



CASTELLUM

ANNUAL REPORT 2017

A FEW WORDS ABOUT 2017:

Continued growth, record number of new contracts, greater proportion of projects, well situated real estate portfolio on a strong market, innovation lab Castellum Next20, industry-leading sustainability, streamlined organization and raised dividend – for the 20th consecutive year.



On the cover

The cover of Castellum's Annual Report 2017 is taken from the company's brand-promotion campaign that was launched in various media during spring and autumn 2017. The campaign message seeks to establish Castellum as a real estate company that helps enterprises and people to develop and thrive. Campaign images can also be found on pages 2 and 10 in the Annual Report.

Annual Report 2017

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Reference to the audited legal annual report which comprises Directors' report and Financial reports, sustainability report and GRI.

The audited legal Annual Report, which comprises Directors' report and Financial reports, covers pages 11-140. Comparisons shown in brackets are made for corresponding amounts, previous year. EPRA's key ratios (European Public Real Estate Association) can be found under the section The Castellum share. Castellum reports in accordance with the GRI Standards, core level.

Castellum's statutory Sustainability report is to be found on the following pages: Business model, pages 11-15 and 57-58; Environmental pages 14-15, 24-25, 46, 55-59 and 94; Social conditions and personnel issues, pages 15, 55-59, 60-63 and 95; Respect for human rights, pages 14-15, 55-58 and 94; Anti-corruption, pages 57, 94 and 108-109; as well as Diversity in the Board, pages 100-101.

The Sustainability audit report has been generally reviewed by accountants and appears as page reference 176 in the GRI-index. The report refers to Castellum's sustainability data for 2017, including EPRA and the GRI-appendix, available on the company's website from February, 2018. Full details and audit reports regarding the company's sustainability efforts can be found on the website.

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.

Photo: Christoffer Edling, Mikael Göthage, Dan Hersan, Sofia Sabel and SE360.



In everything we do, we put
people at the centre, and design
the real estate to work for *them*.

This is Castellum

CASTELLUM IS ONE of Sweden's largest real estate companies. Castellum is also one of Sweden's most prominent property-developers and one of the country's largest real estate companies listed on the stock exchange – every day 250,000 people go to work in our buildings.

Castellum maintains a local presence in 20 cities from Copenhagen in the south to Sundsvall up north, and we serve our customers at close range, backed by the resources of a major corporation. We manage 676 commercial properties for business and public services purposes, and we are driven by our passion for sustainability and innovation. All at low risk.

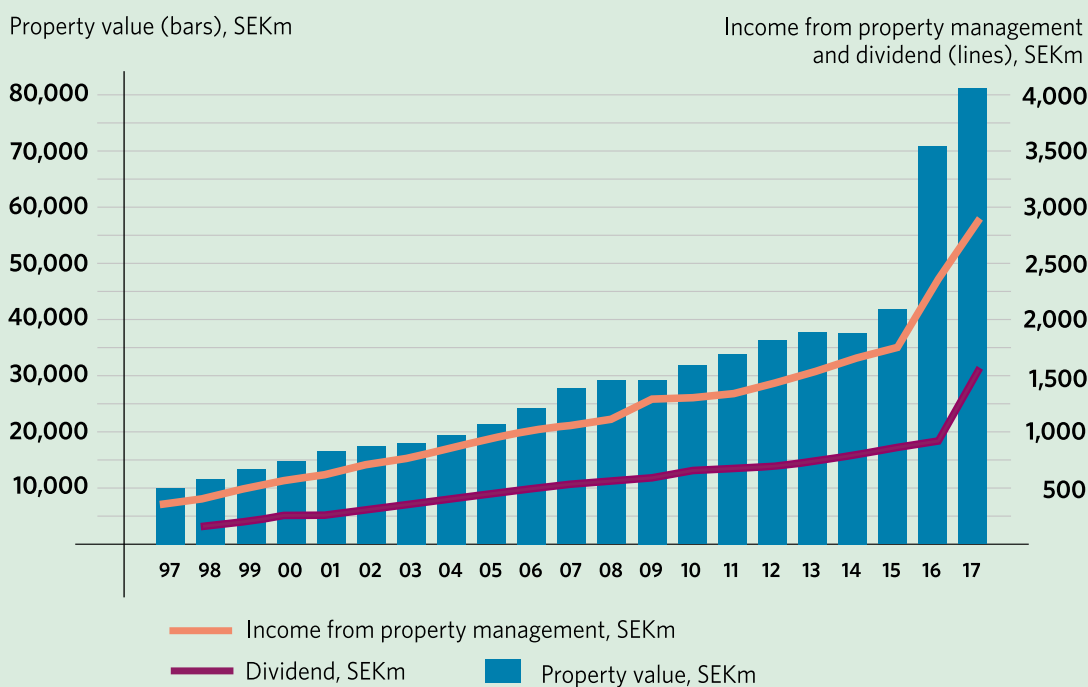
As active real-estate owners, we participate in the development of entire cities and communities where we are present – through sustainable development of our property portfolio as well as various community initiatives. For example: providing young people the opportunity to gain working experience.

One of the most sustainable real estate companies in the world.



Interior from Castellum's office in Gothenburg.

Castellum's property value and income from property management since the IPO, 1997



81
billion SEK
Castellum's
property value 2017

Castellum 2017

- **RENTAL INCOME** for 2017 amounted to SEKm 5,182 (SEKm 4,533 previous year).
- **INCOME FROM PROPERTY MANAGEMENT** amounted to SEKm 2,530 (2,065), corresponding to SEK 9.26 (8.80) per share. An increase in absolute terms of 23% and in SEK/share of 5%.
- **CHANGES IN VALUE ON PROPERTIES** amounted to SEKm 4,540 (4,085) and on derivatives to SEKm 247 (82).
- **NET INCOME AFTER TAX FOR THE YEAR** amounted to SEKm 5,876 (4,972), corresponding to SEK 21.51 (21.20) per share.
- **LONG TERM NET ASSET VALUE** amounted to SEK 153 (133) per share. An increase of 15%.
- **NET INVESTMENTS** amounted to SEKm 5,613 (24,737) of which SEKm 3,595 (29,372) were acquisitions, SEKm 2,893 (2,119) new constructions, extensions and reconstructions and SEKm 875 (6,754) sales.
- **NET LEASE** for the year was SEKm 310 (178).
- **THE BOARD PROPOSES AN INCREASE OF THE DIVIDEND FOR THE 20TH CONSECUTIVE YEAR** of SEK 5.30 (5.00) per share, equivalent to an increase of 6%, distributed in two equal payments of SEK 2.65.

KEY FIGURES 2017

	Jan-March 2017	April-June 2017	July-Sept 2017	Oct-Dec 2017	Jan-Dec 2017
Rental income, SEKm	1,304	1,259	1,303	1,316	5,182
Net operating income, SEKm	862	915	954	846	3,577
Income from property management, SEKm	592	656	708	574	2,530
<i>D:o SEK/share*</i>	2.17	2.40	2.59	2.10	9.26
<i>D:o growth</i>	+ 9%	+ 9%	+ 5%	0%	+5%
Net income after tax, SEKm	1,426	1,221	777	2,452	5,876
Net investments, SEKm	2,360	1,489	711	1,053	5,613
Dividend, SEK/share (proposed)	-	-	-	-	5.30
<i>D:o growth</i>	-	-	-	-	6%
Net leasing, SEKm	103	96	52	59	310
Loan to value ratio	48%	48%	49%	47%	47%
Interest coverage ratio	361%	400%	429%	356%	386%
Long term net asset value, (EPRA NAV) SEK/share	133	138	142	153	153
Actual net asset value, (EPRA NNNAV) SEK/share	119	124	127	138	138
Number of customers	6,200	6,100	6,200	6,200	6,200
Number of shareholders	36,000	36,000	37,500	38,000	38,000

*) The number of historical shares that have been recalculated with reference to the bonus-issue element (i.e. the value of the subscription right) in the completed new share issue.
For more detailed information about Castellum visit castellum.com

The year in brief - a summary of 2017 at Castellum

JANUARY

CASTELLUM'S FIVE PREVIOUS regions were consolidated into four. This means that the former Northern Region is now part of The Stockholm Region. The new Stockholm-North Region has its regional headquarters in Stockholm.

FEBRUARY

AT THE BEGINNING OF THE MONTH, the building at Torsplan 2 in Stockholm was completed. The property is environmentally certified according to BREEAM Outstanding - the world's highest environmental certification level. The building was nominated to the 2017 SGBC Awards. Torsplan 2 is centrally located in the expansive area of Hagastaden and offers training opportunities, such as a velodrome-shaped running track and an outdoor gym on the roof.

CASTELLUM WENT PUBLIC with plans for acquiring Stockholm Vatten's former headquarters located at Torsgatan 26 in central Stockholm. The transfer took place in April, and Castellum has begun the work to develop and transform the building. The property was designed by Ferdinand Boberg in the early 20th century and holds 13,000 sq.m. leasable area.

IN FEBRUARY, a transaction with Klöver'n was conducted, involving the acquisition of fourteen properties in Borås and the sale of nine properties in Mölndal and Partille. Following the transaction, Castellum became the largest private owner of commercial properties in Borås. The acquisition comprised a total area of approx. 81,000 sq.m, and consists of offices and warehouses/logistics premises. The transaction also resulted in Castellum's Western Region being able to welcome new colleagues in the form of Klöver'n's former employees.

MARCH

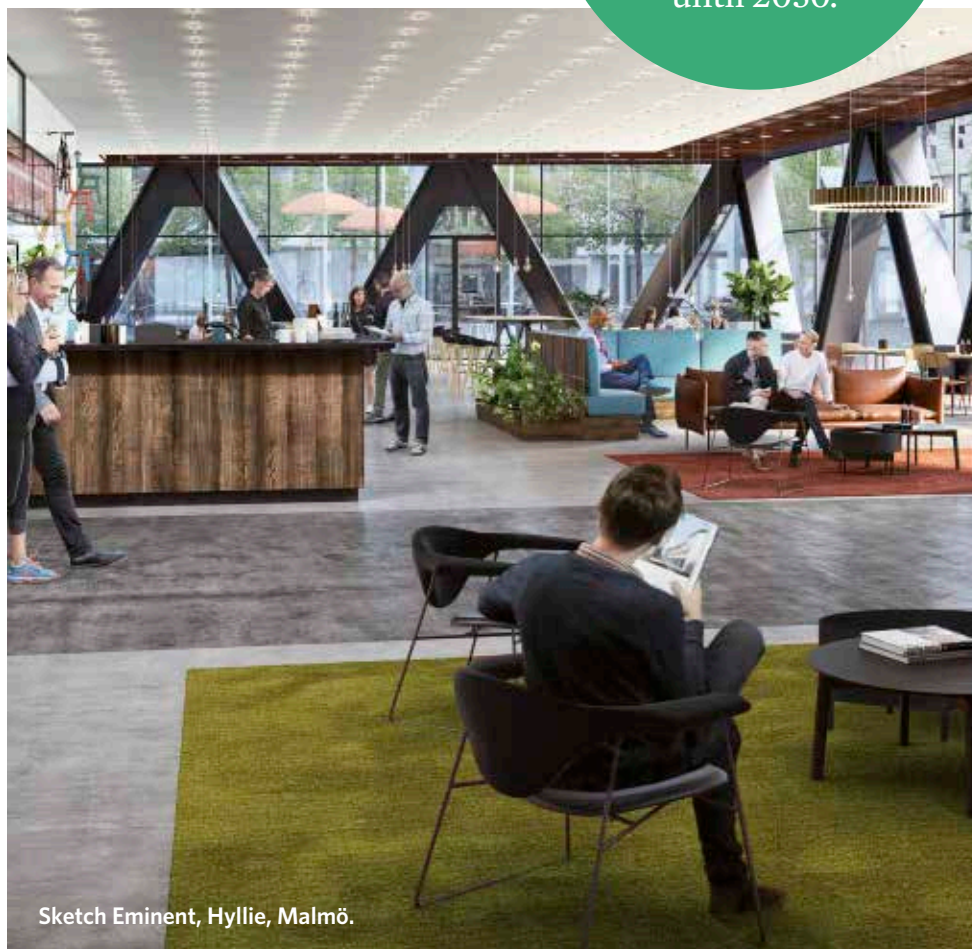
IN MARCH, the construction of Part One of the Hisingen Logistics Park in the Gothenburg area began. The building - comprising 26,000 sq.m. - is scheduled for completion during Q2, 2018, and will be environmentally certified in accordance with Miljöbyggnad, Silver level. The demand for storage and logistics facilities is high in the area - not least for e-commerce enterprises.

AT THE END OF THE MONTH, a transaction with Wallenstam was carried out where Castellum acquired two properties in Gothenburg and sold two properties in Kallebäck and Mölnlycke. The transaction can be viewed as part of the ongoing concentration of the portfolio.

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

MAY

BLENDIA, IN LINDHOLMEN, Gothenburg, was fully leased upon completion in May. The office building is situated quayside at the centre of one of Gothenburg's most knowledge-intensive and expansive areas. Blendia will be environmentally certified according to BREEAM with the ambition of reaching the level Excellent.



Sketch Eminent, Hyllie, Malmö.

JUNE

IN JUNE, the company presented its investment in technology-based business development by introducing the new innovation lab, Castellum Next20 - a testing arena for digital transformation and innovation. New technology offers possibilities and challenges for Castellum's business and the aim is to develop strategic business opportunities being offered within digitalization. The objective is to become an industry leader in digitalization by 2020. During the autumn of 2017, the first subprojects from the innovation lab were introduced; for example, the Beambox storage service, which facilitates everyday life for individuals, as well as Handy, a service that allows tenants to easily pick up their e-commerce deliveries at their offices, and Oraklet - a concept for smart properties.

AT THE END OF THE MONTH, Castellum began construction of one of the first properties in the Nordic region to be certified according to WELL, a new international building standard that takes responsibility for people's health and well-being in their workplaces. The construction takes place in Hyllie just outside Malmö. The investment is estimated at approx. SEKm 350 including land acquisition. The building will be called Eminent and will be occupiable by the second quarter of 2019.

New Sustainability strategy in compliance with the UN's Global Compact adopted until 2030.

Launching the first development lab in the real estate industry, Castellum Next20.

AUGUST

AFTER THE SUMMER, the new construction of a car showroom and other business premises in Smista Allé, Huddinge, Stockholm's leading car trade cluster, was commenced. The building is to be completed in Q1, 2019, and the investment is estimated at SEKm 334. The area is strategically located by the Stockholm Bypass (Förbifart Stockholm) and is one of Castellum's largest development areas in the Stockholm region.

During the 2017 Christmas Holidays, the VOX-Games took place as part of Samspelet. Children and adolescents had the opportunity to try table tennis, boxing and dancing.



VOX-Games, Örebro, December 2017.

OCTOBER

TOGETHER WITH PEAB, Project Samspelet was initiated in Örebro. The purpose of the project is to create new conditions for integration and create an interest in the construction and real estate industries. The project will be carried out during the Citypassagen construction period and includes sports activities and internship opportunities as well as joint meetings and gatherings. Since 2012, Castellum has had a successful program for apprentices where three quarters of the apprentices gained employment upon completion of their apprenticeship.

NOVEMBER

AT THE END OF THE MONTH, Castellum won Stockholm City's land allocation competition in Söderstaden, Stockholm. In a consortium with two other real estate companies, Castellum will develop the area around Globen, south of central Stockholm. The proposal amounts to about 100,000 sq.m, of which Castellum answers for 30,000 sq.m. of commercial properties comprising office, hotel and restaurant spaces.

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



G R E S B
REAL ESTATE
Sector Leader 2017

SEPTEMBER

DURING THE MONTH, Castellum received several awards that demonstrate the corporation retaining its position as one of the world's leading sustainable real estate companies. Castellum is the only Nordic real estate company to qualify for the Dow Jones Sustainability Index, which aims to guide investors towards more sustainable investments. For the first time, the Group was also ranked as the world's most sustainable real estate developer and, for the second consecutive year, as Global Sector Leader by GRESB (Global Real Estate Sustainability Benchmark). In addition, Castellum's sustainability reporting obtained level Gold from EPRA (European Public Real Estate Association).

CASTELLUM IMPLEMENTED an architectural competition for the designing of a new office building in the Krokslätt city district in Gothenburg. In September, Wingårdh Architect's Office was appointed winner. Projection is now underway for the new building, which is to meet the requirements of Miljöbyggnad, level Gold.

During the autumn, all employees and the Board underwent mandatory training in sustainability and Code of Conduct.

CEO's comment

2017 was a very intensive year focusing on leasing, increased efficiency and new projects.

In addition, we've succeeded in consolidating our leading sustainability position in the real estate industry, and we're also at the forefront of digitalization.

Net leasing was at a record high. We have probably signed Sweden's highest number of commercial contracts during the past year: 930 contracts, adding up to a value of SEKm 600. Net leasing, which will impact the income statement in 9–18 months, thereby amounted to SEKm 310.

Increased efficiency includes our merging of seven different corporate units and creating a new, leaner organization. Results of this action are becoming increasingly visible in cost development: property costs have decreased by SEK 10/sq.m, compared with 2016. Further, the synergy effects of our Norrporten acquisition have been largely realized, and we will reach our cost-reduction goal of SEKm 120 by the end of the second quarter this year.

Some of the **new projects** include Eminent in Malmö, Torsgatan 26 in Stockholm, and our new logistics centre at the Port of Gothenburg. Total project volume for the year amounted to SEK 2.9 billion, corresponding to approximately half of total investments.

In the context of Castellum's focus on **digitalization** – Castellum Next20 – three initiatives have been launched: Beambox, Handly and Oraklet. The aim of these initiatives is to simplify people's everyday lives as they balance work and family, as well as to assist customers with utilizing premises more efficiently and effectively.

In terms of **sustainability**, we've retained our internationally leading position, as evidenced by Castellum's standing as the only Nordic company in the construction and real estate sector to be included in the Dow Jones Sustainability Index. Moreover, we are also Global Sector Leader with the highest in rank in Northern Europe – in our sector by GRESB (Global Real Estate Sustainability Benchmark).

Diverging markets

At this moment in time, the market for commercial premises (offices and logistics) is diverging more

from the residential market than it has for years. This is due to a shortage of modern and convenient facilities at prime locations in our largest cities; quite unlike the residential market where, for a number of segments, a surplus has been produced rapidly. A shortage of modern and efficient premises has led to a steady year-end value increase on the commercial side, while the opposite has been true for the residential market. For Castellum's part, the high-demand commercial market means, an increase in value amounting to approx. SEK 4.5 billion, which contributes to the long-term net asset value now reaching SEK 153 per share, and a loan-to-value ratio which remains stable at 47%, despite major investments.


Looking at the prospects for Swedish industry and service production, they indicate continued growth, which in turn will entail a growing demand for premises – thereby strengthening Castellum's cash flow.

Focus on offices and logistics – two growing segments

Castellum's two primary focus areas are office buildings and logistics facilities. We feel less certain about future developments in the retail segment and have therefore deliberately and gradually reduced our proportion of retail space. It's worth repeating that retail stores (including our only shopping centre in Uppsala) currently only account for about 10% of Castellum's total rental income.

The logistics segment is a chapter of its own. Perhaps it is less known that Castellum is currently Sweden's largest owner and developer of logistics facilities. Total area is 1,470 thousand sq.m., rental value amounts to SEK 1.2 billion, and property value totals SEK 13.7 billion. Net operating income from this segment amounts to approx. SEKm 900.

HUI Research reports a very strong increase in Swedish e-commerce for 2017. E-commerce is currently estimated to account for approx. 35% of seasonal Christmas shopping and the trend has increased every month by 15–20% compared



“ From where Castellum stands and operates today, we’re looking at great possibilities to achieve our objective of 10% growth in income from property management in 2018.

with same period last year. This development has a heavy impact on the demand for premises throughout the entire supply chain, all the way to the end-customer. Castellum is perfectly positioned in the e-commerce logistics chain to assume a leading role by managing well-situated buildings and properties from the Port of Gothenburg and peri-urban locations around high-growth cities. All the down that last mile to the consumer who can access deliveries via our new digital initiative, Handy.

As for offices, it is mainly about how to satisfy customer demand in the two growing cities of Stockholm and Gothenburg. The total production of office space is still less than these cities require, leading to increased rents and a focus on streamlined utilization of office premises. In a continuously growing economy, increased efficiency and effectiveness are crucial, and this process will be led by us in collaboration with our customers by utilizing new technologies.

Continued growth in 2018

Last year, income from property management increased by 5%, an increase that was affected by major property sales at the end of 2016. From where Castellum stands and operates today,

we’re looking at great possibilities to achieve our objective of 10% growth in income from property management in 2018. We intend to continue on this path and increase the quality and density of the portfolio, which means that we have to remain open to acquisitions as well as sales, alongside our comprehensive investment program.

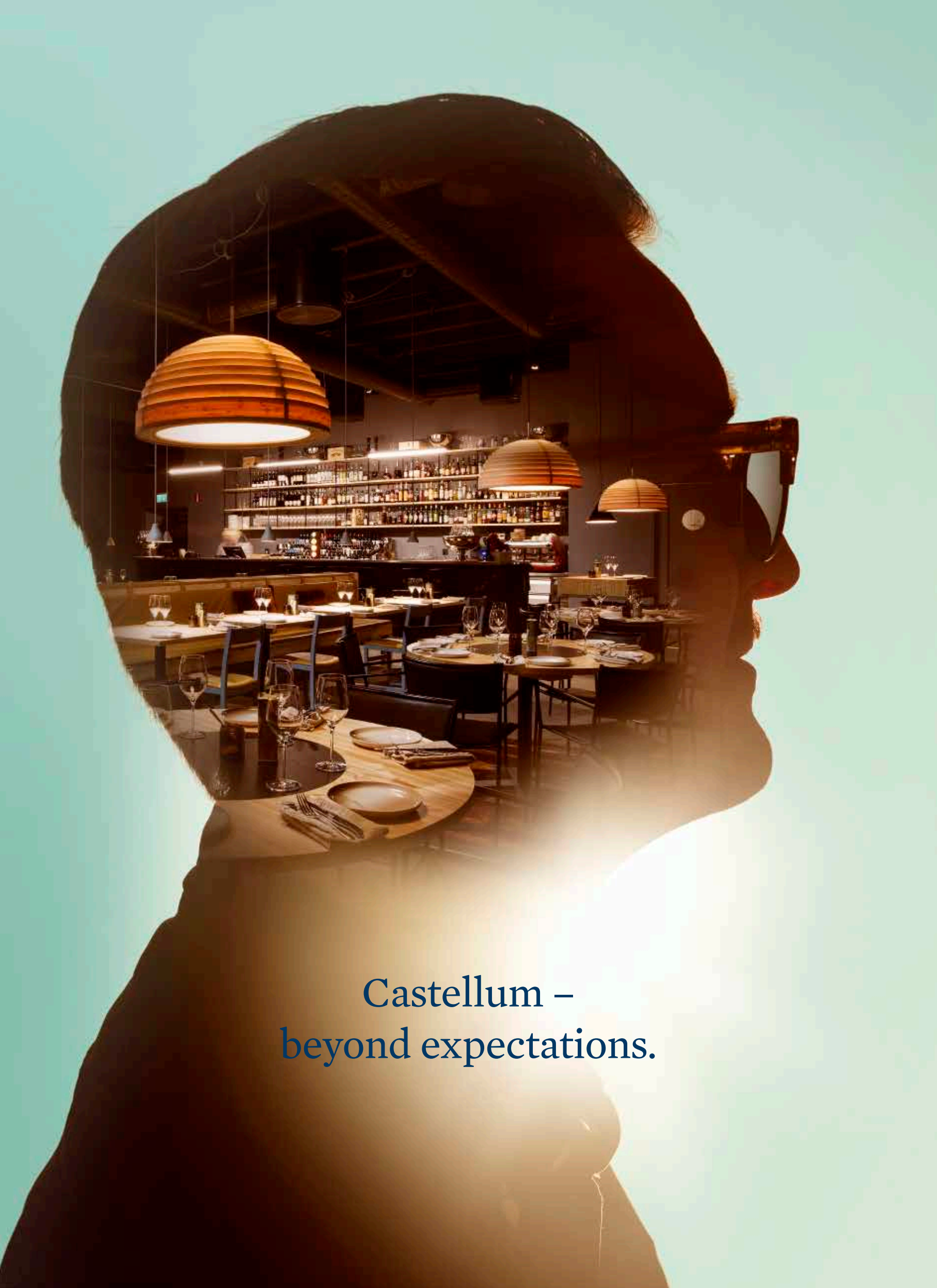
The dividend tradition continues

And in conclusion, I’m proud to announce that Castellum’s dividend tradition continues strong, and for the 20th consecutive year, the Board has proposed an increase of the dividend of SEK 5.30 per share, equivalent of an increase of 6%.

Gothenburg, January 25, 2018



Henrik Saxborn
CEO



Castellum –
beyond expectations.

Castellum strategies, goals and value creation

The clouds describe external factors affecting Castellum operations.

Urbanization

At the moment, there is powerful ongoing urbanization. Every week, one million people are estimated to be moving to a big city. The high urbanization-rate places great demand on city infrastructure, educational institutions, services, housing and workplaces.

Digitalization

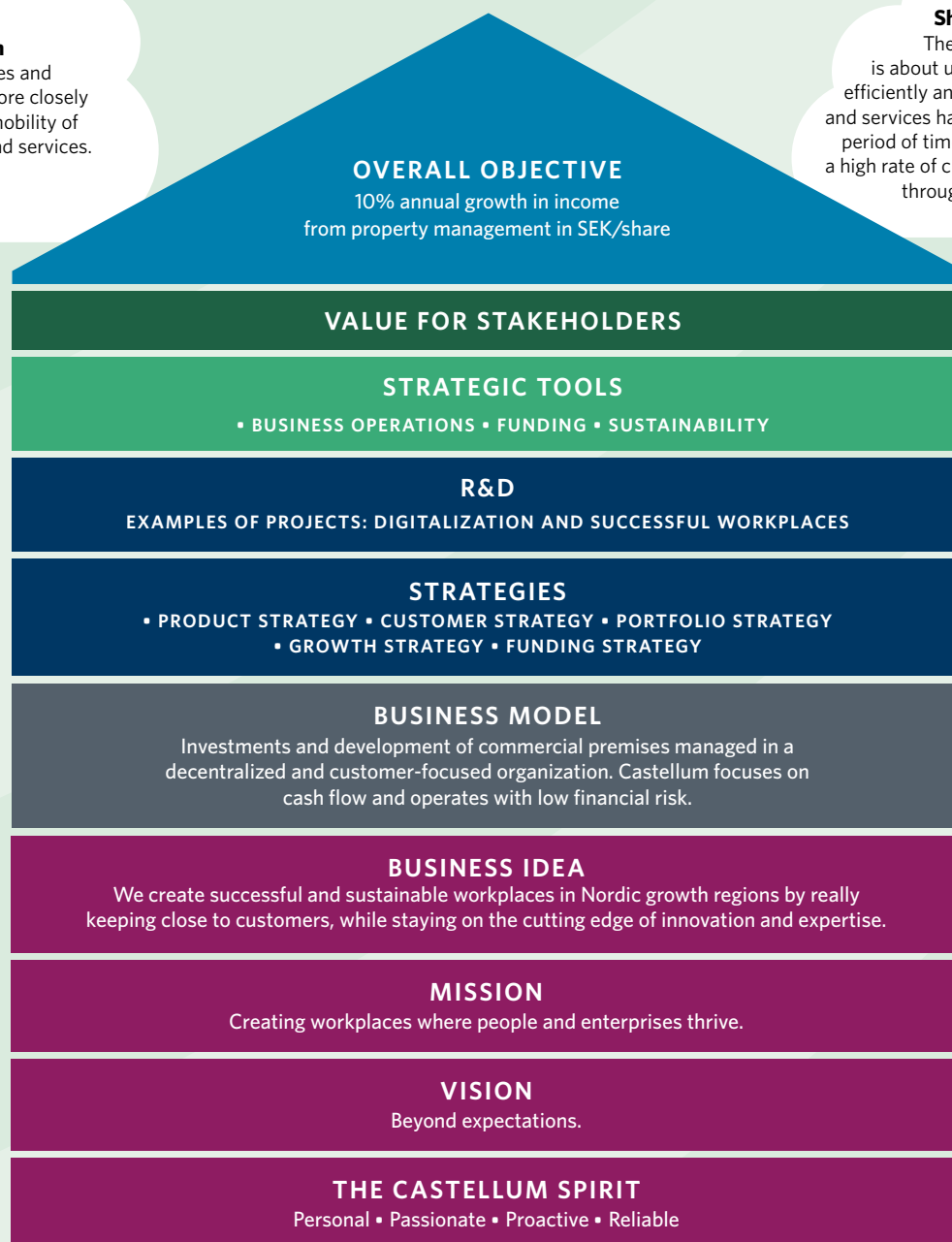
The new digital technology changes people's behavior, business models, communication and access to information. Artificial intelligence (AI) has already started and will within a foreseeable future change the way we live and work.

Globalization

The world's countries and economies are linked more closely together through the mobility of people, capital, goods and services.

Sharing economy

The sharing economy is about utilizing existing capacity efficiently and effectively. New products and services have been introduced in a short period of time, and digitalization enables a high rate of change and vast dissemination through new technologies.



Castellum's strategic building

All parts of Castellum's strategic building are included in the company's strategic plan. The strategy plan is Castellum's central steering document for the company's strategic direction, strategies, priorities and goals. It runs over a three-year period, has been adopted by the company Board, and is reviewed annually by Executive Group Management. The starting point is the Castellum Spirit, summarizing our approach to customers, each other and the surrounding world. Then follows the company's Vision – Castellum's guiding star for what we aim for. The Mission describes the company's main task as well as the sense of purpose that employees are to feel when going to work, and the Business Idea sums up what Castellum does, for whom and how. The

Business Model describes how the company's offer matches customer needs in a resource-efficient way. Castellum strategies optimizes operations and create the correct internal priorities. Castellum's R&D function offers support for the utilization of growth opportunities in priority development areas. In addition, Castellum has defined a number of approaches within the areas of business operations, funding and sustainability that serve as strategic tools. Moving on, we sum up the building with the primary values that Castellum creates for various stakeholders, and to conclude, we describe how Castellum met the corporation's overall growth targets in 2017.

From strategy to value creation for Castellum's shareholders

The following pages illustrate all the elements included in Castellum's strategic building. Initially, The Castellum spirit, our vision, mission and business concept are presented. Next, the company's business model, strategies, R&D function and strategic tools are described. Furthermore, the model with the value that Castellum creates for the company's stakeholders is presented – from a stakeholder perspective as well as from the direct economic value generated according to the GRI standards 201-1. Lastly, the outcome of the company's overall growth targets is accounted for.

THE CASTELLUM SPIRIT

Personal
Passionate
Proactive
Reliable

Personal

It is our employees who decide how things are to be done – so that things go well and are done more quickly. Relationships are created between people – not between companies. All employees are ambassadors for Castellum and have the authority to act. Diversity makes us better because it helps us see things from different perspectives.

Passionate

Being passionate means trying to do things a little bit better. Every time.

Proactive

Being proactive means being able to see needs and fix them – before the problems arise. It also means daring to question things and daring to change, all in order to improve. Being proactive means being curious and forward-looking.

Reliable

Being reliable is to keep promises and state opinions, listen to and respect the views of others. Being reliable is also being clear when giving negative answers and to offer smart advice, alternatives and solutions.

VISION

Beyond expectations.

We go the extra mile.

We offer more than traditional property companies tend to. We think further ahead. We don't just think in terms of spaces and square meters. We think just as much about service and the work environment. We see people, rather than buildings.

We are more innovative.

We are ahead of the curve and are constantly moving forward. We develop innovative solutions, surprises with new ideas and deliver more than customers require and expect.

We are unique.

We take a long-term approach and have close relationships with our customers. We also surprise them with our high level of service. We have a local presence and are genuinely close to our customers, while having the collective resources of the group behind us.

We are a driving force.

Castellum builds communities and shapes future requirements, for both national and local authorities. We have the possibility to affect development in the right direction.

MISSION

Creating workplaces where people and enterprises thrive.

We contribute.

We have the power to influence others. Our tools are development, innovation, management and service. We can use these tools to create workplaces that work so well and are so inspiring that they help people and enterprises to thrive and become even better.

We create successful workplaces.

We know what makes a workplace function optimally. We know that a great workplace can enable people and companies to develop, be successful and enjoy a good level of well-being. Our customers can utilize our knowledge to provide better conditions, making us a business partner which takes part in their development.

We offer new ways of working.

The traditional workplace has been reshaped. Where and how we work may change even more in the future, whether it's offices, commerce or logistics. It's no longer a given that companies need to lease traditional premises. When your work is a task rather than a physical place, it might be carried out in a network.

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.

Customer means many things.

Customers are both existing and potential. And both people and organizations. We build relationships with all of these by taking care of them, by being attentive and responding rapidly to their needs. Enthusiastically and happily, of course. That's how we are.

That our strengths are pinned down.

In very concise terms, our business idea describes Castellum's main capabilities. It also embodies the full strength and dynamism of having a local presence and making decisions locally while at the same time being assured of back-up from the combined resources and expertise of the group.

We do good.

When we say successful, we mean that we help people and organizations to thrive.

We think sustainable.

Sustainability is the cornerstone of everything we do; financially, socially and environmentally.

BUSINESS MODEL

Investments and development of commercial premises managed in a decentralized and customer-focused organization. Castellum focuses on cash flow and operates with low financial risk.

STRATEGIES

PRODUCT STRATEGY

Castellum offers products within the following segments: offices, logistics, public services properties and retail/trade.

CUSTOMER STRATEGY

Castellum will offer existing and potential customers premises that are best-suited for their objectives, and will position ourselves as an innovative corporate player. A clear customer focus is achieved through long-term relationships, local presence and higher service levels, to exceed customer expectations. Customer requirements change, and Castellum is the real estate company that offers efficient, versatile and sustainable premises, as well as innovative solutions. Castellum also needs to retain a well-diversified customer base that provides a good risk spread regarding both industry, maturity and the individual customer. Customers are to be found in commercial and industrial sectors as well as among government agencies. They are divided into the following customer segments: public agencies and authorities; the retail sector and commercial services and finance.

PORTFOLIO STRATEGY

Castellum will create and manage a portfolio that supports set targets for growth in income from property management, thus creating shareholder value over time. This requires a long-term portfolio strategy. Castellum's real estate portfolio is well diversified in terms of geographic presence and use of premises. The properties are located in cities in Sweden and Denmark.

Castellum will continue to strive to adapt its geographical spread to enable continued value growth and growth in income from property management. The portfolio turnover rate will be active with a net investment volume of 5%.

First and foremost, Castellum will invest in existing cities and submarkets, but also continuously investigate and possibly invest in new cities. Relocation of the Castellum portfolio is to be continuously enhanced with higher quality and density in selected growth markets.

GROWTH STRATEGY

In order to achieve the goal of 10% growth in income from property management per share, annual net investments will amount to approx. 5% of the property value. There will be continuous growth through increased rental levels, higher rents, and cost efficiency measures, as well as new construction, extensions and reconstructions that provide a high return and increase the quality of the properties.

FUNDING STRATEGY

Castellum will maintain low financial risk. The chosen key ratios for risk are loan-to-value ratio and interest-coverage ratio. Castellum's funding 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 a finance policy that ensures risk management through close monitoring.

Castellum's funding strategy can be summarized in five pillars: diversification, liquidity, strength, transparency and flexibility.

R&D

Castellum's project oriented function for Research & Development (R&D) was formed during the year. The function is responsible for the Group's strategic development initiatives. The ambition is to continuously add new projects to the R&D function in order to be able to act on trends that can have an impact and to have the ability to develop and evaluate ideas. Examples of some of the projects that the R&D function has developed during 2107:

DIGITALIZATION

Digitalization will profile Castellum as an innovative company that follows digital development and adapts the supply of services according to changing conditions. Castellum has established the first development lab in the real estate industry during the year, Castellum Next20. Castellum will increase its attractiveness by utilizing technology to create efficient and effective processes and tools for employees, customers and customer employees, thus contributing to customer business-development. The objective is to become an industry leader in digitalization by 2020.

SUCCESSFUL WORKPLACES

Expectations and demands for modern office premises change alongside digitalization, as well as new sustainability and work environment requirements. This initiative supports Castellum's offering for office premises to be ahead of the curve. The project team monitors and evaluates trends and advises on relevant areas where Castellum can develop the customer offer.

Strategic tool

BUSINESS OPERATIONS

We will be the first hand choice for Swedish municipalities and enterprise

High SCl

PERFORMANCE

78 SCl in the latest measurement.

We will be Sweden's leading real estate managers.

- One of Sweden's major listed real estate companies.
- 1st to 3rd largest real estate company in each city.

PERFORMANCE

- Property value amounted to SEK 81 billion at the end of 2017, meaning that Castellum is one of the largest listed Swedish real estate companies.
- Castellum is the largest, second largest or third largest real estate company in 14 of 17 cities.

We will be one of the leading developers of office and logistics buildings.

At least 5% of the property value in net investments per year, corresponding to approx. SEK 4 billion.

PERFORMANCE

SEKm 5,613 in net investments, of which SEKm 3,595 were acquisitions, SEKm 2,893 were for new construction, extensions and reconstructions, and SEKm 875 were sales.

As employer we are to be employer-of-choice

High trust index

PERFORMANCE

A trust index of 81% in the latest measurement.*

* During the year Castellum changed suppliers of employee surveys and now measures employee satisfaction using a trust index on a scale of 0 to 100%.

Strategic tool

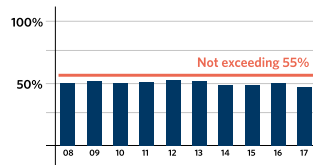
FUNDING

Loan to value ratio

Not permanently exceeding 55%

PERFORMANCE

The loan to value ratio amounted to 47% as of December 31, 2017.

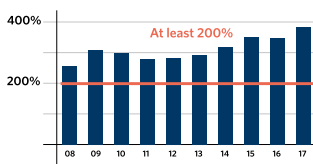


Interest coverage ratio

At least 200%

PERFORMANCE

The interest coverage ratio for 2017 was 386%.

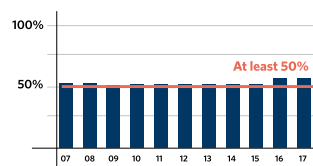


Dividend

At least 50% of pre-tax property management income in dividend pay-outs.

PERFORMANCE

SEK 5.30 per share in proposed dividend for 2017, corresponding to a dividend ratio of 57%.



Strategic tool

SUSTAINABILITY

Future-proofing

50% of the real estate portfolio in sq.m. will be environmentally certified in 2025.

PERFORMANCE

29% of the real estate portfolio in sq.m. is environmentally certified, and certification of another 7% is underway. Castellum owns more environmentally certified buildings than any other listed real estate company in Sweden.

The planet

- 15% in energy savings per sq.m, compared with 2015
- Net-zero carbon dioxide emissions by 2030
- 100% fossil-independent vehicles by 2020
- 1% water conservation per year
- 100% non-fossil energy by 2030

PERFORMANCE

- 6% in energy savings per sq.m, compared with 2016
- 78% lower carbon dioxide emissions, compared with 2007
- 34% fossil-independent vehicles
- 4% water conservation
- 95% non-fossil energy

Social responsibility

At least 4% of the Castellum workforce are to be apprentices; incentives offered to major-project entrepreneurs who create work opportunities for young people.

PERFORMANCE

A total of 57 young people had internships or holiday work at Castellum in 2017. 14 of the young people were apprentices, equivalent to approx. 4% of Castellum's employees, of which 5 were created through projects.

Well-being

Equality among all occupational categories by 2025.

- <2% short-term sick leave
- <3% long-term sick leave

PERFORMANCE

Mapping has been made among all occupational categories during the year based on equality and the result will be reported during 2018.

- 1.2% short-term sick leave
- 0.8% long-term sick leave

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. Castellum has conducted mapping activities according to the UN's global sustainability goals to analyze relevant goals for Castellum operations, presented below. During 2017, these goals were implemented in Castellum's new sustainability policy: *Castellum's agenda for the sustainable city in 2030.*



VALUE FOR STAKEHOLDERS

OWNERS

Competitive total return in relation to risk.

- + SEKm 904 net income for the year (compared with 2016)
- + SEKm 3,688 in market capitalization (compared with 2016)
- Growth in income from property management per share amounted to 5% (compared with 2016)
- SEK 5.30 in dividend per share, proposed 2017 (an increase of 6% compared with 2016)
- Long term net asset value amounted to SEK 153 per share, an increase of 15% (compared with 2016)

CUSTOMERS

Innovative and flexible workplaces where customers can develop their business.

- 78 SCI
- Net investments totalling SEK 5.6 billion

EMPLOYEES

Employer of choice.

- A trust index of 81 (corresponding to SEI)
- 15 hours of professional training per employee
- 1.2% short-term sick leave
- 0.8% long-term sick leave

SOCIETY

A responsible player who contributes to the local community.

- 57 young people had internships or holiday work at Castellum in 2017 of which 14 were apprentices
- Contributions totalling SEKm 10.8 to local communities through collaborations and social initiatives together with other stakeholders

ENVIRONMENT

The most sustainable real estate company who actively contributes to sustainable development.

- 46% lower energy consumption than the industry average
- 6% energy efficiency per sq.m. compared with 2016
- 29% of the real estate portfolio is environmentally certified.
- Energy consumption reduced by 6% compared with 2016 and carbon dioxide emission decreased by 78% since 2007

GENERATED AND DISTRIBUTED ECONOMIC VALUE (GRI 201-1)

SEKm **5,182**
Income (100%)

SEKm **1,063**
Economic value retained (21%)

SEKm **1,419**
Operating costs (27%)

SEKm **96**
Tax (2%)

SEKm **1,366**
Dividend (26%)

SEKm **885**
Interest costs (17%)

SEKm **353**
Employees (7%)

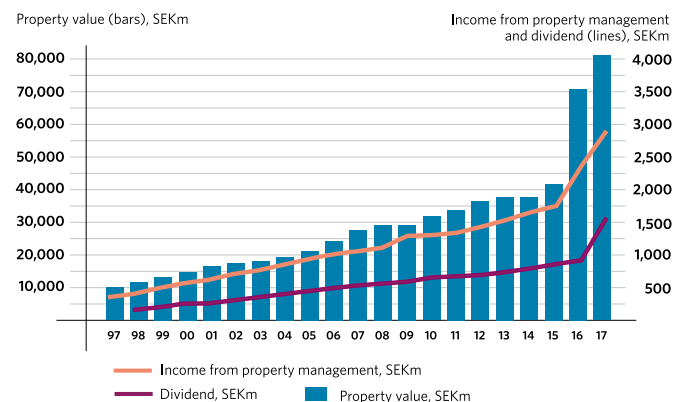
OVERALL OBJECTIVE

10%

annual growth in income from property management in SEK/share

PERFORMANCE

In 2017, growth in income from property management/share amounted to 5%.





A creative environment above Stockholm rooftops

For the *Lindbäcks Bygg AB* construction company, it was the location, but above all the possibility to design a creative and unique environment that settled the choice of premises when it was time to expand to a larger work space. Today, the company thrives on the top floor of Castellum's Torsplan 2 property, with stunning views over Stockholm's rooftops.

"Here we immediately felt we could create an inspirational workplace that suited our project-based work methods. Add to that, quick access to both the road network and public transport," says Roger Roos, Contract and Office Manager at Lindbäcks.

Lindbäcks is a fourth-generation family-owned company from Piteå in Norrbotten. The heart of the business is to build houses, using wood from the forests of their native Norrland. The business concept includes everything from project development to production and construction. The factory and production are located in Piteå, and in Stockholm, Lindbäcks focuses on project development.

They have created a spectacular work environment spread out over 500 sq.m. As a visitor you are easily impressed by the light surfaces, the warm interior decoration, and the

magnificent view over Stockholm. It's easy to understand why Lindbäcks' new office was nominated Sweden's most beautiful office in 2017.

"It was important for us to preserve the feeling of Norrland forests and our wood connection when we designed our new office. That's why we worked a lot with down-to-earth colours and highlighted wood in the interior decoration," says Roger Roos.

Lindbäcks decided from early on to create an activity-based office where each person chooses a workplace for the day. They receive many visitors and wanted to make it easier to offer them a temporary work space.

"Our activity-based office has given us the versatility we lacked in our previous premises, and now we use our space much more efficiently. Work processes have become smoother for all, and it's an enormous advantage to be able to choose a workplace based on what needs to be done, just for the day. Here in Castellum's building we have an inspiring work environment that promotes creativity. I believe this helps us create even better projects for our customers," says Roger Roos.



Torsplan 2, Stockholm

The property comprises approx. 23,000 sq.m., of which 18,000 sq.m. office space. The ground floor comprises retail and restaurants and there is also a gym and a running track on the roof. Torsplan 2 is certified with the highest environmental classification an office building can achieve and has won several awards e.g. BREEAM Awards and Betonggalan's Environmental Award. The building has also been a finalist in the Sweden Green Building Awards.



Handla online, hämta på jobbet

Objective:
Industry leading
in digitalization
by 2020.



A man with short dark hair and a beard, wearing a dark suit jacket over a light-colored striped shirt, is shown in profile, smiling slightly. He is looking towards the left of the frame. In the background, there are white storage units with cardboard boxes. A vertical orange line with circular markers containing the numbers 1, 2, and 3 is visible on the left side of the image.

It takes innovation and courage to create the future Castellum

Castellum's sizeable reach provides both capability and possibilities for pursuing, experimenting with, and taking bold steps on development issues. Castellum has therefore created Sweden's first Development Lab, Castellum Next20. By constantly challenging ourselves, Castellum can fully utilize the innovation opportunities presented to real estate companies, thereby creating conditions for improved efficiency and profitability. Castellum's objective is to be the industry-leading real estate company in digitalization by 2020.

In the innovation laboratory, we collaborate with external business developers as well as consulting with start-ups who can contribute both resources and new expertise. The goal of Castellum Next20 is to develop Castellum through digital innovation built around people. Our focus is on developing innovative solutions that will provide support for the project development process as well as for everyday management and operations. Castellum will thereby get in on the bottom floor – identifying new ideas early on and creating doable solutions that can spread throughout the company.

Castellum Next20 has developed several exciting pilot projects, now seeing action with operational try-outs. One of the pilot projects is called *Handly*, and linked to the larger trend of increased e-commerce. The *Handly* service facilitates daily life for those who work in any of Castellum's buildings by sending all e-commerce deliveries to a smart locker at the workplace. Via this handy system, employees can avoid travelling to various parcel delivery depots to pick up ordered goods – in short, *Handly* is a modern digital way of escaping everyday time-thief activities. *Handly* is now being tested in Stockholm and Gothenburg.

Another interesting pilot project being tested right now is connected to the trend of activating storage overcapacity.

The project is named *Beambox* and it matches the big-city resident's need for storage with society's unused resources. These take the form of Castellum's available warehouse storage space and resources in the logistics chain. *Beambox* is a storage service where the items are being collected in the user's home. The user can choose when they would like the items to be returned again. In addition, *Beambox* users can choose to sell, discard or give away their stored goods if they choose not to have them returned home. Everything stored through *Beambox* can be monitored and managed through a digital interface. The service focuses on promoting a sustainable, circular society by utilizing unused resources in the form of existing storage space. The service is now being tried out in Stockholm and has not yet been launched.

Castellum is also testing *Oraklet*, the smart properties concept by installing sensors in premises to increase information re how and why a particular space is used. The objective is to continue offering our customers well-functioning premises, while we develop future customer offers. The project is based on the analysis of large amounts of data and comprises a first step in increased Artificial Intelligence (AI) knowledge and testing.



Market, customers and regions

Welcome to Castellum. We are one of Sweden's largest real estate companies, with local presence in cities from Copenhagen in the south to Sundsvall up north. Every day, we strive to be a landlord that exceeds the wishes and expectations of our customers. We know that business operations are carried out between people. In dialogue with customers, we create customized solutions that increase well-being, efficiency, profitability and job satisfaction. This requires perceptiveness and short decision-making processes, which Castellum's flat organization makes possible. This way – and by always putting people first – we promote growth in cities, in development areas and for our tenants.

Market comments

Swedish and Danish economies

Sweden, with 10 million inhabitants, is a country with an open and strong economy. This is primarily due to a stable and transparent business climate, high education levels, healthy public finances and high productivity. Sweden has long and extensive experience in international trade and international relations. This is evident from its relatively large share of world-leading corporations. The high export dependency of Swedish industry contributes to the fact that, historically, Sweden has shown the strong adaptability required to restructure the economy during economic changes.

The Swedish economy is performing well, with relatively strong GDP growth. Recent growth has been driven by investments; primarily construction and infrastructure investments – as well as private consumption. However, in the autumn of 2017, the prospects for housing construction were adversely affected, which may contribute to slightly lower GDP growth rates in the future. Even so, household optimism has not been significantly affected to date, and this could contribute to continued high private consumption. Increased investment in infrastructure can also counteract the dampening effects of the housing construction rate. Additionally, exports are also expected to develop relatively strongly. However, geopolitical turmoil continues to dampen the mood somewhat, and long-term effects are challenging to monitor.

The Swedish labour market has been positively affected by the stronger economy and the unemployment rate is on the lowest level since 2007. Still, only marginal effects are expected for the unemployment rate, due to increasing labour supply and skill-matching problems. Inflation has begun to show signs of rising, and has now reached the Riksbank's target level of +2%. Development of the krona exchange rate plays a key role for inflation in Sweden, as a weak exchange rate normally contributes to higher inflation. The krona has gradually weakened (TCW index) during most of Q4, 2017, but remained relatively unchanged compared with the end of 2016.

Danish GDP growth is also developing well. According to Danmark Nationalbank's forecasts (Sept 2017), GDP is expected to increase by about 2.3% during 2017 and then to fall back slightly to about 1.8% in 2018–2019. Increasing private consumption, against a backdrop of rising employment, is thought to be the primary contributor, but more favourable export prospects and investments will also contribute. Inflation in Denmark – expressed in terms of HICP – is expected to be approx. 1% in 2017 and then rise to 1.4%, then 1.7%, in 2018 and 2019 respectively.

Macro indicators, Sweden

Unemployment	5.8% (Dec 2017)
Inflation	1.9% (Dec 2017 compared to Dec 2016)
GDP growth	0.8% (Q3 2017 compared to Q2 2017)

Source: SCB

Interest and credit market

In 2017, the Swedish Riksbank continued both its clear-cut focus on the CPI (Int fixed) goal of 2% and its ultra-loose monetary policy. Since February 2016, when the repo rate was cut to a new historic low of -0.50%, the repo rate has remained unchanged, while the repo rate path has gradually been adjusted downward and increases have been postponed. The repo rate is not expected to start rising slowly until the second half of 2018.

Of particular significance to Castellum, the 3-month STIBOR has fluctuated within the range of -0.4% to -0.65% during the year, reaching record lows by the end of the year. Prevailing market factors are thought to be a primary influence.

The five-year interest rate swap was traded in the range of 0.2% to 0.5%, ending up at 0.5% at year-end 2017. The gap between short- and long-term interest rates has increased during the year, even if long-term rates remain historically low. Development over the latter part of the year has mostly been driven by higher long-term rates – a direct consequence of strong economic stimulus policies and measures undertaken by the current

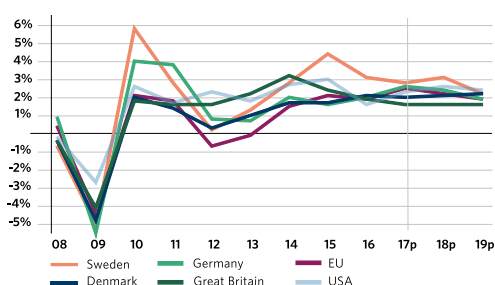
SWEDEN'S FOREIGN TRADE JAN-OCT 2017 (10 MONTHS)

Export	Total SEKbn 1,076
Germany	119
Norway	108
Finland	75
USA	74
Denmark	73
Great Britain	67

Import	Total SEKbn 1,079
Germany	202
The Netherlands	94
Norway	89
Denmark	78
Great Britain	56
Belgium	53

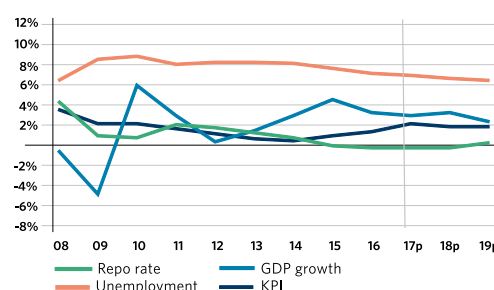
Source: SCB

GDP growth per year



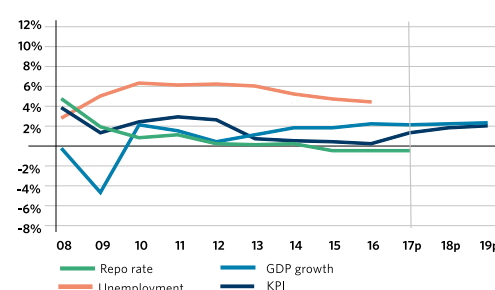
Source: Konjunkturinstitutet

Macro indicators Sweden



Source: Konjunkturinstitutet

Macro indicators Denmark



Source: Konjunkturinstitutet, Danmarks Nationalbank, Statistics Denmark

11th

At year end, Castellum was the 11th largest listed real estate company in Europe in terms of market capitalization.

US president. Availability of bank financing as well as funding in the Swedish capital market is considered favourable. Castellum's credit margins in the capital market gradually went down during the major part of the year, but were stabilized by the end of 2017.

In Denmark, the 3-month Cibur rate was traded in the range of - 0.05% to - 0.25% in 2017, closing at a level of about - 0.25% at year end.

Castellum's market share

Castellum owns a total leasable area of approx. 4.4 million sq.m. with a total property value of about SEK 81 billion. At year-end, Castellum's market capitalization amounted to approx. SEK 37.8 billion. At the time, this placed the company as the 11th largest listed real estate company on the European real estate market and the second largest real estate company in the Nordic countries, in terms of market capitalization.

Together, the 200 largest real estate owners in Sweden own a taxable area of 92 million square metres in terms of office, retail, warehouse and logistics properties, of which Castellum's market share amounts to approx. 4–5%. Apart from the listed companies, the largest real estate owners in Sweden are public corporations as well as Swedish and foreign institutional investors. In addition, there are also a number of smaller real estate owners such as real estate and construction companies, users and individuals.

European real estate market

The transaction volume for the European real estate market totalled approx. EUR 157 billion (133) for the office and warehouse and logistics segments, which corresponds to an increase of about 16% compared with previous year.

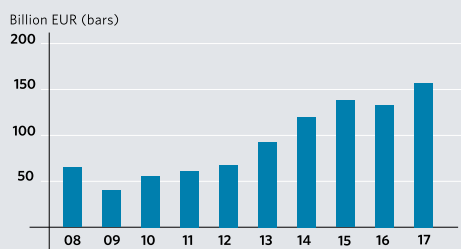
The warehouse-and-logistics segment accounted primarily for the increase, volumes reaching a new record high of approx. EUR 43 billion in 2017 (+67% compared with 2016, and +196% compared with the mean value for 2003–2016). Increasing e-commerce is an important structural driver behind the increase in both transaction volume and demand for peri-urban warehousing. Other important factors include accessibility of institutional capital, the rising European economy, and increased interest from Chinese investors.

Sweden accounted for approx. 3% (6%) of the European volume for the office, warehouse and logistics segments. This places Sweden as the seventh largest transaction market in Europe during 2017.

Swedish and Danish real estate market

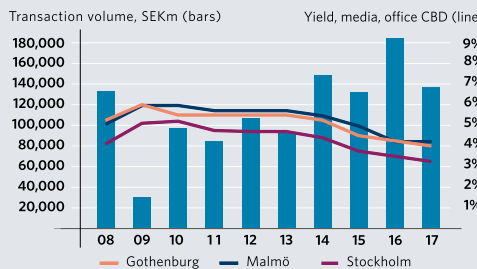
Transaction volumes for the Swedish real estate market totalled approx. SEK 148 billion for 2017, which is in line with the volume for 2015, but about 26% lower than last year's highest quotation. Compared with 2016, when Castellum acquired Norrporten, there were no major company transactions in the Swedish market. The largest office

Transaction volumes/year European property market



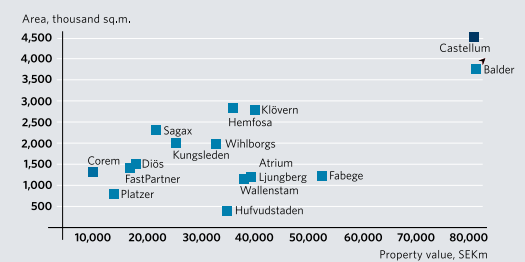
Source: CBRE

Yearly transaction volume, Sweden and yield, major cities



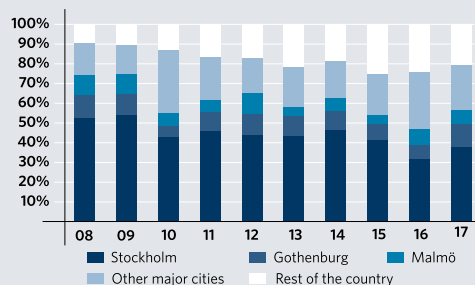
Source: Newsec and Forum
Transaction volume intends transactions > SEKm 100

Property portfolio listed real estate companies



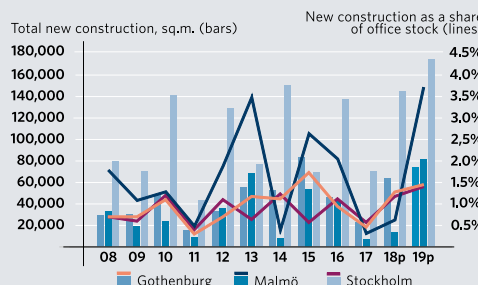
Source: Each company's interim report Q3, 2017.
Companies with real estate value > SEKm 3,000

Transaction volume by geography



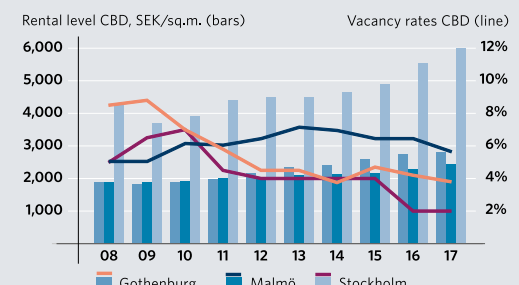
Source: Newsec

New construction, office



Source: Newsec

Rents and vacancy levels, major cities



Source: Newsec

transaction was carried out in the Stockholm CBD, amounting to SEK 2.2 billion.

The transaction volume for the Danish real estate market was estimated at approx. DKK 86 billion for the full year 2017 – about 30% higher than the previous year. Swedish investors were active in the Danish market in 2017 and are expected to have acquired properties for a total volume of approx. SEK 24 billion, which was mainly related to increased transaction activity for residential.

2017 was characterized by high transaction activity in most segments of the Swedish real estate market. As a percentage of the total transaction volume, the office segment decreased slightly compared with the previous year (17% of total volume compared to 29% 2016). Warehouse/logistics premises increased (15% compared to 8%), partly due to increased attractiveness fuelled by the expansion of e-commerce.

National players were most active on the Swedish market. Foreign investors accounted for just above 23% of the volume, but carried out some of the largest transactions in office, warehouse/logistics and retail properties during the past year. The transaction volume remained concentrated to the Stockholm area, which accounted for 38% of the total volume in Sweden. Together, Gothenburg and Malmö accounted for about 19% of the volume. In most of Castellum's cities, the required yield continued to sink during 2017 compared with 2016, this was largely due to

a strong rental market, falling vacancy rates and continuously favourable interest rates for real estate.

Swedish and Danish rental markets

The office rental market was strong in 2017 and characterized by high demand in most of Castellum's cities. This development was mainly driven by a strong Swedish economy, urbanization and reduced vacancy rates following low new-production volumes compared with demand in recent years. The markets were strongest in the big-city regions of Stockholm, Gothenburg and Uppsala. Rents for logistics facilities showed a positive trend in peri-urban locations outside major cities. Strong logistics hubs were also characterized by rising rents. This was mainly due to the change in trade where increased e-commerce volumes led to greater demand.

In the Copenhagen region, the rents in the CBD were relatively stable to slightly positive during the year, despite strong demand for modern properties and improved demand for properties in secondary locations. This is mainly due to the availability of several building rights, which contributed to balancing supply and limiting demand-driven rental increases. The office rental market in Copenhagen is generally characterized by low volatility.

DATA PER REGION	Population	Population growth 2008-2017/year	Population growth 2008-2017 average/year	Population growth 2017	Students at university/college	Growth employment 2008-2017/year	Unemployment 2017	Growth total wages 2008-2017/year	Growth total wages 2017	Growth total wages forecast 2017-2026/year
The nation	10,127,000	1.0%	96,700	1.3%	402,000	1.2%	7.4%	2.9%	2.4%	2.3%
THE WESTERN REGION										
Greater Gothenburg	1,155,000	1.2%	13,000	1.5%	48,000	1.5%	7.3%	3.2%	2.7%	2.6%
Borås	111,000	1.0%	1,000	1.0%	7,000	1.2%	7.4%	3.0%	2.5%	2.3%
Halmstad	100,000	1.1%	1,100	1.2%	8,000	1.1%	8.4%	3.0%	2.5%	2.4%
THE ÖRESUND REGION										
Malmö	1,172,000	1.2%	13,700	1.9%	53,000	1.4%	14.5%	3.0%	2.6%	2.4%
of which Lund	122,000	1.4%	1,600	2.8%	35,000	1.0%	6.3%	2.5%	2.2%	2.1%
of which Helsingborg	144,000	1.4%	1,900	2.1%	-*	1.3%	11.0%	3.1%	2.6%	2.5%
Copenhagen	1,823,000	1.0%	17,900	0.9%	119,000	0.4%	5.0%	0.9%	3.1%	n.a
THE STOCKHOLM REGION										
Greater Stockholm	2,724,000	1.6%	41,200	1.7%	90,000	2.0%	6.1%	3.6%	3.1%	3.0%
THE CENTRAL REGION										
Örebro	150,000	1.4%	2,000	2.5%	13,000	1.5%	7.7%	3.3%	2.8%	2.7%
Uppsala	220,000	1.6%	3,300	2.7%	37,000	1.7%	6.0%	3.4%	2.8%	2.6%
Västerås	150,000	1.2%	1,800	2.1%	14,000	1.4%	9.2%	3.0%	2.5%	2.4%
Jönköping	138,000	1.1%	1,400	1.7%	10,000	1.3%	5.3%	2.9%	2.4%	2.3%
Linköping	159,000	1.2%	1,900	1.8%	23,000	1.6%	6.3%	3.3%	2.8%	2.6%
Norrköping	141,000	1.1%	1,500	1.4%	-**	1.4%	12.0%	3.2%	2.8%	2.6%
Växjö	91,000	1.3%	1,100	2.1%	26,000	0.9%	8.3%	2.5%	2.1%	2.6%
THE NORTHERN REGION										
Sundsvall	99,000	0.5%	400	0.6%	13,000	0.6%	8.1%	2.1%	1.6%	1.5%
Gävle	101,000	0.8%	800	1.0%	12,000	0.8%	10.6%	2.5%	2.2%	2.0%

Source: Evidens and SCB * Campus Helsingborg is part of Lund University. ** Campus Norrköping is part of Linköping University.

Castellum's real estate portfolio and financial results 2017

65%

Approx. 65% of Sweden's 10 million inhabitants live within Castellum's cities.

SEKbn 81

On December 31, 2017 Castellum's real estate portfolio comprised 676 properties with a total rental value of SEK 81 billion.

SEKbn 6.5

During 2017 investments totalled SEKm 6,488 of which SEKm 3,595 were acquisitions and SEKm 2,893 were new constructions, extensions and reconstructions.

Castellum is present in the nation's major growth regions and approx. 65% of Sweden's 10 million inhabitants live within Castellum's cities. Castellum's real estate portfolio is concentrated to a selected cities and the objective is to be one of the three largest real estate owners in each city. Castellum's geographical markets can be characterized as stable, with good prospects for long-term positive development. The real estate portfolio is found in 17 cities in four regions: Central, West, Öresund and Stockholm-North. The main part with 65% of the portfolio is located in and around the three major cities Stockholm, Göteborg and Malmö.

The commercial portfolio consists of 78% office and retail properties as well as 17% warehouse and logistics properties. The properties are located from inner city sites to well situated working areas with good means of communication and services. The remaining 5% consists of project and undeveloped land. Castellum owns approx. 864 thousand sq.m. unutilized building rights.

On December 31, 2017 Castellum's real estate portfolio comprised 676 properties (665) with a total rental value of SEKm 5,777 (5,499) and a total lettable area of 4,381 thousand sq.m. (4,292). For properties owned at year-end the net operating income over the year was SEKm 3,604 (3,376).

Investments

During the year, investments totalling SEKm 6,488 (31,491) were carried out, of which SEKm 3,595 (29,372) were acquisitions and SEKm 2,893 (2,119) new constructions, extensions and reconstructions. After sales of SEKm 875 (6,754) net investments amounted to SEKm 5,613 (24,737).

Castellum has ongoing projects with remaining investments of approx SEK 2.2 billion. During 2017 the real estate portfolio has changed according to the table below.

Changes in the real estate portfolio

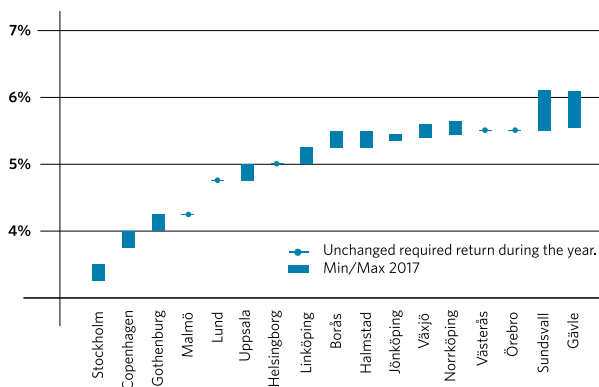
	Value SEKm	Number
Real estate portfolio January 1, 2017	70,757	665
+ Acquisitions	3,595	26
+ New constructions, extensions and reconstructions	2,893	1
- Sales	- 848	- 16
+/- Unrealized changes in value	4,513	-
+/- Currency translation	168	-
Real estate portfolio December 31, 2017	81,078	676

Sustainable real estate portfolio

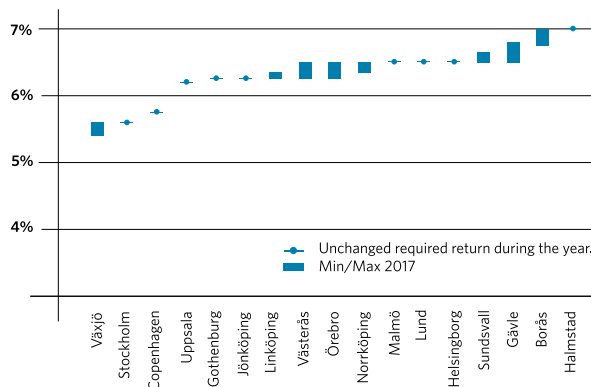
Environmental inventories are to be carried out for all properties to identify and address environmental and health risks. Inventories have already been performed for 82% of the properties to date, and inventory has been planned for the remaining 18%. When a property is acquired, it is analyzed both in terms of energy utilization and environmental risk, and all new constructions are environmentally certified. The environmental risks in Castellum's real estate portfolio are considered small, and no fines have been paid for environmental offences.

One way of future-proofing the real estate portfolio is to environmentally certify the properties. Castellum owns the highest number of environmentally certified properties among Swedish listed real estate companies, and a total of 29% of Castellum's 676 buildings (1 269 000 sq.m.) are environ-

Market yield - office



Market yield - Warehouse/Logistics



Yield 2017(bars) according to Forum Fastighetsekonomi (Swedish cities) and CBRE (Copenhagen) for a number of different geographical markets and segments in Castellum's property portfolio.

mentally certified. Further certification is ongoing for an additional 311 000 sq.m, corresponding to 7%. The purpose of certification is to reduce the portfolio's climate impact and risks, reduce costs, create premises that are attractive to customers and their businesses, and to improve safety and working environment for customers.

Castellum's environmentally certified buildings*

	Completed properties		Ongoing projects	
	Number	Thousand sq.m.	Number	Thousand sq.m.
EU Green Building	78	592	1	7
Miljöbyggnad	27	280	32	207
BREEAM	29	500	11	98
LEED	6	133	0	0
WELL	0	0	2	13
Total**	140	1,505	46	325

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

** Note that some of Castellum's properties are doubly certified. Hence, the total area is slightly smaller compared with the key figures on page 24.

Property value and changes in value

The fair value of the properties at the year-end amounted to SEKm 81,078 (70,757), corresponding to SEK 18,268 per sq.m. (16,558). The average valuation yield over time for Castellum's real estate portfolio, excluding development projects, undeveloped land and building rights, can be calculated to 5.5% (5.8%). Of the total property value 96% represents freehold properties and 4% is site leasehold.

The real estate market in 2017 was characterized by great demand leading to high transaction volumes, while these did not beat the record year

of 2016, they were in line with the volumes of 2015. The proposal presented in March 2017 for a change in taxation for real estate transactions created some uncertainty and thus had an impact on the transaction market, both for lead time and for negotiations on transaction-tax rebates. This impact was offset by continued strong demand and, above all, a very strong rental market – the latter resulting in low vacancy rates and real rental growth.

Average valuation yield, SEKm

(excl. project/land and building rights)	2017	2016
Net operating income properties	3,976	3,699
+ Index adjustment 2018, 2% (1%)	92	62
+ Real occupancy rate 94% at the lowest	295	265
- Property administration SEK 30/sq.m.	- 133	- 129
Normalized net operating income	4,230	3,897
Valuation (excl. building rights of SEKm 569)	76,383	67,557
Average valuation yield	5.5%	5.8%

For Castellum's part, this meant a change in value of SEKm 4,540 the equivalent of 6%. Further, 16 properties were sold for SEKm 875 after deduction for assessed deferred tax and expenses totalling SEKm 38. The underlying property price, which amounted to SEKm 913, exceeded the last valuation of SEKm 848 by SEKm 65. As every property is valued individually, consideration has not been given to the portfolio premium that can be seen in the real estate market.

The market value of the derivatives changed by SEKm 247 (82) mainly due to changes in long-term market interest rates.

ENVIRONMENTAL CERTIFICATION SYSTEM



Miljöbyggnad

Miljöbyggnad is a Swedish system that classifies buildings in terms of energy consumption, indoor environment and building materials. The system awards Gold, Silver or Bronze levels and is used for both residential and commercial premises.



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.



BREEAM

BREEAM, from Great Britain, is the most commonly used environmental classification system in the world. The system evaluates and rates the overall environmental impact of buildings.



LEED

LEED (USA) and BREEAM are the most commonly used environmental classification system in the world. The system evaluates and rates the overall environmental impact of buildings.

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 well-being. The WELL standard is founded on seven distinct concepts known to affect health.

Castellum's markets

Sundsvall 64%



Gävle 36%

6%

Proportion of Castellum's property value

THE NORTHERN REGION

	2017	2016
No. of properties	30	29
Area, thousand sq.m.	259	259
Property value, SEKm	5,119	4,752
Rental value, SEKm	399	389
Net operating income, SEKm	282	238
Net investments, SEKm	66	4,112
Net leasing, SEKm	-5	3
Employees	0	34

South 20%



North 14%

Central 66%

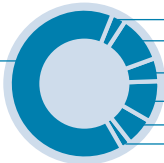
25%

Proportion of Castellum's property value

THE STOCKHOLM REGION

	2017	2016
No. of properties	115	111
Area, thousand sq.m.	742	692
Property value, SEKm	20,578	15,181
Rental value, SEKm	1,167	1,017
Net operating income, SEKm	761	676
Net investments, SEKm	3,122	5,340
Net leasing, SEKm	62	63
Employees	75	44

Gothenburg 65%



Other cities 3%
Mölndal 10%
Kungälv 5%
Borås 9%
Halmstad 6%
Alingsås 2%

22%

Proportion of Castellum's property value

THE WESTERN REGION

	2017	2016
No. of properties	216	212
Area, thousand sq.m.	1,225	1,218
Property value, SEKm	18,010	15,848
Rental value, SEKm	1,291	1,233
Net operating income, SEKm	850	771
Net investments, SEKm	963	650
Net leasing, SEKm	98	57
Employees	81	80

Linköping 8%



Jönköping 22%

Örebro 29%

Norrköping 8%

Uppsala 18%

Västerås 10%

Växjö 5%

27%

Proportion of Castellum's property value

THE CENTRAL REGION

	2017	2016
No. of properties	206	206
Area, thousand sq.m.	1,349	1,320
Property value, SEKm	21,560	19,855
Rental value, SEKm	1,685	1,622
Net operating income, SEKm	1,010	963
Net investments, SEKm	1,042	7,666
Net leasing, SEKm	110	38
Employees	113	109

Helsingborg 32%



Copenhagen 36%

Malmö 19%

Lund 13%

20%

Proportion of Castellum's property value

THE ÖRESUND REGION

	2017	2016
No. of properties	109	107
Area, thousand sq.m.	806	803
Property value, SEKm	15,811	15,121
Rental value, SEKm	1,235	1,238
Net operating income, SEKm	701	728
Net investments, SEKm	378	6,969
Net leasing, SEKm	45	17
Employees	60	67

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

Rental income

Group's rental income amounted to SEKm 5,182 (4,533). For office and retail properties, the average contracted rental level, including charged heating, cooling and property tax, amounted to SEK 1,617 (1,561) per sq.m., whereas for warehouse and logistics properties, it amounted to SEK 827 (818) per sq.m. Rental levels have in comparable portfolio increased by approx. 3% compared with previous year, which inter alia is an effect from indexation and renegotiations carried out.

The average economic occupancy rate was 90.9% (91.3%). The rental income for the year includes a lump sum of SEKm 6 (20) as a result of early termination of leases.

Gross leasing (i.e. the annual value of total leasing) during the period was SEKm 600 (489), of which SEKm 198 (152) were leasing of new constructions, extensions and reconstructions. Notices of termination amounted to SEKm 290 (311), of which bankruptcies were SEKm 7 (17) and SEKm 18 (5) were notices of termination with more than 18 months remaining length of contract. Net lease for the period was SEKm 310 (178) and for the fourth quarter isolated SEKm 59 (84).

The time difference between reported net leasing and the effect in income thereof is estimated to be between 9–18 months. Net leasing has been different in Castellum's various regions, as shown to the left.

Net leasing

SEKm	Central	West	Öresund	Stockholm	North	Total
New leases						
Existing properties	145	83	75	91	8	402
Investments	50	89	29	27	3	198
Total	195	172	104	118	11	600
Notice of termination						
Noticies of termination	- 84	- 73	- 59	- 52	- 15	- 283
Bankruptcies	- 1	- 1	0	- 4	- 1	- 7
Total	- 85	- 74	- 59	- 56	- 16	- 290
Net leasing	110	98	45	62	- 5	310

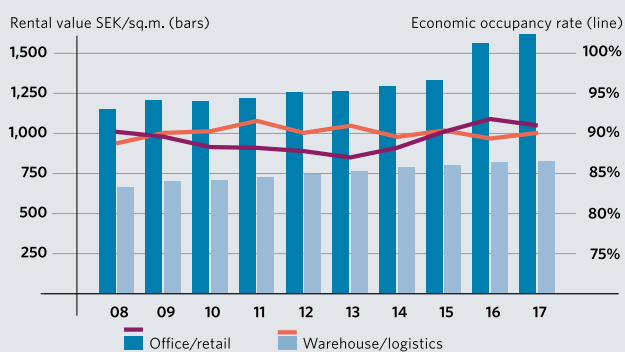
Property costs

Property costs amounted to SEKm 1,605 (1,497) corresponding to SEK 366 per sq.m. (376). Consumption for heating during the period has been calculated to 91.5% (92%) of a normal year according to the degree day statistics.

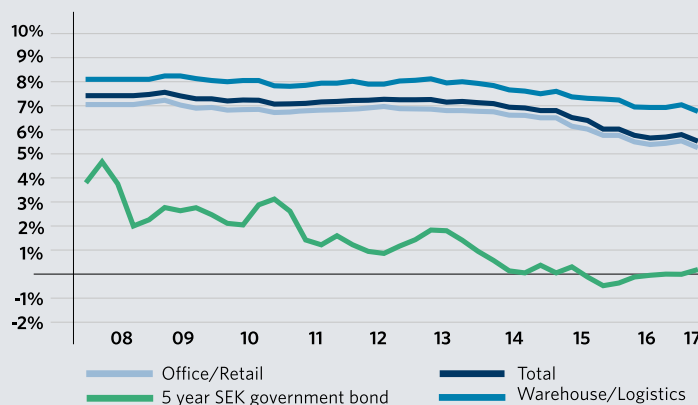
Property costs

SEK/sq.m.	Office/ retail	Warehouse/ logistics	2017 Total	2016 Total
Operating expenses	184	109	157	168
Maintenance	51	26	43	47
Ground rent	3	8	5	5
Real estate tax	95	23	70	70
Direct property costs	333	166	275	290
Leasing and property administration	-	-	91	86
Total	333	166	364	376
Previous year	355	167	376	

Rental value and economic occupancy rate



Average valuation yield over time



Central administration expenses

Central administrative expenses totalled SEKm 162 (143) and has been charged with SEKm 12 for development costs for Castellum's Innovation lab Next 20 – the Group's long-term focus on digitalization. Included in the central administrative expenses are also costs related to the profit-and-share-price related incentive plan for 9 persons in executive management of SEKm 12 (20).

Further the result has been charged with costs related to the ongoing Norrporten restructuring work amounting to SEKm 5 (37) which has now been completed.

Net interest

Net interest items were SEKm - 885 (- 832). The average interest rate level was 2.4% (2.7%). Net interest income was positively affected by approx. SEKm 81 due to the average interest rate level decrease by 0.3%-units.

Tax

The nominal corporate tax rate in Sweden is 22%. Due to the possibility to deduct depreciation and reconstructions for tax purposes, and to utilize tax loss carry forwards, the paid tax is low. Paid tax occurs since a few subsidiaries have no pos-

sibilities to group contributions for tax purpose. The year was charged with SEKm 60 in paid tax for 2016. However, deferred tax was reduced by an equivalent amount as the adjustment entailed increased loss carry-forwards. Hence, there was no impact on income.

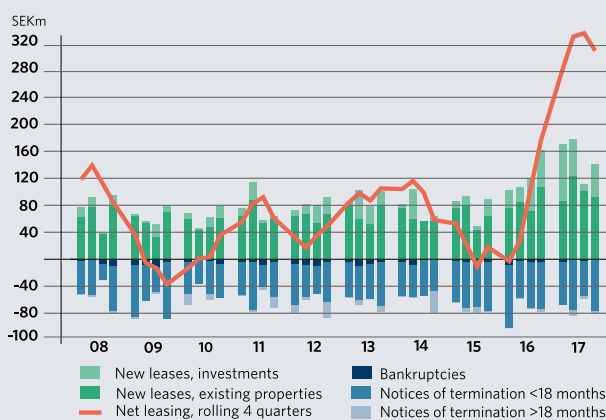
Remaining tax loss carry forwards can be calculated to SEKm 2,437 (2,392). Furthermore, there are derivatives at an undervalue of SEKm 135. Fair values for the properties exceed their fiscal value by SEKm 44,271 (36,851) of which SEKm 3,763 (1,992) relates to the acquisition of properties accounted for as asset acquisitions. As deferred tax liability, a full nominal 22% tax of the net difference is reported, reduced by the deferred tax relating to asset acquisitions, i.e., SEKm 8,405 (7,065).

Castellum has no current tax disputes.

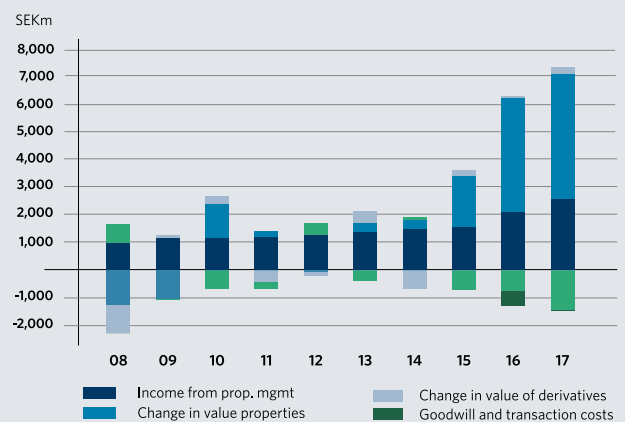
Income over time

Income from property management over the past 10 years shows stable development and has grown by an average of 7% per year. However, property values have been volatile over the past 10 years with an annual average growth of 1.5%, which is slightly above the inflation, approx. 1%, for the corresponding period.

Net leasing



Income over time



Castellum's real estate portfolio 31-12-2017

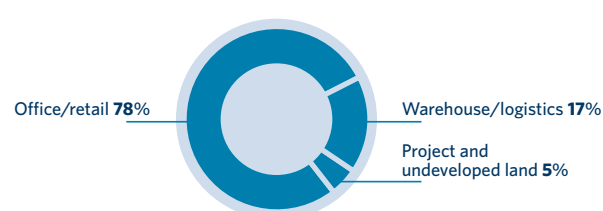
	31-12-2017				January - December 2017						
	No of properties	Area thousand sq.m.	Property value SEKm	Property value SEK/sq.m.	Rental-value SEKm	Rental value SEK/sq.m.	Economic occupancy rate	Rental income SEKm	Property costs SEKm	Property costs SEK/sq.m.	Net-operating Income SEKm
Office/retail											
Central	140	1,014	18,238	17,983	1,413	1,394	92.6%	1,310	342	337	968
West	86	508	11,553	22,777	751	1,480	90.8%	681	150	296	531
Stockholm	71	560	13,906	24,847	1,053	1,882	86.7%	913	216	386	697
Öresund	52	401	14,454	36,013	817	2,036	92.7%	758	127	316	631
North	28	259	5,118	19,728	399	1,536	93.9%	374	78	302	296
Total office/retail	377	2,742	63,269	23,075	4,433	1,617	91.0%	4,036	913	333	3,123
Warehouse/logistics											
Central	48	254	1,967	7,733	199	784	86.6%	173	45	177	128
West	105	675	5,744	8,509	516	765	92.8%	479	100	149	379
Stockholm	31	237	1,702	7,181	175	736	80.6%	141	44	186	97
Öresund	52	304	4,270	14,035	326	1,073	93.2%	304	55	180	249
Total warehouse/logistics	236	1,470	13,683	9,304	1,216	827	90.2%	1,097	244	166	853
Total	613	4,212	76,952	18,268	5,649	1,341	90.9%	5,133	1,157	275	3,976
Leasing and property administration									384	91	-384
Total after leasing and property administration									1,541	366	3,592
Project	41	169	3,651	-	128	-	-	41	29	-	12
Undeveloped land	22	-	475	-	-	-	-	-	-	-	-
Total	676	4,381	81,078	-	5,777	-	-	5,174	1,570	-	3,604

The table above relates to the properties owned by Castellum at the end of the period and reflects the income and costs of the properties as if they had been owned during the period. The discrepancy between the net operating income of SEKm 3,604 accounted for above and the net operating income of SEKm 3,577 in the income statement is explained by the deduction of the net operating income of SEKm 59 on properties sold during the year, as well as the adjustment of the net operating income of SEKm 86 on properties acquired/completed during the period, which are recalculated as if they had been owned or completed during the whole period.

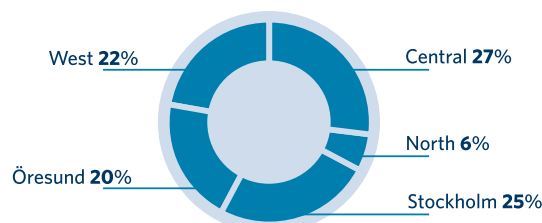
Property related key ratio

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Rental value, SEK/sq.m.	1,341	1,304	1,095	1,064	1,036	1,015	995	974	969	921
Economic occupancy rate	90.9%	91.3%	90.3%	88.7%	88.4%	88.6%	89.3%	89.0%	89.8%	89.7%
Property costs, SEK/sq.m.	366	376	316	307	307	298	300	298	300	268
Net operating income, SEK/sq.m.	853	816	673	637	608	601	589	569	571	559
Property value, SEK/sq.m.	18,268	16,558	12,282	11,118	10,285	9,916	9,835	9,499	9,036	8,984
Number of properties	676	665	597	583	626	635	617	598	590	587
Lettable area, thousand sq.m.	4,381	4,292	3,392	3,329	3,623	3,621	3,411	3,311	3,199	3,172
Valuation yield, average	5.5%	5.8%	6.5%	6.9%	7.2%	7.3%	7.2%	7.2%	7.3%	7.4%

Property value by property type



Property value by region



Customers

Key success factors include the organization's knowledge and feel for local markets. Through local organizations close to customers, Castellum makes business decisions directly and can offer customers shorter decision-making processes, quicker responses and smoother-running business activities to simplify our customer's everyday life. In addition, customers can enjoy the increased security provided by one of Sweden's largest real estate companies.

Castellum customers reflect Swedish and Danish business life

Castellum's contract portfolio, comprising approx. 6,200 commercial contracts, consists of a well-diversified and vast customer base. Castellum has a balanced risk diversification in the contract portfolio regarding geography, type of premises, size, term to maturity and customer industry. Our customers reflect Swedish and Danish trade and industry, and the single largest contract accounts for approx. 2% of Castellum's total rental income. The average lease length for Castellum customers is 4.0 years.

Leasing activity

Castellum enjoys high leasing activity, which in 2017 resulted in the signing of 930 new leases for a total annual value of SEKm 600. The result of the leasing activity highlights the benefits of having a decentralized organization with local

empowerment and budget responsibility. It generates opportunities to ensure a long-term focus on tending to customers and networking.

Staying close to the customers

Castellum's organization, with local presence provides close relationships with customers and short decision-making processes. Castellum employees work close to the market, which means natural access to fresh information about tenants' current and future needs, as well as developing trends. Customers can thereby be offered premises suited to their requirements and benefit from optimal personal service and quick answers. Castellum employees keep up a continuous dialogue with customers, primarily through personal meetings.

As one of the largest real estate owners on local markets, Castellum collaborates with municipalities and local networks, e.g., corporate associations, to be an active urban developer that creates

LEASING AND RENEGOTIATION

During 2017, 930 new leases were signed with a total value of SEKm 600. 62% of the new leases were generated by our own contacts.

6,200
commercial contracts

SEKm 5,300
(contract value)



attractive work environments for the entire community.

Satisfied customers

Positive and long-term customer relations are of crucial importance for growth, and customer surveys are conducted regularly. To evaluate and follow up on our efforts, an external survey, the Satisfied Customer Index, is carried out annually. The survey indicates general customer opinion about Castellum as well as how well Castellum performs in the areas of service, business relationships, property condition, environmental issues, error reporting, information, and property service.

The survey carried out in 2017 – which included offices, retail, warehouses and logistics – comprised a majority of Castellum’s major customers. All regions participated, with relatively small differences between regions. The survey continues to show consistently high marks for Castellum, with a weighted index of 78 out of 100. This is higher than the industry benchmark of 73 for office premises. The customer survey is followed up internally and used as a basis for continued active customer care for even more satisfied tenants.

Castellum’s service-minded employees achieved the highest index of the surveyed categories. The category includes parameters such as personal

attention, service and availability. A significant proportion of the customers surveyed – 9 out of 10 – reply that they would recommend Castellum as a landlord to others.

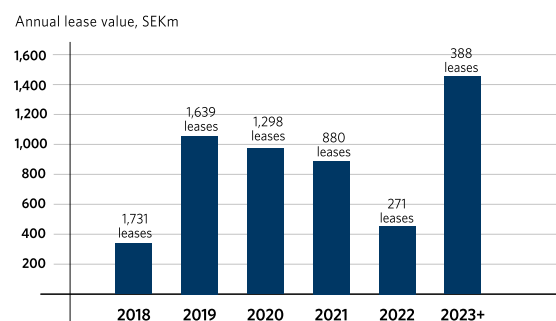
Commercial leases - formal agreement with the customer

Commercial leases are generally signed for 3–5 years, with a 9-month notice period, and they are paid quarterly, in advance. The rental level can change when the lease in question is due for renegotiation.

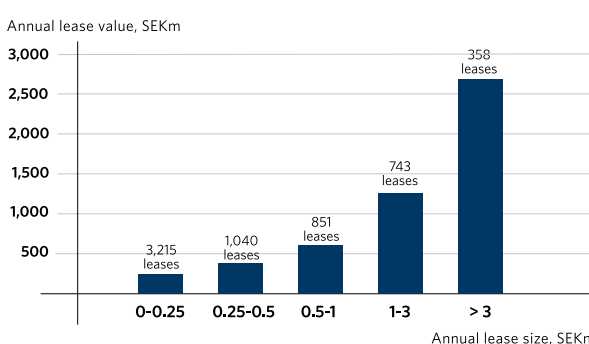
Leases usually include a base-rent – i.e. the rent agreed upon when signing the contract – and an index clause that provides an annual adjustment of the rent: either as a certain percentage of the previous year’s inflation or as a minimum upward adjustment of a set percentage. A lease usually contains an addendum for the tenant’s share of the property’s total heating, cooling and property-tax costs.

Castellum offers green leases to both current and new customers. It is a cooperation agreement aimed at reducing the total environmental impact of our premises. In 2017, 20 new green leases, comprising 40 thousand sq.m., were signed, and Castellum holds a total of 88 green leases, amounting to 299 thousand sq.m.

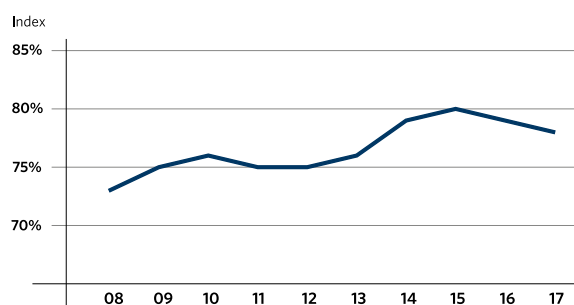
Lease maturity structure



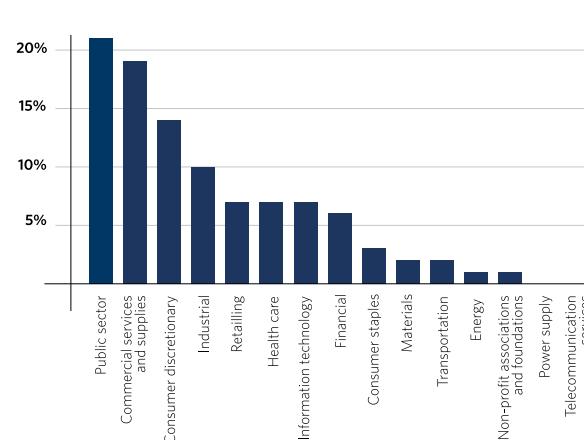
Lease size structure



Satisfied Customer Index



Distribution of leases by industry





Sillfabriken feels like home to Sneaky Steve

A brand built with heart and soul and fine craftsmanship requires a special place in which to flourish. For Måns Månsson, CEO of the Sneaky Steve shoe company, it was a combination of gut feeling and location that sealed the deal. The Sillfabriken building in Gothenburg's Klippan area, is now home to Sneaky Steve.

"This area around Klippan and Röda Sten enjoys an exciting heritage and an atmosphere of shipping and industry that we really appreciate," says Måns Månsson.

Previously, Sneaky Steve ran headquarters from a Castellum property on Magasinsgatan in central Gothenburg, housed in the same building as one of the company's four retail stores. However, as the business expanded, the need increased for newer, larger premises. When Sillfabriken came up as an option, there was no hesitation.

"Here, we could be involved in freely creating something in line with our own vision, in an interesting heritage building", says Måns Månsson.

The approximately 400 square metres comprise a show-room, eight workplaces, and a large open space where guests and coworkers can settle in, to meet and work.

Generous high ceilings and large windows provide space and natural light and offer a stunning view of the river. The colour scheme is dominated by whites and various grays, matched by solid wood floors, custom-made carpentry and a well-thought-out selection of second-hand furniture. Everything permeated by the unmistakable scent of leather.

"With Castellum, we've been able to create a fine space that reflects our brand and suits our current needs while enabling us to grow. The premises work just as well for retail events and product shows as for employee activities. And taking a cup of coffee on the large common terrace while the sun is shining is a real treat, both for us and our guests," says Måns Månsson.



“ Here, we could be involved in freely creating something in line with our own vision, in an interesting heritage building.

Sillfabriken in brief:

Gothenburg's first deep harbour, where the East India Company moored, was at Klippan. In the 18th century, a large herring salting-house was built, and during the 19th century, many industries were established here. In developing Sillfabriken, Castellum held on to the character of the area and created a stimulating environment for modern and innovative companies.



The five largest real estate owners

MALMÖ	Taxed area thousand sq.m.	LUND	Taxed area thousand sq.m.	HELSINGBORG	Taxed area thousand sq.m.	COPENHAGEN*	Leasable area thousand sq.m.
Wihlborgs	647	Wihlborgs	200	Wihlborgs	478	Nordea Ejendomme	1,500
Vasakronan	320	Castellum	112	Castellum	225	ATP Ejendomme	1,303
Castellum	229	Vasakronan	91	Catena	112	Dades	998
Kungsleden	195	Clarendon House Capital	69	Livförsäkringsbolaget Skandia	104	PKA	940
Klövern	184	Balder	42	Kungsleden	58	Jeudan	908
						Castellum	207

Number of commercial premises (excl. residential) owned as at 31-12-2017, except for Copenhagen which reports leasable area. Municipal and State-owned companies and government institutions have been excluded. Source: Datscha, CBRE and Castellum

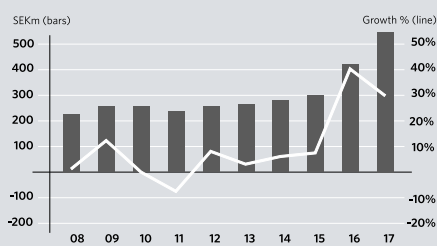
* Of which major part in Copenhagen

Rental levels and yield

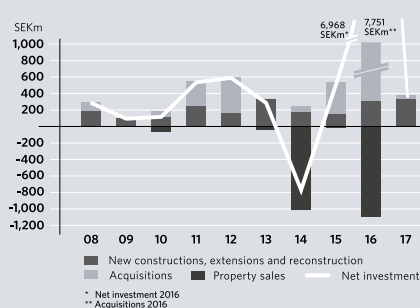
		MALMÖ		LUND		HELSINGBORG		COPENHAGEN	
		Market rents SEK/sq.m.	Yield	Market rents SEK/sq.m.	Yield	Market rents SEK/sq.m.	Yield	Market rents SEK/sq.m.	Yield
OFFICE	Best location	1,700 - 2,550	4.25% - 5.50%	1,400 - 2,000	4.75% - 5.75%	1,250 - 2,500	5.00% - 5.75%	1,650 - 1,950	3.75% - 4.75%
	Secondary location	1,000 - 1,900	5.75% - 7.00%	1,300 - 2,200	5.75% - 6.50%	950 - 1,450	5.75% - 7.00%	1,100 - 1,500	5.00% - 5.75%
RETAIL	Best location	2,250 - 5,500	4.25% - 5.50%	2,000 - 5,000	4.75% - 5.75%	2,000 - 4,500	5.00% - 5.75%	18,000 - 24,000	3.00% - 4.00%
	Secondary location	900 - 5,500	5.75% - 7.25%	1,200 - 2,000	6.25% - 7.25%	800 - 1,100	7.00% - 8.50%	2,500 - 3,500	5.00% - 6.00%
WAREHOUSE/ LOGISTICS	Best location	650 - 900	6.50% - 7.50%	600 - 850	6.50% - 7.50%	650 - 900	6.50% - 7.50%	475 - 600	5.75% - 6.50%
	Secondary location	600 - 800	6.75% - 7.75%	600 - 800	6.75% - 7.75%	550 - 850	6.50% - 7.50%	350 - 450	8.00% - 9.00%

Office and retail refer to rent incl. media, but excl. additions for property tax. Source: Forum Fastighetsekonomi

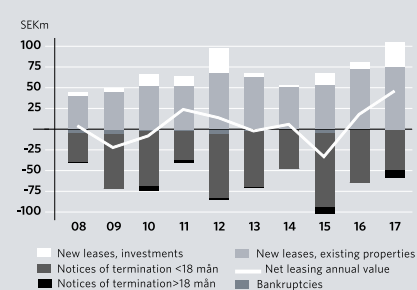
Income from property management



Investments and sales



Net leasing



THE ÖRESUND REGION

Largest labour market region in the Nordics

More than a quarter of Sweden's and Denmark's total GDP is produced in the Öresund Region – the largest labour market in the Nordic region. Infrastructure investments characterize the region, and every day 96,000 people cross the Öresund Bridge. Here, 17 Danish and Swedish universities are to be found, and the region boasts the largest concentration of university graduates in Northern Europe. In recent years, the business structure has gradually changed from heavy industries to small and medium-sized knowledge-intensive companies.

Rental market

Large new production volumes of office space (totalling approx. 100,000 sq.m.) entered the market in Malmö during 2015–16, resulting in a slight rise in vacancy rates in 2017 (primarily for older office premises), whereas the vacancy rate remained relatively stable in the central business district. Malmö is characterized by both large relocation and customer demand for modern office premises; hence, a large part of the rental volume is related to new construction. Rental development for office space in Malmö has levelled off. However, newly constructed premises are still being leased at high rental levels.

Prime rents in Lund increased slightly during the year, but levelled off at the end of the year. In Lund, just as in Malmö, tenants are relocating to newly constructed premises, resulting in vacancies in the older real estate portfolio. Hence, some older portfolios are being converted into residential premises.

In central Helsingborg, prime rents increased during the year, while demand for external locations declined. Here too, tenants relocated from older office portfolios to newly constructed premises.

In Copenhagen, the strongest demand still focused on office premises in prime locations. However, the market for reasonably priced premises with favourable infrastructure locations in secondary areas improved during the year. Rental potential is limited by the large amount of building rights, and a new construction comprising approx. 300,000 sq.m. is expected to be completed in CBD in 2019 with a relatively low degree of speculation construction.

Market conditions for warehouse and logistics premises as a whole are considered stable in Malmö, Lund and Helsingborg. However, with the emergence of e-commerce, warehouses in peri-urban locations are relative winners. Some caution was seen on the market for retail properties due to e-commerce and the large supply of retail space added in 2012–2014.

Real estate market

On the Swedish side, the transaction volume in Malmö amounted to about SEK 10 billion, corresponding to 7% (8%) of Sweden's total volume. In Denmark, the transaction volume was approx. DDK 86 billion, equivalent to an increase of more than 30% compared with 2016 and around DDK 18 billion higher than the previous peak in 2016. In 2017, Swedish real estate owners acquired properties in Denmark for approx. SEK 24 billion, predominantly in Copenhagen's secondary areas.

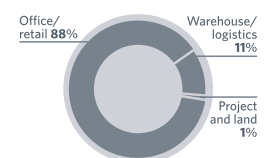
The largest single transaction on the Swedish side was Emporia Office in Hyllie, in January, for SEKm 458. A number of major transactions were made in Denmark/Copenhagen, of which a shopping mall constituted the largest single transaction.

Buyers on both the Swedish and Danish sides were mainly national real estate companies, institutions and, to a lesser degree, foreign buyers. In 2017, the required yield for modern properties in prime locations remained at the same level as in 2016. The yield was about 4.25% for offices in prime locations in Malmö, approx. 4.75–5.00% in Lund and Helsingborg, and around 3.75% in Copenhagen.



THE ÖRESUND REGION IN BRIEF

NUMBER OF EMPLOYEES: 60
REAL ESTATE PORTFOLIO IN: Malmö, Lund, Helsingborg and Copenhagen
AREA: 805 thousand sq.m.
VALUE: SEK 15.8 billion
DISTRIBUTION:



REAL ESTATE MARKET

TRANSACTION VOLUME 2017: Malmö accounted for 7% of the total transaction volume in Sweden.
SINGLE MAJOR TRANSACTION: Denmark: Transaction of 8 shopping centres in Copenhagen.
 Sweden: SEKm 458 Emporia Office, Hyllie.
YIELD PRIME LOCATION OFFICE: 3.75% (in central Copenhagen).



The five largest real estate owners

GREATER GOTHENBURG*		BORÅS		HALMSTAD	
	Taxed area thousand sq.m.		Taxed area thousand sq.m.		Taxed area thousand sq.m.
Castellum	929	Castellum	174	Castellum	78
Hemfosa	581	Starwood Capital Group	106	Corem	73
Platzer	468	Bosjö Fastigheter	82	Klövern	58
Balder	457	Logireal (NREP)	75	Hemfosa	58
Wallenstam	440	Uddetorp Invest	57	Slottsmöllans Fastighets AB	40

* The following municipalities are included in the Greater Gothenburg: Gothenburg, Mölndal, Härryda, Partille, Lerum and Alingsås

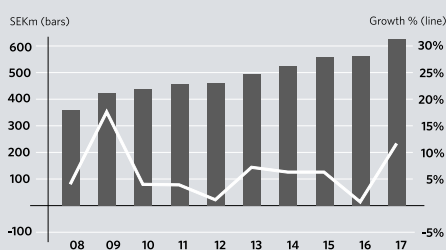
Number of commercial premises (excl. residential) owned as at 31-12-2017. Municipal and State-owned companies and government institutions have been excluded. Source: Datscha and Castellum.

Rental levels and yield

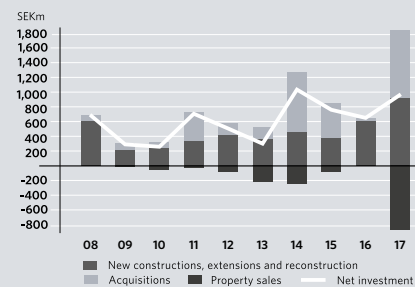
		GOTHENBURG		BORÅS		HALMSTAD	
		Market rents SEK/sq.m.	Yield	Market rents SEK/sq.m.	Yield	Market rents SEK/sq.m.	Yield
OFFICE	Best location	2,200 - 3,000	4.00% - 4.50%	1,200 - 1,600	5.25% - 6.25%	1,250 - 2,000	5.25% - 6.00%
	Secondary location	1,400 - 2,100	5.00% - 6.00%	700 - 1,100	6.50% - 7.50%	750 - 1,000	7.25% - 8.50%
RETAIL	Best location	2,000 - 10,000	4.00% - 5.00%	1,500 - 3,200	5.25% - 6.25%	1,900 - 3,600	5.00% - 6.00%
	Secondary location	1,000 - 2,500	5.25% - 6.25%	n.a	n.a	800 - 1,200	7.25% - 8.50%
WAREHOUSE/ LOGISTICS	Best location	475 - 925	6.25% - 7.25%	500 - 750	6.75% - 7.75%	600 - 800	7.00% - 8.25%
	Secondary location	475 - 800	6.75% - 7.75%	400 - 650	7.25% - 8.25%	n.a	n.a

Office and retail refer to rent incl. media, but excl. additions for property tax. Source: Forum Fastighetsekonomi

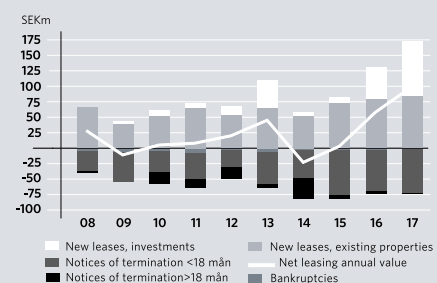
Income from property management and growth



Investments and sales



Net leasing



THE WESTERN REGION

Focus on construction and infrastructure investments

The Gothenburg region, well-situated between three capital cities and featuring the largest port in Scandinavia, is in the midst of a development phase driven by huge investments in research and product development. Meanwhile, plans have been made for construction and infrastructure investments of SEK 800-1,000 billion by the year 2035. During this time, the population is expected to grow by about 250,000 inhabitants. The Gothenburg region is undergoing a major structural change where employment in commodity production is decreasing while the workforce increases in service production – thereby resulting in more office-intensive industries.

Rental market

In Gothenburg, the supply remains very low and the vacancy rate is estimated to be the lowest in 10 years. Demand is also high as the Gothenburg area is experiencing an economic boom, with declining unemployment. This fueled a continued rental increase in Gothenburg in 2017, particularly in the Central Business District, Norra Älvstranden and other inner city locations.

Rental levels for office space in the most central locations of Gothenburg rose, nearing SEK 3,400/sq.m. Generally, rents for warehouse and logistics properties in Greater Gothenburg increased slightly during the year. With a strategic location considered to be one of the best in Sweden, and with a strong demand, relatively high levels of new construction are considered to occur within this segment in the next few years.

Rental levels in Borås and Halmstad remained stable to slightly positive during the year. Just like Gothenburg, Borås is consolidating its position as one of the prime logistics locations, and a major development is taking place in the Viared logistics area.

The retail rental market was generally stable

during the year. However, some caution was seen as the market is increasingly affected by growing e-commerce.

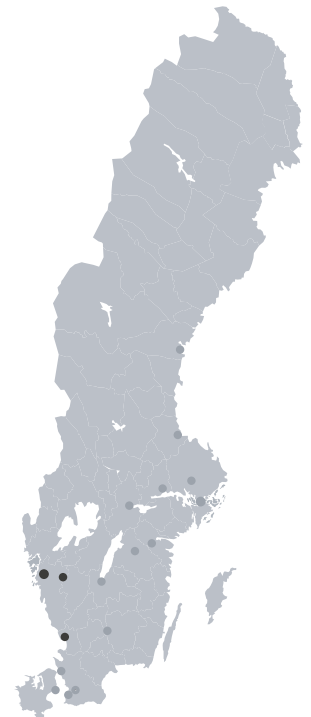
Real estate market

Transaction volumes in Greater Gothenburg amounted to approx. SEK 17 billion in 2017. Turnover constitutes approx. 12% (7%) of Sweden's total transaction volume. The largest single commercial transaction was the sale of an office property in Lindholmen of SEK 1,260.

In Halmstad, a SEK 1,066 transaction for 10 centrally located properties was conducted, representing the city's largest commercial property transaction ever.

In Borås, the largest single transaction was Castellum's acquisition of office and warehouse properties from Klöver.

As previously, the buyers were mainly mutual funds and Swedish real estate companies, both listed and unlisted, while international investors were active as sellers. During the year, yields for the region were generally stable or slightly decreasing. The yield of 4% in Gothenburg's CBD indicates historically low levels.



THE WESTERN REGION IN BRIEF

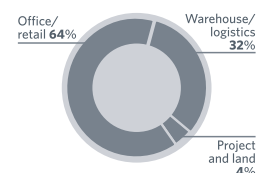
NUMBER OF EMPLOYEES: 81

REAL ESTATE PORTFOLIO IN: Gothenburg, Mölndal, Borås, Kungälv, Alingsås and Halmstad

AREA: 1,224 thousand sq.m.

VALUE: SEK 18 billion

DISTRIBUTION:



REAL ESTATE MARKET

TRANSACTION VOLUME 2017: Gothenburg accounted for 12% of the total transaction volume in Sweden.

SINGLE MAJOR TRANSACTION: Office building, Lindholmen, Göteborg of SEK 1,260, transaction Halmstad of SEK 1,066 and Castellum's transaction in Borås of 14 properties of SEK 479.

YIELD PRIME LOCATION: 4% (in central Gothenburg).



The five largest real estate owners

ÖREBRO		UPPSALA		VÄSTERÅS	
	Taxed area thousand sq.m.		Taxed area thousand sq.m.		Taxed area thousand sq.m.
Castellum	394	Vasakronan	205	Kungsleden	518
AB Lokalusman	148	Castellum	154	Klövern	239
Behrn Fastigheter	93	Klövern	105	Castellum	171
Catena	87	Atrium Ljungberg	77	Hemfosa	107
Klövern	87	Uppsala Akademiförvaltning	63	Saltängen Property Invest	74

JÖNKÖPING		LINKÖPING		NORRKÖPING		VÄXJÖ	
	Taxed area thousand sq.m.		Taxed area thousand sq.m.		Taxed area thousand sq.m.		Taxed area thousand sq.m.
Castellum	285	Klövern	289	Lundbergs	375	Hemfosa	155
Cordea Savills	108	Castellum	89	Klövern	162	Castellum	80
Catena	98	The Blackstone Group	69	FastPartner	86	Corem	76
Prologis	82	Lilium	67	Castellum	78	Catena	68
Alecta Pensionsförsäkring	55	Lundbergs	67	Olav Thon	78	Kungsleden	34

Number of commercial premises (excl. residential) owned as at 31-12-2017. Municipal and State-owned companies and government institutions have been excluded. Source: Datscha and Castellum.

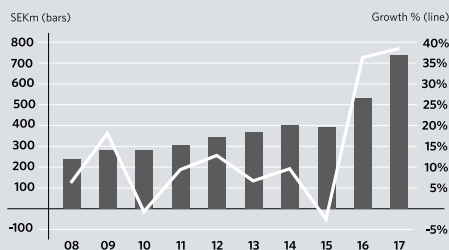
Rental levels and yield

		ÖREBRO		UPPSALA		VÄSTERÅS	
		Market rents SEK/sq.m.	Yield	Market rents SEK/sq.m.	Yield	Market rents SEK/sq.m.	Yield
OFFICE	Best location	1,200 - 2,000	5.50% - 6.50%	1,800 - 2,500	4.75% - 5.50%	1,100 - 2,000	5.50% - 6.50%
	Secondary location	600 - 1,200	6.75% - 8.00%	1,200 - 1,450	5.90% - 6.40%	700 - 1,200	6.75% - 7.75%
RETAIL	Best location	1,600 - 3,800	5.50% - 6.50%	1,800 - 5,000	4.80% - 5.80%	1,400 - 3,700	5.50% - 6.75%
	Secondary location	600 - 1,300	6.75% - 7.75%	1,300 - 1,700	5.75% - 6.25%	800 - 1,200	6.50% - 7.50%
WAREHOUSE/ LOGISTICS	Best location	600 - 1,100	6.25% - 7.25%	800 - 1,100	6.20% - 6.75%	600 - 1,000	6.50% - 7.25%
	Secondary location	500 - 750	6.75% - 7.75%	500 - 800	6.30% - 7.00%	600 - 1,000	6.75% - 7.75%

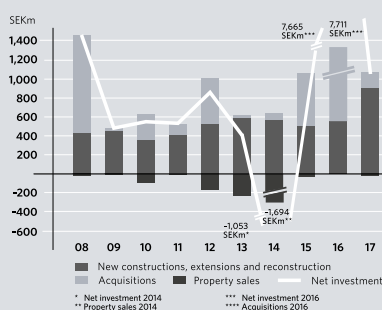
		JÖNKÖPING		LINKÖPING		NORRKÖPING		VÄXJÖ	
		Market rents SEK/sq.m.	Yield	Market rents SEK/sq.m.	Yield	Market rents SEK/sq.m.	Yield	Market rents SEK/sq.m.	Yield
OFFICE	Best location	1,550 - 2,300	5.35% - 6.00%	1,300 - 2,200	5.25% - 6.50%	1,450 - 2,200	5.45% - 6.30%	1,100 - 1,800	5.40% - 6.25%
	Secondary location	1,075 - 1,400	6.45% - 7.25%	1,000 - 1,700	5.75% - 7.00%	1,375 - 1,900	5.75% - 6.75%	750 - 1,100	6.35% - 7.25%
RETAIL	Best location	1,800 - 4,000	5.00% - 6.50%	1,700 - 3,700	5.00% - 6.10%	2,000 - 3,800	5.25% - 6.15%	1,800 - 3,000	5.25% - 6.00%
	Secondary location	1,150 - 1,500	6.50% - 7.50%	1,000 - 2,500	5.50% - 7.00%	1,500 - 2,000	6.50% - 7.25%	800 - 1,150	6.60% - 7.10%
WAREHOUSE/ LOGISTICS	Best location	600 - 925	6.25% - 7.00%	600 - 900	6.25% - 7.50%	600 - 900	6.35% - 7.00%	500 - 700	5.40% - 6.25%
	Secondary location	600 - 800	7.00% - 7.75%	500 - 800	6.75% - 7.75%	550 - 850	6.75% - 7.75%	400 - 525	6.25% - 7.00%

Office and retail refer to rent incl. media, but excl. additions for property tax. Source: Forum Fastighetsekonomi

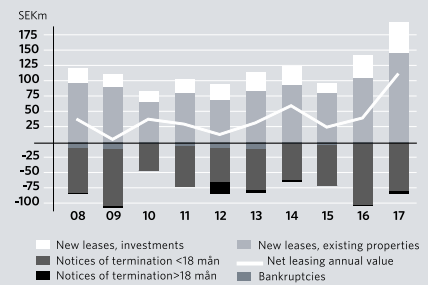
Income from property management and growth



Investments and sales



Net leasing



THE CENTRAL REGION

University cities with excellent growth opportunities

The Central Region consists of Uppsala, Västerås, Örebro, Linköping, Jönköping, Norrköping and Växjö. These are well-located areas featuring strong transport links and thriving commerce in Mälardalen and two university cities in Småland.

Rental market

Rental markets in the seven cities of the Central Region generally showed a stable to positive development during the year, although with some variation between and within the cities.

Demand for premises in Örebro and Västerås was stable or high in 2017, with the exception of retail. Modern offices in prime locations showed the strongest demand, leading to rising market rents and falling vacancies.

In Uppsala, the supply of office premises is severely limited, and the vacancy rate in central Uppsala is estimated at around 3%. The proximity to Stockholm and to Uppsala University is a positive influential factor. Office rents continued to develop positively: prime rents are currently estimated at about SEK 3,000/sq.m. in the CBD.

Regarding the warehouse and logistics market, Örebro continued to consolidate its position as a leading logistics centre with several ongoing major projects.

The rental level for warehouse/ logistics was stable or slightly rising.

The market situation in Jönköping, Linköping and Norrköping was positive in 2017. In Jönköping, there is ongoing new construction of several office buildings, and a number of new office premises in central locations are planned. As for Linköping and Norrköping, the major urban development for each city is connected to the new infrastructure around the East Link, which will tie together Järna, outside Stockholm, and Linköping. The Swedish Transport Administration is currently assessing that the East Link will be completed by 2033–2035.

Linköping's office market is stable with strong demand for office space and limited new construction. Norrköping saw a rising rental trend driven by a few real estate owners. The central portfolio is generally older and requires some reconstruction to attract tenants.

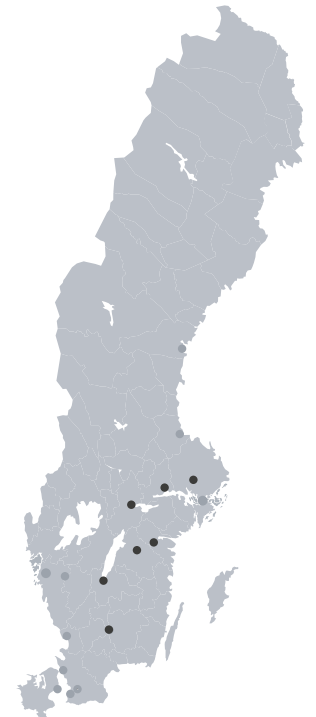
In Jönköping, rental levels continue to rise, especially for modern and efficient premises. The warehouse and logistics market remains positive with low vacancies and stable to somewhat rising rental levels in Jönköping, Linköping, Norrköping and Växjö.

Real estate market

The region saw a number of property sales that were part of larger portfolios which also included cities outside of the region. One of the major transactions during the year was a transaction involving logistics properties in Örebro and Jönköping for SEKm 600.

In Uppsala, the supply of office properties is very limited in the investor market as the majority of real estate owners in CBD are not likely to sell. One major transaction in Uppsala was a portfolio of three commercial properties valued at SEKm 480.

During the year, a value increase was noted for the regions, although with some variation attributable to location, property product and quality. The yield for the central areas of the cities in the Central Region moved slightly down, by approx. 25–40 percentage points, during 2017. The yield for offices in prime location was about 5.0–5.5% for the cities in the Central Region – with the exception of Uppsala, where the yield was approx. 4.75%.



THE CENTRAL REGION IN BRIEF

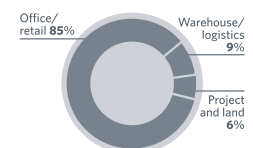
NUMBER OF EMPLOYEES: 113

REAL ESTATE PORTFOLIO IN: Uppsala*, Västerås, Örebro, Linköping, Jönköping, Norrköping and Växjö

AREA: 1,349 thousand sq.m.

VALUE: SEK 21.6 billion

DISTRIBUTION:



REAL ESTATE MARKET

TRANSACTION VOLUME 2017: SEKm 600 for logistics properties in Örebro and Jönköping.

YIELD PRIME LOCATION OFFICE: 4.75% (in central Uppsala).

* From January 1, 2018 Uppsala is part of the Stockholm-North Region, in order to better benefit from geographical synergies and existing business connections within the metropolitan area of Stockholm. The change will be reflected in the financial reporting from the first quarter of 2018.



The five largest real estate owners

STOCKHOLM

(Municipalities: Botkyrka, Huddinge, Järfälla, Nacka, Sigtuna, Sollentuna, Solna, Stockholm, Upplands-Väsby)

	Taxed area thousand sq.m.
Vasakronan	1,439
Fabege	1,088
Klövern	727
Castellum	686
FastPartner	673

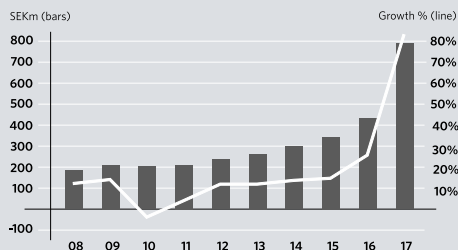
Number of commercial premises (excl. residential) owned as at 31-12-2017. Municipal and State-owned companies and government institutions have been excluded. Source: Datscha and Castellum

Rental levels and yield

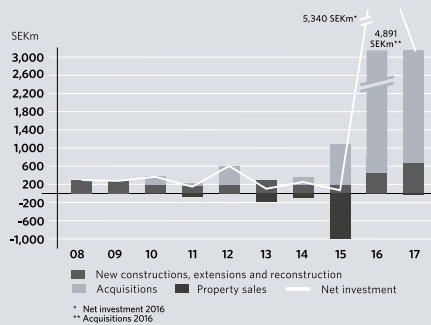
		GREATER STOCKHOLM	
		Market rents SEK/sq.m.	Yield
OFFICE	Best location	2,200 - 6,000	3.25% - 4.25%
	Secondary location	1,600 - 2,200	4.60% - 5.25%
RETAIL	Best location	4,500 - 13,000	3.50% - 4.25%
	Secondary location	3,000 - 7,000	4.60% - 5.25%
WAREHOUSE/LOGISTICS	Best location	800 - 1,500	5.60% - 6.25%
	Secondary location	600 - 950	6.35% - 7.75%

Office and retail refer to rent incl. media, but excl. additions for property tax. Source: Forum Fastighetsekonomi

Income from property management and growth

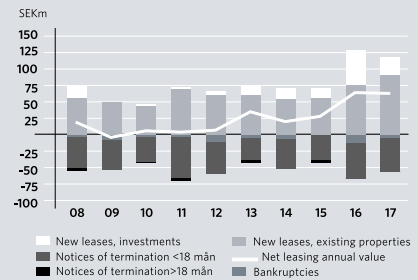


Investments and sales



* Net investment 2016
** Acquisitions 2016

Net leasing



THE STOCKHOLM REGION

The Swedish economic hub shows continued high growth

Stockholm is the hub of Swedish economic development, and the migration to Stockholm is great – the population is expected to increase by one million people in the next 50 years. Among other things, this will lead to work areas being developed into residential areas. And high employment growth will drive the real estate market.

Rental market

Rental development in Stockholm has been strong for a long period, and the trend continued in 2017 as well. The average rent in Stockholm CBD increased by 10–15% to SEK 6,000/sq.m. in 2017, with individual contracts in prime locations approaching SEK 10,000/sq.m.

High prices in the CBD resulted in companies relocating to development areas featuring reliable and speedy communications. CBD rental developments also led to a very strong rental development in the rest of the inner-city area as well as in local suburban areas and Solna/Sundbyberg. New construction projects completed in 2017–19 are mainly occurring in Solna/Sundbyberg and local suburban areas, while the volume is considerably limited in central Stockholm.

Demand remained high for warehouse and logistics premises in Stockholm. It is worth noting that warehouse rents in peri-urban locations with good transport links developed positively during the year.

The region's rental market for retail was characterized by change as a result of new constructions (for example, the Mall of Scandinavia) as well as by the refurbishment of several shopping centres and the greater proportion of e-commerce.

Real estate market

The total transaction volume in Stockholm amounted to SEK 56 billion in 2017. The turnover represents about 38% (32%) of the total transaction volume in Sweden.

Office properties in Stockholm continue to be highly sought after in the investor market, and the supply is therefore limited. This contributed to yield requirements continuing to be adjusted downwards – most clearly noted in local suburban areas and Solna/Sundbyberg. So far, the negative price trend in the housing market is not considered to have had any negative effect on the commercial side. This is due to the lack of efficient premises in prime locations – in contrast to the housing side where, during a short period, a surplus was produced within a number of segments.

The largest single Stockholm transaction in 2017 was the acquisition of the Blekholmen 1 property for SEK 2.2 billion.

The yield in Stockholm CBD declined to 3.25–3.50%. Another transaction that stood out was the transaction for the Hammarby Gård 12 property, situated in Hammarby Sjöstad, where the transaction yield was estimated at just under 4%. The positive changes in value in peri-urban areas continued to be great and to some extent, were driven by the lack of investment objects in the Stockholm CBD.



THE STOCKHOLM REGION IN BRIEF*

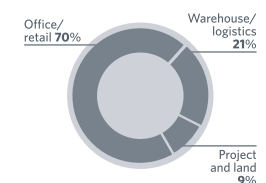
NUMBER OF EMPLOYEES: 75

REAL ESTATE PORTFOLIO IN: Botkyrka, Haninge, Huddinge, Järfälla, Nacka, Sigtuna, Sollentuna, Stockholm, Solna, Sundbyberg and Upplands-Väsby

AREA: 743 thousand sq.m.

VALUE: SEK 20.6 billion

DISTRIBUTION:



REAL ESTATE MARKET

TRANSACTION VOLUME 2017: Stockholm accounted for 38% of the total transaction volume in Sweden.

SINGLE MAJOR TRANSACTION: Blekholmen 1 of SEK 2.2 billion in Stockholm CBD.

YIELD PRIME LOCATION OFFICE: 3.25% (in central Stockholm).

* The Northern Region is since January 2017 part of the Stockholm-North Region. In this annual report, the Stockholm-North Region is accounted for as two separate sections, as market conditions differ significantly.

From January 1, 2018 Uppsala is part of the Stockholm-North Region, in order to better benefit from geographical synergies and existing business connections within the metropolitan area of Stockholm. The change will be reflected in the financial reporting from the first quarter of 2018.



The five largest real estate owners

SUNDSVALL	Tax area thousand sq.m.	GÄVLE	Tax area thousand sq.m.
Diös	168	Diös	217
Castellum	151	FastPartner	112
NP3 Fastigheter	96	Castellum	93
Hemfosa	65	CBRE	77
Hedern Fastigheter	45	NP3 Fastigheter	57

Number of commercial premises (excl. residential) owned as at 31-12-2017. Municipal and State-owned companies and government institutions have been excluded. Source: Datscha and Castellum

Rental levels and yield

		SUNDSVALL		GÄVLE	
		Market rents SEK/sq.m.	Yield	Market rents SEK/sq.m.	Yield
OFFICE	Best location	1,100 - 1,900	5.50% - 6.75%	1,000 - 1,800	5.50% - 6.75%
	Secondary location	800 - 1,350	6.35% - 7.50%	800 - 1,600	6.35% - 8.60%
RETAIL	Best location	1,550 - 3,050	5.90% - 6.50%	1,900 - 3,900	5.60% - 6.60%
	Secondary location	1,050 - 2,350	6.10% - 7.35%	800 - 2,500	6.10% - 8.35%
WAREHOUSE/ LOGISTICS	Best location	550 - 900	6.50% - 7.30%	475 - 750	6.50% - 7.50%
	Secondary location	480 - 825	7.10% - 8.40%	400 - 700	6.80% - 8.25%

Office and retail refer to rent incl. media, but excl. additions for property tax. Source: Forum Fastighetsekonomi

Investments and sales

SEKm	2017	2016
Acquisitions	0	9,569
Property sales	9	- 5,654
New constructions, extensions and reconstructions	57	199
Net investment	66	4,114

Net leasing

SEKm	2017	2016
New leases, investments	3	0
New leases, existing properties	8	6
Bankruptcies	- 1	0
Notices of termination <18 months	- 13	- 3
Notices of termination >18 months	- 2	0
Net leasing annual value	- 5	3

THE NORTHERN REGION

The largest labour market in northern Sweden

Sundsvall is the hub of a region with 200,000 inhabitants and the city constitutes northern Sweden's largest labour market, with solid communications and a highly developed infrastructure. Proximity to the Stockholm Region and Arlanda Airport has a positive impact on Gävle's logistics market and industrial life.

Rental market

The office market in Sundsvall has been marked by the construction of the Sundsvall Bridge, completed in 2014. This led to the emergence of new areas with road access and provided the inner city with room to expand towards the sea. The bridge also strengthened commercial activity in the outskirts through faster transportation links to the Birsta City shopping area. This led to Sundsvall's being characterized by strong commercial activity in the outskirts and weaker business in the city centre.

The market for smaller offices was relatively strong in Sundsvall, whereas the larger premises take a longer time to fully lease. Office vacancies reduced slightly in central Sundsvall, mainly due to increased demand, but also due to the conversion of offices to residential space in older buildings. Office rents have remained at a relatively unchanged level in recent years.

In 2017, the SCA forest-products company moved its headquarters to Sundsvall and also made major investments totalling SEK 7.8 billion in the Östrand pulp factory. SCA's investments are expected to have a positive impact on the region.

The largest container port on the east coast is found in Gävle, where investments of SEKm 700 are planned in order to double capacity by the second half of 2019.

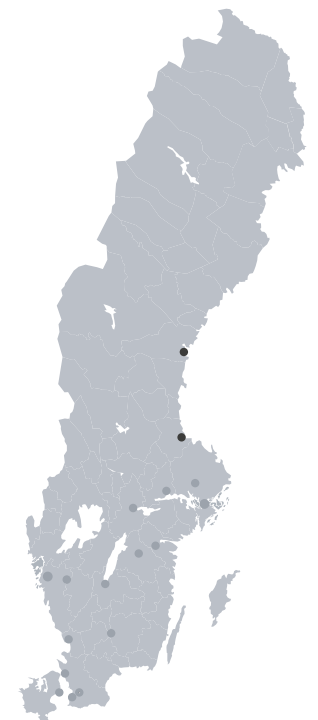
During the year, relatively stable rental levels were seen in Gävle as well, both for office and logistics properties. It is Gävle's ambition to be Stockholm's new hub for import goods, and a new logistics park in Tolvfors is being planned with direct access to the Port of Gävle and the intermodal terminal in Rosersberg, Stockholm.

Real estate market

The Sundsvall transaction market was relatively quiet compared with the record year of 2016. The single largest transaction comprised a volume trading deal totaling approx. SEKm 500.

In Gävle, the largest single transaction in 2017 was the sale of the Gallerian Nian mall for SEKm 765.

A number of value increases were noted in Sundsvall and Gävle, with variation due to location, property type and quality. The yield for office space in prime locations was around 5.5% or slightly higher, for Sundsvall and Gävle.



THE NORTHERN REGION IN BRIEF*

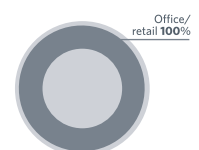
NUMBER OF EMPLOYEES: 0

REAL ESTATE PORTFOLIO IN: Sundsvall and Gävle

AREA: 259 thousand sq.m.

VALUE: SEK 5.1 billion

DISTRIBUTION:



REAL ESTATE MARKET

SINGLE MAJOR TRANSACTION: Transaction for shopping centre in Gävle of SEKm 765.

YIELD PRIME LOCATION OFFICE: 5.5% (in central Sundsvall and Gävle).

* The Northern Region is since January 2017 part of the Stockholm-North Region. In this annual report, the Stockholm-North Region is accounted for as two separate sections, as market conditions differ significantly.



Investments

Long-term and sustainable growth means that we continuously refine and develop the real estate portfolio by investing in new construction, extensions and reconstructions, as well as making new acquisitions. Investments are to be sustainable, while meeting customer demand and matching tenant requirements for premises and workplaces. New development projects are gradually added to Castellum's portfolio through the acquisition of attractive and promising properties, as well as unutilized building rights.

Continued focus on developing Castellum's real estate portfolio

One of Castellum's strategies for reaching an overall growth target of 10% involves enhancing the real estate portfolio. This requires annual investments in new construction, extensions and reconstruction of properties in the existing portfolio – actions which often result in higher yield than acquisition investments. In the last 10 years, Castellum has invested SEK 56 billion, corresponding to an average of SEK 5.6 billion per year.

In 2017, Castellum experienced lower activity in the portfolio compared with previous year, and investments totalled SEKm 6,488 (31,491), of which SEKm 3,595 (29,372) were acquisitions and SEKm 2,893 (2,119) were new constructions, extensions and reconstructions. After sales of SEKm 875 (6,754), net investments amounted to SEKm 5,613 (24,737).

The proposal in March 2017 for tax changes regarding real estate transactions created uncertainty and thus had some impact during the year on the transaction market in terms of lead time and negotiations for transaction-related tax rebates.

Castellum carried out several real estate acquisitions and changes of possession in 2017. In February, Castellum gained access to Torsplan 2 in Stockholm and also acquired the property on Torsgatan 26 (Sabbatsberg 24, previously Stockholm Vatten's headquarters), near Bantorget in Stockholm. The latter has a leasable area of 13,000 sq.m. with estimated opportunities for new building rights. Castellum already owns the neighbouring property and plans to join Stockholm City and other real estate owners in the area to create a concept for all of Torsgatan.

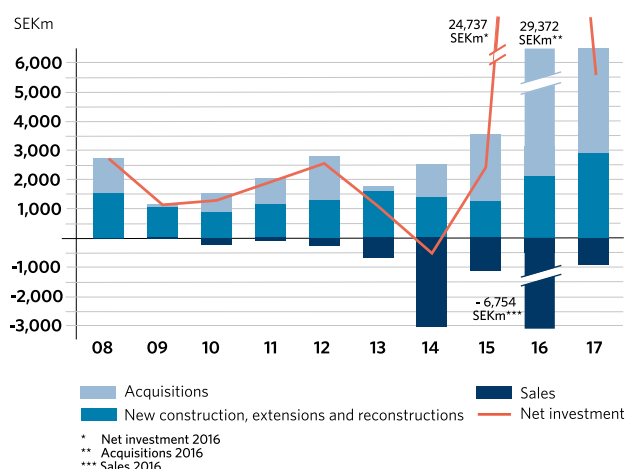
At the end of the year, Castellum was announced winner of Stockholm City's land allocation compe-

tion in Söderstaden – an extensive development area south of central Stockholm. The city-development project is one of Castellum's largest projects and will be carried out in a consortium with real estate companies Wallenstam AB and Åke Sundvall AB. The proposal amounts to approx. 100,000 sq.m, of which Castellum will answer for 30,000 sq.m. of commercial real estate, such as office, hotel and restaurant space. The remaining 70,000 sq.m. are intended for residential buildings as well as new hockey-practice rinks.

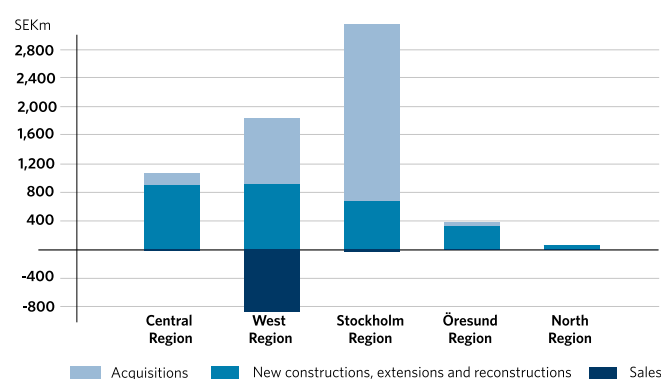
These examples underline that Castellum has the knowledge, the drive and the financing it takes to build further on a strong project portfolio.

Also during 2017, Castellum completed a transaction with Klöver, involving the acquisition of 14 properties in Borås and the sale of 9 properties in Mölndal and Partille. The transaction led to Castellum becoming the largest private commercial property owner in Borås, and the company's portfolio in Borås increased by approx. 80% to about 185,000 sq.m, equivalent to a property value of SEKm 479. The transaction meant that Castellum left Partille, and the Mölndal portfolio was reallocated through the selling of offices. In the future, investments will instead be made for new projects with favourable growth conditions in the

Investments and sales per year



Investments and sales per region



GENERAL SUSTAINABILITY PROGRAM FOR NEW CONSTRUCTION AND RECONSTRUCTION

Procurement < SEKm 10

Generally, the following items are required: Code of Conduct, sustainability policy, environmental management system, waste plan, environmental plan, an Environmental project manager and energy-efficient product choices - such as LED lighting and A-certified goods. All of this presumes the selection of sustainable building materials from both environmental and health perspectives, according to the assessments of the organization created for specifically this purpose: *Byggarbetsförordningen*.

COMPREHENSIVE SUSTAINABILITY PROGRAM FOR NEW CONSTRUCTION AND RECONSTRUCTION

Procurement > SEKm 10

- Miljöbyggnad level Gold*
- Choosing renewable energy sources
- Healthy indoor climate and carefully prepared moisture work
- Sustainable building materials
- Nearly zero-energy buildings*
- Always investigate the WELL health certification **
- Create a more attractive building through artistic decoration. Engage local artists in projects**
- Install solar cells**
- Investigate the possibilities of outdoor offices according to Castellum's WorkOut concept**
- Create inviting stairwells**
- Energy-efficient and environmentally-friendly construction sites
- Fossil-independent vehicles at construction sites
- Reconstruct, recompose and increase amount of ecosystem services
- Climate-risk management
- Incentives for entrepreneurs to create job opportunities in projects

* Miljöbyggnad level Gold applies to new construction or reconstruction of office or retail premises. Lower certification levels may only be used if there are special reasons why Gold cannot be achieved.

** Only applies for construction of office premises

nearby Åbro area. At the end of the first quarter, Castellum also completed transactions with Wallenstam, in which Castellum acquired two properties in Gothenburg as well as an office building-right, while selling two properties in Kallebäck and Mölnlycke centre, respectively. These transactions corresponded to a property value of SEKm 335.

In addition, a number of major construction projects were initiated during the year; for example, the construction of Eminent - a unique office building in the Hyllie district of Malmö - began in May 2017. Eminent is the first property in the Nordic region to be registered for certification according to the WELL Building Standard, a new international building standard that takes responsibility for people's well-being in working life. The investment is estimated at SEKm 353, including land acquisition. Castellum also started the construction of a logistics building in the Gothenburg port area - part one of a venture that enables the establishment of large-scale logistics premises and supports the expansion of the Port of Gothenburg. The investment is estimated at SEKm 220, including land acquisition. During the year, the investment in the construction of a new car showroom and other commercial premises began in Smista Allé, Huddinge. During the 21st century, this area has been rapidly developing into Stockholm's leading car dealership cluster. The investment is estimated at SEKm 334.

Sustainable investments

By directing Castellum towards more sustainable investments, we don't only take into account our own impact on the environment. Our approach also contributes to making the buildings more attractive for our stakeholders, reducing property management problems and costs, and facilitating closer monitoring.

All Castellum investments are made from a sustainable perspective. Each investment issue is scrutinized by the Group's Head of Sustainability and must be approved from a sustainability perspective. These criteria are included in the planning stage, follow the entire project life-cycle

and, in the next step, become a natural part of daily management. In recent years, Castellum has worked with sustainability issues in connection with new construction and larger reconstructions. In 2017, the Group's joint sustainability program was further developed and divided into two different levels: investments < SEKm 10 and investments > SEKm 10. Castellum environmentally certifies all new constructions and larger reconstructions. If the projects are office and retail premises in Sweden, they have to be certified according to Miljöbyggnad, level Gold. A lower certification level may only be used if there are special reasons why Gold cannot be achieved. New projects in Denmark are to be certified according to BREEAM, level Excellent.

Castellum owns the highest number of environmentally certified properties of the Swedish listed real estate companies, and a total of 29% of Castellum's 676 buildings (1,269, 000 sq.m.) are environmentally certified. Castellum currently owns 78 of Sweden's 376 Green Building-certified buildings.

Development of Castellum's cities

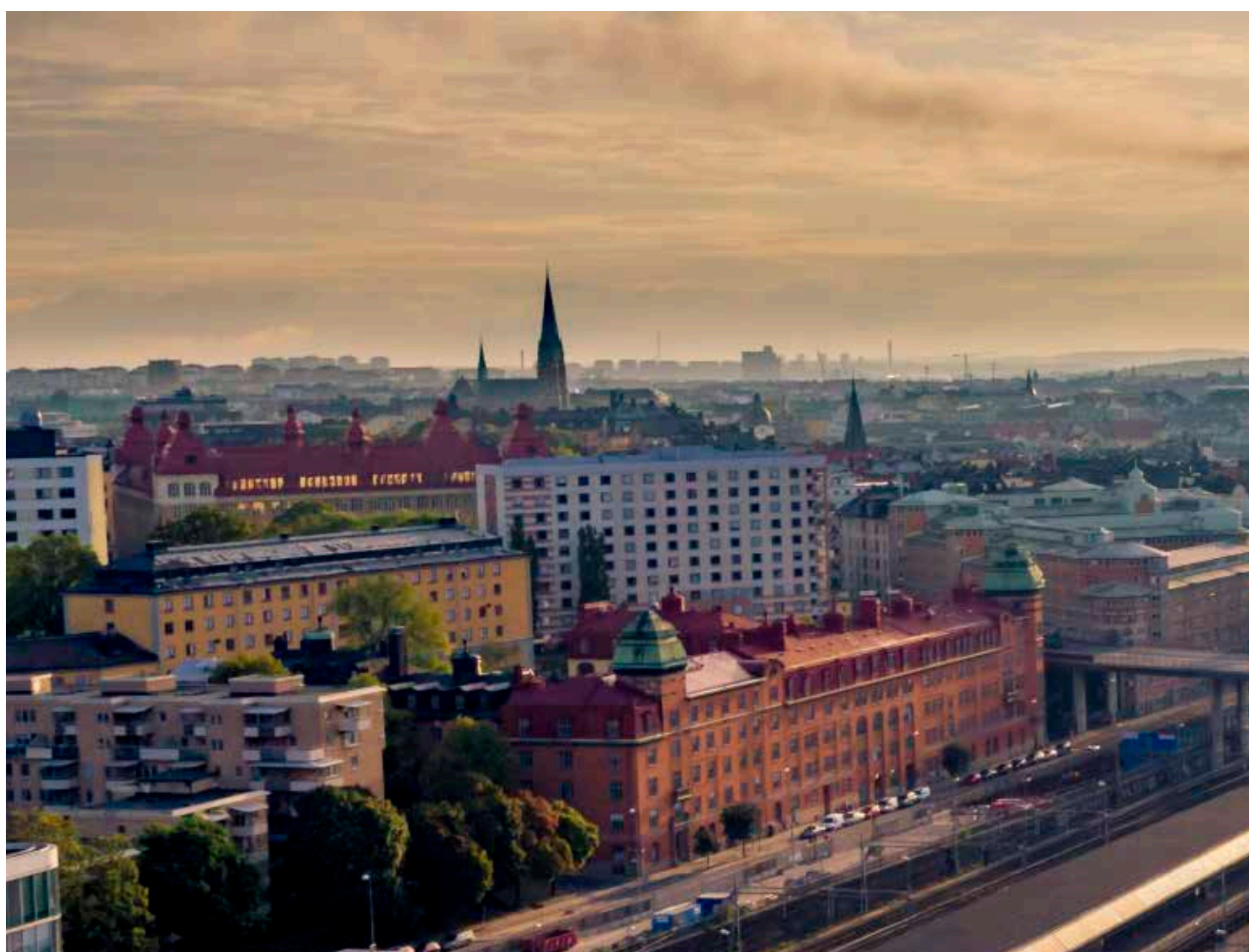
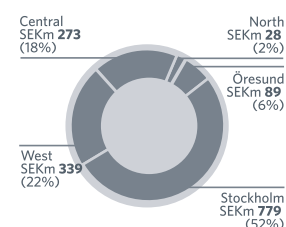
For Castellum, as a long-term real estate owner and urban developer, it is important to contribute in various ways to sustainable urban enrichment through the development of new and existing areas. Collaboration also takes place within approx. 309 city networks and corporate associations to develop both the districts in which Castellum operates as well as actively engaging in other social activities in our cities.

We also cooperate continuously with other parties to push development, share knowledge about new technologies and exchange experiences. Castellum is, for example, a member of the following organizations: EPRA Sustainability Committee, GRESB Benchmark Committee, The Energy Agency's Beställargrupp för lokaler (BELOK), CMB at Chalmers University of Technology, and Sweden Green Building Council. In addition, the company cooperates closely with local energy companies and sanitation companies, as well as universities and colleges.

Building rights and potential projects - building the future Castellum

Part of Castellum's strategy is to develop the project portfolio through new construction. In this context, it is a competitive advantage to own building rights in attractive locations with local zoning plans already in place – as this implies the shortest possible lead-time until customers can occupy the premises. At year-end, Castellum had approximately 864 thousand sq.m. of unutilized building rights (leasable area). A number of these include finalized project plans which can be launched relatively promptly. During the year, Castellum made several major potential projects public, and these are summarized on the following pages. The projects are characterized by being situated in attractive development areas, in combination with Castellum's clear sustainability focus.

Building rights by value and region



Torsgatan 26 in Stockholm

In spring 2017, Castellum acquired Stockholm Vatten's former headquarters, situated on Torsgatan 26 in central Stockholm. The property was designed by Ferdinand Boberg in the early 20th century and has a leasable area of 13,000 sq.m., with estimated opportunities for new building rights. In 2018, Castellum will renovate stage 1, comprising approximately 9,000 sq.m., into modern premises and access is planned during 2019. The idea is to preserve the building's historical and unique impression, while adding the modern technology associated with versatile and sustainable premises. Castellum already owns some of the neighbouring properties to Torsgatan 26 and sees great development potential in the area. Castellum's Torsgatan plan is to join Stockholm City and other property owners in creating a lively mixed-use neighbourhood in an attractive and central location.

Cont. Building rights and potential projects



Söderstaden in the Globen area, Stockholm

At year end, it was announced that Castellum had won the City of Stockholm's land allocation competition for Söderstaden, a major development area south of Stockholm's city centre. The city development project is one of Castellum's largest and has been taken on by a consortium including Wallenstam AB and Åke Sundvall AB. The project includes a total of approx. 100,000 sq.m., and Castellum's 30,000 sq.m. share will comprise commercial properties, such as office space, hotels and restaurants. The remaining 70,000 sq.m. will be designated as residential premises and space for new hockey-training rinks.

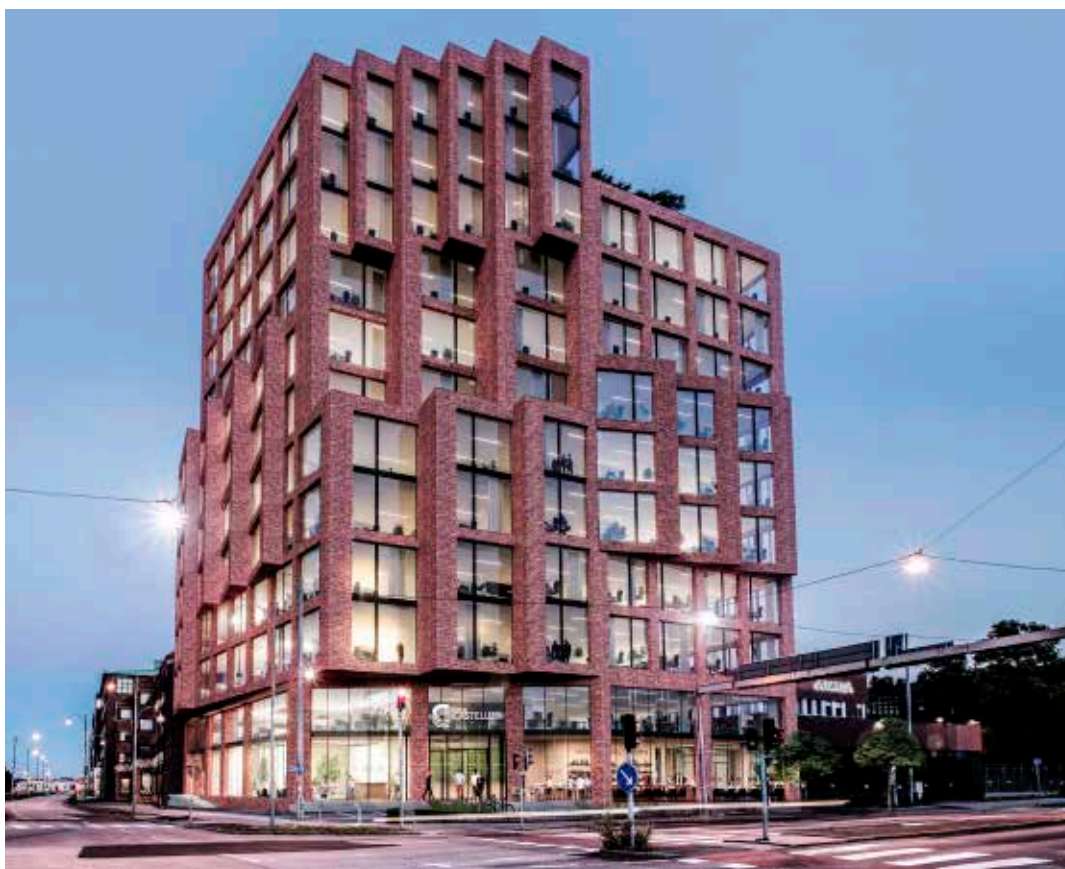
Depending on the final design and volume, and on condition that the proposal is implemented, Castellum estimates that the total investment, after the acquisition of building rights as well as property development, will amount to about SEKm 1,200 - 1,400. Through the site registration, Castellum and the other parties gain the exclusive right to negotiate with SGA Properties, the City of Stockholm's wholly owned subsidiary, about how the site is to be exploited - followed by the opportunity to purchase building rights. It is still too early to comment in detail on a time schedule for the project, but the consortium estimates implementation over 6-8 years, with the earliest possible start in 2020. The opportunity to contribute to developing an entire new city district in one of Stockholm's most exciting areas - featuring major arenas, a subway line and proximity to Södermalm - of course constitutes a very thrilling project for Castellum.

Unutilized building rights are valued at SEKm 1,508 (1,530) corresponding to approx. SEK 1,700 (1,700) per sq.m. on average. Of the building rights approx. 316,000 sq.m. corresponding to approx. SEKm 939 (1,141) are reported as development projects and undeveloped land. The remaining are reported among office/retail and warehouse/logistics properties since they are additions to already developed properties.



Kungspassagen in Uppsala

Castellum is planning to construct Kungspassagen, comprising 7,500 sq.m. of leasable space, in one of the best locations in Uppsala, close to both the Travel Centre and an entire city's range of restaurants, services and shopping facilities. At the moment the building is pre-leased to 35%. The office building will be built according to the Miljöbyggnad environmental classification system (Gold level), which includes solar cells, green electricity and carbon-neutral district heating. In addition to tailor-made office solutions, Kungspassagen will also provide a roof garden with outdoor offices, access to changing rooms with showers, a bicycle storage room and charging posts for electric cars.



Mölnalsvägen in Mölndal, south of Gothenburg

In 2017, Castellum acquired an office building-right with completed zone-planning in the city district of Krokslätt in Gothenburg - an exciting district consisting of several beautiful early 20th-century brick factory buildings.

Castellum conducted an architectural competition for the design of a new office building of approx. 7,500 sq.m, and Wingårdh Arkitektkontor was appointed winner with the following motivation: "Wingårdh's presents an exciting and dynamic brick facade design that ties in with the area. The design of the house creates warmth and openness in a city environment, and the entrance level becomes a natural meeting place for both the public and for our tenants in the building."

Projecting is currently underway for the new building whose facade design and floor plans must meet the certification criteria for Miljöbyggnad level Gold.

Larger ongoing projects



Olaus Petri 3:244 in Örebro

LOCATION: At the Travel Centre in Örebro
AREA: 14,526 sq.m.
TIME PLAN: Completed Q2, 2019
INVESTMENT: SEKm 465
CERTIFICATION: Miljöbyggnad level Silver

In 2016, construction began of Citypassagen, a new office property in Örebro, situated at the northern route to Örebro and directly adjacent to the Travel Centre. There is high demand for downtown office premises in fast-expanding Örebro, and this central, seven-storey building will increase the supply of modern and flexible office space.

The investment, one of the largest new constructions in the history of Castellum, is estimated at SEKm 465, of which SEKm 45 relates to the value of the property lot owned by the Group. The building is expected to be completed during the second quarter of 2019 and is 91% leased.



Hyllie 4:2 (part of), Malmö

LOCATION: Hyllie part of Malmö
AREA: 9,600 sq.m.
TIME PLAN: Completed Q2, 2019
INVESTMENT: SEKm 353
CERTIFIERING: Miljöbyggnad level Gold and WELL

In the expansive area of Hyllie, in Malmö, Castellum plans for the construction of modern, highly sustainable office space totalling close to 9,600 sq. m. The project, called Eminent, is being planned as one of the first office buildings in the Nordic countries to be certified according to WELL – an international construction standard that factors-in workplace well-being for people. The WELL standard is based on seven concepts that affect health: air, water, lighting, sound, diet, exercise and wellness, which implies particularly high requirements for ventilation, heating, lighting and sound. In addition to WELL, the intention is also to certify the building according to the Miljöbyggnad level Gold. The investment is estimated to SEKm 353 and the building is expected to be completed during the second quarter of 2019 and is 65% leased.



Hisingen Logistics park in Gothenburg

LOCATION: Hisingen, Gothenburg
AREA: 26,085 sq.m.
TIME PLAN: Completed Q2, 2018
INVESTMENT: SEKm 220
CERTIFICATION: Miljöbyggnad level Silver

During the year, Castellum began construction of a new logistics building in the port area of Gothenburg. The building, the first part of Hisingen Logistics Park, comprises more than 26,000 sq.m. and is expected to be completed during the second quarter of 2018. The logistics facility is built to be versatile, and can be divided into two or three units. It will feature modern standards for fully automated warehouses with tall ceilings, high load capacity and weather-proof docking stations. The facility will be environmentally certified according to Miljöbyggnad, with the ambition of reaching Silver level. The investment is estimated at SEKm 220 and is 38% leased.

The investment is estimated to SEKm 220 and is 38% leased.



Spejaren 4 in Huddinge

LOCATION: Smista-area in Huddinge
AREA: 9,300 sq.m.
TIME PLAN: Completed Q1, 2019
INVESTMENT: SEKm 334
CERTIFICATION: Miljöbyggnad level Silver

Spejaren 4 is the final project of Castellum's development of the area around Smista Allé. The building is planned to be 9,300 sq.m. and will include a car dealership business. The investment is estimated at SEKm 334 and will be completed during the first quarter of 2019. The new building will be constructed according to the Miljöbyggnad environmental certification system, with the ambition of reaching Silver level. The building is 40% leased.



Generatorn 1 in Mölndal

LOCATION: Mölndal
AREA: 6,800 sq.m.
TIME PLAN: Completed Q3, 2019
INVESTMENT: SEKm 141
CERTIFICATION: Miljöbyggnad level Silver

During the year, Castellum began the construction of a new regional office and store for Ahlsell in Mölndal. The building is planned for 6,800 sq.m, and the investment is estimated at SEKm 141, with completion during the third quarter of 2019. The new building will be constructed according to the Miljöbyggnad environmental certification system, with the ambition of reaching Silver level. The building is fully leased.

LARGER ONGOING PROJECTS 2017

Property	Area sq.m.	Rental value		Econ. occup. Jan 2018	Total inv. incl. land, SEKm	Remaining inv., SEKm	Completed	Comment
		SEKm	SEK/sq.m.					
Olaus Petri 3:244, Örebro	14,526	36	2,400	91%	465	325	Q2 2019	New construction office
Hyllie 4:2 (part of), Malmö	9,600	26	2,700	65%	353	257	Q2 2019	New construction office
Spejaren 4, Huddinge	9,300	25	2,700	40%	334	299	Q1 2019	New construction car retail
Hisingen Logistics park, Gothenburg	26,085	19	700	38%	220	73	Q2 2018	New construction logistics
Balltorp 1:124, Mölndal	18,000	15	850	100%	192	1	Q1 2018	New construction logistics
Varpn 11, Huddinge	5,555	14	2,550	100%	177	35	Q1 2018	New construction car retail
Generatorn 1, Mölndal	6,800	11	1,600	100%	141	131	Q3 2019	New construction office/warehouse
Rosersberg 11:130, Sigtuna	12,200	11	950	0%	137	36	Q2 2018	New construction logistics
Spiran 12, Norrköping	7,915	18	2,300	46%	110	43	Q1 2018	Reconstruction office
Söderhällby 1:2 (part of), Uppsala	5,963	8	1,300	100%	101	29	Q1 2018	New construction logistics

BREEAM evaluates and rates the overall environmental impact of buildings.

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

Green Building means that energy consumption is 25% lower than the energy requirements in Boverkets building regulations.

Larger completed projects

Lindholmen 30:5 in Gothenburg

LOCATION: Lindholmen Science Park in Gothenburg
AREA: 9,243 sq.m.
COMPLETED: Q1, 2017
INVESTMENT: SEKm 273
CERTIFICATION: BREEAM level excellent

In the thriving centre of Lindholmen Science Park, an international engineering cluster, Castellum started construction of the “Blenda” high-quality office property (9,243 sq.m.) in May, 2015. Blenda has been built according to the BREEAM environmental certification system, with the ambition of reaching BREEAM’s Excellent level. The new building was completed during the first quarter of 2017 and is fully leased.



Vallgraven 4:1 in Göteborg

LOCATION: Central Gothenburg
AREA: 2,500 sq.m.
COMPLETED: Q4, 2017
INVESTMENT: SEKm 124
CERTIFICATION: Miljöbyggnad level Silver

In December 2017, the reconstruction and extension of Kungssportshuset in central Gothenburg was completed. The property is fully leased and has been converted into a cultural and entertainment venue featuring new-construction standard while a genuine historic atmosphere has been preserved. The ambition is for the building to reach Miljöbyggnad’s Silver level.



Nordstaden 2:15 in Gothenburg

LOCATION: Central Gothenburg
AREA: 12,300 sq.m.
COMPLETED: Q3, 2017
INVESTMENT: SEKm 156
CERTIFICATION: Miljöbyggnad level Silver

In central Gothenburg, overlooking the Gothenburg Opera and the harbour, an office-and-retail construction totalling 12,000 sq.m. was completed in one of the city’s prime office locations. It is close to public transit, and in a few years’ time the area will be further refined with a new West Link train station. The new building is certified according to Miljöbyggnad level Silver.

LARGER COMPLETED 2017

Property	Area sq.m.	Rental value		Econ.occup. Jan 2018	Total inv., land incl. SEKm	Remain. inv. SEKm	Completed	Comment
		SEKm	SEK/sq.m.					
Lindholmen 30:5, Gothenburg	9,243	27	2,900	100%	273	0	Q1 2017	New construction office
Gamlestaden 22:14, Gothenburg	12,000	21	1,800	100%	204	23	Q4 2017	Reconstruction office
Nordstaden 2:16, Gothenburg	12,300	9	3,300	95%	156	0	Q3 2017	Reconstruction office/retail
Inom Vallgraven 4:1, Gothenburg	2,500	9	3,700	100%	124	0	Q4 2017	Extension and reconstruction cultural and entertainment venture
Spejaren 5, Huddinge	3,480	8	2,200	100%	103	3	Q3 2017	New construction car retail

BREEAM evaluates and rates the overall environmental impact of buildings.

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

Green Building means that energy consumption is 25% lower than the energy requirements in Boverkets building regulations.

Larger acquisitions



14 properties in Borås

LOCATION: 14 properties in Borås

AREA: 80,996 sq.m.

ACCESS: April 2017

INVESTMENT: SEKm 479

Castellum acquired 14 properties in Borås, following a transaction with Klöver in February 2017. The acquisition comprises a total area of approx. 81,000 sq.m, mainly consisting of office and warehouse/logistics premises. The investment amounted to SEKm 479 and change-of-possession was in April, 2017. The portfolio's occupancy rate amounts to 93%.



Isotopen 1 in Stockholm

LOCATION: Torsplan, Stockholm

AREA: 22,714 sq.m.

ACCESS: March 2017

INVESTMENT: SEKm 1,642

In March, Castellum gained access to the property situated on Torsplan 2 in central Stockholm, part of the expansive Hagastaden area. The building is certified according to BREEAM Outstanding, the highest environmental classification an office building can achieve, and has won several awards. The property comprises approx. 23,000 sq.m, of which 18,000 sq.m. comprises office space. The investment amounted to SEKm 1,642 and is 96% leased.

LARGER ACQUISITIONS DURING 2017

Property	Area sq.m.	Rental value		Econ.occup. Jan 2018	Acquisition SEKm	Access	Category
		SEKm	SEK/sq.m.				
Isotopen 1, Stockholm	22,714	87	3,850	96%	1,642	March 2017	Office/retail
Sabbatsberg 24, Stockholm	13,716	-	-	-	781	May 2017	Project
14 properties in Borås	80,996	54	700	93%	479	April 2017	Office/Warehouse/logistics
Krokslätt 20:6 and 154:8, Gothenburg	8,624	16	1,900	96%	282	Dec 2017	Office
Boländerna 11:2 and 11:3, Uppsala	11,525	9	800	66%	107	March 2017	Warehouse/logistics
Majorna 720:19, Gothenburg	3,210	7	2,056	91%	102	Dec 2017	Office

LARGER SALES DURING 2017

Property	Area sq.m.	Rental value		Underlying prop. price, SEKm	Deferred tax and Trans. costs SEKm	Net sales price, SEKm	Access	Category
		SEKm	SEK/sq.m.					
9 properties in Mölndal and Partille	39,969	41	1,050	498	-1	497	April 2017	Office
Hönekulla 1:571, Härryda and Kallebäck 3:4, Gothenburg	35,072	30	850	357	-22	335	Dec 2017	Warehouse/logistics/office



Sustainability

Castellum's sustainability efforts are integrated into our business activities and they permeate ownership, management and portfolio development as well as customer relations, employees and funding. As a long-term player and community builder, it is self-evident that we are to contribute to the development of a sustainable society. Sustainability is about managing business operations responsibly and creating long-term solutions from economic, ecological and social perspectives. We are convinced that our sustainability investments will generate higher profitability, and shareholder value for Castellum shareholders.

Responsible business

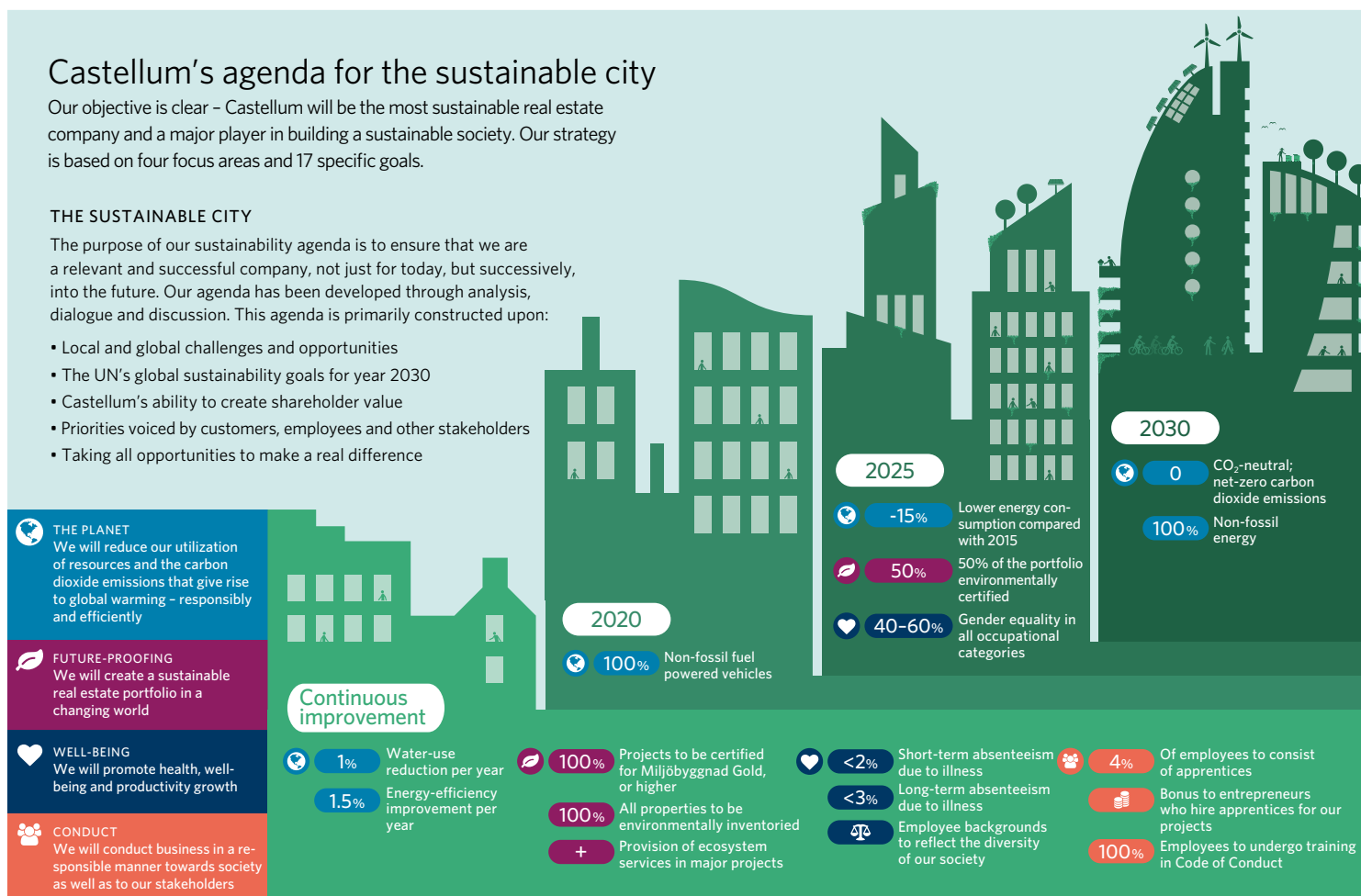
Castellum's sustainability efforts are all about conducting responsible business operations and creating long-term solutions. In addition, Castellum takes responsibility and creates value for our society, the planet, and future generations. Well integrated sustainability efforts contribute to better management and improved control of our properties. This leads to better competitive advantages as it creates more satisfied customers, dedicated employees and increased profitability.

Organization and governance of sustainability efforts

Our sustainability efforts permeate all operations and are controlled via a management system comprising a common policy, 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 monitored via the company's environmental management system. Activities are followed up annually and are regularly reported to Executive Group Management and the Board.

Castellum's Head of Sustainability is responsible for conducting and developing the sustainability efforts of the Group as a whole. Each region has a Sustainability Coordinator, and sustainability efforts are actively integrated into operations.

Castellum's Board of Directors annually adopts an updated sustainability policy and Codes of Conduct as well as continuously discussing and following up various efforts. In 2017, new, ambitious and measurable sustainability goals were adopted by the Board and incorporated into the current sustainability policy. Castellum's agenda for the sustainable city (visualized below) consists of a number of ongoing goals on an annual basis and subgoals until 2030. It is an ambitious agenda wherein the most challenging objectives are to achieve net-zero CO2 emissions by 2030 and to obtain a gender-equal organization for all occupational categories. In order to achieve these goals, the involvement and commitment of all employees are required – something we actively encourage and support through, for example, regular educational activities.





GLOBAL COMPACT

Castellum has signed UN Global Compact, which is an initiative to coordinate matters of human rights, labor conditions, the precautionary principle and responsibility concerning the environment and anti-corruption. The Global Compact includes 10 principles.

STEERING DOCUMENTS FOR SUSTAINABILITY ACTIVITIES

Regulations that control Castellum's sustainability efforts:

External regulations:

- The UN Sustainable Development Goals
- Global Compact
- The Swedish Companies Act
- The Swedish Environmental Code
- The Work Environment Act
- Environmental Classification – Green Building, Miljöbyggnad, BREEAM, LEED, WELL
- ISO 14001
- Building Regulations of the National Board of Housing, Building and Planning
- Other applicable laws and regulations

Important internal regulations

- Sustainability Policy
- Code of Conduct
- Code of Conduct for suppliers
- Internal environmental management system
- Internal control processes
- Other instruction

Castellum's CEO is ultimately responsible for all sustainability work. Castellum's Sustainability Report is prepared in accordance with the GRI and reviewed by Deloitte. To maintain structured environmental activities, Castellum is currently working on being certified in accordance with ISO 14001 during the spring of 2018. This replaces our previous environmental certification, Miljödiplomering, of business operations. The Group's joint operational sustainability team develops activities, shares experiences and monitors relevant changes in the global environment. There is also a Sustainability Forum with the aim of involving development efforts directly with Castellum operations.

The Sustainability Forum consists of managers from the core business: HR, Communications, Project Development, Management, Regional CEOs, Finance and Purchasing. As Castellum's sustainability efforts require ever more committed and skilled employees; further training in sustainability issues is offered on a regular basis. During the year, all Castellum employees have undergone a mandatory web-based course in sustainability and codes of conduct. In future, the course will constitute part of the introduction for all new employees.

Stakeholder dialogue

To develop and improve operations, Castellum has identified and analyzed stakeholder expectations of our operations. The stakeholder dialogue was conducted in 2016 and is still considered up-to-date; thus, no new dialogue was carried out for 2017. The implementation of Castellum's

stakeholder dialogue and the development of the materiality analysis within the area of sustainability followed the same process: initially, a workshop was conducted with the Group's sustainability workgroup to update the materiality analysis based on Castellum's strategy and on changes in the outside world. Subsequently, web questionnaires were sent to selected customers and suppliers, as well as to the Board, Executive Group Management and all employees. These are Castellum's most important target groups and central to the company's long-term value creation. The purpose of these questionnaires was to determine whether the materiality analysis was in line with expectations of the company, as well as to collect development proposals for future sustainability efforts.

In addition to the stakeholder dialogue, Castellum conducts ongoing discussions on sustainability-related issues at board meetings, meetings with shareholders, and in everyday encounters with customers, employees and suppliers.

The Castellum Spirit

Castellum operates for the long term, and strives to work closely with customers and their businesses, as well as building long-lasting relationships with customers and other partners. Castellum employees are ambassadors for the corporate culture; how employees act is therefore crucial to how the company is perceived. In 2017, the Castellum Spirit was specifically defined, in order to better reflect the company and the existing corporate culture. In autumn, the result was launched internally to employees through workshops and

Castellum's most important issues from stakeholder group perspective

Stakeholders	Most important issues
Customers	<ul style="list-style-type: none"> • More efficient use of resources • Environmentally and socially sustainable building materials and installations • Environmental certification of buildings
Board	<ul style="list-style-type: none"> • More efficient use of resources • Establishing attractive workplaces • Environmental certification of buildings
Suppliers	<ul style="list-style-type: none"> • Environmentally and socially sustainable building materials and installations • Adapting properties to climate change • Increased investment in renewable energy
Group management	<ul style="list-style-type: none"> • More efficient use of resources • Enhanced diversity and equality • Establishing attractive workplaces
Other employees	<ul style="list-style-type: none"> • More efficient use of resources • Establishing attractive workplaces • Environmentally and socially sustainable building materials and installations

Table shows the most relevant issues for Castellum's key stakeholder groups, as expressed in the specific stakeholder dialogue conducted in autumn 2016.

information material. The latest employee survey shows that Castellum's corporate culture is strong and inclusive.

Code of Conduct

The Code of Conduct, which applies to all Castellum employees, regulates how employees should behave toward each other as well as toward Castellum's tenants, suppliers, partners, and other stakeholders they meet in daily business life. It is based on Castellum values and the UN Global Compact principles, and the Code clarifies Castellum's position on human rights, working conditions, business ethics and information. Castellum is to provide quality service, abide by laws and regulations, never discriminate against anyone, and create a healthy working environment with a high safety level. Castellum also maintains focus on the gender equality issues compiled in the company's diversity plan.

Castellum operations, conducted in Sweden and Denmark, are subject to each country's laws and regulations concerning, for example, working conditions, occupational safety and freedom of association. Castellum's HR manual addresses issues such as working environment, equal opportunities, salaries, pensions and company cars. The immediate manager briefs each new employee on the manual, and the information is also available on the Group's Intranet.

Preventative efforts on ethics and corruption issues are conducted throughout the Group, where conduct in various everyday situations is discussed. A pivotal element is that all employees understand and follow the Code of Conduct. Castellum has a whistleblowing service, which can be reached via the

Group's web page and Intranet. The service aims to help both employees and external parties to act responsibly. All whistleblower cases are handled according to established procedures. Those reporting a whistleblower case receive prompt feedback and then the aim is to maintain a dialogue with the initial notifying person. He or she is also encouraged to contact the Compliance Department. All cases are handled confidentially.

In 2017, Castellum received around ten cases through the whistleblower function. Some of the cases led to a change in routines or to targeted communication efforts.

Castellum's chain of suppliers

Castellum strives to use resources such as energy and water as wisely and efficiently as possible and to futureproof the real estate portfolio, i.e. by maintaining high sustainability requirements on new construction, extensions and reconstructions. Castellum has a Code of Conduct for Suppliers, which applies to all procurements.

Castellum has clear sustainability requirements for new construction and extensions and applies common sustainability programs for procurements. There are general sustainability requirements for procurements < SEKm 10 and for projects > SEKm10, a comprehensive sustainability program is applied (see p. 46 for more details). Creditors are the Group's largest suppliers, followed by construction contracts (i.e. construction companies), energy suppliers for heat and electricity, then engineering, planning, and IT services.

For major purchases and procurements, Castel-

Impact on the surrounding world

Many of Castellum's sustainability aspects have an impact outside the company's legal framework; for example, on our customers, suppliers, and in the communities in which we operate. Castellum reports background descriptions for each essential sustainability aspect and precisely where in the company's value chain this aspect has an impact. See page 176 and GRI factors 103-1, 103-2 and 103-3 for more detailed information.

Castellum's major sustainability areas and how they correlate with GRI Standards

Castellum's sustainability aspects	GRI Standards area
Adapting the properties to climate change	Emissions
Anti-corruption	Anti-corruption
Diversity and equality	Equality
Paying adequate tax	Economic performance
Efficient use of resources (energy, water and materials)	Energy, water, legal compliance
Establishing attractive workplaces	Employment and working conditions, training, health and safety
Monitoring suppliers for working conditions, human rights and environment	Evaluation of supplier working conditions, societal and environmental impact
Sustainable financing, e.g. "green MTNs"	-
Healthy premises that increase our tenant well-being	-
Increased investment in renewable energy	-
Environmental certification of buildings	Product responsibility
Environmentally and socially sustainable building materials and installations	-
Cooperation with customers to achieve a better sustainability performance	-
Creating attractive communities, e.g. offering apprenticeships	Local communities
Creating conditions for improved waste-sorting	Waste
Creation of smarter workplaces through modern technology, e.g. services to shared office space	-
Increase of green space and ecosystem services	-

The table shows how Castellum's sustainability aspects correlate with the aspects of the GRI Standards. A number of Castellum's sustainability aspects are considered to be of prime significance for the company's sustainability efforts and therefore extend beyond GRI's reporting system.

lum has the ambition to monitor suppliers and contractors according to Group-wide requirements. Monitoring takes place in various ways, partly through auditing Castellum's environmental management system, surveys, questionnaires and site visits. In 2017, Castellum purchased services or products from a total of 4,847 suppliers, of which the 73 largest suppliers, with a purchase volume > SEKm 10, accounted for 66% of the purchase volume. Furthermore, no significant changes occurred in Castellum's chain of suppliers during the year.

Working environment

Castellum protects and supports both employees and suppliers, and it is our responsibility that no one gets hurt, either physically or mentally, due to workplace activities. Castellum works continuously to develop and improve working environments within the entire Group. Castellum also has a Code of Conduct for suppliers where demands are placed on suppliers to meet the same requirements as Castellum regarding work environments. During the year, 12 work-related accidents were reported, 3 of which concerned Castellum employees. The percentage of sick leave within the Group remained low during 2017, corresponding to 2% (3).

To reach the Group's tough sustainability goals of net-zero carbon dioxide emissions by 2030 and a fossil-independent vehicle fleet by 2020, Castellum's employees must prioritize sustainable travel and meetings. During the year, the following guidelines were issued:

- Web meetings should be prioritized; e.g.
- 30% of Group Management meetings are to be conducted via the web in 2018
- Travels < 450 km should primarily be booked by train
- Environmental requirements are imposed on all travel; e.g. green vehicles should be selected when booking taxis
- Annual climate compensation for all of the Group's travels

Community involvement

For Castellum, community involvement is about offering healthy and productive urban environments where people feel good. It is also about contributing to urban development that encourages integration of different social groups.

Another important aspect for Castellum 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 real estate owners and players to create better living environments together.

In 2017, a total of 57 young people worked at Castellum as vacation workers, interns, apprentices, with academic-degree projects, or as trainees. Fourteen of the young people were apprentices, which is equivalent to approx. 4% of Castellum's employees. In addition, Castellum shall also offer incentives to major-project entrepreneurs who create work opportunities for young people. During the year, Castellum also offered internships to people with non-Swedish background cultures who had recently come to Sweden.

One example of how Castellum works is Project Samspelet (Teamwork), which we initiated together with Peab for the new construction of Citypassagen in Örebro. Through Samspelet, we created a platform for interaction, inclusion and integration. The aim was also to create an interest in the construction and real estate industries, where the need for labour will be great in the next few years.

Developing local communities

Castellum has implemented several programs in the cities in which we operate. Currently, Castellum's program covers 100% of Castellum's properties. Castellum's commitment varies according to specific properties and local needs and the programs comprise a stakeholder analysis to investigate current needs. Depending on the

The primary focus for Castellum's sustainability efforts

Our stakeholder dialogues, combined with the company's own materiality analysis, define the Castellum focus to:

THE PLANET How we responsibly and effectively reduce resource use and carbon emissions that cause global warming.

FUTURE-PROOFING How we create a sustainable real estate portfolio in a changing world.

WELLNESS How we promote health, wellness and productivity.

SOCIETY How we can create better-functioning communities, featuring increased employment and involvement.

External priority	Higher	<ul style="list-style-type: none"> • Customize the properties for climate change • Sustainable financing, e.g. "green MTN bonds" • Audit suppliers about working conditions, human rights and environment 	<ul style="list-style-type: none"> • Efficient use of resources (energy, water and materials) • Environmentally and socially sustainable building materials and installations • Further investments in renewable energy • Collaborate with customers to achieve higher sustainability performance • Healthy premises that increase tenant well-being • Environmental certification of buildings
	High	<ul style="list-style-type: none"> • Create conditions for waste sorting • Pay adequate tax • Anti-corruption • Increase the amount of green space and ecosystem services 	<ul style="list-style-type: none"> • Work for more diversity and equality • Offer an attractive workplace • Create smarter workplaces through modern technology, e.g. services for sharing office space and smart technologies • Create attractive local communities, e.g. by offering apprenticeships
		High	Higher

The matrix shows the results of stakeholder dialogues conducted through surveys during the autumn of 2016.

city's needs and interests, a local decision is made on how Castellum will get involved. Castellum's commitment in the programs currently includes how we measure and can affect the environment and social interaction in a positive way to improve the local community and the environments in and around our properties. Castellum, as a long-term player and community developer, is involved in developing both new and existing areas. The programs currently comprise 309 different commitments, including social involvement in our cities, and participation in city networks, sustainability networks and corporate associations where Castellum interacts with customers, municipalities

and other partners to develop cities. Castellum is also actively working with the community, schools and universities to offer young people apprenticeships and summer jobs.

Castellum's sponsorship and support to the local community primarily focus on promoting young people's education and health. During the year, Castellum sponsored the Science Festival, Young Entrepreneurship and local sports associations. Moreover, direct support was given to the City Mission and to the Swedish Childhood Cancer Foundation. In 2017, Castellum gave a total of SEKm 10.8 in direct support through sponsorships and other sustainability-related initiatives.



Beekeeping in Kopparlunden

Ecosystem services include all products and services from nature's ecosystem that contribute to human well-being. At Castellum we are actively working with ecosystem services together with our tenants. We evaluate ecosystem services in connection with new construction and larger projects. Pollination, natural water regulation and nature experiences are some examples. Hence, we are extra proud of our beekeeping in the Kopparlund area of Västerås. Beekeeping efforts are carried out in collaboration with Bee Urban and a local beekeeper, and this year, plantations with flowers that are particularly good for our bees have also been established in the area. The plants are in bloom for most of the season. So, in addition to beautifying the area, our plantations contribute to the bees being able to pollinate for a much longer period. And the honey? Well, naturally, we distribute it to our tenants in Kopparlunden.

A Castellum where our employees thrive and develops

Education, number		
University	94	113
Upper secondary school	53	117
Compulsory school	0	7
Division of labour, number		
Customer relations/ property management	59	169
Finance/administra- tion/IT	42	21
Marketing/leasing	21	6
Business and project development	25	41
D:o Executive Group Management	5	4
Employee type, number		
Permanent employees	140	235
Part-time employees	7	2
Employment contracts, number		
Permanent employees	145	234
Projects employees	0	2
Temporary employees	2	1
Total	147	237

All data in the HR section is based upon actual, factual 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 operations in Denmark include few employees, so these have been included in the statistics for Sweden.

Over the year, continuous progress was made in the forging of One Castellum. This has entailed a focus on harmonizing internal processes and building a flexible structure that promotes experience-exchanges and competence development. We still manage the company's properties through retaining our regional closeness to the customer, to ensure shorter decision-making processes and local empowerment. This creates conditions for growth, as well as a company culture where our employees are thriving and where we put people first.

One brand - One Castellum

The primary aim of last year's reorganization was to pull together a more unified organization, as well as providing even better possibilities for various business areas to focus on the local business. At Castellum, we're convinced that our flat organization focusing on local presence creates the absolutely best business advantages.

This happens through our understanding for the specific requirements of customers and our deep knowledge of each local real estate- and rental-market's specific context.

This is how the initiative to take action is created – something that makes a difference, promotes business and creates coworkers who grow with the job.

During the year, our efforts to gather the organization together under a common Castellum brand have continued. This has been apparent in the organization, not least in the merging of Region North with Region Stockholm in mid-2017, to form Region Stockholm-North. Castellum has been divided into four geographical regions: Central, West, Öresund and Stockholm-North. These stretch over 20 geographical business areas.

The parent company contains the corporate function for accounting and finance with a shared business system. Supporting corporate functions also includes: IT, Human Resources, Sustainability, Legal, Transactions and Communication. In a number of cases, these departments are also represented on the local level.

On a Group level the finance- accounting- and Investment Relations- functions can also be found with responsibility for investment-market issues, financial reports and stock-market information to the credit markets, for instance, regarding loans and financial risk management.

Cooperation with consultants and sub-contractors occurs when the company purchases expert/specialist services – for example, auditing – and/or to relieve workload peaks within shared corporate functions.

Cooperation with various suppliers also occurs for Castellum's project operations, and in conjunction with construction-industry entrepreneurs for new construction and renovation projects.

As part of creating One Castellum and benefit-

ing from the Group's scale advantage, a number of operational processes have been gathered together, and a number of common tools have emerged. For example, we are currently implementing a common operations system. Further coordination and integration also means that common work processes have been established, and in 2017, unified roll- and decision-making processes have been carried out. In addition, we've begun the work of harmonizing HR-processes touching on benefits, hiring conditions, and incentive programs. These initiatives are being taken with the purpose of strengthening the Castellum Spirit, increasing mobility within the company and creating a clear remuneration and incentive structure.

The Personnel Handbook – a framework document for guiding our coworkers around policies, benefits and guidelines – is in the process of being updated. This work is expected to be completed within the year. The current Personnel Handbook is available on Castellum's intranet, and all newly employed people receive a company introduction from their immediate managers or HR representatives.

Age distribution - number of employees

	Women	Men	Total
Under 30 years	16	35	51
30-50 years	95	120	215
Over 50 years	36	82	118

A clear strategic direction, and launching the Castellum Spirit

Castellum's strategic aims have been compiled into the company's three-year strategic plan, which contains the company's overall strategies and objectives. The executive management team holds ultimate responsibility for the plan, which has since been presented and accepted by the Board.

The Castellum Spirit initiative was also launched in the autumn, as an important sub-goal on the journey-of-change undertaken by the corporation. It clearly indicates what is unique about Castellum, and how we will differentiate ourselves from our competitors. The Castellum Spirit guidelines

show which directions we are to take in everyday assignments as well as various business situations. They outline what is expected of a Castellum employee, and how we should conduct ourselves with each other. The initiative will also serve as an important symbol of the new Castellum – that all coworkers are assembled around a common fundamental vision that permeates everything we do. To begin with, Castellum Spirit themes and priorities have been launched for Castellum management, who will then be responsible for spreading the word their employees. An information package and educational material have been compiled as support in the communication process. At the management's annual meeting held in November, the Castellum Spirit – was followed up via specific workshops.

We're already good at gender equality – but we can be even better

Side-by-side with a unified organization under one common brand, one important sub-goal has to be a commonly shared view of careers, leadership and diversity. Castellum strives to create gender balance in leadership as well as among coworkers. In July, 2017, guidelines for gender equality and diversity were adopted as a significant element of our Sustainability policy, and Castellum has compiled a company-wide gender-equality plan. This means that by 2025, Castellum will have achieved a long-term gender-equality balance in leadership positions and all professional categories (40–60%). Added to this, over the longer term, the plan calls for an increased share of coworkers with international backgrounds to a balance that reflects the actual composition of our communities.

At the moment, there is positive gender-equality representation, both on the Board, and in executive management of the company. The company's women employees totalled 38% (38%) of the workforce at year-end. Employee surveys indicate the good news that 95% of respondents feel equally well treated on issues of gender and cultural origin.

Castellum's guidelines for gender equality and diversity contain concrete action plans to ensure a better-balanced company. There is currently a relatively large imbalance in certain professions and trades, while other categories strongly uphold our gender-equality objectives.

We are carrying out a bonus program 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.

The year's Trust Index indicates satisfied coworkers

In June 2017, an employee survey was carried out, wherein all Castellum employees got their chance

to voice opinions about Castellum as employer, both from an employee or a leadership stand-point. The survey response rate was 87.5%, and the survey is to be carried out every 18 months. For this year's survey, Castellum chose to engage *Great place to work*. Their monitoring methods comprise questions within five different areas; for example, dealing with how people feel on the job, or about leadership issues. The survey method includes possibilities for measuring and comparing with industry colleagues as well as companies matching Castellum's size. Considering the number of change activities taking place during the year, the survey result was very satisfying, with 85% of respondents judging Castellum to be a very good workplace. Castellum's trust index landed at 81% – an average value after weighing-in points for all questions and responses, comparable to an employee-satisfaction index. Employee survey results constitute an important tool in future development efforts on behalf of the company and coworkers.

The factors which distinguishes Castellum is the pride felt over the company as a workplace, it is perceived as gender equal and that there's a friendly atmosphere among colleagues. The primary area identified as requiring further development was leadership. This area feels like a natural step to concentrate on, especially after the launch of freshly updated fundamental corporate values. A company-wide leadership program will be introduced during 2018.

Continued low absenteeism due to illness

Castellum wants to take good care of its coworkers, and works with company wellness through various activities and wellness subsidies, as well as providing regular company health care and advanced health insurance benefits. Wellness activities are both preventative and rehabilitating, with the aim of promoting a continued state of well-being for employees. During the year, various themes have been launched at the local level, and have followed a common thread that has also been taken up in the form of lectures, workshops and other activities. Absenteeism at the company continues to be low, and corresponds to 2% (3), of which 2% (4) for women and 2% (4) for men.

The occurrence of work-related injuries at Castellum is at a very low level, at 0.6 per mille. During the year, work-related injuries have resulted from slipping accidents and crushing incidents, as well as cut/scratch injury. Injury figures are low even for Castellum suppliers, who reported 9 work-related injuries for the year. The following type of work injuries have occurred under supplier responsibility: injuries sustained from falling, bruising, cut/scratch injuries, head injuries and a broken foot.

The four most important adjectives in our world:

Castellum's values consist of the four key words:

Personal
Passionate
Proactive
Reliable

Read more about the Castellum spirit in the strategy section on page 12.

384

As of year end Castellum had 384 employees, of whom 38% were women. No seasonal variations occur. The proportion who had collective bargaining agreements was 25%.

It is important to us at Castellum to practice what we preach. A large part of our operational activities consist of creating inspiring workplaces for our customers, which also shall be reflected internally.

During the year, many of our coworkers have moved to new office premises, for example in Region Stockholm, Region West and Castellum AB. In planning these offices, we have placed a lot of emphasis on creating workplaces where the specific requirements and wellbeing of our coworkers are fulfilled. The offices feature many coordination and meeting places; they encourage mobility and action and are wired with smart technology.

An organizational structure that promotes competence development and experience exchange

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

Employee dialogues and appraisal reviews are to be carried out annually so that objectives can be

set and followed up, as well as to determine competence development requirements. In the course of 2017, 87% (90%) of all coworkers took part in employee dialogues, including 83% of women and 89% of male employees (EPRA Emp-Dev). The lower statistic relative to last year can be explained by the fact that many new employees began their positions within the final quarter of 2017, and therefore did not have time to complete their employee dialogues during the year.

Next year, a new structure for employee dialogues will be adopted, with a six-month follow-up to occur between coworkers and their managers. These will be based upon a competence wheel concept, and it means that all employees will be assured of clear development plans.

Strengthening the corporation through increased cooperation requires a continuous process. Company-wide development activities have been carried on within the corporation, between the regions, to ensure that essential competencies are available throughout the entire organization. The company-wide development teams provide

Employee turnover (EPRA Emp-Turnover)

	Number employees	Proportion women	Number employees	Proportion women
	2017	2017	2016	2016
New employees during the year				
under 30 years	25	40%	16	20%
30-50 years	41	56%	32	69%
over 50 years	11	55%	14	79%
Total number new employees	77	51%	62	58%
<i>Proportion new employees</i>	<i>19%</i>	<i>10%</i>	<i>18%</i>	<i>11%</i>

Employee turnover (EPRA Emp-Turnover)

	Number employees	Proportion women	Number employees	Proportion women
	2017	2017	2016	2016
Employees who left during the year				
under 30 years	8	25%	13	54%
30-50 years	60	48%	47	60%
over 50 years	27	41%	21	29%
Total number of employees who left	95	44%	81	51%
<i>Proportion of persons who left</i>	<i>24%</i>	<i>11%</i>	<i>23%</i>	<i>12%</i>

Absenteeism 2017

	Men	Women	Total
Castellum (Absentee-rate)	2.2%	1.8%	2.0%
short-term absenteeism	1.3%	1.1%	1.2%
long-term absenteeism (Lost-day rate, after day 15)	0.9%	0.7%	0.8%
Stress-related cases, per mille (<i>Occupational disease rate</i>)	0.4 ‰	1.0 ‰	0.6 ‰
Work-related injuries Castellum, per mille (<i>Injury rate. Minor injuries are included</i>)	0.6 ‰	-	0.4 ‰
Work-related injuries Castellum suppliers, number (<i>Injury rate. Minor injuries are included</i>)	9	0	9
Work-related deaths: Castellum coworkers	0	0	0
Work-related deaths: Castellum suppliers	0	0	0

Gender Pay Ratio (EPRA Diversity-Pay)

	Women basic*	Men basic*	Women, total remuneration**	Men, total remuneration**
Executive management***	85%	119%	72%	135%
Open workforce***	99%	100%	99%	100%

* Key figure relates to average salary.

** Key figure relates to average salary calculated on total remuneration.

*** For further information concerning executive management and open workforce remuneration, wages and benefits, see Note 11, page 129.

strong background conditions for continuous improvement, and these groups consist of participants who represent all regions. The groups regularly discuss issues within specific areas, such as leasing, IT, building management, project development, sustainability, communication, purchasing and personnel.

Work within these multi-regional project groups has constituted a central element in the internal development efforts currently being driven by the corporation. From these contexts, we benefit greatly from our new organizational structure, which turns out to be very suitable for this kind of work. At year-end, around 20 various project groups were ongoing, focused on everything from implementation of a new operational system to strategic development groups from business-critical areas. The corporation also runs an intranet channel where experience and specialized knowledge can be easily exchanged among employees, regardless of geographical location.

Most important with the experience exchange is to inspire and learn from each other and continu-

ously meet in various group formations for internal knowledge-swapping. These meetings are valued, and for example, a property-management meeting occurred last autumn. Another annual event is Castellum Day, where all Castellum employees meet to enrich knowledge, exchange experience and tips, and strengthen the company bond.

Competence development takes place via internal as well as via external resources. Within Castellum, competence development is broadly defined; it can be education adapted to a particular coworkers' job description, but it can also be within an area that the company is currently focused upon. During the year, completed education hours totalled 5,748 at Castellum, which amounts to approx. 15 hours per employee per year (EPRA Emp-Training). In 2017, a compulsory web-based Sustainability course has been taken by every employee. The primary aim has been to highlight how a sustainability approach needs to permeate every process carried out, throughout the entire company – and how each employee is to carry that responsibility.



Interior from Castellum's Gothenburg office.

Focus on inspiring workplaces

Our successful workplaces are not simply built upon square metres, they are built around people, their professional requirements and their well-being. In a successful workplace everything needs to come together – business activities, working methods and workstations.

It is crucial to business productivity, efficiency and profitability that employees flourish and feel good. The workplace constitutes an essential element of the brand and thereby becomes an important means of competition, not least, the competition to attract new employees.

Truly functional working environments, along with the parameters of leadership, behaviours and culture, are essential for people to prosper and be productive. In brief, each organization must begin with its own unique conditions.

At Castellum we want to create successful workplaces that contribute to:

- healthy people
- a stronger brand
- profitable businesses
- sustainable development

Two new Castellum offices

In the spring of 2017, two new Castellum offices took shape in Stockholm and Gothenburg. Our own offices constitute an important part of the Castellum brand. We strive daily to help our customers create successful workplaces, and we want to inspire and demonstrate possibilities through the workplaces we have created for ourselves. This includes versatile premises that can be adapted to suit activities and people over time, as well as the utilization of sustainable and healthy materials. And of course we have to encourage efficient and effective resource usage.

But above all, we focus on people – and the work they do – in order to promote health and well-being for both employees and customers. Our new offices resemble one another in appearance but also for function and technology. When we designed our new offices we had a clear goal: they should be perceived as a welcoming beacon to employees and customers alike. Here we become one Castellum which stands stronger together.

"Seeing to the whole picture is important. Getting people to engage and collaborate more across departmental boundaries is crucial for both business and working communities. This can be achieved by creating natural meeting hubs and delightful common spaces that encourage spontaneous and surprising meetings. The action is by the coffee machine!"

Charlotte Vikström
Business Developer New Offices,
Castellum

Efficient and effective use of resources

Castellum's efforts to reduce the company's climate impact are ambitious, and they are carried out on all levels of the company. The Group has been working efficiently and effectively to become more sustainable since the mid-1990s. These activities have resulted in Castellum's current position as one of the most sustainable companies within our industry.

To secure Castellum's real estate portfolio for the future and to reach the global sustainability goals that the UN has decided upon, Castellum has formed challenging objectives. Buildings shall be more energy-efficient, natural resources shall be more efficiently utilized, biodiversity in urban environment as well as renewable energy shall be increased and changing weather conditions has to be taken into account. Castellum is committed to the climate strategies of customers and authorities. The company stands solidly behind international agreements (such as the Paris Agreement), shows leadership and – to every possible extent – influences industry to become more climate-friendly. Moreover, Castellum was the first Swedish real estate company to join the government's Fossil Free Sweden initiative. The company also works actively with the Sweden Green Building Council to develop environmental certification systems for buildings.

Improve energy efficiency

Castellum works continuously to reduce energy consumption by optimizing operations and investing in energy-efficient technologies. In 2017, over 83 major energy efficiency projects were undertaken. The energy consumption within the Group is continuously observed and analysed in a monitoring system. These close follow-ups mean that effective measures can be targeted to areas with the greatest efficiency potential.

Expansion is underway for Castellum's own portal for web-based property monitoring, to check values for operations, alarms, elevators and entries. This

project is saving energy and time, and it provides customer benefits in terms of better services through preventive measures. Today, 293 properties – representing 2,076 thousand sq. m. – are connected to the portal.

In 2017, the normalized energy consumption for heating and property electricity in the comparable portfolio (like for like) decreased by 6% compared with the previous year. The decrease is due to increased focus in energy through the launch of a Group wide monitoring system, optimization and the result from implemented energy projects. The use of energy for heating decreased 4.8% during 2017 and the electricity consumption decreased 8.9%.

Since 2007, energy consumption has decreased by a total of 27% per sq. m. Castellum's heating consumption of 64 kWh/sq. m. can be compared with the industry average for heating commercial premises: 123 kWh/sq. m, which means that Castellum's buildings are 46% more efficient than the average for Swedish premises.

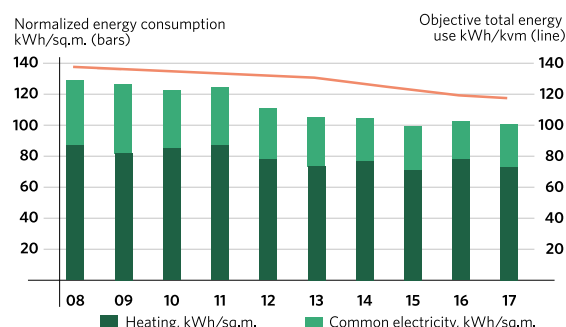
Increased share of renewable fuels

Out of Castellum's total carbon dioxide emissions, 15% are directly influenced by oil, gas, and service-, benefit- and pool cars (Scope 1). Remaining emissions can only be influenced indirectly, i.e. purchased energy such as district heating and electricity, 83% (Scope 2), and travels by plane, train and taxi, 2% (Scope 3).

To reduce emissions, work is underway to phase out fossil fuels: There are currently 8 oil furnaces still in use. Approx. 13% of Castellum's customers are responsible for their own heating and 23% for

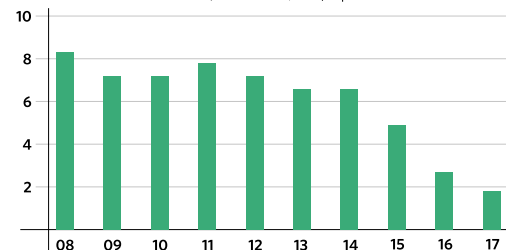
Target and outcome energy consumption per sq.m.

Absolute consumption per sq.m. in the properties Castellum manage.



Carbon emissions

Emissions of carbon dioxide (normalized) kilo/sq.m.



The actual change in the comparable portfolio was -6%. Castellum began systematically measuring energy consumption and CO₂ emission levels in 2007, which is why the year is utilized as a base year.

electricity on their premises. A total of 647 kW of solar cells have been installed on Castellum properties, corresponding to a total of approx. 4,531 sq. m. of solar cells. In addition, there are two wind turbines on roofs, totalling 3 kW.

As a user of district heating, Castellum is dependent on the district-heating plant's fuel mix when it comes to emissions of carbon dioxide. Today, Castellum makes use of 27 district-heating facilities, accounting for to 89% of the Group's total carbon dioxide emissions. Castellum conducts ongoing dialogues with the district-heating suppliers who account for the highest emissions per kWh, with the purpose of influencing these suppliers to reduce emissions. The transfer to green district heating with renewable fuels is ongoing and currently amounts to 48% of our district heating suppliers.

During 2017, carbon dioxide emissions decreased by 33% per sq. m. and since 2007 they have decreased by 78% per sq. m. The large decrease in 2017 is due to the possibility of increasing the proportion of non-fossil district heating mainly in the Central Region. Of Castellum's total energy use, 95% is renewable.

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

Almost all of Castellum's servers are now virtual. A virtual server means that a physical server has

been replaced by software, which reduces energy consumption.

Reduced amount of waste

For a long time, Castellum has actively worked on reducing the amount of waste that goes to landfill by providing recycling services. Follow-up is difficult since Castellum hires several sanitation companies, and only a few offer weight-monitoring. In addition, customer operations differ – as do their needs for waste disposal. Statistics are currently obtainable from 20% (22%) of the sanitation companies.

The statistics include waste from buildings managed by Castellum, but not waste from projects/contracts.

Water consumption

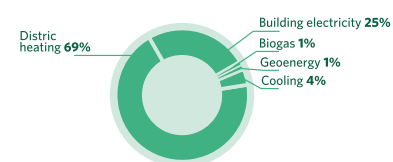
Water consumption is an important issue from a global perspective, but currently of less importance in Sweden. Castellum utilizes water from the municipal water system, monitors consumption and takes measures to reduce it.

During 2017, Castellum adopted a target implying that water consumption should be reduced by 1% per sq. m. yearly in the like-for-like portfolio until 2030. Outcome in the like-for-like portfolio for 2017 was - 4%.

Distribution of carbon dioxide emissions



Distribution of total energy consumption



Targets	Outcome 2017
Net-zero carbon dioxide emissions and 100% non-fossil energy by 2030.	95%, non-fossil energy 78% lower carbon dioxide emissions
15% in energy savings per sq.m to 2025 compared with index 2015 and energy savings per sq.m of > 1.5% yearly in the like-for-like portfolio.	-6%, like-for-like 3%, compared with 2015
1% water conservation per year in the like-for-like portfolio.	-4%
100% fossil-independent vehicles by 2020.	34%
50% of the real estate portfolio in sq.m. will be environmentally certified in 2025.	29%
All new constructions and larger reconstructions shall be environmentally certified. Miljöbyggnad, level Gold is applicable for new- or reconstruction of office and retail premises. A lower certification level may only be used if there are special reasons why Gold cannot be achieved.	Achieved
100% of all properties which are retained for more than one year are to be environmentally inventoried, and these will be updated at least every 10 th year.	82%
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.	Tool to be launched during 2018

Energy, carbon emissions and water	Change 2016 to 2017	Change 2016 to 2017 Normalized	Total consumption				Intensity				
			2017		2016		2017		2016		
			Absolute figures, MWh	Normalized MWh	Absolute figures, MWh	Normalized MWh	Absolute figures kWh/sq.m.	Normalized kWh/sq.m.	Absolute figures, kWh/sq.m.	Normalized kWh/sq.m.	
Total energy consumption	- 6.5%	5.8%	343,140	365,927	388,426	388,426	93.7	99.7	100.3	106	
<i>which heating</i>	- 5.0%	- 4.1%	244,060	266,847	256,866	278,324	64.1	70.1	67.5	73.1	
<i>which electricity</i>	- 10.0%	- 10.0%	99,080	99,080	110,101	110,101	29.6	29.6	32.8	32.8	
Total CO ₂ emissions	- 33%				Absolute figures tonnes CO ₂	Absolute figures tonnes CO ₂	(kg.CO ₂ /sq.m.)	(kg.CO ₂ /sq.m.)			
					7,393	-	1.6	3.0	-	-	
Total water consumption	- 1.9%		Absolute figures, m ³	Absolute figures, m ³	1,008,457	1,028,295	-	Absolute figures, m ³	Absolute figures, m ³	0.28	0.28

For more information see appendix Sustainability data 2017 on www.castellum.com.



Coffee roastery reaches new heights in Länna

Finding new and larger premises for the roastery and warehouse was a challenge for the Johan & Nyström gourmet coffee provider. Demands for functionality were high and moreover, management also wanted to find a space that inspired a unique and favourable impression for all visitors. At Castellum's newly constructed logistics facilities in Länna, they were able to put a personal touch to an area of 3,500 sq.m. The three floors now accommodate a roasting facility, ample warehouse space and office for 50 people.

"We're selling quality, and of course our space has to signal the same pleasant feeling, while we still require a lot of space for our roasting activities and supplies. We've succeeded with that combination here," says founder Johan Damgaard.

Johan & Nyström has carefully established its brand since 2004. The small roastery – featuring a strong focus on quality-roasted coffee from carefully selected coffee growers – has expanded into a group with several stores. For the Länna premises, the interior decoration was inspired by coffee-delivery containers, and the owners have worked with large glass walls to let in as much natural light as possible. The result is magnificent.

"We've been able to make this space unique, even located in an industrial area. In fact, only imagination and creativity can set limits for what's possible to do here. We've created functional premises for our activities and an inspiring environment for customers and employees to experience," says Johan Damgaard.

KAFFEREVOLUTION





Financing

Owning and managing real estate is a capital-intensive business, which requires readily accessible funding. Funding can be carried out utilizing shareholder equity as well as borrowed capital, and the look of a company's capital structure depends on the financial risk that the company and its owners are prepared to take.

Financing

The chosen capital structure is pivotal for the financial returns and risk exposure anticipated by owners. Among the factors that affect the choice are business risk and tax shield, as well as the risks and costs associated with increased borrowing. As early as the IPO (Initial Public Offering), Castellum established that the company would stand for low financial risk – which is currently expressed in terms of a loan-to-value ratio not permanently exceeding 55% and an interest coverage ratio of at least 200%.

As of December 31, Castellum's assets amounted to SEK 84 billion and the loan-to-value ratio was 47%, while the interest coverage ratio for 2017 was 386%.

Finance policy and monitoring

Castellum's financial activities are conducted in accordance with the finance policy established by the Board. These will be conducted in such a way that fulfilling the need for long- and short-term financing and liquidity is ensured. Moreover, low and stable net interest costs will be pursued while taking into account the established risk mandates. Developments in financial markets have a great impact on Castellum. For finance operation purposes, it is therefore important to reflect and support the goals and requirements of the business operations. With the support of the finance policy, the Group can

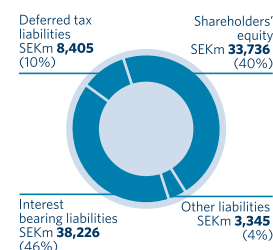
control and manage financial risks and ensure risk management through close control and monitoring. The financial risks are monitored and reported quarterly to both the Audit and Finance Committee and the Board. The Board annually conducts a review of the finance policy.

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

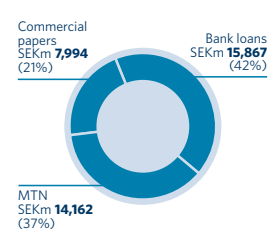
Financial strategy

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

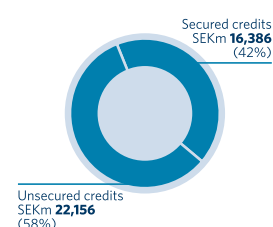
Financing 31-12-2017



Distribution of financing 31-12-2017



Secured credit facilities 31-12-2017



CASTELLUM'S FIVE CORNERSTONES ABOUT FUNDING

DIVERSIFICATON	<p>Castellum will oversee a diversified loan portfolio and avoid dependence on both individual counterparty and source of financing. In addition, the maturity of various kinds of funding sources and individual loans will be distributed over time. Castellum will monitor and follow developments on financial markets, enabling us to act quickly and to match business requirements.</p> <p>At year end, Castellum's interest-bearing financing amounted to SEK 38.0 billion, of which SEK 22.2 billion came from capital market financing (an MTN-program totalling SEK 14.2 billion and a commercial paper program totalling SEK 8.0 billion) corresponding to 58%. Remaining financing came from bank financing from major Nordic banks and credit institutes.</p> <p>At year end, the average maturity of credit agreements amounted to 2.7 years and ranged from 1 month to 24.0 years.</p>
LIQUIDITY	<p>Castellum will keep unutilized credit facilities available, in order to respond rapidly to business needs and opportunities that arise. Moreover, there will be revolving credit facilities for the purpose of reducing the need to invest the surplus.</p> <p>At year end, Castellum had SEK 57.2 billion in credit agreements, of which SEK 19.2 billion was unutilized.</p>
STRENGTH	<p>The Group's financial key ratios will be strong, with a loan-to-value ratio not exceeding 55% and an interest coverage ratio of at least 200%. The strength of our real estate 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 is to reduce the risk of sudden negative impact on net financial items – resulting from interest rate changes and/or the assessment of Castellum as borrower – that cannot be adjusted by opposing effects on income related to business operations.</p> <p>The loan-to-value ratio was 47% at year end, while the interest coverage ratio for 2017 was 386%.</p>
TRANSPARENCY	<p>Castellum will encourage long-term relationships with both banks and other lenders/investors and aim to be transparent in order to increase stakeholder understanding of the Group's operations and, consequently, credit exposure.</p>
FLEXIBILITY	<p>Castellum is to have flexible financing for the purpose of supporting business developments regarding acquisitions, sales and project development. Our credit facilities will provide us with high flexibility to withdraw and repay with 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 35.1 billion in bank agreements, of which SEK 24.9 billion consisted of revolving credit facilities.</p>

Funding risk

Funding risk refers to the risk that financing is not available or is very unfavourable at a given time. Funding risk itself is by far the Group's largest financial 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 real-estate portfolio financing. However, market pricing of credit should also be taken into account.

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

At year end, Castellum had credit agreements totalling SEKm 57,240 (53,259), of which long-term agreements amounted to SEKm 45,120 (40,358) and short-term contracts to SEKm 12,120 (12,901).

During 2017, credit agreements of SEKm 1,367 were terminated or expired while agreements totalling SEKm 12,915 were renegotiated. SEKm 370 of these were bank overdrafts. This means that guarantees decreased by a total of SEKm 4,804. In addition, loan agreements for EURm 75 were entered into with the European Investment Bank (EIB). Moreover, during the year, MTNs for SEKm 1,600 expired while SEKm 6,500 were newly issued.

After deduction of liquid assets of SEKm 203 (257), net interest-bearing liabilities were SEKm 38,023 (38,210), of which SEKm 14,162 (9,256) were outstanding MTNs and SEKm 7,994 (7,702) were outstanding commercial papers. Nominally SEKm 14,175 and SEKm 8,000 respectively.

Issued commitments in credit agreements – called covenants – state a loan-to-value ratio not exceeding 65% and an interest coverage ratio of at least 175%, which Castellum accomplished by a wide margin: 47% and 386%, respectively.

Average maturity of Castellum's credit agreements was 2.7 years (3.0).

Credit maturity structure 31-12-2017

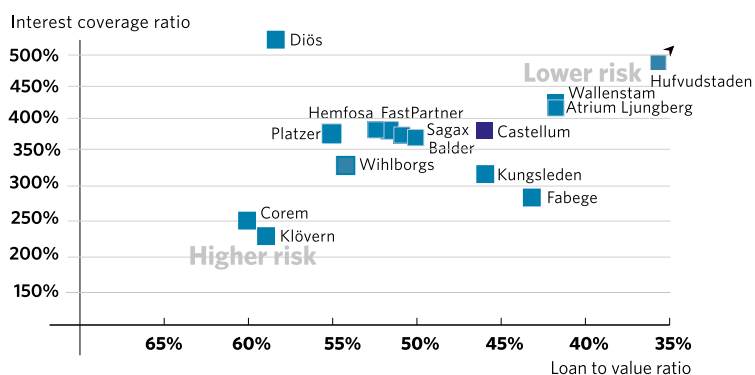
SEKm	Credit agreement	Utilized in		Total
		Bank	MTN/Cert	
0-1 year	12,120	875	10,244	11,119
1-2 years	20,657	4,844	3,298	8,142
2-3 years	7,470	4,949	2,521	7,470
3-4 years	10,019	2,019	2,300	4,319
4-5 years	2,959	19	2,940	2,959
> 5 years	4,015	3,161	853	4,014
Total	57,240	15,867	22,156	38,023

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 terms on loans and interest rate derivatives. However, as long as the Stibor rate (3 months) is negative, derivatives in the form of interest-rate swaps do not provide a stable cost structure for Castellum when combined with bank credits that have zero as the floor for the Stibor rate. Choice of interest-rate profiles should take into account the in the Group's Business Plan as well as anticipated inflows and outflows.

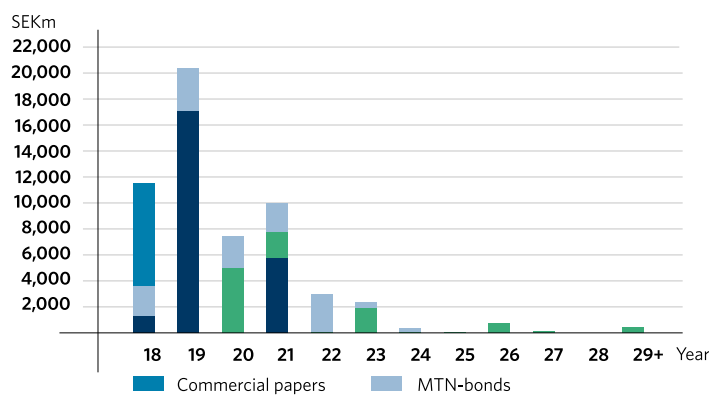
Interest cost is the single largest cost item and has a major impact on growth in income from property management. It is partly affected by changes in market interest rates, and partly by the margin

Listed real estate companies



Source: Rolling annual values based on each company's report Q3 report 2017.

Credit maturity structure



Bank-TL: Bank Term Loan
RCF-facility amounts: Revolving Credit Facility - facility amounts

required by creditors as compensation for lending money. The short-term market interest rate is 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 by supply-and-demand for credit, as well as by regulations in the credit and capital markets. Both interest and credit markets can change rapidly and are outside Castellum's control. Increased market interest rates are generally a result of economic growth and rising inflation. Higher rates, in turn, are presumed to result in increased demand for commercial premises, thereby leading to increased rents and/or reduced vacancies. Falling interest rates are assumed to have opposite causes and effects. Given this reasoning, rising or falling market interest rates will thus be met by rising or falling rental income, over time. Changes in credit margins may occur regardless of prevailing economic conditions. Recently, they have primarily been affected by changes in credit and capital market regulations. Changes in market interest rate and credit margins affect net financial items. How quickly – and by how much – largely depends on the chosen fixed interest term and the binding period of credit margins.

To ensure a low and stable net interest cost, Castellum has chosen to restrict the proportion of fixed maturities due within 6 months at an interval between 20% and 55% of net debt; the average fixed interest term will be between 1 and 3.5 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 is an interest coverage ratio of at least 200%. For 2017, the interest coverage ratio was 386% (348%). The average fixed interest term at December 31, 2017, was 2.4 years (2.4), while the share of maturities due within 6 months was 38%. Margins and fees on credit agreements had an average term to maturity of 2.2 years (2.4).

Net financial items for 2017 amounted to SEKm -885 (-832) with an average interest rate of 2.4% (2.4%), and included market interest rate at issue date plus creditors' margins. Average effective interest rate at December 31 2017 was 2.4% (2.6%).

In the table, credit margins and fees are distributed according to the reported maturity segments of the underlying credits, while credit fees and rate differences in MTNs are reported in the segment for 0–1 year.

47%

Loan to value ratio 2017

386%

Interest coverage ratio 2017

Interest maturity rate 31-12-2017

	Credit, SEKm	Closing average interest rate	Volume fixed interest rate, SEKm	Derivates			Closing interest rate	Average fixed interest rate term
				Closed fixed interest rate**	Volume variable interest rate, SEKm	Closing variable interest rate***		
0-1 year	31,128	1.1%*	1,750	2.0%	-16,823	-0.6%	2.8%	0.3 year
1-2 years	950	0.7%	2,100	1.7%	-	-	1.4%	1.7 years
2-3 years	1,598	1.4%	3,373	2.0%	-	-	1.8%	2.5 years
3-4 years	2,999	1.7%	2,800	1.9%	-	-	1.8%	3.4 years
4-5 years	1,148	2.1%	1,250	2.3%	-	-	2.2%	4.5 years
5-10 years	200	2.3%	5,550	3.0%	-	-	2.9%	7.0 years
Total	38,023	1.1%	16,823	2.3%	-16,823	-0.6%	2.4%	2.4 years

*Including credit-agreement fees and exchange rate differences for MTNs
 ** Castellum pays fixed interest rates
 *** Castellum receives variable interest rates

Castellum's financial policy and commitments in credit agreements

Policy		Commitment	Outcome
Loan to value ratio	Not in the long run exceeding 55%	No more than 65%	47%
Interest coverage ratio	At least 200%	At least 175%	386%
Funding risk			
- average capital tied up	At least 2 years		2.7 years
- proportion maturing within 1 year	No more than 30% of outstanding loans and unutilized credit agreements		8%
- average maturing credit price	At least 1.5 years		2.2 years
- proportion capital market financing	No more than 75% of outstanding interest bearing liabilities		58%
- liquidity reserve*	Secured credit agreements corresponding to SEKm 750 and 4.5 months upcoming loan maturities		Fulfilled
Interest rate risk			
- average interest duration	1.0-3.5 years	-	2.4 years
- proportion maturing within 6 months	At least 20%, no more than 55%	-	38%
Credit and counterparty risk			
- rating restrictions	Credit institutions with high ratings, at least S&P BBB+		Fulfilled
Currency risk			
- translation exposure	Shareholders equity is not secured	-	Not secured
- transaction exposure	Handled if exceeding SEKm 25	-	Under SEKm 25

Credit and counterparty risk

Credit and counterparty risk is the risk that the counterparty cannot fulfil delivery or payment. In financial operations, credit and counterparty risk arises primarily in connection with long-term credit agreements, derivative contracts and the investment of liquid funds.

Castellum limits this risk by requiring high creditworthiness of counterparties; currently, all of them are 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 totalling SEKm 5,671 (5,395), which means that the Group is exposed to currency risk. Currency risk relates mainly to income statements and balance sheets in foreign currencies that are translated into Swedish kronor. As a basic rule, equity is not hedged for translation exposure, while transaction exposure is hedged if exposure in any currency exceeds a counter-value of SEKm 25.

Secured interest-bearing liabilities

Long-term bank facilities are mainly secured with collateral comprising the company's real estate holdings, and commitments also include a number of covenants. Issued MTNs, commercial papers and certain short-term bank loans, such as overdraft credits, are unsecured. Of net interest-bearing liabilities totalling SEKm 38,023 (38,210), SEKm 15,867 (21,252) were secured by mortgage deeds and SEKm 22,156 (16,958) were unsecured. The proportion of utilized secured financing was thus approx. 20% of the property value. Issued commitments in credit agreements state a loan-to-value ratio not exceeding 65% and an interest coverage ratio of at least 175%. Castellum is also to provide lenders with financial information such 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 discontinued stock exchange listing.

Derivatives

Interest rate derivatives

According to the IAS 39 accounting standard, derivatives are subject to market valuation. For interest-rate derivatives, this means that a surplus or a deficit occurs if the stipulated interest rate varies from the current market rate. Castellum accounts for this change in value in the income statement. 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 increased. To note: loans with long-term, fixed interest rates are less flexible but – from an interest rate risk standpoint – comparable to extensions using interest-rate derivatives. These are not subject to market valuation according to current accounting standards.

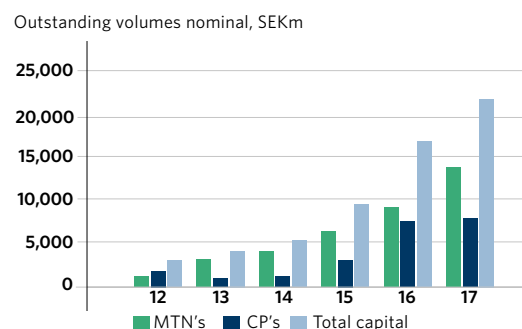
Currency derivatives

Funding in Danish currency can be achieved by borrowing in Danish kroner or by using currency derivatives. The exposure is the same but derivatives are subject to market valuation, according to the IAS 39 accounting standard. This means that there is a surplus or a deficit if the stipulated currency rate varies from the current exchange rate. Castellum applies hedge accounting according to IAS 39, implying that the effective portion of value changes is accounted for in other total net income.

Organization

All financial risk management is centralized in the parent company. The internal bank is responsible for the Group's funding, risk management, financing for subsidiaries and cash management. The parent company also includes a back-office and compliance function, which provides accounting and independent control of financial operations.

Development of capital market financing 2012-2017



Updated list for MTN on www.castellum.com

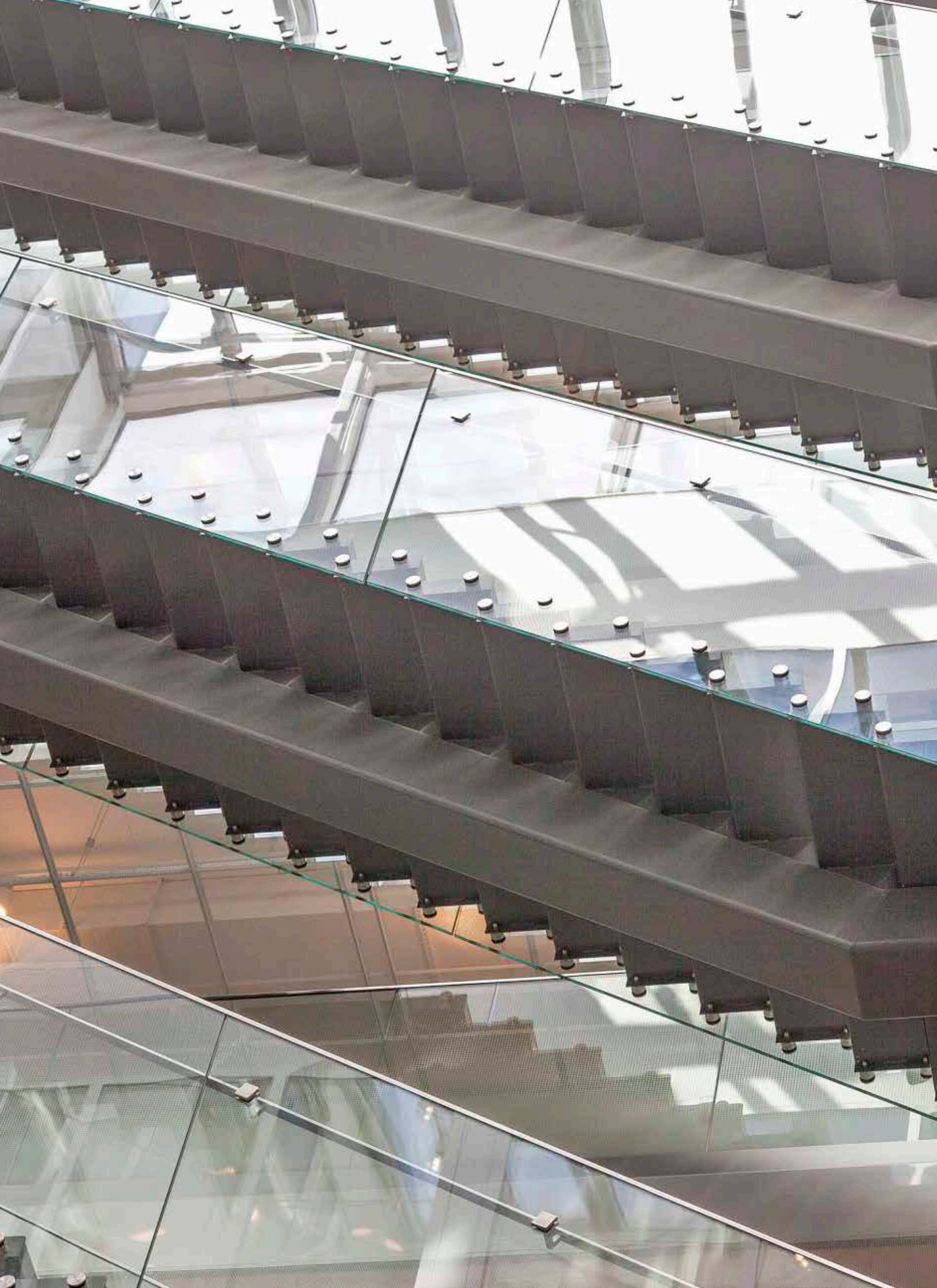
Financial facilities

Credit/facility type	Frame/facility type	Utilized 31-12-2017
MTNs*	15,000	14,175
Certificates*	8,000	8,000
Bank credits incl. overdrafts	35,084	15,867

* Nominal volume

Secured borrowing

	31-12-2017
Proportion secured borrowing of total borrowings	42%
Proportion secured borrowing of property values	20%
Proportion secured borrowing of total assets	19%





The Castellum share

Castellum is one of the major listed real estate companies in Sweden. The company is listed on the Nasdaq Stockholm Large Cap and undertakes to be an attractive and long-term investment option, generating yield. The goal is to strive for high liquidity, while delivering a competitive total yield on the company's share, relative to risk.

All actions will be taken from a long-term perspective. Castellum will provide frequent, open and fair reports to shareholders, to capital and credit markets and to the media – without disclosing any individual business relationship.

The Castellum share

The Castellum share is listed on Nasdaq Stockholm Large Cap. Castellum's market capitalization, i.e. the value of all outstanding shares in Castellum, amounted to SEK 37.8 billion (34.1), as of December 31, 2017. This corresponds to about 13% of the total market capitalization, SEK 291 billion, of Swedish real estate companies operating solely in this sector. The Castellum figure is just under 0.6% of the total market capitalization – approx. SEK 6,613 billion – of listed Swedish companies.

After the rights and directed share issues, the number of outstanding Castellum shares totals 273,201,166. During 2017, a total of 273 million (285) shares were traded, equivalent to an average of 1,086,000 shares (1,128,000), per day, corresponding on an annual basis to a turnover rate of 99% (103%). The share turnover is based on statistics from Nasdaq, Chi-X, Burgundy, Turquoise and BATS Europe.

Proposed dividend

The Board of Directors will propose a dividend of SEK 5.30 per share to the Annual General Meeting, representing an increase of 6% compared to previous year. The payment is proposed to be distributed to the shareholders in two equal payments of SEK 2.65 each. The dividend ratio amounts to 57%, based on income from property management before tax.

If the Annual General Meeting approves the Board's proposal, the record date for the first payout will be Monday, March 26, 2018. This means that the final day for trading shares including

dividend is Thursday, March 22, 2018. Record date for the second payout is Monday, September 24, 2018, meaning that the final day for trading shares including dividend is Thursday, September 20, 2018. The first payout is estimated to take place on Thursday, March 29, 2018, and the second payout is estimated for Thursday, September 27, 2018.

The dividend falls within Castellum's objective of distributing at least 50% of income from property management, having taken into account investment plans, consolidation needs, liquidity and financial position in general. Unrealized changes in value, positive or negative, are thus not included in the distributable income.

Net asset value

Net asset value is the total equity which the company manages for its owners. Based on this equity Castellum want to create a stable return and growth at a low level of financial risk. When assets and liabilities are valued at fair value the net asset value can be calculated using shareholders' equity in the balance sheet. However, consideration should be taken to that the effective tax is lower than the reported nominal tax rate, in part due to the possibility to sell properties in a tax efficient way, and in part due to the time factor for which the tax should be discounted.

Long term net asset value (EPRA NAV) can be calculated to SEK 153 per share (133). The share price at the end of the year was thus 90% (94%) of the long term net asset value.

WHY IS CASTELLUM INTERESTING FOR THE INVESTOR?

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

- **STABLE GROWTH SINCE THE IPO IN 1997**
Since 1997, Castellum has enjoyed property-management income growth of 10% per year in SEK/share. Add to that: an annual dividend that constituted an average of 53% of income from property management.
- **STRONG BALANCE SHEET AND LOW FINANCIAL RISK**
Castellum's goal is that the loan-to-value ratio should not permanently exceed 55%. At year end 2017, it amounted to 47%. The goal for interest coverage ratio is at least 200%. At the end of 2017, it totalled 386%.
- **WELL DIVERSIFIED PORTFOLIO**
The focus is on commercial properties with a contract portfolio of approx. 6,200 customers from a variety of business categories that reflect Swedish and Danish business life. Hence, risk diversification is broad, and the single largest contract corresponds to approx. 2%.
- **LOCAL BUSINESS OPERATIONS WITH SUSTAINABILITY FOCUS**
Castellum is present in around 20 cities in Copenhagen in the south to Sundsvall up north, which all have their own local organizations for rental, service and management. The corporation's active sustainability efforts have been acknowledged with several prestigious awards and certificates.
- **CREDIBILITY THROUGH TRANSPARENCY**
Castellum's ambition is to provide updated and accurate information about company development. The information is to be fully adequate for investment decisions concerning company shares.

5.30

The Board intends to propose to the Annual General Meeting to approve a dividend of SEK 5.30 per share, an increase of 6% compared with previous year.

“Since 1997, Castellum’s share has been listed on Nasdaq Stockholm Large Cap under the name CAST.”

15.4%

During 2017 the total yield of the share including dividend of SEK 5.30 was 15.4%.

Net Asset Value

	SEKm	SEK/ share
Equity according to the balance sheet	33,736	123
Reversed		
Derivatives according to balance sheet	1,352	5
Goodwill according to balance sheet	- 1,659	- 6
Deferred tax according to balance sheet	8,405	31
Long term net asset value (EPRA NAV)	41,834	153
Deduction		
Derivatives as above	- 1,352	- 5
Estimated real liability, deferred tax 5%*	- 2,850	- 10
Actual net asset value (EPRA NNAV)	37,632	138

* Estimated real deferred tax liability net has been calculated to 7% based on a discount rate of 3%. Further, assessments have been made that tax loss carry forwards are realized in 2 years with a nominal tax of 22%, giving a present value of deferred tax liability of 21%, and that the properties are realized in 50 years where 33% are sold directly with a nominal tax of 22% and that 67% are sold indirect through company disposals where the buyers tax discount is 11%, which gives a present value of deferred tax liability of 8%.

Earnings

In 2017, income from property management per share adjusted for nominal tax attributable to income from property management (EPRA EPS) amounted to SEK 8.39 (8.26). This results in a share price yield of 6.1% (6.6%) based on the share price by year end, corresponding to a multiple of 16 (15). Income from property management should be adjusted for increase in value in the long-term real estate holdings as well as for effective tax paid.

Earnings after tax per share amounted to SEK 21.51 (21.20) in 2017. Based on the share price, this provides a return of 15.5% (17.0%) corresponding to a P/E of 6 (6).

Total yield

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

The Castellum share price as of December 31, 2017 was SEK 138.40 (124.90) corresponding to a market capitalization of SEK 37.8 billion (34.1). During 2017, the total yield of the share, including dividend of SEK 5.00, was 15.4% (23.8%).

Growth, yield and financial risk

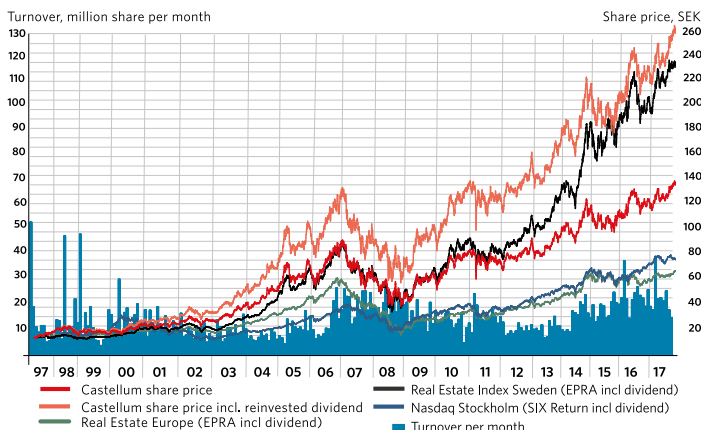
	2017	3 years average /year	10 years average /year
Growth			
Rental income SEK/share	- 2%	3%	5%
Income from prop. management SEK/share	5%	6%	7%
Net income for the year after tax SEK/share	1%	50%	11%
Dividend SEK/share	6%	10%	7%
Long term net asset value SEK/share	15%	16%	7%
Actual net asset value SEK/share	14%	17%	6%
Real estate portfolio SEK/share	15%	14%	7%
Change in property value	6.1%	5.6%	1.5%
Yield			
Return on actual long term net asset value	19.6%	18.9%	11.8%
Return on actual net asset value	18.3%	17.9%	11.1%
Return on total capital	10.1%	9.4%	6.7%
Total yield of the share (incl. dividend)			
Castellum	15.4%	13.3%	13.1%
Nasdaq Stockholm (SIX Return)	9.5%	9.8%	8.8%
Real Estate Index Sweden (EPRA)	15.9%	15.9%	14.2%
Real Estate Index Europe (EPRA)	13.4%	8.8%	5.5%
Real Estate Index Eurozone (EPRA)	17.7%	13.1%	7.0%
Real Estate Index Great Britain (EPRA)	12.7%	4.9%	3.0%
Financial risk			
Loan to value ratio	47%	49%	50%
Interest coverage ratio	386%	363%	312%

Dividend yield

Dividend yield is the company’s dividend divided by the current share price. It represents the yield shareholders receive in cash every year following the Annual General Meetings’ decision. 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 yield that matches the market’s yield on the Castellum share.

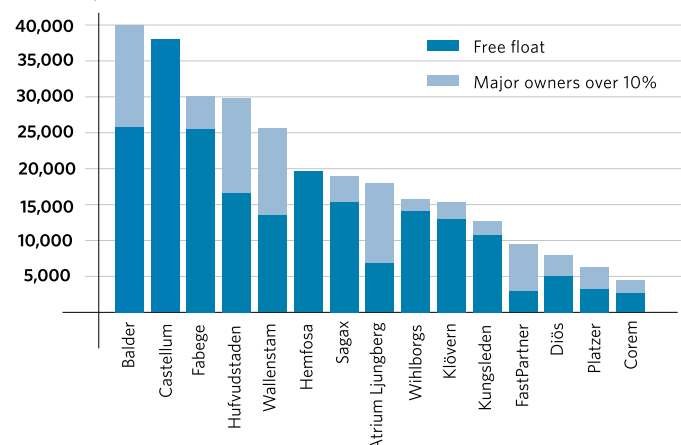
The proposed dividend of SEK 5.30 (5.00) corresponds to a yield of 3.8% (4.0%) based on the share price at the end of the year.

The Castellum share's price trend and turnover from IPO May 23, 1997 until December 31, 2017



Listed real estate companies

Market capitalization 31-12-2017, SEKm



Net asset yield and result including long-term change in value

In companies managing real assets, such as real estate, the income from property management only reflects part – albeit a large part – of the overall result. The definition of a real asset is that the 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 yield ratio income/capital – is adjusted annually in accordance with IFRS regulations for changes in value. In order to provide an accurate yield figure, the numerator – i.e., income – must be similarly adjusted. Therefore, the recorded net income has to be supplemented with a component of value changes as well as with effective tax to provide 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. However, by being a long-term player with stable cash flow and a balanced real estate portfolio, Castellum is able to make use of long-term value changes to adjust the numerator of the equation.

Net asset yield and earnings including long-term change in value

		Sensitivity analysis	
		- 1%-unit	+ 1%-unit
Income from prop. mgmt. 2017	2,530	2,530	2,530
Change in property value (10 years average)	1,148	383	1,913
D:o %	1.5%	2.5%	0.5%
Current tax, 7%	- 189	- 189	- 189
Earnings after tax	3,489	2,724	4,254
Earnings SEK/share	12.77	9.97	15.57
Return on actual long-term net asset value	9.8%	7.7%	12.0%
Earnings/share price	9.2%	7.2%	11.3%
P/E	11	14	9

Created shareholder value

At the IPO in May 1997, Castellum's real estate

portfolio amounted to approx. SEK 10 billion, income from property management to approx. SEKm 300 and shareholders' equity to about SEK 4 billion. Since then, Castellum has created shareholder value by increasing shareholder's equity to SEK 42 billion and a dividend of approx. SEK 11 billion has also been paid out, as of December 31, 2017. The real estate portfolio has grown over the same period to approx. SEK 81 billion at the end of 2017, while income from property management has increased to SEKm 2,530.

Valuation

The investor's required yield for a given share forms a basis for valuation in the long term. The required yield varies from share to share, as well as over time. This is partly due to the risk the investor perceives for a particular company; a risk that he wants to be compensated for. The higher the risk, the higher the required yield. An acceptable share price therefore derives from the investor's – or rather the investor collective's – assessment of the future total yield of the share (the sum of dividend yields and changes in value) and the level of risk.

In the short run, it is largely supply and demand for shares that affects share-price movements and sets current share prices. Factors affecting price in the short term – apart from investor assessments of the long-term yield of the share – include industry outlook, macro assessments, geopolitical events, allocation aspects, potential yield on alternative investments, and regulations. However, looking over the long term, it is the company's actual performance in terms of total yield and growth that determines crucial for share-price development.

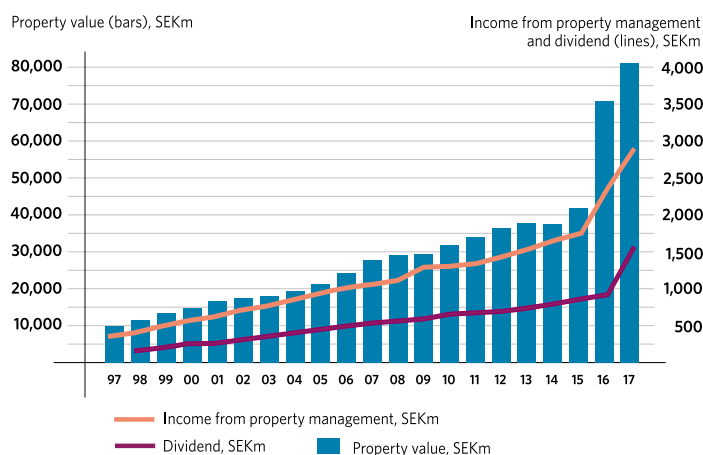
As shown in the table on the left, Castellum has achieved a total average yield of 13.1% per year, over the past 10 years, of which dividend yield accounts for about 4% and share price development around 9%. All to a moderate risk level compared to the Swedish real estate market. The average dividend growth for the same period mounted to 7% per year.

7%

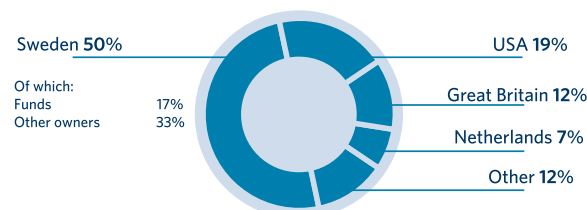
Average dividend growth for the Castellum share has amounted to 7% per year during the last 10 years.

“Some twenty Swedish and foreign stock market analysts track the development of both Castellum and the Swedish real estate sector.”

Castellum's property value and income from property management since the IPO, 1997



Shareholders distributed by country 31-12-2017



Shareholders

Castellum had approx. 38,000 shareholders at year-end, an increase of about 50% compared with year-end 2015. The proportion of registered shares abroad amounted to 50% at the end of the year. The ten largest single owners confirmed as of December 31, 2017, are shown in the table below.

Investor Relations

Investor relations are primarily based on quarterly financial reports, press releases on significant commercial events and presentations of Castellum. Presentations take place in connection with quarterly financial reports and visits from investors

as well as analyst 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 webpage www.castellum.com.

Repurchase of company shares

In the year 2000, Castellum repurchased a total of 8,006,708 of its own shares – corresponding to 4.7% of the total number of registered shares. Purchase price totalled SEKm 194. The repurchased shares were used as consideration in the acquisition of Norrporten AB on June 15, 2016.

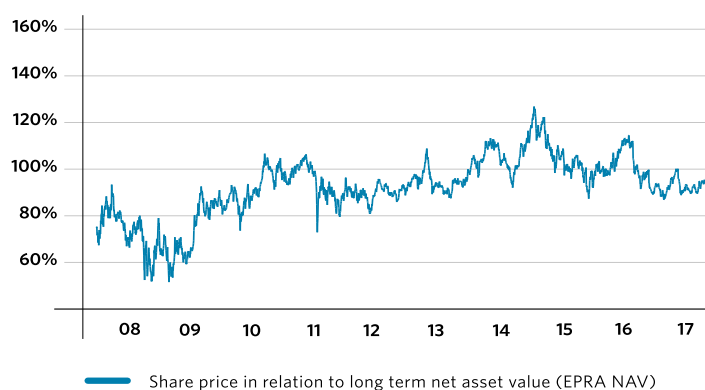
Shareholders as per 31-12-2017*

Shareholders	Number of shares	Percentage of voting rights and capital
Stichting Pensioenfonds ABP	15,792,567	5.8%
Sjätte AP-fonden	11,850,583	4.4%
Rutger Arnhult	11,289,140	4.1%
AMF Försäkring & Fonder	11,027,580	4.0%
PGGM Pensioenfonds	10,233,936	3.7%
SEB Fonder & Liv	9,560,345	3.5%
Szombatfalvy-sphere	9,112,237	3.3%
Lannebo Fonder	9,055,500	3.3%
Vanguard	8,140,284	3.0%
SHB Fonder & Liv	7,655,126	2.8%
AFA Försäkring	4,313,934	1.6%
Norges Bank	4,164,856	1.5%
State Street Global Advisors	4,016,979	1.5%
Principal Global Investors	3,632,937	1.3%
Folksam	2,744,326	1.0%
Länsförsäkringar Fonder	2,493,159	0.9%
Nordea Fonder	1,966,849	0.7%
Andra AP-fonden	1,921,198	0.7%
Danske Bank	1,780,814	0.7%
Tredje AP-fonden	1,705,113	0.6%
Avanza Pension	1,617,553	0.6%
TR Property Investment Trust	1,523,759	0.6%
Board and executive management Castellum	264,837	0.1%
Other shareholders registered in Sweden	48,242,205	17.7%
Shareholders registered abroad	89,095,349	32.6%
Total registered shares	273,201,166	100.0%

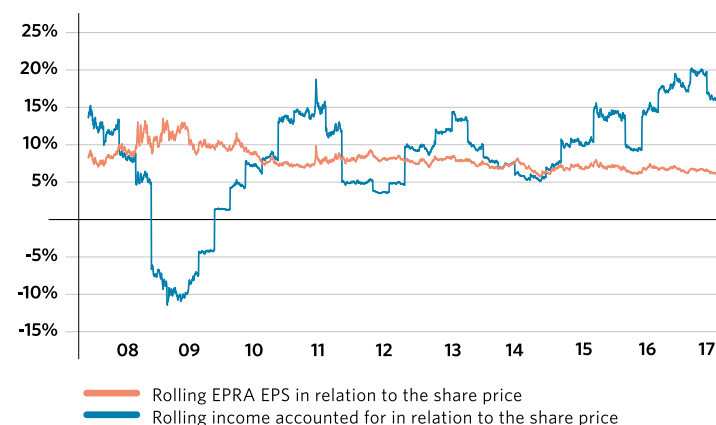
* As of January 24, 2018 Blackrock has notified for holding of 5.01%.

Source: Holdings av Modular Finance AB. Collected and analyzed data from Euroclear, Morningstar, Finansinspektionen, Nasdaq and Millistream.

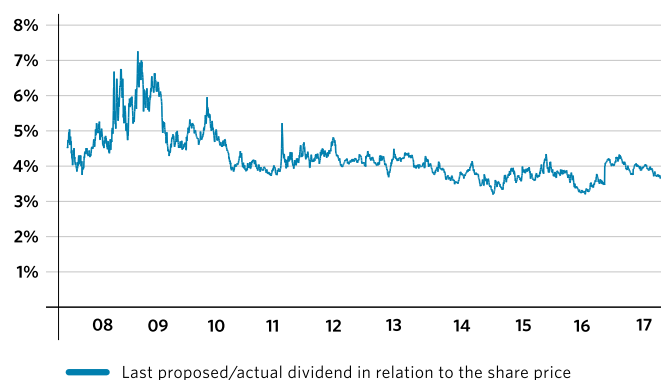
Share price/net asset value



Yield earnings per share



The share's dividend yield



Ten year summary

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Key ratios, SEK/share										
Rental income	18.97	19.33	20.12	20.23	19.81	18.74	17.80	16.82	16.43	15.25
Income from property management	9.26	8.80	8.11	7.67	7.12	6.64	6.21	6.04	5.98	5.15
Net income for the year	21.51	21.20	15.24	6.41	9.03	7.79	3.76	10.39	0.85	- 3.51
Dividend (for 2017 proposed)	5.30	5.00	4.25	3.99	3.69	3.43	3.21	3.12	3.04	2.73
Property portfolio	297	259	221	199	200	192	179	168	155	154
Valuation										
Pre tax income from property management per share/Share price	6.7%	7.0%	7.7%	7.2%	8.2%	8.3%	8.4%	7.6%	9.5%	9.8%
Share price/Income from property management per share	15	14	13	14	12	12	12	13	11	10
Income from property management after tax per share (EPRA EPS)/Share price	6.1%	6.6%	7.5%	6.8%	8.0%	7.9%	8.2%	7.2%	9.6%	9.6%
Dividend/Share price (dividend yield)	3.8%	4.0%	4.1%	3.8%	4.2%	4.3%	4.3%	3.9%	4.8%	5.2%
Share price/Long term net asset value per share	90%	94%	94%	107%	94%	92%	88%	100%	88%	72%
Share price/Actual Net asset value per share	100%	103%	105%	122%	103%	103%	98%	108%	99%	81%
The share										
Market capitalization, SEKm	37,811	34,123	19,795	20,024	16,416	15,137	13,989	15,014	11,890	9,963
Total yield, the Castellum share	15.4%	23.8%	2.3%	26.9%	13.1%	13.0%	- 3.1%	32.6%	27.4%	- 5.9%
Nasdaq Stockholm (SIX Return)	9.5%	9.6%	10.4%	15.8%	28.0%	16.5%	- 13.5%	26.7%	52.5%	- 39.0%
Real Estate Index Sweden (EPRA)	15.9%	7.2%	25.4%	37.1%	20.6%	16.2%	- 13.0%	48.5%	24.0%	- 21.4%
Real Estate Index Europe (EPRA)	13.4%	-4.5%	18.8%	26.5%	10.1%	28.7%	- 9.2%	19.8%	33.7%	- 48.8%
Real Estate Index Eurozone (EPRA)	17.7%	4.7%	17.4%	24.1%	5.6%	29.2%	- 14.2%	15.5%	43.1%	- 43.4%
Real Estate Index Great Britain (EPRA)	12.7%	-8.5%	12.1%	22.5%	22.6%	29.9%	- 8.1%	7.9%	11.8%	- 45.6%
Dividend ratio income from property management	57%	57%	52%	52%	52%	52%	52%	52%	51%	53%
Dividend ratio long term net asset value	3.4%	3.8%	3.8%	4.0%	4.0%	4.0%	3.8%	3.9%	4.3%	3.8%
Share Price, SEK										
last paid during the last day for trading	138.40	124.90	104.73	105.94	86.85	80.08	74.01	79.43	62.91	52.71
highest paid during the year	140.00	133.50	125.38	108.02	93.27	81.99	84.60	79.61	63.99	69.41
lowest paid during the year	114.80	97.87	97.96	85.94	76.14	66.20	56.61	50.76	37.14	35.92
average (highest/lowest per day)	126.59	117.62	109.18	97.49	82.82	75.73	76.95	65.68	50.83	55.03
Number of shares, thousand										
average	273,201	234,540	164,000	164,000	164,000	164,000	164,000	164,000	164,000	164,000
registered	273,201	273,201	172,008	172,008	172,008	172,008	172,008	172,008	172,008	172,008
Number of shareholders	38,000	30,000	19,100	16,300	12,200	9,900	9,400	10,000	8,900	7,300
Percentage of shareholders registered abroad	50%	51%	50%	52%	62%	60%	51%	46%	46%	47%
Turnover, thousand shares per year	272,600	285,000	188,379	133,083	106,266	129,276	150,482	152,186	191,129	218,304
Turnover rate per year	99%	103%	114%	81%	65%	79%	92%	93%	117%	133%
EPRA key ratios										
EPRA Earnings (Income from property management after tax), SEKm	2,291	1,937	1,481	1,355	1,318	1,192	1,149	1,086	1,137	960
EPRA Earnings (EPS), SEK/share	8.39	8.26	7.84	7.17	6.97	6.31	6.08	5.75	6.02	5.08
EPRA NAV (Long term net asset value), SEKm	41,834	36,222	21,184	18,618	17,510	16,480	15,920	15,158	13,381	13,800
EPRA NAV, SEK/share	153	133	112	99	93	87	84	80	71	73
EPRA NNNAV (Actual net asset value), SEKm	37,632	33,082	18,946	16,432	15,940	14,689	14,196	13,913	11,979	12,305
EPRA NNNAV, SEK/share	138	121	100	87	84	78	75	74	63	65
EPRA Vacancy Rate	9%	9%	10%	11%	12%	11%	11%	11%	10%	10%
EPRA Yield	5.3%	5.5%	6.1%	6.4%	6.6%	6.7%	6.7%	6.6%	6.8%	7.0%
EPRA "Topped-up" Yield	5.4%	5.6%	6.3%	6.6%	6.7%	6.9%	6.8%	6.8%	7.0%	7.2%

EPRA, European Public Real Estate Association, is an association for listed real estate owners and investors in Europe, which sets standards for financial reporting, e.g. the key ratios EPRA EPS (Earnings Per Share), EPRA NAV (Net Asset Value), and EPRA NNNAV (Triple Net Asset Value), EPRA vacancy, EPRA Yield and EPRA "Topped-up" Yield.



Property valuation

Castellum determines property value using internal valuations based on a 10-year cash-flow model with individual assessments for each property. This approach reflects both future earnings capacity and required market yield. In order to provide further assurance and validation of the valuation, 177 properties – representing 53% of the value of the portfolio – have been assessed externally in 2017. In all, Castellum's property portfolio was valued to SEKm 81,078, corresponding to SEK 18,268/ sq.m. The average valuation yield for Castellum's real estate portfolio – excluding development projects, undeveloped land and building rights – can be calculated to 5.5%.

Property valuation

Internal valuation

Castellum records the investment properties at fair value and has made an internal valuation of all properties as of December 31, 2017. The valuation was carried out in a uniform manner, and was based on a 10-year cash flow model, which is described in principle below. The internal valuation was based on an individual assessment for each property and reflects both its future earnings capacity and its required market yield. In the valuation of a property's future earnings capacity, consideration has been taken of potential changes in rental levels, occupancy rates and property costs – as well as an assumed inflation level of 1.5%. Projects in progress have been valued using the same principle, but with deductions for remaining investments. Building rights have been valued on the basis of an estimated market value per square metre, on average approx. SEK 1,700 per sq.m. (1,700). For further information about the assumptions in cash-flow and required yield see note 12.

Assumptions in Castellum's internal valuations

	Office/retail	Warehouse/logistics
Cash flow year 1		
Rental value, SEK/sq.m.	1,636	839
Vacancy, %	7%	8%
Direct property costs, SEKm/sq.m.	340	175
Property administration, SEK/sq.m.	36	25
Required yield		
Real interest rate	1.5%	1.5%
Inflation	1.5%	1.5%
Risk	2.4 - 11.2%	7.6 - 12.4%
Return on equity	5.4 - 14.2%	10.6 - 15.4%
Interest rate	5.0%	5.0%
Loan to value ratio	65%	55%
Return on total capital	5.1 - 8.2%	7.5 - 9.7%
Weighted d.o. disc. factor year 1-9	6.7%	8.4%
Weighted d.o. disc. factor residual value*	5.2%	6.9%

* (required yield on total capital minus growth equal to inflation)

Example internal valuation

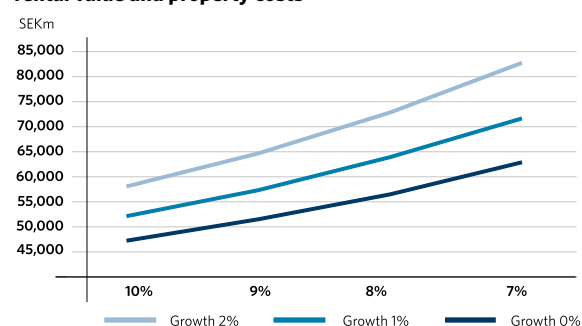
To illustrate the model, the following example is provided. It should be noted that assumptions regarding cash flow growth and other assumptions included in the model are only intended to illustrate the model. Even if relevant figures are used the example should thus not be regarded as a forecast of the company's expected earnings.

Assumptions in the example:

- The economic occupancy rate is assumed to increase in order to reach a long-term level of 96% in the year 2022.
- Net operating income for 2017 is based on actual result for the investment properties, with an assumed cost of SEK 30/sq.m. for pure property administration.
- Growth in rental value and property costs has been assumed to 1.5% per year during the calculation period.
- The average economic life of the real estate portfolio has been assumed to be 50 years.
- Projects, undeveloped land and building rights have an assumed value SEKm 4,695.
- The required yield, discount factor, is calculated according to the following assumptions:

	Required yield	Percentage of capital	Weighted required yield
Equity	7.5 - 15.3%	40%	3.0% - 6.1%
Borrowed capital	5.0%	60%	3.0%
Weighted required yield		100%	6.0% - 9.1%

Property value with different required yield and growth in rental value and property costs



SEKm	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Rental value	5,649	5,734	5,820	5,907	5,996	6,086	6,177	6,270	6,364	6,459	6,556
Rental income	5,133	5,275	5,412	5,553	5,696	5,825	5,923	6,020	6,112	6,194	6,293
Economic occupancy rate	91%	92%	93%	94%	95%	96%	96%	96%	96%	96%	96%
Property costs	- 1,283	- 1,302	- 1,322	- 1,342	- 1,362	- 1,382	- 1,403	- 1,424	- 1,445	- 1,467	- 1,489
Net operating income = cash flow	3,850	3,973	4,090	4,211	4,334	4,443	4,520	4,596	4,667	4,727	4,804
Discounted cash flow year 1-9	29,730	← Discounted cash flow									
Discounted residual value year 10	46,648										
Assumed value projects, land and building rights	4,695										
Total property value	81,073										

Average valuation yield, SEKm

(excl. project/land and building rights)	2017	2016
Net operating income properties	3,976	3,699
+ Estimated index adjustment 2018, 2% (1%)	92	62
+ Real occupancy rate, 94% at the lowest	295	265
- Property administration, 30 SEK/sq.m.	- 133	- 129
Normalized net operating income	4,230	3,897
Valuation (excl. building rights of SEKm 569)	76,383	67,557
Average valuation yield	5.5%	5.8%

Uncertainty range

Property valuations are calculations performed according to accepted principles and 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 market with lower liquidity, the range may be wider. For Castellum, an uncertainty range of +/- 5% means a range in value of the property portfolio of SEKm 77,024 – 85,132 corresponding to +/- SEKm 4,054.

Changes in value

The real estate market in 2017 was characterized by great demand leading to high transaction volumes, while these did not beat the record year of 2016, they were in line with the volumes of 2015. The proposal presented in March 2017 for a change in taxation for real estate transactions created some uncertainty and thus had an impact on the transaction market, both for lead time and for negotiations on transaction-tax rebates. This impact was offset by continued strong demand

and, above all, a very strong rental market – the latter resulting in low vacancy rates and real rental growth. For Castellum's part, the above meant a change in value of SEKm 4,540 the equivalent of 6%. Further, 16 properties were sold for SEKm 875 after deduction for assessed deferred tax and expenses totalling SEKm 38. The underlying property price, which amounted to SEKm 913, exceeded the last valuation of SEKm 848 by SEKm 65. As every property is valued individually, consideration has not been given to the portfolio premium that can be seen in the real estate market.

The market value of the derivatives changed by SEKm 247 (82) mainly due to changes in long-term market interest rates.

The net increase in value, including this year's change, has over the past 10 years been 1.5% per year. During the same period of time the inflation has been on average 0.9%.

Total yield

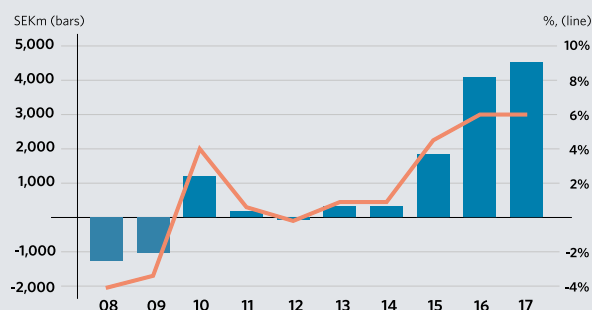
Concerning the total yield of the properties - i.e., the sum of yields and changes in value - it can be noted that Castellum's performance depends on when measurements were started.

The annual average total yield on warehouse/logistics for the past 10 years has been 7.7% (6.8% yield + 0.9% change in value), thereby surpassing office/retail which has had 6.9% (5.8% yield + 1.1% change in value). During 2017 office/retail has had a better total yield corresponding to 10.1%, compared to 11.2% for warehouse/logistics. Calculations do not include project gains or acquisitions from the year the acquisition was completed.

Average valuation yield over time



Value changes



	1 year	3 years average /year	10 years average /year
Total yield			
Properties	10.3%	10.4%	7.2%
The Castellum share	15.4%	13.3%	13.1%
Nasdaq Stockholm (SIX Return)	9.5%	9.8%	8.8%
Real estate Index Sweden (EPRA)	15.9%	15.9%	14.2%
Real estate Index Europe (EPRA)	13.4%	18.8%	5.5%
Real estate Index Eurozone (EPRA)	17.7%	13.1%	7.0%
Real estate Index Great Britain (EPRA)	12.7%	4.9%	3.0%
Change in value			
Change in property value, unweighted	6.1%	5.6%	1.5%
Inflation	1.7%	1.2%	0.9%

External valuation

In order to validate the valuation, 177 properties – representing 53% of the value of the portfolio – were valued externally by Forum Fastighets-ekonomi in Sweden and CBRE in Denmark. The properties were selected on the basis of the largest properties in terms of value, but they also reflected the composition of the portfolio as a whole in terms of category and geographical location. The external valuations of the selected properties amounted to SEK 43,147, within an uncertainty range of +/- 5-10% on property level, depending on each property's category and location. Castellum's valuation of the same properties totalled 43,277, i.e., a net deviation of SEK 130, corresponding to -0%. The gross deviations were SEK +1,328 and SEK -1,458, respectively, with an average deviation of 6%.

In addition, Cushman & Wakefield made a desk-top valuation of 56 properties corresponding in

value to 25% of the portfolio. Cushman & Wakefield's valuation of the selected properties amounted to SEK 19,659. Castellum's valuation of the same properties amounted to SEK 20,524, i.e., a net deviation of SEK -865, corresponding to -4%. The other external valuations of the same properties amounted to SEK 20,500, i.e., a net deviation compared with Castellum's valuation of SEK -24, corresponding to 0%.

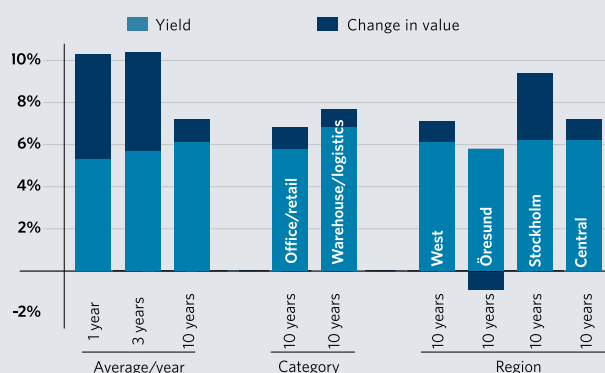
It can be noted that Castellum's deviation from the external valuers accommodated well within the uncertainty range of +/-5-10%.

Internal vs external valuation, SEKm

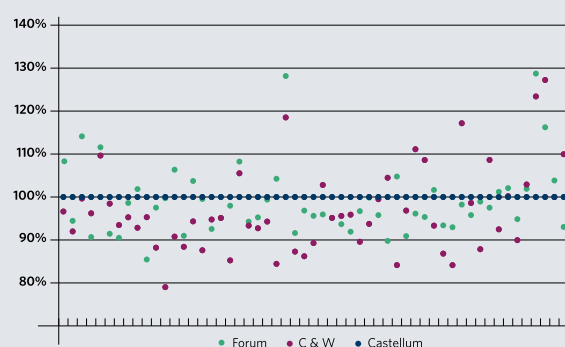
	2017	2016	2015	2014
External valuer 1*	43,147	41,180	23,581	21,109
Proportion external of internal	53%	57%	56%	57%
Net difference external vs internal	-130	+538	42	-274
D:o %	-0.3%	+1.3%	0.2%	-1.3%
Gross deviation positive	1,328	1,563	696	620
Gross deviation negative	-1,458	-1,025	-654	-894
Average deviation	6.4%	6.4%	5.7%	7.1%
External valuer 2*	19,659	18,229	9,323	9,105
Proportion external of internal	25%	27%	23%	25%
Net difference external vs internal	-865	-859	-419	-243
D:o %	-4.4%	-4.7%	-4.5%	-2.7%
Gross deviation positive	303	294	83	115
Gross deviation negative	-1,658	-1,153	-501	-358
Average deviation	7.2%	7.6%	6.0%	5.1%

* Different valuers for different years.

Total yield in average/year in different cycles until 2017



Castellum's valuation vs Forum and C&W 56 properties, SEK 20 billion corresponding to 25% of the portfolio



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 and interpretations – may lead to Castellum’s tax situation increasing or decreasing.

Income tax

Castellum’s reported income from property management for 2017 amounted to SEKm 2,530 (2,065), while taxable income from property management amounted to SEKm 1,087 (580). In the absence of tax loss carry forwards, a paid tax of SEKm 239 (128) would occur, attributable to the income from property management, equivalent to 9% effective tax paid.

Tax depreciations

Investments in real estate can be allocated to different parts where the Swedish Tax Authority specifies percentages for tax depreciations: 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 repairs and maintenance of a building may be deducted immediately. The “extended repair concept” allows for direct deduction for certain types of value-adding improvements, even if they are capitalized in the accounts.

Property sales

Properties can be sold directly or indirectly through companies, which have different tax consequences.

Profit on 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 which

from a taxation point of view are considered fixed assets is not taxable, while a loss is not tax deductible. For properties or shares which fiscally represent current assets a profit is always taxable while a loss is tax deductible.

Changes in value on properties and derivatives

Swedish accounting laws do not allow reporting of properties at fair value in a legal entity, meaning that changes in value are reported only in the consolidated accounts and hence do not affect taxation. Some financial instruments such as interest rate derivatives may be reported at fair value in legal entities. For Castellum, changes in value resulting in a negative value on the instrument constitute a tax deductible cost and changes in value up to acquisition value of the instrument are considered a taxable income.

Castellum has no current tax disputes.

Deferred tax on the balance sheet

Castellum has two entries which make up the basis for deferred tax - properties and tax loss carry forwards. All tax loss carry forwards are reported since expected future taxable income may be used to net the tax loss carry forwards. Deferred tax deriving from properties occurs mainly due to changes in value, tax deductions such as depreciation and deduction of certain reconstructions, which are capitalized in the account.

Property tax

Property tax is paid for almost all the Group’s properties. However, there is tax exemption for

Tax calculation 2017

SEKm	Basis current tax	Basis deferred tax
Income from property management	2,530	
Deductions for tax purposes		
depreciations	- 1,054	1,054
reconstructions	- 437	437
Other tax allowances	48	73
Taxable income of property management	1,087	1,564
current income tax 22%, if tax losses are not utilized	- 239	
Properties sold	-	- 465
Changes in value, properties	-	4,513
Changes in value, interest rate derivatives	- 423	323
Adjustment for last year	- 272	199
Taxable income before tax loss carry forwards	392	6,134
Tax loss carry forwards, opening balance	- 2,392	2,392
Tax loss carry forwards, closing balance	2,437	- 2,437
Taxable income	437	6,089
Tax according to the income statement	- 96	- 1,340

Net Deferred Tax Liability 31-12-2017

SEKm	Nominal tax		
	Basis	liability	Real tax liability
Tax loss carry forwards	2,437	536	21%
Untaxed reserves	- 135	- 29	22%
Properties	- 44,271	- 9,740	8%
Total	- 41,969	- 9,233	7%
Properties, asset acq.	3,763	828	
In the balance sheet	-38,206	- 8,405	

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

Estimated real deferred tax liability net has been calculated to 7% based on a discount rate of 3%. Further, assessments have been made that tax loss carry forwards are realized in 2 years with a nominal tax of 22%, giving a present value of deferred tax liability of 21%, and that the properties are realized in over 50 years where 33% are sold directly with a nominal tax of 22% and that 67% are sold indirectly through company disposals where the buyers tax discount is 11%. This provides a present value for deferred tax liability of 8%.

special buildings such as communication buildings, educational and healthcare buildings. For other properties, the tax rate set by the Swedish Tax Agency depends on the type of building and site. Tax is 1% of the assessed value for offices and 0.5% for logistics and warehouse buildings. In Denmark, tax rates vary depending on in which municipality the properties are located. Property taxes for 2017 amounted to SEKm 305 (262), based on an assessed value of SEK 31 billion.

Value added tax (VAT)

Real estate is exempt from compulsory VAT duty. If a premise is leased to a customer who runs a permanent VAT-liable business, the real estate owner can voluntarily register for VAT and thus get to deduct input VAT on both operating expenses and investments. Hence no deductions can be made for input VAT attributable to operating expenses and investments in premises not registered for voluntary tax liability. Non-deductible VAT on operating expenses for 2017 was SEKm 14 and is reported as an operating expense. Non-deductible VAT on investments for 2017 was SEKm 26 and is reported as investment in real estate.

Stamp duty

Upon acquisition of real estate in Sweden there is a stamp duty (title deed) of 4.25%, calculated on the higher value of either purchase price or assessed value. In Denmark, the equivalent tax is 0.6%. In 2017, SEKm 14 stamp duty was paid for acquisitions, as part of the acquisition value. There is also an additional stamp duty (pledging cost) of 2% (1.5% in Denmark) for mortgage deeds in real estate. In 2016, this tax totalled SEKm 23 and is capitalized in the balance sheet.

Energy taxes

Castellum purchases energy to use for heating, cooling, ventilation and lighting in the buildings. SEKm 34 of that sum involves 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. Castellum has 384 employees for whom SEKm 80 was paid in social-security contributions and payroll taxes.

Summary tax

In 2017, Castellum's operations generated a total of SEKm 592 in various taxes.

Summary of tax paid

SEKm	2017
Income tax	96
Property tax	305
Value added tax (VAT), not deductible	40
Stamp duty	37
Energy tax	34
Social security contributions and payroll	80
Total paid tax	592

Current tax proposal

Castellum's interim reports for the first three quarters briefly described a commission-report received by the government on March 30, 2017, regarding amended tax legislation designed to counter tax benefits in bundled transactions of properties. The proposal has subsequently been submitted for comment, and the period for comment expired on September 15, 2017. Simply expressed: the proposal implies that, for example, tax neutrality will prevail between direct or indirect real-estate sales (among companies). The proposed amendment would result in one additional tax compared with current regulations on indirect sales. The new tax will correspond to the taxes that normally apply for direct transactions – namely, income tax on capital gains and stamp-duty/ownership-registration of an acquisition. According to current assessment, the proposed legislation will not be dealt with until after the 2018 election, even if this has not been officially confirmed.

Furthermore, on July 12, 2016, the EU adopted a Directive laying down rules to counter tax avoidance methods. An important cornerstone of Directive implementation includes limiting interest-deduction possibilities. The Directive is to be incorporated in each respective member country by December 31, 2018. Consequently, the government received a June 2017 proposal of new regulations for the corporate sector: the introduction of a general limitation on interest deductions for the corporate sector – primarily as an EBIT rule (deductions of maximum 35%) and secondly, as an EBITDA rule (deductions of maximum 25%) – combined with a reduction in corporate income tax from 22% to 20%. Consultation period for the proposal expired at the end of September 2017, and the government intends to present a proposal to the Swedish Riksdag on April 16, 2018.

Today's strong cash flow from operations, combined with historically low interest rates and proposals for reduced corporate taxes, means that interest-rate limitations – in cases where the proposal becomes a reality – do not significantly affect Castellum's paid taxes.

However, the proposal for reduced corporate taxation implies that the deferred tax liability of SEKm 8,405 will be revalued at 20% tax, resulting in a deferred tax income of SEKm 764 to December 31, 2017. This would result as above in an estimated deferred-tax market value of SEKm 2,850 – a reduction of SEKm 259. Accordingly, the proposal to reduce corporate taxation would entail an increase in short-term net asset value of 1%.



Risk and risk management

Owning and managing properties means that operations are exposed to a variety of risks, both internal and external – or to uncertainties that may affect the Group’s ability to achieve objectives. Castellum therefore works with a regular and structured process to identify and actively monitor the full range of financial and non-financial risks that the Group encounters or has to take on. The Group’s risk management involves a structured process of 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.

Risk and risk management

Risks, exposure and risk management

Castellum defines risk as an uncertainty factor that may affect the ability to achieve company goals. Risk management involves a structured decision-making process with the aim of balancing the desire to limit uncertainty with achieving the objective. In order to assess the effect of identified risks, an internal risk rating is carried out where each risk is assessed, both from the perspective of impact and probability. This process determines whether the risk should be further monitored (Monitor), corrected (Focus) or handled through the standard review and management (Review).

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

- External environment – risks due to the influence of external factors and events
- The real estate portfolio – risks associated with the ownership of Castellum's real estate portfolio
- Employees – risks associated with recruiting, training and retaining engaged and competent employees
- Management – risks associated with everyday management of Castellum's real estate holdings
- Financing – Castellum's financing risks

RISK CATEGORY	RISK	IMPACT	PROBABILITY	PRIORITY	DEVELOPMENT
EXTERNAL ENVIRONMENT					
Macroeconomic risks	1. Macro – crises	SERIOUS	LOW	FOCUS	↔
Crises	2. Crises	MEDIUM	POSSIBLE	MONITOR	↔
Change in legislation	3. Changes in legislation	MEDIUM	SAFE	FOCUS	↑
	4. Regulatory compliance	SERIOUS	UNCOMMON	FOCUS	↔
REAL ESTATE PORTFOLIO					
Composition of the real estate portfolio	5. Composition of the real estate portfolio	LARGE	UNCOMMON	MONITOR	↓
	6. Obsolete product/property	MEDIUM	LIKELY	MONITOR	↓
	7. Size – too big in a submarket/area	LOWER	UNCOMMON	REVIEW	↔
Investments	8. Investments	LARGE	POSSIBLE	FOCUS	↔
	9. Strategic acquisitions	SERIOUS	POSSIBLE	FOCUS	↔
Change in value	10. Changes in value – real estate	SERIOUS	SAFE	FOCUS	↔
MANAGEMENT					
Rental income	11. Rental income	MEDIUM	UNCOMMON	MONITOR	↔
	12. Disgruntled customers/tenants	SERIOUS	LOW	FOCUS	↔
Property costs	13. Property costs	INSIGNIFICANT	POSSIBLE	REVIEW	↔
Tax	14. Tax	INSIGNIFICANT	POSSIBLE	REVIEW	↔
Sustainability	15. Operational environmental risks	SERIOUS	LOW	FOCUS	↑
	16. Risks attributable to climate change	MEDIUM	POSSIBLE	MONITOR	↔
	17. Violation of Code of Conduct	SERIOUS	LOW	FOCUS	↑
Liability risks	18. Liability risks	LARGE	POSSIBLE	MONITOR	↔
Reporting	19. Reporting	SERIOUS	UNCOMMON	FOCUS	↓
EMPLOYEES					
Employees	20. Employees	SERIOUS	LIKELY	MONITOR	↓
FINANCING					
Financing	21. Financing	SERIOUS	POSSIBLE	FOCUS	↔
Change in value	22. Change in value – derivatives	MEDIUM	LIKELY	MONITOR	↔

↓ Reduced focus on risk area since previous year.

↔ Unchanged focus on risk area since latest previous year.

↑ Increased focus on risk area since latest previous year.

EXTERNAL 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 and changes in legislation.

RISK	RISK MANAGEMENT	EXPOSURE
MACROECONOMIC RISKS		
<p>1. Macro – crisis</p> <p>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 funding at higher credit margins.</p>	<ul style="list-style-type: none"> • Monitor world events • Strong balance sheet and low loan to value ratio • Well-composed contract portfolio with a wide spread regarding notice of termination, type of business, type of facility, contract size and geographical location • Deflation protection or a minimum upward adjustment of leases • Multiple sources of funding • Frequent renegotiations/new credit agreements • Property portfolio focused to growth areas • Natural macroeconomic hedging mechanism for higher/lower interest costs and rental income, but with some time delay 	<p>PRIORITY: FOCUS DEVELOPMENT: ↔</p> <p>A weak economy affects the demand for premises negatively, 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 funding reduces Castellum's possibility to operate. Ultimately, reduced demand in the economy leads to declining property values.</p>
CRISES		
<p>2. Crises</p> <p>Crises may include such events as terrorist attacks, cyber-attacks, extreme weather and environmental disaster, and information leakage.</p>	<ul style="list-style-type: none"> • Crisis plan • Succession-planning for senior executives • Full value insurance properties • Guidelines for information security: create user understanding and awareness of information as an asset to be handled with care. • Continuity plan IT 	<p>PRIORITY: MONITOR DEVELOPMENT: ↔</p> <p>The risk is generally low, but Castellum could become indirectly affected by external factors and events.</p>
CHANGES IN LEGISLATION		
<p>3. Changes in legislation</p> <p>Changes in legislation or regulations, whether national or international, can affect Castellum. For example, tax law changes, new regulations for banks, plan process management etc.</p>	<ul style="list-style-type: none"> • Monitor developments regarding laws, regulations, praxis etc., within areas most essential to Castellum • Actively participate in public debate • Prepare Castellum for new legislation • Frequent renegotiation of credit agreements • Broaden the funding base through multiple sources of funding and financiers 	<p>PRIORITY: FOCUS DEVELOPMENT: ↑</p> <p>Changes in legislation may affect future investment opportunities, or lead to increased expenses, resulting in reduced future returns. New banking legislation may affect access to financing, cost of borrowed capital – and might trigger credit clauses that would lead to higher financing costs. Changes in tax rates and tax legislation – such as proposals regarding interest-deduction limitations, new regulations concerning tax depreciation and the prohibition for “bundling” of properties – may affect Castellum's future tax expenses.</p>
PRIORITY: FOCUS DEVELOPMENT: ↔		
<p>4. Regulatory compliance</p> <p>Lack of compliance could lead to financial losses, supervisory sanctions, loss of reputation, and – worst-case – to delisting.</p> <p>Some regulations are open to interpretation – (IFRS), which means that Castellum and a possible regulations supervisor may have different opinions.</p>	<ul style="list-style-type: none"> • A corporate culture based on high ethical ideals • Strict internal control processes with several levels of quality assurance • Code of conduct • Competent and responsible employees • Closely following the development of legislation, praxis, court orders etc. • A compliance function, reporting directly to the Audit and Finance Committee • A whistle-blower function 	<p>It is crucial to the Group's long-term success that Castellum's operations are conducted in a responsible manner. Our business and our ability to continue to create value are based on the relationships between employees, customers, partners, investors, authorities etc. A sound relationship is based on trust, and Castellum will be worthy of trust. Together, all employees create the image of Castellum through our behaviour and what we communicate to others.</p>

REAL ESTATE PORTFOLIO

Real estate portfolio risks are risks associated with the ownership of Castellum's real estate portfolio, which in turn can be divided into risks concerning the composition of the portfolio, investments and changes in property value.

RISK	RISK MANAGEMENT	EXPOSURE
COMPOSITION OF THE REAL ESTATE PORTFOLIO		PRIORITY: MONITOR DEVELOPMENT: ↓
5. Composition of the real estate portfolio The composition of the portfolio can be affected at two levels: unfavourable geographical distribution – which means that Castellum owns properties in the wrong submarket, community or location with respect to, for example, future growth and current urbanization trend, – or: owning obsolete properties – i.e. a real estate portfolio that is not future-proof with regard to customer preferences, technical requirements, micro-location – or flexibility in usage and condition of contracts.	<ul style="list-style-type: none"> Macro analysis – regular reviews of submarkets regarding economic growth, rental market, cooperative climate, infrastructure investments, etc. Annual review of the real estate portfolio regarding geographic exposure and property type The Board's adoption of an annual strategy document 	Castellum's real estate portfolio is located in twenty cities. Currently, all locations are assessed as having the right conditions for continued holding or investments. Moreover, during 2014 and 2016, major transactions took place with the aim of creating better conditions for future cash flow growth. The Group's real estate portfolio in the commercial real estate segment is distributed across office, warehouse and logistics. All segments are linked to growth possibilities.
6. Obsolete product/property		PRIORITY: MONITOR DEVELOPMENT: ↓
A non- "future-proof" real estate portfolio may become obsolete due to customer preferences, technical requirements, micro-location or to flexibility in usage and condition of contracts. It entails a risk of increased vacancies and a decline in value as a result. Alternatively, large investment commitments.	<ul style="list-style-type: none"> Follow the rental market and its development/supply "Trend spotting" Be close to customers to understand not only the needs of today but also those of tomorrow Follow infrastructure investments Participate actively in developing the area/submarket Follow the development of technology Ongoing investments in existing portfolio to "upgrade" and sell properties that are not deemed "right" from a future perspective. 	Castellum annually invests approx. SEK 4.5 billion, evenly distributed in a normal year between acquisitions, new constructions, extensions and reconstructions. In addition, the Group sells real estate for about SEK 0.5 billion a year when it is commercially justified.
7. Size – too big in a submarket/area		PRIORITY: REVIEW DEVELOPMENT: ↔
Becoming too big in a market segment or area may mean that the municipality or the outside world places higher demands on Castellum, for example: that the company has to take overall financial responsibility for an area regarding infrastructure etc.	<ul style="list-style-type: none"> To be among the top three in each respective submarket Follow market share, which is considered in the adopted investment strategy Conduct annual analysis of the next three years to ascertain available growth opportunities 	The real estate portfolio is concentrated to selected submarkets, which are all considered stable, possessing favourable prospects for long-term positive development.

Sensitivity analysis – cash flow

Effect on income next 12 months

	Effect on income, SEKm		Probable scenario	
	+/- 1% (units)		Boom.	Recession.
Rental level / Index	+ 52/- 52		+	-
Vacancies	+ 58/- 58		+	-
Property costs	- 16/+ 16		-	0
Interest costs	- 69/- 94*		0	-

* Due to inter alia the interest-rate floor in credit agreements, Castellum is not able to take full advantage of negative interest rates. This results in a negative outcome, even for a one-percentage-point reduction of the interest rate.

Sensitivity analysis – change in value

Properties	-20%	-10%	0	+10%	+20%
Changes in value, SEKm	- 16,216	- 8,108	-	8,108	16,216
Loan to value ratio	59%	52%	47%	43%	39%

Value range – simplified example

		Net Operation Income	
		- 5%	+5%
Yield	+0.5%	$\frac{95}{7.5\%} = 1,267$	$\frac{105}{7.5\%} = 1,400$
	-11%	Net operating income $\frac{100}{7.0\%} = 1,429$ Value Yield	
	+2%		- 2%
	-0.5%	$\frac{95}{6.5\%} = 1,462$	$\frac{105}{6.5\%} = 1,615$
			+13%

Blue figures relate to change in value.

RISK	RISK MANAGEMENT	EXPOSURE
<p>INVESTMENTS</p> <p>8. Investments Erroneous investment strategy or, alternatively: inability to execute the selected investment strategy or to find profitable investment projects. Investments can be made either in the form of new constructions, extensions and reconstructions, or via acquisitions. Acquisitions of individual properties can be carried out directly as property acquisition, or indirectly in corporate form. Acquisitions may also be made on a larger scale, either in the form of portfolios for regions or category of properties, or in the form of strategic acquisitions of corporations, i.e. the purchase of an existing organization.</p>	<ul style="list-style-type: none"> ▪ Annual review and evaluation of the adopted investment strategy ▪ Link investment decisions to the adopted investment strategy to ensure the optimal decision is made ▪ Several parallel investment discussions ongoing simultaneously ▪ Post-investment follow-ups after three years ▪ Risk-based model to determine the proportion of projects that may commence without ready customers ▪ A structured decision-making process which analyzes market conditions and risks ▪ Contract form that limits risk ▪ Leasing agreements designed to limit the negative impact of unforeseen construction delays, additional requirements, etc. when leasing before construction starts ▪ Quality assurance and evaluation of implemented projects ▪ Quality assured due diligence process concerning legal, financial and tax issues ▪ Introduction program for new employees 	<p>PRIORITY: FOCUS DEVELOPMENT: </p> <p>Low-yield investments and/or lack of growth potential mean that the 10% income-growth objective for property management will not be achieved. Further, yearly net investments constitute a prerequisite for reaching the growth target, which in a highly competitive real estate market means increased risk that the investment strategy can't be carried out.</p> <p>The risks associated with new constructions, extensions and reconstructions concern both technology issues in the form of construction risks – such as selecting suppliers, contract type, technical execution, etc. – and market issues in the form of rental and vacancy risks as well as miscalculations regarding potential rental level and customer requirements. In addition, there are risks in the form of negative environmental impact. Acquisitions via corporations also involve corporate-specific risks pertaining to the acquired companies, for example, taxes, litigations and environmental issues. Furthermore, the task of employee integration often accompanies the transfer of employees.</p>
<p>9. Strategic acquisitions Strategic acquisitions can be performed to obtain various advantages, but can also carry risks such as difficulties integrating operations and employees, a risk that management's attention is drawn away from other important business issues, risks with a potentially new market that the acquirer has limited or no experience of, expenditures for any unknown or potential legal liabilities in the acquired company, as well as an overly expensive acquisition.</p>	<ul style="list-style-type: none"> ▪ Due diligence ▪ Thorough planning and structured processes to incorporate a new company ▪ Identify in advance the skills and market awareness needed ▪ Identify key figures in well in advance ▪ Access to the market's best advisors 	<p>PRIORITY: FOCUS DEVELOPMENT: </p> <p>Castellum has effective processes and skills (directly or indirectly via advisors) required for major strategic acquisitions.</p> <p>The acquisition of Norrporten 2016 resulted in an integration process between the two company cultures.</p>
<p>CHANGES IN PROPERTY VALUE</p> <p>10. Changes in value - real estate Value changes can occur due to macroeconomic factors (see section above, on macroeconomic risks), microeconomic factors (usually the wrong submarket, district or location), or property-specific causes. In addition, there is also the risk of individual properties being incorrectly assessed. Whatever the reason, value changes affect both income statement and Castellum's financial position including loan to value ratio.</p>	<ul style="list-style-type: none"> ▪ Strong balance sheet ▪ A large number of properties, a geographically diversified real estate portfolio and great variation in lease agreements – concerted actions which result in lower volatility of the real estate portfolio value ▪ Continuous analysis of the transaction market and quarterly reviews of the valuation of the real estate portfolio help detect early warning signs ▪ Internal quality assurance and internal control of internal valuations ▪ Annual external valuation of at least 50% of the portfolio 	<p>PRIORITY: FOCUS DEVELOPMENT: </p> <p>Large negative value changes can ultimately lead to the breaking of agreed terms and terminating credit agreements, thus resulting in higher borrowing costs, or – worst-case scenario – in utilized credits falling due for payment.</p>

MANAGEMENT

Property-management risks refer to risks connected with day-to-day management of Castellum's property portfolio, which can directly influence the balance sheet. These can be categorized as rental income, property costs, taxes, sustainability, liability risk and reporting.

RISK	RISK MANAGEMENT	EXPOSURE
RENTAL INCOME		
PRIORITY: MONITOR DEVELOPMENT: 		
<p>11. Rental income</p> <p>Rental income is affected by many factors, both external and internal. External factors may include falling market rents, loss of indexation and bankruptcy (see section above on macro-economic risks). Poor management can result in disgruntled tenants, unnecessary vacancies and customer loss caused by inability to offer customers what they want.</p>	<ul style="list-style-type: none"> • Maintain properties in growth areas and a contract portfolio with a large number of agreements – not dependent on a single tenant or business sector. Ensure a maturity structure spread over time • Proximity to customers and attentiveness to customers • Experienced and competent management and leasing staff who prevent notices of termination through active renegotiations before contract expiry • Competitor analysis; measure customer satisfaction and follow-up of net leasing • Strive for leases with an index clause with deflation protection and minimum indexation 	<p>For Castellum, reduced income can be derived from lower rental value, i.e. loss of potential rent obtained from vacant premises, or from lower rental income, which is the actual rent received. Rental income is hence dependent on both the market rent of the property and on how Castellum handles vacancies. Reduced rental income ultimately leads to a decline in the value of the real estate portfolio.</p> <p>The acquisition of Norrporten 2016 results in a lower risk distribution in the contract portfolio due to a large proportion of public tenants as state, government and agencies and extended average lease length on the contracts.</p>
PRIORITY: FOCUS DEVELOPMENT: 		
<p>12. Disgruntled customers/tenants</p> <p>The risk that several tenants or customers become disgruntled and leave the Group.</p> <p>The ability to attract new customers/tenants fails, with large vacancies and value decline as a result.</p>	<ul style="list-style-type: none"> • Proximity to customers and attentiveness to customers • Experienced and competent management and leasing staff • Annual measurement, Customer Satisfaction Index 	<p>Castellum has a strong and clear customer focus, and it is important that the Group lives up to customer expectations. Hence, an annual Customer Satisfaction Index measurement is carried out.</p>
PROPERTY COSTS		
PRIORITY: REVIEW DEVELOPMENT: 		
<p>13. Property costs</p> <p>Risks concerning property costs mainly relate to cost increases beyond what Castellum can be compensated for through contractual rents, indexation and surcharge. It can also refer to unforeseen costs and extensive renovation needs.</p>	<ul style="list-style-type: none"> • High percentage of cost recharging • Compensation via minimum indexation • Continuous optimization of operations and efficiency efforts • Electricity hedging • Demarcation list landlord/tenant • Prevention of rental losses via background checks on customers and operating an "in-house" debt collecting business • Long-term maintenance planning, in order to optimize maintenance costs over time 	<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 ground rent levels 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>
TAX		
PRIORITY: REVIEW DEVELOPMENT: 		
<p>14. Tax</p> <p>Castellum's potential non-compliance with existing regulations or non-adaptation to changing regulations regarding income tax and VAT. Tax is also an important parameter in the context of calculation.</p>	<ul style="list-style-type: none"> • Strict internal control processes and external quality assurance of, for example, income tax returns • Open claims regarding doubtful items • Continuous training of employees • Closely following the development of legislation, praxis and court orders 	<p>Incorrect tax management might lead to erroneous tax being paid, to tax penalties and, in some cases, to qualified opinion. Poor fiscal management may lead either to an overestimation of the return – which means insufficient actual return. Or it could lead to an underestimation of the return, with the risk of a fundamentally profitable investment not being implemented.</p>

RISK	RISK MANAGEMENT	EXPOSURE
SUSTAINABILITY		
PRIORITY: FOCUS DEVELOPMENT: ↑		
<p>15. Operational environmental risks</p> <p>Environmental risks directly related to Castellum activities can include physical environments, which affect people and properties, as well as prevailing prices for natural resources, in terms of materials and energy. Castellum estimates that risks related to increased commodity prices due to potential resource shortages will increase in the long term. For new construction, extensions and reconstruction there is also a risk that the materials and methods in current use could subsequently prove to cause damage in the future. In addition, Castellum might be affected by uncontrollable variables, in the form of specific environmental policies and environmental opinion.</p>	<ul style="list-style-type: none"> • Environmentally certify all new constructions • Develop green relationships with customers • Demand more efficient use of resources • Prioritize environmental issues in all parts of the business • Monitor developments in laws and regulations 	<p>Inadequate efforts in working with environmental risks could affect Castellum's brand, legal compliance, and direct costs. Castellum works actively with environmental certification and environmental inventory to reduce environmental, climate and health risks. 29% of the real estate portfolio is certified and 82% has undergone environmental inventory. Efficient management - with a focus on decreased use of resources - reduces the risk of high cost, and environmental and health impacts, as well as providing customers with a healthy working environment. Since 2007, energy consumption has been reduced by 27% and carbon dioxide emissions by 78%.</p>
PRIORITY: MONITOR DEVELOPMENT: ↔		
<p>16. Risks attributable to climate change</p> <p>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, increased water levels, and changes in other physical environments that affect real estate. Castellum assesses these risks as potentially increasing in the long run. This could mean increased investment requirements for properties located in vulnerable areas, to prevent physical entities from becoming obsolete. In addition, environmental policy decisions might affect Castellum, not least 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, when assessing a property's sensitivity to climate change • All new constructions will be environmentally certified • Prioritize environmental issues in all parts of the business • Monitor developments in laws and regulations 	<p>Inadequate efforts in analyzing climate risks can lead to unforeseen and extensive costs for Castellum in the form of emergency measures or obsolete properties. Castellum is currently reviewing every investment issue from a climate perspective; we also work with environmental certification to reduce climate risks.</p>
PRIORITY: FOCUS DEVELOPMENT: ↑		
<p>17. Violation of Code of Conduct</p> <p>For a major player in the construction and real estate industry, there are risks pertaining to working environment, corruption, and human rights. These risks can be found within the company, but also with retained suppliers and partners working on behalf of Castellum. This social responsibility risk can cause significant damage to Castellum's operations and brand name.</p>	<ul style="list-style-type: none"> • Compulsory training for Castellum employees on the internal code of conduct • Castellum's Code of Conduct for suppliers to be incorporated into contracts • Compliance function to work systematically with follow-up and management • Whistleblower function • Compliance with standard procedures and documentation requirements 	<p>There is some risk that a breach in code of conduct may exist internally as well as with hired suppliers and partners. Through well-integrated codes of conduct in the form of procurement requirements, mandatory training for all Castellum employees, an active compliance function and a whistleblower function, risk of violation is considered low.</p>
LIABILITY RISKS		
PRIORITY: MONITOR DEVELOPMENT: ↔		
<p>18. Liability risks</p> <p>All ownerships entail responsibility. For Castellum's part, the properties may be destroyed by fire, water, theft or other damage. Moreover, Castellum may - through negligence - cause damage to a person or to the property of another. The Company might also cause environmental damage for which it will become liable.</p>	<ul style="list-style-type: none"> • Preventive measures to minimize the risk of damage to property, person or environment • All properties will be covered by full value insurance • Subscribe to an insurance which covers liability and other economic losses • Environmental inventory of existing portfolio and when acquiring new properties in order to identify and address environmental and health risks 	<p>Inadequate insurance coverage may result in unforeseen costs for Castellum. Liability and compensation for damage might also arise due to personal injury and third-party property damage, as well as for remediation of environmental damage.</p>
REPORTING		
PRIORITY: FOCUS DEVELOPMENT: ↓		
<p>19. Reporting</p> <p>The risk of an official report, in the form of interim reports or financial statements, which do 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 • Close internal control with quality assurance at several levels • Skilled and experienced staff • Updated on development of regulations and able to implement changes in good time • A compliance function which reports directly to the Board's Audit and Finance Committee • External audit full-year and half-year 	<p>A misleading report would lead to bad will and a negative reputation in the market. This may lead to uncertainty among investors, increased risk premium and, ultimately, to a negative exchange rate impact, creating economic losses for Castellum's current owners. Other effects include: investors may make incorrect investment decisions, regulators may exercise sanctions and, ultimately, the Castellum share may become delisted.</p>

EMPLOYEES

To recruit, develop and retain motivated and engaged employees is crucial to Castellum's long-term success.

RISK	RISK MANAGEMENT	EXPOSURE
EMPLOYEES		
PRIORITY: MONITOR DEVELOPMENT: ↓		
<p>20. Employees</p> <p>Employees are one of our most important assets – their decisions and actions run the business. The largest risk is to fail to recruit, develop and retain employees and senior executives with the right skills, which may lead to underachievement at Castellum.</p>	<ul style="list-style-type: none"> • Castellum's common value-system • Open and transparent work environment • Skills and leadership development • Employee Satisfaction Survey (NMI) • Succession plan for key employees/management positions • Market and competitive remuneration • Analysis of employee turnover 	<p>Bad hires in the wrong place, disgruntled employees, poor leadership and an organization that fails to encourage open dialogue and stimulate development can lead to employees being discontented, underperforming or quitting. In turn, dissatisfied employees and high employee turnover lead to increased costs, poorer customer relations, reduced internal efficiency and – ultimately – to lower profitability.</p> <p>Castellum is in a process of change with both reorganization and a integration of Norrporten in progress.</p>

FINANCING

Castellum's single greatest risk is not to have access to financing. Lending conditions, as well as credit market rules can change quickly, thus affecting Castellum's interest rate risks, financial costs and ability to extend existing credit agreements and sign new ones.

RISK	RISK MANAGEMENT	EXPOSURE
FINANCING		
PRIORITY: FOCUS DEVELOPMENT: ↔		
<p>21. Financing</p> <p>Liquidity and financing risk: Financing is either not available or conditions are very unfavourable at a given time.</p> <p>Selected capital structure: Castellum violating the 55% limit for LTV or the covenant of 65% could affect the market's confidence in Castellum, with potential results:</p> <ul style="list-style-type: none"> – violating the 55% limit for LTV leads to more expensive financing costs for some contracts – violating the 65% limit for covenants means that they expire for a number of contracts <p>Interest rate risk: the risk that a change in market interest rate will affect income and cash flow. Castellum may violate the established mandate of an interest coverage ratio of no less than 200% or corresponding covenants of a minimum of 175%.</p>	<ul style="list-style-type: none"> • A finance policy defines that determines risk mandates • Liquidity reserves/unutilized credit facility • Multiple sources of financing (bank, MTN, commercial paper programs) • Several lenders, and only counterparties with high credit ratings • Continuous renegotiation of credit agreements • Security through pledged mortgages • Strong balance sheet • An interest-rate maturity structure spread over different terms • Long-term credit agreements with fixed margins • Revolving loans in order to obtain maximum flexibility • Only marketable instruments used in the market, so that listed prices can be obtained • Established formulas for handling calculations • Reconciliation between internal and external valuations • A compliance function to ensure independence 	<p>Property ownership is a capital-intensive business that requires a well-functioning credit market. Access to finance is fundamental for Castellum and for continued growth. Insufficient liquidity reserves could result in Castellum missing out on business opportunities. Furthermore, all lenders are not equally strong financially, which means that counterparty risks are built into the system.</p> <p>Changes in capital structure might cause Castellum to violate the agreed-upon financial key ratios of the loan conditions, which would lead to more expensive loans or to credit agreements maturing. In addition, confidence in Castellum within the capital market could be negatively affected by not ensuring an appropriate capital structure.</p> <p>The market interest rate is affected by the Riksbank's monetary policy, expectations of economic development – nationally as well as internationally – and other unforeseen events.</p> <p>The acquisition of Norrporten means a significantly larger credit portfolio, and thereby a increased refinancing risk.</p>
PRIORITY: MONITOR DEVELOPMENT: ↔		
<p>22. Changes in value – derivatives</p> <p>Changes in value of Castellum's interest-rate derivatives or currency derivatives arising from changes in market interest rate or from the exchange rates between SEK/DKK.</p>	<ul style="list-style-type: none"> • A financial policy regarding fixed interest terms and currency risks • Marketable instruments – exclusively – used in the market, so that listed prices can be obtained • Established formulas for handling calculations • Reconciliation between internal and external valuations • A compliance function to ensure independence 	<p>Changes in market interest rate and exchange rates affect the market value of the derivatives portfolio. Improper valuation of derivatives may provide an inaccurate picture of the Group's financial position.</p>



Corporate Governance Report

Sound corporate governance is the foundation for a trusting relationship with shareholders and other key stakeholders. Sound corporate governance is the foundation for a company to be managed sustainably and responsibly – as well as efficiently and effectively. It requires compliance with legislation, rules and good practice, but also has to be tailored to Castellum’s business operations.

Chairman of the Board's comment

This time a year ago, we could look back on a period of accelerated repositioning of Castellum's real estate portfolio, which culminated in the acquisition of Norrporten in April 2016.

In times of urbanization, technology-driven changes in customer behavior, and new business models, we – as Castellum's Board of Directors – have the responsibility to inspire management and other employees to a high pace of business where we see change as a possibility. The real estate industry is by definition local. Compared with most other products and services in the business world, it has historically been protected by barriers to entry, a traditional view on supply and product, and international competition. However, our customers – the tenants – reflect a cross-section of society and operate in a fast-paced world of dissolved value chains, business models and patterns of behaviour. Some customers are growing fast, whereas others are busy optimizing and streamlining their operations. For many, a series of transformational shifts occur in parallel. Castellum's task is to understand and contribute to the success of our customers – regardless of their everyday business lives and strategic challenges.

Transformation for a future-proof real estate portfolio

A few years ago, we came to the agreed-upon conclusion that Castellum's real estate portfolio was not future-proof to the necessary extent, to assure creation of healthy and sustainable growth in shareholder value over longer periods. We've now reached a position where our portfolio is very well adapted, featuring locations and products where Sweden and Denmark are growing.

Our transformation has been striking. During the four-year period until the start of 2017:

- Acquisitions amounting to SEK 35 billion were made – adding approximately as much as the entire portfolio was worth at the beginning of the period,
- Assets totaling SEK 12 billion were sold,
- Properties adding up to SEK 8 billion were enhanced through project development.

Keeping this pace, we entered 2017 with a property value of SEK 71 billion. The recently completed year of 2017 was characterized by continued high activity, and property values amounts to SEK 81 billion. Through its size, Castellum has become an increasingly complex business. The demands on the Board in terms of time and commitment are increasing at the same rate. During the year we've had 11 Board meetings, 4 meetings in the Audit and Finance Committee and 4 meetings in the Remuneration Committee.



A more efficient Castellum

Consolidation and integration have been key motives in 2017. Following major portfolio changes and business acquisitions, it has been important to look over organizational structure, staffing and governance models to ensure future growth, cost-effectiveness and continued sound risk management. Castellum's Executive Group Management pushed for a change in those areas that offered economies of scale. Improved quality through coordination has been centralized, while the local decision-making power close to customers has been strengthened. A new business system was implemented both on time and on budget. This is an achievement in itself, and more so during a period of profound change. The complex legal structure – characteristic of real estate companies where individual properties are often owned by separate corporate bodies – was simplified through a fusion and merger process. This was the final element of the Castellum-Norrporten integration. The Audit and Finance Committee closely followed and evaluated this process of change. Another important area for the Committee was project management and control, which our auditors also reviewed. Project development can offer higher returns, but also other risks, than property management.

Investments create tomorrow's Castellum

The Board makes all the decisions on acquisitions, investment in project development, and sales over > SEKm 50 are standing items on the agenda for all Board meetings. We encourage and support Executive Group Management in looking for business opportunities, but we also to have the courage to say 'no' to business deals as well as property sales that generate solid shorter-term cash flow but pose an increased risk in the long run. Investment activities constitute the single most important balancing act for the Board to deal with – the equation between desired return and risk level.

MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM



Over the past few years, our ambition has been to increase the flow of investments developed by Castellum. In that spirit, Castellum entered the stage as one of Sweden's leading real estate developers with a project portfolio the size of SEK 4.8 billion. We can and want to build next-generation societies and have become a partner to municipalities and other community-building stakeholders who value a long-term focus combined with investment capacity and financial strength.

The portfolio relocation and the accelerated business pace, combined with the power in gathering all our activities under one brand – Castellum – has resulted in a position where Castellum is approached and given the opportunity to consider more and more business propositions. These can refer to individual properties or portfolios as well as to major strategic initiatives. In a European and Nordic industry undergoing consolidation, this position creates great opportunities.

Overall, the Board handled 24 investment issues during the year.

An innovation culture requires long-term talent supply

The business pace and innovation culture also offer positive development opportunities for our employees. Hence, we're laying the foundation for the company's long-term talent supply and multi-level succession planning – both for specialists and leaders. These are issues that the Board discusses on a regular basis and where we see the potential for further professionalization. During the year – in accordance with the “grandmother principle” – we've also participated in the CEO's recruitment of two new regional CEOs.

Evaluation of Board work

The Board has been evaluated during the year; this time with the aid of an external expert and the same advisor as two years ago. The purpose is twofold.

First, the evaluation and its conclusions formed a valuable starting point for the work of the Election Committee prior to the AGM in 2018. Castellum has a widespread ownership structure with many international shareholders, and never before have any owners representatives participated in Castellum's Election Committee. Three institutions – two Dutch and one Swedish, all representing long-term pension capital – were given a flying start for analysis and discussion through the extensive evaluation supplemented by individual talks with Board members.

Second, and crucial from my own perspective, this type of evaluation offers a diagnosis of how we as a board act in absolute terms, but also how we rank in relation to other boards in a number of dimensions. In short, we have well-functioning board activities and processes where individual members, representing many more dimensions in addition to gender diversity, prioritize Castellum and happily

contribute with their commitment and time beyond what is expected in their role as board members. We often have different approaches and I'm particularly pleased with testimonies of the open discussion climate. I'm convinced that this leads to better informed decisions. It also makes the Chairman's role – with the associated task of reconciling viewpoints into clear guidelines for Group management – more challenging, but also much more inspiring.

Utilizing the evaluation and Board discussions as a basis, we set objectives for the Board assignment which are then followed up during the year. The positive outcome of the external evaluation in relation to an average for other boards also reflects the excellent tandem work with CEO Henrik Saxborn and his co-workers. The Board of Directors and Executive Group Management have – as they should – different roles, but we have the common task of creating long-term shareholder value for Castellum's owners. We play on the same team. However, management's main task is executive whereas the Board's tasks include executing assigned control tasks, while – equally important – challenging and supporting management in business-related development issues in short-term and even more important long-term.

Continued world-class sustainability work

Let me conclude by returning to the main topic of these pages in last year's Annual Report, namely Sustainability. Responsible business practices are deeply rooted in Castellum's DNA, and the first measurable targets were set as early as 1995. Over the years, the number of target areas have increased, and during the past year, the board decided on a sustainability strategy with measurable targets extending to 2030. The strategy is based on the UN's global sustainability goals and forms an integral part of Castellum operations.

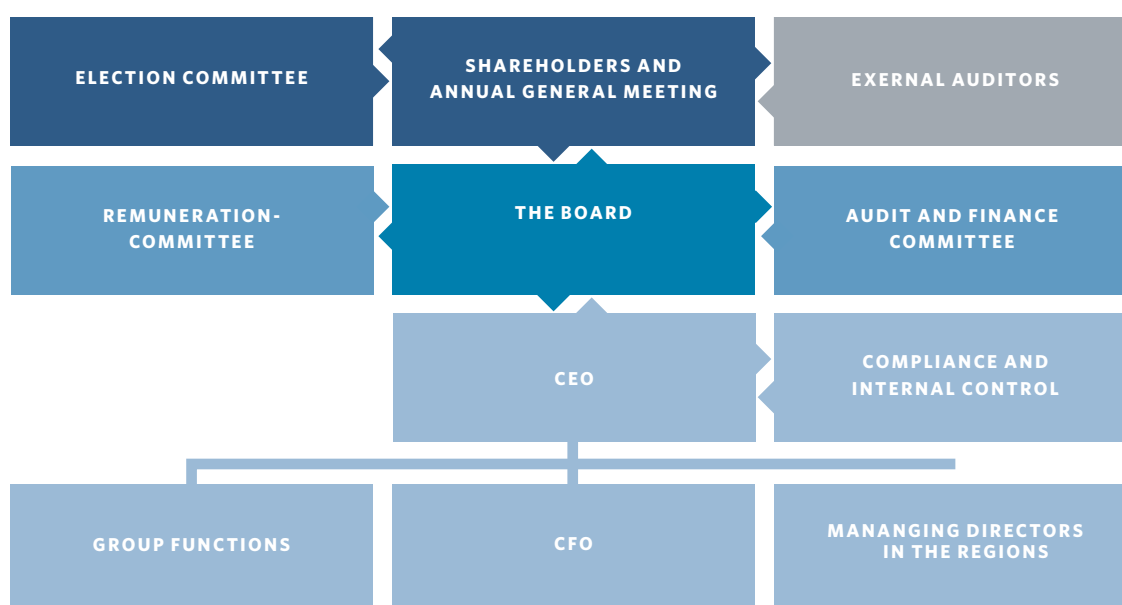
In 2017, just as in 2016, Castellum received confirmation in the form of several international awards. We're especially proud of being the only Nordic company in our sector, and one of only seven Swedish listed companies, to be included in the Dow Jones Sustainability Index. Read more on page 7.

In summary, Castellum has taken on leadership in the construction and real estate sector not only in Sweden but on the global arena – a position that we are determined to defend by continuous improvements and raised targets. Sustainability aspects are constantly present and topical in Castellum's boardroom. Our conviction is that business practices directed towards sustainability goals create increased profitability, both short-term and long-term. In short: it's a shortcut to our financial goals and consequently, to shareholder value.

Stockholm January 2018

Charlotte Strömberg
Chairman of the Board

Overall structure for Corporate Governance



The Swedish Code for Corporate Governance

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

The Code is managed by the Swedish Corporate Governance Board and is found at www.bolagsstyrning.se, where the Swedish model for corporate governance is also described. The model above describes the overall structure of corporate governance at Castellum AB (publ).

Observance of the Code

Castellum applies the Code with the purpose of creating favourable preconditions for taking on the role of active and responsible ownership. It is crucial that the company acts responsibly to fulfill strategies and create long-term value.

According to Board appraisal, Castellum has followed the Code in all respects during 2017 and has no deviation to report or explain.

Shareholders and Annual General Meeting

Castellum AB (publ) is a Swedish public company governed by the Swedish Companies Act, the Nasdaq Stockholm rules for issuers, the Swedish Code of Corporate Governance and the articles of association.

The Castellum share is traded on Nasdaq Stockholm Large Cap. At year-end 2017, Castellum had approx. 38,000 shareholders. Of the total share

capital, 50% was owned primarily by Swedish institutions, funds and private persons and 50% was owned by foreign investors. Castellum has no directly registered shareholder with holdings exceeding 10%.

The share capital amounts to SEK 136,600,583 distributed among 273,201,166 shares with a par 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 AGM is Castellum's supreme decision-making body, where shareholders have the right to make decisions about the Group's affairs, including the appointment of a Board of Directors and auditors.

The AGM is held in Gothenburg during the first half-year after the end of the financial year. The Annual General Meeting elects the Board of Directors and the company's auditors as well as making decisions on changes in the articles of association and on changes in the share capital.

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

MAJOR EXTERNAL REGULATIONS

- Swedish Companies Act
- Rules for issuers at Nasdaq Stockholm
- Swedish Code of Corporate Governance
- IFRS standards
- EU's accounting regulation
- Global Compact

IMPORTANT INTERNAL REGULATIONS

- Articles of Association
- Board of Directors' rules of procedures
- Resolutions procedure
- Policy regarding the composition of Board, signers for the company, authorization
- Rules of procedure in the subsidiary boards
- Policies for communication, finance, insider, sustainability, Code of Conduct, Code of conduct for suppliers and Crisis Management.
- Manuals and guidelines for important parts of the business
- Processes for internal control and risk management

ARTICLES OF ASSOCIATION

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

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

ANNUAL GENERAL MEETING 2018

For the AGM on March 22, 2018 the Board of Directors proposes;

- a dividend of SEK 5.30 per share, distributed to the shareholders in two equal payments of SEK 2.65 per share. The first record day for distribution is proposed to be March 26, 2018 and the second record day for distribution is proposed to be September 24, 2018.

The election committee proposes for the AGM;

- re-election of the present Board members Mrs. Charlotte Strömberg, Mr. Per Berggren, Mrs. Anna-Karin Hatt, Mr. Christer Jacobson, Mrs. Christina Karlsson Kazeem, Mrs. Nina Linander and Mr. Johan Skoglund, as members of the Board of Directors. Mrs. Charlotte Strömberg is proposed to be re-elected as Chairman of the Board of Directors.
- that remuneration to the Board of Directors is proposed to be the following.
 - The Chairman of the Board of Directors: SEK 850,000,
 - to each of the other members of the Board of Directors: SEK 370,000,
 - member of the Remuneration Committee, including the Chairman: SEK 50,000,
 - Chairman of the Audit and Finance Committee: SEK 150,000,
 - to each of the other members of the Board of Directors' Audit and Finance Committee: SEK 75,000.

The proposed total remuneration to the members of the Board of Directors, including remuneration for committee work, accordingly amounts to SEK 3,520,000.

- electing Deloitte as auditor. Deloitte has announced that the current authorised auditor in the company, Hans Warén, will be the main responsible auditor at Deloitte,
- for AGM to decide on appointing a new Election Committee for the AGM 2019 and for the Chairman of the Board of Directors to contact the three largest ownership registered or otherwise known shareholders as per the last share trading day in August 2018 and invite them each to appoint one member, and that the three members appointed constitute, together with the Chairman of the Board of Directors, the Election Committee. The Election Committee appoints a Chairman amongst its members.

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

Annual General Meeting 2017

The latest AGM was held on March 23, 2017, in RunAn, Chalmers Kårhus, Chalmersplatsen 1, in Gothenburg. At the AGM, 601 shareholders were represented, representing 51.5% of the total number of shares and 51.5% of the votes. All members of the Board and the company's auditors and deputy auditor were present at the AGM. The AGM adopted the financial reports for 2016 and discharged the Board of Directors and the Chief Executive Officer from liability regarding operations for 2016.

At the AGM on March 23, 2017, the following was decided upon;

- a dividend of SEK 5.00 per share for the fiscal year 2016, divided into two equal payouts (March and September, respectively) of SEK 2.50 per share,
- amendment of articles of association,
- that remuneration to the members of the Board of Directors shall be SEK 3,215,000, of which SEK 825,000 should be allocated to the Chairman of the Board of Directors and SEK 350,000 to each other Board member. Remuneration for work in the Remuneration Committee should be SEK 30,000 to each member, Chairman included. Remuneration to the Chairman of the Audit and Finance Committee is to be SEK 100,000 and SEK 50,000 to the remaining members,
- re-election of current Board members Charlotte Strömberg, Per Berggren, Anna-Karin Hatt, Christer Jacobson, Nina Linander, Johan Skoglund and Christina Karlsson Kazeem. Charlotte Strömberg was re-elected as Chairman of the Board of Directors,
- election of Deloitte as auditor. Certified Public Auditor Hans Warén is Castellum's chief auditor,
- approval of the proposed guidelines for remuneration to members of the executive management,
- authorization for the Board to decide upon adjustment the company's capital structure for transference of company-owned shares as payment or financing of real property investments – as well as to resolve the acquisition and transfer of company-owned shares.

Minutes of the Annual General Meeting held on March 23, 2017, are available on Castellum's website.

Election Committee

The 2017 Annual General Meeting decided that an Election Committee should be appointed for

the 2018 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; remuneration to members of the Board of Directors; as well as a model for appointing a new Election Committee for the 2019 AGM.

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

The Election Committee is appointed according to the AGM's decision that the Election Committee should be established by the Chairman of the Board of Directors. The Chairman will contact the three largest registered owners – or otherwise known shareholders as per the last share trading day in August – and invite them each to appoint one member. The three appointed members, along with the Chairman of the Board of Directors, constitute the Election Committee. The Election Committee appoints a chairman from among its members. The Election Committee for the 2018 AGM consists of Vincent Fokke, representing Stichting Pensioenfonds ABP; Torbjörn Olsson, representing Sjätte AP-fonden; Hans Op 't Veld, representing PGGM; and Charlotte Strömberg, Chairman of the Board of Directors of Castellum. Torbjörn Olsson is Chairman of the Election Committee.

Together, the members of the Election Committee represented approx. 14% of the total number of shares and votes in the company when its constitution was announced on September 20, 2017.

All members of the Election Committee have carefully considered and concluded that there is no conflict of interest in accepting the assignment as member of the Election Committee of Castellum. Six recorded meetings have been held by the Election Committee. In addition, the Election Committee has maintained contact via telephone and email.

The Election Committee has received a presentation from the Chairman of the Board concerning the results of the evaluation of the Board of Directors, and has thereto conducted interviews with a number of Board of Directors. The Election Committee has further taken note of the Audit and Finance Committee's recommendation to the Board of Directors regarding election of auditor.

The Election Committee has considered all tasks stated in the Code under the responsibility of the Election Committee. The Election Committee has discussed and considered, inter alia,

- to what extent the current Board of Directors fulfills the requirements that will be imposed on the Board of Directors as a result of Castellum's business and development phase,

- the size of the Board of Directors,
- the various areas of competence that are and should be represented on the Board of Directors,
- the composition of the Board of Directors with respect to experience, gender and background,
- remuneration to the members of the Board of Directors,
- questions relating to election of auditor and the auditor's fee,
- the model applied for the constellation of a new Election Committee for the Annual General Meeting in 2019.

The Election Committee has considered that the gender balance is to be maintained in the Board of Directors and that the Board is to be characterized by diversity and breadth regarding competence, experience and background. The Election Committee has applied rule 4.1 in the Swedish Corporate Governance Code as diversity policy when preparing the proposal regarding election of members of the Board of Directors. Finally, in order for the company to fulfill its information obligation to the shareholders, the Election Committee has informed the company on how the Election Committee has performed its tasks and on the proposals that the Election Committee presents.

The Election Committee considers that the members of the Board of Directors of Castellum are competent and have extensive experience regarding real estate matters in a broad sense, sustainability matters, infrastructure matters and city planning, capital market matters and financing matters, customer service and evolving customer behaviors, trend analysis, digital conversion, insight in transformation trends at both private and public players, as well as communication and marketing and board work in general. Therefore, the Election Committee considers that the current Board members together constitute a Board of Directors, demonstrating versatility and competence, experience and background required with respect to Castellum's business, development phase and other circumstances. The Election Committee's proposal implies that four out of seven Board members of the company will be women. Considering the above, the Election Committee proposes that all current members of the Board of Directors are to be re-elected.

Auditors

The auditor is appointed by the AGM and is an independent reviewer of Castellum's accounting and corporate governance report, sustainability report and report on green MTNs and also reviews the Board and the CEO. Castellum's auditor Deloitte was elected by the AGM for a period of one year, until the end of the 2018 AGM. The company's chief auditor is certified auditor

Hans Warén.

Remuneration to auditors

Thousand SEK	2017	2016	2015
Audit assignment	2,978	1,820	2,003
Audit business in addition to the audit assignment	932	1,781	365
Other consulting	170	65	106
Total	4,080	3,666	2,474
of which Deloitte	4,080	3,516	2,324
of which EY	-	150	150

The Board

The shareholders appoint the Board at each Annual General Meeting. The Board has the overall responsibility for Castellum strategy and organization and manages Castellum affairs on behalf of the shareholders. According to the articles of association, Castellum's Board will consist of no less than four and no more than eight members. Board members are elected at the AGM and will hold office from their appointment until the conclusion of the first AGM following their appointment.

For 2017, the Board was made up of seven regular members. The Board works according to a set of procedural rules containing instructions on the allocation of work between the Board and the CEO. No Board member is entitled to remuneration upon leaving the assignment.

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

For Board decisions, the rules of the Companies Act apply, stating that at least half of the Board members present and more than one third of the total number of Board members must vote in order for a decision to be made. On equal count the Chairman has the deciding vote.

The Board's work is governed by the Swedish Companies Act, Articles of Association, the Code and the Board's rules of procedure.

Board of Directors - responsibility

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 and monitoring the company's overall strategies,
- outlining overall, long-term strategies and objectives, budgets and business plans,
- establishing guidelines to ensure that the company's operations create value in the long term,
- reviewing and establishing the accounts,
- examining the auditors' conclusions of the audit, the audit report and the way in which the audit contributed to the reliability of the financial reporting, as well as examining the auditors'

CASTELLUM'S AUDITOR



HANS WARÉN

Born 1964

Authorized Public Accountant at Deloitte is Castellum's main responsible Auditor. Deloitte was elected as Auditors for a one year period until the end of the Annual General Meeting 2018.

REMUNERATION COMMITTEE

Remuneration Committee consists of three members. Chairman Charlotte Strömberg, Per Berggren and Anna-Karin Hatt.

Main tasks for the Remuneration Committee:

- Guidelines for remuneration principles
- Remuneration to the Executive Management
- Incentive program
- Evaluation of the CEO
- Preparation of recruitments to the executive management and succession matters
- Preparation of matters regarding talent pool and broadening of management within the group
- Targets regarding gender equality and diversity matters

AUDIT AND FINANCE COMMITTEE

Audit and Finance Committee consists of three members. Chairman Nina Linander and the members Johan Skoglund and Charlotte Strömberg.

Main tasks of the Audit and Finance Committee:

- Financial reporting
- Financing and capital structure
- Investment cases and evaluation
- Risk management and compliance
- The observance of regulations
- Audit
- Policies
- Specialization in business related areas
- Internal control

review of the half-year report,

- making decisions on issues regarding investments and sales,
- capital structure and distribution policy,
- developing the Group's policies,
- ensuring that control systems exist for monitoring that policies and guidelines are observed,
- ensuring that there are systems for monitoring and controlling the company's operations and risks,
- significant changes in Castellum's organization and operations,
- appointing the company's Chief Executive Officer and setting remuneration and other terms of employment benefits for the CEO.

Each member is to act independently and with integrity and ensure that the interest of the company and all shareholders is protected.

A description of the Board's year is presented below.

The Board of Directors - rules of procedure

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

The rules of procedure also prescribe that the Board will have an Auditing and Finance Committee as well as a Remuneration Committee. The committees review and prepare recommendations to the Board on various matters. Members of the

committees are appointed yearly. The Chairman of the Remuneration Committee should be the Chairman of the Board of Directors, whereas the Chairman of the Audit and Finance Committee shall not be the Chairman of the Board, it shall be another Board member, appointed by the Board.

The Chairman of the Board of Directors

The Chairman of the Board of Directors is responsible for making sure that the members of the Board regularly receive required information from the Chief Executive Officer. This is in order to follow up on the company's financial position, results, liquidity, financial planning and development. The Chairman of the Board of Directors is also obliged to fulfil decisions made by the Annual General Meeting regarding establishment of an Election Committee and to participate in the work of the committee.

The Board of Directors - activities during 2017

In 2017, Castellum's Board held 11 meetings, of which one was the Board meeting following election. According to the prevailing procedural rules, the Board is to hold at least seven scheduled board meetings each calendar year, of which one is a Board meeting following election.

Board meetings are held in connection with the publication of the company's reports where annual accounts, proposed appropriation of profits, and issues relating to the AGM are dealt with in January; interim reports are discussed in April, July and October; strategy is examined in June; and the budget for the following year is

THE BOARD'S YEAR

Issues, in addition to current state of operations, prospects, investments, sales, financing, reports from committee chairmen about the committee work as well as working environment questions, customer-related questions and reporting of incidents.



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 Remuneration Committee and member of Audit and Finance Committee.

Previous positions: CEO for the nordic business at Jones Lang LaSalle, leading positions in investment banking at Carnegie Investment Bank and Alfred Berg (ABN AMRO).

Board assignment: Director of Bonnier Holding AB, Clas Ohlson AB (publ), Ratos AB (publ), Sofina S.A. and Skanska AB (publ). Member of the Swedish Securities Council.

Shareholdings: 17,000



PER BERGGREN
BOARD MEMBER SINCE 2007

Born 1959, Master of Science KTH and economic education from Stockholm University.

Board member of Castellum and member of the Remuneration Committee.

Previous positions: CEO of Hemsö, CEO of Jernhusen AB, Division manager of Fabege AB (publ), CEO of Drott Kontor AB and Property manager of Skanska Fastigheter Stockholm AB.

Board assignment: Board member of Fasticon Kompetens Holding AB, Slättö Förvaltning AB and SSM Holding AB.

Shareholdings: 4,500



ANNA-KARIN HATT
BOARD MEMBER SINCE 2015

Born 1972, degree in political science from the University of Gothenburg. CEO in Almega AB. Board member of Castellum and member of the Remuneration Committee.

Previous positions: 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, MD for Didaktus Skolor AB and deputy MD of Kind & Partners AB.

Other assignments: Board member of Almega AB, TRR Trygghetsrådet, Trygghetsfonden TSL and research institute Ratio and member of Advisory Council for Swedish higher education authority.

Shareholdings: 1,325



CHRISTER JACOBSON
BOARD MEMBER SINCE 2006

Born 1946, Master of Business Administration and Economics DHS. 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.

Other assignments: Director of Global Challenges Foundation.

Shareholdings: 70,429



CHRISTINA KARLSSON KAZEEM
BOARD MEMBER SINCE 2016

Born 1965, Master of Science KTH. CEO of Hilanders AB, which is part of the H&H communication group.

Board member of Castellum.

Previous positions: Market communication manager at Niscayah Group and leading positions in Razorfish AB and Creuna AB. Worked with city planning and development at the Traffic and Public Transport Authority and Property Management Administration at the City of Stockholm.

Other assignments: Chairman of the Board of Tomorrow China which is part of the H&H communication group.

Shareholdings: 350



NINA LINANDER
BOARD MEMBER SINCE 2014

Born 1959, Master of Business Administration and Economics, Stockholm School of Economics and MBA from IMD, Lausanne, Schweiz.

Board member of Castellum and chairman of the Audit and Finance Committee.

Previous positions: Founder and partner of Stanton Chase International AB, manager Group Finance at AB Electrolux (publ), leading positions at Vattenfall AB and different positions in corporate finance at different investment banks in London.

Other assignments: Chairman of the board of Awa Holding AB. Director of Industrivärden AB (publ), Skanska AB (publ), Telia Company AB (publ) and OneMed AB.

Shareholdings: 12,000



JOHAN SKOGLUND
BOARD MEMBER SINCE 2010

Born 1962, Master of Science KTH and the program of Master of Science, Handelshögskolan, Stockholm. CEO JM AB (publ).

Board member of Castellum, member of the Audit and Finance Committee.

Previous positions: Experience since 1986 from JM AB (publ) in various positions.

Other assignments: Director of Infranord AB, Mentor Sverige and The Confederation of Swedish Enterprise.

Shareholdings: 5,000

Johan Ljungberg, lawyer, Mannheimer Swartling, is the Secretary of the Board.

The information above refers to the situation at the end of January 2018. Shareholdings include Member's own holdings and those of spouse, minors or children living at home and associated companies and holdings through capital assurance.

Board of Directors	Remunerations, thousand SEK	Board meetings	Attendance meetings		Independent
			Remuneration Committee	Audit and Finance Committee	
Charlotte Strömberg	905	11 of 11	4 of 4	4 of 4	Yes
Per Berggren	380	11 of 11	4 of 4		Yes
Anna-Karin Hatt	380	11 of 11	4 of 4		Yes
Christer Jacobson	350	11 of 11			Yes
Christina Karlsson Kazeem	350	11 of 11			Yes
Nina Linander	450	11 of 11		4 of 4	Yes
Johan Skoglund	400	11 of 11		4 of 4	Yes

BOARD WORK IN 2017

The Board's main tasks are both to act as a control body and to provide support for Executive Management. The controlling task means ensuring that Castellum acts for the long term: responsibly, with a mindset toward sustainability, as well as seeing to it that operations run efficiently in accordance with laws, regulations and good business practice.

During the year, the main focus of the Board's activities was:

• Customer focus

During the year, the Board has learned how the company works to ensure that a clear customer focus permeates the business. For example, study visits have been conducted, visiting Castellum customers to understand how flexible solutions are created according to customers' specific wishes for creating successful workplaces.

• Digitalization within the framework of Castellum Next20

The Board has been involved in discussions about the opportunities that technology-based business development brings to the real estate industry. As a result, Castellum launched the industry's first development lab, Castellum Next20. Furthermore, the Board is still involved in trendspotting, follow-up and evaluation of the opportunities offered by new technology, new consumption patterns and new behaviours.

• Continued focus on Sustainability and adoption of a new sustainability strategy

For many years, including 2017, sustainability efforts have been high on the Board's agenda. During the year, the Board has been involved in, and pushed, the development of the company's new sustainability strategy, which extends to 2030 and is based on the UN's global goals. The new strategy consists of ambitious goals, such as net-zero carbon dioxide emissions by 2030.

considered at the December meeting.

At each of the scheduled board meetings, matters of significance for the company, such as investments, sales of properties and funding are covered. Further, the Board is informed on the current business situation in the rental and real estate markets as well as in the credit and stock markets. Issues about safety, incident reports and customer-related issues are managed regularly by the Board, and every Board meeting generally concludes with an executive session, without the presence of Executive Group Management.

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

Regular matters dealt with by the Board during 2017 included company-wide policies, an overall strategy plan, procedural rules for the Board, capital structure and funding needs, sustainability efforts, the business model and organizational 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 and visits to the regions. In addition to the above, the work of the Board in 2017 focused on the integration of Norrporten, acquired in 2016, the implementation of the transformed corporate structure, further development of business systems that enable faster and deeper analysis for decision support, efficiency measures, succession and recruitment issues and technology-based business development within the framework of Castellum Next20 initiative.

With the help of the same outside consultant who assisted in the comprehensive board evaluation from autumn of 2015, the Board has evaluated its work during the autumn of 2017. The evaluation showed an open and constructive Board climate and a well-functioning decision-making process. The outcome of the evaluation showed a positive development in relation to the good results that the 2015 board evaluation discovered.

The evaluation has been presented and submitted to the Election Committee and discussed by the Board. The evaluation covers topics such as working climate, working procedures in the business process, crisis management, follow-up and control systems, access to and need for special board qualifications, succession arrangements, morals, ethics and communication.

The evaluation and related discussion serve as a basis for the continuous development of the Board's work and ensure that the Board can make decisions which are as well-informed as possible.

The board evaluation follows the Code guidelines for board evaluations.

No other compensation than remuneration for work on the Board and committees has been paid.

Remuneration Committee

The Board's Remuneration Committee contin-

uously evaluates the remuneration to executive management in view of current market conditions. The Committee prepares matters for decisions by the Board. The members of the Remuneration Committee are appointed once a year.

The Remuneration Committee consists of three Board members, including the Chairman of the Board, who is Chairman of the Remuneration Committee. The Committee's rules of procedure are drawn from the Board of Directors' rules of procedure and are established annually. The Remuneration Committee's functions are to:

- prepare recruitments for Group Management and succession issues regarding Group Management, as well as prepare questions regarding talent supply and management spread within the Group,
- discuss management by objectives regarding gender equality and diversity issues,
- prepare and propose guidelines for remuneration principles, remuneration and employment terms for the CEO and other senior executives. The guidelines for remuneration are to be submitted to the Board which, in turn, will work out remuneration suggestions to be decided upon at the Annual General Meeting,
- Monitor and evaluate ongoing incentive plans – completed during the year – for flexible remuneration to Executive Group Management. The results of the Remuneration Committee's evaluation of remuneration to senior executives are presented on the company's website,
- Annually evaluate the work of the CEO, which is also done by an external expert, where both Board and those reporting directly have been interviewed.

The Remuneration Committee will meet at least twice a year. During 2017, the Committee held four meetings. Issues addressed at the meetings included the review of the remuneration of the CEO and other senior executives, decisions about changes in the remuneration of members of executive management, evaluation and follow-up of existing incentive programs, the preparing of parameters for the individually targeted factors in the annual performance-based incentive program, as well as HR and succession issues.

Audit and Finance Committee

The Board's Audit and Finance Committee monitors financial and auditing matters and submits them to the Board for decision. The Chairman and members of the Committee are appointed annually.

The Audit and Finance Committee consists of three members, and the Committee's rules of procedure partly consist of the Board of Directors' rules of procedure, which are established annually. The Audit and Finance Committee's

functions are to:

- Monitor financial reporting and make recommendations and suggestions to ensure the reliability of the financial reporting,
- Monitor, with respect to financial reporting, the effectiveness of internal controls, any internal audits and risk management,
- Monitor work on capital structure and other funding issues and prepare funding issues for decisions by the Board,
- Monitor the efforts concerning business risks and compliance, and ensure that appropriate systems for control and monitoring exist,
- Submit an annual report on internal control and ensure that the corporate governance report describes the Board's measures to ascertain that the internal control works,
- Keep informed about the Annual Report and consolidated accounts,
- Inform the Board about the result of the audit and how it contributed to the reliability of financial reporting,
- Keep informed about the findings of the Supervisory Board of Public Accountants' control of the auditors,
- Review and monitor the auditor's impartiality and independence, and evaluate auditing activities, as well as informing the Election Committee of the evaluation outcome,
- Take note of the auditors' report pursuant to Article 11 of the Audit Ordinance and, if needed, take appropriate action in response to it,
- Issue guidelines for services other than auditing provided by auditors and, where appropriate, approve of such services in accordance with these guidelines,
- Prepare matters regarding procurement of audit and other services from the auditors,
- Assist the Election Committee in nominating auditors and determining their remuneration; the Committee is then to monitor that the auditors' term of office does not exceed the applicable rules; procure audit and provide a reasoned recommendation in accordance with what is stated in Article 16 of the Audit Ordinance.

The Audit and Finance Committee will meet at least four times a year, and of these, the Group's auditors will attend at least twice. On one of the occasions when the Audit and Finance Committee meets with auditors, no one from corporate management is to be present. In 2017, the Audit and Finance Committee met four times. Examples of the issues dealt with at meetings involved: review of the decision-making process for investments, capital structure and financing issues; financial reporting, including a review of future regulations and their possible consequences for Castellum; internal control and risk management, as well as the work of the auditors and their impartiality and independence – development of policies and feed-

back from the Whistleblower-service. Business-related issues were also thoroughly investigated. During the year, the Audit and Finance Committee has also held a private meeting with the compliance officer without the presence of management.

CEO and Executive Group Management

The Chief Executive Officer is responsible for the company's day-to-day management and for leading operations according to the guidelines and directives submitted by the Board of Directors. The CEO also provides the Board with information and the necessary documentation for decision-making. The CEO leads the work of Executive Group Management and makes decisions after consulting its members.

The Chief Executive Officer

The Chief Executive Officer reports to Board meetings and assures that members of the Board regularly receive the information required to follow the company's and the Group's financial position, results, liquidity and development.

Executive Group Management

Executive Group Management consists of the Chief Executive Officer, the Chief Financial Officer, the Chief Investment Officer, the HR Director, The Corporate Communications Director and well as the Managing Directors of the four regions. Executive Group Management has joint responsibility for delivering on Group-wide goals and strategies, and meetings mostly cover issues pertaining to overall operations. Executive Management held 11 meetings in 2017.

In 2017, Executive Management focused on the integration of Norrporten, acquired in 2016, on streamlining measures, and continued development of the real estate portfolio – with particular focus on the project portfolio – as well as technology-based business development within the framework of the Castellum Next20 initiative. Executive Management also worked on the new Group structure implemented in 2016, which entailed that the six subsidiaries and Norrporten should form four regions under one common brand. The transformation also means that the Finance Department has moved to head office and that a common corporate finance system has been implemented.

The Chief Executive Officer and the Chief Financial Officer join the Managing Director of each subsidiary to constitute the Board for each local-region company.

Remuneration for senior executives

The 2017 AGM decided on the following remuneration guidelines for senior executives: Castellum is to uphold competitive remunera-

tion levels and attractive terms of employment to recruit and maintain excellent management with the competence and capacity to achieve set objectives. The Board of Directors considers and evaluates the remuneration as a whole, consisting of fixed remuneration, pension terms, variable remuneration and non-monetary benefits. A fixed salary will be paid for work performed in a satisfactory manner. In addition, flexible remuneration under an incentive plan may also be offered. The formulation is based on the objective of interconnecting the executive team's interests with shareholder interests, in that senior management members are also shareholders in Castellum. This also entails an increased proportion of executive remuneration being directly linked to the Group's development. Flexible remuneration, which generally cannot exceed the fixed salary, is determined by the extent to which previously set objectives are achieved for growth in property management per share and share price development. It is also determined by how individually targeted factors have developed. The received remuneration according to an incentive program is to be paid as salary and includes payment for vacation. Such remuneration is not to be a pension qualifying income. Executives who receive flexible remuneration in accordance with the incentive program are committed to acquiring Castellum shares for at least half the amount of flexible remuneration after tax.

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

Upon termination by the Company, such period of notice is not to exceed six months for the Chief Executive Officer and twelve months for other executives. During the notice period, full salary and other employment benefits are paid, with deduction for salary and remuneration received from other employment or business during the notice period. Such deduction will not be made in respect of the Managing Director. A severance pay, corresponding to twelve fixed monthly salaries, will be paid to the Managing Director upon termi-

nation by the company. Such severance pay will not be reduced due to other income received by the Managing Director.

Castellum has followed the guidelines decided by the 2017 AGM.

The proposed guidelines for remuneration for senior executives, which will be put forward at the AGM on March 22, 2018, are in principle unchanged compared with those put forward to the AGM in 2017.

The incentive program for senior executives in respect of the annual profit-based bonus, is to be applicable during 2017-2019; for the share-price-based bonus the effective period is June 1, 2017, to May 31, 2020.

For further information regarding remuneration for Executive Group Management, see note 11.

Compliance and internal control

Castellum has a Compliance Officer who monitors compliance, i.e., ensures that laws, regulations and internal rules are complied with. The Group's corporate lawyer is Compliance officer.

Castellum's internal control is based on the established "COSO" framework, which consists of the following components: control environment, risk assessment, control activities, information, communication and monitoring. Castellum's internal control is described on pages 104-106.

Castellum has a whistleblower function, which is accessed via all Group websites 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 supports business activities by identifying and following up business risks. The Compliance Officer regularly reports risks and compliance to the CEO, as well as to the Audit and Finance Committee.

Executive Group Management



HENRIK SAXBORN
CHIEF EXECUTIVE OFFICER
CASTELLUM AB

Born 1964, Master of Science.
Extensive experience from construction business, management and acquisition of properties, i.e. as CEO for a property management company. Former Chairman of CMB, Chalmers University of Technology.

Other assignments: Board member of BRIS and EPRA.

Employed in Castellum since 2006.

Shareholdings: 65,833



ULRIKA DANIELSSON
CHIEF FINANCIAL OFFICER
CASTELLUM AB

Born 1972, Master of Business Administration and Economics.

Varied experience within the Financial and controlling function.

Other assignments: Board member of Alligator Bioscience AB (publ).

Employed since 1998, Finance Director since 2006 and CFO 2014.

Shareholdings: 18,400



PER GAWELIN
MANAGING DIRECTOR
REGION CENTRAL AT CASTELLUM

Born 1978, Business Economics, Upper Secondary School.

Varied experience from the real estate industry and leadership experience as captain and player in Örebro SK Football Club.

Employed since 2006 and Managing Director Region Central at Castellum since 2018.

Shareholdings: 0

Per Gawelin assumed his duties as Managing Director Region Central in Castellum from January 1, 2018.



MARIETTE HILMERSSON
MANAGING DIRECTOR
REGION WEST AT CASTELLUM

Born 1971, Bachelor of Laws, LL.M.

Extensive experience from management positions in the real estate business. Most recently as Managing Director and CEO of Förvaltnings AB Framtiden.

Employed and Managing Director Region West at Castellum since 2018.

Shareholdings: 0

Mariette Hilmersson assumed her duties as Managing Director Region West in Castellum from February 1, 2018.



ANDERS NILSSON
MANAGING DIRECTOR
REGION STOCKHOLM-NORTH
AT CASTELLUM

Born 1967, Master of Science.

More than 20 years experience from the real estate business.

Employed since 1993 and Managing Director at Castellum since 2006.

Shareholdings: 16,500



ERIKA OLSÉN
CHIEF INVESTMENT OFFICER (CIO)
CASTELLUM AB

Born 1976, Master of Science.

Long experience from both international and Swedish transaction markets. Partner of Tenzing and Associate Director of JLL in London.

Other assignments: Board member of Genova Property Group AB.

Employed as CIO of Castellum since 2015.

Shareholdings: 3,000



OLA ORSMARK
MANAGING DIRECTOR
REGION ÖRESUND AT CASTELLUM

Born 1971, Master of Science.

Long experience from the real estate business, most recently as Business Area Manager at Jernhusen.

Employed and Managing Director at Castellum since 2014.

Shareholdings: 4,050



INGALILL ÖSTMAN
CORPORATE COMMUNICATIONS
DIRECTOR CASTELLUM AB

Born 1956, Master of Science.

Broad experience from management positions within global industrial companies and extensive experience in external and internal communication, market communication and IR, including SVP Communications & Government Relations at SKF and SVP Head of Corporate Communications ABB Sweden.

Other assignments: Board member of Allgon AB (publ) and Ovako AB. Board member and member of the Audit Committee of Länsförsäkringar Gothenburg and Bohuslän.

Employed as Corporate Communications Director of Castellum since 2017.

Shareholdings: 0

CECILIA FASTH
MANAGING DIRECTOR REGION WEST
AT CASTELLUM

Born 1973, Master of Science.

National and international experience from the construction and property sector since 1996.

Other assignments: Board member in AB Fagerhult, Hultafors Group AB and CMB, Chalmers University of Technology.

Employed and Managing Director at Castellum since 2014.

Shareholdings: 5,250

Cecilia Fasth decided to leave Castellum at her own request in December 2017.

CLAES LARSSON
MANAGING DIRECTOR
REGION CENTRAL AT CASTELLUM

Born 1957, Master of Science.

Long and varied experience from building construction companies as Team Manager/District Manager.

Employed and Managing Director at Castellum since 2002.

Shareholdings: 40,900

Claes Larsson decided to leave Castellum at his own request in December 2017.

ANNE THELIN-EHRLING
HR DIRECTOR
CASTELLUM AB

Born 1961, Bachelor of science in Behavioral Sciences.

Broad experience in strategic and operational HR, in customer, sales and service industry and real estate. Has worked in SAS and Stronghold Invest AB

Employed as HR Director at Castellum since 2016.

Shareholdings: 300

Anne Thelin-Ehrling decided to leave Castellum at her own request on February 2, 2018. She was replaced by Olof Gertz who has been appointed acting HR Director from February 2, 2018.

The information above refers to the situation at the end of January 2018. Shareholdings include personal holdings and those of spouse, minors or children living at home and associated companies and holding through capital assurance.

Compliance and internal control

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

Internal control in Castellum follows an established framework, Internal Control – Integrated Framework, “COSO”, comprising the following five components: control environment, risk assessment, control activities, information-and-communication, and monitoring. A schematic description of internal control activities is shown below.

Control environment

The basis for internal control of financial reporting comprises a control environment, which consists of various parts that form Castellum’s management culture and values. The fundamentals for Castellum’s internal control comprise the following: a decentralized small-scale organization with more than 675 properties, as well as cost centres, which are managed by four regional companies. The decision-making processes, authorizations and responsibilities which have been drawn up and communicated in documents such as the Board of Directors’ rules of procedure, rules for decision making, rules for authorization, accounting and reporting manuals, internal policies and manuals, etc., are also important for internal control. Documents in use are updated regularly to reflect changes in legislation, accounting standards or listing requirements etc.

Risk assessment

At Castellum, risk management is built into our processes and various methods are used to evaluate and limit risks. We secure that the risks Castellum is exposed to are managed in accordance with set policies and guidelines. In accordance with the rules of procedure, once a year, the Board of Directors and the Audit Committee review internal control as well as operational risk and how they are handled – for the latter, see The Risks and Opportunities section on page 89. Possible risks are identified and an internal risk grading is conducted where each risk is assessed, both from an impact and probability perspective. The important risks Castellum has identified in financial reporting are errors in accounting and valuation of properties, interest-bearing liabilities, taxes and VAT, occupational injury as well as the risk of fraud, loss or embezzlement of assets.

Control activities

The risks identified in financial reporting are addressed by the company’s control structure, resulting in a number of control measures. The control measures aim to prevent, discover and correct errors and deviations. They comprise analytical reviews on many levels in the organization: comparisons of income statement items, reconciliation of accounts, follow-up and reconciliation of Board decisions and policies set by the Board, authorization and reporting of business transactions, structure for proxy and authorization, authorized signatory, compliance-officer function, and consolidated accounts prior to publication. The auditors review the half-year report January–June.

CASTELLUM'S INTERNAL CONTROL ENVIRONMENT



INTERNAL CONTROL IS GOVERNED BY:

- Board of Directors rules of procedures
- Audit and Finance Committee's rules and procedures
- Rules for decision making
- Instructions for authorization
- Accounting manuals
- Reporting manuals
- Finance policy, communication policy, insider policy, sustainability policy, Code of Conduct, Code of Conduct for suppliers and Crisis management
- Guidelines for information security, insurance and electricity trading
- Accounting manual, HR manual, Manager manual
- Finance instructions
- Continuity plan

Information and communication

Castellum retains processes for information and communication that aim to ensure the effective and correct distribution of information regarding financial reporting. This demands that all areas of the operation communicate and share relevant and important information. Policies and guidelines regarding financial reporting as well as updates and changes are made available and clearly communicated to the personnel concerned. Executive management – as well as the Board of Directors – regularly receive financial information about the subsidiaries with comments on financial results and risks.

The Board of Directors also receives additional information regarding risk management, internal control and financial reporting from the auditors through the Audit and Finance Committee. In order to ensure that the external distribution of information is correct and complete, we have both a policy for communicating with the stock market and an information security policy.

Company culture

That Castellum's operations are conducted in a responsible way is a prerequisite for the company's long-term operational success. Castellum's Code of Conduct determines day-to-day work activities and Castellum supports – and has signed – the United Nations Global Compact principles

concerning human rights, labour-law issues, the environment and corruption. The objective is to make sound and proper business decisions in all respects, as well as sustaining high business morality, good business ethics, responsibility awareness and impartiality. The purpose of Castellum's Code of Conduct is to offer good quality and service, to follow laws and regulations, to avoid discriminating against anyone and to create an optimal and safe working environment.

One cornerstone for Castellum's company culture has been the decentralized organization, which creates responsible and committed employees – each of whom is a business collaborator.

Long-term value creation

Long-term value creation requires that operations are run with a sustainability focus. Sustainability work involves both environmental considerations such as reduced use of resources and close control of the property portfolio, as well as the assumption of social responsibility by contributing to the development of the cities wherein Castellum operates. Our efforts also involve ensuring a healthy working environment for employees. Sustainability activities are carried out in collaboration with customers and other stakeholders – a requirement for success. Guidelines for how value-creating sustainability activities are conducted are found in

GROUP POLICIES ISSUED BY THE BOARD

	Aim
Financial policy	Establishes overall objectives and guidelines for financial risk and how financial operations will be run. The financial policy also specifies how responsibility for the financial operations will be distributed and how financial risks will be reported and monitored. The financial policy includes instructions for how operational activities will be run.
Communication policy	Ensures that all Group communication is accurate and provided in a professional manner, with optimal timing. The policy covers both internal and external communications.
Insider policy	Ensures ethical activities in the capital market through description of trade and reporting requirements.
Sustainability policy	Provides guidelines for how the Group's sustainability activities will be pursued. The efforts will contribute to sustainable development and consists of measurable goals and constitute an integral and natural part of Castellum's operations, which are based on participation and engagement.
Code of Conduct	Provides guidelines for how the Group's sustainability activities will be pursued. The efforts will contribute to sustainable development, consists of measurable targets and constitute an integral and natural part of Castellum's operations, which are based on participation and engagement.
Code of Conduct for suppliers	Corresponding guidelines to ensure that business operations are run in a responsible manner, with the objective that all business decisions are sound and healthy.
Crisis Management	Provides guidelines for the Group about how to act and communicate in a crisis.

the Sustainability Policy, Code of Conduct and the Code of Conduct for Suppliers. Castellum reports on sustainability efforts in accordance with the GRI Standards. Reports on sustainability activities are regularly provided for the Castellum Board.

Monitoring

Regular follow-ups take place at many levels within the Group, on both property-level and subsidiary-level as well as Group level. The Board of Directors, which also makes up the Audit and Finance Committee, regularly evaluates the information provided by Executive Group Management and the auditors. The company's auditors also report in person directly to the Audit and Finance Committee at least twice a year regarding their auditing observations and their assessment of internal control. In addition, the Audit and Finance Committee conducts an annual review of the risk assessments and agreed-upon measures. 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 timely measures are taken for potentially emerging shortcomings and suggestions.

Need for internal audit

Castellum has a decentralized and transparent organization. The economy and finance functions are managed from the head office, which means that procedures and processes will remain

coherent. However, the move also provides opportunities for the various functions to monitor each other's processes – a form of self-evaluation. All to increase and improve internal controls. Quarterly follow-ups of income statements and balance sheets are made by the business units and the company. Clear documentation through policies and instructions, along with regular follow-ups and regular discussions with the auditors, continuously ensure that the efforts of improving processes remain efficient and effective. Management and reporting are monitored by auditors twice a year and reported to both the Audit and Finance Committee and the Board. In addition, there is a "whistleblower" function on the Group's website. In all, the conclusion is that a separate internal audit function is uncalled for.

Whistleblower

Castellum's whistleblowing service, "*Help us to do right,*" can be reached through the Group's web page and Intranet. The whistleblowing-service is an early warning system which provides both employees as well as external partners the possibility to anonymously report a concern about something that is not in line with Castellum's corporate values and business ethics. The service is administered by an external partner to ensure anonymity and professionalism.



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Quarterly summary

	2017	2017	2017	2017		2016	2016	2016	2016	
	Jan-March	April-June	July-Sept	Oct-Dec	2017	Jan-March	Apr-June	July-Sept	Oct-Dec	2016
Income Statement, SEKm										
Rental income	1,304	1,259	1,303	1,316	5,182	855	952	1,359	1,367	4,533
Property costs	- 442	- 344	- 349	- 470	- 1,605	- 299	- 299	- 392	- 507	- 1,497
Net operating income	862	915	954	846	3,577	556	653	967	860	3,036
Central administrative expenses	- 43	- 40	- 31	- 48	- 162	- 42	- 36	- 36	- 39	- 143
Joint venture (Income from prop mgmnt)	-	-	-	-	-	3	-	-	-	3
Net interest costs	- 227	- 219	- 215	- 224	- 885	- 152	- 173	- 259	- 248	- 832
Income from prop. mgmt incl result joint venture	592	656	708	574	2,530	365	444	672	573	2,065
Transaction and restructuring costs	- 4	- 1	-	-	- 5	-	- 123	- 17	- 13	- 163
Write-down goodwill	-	-	-	-	-	-	-	-	- 373	- 373
Changes in value. properties	940	884	245	2,471	4,540	489	127	1,449	2,020	4,085
Changes in value. derivatives	77	75	52	43	247	- 148	- 75	- 1	306	82
Revaluation of results due to stepwise acquisition	-	-	-	-	-	27	-	-	-	27
Current tax	- 68	- 14	- 32	18	- 96	- 1	- 9	- 16	3	- 23
Deferred tax	- 111	- 379	- 196	- 654	- 1,340	- 155	- 97	- 440	- 35	- 727
Net income for the period/year	1,426	1,221	777	2,452	5,876	577	267	1,647	2,481	4,972
Other total net income	0	39	12	- 59	- 8	15	- 26	8	9	6
Total net income for the period/year	1,426	1,260	789	2,393	5,868	592	241	1,655	2,490	4,978
Balance Sheet, SEKm										
Investment properties	74,043	76,490	77,382	81,078	81,078	44,773	72,109	74,220	70,757	70,757
Joint venture	-	-	-	-	-	-	-	-	-	-
Goodwill	1,659	1,659	1,659	1,659	1,659	140	2,032	2,032	1,659	1,659
Other fixed assets	1,795	1,163	1,353	772	772	391	639	714	5,640	5,640
Liquid assets	304	323	258	203	203	150	425	391	257	257
Total assets	77,801	79,635	80,652	83,712	83,712	45,454	75,205	77,357	78,313	78,313
Shareholders' equity	29,294	30,554	31,343	33,736	33,736	15,556	25,089	26,744	29,234	29,234
Deferred tax liability	7,196	7,555	7,751	8,405	8,405	4,593	6,596	7,030	7,065	7,065
Other provisions	8	7	5	5	5	16	18	15	9	9
Derivatives	1,551	1,431	1,365	1,352	1,352	1,271	1,925	1,950	1,582	1,582
Long term interest-bearing liabilities	36,204	37,213	38,147	38,226	38,226	22,650	39,356	39,611	38,467	38,467
Non-interest-bearing liabilities	3,548	2,875	2,041	1,988	1,988	1,368	2,221	2,007	1,956	1,956
Total shareholders' equity and liabilities	77,801	79,635	80,652	83,712	83,712	45,454	75,205	77,357	78,313	78,313
Financial key ratios										
Net operating income margin	66%	73%	73%	64%	69%	65%	69%	71%	63%	67%
Interest rate, average	2.6%	2.4%	2.4%	2.4%	2.4%	2.9%	2.7%	2.6%	2.7%	2.7%
Interest coverage ratio	361%	400%	429%	356%	386%	338%	357%	359%	331%	348%
Return on actual net asset value	2.7%	16.4%	10.2%	32.1%	18.3%	15.6%	2.3%	27.8%	37.4%	20.9%
Return on total capital	9.1%	9.0%	5.8%	16.0%	10.1%	9.2%	4.9%	12.6%	14.8%	11.9%
Return on equity	20.0%	16.7%	10.2%	31.3%	20.6%	15.0%	5.3%	26.3%	37.1%	20.1%
Investments in properties, SEKm	3,192	1,513	727	1,056	6,488	2,445	27,246	587	1,213	31,491
Sales, SEKm	832	24	16	3	875	3	30	48	6,673	6,754
Loan to value ratio	48%	48%	49%	47%	47%	50%	54%	53%	50%	50%
Data per share (since there are no potential common stock there is no effect of dilution)										
Average number of shares, thousand	273,201	273,201	273,201	273,201	273,201	189,014	201,531	273,201	273,201	234,540
Income from property management, SEK	2.17	2.40	2.59	2.10	9.26	1.99	2.20	2.46	2.10	8.80
Income prop mgmt after tax (EPRA EPS), SEK	1.91	2.15	2.21	2.10	8.39	1.83	2.03	2.29	2.03	8.26
Earnings after tax, SEK	5.22	4.47	2.84	8.98	21.51	3.05	1.32	6.03	9.08	21.20
Outstanding number of shares, thousand	273,201	273,201	273,201	273,201	273,201	189,014	273,201	273,201	273,201	273,201
Property value, SEK	271	280	283	297	297	237	264	272	259	259
Long term net asset value (EPRA NAV), SEK	133	139	142	153	153	113	116	123	133	133
Actual net asset value (EPRA NNNNAV), SEK	119	124	127	138	138	100	104	111	121	121
Dividend, SEK (2017 proposed)	-	-	-	-	5.30	-	-	-	-	5.00
Dividend ratio	-	-	-	-	57%	-	-	-	-	57%
Property related key ratios										
Rental value, SEK/sq.m.	1,332	1,338	1,341	1,356	1,341	1,119	1,292	1,314	1,311	1,304
Economic occupancy rate	89.9%	90.0%	91.6%	91.4%	90.9%	90.3%	90.6%	89.9%	91.9%	91.3%
Property costs, SEK/sq.m.	397	320	327	423	364	354	346	339	442	376
Property value, SEK/sq.m.	17,105	17,395	17,569	18,268	18,268	12,506	15,363	15,817	16,558	16,558

Multi-Year Summary

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Income Statement, SEKm										
Rental income	5,182	4,533	3,299	3,318	3,249	3,073	2,919	2,759	2,694	2,501
Property costs	-1,605	-1,497	-1,074	-1,096	-1,105	-1,042	-1,003	-960	-942	-831
Net operating income	3,577	3,036	2,225	2,222	2,144	2,031	1,916	1,799	1,752	1,670
Central administrative expenses	-162	-143	-113	-108	-96	-93	-83	-84	-81	-71
Joint venture (Income from prop mgmt)	-	3	23	-	-	-	-	-	-	-
Net interest costs	-885	-832	-602	-664	-702	-683	-660	-574	-541	-626
Income from prop. mgmt incl. result joint venture	2,530	2,065	1,533	1,450	1,346	1,255	1,173	1,141	1,130	973
Transaction and restructuring costs	-5	-163	-	-	-	-	-	-	-	-
Write-down goodwill	-	-373	-	-	-	-	-	-	-	-
Changes in value. properties	4,540	4,085	1,837	344	328	-69	194	1,222	-1,027	-1,262
Changes in value. derivatives	247	82	216	-660	429	-110	-429	291	102	-1,010
Revaluation of results due to stepwise acquisition	-	27	-2	-	-	-	-	-	-	-
Current tax	-96	-23	-16	-11	-6	-7	-10	-5	-10	-14
Deferred tax	-1,340	-727	-687	88	-390	404	-217	-685	-35	650
Net income for the year	5,876	4,972	2,881	1,211	1,707	1,473	711	1,964	160	-663
Other total net income	-8	6	-8	8	3	-4	0	-	-	-
Total net income for the year	5,868	4,978	2,873	1,219	1,710	1,469	711	1,964	160	-663
Balance Sheet, SEKm										
Investment properties	81,078	70,757	41,818	37,599	37,752	36,328	33,867	31,768	29,267	29,165
Joint venture	-	-	526	-	-	-	-	-	-	-
Goodwill	1,659	1,659	-	-	-	-	-	-	-	-
Other fixed assets	772	5,640	269	442	291	259	207	156	201	230
Liquid assets	203	257	39	47	70	44	97	12	8	9
Total assets	83,712	78,313	42,652	38,088	38,113	36,631	34,171	31,936	29,476	29,404
Shareholders' equity	33,736	29,234	15,768	13,649	13,127	12,065	11,203	11,082	9,692	10,049
Deferred tax liability	8,405	7,065	4,299	3,612	3,700	3,310	3,714	3,502	2,824	2,785
Other provisions	5	9	14	23	-	-	-	-	-	-
Derivatives	1,352	1,582	1,117	1,357	683	1,105	1,003	574	865	966
Long term interest-bearing liabilities	38,226	38,467	20,396	18,446	19,481	19,094	17,160	15,781	15,294	14,607
Non-interest-bearing liabilities	1,988	1,956	1,058	1,001	1,122	1,057	1,091	997	801	997
Total shareholders' equity and liabilities	83,712	78,313	42,652	38,088	38,113	36,631	34,171	31,936	29,476	29,404
Financial key ratios										
Net operating income margin	69%	67%	67%	67%	66%	66%	66%	65%	65%	67%
Interest rate, average	2.4%	2.7%	3.0%	3.3%	3.7%	3.9%	4.1%	3.7%	3.7%	4.7%
Interest coverage ratio	386%	348%	351%	318%	292%	284%	278%	299%	309%	255%
Return on actual net asset value	18.3%	20.9%	20.4%	7.6%	13.2%	7.9%	6.4%	21.5%	1.6%	-8.3%
Return on total capital	10.1%	11.9%	10.0%	6.5%	6.4%	5.3%	6.2%	9.8%	2.1%	1.2%
Return on equity	20.6%	20.1%	21.7%	9.5%	14.6%	13.5%	6.6%	20.9%	1.6%	-6.1%
Investments in properties, SEKm	6,488	31,491	3,553	2,525	1,768	2,798	2,015	1,506	1,165	2,738
Sales, SEKm	875	6,754	1,140	3,054	687	253	107	227	36	28
Loan to value ratio	47%	50%	49%	49%	51%	52%	50%	50%	52%	50%
Data per share (since there are no potential common stock there is no effect of dilution)										
Average number of shares, thousand	273,201	234,540	189,014	189,014	189,014	189,014	189,014	189,014	189,014	189,014
Income from property management, SEK	9.26	8.80	8.11	7.67	7.12	6.64	6.21	6.04	5.98	5.15
Income prop mgmt after tax (EPRA EPS), SEK	8.39	8.26	7.84	7.17	6.97	6.31	6.08	5.75	6.02	5.08
Earnings after tax, SEK	21.51	21.20	15.24	6.41	9.03	7.79	3.76	10.39	0.85	-3.51
Outstanding number of shares, thousand	273,201	273,201	189,014	189,014	189,014	189,014	189,014	189,014	189,014	189,014
Property value, SEK	297	259	221	199	200	192	179	168	155	154
Long term net asset value (EPRA NAV), SEK	153	133	112	99	93	87	84	80	71	73
Actual net asset value (EPRA NNNNAV), SEK	138	121	100	87	84	78	75	74	63	65
Dividend, SEK (2017 proposed)	5.30	5.00	4.25	3.99	3.69	3.43	3.21	3.12	3.04	2.73
Dividend ratio	57%	57%	52%	52%	52%	52%	52%	52%	51%	53%
Property related key ratios										
Rental value, SEK/sq.m.	1,341	1,304	1,095	1,064	1,036	1,015	995	974	969	921
Economic occupancy rate	90.9%	91.3%	90.3%	88.7%	88.4%	88.6%	89.3%	89.0%	89.8%	89.7%
Property costs, SEK/sq.m.	364	376	316	307	307	298	300	298	300	268
Property value, SEK/sq.m.	18,268	16,558	12,282	11,118	10,285	9,916	9,835	9,499	9,036	8,984

Financial Key ratios

A number of the financial measures presented by Castellum are not defined in accordance with the IFRS accounting standards. However, the company believes that these measures provide useful supplementary information to both investors and Castellum management, as they facilitate evaluation of company 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. Hence, these financial measures should not be seen as a substitute for measures defined according to the IFRS. Unless otherwise stated, the table below presents measures, along with their reconciliation, which are not defined according to the IFRS. Definitions for these measures appear on the page 175.

	Jan - Dec 2017	Jan - Dec 2016
Average number of shares, thousand (related to financial key ratios) *	273,201	234,540
Outstanding number of shares, thousand (related to balance sheet ratios) *	273,201	273,201

*) The number of historical shares that have been recalculated with reference to the bonus-issue element (i.e. the value of the subscription right) in the completed new share issue, and utilized in all ratio calculations for SEK-per-share. The conversion factor is 1.15.

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 prime yearly objective being a 10% increase in property management income. Income from property management also forms the basis of the annual shareholder dividend: at least 50% of property-management income. Income from property management is calculated before paid tax, 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 2017		Jan - Dec 2016	
	SEKm	SEK/share	SEKm	SEK/share
Income from property management				
Income before tax	7,312	26.76	5,722	24.40
Reversed				
Transaction and restructuring costs	5	0.02	163	0.69
Revaluation of results due to stepwise acquisition	-	-	- 27	- 0.12
Write-down goodwill	-	-	373	1.59
Changes in value, properties	- 4,540	- 16.62	- 4,085	- 17.42
Change in value, derivatives	- 247	- 0.90	- 82	- 0.34
Changes in value, properties joint venture	-	-	1	0.00
Tax joint venture	2,530	9.26	2,065	8.80
= Income from property management				
EPRA Earnings (Income from prop. management after tax)				
Income from property management	2,530	9.26	2,065	8.80
Reversed; current tax Income from property management	- 239	- 0.87	- 128	- 0.54
EPRA Earnings / EPRA EPS	2,291	8.39	1,937	8.26

NET ASSET VALUE

Net asset value is the total equity which 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 both long and short term. Long-term net asset value 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 things as goodwill, derivatives and deferred tax liability. Actual net asset value is equity according to the balance sheet, adjusted for the market value of the deferred tax liability.

	Jan - Dec 2017		Jan - Dec 2016	
	SEKm	SEK/share	SEKm	SEK/share
Net asset value				
Equity according to the balance sheet	33,736	123	29,234	107
Reversed:				
Derivatives according to balance sheet	1,352	5	1,582	6
Goodwill according to balance sheet	- 1,659	- 6	- 1,659	- 6
Deferred tax according to balance sheet	8,405	31	7,065	26
Long term net asset value (EPRA NAV)	41,834	153	36,222	133
Deduction				
Derivatives as above	- 1,352	- 5	- 1,582	- 6
Estimated real liability, deferred tax 5%*	- 2,850	- 10	- 1,558	- 6
Short term net asset value (EPRA NNAV)	37,632	138	33,082	121

* Estimated real deferred tax liability net has been calculated to 7% based on a discount rate of 3%. Further, assessments have been made that tax loss carry forwards are realized in 2 years with a nominal tax of 22%, giving a present value of deferred tax liability of 21%, and that the properties are realized in 50 years where 33% are sold directly with a nominal tax of 22% and that 67% are sold indirect through company disposals where the buyers tax discount is 11%, which gives a present value of deferred tax liability of 8%.

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 55% and an interest-coverage ratio of at least 200%.

	Jan - Dec 2017	Jan - Dec 2016
Interest coverage ratio		
Income from property management	2,530	2,065
Reversed;		
Net interest	885	832
Income from prop. management joint venture	-	- 4
Income from prop. management excl. net interest and JV	3,415	2,893
Interest coverage ratio	386%	348%
Loan to value ratio		
Interest-bearing liabilities	38,226	38,467
Liquid assets	- 203	- 257
Net interest-bearing liabilities net	38,023	38,210
Investment properties	81,078	70,757
Acquired properties not taken into possession	- 23	- 11
Divested properties still in Castellum's possession	15	4,971
Net investment properties	81,070	75,717
Loan to value ratio	47%	50%

INVESTMENT

In order to achieve the overall objective of 10% growth, i. e. income from property management per share, annual net investments of at least 5% of the property value will be made.

	Jan - Dec 2017	Jan - Dec 2016
Net investments		
Acquisitions	3,595	29,372
New constructions, extensions and reconstructions	2,893	2,119
Total investment	6,488	31,491
Net sales price	- 875	- 6,754
Net investments	5,613	24,737
Proportion of the property value, %	7%	59%

Other Financial Key Ratios

	Jan - Dec 2017	Jan - Dec 2016
Net operating income margin	69%	67%
Interest rate level, on average	2.4%	2.7%
Return on longterm net asset value	19.6%	25.3%
Return on actual net asset value	18.3%	20.9%
Return on total capital	10.1%	11.9%
Return on equity	20.6%	20.1%
Property value, SEK/share	297	259
Gross leasing	600	489
Net leasing	310	178

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Consolidated Statement of Comprehensive Income

SEKM		2017	2016
Rental income	Note 3	5,182	4,533
Operating expenses	Note 4	- 699	- 671
Maintenance	Note 4	- 194	- 189
Ground rent	Note 4	- 23	- 24
Property tax	Note 4	- 305	- 262
Leasing and property administration	Note 4	- 384	- 351
Net operating income		3,577	3,036
Central administrative expenses	Note 5	- 162	- 143
Transaction and restructuring costs	Note 6	- 5	- 163
Results from joint venture		-	3
- of which income from property management		-	4
- of which changes in property values		-	-
- of which tax		-	- 1
<i>Net interest</i>			
Interest income	Note 7	4	3
Interest cost	Note 8	- 889	- 835
Income from property management incl. results joint venture		2,525	1,901
- of which income from property management		2,530	2,065
Revaluation of results due to stepwise acquisition		-	27
Write-down goodwill	Note 14	-	- 373
<i>Changes in value</i>	Note 9		
Properties		4,540	4,085
Derivatives		247	82
Income before tax		7,312	5,722
Current tax	Note 10	- 96	- 23
Deferred tax	Note 10	- 1,340	- 727
Net income for the year*		5,876	4,972
Other total net income			
<i>Items that will be reclassified into net income</i>			
Translation difference foreign operations		72	57
Change in value, currency hedge foreign operations		- 80	- 57
Deferred tax related to above		-	6
Total net income for the year*		5,868	4,978
Data per share (since there is no potential common stock, there is no effect of dilution)			
Average number of shares, thousand		273,201	234,540
Net income for the year after tax, SEK		21.51	21.20

* Net income and total net income for the year is entirely assignable to the parent company's shareholders.

Consolidated Balance Sheet

SEKM		31 DEC 2017	31 DEC 2016
ASSETS			
Fixed assets			
Investment properties	Note 12, 22	81,078	70,757
Tangible fixed assets	Note 13	83	56
Goodwill	Note 14	1,659	1,659
Other fixed assets		24	37
Total fixed assets		82,844	72,509
Current assets			
Rent receivables	Note 3	45	118
Receivable property sales		15	4,971
Other receivables		375	194
Prepaid expenses and accrued income		230	264
Liquid assets		203	257
Total current assets		868	5,804
TOTAL ASSETS		83,712	78,313
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity attributable to the shareholders of the parent company			
	Note 15		
Share capital		137	137
Other capital contribution		12,434	12,434
Reserves		- 3	5
Non-controlling interest		- 2	- 2
Retained earnings		21,170	16,660
Total shareholders' equity		33,736	29,234
Liabilities			
	Note 16		
<i>Long-term liabilities</i>			
Deferred tax liability	Note 17	8,405	7,065
Other provisions	Note 18	5	9
Derivatives	Note 19	1,352	1,582
Long-term interest-bearing liabilities	Note 20	38,226	38,467
<i>Total long-term liabilities</i>		<i>47,988</i>	<i>47,123</i>
<i>Short-term liabilities</i>			
Accounts payable		124	153
Tax liabilities		211	56
Other liabilities		526	334
Accrued expenses and prepaid income	Note 21	1,127	1,413
<i>Total short-term liabilities</i>		<i>1,988</i>	<i>1,956</i>
Total liabilities		49,976	49,079
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		83,712	78,313

Income Statement for the Parent Company

SEKM		2017	2016
Income	Note 3	72	23
Central administrative expenses	Note 5	- 179	- 124
<i>Financial items</i>			
Sales participations in group companies		-	2,784
Write-down participations in group companies		- 2,200	- 3,900
Financial income	Note 7	4,391	6,628
Financial costs	Note 8	- 926	- 763
Income before changes in value and tax		1,158	4,648
<i>Changes in value</i>			
Derivatives	Note 9	284	12
Income before tax		1,442	4,660
Current tax	Note 10	-	-
Deferred tax	Note 10	- 83	- 66
Net income for the year		1,359	4,594

Comprehensive Income for the Parent Company

SEKM		2017	2016
Net income for the year according to the Income Statement		1,359	4,594
Other total net income			
<i>Items that will be reclassified into net income</i>			
Translation difference foreign operations		67	30
Change in value, currency hedge foreign operations		- 67	- 30
Total net income for the year		1,359	4,594

Balance Sheet for the Parent Company

SEKM		31 DEC 2017	31 DEC 2016
ASSETS			
Fixed assets			
Tangible fixed assets	Note 13	53	29
<i>Financial fixed assets</i>			
Participations in group companies	Note 23, 24	19,661	19,403
Deferred tax assets	Note 18	79	83
Long-term receivables, group companies	Note 25	30,914	26,348
<i>Total financial fixed assets</i>		50,654	45,834
Total fixed assets		50,707	45,863
Current assets			
Short-term receivables, group companies		7,521	5,902
Prepaid expenses and accrued income		52	43
Other receivables		1	2
Liquid assets		-	0
Total current assets		7,574	5,947
TOTAL ASSETS		58,281	51,810
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	Note 15		
<i>Restricted equity</i>			
Share capital		137	137
Restricted reserves		20	20
<i>Non-restricted equity</i>			
Fair value reserves		-2	-2
Share premium reserve		8,432	8,432
Retained earnings		7,848	4,620
Net income for the year		1,359	4,594
Total shareholders' equity		17,794	17,801
Liabilities	Note 16		
<i>Long-term liabilities</i>			
Derivatives	Note 19	1,352	1,259
Long-term interest-bearing liabilities	Note 20	34,303	27,912
Long-term interest bearing liabilities, group companies		4,627	3,902
<i>Total long-term liabilities</i>		40,282	33,073
<i>Short-term liabilities</i>			
Short-term interest bearing liabilities, group companies		60	800
Accounts payable		1	2
Accrued expenses and prepaid income	Note 21	144	134
<i>Total short-term liabilities</i>		205	936
Total liabilities		40,487	34,009
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		58,281	51,810

Change in Equity

Group, SEKm (note 15)	Attributable to the shareholders of the parent company							
	Number of out-standing shares, thousand	Share capital	Other capital contribution	Currency translation reserve	Currency hedge reserve	Non-controlling interest	Retained earnings	Total equity
Shareholders' equity 31-12-2015	164,000	86	4,096	- 12	11	-	11,587	15,768
Dividend, March 2016 (4.25* per share)	-	-	-	-	-	-	- 804	- 804
New issue of shares	82,000	41	6,273	-	-	-	-	6,314
Non-cash issue /Sales of own shares	27,201	10	2,160	-	-	-	905	3,075
Issue expenses	-	-	- 123	-	-	-	-	- 123
D:o Effect on tax	-	-	28	-	-	-	-	28
Acquired minority shareholding	-	-	-	-	-	- 2	-	- 2
Net income for the year	-	-	-	-	-	-	4,972	4,972
Other total net income	-	-	-	63	- 57	-	-	6
Shareholders' equity 31-12- 2016	273,201	137	12,434	51	- 46	- 2	16,660	29,234
Dividend March & Sept 2017 (5.00 per share)	-	-	-	-	-	-	- 1,366	- 1,366
Net income for the year	-	-	-	-	-	-	5,876	5,876
Other total net income	-	-	-	72	- 80	-	0	- 8
Shareholders' equity 31-12- 2017	273,201	137	12,434	123	- 126	- 2	21,170	33,736

Parent Company, SEKm (note 15)	Number of out-standing shares, thousand	Share capital	Restricted reserves	Fair value reserves			Retained earnings	Total equity
				Currency translation reserve	Currency hedge reserve	Share premium reserve		
Shareholders' equity 31-12-2015	164,000	86	20	- 13	11	-	4,614	4,718
Dividend, March 2016 (4.25* per share)	-	-	-	-	-	-	- 804	- 804
New issue of shares	82,000	41	-	-	-	6,273	-	6,314
Non-cash issue /Sales of own shares	27,201	10	-	-	-	2,160	905	3,075
Issue expenses	-	-	-	-	-	-	- 123	- 123
D:o Effect on tax	-	-	-	-	-	-	27	27
Net income for the year	-	-	-	-	-	-	4,594	4,594
Other total net income	-	-	-	30	- 30	-	0	0
Shareholders' equity 31-12-2016	273,201	137	20	17	- 19	8,433	9,213	17,801
Dividend March & Sept 2017 (5.00 per share)	-	-	-	-	-	-	- 1,366	- 1,366
Net income for the year	-	-	-	-	-	-	1,359	1,359
Other total net income	-	-	-	67	- 67	-	0	0
Shareholders' equity 31-12-2017	273,201	137	20	84	- 86	8,433	9,206	17,794

*) The number of historical shares that have been recalculated with reference to the bonus-issue element (i.e. the value of the subscription right) in the completed new share issue, and utilized in all ratio calculations for SEK-per-share.

Cash Flow Statement

SEKM	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Operating activities				
Net operating income	3,577	3,036	72	23
Central administrative expenses	- 162	- 143	- 179	- 124
Depreciations reversed	14	14	5	2
Net financial items paid	- 878	- 814	8	- 23
Tax paid	- 3	9	-	-
Translation difference of currencies	- 8	6	-	-
Cash flow from operating activities before change in working capital	2,540	2,108	- 94	- 122
<i>Cash flow from change in working capital</i>				
Change in current receivables	- 74	- 47	1,632	799
Change in current liabilities	- 223	199	- 744	9
Cash flow from operating activities	2,243	2,260	794	686
Investment activities				
Investments in new constructions, extensions and reconstructions	- 2,893	- 2,119	-	-
Property acquisitions	- 3,595	- 874	-	-
Change in liabilities at acquisitions of properties	12	- 4	-	-
Property sales	875	6,781	-	-
Change in receivables at sales of properties	4,956	- 4,953	-	-
Business combination	-	- 11,369	-	- 10,503
Other net investments	- 48	- 23	- 1,978	- 28
Cash flow from investment activities	- 693	- 12,561	- 1,978	- 10,531
Financing activities				
	Note 27			
New borrowing in interest-bearing liabilities	- 241	5,144	7,116	11,704
Change in long-term receivables	3	- 11	- 4,566	- 7,245
New issue of shares	-	6,190	-	6,190
Dividend paid	- 1,366	- 804	- 1,366	- 804
Cash flow from financing activities	- 1,604	10,519	1,184	9,845
Cash flow for the year	- 54	218	0	0
Liquid assets, opening balance	257	39	0	0
Liquid assets, closing balance	203	257	-	0

Accounting principles and Notes

(All figures in SEKm unless stated otherwise.)

Note 1 Accounting principles

General information

The financial reports of Castellum AB (The Parent Company) for the financial year ending December 31, 2017, have been approved by the Board of Directors and the Chief Executive Officer on February 1, 2018, and will be proposed to the 2018 Annual General Meeting for adoption. The parent company is a public Swedish limited liability company, registered in Gothenburg, Sweden. The business activities of the Group are described in the Directors' report.

Basis for accounting

Castellum's accounts have been prepared in accordance with the IFRS standards adopted by the EU. Further, the consolidated accounts have been prepared according to Swedish law by application of the Swedish Financial Reporting Board's recommendation RFR 1 (Complementary accounting principles for consolidated accounts).

The accounts are prepared based on fair value of investment properties and derivatives, nominal value for deferred tax and acquisition value for the remaining items.

Critical assessments

Accounts are completed in accordance with the IFRS, and generally accepted accounting principles require assessments and assumptions affecting recorded 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 fair under current conditions. Actual outcome 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 12.

Asset acquisition versus business combination

A company acquisition can be classified as either a business combination or an asset acquisition. An acquisition that has the primary purpose to acquire a company's property - i.e. where the company's possible 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 value of the property, meaning that changes in value will be affected by the tax discount in the subsequent valuation.

Deferred tax liability

According to accounting principles, deferred tax shall be accounted for using nominal tax rate without discount, i.e. the 22% corporate tax rate adopted by the Swedish parliament. Actual tax is considerably lower, in part due to the possibility to sell 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 property management - i.e. growth in income from property management - with the objective of an annual increase in property management income by at least 10%. It is also the income from property management that forms the basis of what is distributed to shareholders annually - at least 50% of the income from property management. Thus, changes in value have not been targeted since they are neither included in the basis for distribution, nor in any other basis, e.g. the management's incentive program. To provide an accurate picture of Castellum's view over its business operations, the statement of comprehensive income has been designed accordingly - i.e. changes in values (not affecting cash-flow) are presented after items affecting cash-flow. Furthermore, one performance measure has been added on which the business operations are managed and targeted, i.e. income from property management.

Classification

Fixed assets and long-term liabilities consist of items which are expected to be regained or which have matured more than twelve months from the balance sheet date. Current assets and short-term liabilities consist of items that are expected to be regained or settled in less than twelve months from the balance sheet date.

Consolidated account statement

The Group's balance sheet and income statement include all companies

where the parent company has direct or indirect control, which is obtained when Castellum achieves voting majority. All companies in the Group are wholly-owned. In addition to the parent company, the Group comprises the subsidiaries listed in Note 24 and their respective sub-groups. The consolidated account statements are based upon the account books for all subsidiaries as of December 31. The consolidated account statement is prepared according to the acquisition method. This means that shareholders' 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 shareholders' equity of the Group includes only the part of shareholders' equity in the subsidiaries that has been earned after acquisition.

The consolidated income statement includes companies acquired or sold during the year only for the time of possession. 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 to the exchange rate at balance date - except for shareholders' equity, which is translated at historical exchange rate. The income statement is translated at the average exchange rate of the period. Currency translation differences are recognized in other total income.

Income

Rental income

Rental income, which from an accounting perspective represents income from operating leases, is invoiced in advance and recorded as a linear allocation in the income statement, based on the terms in the leases. Rental income includes supplementary charges for the tenant, such as debited property tax and heating costs. Pre-paid rents are recorded as deferred rental income.

In cases where a lease during a certain period of time offers a reduced rent, corresponding to a higher rent at another point in time, this lower/higher rent is accrued over the leasing period. Pure discounts, such as reduction for successive moving-in activities, are recorded in the income statement for the period in which they occur.

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 through companies are net accounted for with reference to underlying property price and calculated tax. Income resulting from property sales is accounted for as a change in value and refers to the difference between the received sales price after deduction of sales costs, and the recorded value in the latest interim report, with adjustment for capitalized investments after the latest interim report.

Financial income

Financial income consists of interest-rate income and is recorded in the period to which it refers. Received Group contributions, as well as received and anticipated dividends, are also recorded as financial income. In the calculation of financial income, the effect interest method is applied.

Financial costs

Financial costs include interest and other costs that occur when borrowing money. Pledging costs for mortgages are not considered financial costs but are capitalized as an increase in value of investment property. Financial costs are accounted for in the period which they refer to. Financial costs also include the interest cost for interest-rate derivatives. Payments for these interest-rate derivatives are accounted for in the period to which they refer. Net financial items are not affected by market valuation of the undertaken interest rate derivatives. Instead, changes in market value of interest-rate derivatives are recorded as changes in value under a separate headline. The portion of interest cost originating from the construction period for major new construction, extensions or reconstructions are capitalized. Interest is calculated based on the average interest rate level for the Group.

Employee benefits

Employee benefits are accounted for as employees perform services in exchange for remuneration. Benefits from incentive plans settled in cash and paid as non-pensionable salary are accounted for as targets are met during the period of the incentive plan.

Pensions and other post-employment benefits are 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 which administer the plans. Obligations regarding payments to contribution plans are recorded as costs when they arise. A small number of employees within the Castellum Group have defined ITP-plans with regular payments to Alecta. These plans are recorded 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 no indications of any significant liabilities in addition to what has already been paid to Alecta.

Income taxes

Income tax in the income statement is divided into current and deferred tax. Income tax is recorded in the income statement except when related to transactions recorded directly in equity. In these cases, the related tax effects are also recorded directly in equity. Current and deferred taxes are calculated based on the current tax rate of 22%, which applies to both Sweden and Denmark.

Deferred tax

Deferred tax is recorded in Castellum, using the balance method, for all temporary differences between an asset's or a liability's book value and its tax-basis value. This means that there is a tax liability or a tax asset that falls due for payment on the date for which the asset or liability is realized. Exceptions are made for temporary differences that arise from the initial accounting for assets and liabilities relating to asset acquisitions. Castellum has four entries that contain temporary differences: properties, tax-loss carry forwards, derivatives and untaxed reserves. Deferred tax assets related to tax-loss carry forwards are recorded, since it is probable that future taxable income will be available, which may be utilized to offset tax-loss carry forwards. Deferred tax liability is calculated on the difference between the properties' book value and their tax basis value, as well as on derivatives and untaxed reserves. For changes in any of the four entries above, the deferred tax liability/tax asset is also changed, and this is recorded in the income statement as deferred tax.

This year's acquisitions were reported as asset acquisitions, meaning that the deferred tax that existed at time of acquisition is not included in the balance sheet.

Current tax

In addition to deferred tax, current tax – corresponding to the tax the company must pay on taxable income for the year – is also recorded in the income statement. It includes adjustments for previous periods.

Leases

Leases where all crucial risks and benefits associated with the ownership fall on the lessor, are classified as operational leases. From an accounting perspective, all existing rental leases related to Castellum's investment properties are classified as operational leases. Refer to accounting principles for income and note 3 for further information of accounting for leases.

From an accounting perspective, a site leasehold is an operational lease. The ground rent is accounted for in the income statement for the period to which it refers.

There are a small number of leases of insignificant value, where Castellum is the lessee. These leases are also accounted for as operational leases and concern mainly leased cars. Payments made during the leasing period are recorded as running costs in the income statement, distributed over the leasing period.

Investment properties

Investment properties are properties held for the purpose of generating rental income, capital appreciation, or both. This is opposed to utilization in the company's operations for production or supply of goods or services or for administrative purposes and sales in daily operations. All of Castellum's owned or ground-leased properties are classified as investment properties. If the Group starts an investment on an existing investment property for future use as an investment property, the property continues to be recorded as an investment property.

Valuation

Investment properties are initially recorded at acquisition cost, which includes expenses directly related to the acquisition and are subsequently recorded at fair value with changes in value on the income statement. Fair value is calculated using an internal valuation model described in note 12. The note also describes assumptions made as basis for the valuation. The valuation model is based on an earnings-based value, determined by calculating the net prevailing value of future cash flows. A differentiated required yield for each property depending on such factors as location, intended use, condition and standard is taken into consideration. In order to provide further assurance, part of the portfolio has been valued externally.

Changes in value

Changes in value are recorded in the income statement and consist of unrealized as well as realized changes in value. Unrealized changes in value are calculated based on the valuation at financial year end, compared with the previous year's valuation. Otherwise, it is based on acquisition value, if the property has been acquired during the year, with the addition of capitalized subsequent expenditures. For properties sold during the year, unrealized changes in value are recorded and calculated based on the valuation at the latest interim report prior to the sale, compared with the valuation at the end of previous year, with adjustment for capitalized subsequent expenditures during the period. Principals for calculation of realized changes in value is described in the principles for Income from property sales.

Subsequent expenditures

Subsequent expenditures are capitalized if they lead to economic benefits for the company – i.e. if they increase the valuation of the property – and can be reliably calculated. Costs for repairs and maintenance are accounted for in the income statement for the period in which they occur. For major new construction, extensions and reconstruction projects, interest costs during the construction period are capitalized.

Acquisitions and sales

For acquisition or sale of properties or companies, the transaction is entered as of the signing date, unless special conditions exist in the purchasing contract.

Tangible fixed assets

Tangible fixed assets comprise all equipment, which has been recorded at acquisition value, including deduction of accumulated depreciation according to plan and any write-downs. Acquisition value includes purchase price and costs directly related to the acquisition, e.g. transport-to-site and proper conditions for utilization according to the purpose of the acquisition. Depreciation on equipment is based on historical acquisition values after deduction of subsequent write-downs. Residual value is assumed to be non-existent. Depreciation of assets acquired during the year is calculated with reference to the date of acquisition. Depreciation is linear, which means equal depreciation during the period of use, normally five years, except for computers that are expected to have a three-year period of use.

Goodwill

Goodwill arising from the preparation of consolidated accounts represents the difference between acquisition cost and the Group's share of the fair value of the acquiring subsidiary's identifiable net assets at acquisition date. The Group's reported goodwill is attributable to deferred tax. Goodwill is valued at acquisition value for acquisition date; thereafter it is valued at acquisition value after deduction for possible write-downs. Goodwill is tested annually for possible write-downs, or if there are indications that the carrying value may not be recoverable.

Financial instruments

Financial instruments recorded in the balance sheet include assets such as liquid assets, lease receivables, other receivables and loans receivable, as well as liabilities such as interest and currency derivatives, accounts payable, other liabilities and loans payable.

Financial instruments are initially recorded at fair value equivalent to acquisition value, with the addition of transaction costs. An exception to this includes financial instruments that are recorded at fair value through the income statement, where transaction costs are excluded. Subsequent accounting is based on the classification made according to the criteria below. Financial transactions – such as cash received or paid as interest and amortization – are recorded on the settlement day of the bank holding the account, while other payments are recorded on the accounting date of the bank holding the account.

A financial asset is removed from the balance sheet when the rights are realized, expired or the company no longer exercises control over it. A financial liability is derecognized from the balance sheet when contractual obligations have been paid or in some other way extinguished.

Cash and bank

Cash and cash equivalents could consist of the Group's available cash balances with banks and similar institutions, as well as by bank deposits with a residual maturity of no more than ten (10) banking days, short-term investments in treasury bills and bank and municipal bonds with a residual maturity of a maximum of three (3) months. At December 31, cash and cash equivalents consisted entirely of disposable bank balances.

Receivables

Financial assets which are not derivatives, that feature fixed or predictable payments and are not quoted on an active market, are recorded as receivables.

In the Group there are mainly rent receivables and other receivables. After individual valuation, receivables have been recorded as the amount at which they are expected to be received. This means that they are recorded at acquisition value with deduction for receivables which are uncertain. Reservation for uncertain receivables is made when an objective risk assessment concludes that the Group might not receive the entire receivable. Receivables in the parent company consist only of receivables from the subsidiaries, which are recorded at acquisition value.

Liabilities

Liabilities refer to credits and operating liabilities such as accounts payable. The majority of Castellum's credit agreements are long-term. In cases where short-term credits are drawn under long-term credit agreements, the credits are considered long-term. The credits are recorded on the settlement date at accrued acquisition value. Deferred unpaid interest is recorded in accrued expenses. A liability is recorded when the counter-party has performed

services and a legal obligation to pay exists, even if the invoice has not yet been received. Accounts payable are recorded when the invoice is received. Accounts payable and other operative liabilities with short duration are recorded at nominal value.

Foreign currency

Transactions in foreign currencies are translated to Swedish kronor (SEK) at the spot exchange rate of the transaction. Monetary assets and liabilities are translated at the balance day rate.

Derivatives

Interest-rate derivatives are financial assets or liabilities which are valued at fair value, with value-changes recorded in the income statement. In order to manage exposure to fluctuations in the market interest rate according to the finance policy, Castellum has entered interest-rate-derivative agreements. When using interest-rate derivatives, changes in value may occur, mainly due to changes in market interest rates. Interest-rate derivatives are initially recorded in the balance sheet on the trade day at acquisition value. They are subsequently valued at fair value with value-changes in the income statement.

Changes in value can be realized as well as unrealized. Realized changes in value refer to redeemed interest-rate derivative contracts and constitute the difference between the price at the time of redemption and the recorded book value according to the latest interim report. Unrealized changes in value refer to the changes in value during the period for the interest-rate derivatives that 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. They can also refer to the acquisition value if the interest-rate derivative agreements have been entered into during the year. For interest-rate derivatives that have been redeemed during the year, an unrealized change in value is recorded and calculated based on valuation at the latest interim report, prior to redemption, compared with valuation at the end of the previous year. Payments made under these agreements are accounted for in the period to which they refer.

Financing of foreign investments can be achieved by raising loans in the functional currency of the company, and by entering into currency derivatives. Castellum apply hedge accounting of net investment in foreign operations in cases where currency derivatives are used. They are initially reported in the balance sheet at cost on trade date, and thereafter reported at fair value. The effective portion of the foreign exchange rate change regarding the hedging instrument is recognized in other total income, while the ineffective portion is recognized as change in value in the income statement. The balance date rate is used to determine real value.

The valuation of derivatives at fair value is adjusted for counterparty risk, i.e. CVA and DVA.

Shareholders' equity

Repurchased shares

Repurchased shares reduce shareholders' equity by the purchase price, including any transaction costs.

Dividends

Dividends are accounted for as a deduction of shareholders' equity after the decision by the Annual General Meeting (AGM). Anticipated dividend is accounted for as financial income by the recipient.

Earnings after tax per share

Calculation of after-tax 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 outstanding shares during the year.

Provisions

Provisions are liabilities that are uncertain regarding timing or amount. A provision is recognized when there are contractual obligations, court orders or other legal grounds likely to involve future payments. The amounts are continuously reassessed. Liabilities due in more than one year are estimated using discounting.

Definition of segments

The Group's operations are organized, managed and reported primarily by geographical region. Segments are consolidated according to the same principles as the Group. Income and costs reported for each segment are actual costs, and no distribution of common costs, assets or liabilities is made between the regions. The same applies to the assets and liabilities reported in the note for 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 accounting principles between the Group and the parent company

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 is applied in the consolidated account statement, 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 principles 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 subsidiaries

Shareholdings in subsidiaries are accounted for in the parent company according to the acquisition value method. The book value is regularly compared to subsidiary group equity. When the book value is lower than the group value of subsidiaries, a write-down is recorded in the income statement. Previous write-downs that are no longer justified are reversed.

Contingent liabilities

Contingent liabilities for the benefit of subsidiaries are financial guarantees and accounted for in accordance with RFR 2, i.e. they are not accounted for as provisions. Instead, Castellum provides information in the notes.

New accounting rules and regulations

New and revised existing standards and interpretations, approved by the EU

New standards that came into force in 2017

The new standards that came into force in 2017 have not had any significant impact on Castellum's financial reporting.

New standards and interpretations that come into force in 2018 and onwards

Castellum's income consists predominantly of rental income, regulated by IAS 17 Leasing. The transition to IFRS 15 Revenue from contracts with customers will be reported according to the retroactive method, i.e. the comparative figures for 2017 will be presented in accordance with IFRS 15. In connection to the transition to IFRS 15, a review of the Group's total revenues was carried out, which resulted in Castellum identifying that some of the Group's debited revenues are covered by IFRS 15. Hence, Castellum's revenues should be divided into two parts – Rental income and Service revenues. The former includes the customary rent including index, additional charging for investments, and property tax; the latter refers to all other additional charging for extra services such as heating, cooling, waste, water, snow removal, etc. Castellum has made a thorough analysis of whether Castellum is the principal or agent for these services and concluded that the Group in its role as real estate owner primarily acts as the principal. This means that if a corresponding assessment had been made for 2017, the Group's sales of SEKm 5,182 would be distributed between Rental income SEKm 4,783 and Service revenues SEKm 399. Hence, the transition to IFRS 15 is not considered to have any material impact on total income or net income.

IFRS 9 replaces IAS 39 on January 1, 2018. The Standard introduces new principles for the classification of financial assets, hedge accounting and credit loss reserves. In 2017, the Group analyzed the effects of the introduction of the new standard. The new principles for classification of financial assets are based on an analysis of the business model in which the asset is managed and the asset's cash flow character. The single largest item within the scope of IFRS 9 is derivatives that are still reported at fair value in the income statement. The analysis shows that the new principles will not have a material impact on Castellum's financial reporting. IFRS 9 further implies that the principles for credit loss provision are made in a model based on expected losses. The analysis and Castellum's application of the model shows that the effect of the transition will have no significant impact on the reported values due to the risk character of the receivables. Castellum applies hedge accounting in Denmark. Castellum will continue to apply hedge accounting in accordance with IFRS 9 and estimates that the hedging relationship is effective even under the new standard. Thus, the transition will have no effect. The Group will not recalculate the comparative figures.

IFRS 16 Leases was adopted in 2017, coming to effect on January 1, 2019. The new standard includes regulations for both lessor and lessee. Castellum's revenues are mainly generated by rental income and must therefore follow the IFRS 16 regulations for lessors. The regulations are largely unchanged for lessors, and the classification between operational and financial leases is retained. Castellum is currently analyzing the impact of IFRS 16 on the Group's financial reporting of rental income. However, IFRS 16 significantly

changes lessees' financial reporting. The new standard changes the previous boundary between financial and operational leases and requires that for all leases a financial lease liability and a corresponding right-of-use asset be reported. In the income statement, for all leases, a cost for depreciation of the asset and an interest expense relating to the finance lease liability are recorded instead of, as stipulated by current regulations, current recording of lease payments. With the exception of entered ground lease agreements, Castellum is only a lessee to a minor extent. Castellum is currently investigating and analyzing the way in which the Group's ground lease agreements are to be reported in accordance with IFRS 16. Thus, the impact on net result and position cannot be estimated at this point in time.

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.

Changes in Swedish regulations

The changes in 2017 have not had any significant impact on Castellum's accounting but have primarily entailed slightly increased disclosure requirements.

Note 2 Operating Segments

The Group's operating segments consist of the following geographical areas: Central (Örebro, Västerås, Linköping, Norrköping, Jönköping, Uppsala and Växjö), West (Greater Gothenburg incl. Borås and Halmstad), Stockholm-North (Stockholm, Sundsvall and Gävle) and Öresund (Malmö, Lund, Helsingborg and Copenhagen). The operating segments are identified by geographical field of activity, which is according to how they are followed-up and analyzed by the primary operational decision-maker in the Group. The Group only manages commercial properties.

Reporting segment	Central		West		Stockholm-North		Öresund		Unlocated items		Castellum Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Rental income, external	1,508	1,258	1,152	1,108	1,426	809	1,053	933	43	-	5,182	4,533
Property costs	- 502	- 447	- 318	- 335	- 385	- 230	- 355	- 316	- 45	- 4	- 1,605	- 1,497
Net operating income	1,006	810	834	773	1,041	579	698	617	- 2	- 4	3,577	3,036
Central administration	- 25	- 14	- 21	- 13	- 10	- 9	- 9	- 8	- 97	- 97	- 162	- 143
Income from prop. mgmt. JV	-	4	-	-	-	-	-	-	-	-	-	4
Interest income	22	13	7	23	45	14	25	23	- 95	- 72	4	3
Interest costs	- 265	- 281	- 194	- 222	- 287	- 153	- 168	- 211	25	37	- 889	- 835
Income from prop. mgmt. incl results JV	738	533	626	561	789	431	546	421	- 169	- 136	2,530	2,065
Revaluation of results due to stepwise acquisition	-	27	-	-	-	-	-	-	-	-	-	27
Transaction and restructuring costs	-	-	-	-	-	-	-	-	- 5	- 163	- 5	- 163
Write-down goodwill	-	-	-	-	-	-	-	-	-	-	-	- 373
Change in value properties	662	1,446	1,198	538	2,545	1,231	144	230	- 9	-	4,540	4,085
Changes in property/tax values JV	-	- 1	-	-	-	-	-	-	-	-	-	- 1
Changes in value derivatives	-	-	-	-	-	-	-	-	247	82	247	82
Income before tax	1,400	2,005	1,824	1,099	3,334	1,662	690	651	64	- 217	7,312	5,722
Investment properties	21,560	19,855	18,010	15,848	25,696	15,181	15,811	15,121	-	-	81,078	70,757
- of which investments this year	1,066	7,666	1,834	650	3,208	5,346	380	8,060	-	-	6,488	31,491

Of the Group's external rental income and investment properties: SEKm 368 (255) refers to rental income from tenants in Denmark and SEKm 5,671 (5,395) refers to investment properties located in Denmark, respectively.

Note 3 Rental income

Rental value

Group rental income was SEKm 5,182 (4,533). Rental income consists of the rental value with deduction for the value of vacant premises during the year. Rental value refers to rental income received and the estimated market rent of unlet premises. The rental value also includes supplementary charges for the customer, such as heating, property tax and an index supplement. Rental value SEK/sq.m, for the different regions and types of properties are shown in the table below. Rental levels have increased by 3% (2%) in comparable portfolio compared with previous year.

Rental value, SEK/sq.m.	Office/retail		Warehouse/logistics		Total	
	2017	2016	2017	2016	2017	2016
Central	1,394	1,367	784	744	1,271	1,255
Öresund	1,882	1,858	736	737	1,541	1,539
Stockholm	2,036	1,854	1,073	1,051	1,621	1,501
West	1,480	1,420	765	770	1,072	1,033
North	1,536	1,501	-	-	1,536	1,501
Total	1,617	1,561	827	818	1,341	1,304

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. Rental levels at Castellum are considered to be aligned with the market.

Commercial leases include a so-called index clause, which provides for an

upward adjustment of the rent, corresponding to a certain percentage of inflation during the previous year or a minimum upward adjustment.

The lease maturity structure for Castellum's portfolio is shown in the table below, where lease value refers to annual value. An explanation for the relatively small portion in 2018 is that a majority of maturing leases were already renegotiated in 2017 due to periods of notice. The most common terms for a new lease include a 3-5 year duration, with a nine-month notice period. The average remaining lease duration in the portfolio is 4.0 years (3.8).

Lease maturity structure	No. of leases	Lease value, SEKm	Percentage of value
Commercial, term			
2018	1,731	340	6%
2019	1,639	1,057	20%
2020	1,298	973	18%
2021	880	890	17%
2022	271	455	9%
2023+	388	1,455	28%
Total	6,207	5,170	100%
Residential	463	41	
Parking spaces and other	6,041	69	
Total	12,711	5,280	

Economic occupancy rate

Castellum's average economic occupancy rate during 2017 was 90.9% (91.3%). It was 91.0% (91.8%) for office and retail properties and 90.2% (89.5%) for warehouse and logistics properties. Rental income for the period includes a lump sum of SEKm 6 (20) as a result of early termination of leases.

Gross leasing, i.e. the annual value of total leasing, during the year was SEKm 600 (489), of which SEKm 198 (152) related to leasing of new constructions, extensions and reconstructions. Notices of termination amounted to SEKm 290 (311), of which bankruptcies were SEKm 7 (17). SEKm 18 (5) related to notices of termination with more than 18 months left of the contract. Hence, net leasing for the year was SEKm 310 (178). The time difference between reported net leasing and the effect in income is estimated to be 9-18 months.

Economic occupancy rate	Office/retail		Warehouse/logistics		Total	
	2017	2016	2017	2016	2017	2016
Central	92.6%	92.5%	86.6%	89.3%	91.9%	92.2%
Öresund	86.7%	88.2%	80.6%	83.4%	85.8%	87.5%
Stockholm	92.7%	93.6%	93.2%	90.5%	92.9%	92.9%
West	90.8%	93.7%	92.8%	90.5%	91.6%	92.3%
North	93.9%	93.2%	-	-	93.9%	93.2%
Total	91.0%	91.8%	90.2%	89.5%	90.9%	91.3%

Risk exposure and credit risk

Castellum's lease portfolio features a good risk exposure. The Group has approx. 6,200 commercial leases and 460 residential leases, and their distribution in terms of size is presented in the table below. The single largest lease as well as the single largest customer accounts for approx. 2% of the Group's total rental income, meaning that Castellum's exposure to a single-customer credit risk is very low.

Lease size, SEKm	No. of leases	Lease value, SEKm		
		Share	SEKm	Share
Commercial				
< 0.25	3,215	25%	245	5%
0.25-0.5	1,040	8%	377	7%
0.5-1.0	851	7%	602	11%
1.0-3.0	743	6%	1,262	24%
> 3.0	358	3%	2,684	51%
Total commercial	6,207	49%	5,170	98%
Residential	463	4%	41	1%
Parking space and other	6,041	47%	69	1%
Total	12,711	100%	5,280	100%

Commercial leases are distributed among various business sectors as illustrated in the table below.

Commercial leases distributed by sector (GICS-code)	No. of leases	Lease value, SEKm	Share
Energy (10)	81	45	1%
Materials (15)	99	97	2%
Capital goods (2010)	648	536	10%
Commercial Services & Supplies (2020)	2,155	952	19%
Transportation (2030)	95	114	2%
Retailing (2550)	426	374	7%
Other Consumer Durables and Services (2510 - 2540)	750	719	14%
Consumer Staples (30)	146	157	3%
Health Care (35)	317	353	7%
Finance and Real Estate (40)	389	286	6%
Software and Services (4510)	290	215	4%
Technology Hardware and Equipment (4520)	140	177	3%
Telecommunication Services (50)	68	21	0%
Utilities (55)	31	9	0%
Non-profit associations and foundations	121	54	1%
Public sector, etc.	451	1,061	21%
Total	6,207	5,169	100%

The table below shows the time distribution of future rental income for existing lease agreements.

Future rental income for existing leases	Group		Parent company	
	2017	2016	2017	2016
Contracted rental income year 1				
Commercial leases	5,290	4,703	-	-
Residential	13	13	-	-
Contracted rental income between 2 and 5 years	11,976	10,495	-	-
Contracted rental income after more than 5 years	5,341	3,725	-	-
Total	22,620	18,936	-	-

Rent receivables

Rents are invoiced and paid in advance, which means that all of the Group's rental receivables of SEKm 45 (118) are overdue.

Parent company

The parent company consists of only group-wide functions and the turnover mainly consists of intra-group services.

Note 4 Property costs

Property costs in 2017 totalled SEKm 1,605 (1,497), equivalent to SEK 366/sq.m. (376). Costs include both direct property costs such as costs for operation, maintenance, ground rent and property tax, and indirect costs such as leasing and property management.

Operating expenses

Operating expenses include costs such as electricity, heating, water, facilities management, cleaning, insurance, rent losses and property-specific marketing costs. Most operating expenses are recharged to the customers as supplements to rent. For warehouse and logistics properties, however, most customers are directly responsible for most operating costs. Operating expenses for 2017 were SEKm 699 (671), equivalent to SEK 157/sq.m. (168). Operating expenses, which are considered to be at a normal level for the business, are weather dependent, and vary between years and seasons. Energy consumption for heating during the period has been calculated to 91.5% (92%) of a normal year according to degree-day statistics. Operating expenses include rent losses of SEKm 7 (14), corresponding to 0.1% of rental income.

Maintenance

Maintenance costs are ongoing measures to maintain the property's standard and technical systems. The maintenance costs totalled SEKm 194 (189), equivalent to SEK 43/sq. m. (47).

Ground rent

Ground rent, including leasing fees, for 2017 totalled SEKm 23 (24), of which almost half the amount relates to Greater Stockholm. Ground rent is the annual fee paid to the municipality by the owner of a building on land owned by the municipality. The ground rent 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. Ground rent is spread over time and is mostly renegotiated at intervals of 10 to 20 years. At year-end 2017, Castellum had 70 properties with ground rent. Existing ground rent agreements mature relatively evenly over the next 60 years. In most cases, when notice is given for a ground rent agreement, the site 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 contracted ground rents	Group		Parent company	
	2017	2016	2017	2016
Contracted ground rents year 1	17	17	-	-
Contracted ground rents between 2 and 5 years	67	66	-	-
Contracted ground rents after more than 5 years	275	291	-	-
Total	359	374	-	-

Property tax

The Group's property tax was SEKm 305 (262), equivalent to SEK 70 sq.m. (70). Property tax is a federal tax based on the property's tax-assessed value. The tax rate for 2017 was 1.0% of the tax assessment value for office/retail properties and 0.5% for warehouse/logistics.

Leasing and property management

The Group's leasing and property management costs for 2017 were SEKm 384 (351), equivalent to SEK 91/sq.m. (86). Leasing and property management are indirect costs for ongoing property management, comprising the costs of leasing operations, rent negotiation, lease administration, rent debiting and collecting, accounting and project administration costs as well as depreciation on equipment and installations at subsidiaries. Of the costs, SEKm 191 (209) refers to employee benefits and SEKm 9 (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.	Office/retail		Warehouse/logistics		Total	
	2017	2016	2017	2016	2017	2016
Operating expenses	184	199	109	110	157	168
Maintenance	51	58	26	26	43	47
Ground rent	3	3	8	8	5	5
Property tax	95	95	23	23	70	70
Direct property costs	333	355	166	167	275	290
Leasing/property administration	-	-	-	-	91	86
Total	333	355	166	167	366	376

Note 5 Central Administrative Expenses

Central administrative expenses include costs of portfolio management, company administration and costs of maintaining the Stock Exchange listing. This involves all costs of Castellum AB, such as Group management, treasury, IT, human relations, investor relations, annual report, audit, depreciation on equipment, etc. At subsidiary level, the figures include, costs for MD and financial manager as well as costs of preparing annual reports, audit, etc. Of the costs, excl. the incentive plan described below, SEKm 74 (66) refers to employee benefits and SEKm 5 (2) to depreciation on equipment.

Central administrative expenses also include costs relating to a profit and share-price related incentive plan for senior management to the order of SEKm 12 (20).

Remuneration to auditors

Remuneration to auditors	Group		Parent company	
	2017	2016	2017	2016
Audit assignment	3	2	1	1
Audit in addition to the audit assignment	1	2	0	0
Other consulting	0	0	0	0
Total	4	4	1	1

The Group's total remuneration to auditors of SEKk 4,080 (3,666) refers to Deloitte.

Note 6 Transaction and restructuring costs

In 2016, Castellum acquired Norrporten, resulting in acquisition costs of SEKm 126. In addition, the restructuring of business operations started, which was completed in 2017. The restructuring costs totalled SEKm 42, of which SEKm 5 were charged to the income for the year and SEKm 37 were charged to the income for last year.

Note 7 Interest and Financial Income

	Group		Parent company	
	2017	2016	2017	2016
Interest income	4	3	2	0
Received group contributions, subsidiaries	-	-	210	420
Anticipated dividend, subsidiaries	-	-	3,260	5,480
Interest income, subsidiaries	-	-	919	728
Other financial income	-	-	-	0
Total	4	3	4,391	6,628

Interest income, for the Group as well as for the Parent Company, is related to receivables valued at accrued acquisition value.

Note 8 Interest and Financial Costs

	Group		Parent company	
	2017	2016	2017	2016
Interest costs	889	810	826	682
Interest costs, subsidiaries	-	-	94	72
Other financial costs	0	25	6	9
Total	889	835	926	763

Net financial items were SEKm -885 (-832). During the year, interest costs of SEKm 31 (15) were capitalized regarding investments in the real estate portfolio, where an average interest rate level of 2.4% (2.7%) has been used.

Of the Group's interest costs, SEKm 396 are related to liabilities valued at accrued acquisition value. Corresponding value for the parent company is SEKm 473. Remaining interest costs refer to interest attributable to Castellum's interest derivatives.

Note 9 Changes in value

Properties

The Swedish real estate market in 2017 was characterized by strong demand, leading to high transaction volumes. The latter did not beat the record year of 2016, but was in line with the volumes of 2015. The proposal for a change in tax for property transactions that came in March 2017 caused some uncertainty, thus affecting the transaction market regarding both lead time and tax-rebate negotiations concerning transactions. However, this impact was offset by a continued high demand and, above all, a very strong rental market; the latter resulting in high leasing rates and real rental growth. For Castellum, the above resulted in a change in value of SEKm 4,540, corresponding to 6%. In addition,

16 properties were sold for SEKm 875 after deduction of assessed deferred taxes and expenses totalling SEKm 38. Underlying property prices, amounting to SEKm 913, exceeded the latest valuation of SEKm 848 by SEKm 65. As each property is valued individually, the portfolio premium that can be noted in the real estate market was not taken into account.

The net increase in value, including this year's change, over the past 10 years has been 1.5% per year, which is slightly higher than inflation during the same period of approx. 1%.

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, regardless of credit margins, there is a surplus or sub-value in the interest rate derivatives where the non-cash-flow changes in value are reported in the income statement. Castellum also uses derivatives in order to hedge currency fluctuation in its Danish investment. For currency derivatives, a surplus or sub-value occurs if the agreed exchange rate deviates from the current exchange rate, where the effective portion of value changes is accounted for in other total income.

The value of the derivatives portfolio has changed by SEKm 247 (82), mainly due to changes in long-term market interest rates.

Note 10 Income taxes

The Swedish income tax for limited liability companies is 22%. In the income statement, income tax is recorded as two entries, current tax and deferred tax. Current tax is based on the taxable income for the year, which is lower than the recorded net income for the year. 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 capitalized in the accounts, and to utilize 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 capitalized investments deducted for tax purposes are reversed.

Swedish accounting legislation does not permit the presentation of properties at fair value in legal entities, meaning that changes in property values only occur at Group level and thus do not affect taxation. Some financial instruments, such as interest rate swaps, might be recorded at fair value at entity level. For Castellum, negative value changes on such instruments are a tax deductible item, while changes up to the acquisition cost of the instruments comprise a taxable income.

As shown in the table below, taxable income for 2017 is low, since Castellum uses the abovementioned depreciation for tax purposes and tax deductions for certain reconstructions, while property sales mainly were made in the form of tax-free share transfers. Current paid tax occurs because a few subsidiaries are not allowed to make fiscal group contributions.

Tax calculation for the Group	Basis 2017		Basis 2016	
	Current tax	Deferred tax	Current tax	Deferred tax
Income from property management	2,530	-	2,065	-
D:o attributable to joint venture	-	-	-4	-
Deductions for tax purposes				
depreciation	-1,054	1,054	-1,044	1,044
reconstructions	-437	437	-485	485
Other tax allowances	48	73	48	212
Taxable income from property management	1,087	1,564	580	1,741
Properties sold	-	-465	44	-2,577
Adjustment last year	-272	199	-	-
Changes in value on properties	-	4,513	-	3,793
Changes in value on derivatives	-423	323	-245	70
Issue expenses	-	-	-123	123
Taxable income before tax loss carry forwards	392	6,134	256	3,150
Tax loss carry forwards, opening balance	-2,392	2,392	-809	809
Acquired tax loss carry forwards	-	-	-1,736	1,736
Tax loss carry forwards, closing balance	2,437	-2,437	2,392	-2,392
Taxable income	437	6,089	103	3,303
According to statement of comprehensive income	-96	-1,340	-23	-727

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 to SEKm 2,437.

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 cost in Castellum's income statement 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	
	2017	2016	2017	2016
Income before tax	7,312	5,722	1,442	4,660
Tax according to current tax rate	-1,609	-1,259	-317	-1,025
Tax effects due to:				
non-taxable dividend	-	-	827	1,206
not deductible write-down shares subsidiaries	-	-	-594	-858
taxable result in joint ventures	-	1	-	-
not deductible sales properties/subsidiaries	102	627	-	612
transaction costs	-	-28	-	-
goodwill	-	-82	-	-
derivatives	76	10	-	-
other tax adjustments	-5	-19	1	-1
Tax according to income statement	-1,436	-750	-83	-66

Note 11 Personnel and Board of Directors

Numer of employees	Group		Parent company	
	2017	2016	2017	2016
Average number of employees	416	363	38	30
of which women	167	130	27	18
of which Denmark (of which women)	9 (4)	6 (3)	-	-

Salaries, remuneration and benefits

During 2017, the parent company had 7 (7) board members, of whom 4 (4) were women, while the total number of board members in Group subsidiaries totalled 19 (19), of whom 12 (9) were women. At year-end, the Group had 9 (9) senior executives, of whom 4 (4) were women. The total number of senior executives in subsidiary managerial bodies and senior executives of the Group totalled 41 (45), of whom 17 (15) were women.

	Group		Parent company	
	2017	2016	2017	2016
Salaries, remuneration and benefits				
Chairman of the Board	0.9	0.8	0.9	0.8
Other Board members	2.2	2.0	2.2	2.0
Chief Executive Officer				
Fixed salary	4.4	4.1	4.4	4.1
Variable remuneration	2.5	3.8	2.5	3.7
Benefits	0.0	0.1	0.0	0.1
Other senior executives				
Group: 8 (11), Parent company: 4 (4)				
Fixed salary	12.8	15.2	3.5	5.7
Variable remuneration	6.9	11.1	3.8	4.7
Benefits	0.4	0.6	0.1	0.2
Other employees	204.4	201.7	29.5	15.9
Total	234.5	239.4	46.9	37.2
Contractual pensions costs				
Chief Executive Officer	1.3	1.2	1.3	1.2
Other senior executives (11 vs. 4)	5.2	4.2	2.1	1.8
Other employees	32.4	35.3	3.8	3.5
Total	38.9	40.7	7.2	6.5
Statutory social costs incl. special employer's contributions				
Chairman of the Board	0.3	0.2	0.2	0.2
Other Board members	0.5	0.4	0.5	0.4
Chief Executive Officer	2.5	2.8	2.5	2.8
Other senior executives (11 vs. 4)	7.5	9.3	2.8	3.8
Other employees	68.9	73.7	10.1	5.8
Total	79.7	86.4	16.2	13.0
Grand total	353.1	366.5	70.3	56.7

Board remuneration

Board remuneration was decided upon by the Annual General Meeting 2017 to total SEKk 3,215, of which SEKk 825 was designated to the Chairman of the

Board and SEKk 350 to each other Board member. Additional remuneration for committee work totals SEKk 290. These amounts apply from the AGM 23-03-2017 to the AGM 22-03-2018.

Executive Group Management

Executive management changed over the year, and at year-end, the executive management group consisted of the Chief Executive Officer, the Chief Financial Officer, the Head of Business Development, the Chief Investment Officer and the HR Manager at Castellum AB, as well as the four Regional Managing Directors.

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 parts:

- One profit-based part is based on income growth from property management compared to the previous year, as well as an overall estimation of development for certain individual factors. Full outcome requires that income growth from property management per share reaches 10% per year. When growth is in the range 0-10%, a linear calculation of the incentive is made. The profit-based portion 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 2017 was 71%, representing a cost of SEKm 8.3 including social costs. The plan ended at the end of 2017.
- One share-price-based part based on the total return on the Castellum share during a three-year period, both in nominal figures and compared with index for real-estate shares in Sweden, the Eurozone and Great Britain. For full outcome of the incentive plan, the total return must be at least 50% during the period and the total return has to exceed index development by at least 5 percentage points during the period. When growth is in the ranges 0-50% and 0-5%-points respectively, a linear calculation of the incentive is made. Any payments due are paid as salary after the measurement period of June 2017-May 2020. During the three-year period, the share-price-based part may total no more than one-and-a-half-years' salary, equal to a Castellum cost of SEKm 35, including social costs. As of December 2017, the outcome was 75%, representing a cost of SEKm 4.3 including social costs. Final reading and set-offs will occur in May 2020. A three-year share price-related incentive program expired in May 2017, resulting in a set-off that did not lead to any cost burden for 2017.

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 pension contributions.

The 2016 AGM decided on a new incentive plan that is basically an extension of the above plan and consists of an annual performance-based remuneration for the years 2017, 2018 and 2019, as well as a three-year share-based remuneration for the period June 2017-May 2020.

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 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

When issued by the company, the period of notice will not exceed 6 months regarding the Chief Executive Officer and 12 months for any other member of Group executive management. Notice is given by the Chief Executive Officer or any other member of executive management of the company, the period of notice is six months. During the period of notice, salary and other benefits are paid, with deduction for salary and remuneration derived from another employment or activity. No deduction will occur for the Chief Executive Officer. At the company's dismissal of the Chief Executive Officer, a severance pay of 12 months' fixed salary is paid, which is not to be reduced as a result of other income that the Chief Executive Officer receives.

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 payments and subsequent return will be received as pension.

However, there is an exception for about 40 employees within the Castellum Group who instead have defined ITP-plans with regular payments to Alecta. Insurance premiums paid to Alecta during the year amounted to SEKm 0 (4). 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 as of September 2017 was 158% (December 2016: 153%). 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

Absence due to illness for the year was 2% (3%), of which a 1% share (2%) was for long-term sick leave. Absences due to illness for men and women were 2% (3%) and 2% (4%), 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. Absence due to illness for the parent company was 4% (4%), of which a 3% share (3%) was for long-term sick leave.

Note 12 Investment properties

Schedule of the changes during the year	Group	
	2017	2016
Opening balance	70,757	41,818
New construction, extension and reconstruction	2,893	2,119
of which capitalized interest costs	31	15
Acquisitions	3,595	29,372
of which business combination	-	28,499
Sales	- 848	- 6,462
Unrealized changes in value	4,513	3,793
Currency translation	168	117
Closing balance	81,078	70,757
Schedule of tax assessment value		
Buildings	25,053	24,657
Land	8,939	8,656
Total tax assessment value	33,992	33,313
Rental income from investment properties	5,182	4,533
Property costs for investment properties	1,605	1,497

The year's change per category is shown in the table below.

Change by category	Office/retail		Warehouse/logistics		Project/land	
	2017	2016	2017	2016	2017	2016
Opening balance	55,399	28,134	12,546	12,159	2,812	1,525
Category changes	554	- 183	211	72	- 765	111
New construction, extension and reconstruction	1,674	1,337	280	296	939	486
Acquisitions	2,271	28,867	391	62	933	443
Sales	- 426	- 6,057	- 406	- 399	- 16	- 6
Unrealized changes in value	3,633	3,191	657	349	223	253
Currency translation	164	110	4	7	0	-
Closing balance	63,269	55,399	13,683	12,546	4,126	2,812

The Parent company does not own any investment properties.

Investments during the year

During 2017 Castellum invested a total of SEKm 6,488 (31,491), of which SEKm 3,595 (29,372) were acquisitions and SEKm 2,893 (2,119) were new construction, extensions and reconstructions. Investments per region: the Stockholm-North region SEKm 3,208, the Western region SEKm 1,835, the Central region SEKm 1,067 and the Öresund region SEKm 378.

Significant obligations

In addition, Castellum has commitments to complete initiated projects where the remaining investment volume amounts to approx. SEKm 1,500, in addition to amounts reported in the balance sheet.

Larger ongoing investments

Property	Investment, SEKm	Remainig, SEKm	To be completed
Olaus Petri 3:244, Örebro	465	325	Q2 2019
Hyllie 4:2 (part of), Malmö	353	257	Q2 2019
Spejaren 4, Huddinge	334	299	Q1 2019
Hisingen Log.park, Gothenburg	220	73	Q2 2018
Balltorp 1:124, Mölndal	192	1	Q1 2018

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 real estate portfolio. The value of the real estate 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. The valuation is thus under IFRS 13, level 3.

The required yield and the assumption regarding future real growth are crucial for the calculated value of the real estate 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 with the addition of 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 the investment properties at fair value and has made an internal valuation of all properties as of December 31, 2017. The valuation was carried out in a uniform manner, and was based on ten-year cash flow model, summarized 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 10-year period and reaches 96%. Included in property costs are operating expenses, maintenance, ground rent, property tax, and leasing and property administration.

Assumptions per property category	Office/retail		Warehouse/logistics	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Rental value SEK/sq.m.	1,636	1,561	839	818
Vacancy	7%	9%	8%	9%
Direct property cost SEK/sq.m.	340	355	175	167
Property management SEK/sq.m	36	35	25	25

Assumptions of required yield

The required yield on equity is different for each property and based on assumptions regarding real interest rate, inflation and risk premium. The risk premium is different for each property and can be divided into two parts: general risk and individual risk. The general risk makes up for the fact that a real estate 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 by site-leasehold rights, where Castellum has a reset obligation under contractual agreement, are assigned an additional individual risk premium of 1.0%.

In order to calculate the required yield on total capital, an operating assumption of 5% has been made about the cost of borrowed capital. The required yield of borrowed capital comprises the real interest rate, plus inflation. The loan-to-value ratio is assumed to be 55%-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 expected 10-year future cash flows; the residual value is discounted by calculating the return on total capital minus growth. Growth is set as equalling inflation, in order not to assume perpetual real growth.

Assumptions per property category	Office/retail		Warehouse/logistics	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Real interest rate	1.5%	1.5%	1.5%	1.5%
Inflation	1.5%	1.5%	1.5%	1.5%
Risk	2.4%-11.2%	3.7%-12.3%	7.6%-12.4%	7.9%-12.5%
Return on equity	5.4%-14.2%	6.7%-15.3%	10.6%-15.4%	10.9%-15.5%
Interest rate	5.0%	5.0%	5.0%	5.0%
Loan to value ratio	65%	65%	55%	55%
Return on total capital	5.1%-8.2%	5.6%-8.6%	7.5%-9.7%	7.7%-9.7%
Weighted d.o, discounted factor year 1-9	6.7%	7.0%	8.4%	8.5%
Weighted d.o, discounted factor residual value*	5.2%	5.5%	6.9%	7.0%

* required yield on total capital minus growth equal to inflation

The calculated required yield is then calibrated compared with the markets required yield. To get an opinion about the market's required yield, Castellum follows completed transactions. 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 real estate portfolio, excluding development projects and undeveloped land, can be calculated to 5.5% (5.8%). Contracted rental levels are considered to be in line with the market levels.

Average valuation yield, SEKm	2017	2016
Net operating income, properties according to income statement	3,589	3,036
Reversed leasing and property administration	384	351
Net operating income, ongoing development projects	- 12	- 28
Properties acquired/completed as if owned the whole year	74	560
Properties sold	- 59	- 220
Net operating income excl. leasing and property admin. for properties as if owned during the whole year, excl. projects and land	3,976	3,699
Adjusted for:		
Index adjustments 2018, 2% (1%)	92	62
Real occupancy rate, 94% at the lowest	295	265
Property administration, 30 SEK/sq.m.	- 133	- 129
Normalized net operating income	4,230	3,897
Valuation excl. building rights of SEKm 569 (388)	76,383	67,557
Average valuation yield	5.5%	5.8%

Development projects and building rights

Development projects are valued using the same principle, but with reduction for remaining investment. Sites with building rights and undeveloped land have been valued on the basis of an average estimated market value per square metre, at approx. SEK 1,700 per sq. m. (1,700).

The value of the real estate portfolio

The internal valuation indicates a fair value of SEKm 81,078 (70,757), corresponding to a change in value of 5.9% (5.6%). Approx. SEKm 3,479 of the value relates to properties held through site leasehold rights, with a rental income of SEKm 300.

The table below shows the fair value distributed by property category and region.

Property value, SEKm 31-12-2017	Office/retail	Warehouse/logistics	Projects/land	Total
Central	18,238	1,967	1,355	21,560
Öresund	13,906	1,702	204	15,812
West	11,553	5,744	713	18,010
Stockholm	14,454	4,270	1,854	20,578
North	5,118	-	-	5,118
Total	63,269	13,683	4,126	81,078

Uncertainty range and sensitivity analysis

A property's market value can only be confirmed when sold. Property valuations are calculations performed according to 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 SEKm 77,024 - 85,132 corresponding to +/- SEKm 4,054.

Sensitivity analysis +/-1% (unit)	Effect on value, SEKm	
	Office/retail	Warehouse/logistics
Rental value SEK/sq.m.	+ 863/- 863	+ 189/- 189
Economic occupancy rate	+ 863/- 863	+ 189/- 189
Property costs SEK/sq.m.	- 190/+ 190	- 42/+ 42
Required yield = discount rate	- 9,971/+ 14,064	- 1,693/+ 2,232

The sensitivity analysis shown above illustrates how a +/- 1%-unit 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, 177 properties - representing 53% of the value of the portfolio - have been valued externally by Forum Fastighets-ekonomi in Sweden and CBRE in Denmark. The properties were selected on the basis of the largest properties in terms of value, but they also reflected the composition of the portfolio as a whole in terms of category and geographical location. The external valuations of the selected properties amounted to SEK 43,147, within an uncertainty range of +/- 5-10% on property level, depending on each property's category and location. Castellum's valuation of the same properties totalled 43,277, i.e., a net deviation of SEKm 130, corresponding to -0%. The gross deviations were SEKm +1,328 and SEKm -1,458, respectively, with an average deviation of 6%.

In addition, Cushman & Wakefield made a desk-top valuation of 56 properties corresponding in value to 25% of the portfolio. Cushman & Wakefield's valuation of the selected properties amounted to SEKm 19,659. Castellum's valuation of the same properties amounted to SEKm 20,524, i.e., a net deviation of SEKm -865, corresponding to -4%. Forum Fastighetsekonomi's valuation of the same properties amounted to SEKm 20,500, i.e., a net deviation compared with Castellum's valuation of SEKm -24, corresponding to 0%.

It can be noted that Castellum's deviation from the external valuers accommodated well within the uncertainty range of +/-5-10%.

Note 13 Equipment

	Group		Parent company	
	2017	2016	2017	2016
Opening acquisition value	138	98	41	13
Acquisitions	69	47	29	28
Sales/retirement of assets	- 15	- 7	- 9	-
Closing acquisition value	192	138	61	41
Opening depreciation	-82	- 74	-12	- 10
Sales/retirement of assets	- 14	6	9	-
Depreciation for the year	- 13	- 14	- 5	- 2
Closing depreciation	- 109	- 82	- 8	- 12
Book value	83	56	53	29

Note 14 Goodwill

In March 2016, Castellum acquired CORHEI Fastighets AB (previously a joint venture) and in June 2016, Norrporten was acquired. In connection with the acquisitions a goodwill item was primarily attributable to the difference between nominal tax and estimated tax applied at the acquisition. Hence, the goodwill is entirely linked to deferred taxes.

Moreover, parts of Norrporten were resold, resulting in an impairment of goodwill when the deferred tax that was attributable to the sold properties is derecognized in its entirety.

The impairment test has been based on fair value minus selling costs. The impairment test did not indicate any need for impairment for 2017.

	Group		Parent company	
	2017	2016	2017	2016
Opening acquisition value	1,659	-	-	-
Acquisitions	-	2,032	-	-
Write-down	-	- 373	-	-
Book value	1,659	1,659	-	-

Note 15 Shareholders' Equity and Net Asset Value

Items in shareholders' equity

The share capital as of December 31, 2017, consisted of 273,201,166 registered A-shares with one vote per share and a par value of 0.50 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 convertible shares, or preferential rights to accumulated dividend (preference shares).

Development of share capital	Date	Number of shares	Par value per share	Share capital, SEK
Formation A-shares	27-10-1993	+500	100.00	+50,000
New share issue, A-shares	27-09-1994	+999,500	100.00	+99,950,000
Share split 50:1	25-03-1997	+49,000,000	2.00	-
IPO	23-05-1997	50,000,000	2.00	100,000,000
New share issue, C-shares	12-07-2000	+7,142,857	2.00	+14,285,714
Redemption, A-shares	12-07-2000	-6,998,323	2.00	-13,996,646
Redemption, C-shares	13-11-2000	-7,142,857	2.00	-14,285,714
Share split 4:1	27-04-2006	+129,005,031	0.50	-
New issue of shares	14-06-2016	+82,000,000	0.50	+41,000,000
Non-cash issue	15-06-2016	+19,194,458	0.50	+9,597,229
Year-end	31-12-2017	273,201,166	0.50	136,600,583

Other capital contribution

Other capital contribution is shareholders' 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 unrealized 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 depositions to the restricted reserves is also included in this item.

Restricted and non-restricted equity in the parent company

According to the Swedish Companies Act, shareholders' equity is made up of restricted (non-distributable) and non-restricted (distributable) equity. Dividend 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.

Repurchased shares

During the year 2000, Castellum repurchased 8,006,708 of the company's own shares for a total of SEKm 194, equivalent to 4.7% of the total registered number of shares. Since then no repurchase of the company's own shares have been made. These repurchased shares were used in connection with the acquisition of Norrporten as an issue in kind.

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 2017 is SEK 5.30 per share, SEKm 1,448 in total. The dividend is proposed for division into two payment occasions where the record date for the first payment is proposed for March 26, 2018, and the record date for the second payment is proposed for September 24, 2018. The amount is recorded as a liability 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 asset value 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 - interest rate derivatives and deferred tax liability. This means that shareholders' equity according to the balance sheet is to increase by SEKm 1,352 and SEKm 8,405, respectively. At the same time, SEKm -1,659 is to be deducted.

Actual net asset value is equity according to the balance sheet, adjusted for deferred tax liability. Present accounting principles state that the deferred tax liability shall be recognized at nominal, 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 present assessment is that the discounted real deferred tax liability is equivalent to approx. 7%, meaning that an additional SEKm 5,555 will be recorded in equity.

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, +/- 5% uncertainty range is equal to SEKm +/- 3,162 after tax.

Net asset value	SEKm	SEK/share
Equity according to the balance sheet	33,736	123
Reversed		
Derivatives according to the balance sheet	1,352	5
Goodwill	-1,659	-6
Deferred tax according to the balance sheet	8,405	31
Long term net asset value (EPRA NAV)	41,834	153
Deduction		
Derivatives as above	-1,352	-5
Estimated real liability, deferred tax 5%*	-2,850	-10
Actual net asset value (EPRA NNAV)	37,632	138
Uncertainty range valuation of properties +/- 5% after tax	+/- 3,749	+/- 14

* Estimated real deferred tax liability net has been calculated to 5% based on a discount rate of 3%. Further, assessments have been made that tax loss carry forwards are realized in 2 years with a nominal tax of 22%, giving a present value of deferred tax liability of 21%, and that the properties are realized in 50 years where 33% are sold directly with a nominal tax of 22% and that 67% are sold indirect through company disposals where the buyers tax discount is 11%, which gives a present value of deferred tax liability of 6%.

Capital structure

Castellum should have a stable capital structure with low financial risk, meaning a loan to value ratio not permanently exceeding 55% and an interest coverage ratio of at least 200%.

In the balance sheet, there are, in addition to shareholders' equity, liabilities that in principle are both interest free and amortization free and therefore can be considered as shareholders' equity. The real estate industry therefore uses loan to value as a key ratio 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 objective is based on growth in cash flow and is not directly related to the net asset value. The objective 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 approx. SEKm 4,000. 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.

Distribution of earnings

The Board has proposed that the earnings at the Annual General Meeting's disposal, SEK 17,636,605,774, are to be appropriated as follows: a dividend to shareholders of SEK 5.30/share - totalling SEK 1,447,966,180 - and carry forwards of SEK 16,188,639,594.

Change in equity

Attributable to the shareholders of the company

Group, SEKm	Number of out-standing shares, thousand	Share capital	Other capital contribution	Currency translation reserve	Currency hedge reserve	Non-controlling interest	Retained earnings	Total equity
Shareholders' equity 31-12-2015	164,000	86	4,096	- 12	11	-	11,587	15,768
Dividend, March 2016 (4.25* per share)	-	-	-	-	-	-	- 804	- 804
New issue of shares	82,000	41	6,273	-	-	-	-	6,314
Non-cash issue/Sales of own shares	27,201	10	2,160	-	-	-	905	3,075
Issue expenses	-	-	- 123	-	-	-	-	- 123
D:o Effect on tax	-	-	28	-	-	-	-	28
Acquired minority shareholding	-	-	-	-	-	- 2	-	- 2
Net income for the year	-	-	-	-	-	-	4,972	4,972
Other total net income	-	-	-	63	- 57	-	-	6
Shareholders' equity 31-12- 2016	273,201	137	12,434	51	- 46	- 2	16,660	29,234
Dividend March & Sept 2017 (5.00 per share)	-	-	-	-	-	-	- 1,366	- 1,366
Net income for the year	-	-	-	-	-	-	5,876	5,876
Other total net income	-	-	-	72	- 80	-	0	- 8
Shareholders' equity 31-12- 2017	273,201	137	12,434	123	- 126	- 2	21,170	33,736

Fair value reserves

Parent company, SEKm	Number of out-standing shares, thousand	Share capital	Other capital contribution	Currency translation reserve	Currency hedge reserve	Non-controlling interest	Retained earnings	Total equity
Shareholders' equity 31-12-2015	164,000	86	20	- 13	11	-	4,614	4,718
Dividend, March 2016 (4.25* per share)	-	-	-	-	-	-	- 804	- 804
New issue of shares	82,000	41	-	-	-	6,273	-	6,314
Non-cash issue/Sales of own shares	27,201	10	-	-	-	2,160	905	3,075
Issue expenses	-	-	-	-	-	-	- 123	- 123
D:o Effect on tax	-	-	-	-	-	-	27	27
Net income for the year	-	-	-	-	-	-	4,594	4,594
Other total net income	-	-	-	30	- 30	-	0	0
Shareholders' equity 31-12-2016	273,201	137	20	17	- 19	8,433	9,213	17,801
Dividend March & Sept 2017 (5.00 per share)	-	-	-	-	-	-	- 1,366	- 1,366
Net income for the year	-	-	-	-	-	-	1,359	1,359
Other total net income	-	-	-	67	- 67	-	0	0
Shareholders' equity 31-12-2017	273,201	137	20	84	- 86	8,433	9,206	17,794

*) The number of historical shares that have been recalculated with reference to the bonus-issue element (i.e. the value of the subscription right) in the completed new share issue, and utilized in all ratio calculations for SEK-per-share.

Note 16 Liabilities

	Group		Parent company	
	2017	2016	2017	2016
Non-interest-bearing liabilities due within one year of the balance sheet date	1,988	1,956	146	137
Interest-bearing liabilities due within one year of the balance sheet date	-	-	60	800
1-5 years of the balance sheet date	34,211	34,028	37,374	29,921
5 years after the balance sheet date	4,015	4,439	1,556	1,893
Total liabilities excl. deferred tax liability and derivatives	40,214	40,423	39,136	32,751

During 2018 current interest-bearing liabilities amounting to SEKm 11,322 (12,649) are due to payment. Since they are covered by unutilized long-term credit agreements, they are treated as long-term interest-bearing liabilities.

Note 17 Deferred Tax Liability/Asset

As indicated in the table below, a realization of all assets and liabilities to book value for the Group and utilization of all existing tax loss carry forwards would result in a taxable income of SEKm 41,969 (34,105). With a tax rate of 22%, this is equivalent to a tax payment of SEKm 9,233 (7,503). Castellum has deferred tax of SEKm 828 (423), which relates to properties accounted for as asset acquisitions. According to present regulations deferred tax at the time of the acquisition is not to be accounted for in the balance sheet, which is shown in the table below.

The parent company reports a deferred tax asset of SEKm 79 (83), corresponding to 22% of the unutilized tax loss carry forwards of SEKm 359 (377).

Tax loss carried forward

As of December 31, 2017, Castellum's tax loss carried forward are estimated SEKm 2,437 (2,392). The change is presented in note 10.

Surplus- and sub value of properties for tax purposes

When calculating the tax effect on a sale of all properties in the Group, the book value in the Group of SEKm 81,078 (70,757) must be compared to the residual value for tax purposes in the legal entity, which amounts to SEKm 36,807 (33,906). This means that if all of Castellum's properties were sold, the taxable net profit would exceed the recorded profit in the Group by SEKm 44,271 (36,851).

	2017		2016	
	Basis	Tax	Basis	Tax
Deferred tax liability				
Tax loss carry forwards				
Opening balance	2,392	526	809	178
Acquired tax loss carry forwards	-	-	1,736	382
Change of the year in income statement	45	10	- 153	- 34
Closing balance in the balance sheet	2,437	536	2,392	526
Difference between the properties book and tax basis value				
Opening balance	-36,851	- 8,107	- 22,209	- 4,886
Change of the year in net income	- 7,420	- 1,632	- 2,880	- 634
Company acquisitions	-	-	- 11,762	- 2,587
Closing balance	- 44,271	- 9,739	- 36,851	- 8,107
Less, attributable to asset acquisitions				
Opening balance	1,992	438	1,893	416
Company acquisitions	1,771	390	99	22
Closing balance in the balance sheet	3,763	828	1,992	438
Closing balance in the balance sheet	- 40,508	- 8,911	- 34,859	- 7,669
Derivatives				
Opening balance	385	85	-	-
Acquired	-	-	628	138
Change of the year in net income	- 385	- 85	- 243	- 53
Closing balance in the balance sheet	-	-	385	85
Untaxed reserves				
Opening balance	-31	- 7	- 30	- 7
Acquired	-	0	- 1	0
Change of the year in net income	- 104	- 23	0	0
Closing balance in the balance sheet	- 135	- 30	- 31	- 7
Total				
Opening balance	- 32,113	- 7,065	- 19,537	- 4,299
Acquisitions of the year	-	-	- 9,300	- 2,045
Change of the year in net income	- 6,063	- 1,340	- 3,276	- 721
Closing balance in the balance sheet	- 37,186	- 8,405	- 32,113	- 7,065

Previous write-downs where tax deductions have been made amount to approx. SEKm 96. These may be reversed in the case of future increases in value.

Note 18 Other provisions

Other provisions relate to rental guarantees, with a maximum commitment to January 31, 2019, estimated to SEKm 5 (9) and other commitments in connection with the sale of real estate amounting to a maximum of SEKm - (-).

Note 19 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. These value changes occur primarily due to changes in market interest rates. Castellum also uses currency derivatives to provide financing in foreign currency, which are included in the derivative portfolio market value.

To calculate the market value of derivatives, market rates for each term and - where appropriate - exchange rates are used, as quoted on the market for the closing date. 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 such as 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 on counterparty level based on expected future credit exposure, risk of default, and recovery rate of exposed credits. As of December 31, 2017, the market value of the interest rate and currency derivatives portfolio amounted to SEKm -1,352 (-1,582) where fair value is established according to level 2, IFRS 13.

In the balance sheet, derivatives are accounted for as long-term liabilities since the amount will not be settled in cash. However, a theoretical maturing amount during 2018 can be mathematically calculated to SEKm 515.

Counterparty risk

In order to limit counterparty risk, Castellum's derivative transactions are covered by general agreement with netting clauses (ISDA). This allows Castellum to offset positive and negative market values in the event of default.

	31-12-2017			31-12-2016		
	Asset	Liability	Net	Asset	Liability	Net
Interest rate derivatives	2	- 1,301	- 1,299	11	- 1,619	- 1,608
Currency derivatives	1	- 54	- 53	44	- 18	26
Gross value derivatives	3	- 1,355	- 1,352	55	- 1,637	- 1,582
Netting	-3	3	-	- 55	55	0
Net value derivatives	0	- 1,352	- 1,352	0	- 1,582	- 1,582

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 interest rate - as listed at year end - has been used throughout the full term of the derivative.

Year	Future cash-flow of interest rate derivatives		
	Interest to pay, SEKm	Interest to receive, SEKm	Net, SEKm
-2018	- 445	-	- 445
2019	- 405	-	- 405
2020	- 342	-	- 342
2021	- 342	-	- 342
2022	- 211	-	- 211
2023+	- 158	-	- 158
Total	- 1,903	-	- 1,903

Sensitivity analysis

The table below shows the interest-rate-derivatives portfolio's nominal net amount and market value as of 31-12-2017 and the market value of the portfolio with a +/- 1%-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, SEKm	Acquisition value, SEKm	Market value, SEKm	Average interest rate	Market value interest +1%-unit	Market value interest -1%-unit
2018	1,750	-	- 21	2.6%	- 15	- 35
2019	3,300	-	- 64	1.5%	- 30	- 102
2020	4,573	-	- 169	1.8%	- 80	- 257
2021	2,800	-	- 158	2.5%	- 58	- 266
2022	1,250	-	- 103	2.8%	- 43	- 165
2023+	5,550	-	- 784	3.5%	- 380	- 1,199
Total	19,223	-	- 1,299	2.5%	- 606	- 2,024

Currency derivatives with a market value of SEKm - 53 are not included in the table above, since a change in the market interest rate has an insignificant effect on the market value.

Note 20 Financial Risk Management

Financing

Real estate 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 pledged by Castellum's receivables from subsidiaries, including property mortgages
- Credits directly to subsidiaries, pledged by property mortgages. In the majority of cases, credits directly to subsidiary also have a guaranteed commitment from the parent company
- Unsecured credits
- Issuing of bonds, without pledged security
- Issuing of commercial papers, without pledged security

All types of credit agreements contain normal termination terms, and in some cases renegotiation terms for changes in business and delisting. If the lender calls for such renegotiation and the parties cannot agree, the credit agreements have established settlement times for the credit agreement subject to such terms. At the end of the year, utilized credits secured by pledged mortgages added up to SEKm 15,867. In addition to mortgages, the majority of credit agreements include commitments regarding loan-to-value ratio and interest coverage ratio, called financial covenants, stating a loan-to-value ratio not exceeding 65% and an interest coverage ratio of at least 175%. If the 55% loan-to-value ratio is compromised, some agreements will suffer more expensive financing costs. In all cases, the guarantee to lenders is issued by a comfortable margin to Castellum's capital structure objectives.

Finance policy

Castellum's funding and management of financial risk are conducted in accordance with the finance policy adopted by the Board of Directors. Castellum is to run at a low financial risk with a loan-to-value ratio not exceeding 55% in the long run 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 funding and liquidity is ensured. In addition, net interest expenses at each time will be optimized within the given risk authorization. The finance policy outlines overall authorization 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 finance policy.

The parent company holds an internal auditing function, separate from the treasury department, which provides accounting and independent control of financial management and financial risks.

Financial risk management

Castellum carries out financial transactions based on estimates of the Group's overall long-term funding needs, liquidity and chosen interest rate risk.

Hence, financial risk management is carried out on portfolio level. Portfolio management of funding means that an intra Group transaction, such as an internal loan, is not replicated by an identical external transaction. Instead, loans are drawn under short- or long-term credit agreements, based on the Group's overall funding 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. The internal bank works with a cash pool system of bank accounts for the Group's liquidity flows.

Funding risk

Demands for long-term funding make Castellum look for long-term capital 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 amortization at every turnover occasion without any marginal breaking costs or other compensation to lenders. The objective is to minimize 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 funding, Castellum regularly renegotiates and - when required - enters into new credit agreements or forms of borrowing. At the end of the year, Castellum held binding credit agreements totalling SEKm 57,240 (53,259) of which SEKm 45,120 (40,358) were long-term and SEKm 12,120 (12,901) were short-term. Of utilized long-term credits, SEKm 33,208 (18,162) were long-term credit agreements in bank and SEK 11,912 (7,656) were MTNs issued under Castellum's MTN program. Of short-term credits, SEKm 1,876 (3,090) were short-term credits in bank; SEKm 2,250 (1,600) were MTNs, and SEKm 7,994 (7,702) were outstanding commercial papers.

In 2017, credit agreements totalling SEKm 1,367 terminated or expired while agreements totalling SEKm 12,915 were renegotiated, of which SEKm 370 constituted overdraft credit. This resulted in a reduction of guarantees by SEKm 4,804. In addition, new agreements totalling Euro 75 million were entered into with the European Investment Bank (EIB). During the year, MTNs totalling SEKm 1,600 matured and SEKm 6,500 were issued.

At year end, the average duration of Castellum's long-term credit agreements was 2.7 years (3.0).

Credit agreements/-limits	Amount, SEKm	Utilized, SEKm
Long-term credit agreements in bank	32,908	14,957
Short-term credit agreements in bank	1,306	806
Liquidity	870	104
Total credit agreements	35,084	15,867
MTN-program (SEKm 15,000 facility)	14,162	14,162
Commercial papers (SEKm 8,000 facility)	7,994	7,994
Total	57,240	38,023

Debt maturity structure for credit agreements, presented in the table below, shows when in time the credit agreements fall due for renegotiation or repayment.

	Agreements SEKm	Utilized in		
		Bank	MTN/Cert	Total
0-1 year	12,120	875	10,244	11,119
1-2 years	20,657	4,844	3,298	8,142
2-3 years	7,470	4,949	2,521	7,470
3-4 years	10,019	2,019	2,300	4,319
4-5 years	2,959	19	2,940	2,959
> 5 years	4,015	3,161	853	4,014
Total	57,240	15,867	22,156	38,023

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 fixed interest term. 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 papers and MTNs 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 2017, the interest coverage ratio was 386% (348%). The average interest-rate duration per December 31, 2017, was 2.4 years (2.4), the average effective interest rate was 2.4% (2.6%) and the average interest rate for the year was 2.4% (2.7%).

Margins and fees for long-term credit agreements are established with an average duration of 2.2 years (2.4).

Cash-flow effect on income for the next twelve months at an interest rate change of +/- 1% amounts to SEKm -69 and SEKm -94, respectively. Castellum is unable to take full advantage of negative interest rates because of interest rate floors in the credit agreements. Hence, there is a negative outcome, even at a reduction of the interest rate of 1%-point

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.

	Interest rate maturity structure			Average interest rate	Average fixed interest rate term
	Loan, SEKm	Derivatives, SEKm	Net, SEKm		
0-1 year	31,128	- 14,173	16,955	2.8%	0.3 year
1-2 years	950	1,700	2,650	1.4%	1.8 years
2-3 years	1,598	3,373	4,971	1.8%	2.5 years
3-4 years	2,999	2,600	5,599	1.8%	3.4 years
4-5 years	1,148	1,250	2,398	2.2%	4.5 years
5-10 years	200	5,250	5,450	2.9%	7.1 years
Total	38,023	0	38,023	2.4%	2.4 years

Currency risk

Castellum owns properties in Denmark totalling a value of SEKm 5,671 (5,395), 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 currency. 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 is SEKm +142.

Counterparty risk

Counterparty risk refers to the risk that – at any given moment – is estimated to exist that Castellum's counterparties do not fulfil their contractual obligations.

Castellum limits counterparty risk by requiring high credit ratings of counterparties. High rating 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.

Future cash-flow loans					
Year	Loan, opening balance	Mature	Loan, closing balance	Interest costs, SEKm	
2018	38,023	- 11,119	26,904	- 423	
2019	26,904	- 8,142	18,762	- 356	
2020	18,762	- 7,470	11,292	- 221	
2021	11,292	- 4,319	6,973	- 115	
2022	6,973	- 2,959	4,014	- 62	
2023	4,014	- 2,378	1,636	- 30	
2023+	1,636	- 1,636	0	- 45	
Total		-38,023		- 1,253	

Note 21 Accrued Expenses and Prepaid Income

	Group		Parent company	
	2017	2016	2017	2016
Pre-paid rents	694	877	-	-
Accrued interest	121	114	121	108
Other	313	422	23	26
Total	1,128	1,413	144	134

Note 22 Pledged Assets

	Group		Parent company	
	2017	2016	2017	2016
Property mortgages	32,397	33,130	-	-
Chattel mortgages	-	838	-	-
Long-term receivables, group companies	-	-	27,688	21,986
Total	32,397	33,968	27,688	21,986

Note 23 Contingent Liabilities

	Group		Parent company	
	2017	2016	2017	2016
Guaranteed commitments for subsidiaries	-	-	3,609	7,353
Total	-	-	3,609	7,353

Normally the parent company is the borrower, but when the property-owning company borrows directly, the parent company provides guaranteed commitments for subsidiaries.

Note 24 Participation in Group companies

Directly owned subsidiaries are listed below. Other companies in the Group are included in each respective subsidiary's annual report. During the year, Castellum North AB was acquired and two subsidiaries were sold intra-group to Castellum Central AB and Castellum West AB.

Directly owned subsidiaries	Corporate identity No.	Registered Office	Share of capital	Book value
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%	768
Fastighets AB Regeringsgatan	556571-4051	Gothenburg	100%	0
Castellum Innovation AB	559110-6538	Gothenburg	100%	0
Total				19,661

Principles for consolidation are described in the accounting principles.

Participations in Group Companies	Parent company	
	2017	2016
Opening acquisition value	19,403	6,030
Acquisition	0	13,594
Sales	-	- 1,393
Paid shareholders' contribution	2,458	5,072
Write-down	- 2,200	- 3,900
Closing balance/book value	19,661	19,403

Note 25 Long-term receivables, Group companies

	Parent company	
	2017	2016
Opening acquisition value	26,348	19,103
New lending to subsidiaries	8,500	7,215
Currency translation foreign operation	66	30
Closing balance/book value	34,914	26,348

Note 26 Financial instruments

The different categories of financial instruments in the Group's balance sheet are presented in the table below.

SEKm	Loan and accounts receivable		Financial liabilities recorded at fair value in income statement		Derivatives used in hedge accounting		Financial liabilities recorded at accrued acquisition value	
	2017	2016	2017	2016	2017	2016	2017	2016
Assets								
Rent receivables	45	118	-	-	-	-	-	-
Other receivables	263	5,000	-	-	-	-	-	-
Prepaid expenses and accrued income	230	264	-	-	-	-	-	-
Cash and bank	203	257	-	-	-	-	-	-
Liabilities								
Interest rate derivatives	-	-	1,299	1,608	-	-	-	-
Currency derivatives	-	-	-	-	53	- 26	-	-
Long-term liabilities	-	-	-	-	-	-	38,226	38,467
Accounts payable	-	-	-	-	-	-	125	153
Other liabilities	-	-	-	-	-	-	336	322
Accrued expenses and prepaid income	-	-	-	-	-	-	1,128	1,413
Total	741	5,639	1,299	1,608	53	- 26	39,815	40,355

Financial instruments such as rent receivables, accounts payable, etc. are recorded at accrued acquisition value with deduction for any write-downs. Hence, fair value is assessed to comply 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 accrued acquisition value corresponds to fair value.

Note 27 Reconciliation of liabilities arising from financing activities

Group	31-12-2016	Non cash-flow affecting changes			31-12-2017
		Cash flow	Effects of changed exchange rate	Amortization premium/discount	
Long-term interest bearing liabilities	38,467	- 241	1	- 1	38,226
Total liabilities attributable to financing activities	38,467	- 241	1	- 1	38,226

Parent company	31-12-2016	Non cash-flow affecting changes			31-12-2017
		Cash flow	Effects of changed exchange rate	Amortization premium/discount	
Long-term interest bearing liabilities	27,912	6,391	- 3	3	34,303
Long-term interest bearing liabilities to Group	3,902	725	-	-	4,627
Total liabilities attributable to financing activities	31,814	7,116	- 3	3	38,930

The Group's and the parent company's interest rate and currency derivatives do not affect cash flow.

Note 28 Subsequent Events

The Financial Reports constitute part of the Annual Report and were signed by the Board of Directors on February 1, 2018.

The Board of Directors of Castellum AB intends to propose to the Annual General Meeting a dividend of SEK 5.30 per share, to be paid on two occasions during the year. The Income Statement 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 22, 2018.

Proposed Distribution of Profits

The following funds are at the Annual General Meeting disposal:

Retained profit	SEK 16,277,553,158
Net income for the year	SEK 1,359,052,616
	<hr/>
	SEK 17,636,605,774

The Board of Directors propose that the retained profits be appropriated as follows:

Dividend to shareholders, SEK 5.30 per share	SEK 1,447,966,180
Carried forward to the new accounts	SEK 16,188,639,594
	<hr/>
	SEK 17,636,605,774

The company has 273,201,166 registered shares, of which all are entitled to dividends.

The total dividend payment proposed above of SEK 1,447,966,180 can be changed if the number of the company's own repurchased shares changes before the record date for the dividend.

Statement regarding Proposed Distribution of profit

Reasons

The group's equity has been calculated in accordance with IFRS standards, approved by the EU, as well as in accordance with Swedish law by application of the recommendation RFR 1 (Supplementary Accounting Rules for groups) by the Swedish Financial Reporting Board. The equity of 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 constitutes 57 per cent of the group's income from property management, which is in line with the expressed objective to distribute at least 50 per cent of the group's income from property management, having considered investment plans, consolidation needs, liquidity and overall position. The group's net income after tax amounted to SEKm 5,876. The distribution policy is based on the group's income from property management, and as a result non-affecting cash flow increases and/or decreases in value of the group's properties and on interest and currency derivatives, do not normally affect the distribution. Such non-affecting cash flow profit or loss, have neither been taken into account in previous year's resolutions regarding distribution of profit.

The Board of Directors concludes that the company's restricted equity is fully covered after the proposed distribution.

The Board of Directors also concludes that the proposed distribution to the shareholders is justified considering the parameters in section 17 subsection 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 the business

The Board of Directors estimates that the equity of the company as well as of the group will, after the proposed distribution, 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 made a general estimation of the financial position of the company and the group, and the possibilities to fulfil their obligations. The proposed dividend constitutes 8 per cent of the company's equity and 4 per cent of the group's equity. The group's loan to value ratio and interest coverage ratio 2017 amounted to 47 per cent and 386 per cent respectively. The expressed objective for the group's capital structure, implying a loan to value ratio which not permanently exceeds 55 per cent and an interest coverage ratio of at least 200 per cent, will be maintained after the proposed dividend. The capital structure of the company and the group is sound considering the prevailing conditions of the real 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 dividend.

Liquidity

The proposed dividend 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 handle 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.

Evaluation to actual value

Derivatives instruments and other financial instruments have been valued to the actual value in accordance with section 4 subsection 14 a of the Swedish Annual Accounts Act. The valuation has presented an undervalue of SEKm 1,055 after tax, which has affected the equity by the mentioned amount.

Gothenburg, January 24, 2018

The Board

Signing of the Annual Report

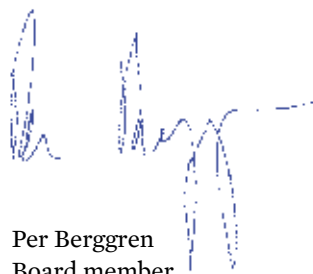
As far as we know the Annual Report is prepared in accordance with generally accepted accounting principles. The Annual Report gives a true and fair view of the company's financial position and results, and the Director's Report gives a true and fair overview of the development of the company's operations, 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 Director's 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.

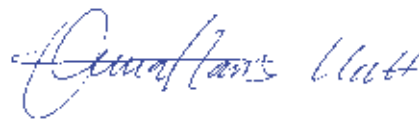
Gothenburg February 1, 2018



Charlotte Strömberg
Chairman of the Board



Per Berggren
Board member



Anna-Karin Hatt
Board member



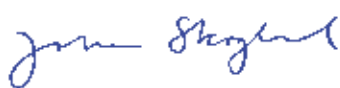
Christer Jacobson
Board member



Christina Karlsson Kazeem
Board member



Nina Linander
Board member



Johan Skoglund
Board member



Henrik Saxborn
Chief Executive Officer

Our Audit Report regarding this Annual Report was submitted on February 1, 2018

Deloitte AB



Hans Warén
Authorized Public Accountant

Auditor's report

This auditor's report 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.

To the general meeting of 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 fiscal year 2017 except for the corporate governance report on pages 96–110 and the sustainability report on pages 11–15, 24–25, 46, 55–63, 94–95, 100–101, 108–109 and 176. The annual accounts and consolidated accounts of the company are included on pages 11–140 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 2017 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 2017 and their 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 96–110 and the sustainability report on pages 11–15, 24–25, 46, 55–63, 94–95, 100–101, 108–109 and 176.

The statutory administration 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 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 recorded in the consolidated balance sheet at fair value. The recorded fair value is MSEK 81,078 at 31 December 2017 and is based on an internal valuation of each property. To validate the internal valuation 53 % of the property portfolio value has been valued externally.

The internal valuation is performed through individual assessment of each property's future earnings and market yield. Changes in value can occur either as a result of macro- and microeconomic or property-specific reasons. The valuation is based on judgements and estimates, which may have a significant impact on the group's result and financial position.

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 property valuation on page 82, risks and risk management on page 88, the group's accounting principles and critical assessments on page 123 and note 12 in the annual report.

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, on property level for a selection of properties, for our assessment of completeness and valuation.
- We have obtained the external valuations and assessed if the difference against the internal valuations is 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, authorisation procedures, capitalized expenses and monitoring of project outcome.
- We have reviewed the recording of gains from projects for ongoing projects.
- We have reviewed relevant disclosure notes to the financial statements.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–10 and 147–177. 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 Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee 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. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

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 fiscal year 2017 and the proposed appropriations of the company's profit or loss.

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

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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 96–110 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less 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 statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph 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 11–15, 24–25, 46, 55–63, 94–95, 100–101, 108–109 and 176, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s 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 less 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.

Deloitte AB was appointed auditor of Castellum AB by the annual general meeting of shareholders on the 23 March 2017 and has been the company's auditor since 23 March 2017. Hans Warén was appointed auditor of Castellum AB by the annual general meeting of shareholders on the 20 March 2014 and has been the company's auditor since 20 March 2014 and of Deloitte AB appointed responsible auditor for 2017.

Gothenburg, February 1, 2018

Deloitte AB



Hans Warén
Authorized Public Accountant

Auditor's Limited Assurance Report on Castellum AB's Sustainability Report

This auditor's report 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.

To Castellum AB

Introduction

We have been engaged by the Board of Directors of Castellum AB to undertake a limited assurance engagement of the Castellum AB's sustainability report for the fiscal year 2017. The Company has defined the scope of the Sustainability Report on page 1.

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 176 in the sustainability report, and are the parts of the sustainability reporting guidelines (published by The Global Reporting Initiative (GRI)) 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.

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 IAASB's 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 1, 2018

Deloitte AB



Hans Warén
Authorized Public Accountant





**CASTELLUM'S
REAL ESTATE SCHEDULE**

Öresund page **149**

West page **154**

Central page **160**

Stockholm page **168**

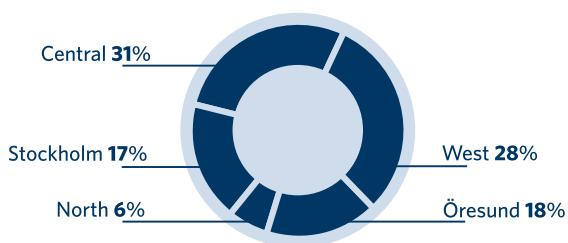
North page **172**

Properties sold in 2017
page **174**

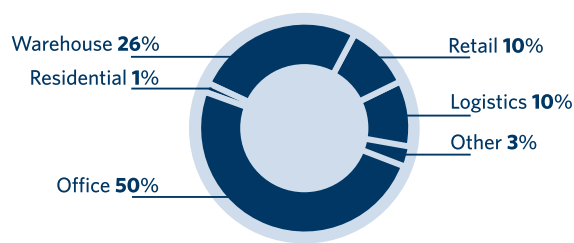
Castellum's Real Estate Schedule 2017, Summary

	Square metres per type of premises						Total	Site sq.m.	Tax assessment value
	Office	Retail	Warehouse	Logistics	Residential	Other			
The Central Region	686,522	240,072	241,667	122,737	14,724	43,136	1,348,857	2,731,796	9,121,179
The Western Region	457,263	65,226	503,388	164,163	8,189	26,055	1,224,284	2,210,925	7,325,588
The Öresund Region	482,642	61,898	176,274	45,233	6,201	32,987	805,235	1,329,852	8,215,062
The Stockholm Region	322,151	45,236	222,927	127,499	613	24,555	742,981	1,091,971	7,506,837
The Northern Region	228,058	18,670	1,248	0	7,146	4,296	259,418	197,729	1,822,904
Total Castellum	2,176,635	431,102	1,145,505	459,632	36,872	131,029	4,380,775	7,562,273	33,991,570

Distribution by region and sq.m.



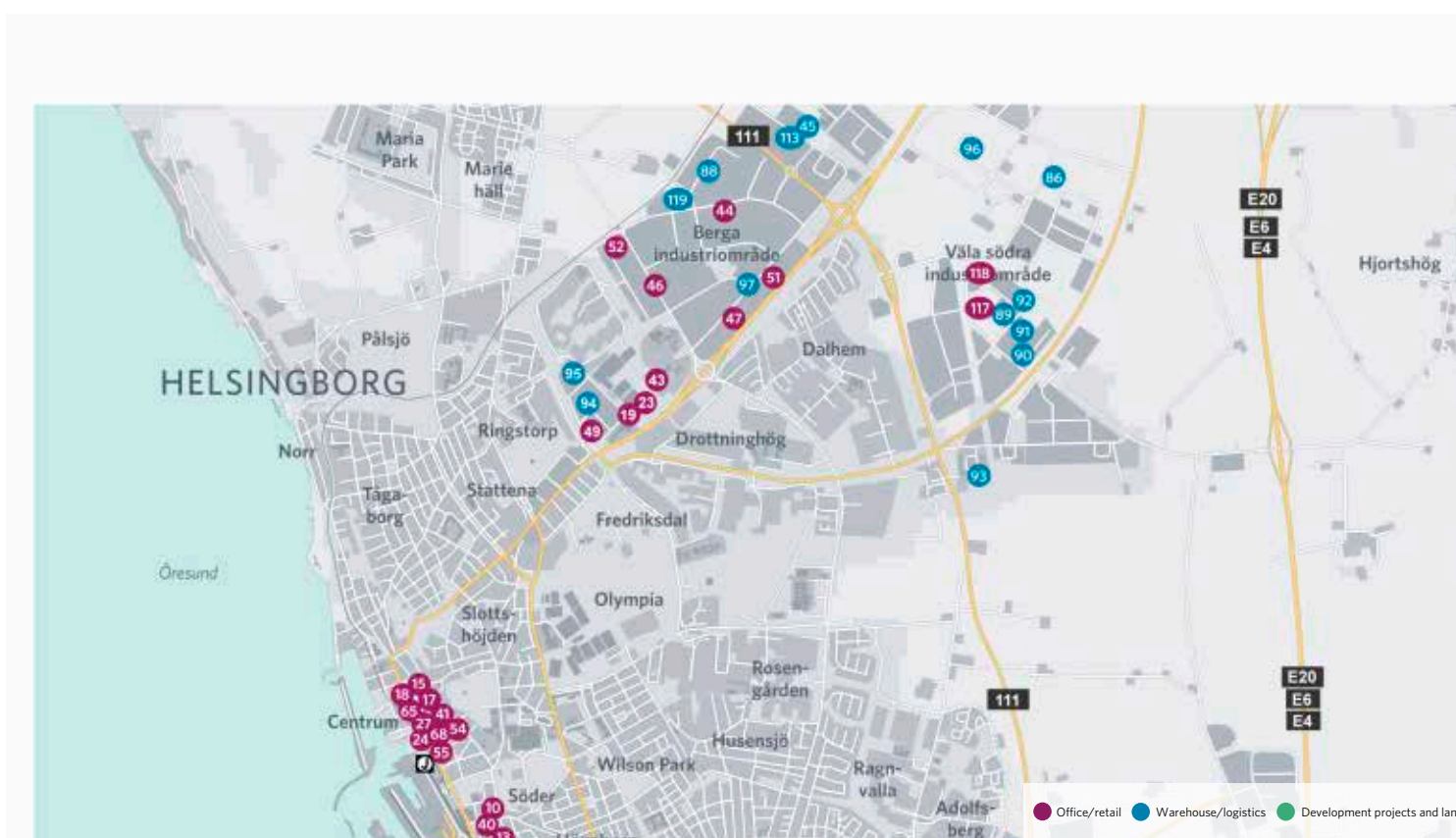
Distribution by type and sq.m.



The Öresund Region

Property	Address	Municipality	Acquis- year	Build/ Recon. year	Square metres per type of premises						Total	Site sq.m.	Tax assessment value	Note
					Office	Retail	Warehouse	Logistics	Residential	Other				
OFFICE/RETAIL														
1	Armringen 2	Malmö	2011	1975	480	3,869	24	494	-	-	4,867	14,925	20,327	T
5	Bältespännet 13	Malmö	2006	1972/2002	-	1,820	-	-	-	-	1,820	4,402	8,774	
106	Fullriggaren 4	Malmö	2010	2013	4,773	381	16	-	-	230	5,400	1,854	113,800	
8	Gustav Adolf 13	Malmö	2003	1968	7,987	1,261	10	-	-	829	10,087	2,224	174,609	
9	Hälsingland 19	Malmö	<1995	1950/2003	8,223	6,668	-	-	-	9	14,900	26,696	101,600	B
12	Malte 23	Malmö	1999	1965	5,214	-	219	643	-	1,472	7,548	2,597	80,800	
124	Mässhallen 2	Malmö	2016	2016	7,318	-	-	-	-	-	7,318	2,140	30,074	
20	Spännbucklan 16	Malmö	<1995	1972/2002	-	4,762	-	-	-	-	4,762	15,117	30,000	
16	Norsen 12	Malmö	<1995	1930/1990	2,446	-	36	54	75	653	3,264	1,296	-	
110	Ringspännet 5	Malmö	2006	2016	-	-	-	-	-	3,333	3,333	8,200	2,010	
115	Revolversvarven 12	Malmö	2012	1987	9,982	-	-	-	-	-	9,982	16,531	62,000	
22	Stenyxan 21	Malmö	2007	1992/1999	1,094	-	-	-	-	-	1,094	2,301	5,127	
107	Sändaren 1	Malmö	2010	2013	15,156	-	-	-	-	-	15,156	40,239	96,400	T/B
25	Torshammaren 11	Malmö	2011	1984	647	-	-	-	-	-	647	5,034	4,103	
26	Tuborg 1	Malmö	<1995	1945/1980	6,508	-	445	403	-	37	7,393	4,377	-	
28	Forskaren 2	Lund	1999	2001	19,176	-	-	-	-	1,813	20,989	16,211	321,000	
29	Forskaren 2:2	Lund	1999	2008	8,591	-	-	-	-	797	9,388	9,136	160,500	
105	Forskaren 2:3	Lund	1999	2012	7,528	-	-	-	-	1,638	9,166	9,136	160,500	
30	Jöns Petter Borg 9	Lund	1999	1990	4,059	-	7,287	-	-	9	11,355	24,502	47,451	B
31	Kvartsen 2	Lund	<1995	1991	639	-	999	-	-	-	1,638	4,512	12,217	
31	Kvartsen 2:2	Lund	<1995	1991/2013	-	-	2,300	-	-	300	2,600	5,031	12,839	
32	Reuter Dahl 15	Lund	1997	1990	2,927	-	-	-	-	195	3,122	4,478	24,055	
33	Reuter Dahl 15:2	Lund	2006	1990	4,854	-	791	-	-	-	5,645	12,077	56,482	
37	St Clemens 22	Lund	<1995	1832/1981	1,160	1,423	128	-	574	-	3,285	2,769	71,305	
38	St Clemens 27	Lund	<1995	1846/1999	-	2,344	-	-	-	-	2,344	1,114	41,400	
39	Stockholmsledet 8	Lund	<1995	1991	9,997	-	1,104	-	-	788	11,889	14,440	126,000	
117	Grusbacken 3	Helsingborg	2012	2013	2,488	-	-	-	-	-	2,488	9,909	17,572	
118	Grusgången 2	Helsingborg	2014	1991/2001	1,707	-	1,059	-	-	-	2,766	6,833	11,353	
43	Kavalleristen 9	Helsingborg	1997	1920/1993	11,570	-	105	-	-	718	12,393	27,223	80,968	B
44	Kroksabeln 18	Helsingborg	2004	1988	2,902	-	435	-	-	178	3,515	4,809	21,280	
46	Musköten 5	Helsingborg	<1995	1970/1985	1,619	725	1,535	-	-	-	3,879	4,000	11,482	
47	Pilbågen 6	Helsingborg	2000	1977	-	4,525	814	-	-	-	5,339	11,400	18,873	B

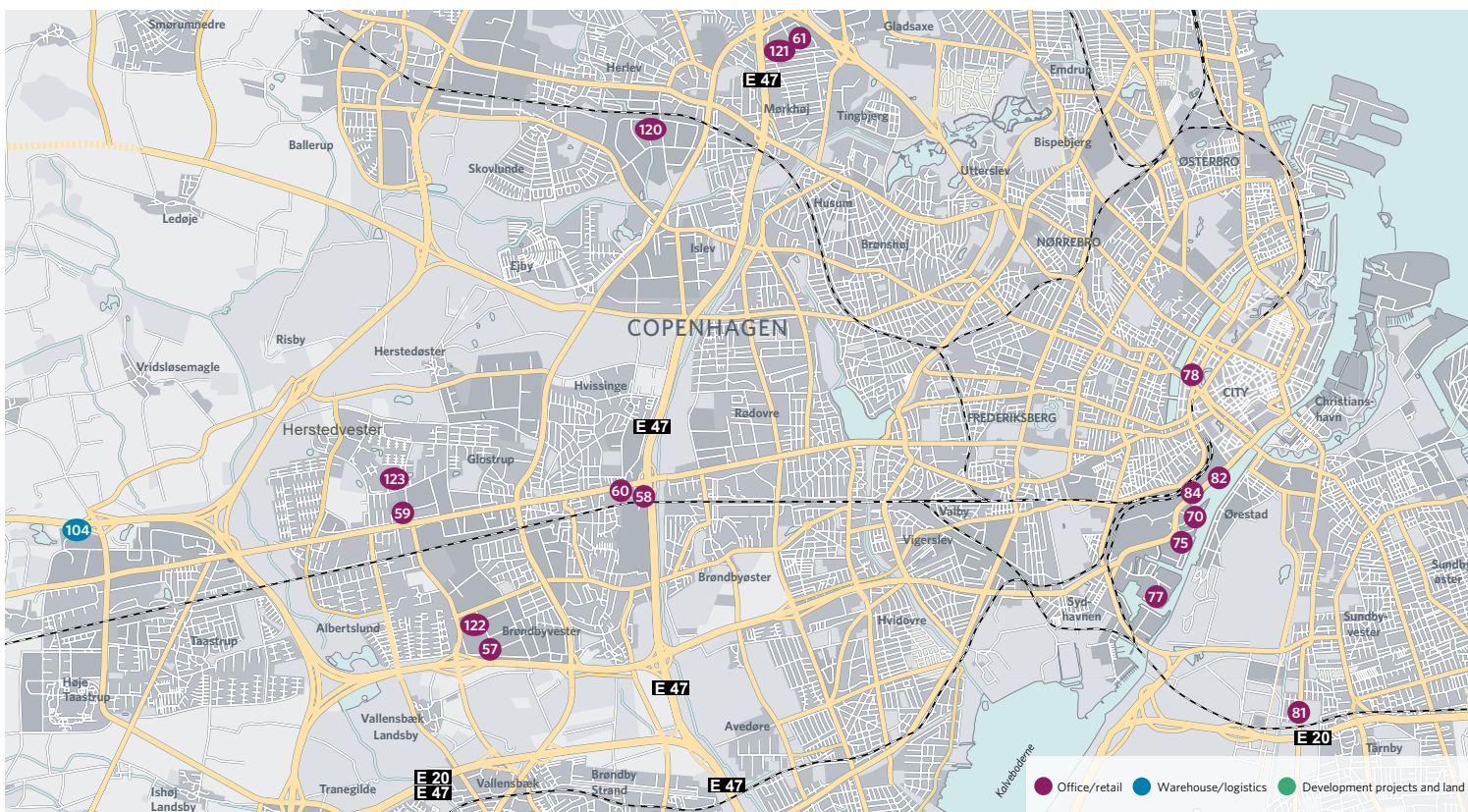
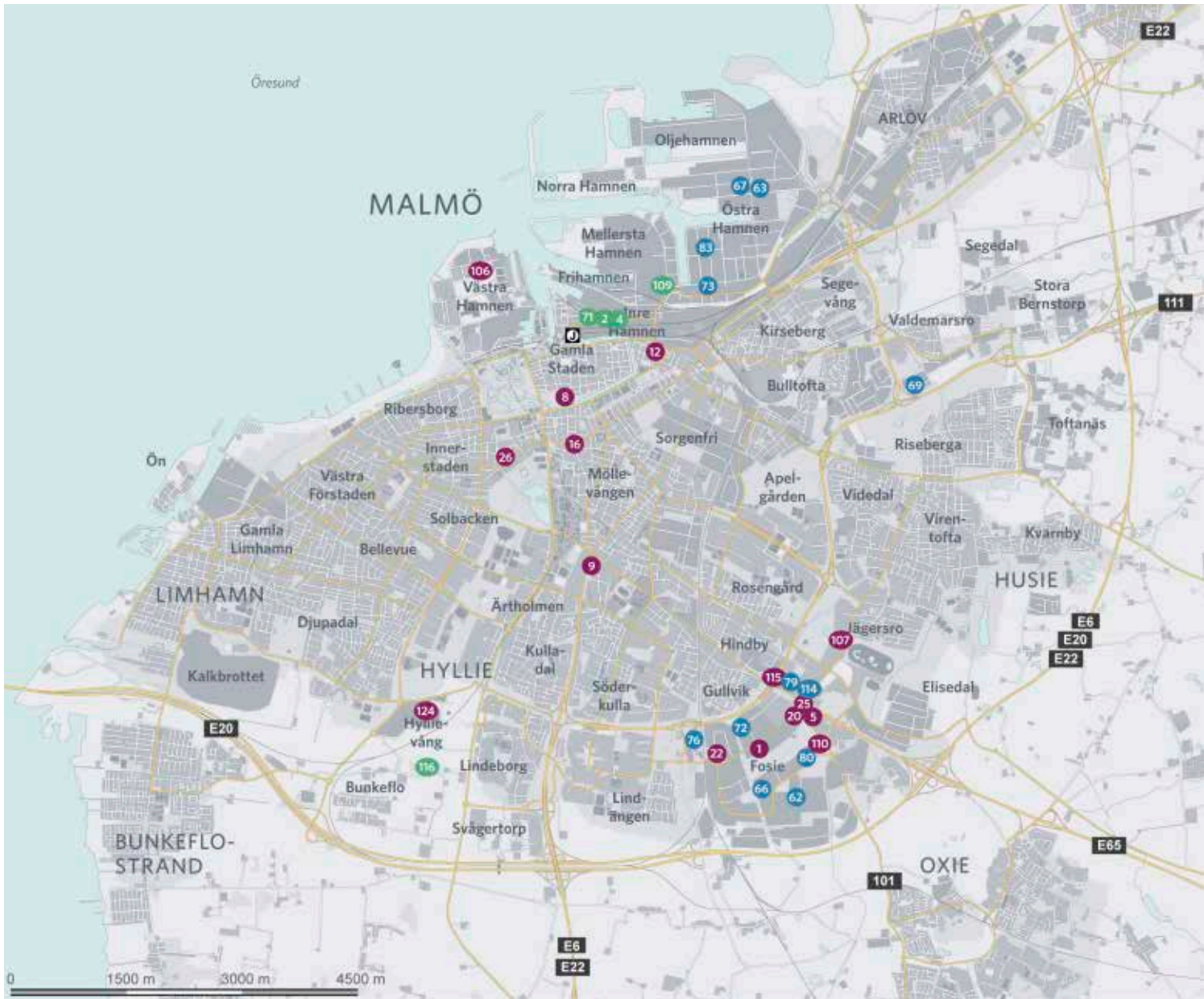
Note: T=Ground rent A=Lease B=Unutilized building right



Property	Address	Municipality	Acquis- year	Build/ Recon. year	Square metres per type of premises							Total	Site sq.m.	Tax assessment value	Note
					Office	Retail	Warehouse	Logistics	Residential	Other					
48 Pilbågen 6:2	Garnisonsgatan 10	Helsingborg	2004	1980	4,955	4,628	1,541	-	-	556	11,680	16,000	56,583		
49 Rustningen 1	Rundgången 26-32	Helsingborg	<1995	1989	7,670	2,597	862	-	-	-	11,129	15,000	71,509		
- Snårskogen 1	Kanongatan 155-159	Helsingborg	<1995	1991	2,345	5,029	1,254	-	-	-	8,628	27,824	47,817		
51 Spjutet 2	Garnisonsgatan 14	Helsingborg	2008	1970/2003	1,412	5,169	-	-	-	162	6,743	15,287	40,400		
52 Studsaren 4	Bergavägen 21	Helsingborg	<1995	2006	-	-	2,170	-	-	-	2,170	7,200	9,407 B		
54 Vikingen 6	Mariag. 10/S Kyrkog. 11	Helsingborg	<1995	1878/1984	535	159	-	-	-	-	694	275	7,040		
55 Vikingen 12	L Strandg. 7/S Kyrkog. 7	Helsingborg	<1995	1912/1988	625	-	-	-	-	600	1,225	414	15,940		
10 Bollbro 15	Gasverksg. 15-17, Carl Krooks Gata 17	Helsingborg	2016	1970	7,739	1,601	60	-	-	451	9,851	3,146	-		
13 Danmark 27	Södergatan 43, Nedre Nytorosg. 13	Helsingborg	2016	1970	2,506	455	450	-	417	-	3,828	836	31,000		
14 Danmark 31	Hantverkareg. 10-12, Nedre Nytorosg. 15	Helsingborg	2016	1972	1,925	-	-	-	326	353	2,604	1,282	28,207		
15 Delfinen 15	Kullagatan 29, Norra Strandg. 32	Helsingborg	2016	1962	1,074	1,176	-	-	-	65	2,315	787	21,910		
17 Erik Dahlberg 5, 9	Kolmätaregr 7-11, Norra Strandg 20, Kullag 17	Helsingborg	2016	1929/1989	1,324	640	-	-	42	114	2,120	943	35,015		
18 Färjan 4	Drottningg. 20-22, Hästmöllegränden	Helsingborg	2016	1932	3,324	783	25	-	-	393	4,525	772	44,400		
19 Högkvarteret 1	Berga Allé 25	Helsingborg	2016	2007	22,164	-	-	-	-	-	22,164	17,766	172,800		
23 Högkvarteret 2	Berga Allé 21	Helsingborg	2016	2011	18,454	-	-	-	-	-	18,454	6,999	-		
24 Högvakten 6	Stortorget 2	Helsingborg	2016	1968	3,471	-	-	-	-	-	3,471	617	48,600		
27 Karl XV 9	Drottningg. 1-3, Hamntorget 3, Badhusgatan 4	Helsingborg	2016	1929	10,757	701	33	-	1,127	1,271	13,889	4,936	132,669		
40 Kolonien 28	Carl Krooks Gata 30-32, Wetterlingsg 2-4	Helsingborg	2016	1988	3,074	3,526	-	-	2,630	15	9,245	3,551	115,000		
41 Kärnan Mellersta 9	Billeplatsen 1, Södra Storgatan 3-5	Helsingborg	2016	1790/1929	2,936	147	48	-	-	793	3,924	3,013	45,400		
65 Rådhuset 5	Drottningg. 14, Hästmöllegränden 1-3	Helsingborg	2016	1976	5,533	3,055	153	-	629	379	9,749	2,711	119,770		
68 Telegrafan 9	Järnvägsg. 3-5, Södra Kyrkog. 1-3	Helsingborg	2016	1896/1974	7,260	2,913	-	-	381	971	11,525	4,053	119,614		
70 Havneholmen Atrium	Havneholmen 27-29	Copenhagen	2016	2008	12,445	-	-	-	-	168	12,613	7,118	334,833		
75 Havneholmen Tower	Havneholmen 23-25	Copenhagen	2016	2010	18,619	-	-	-	-	46	18,665	11,882	561,348		
77 Stöberigade	Stöberigade 12-14	Copenhagen	2016	2004	10,301	-	-	-	-	-	10,301	9,283	291,296		
78 Peblingehus	Nansensgade 19	Copenhagen	2016	1970/2014	11,774	421	-	-	-	-	12,195	3,320	295,666		
81 Kay Fiskars Plads 9	Kay Fiskars Plads 9	Copenhagen	2016	2002	13,861	-	-	-	-	-	13,861	6,854	862,515		
81 Kay Fiskars Plads 11	Kay Fiskars Plads 11	Copenhagen	2016	2002	16,115	-	-	-	-	-	16,115	-	-		
82 Kalvebod Brygge 39-41	Kalvebod Brygge 39-41	Copenhagen	2016	1999	7,204	-	-	-	-	-	7,204	5,115	268,351		
84 Kalvebod Brygge 43	Kalvebod Brygge 43	Copenhagen	2016	2001	5,248	-	-	-	-	-	5,248	10,179	543,981		
84 Kalvebod Brygge 45	Kalvebod Brygge 45	Copenhagen	2016	2001	11,585	-	-	-	-	-	11,585	-	-		
57 Abildager 26	Abildager 26	Brøndby	2011	1995	3,585	-	-	-	-	-	3,585	14,012	32,798		



Property	Address	Municipality	Acquis- year	Build/ Recon. year	Square metres per type of premises							Total	Site sq.m.	Tax assessment value	Note
					Office	Retail	Warehouse	Logistics	Residential	Other					
60	Vibeholms Allé 15	Brøndby	2011	1961/2007	3,811	-	-	-	-	-	3,811	3,695	45,991		
122	Park Allé 373	Brøndby	2015	1969	12,785	-	-	-	-	-	12,785	33,199	89,405	B	
58	Hovedvejen 1-7	Glostrup	2011	2007	7,033	-	-	-	-	-	7,033	3,796	127,357		
121	Generatorvej 6-8	Generatorvej 6-8/Dynamovej 11	Söborg	2015	1970	23,855	-	-	-	955	24,810	25,110	211,480	B	
123	Roholmsvej 19-21	Roholmsvej 19-21/Stensmosevej 15	Albertslund	2015	1991/2004	8,714	-	-	-	4,999	13,713	23,571	186,710		
59	Roskildevej 22	Roskildevej 22	Albertslund	2011	1970/1994	8,395	-	-	-	-	8,395	26,396	60,206		
120	Marielundvej 10	Marielundvej 10	Herlev	2014	1998	2,561	-	-	-	-	2,561	5,517	29,682		
61	Transformervej 14-16	Transformervej 14-16	Herlev	2012	1972/1989	5,899	-	-	-	-	5,899	6,000	53,689		
Total office/retail					441,918	60,778	23,903	1,594	6,201	25,290	559,684	643,972	7,083,291		
WAREHOUSE/LOGISTICS															
62	Benkammen 6	Skogholmsgatan 5	Malmö	2005	1994	-	-	12,997	-	-	12,997	30,100	54,705	B	
63	Bjurö 12	Flintränneg. 21/Bjurög.	Malmö	<1995	1960/1974	3,379	-	11,913	7,322	-	390	23,004	35,500	81,592	T
66	Dubbelknappen 17	Risyxegatan 6	Malmö	1998	1989	-	-	2,450	-	-	2,450	8,472	10,659	B	
67	Finngrundet 1	Blidögatan 30	Malmö	1998	1966	-	-	7,490	-	-	7,490	10,000	20,008	T	
69	Gulsippan 1	Källvattengatan 5	Malmö	2001	1988	3,077	-	10,916	-	-	13,993	38,450	67,687	B	
72	Holkyxan 5	Bronsyxegatan 11	Malmö	<1995	1977/2000	-	-	6,510	-	-	6,510	13,035	22,179	T	
73	Kalkgrundet 5	Borrgatan 15/Kocksg 1-3/Väderög.2	Malmö	<1995	1935/1985	669	-	6,734	-	-	7,403	14,274	23,029	T	
76	Långdansen 1	Sångelekgatan 9	Malmö	<1995	1980	-	-	1,200	-	-	1,200	10,042	8,903		
79	Revolversvarven 9	Jägershillgatan 16	Malmö	1997	1985	-	-	3,900	-	-	3,900	10,932	19,300	T	
114	Revolversvarven 10	Jägershillgatan 14	Malmö	2012	1988	-	-	3,600	-	-	3,600	15,570	30,551		
80	Ringspännet 1	Kantyxeg. 5/Knackstensgatan 1	Malmö	2002	2002	700	-	6,000	-	-	6,700	15,730	27,547		
83	Tistlarna 9	Styrsögatan 4/Väderög./Kocksg.	Malmö	2000	1991	1,476	-	14,025	-	-	66	15,567	31,020	52,413	B
86	Akvamarinen 1	Diabasgatan 1	Helsingborg	2000	2007	-	-	4,713	-	-	4,713	10,001	25,432		
87	Bergakungen 1	Måndagsgatan 6	Helsingborg	<1995	1990	478	-	2,465	-	-	2,943	6,799	11,872		
88	Dolken 4	Mörsaregatan 16	Helsingborg	2004	1970/1985	410	-	2,586	-	-	2,996	8,240	9,187		
89	Grusbacken 2	Makadamgatan 15	Helsingborg	2005	2005	-	-	-	13,300	-	13,300	27,950	62,480		
90	Grusbädden 2	Mogatan 2-6	Helsingborg	<1995	1989	1,550	-	7,824	-	-	30	9,404	28,486	41,242	
91	Grusbädden 3	Makadamgatan 16	Helsingborg	2007	2007/2010	-	-	-	13,705	-	13,705	29,334	62,400		
92	Grusplanen 3	Makadamgatan 19-21	Helsingborg	2005	1990	-	-	2,735	-	-	2,735	7,292	10,993		
93	Hyveljärnet 3	Lastgatan 9	Helsingborg	<1995	1990	-	-	2,276	-	-	2,276	6,014	9,597		
117	Kniven 7	Florettgatan 9	Helsingborg	2014	1979	3,015	-	-	-	-	3,015	5,084	11,095		
45	Kulan 3	Garnisonsgatan 5	Helsingborg	2002	1996/2005	-	-	12,730	-	-	12,730	18,567	43,400		
113	Kulan 3:2	Garnisonsgatan 5	Helsingborg	2010	2014	-	-	9,689	-	-	9,689	35,933	60,200		
94	Mimer 12	S Tvärgången 3	Helsingborg	<1995	1960	-	-	34	-	-	3,767	3,801	11,721	- B	
95	Nide 2	Rundgången 10	Helsingborg	<1995	1955/1985	1,824	425	3,703	754	-	6,706	17,285	21,966		
96	Topasen 1	Andesitgatan 8	Helsingborg	2003	1989	-	-	-	8,558	-	8,558	33,786	44,821	B	
97	Värjan 3	Garnisonsgatan 9	Helsingborg	2002	1969	301	695	3,485	-	-	4,481	17,923	18,015	B	
6	Lerstenen 1	Kalkstensvägen 12	Lund	2016	2004/2005	497	-	1,202	-	-	1,699	3,698	10,589		
7	Lerstenen 2	Kalkstensvägen 14	Lund	2016	2008	-	-	1,950	-	-	1,950	4,000	9,735		
99	Råbyholm 5	Landerigränden 2-4/Borgs väg 9	Lund	1999	1984	2,828	-	7,581	-	-	10,409	23,825	60,507		
104	Helgeshöj Allé 38	Helgeshöj Allé 38	Taastrup	2012	1991	17,116	-	-	-	-	17,116	108,180	163,381	B	
Total warehouse/logistics					37,320	1,120	150,708	43,639	0	4,253	237,040	637,243	1,095,485		
DEVELOPMENT PROJECTS															
71	Hamnen 22:27	Mercurigatan 3	Malmö	<1995	1952/1976	-	-	-	-	-	-	545	299	T	
2	Hamnen 22:28	Carlsgatan 16	Malmö	2016	1945	-	-	-	-	-	2,800	2,800	2,213	2,130	T
4	Hamnen 22:31	Carlsgatan 22	Malmö	2016	1932	-	-	1,663	-	-	644	2,307	2,211	2,331	B/T
116	Hyllie 4:2 (part of)	Hyllie Boulevard	Malmö	2017	-	-	-	-	-	-	-	2,519	-		
34	Rudebok 2	Rudeboksvägen 3	Lund	2004	1985/2004	3,404	-	-	-	-	3,404	14,781	20,934		
Total development projects					3,404	0	1,663	0	0	3,444	8,511	22,269	25,694		
UNDEVELOPED LAND															
109	Moränen 1 & 2	Borrgatan 1	Malmö	<1995	-	-	-	-	-	-	-	11,289	6,208	B	
112	Höjdpunkten 2	Östra Torn 27:2	Lund	2001	-	-	-	-	-	-	-	15,079	4,385	B	
Total undeveloped land					0	0	0	0	0	0	0	26,368	10,593		
Total Öresund Region					482,642	61,898	176,274	45,233	6,201	32,987	805,235	1,329,852	8,215,062		



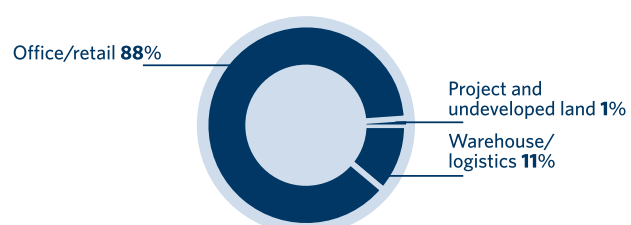
Castellum's Real Estate Portfolio The Öresund Region 31-12-2017

	No. of Properties	Area thous. sq.m.	Rental value SEKm	Rental value SEK/sq.m.	Economic occupancy rate	Rental-income SEKm	Property costs SEKm	Property costs SEKm/sq.m.	Net operating income SEKm
Office/retail									
Copenhagen	18	190	419	2,199	85.9%	360	100	525	260
Helsingborg	27	190	323	1,697	88.9%	287	53	280	234
Malmö	15	98	165	1,695	88.3%	146	38	387	108
Lund	11	82	146	1,795	82.3%	120	25	306	95
Total office/retail	71	560	1,053	1,882	86.7%	913	216	386	697
Warehouse/Logistics									
Copenhagen	1	17	15	862	68.7%	10	6	325	4
Helsingborg	15	101	77	766	82.9%	64	12	124	52
Malmö	12	105	69	656	82.2%	57	24	227	33
Lund	3	14	14	966	72.7%	10	2	158	8
Total warehouse/logistics	31	237	175	736	80.6%	141	44	186	97
Total	102	797	1,228	1,541	85.8%	1,054	260	326	794
Leasing and property administration									
Total after leasing and property administration									
Development projects	5	9	7	-	-	1	1	-	0
Undeveloped land	2	-	-	-	-	-	-	-	-
Total	109	806	1,235	-	-	1,055	354	-	701

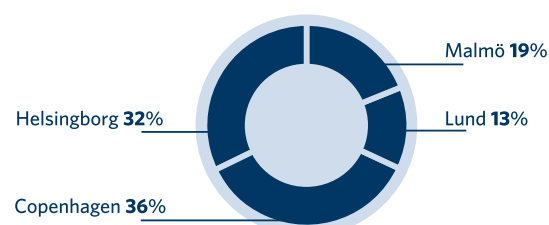
Property related key ratios

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Rental value, SEK/sq.m.	1,541	1,539	1,089	1,078	1,121	1,107	1,065	1,060	1,063	989
Economic occupancy rate	85.8%	87.5%	85.4%	85.3%	85.0%	84.5%	85.2%	86.6%	86.5%	88.1%
Property costs, SEK/sq.m.	443	442	348	345	354	331	304	315	320	278
Net operating income, SEK/sq.m.	879	905	583	575	599	605	603	604	601	593
Number of properties	109	107	113	111	117	117	109	101	100	100
Lettable area, thousand sq.m.	806	803	696	646	737	726	678	646	620	621

Property value by property type

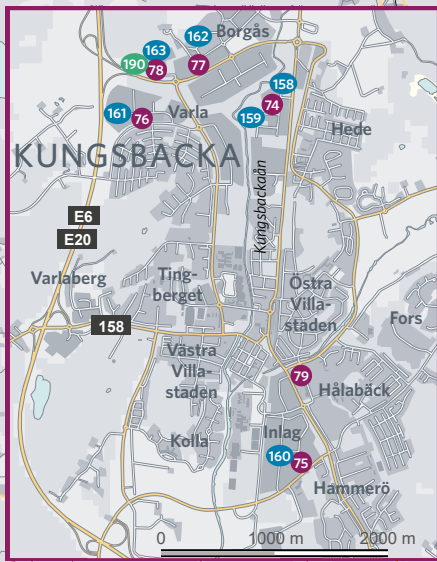
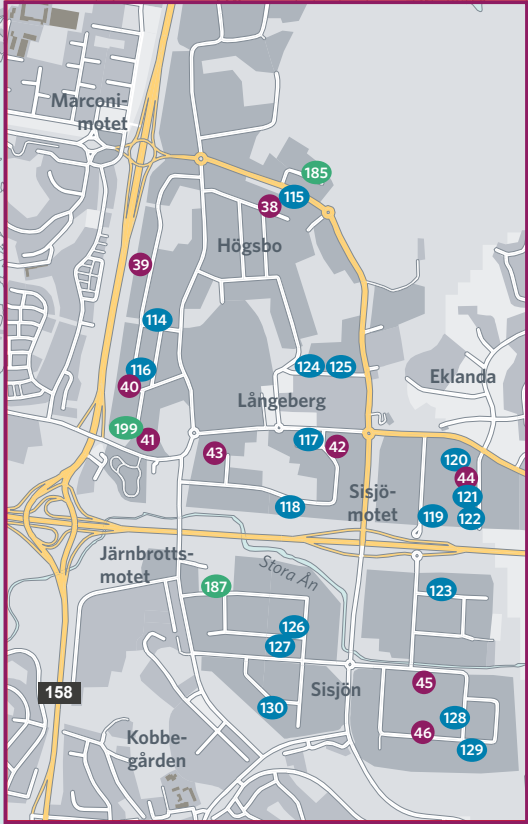
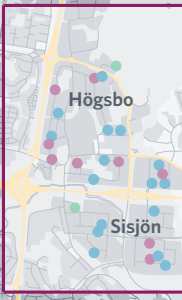
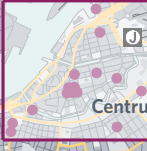
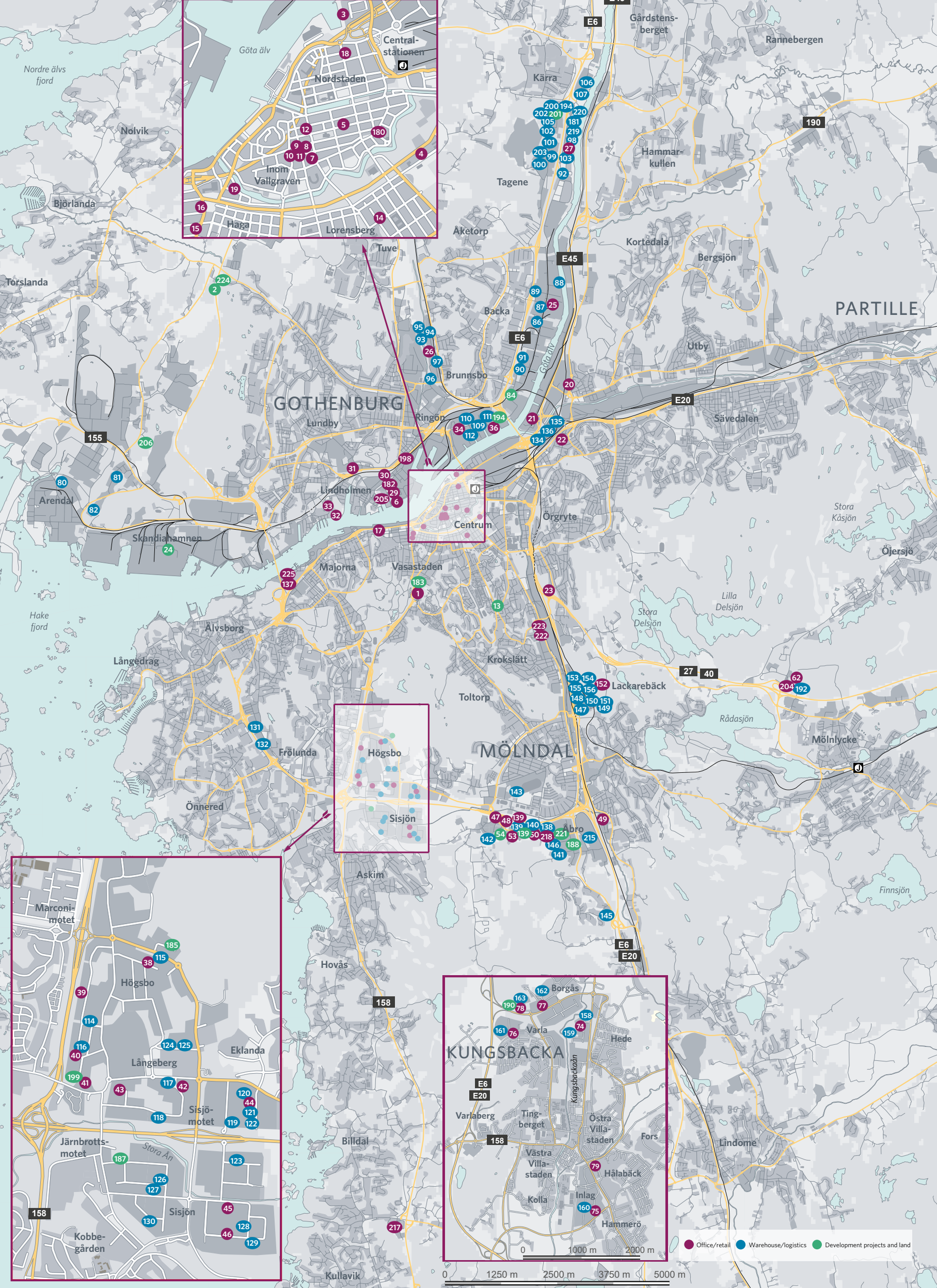


Property value by municipality



The Western Region

Property	Address	Municipality	Acquis- year	Build/ Recon. year	Square metres per type of premises						Total	Site sq.m.	Tax assessment		
					Office	Retail	Warehouse	Logistics	Residential	Other			value	Note	
OFFICE/RETAIL															
1	Annedal 21:10	Gothenburg	1999	1995	4,382	-	-	-	-	-	4,382	3,131	76,600		
3	Gullbergsvass 1:15	Gothenburg	1999	2001	8,579	-	24	-	-	-	8,603	1,834	199,000		
4	Heden 16:5	Gothenburg	<1995	1961	70	-	-	-	616	1,243	1,929	993	35,600		
180	Inom Vallgraven 4:1	Gothenburg	<1995	1856/2017	-	-	-	-	-	2,500	2,500	671	52,700		
5	Inom Vallgraven 19:17	Gothenburg	<1995	1919	-	158	20	-	-	1,185	1,363	867	32,600		
7	Inom Vallgraven 33:9	Gothenburg	<1995	1929/1995	1,063	510	-	-	-	-	1,573	829	36,000		
8	Inom Vallgraven 34:8	Gothenburg	<1995	1929/1994	2,868	1,503	55	-	-	88	4,514	1,242	111,000		
9	Inom Vallgraven 35:14	Gothenburg	<1995	1929/1991	2,274	1,219	13	-	469	184	4,159	1,315	113,600		
10	Inom Vallgraven 35:16	Gothenburg	<1995	1991	2,371	575	36	-	-	-	2,982	713	61,600		
11	Inom Vallgraven 35:17	Gothenburg	<1995	1991	54	139	-	-	1,149	109	1,451	666	37,967		
12	Inom Vallgraven 57:2	Gothenburg	2000	1988/1990	5,780	660	254	-	-	396	7,090	2,422	119,296		
223	Krokslätt 154:8	Gothenburg	2017	1962	4,009	1,224	-	-	-	-	5,233	-	-	B	
222	Krokslätt 20:6	Gothenburg	2017	1962	3,140	251	-	-	-	-	3,391	-	39,200		
14	Lorensberg 48:8	Gothenburg	<1995	1900/1992	1,475	202	-	-	-	-	1,677	722	22,200		
137	Majorna 163:1	Gothenburg	2006	1949/2017	5,729	-	-	-	-	26	5,755	9,263	18,164	B	
225	Majorna 720:19	Gothenburg	2017	1949	3,210	-	-	-	-	-	3,210	-	42,010		
15	Masthugget 3:6	Gothenburg	<1995	1893/1980	492	237	-	-	1,079	1,181	2,989	745	52,400		
16	Masthugget 9:17	Gothenburg	1996	1900	2,220	310	10	-	-	853	3,393	1,221	50,200		
17	Masthugget 26:1	Gothenburg	<1995	1923	3,911	1,075	-	-	2,796	130	7,912	3,597	141,400		
18	Nordstaden 2:16	Gothenburg	2004	1974/2010	13,819	2,511	115	-	-	250	16,695	3,255	485,656		
19	Pustervik 3:8	Gothenburg	<1995	1988	3,910	-	-	-	-	-	3,910	1,087	46,400		
20	Gamlestaden 22:14	Gothenburg	2004	1957	14,819	-	4,222	432	-	700	20,173	20,313	80,802	B	
21	Gamlestaden 26:1	Gothenburg	<1995	1914/1987	6,188	-	2,498	6,404	-	270	15,360	24,356	54,403	T/B	
22	Olskroken 14:2	Gothenburg	<1995	1895/1986	7,625	197	373	3,636	136	0	11,967	10,263	72,275		
23	Skår 58:1	Gothenburg	<1995	1991	11,855	-	-	-	-	-	11,855	12,175	108,182	B	
25	Backa 27:43	Gothenburg	1998	1984	3,531	-	984	309	-	-	4,824	3,919	28,600		
26	Backa 196:6	Gothenburg	1996	1990	1,840	-	-	-	-	-	1,840	5,274	7,952		
-	Ellesbo 1:5 & 2:10	Gothenburg	2012	1990/2009	2,270	-	-	-	-	-	2,270	30,163	8,218	B	
27	Kärra 28:19	Gothenburg	1996	2008	-	-	4,600	-	-	-	4,600	20,811	34,241		
6	Lindholmen 28:1	Gothenburg	2015	2006	3,898	-	-	-	-	-	3,898	-	82,600		
29	Lindholmen 28:3	Gothenburg	2006	2006	4,873	204	72	-	-	-	5,149	6,532	124,000		
182	Lindholmen 28:4	Gothenburg	2011	2013	9,447	-	-	-	-	-	9,447	9,500	238,000		
205	Lindholmen 30:5	Gothenburg	2014	2017	9,166	-	249	-	-	-	9,415	3,375	1,518		
30	Lundbyvassen 3:1	Gothenburg	2011	1949/2006	10,790	-	-	-	-	13	10,803	6,016	134,000		
198	Lundbyvassen 8:3	Gothenburg	2013	2015	8,990	-	-	-	-	-	8,990	4,197	161,000		
31	Rambergstaden 733:409	Gothenburg	<1995	1988	2,791	1,204	249	-	-	-	4,244	8,149	22,400		
32	Sannegården 28:33	Gothenburg	2006	1880/1987	5,207	-	1,213	-	-	56	6,476	3,072	50,400		
33	Sannegården 52:1	Gothenburg	2011	1956/1993	5,163	354	686	489	-	550	7,242	12,783	48,600		
34	Tingstadsvassen 11:11	Gothenburg	<1995	1992	3,401	2,170	364	-	-	2	5,937	4,267	35,200	B	
36	Tingstadsvassen 26:5	Gothenburg	2002	1989	792	-	2,518	-	-	-	3,310	4,566	20,539	T/B	
38	Högsbo 8:8	Gothenburg	2000	1961/2001	-	-	1,000	1,100	-	-	2,100	3,500	9,764		
39	Högsbo 13:3	Gothenburg	<1995	1982	1,090	-	-	-	-	-	1,090	3,787	7,257	T	
40	Högsbo 17:7	Gothenburg	2012	1969	3,120	-	559	375	-	-	4,054	2,996	23,000		
41	Högsbo 20:22	Gothenburg	2002	1982	13,960	-	760	256	-	325	15,301	15,522	99,800		
42	Högsbo 24:12	Gothenburg	1999	1968/1990	2,747	352	2,756	-	-	-	5,855	12,817	44,467		
43	Högsbo 27:7	Gothenburg	2002	1988	7,567	-	-	336	-	-	7,903	9,723	77,000		
44	Högsbo 36:6	Gothenburg	2012	1991	3,812	-	510	-	-	39	4,361	5,336	38,800		
45	Kobbegården 6:362	Gothenburg	<1995	1990	5,525	878	1,150	-	-	-	7,553	5,490	72,000		
46	Kobbegården 6:726	Gothenburg	<1995	1981	2,048	-	-	574	-	-	2,622	4,267	11,992		
47	Anisen 1	Mölndal	2000	1990	1,167	-	237	320	-	-	1,724	5,843	12,310		
48	Anisen 3	Mölndal	1998	2003	4,350	1,614	-	-	-	-	5,964	10,108	47,455		
49	Berguven 1	Mölndal	2004	1964	5,655	-	-	65	-	1,280	7,000	24,283	24,200	B	
139	Generatorn 1	Mölndal	2003	2017	-	3,700	-	-	-	-	3,700	8,000	-		
50	Generatorn 5	Mölndal	<1995	1986	1,130	-	-	-	-	-	1,130	5,169	8,182		
53	Riskullaverket 2	Mölndal	<1995	1991	1,715	-	1,261	-	-	-	2,976	3,411	19,961		
152	Törnrosen 3	Mölndal	1999	1964	2,349	-	1,085	-	-	-	3,434	4,468	10,357		
55	Apollo 5	Borås	<1995	1930/1979	6,739	552	193	-	-	0	7,484	2,343	43,200		
56	Cedern 9,12,15,16	Borås	2005	1935/1980	3,844	1,003	2,129	-	-	20	6,996	4,159	12,765		
57	Katrinedal 14	Borås	<1995	1990	2,249	-	1,892	111	-	-	4,252	7,675	16,378		
58	Midas 14	Borås	<1995	1974	13,809	6,217	-	829	-	593	21,448	8,185	157,800		
59	Narcissus 5	Borås	<1995	1930	1,099	817	-	-	1,295	502	3,713	853	33,609		
60	Nestor 2	Borås	<1995	1962/1991	1,227	3,001	135	-84	-	65	4,344	1,381	41,000		
61	Nestor 3	Borås	1999	1930	1,034	865	-	-	649	-	2,548	590	23,318		



● Office/retail ● Warehouse/logistics ● Development projects and land

0 1250 m 2500 m 3750 m 5000 m

Property	Address	Municipality	Acquis- year	Build/ Recon. year	Square metres per type of premises							Site sq.m.	Tax assessment value	Note	
					Office	Retail	Warehouse	Logistics	Residential	Other	Total				
51	Grävlingen 5	Borås	2017	1974/1990	6,729	625	23	-	-	-	7,377	-	45,582		
157	Katrinedal 2	Borås	2017	1988	1,907	280	2,645	-	-	3,806	8,638	-	-		
179	Katrinehill 8	Borås	2017	1959/2006	4,466	-	1,948	-	-	-	6,414	-	23,800		
69	Laxöringen 1	Borås	2017	1948/1961	1,396	-	1,131	-	-	-	2,527	-	7,862		
178	Näckrosen 3	Borås	2017	1990	3,908	-	1,360	-	-	-	5,268	-	25,861		
62	Solsten 1:172	Härryda	<1995	2003	11,756	-	-	-	-	-	11,756	19,206	66,400		
204	Solsten 1:118	Härryda	2014	2007	4,860	-	-	-	-	-	4,860	7,063	48,631		
207	Fanan 26	Halmstad	2014	1999	5,444	-	180	-	-	231	5,855	6,387	6,800		
208	Fanan 30	Halmstad	2014	1988	16,653	50	-	-	-	1,070	17,773	12,518	-		
209	Fanan 43	Halmstad	2014	1986	2,561	-	-	-	-	-	2,561	6,544	-		
210	Fanan 47	Halmstad	2014	1986	3,208	-	184	-	-	-	3,392	6,720	-		
211	Fanan 49	Halmstad	2014	1999	7,178	-	-	-	-	-	7,178	10,298	-		
212	Fanan 51	Halmstad	2014	2004	5,316	-	-	-	-	-	5,316	5,886	-		
63	Flaggan 1	Halmstad	2007	1959/2004	557	1,730	-	616	-	-	2,903	5,941	9,607		
64	Karossen 3	Halmstad	2007	1965/2004	614	4,375	568	497	-	-	6,054	14,500	22,126		
65	Kartongen 3	Halmstad	2007	1990/1995	2,664	-	2,842	342	-	49	5,897	20,900	24,040		
67	Filaren 1	Alingsås	<1995	1958/1968	3,576	1,520	158	-	-	408	5,662	4,636	30,400		
217	Bolsheden 1:4	Kungsbacka	2015	1991	7,698	7,618	-	2,503	-	-	17,819	36,993	90,982		
74	Hede 3:125	Kungsbacka	<1995	1990	1,327	-	601	426	-	-	2,354	3,690	10,390		
75	Kungsbacka 4:46	Kungsbacka	<1995	1979	401	-	-	-	-	-	401	1,356	1,840 B		
76	Varla 2:380	Kungsbacka	<1995	1990	1,513	-	685	-	-	158	2,356	4,590	13,090		
77	Varla 2:416	Kungsbacka	2001	2002	1,120	-	680	-	-	-	1,800	5,500	10,967 B		
79	Vägmästaren 5	Kungsbacka	2009	2010	3,000	-	-	-	-	-	3,000	6,500	30,320 B		
Total office/retail					366,090	49,900	45,227	19,536	8,189	18,282	507,225	553,438	4,389,836		
WAREHOUSE/LOGISTICS															
80	Arendal 1:13	Gothenburg	2005	2006	-	-	27,787	-	-	-	27,787	42,376	152,800		
81	Arendal 7:4	Gothenburg	1998	1991	553	-	2,955	-	-	4	3,512	12,671	17,249		
82	Arendal 764:130	Gothenburg	2005	1971	3,662	-	20,326	891	-	502	25,381	41,244	41,146		
86	Backa 25:7	Gothenburg	1999	1972	-	-	-	11,200	-	-	11,200	23,169	39,732		
87	Backa 26:3	Gothenburg	1996	1947/1988	2,512	763	2,658	-	-	6	5,939	6,000	25,849		
88	Backa 27:2	Gothenburg	<1995	1968	-	-	2,765	-	-	-	2,765	12,927	13,542 B		
89	Backa 29:24	Gothenburg	<1995	1977	-	-	2,224	-	-	-	2,224	4,366	8,108		
90	Backa 94:1	Gothenburg	1998	1989	-	-	7,560	-	-	-	7,560	20,947	30,790 B		



● Office/retail ● Warehouse/logistics ● Development projects and land

Property	Address	Municipality	Acquis- year	Build/ Recon. year	Square metres per type of premises						Total	Site sq.m.	Tax assessment	
					Office	Retail	Warehouse	Logistics	Residential	Other			value	Note
91	Backa 97:11	Exportgatan 39-41	Gothenburg	2002 1978	1,508	-	2,486	-	-	-	3,994	19,285	17,987	
92	Backa 107:4	Transportgatan 17	Gothenburg	2010 1983/2006	1,445	-	21,095	-	-	-	22,540	73,621	29,302	T
93	Backa 192:4	Aröds Industriväg 60	Gothenburg	<1995 1989	343	-	1,461	-	-	240	2,044	3,428	7,755	T
94	Backa 192:6	Aröds Industriväg 62	Gothenburg	1998 1988	-	-	1,371	-	-	-	1,371	4,386	5,073	
95	Backa 192:10	Aröds Industriväg 66	Gothenburg	<1995 1990	1,227	-	1,593	-	-	-	2,820	6,042	12,974	
96	Backa 193:1	Aröds Industriväg 2 A	Gothenburg	2000 1988/1996	-	-	-	4,100	-	-	4,100	11,217	16,718	B
97	Backa 197:2	Aröds Industriväg 17-19	Gothenburg	<1995 1990	-	-	1,228	-	-	-	1,228	2,727	4,848	
98	Kärärra 28:10 A	Transportgatan 45	Gothenburg	1996 2010	-	2,217	-	-	-	-	2,217	14,609	76,192	
219	Kärärra 28:10 B	Transportgatan 37-39	Gothenburg	2015 1982	614	-	7,144	-	-	185	7,943	13,275	28,800	B
220	Kärärra 28:10 C	Transportgatan 41-43	Gothenburg	2015 1984	-	1,654	6,346	-	-	-	8,000	13,305	30,200	B
181	Kärärra 28:18	Transportgatan 37	Gothenburg	1996 2012	-	-	5,442	-	-	-	5,442	19,042	40,008	
99	Kärärra 37:4	Tagenevägen 21	Gothenburg	<1995 1972	-	610	12,325	-	-	-	12,935	26,476	44,169	
100	Kärärra 72:36	Tagenevägen 34	Gothenburg	2008 2011	-	-	6,400	-	-	-	6,400	14,609	39,127	
203	Kärärra 73:3	Tagenevägen 15 B	Gothenburg	2013 1999	-	-	1,450	-	-	-	1,450	7,817	10,436	B
101	Kärärra 74:2	Tagenevägen 29	Gothenburg	1996 2010	-	-	19,558	-	-	-	19,558	35,995	97,600	
102	Kärärra 74:3	Tagenevägen 33	Gothenburg	1998 1985	-	-	-	9,500	-	-	9,500	17,475	39,683	
103	Kärärra 75:3	Transportgatan 35	Gothenburg	2008 1980	-	-	4,170	4,357	-	-	8,527	14,375	36,536	
200	Kärärra 78:12	Trankärrensgratan 9-11	Gothenburg	2013 1982/2012	-	-	5,715	-	-	-	5,715	10,121	15,400	
202	Kärärra 80:6	Trankärrensgratan 16/Tagenevägen 45	Gothenburg	2013 1990/2010	-	-	-	1,498	-	-	1,498	3,908	10,114	
105	Kärärra 80:7	Trankärrensgratan 14	Gothenburg	<1995 1990	-	-	3,538	-	-	-	3,538	7,185	16,669	T
106	Kärärra 94:1	Orrekulla Industrigata 25	Gothenburg	1999 1990	-	-	-	1,960	-	-	1,960	3,520	8,188	
107	Kärärra 96:1	Orrekulla Industrigata 13-15	Gothenburg	2001 1991	210	-	3,780	-	-	-	3,990	10,407	18,254	B
109	Tingstadsvassen 12:6	Manufakturvägen 19	Gothenburg	<1995 1990	328	-	2,657	-	-	-	2,985	2,960	13,776	T
110	Tingstadsvassen 12:9	Manufakturvägen 21-23	Gothenburg	<1995 1957	-	-	5,786	-	-	-	5,786	8,682	13,707	T
111	Tingstadsvassen 14:7	Stålverksgatan 11	Gothenburg	1997 1993	-	-	52	4,098	-	-	4,150	6,847	17,301	B
112	Tingstadsvassen 19:3	Kolgruvegatan 1	Gothenburg	<1995 1950/1988	626	-	9,639	-	-	168	10,433	16,444	25,153	T
114	Högsbo 7:16	Gustaf Melins Gata 7	Gothenburg	<1995 1987	1,800	-	-	-	-	-	1,800	4,043	10,821	
115	Högsbo 9:3	A Odhners Gata 17	Gothenburg	2008 1978/2002	-	-	2,267	635	-	-	2,902	6,007	16,962	
116	Högsbo 18:1	E A Rosengrens Gata 30-38	Gothenburg	<1995 1966/1973	930	-	7,628	242	-	369	9,169	17,149	31,560	
117	Högsbo 26:8	August Barks Gata 25	Gothenburg	1998 1969/1979	1,386	-	-	2,840	-	-	4,226	6,068	17,132	
118	Högsbo 28:3	August Barks Gata 7	Gothenburg	<1995 1968/1981	1,128	-	-	2,612	-	-	3,740	3,942	14,025	
119	Högsbo 36:1	Norra Långebergsgatan 8	Gothenburg	2000 1971/1995	-	-	3,840	660	-	-	4,500	9,057	23,121	
120	Högsbo 36:5	Hulda Mellgrens Gata 3	Gothenburg	1998 1991	553	-	-	2,848	-	-	3,401	5,438	16,366	
121	Högsbo 36:7	Hulda Mellgrens Gata 5	Gothenburg	2012 1990	1,555	-	7,421	155	-	-	9,131	18,010	51,400	
122	Högsbo 36:9	Hulda Mellgrens Gata 9	Gothenburg	<1995 2007	-	-	1,475	400	-	-	1,875	4,253	13,349	
123	Högsbo 38:9	Sisjö Kullegata 4	Gothenburg	<1995 1984	-	-	-	1,093	-	-	1,093	8,609	11,760	
124	Högsbo 40:1	Gustaf Werners Gata 2	Gothenburg	1999 1981/1999	-	-	5,505	984	-	-	6,489	16,070	34,433	B
125	Högsbo 40:2	Gustaf Werners Gata 4	Gothenburg	2006 1978	-	-	2,815	475	-	-	3,290	10,799	19,237	
126	Kobbegården 208:6	Askims Verkstadsväg 16	Gothenburg	1999 1973/1979	1,004	-	-	735	-	5	1,744	3,462	7,458	
127	Kobbegården 209:1	Askims Verkstadsväg 15	Gothenburg	1999 1973/1996	-	-	-	2,538	-	-	2,538	6,336	12,508	B
128	Kobbegården 6:180	Datavägen 20	Gothenburg	<1995 1980	1,151	-	1,078	435	-	-	2,664	5,100	19,514	
129	Kobbegården 6:360	Datavägen 31	Gothenburg	2001 1979	52	-	5,349	1,429	-	159	6,989	14,508	43,600	
130	Kobbegården 6:7	Ekonomivägen 11	Gothenburg	1999 1978/1986	-	-	-	5,870	-	-	5,870	15,973	32,200	B
131	Rud 51:21	Klangfärgsgatan 2 C	Gothenburg	2006 1979/1989	603	-	2,590	128	-	-	3,321	6,926	-	T
132	Tynnered 1:10	Kontrabasgatan 12	Gothenburg	<1995 1969	429	280	-	2,012	-	-	2,721	7,475	11,103	T/B
134	Olskroken 35:7	Blomstergatan 2	Gothenburg	2009 1977	417	-	3,427	-	-	-	3,844	3,760	12,071	T
135	Olskroken 35:9	Grönsaksgatan 5	Gothenburg	2009 1966	874	-	6,781	-	-	-	7,655	9,127	21,595	T
136	Olskroken 35:14	Grönsaksgatan 3	Gothenburg	2009 1967	1,169	4,542	-	-	-	-	5,711	6,216	18,129	T
218	Gasklockan 2	Argongatan 32	Mölndal	2015 1991	876	500	-	3,500	-	-	4,876	19,437	25,363	B
138	Gaslyktan 11	Argongatan 26-30	Mölndal	2003 1987	464	-	16,959	-	-	800	18,223	38,100	96,000	B
139	Generatorn 1	Aminogatan 30	Mölndal	2003 1995/2003	-	-	3,110	1,490	-	-	4,600	22,500	46,512	B
140	Generatorn 2	Aminogatan 20-22	Mölndal	<1995 1991	328	-	2,828	-	-	-	3,156	8,933	18,312	
141	Heliumgasen 11	Kryptogatan 5 B	Mölndal	1999 1975	4,700	-	-	-	-	-	4,700	16,300	53,824	B
215	Hökegården 1	Kärragatan 2	Mölndal	2014 1971	-	-	1,900	675	-	-	2,575	8,839	15,272	B
142	Kryddpepparn 3	Östergårdsgatan 8	Mölndal	<1995 1992	-	-	-	4,140	-	-	4,140	15,347	-	B
143	Kusken 3	Idrottssvägen 10	Mölndal	2011 2005	-	-	-	7,625	-	-	7,625	17,665	42,444	
145	Skinntickan 1	Ålegårdsgatan 5	Mölndal	<1995 1989	945	-	-	4,615	-	402	5,962	10,267	11,565	
146	Syrgasen 8	Kryptogatan 14	Mölndal	<1995 1979	-	-	-	2,952	-	-	2,952	11,197	19,145	B
147	Tjärblomman 2	Flöjelbergsgatan 3 A	Mölndal	1999 1960	219	-	4,540	2,437	-	-	7,196	9,193	18,563	B
148	Tjärblomman 3	Sallarängsgatan 3	Mölndal	1999 1970	928	-	7,533	76	-	221	8,758	9,394	23,303	
149	Tulpanen 1	Bergfotsgatan 5	Mölndal	1999 1961	1,188	-	2,954	-	-	-	4,142	5,577	15,425	
150	Tusenskönan 2	Flöjelbergsgatan 6	Mölndal	1999 1960	954	-	933	2,129	-	464	4,480	5,346	14,636	
151	Tusenskönan 4	Bergfotsgatan 3	Mölndal	1999 1961	1,310	-	2,169	1,426	-	175	5,080	5,397	14,275	B
153	Vallmon 2	Flöjelbergsgatan 13	Mölndal	<1995 1965	640	-	2,518	12	-	-	3,170	3,642	8,957	
154	Vallmon 3	Flöjelbergsgatan 11	Mölndal	<1995 1965	630	-	2,570	68	-	-	3,268	3,830	9,194	
155	Vallmon 6	Flöjelbergsgatan 7 B	Mölndal	<1995 1965	1,003	-	6,685	279	-	-	7,967	9,956	23,354	

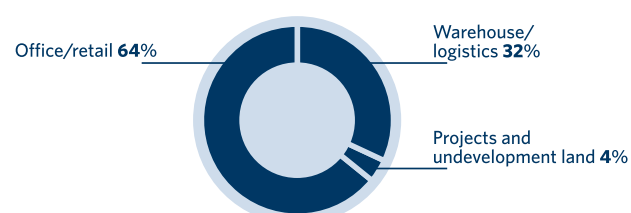
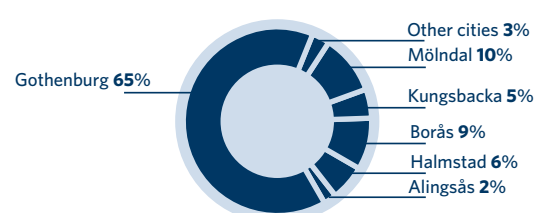
Property	Address	Municipality	Acquis- year	Build/ Recon. year	Square metres per type of premises						Site sq.m.	Tax assessment			
					Office	Retail	Warehouse	Logistics	Residential	Other		Total	value	Note	
156	Vallmon 7	Flöjelbergsgatan 7 A	Mölndal	1999	1930	924	-	3,844	50	-	-	4,818	6,894	14,200	
158	Hede 3:12	Faktorvägen 1	Kungsbacka	2003	1992	210	-	6,929	1,599	-	-	8,738	32,809	45,515 B	
159	Hede 3:131	Tryckarevägen 8	Kungsbacka	<1995	1991	170	-	1,347	-	-	-	1,517	7,558	6,602 B	
160	Kungsbacka 4:47	L. Verkstadsgatan 2-6/Verkstadsgatan 7	Kungsbacka	<1995	1978/1990	692	-	2,475	1,080	-	-	4,247	9,317	12,949	
161	Varla 2:388	Energigatan 21	Kungsbacka	<1995	1995/2013	-	-	3,970	500	-	-	4,470	10,003	19,732	
162	Varla 2:415	Borgås Gårdsväg 15	Kungsbacka	2004	2002	-	-	3,676	724	-	-	4,400	8,852	20,540	
163	Varla 3:22	Hallabäcksvägen 1	Kungsbacka	2006	1979	864	-	28,888	-	-	-	29,752	93,644	145,856 B	
164	Hinden 2	Sagagatan 17	Borås	<1995	1956	500	-	-	6,156	-	-	6,656	9,833	10,364 B	
165	Kilsund 3	Evedalsgatan 5	Borås	<1995	1935	1,680	-	1,400	8,780	-	356	12,216	16,660	24,090	
166	Lagern 8	Hällingsgatan 15	Borås	<1995	1948/1961	1,343	-	-	7,413	-	-	8,756	5,700	12,103 B	
167	Silverpoppeln 31	Ålandsgatan 6	Borås	2006	1961/1970	-	-	-	3,000	-	-	3,000	6,143	4,826	
168	Snödroppen 8	Elinsdalsg 9,13-15/Södra Korsg 11	Borås	2005	1980/1980	710	-	-	7,041	-	-	7,751	14,546	18,696 B	
169	Trucken 5	Viaredsvägen 14	Borås	2001	2001/2012	-	-	13,550	848	-	-	14,398	37,700	70,400 B	
72	Ekholma 7	Hultagatan 15-17	Borås	2017	2000	854	456	3,840	-	-	-	5,150	-	20,924	
144	Gjutaren 10	Norrby Långgata 18	Borås	2017	1966	1,834	-	5,212	1,894	-	-	8,940	-	14,689	
50	Milen 7	Solvarvsgatan 4	Borås	2017	1989	2,405	-	7,543	-	-	-	9,948	-	24,655	
70	Muttern 2	Verkstadsgatan 12	Borås	2017	1963/1997	552	-	1,231	468	-	-	2,251	-	7,207	
73	Muttern 3	Verkstadsgatan 14	Borås	2017	1992/1996	712	-	1,610	-	-	-	2,322	-	8,804	
133	Niten 6	Verkstadsgatan 4	Borås	2017	1974	1,538	-	1,098	1,422	-	-	4,058	-	8,259	
85	Raklinjen 2	Källbäcksvägen 6	Borås	2017	1970	-	-	7,876	-	-	-	7,876	-	15,283	
28	Rotorn 3	Maskingatan 4	Borås	2017	1972/1995	854	456	1,727	-	-	-	3,037	-	7,715	
104	Uranus 16	Byggaregatan 18	Borås	2017	1949/2004	240	-	4,963	-	-	1,987	7,190	-	11,167	
171	Gjutaren 26	Metallgatan 2-4	Alingsås	<1995	1933/1989	6,016	-	9,571	-	-	-	15,587	21,080	21,951 B	
172	Konfektasken 15	Kolavägen 2/Sidenvägen 7	Alingsås	<1995	1929/1969	9,297	-	2,542	-	-	-	11,839	15,544	24,483 B	
173	Stallet 3	Tomasgårdsvägen 19	Alingsås	2008	1990	510	-	3,140	717	-	-	4,367	4,700	11,542	
174	Hede 2:11	Hedeforsvägen 6	Lerum	2006	1960/1974	-	-	2,200	865	-	-	3,065	9,973	8,705	
175	Berg 1:76	Åkerivägen 7	Lerum	2006	2007	-	-	8,400	1,510	-	-	9,910	30,000	50,088 B	
213	Fanan 39	Pilefeltsgatan 71	Halmstad	2014	1990	-	1,870	-	-	-	-	1,870	3,279	36,366	
176	Fogden 4	Laholmsvägen 84	Halmstad	2007	1960/1990	534	1,978	8,609	292	-	530	11,943	25,800	25,118 B	
177	Fyllinge 20:409	Sadelvägen 5	Halmstad	2011	1992	-	-	-	4,389	-	-	4,389	22,276	17,741 B	
192	Solsten 1:173	Designvägen 5	Härryda	2014	1999	-	-	6,534	-	-	-	6,534	36,806	34,781	
Total warehouse/logistics							72,703	15,326	436,561	143,867	0	6,573	675,030	1,369,823	2,655,025
DEVELOPMENT PROJECTS															
24	Arendal 764:394	Sydatlanten 15-17	Gothenburg	2005	1990	8,969	-	-	-	-	389	9,358	9,646	57,600 T	
84	Backa 20:5	Exportgatan 2-8	Gothenburg	2007	1989/1999	-	-	-	-	-	-	-	37,965	69,401 B	
199	Högsbo 20:11	F O Petterssons Gata 9	Gothenburg	2013	1969	2,280	-	300	-	-	-	2,580	8,605	12,631 B	
13	Krokslätt 102:2	Eklandagatan 80	Gothenburg	2008	1980	-	-	-	-	-	811	811	2,140	- B	
2	Kålsared 1:108	Sörredsvägen 113	Gothenburg	2016	-	-	-	-	-	-	-	-	-	-	
201	Kärna 78:8	Trankärrsgatan 3B	Gothenburg	2013	1962/1982	-	-	-	-	-	-	-	5,060	10,751 B	
206	Sörred 7:23	Sörredsvägen	Gothenburg	2014	-	-	-	-	-	-	-	-	12,500	4,924 B	
66	Valsen 2	Svingelvägen 2	Halmstad	2007	1979/2003	2,309	-	-	-	-	-	2,309	7,314	9,739 B	
221	Balltorp 1:124	Aminogatan 17	Mölndal	2016	2017	-	-	18,000	-	-	-	18,000	35,000	- B	
139	Generatoren 1	Aminogatan 24	Mölndal	2003	-	-	-	-	-	-	-	-	7,500	-	
188	Heliumgasen 4	Neongatan 4B	Mölndal	<1995	-	-	-	-	-	-	-	-	4,794	4,314	
54	Sesamfrötet 2	Aminogatan 27	Mölndal	2005	1992	4,912	-	700	-	-	-	5,612	11,000	55,400	
170	Bulten 6	Bultgatan 1	Alingsås	2007	1985/1990	-	-	2,600	760	-	-	3,360	19,559	11,542 B	
Total development projects							18,470	0	21,600	760	0	1,200	42,030	161,083	236,302
UNDEVELOPED LAND															
183	Annedal 21:9	Haraldsgatan 3	Gothenburg	1999	-	-	-	-	-	-	-	-	2,088	-	
194	Tingstadsvassen 31:6	Stålverksgatan	Gothenburg	1997	-	-	-	-	-	-	-	-	2,687	1,611 B	
185	Högsbo 39:3	Ingela Gathenheilms Gata 8	Gothenburg	<1995	-	-	-	-	-	-	-	-	1,720	1,548 B	
187	Kobbegården 152:1	Industrivägen 4-6	Gothenburg	<1995	-	-	-	-	-	-	-	-	25,158	22,600 B	
224	Kålsared 1:108 (part of)	Sörredsvägen	Gothenburg	2017	-	-	-	-	-	-	-	-	-	- A	
-	Skällared 3:49	Lysekulevägen	Kungsbacka	<1995	-	-	-	-	-	-	-	-	29,297	1,521	
190	Varla 3:34	Hallabäcksvägen 1	Kungsbacka	2006	-	-	-	-	-	-	-	-	14,356	4,306 B	
191	Kyllared 1:112	Tvinnaregatan 27	Borås	<1995	-	-	-	-	-	-	-	-	5,118	1,279 B	
216	Trucken 6	Viaredsvägen 14	Borås	2014	-	-	-	-	-	-	-	-	38,500	5,684 B	
171	Gjutaren 27	Metallgatan 2-4	Alingsås	<1995	-	-	-	-	-	-	-	-	600	276	
214	Fanborg 3	Spetsvinkelgatan 8	Halmstad	2014	-	-	-	-	-	-	-	-	1,990	5,600	
214	Fanborg 4	Spetsvinkelgatan 8	Halmstad	2014	-	-	-	-	-	-	-	-	5,067	-	
Total undeveloped land							0	0	0	0	0	0	126,581	44,425	
Total Western Region							457,263	65,226	503,388	164,163	8,189	26,055	1,224,284	2,210,925	7,325,588


Castellum's Real Estate Portfolio The Western Region 31-12-2017

	No. of Properties	Area thous. sq.m.	Rental value SEKm	Rental value SEK/sq.m.	Economic occupancy rate	Rental-income SEKm	Property costs SEKm	Property costs SEKm/sq.m.	Net operating income SEKm
Office/retail									
Central Gothenburg	21	95	228	2,411	87.9%	201	46	483	155
Hisingen	15	89	161	1,818	91.4%	147	26	298	121
Halmstad	12	81	84	1,032	94.0%	79	22	262	57
Högsbo, Sisjön	9	57	70	1,232	93.4%	65	13	229	52
Borås	9	51	57	1,111	87.0%	49	12	240	37
Other cities	20	135	151	1,118	92.8%	140	31	231	109
Total office/retail	86	508	751	1,480	90.8%	681	150	296	531
Warehouse/Logistics									
Hisingen	34	246	179	728	94.5%	169	33	136	136
Mölndal	19	108	97	901	94.6%	92	19	171	73
Högsbo, Sisjön	15	104	57	548	91.2%	52	12	116	40
Kungsbacka	19	77	69	892	90.2%	62	12	163	50
Borås	6	53	45	843	91.9%	41	8	154	33
Other cities	12	87	69	796	90.9%	63	16	182	47
Total warehouse/logistics	105	675	516	765	92.8%	479	100	149	379
Total	191	1,183	1,267	1,072	91.6%	1,160	250	212	910
Leasing and property administration									
Total after leasing and property administration									
Development projects	13	42	24	-	-	4	8	-	-4
Undeveloped land	12	-	-	-	-	-	-	-	-
Total	216	1,225	1,291	-	-	1,164	314	-	850

Property related key ratios

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Rental value, SEK/sq.m.	1,072	1,033	1,021	1,003	993	957	944	935	919	885
Economic occupancy rate	91.6%	92.3%	92.4%	91.6%	94.1%	93.4%	95.4%	94.1%	94.0%	92.6%
Property costs, SEK/sq.m.	259	284	263	254	264	259	257	264	262	228
Net operating income, SEK/sq.m.	722	670	681	665	670	635	644	616	602	591
Number of properties	216	212	212	209	196	194	193	188	190	187
Lettable area, thousand sq.m.	1,225	1,218	1,198	1,157	1,111	1,103	1,085	1,046	1,028	1,017

Property value by property type

Property value by municipality


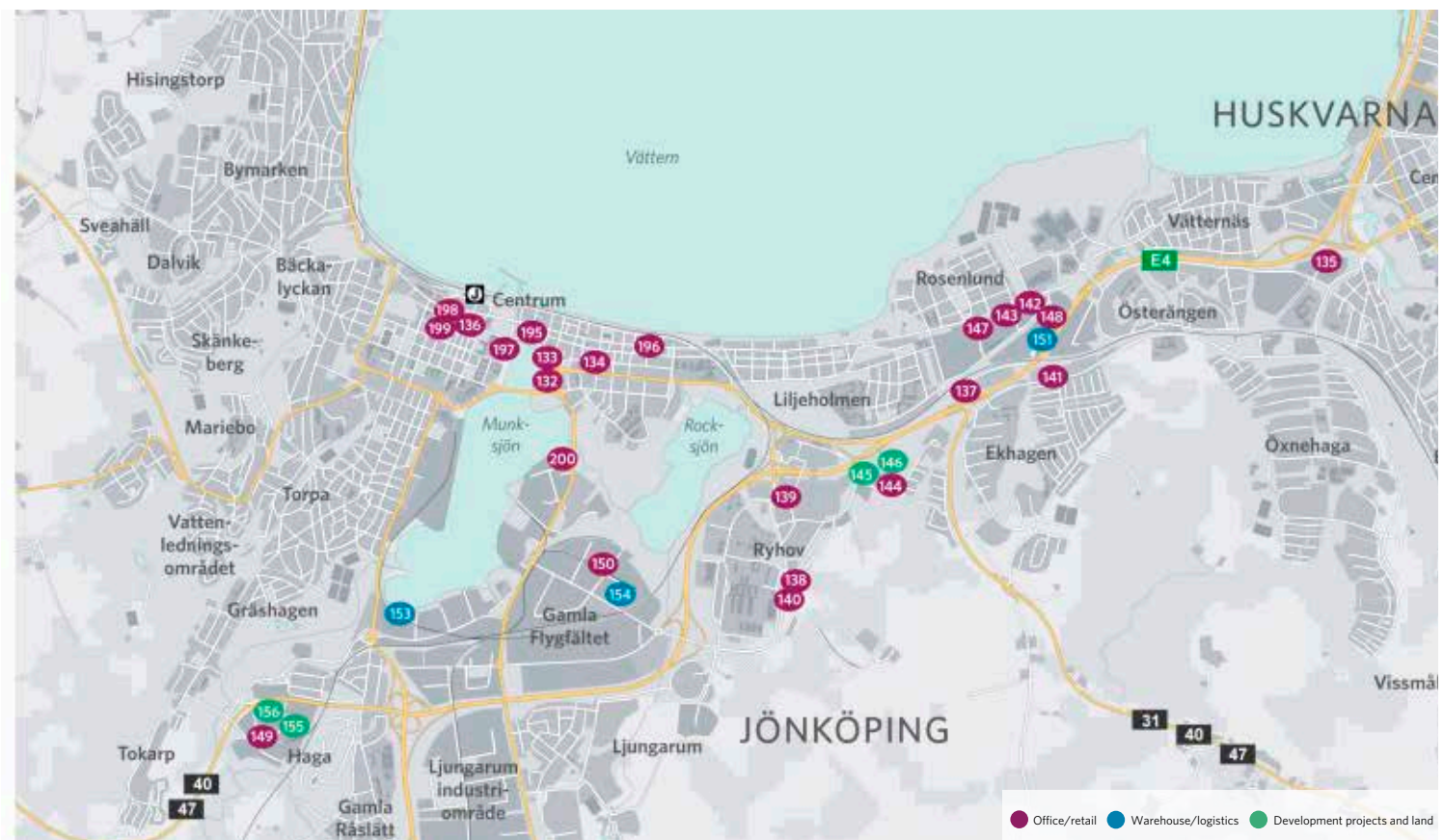
The Central Region

Property	Address	Municipality	Acquis- year	Build/ Recon. year	Square metres per type of premises						Total	Site sq.m.	Tax assessment value	Note
					Office	Retail	Warehouse	Logistics	Residential	Other				
OFFICE/RETAIL														
2	Boländerna 8:6	Knivstagan 6	Uppsala	2008	1990	2,431	-	-	-	-	18	2,449	3,806	19,318
3	Boländerna 8:11	Bergsbrunnagatan 15 / Björkgatan 61 / Knivstagan 14-16	Uppsala	2008	1975	2,114	-	5,736	-	-	-	7,850	11,535	16,853
4	Boländerna 9:1	Märstagatan 2 / Knivstagan 1	Uppsala	2008	1946/2005	1,578	128	466	-	-	100	2,272	2,890	-
5	Boländerna 11:5	Märstagatan 7 / Björkgatan 67B / Säbygatan 10	Uppsala	2011	1975	2,992	-	-	1,615	-	-	4,607	4,346	17,200 B
6	Boländerna 28:3	Stångjärnsgatan 10	Uppsala	2000	1971	-	24,699	1,064	-	-	-	25,763	64,871	256,600 B
8	Boländerna 28:4 A	Stångjärnsgatan 8B	Uppsala	2003	1987	-	4,100	-	-	-	-	4,100	10,981	42,408 B
7	Boländerna 28:4 B	Verkstadsgatan 11	Uppsala	2003	2002	2,124	-	-	-	-	-	2,124	4,500	23,200
9	Boländerna 35:1	Bolandsgatan 18	Uppsala	2006	2006	-	8,466	-	-	-	250	8,716	26,193	71,018 B
11	Boländerna 36:2	Danmarksgatan 20	Uppsala	2011	1982	360	1,581	396	-	-	-	2,337	3,204	16,400
12	Dragarbrunn 16:2	Dragarbrunnsgatan 2-6 / Klostergatan 13-15	Uppsala	2004	1963	3,921	1,805	571	-	-	457	6,754	2,209	136,000
13	Dragarbrunn 20:2	Kungsgatan 43 / St Persgatan 17	Uppsala	1999	1963	2,501	745	-	-	-	46	3,292	921	-
14	Dragarbrunn 20:4	Dragarbrunnsgatan 34-36C / Vaksalagatan 10-12 / St Persgatan 13-15	Uppsala	2010	2010/2014	9,556	-	35	-	1,305	3,366	14,262	4,472	275,200
17	Kungsängen 35:3	Kungsgatan 76 / Vimpelgatan 5	Uppsala	1998	2001	3,030	-	-	-	-	-	3,030	4,547	32,234
18	Kvarngärdet 64:3	Sportfältsvägen 3	Uppsala	1996	1991	2,199	-	-	-	-	15	2,214	2,955	14,750
19	Årsta 36:2	Möllersvärdsgatan 12	Uppsala	<1995	1978/1989	1,535	-	715	570	-	37	2,857	5,143	19,816
21	Årsta 67:1	Stålgatan 8-12	Uppsala	<1995	1988	187	10,315	515	417	-	-	11,434	31,608	85,951
22	Årsta 72:3	Svederusgatan 1-3	Uppsala	1997	1990	1,620	1,792	1,386	3,331	-	337	8,466	10,792	43,149
23	Årsta 74:1	Fyrislundsgatan 68	Uppsala	1999	1985	169	6,673	25	-	-	6	6,873	15,268	51,400
24	Årsta 74:3	Axel Johanssons Gata 6	Uppsala	<1995	1990	14,638	238	128	-	-	168	15,172	17,212	114,000 B
25	Årsta 78:1	Fyrislundsgatan 73 / Sylveniusgatan 2	Uppsala	2011	2000	2,838	-	-	-	-	-	2,838	4,156	20,200
26	Basen 10	Fridhemsgatan 2-4	Örebro	<1995	1900/1990	6,072	-	183	-	-	-	6,255	4,997	42,200
27	Borgaren 1	Fabriksgatan 1 A	Örebro	2008	1969/2001	6,535	466	1,100	-	-	381	8,482	3,375	72,656
123	Bromsgården 1	Drottninggatan 11	Örebro	2015	1929	1,229	1,227	33	-	566	-	3,055	1,144	29,627
122	Tågmästaren 27, Drottningparken	Fabriksgatan 47	Örebro	2014	2016	4,237	-	-	-	-	-	4,237	8,000	50,600
124	Gillet 22	Olaigatan 15	Örebro	2015	1978	4,591	562	9	-	-	362	5,524	1,217	52,800
125	Hållstugan 28	Kungsgatan 3	Örebro	2015	1929	1,889	2,137	-	-	1,272	2,492	7,790	7,149	73,285
28	Inköparen 1	Rörvägen 1	Örebro	2007	2008	3,586	5,853	-	-	-	-	9,439	22,500	76,654
-	Järnmalm 1	Osmundgatan 10	Örebro	2006	1967/1995	3,035	-	7,627	-	-	-	10,662	47,714	33,565 B
30	Konstruktören 11	Söderleden 14	Örebro	<1995	1987	-	-	2,255	-	-	-	2,255	7,876	9,555
31	Kontrollanten 9	Åbyvägen 3	Örebro	2007	1992	3,679	-	1,106	-	-	-	4,785	11,974	15,881
32	Lagerchefen 3	Aspholmsvägen 3	Örebro	1996	1957/1985	-	1,900	-	-	-	-	1,900	9,213	12,961 B
33	Lantmannen 7	Boställsvägen 10	Örebro	<1995	1985	-	2,462	250	-	-	-	2,712	8,573	10,938
114	Litografen 1 & 2	Adolfsbergsvägen 4	Örebro	2012	1964	3,731	8,374	9,835	-	-	316	22,256	122,107	120,127
34	Motormannen 1	Radiatorvägen 1	Örebro	<1995	1966	302	3,418	410	-	-	12	4,142	10,501	20,400
126	Prästgården 12	Drottninggatan 18-20	Örebro	2015	1933	4,169	863	706	-	384	322	6,444	2,861	59,388
35	Virkeshandlaren 10, Röda rummet	Radiatorvägen 17	Örebro	1996	2000	3,405	-	-	-	-	-	3,405	7,710	23,940
36	Rörläggaren 1	Aspholmsvägen 4	Örebro	<1995	1963/1992	-	-	4,480	-	-	-	4,480	15,881	21,686 B
37	Rörmokaren 1	Elementvägen 13-15	Örebro	<1995	1963/1986	110	-	3,702	-	-	-	3,812	10,432	16,338
38	Rörmokaren 5	Elementvägen 1	Örebro	<1995	1984	1,297	1,023	-	-	-	-	2,320	6,656	12,219
40	Stinsen 18	Fabriksgatan 18-22	Örebro	2008	1983/2003	11,942	-	118	-	-	262	12,322	5,008	113,000 B
41	Svetsaren 4	Elementvägen 12	Örebro	<1995	1976/1984	526	1,679	2,043	-	-	-	4,248	9,644	16,897
42	Svetsaren 5	Elementvägen 14	Örebro	<1995	1977/1988	2,970	-	150	-	-	-	3,120	7,355	13,297
43	Svetsaren 6	Radiatorvägen 14	Örebro	2000	1962	5,625	-	-	-	-	-	5,625	7,956	41,790
44	Svetsaren 7	Elementvägen 16	Örebro	<1995	1960/1983	855	-	-	-	-	-	855	2,658	5,587
45	Svetsaren 8	Elementvägen 4	Örebro	<1995	1977	570	3,060	220	-	-	-	3,850	8,074	16,586
46	Svånghjulet 1	Stubbengatan 2	Örebro	2010	2004	4,716	1,910	2,287	-	-	-	8,913	24,143	36,484 B
47	Telemontören 1	Nastagatan 2	Örebro	2007	1993	3,732	-	2,759	-	-	-	6,491	30,750	21,647 B
48	Tryckeriet 2	Stortorget 8	Örebro	2008	1984/1999	1,475	764	-	-	-	387	2,626	1,350	29,200
49	Tågmästaren 25	Fabriksgatan 54	Örebro	2008	1986	6,115	-	1,297	-	-	6	7,418	8,110	36,000 B
51	Virkeshandlaren 7	Radiatorvägen 11	Örebro	<1995	1970/1987	5,726	-	432	-	-	5	6,163	15,377	30,339
52	Virkeshandlaren 10	Radiatorvägen 13-15	Örebro	1996	1979	2,683	3,565	1,080	-	-	-	7,328	20,242	34,929
53	Ånsta 20:117	Aspholmsvägen 9	Örebro	1996	1990	755	-	-	-	-	-	755	1,907	4,085
54	Ölstånkan 11	Järntorgsgatan 1	Örebro	2008	1939/2003	3,940	-	-	-	-	580	4,520	937	33,000
55	Ölstånkan 14	Olaigatan 2	Örebro	2008	1929	2,194	-	-	-	-	-	2,194	852	18,750
56	Ölstånkan 15	Olaigatan 4	Örebro	2008	1975/2003	3,101	-	-	-	-	-	3,101	1,517	27,200

Property	Address	Municipality	Acquis- year	Build/ Recon. year	Square metres per type of premises						Total	Site sq.m.	Tax assessment value	Note
					Office	Retail	Warehouse	Logistics	Residential	Other				
29	Bodarna 8	Örebro	2016	1976/1992	3,186	1,115	-	-	-	6	4,307	1,449	49,200	B
50	Gasverket 2	Örebro	2016	1967	9,784	430	-	-	-	491	10,705	6,097	89,200	
90	Hällstugan 8	Örebro	2016	1938	2,181	1,564	-	-	-	226	3,971	1,190	36,200	
16	Lantmäteriet 2 / Porten 1	Örebro	2016	1994/2013	31,214	-	-	-	-	4,100	35,314	9,749	383,000	
15	Repslagaren 24	Örebro	2016	1970	9,185	-	-	-	-	1,102	10,287	6,827	95,800	
106	Tullen 8	Örebro	2016	1976/1992	25,183	741	100	-	-	2,196	28,220	8,953	275,000	
57	Blästerugnen 2	Västerås	1997	1991	-	1,894	-	-	-	-	1,894	11,045	11,542	T
58	Dagsländan 11	Västerås	1996	1990	1,109	-	-	-	-	-	1,109	3,651	6,546	T
59	Degeln 1	Västerås	1996	1984	4,744	1,086	700	-	-	-	6,530	26,917	27,545	T
60	Elenergin 1	Västerås	2008	1976	119	3,955	-	1,009	-	-	5,083	26,290	18,763	B
61	Elledningen 4	Västerås	<1995	1991	3,586	-	-	-	-	-	3,586	10,256	20,460	
62	Fallhammaren 1	Västerås	<1995	1989	3,786	-	701	-	-	-	4,487	10,700	20,399	
63	Friledningen 13	Västerås	1999	1978	1,830	-	390	360	-	-	2,580	7,000	11,864	B
64	Gjutjärnet 7	Västerås	<1995	1989	-	2,252	-	260	-	135	2,647	10,517	10,011	
65	Hjulsmeden 1	Västerås	<1995	1990	-	1,110	-	873	-	-	1,983	5,625	8,599	
66	Jordlinan 2	Västerås	<1995	1991	1,129	4,290	370	3,075	-	-	8,864	21,467	27,264	B
67	Kokillen 1	Västerås	1996	1988	1,610	100	245	1,050	-	-	3,005	11,975	13,185	T
68	Verkstaden 14	Västerås	2001	2001	13,220	369	55	277	-	1,054	14,975	40,900	71,616	B
127	Verkstaden 15	Västerås	2015	1977/1992	1,053	-	-	-	-	-	1,053	2,960	-	B
76	Verkstaden 21	Västerås	2001	1890/2000	16,956	-	2,317	1,097	-	470	20,840	10,256	133,966	
69	Kraftfältet 5	Västerås	2005	1991	715	1,324	-	1,881	-	-	3,920	11,221	15,950	
70	Köpmannen 1	Västerås	<1995	1984	-	1,415	-	-	-	-	1,415	5,804	9,467	
71	Köpmannen 3	Västerås	<1995	1982	-	2,010	-	410	-	-	2,420	10,073	12,006	T
72	Ringborren 8 & 16	Västerås	<1995	1956/1988	1,454	116	85	3,372	-	-	5,027	9,019	15,122	
73	Tunbytorp 1	Västerås	2005	1965	-	1,836	-	1,278	-	-	3,114	27,584	26,067	B
74	Tunbytorp 7	Västerås	2005	1965	-	3,473	778	3,684	-	-	7,935	31,990	32,271	T
75	Tunbytorp 19	Västerås	2005	1990	1,982	-	-	-	-	-	1,982	11,782	8,615	
77	Vikingatiden 9	Västerås	2007	2004	173	-	173	438	-	-	784	3,477	4,221	
132	Atollen 3	Jönköping	2011	2013	2,790	2,404	-	-	765	5	5,964	890	119,964	
133	Algen 1	Jönköping	2013	2015	-	4,236	-	-	-	162	4,398	2,749	64,400	
134	Droskan 12	Jönköping	1998	1990	9,334	-	-	-	-	-	9,334	4,951	104,800	
135	Elektronen 1	Jönköping	2008	2000	-	-	1,692	-	-	-	1,692	4,237	7,311	B



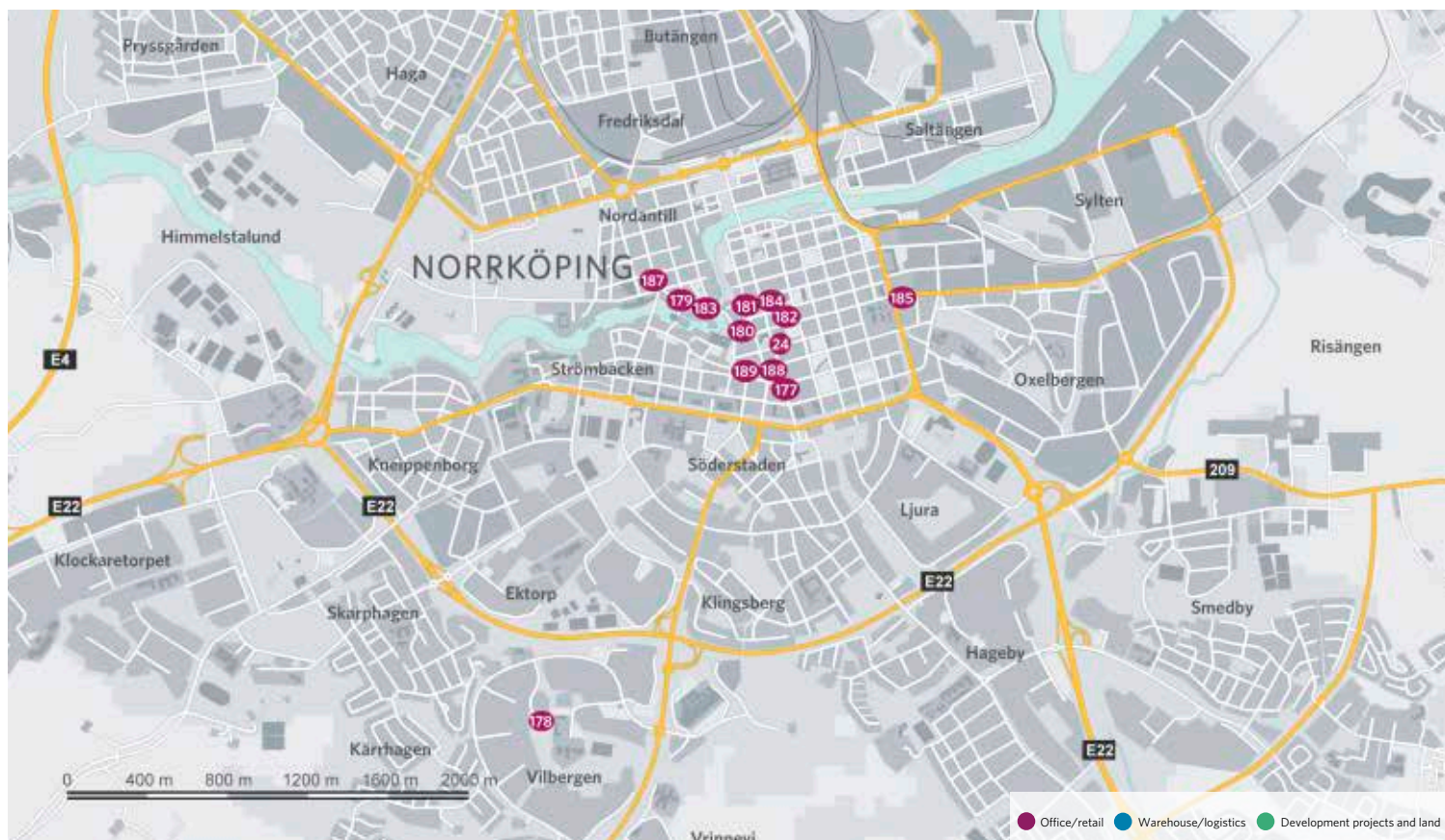
Property	Address	Municipality	Acquis- year	Build/ Recon. year	Square metres per type of premises							Site sq.m.	Tax assessment value	Note
					Office	Retail	Warehouse	Logistics	Residential	Other	Total			
136	Hotellet 8	Jönköping	<1995	1963/1999	2,952	15,701	296	-	-	-	18,949	5,121	195,000	
137	Vagnmakaren 7	Jönköping	<1995	1983/2001	-	9,531	-	-	-	14	9,545	19,226	65,400	
138	Vakten 11	Jönköping	2015	2009	5,250	1,672	-	-	-	-	6,922	10,947	0	
139	Valutan 11	Jönköping	<1995	1992/2001	4,315	749	478	-	-	5	5,547	7,763	60,600	
140	Varuhuset 1	Jönköping	2009	2009	-	11,041	-	-	-	-	11,041	42,046	118,000	
141	Vattenpasset 2	Jönköping	<1995	1980	1,323	-	1,749	1,073	-	-	4,145	17,884	-	
142	Vilan 7	Jönköping	2000	1955/1999	8,965	1,093	5,208	-	-	-	15,266	25,576	77,760	
143	Vingen 4	Jönköping	<1995	1970	1,322	530	-	1,883	-	-	3,735	17,281	14,347 B	
144	Visionen 3 A	Jönköping	2004	2010	7,406	-	323	-	-	-	7,729	12,269	112,400	
146	Visionen 3 C	Jönköping	2004	2015	2,472	-	-	-	-	-	2,472	-	42,000 B	
147	Vågskålen 3	Jönköping	2003	1983	8,145	-	7,962	-	-	51	16,158	42,536	26,960	
148	Vägporten 5	Jönköping	2003	1955/2004	251	2,076	-	-	-	-	2,327	8,458	14,467	
149	Ögongloben 5	Jönköping	2006	1961	3,512	-	-	-	-	-	3,512	7,346	7,261	
150	Örontofsen 5	Jönköping	2006	1976	1,673	880	3,021	-	-	-	5,574	15,061	28,755	
195	Ansaret 1	Jönköping	2016	1965	4,362	190	-	-	-	-	4,552	1,490	65,200	
196	Blixten 6	Jönköping	2016	1941	5,329	-	-	-	120	533	5,982	3,016	50,584	
197	Götaland 5	Jönköping	2016	1975	53,291	833	103	-	-	804	55,031	80,366	639,542	
198	Hoven 1	Jönköping	2016	1968	12,558	1,863	-	-	-	192	14,613	3,852	159,000	
199	Jordgubben 1	Jönköping	2016	1982	2,834	-	-	-	-	50	2,884	1,002	23,400	
200	Öriket 2	Jönköping	2016	1992	15,267	493	74	-	-	461	16,295	12,955	178,000	
159	Banken 8	Linköping	2016	1929	2,730	-	-	-	-	-	2,730	873	-	
160	Boklådan 7	Linköping	2016	1938	3,915	-	-	-	-	-	3,915	1,579	46,200	
161	Borgmästaren 11	Linköping	2016	1936	1,215	985	191	-	1,072	-	3,463	1,091	39,151	
162	Borgmästaren 2	Linköping	2016	1940	1,256	406	101	-	761	-	2,524	962	30,142	
163	Decimalen 17	Linköping	2016	1981	8,435	1,762	83	-	-	1,836	12,116	5,220	141,000	
164	Druvan 22	Linköping	2016	1962	5,454	1,661	468	437	2,558	7	10,585	4,610	98,200	
167	Idéflödet 1	Linköping	2016	2002	9,055	-	-	-	-	-	9,055	16,703	67,800	
168	Idékretsen 4	Linköping	2016	1991	6,023	-	60	-	-	154	6,237	14,065	44,400	
166	Gården 15	Linköping	2009	2013	6,105	-	3,600	-	-	-	9,705	34,706	77,048	
169	Idémannen 1	Linköping	2007	1990	580	-	-	-	-	-	580	4,212	4,757 B	
170	Idémannen 2, Collegium	Linköping	2007	1989	12,835	4,230	-	-	-	51	17,116	27,823	98,600	
171	Idémannen 2, Datalinjen	Linköping	2007	1989/1994	1,561	-	-	-	-	-	1,561	4,590	9,771	



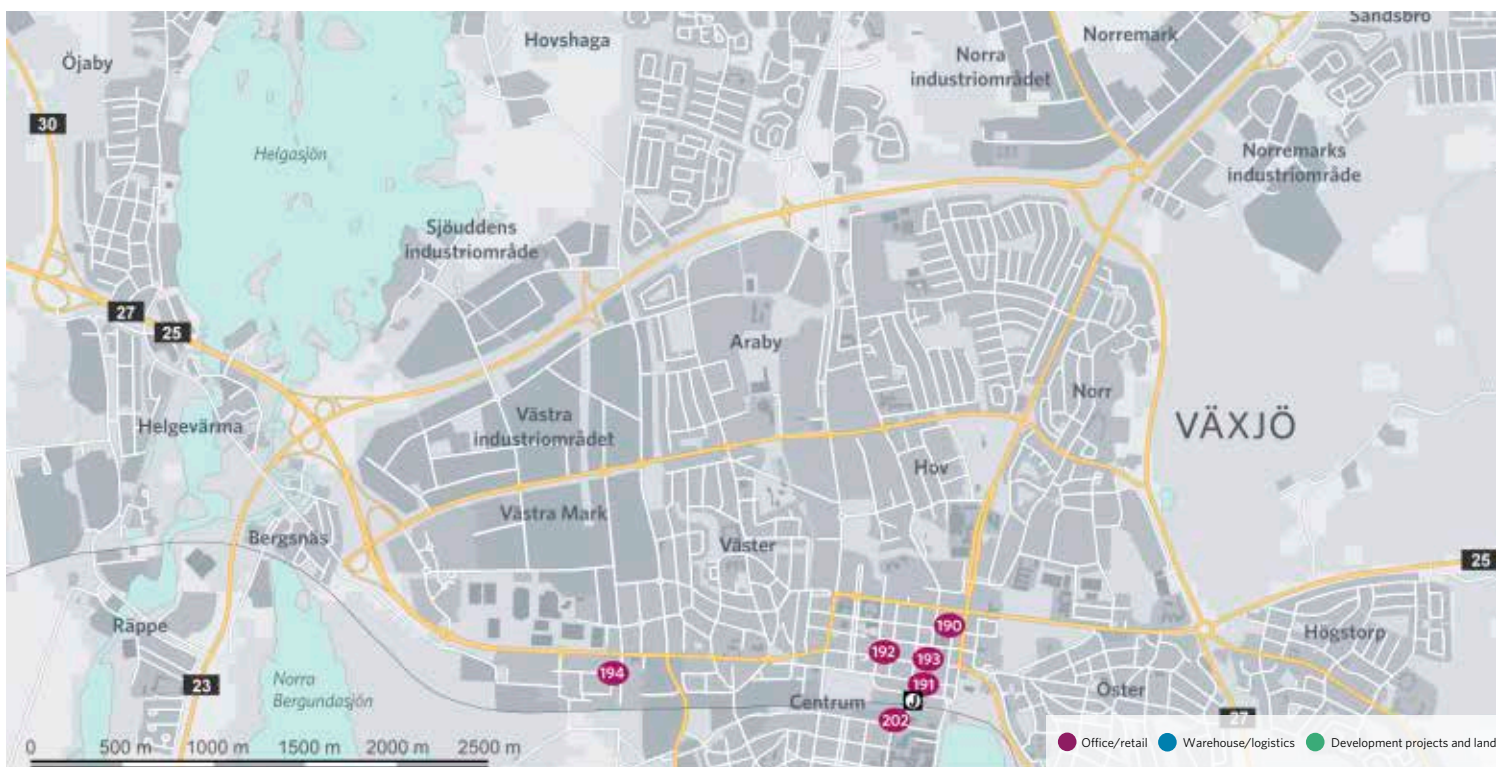
Property	Address	Municipality	Acquis- year	Build/ Recon. year	Square metres per type of premises							Total	Site sq.m.	Tax assessment value	Note
					Office	Retail	Warehouse	Logistics	Residential	Other					
172	Idémannen 2, Teknikringen	Linköping	2007	1984/1996	6,579	-	-	-	-	-	110	6,689	19,720	44,168	
173	Idémannen 2, Vita Huset	Linköping	2007	2002	8,302	-	-	-	-	-	57	8,359	29,597	82,800	B
174	Jägmästaren 1	Linköping	2013	2015	-	7,823	-	-	-	-	-	7,823	36,750	75,400	
175	Magnetjärnet 6	Linköping	2010	1996	2,388	-	-	-	-	-	-	2,388	8,328	10,623	B
178	Beryllen 1	Norrköping	2016	1971	3,002	2,990	62	121	-	4,031	-	10,206	10,970	-	
177	Diket 7	Norrköping	2016	1940	2,398	1,325	473	-	1,596	-	-	5,792	2,192	69,800	
179	Gamla Bron 13	Norrköping	2016	1929	2,358	243	-	60	327	-	-	2,988	1,363	24,692	
180	Gamla Rådstugan 3	Norrköping	2016	1929	1,397	590	288	-	-	-	-	2,275	973	13,971	
181	Knäppingsborg 7+8	Norrköping	2016	1929	8,457	2,586	362	-	885	195	-	12,485	7,895	79,181	
182	Korpen 20	Norrköping	2016	1964	1,496	1,019	27	-	992	-	-	3,534	1,453	29,453	
183	Kvarnen 5	Norrköping	2016	1910	7,216	-	460	-	-	50	-	7,726	3,282	23,800	
184	Markattan 11	Norrköping	2016	1969	1,816	1,560	789	-	-	55	-	4,220	1,636	37,400	
185	Motorn 12	Norrköping	2016	1948	13,398	-	995	-	-	2	-	14,395	9,236	81,064	
187	Spetsen 10	Norrköping	2016	1897	12,025	735	338	-	-	1	-	13,099	2,000	42,422	
189	Sprutan 6	Norrköping	2016	1920	-	4,783	266	-	-	1,982	-	7,031	1,546	29,200	
202	Pilgrimen 5	Växjö	2016	2016	5,393	609	-	-	-	678	-	6,680	-	88,000	
190	Gripen 11	Växjö	2016	1929	1,359	-	-	-	66	268	-	1,693	3,848	10,721	
191	Magnus Smek 6	Växjö	2016	1952/2003	2,114	2,057	40	-	783	84	-	5,078	2,022	38,362	
192	Tullen 18	Växjö	2016	1965	2,446	915	-	-	-	607	-	3,968	2,528	35,400	B
193	Unaman 9	Växjö	2016	1972/2004	2,721	2,470	-	-	-	521	-	5,712	2,299	52,000	
194	Växjö 10:54	Växjö	2016	1929	34,798	600	-	-	1,272	3,198	-	39,868	93,843	248,620	B
Total office/retail					624,962	221,526	88,542	28,571	14,724	35,869	1,014,193	1,737,080	7,872,484		

WAREHOUSE/LOGISTICS

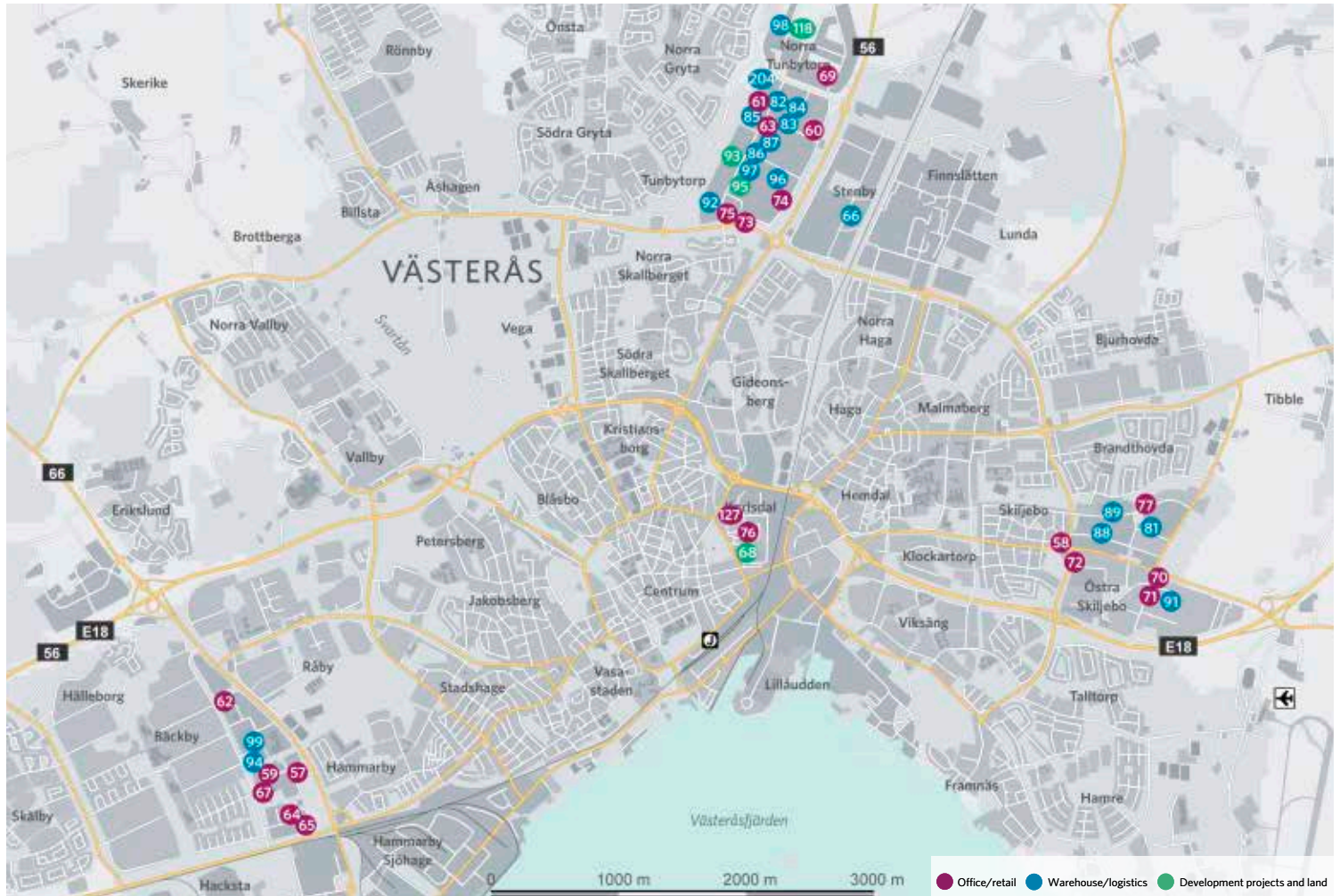
78	Boländerna 12:1	Uppsala	2011	1979	1,879	-	6,620	1,873	-	-	-	10,372	14,136	41,084	
203	Boländerna 11:2 o 11:3	Uppsala	2017	1981	-	-	5,765	-	-	5,760	-	11,525	-	-	B
79	Husbyborg 1:83	Uppsala	2008	1972/1988	555	-	1,192	6,169	-	210	-	8,126	14,543	56,352	B
20	Årsta 36:7	Uppsala	2007	1986	-	-	2,271	-	-	-	-	2,271	3,358	13,526	
80	Årsta 38:1	Uppsala	<1995	1979	755	-	910	1,295	-	-	-	2,960	8,572	18,160	B
81	Barkborren 3	Västerås	<1995	1970/1989	-	-	-	2,950	-	-	-	2,950	10,000	8,748	T



Property	Address	Municipality	Acquis- year	Build/ Recon. year	Square metres per type of premises						Site sq.m.	Tax assessment		
					Office	Retail	Warehouse	Logistics	Residential	Other		Total	value	Note
82	Elkraften 4	Tunbytorpsgatan 16	Västerås	2005 1976	-	496	-	450	-	-	946	5,673	4,100	T
83	Elkraften 6	Elledningsgatan 4	Västerås	2008 1981	-	-	1,150	-	-	-	1,150	8,025	4,765	T
84	Elkraften 7	Energigatan 3 A	Västerås	2005 1976	250	-	-	1,070	-	-	1,320	5,073	4,373	T
85	Elledningen 1	Tunbytorpsgatan 29	Västerås	1999 1982	-	-	150	1,760	-	-	1,910	8,300	7,225	T
204	Elledningen 3	Tunbytorpsgatan 33-35	Västerås	2017 1991	4,472	-	-	3,402	-	50	7,924	-	32,835	B
86	Friledningen 8	Tunbytorpsgatan 6	Västerås	2005 1971	323	-	-	1,979	-	40	2,342	11,243	8,133	T
87	Friledningen 9	Tunbytorpsgatan 8	Västerås	2005 1968	865	576	1,280	2,481	-	-	5,202	9,995	18,990	
88	Fältmätaren 29	Fältmätargatan 9	Västerås	2007 1960	678	-	198	2,170	-	-	3,046	10,173	11,032	T
118	Högspänningen 1	Lågspänningsgatan 8	Västerås	2007 2014	1,092	-	-	3,224	-	-	4,316	22,500	27,800	B
89	Järnåldern 6	Brandthovdagatan 11	Västerås	2008 1982	1,060	-	236	375	-	256	1,927	5,967	7,426	T
	- Krista 1	Saltängsvägen 59	Västerås	2004 2005	-	-	-	2,980	-	-	2,980	11,500	17,398	
91	Köpmannen 8	Lundby Gårdsgata 4	Västerås	2004 1988	-	-	351	2,334	-	-	2,685	9,957	10,510	
92	Ledningstråden 1	Tunbytorpsgatan 1-3	Västerås	2005 1967	520	1,011	1,065	3,454	-	22	6,072	27,410	20,961	T
94	Lufthammaren 1	Ånghammargatan 2-4	Västerås	1996 1977	3,497	-	412	3,487	-	-	7,396	17,055	24,200	T
96	Tunbytorp 8	Friledningsgatan 3 A	Västerås	2005 1970	-	-	-	830	-	-	830	5,825	3,714	
97	Tunbytorp 10	Tunbytorpsgatan 4 A	Västerås	2005 1978	135	-	116	7,241	-	-	7,492	24,663	20,400	
98	Voltmätaren 3	Lågspänningsgatan 7	Västerås	2006 1990	-	-	-	760	-	-	760	2,254	2,645	
99	Ånghammaren 2	Ånghammargatan 1-9	Västerås	1996 1972/1994	3,669	72	1,664	8,101	-	47	13,553	35,738	32,101	T
100	Bleckslagaren 1	Handelsgatan 9	Örebro	2012 1970	645	-	3,185	-	-	-	3,830	14,405	-	
101	Bleckslagaren 6	Handelsgatan 1	Örebro	2008 1982	-	-	1,964	2,362	-	-	4,326	22,243	16,096	B
128	Bleckslagaren 7	Vattenverksgatan 2	Örebro	2015 2011	865	-	4,891	-	-	-	5,756	22,160	24,488	B
102	Bleckslagaren 8	Vattenverksgatan 8	Örebro	2006 1978/2001	-	-	4,750	-	-	-	4,750	24,878	20,017	B
103	Chauffören 2	Stuvargatan 3	Örebro	1997 1991	256	-	6,844	-	-	-	7,100	16,974	24,435	
104	Chauffören 3	Pikullagatan 9	Örebro	2006 1991	-	-	1,577	-	-	-	1,577	5,442	5,519	
105	Distributören 7	Krangatan 11	Örebro	2012 1989	852	-	6,742	-	-	-	7,594	24,675	24,185	
	- Däcket 1	Dialoggatan 14	Örebro	2008 2012	-	-	740	1,128	-	-	1,868	7,184	10,448	
108	Elektrikern 3	Vattenverksgatan 3	Örebro	2012 1972	-	-	8,440	-	-	-	8,440	18,823	17,800	
107	Försäljaren 2	Nastagatan 9	Örebro	2012 2008	-	-	3,049	-	-	-	3,049	9,545	18,130	B
109	Grosshandlaren 2	Nastagatan 6-8	Örebro	2001 1977	2,353	4,051	16,819	-	-	-	23,223	61,695	98,036	B
	- Gällersta-Gryt 4:9	Gällerstavägen	Örebro	<1995 1969	-	-	11,625	-	-	-	11,625	42,143	24,606	
111	Konstruktören 9	Söderleden 10	Örebro	1996 1987	-	-	1,260	-	-	-	1,260	32,400	5,838	
112	Konstruktören 10	Söderleden 12	Örebro	<1995 1987	-	-	3,665	-	-	-	3,665	10,649	16,630	
113	Kontrollanten 12	Skomaskingsgatan 6	Örebro	2012 1981	3,582	-	7,232	-	-	-	10,814	30,946	33,400	
39	Speditören 8	Transportgatan 5	Örebro	2016 1980	100	-	1,719	-	-	-	1,819	16,400	8,141	B
115	Rörläggaren 2	Aspholmsvägen 6	Örebro	2004 1984	-	-	2,955	-	-	-	2,955	4,960	12,387	
	- Ånsta 20:148	Berglunda 208	Örebro	2007 1971/1999	1,380	-	2,805	-	-	-	4,185	44,237	23,615	B
	- Flahult 21:3	Momarken 42	Jönköping	2001 1980	-	-	3,824	-	-	-	3,824	24,177	15,383	B
	- Flahult 21:5	Betavägen 17	Jönköping	2012 1997/2008	-	-	9,633	-	-	-	9,633	36,847	29,288	B
152	Ärtehögen 18	Fordonsvägen 8	Jönköping	2012 2013	-	-	-	3,334	-	-	3,334	11,009	17,794	



Property	Address	Municipality	Acquis- year	Build/ Recon. year	Square metres per type of premises						Total	Site sq.m.	Tax assessment value	Note
					Office	Retail	Warehouse	Logistics	Residential	Other				
154 Överlappen 13	Kalkstensgatan 6-8	Jönköping	2004	1977/1995	1,579	-	801	3,376	-	-	5,756	22,575	30,060	
- Källemo 1	Källemogatan 12	Vaggeryd	<1995	1956/1988	-	-	7,552	-	-	-	7,552	48,347	11,123	B
- Yggen 1	Krokvägen 1	Vaggeryd	<1995	1985/1989	450	-	-	5,853	-	-	6,303	18,598	11,581	
Total warehouse/logistics					31,812	6,206	135,452	74,438	0	6,385	254,293	843,272	895,478	
DEVELOPMENT PROJECTS														
10 Boländerna 35:2	Bolandsgatan 20	Uppsala	<1995	1981	-	8,820	340	-	-	108	9,268	9,600	31,567	B
1 Boländerna 5:12	Fälhagsleden 51, 55-57	Uppsala	2010	1983/1996	6,122	-	151	286	-	-	6,559	15,251	49,272	B
120 Dragarbrunn 21:1	S:t Persgatan 21 / Kungsgatan 38-40 / Vaksalagatan 16	Uppsala	2012	1970	6,027	-	877	-	-	229	7,133	4,747	10,012	
201 Söderhällby 2:1	Östra Fyrislund	Uppsala	2016	-	-	-	-	-	-	-	-	-	-	B
93 Ledningstråden 6	Tunbytorpsgatan 23	Västerås	2005	1970	-	-	-	1	-	-	1	8,000	2,400	B
95 Tunbytorp 2	Tunbytorpsgatan 4	Västerås	2005	1970	-	-	-	-	-	-	-	19,191	12,376	B
130 Litografen 1 & 2, Projekt	Adolfsbergsvägen 4	Örebro	2012	-	-	-	9,350	-	-	-	9,350	-	-	B
121 Olaus Petri 3:244	Östra Bangatan	Örebro	2014	-	-	-	-	-	-	-	-	5,000	19,400	
151 Vargön 4	Vasavägen 5	Jönköping	2003	1989	-	-	3,500	570	-	-	4,070	6,694	12,763	
145 Visionen 3 B	Bataljonsgatan 10	Jönköping	2004	1996/1995	9,731	-	423	-	-	-	10,154	27,162	48,612	
146 Visionen 4	Bataljonsgatan 10	Jönköping	2013	-	-	-	-	-	-	-	-	4,750	914	
146 Visionen 6	Bataljonsgatan 10-12	Jönköping	2015	-	-	-	-	-	-	-	-	-	1,575	
156 Ögongloben 6	Kindgrensgatan 4	Jönköping	2008	1997	-	-	-	-	-	-	-	7,500	6,234	B
155 Översticket 25	Kindgrensgatan 3	Jönköping	2008	1981	348	1,040	3,032	-	-	-	4,420	16,342	7,457	B
165 Giggen 2	Gillbergagatan 24	Linköping	2016	1977	-	385	-	-	-	-	385	1,480	2,572	B
174 Jägmästaren 1B	Djurgården	Linköping	2013	-	-	950	-	-	-	-	950	7,631	-	
186 Proppen 2	Malmgatan 16	Norrköping	2016	1978	569	-	-	18,871	-	-	19,440	15,550	42,063	
188 Spiran 12	Drottninggatan 50-52	Norrköping	2016	1972	6,951	1,145	-	-	-	545	8,641	2,546	106,000	
Total development projects					29,748	12,340	17,673	19,728	0	882	80,371	151,444	353,217	
Total Central Region					686,522	240,072	241,667	122,737	14,724	43,136	1,348,857	2,731,796	9,121,179	



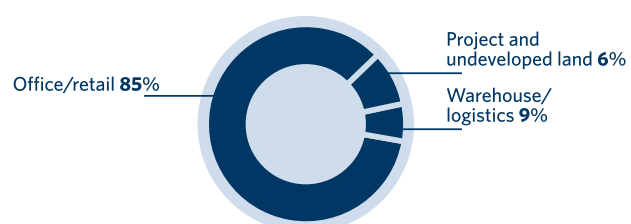
Castellum's Real Estate Portfolio in The Central Region 31-12-2017

	No. of Properties	Area thous. sq.m.	Rental value SEKm	Rental value SEK/sq.m.	Economic occupancy rate	Rental-income SEKm	Property costs SEKm	Property costs SEKm/sq.m.	Net operating income SEKm
Office/retail									
Örebro	41	286	387	1,351	96.0%	371	86	303	285
Jönköping	24	234	346	1,481	94.0%	326	79	334	247
Uppsala	20	137	207	1,509	93.7%	194	52	383	142
Västerås	22	105	131	1,244	86.0%	113	29	276	84
Linköping	16	105	139	1,325	85.9%	119	42	401	77
Norrköping	11	84	112	1,335	92.8%	104	30	356	74
Växjö	6	63	91	1,452	90.7%	83	24	372	59
Total Office/retail	140	1,014	1,413	1,394	92.6%	1,310	342	337	968
Warehouse/Logistics									
Örebro	18	108	79	733	89.5%	71	17	154	54
Jönköping	4	22	16	696	69.4%	11	3	145	8
Uppsala	5	35	36	1,016	74.6%	27	8	210	19
Västerås	19	75	63	847	93.8%	59	16	217	43
Vaggeryd	2	14	5	389	89.5%	5	1	98	4
Total Warehouse/Logistics	48	254	199	784	86.6%	173	45	177	128
Total	188	1,268	1,612	1,271	91.9%	1,483	387	305	1,096
Leasing and property administration									
Total after leasing and property administration									
Development projects	18	81	73			30	14		16
Total	206	1,349	1,685	-	-	1,513	503	-	1,010

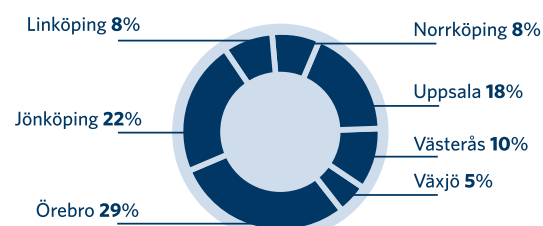
Property related key ratios

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Rental value, SEK/sq.m.	1,271	1,255	1,145	1,022	885	844	818	795	775	745
Economic occupancy rate	91.9%	92.2%	93.7%	89.3%	86.8%	88.4%	88.4%	88.0%	90.0%	90.8%
Property costs, SEK/sq.m.	385	395	381	362	284	268	272	268	275	261
Net operating income, SEK/sq.m.	783	762	692	551	483	478	451	432	422	416
Number of properties	206	206	40	40	94	95	95	96	95	93
Lettable area, thousand sq.m.	1,349	1,320	248	260	519	518	515	505	501	480

Property value by property type

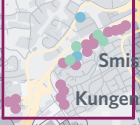
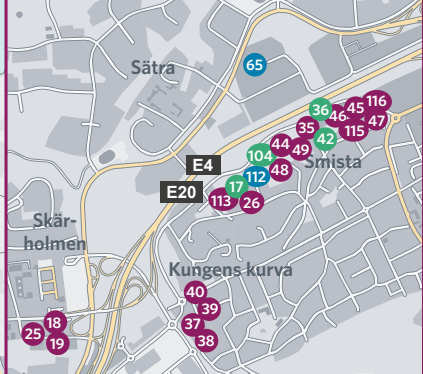
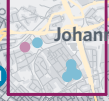
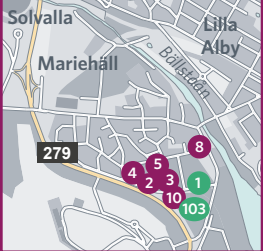
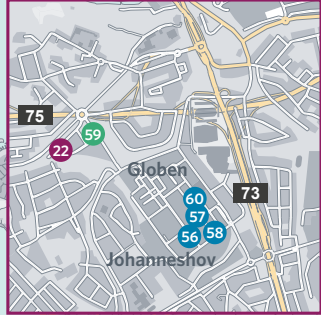
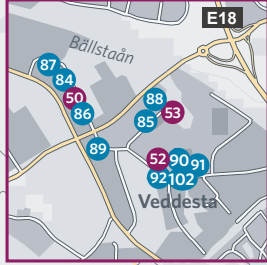
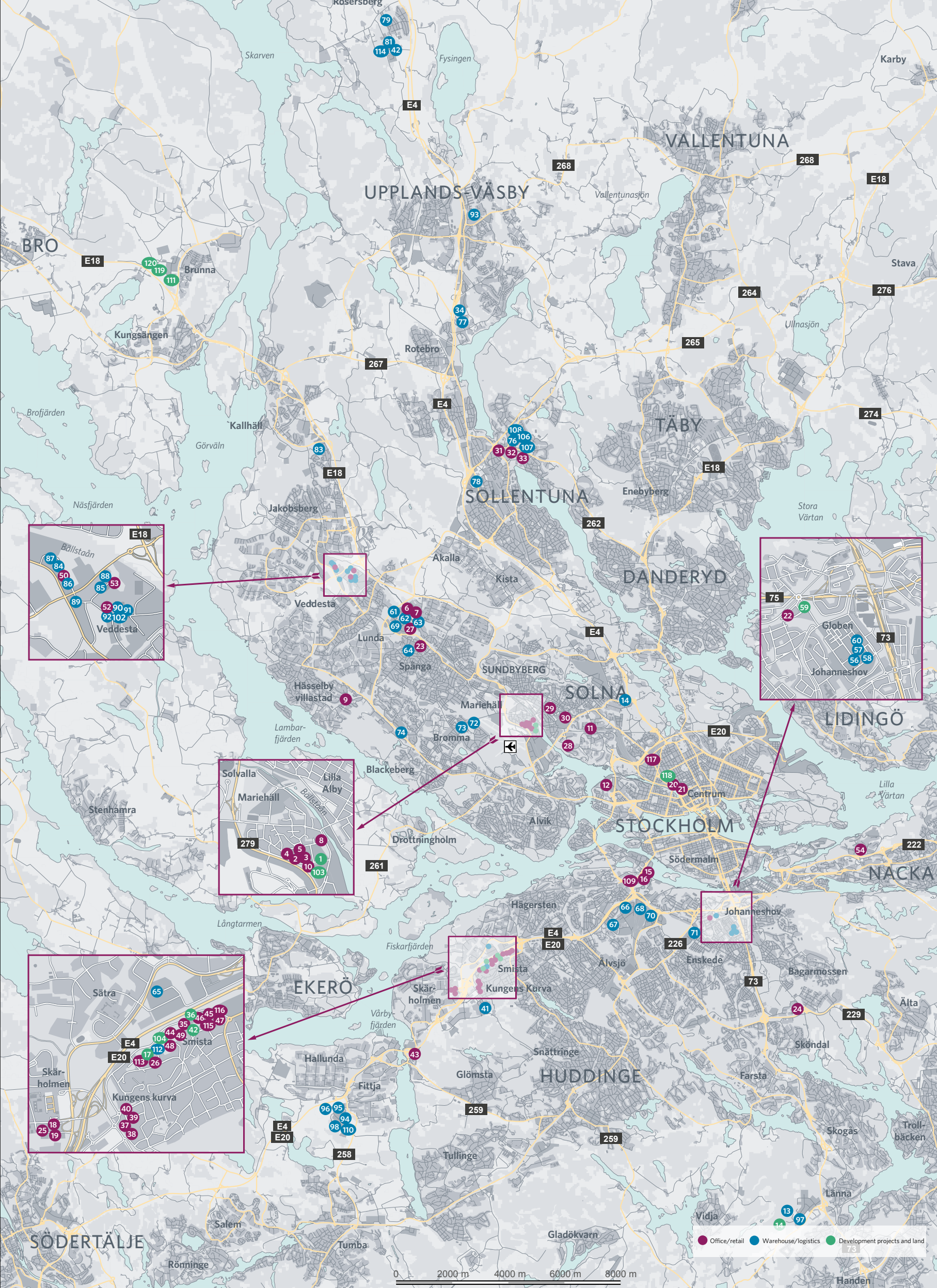


Property value by municipality



The Stockholm Region

Property	Address	Municipality	Acquis- year	Build/ Recon. year	Square metres per type of premises						Total	Site sq.m.	Tax assessment value	Note
					Office	Retail	Warehouse	Logistics	Residential	Other				
OFFICE/RETAIL														
2	Betongblandaren 3	Gårdsfogdevägen 16	Stockholm	2001	1971	3,355	2,352	695	-	-	-	6,402	2,722	46,200
3	Betongblandaren 10	Archimedesv 1-3/Gårdsfogdev 8-10	Stockholm	2005	1975/1996	1,675	10,437	2,222	-	-	-	14,334	15,170	131,000
4	Betongblandaren 12	Gårdsfogdevägen 18 A-D	Stockholm	1998	1972	7,023	-	486	-	-	1	7,510	3,679	60,638
5	Betongblandaren 13	Adolfbergsv 15, 23-31/Archimedesv 5-11	Stockholm	<1995	1989	7,317	2,475	1,181	-	-	7	10,980	7,690	82,600
6	Domnarvet 18	Fagerstagatan 11-13	Stockholm	2012	1991	5,523	103	-	-	-	-	5,626	6,640	- T
7	Domnarvet 36	Fagerstagatan 15	Stockholm	2012	1991	3,473	-	340	-	-	-	3,813	3,071	25,400 T
27	Domnarvet 39	Gunnobogatan 24-26	Stockholm	<1995	1989	1,271	-	1,386	-	-	-	2,657	1,940	17,646 T
8	Fredsfors 14	Karlsbodavägen 22-24, 39-41	Stockholm	<1995	1960	11,208	-	3,339	-	-	5	14,552	7,073	115,971
9	Lisenen 2	Hässelby Torg 1	Stockholm	2011	1982/1995	2,299	-	-	-	-	-	2,299	1,104	- B/T
10	Vallonsmidet 8	Gårdsfogdev 1-7/Karlsbodav 13-19	Stockholm	<1995	1963/1992	13,459	2,824	6,706	-	-	28	23,017	29,425	171,400
18	Getholmen 2	Måsholmstorget 1-13	Stockholm	<1995	1990	5,367	-	354	-	-	-	5,721	3,195	48,400 T
19	Hästholmen 2	Ekholmsvägen 23	Stockholm	<1995	1985	1,220	-	-	-	-	-	1,220	1,839	8,878 T
22	Tjurhornet 15	Lindtorpsv 7-9, 11, 17 m fl	Stockholm	<1995	1986	19,237	575	3,939	-	-	12	23,763	13,314	266,561
12	Hornsberg 10	Lindhagensgatan 133	Stockholm	2015	1985	9,963	390	888	3,840	-	10	15,091	4,578	255,982
23	Mandelblomman 15	Avestag 29/Kronofogdev 56	Stockholm	<1995	1950/1990	3,321	-	294	-	-	6	3,621	4,364	21,261 B
24	Drevern 1 & Dvärgsp. 1	Gråhundsvägen 82-84	Stockholm	<1995	1970/1995	1,215	2,745	-	-	-	19	3,979	5,729	28,800 B/T
25	Getholmen 1	Ekholmsvägen 32-36	Stockholm	1998	1982	5,854	-	2,244	-	-	-	8,098	4,717	62,800 T
15	Marievik 27	Årstaängsvägen 17	Stockholm	2015	1956	10,248	1,175	40	-	-	-	11,463	2,747	222,000 B
16	Marievik 30	Årstaängsvägen 17-19	Stockholm	2015	-	-	-	22	-	-	1,599	1,621	1,883	11,400
109	Rosteriet 5	Lövholmsv. 9, Trekantsv. 9	Stockholm	2012	1956	3,270	-	-	-	-	-	3,270	2,390	46,200 T
117	Isotopen 1	Torsplan 2	Stockholm	2017	2016	18,798	1,598	-	-	-	2,318	22,714	4,552	490,000
20	Klassföreståndaren 3	Torsgatan 11,13, Lilla Bantorget 15	Stockholm	2016	2008	13,393	-	-	-	-	-	13,393	3,389	659,000
21	Läkaren 10	Torsgatan 12-14, Kammakarg 74, Dalag 5-7	Stockholm	2016	1989	33,893	1,680	-	-	613	2,827	39,013	8,920	1,108,200
11	Bangården 4	Huvudstagatan 5	Solna	2015	1968	5,939	-	-	-	-	-	5,939	1,977	45,667
14	Stora Frösunda 3	Frösundaleden 2A-B	Solna	2016	2009	28,595	1,000	-	-	-	-	29,595	9,946	699,000
28	Gräslöken 1	Anderstörpsvägen 20-22	Solna	2006	1976	6,142	681	233	-	-	-	7,056	1,288	73,400
30	Yrket 4	Smidesvägen 10-12	Solna	2006	1982/1984	9,544	-	1,017	-	-	329	10,890	8,774	128,000 B
29	Råsten 4	Råsteng 1/Stureg 10-12	Sundbyberg	2007	1929/2001	2,700	-	-	-	-	-	2,700	1,111	40,600
31	Ekplantan 4	Djupdalsvägen 1-7	Sollentuna	1996	1990	8,081	1,581	135	-	-	162	9,959	8,595	66,100
32	Ekstubben 21 & 23	Djupdalsvägen 10-22, 30-32	Sollentuna	1999	1989	6,075	-	212	-	-	110	6,397	3,069	50,058
33	Ekstubben 25	Djupdalsvägen 24-26	Sollentuna	2011	1987/1988	1,050	-	-	-	-	-	1,050	534	-
37	Altartorget 22	Jägerhorns Väg 6	Huddinge	1996	1986	810	1,267	630	-	-	-	2,707	5,766	36,600 T
38	Altartorget 23	Jägerhorns Väg 8	Huddinge	1996	1987	1,736	2,471	-	-	-	-	4,207	5,755	60,000 T
39	Arrendatorn 15	Jägerhorns Väg 3-5	Huddinge	2001	1987	490	625	210	-	-	-	1,325	2,422	10,700
40	Arrendatorn 16	Jägerhorns Väg 1/Ga Södertäljev 205-207	Huddinge	<1995	1987	628	747	130	-	-	-	1,505	2,803	12,786
116	Myren 9	Smista Allé	Huddinge	2011	2015	-	589	-	-	-	-	589	12,035	5,112
43	Riggen 2	Botkyrkavägen 4	Huddinge	2012	1991	4,744	-	699	-	-	32	5,475	5,901	38,000
113	Spejaren 3	Smista Allé 13	Huddinge	1997	2014	-	-	-	6,793	-	-	6,793	5,349	36,600
26	Spejaren 5	Smista Allé 19	Huddinge	1997	2017	-	-	-	3,480	-	-	3,480	6,809	2,800
44	Varpen 8	Smista Allé 36	Huddinge	1997	2010	-	-	-	2,622	-	-	2,622	3,100	10,946
35	Varpen 10	Smista Allé 30	Huddinge	2011	2016	3,636	-	-	-	-	-	3,636	5,715	7,840
42	Varpen 11	Smista Allé 34	Huddinge	1997	2009	-	-	-	11,950	-	-	11,950	6,082	60,200
45	Visiret 2 A	Smista Allé 44	Huddinge	2004	2004	-	-	-	2,690	-	-	2,690	4,890	18,265
115	Visiret 2 D	Smista Allé 44	Huddinge	1997	2013	-	-	-	-	-	12,357	12,357	5,000	33,035
47	Visiret 2 F	Smista Allé 46	Huddinge	1997	2009	-	-	-	4,895	-	-	4,895	8,241	32,600
46	Visiret 3 A	Smista Allé 40	Huddinge	1997	2006	-	-	-	7,500	-	-	7,500	3,122	50,600
48	Visiret 3 B	Smista Allé	Huddinge	2011	2017	-	-	-	2,082	-	-	2,082	13,747	5,200
49	Visiret 4	Smista Allé 48	Huddinge	2011	2017	-	-	-	851	-	-	851	2,566	4,310
50	Veddesta 2:22	Nettovägen 7	Järfälla	<1995	1965/1975	508	-	-	-	-	-	508	1,782	2,973
52	Veddesta 2:58	Fakturavägen 5	Järfälla	2007	1985/1995	980	-	-	-	-	-	980	2,452	6,666
53	Veddesta 2:66	Girovägen 13	Järfälla	2010	1989	3,161	-	250	-	-	8	3,419	7,422	23,000
54	Sicklaön 393:4	Vikdalsvägen 50	Nacka	<1995	1990	3,485	-	553	-	-	-	4,038	10,819	43,382 B
Total office/retail						270,686	35,315	28,205	46,703	613	19,830	401,352	297,203	5,484,777
WAREHOUSE/LOGISTICS														
56	Charkuteristen 5	Hallvägen 21	Stockholm	2001	1955	1,520	-	5,524	-	-	-	7,044	4,213	11,348 T
57	Charkuteristen 6	Slakthusgatan 20	Stockholm	2001	1955	-	1,066	1,269	180	-	-	2,515	1,665	8,034 T
58	Charkuteristen 8	Slakthusgatan 22	Stockholm	2001	1968	548	-	4,667	-	-	-	5,215	2,582	16,793 T
60	Sandhagen 6	Slakthusgatan 9/Rökerigatan 18	Stockholm	2001	1967	1,531	-	2,659	-	-	-	4,190	1,728	15,464 T
61	Domnarvet 4	Domnarvsgatan 27-29	Stockholm	<1995	1987	1,486	-	5,829	-	-	436	7,751	8,605	37,200 T
62	Domnarvet 27	Fagerstagatan 19 B	Stockholm	<1995	1982	-	-	-	1,970	-	-	1,970	4,337	11,665 T
63	Domnarvet 28	Fagerstagatan 19 C	Stockholm	2010	1986	-	-	-	3,720	-	-	3,720	7,272	20,064 T
64	Mandelblomman 16	Kronofogdevägen 62	Stockholm	2007	1974	710	-	2,239	1,055	-	-	4,004	4,125	15,650 B
65	Stensätra 7	Strömsättravägen 16	Stockholm	1999	1974	-	-	5,288	-	-	-	5,288	10,212	24,292 T
66	Dagskiftet 4	Elektravägen 10	Stockholm	2007	1945	358	-	1,352	-	-	-	1,710	1,892	7,871 T



● Office/retail
 ● Warehouse/logistics
 ● Development projects and land

0 2000 m 4000 m 6000 m 8000 m

Property	Address	Municipality	Acquis- year	Build/ Recon. year	Square metres per type of premises						Total	Site sq.m.	Tax assessment value	Note
					Office	Retail	Warehouse	Logistics	Residential	Other				
67	Elektra 3	Västbergavägen 25	Stockholm	<1995	1946	1,119	280	6,924	-	-	-	8,323	10,106	39,962
68	Godståget 1	Transportvägen 7-9	Stockholm	<1995	1985	1,819	-	11,211	70	-	5	13,105	31,392	107,976
69	Furudal 4	Fagerstagatan 10	Stockholm	2010	2008	-	-	-	1,237	-	-	1,237	2,051	9,506 T
70	Lagerhallen 2	Brunnbyvägen 2-4/Partihandlarvägen 27-45	Stockholm	2004	1975	2,842	-	7,200	-	-	3,519	13,561	9,512	57,200 T
71	Ostmästaren 2	Ostmästargränd 4	Stockholm	2012	1980	-	-	-	3,292	-	-	3,292	5,915	22,000 T
72	Tornluggen 1	Bällstavägen 159/Tornväktargränd 1-9	Stockholm	<1995	1963/1983	-	-	1,900	-	-	-	1,900	3,898	9,551 T
73	Tornluckan 1	Tornväktargränd 6	Stockholm	<1995	1960	-	-	810	-	-	-	810	927	3,144 T
74	Vagnhallen 19	Jämtlandsgatan 131	Stockholm	2006	1963/1974	-	-	-	5,544	-	-	5,544	5,177	22,371 T
108	Elementet 3	Bäckvägen 20	Sollentuna	2012	1963	722	-	1,222	799	-	-	2,743	2,624	13,769
76	Elementet 4	Bäckvägen 18	Sollentuna	<1995	1960	1,084	245	9,814	-	-	-	11,143	18,469	56,325
77	Revisorn 4	Bergkällavägen 33	Sollentuna	2011	1988	-	-	-	2,635	-	-	2,635	6,915	17,955
78	Tidskriften 2	Kuskvägen 2	Sollentuna	1997	1976	1,235	2,894	11,073	-	-	-	15,202	18,203	64,341
79	Rosersberg 2:21-22	Rosersbergsvägen 43-45	Sigtuna	1996	1990	-	-	2,121	-	-	5	2,126	5,240	12,047
81	Rosersberg 11:34	Tallbacksgatan 8-16	Sigtuna	1996	1987/1990	464	-	35,903	-	-	-	36,367	92,299	189,828
114	Rosersberg 11:94	Skansvägen 25/Metallvägen 39	Sigtuna	2014	2008	-	-	9,353	-	-	-	9,353	19,971	61,400
83	Bredgården 1:7	Jättevägen 4	Järfälla	2010	1978	111	294	-	3,087	-	400	3,892	9,213	14,000
102	Veddesta 1:9	Fakturavägen 2	Järfälla	2007	1965	-	-	286	1,918	-	-	2,204	3,731	19,131
84	Veddesta 2:17	Nettovägen 9	Järfälla	2006	1968	-	-	1,338	-	-	-	1,338	5,350	7,527
85	Veddesta 2:19	Girovägen 9	Järfälla	<1995	1964	-	-	2,556	-	-	-	2,556	10,000	16,067
86	Veddesta 2:21	Nettovägen 5	Järfälla	<1995	1965/1988	460	-	1,495	-	-	-	1,955	5,000	9,705
87	Veddesta 2:26	Nettovägen 11	Järfälla	<1995	1968	465	190	2,288	-	-	-	2,943	7,000	15,224
88	Veddesta 2:49	Girov 11	Järfälla	2010	1981	-	-	1,465	2,379	-	-	3,844	9,250	22,281 T
89	Veddesta 2:50	Kontov 7/Veddestav 23-25	Järfälla	<1995	1964	1,339	-	2,884	565	-	-	4,788	21,889	32,164 B
90	Veddesta 2:60	Fakturavägen 4	Järfälla	2007	1987	175	-	155	644	-	-	974	1,099	4,561 T
91	Veddesta 2:68	Fakturavägen 6	Järfälla	2012	1990	210	-	-	2,658	-	-	2,868	2,801	13,136
92	Veddesta 2:77	Fakturavägen 1-3	Järfälla	2007	1994/1997	1,000	-	6,339	-	-	-	7,339	14,857	47,040
106	Elektronen 1	Hovslagarevägen 31-33	Sollentuna	2012	1957/1987	261	-	-	2,112	-	-	2,373	3,639	11,278
107	Elektronen 4	Hovslagarevägen 37	Sollentuna	2012	1958/1992	855	-	1,259	1,710	-	-	3,824	5,273	19,255
34	Ringpärmen 3	Bergskällavägen 30	Sollentuna	2005	1986	452	-	2,539	997	-	240	4,228	7,918	23,091
41	Ellipsen 3	Ellipsvägen 11	Huddinge	2001	1993	2,319	-	1,139	-	-	-	3,458	3,904	16,828
13	Dumpern 7	Speditionsvägen 36	Huddinge	2014	2009	-	-	6,792	-	-	-	6,792	12,035	36,605
14	Kranbilen 2	Lyftkransvägen 11	Huddinge	2015	2017	-	-	-	8,974	-	-	8,974	17,066	43,000
112	Palissaden 4	Smista Allé 28	Huddinge	1997	2013	-	-	-	2,198	-	-	2,198	3,285	17,885
97	Slipstenen 1	Fräsarv. 19/Slipstensv. 4-8	Huddinge	2012	2006	-	2,808	-	-	-	-	2,808	11,442	17,569
93	Skälby 2:9	Instrumentvägen 2	Uppl-Väsby	2010	1984	306	-	-	2,877	-	-	3,183	7,720	19,997 T
94	Hantverkaren 2	Hantverkarev 9/Segersbyv 10	Botkyrka	<1995	1976/1979	-	-	-	5,850	-	-	5,850	11,672	24,497
95	Kumla Hage 3	Kumla Gårdsväg 24 A-B	Botkyrka	<1995	1985	-	-	1,889	-	-	-	1,889	3,959	8,370
96	Kumla Hage 13	Kumla Gårdsväg 24 C	Botkyrka	<1995	1990	-	-	1,630	-	-	-	1,630	3,258	8,151
98	Saltmossen 3	Kumla Gårdsväg 21, 23	Botkyrka	<1995	1983/1986	369	-	24,275	2,453	-	-	27,097	57,214	151,801
110	Segersby 1	Kumla Gårdsväg 10	Botkyrka	2012	1976	325	-	3,384	8,310	-	-	12,019	24,104	45,304
-	Åby 1:223	Cementvägen 7	Haninge	2011	2013	-	-	-	6,633	-	-	6,633	10,209	40,600
-	Skarpnäs 5:10	Skarpövägen 14	Nacka	2010	2008	2,301	-	2,341	1,064	-	120	5,826	7,491	31,349
Total warehouse/logistics						26,386	7,777	190,412	74,931	0	4,725	304,231	559,709	1,572,172
DEVELOPMENT PROJECTS														
1	Archimedes 1	Gårdsfogdevägen 2-6	Stockholm	1996	1979	11,363	2,144	4,310	310	-	-	18,127	13,663	79,792 B
118	Sabbatsberg 24	Torsgatan 26	Stockholm	2017	-	13,716	-	-	-	-	-	13,716	6,148	232,000 B
17	Spejaren 4	Smista Allé	Huddinge	2011	-	-	-	-	-	-	-	-	16,376	41,300
36	Varpen 11, Projekt	Smista Allé 36	Huddinge	2011	-	-	-	-	5,555	-	-	5,555	6,900	10,946
42	Rosersberg 11:130	Metallvägen 41-45	Sigtuna	2015	-	-	-	-	-	-	-	-	23,315	20,800
Total development projects						25,079	2,144	4,310	5,865	0	0	37,398	66,402	384,838
UNDEVELOPED LAND														
104	Smista Park	Smista Allé	Huddinge	2011	-	-	-	-	-	-	-	-	30,955	-
59	Linde Torp 8	Bolidenvägen 8-10	Stockholm	<1995	-	-	-	-	-	-	-	-	5,537	4,850 B
36	Vallonsmidet 11	Gårdsfogdevägen 1-7	Stockholm	<1995	-	-	-	-	-	-	-	-	-	8,200 B
119	Kungsängen-Tibble 1:647	Mätarvägen 9	Upp-lands-Bro	2017	-	-	-	-	-	-	-	-	-	-
120	Kungsängen-Tibble 1:648	Mätarvägen 17	Upp-lands-Bro	217	-	-	-	-	-	-	-	-	-	-
111	Örnäs 1:17		Upp-lands-Bro	2016	-	-	-	-	-	-	-	-	132,165	52,000 B
Total undeveloped land						0	0	0	0	0	0	0	168,657	65,050
Total Stockholm Region						322,151	45,236	222,927	127,499	613	24,555	742,981	1,091,971	7,506,837

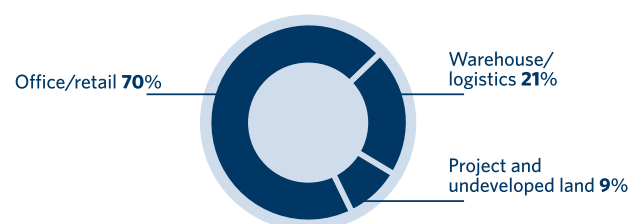
Castellum's Real Estate Portfolio in Region Stockholm 31-12-2017

	No. of Properties	Area thous. sq.m.	Rental value SEKm	Rental value SEK/sq.m.	Economic occupancy rate	Rental-income SEKm	Property costs SEKm	Property costs SEKm/sq.m.	Net operating income SEKm
Office/retail									
Central	20	267	633	2,366	92.7%	587	99	369	488
South	21	94	131	1,402	95.4%	125	18	189	107
North	11	40	53	1,325	86.3%	46	10	256	36
Total office/retail	52	401	817	2,036	92.7%	758	127	316	631
Warehouse/Logistics									
Central	4	19	25	1,306	96.4%	24	5	248	19
South	18	130	140	1,073	90.5%	127	24	179	103
North	30	155	161	1,044	95.1%	153	26	172	127
Total warehouse/logistics	52	304	326	1,073	93.2%	304	55	180	249
Total	104	705	1,143	1,621	92.9%	1,062	182	257	880
Leasing and property administration									
Total after leasing and property administration									
Development projects	5	37	24	-	-	6	6	-	0
Undeveloped land	6	-	-	-	-	-	-	-	-
Total	115	742	1,167	-	-	1,068	307	-	761

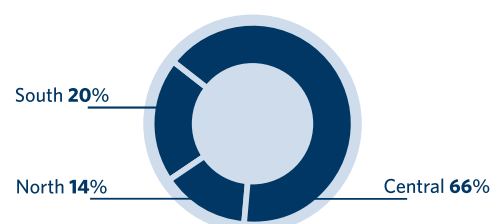
Property related key ratios

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Rental value, SEK/sq.m.	1,621	1,501	1,240	1,199	1,198	1,203	1,181	1,154	1,175	1,144
Economic occupancy rate	92.9%	92.8%	90.5%	85.4%	83.1%	82.8%	82.2%	82.8%	84.8%	84.0%
Property costs, SEK/sq.m.	425	373	334	326	337	344	362	345	347	343
Net operating income, SEK/sq.m.	1,080	1,021	788	697	658	652	609	611	650	618
Number of properties	115	111	106	106	105	109	100	97	90	90
Lettable area, thousand sq.m.	742	692	594	649	639	650	573	569	534	535

Property value by property type

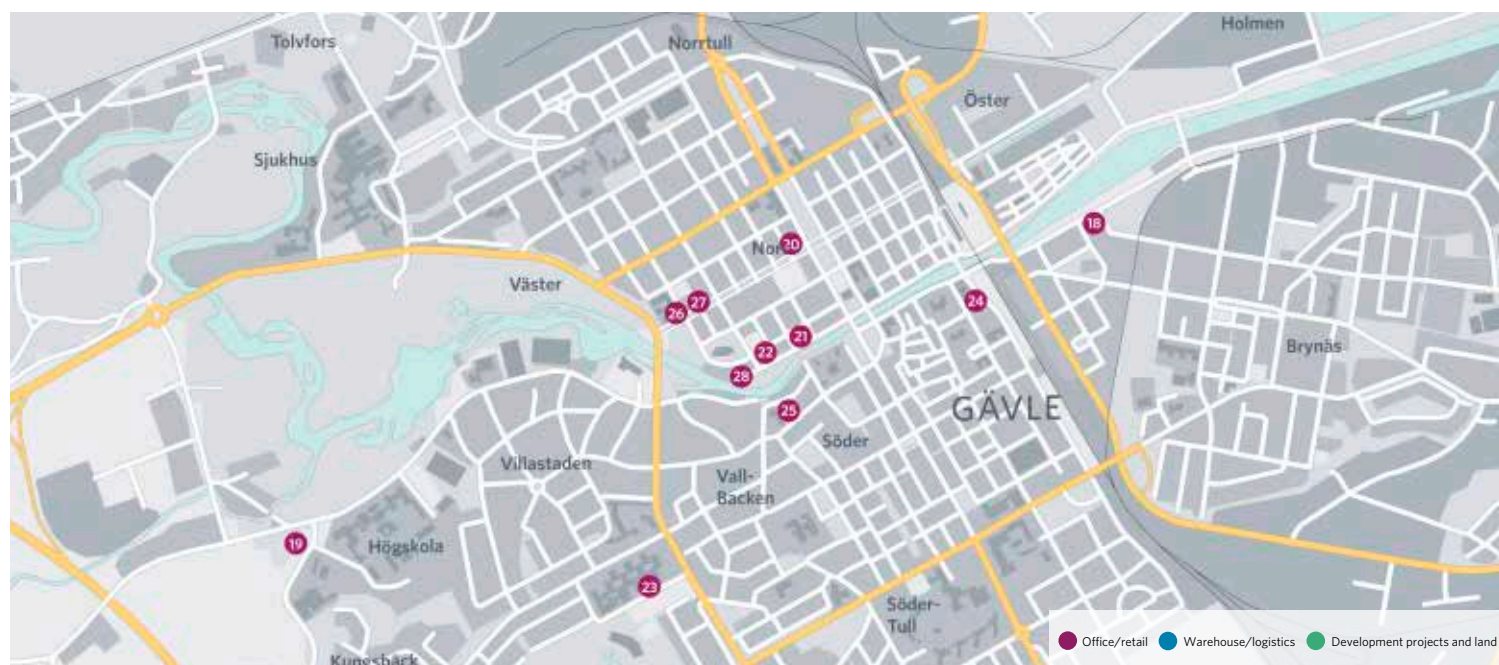


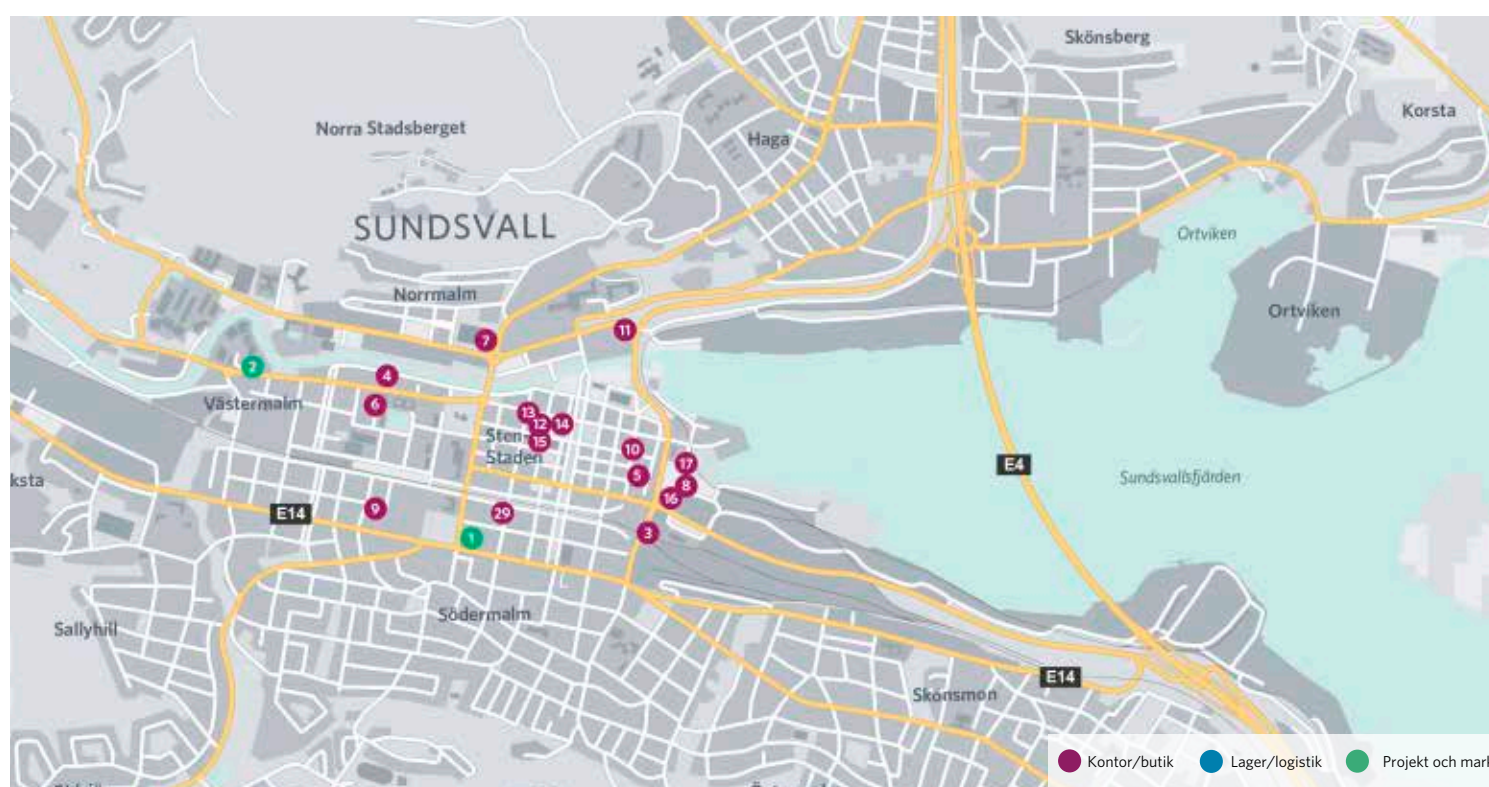
Property value by municipality



The Northern Region

Property	Address	Municipality	Acquis- Build/ year Recon. year	Square metres per type of premises						Total	Site sq.m.	Tax assessment value Note
				Office	Retail	Warehouse	Logistics	Residential	Other			
OFFICE/RETAIL												
29 Borgaren 3	Södra Järnvägsgatan 35, 37-39	Sundsvall	2016 1992/1932	5,047	-	-	-	708	152	5,907	3,895	41,433 B
3 Byggmästaren 2	Landsvägsallen 4	Sundsvall	2016 1954/2005	6,718	-	-	-	-	345	7,063	5,850	52,271
4 Guldsmeden 15	Storgatan 50	Sundsvall	2016 1970/2004	5,581	-	-	-	-	-	5,581	2,015	36,000
5 Hercules 2, 8, 9	Rådhusg 3, Trädgårdsg 4, Rådhusg 5, Sundsvall Tullg 13-15	Sundsvall	2016 1979/1995	3,780	-	65	-	373	105	4,323	921	32,152
6 Hovrätten 2	Storg 37-39, Norra Tjärng 2, Södra Tjärng 2	Sundsvall	2016 1974/2004	30,752	-	-	-	-	-	30,752	11,843	154,133
7 Idrottsparken 2, 3	Universitetsallén 2-8	Sundsvall	2016 2002	8,577	-	-	-	-	-	8,577	3,100	85,328
8 Järnvägsstationen 2	Stuvarvägen 21	Sundsvall	2016 2008	11,052	-	-	-	-	-	11,052	4,958	151,200
9 Mäsen 14	Västra Långgatan 42, 45, Södra Järnvägsgatan 41	Sundsvall	2016 1978/2002	29,280	-	12	-	-	465	29,757	28,415	212,408
10 Neptunus 5	Kyrkogatan 3	Sundsvall	2016 1967	5,947	-	-	-	-	-	5,947	1,713	-
11 Notvarpet 8	Skepparplatsen 1	Sundsvall	2016 1959/1995	8,122	-	-	-	-	-	8,122	13,519	50,800 B
12 Nyttan 3, 6	Torggatan 6-8, Kyrkogatan 18, Storgatan 17	Sundsvall	2016 1899/1967	1,570	2,333	-	-	1,881	-	5,784	1,756	61,266
13 Nyttan 7	Storg 21, Thuleg 5,7, Kyrkog 20-22, Thuleg 5	Sundsvall	2016 1892/1960	2,088	3,583	-	-	2,163	159	7,993	2,168	112,200
14 Olympen 4	Storg 22, Sjög 13, Esplanaden 5, Bankg 6	Sundsvall	2016 1975/1999	6,177	3,279	192	-	-	-	9,648	3,078	79,200
15 Stadshuset 2	Kyrkogatan 19, Rådhusgatan 22	Sundsvall	2016 1868	997	2,899	-	-	-	-	3,896	2,620	18,200
16 Stuvaren 1	Stuvarvägen 5-17	Sundsvall	2016 1960/1988	4,551	1,214	271	-	-	370	6,406	8,215	46,800
17 Tullpaviljongen 1	Stuvarvägen 25, Stuvarvägen 27	Sundsvall	2016 1999/2005	4,391	-	-	-	-	-	4,391	-	49,400
18 Brynäs 17:1	Södra Skeppsbron 18, Södra Sjötullsg 1-3	Gävle	2016 1976/1989	8,460	-	54	-	-	341	8,855	12,000	-
- Kubbo 15:1	Kubbostigen 8	Gävle	2016 1975	-	-	325	-	-	-	325	14,695	328
19 Kungsbäck 2:18	Kungsbäcksvägen 51	Gävle	2016 2010	3,707	-	-	-	-	-	3,707	7,372	-
20 Norr 15:7	N:a Kungsg 11-13, Nyg 25, Rud- dammsg 30, N:a Kanslig 14	Gävle	2016 1891/1978	7,030	4,143	76	-	2,021	332	13,602	4,389	115,000
21 Norr 38:3	Kyrkog 10-12, N. Strandg 9, N. Skeppsg 2	Gävle	2016 1940/1992	2,802	-	66	-	-	78	2,946	2,044	26,177
22 Norr 47:7	Kyrkogatan 4	Gävle	2016 1972	4,838	-	15	-	-	321	5,174	6,480	39,000 B
23 Olsbacka 45:6	Lantmäterigatan 2-4, Bobergsplan 3	Gävle	2016 1975/1993	34,483	734	-	-	-	-	35,217	31,619	233,000
24 Söder 17:10	Södra Centralgatan 1-3	Gävle	2016 1971/2007	9,869	-	-	-	-	1,560	11,429	6,759	64,200
25 Söder 6:5	Borgmästarplan	Gävle	2016 1955/1967	8,346	-	-	-	-	-	8,346	6,536	49,600
26 Väster 26:1	Skomakargatan 1, Ruddammsgatan 2	Gävle	2016 1979/1983	10,542	485	172	-	-	-	11,199	5,633	80,000
27 Väster 27:1	Skomakargatan, Ruddammsgatan, Vågskrivargatan	Gävle	2016 1897/1983	2,107	-	-	-	-	68	2,175	2,977	19,460 B
28 Väster 32:3	Nygatan 3, Vågskrivargatan 5	Gävle	2016 1900/1950	1,245	-	-	-	-	-	1,245	1,683	10,163
Total office/retail				228,058	18,670	1,248	0	7,146	4,296	259,418	196,253	1,819,719
UNDEVELOPED LAND												
1 Borgaren 6	Södra Järnvägsgatan 35, 37-39	Sundsvall	2016 -	-	-	-	-	-	-	-	-	2,217
2 Brohuvudet 13, 15, 16	Storgatan 74	Sundsvall	2016 -	-	-	-	-	-	-	-	1,476	968 B
Total undeveloped land				0	0	0	0	0	0	0	1,476	3,185
Total Northern Region				228,058	18,670	1,248	0	7,146	4,296	259,418	196,253	1,821,936

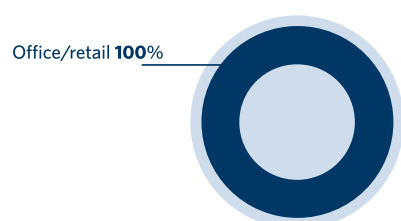
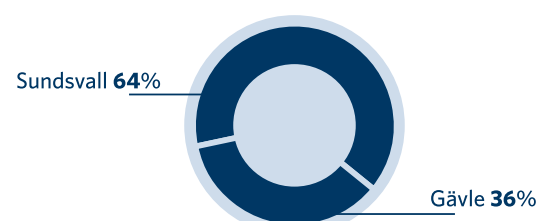



Castellum's Real Estate Portfolio The Northern region 31-12- 2017

	No. of Properties	Area thous. sq.m.	Rental value SEKm	Rental value SEK/sq.m.	Economic occupancy rate	Rental-income SEKm	Property costs SEKm	Property costs SEKm/sq.m.	Net operating income SEKm
Office/retail									
Sundsvall	16	155	254	1,632	92.6%	234	49	321	185
Gävle	12	104	145	1,393	96.3%	140	29	272	111
Total office/retail	28	259	399	1,536	93.9%	374	78	302	296
Leasing and property administration							14	53	-14
Total after leasing and property administration							92	355	282
Undeveloped land	2	-	-	-	-	-	-	-	-
Total	30	259	399	-	-	374	92	-	282

Fastighetsrelaterade nyckeltal

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Rental value, SEK/sq.m.	1,536	1,501	-	-	-	-	-	-	-	-
Economic occupancy rate	93.9%	93.2%	-	-	-	-	-	-	-	-
Property costs, SEK/sq.m.	355	483	-	-	-	-	-	-	-	-
Net operating income, SEK/sq.m.	1,088	916	-	-	-	-	-	-	-	-
Number of properties	30	29	-	-	-	-	-	-	-	-
Lettable area, thousand sq.m.	259	259	-	-	-	-	-	-	-	-

Property value by property type

Property value by municipality


Properties sold in 2017

Property	Address	Municipality	Acquis- year	Build/ Recon. year	Square metres per type of premises						Total	Site sq.m.	Tax assessment value	Note
					Office	Retail	Warehouse	Logistics	Residential	Other				
THE CENTRAL REGION														
Österbotten 4	Skeppsbrogatan 6	Jönköping	<1995	1930/1991	503	-	162	2,279	-	-	2,944	6,972	8,319	
Total Central Region					503	0	162	2,279	0	0	2,944	6,972	8,319	
THE WEST REGION														
Backa 22:11	Exportgatan 67	Gothenburg	<1995	1990	195	-	2,550	-	-	-	2,745	5,031	10,338	
Kallebäck 3:4	Mejerigatan 1	Gothenburg	2000	1962	8,921	-	21,347	-	-	485	30,753	37,723	104,000	
Hönekulla 1:571	Åvägen 1	Härryda	2006	1986/2002	1,650	-	-	2,669	-	-	4,319	6,596	14,919	
Kärra 77:3	Tagenevägen 70	Gothenburg	1998	1990	1,269	-	-	-	-	-	1,269	4,600	6,063	T
Kärra 77:8	Tagenevägen 72	Gothenburg	<1995	1991	227	-	1,859	-	-	-	2,086	8,913	11,686	
Mejramen 1	Lunnagårdsgatan 4	Mölnadal	1999	1999	8,300	-	4,700	-	-	-	13,000	38,818	115,633	B
Pottegården 2	Kråketorpsgatan 18	Mölnadal	<1995	1964	-	-	1,800	-	-	-	1,800	7,014	10,178	B
Pottegården 4	Kråketorpsgatan 20	Mölnadal	<1995	1992	3,059	-	1,836	35	-	-	4,930	6,060	24,000	
Ängsviolen 1	Flöjelbergsgatan 18	Mölnadal	<1995	1960/1965	2,202	180	-	3,132	-	-	5,514	10,292	20,554	
Kåbäcken 11:7	Gamla Alingsåsvägen 29	Partille	<1995	1961/1964	-	-	2,200	-	-	-	2,200	5,477	5,611	
Partille 4:2, 4:25	G:a Kronvägen 22	Partille	<1995	1940/1981	-	2,500	-	-	-	-	2,500	8,250	12,930	
Ugglum 126:4	Gibsons väg 3	Partille	<1995	1990	468	-	-	-	-	-	468	767	4,210	
Ugglum 8:37	Göteborgsvägen 78-80	Partille	<1995	1998/1982	1,952	987	-	114	278	337	3,668	5,731	29,768	
Ugglum 8:92	Göteborgsvägen 74-76	Partille	<1995	1992	4,698	720	193	94	-	184	5,889	5,408	47,000	
Total Western Region					32,941	4,387	36,485	6,044	278	1,006	81,141	150,680	416,890	
THE ÖRESUND REGION														
Krukskärvan 6	Flintyxegatan 6	Malmö	2012	-	-	-	-	-	-	-	-	18,086	9,800	T/B
Total Öresund Region					0	0	0	0	0	0	0	18,086	9,800	

Definitions

Data per share

In calculating income and cash flow per share the average number of shares has been used, whereas in calculating assets, shareholders' equity and net asset value per share the number of outstanding shares has been used. The number of historical shares that have been recalculated with reference to the bonus-issue element (i.e. the value of the subscription right) in the completed new share issue.

Dividend pay out ratio

Dividend as a percentage of income from property management.

Dividend yield

Proposed dividend as a percentage of the share price at the end of the period.

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.

EPRA EPS (Earnings Per Share)

Income from property management adjusted for nominal tax attributable to income from property management, divided with the average number of shares. With taxable income from property management means income from property management with a deduction for tax purposes of depreciation and reconstruction.

EPRA NAV (Long term net asset value)

Reported equity according to the balance sheet, adjusted for interest rate derivatives and deferred tax.

EPRA NNAV (Actual net asset value)

Reported equity according to the balance sheet, adjusted for actual deferred tax instead of nominal deferred tax.

Income from property management

Net income for accounted for after reversal of transaction and restructuring costs, revaluation of results due to stepwise acquisition, changes in value and tax, both for the Group and for joint venture.

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.

Liquidity risk

The risk of not having access to liquidity or unutilized credit facilities in order to settle payments due.

Loan to value ratio

Interest-bearing liabilities after deduction for liquid assets as a percentage of the properties' fair value with deduction for acquired properties not taken in possession, and with addition for properties disposed of, still in possession, at the year-end.

Net operating income margin

Net operating income as a percentage of rental income.

Number of shares

Registered number of shares - the number of shares registered at a given point in time.

Outstanding number of shares - 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 outstanding shares during a given period.

The number of historical shares that have been recalculated with reference to the bonus-issue element (i.e. the value of the subscription right) in the completed new share issue.

Operating expenses, maintenance, etc.

This item includes both direct property costs, such as operating expenses, maintenance, ground rent and real estate tax, as well as indirect costs for leasing and property administration.

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.

Rental income

Rents debited plus supplements such as reimbursement of heating costs and real estate tax.

Rental value

Rental income plus estimated market rent for vacant premises.

Return on actual net asset value

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 net asset value

Income after tax with reversed changes in value of derivatives and deferred tax as a percentage of initial long term net asset value. In the interim reports the return has been recalculated on annual basis, disregarding seasonal variations normally occurring in operations.

Return on total capital

Income before tax with reversed net financial items and changes in value 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.

SEK per square metre

Property-related key ratios, 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 whole year, while properties disposed of have been excluded entirely. Development projects and undeveloped land have been excluded. In the interim accounts key ratios have been recalculated on an annual basis, disregarding seasonal variations normally occurring in operations.

Total yield per share

Share price development with addition of the dividends during the period which was reinvested in shares that day shares traded ex-dividend.

GRI

This year, Castellum reports on sustainability activities according to GRI Standards, level Core. The basis for the analysis is a stakeholder dialogue and a materiality analysis. The report describes how the Castellum Group worked with sustainability issues in 2017. The following table specifies where the information has been reported. For specific standard indicators, reporting relies upon what is essential to business operations. All reported GRI-Standard modules refer to version 2016. The report has been reviewed by Deloitte. The latest sustainability report was published in February, 2017.

More detailed information about reporting and calculation models are to be found on Castellum's website, under the tab: *Responsible business.*

General standard indicators

GRI-reference	Page/reference
1. Organizational profile	
102-1 Name of the organization	123
102-2 Activities, brands, products and services	11-15
102-3 Location of headquarters	123 (note 1)
102-4 Location of operations	126 (note 2)
102-5 Ownership and legal form	80, 123
102-6 Markets served	26, 30-31
102-7 Scale of the organization	3, 5, 60
102-8 Information on employees and other workers	60-61
102-9 Supply chain	57-58
102-10 Significant changes to the organization and its supply chain	58, SD
102-11 Precautionary Principle or approach	56
102-12 External initiatives	13, 55, 56
102-13 Membership of associations	13, 46
2. Strategy	
102-14 Statement from Senior decision-maker	8-9
3. Ethics and integrity	
102-16 Values, principles, standards and norms of behavior	55-57
4. Governance	
102-18 Governance structure	99-103, 108-110
102-22 Composition of the highest governance body and its committees	100-103
102-24 Nominating and selecting the highest governance body	100-102
102-25 Conflicts of interest	100
5. Stakeholder engagement	
102-40 List of stakeholder groups	56
102-41 Collective bargaining agreements	61
102-42 Identifying and selecting stakeholder groups	56
102-43 Approach to stakeholder engagement	56
102-44 Key topics and concerns raised	56, 58
6. Reporting practice	
102-45 Entities included in the consolidated financial statements	136 (note 24)
102-46 Defining report content and topic boundaries	56, 58, SD
102-47 List of material topics	57
102-48 Restatements of information	SD
102-49 Changes in reporting	SD
102-50 Reporting period	176
102-51 Date of most recent report	2017-02-03
102-52 Reporting cycle	176
102-53 Contact point for questions regarding the report	Cover back
102-54 Claims of reporting in accordance with the GRI Standards	176
102-55 GRI content index	176
102-56 External assurance	145

SD = Sustainability Data 2017 including EPRA and GRI-appendix.

* The indicator is not reported in full.

Specific standard indicators

GRI-reference	Page/reference
GRI 201: Economic performance	
103-1, 103-2, 103-3	Explanation of the material topics and its boundary, the management approach and its components and Evaluation of the management approach
201-1	Direct economic value generated and distributed
201-3	Defined benefit plan obligations and other retirement plans
GRI 205: Anti-corruption	
103-1, 103-2, 103-3	Explanation of the material topics and its boundary, the management approach and its components and Evaluation of the management approach
205-3	Confirmed incidents of corruptions and actions taken*
GRI 302: Energy	
103-1, 103-2, 103-3	Explanation of the material topics and its boundary, the management approach and its components and Evaluation of the management approach
302-1	Energy consumption within the organization
CRE1	Building energy intensity
GRI 303: Water	
103-1, 103-2, 103-3	Explanation of the material topics and its boundary, the management approach and its components and Evaluation of the management approach
303-1	Water withdrawal by source
CRE 2	Building water intensity
GRI 305: Emissions	
103-1, 103-2, 103-3	Explanation of the material topics and its boundary, the management approach and its components and Evaluation of the management approach
305-1	Direct (scope 1) GHG emissions
305-2	Energy indirect (scope 2) GHG emissions
305-3	Other indirect (scope 3) GHG emissions
CRE3	Greenhouse gas emissions intensity in buildings
GRI 306: Effluents and Waste	
103-1, 103-2, 103-3	Explanation of the material topics and its boundary, the management approach and its components and Evaluation of the management approach
306-2	Waste by type and disposal method*
GRI 307: Environmental compliance	
103-1, 103-2, 103-3	Explanation of the material topics and its boundary, the management approach and its components and Evaluation of the management approach
307-1	Non compliance with environmental laws and regulations
GRI 308: Supplier environmental assessment	
103-1, 103-2, 103-3	Explanation of the material topics and its boundary, the management approach and its components and Evaluation of the management approach
308-1	New suppliers that were screened using environmental criteria*
GRI 401: Employment	
103-1, 103-2, 103-3	Explanation of the material topics and its boundary, the management approach and its components and Evaluation of the management approach
401-1	New employees hires and employee turnover
GRI 403: Occupational health and safety	
103-1, 103-2, 103-3	Explanation of the material topics and its boundary, the management approach and its components and Evaluation of the management approach
403-2	Types of injury and rates, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
GRI 404: Training and education	
103-1, 103-2, 103-3	Explanation of the material topics and its boundary, the management approach and its components and Evaluation of the management approach
404-1	Average hours of training per year per employee*
404-3	Percentage of employees receiving regular performance and career development reviews*
GRI 405: Diversity and equal opportunity	
103-1, 103-2, 103-3	Explanation of the material topics and its boundary, the management approach and its components and Evaluation of the management approach
405-1	Diversity of governance bodies and employees
405-2	Ratio of basic salary and remuneration to women to men
GRI 413: Local Communities	
103-1, 103-2, 103-3	Explanation of the material topics and its boundary, the management approach and its components and Evaluation of the management approach
413-1	Operations with local community engagement, impact, assessments and development programs
GRI 414: Supplier Social Assessment	
103-1, 103-2, 103-3	Explanation of the material topics and its boundary, the management approach and its components and Evaluation of the management approach
414-2	Negative social impacts in the supply chain and actions taken*
GRI 416: Customer Health and Safety	
103-1, 103-2, 103-3	Explanation of the material topics and its boundary, the management approach and its components and Evaluation of the management approach
416-1	Assessment of the health and safety impacts of product and service categories
416-2	Incidents of non-compliance concerning health and safety impacts of products and services
CRE: Sustainability buildings	
103-1, 103-2, 103-3	Explanation of the material topics and its boundary, the management approach and its components and Evaluation of the management approach
CRE8	Type and number of sustainability certification, rating and labelling schemes for new construction, management, occupation and redevelopment



Annual General Meeting

Castellum AB's Annual General Meeting will take place on Thursday March 22, 2018 at 5 pm in RunAn, Chalmers Kårhus, Chalmersplatsen 1, Gothenburg. For more information and notification of attendance visit Castellum's website, www.castellum.com

Annual General Meeting Calendar and dividend

Notification for the Annual General Meeting	March 16, 2018
Annual General Meeting	March 22, 2018
The first ex-dividend date	March 23, 2018
The record day for the first dividend	March 26, 2018
The payment of the first dividend	March 29, 2018
The second ex-dividend date	September 21, 2018
The record day for the second dividend	September 24, 2018
The payment of the second dividend	September 27, 2018

Financial reporting

Interim Report January - March 2018	April 17, 2018
Half-year Report January - June 2018	July 13, 2018
Interim Report January - September 2018	October 17, 2018
Year-end report 2018	January 22, 2019
Annual General Meeting 2019	March 21, 2019

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