

Dear Shareholders,

All companies, including Castellum, can be described based on four pillars: products, customers, employees and finances.



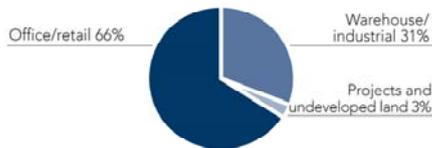
The approach to these factors forms a company's strategy, while the long-term earnings are a measurement of how successful the strategy is.

It is impossible to put one factor over another, as all four factors depend on and require each other, but I will start with our product, that is, business premises for rent, preferably for the Swedish market.

## Real estate portfolio

- 32 billion
- 3,3 million sq.m.
- 16 growth cities

### Property value by type



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As you know, Castellum owns no residential properties.

So, what then is a good premise from the customer's point of view?

Appropriate, with right location, right price at a specified quality and good service.

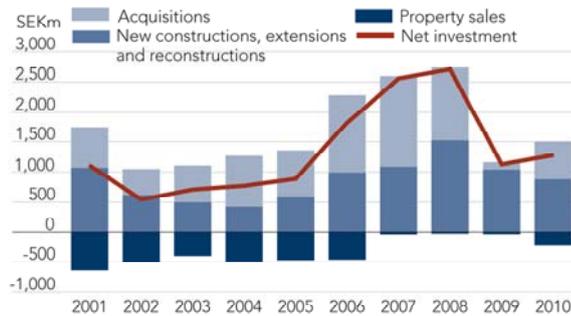
As for “appropriate”, Castellum has a good mix of what the business is demanding; in terms of value about two-thirds are office/retail while one-third is warehouse/logistics/industrial.

As for “right location”, we are located to towns/cities that show a good development and growth. Two weeks ago, we also added another city, Copenhagen, Denmark, which is an obvious region if you want to cover the Öresund area.

As we have premises in a range from very central locations to good working areas in all towns and cities, except in Stockholm city where we consider the yield far too low, we can offer premises in all price ranges.

In Castellum's business concept lies that we at all times, and especially in an economic upturn, have products to sell, i.e. have a stock of vacant premises. We certainly have a lot of vacant space, but these are not evenly distributed throughout the portfolio, why we in some places and in certain categories are short of vacant premises. This is particularly true for Gothenburg.

## Investments



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We are therefore happy to invest in properties with vacancies or with some other kind of development potential. We do this primarily through new construction, extension or reconstruction, but also by acquisition of existing properties where we can add a value.

In 2010 we invested more than SEK 1.5 billion and sold for a quarter of a billion. Our ambition and capacity is to increase the investment pace to SEK 2 billion per year, net value.

## Investments



Some examples of investments are:

Upper left: new construction of an office building in Jönköping, at about 7 700 square meters for SEK 115 million. The project started in the middle of the crisis, in 2008, without any tenants, but is now almost fully leased.

Upper right: new construction, extension or reconstruction of an old warehouse property in Uppsala which has been converted to commercial space. The final stages are amounting to approximately SEK 160 million and are expected to be completed by the end of the year. The property is leased to about 80%, with ongoing negotiations on virtually all of the remaining 20%.

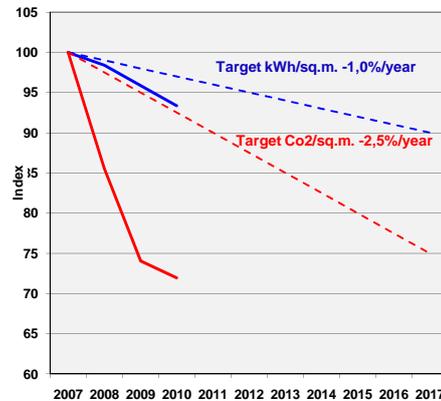
Lower left: On Forskaren in Lund, we have previously built 27 500 square meters and are now completing with an additional 7 900 square meters at SEK 150 million. It will be finished in slightly more than one year. It is currently leased to 10% with many good ongoing negotiations for the rest.

Lower right: A project we have just now started is located in Västra Hamnen in Malmö, where we are building approximately 6 000 square meters of office space for SEK 150 million. The project is scheduled to be finished by the middle of the next year.

And finally, in the center, we recently acquired land in Lindholmen, on Västra Älvstranden (the western riverbank) in Göteborg, opening up for new office space. We have already started drawing documentation.

## Responsible Business

- Environmental policy since 1995
- A natural part in the property management
- Low energy consumption
- Awards as an acknowledgment

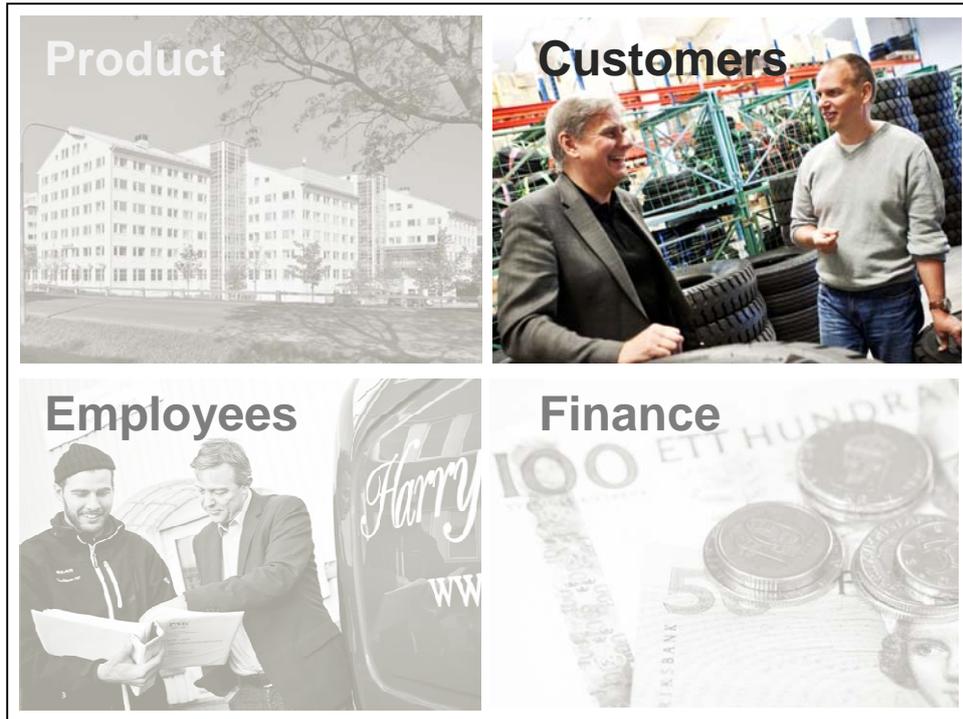


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As in all other industries, it is difficult to sell products that are not socially accepted by industry and society. In our industry, environmental issues are of concern. Here we can conclude that Swedish building regulations have been on the leading edge for a long time, forced by the Swedish winter weather. Ever since Castellum was founded these principles have been a natural part of our management.

We are grateful for all awards we have received for the classification system now being introduced – our contribution to improving the environment is to further reduce energy consumption. As for carbon dioxide emissions, we are unfortunately in the hands of district heating suppliers and the fuel mix they use.

In 2007 new targets were defined: from already low consumption levels, in a 10 year period fuel consumption should be reduced by 10% and carbon dioxide emissions by 25%. As shown in the graph Castellum is well on its way to reach these targets.



In summary: we already have good products, but no doubt we have to improve the products even more.

Next item is our customers – so crucial for all activities.

## Customers

- 4,500 customers
- Customers distributed in
  - geograhy
  - purpose
  - sectors
  - length of contracts
  - size
- Own leasing activity



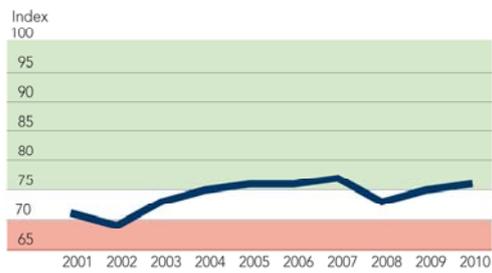
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Castellum has many customers – about 4,500 with a good spread, in many aspects.

In short, the customers are a reflection of the Swedish domestic economy – a healthy Swedish economy is good for our customers and therefore good for Castellum.

Leasing activities are in the vast majority of cases performed by our own staff. Of all new contracts, about 30% are generated from existing customers, about 40% through our own contact network and recommendations, about 20% from advertising and only 7% from brokers.

## Customers



Index in the red zone requires action, white zon is good and green is very good.

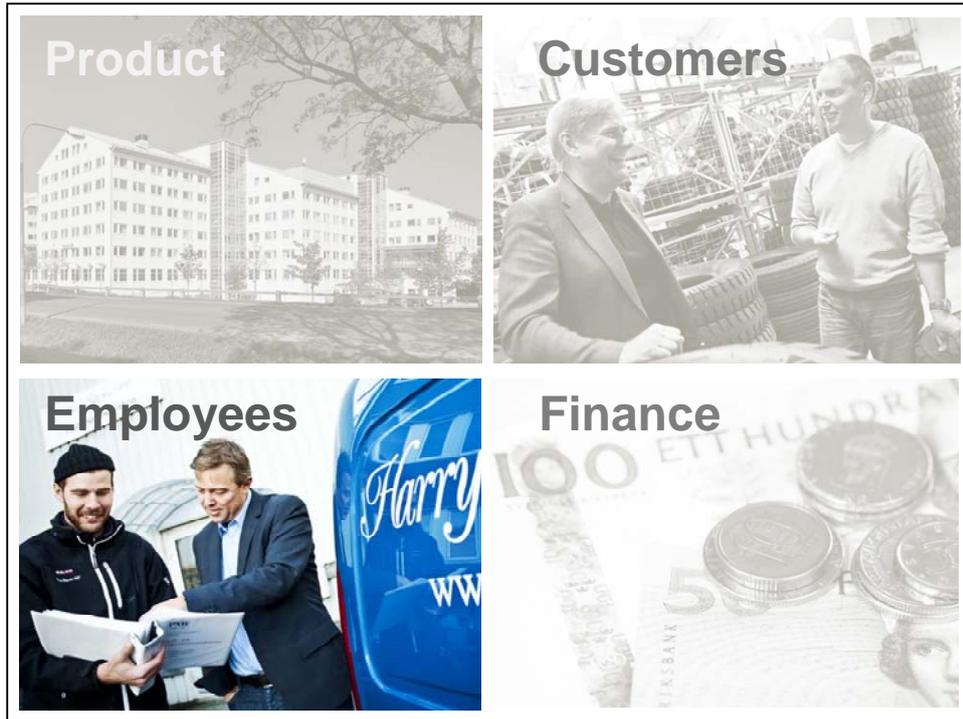


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But it is not enough to have many customers and a good risk spread. We must be able to live up to our customers' expectations, delivering the right product and the right service at the right price. Satisfied customers are a prerequisite for achieving the economic growth objectives.

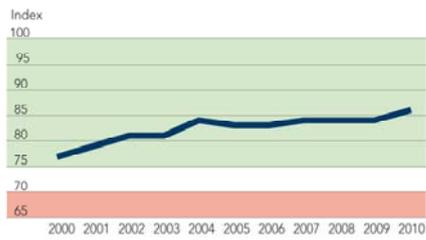
For us in Castellum, the annual Customer Satisfaction Index survey is of utmost importance. With an index of 76, we are showing high scores both in nominal terms and relative to other real estate companies.

But you may never relax; you have to go on with continuous improvements.



A condition for getting satisfied customers is to have dedicated employees who think their job is stimulating and pleasant.

## Satisfied employees



Index in the red zone requires action, white zon is good and green is very good.



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Our Employee Satisfaction Index 86 is very high, showing that we have highly satisfied employees. Of course it is also pleasing to know that 96% of all employees believe that we have an equal workplace.

## Service management with focus on the customers

- Decentralized and small-scale organization with local brands
- Local presence gives knowledge about the customer and the local trade and industry
- One of the three largest



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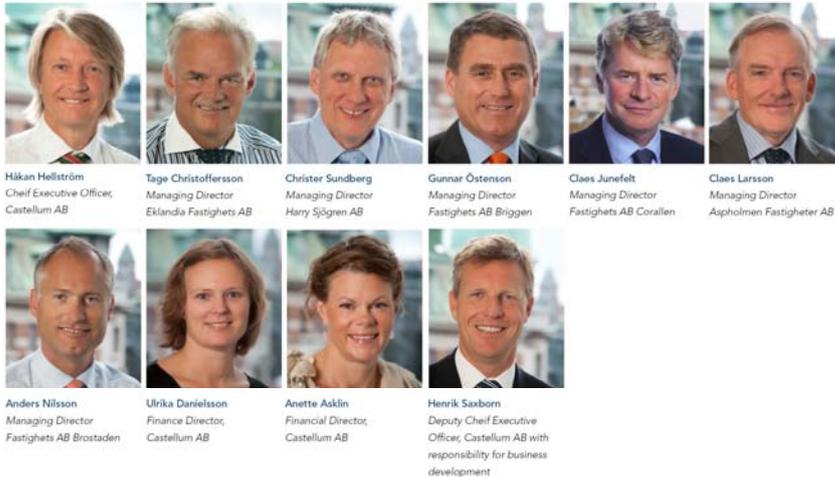
I am convinced that the explanation for Castellum's high levels of both customer and employee satisfactions is a decentralized, small-scale organization with wholly owned subsidiaries with their own brands.

Own staff in local companies close to customers and local markets is a prerequisite for maintaining a high service level and to find good new business opportunities.

Overall, at the turn of the year we were 229 colleagues, 215 in the six subsidiaries and 14 in the parent company Castellum AB.

I will now take the opportunity to introduce both our subsidiaries, in order from west to east, as well as Castellum's management group.

## Executive Group Management



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– My name is Tage Christoffersson. I'm the CEO of Eklandia which manages property for SEK 5.5 billion in Gothenburg.

– My name is Christer Sundberg and I'm the president of Harry Sjögren. We own real estate for SEK 4.7 billion in Gothenburg, Mölndal, Kungsbacka, Borås, Alingsås and Halmstad.

– Gunnar Östenson, president of Briggen with properties in Malmö, Lund, Helsingborg and now also a property in Copenhagen, Denmark totaling SEK 6.7 billion.

– And my name is Claes Junefelt, CEO of Corallen. We manage properties in Värnamo, Jönköping, Växjö and Linköping for a total of SEK 3.6 billion.

– My name is Claes Larsson, CEO of Aspholmen with properties for SEK 4.8 billion located in Örebro, Västerås and Uppsala.

– Anders Nilsson is my name and I am president of Brostaden. Brostaden manages properties worth SEK 6.4 billion in Greater Stockholm.

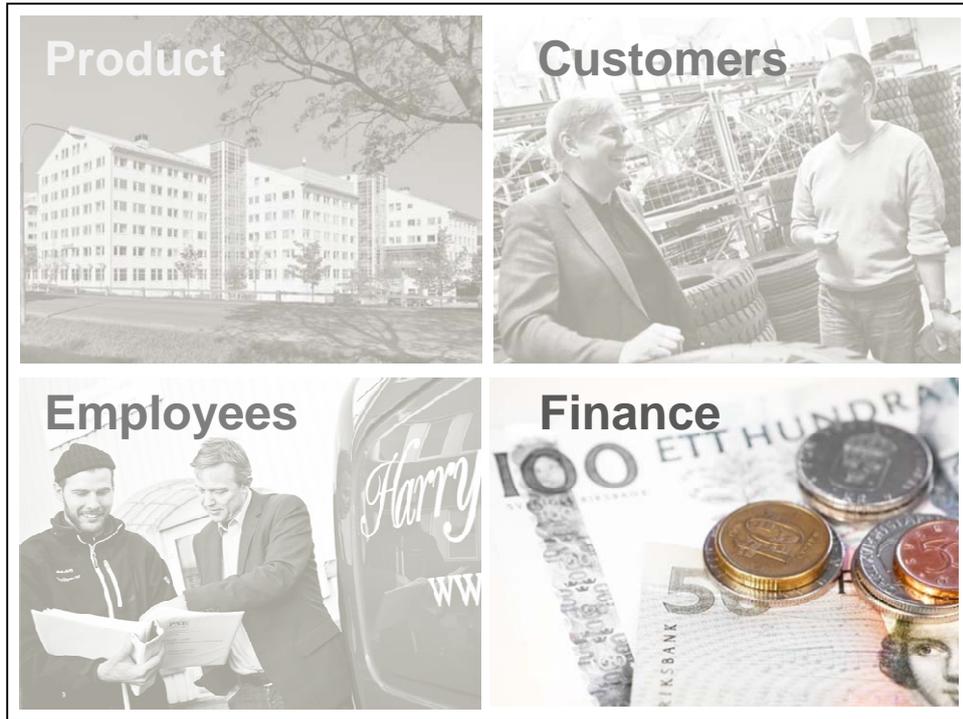
At the parent company Castellum AB, we are 14 employees, of which three are on the management team:

– My name is Ulrika Danielsson, Finance Director, responsible for among other

things good financial monitoring systems and a high quality of all information provided to the stock market

– Anette Asklin is my name, Financial Director, responsible for funding and financial risk management for Castellum's credit portfolio, amounting to approximately SEK 15 billion.

– Henrik Saxborn, Deputy Chief Executive Officer, in charge of business development. Together with Håkan I am sitting on our subsidiaries' boards, where also each respective CEO is a member.



Last but not least – to be able to go forward and develop you need strong finances.

## Balance sheet

<i>SEKm</i>	<i>Dec 31, 2010</i>		<i>Dec 31, 2009</i>
Investment properties	31,768	9,500 SEK/sq.m. 7.2% yield	29,267
Other assets	168		209
	31,936		29,476
Equity	11,082	} NAV SEKm 15,158 / SEK 92	9,692
Deferred tax liability	3,502		2,824
Räntederivat	574		865
Interest-bearing liabilities	15,781	LTV 50% / 5,0 year	15,294
Non interest-bearing liabilities	997		801
	31,936		29,476

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Castellum has a strong balance sheet, SEK 32 billion of property value, to 50% financed with interest-bearing liabilities and to 50% with equity and equity-related items.

## Income statement

<i>SEKm</i>	<i>Jan-Dec 2010</i>		<i>Jan-Dec 2009</i>
Rental income (fully let)	3,114	SEK 974 / sq.m.	3,026
./. Vacancies	- 355	11%	- 332
Property and adm. costs	- 1,044	SEK 298 / sq.m.	- 1,023
Net financial	- 574	3.7% / 2.6 year	- 541
Income from property management	1,141	SEK 6,96 / share	1,130
<i>Growth - objective 10%</i>	1%		16%
<i>Changes in value</i>			
Properties	1,222	+ 4%	- 1,027
Interest rate derivatives	291		102
Tax paid	- 5		- 10
Deferred tax	- 685		- 35
Net income	1,964	SEK 11.98 / share	160
<i>Dividend / share (proposed)</i>	<i>SEK 3.60</i>		<i>SEK 3.50</i>

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The earnings in 2010 were strong with an income of property management of SEK 1.1 billion, although growth compared to the previous year was a modest 1%.

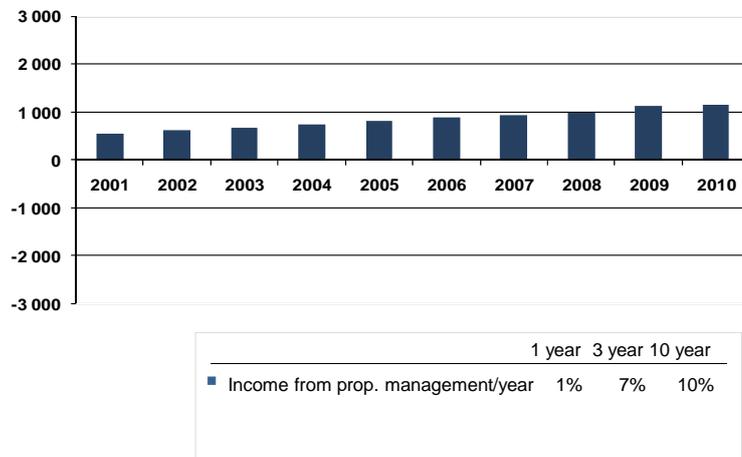
I am not going to comment on each line in the income statement, but please note that perhaps the greatest potential in the short term is found in the vacancies. Even though it is not possible to reach a zero percent vacancy rate, my assessment is that the potential is at least SEK 225 million.

After depreciations of the property values in 2008 and 2009 totaling SEK 2.3 billion, or -7%, the increase in value in 2010 was SEK 1.2 billion, corresponding to +4%.

After additional items not related to cash-flow, such as value changes, interest rate derivatives and deferred tax, the net income for the year amounted to SEK 1,964 billion, which is the highest ever in Castellum's history.

Even if, as noted above, growth in income from property management was modest, also this is the best income from property management ever reported. This has made it possible for us to also this year propose an increased dividend of SEK 3.60 per share.

## Income over time

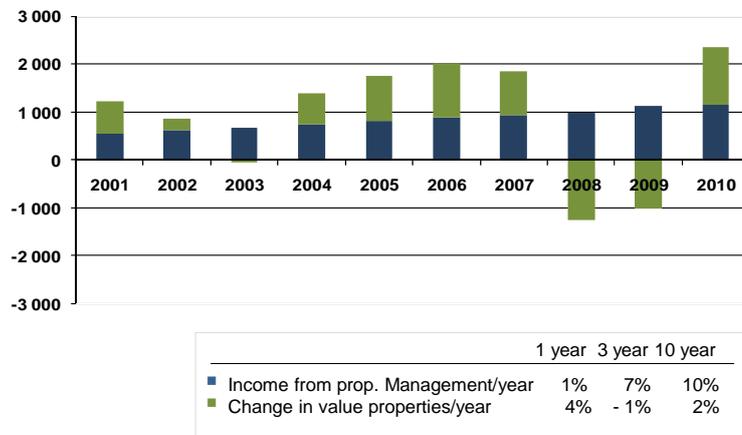


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Castellum happily reports on a quarterly basis, but we act long term. Therefore, also the net income growth should be followed up over longer periods.

Income from property management, as well as cash flow is most stable and has increased every year since the IPO in 1997. Over the past 10 years, a time span which includes both the IT bubble and the financial crisis, growth has averaged 10% per year. During the last 10 year period we have reached the total growth target over five years, which is 10%.

## Income over time



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The changes in value, however, are anything but stable as shown in the picture. Even if there are negative numbers from both a one year perspective as well as from a three years' perspective, the average growth over a 10 year period amounts to 2% per year.

My firm belief is that well-located and maintained properties are inflation protected; in addition they offer a possibility of real earnings through active property development.



A share must obviously show a competitive return; otherwise the company will not be allowed to keep on managing the shareholders' capital.

## The share's total yield and value

	<i>2010</i>	<i>3 years average/year</i>	<i>10 years average/year</i>
Castellum	31%	15%	16%
NASDAQ OMX Stockholm	27%	6%	6%
Real Estate Index Sweden (EPRA)	49%	13%	16%
Real Estate Index Europe (EPRA)	20%	- 6%	6%
Dividend growth	3%	6%	10%

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Such a return I think both the real estate sector and Castellum do show, with an average of 16% per year over the last 10 years. I would dare to say that Castellum has managed to achieve these numbers with a significantly lower risk compared with their colleagues in the sector.

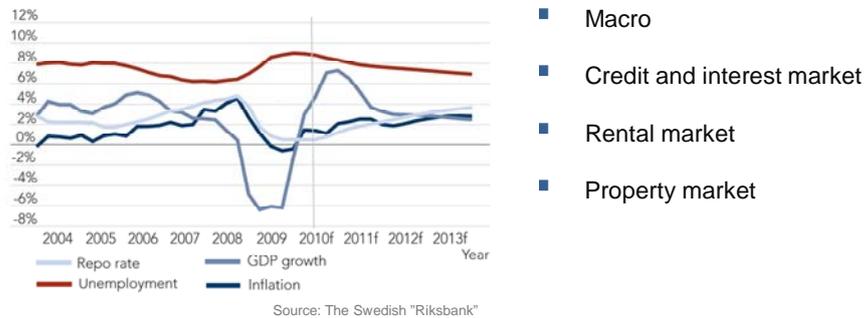
## Share valuation

	<i>SEK/share</i>	<i>Share price</i> <i>SEK 92</i>	
Pre tax income from property management	6.96	P/CE 13.2	7.6% yield
Earnings after tax	11.98	P/E 7.7	13.0% yield
Income from property management +2% fair value of prop., -10% tax	9.74	P/E 9.4	10,6% yield
Dividend	3.60		3,9% dividend yield
Long term net asset value	92	100%	
Actual net asset value	85	108%	

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From a valuation point of view, Castellum's share does not have a high multiple of earnings – P/E 9 with current cash flow plus inflation adjustment of 2% of property value, less than 4% yield and on par with net asset value.

## Castellum and the market changes



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So what can you expect of the years ahead?

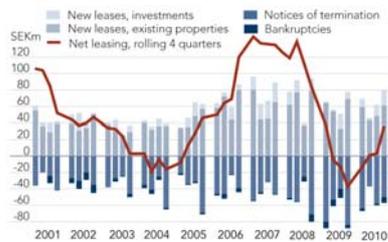
First of all you have to start looking at the macro economy and the Swedish economy. And it goes well for Sweden in all disciplines, the state finances, GDP and now also the labor market, as confirmed by rising inflation and higher short term interest rates. There are obviously a variety of threats to the world economy, such as Japan and Libya, but in all assessments the Swedish economy looks strong in the coming years.

The Swedish credit market is basically back at the same level as before the financial crisis, even if the margins are higher, especially for high loan to value ratios.

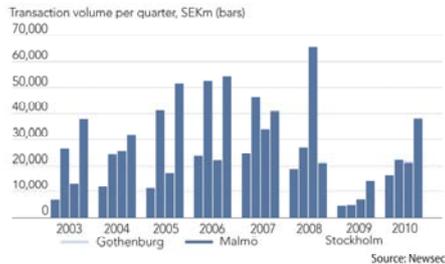
Regarding the interest rate market, long-term rates have remained relatively stable, while short term rates have risen sharply and will continue to do so, as the economy improves. But as I said earlier, I am happy to pay that price for inflation and economic growth. No real estate company with strong finances has, as far as I know, suffered from growth and inflation, despite higher nominal interest rates.

## Rental and real estate market

Net leasing



Real estate transactions Sweden



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The rental market can be described in a good way by referring to Castellum's net lease, the red line in the graph on the left. The line reminds of many other quantities of the economy such as GDP, short-term rates and employment. I am convinced that the rental market will continue to improve with an increasing demand for business premises.

The real estate market and transactions show the same – their peak in 2006 and 2007 shrank to almost nothing in 2009, while 2010 is back on high transaction levels. There are now clear signs that there are considerably more buyers than sellers, which will mean continued high transaction levels in 2011.

Utveckling						
	2007	2008	2009	2010	Bedömn 2011	Scenario 2012
Hysesvärde						
Vakanser						
Fastighetskostnader						
Räntekostnader						
Nettoinvesteringar mdr	2,6	2,7	1,2	1,3	1,8	2,0
Förvaltningsresultat	5%	5%	16%	1%		
Fastighetspriser						

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How will Castellum then be affected?

Rents will rise in 2011 as well as in 2012, but largely as an effect of upward adjustments for inflation. Even if the market rents will increase in real terms, I do not believe in any major impact until at least late 2012.

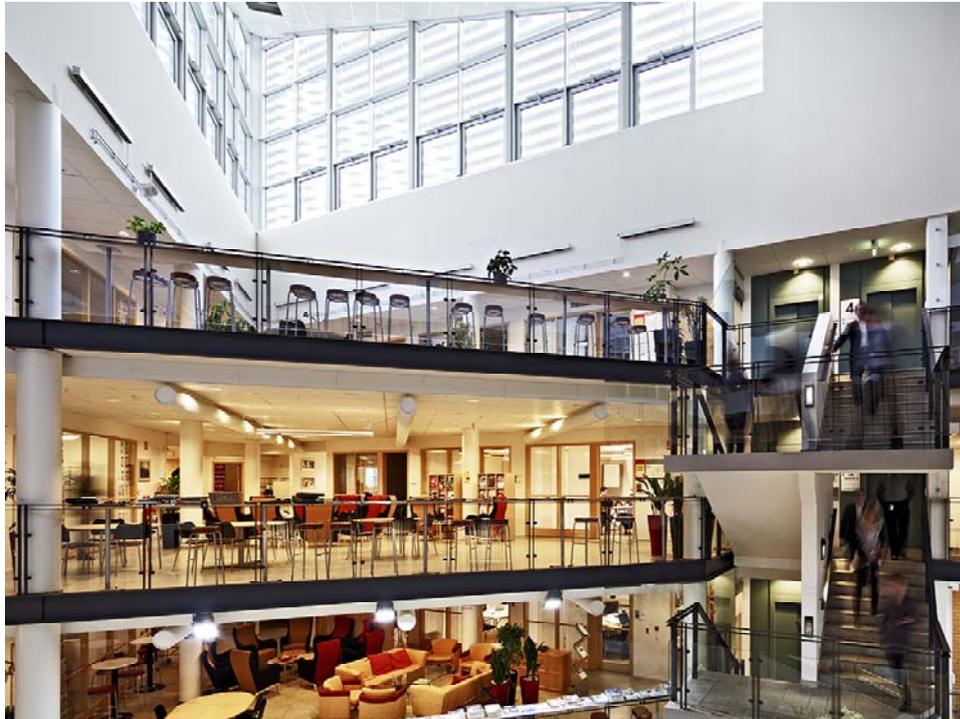
I believe in a continued improvement in the net lease, but as there is roughly about 12 months' time lag between signing a contract and moving in, the effect on income will not become evident until 2012.

Given that the 2010 year's costs include additional costs for snow clearance, I estimate that the costs for 2011 will be of the same order, while inflation will affect the costs slightly upward during 2012.

Interest costs can only go in one direction and that is up. The Riksbank indicates an average increase for short-term interest rates of x.x% for 2011 and x.x% for 2012. The interest rate increases will only affect 40-50% of the credit portfolio, as the remainder is locked up for longer durations. Interest costs will also be affected by slightly increased margins to the lenders.

The investment rate is increasing. With a project portfolio of over SEK 1 billion and several ongoing discussions about acquisitions, I foresee that we will basically meet the target, as well as the capacity of SEK 2 billion net in both 2011 and 2012.

Evidences suggest a continued rise in property prices – improved cash flows and a demand that exceeds supply. My scenario is based on a small increase each year, but a larger increase in 2011 and a stable 2012 cannot be excluded.



Overall, I am quite positive for the next few years, even though much of what is done will not be fully seen until 2012.

Castellum has what it takes – a good product, good customer base, dedicated and talented employees and strong finances – but also the desire to constantly evolve.

And thereby my speech has come to its end.