

The Castellum share

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

Castellum has a goal of 10% yearly growth in income from property management. The outcome for 2018 was 17%, and over the last ten years the average yearly increase was 8%.

17%

Increase in income from property management, SEK per share

SEK 176


Long-term EPRA NAV, SEK per share

22.3%

Total yield in 2018

SEK 6.10/15%

Proposed dividend in SEK/ increase in dividend, %



The running track on the roof of Castellum's property at Torsplan 2 in Stockholm continues to attract attention and is frequently used by the tenants, who can enjoy the view over the roofs of Stockholm during their workouts. Torsplan 2 is certified under BREEAM Outstanding, the highest environmental classification an office building can achieve, and has won several awards.

The Castellum share

Castellum is one of the major listed real estate companies in Sweden. The company is listed on Nasdaq Stockholm Large Cap. Castellum's market capitalization (i.e. the value of all outstanding shares in Castellum) amounted to SEK 44.6 billion (37.8), as of December 31, 2018. This corresponds to approximately 13% of the total market capitalization, SEK 336 billion, of Swedish real estate companies operating solely in this sector. The Castellum figure is just under 0.7% of the total market capitalization — approximately SEK 6,082 billion — of all listed Swedish companies.

The number of Castellum shares outstanding is 273,201,166. During 2018, a total of 300 million (273) shares were traded, equivalent to an average of 1,201,000 shares (1,086,000), per trading day, corresponding on an annual basis to a turnover rate of 110% (99%). The share turnover is based on statistics from Nasdaq Stockholm, Cboe CXE EU, Turquoise and Cboe BXE EU.

Proposed dividend

The Board intends to propose to the Annual General Meeting to approve a dividend of SEK 6.10 per share, an increase of 15% year-on-year. The payment is proposed to be distributed to the shareholders in two equal payments of SEK 3.05 each. The payout ratio amounts to 56%, based on income from property management before tax.

If the Annual General Meeting approves the Board's proposal, the record date for the first dividend will be Monday, March 25, 2019. This means that the final day for trading shares

including dividend is Thursday, March 21, 2019. Record date for the second dividend is Monday, September 23, 2019, meaning that the final day for trading shares including dividend is Thursday, September 19, 2019. The first dividend is planned for Thursday, March 28, 2019, and the second dividend is planned for Thursday, September 26, 2019.

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

Net asset value

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

Long term net asset value (EPRA NAV) can be calculated to SEK 176 per share (153). The share price at the end of the year was thus 93% (90%) of the long term net asset value.

6.10

The Board intends to propose to the Annual General Meeting to approve a dividend of SEK 6.10 per share, an increase of 15% year-on-year.

"Since 1997, Castellum's share has been listed on Nasdaq Stockholm Large Cap under the symbol CAST."

22.3%

During 2018 the total yield of the share, including dividend of SEK 5.30, was 22.3%.

WHY CASTELLUM IS OF INTEREST TO INVESTORS

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

STABLE GROWTH SINCE THE IPO IN 1997

Since 1997, Castellum has enjoyed annual growth in income from property management of 10% in SEK per share and an average annual dividend of 52% of income from property management.

STRONG BALANCE SHEET AND LOW FINANCIAL RISK

Castellum's goal is that the loan-to-value ratio should not permanently exceed 50%. At the end of 2018, it totalled 45%. The target interest coverage ratio is at least 200%. At year end 2018, it amounted to 454%.

WELL DIVERSIFIED PORTFOLIO

The focus is on commercial properties with a contract portfolio of approximately 5,900 customers from a variety of business categories reflecting Swedish, Danish and Finnish business life. Risk diversification is thus broad, and the single largest contract represents approximately 2%.

LOCAL OPERATIONS WITH FOCUS ON SUSTAINABILITY

Currently, Castellum is found in some 20 cities in Sweden as well as in Copenhagen and Helsinki, with local organizations for leasing, service and management.

CREDIBILITY THROUGH TRANSPARENCY

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

Net asset value

	MSEK	SEK/share
Equity according to the balance sheet	39,749	145
Reversed:		
Derivatives according to balance sheet	716	3
Goodwill according to balance sheet	-1,659	-6
Deferred tax according to 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
Short-term net asset value (EPRA NNNNAV)	44,318	162

*The actual net deferred tax liability has been estimated at 6% based on a discount rate of 3%. Further, assessments have been made that tax loss carry forwards are realized in 2 years with a nominal tax of 21.4%, giving a present value of deferred tax liability of 21%, and that the properties are realized in 50 years where 33% are sold directly with a nominal tax of 20.6% and that 67% are sold indirectly in corporate wrappers where the buyers tax discount is 8%, which gives a present value of deferred tax liability of 6%.

Earnings

In 2018, income from property management per share adjusted for nominal tax attributable to income from property management (EPRA EPS) amounted to SEK 9.65 (8.39). This results in a share price yield of 5.9% (6.1%) based on the share price by year end, corresponding to a multiple of 17 (16). This visible income from property management should be adjusted for the long-term increase in value of the property portfolio and effective tax paid.

Earnings after tax per share amounted to SEK 27.28 (21.51) in 2018. Based on the share price, this yields a return of 16.7% (15.5) corresponding to a P/E ratio of 6 (6).

Total yield

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

The Castellum share price at year end was SEK 163.35 (138.40), equivalent to a market capitalization of SEK 44.6 billion (37.8) calculated on the number of shares outstanding. The total yield of the share in 2018, including dividend of SEK 5.30, was 22.3% (15.4%).

Growth, yield and financial risk

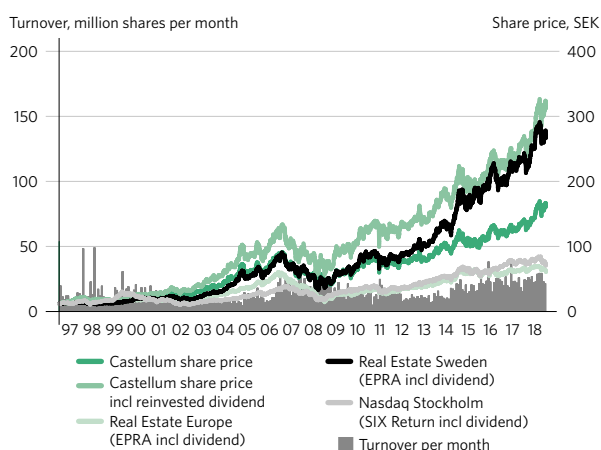
	2018	3 yrs avg/yr	10 yrs avg/yr
Growth			
Rental income SEK/share	8%	5%	4%
Income from prop. mgmt SEK/share	17%	9%	8%
Net income for the year after tax SEK/share	27%	20%	∞
Dividend SEK/share	15%	13%	8%
EPRA NAV SEK/share	15%	16%	9%
EPRA NNNNAV SEK/share	17%	17%	10%
Property portfolio SEK/share	10%	11%	8%
Change in property value	6.2%	5.7%	2.5%
Yield			
Return on EPRA NAV	18.5%	20.1%	12.6%
Return on EPRA NNNNAV	22.0%	20.0%	12.1%
Return on total capital	10.6%	10.1%	7.1%
Total yield of the share (incl. dividend)			
Castellum	22.3%	20.3%	16.1%
Nasdaq Stockholm (SIX Return)	-4.4%	4.7%	13.8%
Real Estate Index Sweden (EPRA)	15.3%	12.7%	18.6%
Real Estate Index Europe (EPRA)	-7.7%	0.0%	11.9%
Real Estate Index Eurozone (EPRA)	-8.2%	4.2%	12.2%
Real Estate Index Great Britain (EPRA)	-13.0%	-3.6%	8.1%
Financial risk			
LTV ratio	45%	48%	50%
Interest coverage ratio	454%	367%	333%

Dividend yield

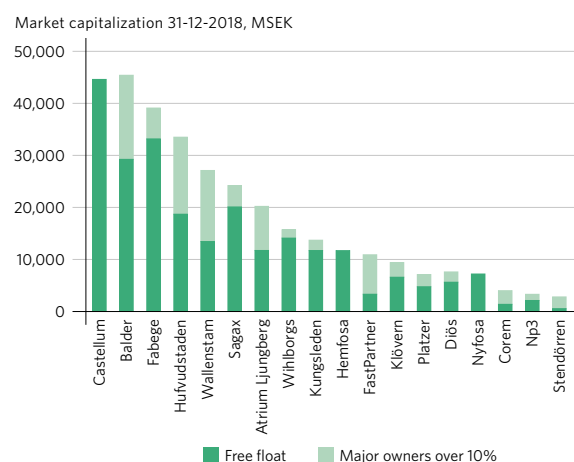
Dividend yield — the company’s dividend divided by the current share price — represents the yield shareholders receive in cash every year following the decision by the Annual General Meeting. The key ratio thus expresses the relationship between two different “spheres”: Castellum’s performance in the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

The proposed dividend of SEK 6.10 (5.30) corresponds to a dividend yield of 3.7% (3.8%) based on the share price at the end of the year.

THE CASTELLUM SHARE'S PRICE TREND AND TURNOVER FROM THE IPO MAY 23, 1997 UNTIL DECEMBER 31, 2018



LISTED REAL ESTATE COMPANIES



Source: Bloomberg, Holdings.se

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

In companies that manage real assets such as property, the income from property management only reflects a part — albeit a large one — of the overall result. The value of real assets is, by definition, protected: over time, and with proper maintenance, the trend in their value compensates for inflation.

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

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

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

		Sensitivity analysis	
		-1%-unit	+1%-unit
Income from prop. mgmt 2018	2,952	2,952	2,952
Change in property value (10-year avg)	2,099	1,259	2,938
As %	2.5%	1.5%	3.5%
Current tax, 9%	-268	-268	-268
Earnings after tax	4,783	3,943	5,622
Earnings, SEK/share	17.51	14.43	20.58
Return on EPRA NAV	10.5%	8.4%	12.5%
Earnings/share price	10.7%	8.8%	12.6%
P/E ratio	9	11	8

Shareholder value created

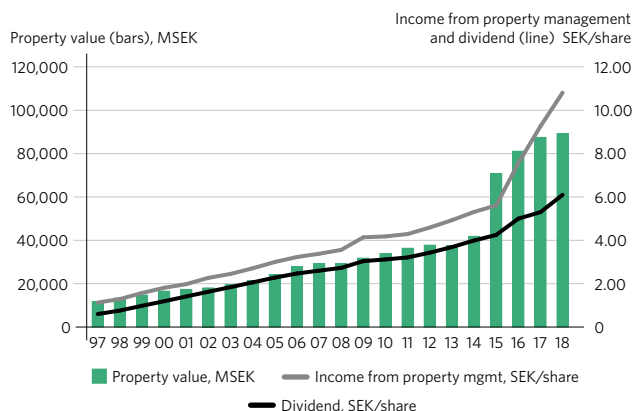
At the IPO in May 1997, Castellum's property portfolio amounted to approximately SEK 10 billion, income from property management to approximately MSEK 300 and shareholders' equity to approximately SEK 4 billion. Since then, Castellum has created shareholder value by increasing shareholder's equity to SEK 48 billion and a dividend of approximately SEK 11.5 billion has also been distributed as of December 31, 2018. The property portfolio grew over the same period to approximately SEK 89 billion at the end of 2018, while income from property management increased to MSEK 2,952.

Valuation

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

Over the short term, however, supply and demand for the share in question affects share price movements and sets the current share price. Factors affecting price in the short term (apart from current investor assessments of the share's long-term yield) include industry outlook, macroeconomic assessments, geopolitical events, allocation aspects, potential yield on alternative investments, and regulations. Over the long term, however, the company's actual performance in terms of total yield and growth become crucial to share price development. As shown in the table on page 58, Castellum has achieved a total average yield of 16% per year over the past ten years, of which dividend yield represents approximately 4% and share price development around 12%, with a risk level for the Swedish property market that is moderate. The average dividend growth for the same period amounted to 8% per year.

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



SHAREHOLDERS DISTRIBUTED BY COUNTRY, DECEMBER 31, 2018



Shareholders

Castellum had approximately 44,400 shareholders at year end, an increase of roughly 32% compared with year-end 2016. The proportion of registered shares abroad amounted to 55% at the end of the year. The largest owner constellations confirmed as of December 31, 2018, are shown in the table below.

Investor Relations

Investor relations are primarily based on quarterly financial reports, press releases related to significant commercial events

and presentations by Castellum. Presentations take place in connection with quarterly financial reports, visits from investors and analysts, and investor meetings both in Sweden and abroad. The large share of foreign shareholders means that there are extensive contacts with foreign investors. Additional market and financial information is provided on the Group's webpage www.castellum.com.

Repurchase of company shares

Castellum repurchased none of its own shares in 2018.

SHAREHOLDERS AS OF DECEMBER 31, 2018

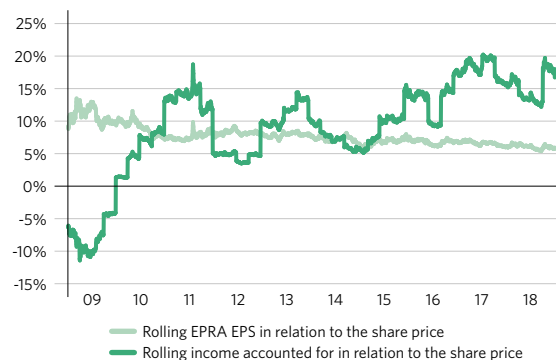
Shareholders	Number of shares, thousand	Percentage of votes/capital
Rutger Arnhult	15,209	5.6%
Stichting Pensioenfonds ABP	14,963	5.5%
BlackRock	13,677	5.0%
SEB Fonder & Liv	13,372	4.9%
PGGM Pensioenfonds	11,717	4.3%
Vanguard	9,061	3.3%
Szombatfalvy constellation	8,804	3.2%
AMF Försäkring & Fonder	8,234	3.0%
Lannebo Fonder	7,866	2.9%
Sixth Swedish National Pension Fund	6,701	2.5%
Norges Bank	5,477	2.0%
CBRE Clarion Securities	3,267	1.2%
SHB Fonder & Liv	3,224	1.2%
Länsförsäkringar Fonder	3,181	1.2%
State Street Global Advisors	3,179	1.2%
Principial Global Investors	3,126	1.1%
Folksam	3,125	1.1%
Nordea Fonder	2,005	0.7%
AFA Försäkring	1,830	0.6%
BMO Global Asset Management	1,693	0.6%
Cohen & Steers	1,635	0.6%
Avanza Pension	1,592	0.6%
Aberdeen Standard Investments	1,520	0.6%
Castellum Board and Executive Management	200	0.1%
Other shareholders registered in Sweden	46,939	17.2%
Other shareholders registered abroad	81,604	29.8%
Total shares outstanding	273,201,166	100.0%

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

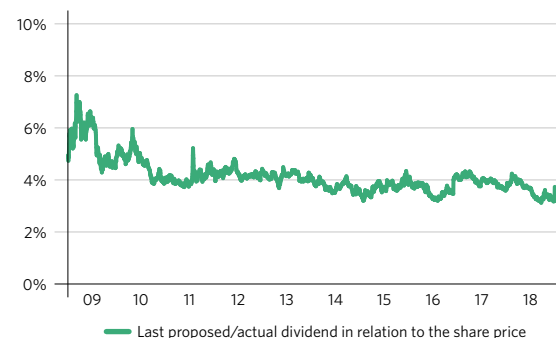
SHARE PRICE/NET ASSET VALUE



YIELD, EARNINGS PER SHARE



THE SHARE'S DIVIDEND YIELD



TEN-YEAR SUMMARY

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Key metrics, SEK/share										
Income	20.41	18.97	19.33	20.12	20.23	19.81	18.74	17.80	16.82	16.43
Income from property management	10.81	9.26	8.80	8.11	7.67	7.12	6.64	6.21	6.04	5.98
Net income for the year	27.28	21.51	21.20	15.24	6.41	9.03	7.79	3.76	10.39	0.85
Dividend (for 2018, proposed)	6.10	5.30	5.00	4.25	3.99	3.69	3.43	3.21	3.12	3.04
Property value	326	297	259	221	199	200	192	179	168	155
Valuation										
Income from prop. mgmt per share/Share price	6.6%	6.7%	7.0%	7.7%	7.2%	8.2%	8.3%	8.4%	7.6%	9.5%
Share price/Income from prop. mgmt per share	15	15	14	13	14	12	12	12	13	11
Income from prop. mgmt after tax per share (EPRA EPS)/Share price	5.9%	6.1%	6.6%	7.5%	6.8%	8.0%	7.9%	8.2%	7.2%	9.6%
Dividend/Share price (dividend yield)	3.7%	3.8%	4.0%	4.1%	3.8%	4.2%	4.3%	4.3%	3.9%	4.8%
Share price/EPRA NAV per share	93%	90%	94%	94%	107%	94%	92%	88%	100%	88%
Share price/EPRA NNNNAV per share	101%	100%	103%	105%	122%	103%	103%	98%	108%	99%
The share										
Market capitalization, MSEK	44,627	37,811	34,123	19,795	20,024	16,416	15,137	13,989	15,014	11,890
Total yield, Castellum share	22.3%	15.4%	23.8%	2.3%	26.9%	13.1%	13.0%	-3.1%	32.6%	27.4%
Nasdaq Stockholm (SIX Return)	-4.4%	9.5%	9.6%	10.4%	15.8%	28.0%	16.5%	-13.5%	26.7%	52.5%
Real Estate Index Sweden (EPRA)	15.3%	15.9%	7.2%	25.4%	37.1%	20.6%	16.2%	-13.0%	48.5%	24.0%
Real Estate Index Europe (EPRA)	-7.7%	13.4%	-4.5%	18.8%	26.5%	10.1%	28.7%	-9.2%	19.8%	33.7%
Real Estate Index Eurozone (EPRA)	-8.2%	17.7%	4.7%	17.4%	24.1%	5.6%	29.2%	-14.2%	15.5%	43.1%
Real Estate Index Great Britain (EPRA)	-13.0%	12.7%	-8.5%	12.1%	22.5%	22.6%	29.9%	-8.1%	7.9%	11.8%
Payout ratio, income from property management	56%	57%	57%	52%	52%	52%	52%	52%	52%	51%
Payout ratio, EPRA NAV	3.5%	3.4%	3.8%	3.8%	4.0%	4.0%	4.0%	3.8%	3.9%	4.3%
Share price, SEK										
Closing share price, final trading day of the year	163.35	138.40	124.90	104.73	105.94	86.85	80.08	74.01	79.43	62.91
highest share price during the year	170.25	140.00	133.50	125.38	108.02	93.27	81.99	84.60	79.61	63.99
lowest share price during the year	121.20	114.80	97.87	97.96	85.94	76.14	66.20	56.61	50.76	37.14
average (highest/lowest per day)	148.05	126.59	117.62	109.18	97.49	82.82	75.73	76.95	65.68	50.83
Number of shares, thousand										
average and outstanding	273,201	273,201	234,540	164,000	164,000	164,000	164,000	164,000	164,000	164,000
registered	273,201	273,201	273,201	172,008	172,008	172,008	172,008	172,008	172,008	172,008
Number of shareholders	44,400	38,000	30,000	19,100	16,300	12,200	9,900	9,400	10,000	8,900
Percentage of shareholders registered abroad	55%	50%	51%	50%	52%	62%	60%	51%	46%	46%
Turnover, thousand shares per year	300,200	272,600	285,000	188,379	133,083	106,266	129,276	150,482	152,186	191,129
Turnover rate per year	110%	99%	103%	114%	81%	65%	79%	92%	93%	117%
EPRA measures										
EPRA Earnings (Income from property mgmt after tax paid), MSEK	2,636	2,291	1,937	1,481	1,355	1,318	1,192	1,149	1,086	1,137
EPRA Earnings (EPS), SEK/share	9.65	8.39	8.26	7.84	7.17	6.97	6.31	6.08	5.75	6.02
EPRA NAV (long-term net asset value), MSEK	48,009	41,834	36,222	21,184	18,618	17,510	16,480	15,920	15,158	13,381
EPRA NAV, SEK/share	176	153	133	112	99	93	87	84	80	71
EPRA NNNNAV (Triple net asset value), MSEK	44,318	37,632	33,082	18,946	16,432	15,940	14,689	14,196	13,913	11,979
EPRA NNNNAV, SEK/share	162	138	121	100	87	84	78	75	74	63
EPRA Vacancy rate	7%	9%	9%	10%	11%	12%	11%	11%	11%	10%
EPRA Yield	5.1%	5.3%	5.5%	6.1%	6.4%	6.6%	6.7%	6.7%	6.6%	6.8%
EPRA "Topped-up" Yield	5.2%	5.4%	5.6%	6.3%	6.6%	6.7%	6.9%	6.8%	6.8%	7.0%

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