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The subvalue in the interest rate derivatives portfolio increases at the same time as the interest rate costs fall

As an effect of the dramatic fall in market interest rates the subvalue in Castellum's interest rate derivatives portfolio has increased with approx. SEKm 800.

Castellum has a financial policy which implies that a maximum of 50% of interest bearing loans may have maturity within the next 6 months and that the average fixed interest term should be 0.5-3 years. The policy is meant to secure a low and stable net cash flow of interest income/costs over time. To act within in the given risk mandate according to the policy the interest rate term for loans with short term interest rates are extended by the use of interest rate derivatives, preferably interest rate swaps.

According to the accounting standard IAS39 interest rate derivatives are subject to market valuation, which means that there is a theoretical surplus / sub value if the stipulated interest rate vary from the current market rate, where the change in value, for Castellum, should be accounted for in the income statement. When the calculation is made, the actual market rate is expected to remain unchanged during the entire fixed interest term. By securing interest rates for a longer period of time the risk in cash flow from interest income/cost is decreased, while the risk for accounting changes in valuations increase. Make note that loans with long term interest rates, which are less flexible but from a risk and interest rate point of view are equal to extending the interest rate term by interest rate derivatives, are not subject to market valuation according to the accounting standards.

The recent dramatic fall in market interest rates will over time have a positive effect on Castellum's net interest income/costs.

Castellum has currently approx. SEKm 15,000 in interest bearing liabilities of which approx. SEKm 9,000 have long term interest rates with interest rate maturity spreading between 1 to 10 years. Since the long term interest rates has decreased with 1.6% – 2.3% since October depending on the term to maturity this means, that the subvalue of the interest rate portfolio has increased with approx. SEKm 800 since the interim report 30 September 2008 and amounts at the moment to approx. SEKm 950. The value of the interest rate derivatives portfolio fluctuates dramatically with changes in the market interest rates and reached its earlier lowest point during the summer of 2005 with a subvalue of SEKm 546 based on an underlying portfolio of approx. SEKm 9,000.

The change in value, which is based on accounting principles and do not affect the cashflows, does not affect the loan to value ratio or stipulations in Castellum's existing credit agreements.

Castellum is one of the major listed real estate companies in Sweden. The fair value of the real estate portfolio amounts to approx. SEK 29 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, the Öresund Region, Greater Stockholm, Mälardalen and Eastern Götaland. Castellum is listed on OMX Nordic Exchange Large Cap.

For further information, please contact

Håkan Hellström, CEO, phone +46 31 60 74 00 / mobile +46 705-60 74 56

Anette Engström, Financial Director, phone +46 31 60 74 00 / mobile + 46 706-64 97 17

www.castellum.se

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