



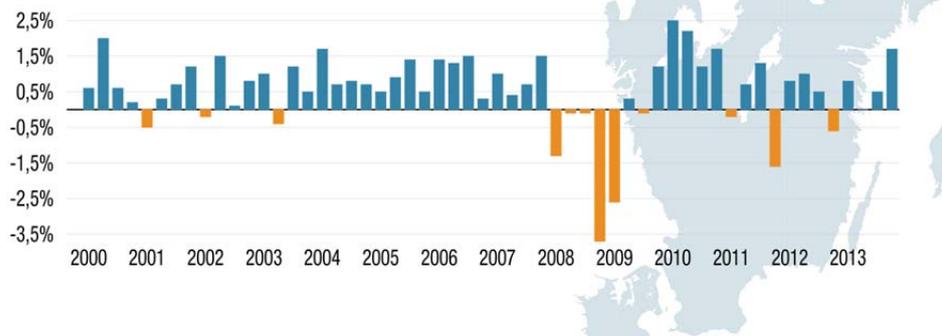
Madam Chairman and Shareholders,

I'm now able to summarize my first year as CEO of Castellum, which has been a successful year characterized by high business activity. For me personally, this has meant that my skilled colleagues and I have initiated and – carried out – several interesting projects.

The company has enjoyed a 7% growth in income from property management—despite the fact that market conditions have not been optimal.

For the past 16 years, Castellum has raised its dividend every year due to the increase in income from property management. 2013 was yet another year with increased income from property management, and this led the Board to propose a dividend of SEK 4.25 per share—an increase of approximately 8% compared with last year.

## GDP Sweden



Before I comment on the results for 2013 in detail, I'd like to illustrate the trends that have characterized the real estate market in 2013.

For the past few years, economic growth has been low, mainly due to global developments. Consequently, many companies have not been able to expand. For this reason, they haven't needed to rent more space, which meant that most new leases have been signed under conditions of fierce competition. However, Castellum has tackled the situation successfully; primarily through our own projects. In 2013, a total of 716 contracts were signed, for a total value of SEK 366 million.

## Urbanization



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Another trend is the continuing urbanization, which finds major cities growing bigger and bigger. This classically leads to housing shortages and the need for infrastructure investments. For Castellum, this development has meant that, in some areas of Stockholm, an office building generates a greater value as a future housing-development right. We have therefore been able to sell several properties to housing developers.

More populated cities also require workplaces but the production volume of office and logistics buildings is still at a low level—so low that it is difficult to find ordinary office or industrial premises. This will constitute an obstacle for future urban development. Therefore, it is with pride I announce that Castellum's subsidiaries are active and involved in a number of urban development projects. A number of examples include:

Lindholmen, Gothenburg



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Lindholmen, Gothenburg



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On Lindholmen in Gothenburg, Castellum completed the Aurora office building at Lindholmen Science Park in 2013. Aurora comprises 9,500 sq.m. of top modern office space and has an occupancy rate of 76%. In addition, we have started a new construction of 8,900 sq.m. next to the Swedish Television building on Lindholmen. This new construction is being built entirely for Semcon, whose head office will be relocated here in the last quarter of 2014.

Jönköping



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Jönköping



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In Jönköping, we continued our development of the central city area—Atollen—where we are building office, retail and residential premises. During the past year, 6,000 sq. m. have been completed, and a new construction of 4,500 sq. m. was also started. Castellum is developing the area in collaboration with the municipality and two other parties. Our premises have an occupancy rate of 31% and the entire project is to be completed at the beginning of 2015.

Central Uppsala



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Central Uppsala



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During the year we have also continued to develop Dragarbrunn in central Uppsala. Castellum bought a property here in 2010, and ongoing activities include the reconstruction of 6,300 sq. m, and an extension of 3,700 sq. m. The reconstruction and extension will be completed in the last quarter of 2014.

## Minor investments



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Furthermore, we're also currently in the process of implementing approximately 600 projects budgeted at more than SEKm 0.5. These investments are interesting as well as lucrative—we grow along with our customers.

The Group's remaining total project volume is SEK 1 billion.

## Income statement

Mkr	January- December 2013		January- December 2012	
Rental income (fully let)	3,714	~ SEK 1,000 /sq.m.	3,505	~ SEK 1,000 /sq.m.
./. Vacancies	- 465	12%	- 432	11%
Property and administration costs	- 1,201	~ SEK 300 /sq.m.	- 1,135	~ SEK 300 /sq.m.
Net interest rates	- 702	3.7% / 2.7 year	- 683	3.9% / 2.8 year
<b>Income from prop. mgmt</b>	<b>1,346</b>	SEK 8.21 / share	<b>1,255</b>	SEK 7.65 / share
<b>Growth – objective 10%</b>	<b>7%</b>		<b>7%</b>	
Change in value				
Properties	328		- 69	
Derivatives	429		- 110	
Tax paid	- 6		- 7	
Deferred tax	- 390		404	
Net income	1,707	SEK 10.41 / share	1,473	SEK 8.98 / share
<b>Dividend / share, SEK</b>	<b>4.25</b>		<b>3.95</b>	

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If we focus on the income statement, it consists of three parts: cash flow, property-value changes, and taxes. The first part is the actual cash flow, and here is where we set objectives. We only have one real objective at Castellum: a 10% growth in income from property management.

So we'll begin with part One—income from property management.

**1,346 SEKm / +7%**

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In 2013, income from property management totalled SEKm 1,346 or SEK 8.21 per share, thereby providing a 7% growth in income from property management. We did not quite reach our goal, but we do know that the goal is set high and cannot be reached every year. 7% growth is positive when the Swedish economy has barely grown and inflation is almost zero.

Rental value 3,714 SEKm

+ 209 SEKm / +6%

1,036 SEK/sq.m.

— **1,346 Mkr / +7%** —

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First, we have the rental incomes, and these could have been about SEK 3.7 billion if all premises had been leased. This corresponds to approximately SEK 1,000 / sq. m. (The rental value also includes all costs that we can charge forward to the customer; including property tax.) This SEK 3.7 billion increased 6% compared with last year due to three things: acquired properties, the effect of new extensions and conversions, and index contracts in the existing portfolio.

Half of the growth is thus primarily due to our acquisition of properties during late 2012, but also reflects a number of acquisitions in 2013. The remainder is due to completed new constructions, extensions and reconstructions, as well as index contracts in the existing portfolio. Approximately 25% of Castellum's leases have index contracts that provide for yearly adjustments of a minimum of 2%. This is of great significance, especially in times like these featuring low, or almost no, inflation. Together, these three factors generated a 6% increase in rental value.

Rental value 3,714 SEKm

+ 209 SEKm/ +6%

1,036 SEK/sq.m.

Vacancies - 465 SEKm

- 33 SEKm/ +8%

12% vacancy rate

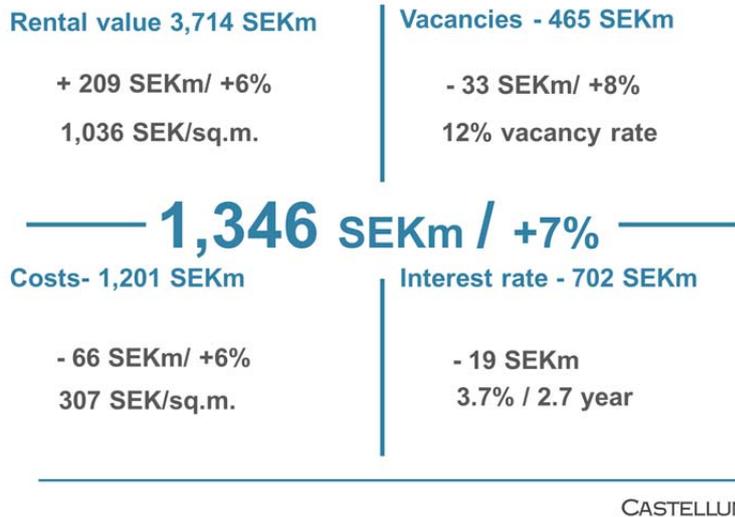
— **1,346 SEKm / +7%** —

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All premises are not leased out; there is future potential in our properties. In 2013, the rental value for vacant premises amounted to SEKm 465, which is equivalent to 12% of the rental value. Vacancies in the portfolio increased by SEKm 33, mainly due to the completion of a number of projects that were not fully leased-out. The vacancy rate for the remaining portfolio (i.e., projects excepted) was more or less unchanged.

Let's move on to costs. Costs are divided into two parts: property costs and central administrative costs—and financial costs.



If we first look at ongoing property costs and central administrative expenses, we see that they also increased by 6% in 2013. This is due in equal parts to a larger real estate portfolio and to an increase in costs in the existing comparable portfolio from the previous year.

The single largest cost item is the net financial item, which amounted to SEKm 702 during the year. This represents an increase of SEKm 19 compared with last year. It should be noted that the average interest rate during the year was 3.7%, compared with 3.9% for 2012. Thus, through hard work and better market conditions, it was possible to lower the interest rate cost by approximately SEKm 40. However, due to the larger real estate portfolio, net interest costs increased by SEKm 19.

At year end, the average fixed interest term was 2.7 years, which is on par with the last few years.

In summary, rental value amounted to SEK 3.7 billion, but vacancies totalling SEKm 465 and expenses of SEK1.9 billion resulted in an income from property management of SEKm 1,346 and a 7% growth rate.

## Income statement

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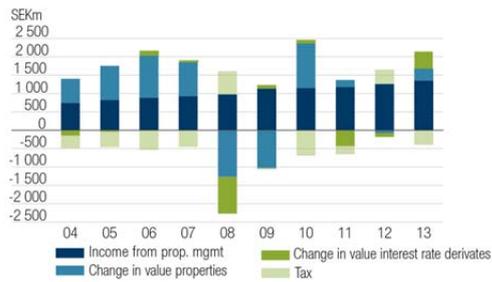
Now, let's move on to the second part of the income statement; changes in value for properties and derivatives.

For the properties, we saw positive value changes of SEKm 328 during the year. The two largest items were SEKm 220—a result of project gains—and SEKm 94, from realized value changes—due to property sales which totalled approximately SEKm 600.

Value changes in the derivative portfolio depended on changes in the long-term market interest rate.

In all, this resulted in a net income for 2013 of SEKm 1,707 and more than SEK 10 per share.

## Income over time



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If we look back at income over the past 10 years, we see that values for properties and derivatives have fluctuated, whereas income from property management has grown steadily by an average of 7% per year in recent years. The value of the real estate portfolio has developed positively since 2010.

## Balance sheet

SEKm	December 31, 2013	
Investments properties	37 752	~ SEK 10 285 / sq. m and 7.2% yield
Other assets	361	
	38 113	
Equity	13 127	
Deferred tax liability	3 700	
Derivatives	683	
Interest-bearing liabilities	19 481	
Non-interest bearing liabilities	1 122	
	38 113	

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As you can discern from the balance sheet, the company's assets consist of properties. We currently own properties totalling a value of SEK 37.7 billion which, on average, are valued at SEK 10,000/sq. m. This can be compared to new production costs that add up to more than SEK 20,000/sq. m. for an office building, and to SEK 10,000/sq. m. for a logistics facility.

## Investments



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During 2013, the real estate portfolio increased by SEK 1.4 billion, which is slightly lower than for recent years. This is because we acquired more properties than usual at the end of 2012 and sold more properties than usual at the end of 2013. Altogether, this meant that during 2013 we have:

- invested approximately SEK 1.6 billion in new constructions, extensions and reconstructions
- acquired properties valued at SEKm 185, in total
- enjoyed an increase in property value amounting to SEK 234 billion, mainly attributable to project gains
- sold properties for a total value of about SEKm 600

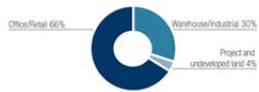
At year end, Castellum owned 626 properties.

## Castellum's property portfolio

SEK 38 billion

3,6 billion sq.m. lettable area

### Property value by property type



### Property value by region



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The portfolio currently comprises properties in strong growth regions: from Uppsala in the north to Copenhagen in the south. Most of the commercial portfolio, 73 %, is located in the three Swedish major urban regions. Two thirds are office and retail properties and one third covers industrial properties.

At year end we acquired a larger real estate portfolio in Halmstad for SEKm 645, where Halmstad College is the largest tenant. We are now firmly established in Halmstad and we would like to contribute to the development of this city—just as we'd like to contribute to the development of all the cities in which we operate.

## Balance sheet

SEKm	December 31, 2013	
Investments properties	37,752	~ SEK 10 285 / sq. m and 7.2% yield
Other assets	361	
	38,113	
Equity	13,127	} NNNAV SEKm 15,940 / SEK 97 NAV SEKm 17,510/ SEK 107
Deferred tax liability	3,700	
Derivatives	683	
Interest-bearing liabilities	19,481	
Non-interest bearing liabilities	1,122	
	38,113	

Loan to value ratio 52%

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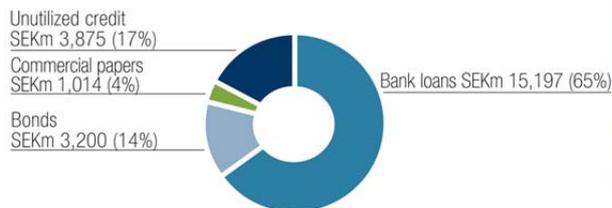
We have now reached the second part of the balance sheet: shareholders' equity.

At year end we can note that the value of

- shareholders' equity amounted to SEK 80 per share
- derivatives corresponded to SEK 4 per share
- deferred tax equalled SEK 23 per share

In all, the long-term net asset value equalled SEK 107 per share.

## Distribution of financing 31-12-2013



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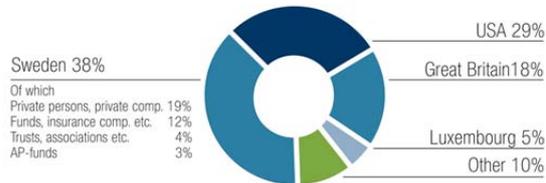
Let's take a look at the next part—financing.

A real estate company such as Castellum is a capital intensive business, and it is dependent on locating funding.

At year end, we had interest-bearing liabilities of SEK 19.5 billion and the pie chart illustrates how these were allocated. We seek long credit periods to minimize risk, and we renegotiate and add new credit agreements as the property portfolio grows. At year end, we had almost SEK 4 billion in unutilized credit facilities, of which SEK 2.5 billion were long-term.

In addition, we renegotiated nearly SEK 8 billion of our bank credits. Bank credits are still the largest source of funding and will remain so. However, in 2013, we issued an additional SEK 2 billion in bonds and in March of this year, we issued an extra SEKm 500. In 2013, access to financing was favourable, and this resulted in slightly lower margins—particularly in the bond market.

## Shareholders



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Today, we can note that Castellum has a stable and diverse ownership structure; approximately 12,200 shareholders at year end.

An unusually large portion of the shareholders—62%—were registered abroad. Ever since the IPO, the Castellum share has attracted foreign capital, mainly due to the turnover rate of the share and the fact that they are 100% free-floating shares.

## The Castellum Share

	SEK/share	% of share price SEK 110	Growth		
			1 year	3 years average /year	10 years average/ year
Income from property management	8.21	7.5%	7%	6%	7%
Dividend	4.25	3.9%	8%	6%	7%
Net income of the year	10.41	9.5%	16%	neg	15%
<i>D:o 1.3% growth in value and 5% tax</i>	<i>11.0</i>	<i>10.0%</i>	<i>8%</i>	<i>6%</i>	<i>7%</i>
Long term net asset value	107	97%	7%	5%	7%
Total yield of the share (incl. dividend)			13%	7%	13%

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As the table above illustrates, the share can be viewed from several perspectives. The important thing is to demonstrate that our long-term work with low risk has resulted in a total yield of 13% per year for the past 10 years. This is the same total yield as for 2013.

As shown in the table, both the growth in income from property management and the dividend per share have been 7% for the past 10 years.



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When it comes to sustainability, we have come a long way in recent years. Full sustainability within property management as well as new production is to be taken for granted. I'd to take this even further and argue that sustainability in all dimensions not only benefits the planet over a long-term perspective but also promotes more immediate profitability for a company like Castellum.

In 2013, we managed to reduce energy use by 5% and carbon emissions by 8%. 5% reduced energy corresponds to approximately SEKm 12. We achieved this by continuous efforts to optimize the ways in which properties are utilized, and by replacing old technology. Development in this area continues.

We'd also like to contribute to the society in which we operate. In 2013, a total of 57 young people have worked at the Castellum Group as apprentices, trainees or holiday workers. We thereby provide young people with the opportunity to gain substantial work experience.

Today, 39% of Castellum's 293 employees are women and by summer, 2014, our executive group management will consist of at least 33% women. It's important for us to try to reflect our diverse society: not only as concerns gender diversity, but diversity in all its multidimensional forms.

## My employees



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What makes this possible is our organization, i.e., all employees. Castellum's committed employees manage 626 properties and take care of 4,600 customers in a workplace where they thrive and develop.

We continuously measure employee satisfaction and the survey carried out in 2013 showed continued high results. The survey thus indicated that our employees are happy—but there's always room for improvement. Monitoring employee satisfaction provides us with the opportunity to identify possible areas of improvement.

Castellum hosts an ongoing training program called Collegium Castellum where courses in strategy and leadership issues, as well as in rental laws and sales, were offered during 2013. A total of 136 employees participated.

I currently have the privilege of working together with 293 highly skilled employees in Castellum's local subsidiaries. A full seventy percent of the Group's employees work with customer care, management or rentals.

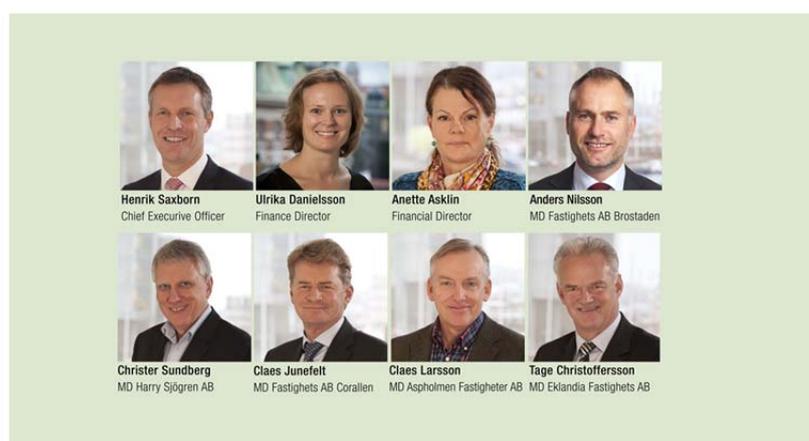


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Our six subsidiaries are well known in the real estate market and each subsidiary is not only one of the strongest companies in their local markets but also larger than the smallest listed companies. Our eminent organization makes it possible to perform as a small player in the local market while we constitute one of Sweden's largest companies.

Succeeding with such an undertaking calls for strong and professional executive group management. Let me introduce my colleagues.

### Castellum Management Team



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- Ulrika Danielsson, Finance Director; responsible for Castellum's sound financial monitoring system and the highest quality assurance for information provided to the stock market – among other essential activities.
- Anette Asklin, Financial Director with responsibility for funding and financial risk management for Castellum's credit portfolio, which amounts to approximately SEK 24 billion.
- Anders Nilsson is Managing Director of Brostaden. Brostaden manages properties worth SEK 7.3 billion in Greater Stockholm and has 49 employees.
- Christer Sundberg is Managing Director of Harry Sjögren. Harry Sjögren has 45 employees and owns properties worth SEK 6.7 billion in Gothenburg, Mölndal, Kungsbacka, Borås, Alingsås and Halmstad.
- Claes Junefelt, Managing Director of Corallen with 41 employees. Corallen manages properties in Värnamo, Jönköping, Växjö and Linköping, for a total of SEK 4.2 billion.
- Claes Larsson, Managing Director of Aspholmen, with 50 employees and properties worth SEK 6.1 billion in Örebro, Västerås and Uppsala.
- Tage Christoffersson. Has been Managing Director of Eklandia since 1995, but now has a new role as Head of Business Development at Castellum. In 2014, Cecilia Fasth will succeed Tage as Managing Director of Eklandia. Eklandia has 32 employees and manages properties worth SEK 5.5 billion in Gothenburg.

In our southern subsidiary – Fastighets AB Briggen – Gunnar Östenson has been the Managing Director since 2006. In January 2014, Gunnar retired as Managing Director, and the recruitment of a new Managing Director is in progress. Briggen has 57 employees and a real estate portfolio in Malmö, Lund, Helsingborg and Copenhagen worth SEK 8.1 billion.



**96%** of the customers are willing to lease from Castellum again and gladly recommend Castellum as a landlord to others.



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The Castellum philosophy is to provide excellent service via local subsidiaries in order to establish long-term customer relations. How customers perceive our premises and service is measured annually in a *Satisfied Customer Index*. Last year's survey boasted much better results compared with the previous year. As many as 96% answered that they are willing to lease from Castellum again and would gladly recommend Castellum as a landlord to others. Monitoring customer satisfaction also gives us the opportunity to identify possible areas of improvement.

Active leasing efforts are vital to the way in which Castellum operates. During the year, 716 new leases were signed, adding up to an annual value of SEKm 366. Approximately 75% of the volume of new leases comes from our own contacts, recommendations and current customers.



approx. **2%**

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Castellum retains a rental portfolio featuring low risk. We're able to make this statement because the rental portfolio has 4,600 customers who reflect Swedish commercial and industrial life. Castellum's single largest contract only accounts for about 2% of Castellum's total rental income. The remaining duration of the leases is 3.3 years. Customer activities are also diverse: spread both geographically as well as horizontally: across various fields of industry.



Looking ahead, we note that 2014 will be a year with slightly stronger GDP growth and continued low inflation rate. All within a strong Swedish economy.

For Castellum, this implies that we have to be better than our competitors to continue to attract more customers—just as we succeeded with in 2013. Here, Castellum's potential lies in our existing vacancies as well as in new projects and acquisitions.

When it comes to our biggest cost—the cost of funding—we find ourselves in an interesting situation, characterized by increasing competition among financiers. The current market interest rate is very low. All in all, we are experiencing the background conditions for a stable development of net financial items in the existing loan portfolio.

In order to increase future income from property management it is important to have a slightly higher turnover in the portfolio. In plain language, this means

that we continue to aim for a net investment volume of about 5 %, i.e. approximately SEK 2.0 billion, with investments of about SEK 2.5 billion and sales of approximately SEK 0.5 billion .

In all, this implies that Castellum will continue to grow. How much the company will grow largely depends on the efficiency and effectiveness of real estate management, our occupancy rates and future investments.

To conclude—Castellum will continue to develop and grow with a stable balance sheet and a focus on cash-flow growth.

Cash-flow growth will be obtained by:

- continuing to take good care of Castellum's existing and new customers
- creating stimulating and creative work environments for Castellum employees
- continuing to acquire properties and develop new urban districts
- leaving a smaller imprint on the environment
- continuing to work through our strong local subsidiaries and developing one of Europe's largest and strongest real estate companies even further