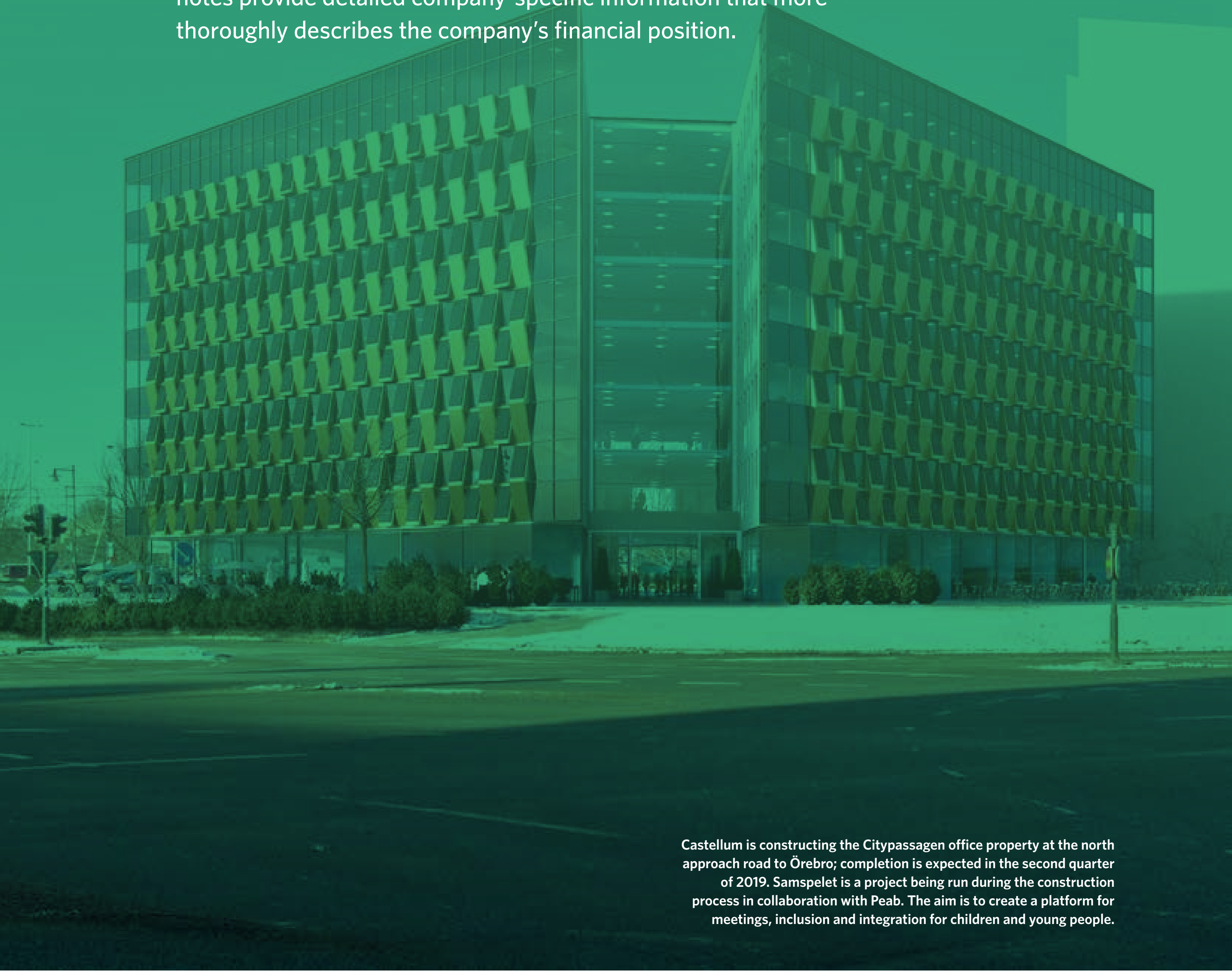
Financial reporting

Castellum's financial reporting for 2018 consists of a financial summary and financial reports, as well as accounting policies and notes. The financial summary consists of a quarterly and multi-year summary, and key performance measures. The financial reports consist of consolidated and Parent Company statements of comprehensive income and balance sheets, as well as the Parent Company's income statement, changes in shareholders' equity and a cash flow statement. The accounting policies and notes provide detailed company-specific information that more thoroughly describes the company's financial position.



Castellum is constructing the Citypassagen office property at the north approach road to Örebro; completion is expected in the second quarter of 2019. Samspelet is a project being run during the construction process in collaboration with Peab. The aim is to create a platform for meetings, inclusion and integration for children and young people.

Quarterly summary

	Jan–Mar 2018	Apr–Jun 2018	Jul–Sep 2018	Oct–Dec 2018	2018	Jan–Mar 2017	Apr–Jun 2017	Jul–Sep 2017	Oct–Dec 2017	2017
Income statement, MSEK										
Income	1,352	1,388	1,401	1,436	5,577	1,304	1,259	1,303	1,316	5,182
Property costs	-414	-386	-376	-456	-1,632	-442	-344	-349	-470	-1,605
Net operating income	938	1,002	1,025	980	3,945	862	915	954	846	3,577
Central administrative expenses	-46	-38	-29	-45	-158	-43	-40	-31	-48	-162
Net interest costs	-227	-209	-197	-202	-835	-227	-219	-215	-224	-885
Income from prop. mgmt	**665**	**755**	**799**	**733**	**2,952**	**592**	**656**	**708**	**574**	**2,530**
Acquisition and restructuring costs	–	–	–	–	–	-4	-1	–	–	-5
Write-down, goodwill	–	–	–	–	–	–	–	–	–	–
Changes in property values	231	596	2,323	2,066	5,216	940	884	245	2,471	4,540
Change in derivatives values	-7	32	177	-50	152	77	75	52	43	247
Revaluation of results due to stepwise acquisition	–	–	–	–	–	–	–	–	–	–
Current tax	-2	-1	1	-72	-74	-68	-14	-32	18	-96
Deferred tax	-122	278	-674	-275	-793	-111	-379	-196	-654	-1,340
Net income for the period/year	**765**	**1,660**	**2,626**	**2,402**	**7,453**	**1,426**	**1,221**	**777**	**2,452**	**5,876**
Other total net income	0	134	-102	-24	8	0	39	12	-59	-8
Total net income for the period/year	**765**	**11,794**	**2,524**	**2,378**	**7,461**	**1,426**	**1,260**	**789**	**2,393**	**5,868**
Balance sheet, MSEK										
Investment properties	82,031	84,298	87,473	89,168	89,168	74,043	76,490	77,382	81,078	81,078
Goodwill	1,659	1,659	1,659	1,659	1,659	1,659	1,659	1,659	1,659	1,659
Other assets	842	867	862	1,070	1,070	1,795	1,163	1,353	772	772
Liquid assets	34	84	51	243	243	304	323	258	203	203
Total assets	**84,566**	**86,908**	**90,045**	**92,140**	**92,140**	**77,801**	**79,635**	**80,652**	**83,712**	**83,712**
Shareholders' equity	33,053	34,847	37,371	39,749	39,749	29,294	30,554	31,343	33,736	33,736
Deferred tax liability	8,534	8,257	8,934	9,203	9,203	7,196	7,555	7,751	8,405	8,405
Other provisions	3	3	3	6	6	8	7	5	5	5
Derivatives	1,296	1,323	1,126	716	716	1,551	1,431	1,365	1,352	1,352
Interest-bearing liabilities	39,062	39,992	40,697	40,358	40,358	36,204	37,213	38,147	38,226	38,226
Non-interest bearing liabilities	2,618	2,486	1,914	2,108	2,108	3,548	2,875	2,041	1,988	1,988
Total shareholders' equity and liabilities	**84,566**	**86,908**	**90,045**	**92,140**	**92,140**	**77,801**	**79,635**	**80,652**	**83,712**	**83,712**
Key financial metrics										
Net operating margin	69%	72%	73%	68%	71%	66%	73%	73%	64%	69%
Interest rate, average	2.4%	2.3%	2.1%	2.0%	2.2%	2.6%	2.4%	2.4%	2.4%	2.4%
Interest coverage ratio	393%	461%	506%	463%	454%	361%	400%	429%	356%	386%
Return on EPRA NNNAV	8.8%	20.6%	29.9%	24.0%	22.0%	2.7%	16.4%	10.2%	32.1%	18.3%
Return on total capital	5.3%	7.3%	15.2%	13.3%	10.6%	9.1%	9.0%	5.8%	16.0%	10.1%
Return on shareholders' equity	9.3%	20.0%	30.2%	25.7%	22.6%	20.0%	16.7%	10.2%	31.3%	20.6%
Investments in properties, MSEK	734	1,722	1,000	1,836	5,295	3,192	1,513	727	1,056	6,488
Sales, MSEK	232	155	60	2,188	2,635	832	24	16	3	875
Loan-to-value ratio	48%	47%	46%	45%	45%	48%	48%	49%	47%	47%
Data per share (since there are no potential shares, there is no dilution effect)										
Average number of shares, thousand	273,201	273,201	273,201	273,201	273,201	273,201	273,201	273,201	273,201	273,201
Income from property management, SEK	2.43	2.76	2.92	2.68	10.81	2.17	2.40	2.59	2.10	9.26
Income from property management after tax (EPRA EPS), SEK	2.27	2.53	2.61	2.24	9.65	1.91	2.15	2.21	2.10	8.39
Earnings after tax, SEK	2.80	6.08	9.61	8.79	27.27	5.22	4.47	2.84	8.98	21.51
Number of shares outstanding, thousand	273,201	273,201	273,201	273,201	273,201	273,201	273,201	273,201	273,201	273,201
Property value, SEK	300	309	320	326	326	271	280	283	297	297
Long-term net asset value (EPRA NAV), SEK	151	157	168	176	176	133	139	142	153	153
Actual net asset value (EPRA NNNAV), SEK	135	142	153	162	162	119	124	127	138	138
Dividend, SEK (2018 proposed)	–	–	–	–	6.10	–	–	–	–	5.30
Dividend payout ratio	–	–	–	–	56%	–	–	–	–	57%
Property-related key metrics										
Rental value, SEK/sq. m.	1,363	1,386	1,392	1,429	1,407	1,332	1,338	1,341	1,356	1,341
Economic occupancy rate	92.9%	93.2%	93.0%	93.3%	93.2%	89.9%	90.0%	91.6%	91.4%	90.9%
Property costs, SEK/sq. m.	382	354	344	419	378	397	320	327	423	364
Property value, SEK/sq. m.	18,461	18,762	19,333	20,417	20,417	17,105	17,395	17,569	18,268	18,268

Multi-Year Summary

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Income statement, MSEK										
Income	5,577	5,182	4,533	3,299	3,318	3,249	3,073	2,919	2,759	2,694
Property costs	-1,632	-1,605	-1,497	-1,074	-1,096	-1,105	-1,042	-1,003	-960	-942
Net operating income	3,945	3,577	3,036	2,225	2,222	2,144	2,031	1,916	1,799	1,752
Central administrative expenses	-158	-162	-143	-113	-108	-96	-93	-83	-84	-81
Joint venture (Income from property management)	–	–	3	23	–	–	–	–	–	–
Net interest costs	-835	-885	-832	-602	-664	-702	-683	-660	-574	-541
Income from prop. mgmt incl. joint venture income	**2,952**	**2,530**	**2,065**	**1,533**	**1,450**	**1,346**	**1,255**	**1,173**	**1,141**	**1,130**
Acquisition and restructuring costs	–	-5	-163	–	–	–	–	–	–	–
Write-down, goodwill	–	–	-373	–	–	–	–	–	–	–
Changes in property values	5,216	4,540	4,085	1,837	344	328	-69	194	1,222	-1,027
Change in derivatives values	152	247	82	216	-660	429	-110	-429	291	102
Revaluation of results due to stepwise acquisition	–	–	27	-2	–	–	–	–	–	–
Current tax	-74	-96	-23	-16	-11	-6	-7	-10	-5	-10
Deferred tax	-793	-1,340	-727	-687	88	-390	404	-217	-685	-35
Net income for the period/year	**7,453**	**5,876**	**4,972**	**2,881**	**1,211**	**1,707**	**1,473**	**711**	**1,964**	**160**
Other total net income	8	-8	6	-8	8	3	-4	0	–	–
Total net income for the period/year	**7,461**	**5,868**	**4,978**	**2,873**	**1,219**	**1,710**	**1,469**	**711**	**1,964**	**160**
Balance sheet, MSEK										
Investment properties	89,168	81,078	70,757	41,818	37,599	37,752	36,328	33,867	31,768	29,267
Joint venture	–	–	–	526	–	–	–	–	–	–
Goodwill	1,659	1,659	1,659	–	–	–	–	–	–	–
Other assets	1,070	772	5,640	269	442	291	259	207	156	201
Liquid assets	243	203	257	39	47	70	44	97	12	8
Total assets	**92,140**	**83,712**	**78,313**	**42,652**	**38,088**	**38,113**	**36,631**	**34,171**	**31,936**	**29,476**
Shareholders' equity	39,749	33,736	29,234	15,768	13,649	13,127	12,065	11,203	11,082	9,692
Deferred tax liability	9,203	8,405	7,065	4,299	3,612	3,700	3,310	3,714	3,502	2,824
Other provisions	6	5	9	14	23	–	–	–	–	–
Derivatives	716	1,352	1,582	1,117	1,357	683	1,105	1,003	574	865
Interest-bearing liabilities	40,358	38,226	38,467	20,396	18,446	19,481	19,094	17,160	15,781	15,294
Non-interest bearing liabilities	2,108	1,988	1,956	1,058	1,001	1,122	1,057	1,091	997	801
Total shareholders' equity and liabilities	**92,140**	**83,712**	**78,313**	**42,652**	**38,088**	**38,113**	**36,631**	**34,171**	**31,936**	**29,476**
Key financial metrics										
Net operating margin	71%	69%	67%	67%	67%	66%	66%	66%	65%	65%
Interest rate, average	2.2%	2.4%	2.7%	3.0%	3.3%	3.7%	3.9%	4.1%	3.7%	3.7%
Interest coverage ratio	454%	386%	348%	351%	318%	292%	284%	278%	299%	309%
Return on EPRA NNNAV	22.0%	18.3%	20.9%	20.4%	7.6%	13.2%	7.9%	6.4%	21.5%	1.6%
Return on total capital	10.6%	10.1%	11.9%	10.0%	6.5%	6.4%	5.3%	6.2%	9.8%	2.1%
Return on shareholders' equity	22.6%	20.6%	20.1%	21.7%	9.5%	14.6%	13.5%	6.6%	20.9%	1.6%
Investments in properties, MSEK	5,292	6,488	31,491	3,553	2,525	1,768	2,798	2,015	1,506	1,165
Sales, MSEK	2,635	875	6,754	1,140	3,054	687	253	107	227	36
Loan-to-value ratio	45%	47%	50%	49%	49%	51%	52%	50%	50%	52%
Data per share (since there are no potential shares, there is no dilution effect)										
Average number of shares, thousand	273,201	273,201	234,540	189,014	189,014	189,014	189,014	189,014	189,014	189,014
Income from property management, SEK	10.81	9.26	8.80	8.11	7.67	7.12	6.64	6.21	6.04	5.98
Income from property management after tax (EPRA EPS), SEK	9.65	8.39	8.26	7.84	7.17	6.97	6.31	6.08	5.75	6.02
Earnings after tax, SEK	27.28	21.51	21.20	15.24	6.41	9.03	7.79	3.76	10.39	0.85
Number of shares outstanding, thousand	273,201	273,201	273,201	189,014	189,014	189,014	189,014	189,014	189,014	189,014
Property value, SEK	326	297	259	221	199	200	192	179	168	155
Long-term net asset value (EPRA NAV), SEK	176	153	133	112	99	93	87	84	80	71
Actual net asset value (EPRA NNNAV), SEK	162	138	121	100	87	84	78	75	74	63
Dividend, SEK (2018 proposed)	6.10	5.30	5.00	4.25	3.99	3.69	3.43	3.21	3.12	3.04
Dividend payout ratio	56%	57%	57%	52%	52%	52%	52%	52%	52%	51%
Property-related key metrics										
Rental value, SEK/sq. m.	1,407	1,341	1,304	1,095	1,064	1,036	1,015	995	974	969
Economic occupancy rate	93.2%	90.9%	91.3%	90.3%	88.7%	88.4%	88.6%	89.3%	89.0%	89.8%
Property costs, SEK/sq. m.	378	364	376	316	307	307	298	300	298	300
Property value, SEK/sq. m.	20,417	18,268	16,558	12,282	11,118	10,285	9,916	9,835	9,499	9,036

Key financial metrics

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's management, as they facilitate evaluation of the company's performance. It is to be noted that, since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies. These financial measurements should therefore not be seen as a substitute for measures defined under the IFRS. Unless otherwise stated, measurements that are not defined under IFRS are presented along with their reconciliation. Definitions for these measures appear on page 208.

	Jan–Dec 2018	Jan–Dec 2017
Average number of shares, thousand (key financial metrics related to income statement)*	273,201	273,201
Number of shares outstanding, thousand (key financial metrics related to balance sheet)*	273,201	273,201

*The number of shares from a historical perspective has been restated to take the bonus issue into account (i.e. the value of the subscription right) in the completed new share issue, and has been utilized in all calculations of metrics 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 yearly objective being a 10% increase in income from property management. Income from property management also forms the basis of the annual shareholder dividend: at least 50% of income from property management. Income from property management is calculated before tax paid, as well as after the theoretical tax that Castellum would have paid on income from property management had there been no loss carryforwards.

	Jan–Dec 2018		Jan–Dec 2017	
Income from prop. mgmt	**MSEK**	**SEK/share**	**MSEK**	**SEK/share**
Income before tax	8,320	30.45	7,312	26.76
Reversed:				
Transaction and restructuring costs	–	–	5	0.02
Changes in value, properties	-5,216	-19.09	-4,540	-16.62
Change in derivatives values	-152	-0.55	-247	-0.90
= Income from property management	**2,952**	**10.81**	**2,530**	**9.26**
EPRA Earnings (Income from property management after tax)				
Income from prop. mgmt	2,952	10.81	2,530	9.26
Reversed: Current tax, income from property management	-316	-1.16	-239	-0.87
EPRA Earnings/EPRA EPS	**2,636**	**9.95**	**2,291**	**8.39**

NET ASSET VALUE

Net asset value is the total equity that the company manages for its owners. Based on this equity, Castellum wants to create return and growth at a low level of risk. Net asset value can be calculated 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 shareholders' equity according to the balance sheet, adjusted for the market value of the deferred tax liability.

	Jan–Dec 2018		Jan–Dec 2017	
Net asset value	**MSEK**	**SEK/share**	**MSEK**	**SEK/share**
Shareholders' equity according to the balance sheet	39,749	145	33,736	123
Reversed:				
Derivatives according to balance sheet	716	3	1,352	5
Goodwill according to balance sheet	-1,659	-6	-1,659	-6
Deferred tax according to balance sheet	9,203	34	8,405	31
Long-term net asset value (EPRA NAV)	**48,009**	**176**	**41,834**	**153**
Deduction				
Derivatives as above	-716	-3	-1,352	-5
Estimated real deferred tax, 6%*	-2,975	-11	-2,850	-10
Short term net asset value (EPRA NNNAV)	**44,318**	**162**	**37,632**	**138**

*The estimated actual net deferred tax liability has been estimated at 6% based on a discount rate of 3%. Further, it has been assumed that tax loss carry forwards are realized over 2 years with a nominal tax of 21.4%, which yields a current deferred tax liability of 21%, and that the properties are realized over 50 years where 33% are sold directly with a nominal tax of 20.6% and 67% are sold indirectly in corporate wrappers where the buyer's tax discount is 8%, which yields a current deferred tax liability of 6%.

FINANCIAL RISK

Castellum's strategy is to own, develop and manage properties at low financial risk. This is expressed in a loan-to-value ratio not permanently exceeding 50% and an interest coverage ratio of at least 200%.

Interest coverage ratio	Jan–Dec 2018	Jan–Dec 2017
Income from prop. mgmt	2,952	2,530
Reversed:		
Net interest	835	885
Income from property management excl. net interest	**3,787**	**3,415**
Interest coverage ratio	454%	386%

Loan-to-value ratio		
Interest-bearing liabilities	40,358	38,226
Liquid assets	-243	-203
Net interest-bearing liabilities	**40,115**	**38,023**
Investment properties	89,168	81,078
Acquired properties not taken into possession	-31	-23
Divested properties still in Castellum's possession	164	15
Net investment properties	**89,301**	**81,070**
Loan-to-value ratio	45%	47%

INVESTMENT

In order to achieve the overall objective of 10% growth in income from property management per share, Castellum will make annual net investments of at least 5% of the property value.

Net investments	Jan–Dec 2018	Jan–Dec 2017
Acquisitions	2,455	3,595
New construction, expansions and reconstructions	2,837	2,893
Total investments	**5,292**	**6,488**
Net sales prices	-2,635	-875
Net investments	**2,657**	**5,613**
Share of the property value, %	**3%**	**7%**

Other key financial metrics

	Jan–Dec 2018	Jan–Dec 2017
Net operating margin	71%	69%
Interest rate, average	2.2%	2.4%
Return on long-term net asset value	18.5%	19.6%
Return on EPRA NNNAV	22.0%	18.3%
Return on total capital	10.6%	10.1%
Return on equity	22.6%	20.6%
Property value, SEK/share	326	297
Gross leasing	408	600
Net leasing	161	310

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Consolidated statement of comprehensive income

MSEK		2018	2017
Rental income	Note 3	5,185	4,783
Service income		392	399
Income		**5,577**	**5,182**
Operating expenses	Note 4	-753	-699
Maintenance	Note 4	-167	-194
Ground rents	Note 4	-23	-23
Property tax	Note 4	-315	-305
Leasing and property administration	Note 4	-374	-384
Net operating income		**3,945**	**3,577**
Central administrative expenses	Note 5	-158	-162
Acquisition and restructuring costs	Note 6	–	-5
Net interest			
Interest income	Note 7	22	4
Interest expenses	Note 8	-857	-889
Income from property management, incl. transaction and restructuring costs		**2,952**	**2,525**
– of which income from property management		***2,952***	***2,530***
Changes in value	*Note 9*		
Properties		5,216	4,540
Derivatives		152	247
Income before tax		**8,320**	**7,312**
Current tax	Note 10	-74	-96
Deferred tax	Note 10	-793	-1,340
Total net income for the year*		**7,453**	**5,876**
Other comprehensive income			
Items that will be reclassified to net income for the year			
Translation differences, foreign operations		151	72
Change in derivatives values, foreign hedging		-143	-80
Deferred tax pertaining to above		–	–
Total net income for the year**		**7,461**	**5,868**
Data per share (since there are no potential shares, there is no dilution effect)			
Average number of shares, thousand		273,201	273,201
Earnings per share, SEK		27.28	21.51

*Net income for the year and comprehensive income are assignable in their entirety to the Parent Company's shareholders.

Consolidated balance sheet

MSEK		Dec 31, 2018	Dec 31, 2017
ASSETS			
Fixed assets			
Investment properties	Note 12, 22	89,168	81,078
Tangible fixed assets	Note 13	123	83
Goodwill	Note 14	1,659	1,659
Other fixed assets		23	24
Total fixed assets		**90,973**	**82,844**
Current assets			
Rent receivables	Note 3	47	45
Receivables, property sales		164	15
Other receivables		410	375
Prepaid expenses and accrued income		303	230
Liquid assets		243	203
Total current assets		**1,167**	**868**
TOTAL ASSETS		**92,140**	**83,712**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity attributable to Parent Company shareholders	Note 15		
Share capital		137	137
Other capital contribution		12,434	12,434
Reserves		5	-3
Non-controlling interest		-2	-2
Retained earnings		27,175	21,170
Total shareholders' equity		**39,749**	**33,736**
Liabilities	Note 16		
Long-term liabilities			
Deferred tax liability	Note 17	9,203	8,405
Other Provisions	Note 18	6	5
Derivatives	Note 19	716	1,352
Long-term interest-bearing liabilities	Note 20	40,358	38,226
Other long-term liabilities		307	–
Total long-term liabilities		*50,590*	*47,988*
Short-term liabilities			
Accounts payable		141	124
Tax liabilities		161	211
Other liabilities		312	526
Accrued Expenses and Prepaid Income	Note 21	1,187	1,127
Total short-term liabilities		*1,801*	*1,988*
Total liabilities		**52,391**	**49,976**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**92,140**	**83,712**

Income Statement for the Parent Company

MSEK		2018	2017
Income	Note 3	80	72
Central administrative expenses	Note 5	-193	-179
Financial items			
Impairments, participations in Group companies		-23	-2,200
Financial income	Note 7	2,526	4,391
Financial expenses	Note 8	-952	-926
Income before changes in value and tax		**1,438**	**1,158**
Changes in value	*Note 9*		
Derivatives		108	284
Profit before tax		**1,545**	**1,442**
Current tax	Note 10	–	–
Deferred tax	Note 10	-67	-83
Net income for the year		**1,478**	**1,359**

Statement of Comprehensive income for the Parent Company

MSEK	2018	2017
Net income for the year according to the Income Statement	1,478	1,359
Other comprehensive income		
Items that will be reclassified to net income for the year		
Translation differences, foreign operations	93	67
Change in derivatives values, foreign hedging	-99	-67
Total net income for the year	**1,472**	**1,359**

Balance sheet for the Parent Company

MSEK		Dec 31, 2018	Dec 31, 2017
ASSETS			
Fixed assets			
Tangible fixed assets	Note 13	51	53
Financial fixed assets			
Participations in Group companies	Note 23, 24	19,678	19,661
Deferred tax assets	Note 18	12	79
Long-term receivables, Group companies	Note 25	29,062	30,914
Total financial fixed assets		*48,752*	*50,654*
Total fixed assets		**48,803**	**50,707**
Current assets			
Short-term receivables, Group companies		10,361	7,521
Prepaid expenses and accrued income		36	52
Other receivables		10	1
Liquid assets		1	–
Total current assets		**10,408**	**7,574**
TOTAL ASSETS		**59,211**	**58,281**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	Note 15		
Restricted shareholders' equity			
Share capital		137	137
Statutory reserves		20	20
Non-restricted shareholders' equity			
Fair value reserves		-8	-2
Share premium reserve		8,433	8,433
Retained earnings		7,758	7,847
Net income for the year		1,478	1,359
Total shareholders' equity		**17,818**	**17,794**
Liabilities	Note 16		
Long-term liabilities			
Derivatives	Note 19	716	1,352
Long-term interest-bearing liabilities	Note 20	36,738	34,303
Long-term interest bearing liabilities, Group companies		3,711	4,627
Total long-term liabilities		*41,165*	*40,282*
Short-term liabilities			
Short-term interest bearing liabilities, Group companies		64	60
Other short-term liabilities		4	–
Accounts payable		4	1
Accrued expenses and prepaid income	Note 21	156	144
Total short-term liabilities		*228*	*205*
Total liabilities		**41,393**	**40,487**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**59,211**	**58,281**

Change in equity

Group, MSEK (Note 15)	Number of shares outstanding, thousand	Share capital	Other capital contribution	Currency translation reserve	Hedging reserve	Non-controlling interest	Retained earnings	Total share-holders' equity
	Attributable to Parent Company shareholders							
Shareholders' equity Dec 31, 2016	**273,201**	**137**	**12,434**	**51**	**-46**	**-2**	**16,660**	**29,234**
Dividend, Mar/Sep 2017 (SEK 5.00/share)	–	–	–	–	–	–	-1,366	-1,366
Net income for 2017	–	–	–	–	–	–	5,876	5,876
Other total net income, 2017	–	–	–	78	-80	–	–	-8
Shareholders' equity Dec 31, 2017	**273,201**	**137**	**12,434**	**123**	**-126**	**-2**	**21,170**	**33,736**
Dividend, Mar and Sep 2018 (SEK 5.30/share)	–	–	–	–	–	–	-1,448	-1,448
Net income for 2018	–	–	–	–	–	–	7,453	7,453
Other total net income, 2018	–	–	–	151	-143	–	–	8
Shareholders' equity Dec 31, 2018	**273,201**	**137**	**12,434**	**274**	**-269**	**-2**	**27,175**	**39,749**

Parent Company, MSEK (Note 15)	Number of shares outstanding, thousand	Share capital	Statutory reserve	Fair value reserves: Currency translation reserve	Fair value reserves: Hedging reserve	Share premium reserve	Retained earnings	Total share-holders' equity
Shareholders' equity Dec 31, 2016	**273,201**	**137**	**20**	**17**	**-19**	**8,433**	**9,213**	**17,801**
Dividend, Mar and Sep 2017 (SEK 5.00/share)	–	–	–	–	–	–	-1,366	-1,366
Net income for 2017	–	–	–	–	–	–	1,359	1,359
Other total net income, 2017	–	–	–	67	-67	–	0	0
Shareholders' equity Dec 31, 2017	**273,201**	**137**	**20**	**84**	**-86**	**8,433**	**9,206**	**17,794**
Dividend, Mar and Sep 2018 (SEK 5.30/share)	–	–	–	–	–	–	-1,448	-1,448
Net income for 2018	–	–	–	–	–	–	1,478	1,478
Other total net income, 2018	–	–	–	93	-99	–	–	-6
Shareholders' equity Dec 31, 2018	**273,201**	**137**	**20**	**177**	**-185**	**8,433**	**9,236**	**17,818**

Cash flow statement

		Group		Parent Company	
MSEK		2018	2017	2018	2017
Operating activities					
Net operating income		3,945	3,577	80	72
Central administrative expenses		-158	-162	-193	-179
Reversed depreciation		19	14	7	5
Net interest rate paid		-829	-878	24	8
Tax paid		-75	-3	–	–
Translation differences, foreign operations		8	-8	–	–
Cash flow from operating activities before change in working capital		**2,910**	**2,540**	**-82**	**-94**
Cash flow from changes in working capital					
Change in current receivables		-225	-74	-2,833	1,632
Change in current liabilities		-200	-223	14	-744
Cash flow from operating activities		**2,485**	**2,243**	**-2,901**	**794**
Investment activities					
Investments in new construction, expansions and reconstructions		-2,837	-2,893	–	–
Property acquisitions		-2,455	-3,595	–	–
Change in liabilities upon property acquisitions		8	12	–	–
Property sales		2,635	875	–	–
Change in receivables upon property sales		-149	4,956	–	–
Other net investments		-85	-48	1,485	-1,978
Cash flow from investment activities		**-2,883**	**-693**	**1,485**	**-1,978**
Financing activities	Note 27				
New borrowing, interest-bearing liabilities		2,025	-241	1,885	7,116
Change in other long-term liabilities		307	–	–	–
Change in long-term receivables		11	3	1,437	-4,566
Swap termination		-457	–	-457	–
Dividend paid		-1,448	-1,366	-1,448	-1,366
Cash flow from financing activities		**438**	**-1,604**	**1,417**	**1,184**
Cash flow for the year		**40**	**-54**	**1**	**0**
Liquid assets, opening balance		203	257	0	0
Liquid assets, closing balance		**243**	**203**	**1**	**–**

Accounting policies and Notes

(All figures in MSEK unless stated otherwise.)

Note 1 Accounting policies

General information

The financial reports of Castellum AB (the "Parent Company") for the fiscal year ending December 31, 2018 were approved by the Board of Directors and the Chief Executive Officer on February 1, 2019, and will be proposed to the 2019 Annual General Meeting for adoption. The Parent Company is a Swedish public limited liability company registered in Gothenburg, Sweden. The business activities of the Group are described in the Directors' report.

Basis for preparation of the accounts

Castellum's accounts have been prepared in accordance with the 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 Supplementary Accounting Rules for Corporate Groups.

The accounts are prepared based on the fair value of investment properties and derivatives, the nominal value of deferred tax and cost for the remaining items.

Critical assessments and estimates

Accounts are completed in accordance with the IFRS, and generally accepted accounting principles require assessments and assumptions affecting recognized assets, liabilities, income and costs, as well as other information. These assessments and assumptions are based upon historical experience and other factors which are considered reasonable under the prevailing circumstances. Actual outcomes may differ from these assessments if other assumptions are made or other conditions exist.

Investment properties

For valuation of investment properties, assessments and assumptions can have a significant effect on the income and financial position of the Group. These valuations require estimates and assumptions of future cash flows and determination of the discounting factor (required yield). To reflect the uncertainty that exists in the assessments and assumptions, an uncertainty range of +/- 5–10% is normally used in property valuations. Information about this, along with prevailing assessments and assumptions, is presented in Note 12.

Asset acquisition versus business combination

A company acquisition can be classified as either a business combination or an asset acquisition. An acquisition whose primary purpose is acquiring a company's property (i.e. where the company's potential property management and administration are of secondary importance to the acquisition) is classified as an asset acquisition. Other company acquisitions are classified as business combinations.

For asset acquisitions, no deferred tax is recorded in the acquisition. Instead, a possible tax discount reduces the cost of the property, meaning that changes in value will be affected by the tax discount in the subsequent valuation.

Deferred tax liability

According to the accounting rules, deferred tax is to be recognized using the nominal tax rate without discount, calculated according to the tax rates set by the Swedish Parliament: 21.4% for 2019 and 2020, and 20.6% from 2021 onward. Actual tax is considerably lower, in part due to the possibility of selling properties in a tax-efficient manner, and in part due to the time factor.

Income from property management

Castellum's operations are focused on cash flow growth from continual administration (i.e. growth in income from property management) with the objective of an annual increase in property management income of at least 10%. Income from property management also forms the basis of the annual shareholder dividend: at least 50% of income from property management. The size of the changes in value have therefore not been defined; they are neither part of the basis for dividends nor of any other basis, for example, the company management's incentive program. To provide an accurate picture of Castellum's view over its business operations, the statement of comprehensive income has been prepared accordingly (i.e. changes in value not affecting cash flow are presented after items affecting cash flow). Furthermore, one performance item has been added by which the business operations are managed and targeted: income from property management.

Classification

Fixed assets and long-term liabilities consist of amounts that are expected to be recovered, or mature more than twelve months from the balance sheet date. Current assets and short-term liabilities consist of amounts that are expected to be recovered or settled within twelve months of the balance sheet date.

Consolidated financial statements

The Group's balance sheet and income statements include all companies where the Parent Company has a direct or indirect controlling interest, which is obtained when Castellum achieves a voting majority. All companies in the Group are wholly owned. In addition to the Parent Company, the Group comprises the subsidiaries and their respective sub-groups listed in Note 24. The consolidated financial statements are based upon the accounts prepared for all Group companies as of December 31. The consolidated financial statements are prepared according to the acquisition method, which 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 in the Group includes only the part of shareholders' equity in the subsidiaries that has been earned after acquisition.

Companies acquired or sold during the year are only included in the consolidated income statement for the period in which they were owned. Intra-Group sales, income, losses and balances are eliminated in the consolidated accounts. The accounts of foreign operations are translated to SEK by translating the balance sheet to the exchange rate on the balance-sheet date — except for shareholders' equity, which is translated at the historical exchange rate, while earnings are translated at the average exchange rate of the period. Currency translation differences are recognized in other comprehensive income.

Revenue

Rental and service income

Rental income, which from an accounting perspective represents income from operating leases, is invoiced in advance and recognized as a linear allocation in profit or loss, based on the terms in the leases. The income is divided into rental income and service income. The former includes the customary rent debited including index adjustments, additional charging for investments, and property tax; the latter refers to all other additional charging for extra services such as heating, cooling, waste, water, and so on. Service income is recognized in the period the service was performed and delivered to the tenant. Rental and service income are paid in advance, and pre-paid rents are recorded as deferred rental income.

In cases where a lease permits a reduction in rent during a certain period of time matched by a higher rent at another point in time, this rent deficit and surplus are distributed over the term of the lease. Pure discounts, such as reduction for gradual occupancy, are charged to the period in which they occur.

Income from property sales

Income from property sales is entered as of the contract date, unless special conditions exist in the purchasing agreement. Sales of properties in corporate wrappers are net accounted for with reference to underlying property price and calculated tax. Earnings from property sales are recognized as changes in value and refer to the differences between received sales prices after deduction of sales costs, calculated tax and recognized values in the latest interim report, with adjustments for investments closed down after the latest interim report.

Financial income

Financial income consists of interest-rate income and is recognized in the period it refers to. Group contributions received, as well as dividends received and anticipated, are also recognized as financial income. The effective interest method is applied in calculating financial income.

Financial expenses

Financial expenses include interest and other expenses that arise when borrowing money. Pledging costs for mortgages are not considered financial expenses but are capitalized as an increase in value of the investment property. Financial expenses are recognized in the period they are attributable to. Financial expenses also include interest expenses for interest rate derivatives. Cash flows from interest rate derivatives are taken up as income in the period they refer to. Net financial items are not affected by market valuation of the interest rate derivatives entered into, which are instead recognized as changes in value under a separate heading. The portion of the interest expense pertaining to interest rates during the production period for larger new constructions, expansions and reconstructions is capitalized. Interest is calculated based on the average funding cost for the Group.

Remuneration to employees

Remuneration to employees is recognized in pace with the employees performing services in exchange for the remuneration. Remuneration under incentive plans, which is settled in cash and paid as non-pensionable salary, is recognized in pace with achieving objectives and the term of the program.

Pensions and other post-employment benefits can be classified as defined-contribution or defined-benefit plans. The majority of the Castellum Group's pension commitments are defined-contribution plans, fulfilled through regular payments to independent authorities or bodies administering the plans. Obligations regarding payments to defined-contribution plans are recognized as costs when they arise. A small number of employees within the Castellum Group have defined-benefit ITP plans with ongoing payments to Alecta. These plans are recognized as defined-contribution plans, since Alecta does not provide the information needed in order to report the plan as a defined benefit plan. There are, however, no indications of any significant liabilities exceeding what has been paid to Alecta.

Income taxes

Income tax is divided into current and deferred tax in the income statement. Income tax is recognized in the income statement except when attributable to transactions recognized directly against shareholders' equity, as the tax effect is also recognized directly against shareholders' equity. Current tax is calculated based on the tax rate in effect of 22%, while deferred tax is based on the lower tax rates that apply in Sweden from 2019 (21.4%) and 2021 (20.6%) respectively. As regards Denmark and Finland, current and deferred tax are calculated at 22% and 20% respectively.

Deferred tax

Deferred tax on temporary differences arising between the recognized value of an asset or liability and its tax base is recognized in Castellum under the balance-sheet method. A tax liability or tax asset is thus realized on the date the asset or liability is sold. Exceptions are made for temporary differences arising from the initial recognition of assets and liabilities that make up asset acquisitions. Castellum has three items that contain temporary differences: properties, tax loss carry forwards and untaxed reserves. Deferred tax assets related to tax loss carry forwards are recognized, since it is probable that future taxable income, which may be utilized to offset tax loss carry forwards, will be available. Deferred tax liability is calculated on the difference between the properties' recognized value and their tax base, as well as on untaxed reserves. For changes to any of the items above, the deferred tax liability/tax asset is also changed, which is recognized in profit or loss as deferred tax.

This year's acquisitions were recognized as asset acquisitions, meaning that the deferred tax existing on the acquisition date was 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 profit for the year — is also recognized in the income statement, adjusted for any current tax regarding previous periods.

Leases

Leases where essentially all risks and benefits associated with ownership fall to the lessor are classified as operational leases. From a reporting perspective, all current rental agreements attributable to Castellum's investment properties are to be regarded as operational leases. Recognition of these leases is indicated by the income policy and by Note 3.

From an accounting perspective, site leasehold agreements are operational leases. The site leasehold fee is recognized for the period it refers to.

There are a small number of low-value leases, where Castellum is the lessee. These leases are also recognized as operational leases and pertain mainly to leased cars. Payments made during the leasing period are expensed in profit or loss in a straight line over the leasing period.

Investment properties

Investment properties are properties held for the purpose of generating rental income, capital appreciation, or a combination of both rather than for use in the company's own operations for production and supply of goods and services or for administrative purposes and sales in operating activities. All of Castellum's properties, whether owned or used through site leasehold agreements, are classified as investment properties. If the Group begins an investment in an existing investment property for continued use as an investment property, it is also recognized as an investment property going forward.

Valuation

Investment properties, which upon acquisition were recognized at cost including expenses directly attributable to the acquisition, have been recognized in profit or loss at fair value together with changes in value. Fair value was established through an internal valuation model described in Note 12. The note also indicates the assumptions serving as the basis for the valuation. The valuation model is built on a valuation based on the current value of future cash flows with differentiated required yields per property at market rates, depending on factors including location, purpose, condition and standard. In order to provide further assurance for the internal valuation, part of the portfolio has been valued externally.

Change in value

Change in value is recognized in profit or loss and consists of both unrealized and realized change in value. The unrealized change in value is calculated based on the valuation at the end of the period compared with the valuation last year, or alternately on the cost — if the property was acquired during the year — plus additional expenses capitalized during the period. For properties sold during the year, unrealized change in value is calculated based on the valuation at the latest interim report prior to the sale, compared with the valuation at the end of the preceding year adjusted for additional expenditures capitalized during the period. The method for calculating realized change in value is indicated by the accounting policies for income from property sales.

Additional expenditures

Additional expenditures that entail economic benefits for the company (i.e. they increase valuation and can be reliably calculated) are capitalized. Costs for repairs and maintenance are expensed in the period they arise in. For major new construction, expansions and reconstruction projects, interest expenses during the construction period are capitalized.

Acquisitions and sales

For acquisition and sale of properties or companies, the transaction is recognized as of the signing date, provided no special conditions exist in the purchasing contract.

Tangible fixed assets

Tangible fixed assets consist of equipment recognized at cost less any accumulated depreciation and impairment. The cost includes the purchase price and costs directly attributable to bringing the asset to the site, in usable condition in accordance with the aim of the acquisition. Depreciation of equipment is based on the cost less any later impairments. The residual value is assumed to be non-existent. Impairments on assets acquired during the year take the acquisition date into account. Depreciation is on a straight-line basis, which means equal depreciation over the period of use — normally five years, except for computers, which are expected to have a three-year period of use.

Goodwill

Goodwill arising from the preparation of consolidated accounts represents the difference between the cost and the Group's share of the fair value of the acquired subsidiary's identifiable net assets at the acquisition date.

Goodwill recognized in the Group is attributable to deferred tax. On the acquisition date, goodwill is valued at cost; thereafter, it is valued at cost less any impairment.

Goodwill is tested at least once a year regarding the need for any impairment, or when there is an indication that a recognized value is not recoverable.

Financial instruments

Financial instruments recognized in the balance sheet include cash and cash equivalents, rental receivables, other receivables and loan receivables among assets; and interest rate and currency derivative instruments, accounts payable, other payables and loans among liabilities.

Financial instruments are initially recognized at fair value equivalent to cost plus transaction costs, excepting the category of financial instruments recognized at fair value through the income statement, where transaction costs are excluded. Subsequent recognition occurs thereafter depending on classification in accordance with the below. Financial transactions such as receipt or payment of interest and credits are recognized on the settlement day of the bank keeping the account, while other receipts and payments are recognized on the accounting date of the bank keeping the account.

A financial asset is removed from the balance sheet when the rights in the agreement are realized or expire, or when the company no longer exercises control over it. A financial liability is removed from the balance sheet when contractual obligations in the agreement have been paid or otherwise extinguished.

Cash and cash equivalents

Cash and cash equivalents could consist of the Group's available cash balances in banks and similar institutions, as well as bank deposits with a residual maturity of no more than ten (10) banking days, short-term investments in government bonds and bank and municipal bonds with a residual maturity of a maximum of three (3) months. At December 31, cash and cash equivalents consisted entirely of unappropriated bank balances.

Receivables

Financial assets which are not derivatives, that feature fixed or fixable payments and are not quoted on an active market, are recognized as receivables. Financial assets are classified under amortized cost, fair value through profit or loss or fair value through other comprehensive income based on the character of the asset's cash flow and on the business model that covers the asset. All Castellum's financial assets that are not derivatives meet the criteria for contractual cash flows and are held in a business model whose purpose is to collect these contractual cash flows. The receivables are thereby recognized at amortized cost. The Group has rent receivables and other receivables, where the latter pertains chiefly to VAT and tax receivables, and receivables attributable to properties sold. After individual valuation, receivables were taken up at the amount at which they are expected to be received, which means that they are recognized at cost with allowance for uncertain receivables.

The simplified model for credit loss provisions is used for the Group's receivables with the exception of cash and cash equivalents. Credit provisions are routinely assessed based on historic data as well as current and prospective factors. Owing to the short tenor of the receivables, the amounts of the allowances are insignificant. The Group defines "in default" as receivables that are overdue by more than 90 days; in such cases, an individual assessment and allowance are made. The allowance for cash and cash equivalents is assessed based on the likelihood of default and on prospective factors. Owing to short tenors and high credit ratings, the amounts of the allowances are insignificant.

Receivables in the Parent Company consist only of receivables from the subsidiaries, which are recognized at cost. Receivables from the subsidiaries are analyzed in the general model, and the expected credit reserves are calculated based on the contract, adjusted for prospective factors and taking the value of the collaterals into account. Receivables without collaterals in properties are an insignificant amount, and given the value of the collaterals, the amount of the reserve is insignificant. For comparison figures under IAS 39: Financial assets that are not derivatives, feature fixed or fixable payments and are not quoted on an active market are recognized as receivables. Allowance is made for uncertain receivables when there are objective risk assessments that the Group might not receive the entire receivable.

Liabilities

Liabilities refer to credits and operating liabilities such as accounts payable. The majority of Castellum's credit agreements are long-term. In the event short-term credits covered by unutilized long-term credit agreements are taken out, these are also considered long-term. The credits are recognized in the balance sheet on the settlement day and recognized at amortized cost. Accrued unpaid interest is recognized under accrued costs. A liability is recognized when the counter-party has delivered and a contractual obligation to pay exists, even if an invoice has not yet been received. Accounts payable are recognized when the invoice is received. Accounts payable and other operating liabilities with short maturities are recognized at nominal value.

Foreign currency

Transactions in foreign currencies are translated to Swedish kronor (SEK) at the exchange rate current at the time of the transaction. Monetary assets and liabilities are translated at the rate on the balance sheet date.

Derivatives

Interest rate derivatives comprise financial assets or liabilities measured at fair value, with changes in value recognized in the income statement. To manage exposure to fluctuations in the market interest rate in accordance with its adopted finance policy, Castellum has entered into interest rate derivative agreements. Changes in value will occur when using interest rate derivatives, depending primarily on changes to the market interest rate. Interest rate derivatives are initially recognized on the trade date at cost in the balance sheet, and subsequently appraised at fair value, with changes in value, in the income statement.

Changes in value can be realized as well as unrealized. Realized changes in value refer to settled interest rate derivative contracts and constitute the difference between the price at the time of settlement and the recognized value according to the latest interim report. Unrealized changes in value refer to the changes in value that arose during the period for the interest rate derivative agreements Castellum held at the end of the period. Changes in value are calculated based on valuation at the end of the period, compared to valuation from the previous year, or alternately the cost if the interest rate derivative agreement was entered into during the year. For interest rate derivatives settled during the year, an unrealized change in value is recognized and calculated based on valuation at the time of the latest interim report, prior to settlement, compared with valuation at the end of the preceding year. Rolling cash flows under the agreement are taken up as income for the period they refer to.

Castellum uses foreign currency derivatives for the purpose of hedging investments in Denmark and Finland, and to manage currency risk and adjust the interest rate structure when borrowing in the international capital market. Financing of foreign investments can be achieved both through raising loans in the functional currency of the foreign company, and by entering into currency derivatives. Castellum applies hedge accounting for both net investments in foreign operations and hedging of borrowing in the international capital market in those cases where currency derivatives are used. They are initially recognized in the balance sheet at cost on the transaction date, and thereafter reported at fair value in which the effective portion of the change in exchange rate regarding the hedging instrument is recognized in other comprehensive income, while the ineffective portion is recognized as a change in value in the income statement. The exchange rate on the balance sheet date is used to establish fair value.

At the time the hedge is opened, there is hedging documentation describing the hedging as well as the company's strategy and risk management, and a description of the efficiency of the hedging and how it is measured and monitored.

Based on the criteria below, the hedging is deemed to be very efficient.

There is a financial link between the hedged item and the hedging instrument. The effect of the credit risk does not dominate the changes resulting from the financial link; the hedge ratio for the hedging relationship is the same as the one resulting from the quantity of the hedged item that the company actually hedges and the quantity of the hedging instrument that the company actually uses to hedge the amount of hedged items.

If a hedge ceases to be efficient for reasons related to the hedge ratio but nothing changes in the risk strategy, the company will rebalance the hedge.

Castellum designates only the spot risk in hedges using forward contracts; other parts of the market value are recognized in the income statement.

The Group discontinues hedge reporting only when the hedge no longer meets the qualification criteria: when the hedging instrument is sold or redeemed, or when a hedged forecast no longer meets the requirements for being highly probable. Adjustments for counterparty risk — credit valuation adjustment (CVA) and derivative valuation adjustment (DVA) — are made when appraising derivatives at fair value.

Shareholders' equity

Repurchase of own shares

Repurchased shares reduce shareholders' equity by the purchase price paid, including any transaction costs.

Dividends

Dividends are recognized as a reduction of shareholders' equity after resolution by the Annual General Meeting (AGM). Anticipated dividends are recognized as financial income by the recipient.

Earnings per share

Calculation of earnings per share is based on the Group's net income for the year pertaining to the shareholders of the parent company, and on the weighted average number of shares outstanding during the year.

Provisions

Provisions are liabilities that are uncertain as regards time of payment or amount. A provision is recognized when there are contractual obligations, court orders or other legal grounds likely to involve future payments. The amount allocated is routinely assessed. Obligations that fall due in over a year are valuated through discounting.

Definition of operating segments

The Group's operations are organized, governed and reported by geographical region. Operating segments are consolidated according to the same principles as the Group in its entirety. Income and costs reported for each operating segment are actual costs. No allocation of shared costs has thus been made. The same applies to the assets and liabilities recognized in the note on segments.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. Net profit or loss is adjusted for effects of non-cash transactions during the period as well as for income or costs associated with the cash flow from investment or financing activities.

Differences in Group and Parent Company accounting policies

The Annual Report of the Parent Company has been prepared according to the Annual Accounts Act and by application of the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for legal entities. RFR 2 states that a legal entity shall apply the same IFRS/IAS that are applied in the consolidated accounts, with exceptions for and additions of rules and laws mainly according to the Annual Accounts Act, and with consideration to the relationship between accounting and taxation. Differences in accounting policies between the Group and the Parent Company are presented below.

Presentation

The income statement and balance sheet for the Parent Company are presented according to the Annual Accounts Act schedules.

Shares in subsidiaries

Shareholdings in subsidiaries are accounted for in the Parent Company according to the cost method. The book value is regularly compared to the subsidiary's consolidated equity. When the book value is lower than the consolidated value of subsidiaries, an impairment is recognized in profit or loss. 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 recognized as provisions). Instead, Castellum provides information in the notes.

New accounting policies

New and revised existing standards and interpretations, approved by the EU

New standards that entered force in 2018

On January 1, 2018, IFRS 15 Revenue from Contracts with Customers entered force. Castellum's revenue is largely regulated by IAS 17 Leases, with the exception of the outward invoicing of certain revenue, which is regulated by IFRS 15. The former includes customary rent including indexations, additional charges for investments, and property tax; the latter refers to all other additional charges such as heat, cooling, waste disposal, water, snow removal, etc. Thus, the adoption of IFRS 15 means that Castellum's revenues should be divided into two line items: Rental income and Service income. Consequently, there will be no impact on revenue or income before tax. Comparative periods have been restated. In addition, IFRS 9 came into effect on January 1, 2018, thereby replacing IAS 39. The standard introduced new principles for the classification of financial assets, hedge accounting and credit-loss provisions. The single largest item that affects Castellum consists of derivatives that are still recognized at fair value in profit or loss. Furthermore, the hedge accounting of net investments in Denmark is still considered effective under the new standard. Hence, IFRS 9 has no impact on either Castellum's income statement or balance sheet.

Otherwise, accounting policies and calculation methods remain unchanged compared to last year's Annual Report.

New standards and interpretations that will enter force in 2019 and after

IFRS 16 Leases was adopted in 2017 and entered force 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. Castellum will begin applying the standard as of January 1, 2019. No retrospective application (i.e. application of the simplified method in which the recognized value of the right of use is based on the corresponding value for the lease liability at the time of transfer) will therefore take place. The regulations are largely unchanged for lessors, and the classification between operating and finance leases is retained.

Castellum is a lessee as primarily regards site leasehold agreements, which means that recognition will change as of 2019. The change will have no impact on earnings, but on the other hand a shift will take place in the income statement where site leasehold fees, instead of being recognized as a property cost, will be recognized as a financial item with reference to net financial items and is estimated to be MSEK 15. Further, the balance sheet will be impacted by the current value of future site leasehold fees being recognized as an asset and a liability respectively. As of January 1, 2019, the liability and asset are estimated to total approximately MSEK 480. With the exception of site leasehold agreements, Castellum is only a lessee to a minor extent, which will not impact the income statementand the balance sheet.

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

Changes in 2018 had no material 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, Vasterås, Linköping, Norrköping, Jönköping and Växjö), West (Greater Gothenburg incl. Borås and Halmstad), Stockholm-North (Stockholm, Uppsala, Sundsvall and Gävle), Öresund (Malmö, Lund, Helsingborg and Copenhagen) and Finland. The operating segments are identified by geographical field of activity, which is according to how they are followed up and analyzed by the primary operational decision-maker in the Group. The Group only manages commercial properties.

In 2018, Uppsala as a location moved from the Central segment to Stockholm-North.

	Central		West		Stockholm-North		Öresund		Finland		Unlocated items		Total segments	
Operating segments	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Rental income, external	1,319	1,422	1,151	1,069	1,671	1,309	1,020	949	24	0	0	34	5,185	4,783
Service income, external	89	86	76	83	124	117	102	104	2	0	-1	9	392	399
Income	**1,408**	**1,508**	**1,227**	**1,152**	**1,795**	**1,426**	**1,122**	**1,053**	**26**	**0**	**-1**	**43**	**5,577**	**5,182**
Property costs	-451	-502	-357	-318	-469	-385	-340	-355	-6	–	-9	-45	-1,632	-1,605
Net operating income	957	1,006	870	834	1,326	1,041	782	698	20	–	-10	-2	3,945	3,577
Central administration	-8	-25	-8	-21	-14	-10	-10	-9	–	–	-118	-97	-158	-162
Interest income	11	22	9	7	12	45	21	25	–	–	-53	-95	0	4
Interest expenses	-141	-265	-184	-194	-339	-287	-191	-168	-10	–	30	25	-835	-889
Income from prop. mgmt	**819**	**738**	**687**	**626**	**985**	**789**	**602**	**546**	**10**	**–**	**-151**	**-169**	**2,952**	**2,530**
Acquistition and restructuring costs	–	–	–	–	–	–	–	–	–	–	–	-5	–	-5
Change in property values	1,056	662	1,286	1,198	2,405	2,545	460	144	–	–	9	-9	5,216	4,540
Change in derivatives values	–	–	–	–	–	–	–	–	–	–	152	247	152	247
Profit before tax	**1,875**	**1,400**	**1,973**	**1,824**	**3,390**	**3,334**	**1,062**	**690**	**10**	**–**	**10**	**64**	**8,320**	**7,312**
Investment properties	19,396	21,560	19,910	18,010	32,154	25,696	16,889	15,811	819	–	–	–	89,168	81,078
of which investments this year	*1,107*	*1,066*	*1,644*	*1,834*	*1,276*	*3,208*	*434*	*380*	*831*	–	–	–	*5,292*	*6,488*

Of the Group's external rental income and investment properties, MSEK 368 (255) refers to rental income from tenants in Denmark and MSEK 5,671 (5,395) refers to investment properties located in Denmark.

Note 3 – Income

Rental value

Total income (rental and service income) for the Group totaled MSEK 5,577 (5,182). Rental income consists of the rental value less the value of vacant premises during the year and service income. Rental value refers to income received and the estimated market rent of unleased premises. The rental value also includes supplementary charges for the customer, such as heating, property tax and an indexation supplement. Rental value in SEK/sq. m. for the different geographies and types of properties are shown in the table below. Rental levels in the like-for-like portfolio increased 3% (3) year-on-year.

	Office		Public sector properties		Warehouse/logistics	
Rental value, SEK/sq. m.	2018	2017	2018	2017	2018	2017
Central	1,397	1,354	1,518	1,563	767	774
Öresund	1,984	1,898	2,125	2,118	837	772
Stockholm	2,122	1,963	2,869	2,565	1,142	1,063
West	1,602	1,488	1,280	1,250	763	748
North	1,584	1,531	1,574	1,545	–	–
Finland	3,577	–	–	–	–	–
Total	1,731	1,636	1,739	1,712	858	825

	Retail		Light industry		Total	
Rental value, SEK/sq. m.	2018	2017	2018	2017	2018	2017
Central	1,261	1,258	818	784	1,298	1,271
Öresund	1,478	1,471	782	726	1,613	1,541
Stockholm	1,402	1,291	1,149	1,105	1,701	1,621
West	1,253	1,159	819	785	1,093	1,072
North	1,597	–	–	–	1,578	1,536
Finland	–	–	–	–	3,577	–
Total	1,367	1,282	882	846	1,407	1,341

Renegotiation

Commercial leases, for which rents are paid quarterly in advance, are signed for a fixed period of time, which means that a change in market rents does not have an immediate effect on rental income. Rental levels can only be changed when the lease in question is due for renegotiation. Commercial leases include 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.

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 of maturities in 2019 is that a majority of maturing leases were already renegotiated in 2018 due to notice periods. 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 3.9 years (4.0).

Lease maturity structure	No. of leases	000 sq. m.	Lease value, MSEK	Percentage of value
Commercial, term				
2019	1,730	346	437	8%
2020	1,567	829	1,138	21%
2021	1,151	686	951	17%
2022	853	566	852	16%
2023	227	375	533	10%
2024+	366	893	1,394	26%
Total	**5,894**	**3,695**	**5,305**	**98%**
Residential	461	35	41	1%
Parking spaces and other	6,345	286	86	1%
Total	**12,700**	**4,016**	**5,432**	**100%**

Economic occupancy rate

Castellum's average economic occupancy rate for 2018 was 93.2% (90.9), including discounts of MSEK 87 (97). Rental income for the period includes a lump sum of MSEK 14 (6) as a result of early termination of leases. Gross leasing (i.e. the annual value of total leasing) during the year was MSEK 408 (600), of which MSEK 109 (198) related to leasing of new construction, expansions and reconstructions. Notices of termination amounted to MSEK 247 (290), of which bankruptcies were MSEK 11 (7). MSEK 19 (18) related to notice periods with more than 18 months left of the contract. Hence, net leasing for the year was MSEK 161 (310). The time difference between reported net leasing and the effect in income is estimated to be 9–18 months. Net leasing for the year does not include the year's leasings of MSEK 146 in total regarding new construction for both E.ON and the Swedish National Courts Administration in Malmö, since Castellum is awaiting the final detailed development plan.

	Office		Public sector properties		Warehouse/ logistics	
Economic occupancy rate	2018	2017	2018	2017	2018	2017
Central	93.2%	89.5%	97.3%	97.6%	91.6%	88.7%
Öresund	88.3%	84.8%	97.9%	93.9%	90.1%	82.6%
Stockholm	94.1%	92.9%	97.5%	91.0%	94.6%	91.6%
West	93.0%	89.2%	96.5%	96.0%	89.4%	92.0%
North	86.5%	88.2%	96.5%	96.7%	–	–
Finland	99.6%	–	–		–	–
Total	**91.9%**	**88.8%**	**97.2%**	**95.3%**	**91.3%**	**89.8%**

	Retail		Light industry		Total	
Economic occupancy rate	2018	2017	2018	2017	2018	2017
Central	97.5%	92.2%	95.7%	95.8%	94.6%	91.9%
Öresund	91.3%	89.2%	84.1%	69.5%	90.1%	85.8%
Stockholm	94.8%	95.6%	92.7%	87.0%	94.9%	92.9%
West	96.6%	95.6%	94.9%	94.9%	92.4%	91.6%
North	88.0%	87.7%	–	–	93.4%	93.9%
Finland	–	–	–	–	99.6%	–
Total	**94.8%**	**93.7%**	**92.4%**	**88.9%**	**93.2%**	**90.9%**

Risk exposure and credit risk

Castellum's lease portfolio features a good risk exposure. The Group has approximately 5,900 commercial leases and 461 residential leases; 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 around 2% of the Group's total rental income, meaning that Castellum's exposure to a single-customer credit risk is very low.

Lease size, MSEK	No. of leases	Share	Lease value, MSEK	Share
Commercial				
<0.25	2,796	22%	222	4%
0.25–0.5	993	8%	363	7%
0.5–1.0	800	6%	565	11%
1.0–3.0	775	6%	1,311	24%
>3.0	530	4%	2,844	52%
Total	**5,894**	**46%**	**5,305**	**98%**
Residential	461	4%	41	1%
Parking spaces and other	6,345	50%	86	1%
Total	**12,700**	**100%**	**5,432**	**100%**

Commercial leases are distributed among various business sectors as illustrated in the table below.

Commercial leases distributed by sector (GICS code)	Lease value, MSEK	Share
Public sector	1,248	24%
Commercial services, consultants	949	18%
Retail incl. wholesales	577	11%
Industrial durables- & services	548	10%
IT: software, hardware and services	382	7%
Vehicles: sales, manufacturing, service	316	6%
Health Care	277	5%
Bank, finance and insurance companies	267	5%
Hotel, restaurants and leisure	180	3%
Food: retail and producers	153	3%
Transportation	123	2%
Packaging/paper and forestry products	94	2%
Electricity, gas, water and oil	63	1%
Properties	67	1%
Telecom	32	1%
FMCG	29	1%
Total	**5,305**	**100%**

The table below shows contractual future rental income.

Future rental income for existing leases	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Contractual rental income, year 1				
Commercial leases	5,431	5,290	–	–
Residential	14	13	–	–
Contractual rental income between 2 and 5 years	11,882	11,976	–	–
Contractual rental income after more than 5 years	5,106	5,341	–	–
Total	**22,433**	**22,620**	**–**	**–**

Rent receivables

Rents are invoiced and paid in advance, which means that all of the Group's rent receivables total MSEK 47 (45) after provisions/impairments of MSEK 21.

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 totaled MSEK 1,638 (1,605), equivalent to SEK 378 per square meter (366). Costs include both direct property costs (such as operation, maintenance, ground rent and property tax) and indirect costs (leasing and property administration).

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 expenses. Operating expenses totaled MSEK 753 (699), equivalent to SEK 173 per square meter (157). Operating expenses, which are considered to be at a normal level for the business, are weather dependent, and vary between years and seasons. Operating expenses include rent losses of MSEK 15 (7), corresponding to 0.3% of rental income.

Maintenance

Maintenance costs are ongoing measures to maintain the property's standard and technical systems. Maintenance costs totalled MSEK 167 (194), corresponding to SEK 38/sq. m. (43).

Ground rent

Site leasehold fees, including leasing fees, for 2018 totalled MSEK 23 (23), of which almost half the amount relates to Greater Stockholm. The ground rent is the annual fee paid to the municipality by the owner of a building on land owned by the municipality. The 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. The ground rent is spread over time and is mostly renegotiated at intervals of 10 to 20 years. At year-end 2018, Castellum had 52 (70) properties with ground rents. Existing ground rent agreements mature relatively evenly over the next 60 years. In most cases, when notice of termination is given for a ground rent agreement, the property owner (the municipality) is to compensate Castellum for buildings, etc. There are, however, a few agreements where the municipality can demand that the land be restored.

Future contracted ground rents	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Contracted ground rents year 1	15	17	–	–
Contracted ground rents between years 2 and 5	54	67	–	–
Contracted ground rents later than 5 years	232	275	–	–
Total	**301**	**359**	**–**	**–**

Property tax

The Group's property tax was MSEK 315 (305), corresponding to SEK 73 per square meter (70). Property tax is a federal tax based on the property's tax-assessed value. The tax rate for 2018 was 1.0% of the tax assessment value for office/retail properties and 0.5% for warehouse/logistics.

Leasing and property administration

The Group's leasing and property administration costs for 2018 were MSEK 374 (384), corresponding to SEK 90 per square meter (91). Leasing and property administration are indirect costs for routine property management, as well as costs for leasing operations, rent negotiation, leases, rent debiting and collecting, accounting and project administration costs as well as costs for depreciation on inventory and installations at subsidiaries. Of those costs, MSEK 179 (191) pertained to employee benefits and MSEK 9 (9) to depreciation on equipment.

Summary property costs

Property costs per square meter, distributed by property category and type of cost are shown below.

Property costs, SEK/sq. m.	Office 2018	Office 2017	Public sector properties 2018	Public sector properties 2017	Warehouse/logistics 2018	Warehouse/logistics 2017
Operating expenses	220	195	187	168	110	110
Maintenance	53	55	35	45	22	29
Ground rent	2	3	4	6	7	7
Property tax	111	109	88	77	23	23
Direct property costs	**386**	**362**	**314**	**296**	**162**	**169**

Property costs, SEK/sq. m.	Retail 2018	Retail 2017	Light industry 2018	Light industry 2017	Total 2018	Total 2017
Operating expenses	170	161	116	100	173	157
Maintenance	32	38	26	26	38	43
Ground rent	4	5	6	5	4	5
Property tax	63	61	23	20	73	70
Direct property costs	**269**	**265**	**171**	**151**	**269**	**275**
Leasing/property administration					90	91
Total	**269**	**265**	**171**	**151**	**378**	**366**

Note 5 Central administrative expenses

Central administrative expenses consist of costs for portfolio management and administration as well as costs for maintaining the Stock Exchange listing. This involves all costs for Castellum AB covering Group Management, the finance and accounting department, IT, staff, investor relations, annual report, audit fees, depreciation of equipment and facilities, and so on. Costs for the CEO at the regional level are also included, Of the costs, excluding the incentive plan described below, MSEK 74 (74) pertains to remuneration to employees and MSEK 10 (5) to depreciation on equipment.

Central administrative expenses also include costs relating to a profit and share price-related incentive plan for Group Management amounting to MSEK 18 (12).

Auditors' fees

Auditors' fees	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Audit assignment	3	3	1	1
Audit in addition to the audit assignment	1	1	0	0
Other consulting	1	0	1	0
Total	**5**	**4**	**2**	**1**

The Group's total remuneration to auditors of KSEK 4,669 (4,080) refers to Deloitte.

Note 6 Transaction and restructuring costs

Castellum acquired Norrporten in 2016, resulting in acquisition costs of MSEK 126. In addition, the restructuring of business operations started, which was completed in 2017. The restructuring costs totalled MSEK 42, of which MSEK 5 was charged to income for 2017.

Note 7 Interest and financial income

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Interest income	22	4	0	2
Group contributions received, subsidiaries	–	–	284	210
Anticipated dividend, subsidiaries	–	–	1,261	3,260
Interest income, subsidiaries	–	–	981	919
Other financial income	–	–	–	-
Total	**22**	**4**	**2,526**	**4,391**

Interest income, for the Group as well as for the Parent Company, is related to receivables valued at amortized cost.

Note 8 Interest and financial expenses

	Group		Parent Company	
	2018	2017	2018	2017
Interest expenses	857	889	849	826
Interest expenses, subsidiaries	–	–	95	94
Other financial expenses	0	0	8	6
Total	**857**	**889**	**952**	**926**

Net financial items were MSEK -835 (-855). During the year, interest expenses of MSEK 23 (31) were capitalized regarding investments in the property portfolio, where an average interest rate level of 2.2% (2.4) was used.

Of the Group's interest expenses, MSEK 633 (396) pertains to liabilities valued at amortized cost. The corresponding value for the Parent Company is MSEK 728 (473). Remaining interest expenses refer to interest attributable to Castellum's interest rate derivatives.

Note 9 Changes in value

Properties

The property market in 2018 was marked by continued healthy demand, with a high activity levels and stable or rising prices. This, together with a strong rental market, means that for 2018, Castellum recognizes a change in value of MSEK 5,216 (4,540), equivalent to 6% (6). A further 52 properties were sold for MSEK 2,534 after deduction for assessed deferred tax and expenses totalling MSEK 110. Accordingly, the underlying property price was MSEK 2,655. As each property is valued individually, the portfolio premium that can be noted in the property market was not taken into account.

The net increase in value, including this year's change, over the past ten years has been 2.5% per year, which is slightly higher than inflation during the same period, approximately 1%.

Derivatives

Castellum uses interest rate derivatives to achieve the desired interest rate maturity structure. If the contractual 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 recognized in profit or loss. Castellum also holds derivatives in order to hedge currency fluctuation in its investments in Denmark and Finland as well as to manage currency risk and adjust its interest rate structure in connection with borrowing in the international capital market. 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 the change in value is accounted for in other comprehensive income.

The value of the derivatives has changed by MSEK 152 (247), mainly due to changes in long-term market interest rates.

Note 10 Income taxes

Current tax was calculated based on a nominal tax rate of 22%, while deferred tax is based on the lower tax rates that apply in Sweden from 2019 (21.4%) and 2021 (20.6). In the income statement, income tax is recorded as two entries, current tax and deferred tax. Current tax is based on taxable profit for the year, which is lower than the recognized profit. 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 recognition of properties at fair value in legal entities; that is why 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 changes in value on such instruments are a tax deductible item, while changes up to the cost of the instruments comprise a taxable income.

As shown in the table below, taxable income for 2018 is low due to Castellum using the aforementioned tax depreciations and tax-deductible investments, whereas completed property sales were mainly in the form of tax-free share transfers. Current tax paid arises because a few subsidiaries are not allowed to make fiscal group contributions.

	Basis 2018		Basis 2017	
Tax calculation for the Group	**Current tax**	**Deferred tax**	**Current tax**	**Deferred tax**
Income from property management	2,952		2,530	
Deductions for tax purposes				
depreciation	-1,031	1,031	-1,054	1,054
Reconstructions	-582	582	-437	437
Other tax adjustments	94	-79	48	73
Taxable income from property management	1,433	1,534	1,087	1,564
Properties sold	101	-1,803	–	-465
Adjustment last year	–	–	-272	199
Change in property values	–	5,326	–	4,513
Change in derivatives values	152	–	-423	323
Taxable income before tax loss carry forwards	1,686	5,057	392	6,134
Tax loss carry forwards, opening balance	-2,437	2,437	-2,392	2,392
Tax loss carry forwards, closing balance	1,081	-1,081	2,437	-2,437
Taxable income	330	6,413	437	6,089
Tax for the year 22%	**-74**	**-1,411**	**-96**	**-1,340**
Revaluation, deferred tax	**–**	**618**	**–**	**–**
Tax according to the Income statement for the period	**-74**	**-793**	**-96**	**-1,340**

Tax loss carry forwards consist of prior years' tax losses. The losses, which are not restricted in time, are used to offset future taxable profits. Remaining tax loss carry forwards are estimated at MSEK 1,081.

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 recognized by Castellum is less than nominal tax. The effective tax on income from property management, without consideration of tax loss carry forwards, can be calculated to 9%.

	Group		Parent Company	
Tax cost/income	**2018**	**2017**	**2018**	**2017**
Income before tax	8,320	7,312	1,545	1,442
Tax according to current tax rate	-1,830	-1,609	-340	-317
Tax effects due to: non-taxable dividend	–	–	277	827
non-deductible impairment, shares in subsidiaries	–	–	-5	-594
non-deductible sales, properties/subsidiaries	345	102	–	–
new future corporate tax	618	–	1	–
derivatives	–	76	–	–
other tax adjustments	–	-5		1
Tax expense/income recognized	**-867**	**-1,436**	**-67**	**-83**

Note 11 Personnel and Board of Directors

	Group		Parent Company	
Number of employees	**2018**	**2017**	**2018**	**2017**
Average number of employees	388	416	51	38
of which women	*164*	*167*	*32*	*27*
of which Denmark (of which women)	*10 (4)*	*9 (4)*	–	–

Salaries, remuneration and benefits

During 2018, the Parent Company had 7 (7) board members, of whom 4 (4) were women, while the total number of Board members in the Group's subsidiaries was 20 (19), of whom 8 (12) were women. At year end, the Group had 8 (9) senior executives, of whom 3 (4) were women. The total number of senior executives in the management groups of all the subsidiaries, and senior executives of the Group, was 35 (41), of whom 15 (15) were women.

Salaries, remuneration and benefits	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Chairman of the Board	1.0	0.9	1.0	0.9
Other Board members	2.5	2.2	2.5	2.2
Chief Executive Officer				
Fixed salary	4.6	4.4	4.6	4.4
Variable remuneration	4.7	2.5	4.7	2.5
Benefits	0.0	0.0	0.0	0.0
Other senior executives				
Group: 8 (8), Parent Company: 4 (4)				
Fixed salary	14.6	12.8	6.5	3.5
Variable remuneration	8.0	6.9	3.0	3.8
Benefits	0.5	0.4	0.2	0.1
Other employees	218.4	204.4	34.1	29.5
Total	**254.3**	**234.5**	**56.6**	**46.9**
Contractual pensions costs				
Chief Executive Officer	1.4	1.3	1.4	1.3
Other senior executives (8 vs. 4)	4.5	5.2	2.0	2.1
Other employees	36.7	32.4	4.8	3.8
Total	**42.6**	**38.9**	**8.2**	**7.2**
Statutory social security expenses incl. payroll tax				
Chairman of the Board	0.3	0.3	0.3	0.2
Other Board members	0.8	0.5	0.8	0.5
Chief Executive Officer	3.3	2.5	3.3	2.5
Other senior executives (8 vs. 4)	8.0	7.5	3.5	2.8
Other employees	72.3	68.9	11.9	10.1
Total	**84.7**	**79.7**	**19.8**	**16.2**
Grand total	**381.6**	**353.1**	**84.6**	**70.3**

Board remuneration

Board remuneration was set by the 2018 Annual General Meeting at KSEK 3,520, of which KSEK 850 was allocated to the Chairman of the Board and KSEK 370 to each of the remaining Board members. Additional remuneration totaling KSEK 450 is also due. These amounts apply from the AGM on March 22, 2018 to the AGM on March 21, 2019.

Remuneration to the Board	2018	2017
Charlotte Strömberg	958	875
Per Berggren	410	371
Anna-Karin Hatt	410	371
Christer Jacobson	365	341
Christina Karlsson Kazeem	365	341
Nina Linander	503	429
Johan Skoglund	434	388
Total	**3,444**	**3,116**

Executive Group Management

Group Management changed during the year; at year end, the executive management group consisted of the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Corporate Communications Director at Castellum AB and the four Regional Managing Directors. As of January 1, 2019, this also includes the Unit Managers for logistics and offices as well as the Investment Director.

Remuneration and benefits

Remuneration and benefits for Group 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. Group Management has an incentive plan that comprises two components:

- One profit-based component is based on growth in income from property management compared to the previous year, as well as an overall estimation of development for certain individual factors. Full outcome requires that growth in income from property management per share reaches 10% per year. When growth is in the 0–10% range, a linear calculation of the incentive is made. The profit-based component is paid out yearly as salary after the year-end closing and can total no more than six months' salary per year. The outcome for 2018 was 88% (71), representing a cost of MSEK 10 (8.3) including social security contributions. The program expired at the end of 2018.
- One share price-based component, based on the total yield on the Castellum share during a three-year period, both in nominal figures and compared with index for property shares in Sweden, the Eurozone and the UK. For full outcome of the incentive plan, the total yield must be at least 50% during the period and the total yield has to exceed index development by at least 5 percentage points during the period. When growth is in the 0–50% and 0–5 percentage points ranges respectively, a linear calculation of the incentive is made. Any payments due are paid as salary after the measurement period of June 2017–May 2020. During the three-year period, the share price-based portion may total no more than one and a half years' salary, equivalent to a cost for Castellum of MSEK 29 including social security expenses. As of December 2018, the outcome was 89% (75), representing a cost of MSEK 12.4 (4.3) including social security contributions. Final reading and set-offs will occur in May 2020.

Executives in receipt of variable remuneration according to the incentive plan must acquire Castellum shares for at least half of the amount of the payment due after tax. The paid incentive does not affect pensionable contributions.

Pensions

Members of Group Management have defined-contribution pensions with no other obligations for the company than to pay an annual premium during the time of employment. This implies that these persons, after completed employment, have the right to decide on their own, the time-frame during which the defined-contribution payments and subsequent return will be received as pension. The retirement age for the CEO and other members of Group Management is 65 years.

Notice of dismissal

In the event of notice of dismissal by the company, the notice period will not exceed 6 months regarding the Chief Executive Officer and 12 months for any other member of Group executive management. When notice is given by the Chief Executive Officer or any other member of executive management of the company, the notice period is six months. During the notice period, salary and other benefits are paid, with deduction for salary and remuneration derived from another employment or activity. No deduction will occur for the Chief Executive Officer. Upon notice of dismissal of the Chief Executive Officer by the company, a severance pay of 12 months' fixed salary is paid, and is not reduced as a result of other income received by the Chief Executive Officer.

In 2018, the Regional Managing Director for Stockholm-North stepped down. Salary and pension totaling MSEK 2.4 during the notice period were expensed in their entirety in 2018.

Pensions for other employees

Other employees at Castellum have defined-contribution pensions, with no other obligations for the company than to pay an annual premium during the time of employment. This implies that these persons, after completed employment, have their own right to decide on the time-frame during which the defined-contribution payments and their return on investment will be received as pension. However, there is an exception for about 40 employees within the Castellum Group who instead have defined-benefit ITP plans with regular payments to Alecta. Fees for the year for pension insurance policies signed with Alecta totaled MSEK 0 (0). 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 2018 was 159% (December 2017: 154%). The collective consolidation level is made up by the market value of Alecta's assets as a percentage of the insurance obligations calculated according to Alecta's assumptions for calculating the insurance, which do not comply with IAS 19.

Absence due to illness

Sick leave for the year was 4% (3), of which a 2% (2) was for long-term sick leave. Sick leave for men and women were 4% (3) and 4% (3), respectively. Absences due to illness were 3% (3) for the age group 29 years and younger, 3% (2) for the age group 30–49 years and 5% (5) for the age group 50 years or older. Sick leave for the Parent Company was 2% (2), of which a 1% share (1) was for long-term sick leave.

Note 12 Investment properties

Schedule of the changes during the year	Group 2018	2017
Opening balance	81,078	70,757
New construction, expansions and reconstructions	2,837	2,893
of which capitalized interest expenses	*23*	*31*
Acquisitions	2,455	3,595
of which business combinations	–	–
Sales	-2,745	-848
Change in value	5,326	4,513
Currency translation	217	168
Closing balance	**89,168**	**81,078**
Schedule of tax assessment value		
Buildings	24,717	25,053
Land	8,853	8,939
Total tax assessment value	**33,570**	**33,992**
Rental income from investment properties	5,577	5,182
Property costs for investment properties	1,629	1,605

The year's change per category is shown in the table below.

	Office		Public sector properties		Warehouse/ logistics	
Change for the year by category	2018	2017	2018	2017	2018	2017
Opening balance	37,542	33,292	19,055	16,068	11,128	9,844
Category adjustments	311	440	-7	0	41	130
New construction, expansions and reconstructions	775	1,053	338	227	499	206
Acquisitions	1,238	617	2	1,687	1,001	328
Sales	-441	-425	-477	0	-524	-17
Change in value	2,102	2,415	1,344	1,059	1,490	633
Currency translation	217	150	0	14	0	4
Closing balance	**41,744**	**37,542**	**20,255**	**19,055**	**13,635**	**11,128**

	Retail		Light industry		Developments and land	
Change for the year by category	2018	2017	2018	2017	2018	2017
Opening balance	6,982	6,173	2,245	2,568	4,126	2,812
Category adjustments	220	225	44	-40	-609	-755
New construction, expansions and reconstructions	74	392	273	76	878	939
Acquisitions	150	30	11	0	53	933
Sales	-365	0	-645	-390	-293	-16
Change in value	54	162	101	31	235	213
Currency translation	0	0	0	0	0	0
Closing balance	**7,115**	**6,982**	**2,029**	**2,245**	**4,390**	**4,126**

The Parent Company owns no properties.

Investments during the year
In 2018, Castellum invested a total of MSEK 5,292 (6,488), of which MSEK 2,455 (3,595) pertained to acquisitions and MSEK 2,837 (2,893) pertained to new construction, expansions and reconstructions.

Significant obligations
In addition, Castellum has commitments to complete initiated projects in which the remaining investment volume amounts to approx. MSEK 1,600, in addition to amounts reported in the balance sheet.

Larger ongoing investments

Property	Investment, MSEK	Of which remaining, MSEK	To be completed
Olaus Petri 3:244, Örebro	465	77	Q2 2019
Sabbatsberg 24, Stockholm	418	302	Q2 2020
Hisingen Logistics Park, Gothenburg	294	292	Q2 2020
Smygmaskan 1, Malmö	349	135	Q2 2019
Spejaren 4, Huddinge	349	113	Q1 2019

Valuation model
According to accepted theory, the value of an asset is the net present value of future cash flows that the asset is expected to generate. This section aims to describe and illustrate Castellum's cash-flow-based model for calculation of the value of the property portfolio. The value of the property portfolio is calculated in this model as the total present value of net operating income minus remaining investments on ongoing projects, during the next nine years and the present value of the estimated residual value in year ten. The residual value in year ten consists of the total present value of net operating income during the remaining economic life span. The estimated market value of undeveloped land and development rights are added to this. Accordingly, valuation is conducted pursuant to IFRS 13, level 3.

The required yield and the assumption regarding future real growth are crucial for the calculated value of the property portfolio, as they are the most important value-driving factors in the valuation model. The required yield is the weighted cost of borrowed capital and shareholders' equity. The cost of borrowed capital is based on the market interest rate for loans. The cost of shareholders' equity is based on a risk-free interest rate equivalent to the long-term government bond rate plus a risk premium. The risk premium is unique to each investment and depends on the investor's perception of future risk and potential.

Internal valuation
Castellum records its investment properties at fair value and has internally valuated all its properties as of December 31, 2018. The valuation was carried out in a uniform manner, and was based on a ten-year cash flow model, which is described in principle above. The internal valuation was based on an individual assessment for each property of both its future earnings capacity and its required market yield. Valuations are made locally in each subsidiary and are quality assured by Castellum AB, which also has overall responsibility for both the process and system as for determining the macroeconomic assumptions.

Assumptions of cash flow
In assessing a property's future earnings capacity, we took into account an assumed level of inflation of 1.5% and potential changes in rent levels from each contract's rent and expiry date compared with the estimated current market rent, as well as changes in occupancy rate and property costs. In the valuation, the economic occupancy rate gradually improves during the ten-year period and reaches 96%. Included in property costs are operating expenses, maintenance, site leasehold fees, property tax, and leasing and property administration.

Assumptions per property category, Year 1	2018	2017
Rental value, SEK/sq. m.	1,405	1,358
Vacancy	6%	7%
Direct property cost SEK/sq. m.	277	282
Property administration SEK/sq. m.	31	31

Assumptions of required yield
The required yield on shareholders' equity is individual to each property and based on assumptions regarding a real interest rate of 3%, inflation of 1.5% and risk premium. The risk premium is different for each property and can be divided into two components: general risk and individual risk. The general risk makes up for the fact that a property investment is not as liquid as a bond, added to the fact that the asset is affected by the general economic situation. The individual risk is specific to each property and comprises a complex weighted assessment that includes property category; the town/city in which the property is located; the property location within the town/city with reference to the property category; and whether the property has the right design, is appropriate and makes efficient use of space. Further considerations: the property's technical standard with regard to such criteria as choice of materials, the quality of public installations, furnishing and equipment on the premises and in apartments; as well as the nature of the lease agreements with regard to such issues as length, size and number of agreements. Properties owned through site leaseholds, where Castellum has a land rehabilitation obligation under

contractual agreement, are assigned an additional individual risk premium of 1.0%. On average, the risk premium totals 6.8% with a range of 3.1–11.4%.

In order to calculate the required yield on total capital, an operating assumption of 5.0% has been made about the cost of borrowed capital. The 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 shareholders' equity and the cost of borrowed capital, depending on the capital structure. The required yield on total capital is used to discount the estimated ten-year future cash flow. The residual value is discounted by calculating the return on total capital less growth equivalent to inflation, in order not to assume perpetual real growth.

Average required yield per property category is shown in the table below.

Property type	Dec 31, 2018	Dec 31, 2017
Office	5.1%	5.2%
Public sector properties	5.0%	5.2%
Warehouse/logistics	5.8%	6.6%
Retail	5.9%	5.8%
Light industry	6.9%	7.1%
Total	5.3%	5.5%

The calculated required yield is then calibrated compared with the market's required yield. To get an opinion about the market's required yield, Castellum follows completed property transactions on the market. In an inactive market within a certain area or for a certain type of property, Castellum compares the data from transactions completed in a similar area or for a similar type of property. In the absence of completed transactions the opinion is based on existing macroeconomic factors.

The average valuation yield for Castellum's property portfolio, excluding developments, land and development rights, can be estimated at 5.3% (5.5).

Average valuation yield, MSEK	2018	2017
Net operating income, properties according to income statement	3,945	3,589
Reversed leasing and property administration	374	384
Net operating income, ongoing development projects	-21	-12
Properties acquired/completed as if owned the whole year	104	74
Properties sold	-153	-59
Net operating income excluding leasing and property administration for properties as if owned during the whole year, excl. projects and land	4,249	3,976
Adjusted for:		
Index adjustments 2019, 2% (2)	130	92
Real occupancy rate, 94% at the lowest	190	295
Property administration, 30 SEK/sq. m.	-132	-133
Normalized net operating income	**4,437**	**4,230**
Valuation excluding development rights of MSEK 672 (569)	84,106	76,383
Average valuation yield	**5.3%**	**5.5%**

Projects and development rights
Ongoing projects are valued using the same principle, but with reduction for remaining investment. Development rights were valued on the basis of an estimated average market value of approximately SEK 1,500 per square meter (1,700).

The value of the property portfolio
The internal valuation indicates a fair value of MSEK 89,168 (81,078), corresponding to a change in value of 6% (6). Of this value, approximately 4% (i.e. MSEK 3,158) pertains to properties held via ground rents agreements, with rental income of MSEK 235.

The table to the right shows the fair value distributed by property category and region.

Property value, MSEK, Dec 31, 2018	Office	Public sector properties	Warehouse/ Logistics	Retail	Light industry	Devel- opments and land	Total
Central	9,537	5,715	1,185	1,525	413	1,021	19,396
Öresund	10,236	3,219	1,685	822	318	610	16,890
Stockholm	10,504	5,329	4,497	3,602	673	2,061	26,666
West	9,359	2,112	6,268	847	625	698	19,909
North	1,289	3,880	–	319	–	–	5,488
Finland	819	–	–	–	–	–	819
Total	**41,744**	**20,255**	**13,635**	**7,115**	**2,029**	**4,390**	**89,168**

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 MSEK 84,710–93,616 corresponding to MSEK +/- 4,458.

Sensitivity analysis +/-1 percentage point	Effect on value, MSEK Office	Public sector properties	Warehouse/ logistics	Retail	Light industry
Rental value	561	263	167	97	27
Economic occupancy rate	561	263	167	97	27
Property costs	124	51	34	20	6
Required yield	-6,306/ +8,354	-3,150/ +4,285	-1,674/ +2,259	-989/ +1,358	-243/ +325

The sensitivity analysis shown above illustrates how a +/- 1 percentage-point change in growth assumptions in future cash flow and required yield affects the valuation. However, the sensitivity analysis is not realistic as one isolated parameter rarely changes; instead, the assumptions made are linked together regarding cash flow and required yield.

External valuation
In order to validate the valuation, 174 properties representing 56% of the value of the portfolio were valued externally by Forum Fastighetsekonomi AB. 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 MSEK 48,345, 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 MSEK 49,677, i.e., a net deviation of MSEK 1,322 corresponding to -2.7%. The gross deviations were MSEK 995 and MSEK -2,314 respectively, with an average deviation of 7%.

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 2018	Group 2017	Parent Company 2018	Parent Company 2017
Opening cost	192	138	61	41
Purchases	77	69	22	29
Sales/retirement of assets	-23	-15	-17	-9
Closing cost	**246**	**192**	**66**	**61**
Opening depreciation	-109	-96	-8	-12
Sales/retirement of assets	5	14	–	9
Depreciation for the year	-19	-13	-7	-5
Closing depreciation	**-123**	**-109**	**-15**	**-8**
Carrying amount	**123**	**83**	**51**	**53**

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 of impairment for 2018.

	Group		Parent Company	
	2018	2017	2018	2017
Opening cost	1,659	1,659	–	–
Acquisitions	–	–	–	–
Impairment	–	–	–	–
Carrying amount	**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 quotient 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 convertibles, or preferential rights to accumulated dividend (preference shares).

Development of share capital	Date	Number of shares	Quotient value/share	Share capital, SEK
Formation A shares	Oct 27, 1993	+500	100.00	+50,000
New share issue, A shares	Sep 27, 1994	+999,500	100.00	+99,950,000
Share split 50:1	Mar 25, 1997	+49,000,000	2.00	–
IPO	**May 23, 1997**	**50,000,000**	**2.00**	**100,000,000**
New share issue, C shares	Jul 12, 2000	+7,142,857	2.00	+14,285,714
Redemption, A shares	Jul 12, 2000	-6,998,323	2.00	-13,996,646
Redemption, C shares	Nov 13, 2000	-7,142,857	2.00	-14,285,714
Share split 4:1	Apr 27, 2006	+129,005,031	0.50	–
New issue of shares	Jun 14, 2016	+82,000,000	0.50	+41,000,000
Non-cash issue	Jun 15, 2016	+19,194,458	0.50	+9,597,229
Year end	**Dec 31, 2018**	**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 appropriations to the statutory reserves is also included in this item.

Restricted and non-restricted shareholders' 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. Dividends to the shareholders may only be such that after the distribution there is full coverage for restricted shareholders' 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

In 2000, Castellum repurchased 8,006,708 own shares for a total of MSEK 194, equivalent to 4.7% of the total registered number of shares. Since then no repurchase of the company's own shares has 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 2018 is SEK 6.10 per share, MSEK 1,667 in total. The proposal is to split the dividend into two payments, where the proposed record date for the first payment is March 25, 2019 and the proposed record date for the second payment is September 23, 2019. The amount is recorded as a liability only after the Annual General Meeting has approved the dividend.

Net asset value

Net asset value can be calculated both long and short term. Long-term net 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 – derivatives, goodwill and deferred tax liability. This means that shareholders' equity according to the balance sheet is to increase by MSEK 716 and MSEK 9,203 respectively. At the same time, MSEK 1,659 is to be deducted.

EPRA NNNAV is shareholders' equity according to the balance sheet, adjusted for the deferred tax liability. Present accounting policies state that the deferred tax liabilities are recognized at nominal tax rates, while the real deferred tax is substantially lower, due to the possibility to sell properties in a tax-efficient manner, as well as the time factor. The current assessment is that the actual discounted deferred tax liability is equivalent to 7%, meaning that an additional MSEK 6,228 will be provided to shareholders' 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, an uncertainty range of +/- 5% is equal to +/- MSEK 3,478 after tax (based on the 2018 nominal tax rate of 22%).

Net asset value	MSEK	SEK/share
Shareholders' equity according to the balance sheet	39,749	145
Reversed		
Derivatives according to balance sheet	716	3
Goodwill	-1,659	-6
Deferred tax according to the balance sheet	9,203	34
Long-term net asset value (EPRA NAV)	**48,009**	**176**
Deduction		
Derivatives as above	-716	-3
Estimated real liability, deferred tax 6%*	-2,975	-11
Actual net asset value (EPRA NNNAV)	**44,318**	**162**
Uncertainty range for property valuation +/-6% after tax		

*The estimated actual net deferred tax liability has been estimated at 6% based on a discount rate of 3%. Further, it has been assumed that tax loss carry forwards are realized in 2 years with a nominal tax of 21.4%, giving a present value of the deferred tax liability of 21%, and that the properties are realized in 50 years where 33% are sold directly with a nominal tax of 20.6% and that 67% are sold indirectly in corporate wrappers where the buyer's tax discount is 8%, which gives a present value for the 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 50% 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 property 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 approximately MSEK 4,400. All investments are to contribute to the objective of growth in income from property management within 1–2 years and have a potential asset growth of at least 10%. Sales of properties will take place when justified from a business standpoint and when an alternative investment with a higher return can be found.

Appropriation of profits

The Board has proposed that the earnings at the Annual General Meeting's disposal, SEK 17,661,655,107, are to be appropriated as follows: a dividend to shareholders of SEK 6.10/share — totalling SEK 1,666,527,113 — and SEK 15,995,127,994 to be carried forward.

Group, MSEK (Note 15)	Number of shares outstanding, thousand	Share capital	Other capital contribution	Currency translation reserve	Currency hedge reserve	Non-controlling interest	Retained earnings	Total shareholders' equity
	Attributable to Parent Company shareholders							
Shareholders' equity Dec 31, 2016	**273,201**	**137**	**12,434**	**51**	**-46**	**-2**	**16,660**	**29,234**
Dividend, Mar and Sep 2017 (SEK 5.00/share)	–	–	–	–	–	–	-1,366	-1,366
Net income for 2017	–	–	–	–	–	–	5,876	5,876
Other total net income, 2017	–	–	–	78	-80	–	–	-8
Shareholders' equity Dec 31, 2017	**273,201**	**137**	**12,434**	**123**	**-126**	**-2**	**21,170**	**33,736**
Dividend, Mar and Sep 2018 (SEK 5.30/share)	–	–	–	–	–	–	-1,448	-1,448
Net income for 2018	–	–	–	–	–	–	7,453	7,453
Other total net income, 2018	–	–	–	151	-143	–	–	8
Shareholders' equity Dec 31, 2018	**273,201**	**137**	**12,434**	**274**	**-269**	**-2**	**27,175**	**39,749**

Parent company, MSEK	Number of shares outstanding, thousand	Share capital	Statutory reserves	Currency translation reserve	Currency hedge reserve	Share premium reserve	Retained earnings	Total shareholders'equity
				Fair value reserves				
Shareholders' equity Dec 31, 2016	**273,201**	**137**	**20**	**17**	**-19**	**8,433**	**9,213**	**17,801**
Dividend, Mar and Sep 2017 (SEK 5.00/share)	–	–	–	–	–	–	-1,366	-1,366
Net income for 2017	–	–	–	–	–	–	1,359	1,359
Other total net income, 2017	–	–	–	67	-67	–	0	0
Shareholders' equity Dec 31, 2017	**273,201**	**137**	**20**	**84**	**-86**	**8,433**	**9,206**	**17,794**
Dividend, Mar and Sep 2018 (SEK 5.30/share)	–	–	–	–	–	–	-1,448	-1,448
Net income for 2018	–	–	–	–	–	–	1,478	1,478
Other total net income, 2018	–	–	–	93	-99	–	–	-6
Shareholders' equity Dec 31, 2018	**273,201**	**137**	**20**	**177**	**-185**	**8,433**	**9,236**	**17,818**

Note 16 Liabilities

	Group		Parent Company	
	2018	2017	2018	2017
Non-interest bearing liabilities due within one year of the balance sheet date	1,801	1,988	164	146
Non-interest bearing liabilities due later than five years after the balance sheet date	307	–	–	–
Interest-bearing liabilities due within one year of the balance sheet date	–	–	64	60
1–5 years after balance-sheet date	35,997	34,211	38,549	37,374
more than 5 years after the balance-sheet date	4,361	4,015	1,900	1,556
Total liabilities excl. deferred tax liability, other provisions and derivatives	**42,466**	**40,214**	**40,677**	**39,136**

In 2019, current interest-bearing liabilities amounting to MSEK 9,253 (11,322) will fall due. 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

A realization of all assets and liabilities at consolidated carrying amounts and utilization of all existing tax loss carry forwards would result in a taxable income of MSEK 49,616 (41,969); with a full tax burden, this would give rise to a tax payment of MSEK 10,228 (9,233). Castellum has deferred tax of MSEK 1,025 (828) attributable to the acquisition date of properties recognized as asset acquisitions. According to the applicable regulations, the deferred tax at the acquisition date is not to be recognized in the balance sheet, which is shown in the table below.

The Parent Company recognizes a deferred tax asset of MSEK 12 (79), equivalent to 21.4% of the unutilized tax loss carry forwards of MSEK 55 (359).

Tax loss carry forwards

As of December 31, 2018, Castellum's tax loss carry forwards are estimated at MSEK 1,081 (2,437). The change is presented in Note 10. The tax loss carry forwards have no maturity date.

Surplus and sub value of properties for tax purposes

When calculating the tax effect in the Group of a direct sale of all properties, the tax base in the legal entity — which totals MSEK 38,615 (36,807) — is to be set against the consolidated carrying amount of MSEK 89,168 (81,078). This means that if all of Castellum's properties were sold, the taxable net profit would exceed the profit recorded in the Group by MSEK 50,553 (44,271).

	2018		2017	
Deferred tax liability	Basis	Tax	Basis	Tax
Tax loss carry forwards				
Opening balance	2,437	536	2,392	526
Change for the year in comprehensive income	-1,356	-305	45	10
Closing balance in the balance sheet	**1,081**	**231**	**2,437**	**536**
Difference between the properties' book and fiscal values				
Opening balance	-44,271	-9,739	-36,851	-8,107
Change for the year in comprehensive income	-4,495	-492	-5,649	-1,242
Company acquisitions	-1,787	-197	-1,771	-390
Closing balance	**-50,553**	**-10,428**	**-44,271**	**-9,739**
Less, attributable to asset acquisitions				
Opening balance	3,763	828	1,992	438
Company acquisitions	1,787	197	1,771	390
Closing balance in the balance sheet	4,976	1,025	3,763	828
Closing balance in the balance sheet	**-45,577**	**-9,403**	**-40,508**	**-8,911**
Derivatives				
Opening balance	–	–	385	85
Acquired	–	–	–	–
Change for the year in comprehensive income	–	–	-385	-85
Closing balance in the balance sheet	**–**	**–**	**–**	**–**
Untaxed reserves				
Opening balance	-135	-30	-31	-7
Acquisitions	–	–	–	0
Change for the year in comprehensive income	-9	-1	-104	-23
Closing balance in the balance sheet	**-144**	**-31**	**-135**	**-30**
Total				
Opening balance	-37,186	-8,405	-32,113	-7,065
Acquisitions for the year	–	–	–	–
Change for the year in comprehensive income	-7,454	-798	-6,063	-1,340
Closing balance in the balance sheet	**-44,640**	**-9,203**	**-37,186**	**-8,405**

Previous impairments where taxable deductions were paid amount to approximately MSEK 93. 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 MSEK 6 (5) and other commitments in connection with the sale of property amounting to a maximum of MSEK – (–).

Note 19 Derivatives

Valuation

Castellum uses interest rate derivatives for such purposes as managing interest rate risk and achieving the desired interest rate maturity structure. This strategy means that there may be changes in value of the interest rate derivatives portfolio from time to time. In addition, Castellum uses currency derivatives in order to hedge investments in Denmark and Finland as well as to manage currency risk and adjust its interest rate structure linked with borrowing in the international capital market. These also give rise to change in value which are included in the derivative portfolio's market value.

To calculate the market value of derivatives, market rates for each term and (where appropriate) exchange rates are used, as quoted in 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 in the form of Credit Value Adjustments (CVA) and Debt Value Adjustments (DVA). CVA shows Castellum's risk of experiencing credit loss in the event of counterparty default, whereas DVA shows the opposite. The adjustment is calculated at the counterparty level based on expected future credit exposure, risk of default and the recovery rate of exposed credits. As of December 31, 2018, the market value of the interest rate and currency derivatives portfolio amounted to MSEK -716 (-1,352) 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. A theoretically maturing amount during 2019, however, can be estimated at MSEK 249.

Counterparty risk

In order to limit counterparty risk, Castellum's derivative contracts are covered by general agreement with netting clauses (ISDA). This allows Castellum to offset positive and negative market values in the event of default.

	Dec 31, 2018			Dec 31, 2017		
	Asset	Liability	Net	Asset	Liability	Net
Interest rate derivatives	0	-689	-689	2	-1,301	-1,299
Currency derivatives	13	-40	-27	1	-54	-53
Gross value derivatives	**13**	**-729**	**-716**	**3**	**-1,355**	**-1,352**
Netting	-13	13	0	-3	3	–
Net value derivatives	**0**	**-716**	**-716**	**0**	**-1352**	**-1,352**

Future cash flow

Future cash-flows attributable to interest rate derivatives consist of interest paid minus interest received as presented below. To calculate the variable part of the interest rate derivative, the Stibor and CIBOR interest rates, as listed at year end, have been used throughout the full term of the derivative.

	Future cash-flow of interest rate derivatives		
Year	Interest to pay, MSEK	Interest to receive, MSEK	Net, MSEK
2019	-400	135	-265
2020	-374	131	-243
2021	-343	117	-226
2022	-317	115	-202
2023	-287	100	-187
2024+	-153	7	-146
Total	**-1,874**	**604**	**-1,270**

Sensitivity analysis

The table below shows the interest rate derivative portfolio's nominal net amount and market value and the market value of the portfolio with a +/- 1 %- unit change in the interest rate. Based on the date of termination, interest rate derivatives that include an option have been reported in the same time segment as prior to the assumed change in interest rate.

End date	Amount, MSEK	Cost, MSEK	Market value, MSEK	Average interest rate	Market value, interest rate +1 %-unit	Market value, interest rate -1 %-unit
2019	2,600	–	-2	0.6%	6	-9
2020	3,701	–	-38	0.9%	-22	-97
2021	2,500	–	-21	0.9%	26	-116
2022	2,150	–	-42	1.3%	34	-124
2023	1,566	–	-41	0.8%	-27	-47
2024+	7,900	–	-540	2.2%	39	-1,143
Total	**20,417**	–	**-684**	**1.2%**	**56**	**-1,536**

Currency derivatives with a market value of MSEK 32 (-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

Property is a long-term asset, requiring long-term financing allocated between shareholders' equity and interest-bearing liabilities. From a security perspective, Castellum credits can be divided into the following categories:

- Credits against collateral in the form of Castellum's promissory note receivables in its subsidiaries, including pledged mortgages.
- Secured credits directly to subsidiaries in the form of pledged mortgages. Credits directly to subsidiaries are supplemented in the majority of cases by the Parent Company's guarantee.
- Unsecured credits.
- Issues of unsecured bonds.
- Issues of unsecured commercial paper.

All types of credit agreements contain standard termination conditions, and in some cases renegotiation terms for changes in business and delisting. If the lender invokes the right to a renegotiation of this type and the parties cannot agree, the credit agreements have established settlement times for those credit agreements covered by such terms.

At the end of the year, utilized credits secured by pledged mortgages totaled MSEK 12,400. In addition to mortgages, the majority of credit agreements include commitments regarding loan-to-value ratio and interest coverage ratio — financial covenants — involving a loan-to-value ratio not exceeding 65% and an interest coverage ratio of at least 150%. If the 55% loan-to-value ratio is breached, financing costs will become more expensive for some credit agreements. In all cases, the guarantee to lenders is issued with a comfortable margin in relation to Castellum's capital structure objectives.

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 have a low financial risk with a loan-to-value ratio not exceeding 50% over the long term and an interest coverage ratio of at least 200%. The financial operations in Castellum are to be carried out in such a way that the need for long- and short-term financing and liquidity is ensured. In addition, net interest expenses will be optimized at any time, taking the selected level of financial risk into account. 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 financing needs, liquidity and chosen interest rate risk. Hence, financial risk management is carried out on portfolio level. Portfolio management of borrowing means that an intra-Group transaction (e.g. an internal loan) is not duplicated by an identical external transaction. Instead, loans are drawn under short- or long-term credit agreements based on the Group's overall financing needs.

For cost-effective management of the interest rate risk, an assessment is made of the interest rate risk that occurs when a payment is made or a new loan is drawn with a short, fixed-interest term. Thereafter, interest rate derivative transactions are made in order to achieve the desired fixed interest term on the total amount of debts. The internal bank works with a cash pool system of bank accounts for the Group's liquidity flows.

Financing risk

Demands for long-term financing make Castellum look for long-term loan-to-maturity structure in credit agreements in order to limit financing 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 renewal occasion without any marginal breaking compensation or other compensation to lenders. The objective is to minimize interest-bearing liabilities, and cash must therefore primarily be used to repay debts outstanding.

In order to secure Castellum's need for liquidity and long-term financing, 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 MSEK 56,358 (57,240), of which MSEK 45,962 (45,120) were long-term and MSEK 10,396 (12,120) were short-term. Of the long-term credits utilized, MSEK 27,661 (33,208) were long-term bank credit agreements and MSEK 18,301 (11,912) were MTNs issued under Castellum's MTN and EMTN programs. Of the short-term credits, MSEK 1,738 (1,876) were short-term bank credits; MSEK 3,298 (2,250) were MTNs, and MSEK 5,360 (7,994) were commercial paper outstanding.

In 2018, Castellum terminated bank credit agreements totaling MSEK 6,500 and renegotiated and extended credit agreements totaling MSEK 15,400, which resulted in more favorable financing terms. This means that guarantees decreased by a total of MSEK 4,804. In addition, a loan agreement with an exchange value of MEUR 75 was utilized with the European Investment Bank (EIB). The loan carries a nominal value of MSEK 756, with a tenor of five years. Moreover, bonds totaling MSEK 2,250 matured, while bonds totaling MSEK 4,575 were newly issued during the year as part of Castellum's Swedish MTN program. Further, the first international bond issue was carried out in November under Castellum's EMTN program, which was launched earlier that same month. The issue was for a nominal amount of MEUR 500, with a tenor of five years. The majority of the issue was re-swapped to SEK.

At year end, the average duration of Castellum's long-term credit agreements was 3.4 years (2.7).

Credit agreements/limits	Amount, MSEK	Utilized, MSEK
Long-term credit agreements in bank	27,661	12,561
Short-term credit agreements in bank	838	838
Liquidity	900	-243
Total credit agreements	29,399	13,156
MTN program (MSEK 18,000 facility)	16,484	16,484
EMTN program (MEUR 2,000 facility)	5,116	5,116
Commercial papers (MSEK 10,000 facility)	5,360	5,360
Total	**56,358**	**40,115**

Debt maturity structure for credit agreements, presented in the table below, shows when in time the credit agreements fall due for renegotiation or repayment.

		Utilized in		
Credit agreement maturity structure	Agreements, MSEK	Bank	Bank MTN/Cert	Total
0–1 years	10,396	595	8,658	9,253
1–2 years	5,230	1,983	3,247	5,230
2–3 years	13,069	2,320	3,749	6,069
3–4 years	8,469	3,580	2,939	6,519
4–5 years	16,694	3,377	7,167	10,544
>5 years	2,500	1,301	1,199	2,500
Total	**56,358**	**13,156**	**26,959**	**40,115**

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 paper and MTNs/EMTNs with varying maturities. However, changes in both interest rates and credit margins will always have an impact on net financial items over time.

The interest coverage ratio is the financial measure that describes a company's risk level and resilience to changes in net interest. Castellum has the objective of an interest coverage ratio of at least 200%. For 2018, the interest coverage ratio was 454% (386%). The average fixed interest term at December 31, 2018, was 3.1 years (2.4), the average effective interest rate was 2.0% (2.4) and the average interest rate for the year was 2.2% (2.4).

Margins and fees for credit agreements are established with an average duration of 3 years (2.2).

The cash-flow effect on income for the next twelve months at an interest rate change of +/- 1% amounts to MSEK +/-82. 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.

Maturity	Credits, MSEK	Closing average interest rate	Volume fixed interest rate, MSEK	Closing fixed interest rate**	Volume floating interest rate***	Closing floating interest rate***	Average portfolio interest rate	Average fixed interest rate term
0–1 years	26,954	1.0%*	1,400	0.90%	-16,685	-0.3%	2.90%	0.2 years
1–2 years	1,600	1.40%	2,501	1.20%	–	–	1.30%	1.4 years
2–3 years	4,250	1.50%	2,500	0.90%	–	–	1.30%	2.4 years
3–4 years	1,150	2.10%	2,150	0.90%	–	–	1.30%	3.5 years
4–5 years	5,863	2.50%	234	2.20%	–	–	2.50%	4.8 years
5–10 years	298	2.30%	7,900	1.90%	–	–	1.90%	7.2 years
Total	**40,115**	**1.30%**	**16,685**	**1.50%**	**-16,685**	**-0.3%**	**2.00%**	**3.1 years**

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

Currency risk

Castellum owns properties in Denmark and Finland valued at MSEK 6,895 (5,671), which means that the Group is exposed to currency risk. Castellum is also exposed to currency risk through borrowing in euro. Currency risk in borrowing is fully hedged and hedge accounted through both cash flow hedging and hedging of fair value. The currency risk primarily occurs when income statements and balance sheets in foreign currency are translated into Swedish 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 MSEK -135.

Counterparty risk

Counterparty risk refers to the risk deemed to exist — at any given moment — that Castellum's counterparties will not fulfil their contractual obligations. The model is indicated in the "Receivables" section under "Accounting policies."

Castellum limits counterparty risk by requiring high credit ratings of counterparties. High ratings means that no rating agency indicates a rating that is below investment grade. Castellum's counterparties are the major Nordic banks.

Future cash flow

Future cash flows attributable to liabilities are shown in the table below. The assumption is made that a maturing loan is replaced by a new loan during the term of maturity of the underlying credit agreement and at a Stibor interest rate as listed at year end.

Future cash-flow loans				
Year	Loan, opening balance	Mature	Loan, closing balance	Interest expenses, MSEK
2018	40,115	-9,253	30,862	-531
2019	30,862	-5,230	25,632	-471
2020	25,632	-6,069	19,563	-369
2021	19,563	-6,519	13,044	-282
2022	13,044	-10,544	2,500	-167
2023	2,500	-719	1,781	-29
2023+	1,781	-1,781	0	-44
Total		**-40,115**		**-1,892**

Note 21 Accrued Expenses and Prepaid Income

	Group		Parent Company	
	2018	2017	2018	2017
Pre-paid rents	693	694	–	–
Accrued interest	127	121	126	121
Other	367	312	30	23
Total	**1,187**	**1,127**	**156**	**144**

Note 22 Pledged Assets

	Group		Parent Company	
	2018	2017	2018	2017
Pledged mortgages	21,803	32,397	–	–
Chattel mortgages	–	–	–	–
Long-term receivables, Group companies	–	–	17,387	27,688
Total	**21,801**	**32,397**	**17,387**	**27,688**

Not 23 Contingent Liabilities

	Group		Parent Company	
	2018	2017	2018	2017
Guaranteed commitments for subsidiaries	–	–	3,616	3,609
Total	**–**	**–**	**3,616**	**3,609**

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 equity	Carrying amount
Castellum Stockholm AB	556002-8952	Stockholm	100%	4,854
Castellum Mitt AB	556121-9089	Örebro	100%	5,507
Castellum Väst AB	556122-3768	Gothenburg	100%	3,579
Castellum Öresund AB	556476-7688	Malmö	100%	4,953
Castellum Norr AB	556594-3999	Sundsvall	100%	748
Fastighets AB Regeringsgatan	556571-4051	Gothenburg	100%	0
Fastighets AB Regeringsgatan 3	559154-9828	Gothenburg	100%	0
Castellum Innovation AB	559110-6538	Gothenburg	100%	37
Total				**19,678**

Principles for consolidation are described in the accounting policies.

	Parent Company	
Participations in Group Companies	2018	2017
Opening cost	19,661	19,403
Acquisitions	0	0
Paid shareholders' contribution	40	2,458
Impairment	-23	-2,200
Closing cost/carrying amount	**19,678**	**19,661**

Note 25 Long-term receivables, Group companies

	Parent Company	
	2018	2017
Opening cost	30,914	26,348
New lending to subsidiaries	-1,885	4,500
Currency translation	33	66
Closing cost/carrying amount	**29,062**	**30,914**

Note 26 Financial instruments

The different categories of financial instruments in the Group's balance sheet are presented in the table below.

Financial instruments 2018, MSEK	Amortized cost	Financial liabilities recognized at fair value via profit or loss	Derivatives used in hedge accounting	Financial liabilities valued at amortized cost
Assets				
Long-term receivables	8	–	–	–
Rent receivables	47	–	–	–
Other receivables	465	–	–	–
Cash and bank	243	–	–	–
Liabilities				
Interest rate derivatives	–	684	–	–
Currency derivatives	–	–	32	
Long-term liabilities	–	–	–	40,358
Accounts payable	–	–	–	141
Other liabilities	–	–	–	603
Total	**763**	**684**	**32**	**41,102**

Financial instruments 2017, MSEK	Loans and accounts receivable	Financial liabilities recognized at fair value via profit or loss	Derivatives used in hedge accounting	Financial liabilities valued at amortized cost
Assets				
Rent receivables	45	–	–	–
Other receivables	263	–	–	–
Cash and bank	203	–	–	–
Liabilities				
Interest rate derivatives	–	1,299	–	–
Currency derivatives	–	–	53	–
Long-term liabilities	–	–	–	38,226
Accounts payable	–	–	–	125
Other liabilities	–	–	–	336
Total	**511**	**1,299**	**53**	**38,687**

Financial instruments such as rent receivables, accounts payable and so on are recognized at amortized cost less any impairments, which is why fair value is deemed to agree with book value. Long-term interest bearing liabilities have primarily short-term interest conditions - and for long-term MTNs, the fair value must not differ significantly from nominal values - which in all entails that amortized cost corresponds to fair value.

Note 27 Balancing of liabilities attributable to financing activities

Group	Dec 31, 2017	Cash flow	Non-cash items: Change in value	Non-cash items: Amended exchange rate	Non-cash items: Amortization premium/discount	Dec 31, 2018
Long-term interest-bearing liabilities	38,226	2,025	0	30	77	40,358
Derivatives	1,352	-457	-179	0	0	716
Total liabilities attributable to financing activities	**39,578**	**1,568**	**-179**	**30**	**77**	**41,074**

Group	Dec 31, 2020	Cash flow	Non-cash items: Change in value	Non-cash items: Amended exchange rate	Non-cash items: Amortization premium/discount	Dec 31, 2017
Long-term interest-bearing liabilities	38,467	-241	0	1	-1	38,226
Derivatives	1,117	0	235	0	0	1,352
Total liabilities attributable to financing activities	**39,584**	**-241**	**235**	**1**	**-1**	**39,578**

Parent Company	Dec 31, 2017	Cash flow	Non-cash items: Change in value	Non-cash items: Amended exchange rate	Non-cash items: Amortization premium/discount	Dec 31, 2018
Long-term interest-bearing liabilities	34,303	2,353	0	79	3	36,738
Long-term interest bearing liabilities to Group companies	4,627	-916	0	0	0	3,711
Derivatives	1,352	-457	-179	0	0	716
Total liabilities attributable to financing activities	**40,282**	**980**	**-179**	**79**	**3**	**41,165**

Parent Company	Dec 31, 2016	Cash flow	Non-cash items: Change in value	Non-cash items: Amended exchange rate	Non-cash items: Amortization premium/discount	Dec 31, 2017
Long-term interest-bearing liabilities	27,912	6,391	0	-3	3	34,303
Long-term interest bearing liabilities to Group companies	3,902	725	0	0	0	4,627
Derivatives	1,117	0	235	0	0	1,352
Total liabilities attributable to financing activities	**32,931**	**7,116**	**235**	**-3**	**3**	**40,282**

The Group's and the Parent Company's interest rate and currency derivatives do not affect cash flow.

Note 28 Subsequent Events

On January 18, 2019, Castellum carried out an exchange transaction with the property company Lilium, in which Castellum acquired six properties in Linköping and sold twenty properties in Sundsvall. Occupancy and vacancy both take place on March 1, 2019.

On January 22, 2019, Castellum announced that Carola Lavén had been employed as the new Investment Director and Deputy CEO at Castellum AB. She will be part of Group Management and will take office by August 1, 2019 at the latest. The Financial Reports constitute part of the Annual Report and were signed by the Board of Directors on February 1, 2019. On January 29, 2019, Castellum announced the acquisition of the co-working company United Spaces for MSEK 200.

The Board of Directors of Castellum AB intends to propose to the Annual General Meeting a dividend of SEK 6.10 per share, to be paid on two occasions during the year. The statement of profit or loss and the balance sheet for the Parent Company and the Group will be adopted at Castellum AB's Annual General Meeting, which will take place on March 21, 2019.