11.0	Fuel-based method
Scope 1+2 (Market-based)	4,275	1.0	6,222	1.5	5,037	1.2	7,255	1.6	Fuel-based method
Scope 1+2 (Location-based)	18,412	4.2	37,680	8.9	48,493	11.5	49,682	11.3	Fuel-based method
Scope 3 Includes all other relevant indirect emissions ²⁾									
1. Purchased goods and services	274,307	61.8	266,860	62.8	273,279	64.6	322,279	73.6	Spend-based method
4. Upstream transportation and distribution	227	0.1	172	0.1	166	0.1	289	0.1	Spend-based method
5. Waste generated in operations	2,717	0.6	2,161	0.5	2,038	0.5	1,839	0.4	Spend-based method
6. Business travel	49	0.0	127	0.0	151	0.0	138	0.0	Distance-based method
7. Employee Commuting	160	0.0	166	0.0	158	0.0	156	0.0	Average-based method
8. Upstream leased assets	88	0.0	68	0.0	59	0.0	51	0.0	Spend-based method
13. Downstream leased assets ³⁾	12,627	2.9	54	0.0	54	0.0	54	0.0	Average-based method
Biogenic emissions	—	—	—	—	—	—	—	—	—
Scope 3	290,175	65.4	269,608	63.4	275,905	65.2	324,806	74.1	

2017 was chosen as the base year for Castellum's Science Based Target initiative, since it was the first year Castellum was able to take a full inventory of its Scope 3 GHG emissions. No exclusion of essential greenhouse gases has been made.

1. According to GHG Protocol Corporate Value Chain Standard
2. The following types of Scope 3 emissions are not relevant for Castellum (approved by the Science Based Target initiative): 2. *Capital goods*, 3. *Fuel and energy-related activities*, 9. *Downstream transportation & distribution*, 10. *Processing of sold products*, 11. *Use of sold products*, 12. *End-of-life treatment of sold products*, 14. *Franchises*, 15. *Investments*
3. The emission factor has been updated to each national residual mix emission factors from the Grexel database for 2020. Our opinion is that Grexel's individual residual emission factors better reflects the carbon emissions from electricity consumption instead of using the weighted Nordic residual emission factor by Energimarknadsinspektionen, used previous years. This does not significantly effect the full carbon footprint, less than 5%, therefore we do not update previous year or base year.

MULTI-YEAR OUTLOOK: ENERGY, CARBON EMISSIONS AND WATER, 2016-2020

Absolute energy in MWh and CO₂ in metric tons and intensity, respectively, given in kWh per square metre per year and CO₂ in kilogrammes per square metre

	2020		2019		2018		2017		2016	
	Absolute	Intensity	Absolute	Intensity	Absolute	Intensity	Absolute	Intensity	Absolute	Intensity
Total energy consumption	279,419	75	316,239	88	349,014	97	343,140	94	342,918	98
Total energy consumption, normalised	326,287	87	340,645	95	371,220	103	365,927	100	362,935	104
1. of which actual heating	193,718	50	223,576	60	238,494	64	244,060	64	244,529	69
2. of which normalised heating	240,586	62	247,983	67	260,700	70	266,847	70	264,546	75
3. of which electricity and cooling	85,701	25	92,662	28	110,520	33	99,080	30	98,389	29
Total CO₂ emissions for property management¹⁾	4,275	1.0	6,222	1.5	5,037	1.2	7,255	1.7	8,355	1.9
of which Scope 1	285	0.1	458	0.1	675	0.2	1,122	0.3	608	0.1
of which Scope 2 (market-based)	3,990	0.9	5,764	1.4	4,362	1.0	6,133	1.4	7,747	1.8
Total water consumption	874,785	0.25	995,345	0.29	969,783	0.3	1,008,457	0.3	1,044,503	0.2

1. This list includes all CO₂ emissions from property management (i.e. scopes 1 and 2). Total energy consumption is the sum of 1 and 2. Total normalised energy use is the sum of 2 and 3.

Scope	Activity	Activity data	Conversion factor
Scope 1	Oil consumption at properties where the tenant does not have separate metering or billing of actual consumption.	Internal collection of statistics relating to consumption at properties heated by oil.	Heating oil: 0.28 tonnes CO ₂ e/MWh Source: GHG Protocol, GWP 2014 IPCC Fifth Assessment Report
Scope 1	Natural gas consumption at properties where the tenant does not have separate metering or billing of actual consumption.	Internal collection of statistics relating to consumption at properties heated by natural gas.	Natural gas: 0.203 tonnes CO ₂ e/MWh Source: GHG Protocol, GWP 2014 IPCC Fifth Assessment Report
Scope 1	Business travel with company vehicles.	Travel with company vehicles is based on meter readings. Greenhouse gas emissions are based on distance covered and on combined-cycle fuel consumption for each vehicle.	Gasoline: 0.0002375 tonnes CO ₂ e/km Diesel: 0.0002798 tonnes CO ₂ e/km Biofuel: 0 tonnes CO ₂ e/km CNG: 0.0000505 tonnes CO ₂ e/km Electric hybrid: 0.00005 tonnes CO ₂ e/km Electric car: 0 tonnes CO ₂ e/km Source: GHG Protocol, GWP 2014 IPCC Fifth Assessment Report
Scope 1	Refrigerants	Refrigerant emission data is collected from the mandatory refrigerant report of each respective property.	Statistics from Svenska Kyl & Värmepumpsföreningen. The data is reported in connection with the Fluorinated Greenhouse Gas regulation, EU/517/2014, and appurtenant Swedish legislation, which is declared based on applicable practices.
Scope 2	Consumption of electricity in properties where the tenant does not have separate measurement or invoicing of actual consumption.	Internal collection of statistics for properties where Castellum is responsible for electricity use.	Origin-labelled renewable electricity: 0 g CO ₂ e/MWh Residual mix: Sweden: 0.05022 tonnes CO ₂ e/MWh Denmark 0.46521 tonnes CO ₂ e/MWh Finland 0.31013 tonnes CO ₂ e/MWh Source: Grexel
Scope 2	Consumption of district heating and district cooling in properties where the tenant does not have separate measurement or invoicing of actual consumption.	Internal collection of statistics for properties where Castellum is responsible for district heating and district cooling. District heating consumption is adjusted based on SMHI degree days and vacancy rate.	Statistics from respective district heating providers. ¹⁾
Scope 3	Business travel, taxi.	The majority of the data from suppliers and manual retrieval.	0.000147 tonnes CO ₂ e/km Source: GHG Protocol, GWP 2014 IPCC Fifth Assessment Report
Scope 3	Business travel, air.	The majority of the data from suppliers and manual retrieval.	Nordic region: 0.000171 tonnes CO ₂ e/km Europe: 0.000092 tonnes CO ₂ e/km World: 0.000083 tonnes CO ₂ e/km Source: GHG Protocol, GWP 2014 IPCC Fifth Assessment Report
Scope 3	Business travel, train.	The majority of the data from suppliers.	0.0000002 tonnes CO ₂ e/km Source: SJ
Scope 3	Business travel, private vehicles.	Internal monitoring of kilometres driven on business with private vehicles.	0.000147 tonnes CO ₂ e/km Source: GHG Protocol, GWP 2014 IPCC Fifth Assessment Report
Scope 3	Employee commutes.	Employee commutes in km are estimated based on data from Transport Analysis combined with emission factors from the Swedish Environmental Protection Agency.	Source: Swedish EPA and Transport Analysis
Scope 3	Assets leased downstream.	Calculated from a template of tenants' energy use.	Residual mix: Sweden: 0.05022 tonnes CO ₂ e/MWh Denmark 0.46521 tonnes CO ₂ e/MWh Finland 0.31013 tonnes CO ₂ e/MWh Source: BELOK, Grexel
Scope 3	Other GHG emissions.	The carbon footprint is calculated based on how much is spent on suppliers from various industry sectors (e.g. transportation, travel, consultants, etc.). Emissions are then calculated using sector data from the World Input Output Database (WIOD) in accordance with the recommendations of the Greenhouse Gas Protocol for a Scope 3 screening.	Source: World Input Output Database (WIOD) 2013

1. Since the district heating suppliers' conversion factor for the preceding year (2020) was only calculated in 2021, the conversion factor for 2019 is used for emissions linked to traditional district heating.

Employee data

Action-oriented, flexible organisation

Castellum works continually on developing and improving its organisation. Its starting point is that a shared structure in combination with a strong local presence creates the best business advantages. The company's understanding of tenants' specific requirements and deep knowledge of the specific context of each local property and rental market create the ability to act – something that makes a difference, promotes business and helps employees grow.

Castellum has procedures and guidelines concerning benefits, terms of employment and incentive systems. These initiatives are being taken with the purpose of strengthening the Castellum Spirit, increasing mobility within the company and ensuring a clear remuneration and incentive structure.

We are carrying out a bonus programme for all employees wherein it is possible for all participants to receive a share of all improvements. This contributes to an inclusive culture where operational objectives are a natural part of everyday activities.

Castellum is to be an attractive employer with committed, motivated leaders working towards the same goals, thereby meeting high expectations. The company works to attract, recruit, develop and retain the right managers and employees. The goal is to be the best choice of property management partner in all of Castellum's markets. Castellum always strives for improvement, and will be clear and transparent concerning expectations of everyone who works in the Group. Constructive monitoring is a natural and mutual part of the relationship between managers and employees, and takes place through annual performance reviews and follow-up dialogue. In addition, dialogue and follow-up routinely take place on a daily basis.

Castellum assesses various perspectives, and therefore considers diversity and equality to be important keys to growth, which is why this is a priority issue. Castellum's diversity and equality initiatives must promote equal treatment on issues concerning conditions of employment, work conditions and development in the work. The ambition is the pursuit of diversity and equality initiatives as an integral part of operations.

Working environment

Castellum protects and supports both employees and suppliers, and it is our responsibility that no one becomes ill, either physically or

mentally, or is injured owing to their work. We work routinely on developing and improving working environments within the entire Group. Castellum also has a Code of Conduct for suppliers, in which they are obligated to meet the same requirements we impose on ourselves as regards work environments. During the year, 11 work-related accidents were reported, 5 of which involved Castellum employees.

Total sick leave remained low, at 2.0% (2.9).

To reach the Group's tough sustainability goals of net-zero carbon emissions by 2030 and a non-fossil fuel powered vehicle fleet by 2020, Castellum's employees must prioritise sustainable travel and meetings.

Castellum's guidelines include the following requirements:

- Travel over 450 km should primarily be booked by train
- Environmental requirements are imposed on all travel (e.g. green taxis should be booked).
- Annual climate compensation for all of the Group's travel

Occupational health and safety, GRI 403-1-7

Castellum's procedures for occupational health and safety cover all its employees. Systematic occupational health and safety work is based on a work environment handbook with policies, guidelines and procedures that is available to all employees on the intranet. Castellum assumes its statutory work environment responsibility for all of its employees and agency staff, and assumes coordinating responsibility for contractors in our operations.

The work environment handbook indicates how the responsibility and work environment tasks are allocated. The managing directors of the various parts of the operation bear primary responsibility. The managing directors delegate work environment tasks to the operations so that one or more managers, supervisors or other employees are tasked with working to prevent risks in the work and to achieve a satisfactory work environment. Employees or employers who are or have been assigned responsibility for work environment tasks must ensure that the knowledge concerning the work is sufficient, which is also defined in Castellum's work environment handbook. The company's local safety officers have an important function in occupational health and safety work, and in cooperating to develop Castellum's work environment. Courses in occupational health and safety are continually held in the operation.

Education, no. of people			Type of employment, no. of people		
University	111	129	Full-time employees	155	249
Upper secondary school	49	121	Part-time employees	7	2
Compulsory school	2	1			
Division of labour, %			Forms of employment, no. of people		
Customer relations/property management	35%	65%	Permanent employees	161	250
Business and project development	23%	77%	Temporary employees	1	1
Support functions	34%	66%			
Executives	40%	60%			
Regional management groups	44%	56%			
Executive Management	50%	50%			

For more detailed information about diversity and equality, refer to page 57-59: "Diversity at Castellum in 2020, by region" and "Equality at Castellum," divided as above.

All data is based upon actual data. The information has been compiled and assured by Castellum's HR department. Regional HR information has been broken down by county for Sweden. Castellum's operations in Denmark and Finland have few employees, so these have been included in the statistics for Sweden.

Risk identification and management

Identifying and preventing risks to health and safety are the foundation of Castellum's occupational health and safety work. Risks are assessed at different levels and in specific situations. For example, risks are reviewed and a renewed risk assessment is conducted for every part of operations on an annual basis. Risk assessments are also conducted in conjunction with changes (e.g. moving premises, new tools, changes to working methods or prior to hiring a contractor). Castellum's workplace-related incidents and accidents are handled according to established procedures. If an employee suffers an occupational injury or gets into an accident at work, or if some near-accident occurs at work, the managing director of the operation concerned, the manager concerned and the HR director – as well as the employee – will investigate the causes so that the risk of ill health and accidents can be prevented in the future and, if needed, routines and approaches for minimising risks can be changed. The managing director of the operation concerned, or alternately the manager concerned, must report the occurrence to the Swedish Work Environment Authority without delay. The managing director of the operation concerned is also responsible for reporting work-related injuries to Castellum's legal department. The documentation will be used in the systematic health and safety work so as to prevent future accidents. At Castellum, the safety officers have the right to intervene and stop work that is deemed to be dangerous or could entail a risk of injury or ill-health.

In Castellum's projects, near-accidents and accidents must also be reported for the purpose of learning from the experience. Our hired contractors are formally responsible, in their capacity as employers, to investigate and implement measures in conjunction with workplace injuries. It is the task of Castellum as property developer, however, to draw lessons from what took place in order to apply actions in conjunction with planning and designing projects as well as regards overall conditions for the project. Castellum's employees have a great deal of influence over the company's work environment and health initiatives. The safety officers have an important role in this. Influence is exercised through measures such as participation in risk assessments, safety committees, physical fitness groups and more. At Castellum, there are local safety committees that both employer and employee representatives take part in.

Health Care

For Castellum, healthy employees who feel good and live healthy lifestyles are important. Lifestyle, and the physical and social environment, are crucial for people's health and wellness both in leisure time and work life. Castellum makes use of external resources for occupational health services, starting from the fact that expert knowledge is necessary to study and assess the potential physical and mental risks. Occupational health care proposes measures and takes part in implementing them. It is also an important resource when rehabilitation studies are to be conducted and in conjunction with work adaptation measures for individual employees and groups of employees. It may be a question of employees who face challenges in the physical work environment, for example, with unbalanced work. Health checks are conducted throughout the company once per year, and more time is scheduled when needed. The purpose of occupational health care is to work in a manner that promotes health and is preventive, in accordance with the intent of the Swedish Work Environment Act.

Through their healthcare insurance, all employees have access to several preventive health service such as telephone support and e-health services, which are free of charge to use and are available round the clock. In order to provide every employee with the proper conditions to care for their health, all employees are offered work environment and health check-ups at certain intervals.

To inspire our employees, Castellum has a physical fitness group that continually develops activities that our employees are invited to. Every year, our physical fitness group develops a plan with various physical fitness activities that are carried out around the company. Every employee also has access to a physical fitness subsidy of SEK 5,000 per year.

Preventive work with suppliers

Castellum's operations encompass many buildings and large areas of land around the Nordic region. To achieve effective administration and construction, Castellum needs to partner with many different suppliers. Partnership with suppliers is built on such factors as clear requirements and expectations, as well as dialogue and monitoring. By imposing clear requirements in areas such as work environment, we can enable and promote sustainable development for the entire construction and property industry. The Code of Conduct for suppliers, clear requirements in procurement documents, and instructions for suppliers are a few examples of how Castellum takes on these issues.

Work-related injuries and ill health, GRI 403-9,10

During the year, a total of 5 workplace accidents were reported for Castellum's own employees. The most common accidents were crushing injuries, falls, burns and vehicular accidents. The number of injuries resulting in sick leave (LTI) yields an accident rate of 0.5 per 200,000 hours worked, which is considered low. The accident rate is defined as the number of workplace accidents that lead to absence on one or more contractual workdays per 200,000 hours worked.

The table below includes data for all employees and hired suppliers that have come to the attention of management.

Sick leave, employees	Women	Men	Total
Absenteeism, Castellum	2.1%	2.0%	2.0%
of which short-term sick leave	0.8%	1.0%	0.9%
Of which long-term sick leave (counted after day 15)	1.3%	1.0%	1.1%

Work-related injuries and ill health	Employees	Suppliers
Number of work-related fatalities	0	0
Number of workplace injuries leading to absence (LTI)	2	4
Injury frequency rate per 200,000 hours (LTIFR)	0.5	0.2
Number of workplace injuries with serious consequences ¹⁾	0	0
Injury frequency rate per 200,000 hours	0	0
Total number of recorded workplace injuries	5	6
Injury frequency rate per 200,000 hours (TRIFR)	1.2	0.3
Number of recorded workplace injuries ²⁾	5	—
Total number of hours worked	828,613	4,194,183 ³⁾

Terms: LTI = Lost Time Injury, LTIFR = Lost Time Injury Frequency Rate, TRIFR = Total Recordable Injury Frequency Rate.

- Serious injuries with more than 6 months of recovery, excl. fatalities.
- Castellum's interpretation of GRI's "Work-related ill health".
- The number of hours worked for suppliers is based on an assumption that 60% comprises labour costs at an hourly price of SEK 500.

Sick leave in the company remains low and continues to hold steady at 2.0%. Our time-reporting system for registering sick leave provides us with the opportunity for early identification of employees who are experiencing work-related ill health. During the year, 7 employees indicated that their absences were a consequence of conditions at work. Those who suffered workplace injuries with absence as a result are here. In addition, there is ill health as consequence of stress. We work continually with health-promoting and preventive activities for the purpose of preventing employees from suffering work-related injuries and ill health. We work in accordance with a structure similar to a "hierarchy of controls" in order to prevent and reduce the risk of injury.

Castellum has also established targets for forward-looking occupational health and safety work:

- Short-term sick leave must be under 2%.
- Long-term sick leave must be under 3%.
- All managers must have undergone systematic occupational health and safety training for the purpose of possessing the knowledge required for the responsibility they have been delegated.
- Safety committee meetings must be held every three months.
- Psychosocial work environment issues must be followed up annually via questions in temperature measurements, which were introduced during the year. Targets for psychosocial issues will be followed up on in 2021.

Castellum has procedures for recording and investigating work-related illnesses in order to establish the underlying causes and to develop preventive strategies. Among our suppliers, 4 workplace injuries resulting in absence were reported during the year. This yields an accident rate of 0.3 per 200,000 hours worked, which from an industry perspective can be considered low. The accident rate is defined as the number of workplace accidents that lead to absence on one or more contractual workdays per 200,000 hours worked. No fatalities have occurred, which is why we did not divide fatalities according to workplace illness or workplace accidents, nor is any fatality rate reported.

AGE DISTRIBUTION - NUMBER OF EMPLOYEES

	Women	Men	Total
Excluding Board			
Under 30	14	15	29
30-50	95	107	202
Over 50	54	128	182

EMPLOYEE TURNOVER¹⁾

	Number of employees 2020	Of which women, 2020	Number of employees, 2019	Proportion women 2019
Employee turnover				
New employees during the year				
under 30	4	47%	15	55%
30-50	20	68%	32	39%
over 50	7	20%	10	20%
Total new employees	31	54%	57	40%
<i>Proportion of new employees</i>	7%		14%	

Training and education, GRI 404-1

Castellum does not break down training hours by gender and occupational category, as the company does not have access to this information at the personal level. The information may be developed in the next few years with a Group-wide HR system.

Percentage of employees receiving regular performance and career development reviews, GRI 404-3

Castellum does not break down training hours by occupational category, as the company does not have access to this information at the individual level. The information may be developed in the next few years with a Group-wide HR system.

Equality, GRI 405-1

Demographic structure personnel	2020		2019		2018	
	Number of people	Proportion women	Number of people	Proportion women	Number of people	Proportion women
Board of Directors	8	50%	7	57%	7	57%
Under 30	—	—	—	—	—	—
30-50	1	100%	1	100%	1	100%
Over 50	7	43%	6	50%	6	50%
Executive management	8	50%			9	44%
Under 30	—	—	—	—	—	—
30-50	6	50%	5	40%	6	67%
Over 50	2	50%	2	50%	3	0%
Employees excl. exec. mgmt	413	40%			374	42%
Under 30	29	48%	48	47%	32	29%
30-50	202	47%	218	45%	198	54%
Over 50	182	30%	154	28%	145	27%

This table shows the demographic structure of personnel, according to age and gender, for various administrative levels. Castellum does not track the minority status of employees.

EMPLOYEE TURNOVER¹⁾

	Number of employees 2020	Of which women, 2020	Number of employees, 2019	Proportion women 2019
Employee turnover				
Employees who left during the year				
under 30	0	—	8	59%
30-50	14	33%	21	75%
over 50	11	25%	7	35%
Total number of leavers	25	30%	36	64%
<i>Proportion of leavers</i>	6%		9%	

1. Castellum has transitioned to the Full-Time Equivalent (FTE) principle as of 2018. FTE takes into account actual work time during the year; deductions are made, for example, for level of service and actual period of employment during the year. Example: an employee who begins employment on July 1 and works 70% (28 hrs/wk) up through December 31 is counted as 0.35 FTE (employed for 50% of the year at 70% employment)

Financial sustainability data

Economic performance (GRI 201-1)

	2020	2019	2018
	MSEK	MSEK	MSEK
Directly created economic value	6,004	5,821	5,577
Income	6,004	5,821	5,577
Economic value distributed	4,955	4,512	4,147
Operating costs	1,669	1,466	1,400
Dividend to shareholders	1,776	1,667	1,448
Salary and remuneration to employees	470	427	382
Interest to financiers	786	782	835
Tax to the Swedish state	247	165	74
Contributions to communities	7	5	8
Economic value retained	1,049	1,309	1,430

Tax - report by country, GRI 207-4-a

	Sweden	Finland	Denmark
Number of employees ¹⁾	400	1	12
Assets excl. cash and cash equivalents	100,645	2,751	6,359
Income	5,528	57	419
Of which income from sales to third parties	5,528	57	419
Of which income from intra-Group transactions with other tax jurisdictions	0	0	0
Income before tax	6,380	241	407
Tax paid	203	6	38
Deferred tax	1,060	59	47
Net income for the year	5,117	176	322

1. Number of employees pertains to FTEs at the end of 2020

The objective of the company's operations is to acquire, administer, develop and sell properties and securities, directly or indirectly through wholly or partially owned companies, and to conduct other operations compatible with these.

Castellum pays taxes in three tax jurisdictions: Sweden, Denmark and Finland.

Supplier data

Supplier environmental assessment, GRI 308-1

Castellum is unable to report quantitative data for the number of supplier audits containing environmental criteria, but reports only qualitatively on how the efforts to influence our suppliers regarding the environment have been carried out. Castellum is investigating the possibilities of implementing a Group-wide model regarding monitoring how environmental requirements are to be managed. Currently there is no decision on whether this model is to be adapted based on the requirements in the GRI.

Negative social impacts in the supply chain and actions taken, GRI 414-2

Castellum is unable to report quantitative data for supplier evaluations regarding impact on society, but reports only to a certain extent on the Group's negative and positive impacts in the supplier chain and how the company wants to exert influence using our Code of Conduct. Castellum's ambition over the long term is to produce a Group-wide model for how our suppliers' impact on society is to be monitored. Currently there is no decision on whether this model is to be adapted based on the requirements in the GRI.

EPRA Sustainability Best Practices Recommendation (sBPR)

EPRA Sustainability Best Practices Recommendation (sBPR)

Castellum's reporting of its sustainability efforts follows the guidelines from the Global Reporting Initiative (GRI) Standards: Core option. The GRI's industry-specific supplements for the construction and property sector have been taken into account. The sustainability report is presented annually and sources are given for the data, assumptions and conversion factors used within the framework of the report. No material changes regarding the organisation or supply chain occurred in 2020.

EPRA Performance Measures

Castellum reports the company's key sustainability metrics based on the European Public Real Estate Association (EPRA) Sustainability Best Practices Recommendations (sBPR), third version, September 2017.

Castellum reports key sustainability metrics for all of the EPRA's sBPR performance measures. Key metrics are reported for energy, greenhouse gas emissions, water, waste, and environmentally certified buildings as well as corporate governance and societal aspects.

EPRA Overarching Recommendations

Organisational boundary

Castellum limits its reporting to properties where we have operational control in accordance with the principles of the Greenhouse Gas protocol. Operational control was selected since it provides Castellum with the best conditions for reporting the statistics and data that Castellum can directly influence. Properties where the customer is responsible for agreements regarding energy and water deliveries and waste removal are thus excluded. Nor does Castellum own measurement data in cases where the customer is responsible for the agreement, and it is therefore difficult to report that type of data.

Coverage

Castellum works actively to gain access to the relevant data for properties it owns and manages. Having access to measurement data is important for Castellum, as it creates conditions for proper, efficient technical management in our buildings. At present, Castellum has excellent access to measurement data for nearly its entire portfolio. The size of the share of properties included in the respective indicators is shown next to the respective key metrics. Note that the share of potential objects to report under absolute figures for the respective years includes objects sold during the year in question, excluding land.

Castellum does not, however, have access to all of the measurement data for all its properties. Measurements of waste are primarily lacking due to the fact that the waste management contractors cannot provide statistics for all properties. Measurement data is also missing for energy and water. This is due to changes in the portfolio from purchases and sales of properties as well as development properties, which makes access to the relevant data more difficult. Castellum works continually on improving access to the relevant statistics.

In total, Castellum owned 642 (632) properties at the end of 2020.

Estimation of landlord-obtained utility consumption

No data has been estimated; all measurement data reported has been measured and assured.

Third party assurance

In accordance with ISAE 3000, Castellum's Sustainability Report under the GRI Standards has been subject to a limited assurance engagement by Deloitte AB. The Sustainability Report includes key sustainability metrics in accordance with the EPRA's sBPR performance measures. See the assurance report on page 159.

Boundaries – reporting on landlord and tenant consumption

Castellum reports only energy purchased by the landlord (i.e. Castellum). Castellum does not therefore report tenants' own electricity consumption, since in the main the company does not have access to those statistics. Castellum cannot directly influence tenants' electricity consumption, which makes the statistics to some extent less relevant.

Normalisation

Castellum calculates key intensity metrics through division by the total floor area of the buildings; this is the most widely accepted method in Sweden for comparing energy use and resource consumption.

Castellum uses Swedish Meteorological and Hydrological Institute (SMHI) degree days to normalise energy for heating.

Segmental analysis (by property type, geography)

Castellum reports sustainability data divided into the following building types: offices, logistics, retail, public buildings and light industry. Since Castellum owns properties primarily in Sweden and a very small share in Denmark and Finland, reporting the statistics by geographical division is not relevant.

Disclosure on own offices

Castellum's own offices are reported separately on page 178.

Narrative on performance

To read more about the changes from 2019 to 2020 regarding key environmental metrics and the savings achieved, see pages 52-54. No adjustments have been made to the data reported. Decisions on community engagement are taken in the respective regions.

Location of EPRA Sustainability Performance in companies' reports

Refer to Castellum's EPRA index on page 179.

Reporting period

Reporting for the respective years recognised in the EPRA table refers to calendar years (i.e. 1 January to 31 December).

Materiality

Castellum's materiality analysis is reported on page 164-165.

EPR: Sustainability performance measures – Environment

ENERGY

EPR Code	Units of measure	Indicator		Absolute measures (abs)	
				Castellum	
				2020	2019
Elec-Abs, Elec-LfL	MWh	Electricity	Total landlord obtained electricity	73,098	78,733
<i>Number of applicable properties</i>			<i>Electricity disclosure coverage</i>	482/642	444/473
DH&C-Abs, DH&C-LfL	MWh	District heating & cooling	Total landlord obtained heating and cooling	204,285	234,483
<i>Number of applicable properties</i>			<i>District heating & cooling disclosure coverage</i>	486/501	479/508
Fuels-Abs, Fuels-LfL	MWh	Fuels	Total landlord obtained fuels	2,036	3,023
<i>Number of applicable properties</i>			<i>Fuels disclosure coverage</i>	16/16	15/15
	MWh	Energy	Total energy use	279,419	316,239
			Total energy use (Degree day corrected)	326,287	340,645
Energy-Int	kWh/sq. m.	Energy intensity	Building energy intensity	75	88

>

> continues	Like-for-like (Lfl) by property type								
	Offices			Logistics			Retail		
	2020	2019	% change	2020	2019	% change	2020	2019	% change
Total landlord obtained electricity	36,117	38,693	-7%	11,629	11,285	3%	4,417	4,992	-12%
<i>Electricity disclosure coverage</i>	189/206	189/206		106/159	106/159		48/72	48/72	
Total landlord obtained heating and cooling	90,500	103,244	-12%	38,306	44,550	-14%	14,598	18,011	-19%
<i>District heating & cooling disclosure coverage</i>	181/182	181/182		123/128	123/128		52/53	52/53	
Total landlord obtained fuels	652	827	-21%	836	1,491	-4.4%			
<i>Fuels disclosure coverage</i>	4/4	4/4		7/7	7/7				
Total energy use	127,269	142,764	-11%	50,771	57,326	-11%	19,015	23,003	-17%
Total energy use (Degree day corrected)	102	115	-11%	59	67	-12%	85	103	-17%
Building energy intensity	88	99	-11%	51	57	-11%	72	87	-17%

>

> continues	Like-for-like (Lfl) by property type								
	Public sector properties			Light industry			Castellum total		
	2020	2019	% change	2020	2019	% change	2020	2019	% change
Total landlord obtained electricity	14,514	16,028	-9%	2,776	3,140	-12%	69,454	74,138	-6%
<i>Electricity disclosure coverage</i>	57/67	57/67		26/38	26/38		426/542	426/542	
Total landlord obtained heating and cooling	32,681	37,452	-13%	8,908	9,234	-4%	184,993	212,490	-13%
<i>District heating & cooling disclosure coverage</i>	59/61	59/61		30/32	30/32		445/456	445/456	
Total landlord obtained fuels				48	13	266%	1,536	2,331	-34%
<i>Fuels disclosure coverage</i>				1/1	1/1		12/12	12/12	
Total energy use	47,195	53,480	-12%	11,732	12,387	-5%	255,983	288,959	-11%
Total energy use (Degree day corrected)	96	109	-12%	107	113	-5%	88	99	-12%
Building energy intensity	84	95	-12%	91	96	-5%	76	85	-11%

The table shows energy usage as total and like-for-like figures for Castellum AB per property type. Disclosure coverage shows the number of properties within the organisational boundaries that are included in the data disclosed for this indicator. The degree day-corrected energy use is normalised with data from SMHI. Castellum only reports on landlord obtained energy, our own offices are included in the data above. No energy data is estimated. 100% of all electricity consumption comes from renewable purchased or self-generated sources.

GREENHOUSE GAS EMISSIONS

EPRA Code	Units of measure	Indicator		Absolute measures (abs)	
				Castellum	
				2020	2019
GHG-Dir-Abs, GHG-Dir-LfL	Tonnes CO ₂ e	Direct	Scope 1	284	458
GHG-Indir-Abs, GHG-Indir-LfL	Tonnes CO ₂ e	Indirect	Scope 2 market based	3,991	5,764
			Scope 2 location based	18,128	37,222
GHG-Int	Kg CO ₂ e/sq. m.	GHG intensity	Scope 1+2 (location based)	4.2	8.9

>

> continues		Like-for-like (Lfl) by property type								
		Offices			Logistics			Retail		
		2020	2019	% change	2020	2019	% change	2020	2019	% change
Scope 1	100	334	-70%	43	88	-51%	17	48	-66%	
Scope 2 market based	1,710	2,272	-25%	563	728	-23%	370	472	-22%	
Scope 2 location based	8,514	10,775	-21%	3,206	4,017	-20%	1,283	1,810	-29%	
Scope 1+2 (location based)	5.6	7.3	-22%	2.8	3.6	-21%	3.7	5.3	-30%	

>

> continues		Like-for-like (Lfl) by property type								
		Public sector properties			Light industry			Castellum total		
		2020	2019	% change	2020	2019	% change	2020	2019	% change
Scope 1	95	4	2,114%	—	—		255	474	-46%	
Scope 2 market based	412	535	-23%	191	247	-23%	3,246	4,254	-24%	
Scope 2 location based	2,654	3,447	-23%	980	1,248	-22%	16,637	21,297	-22%	
Scope 1+2 (location based)	4.5	5.6	-20%	5.6	7.2	-22%	4.4	5.7	-22%	

The table shows greenhouse gas emissions from fuel in own vehicles in absolute (Scope 1) and from building energy usage in absolute and LfL (scopes 1 & 2). In 2020, greenhouse gas emissions from company-owned vehicles was 14 tonnes CO₂e compared to 65 tonnes CO₂e in 2019. GHG intensity is divided by total area of Castellum's portfolio, 2020 = 4,437,658 sq. m. To view Castellum's full Scope 3 emissions please refer to page 168.

WATER

EPRA Code	Units of measure	Indicator	Absolute measures (abs)	
			Castellum	
			2020	2019
Water-Abs, Water-LfL	m ³	Municipal water	874,785	995,345
Water-Int	m ³ /sq. m.	Building water intensity	0.25	0.29
Number of applicable properties		Water disclosure coverage	522/642	490/518

>

> continues		Like-for-like (Lfl) by property type								
		Offices			Logistics			Retail		
		2020	2019	% change	2020	2019	% change	2020	2019	% change
Municipal water	359,687	423,057	-15%	136,644	166,607	-18%	60,108	66,301	-9%	
Building water intensity	0.25	0.30	-15%	0.14	0.17	-18%	0.24	0.27	-9%	
Water disclosure coverage	190/206	190/206		137/159	137/159		51/72	51/72		

>

> continues		Like-for-like (Lfl) by property type								
		Public sector properties			Light industry			Castellum total		
		2020	2019	% change	2020	2019	% change	2020	2019	% change
Municipal water	159,891	187,296	-15%	133,151	135,752	-2%	849,481	979,013	-13%	
Building water intensity	0.29	0.34	-15%	1.00	1.02	-2%	0.25	0.29	-13%	
Water disclosure coverage	59/67	59/67		31/38	31/38		468/542	466/542		

The table shows water usage. Disclosure coverage shows the number of properties within the organisational boundaries that are included in the data disclosed for this indicator.

WASTE

EPRA Code	Units of measure	Indicator	Absolute measures (abs)	
			Castellum	
			2020	2019
Waste-Abs, Waste-LfL	tonnes	Hazardous waste	65	17
		Recycled waste	1,228	1,094
		Waste to combustion	1,091	956
		Total waste	2,384	2,067
Number of applicable properties		Waste disclosure coverage	233/642	164/638

>

> continues	Like-for-like (Lfl) by property type								
	Offices			Logistics			Retail		
	2020	2019	% change	2020	2019	% change	2020	2019	% change
Hazardous waste	31	2	1,913%	29	0		0	0	196%
Recycled waste	894	150	495%	97	0		75	4	1,868%
Waste to combustion	651	47	1,278%	174	0		95	18	428%
Total waste	1,576	199	692%	300	0		170	22	681%
Waste disclosure coverage	135/206	135/206		30/159	30/159		19/72	19/72	

>

> continues	Like-for-like (Lfl) by property type								
	Public sector properties			Light industry			Castellum total		
	2020	2019	% change	2020	2019	% change	2020	2019	% change
Hazardous waste	1	0		5	0		66	2	4,137%
Recycled waste	110	2	4,340%	18	1	1,672%	1,194	157	658%
Waste to combustion	117	0		22	0		1,059	65	1,525%
Total waste	228	2	9,133%	45	1	4,296%	2,319	224	934%
Waste disclosure coverage	31/67	31/67		7/38	7/38		222/542	222/542	

The table shows generated waste by tenants. Disclosure coverage shows the number of properties within the organisational boundaries that are included in the data disclosed for this indicator. Due to a new provider of waste management there are some data gaps for 2019 which makes the data in like-for-like for waste not completely comparable with 2020.

SUSTAINABILITY CERTIFIED BUILDINGS

EPRA Code	Indicator
Cert-tot	Number of certified assets
	Certified area (thousand sq. m.)
	Certified area, share of total portfolio (%)

The table shows number of sustainability certified buildings by type of certification. Some assets are certified according to two or more certification schemes, meaning that the total number of assets certified are not a sum of the segmented numbers.

Castellum												
Miljöbyggnad		EU GreenBuilding		LEED		BREEAM		WELL		Total sustainability certified assets		
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	% change
59	48	53	55	6	5	83	64	1	1	202	164	23%
441	431,456	408	433,072	64	70,660	834	700,933	0	13,429	1,747	1,524	15%
9%	10%	8%	10%	1%	2%	13%	16%	0%		39%	36%	—

CASTELLUM AB OFFICE(S)

Units of measure	Indicator		Absolute performance	
			2020	2019
MWh	Electricity	Total consumed electricity	561	302
		Proportion of electricity from renewable sources	100%	100%
	District heating and cooling	Total consumed district heating and cooling	646	822
		Proportion of landlord obtained district heating and cooling from renewable sources	96%	96%
	Fuels	Total consumed fuels	0	0
		Proportion of landlord obtained fuels from renewable sources	—	—
kWh/sq. m./year	Energy intensity (degree day corrected)		133	117
Number of applicable properties	Energy and associated GHG disclosure coverage		20/20	18/18
%	Proportion of energy and associated GHG estimated		0%	0%
tonnes CO ₂ e	Direct	Scope 1	14	66
	Indirect	Scope 2 (market based)	16	24
	Indirect	Scope 2 (location based)	57	132
tonnes CO ₂ e/year/sq. m./year	GHG intensity	Scope 1 & 2 emissions (market based)	3.0	8.0
tonnes CO ₂ e/year/sq. m./year	GHG intensity	Scope 1 & 2 emissions (location based)	7.0	17.5

Disclosure coverage shows the number of properties within the organisational boundaries that are included in the data disclosed for this indicator. The total area of Castellum's own office space in 2020 was 10,001 square metres.

EPRA: Social performance measures

HEALTH & SAFETY

EPRA Code	Units of measure	Indicator	Boundary	Corporate performance	
				2020	2019
H&S-Emp	Number of incidents per 200,000 hours worked	Injury rate	Direct employees	1.2	1.7
	% of total number of worked hours	Lost day rate	Direct employees	1.11%	1.88%
	% of total number of worked hours	Absentee rate	Direct employees	2.02%	2.89%
	Total number	Fatalities	Direct employees	0	0
H&S-Asset	% of assets	Health and Safety assessments		100%	100%
H&S-Comp	Total numbers	Number of incidents		5	8

Performance by asset type

	Offices		Logistics		Retail		Public sector properties		Light industry		Castellum total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Health and Safety assessments	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Coverage of H&S Asset are 100%. The total number of hours worked in 2020 was 828,613. Additional information regarding injury rates and fatalities among our suppliers can be found on page 171. In 2020, no incidents occurred that adversely affected customers' health and safety and Castellum has not been convicted of any violations of the company's code of conduct or corruption in 2020 or the past five years.

GENDER PAY RATIO

EPRA Code		Women base salary		Women, total remuneration	Men, total remuneration
		Men base salary	Men base salary		
Diversity-Pay	Executive Management excl. CEO	90%	112%	125%	80%
	Executives	93%	108%	86%	116%
	Employees	98%	101%	98%	102%

The ratio is calculated by dividing the average salary for women by the average salary for men, and vice versa, for the respective categories. This is divided up into a ratio for base salary and base salary plus variable remuneration in accordance with EPRA guidelines for sustainability reporting.

EPRA: Index

The table below reports references to information for the respective EPRA indicators.

EPRA code	Indicator	GRI Standard Disclosure	Reference
Environmental Sustainability Performance Measures			
Elec-Abs	Total electricity consumption	302-1	175
Elec-LfL	Like-for-like total electricity consumption	302-1	175
DH&C-Abs	Total district heating & cooling consumption	302-1	175
DH&C-LfL	Like-for-like total district heating & cooling consumption	302-1	175
Fuels-Abs	Total fuel consumption	302-1	175
Fuels-LfL	Like-for-like total fuel consumption	302-1	175
Energy-Int	Building energy intensity	302-3	175
GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions	305-1	176
GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	305-2	176
GHG-Int	Greenhouse gas emissions intensity from building energy consumption	305-4	176
Water-Abs	Total water consumption	303-1	176
Water-LfL	Like-for-like total water consumption	303-1	176
Water-Int	Building water intensity		172
Waste-Abs	Total weight of waste by disposal route	306-2	177
Waste-LfL	Like-for-like total weight of waste by disposal route	306-2	177
Cert-tot	Type and number of sustainably certified assets	C1	177
Social performance measures			
Diversity-Emp	Employee gender diversity	405-1	170, 172
Diversity-Pay	Gender pay ratio	405-2	178
Emp-Training	Training and development	404-1	59, 172
Emp-Dev	Employee performance appraisals	404-3	59, 172
Emp-Turnover	New hires and turnover	401-1	172
H&S-Emp	Employee health and safety	403-2	178
H&S-Asset	Asset health and safety assessments	416-1	178
H&S-Comp	Asset health and safety compliance	416-2	178
Comty-Eng	Community engagement, impact assessments and development programmes	413-1	60-61
Governance Performance Measures			
Gov-Board	Composition of the highest governance body	102-22	103, 116-117
Gov-Select	Nominating and selecting the highest governance body	102-24	102
Gov-Col	Process for managing conflicts of interest	102-25	102-103

GRI index

Castellum reports its sustainability activities in accordance with GRI Standards: Core option. The GRI's industry-specific supplements for the construction and property sector have been taken into account. The following table specifies where the information has been reported. For specific standard indicators, reporting relies

upon what is essential to business operations. We report in accordance with the 2016 GRI standards, with two exceptions. GRI 403 Occupational Health and Safety is reported in accordance with the 2018 standard, and GRI 207 Tax is reported in accordance with the 2019 standard.

GENERAL STANDARD DISCLOSURES

GRI reference		Page/Reference
GRI 102:	Organisational profile, 2016	
102-1	Name of the organisation	100
102-2	Activities, brands, products, and services	13-14
102-3	Location of headquarters	134 (Note 1)
102-4	Location of operations	138 (Note 2)
102-5	Ownership and legal form	100, 134 (Note 1)
102-6	Markets served	22-23, 32-33
102-7	Scale of the organisation	2, 58, 123
102-8	Information on employees and other workers	58, 170
102-9	Supply chain	55-56
102-10	Significant changes to the organisation and its supply chain	55, 161
102-11	Precautionary Principle or approach	162, 166
102-12	External initiatives	161-162
102-13	Membership of associations	61
GRI 102:	Strategy, 2016	
102-14	Statement from senior decision-maker	4-5, 98-99
GRI 102:	Ethics and integrity, 2016	
102-16	Values, principles, standards and norms of behavior	60
GRI 102:	Governance, 2016	
102-18	Governance structure	100-112, 162
102-22	Composition of the highest governance body and its committees	103, 116-117
102-24	Nominating and selecting the highest governance body	102
102-25	Conflicts of interest	102-103
GRI 102:	Stakeholder engagement, 2016	
102-40	List of stakeholder groups	164
102-41	Collective bargaining agreements	58
102-42	Identifying and selecting stakeholders	164
102-43	Approach to stakeholder engagement	164
102-44	Key topics and concerns raised	164, 165
GRI 102:	Reporting practice, 2016	
102-45	Entities included in the consolidated financial statements	150 (Note 25), 161
102-46	Defining report content and topic Boundaries	164-165, 174
102-47	List of material topics	164-165
102-48	Restatements of information	161, 168

GRI reference		Page/Reference
102-49	Changes in reporting	161, 174
102-50	Reporting period	161, 174
102-51	Date of most recent report	161
102-52	Reporting cycle	161
102-53	Contact point for questions regarding the report	Back cover
102-54	Claims of reporting in accordance with the GRI Standards	161
102-55	GRI content index	180-181
102-56	External assurance	159

TOPIC-SPECIFIC DISCLOSURES

GRI reference		Page/Reference
GRI 201:	Economic Performance, 2016	
103-1, 103-2, 103-3	Sustainability governance	163
201-1	Direct economic value generated and distributed	173
201-2	Financial implications and other risks and opportunities due to climate change	65, 71
201-3	Defined-benefit plan obligations and other retirement plans	135, 142 (Note 12)
GRI 205:	Anti-corruption, 2016	
103-1, 103-2, 103-3	Sustainability governance	163
205-3	Confirmed incidents of corruption and actions taken ¹⁾	60
GRI 207:	Tax, 2019	
103-1, 103-2, 103-3	Sustainability governance	163
207-1	Approach to tax	92
207-2	Tax governance, control and risk management	92-94
207-3	Stakeholder engagement and management of concerns related to tax	92
207-4	Country-by-country reporting	94-95, 173
GRI 302:	Energy, 2016	
103-1, 103-2, 103-3	Sustainability governance	163
302-1	Energy consumption within the organisation	52-54, 163, 175, 178
302-3	Energy intensity	52, 175, 178

1. Not reported in full in accordance with GRI standards

TOPIC-SPECIFIC DISCLOSURES

GRI reference		Page/Reference
GRI 303:	Water, 2016	
103-1, 103-2, 103-3	Sustainability governance	163
303-1	Interactions with water as a shared resource	176
GRI 305:	Emissions, 2016	
103-1, 103-2, 103-3	Sustainability governance	163
305-1	Direct (Scope 1) GHG emissions	52-54, 167-169, 176, 178
305-2	Energy indirect (Scope 2) GHG emissions	52-54, 167-169, 176, 178
305-3	Other indirect (Scope 3) GHG emissions	52-54, 167-169
305-4	GHG emissions intensity	52, 168-169, 176, 178
GRI 306:	Effluents and Waste, 2016	
103-1, 103-2, 103-3	Sustainability governance	163
306-2	Waste by type and disposal method ¹⁾	167, 177
GRI 307:	Environmental Compliance, 2016	
103-1, 103-2, 103-3	Sustainability governance	163
307-1	Non-compliance with environmental laws and regulations	38
GRI 308:	Supplier Environmental Assessment, 2016	
103-1, 103-2, 103-3	Sustainability governance	163
308-1	New suppliers that were screened using environmental criteria ¹⁾	55, 173
GRI 401:	Employment, 2016	
103-1, 103-2, 103-3	Sustainability governance	163
401-1	New employee hires and employee turnover	172
GRI 403:	Occupational Health and Safety, 2018	
103-1, 103-2, 103-3	Sustainability governance	163
403-1	Occupational health and safety management system	170-171
403-2	Hazard identification, risk assessment, and incident investigation	170-171
403-3	Occupational health services	170-171
403-4	Worker participation, consultation, and communication on occupational health and safety	170-171
403-5	Worker training on occupational health and safety	170-171
403-6	Promotion of worker health	170-171
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	171-172, 178
403-9	Work-related injuries	171-172, 178
403-10	Work-related ill health	171-172, 178

GRI reference		Page/Reference
GRI 404:	Training and Education, 2016	
103-1, 103-2, 103-3	Sustainability governance	163
404-1	Average hours of training per year per employee ¹⁾	59, 172
404-3	Percentage of employees receiving regular performance and career development reviews ¹⁾	59, 172
GRI 405:	Diversity and Equal Opportunity, 2016	
103-1, 103-2, 103-3	Sustainability governance	163
405-1	Diversity of governance bodies and employees	57-59, 172
405-2	Ratio of basic salary and remuneration of women to men	178
GRI 413:	Local Communities, 2016	
103-1, 103-2, 103-3	Sustainability governance	163
413-1	Operations with local community engagement, impact assessments, and development programmes	38, 60-61
GRI 414:	Supplier Social Assessment, 2016	
103-1, 103-2, 103-3	Sustainability governance	163
414-2	Negative social impacts in the supply chain and actions taken ¹⁾	55, 173
GRI 416:	Customer Health and Safety, 2016	
103-1, 103-2, 103-3	Sustainability governance	163
416-1	Assessment of the health and safety impacts of product and service categories	38-39, 55
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	60

COMPANY-SPECIFIC DISCLOSURES

GRI reference		Page/Reference
C1:	Product responsibility	
103-1, 103-2, 103-3	Sustainability governance	163
C1	Type and number of sustainability certification, rating and labelling schemes for new construction, management, occupation and redevelopment	38-39, 177

1. Not reported in full in accordance with GRI standards

Reporting according to the Task Force on Climate-Related Financial Disclosures (TCFD)

For the third time, Castellum has adapted the company's reporting in accordance with the recommendations in the TCFD framework to describe how we work strategically with climate-related risks and opportunities. The table below describes the scope of the reporting and page references are made for the respective areas. In 2020, Castellum worked further on scenario analyses linked to climate change, which is reported on pages 64-65.

GOVERNANCE	STRATEGY	RISK MANAGEMENT	INDICATORS & GOALS
Recommended disclosures	Recommended disclosures	Recommended disclosures	Recommended disclosures
A. The Board's monitoring of climate-related risks and opportunities. → pages 103-107, 162	A. Climate-related risks and opportunities the organisation has identified. → pages 64-71	A. The organisation's processes for identifying climate-related risks. → pages 64-71	A. The organisation's indicators for evaluating climate-related risks and opportunities. → pages 14-15, 18-19, 52-53
B. Management's role regarding assessing and managing climate-related risks and opportunities. → page 162	B. Impact from risks and opportunities on the organisation's operations, strategy and financial planning. → pages 41, 52-55, 64-65, 67, 69, 71	B. The organisation's processes for managing climate-related risks. → pages 64-66, 71, 162	B. Emissions of Scope 1, 2 and 3 under the Greenhouse Gas Protocol. → pages 52, 167-169
	C. Preparation of the organisation's strategy in consideration of various climate-related scenarios. → pages 52, 64-65	C. Integration of the above processes in the organisation's general risk management. → pages 64-71	C. Goals for managing climate-related risks and opportunities. → pages 14-15, 18-19, 52, 166

Definitions

SHARE-RELATED KEY METRICS

Data per share

In calculating income and cash flow per share the average number of shares has been used, whereas in calculating assets, equity and net asset value per share the number of shares outstanding has been used. The historical numbers of shares have been restated for the bonus issue element in the completed new share issue.

Dividend yield

Proposed dividend as a percentage of the share price at the end of the period.

EPRA EPS – Earnings Per Share

Income from property management adjusted for nominal tax attributable to income from property management, divided by the average number of shares. Taxable income from property management means income from property management less deductions for tax purposes of depreciation and reconstruction.

EPRA NNAV – Triple net asset value

Equity as recognised in the balance sheet, adjusted for actual deferred tax instead of nominal deferred tax.

EPRA NRV – Net reinstatement value

Equity as recognised in the balance sheet, adjusted for interest rate derivatives, goodwill and deferred tax.

Number of shares

Registered number of shares – the number of shares registered at a given point in time. Number of shares outstanding – the number of shares registered with a deduction for the company's own repurchased shares at a given point in time.

Average number of shares – the weighted average number of shares outstanding during a given period. The historical numbers of shares have been restated for the bonus issue element in the completed new share issue.

Payout ratio

Dividend per share as a percentage of income from property management per share.

Total return per share

Share price development with addition of the dividends during the period as if reinvested in shares on the day shares traded ex-dividend.

PROPERTY-RELATED KEY METRICS

Economic occupancy rate

Rental income accounted for during the period as a percentage of rental value for properties owned at the end of the period. Properties acquired/completed during the period have been restated as if they had been owned or completed during the whole year, while properties disposed of have been excluded entirely. Development projects and undeveloped land have been excluded.

Income from property management

Net income following add-back of acquisition and restructuring costs, revaluation of results due to stepwise acquisitions, impairment of goodwill and changes in value, as well as tax for both the Group and for joint ventures.

Property costs

This item includes both direct property costs, such as operating expenses, maintenance, site leasehold fees and property tax, as well as indirect costs for lettings and property administration expenses.

Property type

The property's primary rental value with regard to the type of premises. Premises for purposes other than the primary use may therefore be found within a property type.

Castellum's property types are as follows: office, public sector properties (customers directly or indirectly financed by tax), warehouse/logistics, light industry, retail and developments and land.

Rental income

Rents debited plus supplements such as reimbursement of heating costs and property tax.

Rental value

Rental income plus estimated market rent for vacant premises.

SEK per square metre

Property-related key metrics, expressed in terms of SEK per square metre, are based on properties owned at the end of the period. Properties acquired/completed during the year have been restated as if they had been owned or completed for the entire year, while properties disposed of have been completely excluded. Development projects and undeveloped land have been excluded. In the interim accounts, key metrics have been recalculated on an annual basis, disregarding seasonal variations normally occurring in operations.

Surplus ratio

Net operating income as a percentage of rental income.

FINANCIAL KEY METRICS

Interest coverage ratio

Income from property management after reversal of net financial items and income from property management in joint venture as a percentage of net interest items.

Loan-to-value ratio

Interest-bearing liabilities after deduction for cash and cash equivalents as a percentage of the properties' fair value with deduction for acquired properties not taken into possession, and with addition for divested properties still in Castellum's possession, at year end.

Net debt to EBITDA

Interest-bearing liabilities after deduction for cash and cash equivalents in relation to net operating income minus central administration.

Return on EPRA NNAV

Net income after tax as a percentage of initial net asset value during the year, but with actual deferred tax instead of nominal tax. In the interim accounts the return has been recalculated on an annual basis, disregarding seasonal variations normally occurring in operations.

Return on equity

Income after tax as a percentage of average equity. In the interim accounts the return has been recalculated on an annual basis, disregarding seasonal variations normally occurring in operations.

Return on long-term EPRA NRV

Net income after tax with reversed changes in values on derivatives and deferred tax as a percentage of initial EPRA NRV. In the interim accounts the return has been recalculated on an annual basis, disregarding seasonal variations normally occurring in operations.

Return on total capital

Income before tax with reversed net financial items and changes in values on derivatives during the year as a percentage of average total capital. In the interim accounts the return has been recalculated on an annual basis, disregarding seasonal variations normally occurring in operations.

Financial calendar, owner's information and contact details

Annual General Meeting

Castellum AB's Annual General Meeting will take place on Thursday, 25 March 2021. In light of the ongoing coronavirus pandemic, and in order to reduce the risk of the spread of infection, the Board of Directors has decided that the meeting will be held solely through postal voting, pursuant to temporary legislation. This means that the AGM will be conducted without the physical presence of shareholders, proxies or outside parties. More information and instructions on how to register will be provided by the notice to attend the meeting, which will be publicised in a separate press release and will be available through such sources as Castellum's web site, www.castellum.com

Annual General Meeting Calendar and dividend

Record date for the Annual General Meeting	17 March 2021
Annual General Meeting	25 March 2021
The first ex-dividend date	26 March 2021
Record date for the first dividend	29 March 2021
Distribution of the first dividend	1 April 2021
The second ex-dividend date	24 September 2021
Record date for the second dividend	27 September 2021
Distribution of the second dividend	30 September 2021

Financial reporting

Interim Report January–March 2021	21 April 2021
Half-year report January–June 2021	15 July 2021
Interim Report January–September 2021	19 October 2021
Year-end report 2021	21 January 2022
2022 AGM	24 March 2022

Contact details

For more information please contact:

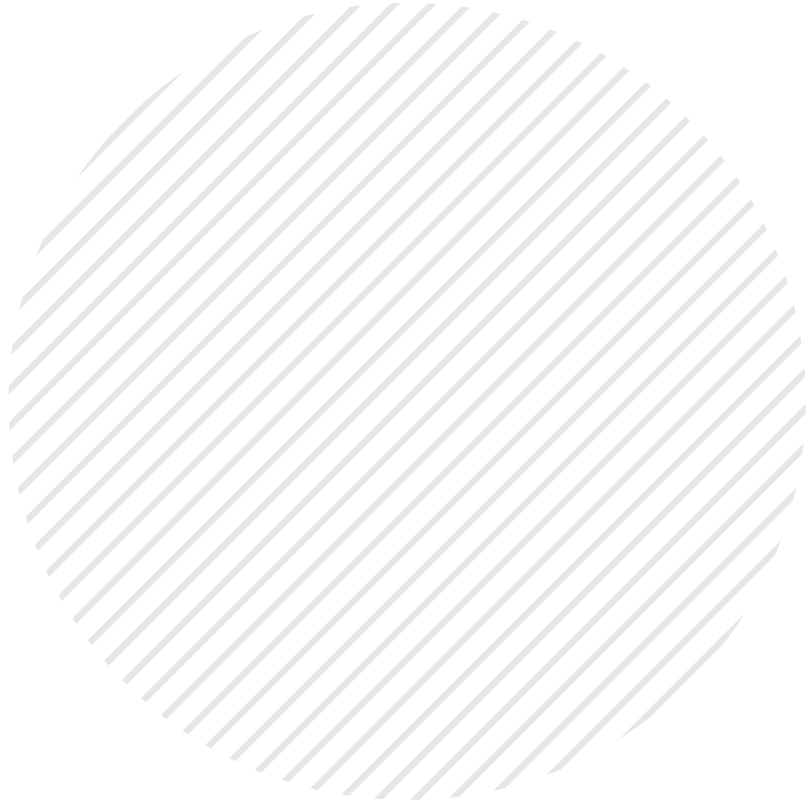
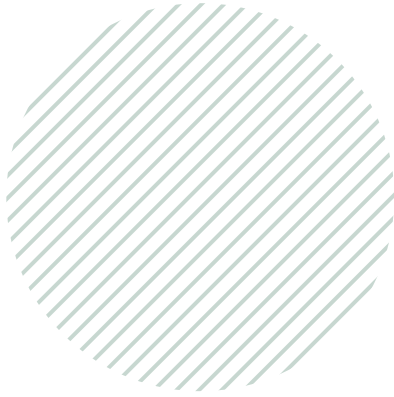
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About Castellum

Castellum is one of the Nordic region's largest listed real estate companies with a property value of SEK 103 billion. We are active in 14 Swedish growth regions as well as Copenhagen and Helsinki. 250,000 people go to work every day in our properties. We develop flexible workplaces and smart logistics solutions with a lettable area of 4.4 million square metres. One of our sustainability goals is to become entirely climate neutral by 2030. Castellum is the only Nordic property and construction company elected to the Dow Jones Sustainability Index (DJSI). The Castellum share is listed on Nasdaq Stockholm Large Cap.

Beyond expectations.
www.castellum.se