

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	
	MSEK	SEK/share	MSEK	SEK/share
Income from prop. mgmt				
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	
	MSEK	SEK/share	MSEK	SEK/share
Net asset value				
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 NNAV)	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 NNAV	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