



New production of 10,400 sq.m. office premises on the property Lindholmen 28:3, Gothenburg. (Photomontage)

CASTELLUM

Year-end Report 2011

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Castellum is one of the major listed real estate companies in Sweden. The fair value of the real estate portfolio amounts to SEK 34 billion, and comprises commercial properties.

The real estate portfolio is owned and managed by six wholly owned subsidiaries with strong local roots in five growth regions: Greater Gothenburg (incl. Borås, Halmstad), the Öresund Region (Malmö, Lund, Helsingborg and Copenhagen), Greater Stockholm, Mälardalen (Örebro, Västerås and Uppsala) and Eastern Götaland (Jönköping, Linköping, Värnamo and Växjö).

Castellum is listed on NASDAQ OMX Stockholm AB Large Cap.

- Rental income for 2011 amounted to SEKm 2,919 (SEKm 2,759 previous year).
- Income from property management amounted to SEKm 1,173 (1,141), corresponding to SEK 7.15 (6.96) per share, an increase of 3%.
- Changes in value on properties amounted to SEKm 194 (1,222) and on interest rate derivatives to SEKm – 429 (291).
- Net income after tax amounted to SEKm 711 (1,964), corresponding to SEK 4.34 (11.98) per share.
- Net investments amounted to SEKm 1,908 (1,279) of which SEKm 1,158 (881) were new constructions, extensions and reconstructions.
- The Board proposes a dividend of SEK 3.70 (3.60) per share, equivalent to an increase of 3%.

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Income from property management, SEK/share	7.15	6.96	6.89	5.93	5.63	5.38	5.00	4.52	4.07	3.77
<i>Change previous year</i>	<i>+3%</i>	<i>+1%</i>	<i>+16%</i>	<i>+5%</i>	<i>+5%</i>	<i>+8%</i>	<i>+11%</i>	<i>+11%</i>	<i>+8%</i>	<i>+14%</i>
Net income after tax, SEK/share	4.34	11.98	0.98	– 4.04	9.07	10.21	7.89	5.59	2.68	4.00
<i>Change previous year</i>	<i>–64%</i>	<i>+1,122%</i>	<i>pos.</i>	<i>neg.</i>	<i>–11%</i>	<i>+29%</i>	<i>+41%</i>	<i>+108%</i>	<i>–33%</i>	<i>–30%</i>
Dividend, SEK/share (for 2011 proposed)	3.70	3.60	3.50	3.15	3.00	2.85	2.62	2.38	2.13	1.88
<i>Change previous year</i>	<i>+3%</i>	<i>+3%</i>	<i>+ 11%</i>	<i>+5%</i>	<i>+5%</i>	<i>+9%</i>	<i>+11%</i>	<i>+12%</i>	<i>+13%</i>	<i>+15%</i>
Properties fair value, SEKm	33,867	31,768	29,267	29,165	27,717	24,238	21,270	19,449	18,015	17,348
Net investments, SEKm	1,908	1,279	1,129	2,710	2,559	1,823	889	774	711	547
Loan to value	51%	50%	52%	50%	45%	45%	45%	45%	48%	48%

CEO's Comments

Before 2011 settles into history we can conclude that it was a relatively good year for Castellum – even if our highly set goal of 10% growth in income property management remained out of reach. With a property management income of SEKm 1,173 and a proposed dividend of SEK 3.50 – both featuring an increase of 3% – Castellum has succeeded in improving both property management results and dividends for all 14 years since its IPO in 1997.

Property values have remained stable in 2011. Generally speaking, the required yield was unchanged and we achieved a slightly rising operating profit. In all, the value change was approx. SEKm 200, and this corresponds to a change of less than 1%. However, what has changed considerably is the valuation of interest rate derivatives, along with falling market interest rates. In spite of this, the cost of borrowing money has paradoxically increased, with increased margins in the credit market.

The accounting rules of IFRS do not take the latter into account, which is why the results – a value decline of nearly SEKm 500 for Castellum – do not entirely reflect reality. After factoring in two items not affecting cash flow – i.e., value change and deferred tax – this year's profits totalled SEKm 711.

During 2011, investments increased to SEK 2 billion and the balance sheet remains strong, with a leverage of 51% and SEK 2.3 billion in unused long-term borrowing capacity. I'm especially pleased with the fact that during this year we have increased our investment rate regarding high-yield new constructions, extensions and reconstructions, and we've invested on the Danish side of the Öresund region – a market we have followed for a long time.

Customer satisfaction is crucial to Castellum's achievement of financial goals. Continued high scores in our Customer Satisfaction Index survey show that our customers perceive Castellum as a good supplier of commercial premises for Swedish commercial and business life. One prerequisite for living up to customer expectations is an efficient organization with service-minded and competent employees. Castellum has this covered. In turn, it means that Castellum should live up to the expectations of a modern employer – and this is confirmed via consistently high scores in the Employee Satisfaction Index survey.

Although total return on the Castellum shares showed a negative figure: -3%, it measured up well against -14% at the Stockholm Stock Exchange, and the Swedish Property Index of -13%, as well as the European Property Index -9%.

Economic growth is crucial to the development of the real estate business. Europe's debt crisis worsened in 2011 and this has strongly contributed to previously expected growth being revised down to recession levels. Although Sweden's public finances are strong, our dependence on exports has resulted in forecast Swedish growth being revised downwards as well.



Under these conditions – a solid Castellum and slow economic growth in Sweden – what can we expect in 2012?

Slower economic growth is followed by reduced demand for properties and lower inflation rates. These, in turn, can retard the rate of rental-income increases. However, I see no threat of reduced revenue for the near future, since last year's inflation resulted in upward index adjustments for 2012, while net leasing in 2011 does not indicate increased vacancies. With an expected constant cost structure, a stable net operating income can therefore be anticipated in the existing portfolio. On the other hand, both investments carried out during 2011 and the ambition to invest SEK 2 billion a year will have positive effects on net operating income as well as on property management income.

There has been an unfortunate combination, for the business world generally and the real estate business in particular. Political overconfidence in credit-market regulation, an increased required yield for lending to banks by investors and bank compensation claims, have all led to increased interest-rate margins as well as to a decline in credit availability. It remains to be seen whether or not falling market interest rates – due to economic decline – can compensate for increased credit margins.

The decline in credit availability has already affected the real estate market, where liquidity dropped during the last quarter of 2011. Property revenue remains high compared to most other assets and generally speaking, today's market value falls short of new-production cost – by a wide margin. This is why I don't feel great concern about property values over time.

Castellum's long-term actions and low-risk profile mean that the company is well positioned for 2012!

Håkan Hellström
CEO

Business Concept

Castellum's business concept is to develop and add value to its real estate portfolio, focusing on the best possible earnings and asset growth, by offering customised commercial properties, through a strong and clear presence in five Swedish growth regions.

Objective

Castellum's operations are focused on cash flow growth, which along with a stable capital structure provides the preconditions for robust growth in the company, and offers shareholders a competitive dividend.

The objective is an annual growth in cash flow, i.e., income from property management per share, of at least 10%. In order to achieve this objective, net investments of at least 5% of the property value will be made yearly. At the moment, this is equivalent to approx. SEKm 1,700. The previous ambition to invest at least SEKm 1,000 per year has thus been adjusted since the real estate portfolio and investment capacity were lower when it was adopted. All investments will contribute to the objective of growth in income from property management within 1-2 years and have a potential asset growth of at least 10%. Sales of properties will take place when justified from a business standpoint and when an alternative investment with a higher return can be found.

Strategy for Funding

Capital structure

Castellum will have a stable capital structure, meaning a loan to value ratio not permanently exceeding 55% and an interest coverage ratio of at least 200%.

Purchase or transfer of own shares shall be available as a method for adjusting the company's capital structure to the company's capital need and as payment or funding of real estate investments. Company-owned shares may not be traded for the sole purpose of capital gain.

Dividend

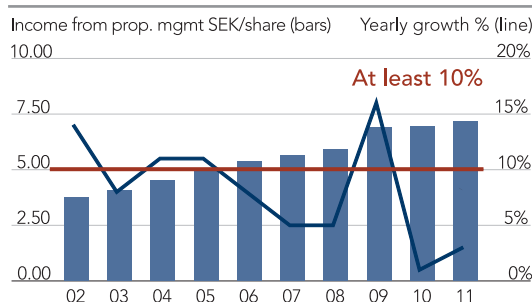
At least 50% of pre-tax property management income will be distributed. However, investment plans, consolidation needs, liquidity and financial position in general will be taken into account. Since the base changed on income from property management before tax, 50% of the new base is a higher level than 60% of income from property management after nominal tax as well as closer to the actual dividend in recent years.

The stock and credit markets

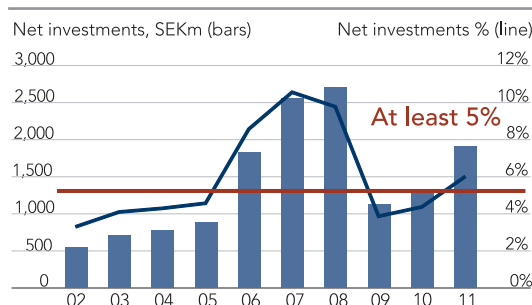
Castellum will work for a competitive total return on the company's share relative to risk and also strive for high liquidity. However, all actions will be made from a long-term perspective and the company will hold frequent, open and fair reports to shareholders, the capital and credit markets and the media, without disclosing any individual business relationship.

In the long term, Castellum will be one of the largest listed real estate companies in Sweden.

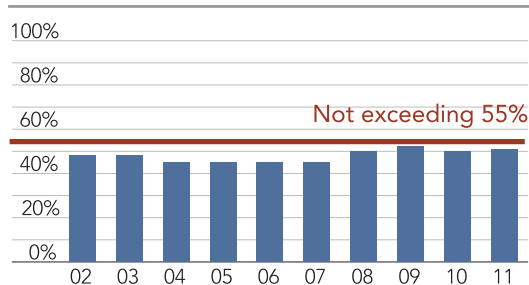
Growth in income from property management



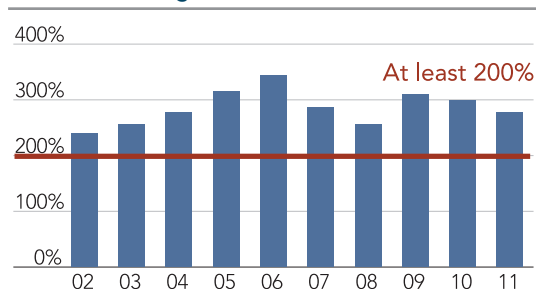
Net investments



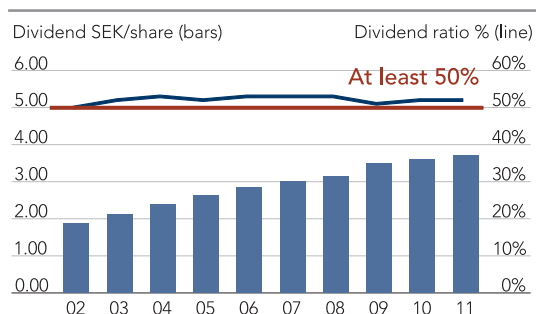
Loan to value ratio



Interest coverage ratio



Dividend ratio



Customers

Being close to the customers

Castellum's organization, comprised of locally based subsidiaries, provides a close relationship to the customer and a short decision-making process. Castellum employees work close to the market, and this means natural access to fresh information about customers' current and future operations. Customers can thereby be offered premises suited to their needs and benefit from optimal personal service and quick answers.

The customers - a reflection of Swedish domestic economy

Castellum has approx. 4,600 commercial contracts, with good risk exposure regarding both geography, type of premises, length of contracts and fields of industry of the customer.

The single largest contract corresponds to approx. 1% of Castellum's total rental income.

Commercial leases

Commercial leases are signed for a specified period of time, generally 3-5 years, where the period of notice is 9 months. The leases normally include a base-rent and an index clause, which provides for an adjustment of the rent corresponding to a certain percentage or connected to the inflation. Leases may also contain additions for the tenant's share of the property's total heating, cooling and property-tax costs.

Satisfied customers

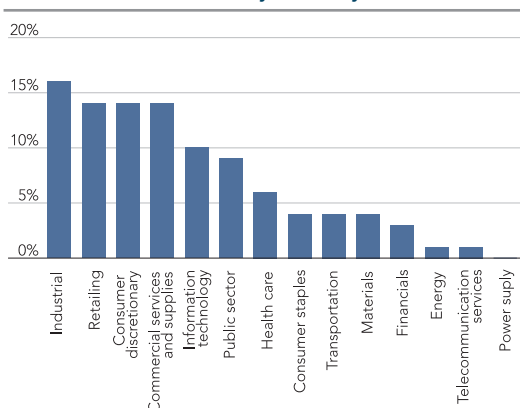
It is vital that Castellum meets customer expectations. To evaluate and follow up efforts made, an external customer survey is carried out annually: the Satisfied Customer Index. The survey shows general customer opinion about Castellum as well as how well Castellum performs in the areas of: service, business relationships, indoor premises, property condition, general surroundings and information.

The survey carried out in 2011 - which included offices, warehouses, industry and retail - continues to show consistently high marks for Castellum, with a weighted index of 75. This is higher than the industry benchmark. A significant portion of the surveyed customers - 88% - reply that they are willing to lease from Castellum again and gladly recommend Castellum as a landlord to others.

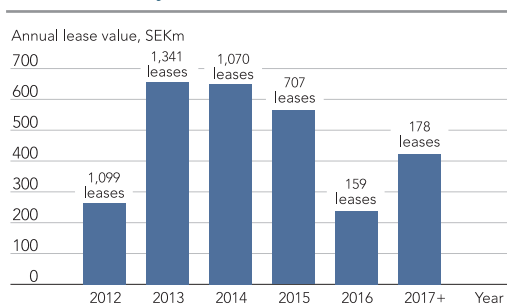
Leasing activity

Castellum enjoys high leasing activity. During 2011 the organization signed 698 new leases with a total annual value of SEKm 310. Robust leasing activities indicate the importance of taking care of customers and networks. Of the newly signed leases, 73% came from Castellum's own networks, recommendations or existing customer expansions, while 12% originated from web pages, and the remainder 15% came through agents.

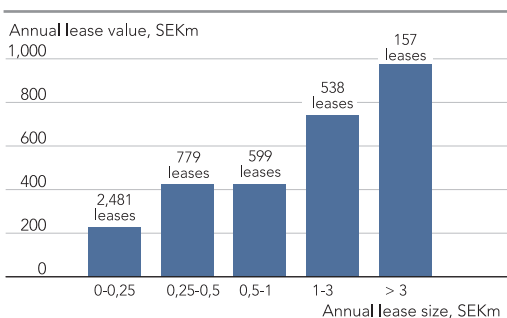
Distribution of leases by industry



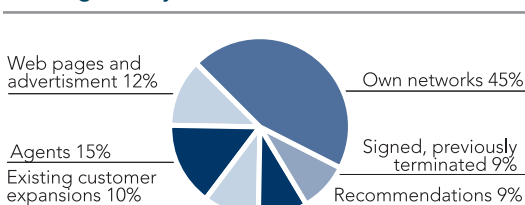
Lease maturity structure



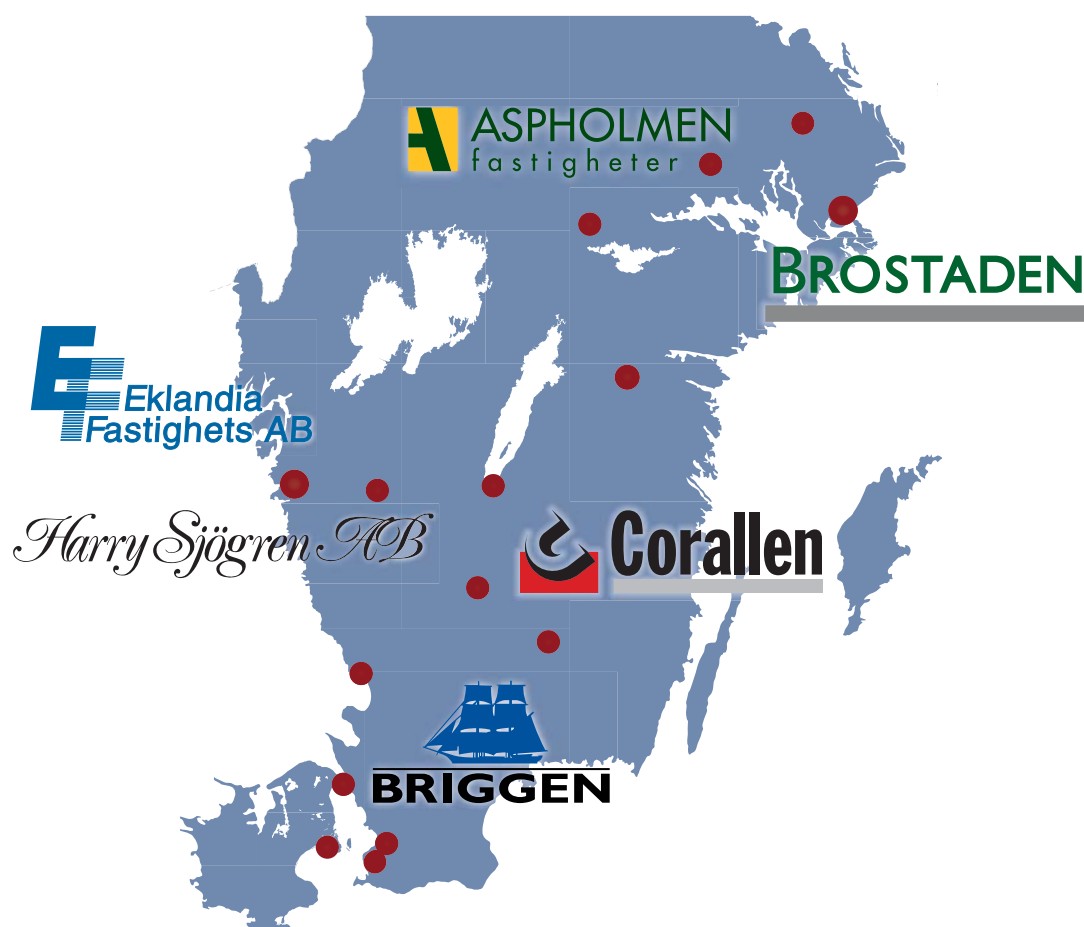
Lease size structure



Leasing activity



Organization



Decentralized and small-scale organization

Castellum's operations are run in a small-scale organization consisting of six subsidiaries which own and manage the properties under their own brands. By having local roots, the subsidiaries forge close relationships with customers and develop thorough knowledge of the market situation and rental development within each market area.

Property management is mainly carried out by Castellum personnel.

Subsidiaries with strong brands

Castellum has six wholly owned subsidiaries which each engage about 35 employees. The subsidiary organizations are not identical but are in principle made up of a Managing Director, 2-4 market areas, business developers and 3-5 employees within finance and administration. Each market area employs one property manager with one assistant, one person working with leasing and 3-8 facility managers. Everyone has customer contact. The flat organization provides a short decision-making process and creates a customer oriented and active organization.

Castellum subsidiaries operate under their own names, which are strong brands on each local market.

Engagement in the local markets

Castellum's subsidiaries are involved in the local business community through business associations where important contacts are taken with both current and prospective customers.

Castellum, as one of the largest real estate owners on local markets, also contributes to the development of major sites where local sub-sidiaries operate through co-operation with municipalities and universities/colleges.

Parent company

The parent company, Castellum AB, is responsible for matters concerning the stock market (such as consolidated reports and stock-market information) and the credit market (such as funding and financial risk management) as well as overall IT/IS strategies and personnel matters. Castellum AB has 14 employees.

The parent company takes active part in operations through involvement in subsidiary Boards.

Employees

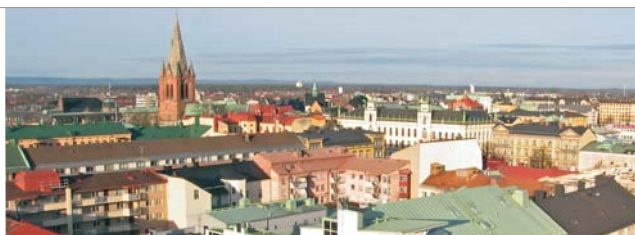
Castellum works actively to hire and retain top-notch employees by offering a stimulating work environment, competence development and sharing of experiences both internally and externally.

Castellums' 4 corner stones



Cash flow focus

- An annual growth in cash flow, i.e. income from property management per share, of at least 10%
- Net investments of at least 5% of the property value yearly



Commercial properties in growth regions

- Concentrated to 15 growth regions
- Premises for office/retail and warehouse/industrial
- One of the three largest real estate owners in each local market



Customer focus through local organizations

- Decentralized and small-scale organization
- Property management carried out with own personnel
- Environmental work with focus on reduced energy consumption
- Regular measurement of customers and employees satisfaction



Strong balance sheet and low financial risk

- Loan to value ratio not permanently exceeding 55%
- Interest coverage ratio at least 200%
- Geographic exposure allocated on different types of premises
- Commercial leases in many fields of industry

Castellum's competence-development program includes a leadership program and shorter specialized courses for continuous development of non-management employees.

Employee viewpoints on Castellum are monitored regularly and the survey carried out in 2011 continues to show a very high index, 87 on a scale of 100 which shows that the employees enjoy their working situation and have a high confidence in the company and its management.

The group had 239 employees (229) at the year end.

Measuring, comparing and controlling

Castellum measures and compares subsidiary management efficiency and asset value growth in the real estate portfolio. Within the Group, experiences are shared among companies and specialist expertise can therefore be made available to the whole organization.

Castellum's operations are controlled by rules for decision making and work allocation, policies and instructions. Policies are in place for finance and financial work, information, information safety, environment, insurance and personnel, etc.

Responsible business

Since 1995, Castellum has been consciously working with sustainability, i.e., developing the properties in those cities where the subsidiaries are present, creating a common set of values for actions towards employees, customers and vendors as well as actively working with environmental issues.

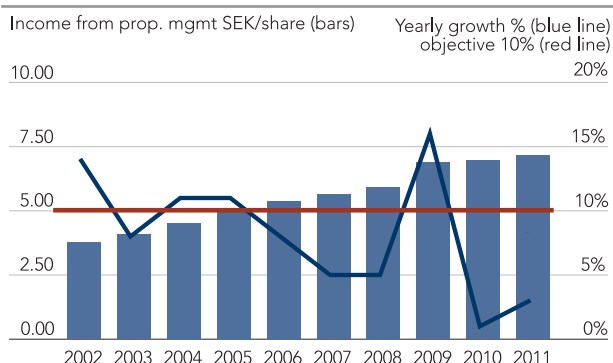
Environmental efforts are focused on efficient energy consumption and improving the general environmental status of each property. Since the common Group objectives were set in 2007 (energy consumption to be reduced by at least 1% per sq.m. and year; carbon dioxide emissions reduced by at least 2.5% per sq.m.), decreases of 6% and 18% respectively have been achieved. In 2011, a new common goal was adopted. All new constructions must be environmentally classified according to one of the following environmental classification systems: Green Building, "Miljöbyggnad", BREEAM or LEED. In Sweden, Green Building classified buildings total just over 200 – and 89 of these are found within the Castellum Group. Green Building is an external sign that effective long-term efforts to reduce energy consumption have been implemented.

Income, Costs and Results

Comparisons, shown in brackets, are made with the corresponding amounts previous year. For definitions see www.castellum.se

Income from property management during the year, i.e. net income excluding changes in value and tax, amounted to SEKm 1,173 (1,141), equivalent to SEK 7.15 (6.96) per share – an increase with 3%.

Income from Property Management per share



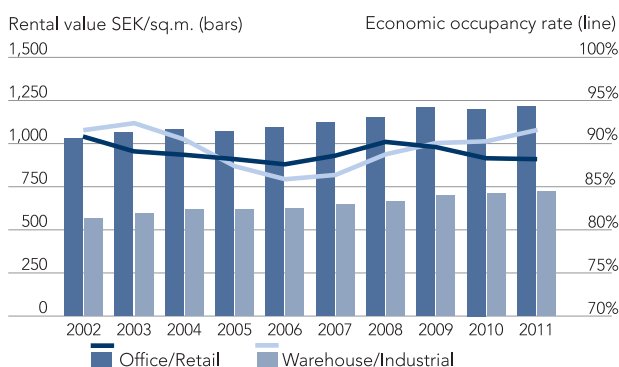
During the year, changes in value on properties amounted to SEKm 194 (1,222) and on interest rate derivatives to SEKm -429 (291). Net income for the year was SEKm 711 (1,964), equivalent to SEK 4.34 (11.98) per share.

Rental income

Group rental income amounted to SEKm 2,919 (2,759). For office and retail properties, the average contracted rental level, including charged heating, cooling and property tax, amounted to SEK 1,217 per sq.m., whereas for warehouse and industrial properties, it amounted to SEK 724 per sq.m. Rental levels, which are considered to be in line with the market, have increased by 1.6% in comparable portfolio compared with previous year.

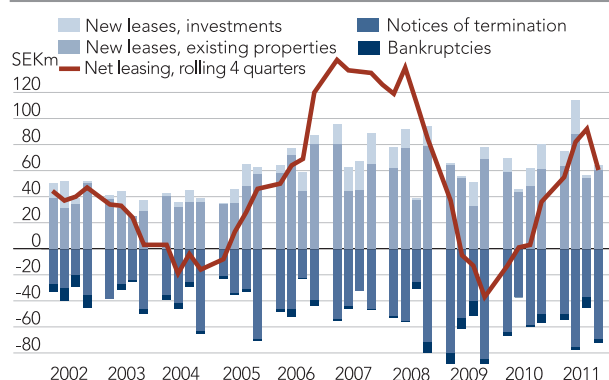
The average economic occupancy rate was 89.3%. The total rental value for vacant premises during the year amounted to approx. SEKm 371.

Rental value and economic occupancy rate



Gross leasing (i.e. the annual value of total leasing) during the period was SEKm 310 (257), of which SEKm 45 (46) was leasing of new constructions, extensions and reconstructions. Notices of termination amounted to SEKm 249 (221), of which bankruptcies were SEKm 18 (12), hence net leasing was SEKm 61 (36). In the net leasing for the fourth quarter there is a larger notice of termination of SEKm 15, with possibility to move out first after 24 months. The time difference between reported net leasing and the effect in income thereof is estimated to between 9-18 months.

Net leasing



Demand for properties remains strong, although some level of weakening has been noted, and the rental process takes longer. This pattern is similar for all Castellum submarkets and property types.

Rental levels are expected to remain stable. The 2011 inflation rate has resulted in a 2012 index adjustment of just over 2%.

Property costs

Property costs amounted to SEKm 1,003 (960) corresponding to SEK 300 per sq.m. (298). Costs for heating during the year has been calculated to 87% (116%) of a normal year according to the degree day statistics.

Property costs, SEK/sq.m.

	Office/ Retail	Warehouse/ Industrial	2011 Total	2010 Total
Operating expenses	201	121	165	169
Maintenance	44	23	35	34
Ground rent	7	7	7	6
Real estate tax	67	17	44	43
Direct property costs	319	168	251	252
Leasing and property administration (indirect)	–	–	49	46
Total	319	168	300	298
Previous year	322	171	298	

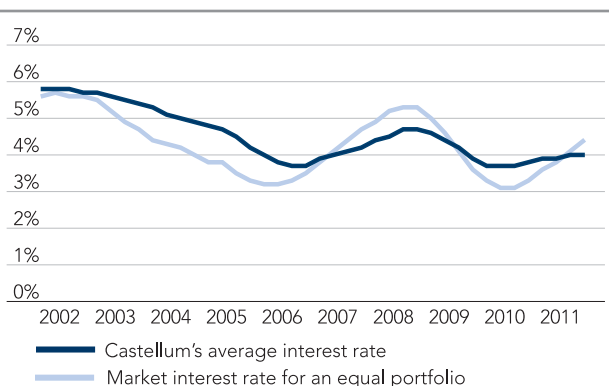
Central administrative expenses

Central administrative expenses totalled SEKm 83 (84). This includes costs for a profit-and-share-price related incentive plan for 10 persons in executive management of SEKm 14 (16).

Net interest rate

Net interest items were SEKm -660 (-574). The average interest rate level was 4.1% (3.7%).

Interest rate levels



Changes in value

In 2011, transaction volumes in the Swedish property market amounted to approx. SEK 105 billion (100) for larger deals, which is in line with last year. Fourth-quarter volumes amounted to approx. SEK 30 billion (39).

Buyers were mostly still domestic and transactions mainly concerned office buildings, whereas volumes for residential rental-properties decreased slightly compared to previous years. Real estate transactions have been conducted in all high-growth regions, of which 40% were conducted in Greater Stockholm.

Castellum estimates that property prices are stable and that the liquidity decrease at year-end is not due to buyers and sellers having varied viewpoints on pricing, but rather the result of a stretched credit market.

The change in value in Castellum's portfolio during the year amounted to SEKm 194 (1,222), corresponding to approx. 0.6%. The change in value mainly relates to acquisitions and project gains. No general change in the the required yield in the internal valuations has been made during the year. On the property level, however, adjustments has been made on both individual required yield and future cash flow. The change in value also covers SEKm 30 due to sales of 4 properties where the sale price of SEKm 107 exceeded the valuations by 39%.

Castellum utilizes interest rate derivatives to achieve the desired interest rate maturity structure. If the agreed interest rate deviates from the market interest rate, irregardless 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. Castellum also has a few derivatives in order to hedge currency fluctuation in the investment in Denmark. The value in the derivatives portfolio has changed mainly due to changes in long-term market interest rates by SEKm -429 (291) and the value was SEKm -1,003 (-574) at the end of the year.

Tax

The nominal corporate tax rate in Sweden is 26.3%. Due to the possibility to deduct depreciation and reconstructions for tax purposes, and to utilize tax loss carryforwards, there are in principle no paid tax costs. Paid tax occurs because a few subsidiaries are not allowed to make fiscal group contributions.

Remaining tax loss carryforwards can be calculated to SEKm 1,772 (1,406). Fair values for the properties exceed their fiscal value by SEKm 16,197 (14,829) of which SEKm 304 relates to properties acquired and accounted for as asset acquisitions. As deferred tax liability, a full nominal 26.3% tax of the net difference is reported, reduced by the deferred tax relating to asset acquisitions, i.e., SEKm 3,714 (3,502).

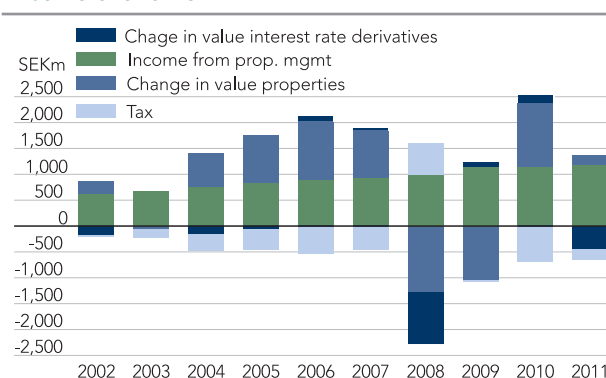
Castellum has no ongoing formal tax disputes.

Tax Calculation SEKm	Basis	
	current tax	deferred tax
Income from property management	1,173	
Deductions for tax purposes		
depreciations	- 636	636
reconstructions	- 365	365
Other tax allowances	- 80	41
Taxable income from property management	92	1,042
Properties sold	8	- 15
Changes in value on properties	-	164
Changes in value on interest rate derivatives	- 429	-
Taxable income before tax loss carry forwards	- 329	1,191
Tax loss carry forwards, opening balance	- 1,406	1,406
Tax loss carry forwards, closing balance	1,772	- 1,772
Taxable income	37	825
Of which 26.3% current/deferred tax	- 10	- 217

Income over time

Income from property management over the past 10 years shows stable development and has grown by an average of 8% per year. Property values have been volatile over the past 10 years and indicate an average growth of. 1.5% per year.

Income over time



Real Estate Portfolio



The real estate portfolio is found in Greater Gothenburg, the Öresund Region, Greater Stockholm, Mälardalen and Eastern Götaland. The main focus, which represents approx. 75% of the portfolio, is in the three major urban regions.

The commercial portfolio consists of 68% office and retail properties as well as 30% warehouse and industrial properties. The properties are located from inner city sites (except in Greater Stockholm from inner suburbs) to well-situated working-areas with adequate means of communication and services. The remaining 2% consist of projects and undeveloped land.

Castellum owns approx. 760,000 sq.m. of unutilized building rights and ongoing projects with remaining investments of approx. SEKm 1,100.

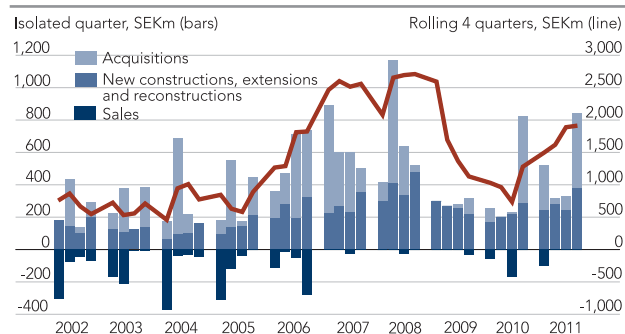
Investments

During the year the real estate portfolio has changed according to the table below.

Changes in the real estate portfolio	Value, SEKm	Number
Real estate portfolio on 1 January, 2011	31,768	598
+ Acquisitions	857	23
+ New constructions, extensions and reconstructions	1,158	–
– Sales	– 77	– 4
+/- Unrealized changes in value	164	–
+/- Currency translation	– 3	–
Real estate portfolio on 31 December, 2011	33,867	617

During the year investments totalling SEKm 2,015 (1,506) were made, of which SEKm 1,158 (881) were new constructions, extensions and reconstructions and SEKm 857 (625) were acquisitions. Of the total investments SEKm 728 related to Greater Gothenburg, SEKm 541 to the Öresund Region, SEKm 352 related to Mälardalen, SEKm 226 to Greater Stockholm and SEKm 168 to Eastern Götaland. After sales of SEKm 107 (227) net investments amounted to SEKm 1,908 (1,279).

Investments



Larger investments and sales

Lager projects

Property	Area sq.m.	Leased Jan 2012	Total inv., SEKm	Remain. inv. SEKm	Completed	Comment
Ongoing projects						
Lindholmen 28:3, Gothenburg	10,400	0%	280	233	Q 2 2013	New construction office premises
Atollen, Jönköping	6,019	0%	169	142	Q 4 2013	New construction office/retail/residential
Fullriggaren 4, Malmö	5,470	0%	154	73	Q 1 2013	New construction office premises
Forskaren 2, Lund	9,000	15%	149	58	Q 4 2012	New construction office premises
Gården 15, Linköping	9,855	39%	106	60	Q 1 2013	New construction office/retail/warehouse
Inköparen 1, Örebro	4,300	60%	68	52	Q 1 2013	New construction office premises
Kärra 28:18, Gothenburg	5,500	0%	45	32	Q 3 2012	New construction warehouse
Rosersberg 11:34, Sigtuna	4,080	0%	40	39	Q 4 2012	New construction warehouse/office
Elementet 4, Sollentuna	3,350	0%	33	15	Q 3 2012	New construction warehouse/logistic
Projects completely / partly moved in						
Boländerna 30:2, Uppsala	14,000	90%	70	9	Q 4 2011	Re- and new construction retail
Saltmossen 3, Botkyrka	5,500	100%	52	0	Q 3 2011	New construction warehouse/logistic
Kärra 72:36, Gothenburg	6,400	100%	45	0	Q 3 2011	New construction warehouse/logistic

Larger acquisitions during 2011

Property	Area sq.m.	Econ. occup. rate, Jan 2012	Acquisitions SEKm	Access	Category
Lundbyvassen 3:1, Gothenburg	10,800	100%	183	April 2011	Office
Vibeholms Allé, Hovedvejen 1-7, Copenhagen	10,112	100%	160	Nov 2011	Office/retail
Kusken 3, Mölndal	7,625	100%	87	Dec 2011	Office/retail and warehouse
Boländerna 11:5, 12:1 och 36:2, Uppsala	11,300	100%	81	Nov 2011	Office/retail, warehouse/industry, building right 4,500 sq.m.
Sannegården 52:1, Gothenburg	7,490	100%	73	Sept 2011	Office/retail, warehouse/production
Nejlkebujetten 6, Torshammaren 11, Armringen 2, Malmö	7,280	100%	57	Febr 2012	Office/retail and warehouse
Roskildevej 22, Copenhagen	8,500	0%	51	April 2011	Office
Revisorn 4, Sollentuna	2,635	100%	29	Dec 2011	Warehouse
Abildager 26, Copenhagen	3,470	100%	24	July 2011	Office
Årsta 78:1, Uppsala	2,840	100%	23	Nov 2011	Office

Larger sales during 2011

Property	Area, sq.m	Sales price- SEKm	Access	Category
Haifa 1, Stockholm	3,750	76	March 2011	Office
Kallebäck 2:5, Gothenburg	–	22	April 2011	Land/building right 36,000 sq.m.



Property value

Internal valuations

Castellum assesses the value of properties through internal valuations. These are based on a 10-year cash-flow-based model, in which an individual valuation for each property reflects both its future earnings capacity and the required market yield. In the valuation of 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. Sites with building rights have been valued on the basis of an estimated market value per square metre, on average approx. SEK 980 per sq.m. (970).

The required market yield can be calculated according to the following chart.

Required yield	Office/ Retail	Warehouse/ Industrial
Real interest rate	3.0%	3.0%
Inflation	1.5%	1.5%
Risk	4.9% - 11.5%	6.5% - 13.7%
Return on equity	9.4% - 16.0%	11.0% - 18.2%
Interest rate	5.5%	5.5%
Loan to value ratio	65%	55%
Return on total capital	6.8% - 9.2%	8.0% - 11.2%
Weighted d.o. disc. factor year 1-9	7.9%	9.1%
Weighted disc. factor residual value *	6.4%	7.6%
*(Required yield on total capital minus growth equal to inflation)		

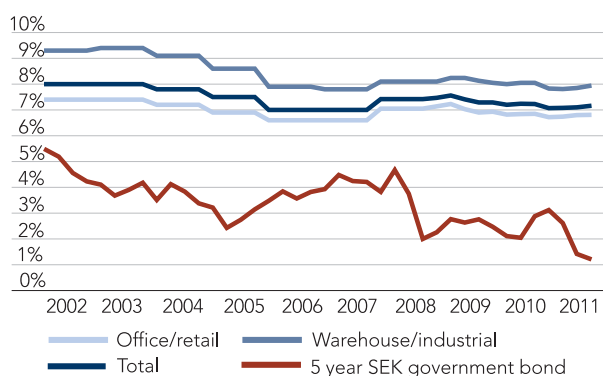
Based on these internal valuations, the value of the properties at year-end were assessed to SEKm 33,867 (31,768), corresponding to SEK 9,835 per sq.m. (9,500).

Average valuation yield

The average valuation yield for Castellum's real estate portfolio, excluding development projects and undeveloped land, can be calculated to 7.2% (7.2%).

Average valuation yield (excl. project/land and building rights)		
SEKm	2011	2010
Net operating income properties	2,142	1,987
+ Estimated index adjustment 2012, 2%	64	45
+ Real occupancy rate, 94% at the lowest	229	225
+/- Property costs to a normal year	–	25
– Property administration, 30 SEK/sq.m.	– 102	– 98
Normalized net operating income	2,333	2,184
Valuation (excl. building rights of SEKm 460)	35,594	30,213
Average valuation yield	7.2%	7.2%

Average valuation yield over time



External valuation

In order to provide further assurance and validation of the valuation, 133 properties – representing 51% of the value of the portfolio – have been valued externally by NAI Svefa. The properties were selected on the basis of the largest properties in terms of value, but they also reflect the composition of the portfolio as a whole in terms of category and geographical location of the properties. NAI Svefa's valuation of the selected properties amounted to SEKm 17,058, within an uncertainty range of +/- 5-10% on property level, depending on each property's category and location. Castellum's valuation of the same properties totalled SEKm 17,240, i. e., a net change of SEKm 182, corresponding to 1%. Gross deviation was SEKm +347 and SEKm –529 respectively, with an average deviation of 5%.

Uncertainty range

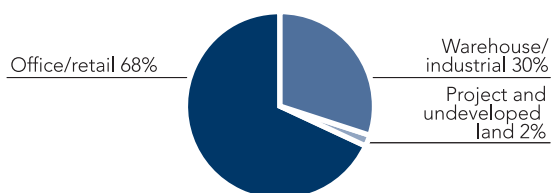
A property's market value can only be confirmed when sold. The value range of +/- 5-10%, often used in property valuations in a normal market, should therefore be seen as an indication of the uncertainty that exists in assumptions and calculations. In a market with lower liquidity, the range may be wider. For Castellum, an uncertainty range of +/- 5% means a range in value of +/- SEKm 1,693, corresponding to SEKm 32,174-35,560.

Castellum's real estate portfolio 31-12-2011

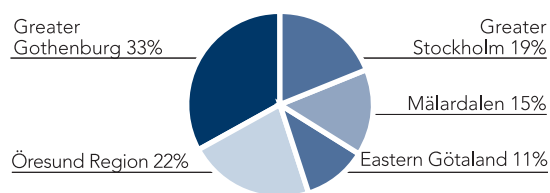
	31-12-2011				January-December 2011						
	No. of properties	Area thous. sq.m.	Property value SEKm	Property value SEK/sq.m.	Rental value SEKm	Rental value SEK/sq.m.	Economic occupancy rate	Rental income SEKm	Property costs SEKm	Property costs SEK/sq.m.	Net operating income SEKm
Office/retail											
Greater Gothenburg	78	423	6,012	14,222	540	1,277	94.3%	509	130	307	379
Öresund Region	59	355	5,271	14,841	485	1,366	86.2%	418	113	318	305
Greater Stockholm	52	344	4,352	12,655	462	1,343	78.1%	361	116	337	245
Mälardalen	79	400	4,241	10,591	436	1,088	92.3%	402	129	323	273
Eastern Götaland	52	320	2,968	9,284	319	999	89.8%	286	100	314	186
Total office/retail	320	1,842	22,844	12,402	2,242	1,217	88.2%	1,976	588	319	1,388
Warehouse/industrial											
Greater Gothenburg	102	660	4,862	7,369	482	731	96.7%	466	104	158	362
Öresund Region	41	297	1,750	5,902	209	703	82.8%	173	47	159	126
Greater Stockholm	42	218	1,945	8,909	202	926	91.4%	185	53	241	132
Mälardalen	38	160	913	5,714	114	715	93.7%	107	28	174	79
Eastern Götaland	34	184	740	4,013	93	504	83.6%	78	23	125	55
Total warehouse/industrial	257	1,519	10,210	6,723	1,100	724	91.7%	1,009	255	168	754
Total	577	3,361	33,054	9,835	3,342	995	89.3%	2,985	843	251	2,142
Leasing and property administration									163	49	- 163
Total after leasing and property administration									1,006	300	1,979
Development projects	12	50	515	-	24	-	-	10	10	-	0
Undeveloped land	28	-	298	-	-	-	-	-	-	-	-
Total	617	3,411	33,867	-	3,366	-	-	2,995	1,016	-	1,979

The table above relates to the properties owned by Castellum at the end of the year and reflects the income and costs of the properties as if they had been owned during the whole year. The discrepancy between the net operating income of SEKm 1,979 accounted for above and the net operating income of SEKm 1,916 in the income statement is explained by the deduction of the net operating income of SEKm 1 on properties sold during the year, as well as the adjustment of the net operating income of SEKm 64 on properties acquired/completed during the year, which are recalculated as if they had been owned or completed during the whole year.

Property value by property type



Property value by region



Property related key ratios

	2011	2010
Rental value, SEK/sq.m.	995	974
Economic occupancy rate	89.3%	89.0%
Property costs, SEK/sq.m.	300	298
Net operating income, SEK/sq.m.	589	569
Property value, SEK/sq.m.	9,835	9,499
Number of properties	617	598
Lettable area, thousand sq.m.	3,411	3,311

Segment information

SEKm	Rental income		Income from property management	
	2011 Jan-Dec	2010 Jan-Dec	2011 Jan-Dec	2010 Jan-Dec
Greater Gothenburg	953	913	455	438
Öresund Region	567	572	236	255
Greater Stockholm	547	500	210	202
Mälardalen	487	433	168	152
Eastern Götaland	365	341	136	126
Total	2,919	2,759	1,205	1,173

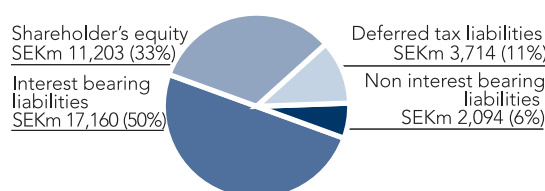
The discrepancy between the income from property management of SEKm 1,205 (1,173) above and the groups accounted income before tax of SEKm 938 (2,654) consists of unallocated income from property management of SEKm -32 (-32), changes in property value of SEKm 194 (1,222) and changes in values of interest rate derivatives of SEKm -429 (291).

Financing

Shareholder's equity and net asset value 31-12-2011

	SEKm	SEK/share
Equity according to the balance sheet	11,203	68
Reversed		
Derivatives acc to balance sheet	1,003	6
Deferred tax acc to balance sheet	3,714	23
Long term net asset value (EPRA NAV)	15,920	97
Deduction		
Derivatives as above	- 1,003	- 6
Estimated real liability, deferred tax 5%	- 721	- 4
Actual net asset value (EPRA NNAV)	14,196	87

Financing 31-12-2011



Policy	Objective/Mandate	Outcome
Loan to value ratio	Not in the long run exceeding 55%	51%
Interest coverage ratio	At least 200%	278%
Interest rate risk		
– average fixed interest term	0.5-3 years	2.7 years
– Proportion maturing within 6 months	No more than 50%	34%
Currency risk		
– investment	60%-100% funded in local currency	97%
– other currency risks	Not allowed	No exposure
Funding risk	At least 50% of credit agreements have a duration of at least 2 years	100%
Counterparty risk	Credit institutions with high ratings at least "investment grade"	Satisfied
Liquidity risk	Liquidity reserve in order to fulfil payments due	SEKm 2,731 in unutilized credit agreements

Loan maturity structure 31-12-2011

Long term, SEKm	Credit agreements	Utilized
1 - 2 years	207	7
2 - 3 years	7	7
3 - 4 years	7,307	4,257
4 - 5 years	4,007	4,007
> 5 years	7,846	6,647
Total long term credit agreements	19,378	14,925
Total short term credit agreements (0-1 year)	2,655	2,138
Total credit agreements	22,029	17,063
Unutilized credit in long term credit agreements		2,311

Shareholder's equity and net asset value

As of 31 December 2011, shareholder's equity was SEKm 11,203. In addition, there were liabilities in the balance sheet that, in principle, were both interest free and amortization free. Hence, these liabilities can largely be regarded as shareholder equity. The real estate business therefore uses loan to value ratio rather than solvency as the ratio for capital structure. For the same reason, the net asset value can also be calculated in different ways, as shown in the table below.

Interest-bearing liabilities

The first half-year was characterized by a stable outlook for the Swedish economy and market expectations that the Riksbank (the Swedish Central Bank) would continue to raise the repo rate. However, the second half-year was overshadowed by the European debt crisis and subdued global growth prospects, which meant that the Riksbank instead decided to cut the repo rate in December by 0.25 percentage points to a repo rate of 1.75%. There are now signs of a decline in the Swedish growth rate. However, as a country with sound public finances, a competitive industry and a stable and well-capitalized financial sector, Sweden shows favourable conditions for coping with a slowing economy.

The access to credits has decreased in general but for Castellum the access to credit is still seen as stable. A stretched credit market has resulted in risen credit margins.

Loan maturity structure

During the year, Castellum has signed new agreements of SEKm 1,312 and renegotiated agreements of SEKm 5,800. As of 31 December, 2011 Castellum had long term binding credit agreements totalling SEKm 19,374 (18,062), short term binding credit agreements totalling SEKm 420 (520) and a commercial paper program of SEKm 4,000 (4,000). After deduction of liquid assets of SEKm 97 (12), net interest bearing liabilities were SEKm 17,063 (15,769), of which SEKm 2,235 (1,377) refers to outstanding commercial papers.

Most of Castellum's loans are short-term revolving loans, utilized in long-term binding credit agreements. This means great flexibility in the interest rate base, interest rate period and tied up capital.

Long-term loan commitments in banks are secured by pledged mortgages and/or financial covenants. Outstanding commercial papers are unsecured. The financial covenants state a loan-to-value ratio not exceeding 65% and an interest coverage ratio of at least 150%, which Castellum fulfils with comfortable margins, 51% and 278% respectively.

The average duration of Castellum's long-term credit agreements was 5.1 years (5.0). Margins and fees on long-term credit agreements had an average duration of 3.5 years (2.6).

Interest rate maturity structure

The average effective interest rate as of 31 December, 2011 was 4.0% (3.9%). The market interest rate for an average equal portfolio, regarding both current market rate and estimated credit margin, can be assessed to 4.7% (4.0%). The average fixed interest term on the same date was 2.7 years (2.6).

In order to secure a stable and low net cash flow of interest income/costs over time, Castellum has chosen a relatively long fixed interest term by working with interest rate derivatives. Interest rate derivatives is a cost effective and flexible way of extending loans with short term interest rates 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 are distributed in the interval of the underlying loans.

Interest rate maturity structure 31-12-2011

	Loan SEKm	Interest rate derivatives SEKm	Net, SEKm	Average interest rate
0 - 1 year	17,063	– 9,400	7,663	3.7%
1 - 2 years	–	1,800	1,800	4.0%
2 - 3 years	–	600	600	3.8%
3 - 4 years	–	1,250	1,250	4.8%
4 - 5 years	–	2,450	2,450	4.4%
5 - 10 years	–	3,300	3,300	4.2%
Total	17,063	–	17,063	4.0%

Currency

Castellum has made investments in Denmark, which means that the Group is exposed to a currency risk. A currency translation risk is primarily related to when income statement and balance sheet in foreign exchange are translated into Swedish currency. In accordance with financial policy, between 60-100% of investments in foreign subsidiaries are to be financed in that country's currency.

Interest rate and currency derivatives

According to the accounting standard IAS 39, derivatives are subject to market valuation. Regarding interest rate derivatives, this means that there is a theoretical surplus / sub value if the stipulated interest rate varies from the current market rate, where the change in value, for Castellum, is accounted for in the income statement. Note that interest rate derivatives used to achieve an interest rate maturity structure are subject to market valuation, which is normally not the case for credit margins or loans with fixed interest rates. 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.

As of 31 December, 2011, the market value of the interest rate and the currency derivative portfolio amounted to SEKm –1,003 (–574).



Consolidated statement of Comprehensive Income

SEKm	2011 Oct-Dec	2010 Oct-Dec	2011 Jan-Dec	2010 Jan-Dec
Rental income	738	701	2,919	2,759
Operating expenses	– 137	– 144	– 553	– 547
Maintenance	– 38	– 24	– 115	– 105
Ground rent	– 6	– 5	– 24	– 19
Real estate tax	– 40	– 35	– 148	– 140
Leasing and property administration	– 44	– 39	– 163	– 149
Net operating income	473	454	1,916	1,799
Central administrative expenses	– 20	– 26	– 83	– 84
Net interest rates	– 169	– 148	– 660	– 574
Income from property management	284	280	1,173	1,141
<i>Changes in value</i>				
Properties	– 242	659	194	1,222
Derivatives	– 64	322	– 429	291
Income before tax	– 22	1,261	938	2,654
Current tax	– 4	0	– 10	– 5
Deferred tax	18	– 335	– 217	– 685
Net income for the period/year	– 8	926	711	1,964
<i>Other total net income</i>				
Translation of currencies	0	–	0	–
Unrealized change in value, derivatives	0	–	0	–
Total net income for the period/year	– 8	926	711	1,964

Since there are no minority interests the entire net income is attributable to the shareholders of the parent company.

Data per Share

	2011 Oct-Dec	2010 Oct-Dec	2010 Jan-Dec	2010 Jan-Dec
<i>Average number of shares, thousand</i>	164,000	164,000	164,000	164,000
Income from property management, SEK	1.73	1.71	7.15	6.96
Income from property management after tax (EPRA EPS*), SEK	1.90	1.75	7.01	6.62
Earnings after tax, SEK	– 0.05	5.65	4.34	11.98
<i>Outstanding number of shares, thousand</i>	164,000	164,000	164,000	164,000
Property value of properties, SEK	207	194	207	194
Long term net asset value (EPRA NAV*), SEK	97	92	97	92
Actual net asset value (EPRA NNNAV*), SEK	87	85	87	85

Since there is no potential common stock (e.g. convertibles), there is no effect of dilution.

Financial Key Ratios

	2011 Oct-Dec	2010 Oct-Dec	2011 Jan-Dec	2010 Jan-Dec
Net operating income margin	64%	65%	66%	65%
Interest coverage ratio	268%	289%	278%	299%
Return on actual net asset value	– 0.8%	37.5%	6.4%	21.5%
Return on total capital	2.5%	14.1%	6.2%	9.8%
Net investments, SEKm	842	823	1 908	1,279
Loan to value ratio	51%	50%	51%	50%

*EPRA, European Public Real Estate Association, is an association for listed real estate owners and investors in Europe, which among other things, sets standards for financial reporting. A part of that is key ratios EPRA EPS (Earnings Per Share), EPRA NAV (Net Asset Value) and EPRA NNNAV (Triple Net Asset Value).

Consolidated Balance Sheet

SEKm	31 Dec 2011	31 Dec 2010
Assets		
Investment properties	33,867	31,768
Other fixed assets	15	15
Current receivables	192	141
Cash and bank	97	12
Total assets	34,171	31,936
Shareholders' equity and liabilities		
Shareholders' equity	11,203	11,082
Deferred tax liability	3,714	3,502
Derivatives	1,003	574
Long term interest-bearing liabilities	17,160	15,781
Non interest-bearing liabilities	1,091	997
Total shareholders' equity and liabilities	34,171	31,936
Pledged assets (property mortgages)	18,986	17,421
Contingent liabilities	–	–

Changes in Equity

SEKm	Number of outstanding shares, thousand	Share capital	Other capital contribution	Retained earnings	Total equity
Shareholders' equity 31-12-2009	164,000	86	4,096	5,510	9,692
Dividend, March 2010	–	–	–	– 574	– 574
Net income January-December 2010	–	–	–	1,964	1,964
Shareholders' equity 31-12-2010	164,000	86	4,096	6,900	11,082
Dividend, March 2011	–	–	–	– 590	– 590
Net income January-December 2011	–	–	–	711	0
Other total net income 2011	–	–	–	0	0
Shareholders' equity 31-12-2011	164,000	86	4,096	7,021	11,203

Cash Flow Statement

SEKm	2011 Oct-Dec	2010 Oct-Dec	2011 Jan-Dec	2010 Jan-Dec
Net operating income	473	454	1,916	1,799
Central administrative expenses	– 20	– 26	– 83	– 84
Reversed depreciations	2	1	6	6
Net interest rates paid	– 185	– 167	– 651	– 595
Tax paid	– 4	– 5	– 14	– 9
Cash flow from operating activities before change in working capital	266	257	1,174	1,117
Change in current receivables	– 13	3	– 51	12
Change in current liabilities	65	20	184	84
Cash flow from operating activities	318	280	1,307	1,213
Investments in new constructions, refurbishments and extensions	– 383	– 288	– 1,158	– 881
Property acquisitions	– 463	– 535	– 857	– 625
Change in liabilities at acquisitions of property	53	146	– 95	137
Property sales	4	0	102	219
Change in receivables at sales of property	0	4	3	32
Other net investments	1	1	– 6	– 4
Cash flow from investment activities	– 788	– 672	– 2,011	– 1,122
Change in long term liabilities	421	369	1,379	487
Dividend paid	–	–	– 590	– 574
Cash flow from investment activities	421	369	789	– 87
Cash flow for the period/year	– 49	– 23	85	4
Cash and bank, opening balance	146	35	12	8
Cash and bank closing balance	97	12	97	12

Multi year Summary

	Jan-March 2011	Apr-June 2011	July-Sept 2011	Oct-Dec 2011	2011	Jan-March 2010	Apr-June 2010	July-Sept 2010	Oct-Dec 2010	2010
Income Statement, SEKm										
Rental income	717	730	734	738	2,919	674	693	691	701	2,759
Property costs	- 288	- 238	- 212	- 265	- 1,003	- 280	- 227	- 206	- 247	- 960
Net operating income	429	492	522	473	1,916	394	466	485	454	1,799
Central administrative expenses	- 20	- 25	- 18	- 20	- 83	- 17	- 22	- 19	- 26	- 84
Net interest rates	- 159	- 162	- 170	- 169	- 660	- 143	- 141	- 142	- 148	- 574
Income from property management	250	305	334	284	1,173	234	303	324	280	1,141
Changes in value, properties	97	291	48	- 242	194	46	320	197	659	1,222
Changes in value, derivatives	171	- 104	- 432	- 64	- 429	- 53	- 36	58	322	291
Current tax	- 1	- 1	- 4	- 4	- 10	- 2	- 3	0	0	- 5
Deferred tax	- 123	- 128	16	18	- 217	- 52	- 154	- 144	- 335	- 685
Net income for the period/year	394	363	- 38	- 8	711	173	430	435	926	1,964
Other total net income	0	0	0	0	0	-	-	-	-	-
Total net income for the period/year	394	363	- 38	- 8	711	173	430	435	926	1 964
Balance Sheet, SEKm										
Investment properties	32,284	32,896	33,273	33,867	33,867	29,511	30,032	30,286	31,768	31,768
Other fixed assets	192	181	192	207	207	134	164	164	156	156
Cash and bank	113	104	146	97	97	12	12	35	12	12
Total assets	32,589	33,181	33,611	34,171	34,171	29,657	30,208	30,485	31,936	31,936
Shareholders' equity	10,886	11,249	11,211	11,203	11,203	9,291	9,721	10,156	11,082	11,082
Deferred tax liability	3,620	3,747	3,731	3,714	3,714	2,875	3,029	3,166	3,502	3,502
Derivatives	403	508	941	1,003	1,003	918	954	896	574	574
Long term interest-bearing liabilities	16,370	16,677	16,739	17,160	17,160	15,073	15,675	15,412	15,781	15,781
Non-interest-bearing liabilities	1,310	1,000	989	1,091	1,091	1,500	829	855	977	997
Total shareholders' equity and liabilities	32,589	33,181	33,611	34,171	34,171	29,657	30,208	30,485	31,936	31,936
Financial key ratios										
Net operating income margin	60%	67%	71%	64%	66%	58%	67%	70%	65%	65%
Interest rate, average	4.0%	4.0%	4.2%	4.1	4.1%	3.8%	3.6%	3.7%	3.9%	3.7%
Interest coverage ratio	257%	288%	296%	268%	278%	264%	315%	328%	289%	299%
Return on actual net asset value	14.3%	13.5%	- 1.4%	- 0.8%	6.4%	7.3%	19.1%	17.9%	37.5%	21.5%
Return on total capital	6.3%	9.3%	6.6%	2.5%	6.2%	5.7%	10.3%	8.8%	14.1%	9.8%
Investments in properties, SEKm	522	319	328	846	2 015	255	201	227	823	1 506
Sales, SEKm	103	-	-	4	107	57	-	170	-	227
Loan to value ratio	51%	51%	50%	51%	51%	51%	52%	51%	50%	50%
Data per share (since there are no potential common stock, there is no effect of dilution)										
Average number of shares, thousand	164,000	164,000	164,000	164,000	164,000	164,000	164,000	164,000	164,000	164,000
Income from property management, SEK	1.52	1.86	2.04	1.73	7.15	1.43	1.85	1.98	1.71	6.96
Income prop mgmt after tax (EPRA EPS), SEK	1.47	1.76	1.88	1.90	7.01	1.40	1.66	1.81	1.75	6.62
Earnings after tax, SEK	2.40	2.21	- 0.23	- 0.05	4.34	1.05	2.62	2.65	5.65	11.98
Outstanding number of shares, thousand	164,000	164,000	164,000	164,000	164,000	164,000	164,000	164,000	164,000	164,000
Property value, SEK	197	201	203	207	207	180	183	185	194	194
Long term net asset value (EPRA NAV), SEK	91	95	97	97	97	80	84	87	92	92
Actual net asset value (EPRA NNNV), SEK	84	87	87	87	87	71	74	78	85	85
Dividend, SEK (2011 proposed)					3.70					3.60
Dividend ratio*					52%					52%
Property related key ratios										
Rental value, SEK/sq,m,	991	997	997	1 075	995	967	978	972	1 049	974
Economic occupancy rate	88.7%	89.3%	90.0%	89.2%	89.3%	88.4%	88.9%	89.4%	89.2%	89.0%
Property costs, SEK/sq,m,	352	287	256	328	300	352	282	256	324	298
Property value, SEK/sq,m,	9,621	9,778	9,845	9,835	9,835	9,010	9,146	9,205	9,499	9,499

	2009	2008	2007	2006	2005	2004	2003	2002
Income Statement, SEKm								
Rental income	2,694	2,501	2,259	2,014	1,907	1,856	1,758	1,684
Property costs	– 942	– 831	– 771	– 700	– 637	– 628	– 595	– 560
Net operating income	1,752	1,670	1,488	1,314	1,270	1,228	1,163	1,124
Central administrative expenses	– 81	– 71	– 69	– 67	– 68	– 69	– 67	– 63
Net interest rates	– 541	– 626	– 495	– 364	– 382	– 418	– 428	– 442
Income from property management	1,130	973	924	883	820	741	668	619
Changes in value, properties	– 1,027	– 1,262	920	1,145	932	660	– 43	251
Changes in value, derivatives	102	– 1,010	99	178	– 40	– 146	– 13	– 168
Current tax	– 10	– 14	– 22	– 10	– 1	– 5	– 1	– 2
Deferred tax	– 35	650	– 434	– 522	– 417	– 334	– 171	– 44
Net income for the year	160	– 663	1,487	1,674	1,294	916	440	656
Other total net income	–	–	–	–	–	–	–	–
Total net income for the period/year	160	– 663	1,487	1,674	1,294	916	440	656
Balance Sheet, SEKm								
Investment properties	29,267	29,165	27,717	24,238	21,270	19,449	18,015	17,348
Other fixed assets	201	230	123	200	103	94	167	172
Cash and bank	8	9	7	8	5	7	33	20
Total assets	29,476	29,404	27,847	24,446	21,378	19,550	18,215	17,540
Shareholders' equity	9,692	10,049	11,204	10,184	8,940	8,035	7,467	7,334
Deferred tax liability	2,824	2,785	3,322	2,723	2,126	1,659	1,294	1,124
Derivatives	865	966	–,44	55	233	391	245	232
Long term interest-bearing liabilities	15,294	14,607	12,582	10,837	9,396	8,834	8,598	8,264
Non-interest-bearing liabilities	801	997	783	647	683	631	611	586
Total shareholders' equity and liabilities	29,476	29,404	27,847	24,446	21,378	19,550	18,215	17,540
Financial key ratios								
Net operating income margin	65%	67%	66%	65%	67%	66%	66%	67%
Interest rate, average	3.7%	4.7%	4.2%	3.7%	4.3%	4.9%	5.4%	5.7%
Interest coverage ratio	309%	255%	287%	343%	315%	277%	256%	240%
Return on actual net asset value	1.6%	– 8.3%	16.2%	20.7%	18.2%	14.6%	7.2%	9.0%
Return on total capital	2.1%	1.2%	9.1%	10.4%	10.4%	9.6%	5.9%	7.6%
Net investments in properties, SEKm	1,165	2,738	2,598	2,283	1,357	1,268	1,108	1,050
Sales, SEKm	36	28	39	460	468	494	397	503
Loan to value ratio	52%	50%	45%	45%	45%	45%	48%	48%
Data per share (since there are no potential common stock, there is no effect of dilution)								
Average number of shares, thousand	164,000	164,000	164,000	164,000	164,000	164,000	164,000	164,000
Income from property management, SEK	6.89	5.93	5.63	5.38	5.00	4.52	4.07	3.77
Income prop mgmt after tax (EPRA EPS), SEK	6.93	5.85	5.50	5.09	4.49	4.15	3.82	3.52
Earnings after tax, SEK	0.98	–4.04	9.07	10.21	7.89	5.59	2.68	4.00
Number of outstanding shares, thousand	164,000	164,000	164,000	164,000	164,000	164,000	164,000	164,000
Property value, SEK	178	178	169	148	130	119	110	106
Long term net asset value (EPRA NAV), SEK	82	84	88	79	69	61	55	53
Actual net asset value (EPRA NNNNAV), SEK	73	75	85	76	65	57	52	50
Dividend, SEK (2011 proposed)	3.50	3.15	3.00	2.85	2.62	2.38	2.13	1.88
Dividend ratio*	51%	53%	53%	53%	52%	53%	52%	50%
Property related key ratios								
Rental value, SEK/sq,m,	969	921	896	864	851	859	829	799
Economic occupancy rate	89.8%	89.7%	87.9%	87.1%	88.1%	89.6%	90.7%	91.5%
Property costs, SEK/sq,m,	300	268	262	259	247	255	246	237
Property value, SEK/sq,m,	9,036	8,984	9,098	8,466	7,930	7,706	7,296	7,132

Opportunities and Risks for 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 thought 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 increasing 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 run may occur at different points in time.

Sensitivity analysis - cash flow

Effect on income next 12 months

	Effect on income, SEKm	Probable scenario	
		+/- 1% (units)	
		Boom	Recession
Rental level / Index	+30/-30	+	-
Vacancies	+34/-34	+	-
Property costs	-10/+10	-	0
Interest costs	-61/+52	-	+

Opportunities and risks in property values

Castellum reports its properties at fair value with changes in value on 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. An 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 development in net operating income results in an upward adjustment in prices, while a negative development has the opposite effect.

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

Sensitivity analysis - change in value

Properties	-20%	-10%	0	+10%	+20%
Changes in value, SEKm	-6,773	-3,387	0	3,387	6,773
Loan to value ratio	63%	56%	51%	46%	42%

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 low loan-to-value ratio and long-term credit agreements.

The Parent Company

The parent company Castellum AB is responsible for matters concerning the stock market, such as consolidated reports and stock market information, as well as the credit market, such as funding and financial risk management.

The parent company takes part in property-related operations through involvement in subsidiary Boards.

	2011 Oct-Dec	2010 Oct-Dec	2011 Jan-Dec	2010 Jan-Dec
INCOME STATEMENT, SEKm				
Income	8	4	19	15
Operating expenses	-17	-18	-61	-59
Net financial items	1	-2	10	12
Dividend	772	838	772	838
Changes in value, interest rate derivatives	-64	322	-429	291
Income before tax	700	1,144	311	1,097
Tax	-24	-128	78	-116
Net income for the period	676	1,016	389	981
BALANCE SHEET, SEKm				
	31 Dec 2011		31 Dec 2010	
Participations in group companies	5,338		5,217	
Receivables, group companies	18,204		17,033	
Other assets	280		179	
Cash and bank	0		0	
Total	23,822		22,429	
Shareholders' equity	4,857		5,058	
Interest rate derivatives	1,003		574	
Interest bearing liabilities	15,909		14,719	
Interest bearing liabilities, group companies	1,899		1,921	
Other liabilities	154		157	
Total	23,822		22,429	
Pledged assets (receivables group companies)	16,103		14,721	
Contingent liabilities (guaranteed commitments for subsidiaries)	1,174		1,062	

Accounting Principles

Castellum follows the EU-adopted IFRS standards and interpretations (IFRIC). This interim report has been prepared according to IAS 34 Interim Financial Reporting. Castellum has invested in Denmark during the period, which implies that exchange-rate effects are accounted for in other total income in the Group accounts. For the parent company they are reported directly in shareholder equity. Castellum also has a few derivatives in order to hedge currency fluctuation in the Danish investment. The effective portions of unrealized changes in value are accounted for in other total income in the Group accounts, while they are reported directly in shareholder equity for the parent company. The parent company has changed accounting principles regarding paid and received Group contributions as a result of changes in RFR 2 Accounting for Legal Entities. Previously, these entries were accounted for directly in shareholders' equity as net value after tax while received Group contributions was accounted for as financial income in the income statement and paid Group contributions net value after tax as investments in subsidiary shares. This means that non restricted equity of SEKm 1,130 has been contributed. Due to these changes, previous years have been recalculated in the parent company. Accounting principles and methods for calculations have otherwise remained unchanged compared with the Annual Report of the previous year.

Annual General Meeting

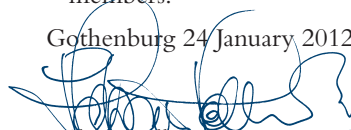
For the AGM on March 22, 2012 the Board of Directors proposes:

- a dividend of SEK 3.70 per share and March 27, 2012 as record day. The proposal is an increase of 3% compared to previous year,
- guidelines for remuneration to members of the executive management,
- a renewed mandate for the Board to decide on purchase or transfer of the company's own shares.

The election committee, which consists of Maj-Charlotte Wallin representing AFA Försäkring, Lars-Åke Bokenberger representing AMF Pension, Rutger van der Lubbe representing Stichting Pensioenfonds ABP and Castellum's Chairman of the board Jan Kvarnström, proposes for the AGM;

- re-election of the present board members Mr. Per Berggren, Mrs. Marianne Dicander Alexandersson, Mrs. Ulla-Britt Fräjdin-Hellqvist, Mr. Christer Jacobson and Mr. Johan Skoglund, as members of the board of directors. Mr. Jan Kvarnström, who has been chairman of the board since 1994, has declined re-election. In addition to this Mrs. Charlotte Strömberg and Mr. Jan Åke Jonsson is proposed to be elected as members of the board of directors. Mrs. Charlotte Strömberg is proposed to be elected as new chairman of the board of directors.
- that remuneration to the Board of Directors should be SEK 1,980,000 out of which SEK 510,000 should be allocated to the Chairman of the Board and SEK 245,000 to each one of the remaining members of the Board of Directors. Compared with last year, the proposal entails an increase of the total remuneration with SEK 280,000 since the board of directors is increased with one member and the individual board remuneration is increased with approx. two percent. The amounts include compensation for committee work.
- for AGM to decide on appointing an election committee for the AGM 2013 and for the Chairman to contact the three largest registered or in an other way known shareholders at the end of the third quarter 2012 and invite them to each appoint one member to the election committee, and that the three appointed members together with the Chairman of the Board of Directors shall constitute the election committee. The election committee will appoint a chairman amongst its members.

Gothenburg 24 January 2012


Håkan Hellström
Chief Executive Officer

Board of Directors



Jan Kvarnström
Chairman of the Board



Per Berggren
Board member



Marianne Dicander Alexandersson
Board member



Ulla-Britt Fräjdin-Hellqvist
Board member



Christer Jacobson
Board member



Johan Skoglund
Board member



Johan Ljungberg
Secretary to the Board

Executive Group Management



Håkan Hellström
Chief Executive Officer



Henrik Saxborn
Deputy Chief Executive Officer



Anette Asklin
Financial Director



Tage Christoffersson
MD Eklandia Fastighets AB



Ulrika Danielsson
Finance Director



Claes Junefelt
MD Fastighets AB Corallen



Claes Larsson
MD Aspholmen Fastigheter AB



Anders Nilsson
MD Fastighets AB Brostaden



Christer Sundberg
MD Harry Sjögren AB



Gunnar Östenson
MD Fastighets AB Briggen

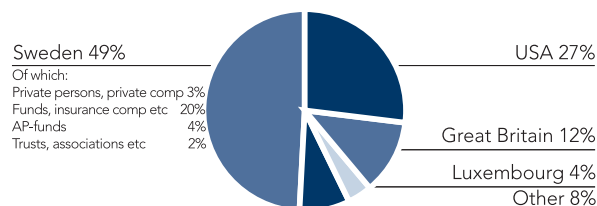
The Castellum Share

The Castellum share is listed on NASDAQ OMX Stockholm AB Large Cap. At the end of the year the company had about 9,400 shareholders. Shareholders registered abroad cannot be broken down in terms of directly held and nominee registered shares except for one foreign shareholder who has flagged for holding over 5%, Stichting Pensioenfonds ABP. Castellum has no direct registered shareholders with holdings exceeding 10%. The ten single largest Swedish shareholders can be seen in the table below.

Shareholders on 31-12-2011	Number of shares thousand	Percentage of voting rights and capital
AFA Sjukförsäkrings AB	6,869	4.2%
László Szombatfalvy	5,000	3.0%
Magdalena Szombatfalvy	4,935	3.0%
AMF Pensionsförsäkrings AB	4,260	2.6%
Lannebo Småbolag	3,300	2.0%
Andra AP-fonden	2,136	1.3%
Fjärde AP-fonden	1,912	1.2%
Tredje AP-fonden	1,866	1.1%
Länsförsäkringar Fastighetsfond	1,587	1.0%
KAS Depositary Trust Company	1,484	0.9%
Other shareholders registered in Sweden	47,579	29.0%
Shareholders registered abroad	83,072	50.7%
Total outstanding shares	164,000	100.0%
Repurchased shares	8,007	
Total registered shares	172,007	

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

Distribution of shareholders by country 31-12-2011



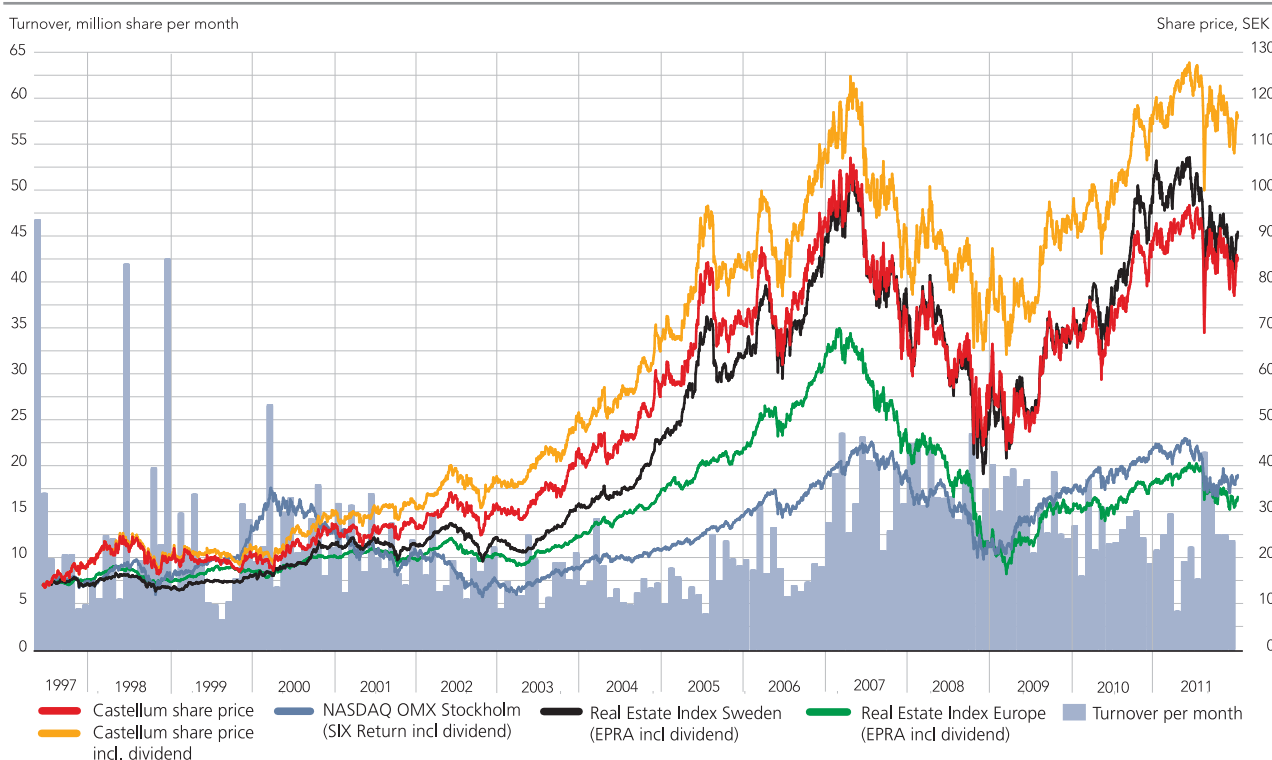
The Castellum share price as at 31 December, 2011 was SEK 85.30 (91.55) equivalent to a market capitalization of SEK 14,0 billion (15,0), calculated on the number of outstanding shares.

During the year a total of 150 million (152) shares were traded, equivalent to an average of 595,000 shares (602,000) per day, corresponding on an annual basis to a turnover rate of 92% (93%).

Growth, yield and financial risk

During the last 12-month period the total yield of the Castellum share has been -3% (31%), including dividend of SEK 3.60.

The Castellum share's price trend and turnover since IPO may 23, 1997 until December 31, 2011



	2011	3 years average/ year	10 years average/ year
Total yield of the share (incl. dividend)			
Castellum	- 3%	18%	17%
NASDAQ OMX Stockholm (SIX Return)	- 14%	19%	6%
Real Estate Index Sweden (EPRA)	- 13%	17%	15%
Real Estate Index Europe (EPRA)	- 9%	13%	5%
Growth			
Income from prop. management SEK/share	3%	6%	8%
Net income for the year after tax SEK/share	- 64%	neg.	- 3%
Long term net asset value SEK/share	5%	5%	7%
Actual net asset value SEK/share	2%	5%	6%
Dividend SEK/share	3%	6%	9%
Real estate portfolio SEK/share	7%	5%	7%
Change in property value, unweighted	1%	0%	1%
Yield			
Return on actual net asset value	6.4%	9.8%	10.5%
Return on total capital	6.2%	6.0%	7.2%
Financial risk			
Interest coverage ratio	278%	295%	286%
Loan to value ratio	51%	51%	48%

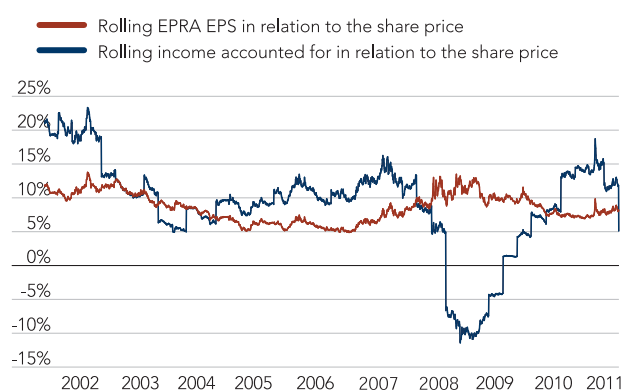
Valuation - share price related key figures

Earnings

Post-tax income from property management relating to income from property management (EPRA EPS) amounted to SEK 7.01 (6.62) at the year-end. This results in a share price yield of 8.2% (7.2%).

Net income after tax amounted to SEK 4.34 per share (11.98), which from the share price gives a yield of 5.1% (13.1%).

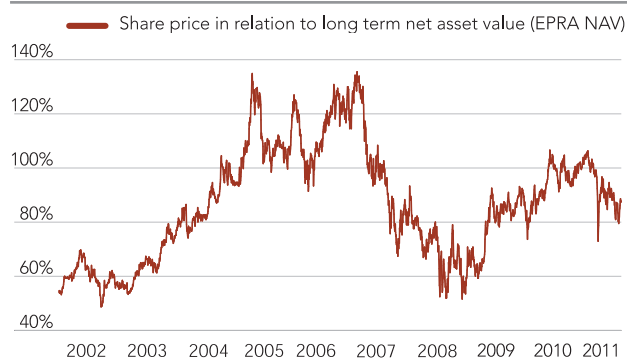
Yield earnings per share



Net asset value

The long term net asset value (EPRA NAV) can be calculated to SEK 97 per share (92). The share price at the end of the year was thus 88% (99%) of the long term net asset value.

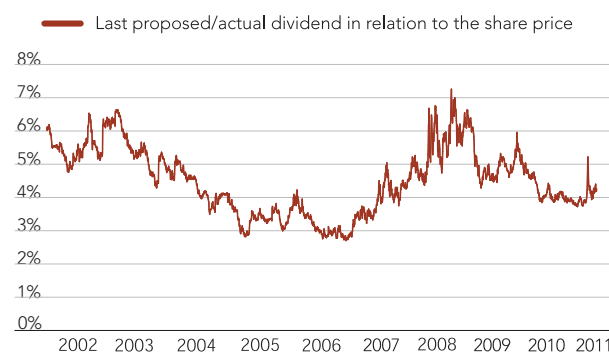
Share price/net asset value



Dividend Yield

The proposed dividend of SEK 3.70 (3.60) corresponds to a yield of 4.3% (3.9%) based on the share price at the end of the year.

The share's dividend yield



Press releases 2011

- 04-01-2011 Castellum invests SEKm 177
- 11-01-2011 The election committees proposal regarding the board of directors etc of Castellum AB
- 25-01-2011 Year-end Report 2010: Improved rental and real estate market and a dividend of SEK 3.60 per share
- 04-02-2011 The Swedish version of Castellum's Annual Report 2010 is now available on www.castellum.se
- 16-02-2011 Summons to the Annual General Meeting of shareholders in Castellum AB
- 15-03-2011 Castellum invests SEKm 287 and sells for SEKm 74
- 24-03-2011 Annual General Meeting in Castellum AB
- 06-04-2011 Castellum has made net investments of SEKm 268
- 19-04-2011 First quarter 2011: Increased investment pace and improved net leasing
- 01-07-2011 Castellum invests SEKm 179
- 12-07-2011 First half-year 2011: Continued improvement of income from property management and net leasing
- 18-10-2011 Interim report January-September 2011: Stable cash-flow – income from property management SEKm 889
- 16-11-2011 Castellum invests half a billion SEK
- 24-11-2011 Castellum invests SEKm 327
- 22-12-2011 Castellum invests SEKm 174
- 13-01-2012 The election committees proposal regarding the board of directors etc of Castellum AB (publ)
- 24-01-2012 Year-end Report 2011: Improved dividend to SEK 3.70 per share

Calendar

Annual Report 2011	mid-February 2012
Annual General Meeting	22 March, 2012
Interim Report January-March 2012	17 April, 2012, around 11 am
Half-year Report January-June 2012	12 July, 2012
Interim Report January-September 2012	16 October, 2012
Year-end Report 2012	22 January, 2013
Annual General Meeting	21 March, 2013

The Board of Directors in Castellum proposes a dividend to the shareholders of SEK 3.70 per share.

Record date for AGM	16 March 2012
Annual General Meeting	22 March, 2012
Ex-dividend date	23 March 2012
Record date for dividend	27 March 2012
Dividend payment	30 March 2012

www.castellum.se

On Castellum's website it is possible to download as well as subscribe to Castellum's Pressreleases and Interim Reports. For further information please contact Håkan Hellström, CEO, tel +46 705 60 74 56 or Ulrika Danielsson, Finance Director, tel +46 706 47 12 61.

Invitation to Annual General Meeting 2012

The annual general meeting of shareholders will be held on Thursday 22 March 2012, at 5 pm at Chalmers Kårhus, RunAn, at Chalmersplatsen 1 in Gothenburg. The entrance opens at 4 pm. Shareholders wishing to attend the Annual General Meeting must be registered as shareholders in the share register kept by Euroclear Sweden AB by Friday 16 March 2012 and must also have notified their attendance to the company no later than 4 pm on Friday 16 March 2012.

Summons to the annual general meeting will be around 20 February and the summons will be available at www.castellum.se. Also Castellum's annual report and other documents which will be presented at the Annual General Meeting will be available on the website by then. The summons will include the items to be addressed at the Annual General Meeting. Shareholders who wish to attend the Annual General Meeting are already welcome to notify their attendance as described below.

Notification of attendance at the annual general meeting can be made by post to Castellum AB (publ), Box 2269, 403 14, Gothenburg, by phone +46 (0)31-60 74 00, by fax +46 (0)31-13 17 55, by e-mail info@castellum.se, or by filling out a notification form on www.castellum.se. The notification must state name/business name, personal identification number/company registration number, address and telephone number. For those shareholders, who wish to be represented by proxy, the company provides a proxy form on www.castellum.se.

Shareholders with nominee registered shares must temporarily register such nominee shares in their own name in order to have the right to participate at the annual general meeting. Such registration must have been carried out at Euroclear Sweden AB no later than Friday 16 March 2012. Shareholders must, in good time before this date, instruct their nominees to effect such registration.

A shareholder have the right to have a matter addressed at the coming Annual General Meeting. For practical reasons the request should be received by the company no later than 3 February, 2012. The request should be addressed to Castellum AB, Att: Håkan Hellström, Box 2269, 403 14 Göteborg.

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In the event of conflict in interpretation or differences between this report and the Swedish version, the latter will have priority.

CASTELLUM

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