



## **Chairman of the Board Per Berggren's address at the 2023 Annual General Meeting**

Our esteemed shareholders:

I would like to welcome you once again to our wonderful premises. This is the first time we have held our Annual General Meeting in Stockholm. The ambition is to alternate between here and Gothenburg every year. Värtahamnen is one of the most exciting and important development areas in Stockholm. It is extremely gratifying to be able to invite you, our shareholders, here and give you the opportunity to view Castellum's own Stockholm offices. Here, we have developed these spaces to create the most attractive and forward-looking workplace from all the relevant perspectives: wellness, performance, and collaboration. We hope you'll take the time to take a look around before you go home today.

I would like to start with a quick look backward at Castellum's development before we go into the present and the future.

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Fifteen years ago, when I was elected to Castellum's Board of Directors, the company had been listed on the Stockholm stock exchange for ten years. The asset portfolio was valued at SEK 24 Bn, and the strategy was to expand in growth cities in the Nordic region, and to continue to refine and future-proof our asset portfolio and cash flow.

A lot has happened since then. *But the strategy remains the same.*



Today, the value of our asset portfolio has grown to more than seven-fold: SEK 181 Bn. We have secured our Nordic platform with entry into Finland and our holdings in the Norwegian company Entra.

We are satisfied with the segment we have today. Primarily offices in strong growth cities, as well as logistics in strategic locations. Retail, hotels, and shopping centres are now a very small portion of our property portfolio. Today, the average value per square metre is significantly higher in real numbers than when I was elected to the Board. That is to say, the quality of the portfolio has increased through divesting lower quality and purchasing higher. Or by developing new high-quality properties ourselves.

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The total return – that is, share performance including dividend – for Castellum’s shareholders has been 3,175 per cent since the IPO (including last year’s major downturn). This should be compared with the performance of the Stockholm stock exchange over the same period, which was 848 per cent.

And this is in a period of prosperity, which the Nordic property industry has enjoyed for many years now. Low interest rates, demand outstripping supply, and an enduring boom in the business cycle. Those are times when it is easy to grow and accelerate. But now, when a storm is brewing, is when strategies are really put to the test. Do we own the right properties for the right customer segment? Do we have a stable cash flow, even in a recession? I am convinced that the answer to these questions is “YES”, but naturally only time will tell.



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If we zoom in from the long-term perspective and look at the current situation, a split image emerges. Castellum's underlying business is stable, and we are still experiencing robust demand in all our sub-markets in the Nordic region. But uncertainty in the finance market will have serious effects on the property industry and on Castellum. Financing is entirely fundamental for capital-intensive property companies like us. The bigger we are, the bigger the loans, even if Castellum's loan-to-value ratio is among the lowest in the industry. The Board focused fully on financing issues during the year, and made safeguarding its key credit rating and strengthening the company's financial position a top priority.

One of the measures taken during the year was aggressively curbing investment volumes going forward. Castellum's major project pipeline has been put on hold until market conditions are more favourable once again. This year, the company will complete only ongoing property projects, and will not start any new ones.

Another measure taken was tightening the financial policy with a requirement for an interest coverage ratio of 300 per cent (previously 200). Also, the loan-to-value ratio is not to exceed 40 per cent (previously 50) over the long term. This is more in line with the requirements for the credit rating.

A third, particularly unfortunate, measure was the proposal for no dividend in 2022. We Board members are of the opinion that prioritising a strong balance sheet and safeguarding the company's credit rating is the most favourable course of action over the long term, for both shareholders and bondholders. But I would also like to remind



you that our dividend policy – disbursing half of the surplus – stands firm, and that the dividend will be resumed as soon as the situation permits.

Castellum divested properties for roughly SEK 4 Bn during the year. This also strengthened the balance sheet. Most likely we will see additional divestments during this year, but the transaction market is currently sluggish and it is taking time to reach agreements. The company is not financially dependent on divestments in order to manage its bond maturities in the immediate future. However, selling a smaller share in the portfolio could have a positive impact on our key performance indicators and credit profile.

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At year-end, Castellum's liabilities totalled a respectable volume of SEK 75 Bn. With little more than half of this volume in the European bond market (which has been more or less shut down for nearly a year) along with the concerns over interest rates, this naturally has an effect on the company's credit profile and share price performance. Around SEK 15 Bn in bonds will fall due in the current year, which the company will be able to manage with its own cash balances and credits. But to create greater margins than that – which our credit rating also requires – we propose a fully guaranteed preferential rights issue of roughly SEK 10 Bn.

The total has been carefully considered, and we are of the opinion that this will be sufficient for what we want to achieve: paying off loans, securing our credit rating of Baa3 – Stable Outlook, and ensuring growth through our development projects.



If the Meeting votes to approve this, we Board members feel that the preferential rights issue could be implemented during the second quarter of the year. In a preliminary schedule the terms – prices, for example – could be set in the second quarter and the subscription period would be able to start immediately thereafter. We cannot say yet what terms will apply to the share issue. These will be set in the next step, *if* the Meeting wishes to authorise the Board to conduct the share issue.

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Now let us look to the future. A strong, committed management group is crucial for the Board being able to push through its strategy. As you are no doubt aware, we have been looking for a new CEO for Castellum since Christmas, and this has been a very thorough process with many strong candidates. That is why it was particularly gratifying to have been able to present a long-term and stable CEO and President yesterday – namely, Joacim Sjöberg. Joacim has been interim CEO since 17 January of this year, and now steps in as permanent CEO effective immediately.

He became one of the candidates during the process, and was not on the list of candidates when he was named interim CEO. The fact that he became a candidate during the process was due in part to his own significant interest as got to know the company, and in part – on the Board’s side – to attaching great importance to financial acumen. And the ability to quickly familiarise himself with the operation in a time when the business environment was having a major impact on the company. Joacim Sjöberg met these requirements and then some, which gives the company



stability and immense know-how about the capital market in a situation when this is of the utmost importance.

A strong leader for the company is naturally crucial. But I would also like to emphasise that in addition to the CEO, Castellum has competent, experienced management that ensures continuity and in-depth knowledge of the company. Could you all stand, please, so we can see you? Castellum is divided into five regions, and each Regional Managing Director has a property portfolio that individually would make it onto the list of the top 25 largest commercial property companies in Sweden. Sven Stork, SEK 50 Bn in Region Stockholm; Per Gawelin, SEK 25 Bn in Region Central; Mariette Hilmersson, SEK 28 Bn in Region West; Ola Orsmark, SEK 26 Bn in Region Öresund; and Mats Eriksson, SEK 17 Bn in Region Mälardalen. And we also have key headquarter functions such as our CFO Jens Andersson, our HR Director Hanna Brandström, our Chief Legal Officer Malin Löveborg, our Communications Director Anna-Karin Nyman, our Investment Director Kristina Sawjani, our Chief Sustainability Officer Filip Elland, and – last but not least – our Chief Operating Officer Sebastian Schlasberg.

They will be available to answer questions after the meeting.

My warmest thanks to you all for your extraordinary efforts during a challenging year.

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Let us continue on the theme of the future, and I will now move on to an issue I personally hold dear: sustainability. The Board has put sustainability high on the



agenda for many years, and it has paid off. Some of our most profitable investments were made in the in-house production of electricity through solar PV systems on our roofs. Today, we are one of the property companies in the Nordic region with the most square metres of solar PV systems on our properties. In a year like this one, this has been incredibly valuable and the repayment period for investments has gone from between roughly 12 and 13 years to between 3 and 4 years.

During the year, the Board raised its energy ambitions, increasing the target for reducing energy consumption in the property portfolio by 2.5 per cent per year. It is an ambitious target, since Castellum already has one of the industry's most energy-efficient asset portfolios.

Sustainability is a question of long-term value creation. If we do not future-proof our investments, they will lose their value. Put that way, it's very simple. The investments and the values we create today must also come up to standard for future generations.

In my meetings with investors, I noted that there was plenty of capital looking for green investments but that it was not always so easy to find them. Going forward, the demand for green financing will only increase. If we are not on the leading edge of this, capital will look elsewhere. Having a sustainable strategy that supports our highly ambitious goals in this field is purely a question of survival.

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During the year, Nasdaq classified Castellum's share as a green share. The purpose of Nasdaq's Green Equity Designation is to provide increased visibility for investors who are looking for sustainable investments. To meet the criteria for a green share in Nasdaq, at least 50 per cent of sales and 50 per cent of investments must be considered green, and less than 5 per cent of assets can be linked to fossil fuels.

It was a moment to celebrate when the company rang in the Castellum share at Nasdaq Tower in New York on 12 September to mark the Castellum share's Green Equity Designation in Nasdaq Stockholm.

Even though the future is fraught with uncertainty, I am convinced that it will have to become more sustainable. All else is futile.

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In conclusion, I would like to take this opportunity to thank my colleagues on the Board after an intense year. I would also like to thank the other employees of the company – and you, our shareholders – for your tremendous commitment and numerous constructive discussions during the year.

Thank you!

