

CEO Speech Castellum AGM, 2019

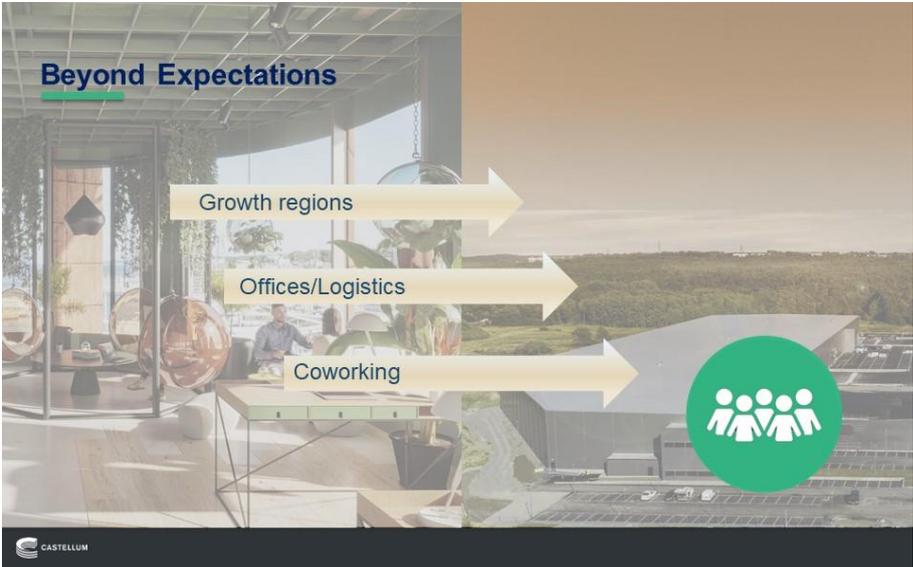


Madame Chairman, dear shareholders,

Our vision is *Beyond expectations*. I could speak for hours about an Annual Report that is *beyond expectations*, namely the one for 2018, which is one of Castellum’s all-time best, if not *the* best, featuring a 17% growth in income from property management. It was also a year that – in addition to super-strong growth – we created solid underlying conditions for the future.

I’m not going to relate EVERYTHING we managed during 2018, but let me tell you about the activities we’re extra proud of.

Last summer, we clarified *how* Castellum would grow even stronger, to allow for growth whether economic times were favourable or less favourable. We formulated the *how* in three distinct activity areas.

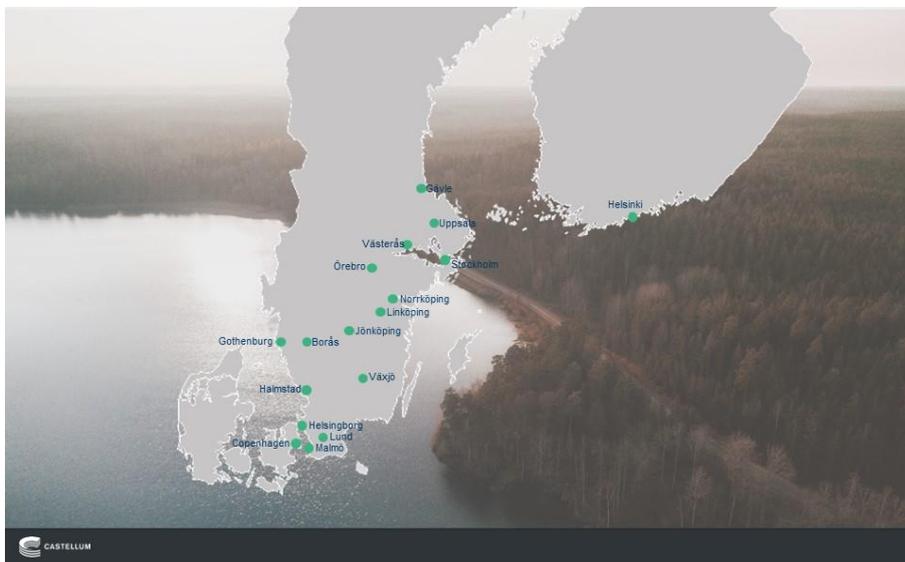


First, we'll continue to concentrate on regions that demonstrate higher growth.

Second, we'll have two strong legs to stand on. In addition to the Offices sector, where we are very strong, we're continuing our high-intensity efforts to further boost our strong Logistics leg as well as our logistics customers.

Third, we're going to be industry leaders in digital services development, along with developing our own *coworking* concept, which will revamp the entire Offices market of the future.

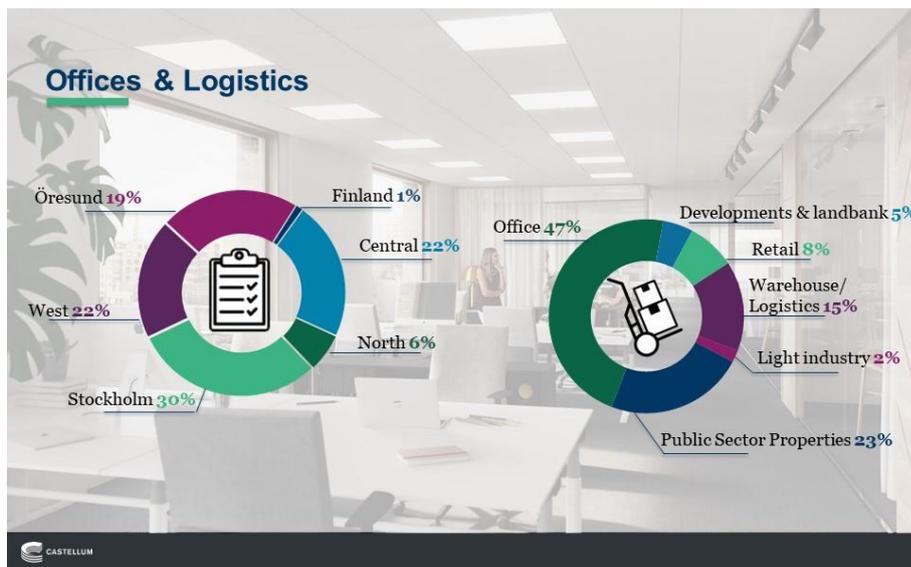
I can assure you that we are on track with our Plan, and we're doing what we promised.



We are concentrating our efforts to higher growth regions. Thanks to the sale of all portfolio properties in Sundsvall, we could acquire central office properties in Linköping for 1.6 billion kronor, a strategic relocation to a strong growth district. Last summer, we also acquired our first property in Finland, and we're now in the process of building up a local organization to monitor good acquisition possibilities, primarily in Helsinki.

This results in a real estate portfolio with 71% of our properties located in the major Nordic cities (the Top 20 largest population figures). 10 million people call these locations home.

The rationale behind our portfolio restructuring is simply that these cities are among the most rapidly growing in Europe, demonstrating wage increases of as much as 3-3.5 % per year.



We have two strong legs to stand on. Demand for offices in our growth regions is increasing, and the market is far from saturated. Approx. 70 percent of our real estate portfolio is on the Offices side. Our other leg, Logistics, reflects a market which is maintaining a hot pace along with dramatic increases in e-commerce. With our 1.4 million square metres, we are already established as one of the major players and owners of warehousing and logistics space in the Nordic countries. We envision great growth potential here, and our chief strength lies in the wide range of solutions we offer, between the really large premises located in city outskirts to the smaller, more urban locations. This is precisely what e-commerce tenants are asking for, to support their “last mile” rapid deliveries to customers.

To benefit from and accommodate the new business possibilities that e-commerce provides, we have reinforced and changed our organization, to where the Logistics line of business now comprises a division of its own.

We’re just now in the midst of producing new facilities valued at 1.7 billion kronor, and our two strongest logistics bases are Stockholm and Gothenburg, but our ambitions aim higher and bigger, of course. With the acquisition of Säve Airport we have managed to secure a substantial Gothenburg land bank at the best spot on the market curve. At yearend, our logistics properties were valued at 13.6 billion kronor, with leasing values of approx. 1 billion kronor at 2018 levels.

I could speak a long time about our Logistics line of business because it’s exciting to talk about, but our absolute largest line of business is Offices, and I’d like to highlight a few of our strengths here as well.

We currently own one of the largest office portfolios in the Nordic countries. We are the real estate company that produces the highest number of new offices. We presumably sign the largest number of office contracts per year in Sweden. We’re running a unique, strong, project portfolio for offices-of-the-future, in conjunction with shining stars such as E.ON and the upcoming Swedish Courts building in Malmö.



Last summer, we told about our intensive activities to develop our own concept for Coworking – or *shared offices*, for those who are not familiar with the term.

One can choose to see coworking as a disruptive phenomenon or as a possibility. It's no secret that we have chosen the latter. Coworking, with versatile solutions and short contracts, is taking increasing market shares in major European cities and now even in Stockholm and Gothenburg. This is a trend that has come to stay, and we're not just going to fall in line, we're going to take the lead in development as a real-estate owner – and now as owner of United Spaces.

What is *coworking* really? At the very beginning, it perhaps mostly took the form of an office hotel, featuring short contracts. Today, it's seen as a way to raise employee competence, to create an innovation culture, and a more personal company identity. Actually, I'd like to say: A new form of working lifestyle.

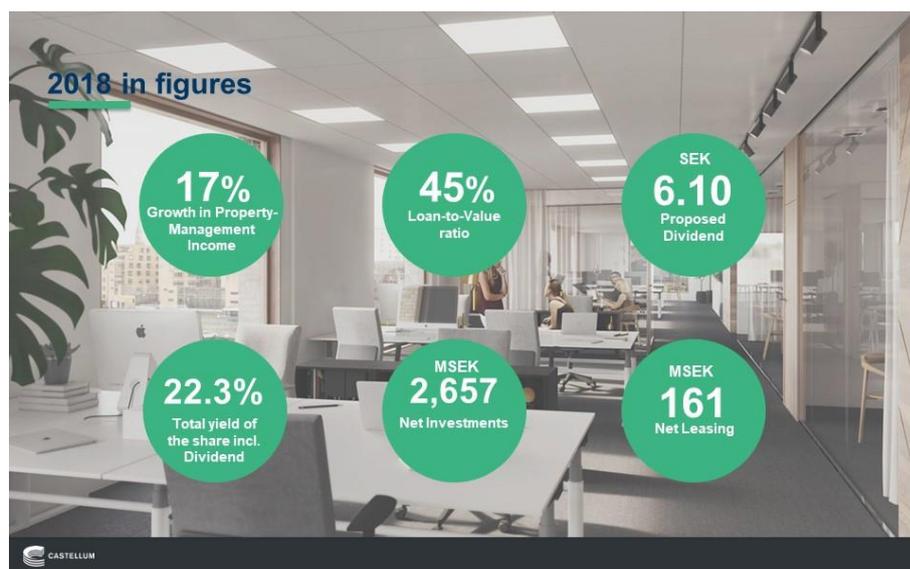
Sharing your workplace with others creates meetings between entirely different industries. People and cultures. Where partnerships and cooperations thrive, along with development.

Coworking brings us closer to the end customer – i.e., those 250,000 people who go to work in our offices every day. With our services and tailor-made offers, we can build such strong customer relationships that it would be difficult to replace us.

To shorten the distance to market, we acquired a well-established coworking company, United Spaces. This means that we've now acquired twenty years of experience in the field to combine with our ambition to further develop our own range of offers. Offers that differentiate and attract, in competition with an ever-increasing field of players.

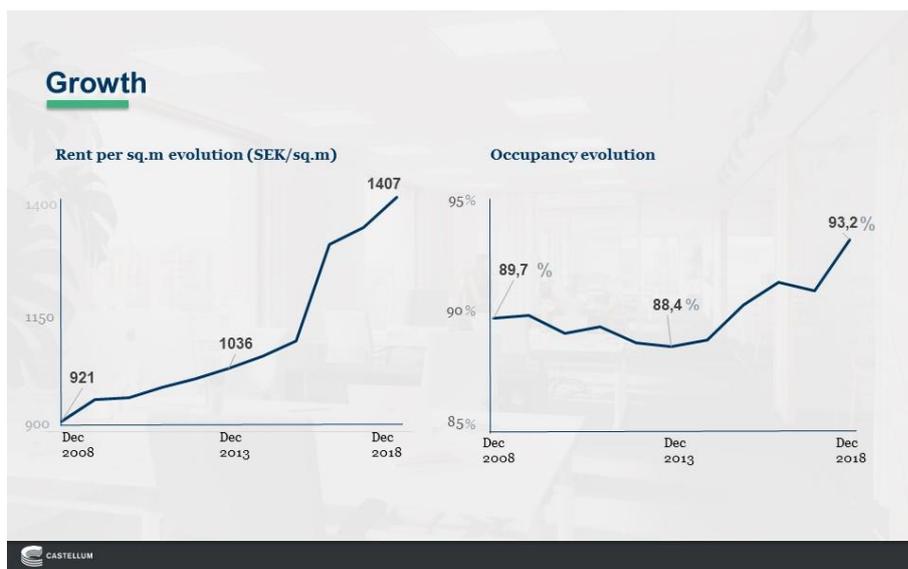
We can now offer something entirely new, to both new and existing customers: 11,000 square metres of versatile offices with coworking spaces in Malmö, Gothenburg and Stockholm, which people can move into immediately. So for those of you who are looking for office premises, and you'd like to move in tomorrow – we'll be glad to hear from you!

United Spaces believes we will expand to 40,000-50,000 square meters in several cities over the next few years. And that's just the beginning.



Now to a few figures – so how did it go?

While we're talking about 2018, of course I'm obliged to pause a while over our fantastic balance sheet. I can't be anything but really proud over our performance for the past year. A really great property-management income growth of 17 %, equal to 10.81 kronor per share. We also rounded off the year with a record strong 4th quarter, when income from property management actually grew by a whole 28%.



This is primarily because the existing portfolio is going very well, due to renegotiation and leasing activities that created increased growth conditions. It can also be seen in a historically high leasing rate for 2018, when the number of leased properties reached 93.2% for the year.

Along with a repositioning of the properties portfolio, this has meant that we have not simply delivered strong cash-flow growth, but also reduced financial risk-taking, resulting in a loan-to-value ratio of 45 %. This will now be even lower, due to completed business transactions since the beginning of this year. The company will also benefit from the substantially broader financing base that accompanies our entry into the Eurobond market.

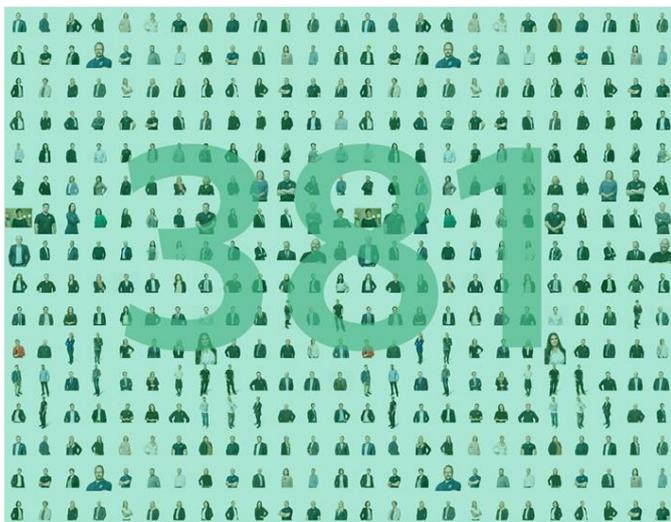


Using these financial parameters as a basis, the Board proposes a dividend of 6.10 kronor per share, thereby raising the dividend for the 21st consecutive year.

2018 in figures

Total return of the share (incl. Dividend)	1 year	3 years average/year	10 years average/year
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%

In addition, Castellum enjoyed very stable share-price development in 2018, during an otherwise volatile stock market period, and this allowed us to deliver a total yield of 22.3% to our shareholders. Compared with OMX, and with our Swedish and European colleagues, Castellum sustained a strong share-price development for 2018, allowing us to further announce that the company has delivered an average yield of 16.1 % per year, over the past ten years.



Here's the gang that makes our strong financial performance and share-value possible. Just under 400 colleagues who service, manage, and develop the business; working with our customers, every day.

Over six years, we have almost doubled the real-estate value per employee.

In 2012 we had a property value of SEKm 137 per employee. Today, we have a real-estate value of SEKm 234 per employee.

I'd especially like to take this opportunity to thank all of these delightful colleagues. But of course, we also wouldn't have come this far without strong and experienced executive management, so I'd also like to take the opportunity to present my colleagues in the Castellum Executive Management Group, where we have also instituted a few new positions, including an Investments Director as well as overall Managers for each of the Offices and Logistics sectors, who will sharpen Castellum's focus and development in these areas going forward.



Carola Lavén, who will take on her new role as Investments Director and Vice-president by the end of the summer; Hans Sahlin, in the newly instituted position as Logistics Manager; Anna-Karin Nyman, who is our new Communications Director; Stefan Bergström, acting Managing Director, Region Stockholm-North; Olof Gertz, COO; Ola Orsmark, Managing Director, Region Öresund; Mariette Hilmersson, Managing Director, Region West; Per Gawelin, Managing Director, Region Central; and last but not least, our Chief Financial Officer, Ulrika Danielsson.



Now for our Sustainability performance. I would be able to stand here and mention a countless number of awards and prestigious lists to demonstrate how we are ranked among the world's best at sustainability. However, it isn't these fine global distinctions that fire up our sustainability efforts.

It's that we want to make a real difference.

That's why I'd like to talk about Salim, in the photo here, and all the other young people who get a chance to establish themselves in the job market through our internships and apprenticeships. Salim is from Iran, and he majored in architecture at university. He has now begun to work with us as an architect, and he's learning Swedish at a blistering pace. We have so much to learn from each other, and it's great that Castellum can provide that first step into a new professional life.

For the 6th consecutive year, we've managed to fulfil our objective of having at least 4% of our staff in intern or apprenticeship positions. Last year, apprentices actually represented 6% of employees. One foot through the door of real working life can mean everything for an individual, and for us as a company, it's purely a question of survival to assure a competence and succession flow. *Win-win* at its best.



Another important sustainability issue, which also has a profitability slant, has inspired our major involvement with solar-cell technology. Last year, we invested approx. 5 million kronor in solar panels for the roofs of our buildings. We've now begun a project to be able to multiply and expand utilization of solar cells in the near future. A roll-out in the order of 500,000 square metres would not be impossible for upcoming years. This project could turn us into one of the largest solar-cell industry players and contribute significantly to more sustainable energy provision, generally.

And for the economically inclined, I can reveal that these are profitable undertakings; better, or on a par with, our projects.



In everything we do, we make special efforts to exceed expectations. Both for that little extra service-level on an everyday basis, and when we become involved in new mega-productions. Here's where I'd like to show a few of our most exciting projects just now.

Malmö: We're building a new Nordic headquarters for E.ON in Nyhamnen, Malmö. It's an investment calculated to amount to 1.1 billion kronor. We are also building

new premises for the Swedish Courts in Malmö, an investment of 1.2 billion kronor. These projects are an important part of Castellum's strategy to continue growing in the Öresund region, and they add up to being a couple of Castellum's all-time biggest building projects. We are placing heavy emphasis on digital functions and services, in addition to WELL-certifying both of these major projects.



Säve Airport: Near the end of December, Castellum bought Säve Airport. As I previously mentioned, this is an important and exciting acquisition that secures our expansion in Sweden's strongest logistics market. A further great benefit of the acquisition is an assured land bank in Gothenburg's best location, where the potential for expansion is at least 850 thousand square metres until 2030, corresponding to investments of approx. 8.5 billion kronor. Even in that case, we would be utilizing only half of the area, and the airport can continue operations. So as you understand, unbelievably interesting for the future.



Hagastaden: Just now, an inner-city district is being created here, where Stockholm and Solna meet. Even today, we own an ultra-modern building in this area with a running track and an outdoor gym on the roof. We have also managed to acquire zoning rights to build several more offices, comprising 19,000 square metres in a perfect location, with both the Karolinska Institute and the New Karolinska hospital as neighbours. An important Nordic cluster for health and research is being built here. By 2025, Hagastaden will comprise 50,000 new workplaces and 6,000 residences.

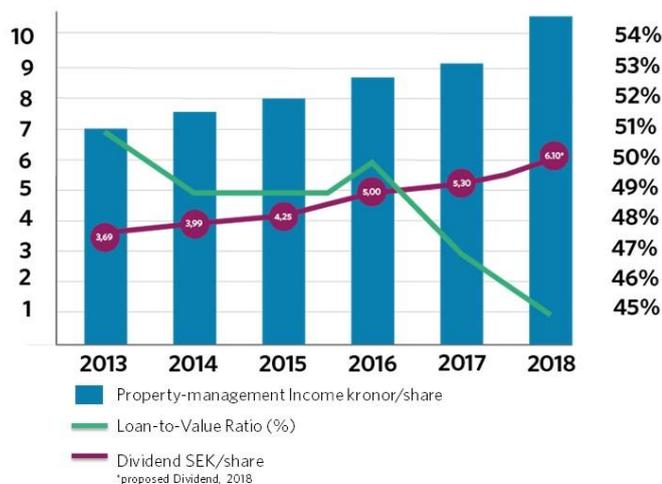


I'm convinced that the long-term efforts described above have raised Castellum's growth potential to a new level, even if this doesn't always mean we'll manage to meet our ambitious 10 % goal for an increase in property-management income every year. However, we have managed to achieve an average 8% growth in property-management income during the past ten years.

With that said, I'm convinced that the future for Castellum is very bright.

We have muscles to flex in sustainable business, everyday scrimping, acquisitions and new production.

We have the ambition to develop our business and to develop new sources of revenue that make us competitive, and we have the competence required to get us there.



If we take a look forward: In recent years, I've expressed myself with unequivocal optimism on the subject of development in our markets.

I am still positive, but it will be difficult to beat this record year of 2018, even if I believe in a stable and positive market. Demand for centrally situated offices in our growth regions is still strong and there are continued low production volumes for offices, but we can't count on being able to raise rents by 10-20% again, as was the case for 2018.

If you look at Castellum alongside a comparable portfolio, our 2018 leasing revenues increased by a whopping 5.3%, which is a record figure. That said, there is reason for achieving high numbers in renegotiations next year as well, when a number of old contracts expire.

If we take a look at our largest single cost, financing, we can't see a single sign that interest rates will be raised significantly in the foreseeable future, even if bank margins might be adjusted.

So short-term for 2019, we expect that the significant sales transactions that started off this year will lead to some decline in the growth of property-management income, while expectations are for increased growth in the long term, entirely in line with our objectives.

Thank you for listening.