



# HALF-YEAR REPORT JANUARY - JUNE 2018

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## 14% growth in income from property management and new operations in Helsinki

- Income for the period January-June 2018 amounted to MSEK 2,740 (MSEK 2,563 previous year).
- Income from property management amounted to MSEK 1,420 (1,248), corresponding to SEK 5.20 (4.57) per share, an increase of 14%.
- Changes in value on properties amounted to MSEK 827 (1,824) and on derivatives to MSEK 25 (152).
- Net income after tax for the period amounted to MSEK 2,425 (2,647), corresponding to SEK 8.88 (9.69) per share.
- Long term net asset value (EPRA NAV) amounted to SEK 157 (138) per share, an increase of 14%.
- Net leasing for the period was MSEK 128 (199).
- Net investments amounted to MSEK 2,069 (3,849) of which MSEK 1,019 (3,349) pertained acquisitions, MSEK 1,437 (1,356) new developments, extensions and redevelopment and MSEK 387 (856) to sales.

### Important events during the quarter

In June, Castellum established operations in Helsinki through the acquisition of the Salmisaarenaukio 1 property, in the Ruoholahti business district for MEUR 81. The building comprises around 14,433 sq.m., and the investment forms part of Castellum's strategy of building a strong Nordic property portfolio.

Castellum is first in Sweden to certify an office according to the International WELL Building Standard, level Gold (and has six additional ongoing WELL-certification projects). The office is Castellum's regional office in Stockholm, which has been certified according to the only building standard that factors in the well-being of people at work.

In April, Castellum revised its financial policy for the net loan-to-value ratio not to exceed 50% on a sustained basis (previously 55%).

Moody's gave Castellum an investment grade rating of Baa3, with a positive outlook in April. The rating is an important tool in the company's aim of achieving more advantageous financing terms.

KEY METRICS	2018 April-June	2017 April-June	2018 Jan-June	2017 Jan-June
Income, MSEK	1,388	1,259	2,740	2,563
Net operating income, MSEK	1,002	915	1,940	1,777
Income from property management, MSEK	755	656	1,420	1,248
D:o SEK/share)	2.76	2.40	5.20	4.57
D:o growth	+15%	+9%	+14%	+9%
Net income after tax, MSEK	1,660	1,221	2,425	2,647
Net investments, MSEK	1,567	1,489	2,069	3,849
Net leasing, MSEK	80	96	128	199
Loan to value ratio	47%	48%	47%	48%
Interest coverage ratio	461%	400%	426%	380%
EPRA NAV SEK/share	157	138	157	138
EPRA NNNNAV SEK/share	142	124	142	124

This is a translation of the Swedish language original. In the event of any differences between this translation and the Swedish original, the latter shall prevail.

**Cover:** Hisingen Logistics park, Gothenburg. Read more on page 8.



# The market requires change — so we are making three important changes

What is the true description of Castellum's market? What we know is that it is currently undergoing incredibly rapid change and that it has several dimensions:

**Geography:** Castellum wants to be present where growth is strongest. This has resulted in major upheavals in our portfolio in the last few years. In Stockholm, we now own central properties valued at around SEK 9-10 billion with favorable development prospects and, in parallel, we have significantly reduced holdings in certain outlying areas. Earlier we have also divested our properties in cities as Värnamo, Östersund and Luleå. Growth has been in focus and Sweden alone cannot meet all our needs for growth. From a small base in Copenhagen, we have continued to grow in terms of property for around SEK 6 billion and, recently, we entered the Helsinki market with the acquisition of a well-located and efficient office property for about MEUR 81. This is just the start, we aim to build a substantial office portfolio in Helsinki.

**Change 1: Castellum should now be perceived as a property company with a Nordic platform.**

**Type of premises:** Significant changes have also been made — and are being made — in this area. The growth of e-commerce is impacting the retail and logistics segments, where Castellum has been proactive. For a number of years, we have been reducing the proportion of purely retail space and invested in the expansion of our logistics portfolio — now one of Sweden's largest. In total, this comprises property valued at SEK 12 billion, with annual rental income of around MSEK 950, which this year to date has generated income from property management of MSEK 230. Castellum is perfectly positioned to capture a leading role in the e-commerce logistics chain, due to its well-located buildings and land, including major hubs along the key logistics routes down that last mile to consumers in the major cities. And given that logistics are now highly valued by the stock market, our focus and the fact that we clearly showcase this segment should create shareholder value.

**Change 2: Going forward, Castellum will have clearer focus on the growing logistics portfolio**

**Customer offering/service:** In this dimension, the market has almost undergone a revolution seen from a traditional property company's perspective. Today, a sustainability mindset is practically a given. Castellum wants to achieve the highest ratings and is one of the world's most sustainable property companies according to GRESB, and is the only property- and construction company included in the Dow Jones Sustainability Index. We also want to make everyday life healthier and easier for each one of the 250,000 people working in our buildings and have, therefore, invested in initiatives, such as WELL certification of new offices and services such as Handly and Beambox. Through our Next20 innovation lab, we are trying to drive continued technology development.

However, the industry is also facing new requirements in terms of flexibility with regard to rental formats and contract periods. Co-working has literally exploded in New York and London, and the process is ongoing in Stockholm and Gothenburg. Castellum intends to take a firm grip on this new market and to retain the important close contact with our tenants. Therefore, this autumn, we will be launching our own co-working concept that will create completely new opportunities for our tenants in terms of flexibility. The concept allows access to workplaces from different cities in the Nordic region, and enables collaboration and networking with other companies and people through membership in a newly developed digital platform. "Work for tomorrow" is our overriding maxim for these investments.

**Change 3: Castellum is starting a new company for co-working in the Nordic region based on a proprietary developed digital platform.**

## Financial resources required

Considerable financial resources are required to make significant advances in all of these dimensions. Castellum has these in place. In the first six months, income from property management increased by 14%, to SEK 5.20 per share, boosted by rental growth of 5% in like-for-like holdings. The market remains buoyant, net lettings amounted to MSEK 128 (199) not including our agreement regarding the construction of E.ON's new head office in Malmö, which will contribute rental income of around MSEK 68 annually. The occupancy rate has increased to 93% (90). Our streamlining program to lower costs is proceeding as planned, but the costs for new investments mean the effects are not fully visible.

The LTV ratio continues to decline and was 47% (48), which is well aligned with the lowered policy for a net LTV ratio of not more than 50%. Castellum's financial strength meant that Castellum received an Investment Grade rating — Baa3 with a positive outlook. The rating will be valuable in reaching our goal of a broadened investor base, which also includes the international capital markets, and achieving more advantageous financing terms as well as the possibility of longer maturities for our borrowing.

After the first six months, the net asset value was SEK 157 (138), which means that, at the time of writing, the Castellum share was trading at a discount.

**To sum up:** Continued strong trends on all fronts with many new and exciting projects going forward. I feel even more certain of my statement in the Annual Report that, given the present circumstances, Castellum has excellent prerequisites for achieving a 10% improvement in income from property management this year. But today, I would also like to add that the future looks unusually exciting!

Gothenburg July 13, 2018

**Henrik Saxborn**  
CEO

# Market comments



## Swedish and Danish economy

The Swedish economy is developing well, with relatively strong GDP growth. Despite some decline in housing construction, the primary contributors include investments and favorable export prospects. A weak krona exchange rate also supports export prospects. However, the growth rate is expected to peak in 2018 and subsequently decline in 2019-2020. Lately, consumer confidence has decreased somewhat, and the contribution from private consumption is therefore expected to decrease. This slight downturn may become significant if housing prices continue to fall. The escalation in international trade restrictions, which have been announced and, to some extent already initiated, entails significant latent risks of a reduction in global trade and accordingly, considerable negative consequences for growth going forward, not least for a small export-dependent nation, such as Sweden.

However, the Swedish labor market is still positively affected by the strong business cycle. Unemployment is at

its lowest since 2007 and may fall further if the favorable economic trend continues. Of late, inflation (CPIF) has followed Riksbanken's (the Swedish Central Bank) long-term target of 2 percent. Development of the krona exchange rate plays a key role for inflation in Sweden, as a weak exchange rate normally contributes to higher inflation. The krona continued to be weak in Q2 and, if this trend continues, inflation may rise slightly faster than expected.

Danish GDP growth is developing well. According to Danmark Nationalbank's forecasts (March 2018), GDP is expected to increase by about 1.9% during 2018 and remain close to this growth rate for 2019-2020 as well.

### MACRO INDICATORS - SWEDEN

Unemployment	6.2%	(May 2018)
Inflation	2.1%	(May 2018 compared to May 2017)
GDP-growth	0.7%	(Q1, 2018 compared to Q4, 2017)

Source: SCB

Against a backdrop of rising employment, private consumption is expected to boost GDP, but more favorable export prospects and investments will also contribute. Inflation in Denmark — expressed in terms of HICP — is expected to fall back to about 0.7% in 2018 and then rise to approx. 1.5% in 2019 and 2020.

### Rental market

The rental market continues to show a stable or positive trend in all of Castellum's markets. The supply of *office space* is low, and within the central business districts (CBDs) of Gothenburg and Stockholm, record low vacancy levels and continued high demand were noted. Limited availability in the CBDs means that demand in nearby suburbs has increased significantly, which has led to a positive rental trend in these submarkets. In 2017-2018, new developments as a percentage of the total office stock were stable at a round 0.5-1% in Stockholm, Gothenburg and Malmö, which did not correspond to demand. It is highly probable that new development will increase in all three cities during 2019-2020. This is balanced by strong demand and results in overall preconditions for continued rental growth.

A strong trend has also been noted in the *warehouse and logistics segment* for properties in semi-central locations with good means of transportation and sorting yards, i.e., last-mile activities. This was mainly driven by the growth in e-commerce. In Greater Stockholm, 27 logistics projects were started in 2017 with a combined production cost of around SEK 2 billion, and the corresponding figures for Greater Gothenburg were 34 projects amounting to about SEK 1.5 billion and for Greater Malmö 7 projects totaling SEK 1.2 billion. In Q1 2018, a total of 13 projects were started in the three areas, which was fewer construction starts than in 2015/2016. Logistics segment rents differ in so far as volume-warehousing posted a stable rent trend and the last mile-segment noted growth, particularly in suburbs close to Stockholm.

### Real estate market

In 2018 (until June), transaction volumes in the Swedish real estate market totaled around SEK 57 billion, down about SEK 25 billion year-on-year. International investors accounted for a higher share of volume thus far in 2018, 32% compared with 22% for the same period in 2017. Modern *office properties* within the CBDs of Stockholm, Gothenburg and Malmö continue to be highly attractive to the investor market, resulting in a strong pricing trend for recently completed transactions. Larger office transactions in Stockholm have set new records of between SEK 110,000-130,000 per sq.m. To date in 2018, the required yield for office premises in Castellum's submarkets has posted a year-on-year decline, primarily for properties with safe cashflows; driven by a solid rental market, falling vacancy rates and continued favorable interest rates for investors.

*Warehouse and logistics properties* attract a growing number of both domestic and international investors, and demand is driven largely by the growth of e-commerce. Internationally, falling yield requirements have been the trend in recent years, for warehouse and logistics facilities in last-mile locations — a trend that is also starting to be noted in the Swedish logistics market.

### Interest and Credit market

The Swedish Riksbank continues its focus on inflation, in the form of the CPIF target of 2%, and its expansionary monetary policy.

Since February 2016, when the repo rate was cut to a new historic low of -0.50%, the repo rate has remained unchanged although the repo rate path has gradually been adjusted downward and increases have been postponed. The expected hike was once again postponed when the Riksbank presented its interest rate decision in May. The Riksbank's assessment (July 3, 2018) is that the repo rate will begin to slowly rise toward the end of 2018. It remains to be seen whether a first increase will then be implemented, even if inflation and business cycle prospects were to decline beforehand.

On the whole, long-term Swedish interest rates have not moved much during the quarter, even if periodic geopolitical concerns have entailed increased volatility. Of particular significance to Castellum, the key five-year swap interest rate was around -0.4%, compared with about -0.5% at the end of 2017. At the end of the quarter, 3-month STIBOR was -0.36%, which was about 0.1 percentage point higher than at year end, after remaining essentially unchanged in Q2. The interest rate differential between long- and short-term interest rates has decreased marginally, and interest rates remain historically low.

At the end of April, Castellum announced an official credit rating from Moody's. The rating, which is an investment grade rating, is Baa3 with a positive outlook. The rating is expected to allow improved financial flexibility for Castellum and had an immediate beneficial effect on Castellum's borrowing cost in the Swedish bond market.

The availability of bank financing and funding in the Swedish capital market is assessed as remaining favorable. Castellum has been active in the bond market in the second quarter, while the volume of certificates outstanding has been reduced slightly from previous record levels. The volume of secured bank credit facilities has also been reduced over the period. Certain bank credit facilities were also renegotiated during the period, which resulted in more favorable financing terms.

Credit margins, which have tended to increase slightly in the European capital market, have to date had little impact on the Swedish bond market.

In Denmark, the 3-month Cibur rate has remained stable at about -0.3% thus far this year.

# Condensed consolidated statement of comprehensive income

MSEK		2018 April-June	2017 April-June	2018 Jan-June	2017 Jan-June	Rolling 12 months July 17-June 18	2017 Jan-Dec
Rental income		1,290	1,149	2,557	2,313	5,027	4,783
Service income		98	110	183	250	332	399
<b>Income</b>	note 2	<b>1,388</b>	<b>1,259</b>	<b>2,740</b>	<b>2,563</b>	<b>5,359</b>	<b>5,182</b>
Operating expenses	note 3	- 157	- 153	- 380	- 369	- 710	- 699
Maintenance	note 3	- 48	- 34	- 76	- 74	- 196	- 194
Ground rents	note 3	- 6	- 5	- 13	- 11	- 25	- 23
Property tax	note 3	- 77	- 76	- 153	- 152	- 306	- 305
Leasing and property administration	note 3	- 98	- 76	- 178	- 180	- 382	- 384
<b>Net operating income</b>		<b>1,002</b>	<b>915</b>	<b>1,940</b>	<b>1,777</b>	<b>3,740</b>	<b>3,577</b>
Central administrative expenses	note 4	- 38	- 40	- 84	- 83	- 163	- 162
Acquisition and restructuring costs		-	- 1	-	- 5	-	- 5
Net interest expenses	note 5	- 209	- 219	- 436	- 446	- 875	- 885
<b>Income from property management</b>	note 1	<b>755</b>	<b>655</b>	<b>1,420</b>	<b>1,243</b>	<b>2,702</b>	<b>2,525</b>
- of which income from property management*		755	656	1,420	1,248	2,702	2,530
Changes in value	note 6						
Properties		596	884	827	1,824	3,543	4,540
Derivatives		32	75	25	152	120	247
<b>Income before tax</b>		<b>1,383</b>	<b>1,614</b>	<b>2,272</b>	<b>3,219</b>	<b>6,365</b>	<b>7,312</b>
Current tax	note 7	- 1	- 14	- 3	- 82	- 17	- 96
Deferred tax	note 7	278	- 379	156	- 490	- 694	- 1,340
<b>Income for the period/year</b>		<b>1,660</b>	<b>1,221</b>	<b>2,425</b>	<b>2,647</b>	<b>5,654</b>	<b>5,876</b>
<b>Other total net income</b>							
<b>Items that can be reclassified to net income</b>							
Translation difference of currencies		226	- 15	315	- 15	402	72
Change in value derivatives, currency hedge		- 92	54	- 181	54	- 315	- 80
<b>Total net income for the period year**</b>		<b>1,794</b>	<b>1,260</b>	<b>2,559</b>	<b>2,686</b>	<b>5,741</b>	<b>5,868</b>
Average number of shares, thousand		273,201	273,201	273,201	273,201	273,201	273,201
Income, SEK/share		6.08	4.47	8.88	9.69	20.70	21.51

\* For calculation, Key financial metrics, page 19.

\*\* Net income and total net income for the period/year is entirely assignable to the parent company's shareholders.

Accounting policies can be found on page 20.

” Comparisons, shown in parentheses are made with the corresponding period previous year except in parts describing assets and financing, where comparisons are made with the end of previous year.

# Performance analysis January-June 2018

## NOTE 1 Income from property management

Income from property management, i.e. net income excluding transaction and restructuring costs, changes in value and tax for the period January-June 2018 amounted to MSEK 1,420 (1,248), equivalent to SEK 5.20 (4.57) per share - an increase of 14%. Income from property management, rolling four quarters, amounted to MSEK 2,702 (2,493) equivalent to SEK 9.89 per share (9.13) - an increase of 8%.

## SEGMENT INFORMATION

MSEK	Income		Income from prop.mgmt	
	2018 Jan-June	2017 Jan-June	2018 Jan-June	2017 Jan-June
Central	716	742	376	369
West	606	561	322	302
Öresund	549	524	281	256
Stockholm-North	869	736	469	394
<b>Total</b>	<b>2,740</b>	<b>2,563</b>	<b>1,448</b>	<b>1,321</b>

The difference between the income from property management of MSEK 1,448 (1,321) above and the groups accounted income before tax of MSEK 2,272 (3,219) consists of unallocated income from property management of MSEK - 28 (- 73), transaction and restructuring costs of MSEK 0 (- 5), changes in property value of MSEK 827 (1,824) and changes in values of derivatives of MSEK 25 (152).

## NOTE 2 Income

The Group's income amounted to MSEK 2,740 (2,563) and the average occupancy rate was 93.0% (89.9%) including discounts of MSEK 43 (45). This also includes a lump sum of MSEK 11 (2) as a result of early termination of leases. The increase like-for-like of 5% can be referred to higher rental levels as well as lower vacancies.

## DEVELOPMENT OF INCOME

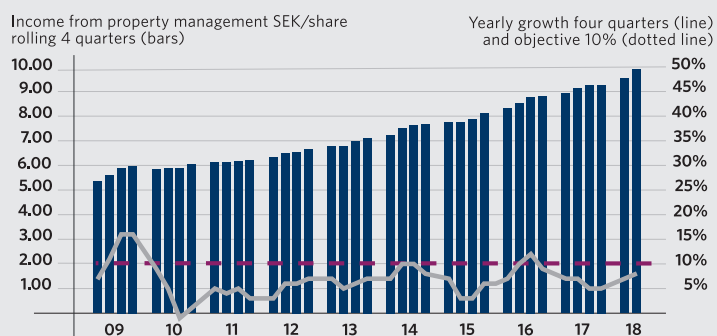
MSEK	2018 Jan-June	2017 Jan-June	Change, %
Like-for-like holdings	2,487	2,360	5.4%
Development properties	154	77	-
Transactions	99	126	-
<b>Rental income</b>	<b>2,740</b>	<b>2,563</b>	<b>6.9%</b>

Gross leasing (i.e. the annual value of total leasing) during the period was MSEK 232 (349), of which MSEK 70 (140) were leasing of new constructions, extensions and reconstructions. Notices of termination amounted to MSEK 104 (150), of which bankruptcies were MSEK 6 (4) and MSEK 8 (9) were notices of termination with more than 18 months remaining length of contract. Net lease for the period was MSEK 128 (199). The time difference between reported net leasing and the effect in income thereof is estimated to be between 9-18 months and 12-24 months for investments in new constructions, extension or reconstruction.

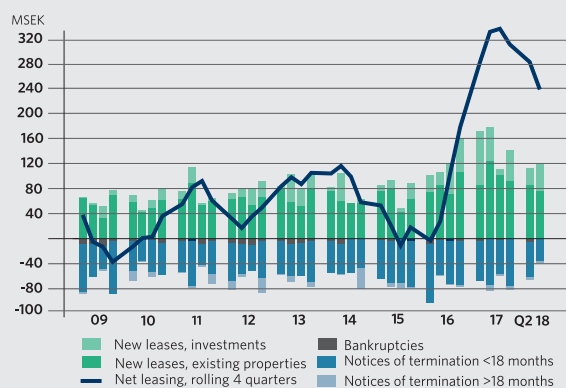
## NET LEASING

MSEK	Region					Total
	Central	West	Öresund	Sthlm	North	
NEW LEASES						
Existing properties	57	30	23	41	11	162
Investments	21	26	-	23	-	70
Total	78	56	23	64	11	232
NOTICES OF TERMINATION						
Existing properties	- 26	- 22	- 17	- 31	- 2	- 98
Bankruptcies	- 5	-	-	- 1	-	- 6
Total	- 31	- 22	- 17	- 32	- 2	- 104
Net leasing	47	34	6	32	9	128

## INCOME FROM PROPERTY MANAGEMENT PER SHARE



## NET LEASING





**NOTE 3 Property costs**

Property costs amounted to MSEK 800 (786) corresponding to SEK 368 per sq.m. (358). Property costs increased by 5%, which can be explained by colder weather during the first six months of 2018 compared with 2017.

**DEVELOPMENT OF PROPERTY COSTS**

MSEK	2018 Jan-June	2017 Jan-June	Change, %
Like-for-like holdings	568	542	4.8%
Development properties	31	26	-
Transactions	23	38	-
<b>Direct property costs</b>	<b>622</b>	<b>606</b>	<b>2.6%</b>
Property admin	178	180	-
<b>Total property costs</b>	<b>800</b>	<b>786</b>	<b>1.8%</b>

Consumption for heating during the period has been calculated to 94% (92%) of a normal year according to the degree day statistics.

**PROPERTY COSTS**

	Office	Retail	Light industry	Ware- house/ Logistics	Public sector prop.	Total
Operating expenses	217	164	115	122	202	<b>176</b>
Maintenance	50	23	26	24	23	<b>34</b>
Ground rent	3	6	5	8	6	<b>5</b>
Real estate tax	109	61	22	23	81	<b>70</b>
Total prop. costs	379	254	168	177	312	<b>285</b>
Leasing & prop. admin						<b>83</b>
<b>Total</b>	<b>379</b>	<b>254</b>	<b>168</b>	<b>177</b>	<b>312</b>	<b>368</b>

**NOTE 4 Central administrative expenses**

Central administrative expenses totalled MSEK 84 (88) and has been charged with MSEK 6 (6) for development costs for Castellum's Innovation lab Next 20 - the Group's long-term focus on digitalization. Central administrative expenses also include costs related to the profit-and-share-price related incentive plan for 8 members of Executive Management of MSEK 9 (3).

**NOTE 5 Net interest**

Net interest items were MSEK - 436 (- 446). The average interest rate level was 2.3% (2.5%). Net interest income was positively affected by approx. MSEK 38 due to the 0.2 percentage point increase in the average interest rate.

**NOTE 6 Changes in value**

The property market remained strong through the first six months of 2018 with stable to increasing prices. Castellum's change in value for the first six months of 2018 amounted to MSEK 827. The value changes included MSEK 58, attributable to a property sale of MSEK 387 after the deduction of costs of MSEK 6. Accordingly, the underlying property price was MSEK 393. For proper-

ties sold in the first quarter, payment is received in two installments: MSEK - 237, when premises were vacated in the first quarter; and approximately MSEK 50 when the detailed development plan enters force. For 2018, only the first disbursement has been recognized. Since every property is valued individually, consideration has not been given to the portfolio premium that can be seen in the real estate market.

The market value of the derivatives changed by MSEK 25 (152) mainly due to changes in long-term market interest rates.

**CHANGE IN VALUE PROPERTIES**

MSEK	2018 Jan-June	2017 Jan-June
Cash flow	192	445
Project gains/building rights	219	410
Required yield	350	616
Acquisitions	8	298
Sales	58	55
<b>Total</b>	<b>827</b>	<b>1,824</b>
D:o %	1%	2%

**NOTE 7 Tax**

Current tax is calculated based on a nominal tax rate of 22%, while deferred tax is based on the lower tax rates that apply from 2019 and 2021. Due to the possibility to deduct depreciation and reconstructions for tax purposes, and to utilize tax loss carry forwards, the tax paid is low.

Remaining tax loss carryforwards can be calculated to MSEK 1,832 (2,564). Furthermore, there are derivatives at an undervalue of MSEK 144. Fair values for the properties exceed their fiscal value by MSEK 46,196 (39,790) of which MSEK 4,423 (3,018) relates to the acquisition of properties accounted for as asset acquisitions. As deferred tax liability, a full nominal 20.6% tax of the net difference is reported, reduced by the deferred tax relating to asset acquisitions, i.e., MSEK 8,257 (7,555).

Castellum has no current tax disputes.

**Tax proposal**

During the first quarter, the government published the "New Tax Rules for the Business Sector" draft bill referred to the Council on Legislation for scrutiny. The bill includes proposals for interest expense deduction limitations pursuant to EU directives, and was adopted on June 13 and will enter force on January 1, 2019. Broadly speaking, the legislation entails a maximum net interest expense deduction of 30% on EBITDA (in Castellum's case, the proposal means profit before tax with the add-back of net interest, changes in value of derivatives and properties, and deductions for tax deductible redevelopments). Moreover, the government proposes a lowered corporate tax, introduced in two steps: 21.4% as of 2019, which will be lowered to 20.6% as of 2021.



Contin. note 7

Today's strong cash flow from operations, combined with historically low interest rates and reduced corporate taxes, mean that interest-rate limitations – in their present format – do not significantly affect Castellum's paid taxes.

TAX CALCULATION 06-30-2018		
MSEK	Basis current tax	Basis deferred tax
Income from property management	1,420	
Deductions for tax purposes		
depreciations	- 526	526
redevelopment	- 322	322
Other tax allowances	- 79	-120
Taxable income from property mgmt	493	728
Current income tax 22%, if tax losses are not utilized	-108	
Properties sold	101	- 279
Changes in value on properties	-	771
Changes in value on derivatives	25	-
Taxable income before tax loss carry forwards	619	1,220
Tax loss carry forwards, opening balance	- 2,437	2,437
Tax loss carry forwards, closing balance	1,832	1,832
Taxable income	14	1,825
<b>Tax for the period, 22%</b>	<b>- 3</b>	<b>- 402</b>
<b>Revaluation of deferred tax</b>	<b>-</b>	<b>558</b>
<b>Tax according to the Income Statement for the period</b>	<b>-3</b>	<b>156</b>

#### NET DEFERRED TAX LIABILITY 06-30-2018

MSEK	Basis	Nominal tax liability	Real tax liability
Tax loss carry forwards	1,832	395	378
Untaxed reserves	- 144	-32	- 32
Properties	- 46,196	- 9,531	- 2,893
<b>Total</b>	<b>- 44,508</b>	<b>- 9,168</b>	<b>- 2,547</b>
Properties, asset acq.	4,423	911	
<b>In the balance sheet</b>	<b>- 40,025</b>	<b>- 8,257</b>	

Deferred tax is in principle both interest free and amortization free and can therefore be considered as shareholder equity. The real deferred tax is lower than nominal partly due to the possibility of selling properties in a tax-efficient way, partly due to the time factor which means that the tax will be discounted.

Estimated real deferred tax liability net has been estimated at 6% based on a discount rate of 3%. Moreover assumptions have been made that tax loss carry forwards are realized in 2 years with a nominal tax of 21.6%, giving a present value for the deferred tax liability of 21%, and that the properties are realized in over 50 years where 33% are sold directly with a nominal tax of 22% and that 67% are sold indirectly through company disposals where the buyers tax discount is 8%. This provides a present value for deferred tax liability of 6%.



#### HISINGEN LOGISTICS PARK, GOTHENBURG

LOCATION: Strategically located close to Gothenburg Harbour  
 AREA: phase 1, 30,200 sq.m.  
 TIME PLAN: phase 1 completed in Q2, 2018  
 INVESTMENT: MSEK 220  
 CERTIFICATION: Miljöbyggnad level silver

In Q2 2018 the first phase of a flexible logistics facility with modern standards and a fully automated warehouse with high ceilings was completed. Hisingen Logistics Park is one of the largest logistics facilities of its kind in Sweden and is strategically located close to Gothenburg, west and southern Sweden, and Oslo.

## Condensed consolidated balance sheet

MSEK		June 30, 2018	June 30, 2017	Dec 31, 2017
<b>ASSETS</b>				
Investment properties	note 8	84,298	76,490	81,078
Goodwill	note 9	1,659	1,659	1,659
Other fixed assets		121	85	107
Current receivables		746	1,078	665
Liquid assets		84	323	203
<b>Total assets</b>		<b>86,908</b>	<b>79,635</b>	<b>83,712</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Shareholders' equity		34,847	30,554	33,736
Deferred tax liabilities	note 7	8,257	7,555	8,405
Other provisions		3	7	5
Interest-bearing liabilities	note 10	39,992	37,213	38,226
Derivatives	note 11	1,323	1,431	1,352
Non interest-bearing liabilities		2,486	2,875	1,988
<b>Total shareholders' equity and liabilities</b>		<b>86,908</b>	<b>79,635</b>	<b>83,712</b>
Pledged assets (property mortgages)		28,717	31,699	32,397
Pledged assets (chattel mortgages)		-	-	-
Contingent liabilities		-	-	-

## Condensed changes in equity

MSEK	Number of shares, outstanding, thousand	Share capital	Other capital contributions	Currency translation reserve	Currency hedge reserve	Non-controlling interest	Retained earnings	Total equity
<b>Shareholders' equity 12-31-2016</b>	<b>273,201</b>	<b>137</b>	<b>12,434</b>	<b>51</b>	<b>- 46</b>	<b>- 2</b>	<b>16,660</b>	<b>29,234</b>
Dividend, March and Sept 2017 (5.00 SEK/share)	-	-	-	-	-	-	- 1,366	- 1,366
Net income Jan-June 2017	-	-	-	-	-	-	2,647	2,647
Other total net income Jan-June 2017	-	-	-	- 15	54	-	-	39
<b>Shareholders' equity 06-30-2017</b>	<b>273,201</b>	<b>137</b>	<b>12,434</b>	<b>36</b>	<b>8</b>	<b>- 2</b>	<b>17,941</b>	<b>30,554</b>
Net income July-Dec 2017	-	-	-	-	-	-	3,229	3,229
Other total net income July-Dec 2017	-	-	-	87	- 134	-	-	- 47
<b>Shareholders' equity 12-31-2017</b>	<b>273,201</b>	<b>137</b>	<b>12,434</b>	<b>123</b>	<b>- 126</b>	<b>- 2</b>	<b>21,170</b>	<b>33,736</b>
Dividend March and Sept 2018 (5.30 SEK/share)	-	-	-	-	-	-	- 1,448	- 1,448
Net income Jan-June 2018	-	-	-	-	-	-	2,425	2,425
Other total net income Jan-June 2018	-	-	-	315	- 181	-	-	134
<b>Shareholders' equity 06-30-2018</b>	<b>273,201</b>	<b>137</b>	<b>12,434</b>	<b>-438</b>	<b>- 307</b>	<b>- 2</b>	<b>22,147</b>	<b>34,847</b>

# Balance sheet June 30, 2018

## NOTE 8 Property portfolio and property value

### Investment properties

The property portfolio is located in growth areas in Sweden, Copenhagen and Helsinki. The commercial portfolio consists of 46% office, 23% public sector properties, 14% warehouse/logistics, 9% retail and 3% light industry. Property locations range from inner city sites to well-situated working-areas with good public transportation and services. The remaining 5% consist of developments and undeveloped land.

Castellum owns approx. 825,000 sq.m. of unutilized building rights and furthermore ongoing developments with remaining investments of approx. SEK 1.8 billion.

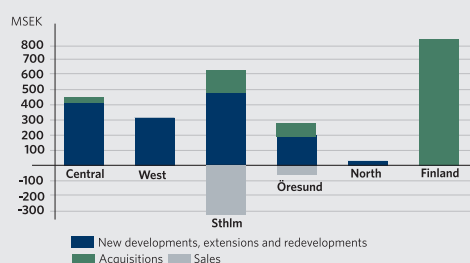
### Investments

During the period, investments totalling MSEK 2,456 (4,705) were carried out, of which MSEK 1,019 (3,349) were acquisitions and MSEK 1,437 (1,356) new developments, extensions and redevelopments. After sales and cash settlement of MSEK 387 (856) net investments amounted to MSEK 2,069 (3,849).

### CHANGES IN THE PROPERTY PORTFOLIO

	Value, MSEK	Number
Property portfolio on January 1, 2018	81,078	676
+ Acquisitions	1,019	2
+ New developments, extensions and redevelopments	1,437	9
- Sales	- 331	- 4
+/- Unrealized changes in value	771	-
+/- Currency translation	324	-
<b>Property portfolio on June 30, 2018</b>	<b>84,298</b>	<b>683</b>

### INVESTMENTS PER REGION



### Property value

#### Internal valuations

Castellum assesses the value of the properties through internal valuations, as in previous years, corresponding to level 3 in IFRS 13. The valuations are based on a 10-year cash flow based model with individual valuation for each property in terms of both its future earnings capacity and the required market yield. In assessing a property's future earnings capacity, consideration has been taken of potential changes in rental levels, occupancy rates and property costs - as well as an assumed inflation level of 1.5%.

Projects in progress have been valued using the same principle, but with deductions for remaining investments. Properties with building rights have been valued on the basis of an estimated market value per square metre, on average approx. SEK 1,480 (1,700) per sq.m.

In order to ensure and validate the quality of the internal valuations, an external valuation - representing over 50% of the portfolio - is made every year-end. The difference between the internal and external valuations has been historically small. Based on these internal valuations, property value at the end of the period was assessed at MSEK 84,298 (76,490), corresponding to SEK 18,762 per sq.m.

### Average valuation yield

The average valuation yield for Castellum's real estate portfolio, excluding development projects and undeveloped land, can be calculated at 5.4% (5.5%).

### AVERAGE VALUATION YIELD

(excl. developments/land and building rights)	MSEK
Net operating income properties	2,139
+ Real occupancy rate, 94% at the lowest	103
+ Property cost annual rate	0
- Property admin, SEK 30/sq.m.	- 68
<b>Normalized net operating income (6 months)</b>	<b>2,174</b>
Valuation (excl. building rights of MSEK 617)	79,934
<b>Average valuation yield</b>	<b>5.4%</b>

### KEY PROPERTY RELATED METRICS

	2018 Jan-June	2017 Jan-June	2017 Jan-Dec
Rental value, SEK/sq.m.	1,377	1,335	1,341
Economic occupancy rate	93.0%	89.9%	90.9%
Property costs, SEK/sq.m.	368	358	366
Net operating income, SEK/sq.m.	914	842	853
Property value, SEK/sq.m.	18,762	17,395	18,268
Number of properties	683	676	676
Leasable area, thousand sq.m.	4,408	4,376	4,381
Average valuation yield	5.4%	5.7%	5.5%



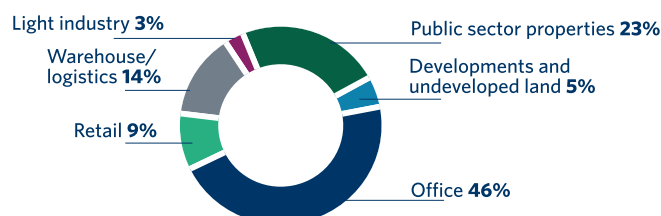
# Castellum's property portfolio

Category	06-30-2018				January-June 2018						
	No. of properties	Area thousand sq.m.	Property value MSEK	D:o/ sq.m.	Rental value MSEK	D:o/ sq.m.	Occupancy rate	Income MSEK	Property costs MSEK	D:o/ sq.m.	Net operating income MSEK
<b>OFFICE</b>											
Stockholm	31	290	9,718	33,455	301	2,071	93.7%	282	55	381	227
West	67	386	9,063	23,459	294	1,521	92.8%	272	63	324	209
Central	72	484	8,133	16,803	340	1,404	93.9%	319	89	366	230
Öresund	47	406	10,202	25,150	388	1,917	87.1%	339	87	430	252
North	11	66	1,240	18,914	51	1,572	85.5%	44	13	402	31
Finland	1	14	833	57,691	26	3,538	99.6%	26	5	725	21
<b>Total Office</b>	<b>229</b>	<b>1,646</b>	<b>39,189</b>	<b>23,801</b>	<b>1,400</b>	<b>1,701</b>	<b>91.6%</b>	<b>1,282</b>	<b>312</b>	<b>379</b>	<b>970</b>
<b>RETAIL</b>											
Stockholm	35	199	3,706	18,621	138	1,391	94.7%	131	21	208	110
West	17	78	1,074	13,772	47	1,196	95.9%	45	12	294	33
Central	21	97	1,579	16,195	62	1,276	97.1%	60	13	272	47
Öresund	11	47	828	17,783	34	1,451	92.4%	31	6	278	25
North	3	18	326	18,434	13	1,518	85.0%	12	4	426	8
<b>Total Retail</b>	<b>87</b>	<b>439</b>	<b>7,513</b>	<b>17,124</b>	<b>294</b>	<b>1,342</b>	<b>94.7%</b>	<b>279</b>	<b>56</b>	<b>254</b>	<b>223</b>
<b>WAREHOUSE /LOGISTICS</b>											
Stockholm	40	262	3,741	14,314	148	1,131	94.1%	139	24	187	115
West	73	556	4,943	8,889	207	746	89.8%	186	42	152	144
Central	35	215	1,685	7,841	86	797	91.3%	78	21	191	57
Öresund	30	209	1,682	8,037	81	774	88.6%	72	23	218	49
<b>Total Warehouse/Logistics</b>	<b>178</b>	<b>1,242</b>	<b>12,051</b>	<b>9,706</b>	<b>522</b>	<b>841</b>	<b>91.1%</b>	<b>475</b>	<b>110</b>	<b>177</b>	<b>365</b>
<b>LIGHT INDUSTRY</b>											
Stockholm	13	53	756	14,207	31	1,157	93.0%	28	5	190	23
West	19	88	812	9,184	35	796	95.6%	34	7	156	27
Central	14	54	412	7,666	22	823	96.1%	21	5	205	16
Öresund	4	42	310	7,366	16	766	79.9%	13	3	120	10
<b>Total Light industry</b>	<b>50</b>	<b>237</b>	<b>2,290</b>	<b>9,644</b>	<b>104</b>	<b>878</b>	<b>92.5%</b>	<b>96</b>	<b>20</b>	<b>168</b>	<b>76</b>
<b>PUBLIC SECTOR PROPERTIES</b>											
Stockholm	14	99	5,133	51,948	132	2,663	97.8%	129	20	408	109
West	17	122	2,245	18,446	77	1,265	96.7%	74	14	236	60
Central	24	241	5,444	22,569	194	1,607	97.6%	189	39	323	150
Öresund	8	91	2,992	32,842	96	2,099	97.8%	94	10	213	84
North	14	176	3,694	20,961	138	1,567	96.2%	133	31	347	102
<b>Total Public sector properties</b>	<b>77</b>	<b>729</b>	<b>19,508</b>	<b>26,757</b>	<b>637</b>	<b>1,745</b>	<b>97.3%</b>	<b>619</b>	<b>114</b>	<b>312</b>	<b>505</b>
<b>Total investment properties</b>	<b>621</b>	<b>4,293</b>	<b>80,551</b>	<b>18,762</b>	<b>2,957</b>	<b>1,377</b>	<b>93.0%</b>	<b>2,751</b>	<b>612</b>	<b>285</b>	<b>2,139</b>
Leasing and property admin									178	83	-178
<b>Total after leasing and property admin</b>									<b>790</b>	<b>368</b>	<b>1,961</b>
Development	38	115	3,235	-	51	-	-	29	14	-	15
Undeveloped land	24	-	512	-	-	-	-	-	-	-	-
<b>Total</b>	<b>683</b>	<b>4,408</b>	<b>84,298</b>	<b>-</b>	<b>3,008</b>	<b>-</b>	<b>-</b>	<b>2,780</b>	<b>804</b>	<b>-</b>	<b>1,976</b>

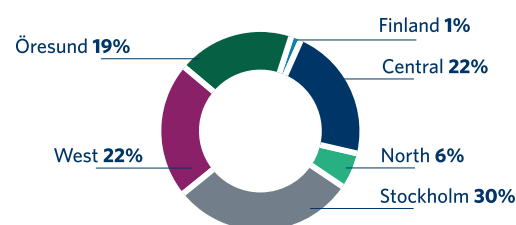
The table above relates to the properties owned by Castellum at the end of the period and reflects the income and costs of the properties as if they had been owned during the period. The discrepancy between the net operating income of MSEK 1,976 accounted for above and the net operating income of MSEK 1,940 in the income statement is explained by the deduction of the net operating income of MSEK 1 on properties sold during the year, as well as the adjustment of the net operating income of MSEK 37 on properties acquired/completed during the year, which are recalculated as if they had been owned or completed during the whole period.

More detailed description about property type on page 24, definitions. Castellum's property portfolio with new categories can be accessed from Q4, 2017 via: [castellum.com](http://castellum.com).

## PROPERTY VALUE BY PROPERTY TYPE



## PROPERTY VALUE BY REGION



# Customers

## Castellum's property portfolio and customer segments

Castellum's property portfolio is well distributed over various segments, whereby almost half consist of office buildings and a quarter comprises public sector properties. The latter provide a stable and secure income base, in the form of customers as well as longer contract durations. Castellum's exposure to the retail segment currently represents 9% of income value, but this segment includes grocery stores and car dealerships. Another type of retail exposure also occurs in the warehouse/logistics segment, in the form of storage and distribution from the rapidly-growing e-commerce segment, which favours rental growth and contributes to the transformation of well-located properties for the last mile.

## Lease maturity structure

Contract maturity for Castellum's portfolio are shown in the table below. The relatively low proportion of contracts reaching maturity during 2018 is primarily due to the fact that most contracts have already been renegotiated.

### LEASE MATURITY STRUCTURE 06-30-18

MSEK	No. of leases	Lease value MSEK	Percentage of value
Commercial, term			
2018	788	63	1%
2019	1,971	924	17%
2020	1,320	996	18%
2021	1,176	1,018	18%
2022	516	647	12%
2023+	497	1,758	32%
<b>Total commercial</b>	<b>6,268</b>	<b>5,406</b>	<b>98%</b>
Residential	465	41	1%
Parking spaces and other	6,118	70	1%
<b>Total</b>	<b>12,851</b>	<b>5,517</b>	<b>100%</b>

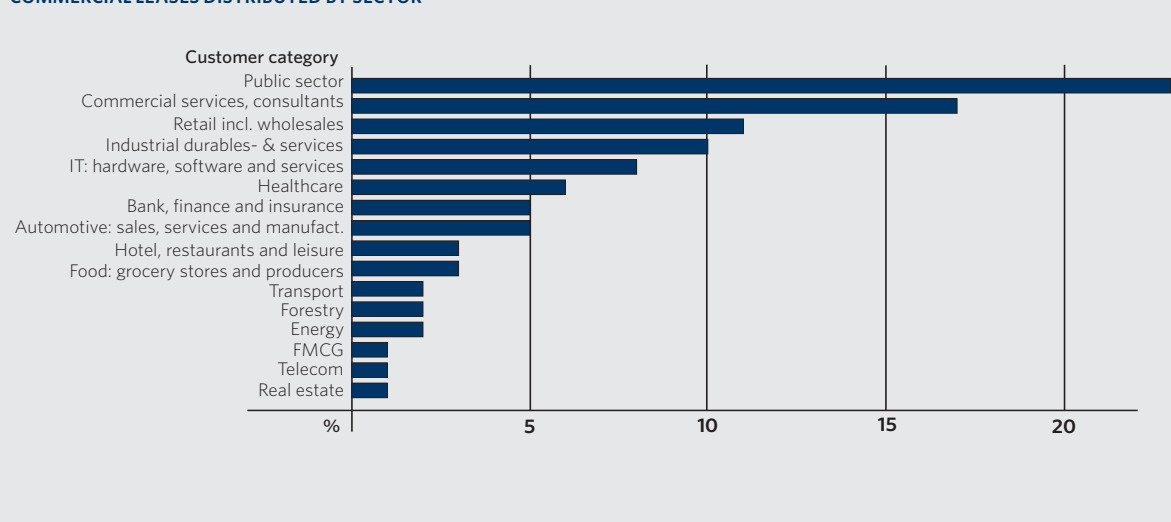
## Risk exposure, credit risk

Castellum's lease portfolio features a good risk exposure. The Group has approx. 6,300 commercial leases and 465 residential leases, and their distribution in terms of size is presented in the table below. The single largest lease as well as the single largest customer accounts for approx. 2% of the Group's total rental income, meaning that Castellum's exposure to a single- customer credit risk is very low.

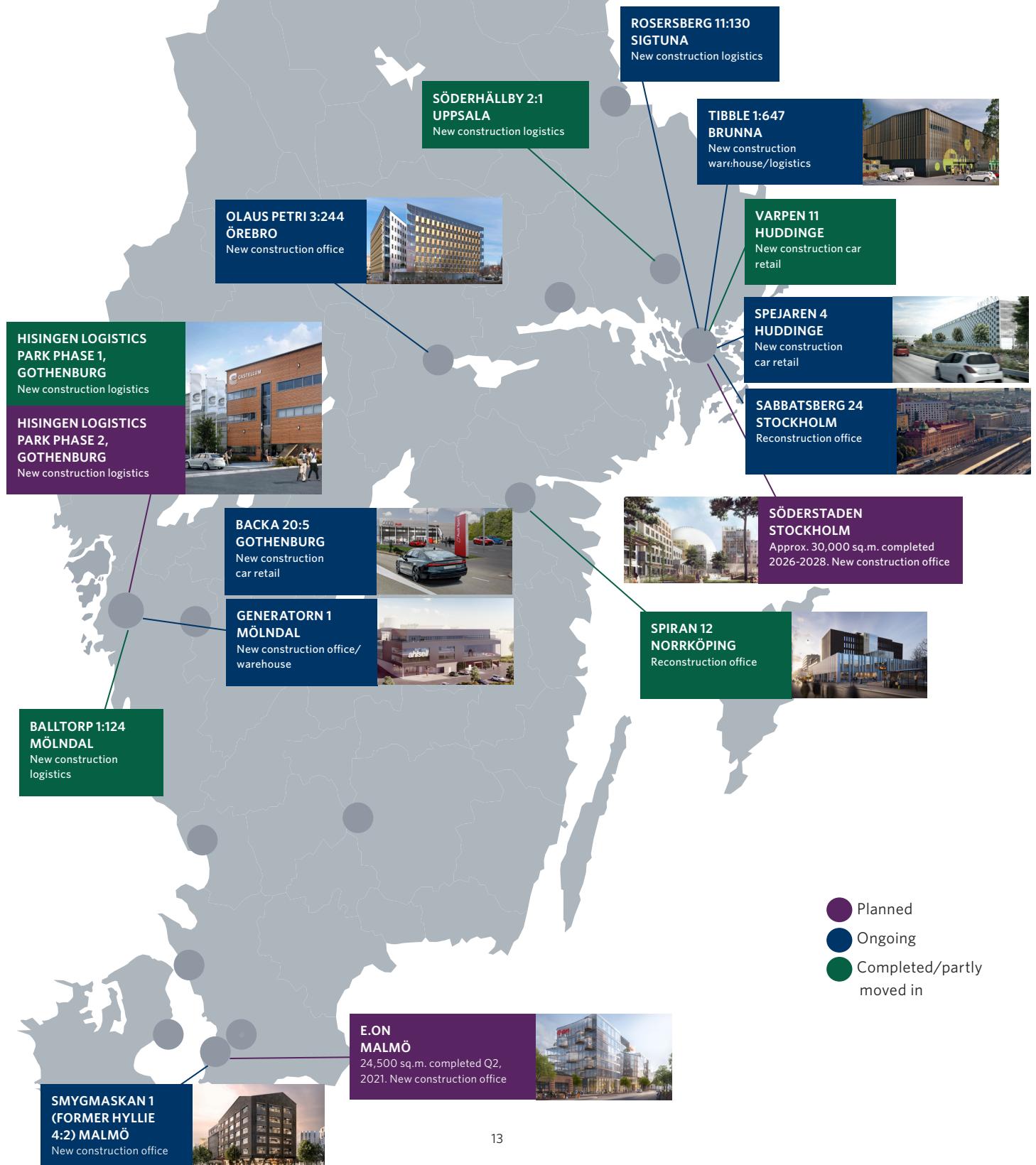
### LEASE SIZE

Lease size, MSEK	No. of leases	Share	Lease value MSEK	Share
Commercial				
< 0.25	3,061	24%	247	4%
0.25-0.5	1,045	8%	379	7%
0.5-1.0	854	7%	601	11%
1.0-3.0	766	6%	1,304	24%
> 3.0	542	4%	2,875	52%
<b>Total</b>	<b>6,268</b>	<b>49%</b>	<b>5,406</b>	<b>98%</b>
Residential	465	4%	41	1%
Parking spaces and other	6,118	47%	70	1%
<b>Total</b>	<b>12,851</b>	<b>100%</b>	<b>5,517</b>	<b>100%</b>

### COMMERCIAL LEASES DISTRIBUTED BY SECTOR



# Castellum's development portfolio





# Larger investments and sales

## Larger developments

Property	Rental value			Econ. occup. July 2018	Total inv. incl. land, MSEK	Of which inv. 2018, MSEK	Remain inv. MSEK	Completed	Category
	Area sq.m.	MSEK	SEK/sq.m.						
Olaus Petri 3:244, Örebro	14,526	36	2,400	97%	465	123	202	Q2 2019	New construction office
Smygmaskan 1 (former Hyllie 4:2), Malmö	9,600	26	2,700	65%	353	71	191	Q2 2019	New construction office
Spejaren 4, Huddinge	9,300	25	2,700	45%	349	115	199	Q1 2019	New construction car retail
Sabbatsberg 24, Stockholm	9,092	45	4,950	28%	329	46	267	Q2 2019	Reconstruction office
Generatorn 1, Mölndal	6,800	13	1,600	100%	141	38	94	Q3 2019	New construction office/ warehouse
Tibble 1:647, Brunna	8,894	12	1,300	0%	140	47	93	Q2 2019	New construction ware- house/logistics
Rosersberg 11:130, Sigtuna	12,200	12	1,000	66%	135	17	17	Q3 2018	New construction logistics
Backa 20:5, Gothenburg	3,500	7	1,950	100%	101	1	100	Q1 2019	New construction car retail

## Developments completed/partly moved in

Hisingen Logistics Park, Gothenburg	30,200	22	750	100%	228	59	22	Q2 2018	New construction logistics
Varpen 11, Huddinge	5,555	15	2,550	100%	197	25	31	Q1 2018	New construction car retail
Balltorp 1:124, Mölndal	18,000	15	850	100%	197	16	0	Q1 2018	New construction logistics
Spiran 12, Norrköping	7,915	18	2,300	46%	110	21	22	Q3 2018	Reconstruction office
Söderhällby 2:1, Uppsala	5,963	8	1,300	100%	101	23	7	Q1 2018	New construction logistics

## Total developments > MSEK 100

**2,846 602 1,245**

## Larger acquisitions during 2018

Property	Rental value			Econ. occup. July 2018	Acquisition SEKm	Access	Category
	Area, sq.m	MSEK	SEK/sq.m				
Salmisaarenaukio 1, Helsinki	14,433	52	3,550	100%	81 million EUR	June 2018	Office

## NOTE 9 Goodwill

In 2016, the CORHEI and Norrporten companies were acquired in connection with the acquisitions goodwill arose, primarily related to the difference between nominal tax, and the calculated supplementary tax which was applied at time of acquisition. The goodwill action is thereby connec-

ted to deferred tax. A write-off for goodwill is primarily justified for a major downturn in the real estate market or a situation wherein properties included in the transaction above are divested. As per June 30, 2018, there was no indication that a write-down will be necessary.



**NEW HEAD OFFICE, E.ON, MALMÖ**  
 LOCATION: Nyhamnen, central Malmö  
 AREA: 24,500 sq.m.  
 TIME PLAN: completed Q2, 2021  
 INVESTMENT: MSEK 1,100  
 CERTIFICATION: Miljöbyggnad level Gold and WELL

Work is currently ongoing with a detailed development plan and building permission for the construction of an office building in Nyhamnen, Malmö with E.ON as the primary tenant. The investment comprises a key element of Castellum's strategy of growing by being part of building for the community in the Öresund region. Both E.ON and Castellum want to build an office building that, from a sustainability perspective, is extraordinary. The 12-year lease starts to run from occupancy and, when fully let, the investment is expected to generate annual rental income of around MSEK 68.

#### NOTE 10 Interest bearing liabilities and liquid assets

Castellum must maintain a low level of financial risk. In April 2018, a decision was made to adjust the LTV policy, meaning a medium- to long-term LTV ratio of less than 50% (previously 55%). The interest coverage ratio remained at not less than 200%.

#### Interest bearing liabilities

At the end of the period, Castellum had credit agreements totaling MSEK 54,509 (57,240), of which MSEK 34,040 (45,120) was long-term and MSEK 20,469 (12,120) short-term. Of the utilized borrowing facilities at the end of the period, MSEK 25,550 (26,904) was long-term and MSEK 14,358 (11,119) short-term. During the first six months of 2018, credit agreements of MSEK 6,500 were terminated or expired while agreements totaling MSEK 7,067 were renegotiated and extended, and the bank overdraft was increased by MSEK 30. In addition, a MEUR 75 loan agreement with the European Investment Bank (EIB) was utilized. The loan carries a nominal value of MSEK 756, and runs for five years. During the first half-year, bonds totaling MSEK 1,050 matured and new bonds for MSEK 2,875 were issued. Also framework amounts were raised to MSEK 18,000 in Castellum's MTN program, and to MSEK 10,000 in the commercial paper program. After deduction of cash of MSEK 84 (203), net interest-bearing liabilities were MSEK 39,908 (38,023), of which MSEK 15,991 (14,162) were MTNs and MSEK 9,027 (7,994) commercial paper outstanding (nominal MSEK 16,000 and MSEK 9,032 respectively).

Most of Castellum's borrowings are revolving bank credit facilities, which means great flexibility. Bonds issued under the MTN program and commercial paper broaden the funding base, and comprise the majority of the utilized borrowing facilities. At the end of the period, the fair value of liabilities essentially corresponded with the carrying amounts.

Long-term loan commitments in banks are secured by pledged property deeds. Issued commercial paper and bonds are unsecured. Undertakings to meet specific financial ratios are included as covenants under certain financing agreements.

Net interest-bearing liabilities amounted to MSEK 39,908 (38,023), of which MSEK 14,890 (15,867) was secured against property deeds and MSEK 25,018 (22,156) was unsecured. The proportion of secured financing, with the addition of commercial paper outstanding backed by secured bank credit commitments, used was thus 28% of the properties' value. The financial covenants stipulate an

LTV ratio not exceeding 65% and an interest coverage ratio of at least 175%, which Castellum fulfils with comfortable margins: 47% and 426% respectively. The average duration of Castellum's credit agreements was 2.9 years (2.7). Margins and fees on long-term credit agreements had an average duration of 2.4 years (2.2).

At the end of April, Castellum announced an official credit rating from Moody's. The rating, which is an Investment Grade rating, is Baa3 with a positive outlook. The rating is expected to allow improved financial flexibility for Castellum and had an immediate beneficial effect on Castellum's borrowing cost in the Swedish bond market.

#### CREDIT MATURITY STRUCTURE 06-30-2018

Credit agreements	MSEK	Utilized in		
		Bank	MTN/Cert	Total
0 - 1 year	20,469	2,631	11,727	14,358
1 - 2 years	6,624	2,159	3,825	5,984
2 - 3 years	11,895	2,020	2,575	4,595
3 - 4 years	6,869	4,120	2,199	6,319
4 - 5 years	6,136	2,638	3,498	6,136
> 5 years	2,516	1,322	1,194	2,516
<b>Total</b>	<b>54,509</b>	<b>14,890</b>	<b>25,018</b>	<b>39,908</b>

#### Interest rate maturity structure

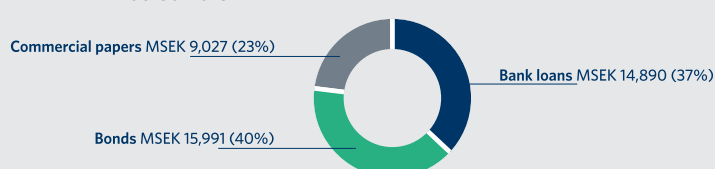
In order to secure a stable and low net interest cash flow the interest rate maturity structure is distributed over time. The average fixed interest term was 2.2 years (2.3). The average effective interest rate as per of June 30, 2018 was 2.1% (2.4%). Castellum utilizes interest rate derivatives to achieve the desired interest rate maturity structure. Interest rate derivatives is a cost efficient and flexible way to achieve the desired fixed interest term.

In the interest rate maturity structure, interest rate derivatives are accounted for in the earliest time segment in which they can mature. Credit margins and fees are distributed in the table by reported underlying loans, while credit fees are reported in the segment for 0-1 year.

#### Currency

Castellum owns properties in Denmark and Finland with a value of MSEK 6,860 (5,671), which means that the Group is exposed to currency risk. The currency risk is primarily related to when income statement and balance sheet in foreign currencies are translated into Swedish kronor.

#### DISTRIBUTION OF INTEREST BEARING LIABILITIES 06-30-2018



#### SECURED CREDIT FACILITIES 06-30-2018



**INTEREST RATE MATURITY 06-30-2018**

	Credit, MSEK	Closing average interest rate	Derivatives				Closing interest rate	Average fixed interest rate term
			Volume fixed interest rate, MSEK	Closed fixed interest rate**	Volume variable interest rate MSEK***	Closing variable interest rate***		
0 - 1 year	31,910	0.9%*	2,350	1.5%	- 16,498	- 0.4%	2.1%	0.3 year
1 - 2 years	2,050	0.9%	3,948	1.8%	-	-	1.5%	1.7 years
2 - 3 years	3,400	1.7%	1,800	3.1%	-	-	2.2%	2.7 years
3 - 4 years	949	2.0%	2,050	1.3%	-	-	1.5%	3.5 years
4 - 5 years	1,299	1.9%	1,500	3.0%	-	-	2.5%	4.6 years
5 - 10 years	300	2.3%	4,850	2.9%	-	-	2.8%	6.9 years
<b>Total</b>	<b>39,908</b>	<b>1.0%</b>	<b>16,498</b>	<b>2.2%</b>	<b>- 16,498</b>	<b>- 0.4%</b>	<b>2.1%</b>	<b>2.2 years</b>

\* Including credit-agreement fees and exchange rate differences for MTNs

\*\* Castellum pays fixed interest rates

\*\*\* Castellum receives interest rates

**NOTE 11 Interest rate and currency derivatives**

Castellum utilizes interest rate derivatives to achieve the desired interest rate maturity structure. According to the accounting standard IFRS 9, derivatives are subject to market valuation. If the agreed interest rate deviates from the market interest rate, notwithstanding credit margins, there is a theoretical surplus or sub value in the interest rate derivatives where the non-cash-flow affecting changes in value are reported in the income statement. At maturity, a derivative's market value is dissolved in its entirety and the change in value over time has thus not affected equity. Castellum also has derivatives in order to hedge currency fluctuation in its investment in Denmark and Finland. As for currency derivatives, a theoretical surplus/sub value

occurs if the agreed exchange rate deviates from the current exchange rate, where the effective portion of value changes is accounted for in other total income.

To calculate the market value of derivatives, market rates for each term and, where appropriate, exchange rates, as quoted on the market at the closing date are used. Interest rate swaps are valued by discounting future cash flows to present value while instruments containing options are valued at current repurchase price.

As of June 30, 2018, the market value of the interest rate derivatives portfolio amounted to MSEK - 1,253 (- 1,299) and the currency derivative portfolio to MSEK - 70 (- 53). All derivatives are, as at previous year, classified in level 2 according to IFRS 13.

**CASTELLUM'S FINANCIAL POLICY AND COMMITMENTS IN CREDIT AGREEMENTS**

	Policy	Commitment	Outcome
Loan to value ratio	Not exceeding 50%	Not exceeding 65%	47%
Interest coverage ratio	At least 200%	At least 175%	426%
Funding risk			
- average capital tied up	At least 2 years		2.2 years
- proportion maturing within 1 year	No more than 30% of outstanding loans and unutilized credit agreements		26%
- average maturing credit price	At least 1.5 years		2.4 years
- liquidity reserve	Secured credit agreements corresponding to MSEK 750 and 4.5 months upcoming loan maturities		Achieved
Interest rate risk			
- average interest duration	1.5 - 3.5 years		2.2 years
- proportion maturing within 6 months	No more than 50%		41%
Credit and counterparty risk			
- rating restriction	Credit institutions with high ratings, at least S&P BBB+		Achieved
Currency risk			
- translation exposure	Shareholders' equity is not secured		Not secured
- transaction exposure	Handled if exceeding MSEK25		Under MSEK 25



# Condensed consolidated cash flow statement

MSEK	2018 April-June	2017 April-June	2018 Jan-June	2017 Jan-June	Rolling 12 months July 17-June 18	2017 Jan-Dec
Net operating income	1,002	915	1,940	1,777	3,740	3,577
Central administrative expenses	- 38	- 40	- 84	- 83	- 163	- 162
Reversed depreciation	5	- 7	9	5	18	14
Net interest rate paid	- 212	- 227	- 446	- 458	- 866	- 878
Tax paid	32	- 66	- 8	56	- 67	- 3
Translation differences of currencies	36	- 15	36	- 15	43	- 8
<b>Cash flow from operating activities before change in working capital</b>	<b>825</b>	<b>560</b>	<b>1,447</b>	<b>1,282</b>	<b>2,705</b>	<b>2,540</b>
Change in current receivables	53	146	- 195	- 119	- 150	- 74
Change in current liabilities	- 143	- 826	- 203	- 162	- 264	- 223
<b>Cash flow from operating activities</b>	<b>735</b>	<b>- 120</b>	<b>1,049</b>	<b>1,001</b>	<b>2,291</b>	<b>2,243</b>
Investments in new developments, extensions and redevelopments	- 741	- 728	- 1,437	- 1,356	- 2,974	- 2,893
Property acquisitions	- 981	- 785	- 1,019	- 3,349	- 1,265	- 3,595
Change in liabilities on acquisitions of property	- 19	153	- 8	272	- 268	12
Property sales	155	24	387	856	406	875
Change in receivables on sales of property	19	483	13	4,588	381	4,956
Other investments	- 16	- 18	- 32	- 13	- 67	- 48
<b>Cash flow from investment activities</b>	<b>- 1,583</b>	<b>- 871</b>	<b>- 2,096</b>	<b>998</b>	<b>- 3,787</b>	<b>- 693</b>
Change in long term liabilities	898	1,009	1,643	- 1,254	2,656	- 241
Change in short term liabilities	-	1	9	4	8	3
Dividend paid	-	-	- 724	- 683	- 1,407	- 1,366
<b>Cash flow from financing activities</b>	<b>898</b>	<b>1,010</b>	<b>928</b>	<b>1,933</b>	<b>1,257</b>	<b>- 1,604</b>
<b>Cash flow for the period/ year</b>	<b>50</b>	<b>19</b>	<b>- 119</b>	<b>66</b>	<b>- 239</b>	<b>- 54</b>
Liquid assets opening balance	34	304	203	257	323	257
<b>Liquid assets closing balance</b>	<b>84</b>	<b>323</b>	<b>84</b>	<b>323</b>	<b>84</b>	<b>203</b>

## The Parent company

### Condensed Income statement

MSEK	2018 April-June	2017 April-June	2018 Jan-June	2017 Jan-June
Income	18	7	34	14
Operating expenses	- 44	- 44	- 92	- 89
Net financial items	17	24	2	2
Change in derivatives	- 18	133	- 25	190
<b>Income before tax</b>	<b>- 27</b>	<b>120</b>	<b>- 81</b>	<b>117</b>
Tax	6	- 26	18	- 25
<b>Net income for the period/year</b>	<b>- 21</b>	<b>94</b>	<b>- 63</b>	<b>92</b>
<b>Comprehensive income for the parent company</b>				
Net income for the the period/year	- 21	94	- 63	92
<b>Items that will be reclassified into net income</b>				
Translation difference foreign operations	42	- 7	131	- 7
Unrealized change, currency hedge	- 42	7	- 131	7
<b>Total net income for the period/year</b>	<b>- 21</b>	<b>94</b>	<b>- 63</b>	<b>92</b>

### Condensed Balance sheet

MSEK	June 30 2018	June 30 2017	Dec 31 2017
Participations, Group companies	19,675	19,762	19,161
Receivables, Group companies	38,263	34,629	30,914
Other assets	193	185	8,206
Liquid assets	0	0	0
<b>Total</b>	<b>58,131</b>	<b>54,576</b>	<b>58,281</b>
Shareholders' equity	16,282	16,527	17,794
Derivatives	1,323	1,431	1,352
Interest bearing liabilities	36,151	33,228	34,303
Interest bearing liabilities, Group companies	3,509	2,582	4,687
Other liabilities	866	808	145
<b>Total</b>	<b>58,131</b>	<b>54,576</b>	<b>58,281</b>
Pledged assets (receivables Group contributions)	24,032	26,745	27,688
Contingent liability (guaranteed commitments for subsidiaries)	3,638	3,726	3,609

# Opportunities and risks for the Group and Parent Company

## Opportunities and risks in the cash flow

Over time, increasing market interest rates normally constitute an effect of economic growth and increasing inflation, which is expected to result in higher rental income. This is partly due to the fact that the demand for premises is thought to increase. This leads, in turn, to reduced vacancies and hence to the potential for increasing market rents. It is also partly due to the fact that the index clause in commercial contracts compensates for increased inflation.

An economic boom therefore means higher interest costs but also higher rental income, while the opposite relationship is true during a recession. The changes in rental income and interest cost do not take place at the exact same time, which is why the effect on income in the short term may occur at different points in time.

### SENSITIVITY ANALYSIS - CASH FLOW

Effect on income next 12 months

	Effect on income, MSEK +/- 1% (units)	Probable scenario Boom	Recession
Rental level/index	+56/-56	+	-
Vacancies	+60/-60	+	-
Property costs	-16/+16	-	0
Interest costs	-141/+78	0	-

## Opportunities and risks in property values

Castellum reports its properties at fair value together with changes in value in the income statement. This means that the result in particular but also the financial position may be

more volatile. Property values are determined by supply and demand, where prices mainly depend on the properties' expected net operating incomes and the buyers' required yield. Increasing demand results in lower required yields and hence an upward adjustment in prices, while a weaker demand has the opposite effect. In the same way, a positive trend in net operating income results in an upward adjustment in prices, while a negative trend has the opposite effect.

In property valuations, consideration should be taken of an uncertainty range of +/- 5-10%, in order to reflect the uncertainty in the assumptions and calculations made.

### SENSITIVITY ANALYSIS - CHANGE IN VALUE

Properties	-20%	-10%	0%	+10%	+20%
Changes in value, MSEK	-16,860	-8,430	-	8,430	16,860
Loan to value ratio	59%	53%	47%	43%	39%

## Financial risk

Ownership of properties presumes a working credit market. Castellum's greatest financial risk is to lack access to funding. The risk is reduced by a low loan-to-value ratio and long-term credit agreements.

For more detailed information about risks and uncertainties visit Castellum's website or Castellum's Annual Report 2017, "Risk and Risk management" on pages 88-95.

### GENERATORN 1, MÖLNDAL

LOCATION: Söderleden, Mölndal just outside Gothenburg  
AREA: 6,800 sq.m.  
TIME PLAN: Q3, 2019  
INVESTMENT: MSEK 141  
CERTIFICATION: Miljöbyggnad level Silver

In 2017, construction started of new office and retail space for Ahlsell, which is a large Nordic distributor of installation and other products. The building is located along the Söderleden highway in Mölndal. Castellum has a number of new development projects and properties in this expansive part of Mölndal.



# Key Financial Metrics

A number of the financial measures presented by Castellum in the interim report are not defined in accordance with IFRS accounting standards. However, the company believes that these measures provide useful supplementary information to both investors and Castellum management, as they facilitate evaluation of company performance. It is to be noted that, since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies. Hence, these financial measures should not be seen as a substitute for measures defined according to IFRS. Unless otherwise stated, the table below presents measures, along with their reconciliation, which are not defined according to IFRS. Definitions for these measures appear on page 24.

	April-June 2018	April-June 2017	Jan-June 2018	Jan-June 2017	Rolling 12 months July 17- June 18	Jan-Dec 2017
Average number of shares, thousand (related to key financial metrics)	273,201	273,201	273,201	273,201	273,201	273,201
Outstanding number of shares, thousand (related to balance sheet ratios)	273,201	273,201	273,201	273,201	273,201	273,201

## Income from property management

Castellum's operations are focused on cash-flow growth from ongoing management operations - i.e. income growth from property management - the prime yearly objective being a 10% increase of income from property management. Income from property management also forms the basis of the annual shareholder dividend: at least 50% of income from property management. Income from property management is calculated before paid tax, as well as after the theoretical tax that Castellum would have paid on income from property management, had there been no loss carry forwards.

	April-June 2018 MSEK SEK/share		April-June 2017 MSEK SEK/share		Jan-June 2018 MSEK SEK/share		Jan-June 2017 MSEK SEK/share		Rolling 12 months July 17- June 18 MSEK SEK/share		Jan-Dec 2017 MSEK SEK/share	
Income before tax	1,383	5.06	1,614	5.91	2,272	8.32	3,219	11.78	6,365	23.30	7,312	26.76
Reversed:												
Transaction and restructuring costs	-	-	1	0.00	-	-	5	0.02	-	-	5	0.02
Changes in value, properties	- 596	- 2.18	- 884	- 3.24	- 827	- 3.03	- 1,824	- 6.68	- 3,543	- 12.97	- 4,540	- 16.62
Changes in value, derivatives	- 32	- 0.12	- 75	- 0.27	- 25	- 0.09	- 152	- 0.55	- 120	- 0.44	- 247	- 0.90
<b>= Income from property management</b>	<b>755</b>	<b>2.76</b>	<b>656</b>	<b>2.40</b>	<b>1,420</b>	<b>5.20</b>	<b>1,248</b>	<b>4.57</b>	<b>2,702</b>	<b>9.89</b>	<b>2,530</b>	<b>9.26</b>
<b>EPRA Earnings (Income from property mgmt)</b>												
Income from property management	755	2.76	656	2.40	1,420	5.20	1,248	4.57	2,702	9.98	2,530	9.26
Reversed; Current tax income from property management	- 63	- 0.23	- 68	- 0.25	- 108	- 0.40	- 137	- 0.50	- 210	- 0.77	- 239	- 0.87
<b>EPRA Earnings / EPRA EPS</b>	<b>692</b>	<b>2.53</b>	<b>588</b>	<b>2.15</b>	<b>1,312</b>	<b>4.80</b>	<b>1,111</b>	<b>4.07</b>	<b>2,492</b>	<b>9.12</b>	<b>2,291</b>	<b>8.39</b>

## Net Asset Value

Net asset value is the total equity that the company manages for its owners. Based on this equity, Castellum wants to create return and growth at a low level of risk. Net asset value can be calculated both long and short term. Long-term net asset value is based on the balance sheet, with adjustments for items that will not lead to any short-term payment. In Castellum's case, these would include such things as goodwill, derivatives and deferred tax liability. Actual net asset value is equity according to the balance sheet, adjusted for the market value of the deferred tax liability.

	June 30, 2018 MSEK SEK/share		June 30, 2017 MSEK SEK/share		Dec 31, 2017 MSEK SEK/share		
Equity according to the balance sheet	34,847	128	30,554	112		33,736	123
Reversed:							
Derivatives according to balance sheet	1,323	5	1,431	5		1,352	5
Goodwill according to balance sheet	- 1,659	- 6	- 1,659	- 6		- 1,659	- 6
Deferred tax according to balance sheet	8,257	30	7,555	27		8,405	31
<b>Long term net asset value (EPRA NAV)</b>	<b>42,768</b>	<b>157</b>	<b>37,881</b>	<b>138</b>		<b>41,834</b>	<b>153</b>
Deduction							
Derivatives as above	- 1,323	- 5	- 1,431	- 5		- 1,352	- 5
Estimated real liability, deferred tax 7% (2017: 6%)*	- 2,547	- 10	- 2,485	- 10		- 2,850	- 10
<b>Short term net asset value (EPRA NNAV)</b>	<b>38,898</b>	<b>142</b>	<b>33,965</b>	<b>124</b>		<b>37,632</b>	<b>138</b>

\* Estimated real deferred tax liability net has been calculated to 7% based on a discount rate of 3%. Further, assessments have been made that tax loss carry forwards are realized in 2 years with a nominal tax of 21.4%, giving a present value of deferred tax liability of 21%, and that the properties are realized in 50 years where 33% are sold directly with a nominal tax of 20.6% and that 67% are sold indirect through company disposals where the buyers tax discount is 8%, which gives a present value of deferred tax liability of 7%.

Cont. Financial Key Ratios

### Financial risk

Castellum's strategy is to own, develop and manage properties at low financial risk. This is expressed in a loan-to-value ratio not permanently exceeding 50% and an interest-coverage ratio of at least 200%.

Interest coverage ratio	April-June 2018	April-June 2017	Jan-June 2018	Jan-June 2017	Rolling 12 months July 17-June 18	Jan-Dec 2017
Income from property management	755	656	1,420	1,248	2,702	2,530
Reversed; Net interest	209	219	436	446	875	885
<b>Income from property management excl. net interest</b>	<b>964</b>	<b>875</b>	<b>1,856</b>	<b>-1,694</b>	<b>3,577</b>	<b>3,415</b>
Interest coverage ratio	461%	400%	426%	380%	409%	386%
<b>Loan to value ratio</b>			June 30, 2018	June 30, 2017		Dec 31, 2017
Interest-bearing liabilities			39,992	37,213		38,226
Liquid assets			-84	-323		-203
<b>Net interest-bearing liabilities</b>			<b>39,908</b>	<b>36,890</b>		<b>38,023</b>
Investment properties			84,298	76,490		81,078
Acquired properties not taken into possession			-15	-283		-23
Divested properties still in Castellum's possession			2	383		15
<b>Net investment properties</b>			<b>84,285</b>	<b>76,590</b>		<b>81,070</b>
Loan to value ratio			47%	48%		47%

### Investment

In order to achieve the overall objective of 10% growth, i. e. income from property management per share, annual net investments of at least 5% of the property value will be made.

Net investments	April-June 2018	April-June 2017	Jan-June 2018	Jan-June 2017	Rolling 12 months July 17-June 18	Jan-Dec 2017
Acquisitions	981	785	1,019	3,349	1,265	3,595
New developments, extensions and redevelopments	741	728	1,437	1,356	2,974	2,893
<b>Total investments</b>	<b>1,722</b>	<b>1,513</b>	<b>2,456</b>	<b>4,705</b>	<b>4,239</b>	<b>6,488</b>
Net sales prices	-155	-24	-387	-856	-406	-875
<b>Net investments</b>	<b>1,567</b>	<b>1,489</b>	<b>2,069</b>	<b>3,849</b>	<b>3,833</b>	<b>5,613</b>
Proportion of the property value, %	2%	2%	3%	5%	5%	7%

## Other key financial metrics

	April-June 2018	April-June 2017	Jan-June 2018	Jan-June 2017	Rolling 12 months July 17-June 18	Jan-Dec 2017
Net operating income margin	72%	73%	71%	69%	70%	69%
Interest rate level, on average	2.3%	2.4%	2.3%	2.5%	2.4%	2.4%
Return on long term net asset value	15.0%	16.5%	11.6%	13.1%	17.0%	19.6%
Return on actual net asset value	20.6%	16.4%	14.7%	9.6%	19.2%	18.3%
Return on total capital	7.3%	9.0%	6.3%	9.0%	8.7%	10.1%
Return on equity	20.0%	16.7%	14.7%	18.5%	18.9%	20.6%
Property value, SEK/share	309	280	309	280	309	297
Gross leasing	120	179	232	349	483	600
Net leasing	80	96	128	199	239	310

## Accounting policies

Castellum complies with the IFRS standards adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act. Disclosures in accordance with IAS 34 Interim Financial Reporting are provided in notes and elsewhere in the half-year report.

On January 1, 2018, IFRS 15 Revenue from Contracts with Customers came into effect. Castellum's revenue is largely regulated by IAS 17 Leasing, with the exception of the imposition of certain revenues, which are regulated by IFRS 15. The former includes customary rent including index, additional charges for investments, and property tax; the latter refers to all other additional charges such as heat, cooling, waste disposal, water, snow removal, etc. Thus, the adoption of IFRS 15 means that Castellum's revenues should be divided into two parts - Rental income and Service revenues. Consequently, there will be no impact on revenue

or income before tax. Comparative periods have been recalculated. In addition, IFRS 9 came into effect on January 1, 2018, thereby replacing IAS 39. The standard introduced new principles for the classification of financial assets, hedge accounting, and credit-loss reserves. The single largest item within the scope of IFRS 9 that affects Castellum consists of derivatives that are still reported at fair value in the income statement. Furthermore, the hedge accounting of net investments in Denmark is still considered effective under the new standard. Hence, IFRS 9 has no impact on either Castellum's income statement or balance sheet.

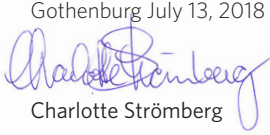
Otherwise, accounting policies and calculation methods remain unchanged compared to last year's Annual Report.



## Signing of the report

The Board of Directors and the Chief Executive Officer assure that the Half-year report provide a fair view of the parent company's and the Group's operations, financial position and result as well as describes significant risks and uncertainties that the parent company and the companies included in the Group are faced with.

Gothenburg July 13, 2018

  
Charlotte Strömberg  
Chairman

  
Per Berggren  
Board member

  
Anna-Karin Hatt  
Board member

  
Christer Jacobson  
Board member

  
Christina Karlsson Kazeem  
Board member

  
Nina Linander  
Board member

  
Johan Skoglund  
Board member

  
Henrik Saxborn  
CEO

This information is information that Castellum is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08.00 a.m. CET on Friday July 13, 2018.

## Events after the reporting period

In early July, Castellum announced that it was developing its own concept for co-working that would be offered to existing and future customers. The concept's launch to customers is planned for autumn 2018, and Stockholm and Gothenburg will lead the way. The base of the offering is Castellum's extensive property portfolio in several Nordic cities. The concept makes it possible to work in different locations across the country, and enables collaboration with other companies and people. Customers will be offered membership via a digital platform linking office premises and services.

## Auditor's Report

*Independent Auditor's Report on review of Half-year financial information*

**To the Board of Directors in Castellum AB (publ)**

Corp. id. no. 556475-5550

### Introduction

We have reviewed the half-year report for Castellum AB (publ) for the period January 1 - June 30, 2018. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-year report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Gothenburg July 13, 2018

Deloitte AB



Hans Warén

Authorized Public Accountant

# The Castellum share

The Castellum share is listed on Nasdaq Stockholm Large Cap. At the end of the period the company had about 41,000 shareholders. The ten individual largest owner constellations confirmed as of June 30, 2018 are presented in the table below.

## SHAREHOLDERS 06-30-2018

Shareholders	Number of shares, thousand	Percentage of voting rights and capital
Stichting Pensioenfonds ABP	14,815	5.4%
BlackRock	13,677	5.0%
SEB Fonder & Liv	12,834	4.7%
Rutger Arnhult	12,132	4.4%
Lannebo Fonder	9,573	3.5%
AMF Försäkring & Fonder	9,289	3.4%
Szombatfalvy-sphere	9,052	3.3%
Vanguard	8,561	3.1%
Sjätte AP-fonden	8,230	3.0%
PGGM Pensioenfonds	7,000	2.6%
Board and Executive Management Castellum	269	0.1%
Other shareholders registered in Sweden	71,696	26.3%
Shareholders registered abroad	96,073	35.2%
<b>Total registered shares</b>	<b>273,201</b>	<b>100.0%</b>

*There is no potential common stock (eg. convertibles)*

*Source: Holdings by Modular Finance AB. Collected and analyzed data from Euroclear, Morningstar, Finansinspektionen, Nasdaq and Millstream.*

The Castellum share price as of June 30, 2018 was SEK 145.15 (123.70) equivalent to a market capitalization of SEK 39.7 billion (33.8), calculated on the number of outstanding shares.

Since the beginning of the year a total of 147 million (146) shares were traded, equivalent to an average of 1,192,000 shares (1,190,000) per day, corresponding on an annual basis to a turnover rate of 109% (109%). The share turnover is based on statistics from Nasdaq Stockholm, Chi-X, Turquoise and BATS Europe.

## Net asset value

The net asset value is the aggregated capital that the company manages for its owners. From this capital, Castellum wants to generate return and growth at low risk.

The long term net asset value (EPRA NAV) can be calculated to SEK 157 per share (138). The share price at the end of the year was thus 92% (90%) of the long term net asset value.

## Earnings

Income from property management adjusted for tax attributable to income from property management (EPRA EPS) amounted to SEK 9.12 (8.39) on rolling annual basis. This results in a share price yield of 6.3% (6.8%) corresponding to a multiple of 16 (15).

Income from property management must be adjusted by a longterm increase in the property value and effective tax paid.

Net income after tax amounted on rolling annual basis to SEK 20.70 per share (24.80), which from the share price gives a yield of 14.3% (20.0%), corresponding to a P/E of 7 (5).

## Dividend yield

The recent AGM approved dividend of SEK 5.30 (5.00) corresponds to a yield of 3.7% (4.0%) based on the share price at the end of the period. Of the dividend, SEK 2.65 has been issued in March and the remainder will be paid out in September, according to record date: September 24, 2018.

## Total share yield

Over the last 12-month period the total yield on the Castellum share was 22% (5.4%), including a dividend.

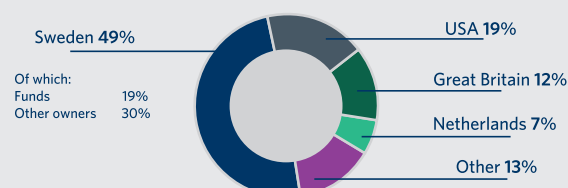
## Net asset yield including long-term change in value

In companies managing real assets, such as real estate, the income from property management only reflects part – albeit a large part – of the overall result. The definition of a real asset is that its value is protected. This means that over time – and with proper maintenance – the real asset increases in value to compensate for inflation.

The net asset value – i.e., the denominator of the yield ratio income/capital – is adjusted annually in accordance with IFRS regulations for changes in value. In order to provide an accurate figure of the yield, the numerator – i.e., income – must be similarly adjusted. Therefore, the recorded net income has to be supplemented with a component of value changes as well as with effective tax to provide an accurate view of income and yield.

One problem is that changes in value can vary greatly between years and quarters, thus leading to volatile results. However, by being a long-term player with stable cash flow and a balanced property portfolio, Castellum is able to make use of long-term value changes.

## DISTRIBUTION OF SHAREHOLDERS BY COUNTRY 06-30-2018



### NET ASSET YIELD AND EARNINGS INCLUDING LONG-TERM CHANGE IN VALUE

	Sensitivity analysis		
	-1%-unit		+1%-unit
Income from prop.mgmt rolling 12 months	2,702	2,702	2,702
Change in property value (on average 10 years)	1.7%	0.7%	2.7%
Do MSEK	1,373	565	2,180
Current tax 7%	- 198	- 198	- 198
<b>Earnings after tax</b>	<b>3,877</b>	<b>3,069</b>	<b>4,684</b>
Earnings SEK/share	14.19	11.23	17.14
Return on actual long-term net asset value	15.6%	13.4%	17.9%
Earnings/share price	9.8%	7.7%	11.8%
P/E	10	13	8

### KEY EPRA METRICS

	June 30, 2018	June 30, 2017	Dec 31, 2017
EPRA Earnings (Income from property mgmt after tax), MSEK	1,312	1,111	2,291
EPRA Earnings (EPS), SEK/share	4.80	4.07	8.39
EPRA NAV (long term net asset value), MSEK	42,768	37,881	41,834
EPRA NAV, SEK/share	157	138	153
EPRA NNNNAV (net asset value), MSEK	38,898	33,965	37,632
EPRA NNNNAV, SEK/share	142	124	138
EPRA Vacancy rate	7%	10%	9%
EPRA Yield	5.3%	5.3%	5.3%
EPRA "Topped-up" Yield	5.4%	5.4%	5.4%

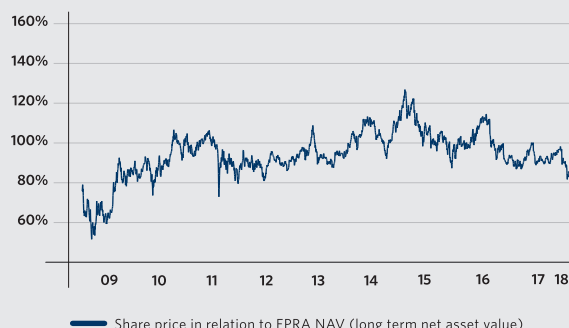
### GROWTH, YIELD AND FINANCIAL RISK

	1 year	3 years average/year	10 years average/year
<b>Growth</b>			
Rental income SEK/share	1.3%	4.3%	4.5%
Income from property mgmt SEK/share	8%	8%	7%
Net income for the year after tax SEK/share	-	24%	16%
Dividend SEK/share	6%	10%	7%
Long term net asset value SEK/share	14%	14%	8%
Actual net asset value SEK/share	15%	15%	7%
Property portfolio SEK/share	10%	13%	7%
Change in property value	4.5%	5.2%	1.7%
<b>Yield</b>			
Return on actual long term net asset value	17.0%	19.0%	12.0%
Return on actual net asset value	19.2%	18.4%	11.4%
Return on total capital	8.7%	9.5%	6.8%
<b>Total yield of the share (incl. dividend)</b>			
Castellum	22.0%	16.4%	15.2%
Nasdaq Stockholm (SIX Return)	2.9%	7.9%	11.3%
Real Estate Index Sweden (EPRA)	16.9%	17.5%	17.6%
Real Estate Index Europe (EPRA)	9.9%	5.7%	7.9%
Real Estate Index Eurozone (EPRA)	12.1%	11.8%	8.6%
Real Estate Index Great Britain (EPRA)	9.3%	2.6%	5.7%
<b>Financial risk</b>			
Loan to value ratio	47%	49%	50%
Interest coverage ratio	409%	378%	319%

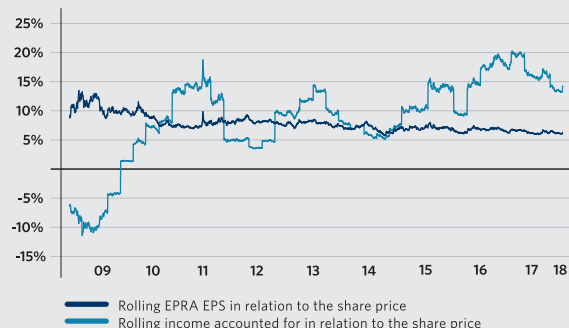
### THE SHARE'S DIVIDEND YIELD



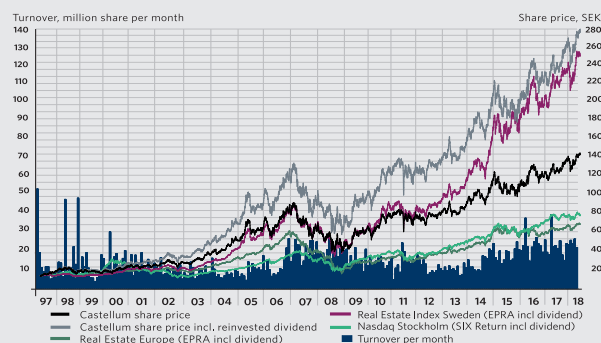
### SHARE PRICE/NET ASSET VALUE



### YIELD EARNINGS PER SHARE



### THE CASTELLUM SHARE'S PRICE TREND AND TURNOVER SINCE THE IPO, MAY 23, 1997 UNTIL JUNE 30, 2018



# Definitions

## KEY SHARE RELATED METRICS

### Data per share

In calculating income and cash flow per share the average number of shares has been used, whereas in calculating assets, shareholders' equity and net asset value per share the number of outstanding shares has been used. The number of historical shares that have been recalculated with reference to the bonus-issue element (i.e. the value of the subscription right) in the completed new share issue.

### Dividend pay out ratio

Dividend as a percentage of income from property management.

### Dividend yield

Proposed dividend as a percentage of the share price at the end of the period.

### EPRA EPS - Earnings Per Share

Income from property management adjusted for nominal tax attributable to income from property management, divided with the average number of shares. With taxable income from property management means income from property management with a deduction for tax purposes of depreciation and reconstruction.

### EPRA NAV - Long term net asset value

Reported equity according to the balance sheet, adjusted for interest rate derivatives and deferred tax.

### EPRA NNNAV - Actual net asset value

Reported equity according to the balance sheet, adjusted for actual deferred tax instead of nominal deferred tax.

### Number of shares

Registered number of shares - the number of shares registered at a given point in time. Outstanding number of shares - the number of shares registered with a deduction for the company's own repurchased shares at a given point in time.

### Total yield per share

Share price development with addition of the dividends during the period which was reinvested in shares that day shares traded ex-dividend.

## KEY PROPERTY RELATED METRICS

### Economic occupancy rate

Rental income accounted for during the period as a percentage of rental value for properties owned at the end of the period. Properties acquired/completed during the period have been restated as if they had been owned or completed during the whole year, while properties disposed of have been excluded entirely. Development projects and undeveloped land have been excluded.

### Income from property management

Net income for accounted for after reversal of transaction and restructuring costs, revaluation of results due to stepwise acquisition, changes in value and tax, both for the Group and for joint venture.

### Net operating income

Net operating income as a percentage of rental income.

### Operating expenses

This item includes both direct property costs, such as operating expenses, maintenance, ground rent and real estate tax, as well as indirect costs for leasing and property administration.

### Property type

The property's primary rental value with regard to the type of premises. Premises for purposes other than the primary use may therefore be found within a property type. Castellum's property types are: Retail, office, flex space, warehouse/logistics, public service properties (customers that are directly or indirectly tax funded) and project and

### Rental income

Rents debited plus supplements such as reimbursement of heating costs and real estate tax.

### Rental value

Rental income plus estimated market rent for vacant premises.

### SEK per square metre

Property-related key ratios, expressed in terms of SEK per square metre, are based on properties owned at the end of the period. Properties acquired/completed during the year have been restated as if they had been owned or completed for the whole year, while properties disposed of have been excluded entirely. Development projects and undeveloped land have been excluded. In the interim accounts key ratios have been recalculated on an annual basis, disregarding seasonal variations normally occurring in operations.

## KEY FINANCIAL METRICS

### Interest coverage ratio

Income from property management after reversal of net financial items and income from property management in joint venture as a percentage of net interest items.

### Loan to value ratio

Interest-bearing liabilities after deduction for liquid assets as a percentage of the properties' fair value with deduction for acquired properties not taken in possession, and with addition for properties disposed of, still in possession, at the year-end.

### Return on actual net asset value

Income after tax as a percentage of initial net asset value during the year, but with actual deferred tax instead of nominal tax. In the interim accounts the return has been recalculated on an annual basis, disregarding seasonal variations normally occurring in operations.

### Return on long term net asset value

Income after tax with reversed changes in value of derivatives and deferred tax as a percentage of initial long term net asset value. In the interim reports the return has been recalculated on an annual basis, disregarding seasonal variations normally occurring in operations.

### Return on equity

Income after tax as a percentage of average equity. In the interim accounts the return has been recalculated on an annual basis, disregarding seasonal variations normally occurring in operations.

### Return on total capital

Income before tax with reversed net financial items and changes in value on derivatives during the year as a percentage of average total capital. In the interim accounts the return has been recalculated on an annual basis, disregarding seasonal variations normally occurring in operations.



## Financial calendar

Interim report January - September 2018	17-Oct-18
Year-end Report 2018	23-Jan-19
Annual General Meeting 2019	21-March-19

**[www.castellum.com](http://www.castellum.com)**

Visit Castellum's website to download and/or subscribe to Castellum's Pressreleases and Financial Reports. For further information please contact Henrik Saxborn, CEO, phone +46 31 60 74 50 or Ulrika Danielsson, CFO, phone +46 706 47 12 61.

## About Castellum

Castellum is one of the largest listed real estate companies in Sweden. Property values amount to SEK 84 billion and holdings comprise office, warehousing/logistics and public sector properties, covering a total leasable area of 4.4 million square metres. The real estate portfolio is owned and managed under the Castellum brand through a decentralized organization with strong and clear local presence in 20 cities in Sweden and also in Copenhagen and Helsinki.

In 2017, Castellum received two awards for sustainability efforts; designated Number One in the world by GRESB for the offices-and-logistics sector, as well as the Level Gold award for sustainability reporting from the EPRA (European Public Real Estate Association). In addition, Castellum is the only Nordic real-estate and construction company elected to the Dow Jones Sustainability Index (DJSI), joining a select group of companies in the world who perform best on sustainability issues.

The Castellum share is listed on Nasdaq Stockholm Large Cap.



**CASTELLUM**

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