

# Acquisition of Norrporten AB

April 2016



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# Introduction

- Castellum to acquire Norrporten AB from AP2 and AP6
  - Strong strategic rationale
  - Property portfolio to increase by ~60%, to SEK ~71bn
  - Income from property management to increase by SEK ~1,060m
- AP2 and AP6 become long term shareholders in Castellum
- Price payable at closing of 13.4bn<sup>1)</sup> in cash and shares
  - SEK 10.4bn in cash and SEK 3.0bn by way of a directed issue of ~23.4<sup>1)</sup> million Castellum shares
  - Including dividend paid before closing, and based on the agreed price in the directed issue of SEK 133 per share, the total consideration received by AP2 and AP6 amounts to SEK 14.0bn
- Fully committed financing – in accordance with financial policy
  - Combination of bank debt, directed issue to sellers and a fully underwritten rights issue
- Support from shareholders representing more than 30 percent of capital and votes
- Closing subject only to single majority approval by an EGM



1) Based on the volume-weighted average price of the Castellum share during the 10-day period ending on 12 April, 2016, of SEK 129.5

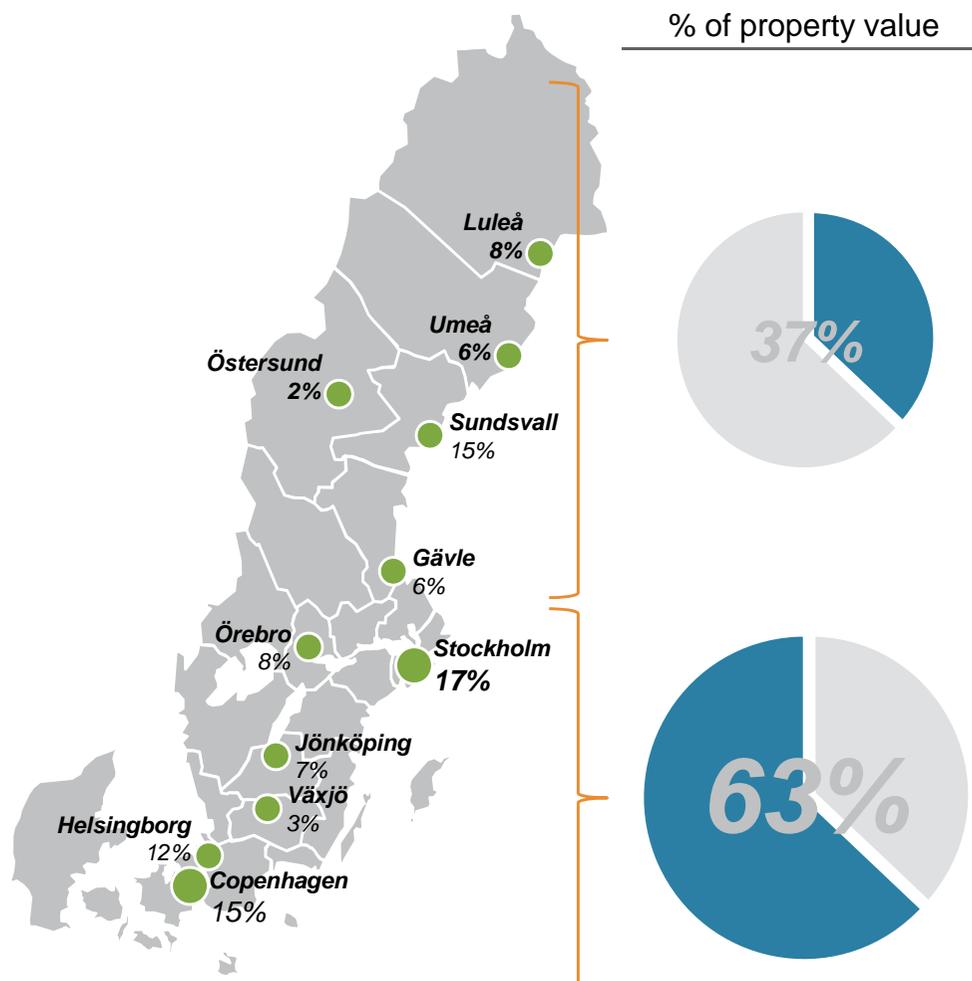


# Norrporten at a glance – Office pure play

## Office property company

<b>1.1</b> Million sqm lettable area	<b>SEK 25.8</b> Property value
<b>123</b> Properties	<b>SEK 13.5bn</b> EPRA NAV
<b>100%</b> Office and retail properties	<b>SEK 2.0bn</b> Rental value
<b>38%</b> Public sector tenants	<b>5.7%</b> Yield <sup>1</sup>
<b>22</b> Years in operations	  Current shareholders

## Focus on urban growth centres



## Strong market position

- Focus on offices in urban growth centres**
- Portfolio of high quality office properties in prime micro-locations in city centres**
- Best-in-class tenant satisfaction and strong occupancy rates**
- Strong tenant base and long-term leases**
- Strong focus on ESG – One of the Nordics' greenest property companies<sup>2</sup>**

Source: Norrporten information as of and for the twelve month ended 31 December 2015. 1) Weighted average valuation yield at 31 December 2015. 2) According to the Global Real Estate Sustainability Benchmark 2015.



# Fundamentally supportive for Castellum's strategy

**High density in central locations within high growth areas**

**Office pure play – drives quality of property portfolio**

**Strengthened offering to broadened customer base**

**Synergies through combination,  
and good fit with Castellum's new organization**

**Lower risk due to  
diversification of tenants,  
sectors and broadening  
of customer offering**

**Better positioned to reach  
10% annual growth in  
income from property  
management**

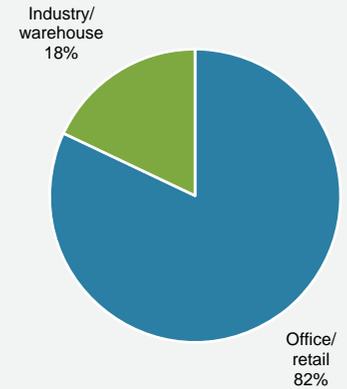
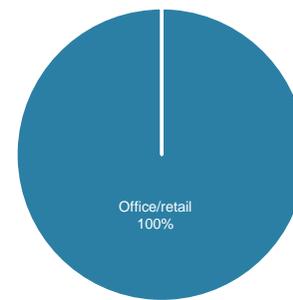
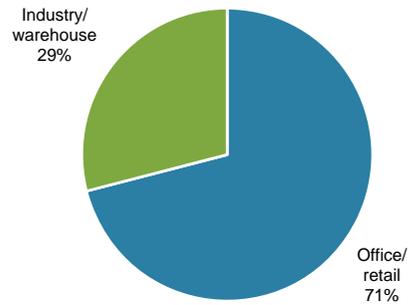
# Strengthening of property portfolio

Castellum  
(31 March 2015)

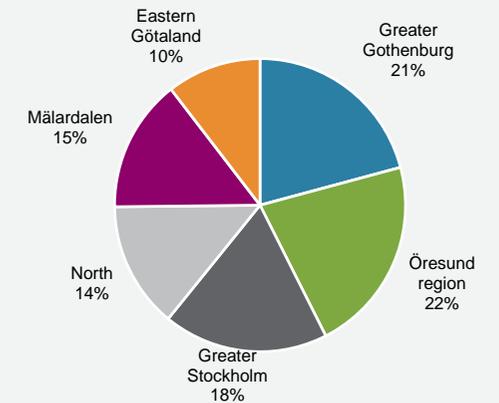
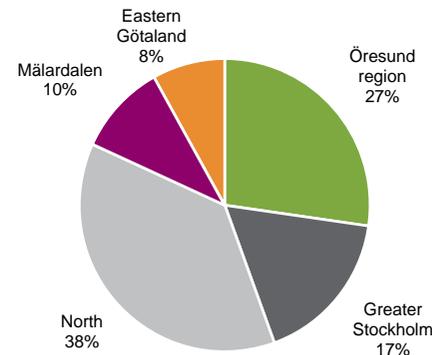
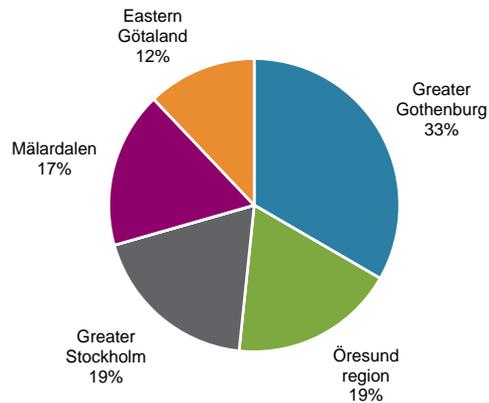
Norrporten  
(31 Dec 2015)

Combined

*Property value by property category*



*Property value by geography*



# Strong position in attractive growth areas

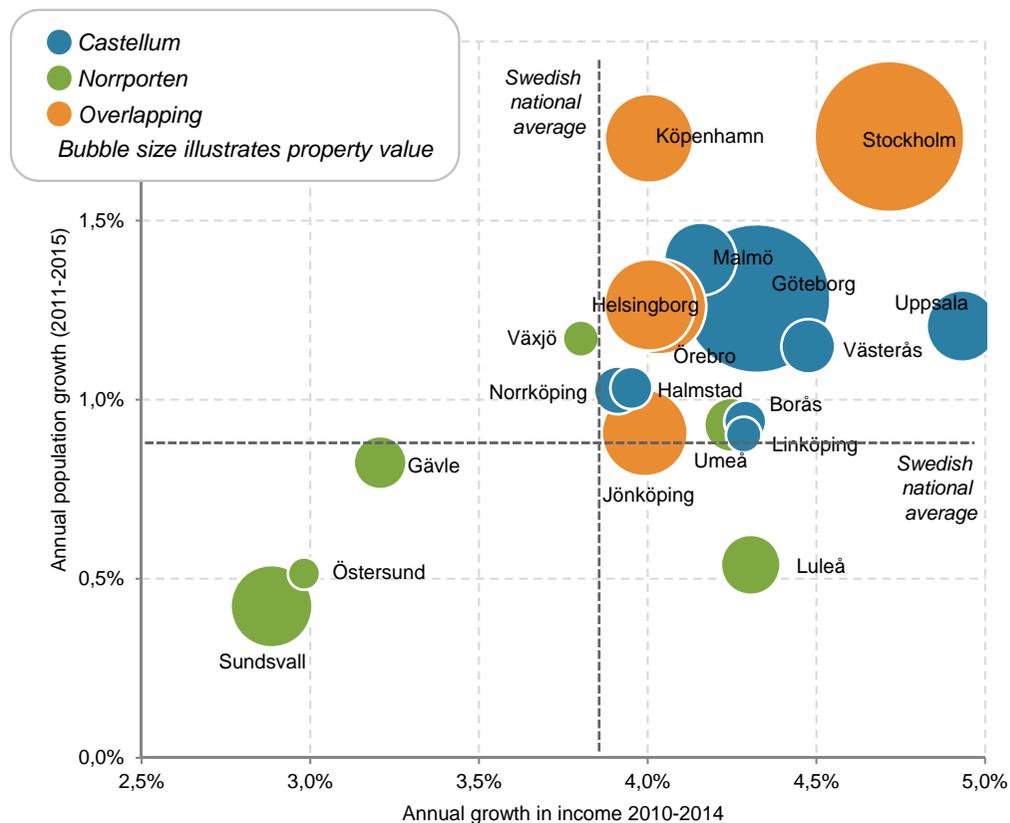
## Property Index – Sweden's top 24 fastest growing municipalities

Municipality	Growth ranking	Population growth (2010-2015)	Average income 2014 (SEK'000) <sup>1</sup>	University	Airport	Comment
Stockholm	1	8.7%	323.6	✓	✓	Complement
Gothenburg	2	6.5%	270.0	✓	✓	Existing
Lund	3	5.6%	268.2	✓	✓	Existing
Uppsala	4	6.1%	272.3	✓	✓	Existing
Helsingborg	5	6.6%	259.1	✓	✓	Complement
Malmö	6	7.7%	234.4	✓	✓	Existing
Jönköping	7	4.6%	263.0	✓	✓	Complement
Umeå	8	4.5%	260.8	✓	✓	New market
Linköping	9	4.4%	263.2	✓	✓	Existing
Luleå	10	2.6%	268.8	✓	✓	New market
Örebro	11	6.3%	254.3	✓	✓	Complement
Västerås	12	5.7%	272.9	✓	✓	Existing
Halmstad	13	5.5%	255.4	✓	✓	Existing
Östersund	14	2.8%	253.4	✓	✓	New market
Växjö	15	6.0%	259.5	✓	✓	Re-investment
Norrköping	16	5.3%	247.8	✓	✓	Existing
Kalmar	17	4.5%	253.9	✓	✓	Not prioritized
Karlstad	18	4.0%	254.1	✓	✓	Not prioritized
Borås	19	4.9%	253.9	✓		Existing
Sundsvall	20	2.0%	270.1	✓	✓	New market
Falun	21	1.8%	265.7	✓		Not prioritized
Gävle	22	4.0%	259.4	✓		New market
Eskilstuna	23	5.8%	239.8	✓		Not prioritized
Trollhättan	24	3.3%	246.3	✓	✓	Not prioritized
Copenhagen	1	9.3%	279.9	✓	✓	Complement

Complement acquisition

New market area

## Population and income growth



Approx. 70% of portfolio located in attractive growth areas above Swedish national average

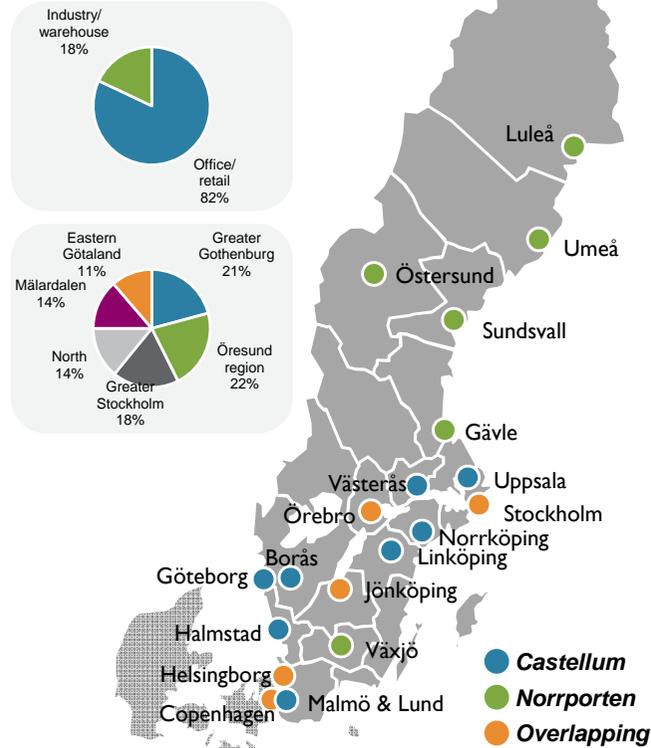
Source: Danmarks Statistik, NAI Svefa, Svensk fastighetsmarknad, Fokus 24 orter. Höst 2015, SCB, Statbank. Norden Statistics

1) Average income considers income from employment (Sw: förvärvsinkomst)

# Improved quality of property portfolio

## Complementary geographic presence

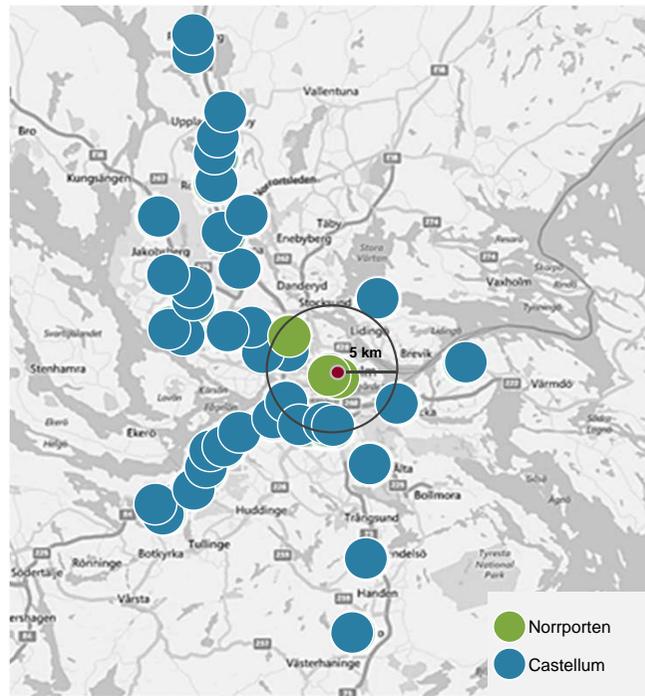
Combined property value by property category and geography:



- Present in attractive regions
- Large value overlap with little cannibalization

## Attractive micro-locations

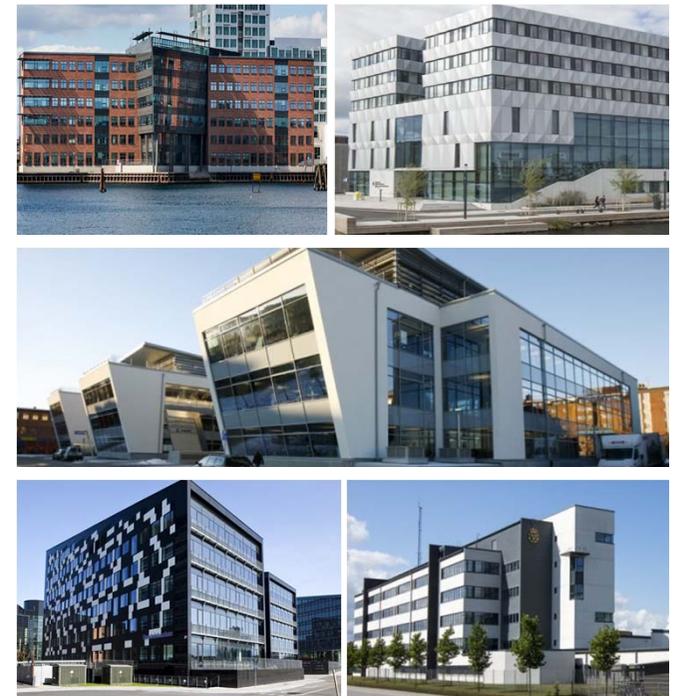
Stockholm case study



- Complementary micro-locations
- Attractive properties in central locations

## Well-invested, high quality properties

Example of Norrporten's well-invested portfolio



- High quality properties
- Low environmental and technical risk in portfolio

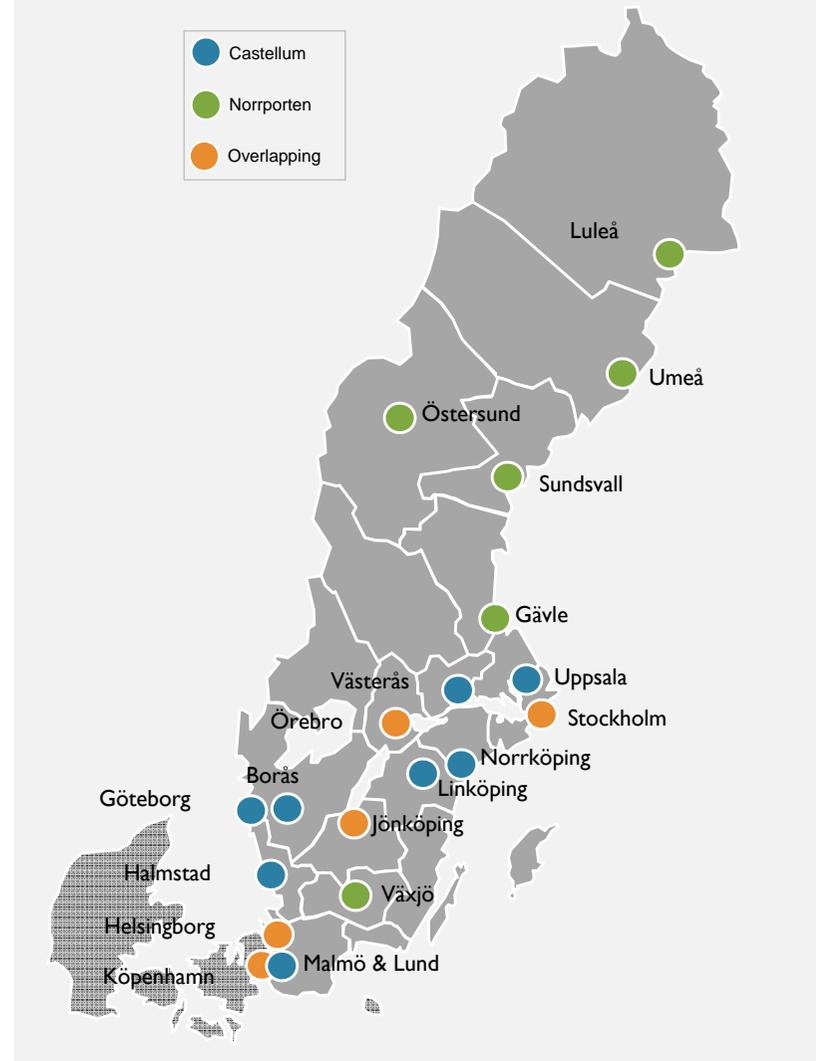


# Strategic direction

- High density in central locations within high growth areas
- Efficient management and strong customer focus
  - Benefit from strengths of both organisations
- Strong combined development portfolio
- Overview of combined portfolio post acquisition
  - Properties subject to evaluation in amount of approx. SEK 4.0bn

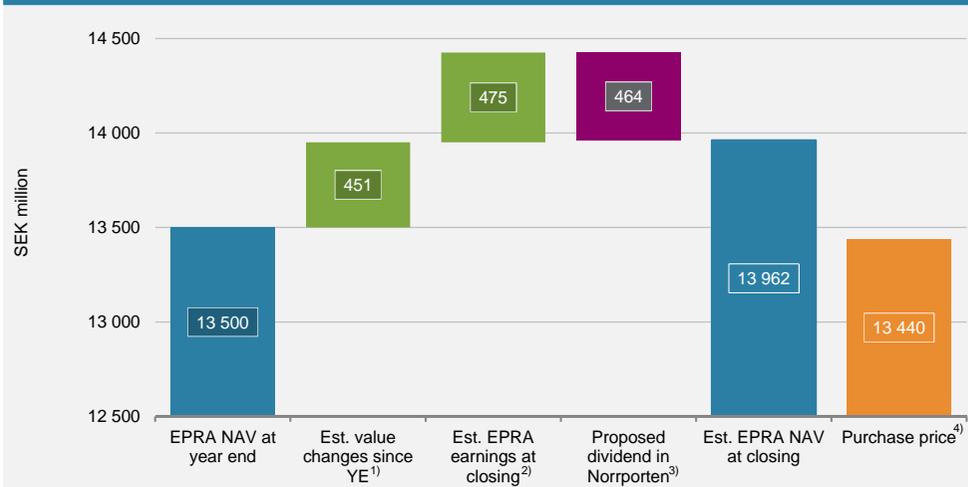


## The combined geographical footprint



# Financial aspects of acquisition

## Purchase price vs. NAV



- Purchase price – 96.3% of estimated EPRA NAV at closing
- Synergies of approx. SEK 150 million to be realized in 12-18 months at cost of SEK 25 million

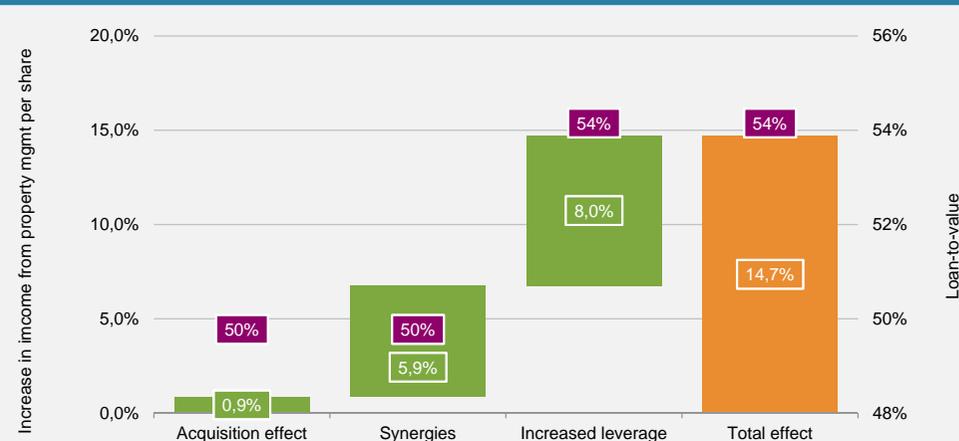
1) EPRA NAV adjustments on the basis of Castellum's estimation of the property values in Norrporten since year end

2) Estimated EPRA earnings in Norrporten during 2016 up until closing

3) Proposed but not yet distributed dividend in Norrporten

4) Purchase price of SEK 10.4bn in cash and 23 million shares at VWAP

## Earnings accretion per share



- 14.7% accretion in income from property management per share
  - 6.8% (including synergies), at unchanged LTV
  - 8.0% from increase leverage

1) Increase in number of shares based on current VWAP 10D per share of SEK 129.49

Attractive terms for Castellum's shareholders

# Fully committed financing in place

1. Secured bank debt of SEK 3.9 billion
  - New and unutilized credit facilities
2. Directed issue to AP2 and AP6 of SEK 3.1 billion
  - 23.4 million shares issued at price of SEK 133
  - SEK 3.1bn based on issue price (SEK 3.0bn based on 10D VWAP price of SEK 129.5)
3. Fully underwritten rights issue of SEK 6.5 billion
  - To be executed after approval from competition authorities
  - Terms to be resolved on EGM, around 20 May 2016
  - Fully underwritten by a consortium of banks

Uses:	SEK Bn	%
Cash purchase price	10.4	78%
Directed share issue to Sellers	3.0	22%
<b>Total</b>	<b>13.4</b>	<b>100%</b>

Sources:	SEK Bn	%
Use of new and unutilized credit facilities	3.9	30%
Rights issue	6.5	48%
Directed share issue <sup>1)</sup>	3.0	22%
<b>Total</b>	<b>13.4</b>	<b>100%</b>

1) Increase in number of shares based on current VWAP 10D per share of SEK 129.5

# Pro forma current earnings capacity and balance sheet

## Pro forma current earnings capacity

SEKm	Castellum Apr-Mar 2016	Norrporten Jan-Dec 2015	Adjust- ments	Pro forma	Δ
Rental income	3,493	1,857		<b>5,350</b>	53%
Property costs	(892)	(449)		<b>(1,341)</b>	50%
Leasing and property administration	(242)	(139)		<b>(381)</b>	57%
<b>Net operating income</b>	<b>2,359</b>	<b>1,270</b>		<b>3,628</b>	<b>54%</b>
Central administrative expenses	(113)	(78)		<b>(191)</b>	69%
Net interest costs	(634)	(217)	(60)	<b>(911)</b>	44%
<b>Income from property management</b>	<b>1,612</b>	<b>975</b>	<b>(60)</b>	<b>2,527</b>	<b>57%</b>
<i>Interest coverage ratio</i>	<i>354%</i>	<i>550%</i>		<b><i>377%</i></b>	

- Significant step in size
  - Investment properties up 59%
  - Rental income up 53%
  - Income from property management up 57%
- In line with financial policy
  - Net loan-to-value of 54% (policy max 55%)
  - Interest coverage ratio of 377% (policy min 200%)

## Pro forma balance sheet

SEKm	Castellum 31 Mar 2016	Norrporten 31 Dec 2015	Adjust- ments	Pro forma 31 Mar 2016	Δ
<b>ASSETS</b>					
Investment properties	44,773	25,751	451	<b>70,975</b>	59%
Goodwill	140		1,674	<b>1,814</b>	
Receivables and other	391	458		<b>849</b>	
Liquid assets	150	195		<b>345</b>	
<b>Total assets</b>	<b>45,454</b>	<b>26,404</b>	<b>2,125</b>	<b>73,983</b>	
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
Shareholders' equity	15,556	11,754	(2,225)	<b>25,085</b>	61%
Deferred tax liabilities	4,593	1,423	436	<b>6,452</b>	
Derivatives	1,271	381		<b>1,652</b>	
Interest-bearing liabilities	22,650	12,035	3,450	<b>38,599</b>	70%
Other liabilities	1,384	811		<b>2,195</b>	
<b>Total equity and liabilities</b>	<b>45,454</b>	<b>26,404</b>	<b>2,125</b>	<b>73,983</b>	
<i>Net loan-to-value</i>	<i>50%</i>	<i>46%</i>		<b><i>54%</i></b>	
<i>Equity ratio</i>	<i>34%</i>	<i>45%</i>		<b><i>34%</i></b>	

### Earnings capacity assumptions:

- Assuming that the property portfolios of Castellum as at 31 March 2016 and Norrporten as at 31 December 2015 were held for the entire twelve month period preceding the respective dates
- Central administration costs as outcome and adjusted for one-offs
- Net interest costs based on average interest rate at period end, including full effect of derivatives. 2.8% for Castellum and 1.8% for Norrporten.

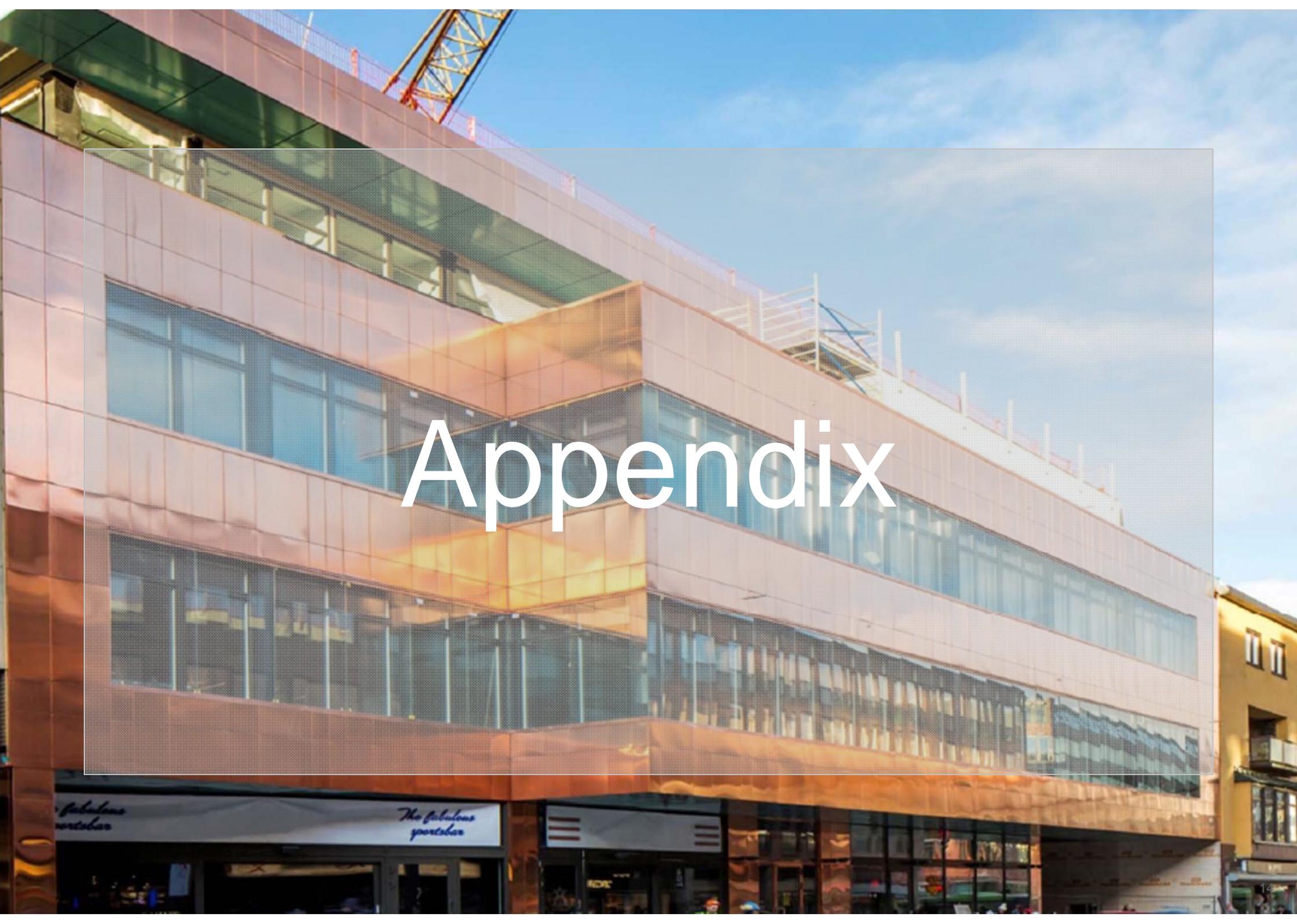
### Balance sheet assumptions:

- Castellum's balance sheet based on 31 March, 2016
- Norrporten's as at 31 December, 2015, adjusted for proposed dividend of SEK 464 million and estimated change in property values during Q1-2016 of SEK 451 million
- Purchase price of SEK 10.4bn and 23.4 million shares in Castellum at VWAP 10D reduced by cash flow of SEK 475 million until closing totalling SEK 12.9 million, financed by a rights issue of SEK 6.5bn, a share consideration of SEK 3.0bn and new debt of SEK 3.4bn

# Summary

- Strong fit with Castellum's strategy
  - 70% of portfolio is central locations in strong growth markets
  - Pure office play → improved portfolio quality
  - Stronger offering to broader customer base
  - Good organizational fit
- Better positioned to reach 10% annual growth in income from property management – at lower operational risk
- Attractive terms for Castellum's shareholders
  - Purchase price – 96.3% of estimated EPRA NAV at closing
  - ~15% accretion in income from property management/ share
  - Synergies of SEK 150 million per annum
- Fully committed financing in place and support from shareholders representing >30% of the capital and votes
- Closing expected no later than 30 June 2016





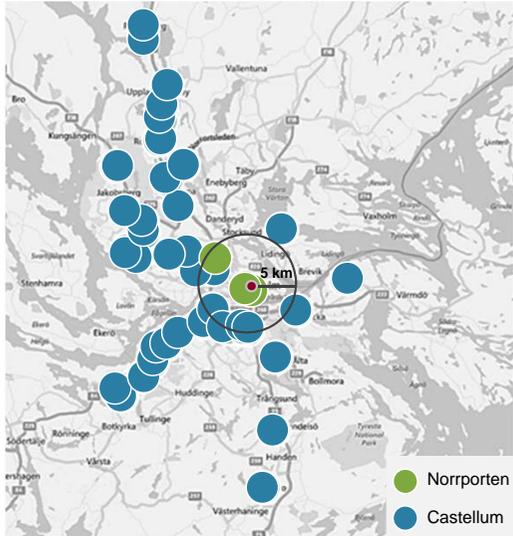
# Appendix

*The fabulous  
sportsbar*

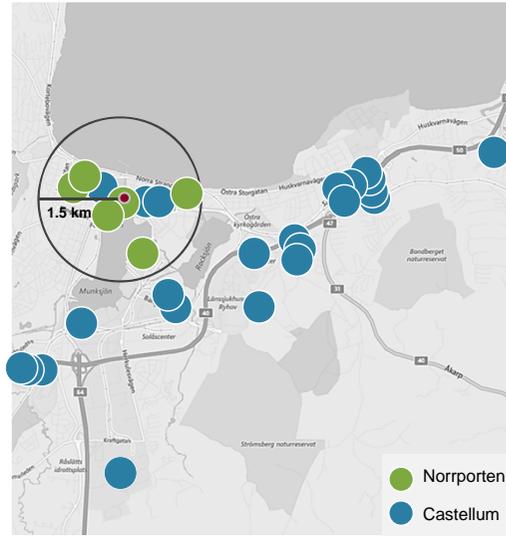
*The fabulous  
sportsbar*

# Attractive micro locations – Properties in CBD

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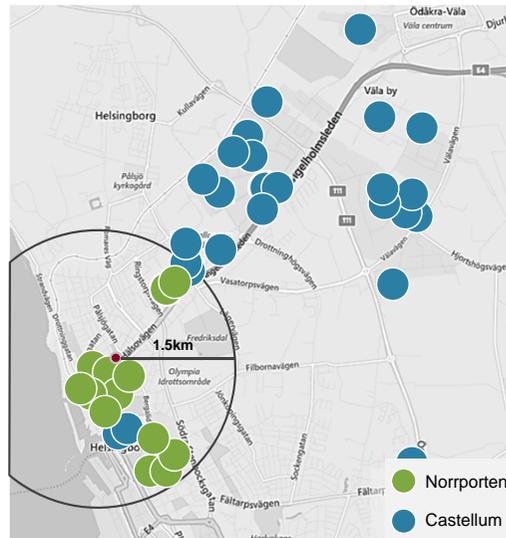
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# Examples of Norrporten's high quality property portfolio

**Lejonet 11, Luleå**



**Norr 15:7, Gävle**



**Porten 1, Örebro**



**Magne 4, Umeå**



**Klassföreståndaren 3, Stockholm**



**Götaland 5, Jönköping**



**Tingshuset 7, Östersund**



**Läkaren 10, Stockholm**



**Högkvarteret 2, Helsingborg**



**Järnvägsstationen 2, Sundsvall**



**Havneholmen 25, Copenhagen**



**Kalvebod Brygge 45, Copenhagen**

