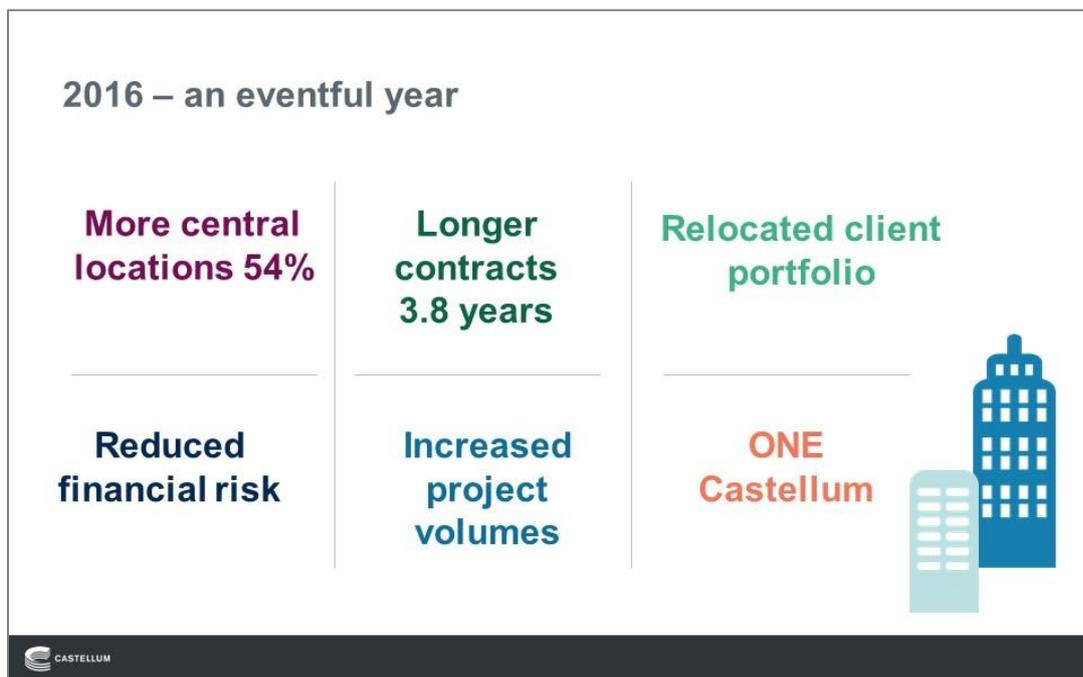


Henrik Saxborn

CEO



2016 – Many missions were accomplished!



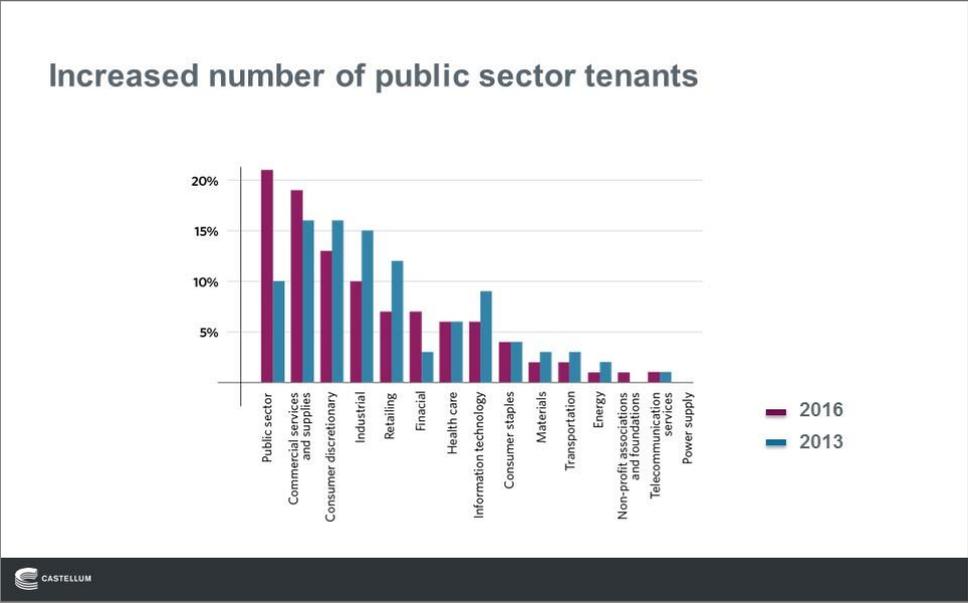
It was a year when “everything” happened at Castellum: a major acquisition coupled with significant sales, a massive reorganization and consolidated brand positioning – just to name a few events.

Over the past year, we’ve strategically repositioned our portfolio, as well as enlarging it from SEK 42 to SEK 71 billion. The properties are now located in areas with higher growth, and portfolio quality has also increased. This is clearly in evidence as more than half of the current portfolio value represents central-city locations – compared with three years ago, when only one third of the portfolio was located centrally. We’re firmly anchored in our cities, from Sundsvall to Copenhagen, and Castellum is one of the strongest players in each region.

We can also note that the main increase has been in our proportion of office space – accounting today for as much as 80% of property value.

The quality change in our portfolio is clearly manifested in property values, which have increased from SEK 10,000 per sq. m. to approx. SEK 16,000 per sq. m. To some extent, this of course depends on a general increase in property values, but the rise is mainly due to strategic portfolio repositioning implemented by Castellum.

Moreover, the repositioning also resulted in a portfolio with considerably longer leases. At year end, the average remaining lease length was 3.8 years – a considerable improvement from the previous average of 3.3 years.



As you can see in this graphic, the proportion of government customers has also increased, primarily due to the acquisition of Norrporten. This means that more than 20% of our current rental income comes from state and local governments. The new balance provides a very attractive growth opportunity in a segment that will increase. In addition of course, government leasing contributes stability as well as very exacting customers – a clearly positive development.

2016 – an eventful year

More central locations
54%

Reduced financial risk

Longer contracts
3.8 years

Increased project volumes

Relocated client portfolio

ONE Castellum



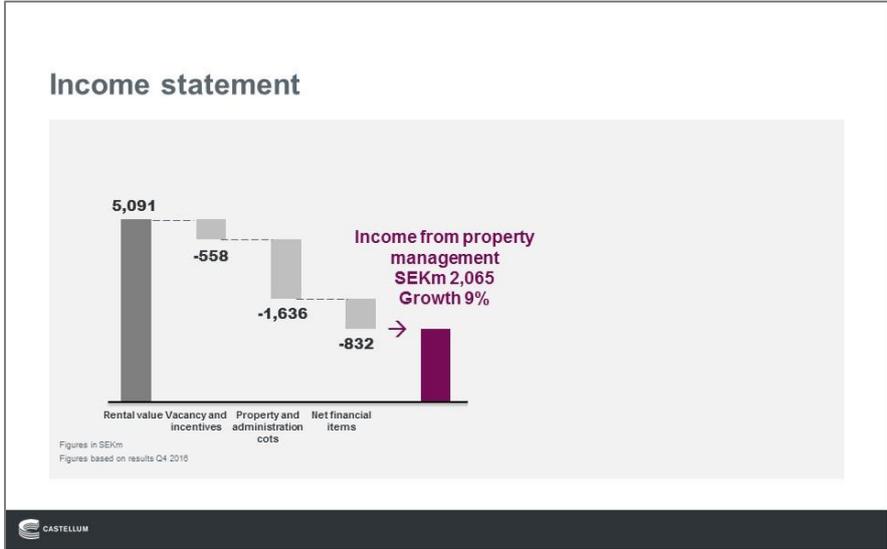
Let's return to my overview and consider this lower section. Through sales and changes in the financial portfolio, we've reduced financial risk through additional sources of funding and a lower loan-to-value ratio: from 50% to just 47% at year end.

In addition to the above, we have the substantial task of transforming our organization to meet future challenges and create shareholder value, while increasing our project portfolio. Currently, our projects on go-ahead status amount to a volume of SEK 4.5 billion and feature an annual rate of about SEK 2.2 billion. This puts Castellum firmly in place as one of Sweden's largest office building developers – if not *the* largest.

Furthermore, the fact that we're able to achieve this at low risk – spread over twenty contemporary projects as well as several more tenants – means that we've found a very attractive way to create interesting and sustainable investment opportunities for our customers. It also means that we're now seriously involved in building Swedish cities.

The picture that emerges is that of a new Castellum, under a single brand, well positioned for higher growth and featuring even lower financial risk-taking than before.

Income from property management 2016



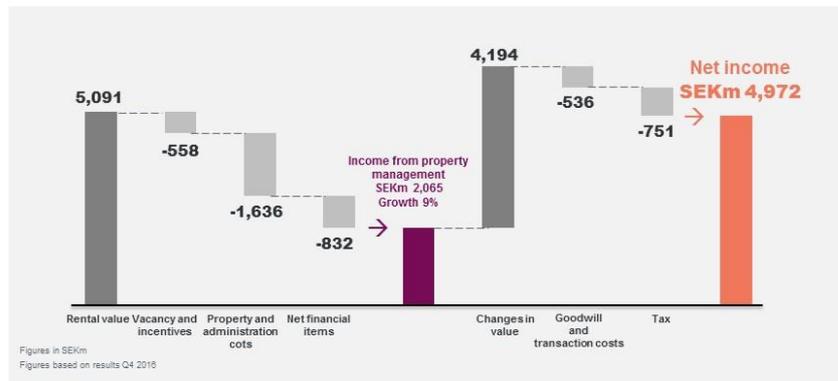
If we look at net income in numbers, the increased level of activity in 2016 – considering acquisitions as well as sales – the financial statement may be slightly more difficult to absorb than for a normal year. What we see is the result of the excellent work carried out by an organization that has managed to sell and acquire real estate, take care of customers and lease out many premises.

Starting from the top, rental income increased by as much as 2% in comparable portfolios, although we basically operated under zero inflation. This was the result of renegotiations and investments added to Castellum's specialty: a guaranteed rent increase of 2% even at a lower inflation rate. The occupancy rate rose to 91.3%, our highest figure in 15 years.

Property management costs as well as financial expenses were stable during the year.

Under these conditions, Income from property management increased by 9%, taking into account the new share issue. Under these premises, I feel extremely pleased that we've managed to create a growth of 9% per share.

Income statement



Further down in the income statement, we find the changes in value. Increase in property values added up to 6%, due to a very strong real estate market and several completed projects. Value increases were strongest in our two major cities, Stockholm and Gothenburg, and slightly weaker in the Öresund Region. After taking into account acquisition costs, goodwill resulting from the acquisition, and taxes, we're back at SEK 5 billion – which is our net income for 2016.

Sustainability



Our favourable economic results for 2016 received added lustre from our substantial – and now internationally recognized – sustainability achievements. We've won several prestigious awards, in the form of a "World Championship gold medal" and inclusion into the prestigious Dow Jones Sustainability Index. Castellum is one of just eight listed Swedish companies, and the only real estate company in the Nordic region, to qualify for this position.

How did we achieve this?

First of all, sustainability isn't something "separate" from our operations; the challenge is to integrate sustainability into everything we do. Well integrated sustainability efforts contribute to better

management and closer control of the properties. As our Chairman of the Board just mentioned: among many other efforts, we started with the UN's sustainability goals and then selected areas relevant to Castellum.

Our success factor has resulted from setting tough goals, creating commitment and remaining transparent – meticulously reporting on what we do, according to defined parameters. Looking back at what we've achieved in recent years, we've managed to reduce our energy consumption by a full quarter and to reduce our fossil fuel emissions by three quarters. But what makes me happiest is that we've been able to offer young people jobs and a first gateway to the working world. In 2016, 4% of our workforce consisted of apprentices and 75% have found employment after their time at Castellum. Our latest advance is actually contributing to apprenticeship positions in our projects, in cooperation with construction suppliers. So far, this has been carried out at two workplaces here in Gothenburg, and all apprentices have found employment after project completions.

Net leasing



2016 ended with very strong net leasing, which means that during the year we signed approx. 750 leases and leased out premises for close to SEKm 500 in annual rents. Net leasing amounted to SEKm 178.

Leasing has been strong in all regions. If we look at how it's distributed, we can conclude that leasing for the existing portfolio improved by over SEKm 60 compared with last year. And project leasing improved by a rather amazing SEKm 100.

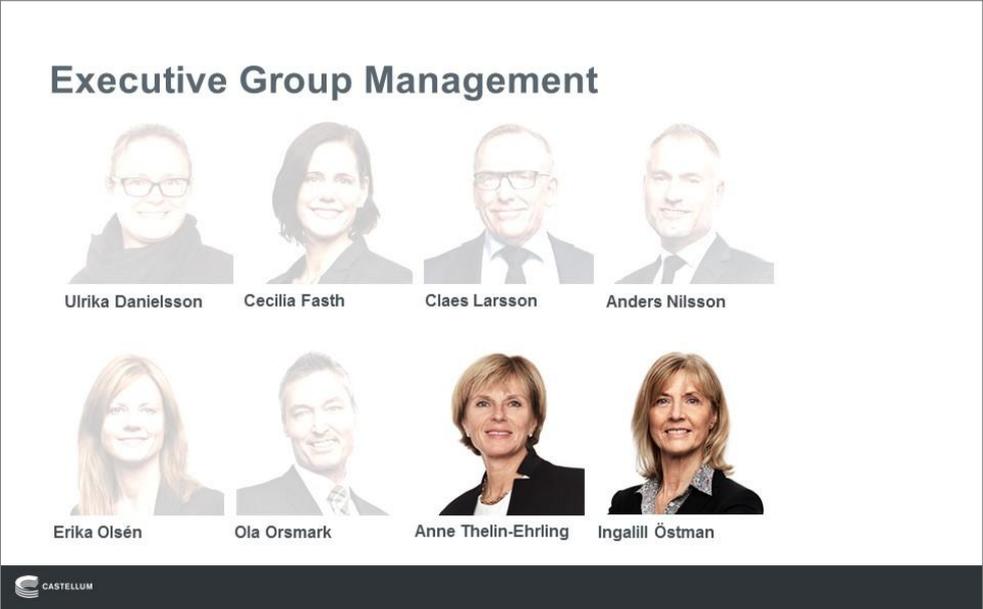
Organization and executive management



All that we've accomplished in the last few years is a result of the excellent work carried out by an organization that's managed to sell and acquire real estate, take care of customers, and lease out many premises. I'd like to say a heartfelt thank you to all employees who have made this possible.

The reason that Castellum retains such an efficient, effective and dedicated organization is, of course, largely because I have the privilege of working with committed management group members.

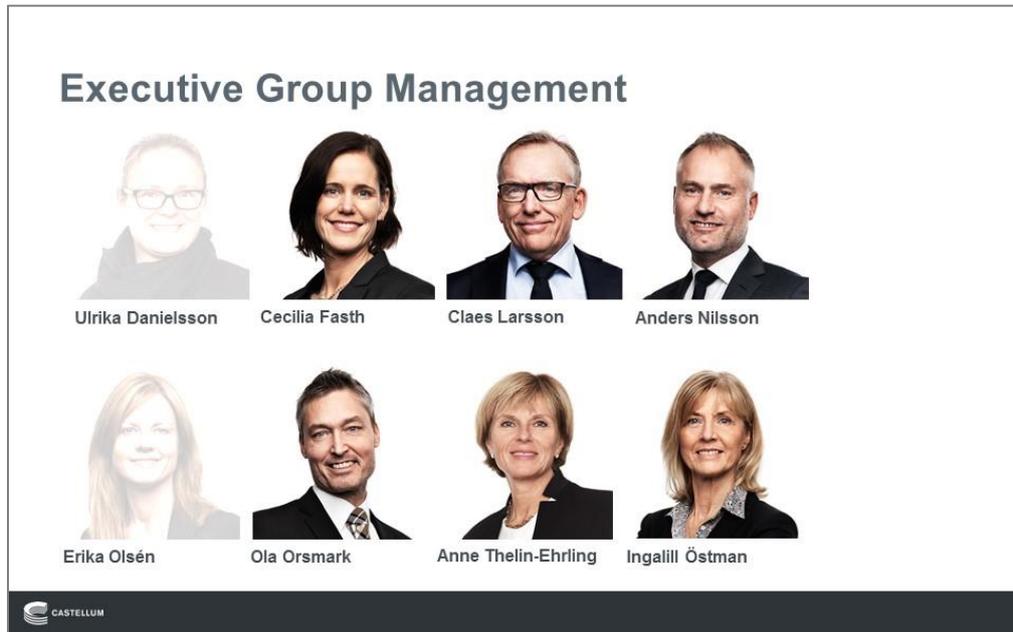
First, I'd like to welcome two new members:



Anne Thelin-Ehrling is our HR manager and she has worked at the company since the beginning of 2016. Anne arrived with highly dimensioned and broad experience from strategic and operational HR work in many different industries.

Ingaliil Östman is responsible for communication and marketing since January, 2017. She has a solid experience from similar positions within a number of global industrial companies.

Welcome!



In addition to these two strong cards, I already have a strong hand in the form of well-established executive management members Cecilia Fasth, Ola Orsmark, Claes Larsson and Anders Nilsson, each of whom is responsible for one of the geographical regions of our portfolio. Each of our four regions currently manages a real estate portfolio that by far exceeds the holdings of our listed real-estate industry colleagues.

Anders is in charge of Stockholm/Northern Region, where a real estate portfolio totalling SEK 20 billion stretches from Sundsvall to Stockholm.

Claes is responsible for the Central Region, which consists of seven growth cities from Uppsala to Växjö. The region comprises an incredible 1.3 million sq. m. and 1,800 customers.

Here in Western Sweden, Cecilia is responsible for the Western Region, where we have 200 properties. And, as you might have seen, there are major ongoing reconstructions in central Gothenburg. We currently have new construction projects at Lindholmen and we're developing a new logistics centre by the Port of Gothenburg.

In the Öresund Region, Ola is in charge of both the Swedish side and the Danish side with new, large, real estate portfolios in central Helsingborg and central Copenhagen. In all, the real estate portfolio in the region is valued at SEK 15 billion.

Executive Group Management



Ulrika Danielsson



Cecilia Fasth



Claes Larsson



Anders Nilsson



Erika Olsén



Ola Orsmark



Anne Thelin-Ehrling



Ingalill Östman



The person holding together all our major investments and portfolio strategies, and thereby deciding what our future portfolio will hold, is Erika Olsén.

Ulrika Danielsson, our Chief Financial Officer, has a vast and great responsibility as she's in charge of IR, accounting and finance as well as IT.

Current market situation



Looking at the three markets in which we operate – the rental market, the real estate market and the financial market – we can still say that we live in a very well-functioning environment.

Our perhaps most important market, the rental market, is all about how we will be able to lease out our premises. However, the situation today is favourable because there is a shortage of newly built office space – all, while our cities are growing. This has created a situation where it's difficult to obtain office premises, particularly in central Stockholm and Gothenburg. The result is that rents are

What does that mean?

- We'll continue innovating and creating more workplaces in our office buildings.
- We'll want to be involved in developing feed flows around our logistics properties, so customers can receive their deliveries faster and cheaper.
- We'll do everything in our power to ensure that people can feel safe while walking on the streets outside our buildings, having a coffee at the café or shopping in stores.
- We'll want to continue to be involved in developing customer business, which means that in the future we'll have increasing contact with customer employees.

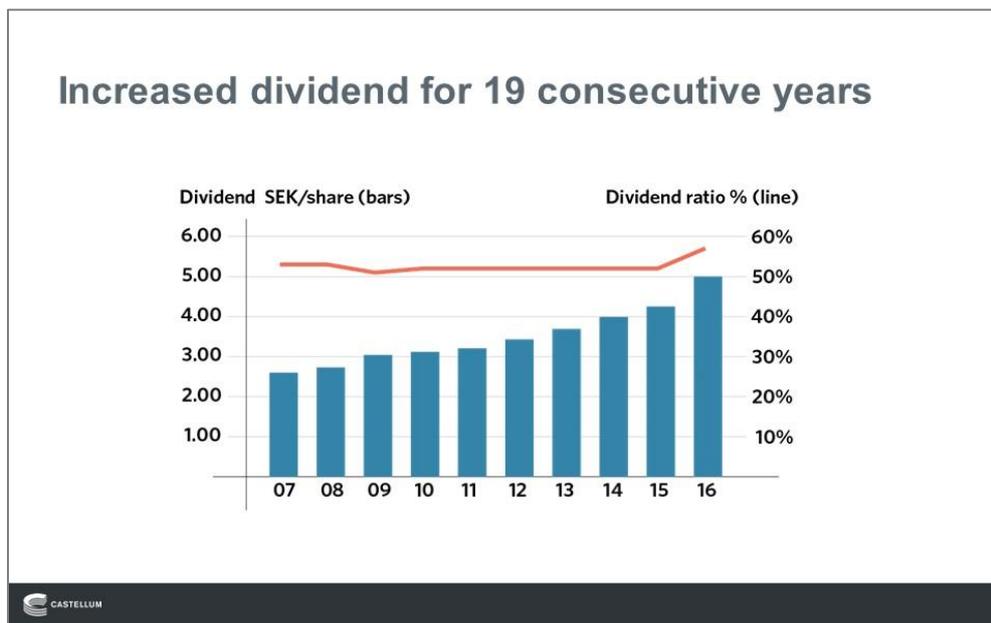
I'm convinced that, when we meet in a year's time, we'll talk about the office of the future, of how it changes people's behaviour and attitudes to work and, above all, of how it affects a company such as Castellum.

This is what's required to make it possible:

- Strength
- Knowledge
- Construction opportunities
- Long-term perspective

Castellum holds all these qualities.

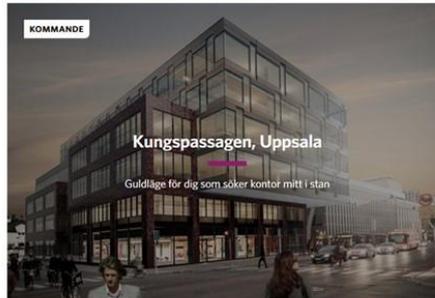
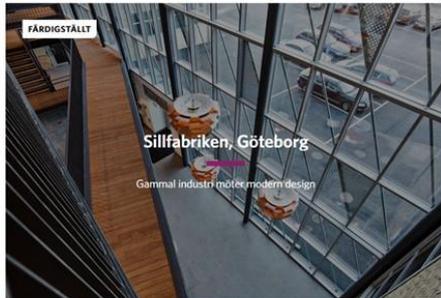
Dividend



To sum up: we do everything in order to create shareholder value, and if we look back on 2016, it was a good year to own a Castellum share – no matter how we measure. This is particularly pleasing to note after such an eventful year. In testament to 2016 being a strong year, but also as a sign of future strength, the Board has decided to propose a dividend of SEK 5 per share. With the approval of the AGM, the dividend will be increased by 18% compared with last year. The action also means that we've increased the dividend every year since Castellum was listed – making this year the 19th consecutive year.

I'd like to express my gratitude to our shareholders for your continued confidence!

Strong position for the future



Finally, a brief look ahead. As proof of our future potential, I'd like to share a number of our amazing projects with you:

During the past few years, we've systematically increased our project volume. Today, the volume encompasses SEK 4.5 billion in ongoing projects, and I can reveal that there is a corresponding sum for future projects awaiting customers or local plans. This means that we are able to generate higher dividends and produce innovative and more attractive buildings designed with – and for – state-of-the-art technologies. Here are a few examples of all the projects now being planned or built. They include everything from new construction or reconstruction of central office space to new logistics facilities, such as the one we're starting on near the Port of Gothenburg.

I confidently look forward to a continued exciting 2017 and to tell you more about it when we meet again in a year's time.

THANK YOU!

