

## On our way! Where are we headed...?

Here, at the end of the year, it may be appropriate to follow up on the plans we drew up at the beginning of 2018. "Castellum's primary objective is to create sustainable shareholder value for the long term, at moderate risk," we emphasized in the Q1 interim report. I feel we accomplished this in 2018, and it also applies going forward. As part of this ambition, we started 2018 by mentioning continued development along three market dimensions: geography, type of premises and customer offering.

As regards geography, the move towards greater growth is continuing. We took a significant step in early 2019 through our sale of our entire portfolio in Sundsvall via an exchange that at the same time provided us with critical mass in the growth region of Linköping. This transaction means that we sold our properties in Sundsvall for MSEK 3,321 while simultaneously acquiring properties in Linköping for MSEK 1,638. It should also be mentioned that we have begun creating an organization in Finland — primarily Helsinki, where we are continually monitoring potential opportunities.

We promised we would focus more on logistics. We have strengthened and changed our organization; logistics is now its own division and during the year we completed — and are continuing to produce facilities — for SEK 1.7 billion. Additionally, we have acquired a secure land bank in Gothenburg for the future in the market's prime location, where expansion potential for logistics and industry of at least 850,000 square meters could be possible up through 2030. We are future-proof as a result of the acquisition of Säve airport, adjacent to the Port of Gothenburg, and before that the approach roads into Stockholm. As this report shows, Castellum's logistics division now contains a property portfolio of SEK 13.6 billion, with a rental value of approximately SEK 1 billion in 2018 values.

Early in the year, we emphasized that we were working intensively on developing a proprietary concept for the rapidly growing co-working segment of the market. Now, we have made further advances and achieved a significant gain in tempo through the acquisition of United Spaces. Where co-working is concerned, United Spaces is one of Northern Europe's strongest local brands, which was designed and has grown over a number of years and will now be strengthened for the future. Now we're off to a flying start on advancing and developing a concept that is attractive to customers both old and new.

### On our way!

Where 2018 is concerned, we must be satisfied — as mentioned above, we feel that Castellum is on the right track, and shareholder value has been created. A record strong quarter concluded the year. Income from property management increased a full 28%, which supported full-year growth of 17% to SEK 10.81 per share. A raise in the dividend — for the 21st consecutive year — to SEK 6.10 per share is now being proposed. A positive, and very stable, share price trend during this period of stock exchange turbulence meant that we could deliver a total yield of 22.3% to our shareholders. This, along with decreasing financial risk-taking (loan-to-value ratio of 45%) and a power-

fully diversified financing base (the Eurobond market).

At the end of the year, the net asset value had increased to SEK 176 per share, but with a share price (at December 31) of SEK 163.35, however, Castellum is still listed with a small discount to net asset value.

The table at right shows the comparison, looking back over five years of development:

	2018	2013
Income from prop. mgmt SEK/share	10.81	7.12
Dividend, SEK/share	6.10	3.69
Net asset value, SEK/share	176	93
Share Price, SEK	163.35	86.85

Behind these figures lies a planned development process in which Castellum has acquired properties for a total of MSEK 39,075 and sold portfolios for a total of MSEK 15,085.

In terms of sustainability, we've retained our internationally leading position, as evidenced by Castellum's remaining the only Nordic company in the construction and property sector to be included in the Dow Jones Sustainability Index. Moreover, we have also been named Global Sector Leader the Global Real Estate Sustainability Benchmark (GRESB). We see sustainability as a precondition for attaining our goal, and we will continue on this journey governed by our ambitious sustainability agenda until 2030.

### So — where are we headed?

In the latest reports, I was entirely positive about the developments in our markets. I am still positive, but with a few reservations: There are now certain signs indicating a somewhat more sluggish rental market, and the transaction volume in the property market is decreasing, even if it is at quite a high level. But the demand for centrally located offices in our growth districts remains strong as a consequence of the low volume of new production. In 2018, rental income in like-for-like portfolios increased a full 5.3%. There is much that indicates we will obtain a high figure regarding renegotiations next year as well, when a number of older contracts mature. We see no indication that interest levels will rise to any significant extent in the foreseeable future.

Our extensive property transactions in the fourth quarter of 2018 and the first quarter of 2019 will impact our growth in both the short and the long term. Over the short term, for 2019, we expect that the significant net divestments will lead to a slight dampening of growth in income from property management, while expectations of higher growth over the long term

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are rising — which is our goal. I am convinced that the long-term efforts described in these comments have raised Castellum's potential for growth to a new level, even if this does not mean that we will reach our ambitious goal of a 10% increase in income from property management every year.

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Henrik Saxborn, CEO

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CASTELLUM.SE,  
TO SEE HENRIK SAXBORN'S  
SUMMATION OF 2018.