



CASTELLUM

HALF-YEAR REPORT  
JANUARY-JUNE

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2016

# Half-year Report January-June 2016

Castellum is one of the major listed real estate companies in Sweden. The fair value of the real estate portfolio amounts to SEK 72 billion, and comprises of commercial properties for office, retail, warehouse and industrial totaling 4.7 million sq.m. The real estate portfolio is owned and managed under the Castellum brand through a decentralized organization with strong and clear local presence in five growth regions in Sweden and Denmark. The five growth regions is Central (Örebro, Västerås, Uppsala, Linköping, Norrköping, Jönköping and Växjö), Öresund (Malmö, Lund, Helsingborg and Copenhagen), West (Greater Gothenburg incl. Borås and Halmstad), Stockholm and North (Gävle, Sundsvall, Östersund, Umeå and Luleå).

Castellum is listed on Nasdaq Stockholm Large Cap.

- Rental income for the period January-June 2016 amounted to SEKm 1,807 (SEKm 1,617 corresponding period previous year).
- Income from property management amounted to SEKm 820 (716), corresponding to SEK 4.20 (3.79) per share, an increase of 11%.
- Changes in value on properties amounted to SEKm 616 (880) and on derivatives to SEKm -223 (137).
- Net income after tax for the period amounted to SEKm 844 (1,399), corresponding to SEK 4.32 (7.40) per share.
- Net investments amounted to SEKm 29,658 (1,730) of which SEKm 28,889 (1,422) were acquisitions, SEKm 802 (569) new constructions, extensions and reconstructions and SEKm 33 (261) sales.
- In Q2, Castellum acquired the Norrporten AB (publ) shares for SEKm 13,594 including transaction costs of SEKm 126, with an underlying property value of SEK 26 billion.
- Net lease for the period was SEKm 47 (37).
- Jörgen Lundgren was appointed CEO of Castellum's Northern Region and becomes a member of Castellum's Executive Group Management. Jörgen was previously CEO of Norrporten.

## KEY RATIOS

	2016 April-June	2015 April-June	2016 jan-June	2015 Jan-June
Rental income, SEKm	952	816	1,807	1,617
Net operating income, SEKm	653	560	1,209	1,078
Income of property management, SEKm	444	378	820	716
<i>D:o SEK/share*)</i>	2.20	2.00	4.20	3.79
<i>D:o growth</i>	+10%	- 2%	+11%	+2%
Net income after tax, SEKm	267	948	844	1,399
Net investments SEKm	27,216	691	29,658	1,730
Net leasing, SEKm	47	16	47	37
Loan to value ratio	54%	51%	54%	51%
Interest coverage ratio	357%	347%	351%	336%
Long term net asset value (EPRA NAV) SEK/share*)	116	103	116	103
Actual net asset value (EPRA NNNAV) SEK/share*)	104	91	104	91

\*) 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.

For more detailed information about Castellum see [www.castellum.se](http://www.castellum.se).



# Welcome to a new Castellum!

New, because today's Castellum is 70% larger than at the previous interim report, through acquiring and accessing Norrporten on June 15th.

New, because over the past few weeks, Castellum has taken on a completely transformed organization, featuring five customer-close regions and strong central-support functions.

New, because the entire Group is now working under the joint brand name Castellum. 1,000 Castellum flags are now flying from our 742 properties, from Luleå to Copenhagen.

## We create shareholder value

All of the above was basically completed in the first half of 2016. But it's not simply novelty that we've been pursuing in this intense change process. The goal was, and is, to create shareholder value – sustainably – from every conceivable angle. Norrporten is a positive deal in itself, one that will yield significant synergies. The reorganization and branding activities will lead directly to increased cost and revenue efficiency within the Group.

The challenge right now is of course – immediately and precisely on schedule – to quantify all of these effects. Especially in combination with a major new shares issue, containing significant bonus-issue elements and many new shares. These activities will change all previous comparison figures per share and make historical comparisons difficult for many, including analysts, investors and the media. Furthermore, we have also announced that we will sell properties worth approx. SEK 4 billion. This is an ongoing process, drawing considerable interest from the market, but we cannot assess with certainty either precise timing or the economic outcome.

To sum up: positive synergies, integration costs, cost savings, sales results – in the next six months these important factors will have a great impact on this year's financial result. However, timing and totals will determine the exact nature of that impact.

## Difficult to interpret comparative figures

Castellum accessed Norrporten on the 15th of June, so this large acquisition has only posted a marginal effect on the period's income from property management, whereas the full impact of the deal is completely factored into the mid-year balance sheet. This in turn means that for 2016, we will receive the entire dilutive effect per share, but only half the earnings impact of the acquisition. Looking at the period's outcome, it remains strong – with an income from property management improved by 15% to SEKm 820 (716).

For the full year, we expect that the growth in income from property management for “the old” Castellum (on an annual basis) will be near our target – but because Norrporten is only included in the accounts for six months, the acquisition will not be fully reflected in earnings per share in 2016.

Let me therefore be clear that this year's income from




property management per share will not have a “normal” forecast value. Castellum has raised the dividend for 17 consecutive years. And we are the only ones to have done so on the Swedish stock exchange. Last year's dividend, SEK 4.90, corresponds to SEK 4.25 when recalculated for the bonus-issue element of the new issue. This year, we have an exceptional situation where the number of shares has increased, whereas the income results of the acquired company are only included for the last 6 months. Nonetheless, it's my firm belief that we're able to continue our positive trend, even during this exceptional year.

## Bright future

But of course what's really important is how we will perform in the future. Right now, it's all developing very positively: The integration of Norrporten, including synergies, is proceeding faster than the original time-plan. We're particularly pleased that the former CEO of Norrporten, Jörgen Lundgren, has agreed to become the new CEO of Castellum's Northern Region. In addition, agreement have been made with Norrporten's former executive management team that they will gradually phase out their posts and leave the company - most of them before year end.

The rental market is strong: we're renegotiating several leases, featuring substantial rent increases, in our now-numerous city locations. And from next year onwards, Norrporten will contribute fully to the Group's income from property management.

We retain the same long-term vision as before: 10% growth in income from property management (and likewise for dividend) driven by 5% net investment of the total property value annually, approximately SEK 3.5 billion. A substantial portion of these investments will involve our own projects. In addition, there will be synergies (both on the cost and revenue side) and generally increased cost efficiency. I'm of the opinion that the stronger company we've created makes it easier for us to reach this ambitious goal.

  
Henrik Saxborn  
CEO



## Mission and vision

One of the largest real estate companies, while remaining equipped to act as close to the market as the smallest.

## Business concept

To develop and add value to the real estate portfolio, focusing on the best possible earnings and asset growth, by offering customized commercial properties, through a strong and clear presence in five growth regions.

## Objective

Castellum's operations are focused on growth in cash flow, which along with a low financial risk 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. SEK 3.5 billion. All investments shall 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. In operations, there shall be an continuing focus on improved productivity and efficiency.

## Strategy for funding

### Capital structure

Castellum shall have low financial risk, 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 short term 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.

### 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.

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.

## Sustainable business

Castellum has a dedicated focus on long-term efforts and strategies, and this goes hand-in-hand with all sustainability perspectives. Business operations are to contribute to sustainable development taking ecological, social and economic aspects into account. It's crucial for the long-term success of the company that operations are conducted in a responsible manner, wherein all actions should be characterized by high skills levels, high ethical standards and a high, hands-on sense of responsibility.

By being locally present and engaged in the cities where the company operates, prosperous environments can be built, developed and managed. Castellum is to be financially strong, as this enables us to act wisely, with a long-term perspective.

Sustainability efforts are focused on:

- taking responsibility for, and contributing to, the development of the communities wherein we operate,
- utilizing resources efficiently and effectively,
- maintaining a sustainable real estate portfolio,
- cooperating with other stakeholders to promote development.



# Market comments

## Swedish economy

The Swedish economy appears to continue its positive development, with strong GDP growth for the remainder of 2016, although GDP forecasts onwards have been revised down. Growth is still driven by investments – primarily construction and infrastructure investments – and domestic private consumption. The export of services remains strong and export of goods has begun to show signs of increased demand. Geopolitical turmoil continues to dampen the mood – especially for industry. In addition, the outcome of the British referendum and its effects have created further uncertainty as potential repercussions are difficult to assess.

Higher public spending as a result of migration is also expected to contribute to GDP growth. Increased transfers help maintain household consumption. Despite higher tax revenues, the rise in government expenditure is expected to lead to increased deficits in public finances in 2016.

The labour market is positively affected by the strong economy. Labour shortages are expected for several groups, primarily within the construction and public sectors. However, the unemployment rate is expected to be only marginally affected. There are early signs of a rising inflation trend, but inflation remains low due to subdued commodity prices and low inflation abroad. Development of the krona exchange rate plays a key role for inflation in Sweden, where a stronger krona will dampen inflation.

## Macro indicators

Unemployment	7.6%	(May 2016)
Inflation	1.0%	(June 2016 compared to June 2015)
GDP growth	0.5%	(Q1 2016 compared to Q4 2015)

Source: SCB

## Swedish rental market

During the period, the rental market in Castellum's sub-markets was generally stronger than the corresponding period last year – although with local variation. Demand was high in terms of both new construction and existing premises. This led to lower vacancy rates as the supply of office space, especially in central locations, was not in line with demand. Rental increases were seen in central locations – due to limited supply – as well as in areas in proximity to these locations.

The supply of new space is relatively stable in all Swedish growth regions, but the new projects cannot meet demand because of strong urban growth.

Generally, the logistics market is growing for the logistics centres established in Sweden, and vacancy rates are low. A considerable need exists for new, modern logistics facilities.

## Swedish property market

The Swedish real estate market is still attractive, and transaction volumes for the first two quarters of 2016 amounted to SEK 86 billion – significantly exceeding the 2015 level of SEK 58 billion. Castellum's acquisition of Norrporten, corresponding to about SEK 26 billion, was a major contributing factor. The office and residential segments represented 68% (54%) of the transaction volume, and listed companies were most active on the acquisition side.

So far in 2016, the share of foreign investors has been 13% (22%), which is significantly lower than last year. This too is an effect of Castellum's acquisition of Norrporten.

Castellum's assessment is that the Swedish transaction market remains strong this year. High demand and rising rents have led to a lowering of the required yield – mainly on office properties in prime locations in major cities. How Brexit will affect the Swedish transaction market remains to be seen. Another variable is whether we can hope for increased allocation of investments to Swedish properties – primarily within the core segment – in a Swedish real estate market that continues to be liquid, transparent and attractive.

## Interest and credit market

The Riksbank's clear focus on an inflation target (CPI) of 2% continues. At monetary policy meetings, the Riksbank has gradually lowered the repo rate, most recently in February 2016 to a historically low –0.5%. The Riksbank has also continued stimulating monetary policy by buying government bonds from the market, and this contributes to reducing the long-term market rates as well. At the July meeting, the Riksbank announced that the period of negative repo rate may be further extended, and is only expected to increase at the end of 2017. However, the repo rate is not assumed to leave negative territory until mid-2018.

The 3-month STIBOR rate – of great significance to Castellum – fell during the first half of the year: First sharply in February, after the Riksbank's historic cut, and then even further after the Brexit referendum.

The spread between short- and long-term interest rates decreased during the year. Long-term rates rose last summer and around year end, but dropped significantly during the first and second quarters of this year. They have now reached new lows.

Availability of bank financing and financing in the capital market is considered favourable and very favourable, respectively. In the latter part of 2015, credit margins in the capital market turned upward considerably and continued to increase at the beginning of this year. However, during the spring and early summer, credit margins gradually fell and then bounced back up again after the Brexit referendum. Access to capital market financing is mainly available at short maturities. Credit margins for bank financing, which increased slightly at the end of 2015, are expected to remain relatively stable or rise slightly.

# Income, Costs and Results

Comparisons, shown in brackets, 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. When calculating the historical number of shares, adjustments were made with reference to the bonus-issue element (i.e. the value of the subscription right) in the new share issue.

Income from property management, i.e. net income excluding transaction and restructuring costs, changes in value and tax in the concern as well as in the joint venture, amounted for the period January-June 2016 to SEKm 820 (716), equivalent to SEK 4.20 (3.79) per share - an increase with 11%. Income from property management rolling four quarters amounted to SEKm 1,637 (1,463) equivalent to SEK 8.52 per share (7.74) - an increase of 10%.

During the period, changes in value on properties amounted to SEKm 616 (880) and on derivatives to SEKm -223 (137). Net income after tax for the period was SEKm 844 (1,399), equivalent to SEK 4.32 (7.40) per share.

## Rental income

Group's rental income amounted to SEKm 1,807 (1,617). For office and retail properties, the average contracted rental level, including charged heating, cooling and property tax, amounted to SEK 1,532 per sq.m., whereas for warehouse and industrial properties, it amounted to SEK 804 per sq.m. Rental levels, which are considered to be in line with the market, have in comparable portfolio increased by approx. 1.3% compared with previous year, which inter alia is an effect from indexation and can be compared with the usual industry index clause (October to October), which was 0.1% in 2016. Castellum's higher indexation is due to the Groups focus on index clauses with minimum upward adjustment in the contract portfolio, which offers protection against low deflation and inflation.

The average economic occupancy rate was 91.0% (88.7%). The total rental value for vacant premises on yearly basis amounted to approx. SEKm 596 (438).

The rental income for the period includes a lump sum of SEKm 10 (5) as a result of early termination of leases.

Gross leasing (i.e. the annual value of total leasing) during the period was SEKm 208 (177), of which SEKm 48 (23) were leasing of new constructions, extensions and reconstructions. Notices of termination amounted to SEKm 161 (140), of which bankruptcies were SEKm 10 (5) and SEKm 1 (7) were notices of termination with more than 18 months remaining length of contract. Net lease for the period was hence SEKm 47 (37).

The time difference between reported net leasing and the effect in income thereof is estimated to be between 9-18 months.

## Property costs

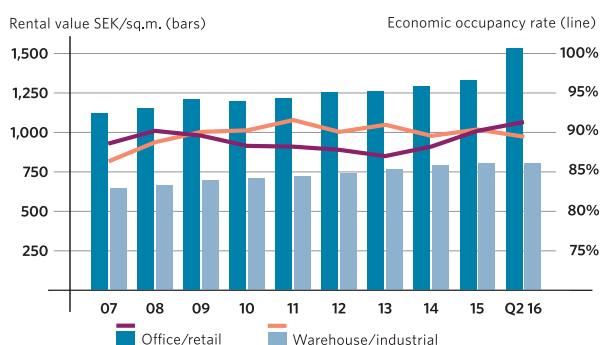
Property costs amounted to SEKm 598 (539) corresponding to SEK 360 per sq.m. (319). Consumption for heating during the period has been calculated to 95% (91%) of a normal year according to the degree day statistics.

Property costs SEK/sq.m	Office/ Retail	Warehouse/ Industrial	2016 Total	2015 Total
Operating expenses	217	123	186	157
Maintenance	53	22	43	34
Ground rent	3	8	5	8
Real estate tax	87	22	66	50
Direct property costs	360	175	300	249
Leasing and property administration	-	-	60	70
<b>Total</b>	<b>360</b>	<b>175</b>	<b>360</b>	<b>319</b>
Previous year	308	176	319	

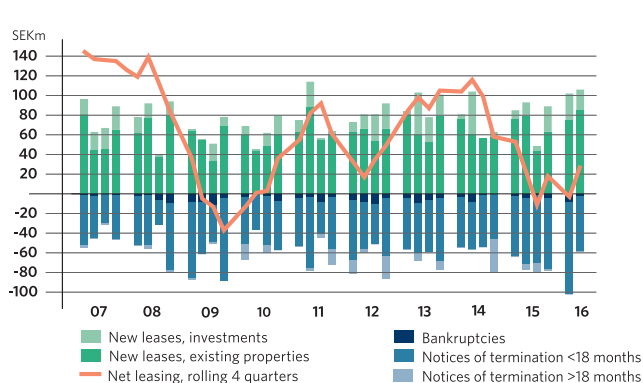
## Central administrative expenses

Central administrative expenses totalled SEKm 68 (61) and has during the period been charged with SEKm 8 for non-recurring costs related to ongoing work to collect

## Rental value and economic occupancy rate



## Net leasing



the Group under the joint name Castellum and coordination of support functions. This also includes costs for a profit-and-share-price related incentive plan for 10 persons in executive management of SEKm 11 (7).

#### Transaction and restructuring costs

During the period, Castellum acquired Norrporten, resulting in transaction costs of SEKm 126. In addition, a major business restructuring was initiated, and this is expected to generate synergies of SEKm 150.

The cost of restructuring has been estimated at approx. SEKm 40, an increase of SEKm 15 against the previously announced SEKm 25. Of the increase, SEKm 7 have been charged to the period's result. The increase is explained by a higher pace of integration than planned. Among other developments, an agreement has already been reached with all members of Norrporten's former executive management team that they will gradually phase out their posts and leave the company – most of them before year end. The remaining restructuring costs are estimated to mainly occur in the second half of this year. However, the higher pace of integration entails that some of the synergies have been achieved earlier than planned.

#### Income from joint venture

In Q2 2015, Castellum AB (publ) closed a deal with Heimstaden AB (publ), which meant that Castellum acquired 50% of the property management company CORHEI Fastighets AB (previously Ståhls) for SEKm 505. Castellum gained access in May/June 2015. The agreement provided an opportunity to acquire, through an option, the remaining 50% at market value during the autumn 2016 at the earliest. Thus, the option was used already during Q1 2016: Castellum has thereby owned 100% of CORHEI Fastighets AB since the beginning of March this year. The acquisition price for the remaining 50% amounted to SEKm 555.

The acquisition constitutes a company acquisition

in phases, resulting in a revaluation of SEKm 27 of the 50% already owned. The revaluation is the difference between the purchase price paid, SEKm 555, and the previously recognized net asset value of SEKm 528 on the access date in March. As a result of the stepwise company acquisition, there is a goodwill entry of SEKm 141, corresponding to the net deferred tax liability.

Income from joint ventures amounted to SEKm 3 (2) and refers to Castellum's 50% share of the income in CORHEI Fastighets AB (former Ståhls). Of this income, SEKm 4 (2) refers to income from property management and SEKm -1 (0) to tax.

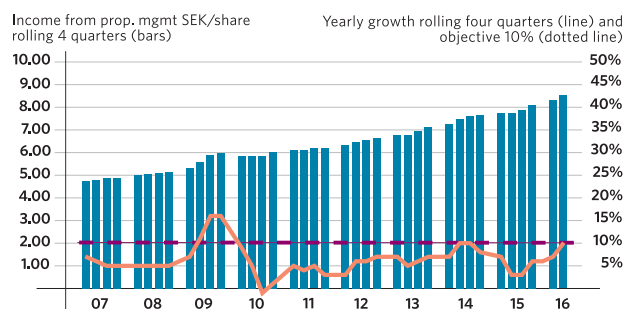
#### Net interest

Net interest items were SEKm -325 (-303). The average interest rate level was 2.8% (3.1%). Net interest income was positively affected by approx. SEKm 25 due to the average interest rate level decrease by 0.3%-units.

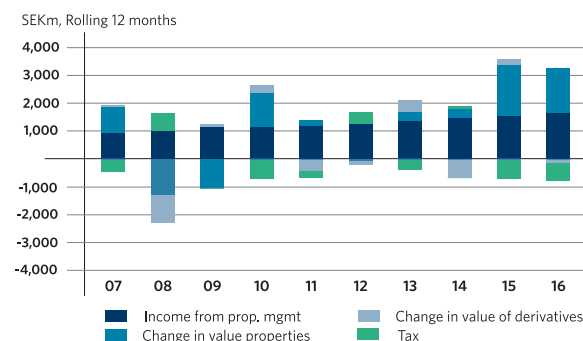
#### Changes in value

The real estate market is characterized, as well as the first quarter, by continued high activity, strong demand and continued limited supply, resulting in rising prices. The price increase is mainly attributable to centrally located office properties in growth areas. This price rise is reflected in Castellum's internal valuation through a decrease in required yield, which at portfolio level corresponds to about 7 percentage points. This, primarily in combination with project profits and improved cash flow results, resulted in a change in value for the first half year of SEKm 611, corresponding to 1%. Norrporten's SEKm 638, coorespong to 3%, change in value over the first half-year is included in the purchase price allocation and thus does not affect Castellum's income. Also included was an additional payment, received during the period, of SEKm 5 for previously sold properties. Furthermore, three properties were sold for SEKm 28 which was in line with the valuation. As each property is valued

#### Income from property management per share



#### Income over time





individually, the portfolio premium that can be noted in the property market is not taken into account.

The value in the interest derivatives portfolio has changed by SEKm -226 (-140), mainly due to changes in long-term market interest rates. Castellum's currency derivatives has during the period changed SEKm -17 (15) where the effective part of the value change of SEKm -20 (18) is accounted for in other total net income.

## Tax

The nominal corporate tax rate in Sweden is 22%. Due to the possibility to deduct depreciation and reconstructions for tax purposes, and to utilize tax loss carry forwards, the paid tax is low. Paid tax occurs since a few subsidiaries have no possibilities to group contributions for tax purpose.

Remaining tax loss carryforwards can be calculated to SEKm 2,643 (809). Furthermore, there are derivatives at an undervalue of SEKm 636, which are not tax deductible, as well as untaxed reserves totalling SEKm 27. Fair values for the properties exceed their fiscal value by SEKm 35,247 (22,239) of which SEKm 2,015 (1,893) relates to the acquisition of properties accounted for as asset acquisitions. As deferred tax liability, a full nominal 22% tax of the net difference is reported, reduced by the deferred tax relating to asset acquisitions, i.e., SEKm 6,596 (4,299).

Castellum has no current tax disputes.

## Tax calculation 2016-06-30

SEKm	Basis current tax	Basis deferred tax
Income from property management	820	
D:o attributable to joint venture	- 4	
Deductions for tax purposes		
depreciations	- 375	375
reconstructions	- 143	143
Other tax allowances	- 7	4
Taxable income from property management	291	522
- current income tax is 22%, if tax losses are not utilized	- 64	
Properties sold	2	- 14
Changes in value on properties	-	611
Changes in value on derivatives	- 223	-
Issue expenses	- 123	123
Taxable income before tax loss carry forwards	- 53	1,242
Tax loss carry forwards, opening balance	- 809	809
Acquired loss CORHEI and Norrporten	- 1,736	1,736
Tax loss carry forwards, closing balance	2,643	- 2,643
Taxable income	45	1,144
<b>Tax according to the income statement for the period</b>	<b>- 10</b>	<b>- 252</b>



The picture shows the properties Klassföreståndaren 3 and Läkaren 10 in Stockholm



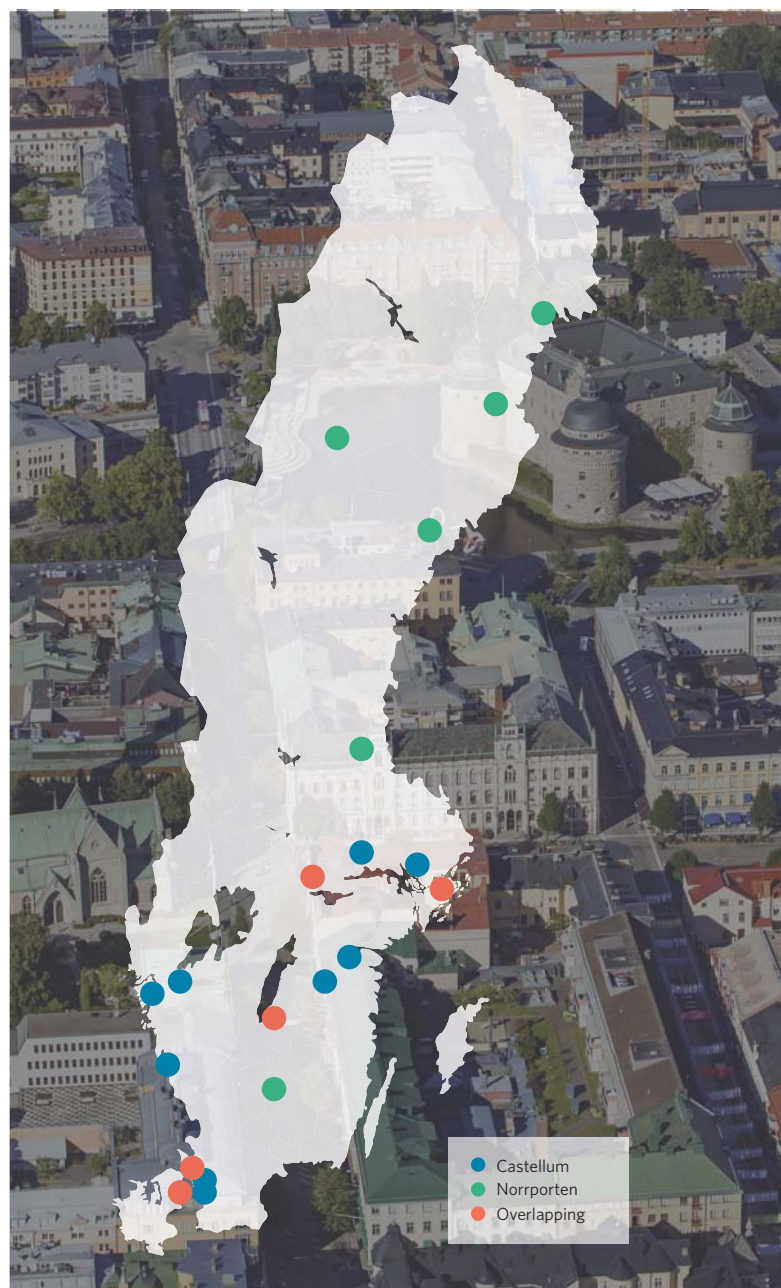
## Acquisition of Norrporten

On 13 April 2016, Castellum signed an agreement with the Second AP Fund and the Sixth AP Fund to acquire all shares in Norrporten AB (publ). Access to the shares was gained on 15 June 2016, for an acquisition value of SEKm 13,468, distributed as follows: SEKm 10,393 in cash and 27.2 million shares worth approx. SEKm 3,075, divided among 19,194,458 newly issued shares and 8,006,708 shares held in treasury. The valuation of these shares was made at market value on the date of transaction, amounting to SEK 113/share (market price quoted on Nasdaq). Acquisition costs amounted to SEKm 126 and are accounted for in the income statement.

The acquisition is accounted for as a business combination, hence the occurrence of a goodwill item of SEKm 1,891 – corresponding to net deferred-tax liabilities at the time of acquisition.

Norrporten is one of Sweden's largest real estate companies, focused on the management and development of modern, high-quality office space, centrally located in growth areas of Sweden and Copenhagen. The acquisition complements and strengthens Castellum's market position – the supply of real estate entities and type-of-premises increases while our geographical presence expands. Moreover, it also reinforces Castellum's presence and market position in five locations where Castellum is already established: Stockholm, Copenhagen, Helsingborg, Örebro and Jönköping. In addition, the acquisition also means that Castellum establishes itself sizably, with attractively located properties in Gävle, Sundsvall, Östersund, Umeå, Luleå and Växjö. Adding further dimension, Norrporten's tenant structure contributes to a longer duration of the lease portfolio, including an increased government-agency element.

The acquisition is expected to result in synergies of approximately SEKm 150, of which about SEKm 120 are estimated to be realized in the next 18 months. The remaining SEKm 30, primarily attributable to operating costs, will be realized over a three-year period.



### Balance sheet Norrporten

SEKm	30 June 2016	15 June 2016
<b>Assets</b>		
Investment properties	26,430	26,415
Other fixed assets	38	38
Current receivables	278	278
Liquid assets	379	-
<b>Total assets</b>	<b>27,125</b>	<b>26,731</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity	11,943	11,918
Deferred tax liability	1,597	1,590
Interest-bearing liabilities	12,155	11,858
Non interest-bearing liabilities	1,430	1,365
<b>Total shareholders' equity and liabilities</b>	<b>27,125</b>	<b>26,731</b>

### Income statement Norrporten

SEKm	15 - 30 June 2016	Jan - June 2016
Rental income	80	955
Property costs	- 31	- 337
Central administrative expenses	1	- 32
Net interest income/expense	- 10	- 150
<b>Income from property management</b>	<b>40</b>	<b>436</b>
Change in value properties	-	638
Change in value derivatives	- 9	- 244
Current tax	0	- 17
Deferred tax	- 6	- 182
<b>Net income</b>	<b>25</b>	<b>631</b>
Translation currencies	0	21
<b>Total net income for the period</b>	<b>25</b>	<b>652</b>

# Real Estate Portfolio

The real estate portfolio is located in growth areas in Sweden and Copenhagen. The commercial portfolio consists of 80% office and retail properties as well as 17% warehouse and industrial properties. The properties are located from inner city sites to well-situated working-areas with good means of communication and services. The remaining 3% consist of projects and undeveloped land.

Castellum owns approx. 915,000 sq.m. of unutilized building rights and furthermore ongoing projects with remaining investments of approx. SEKm 2,000.

## Investments

During the period, investments totalling SEKm 29,691 (1,991) were carried out, of which SEKm 802 (569) were new constructions, extensions and reconstructions and SEKm 28,889 (1,422) were acquisitions. After sales of SEKm 33 (261) net investments amounted to SEKm 29,658 (1,730).

During the first quarter Castellum acquired the remaining 50% of the shares in CORHEI Fastighets AB (former Ståhls) corresponding to a property value of SEKm 2,083. During the second quarter Castellum acquired Norrporten with an underlying property value of SEKm 26,415. During the last quarter 2015 agreements have also been concluded for the acquisition of one office property under construction, in Hagastaden, Stockholm for SEK 1.6 billion with change of possession scheduled to February 2017. The property will be accounted for when the change of possession has taken place due to the agreements which is conditional upon i.e. completion.

## Changes in the real estate portfolio

	Value, SEKm	Number
Real estate portfolio on 1 January, 2016	41,818	597
+ Acquisitions	28,889	146
+ New constructions, extensions and reconstructions	802	2
- Sales	- 28	- 3
+/- Unrealized changes in value	611	-
+/- Currency translation	17	-
<b>Real estate portfolio on June 30, 2016</b>	<b>72,109</b>	<b>742</b>

## Property value

### Internal valuations

Castellum assesses the value of the properties through internal valuations, as at the year-end, corresponding to level 3 in IFRS 13. The valuations are based on a 10-year cash flow based model with an individual valuation for each property of 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. Properties with building rights have been valued on the basis of an estimated market value per square metre, on average approx. SEK 1,600 (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 historically been small.

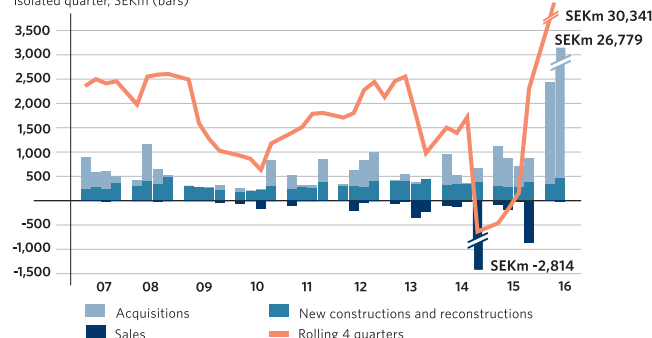
Based on these internal valuations, property value at the end of the period were assessed to SEKm 72,109 (40,187), corresponding to SEK 15,363 per sq.m.

## Average valuation yield, SEKm

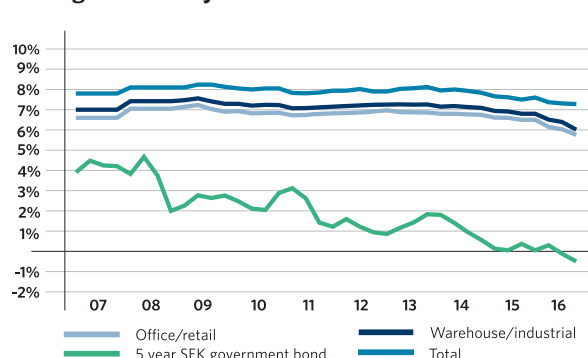
(excl. project/land and building rights)	SEKm
Net operating income properties	2,004
+ Real occupancy rate, 94% at the lowest	159
+ Property cost annual rate	9
- Property administration, 30 SEK/sq.m.	- 72
<b>Normalized net operating income (6 months)</b>	<b>2,100</b>
Valuation (excl. building rights of SEKm 570)	69,600
<b>Average valuation yield</b>	<b>6.0%</b>

## Investments

Isolated quarter, SEKm (bars)



## Average valuation yield over time





## Castellums' real estate portfolio 30-06-2016

	30-06-2016					January - June 2016					
	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
<b>Office/retail</b>											
Central	144	1,025	16,113	15,719	697	1,359	92.3%	643	178	348	465
Öresund	86	643	13,701	21,303	567	1,763	87.0%	493	131	407	362
West	85	477	8,694	18,247	333	1,397	92.5%	308	74	312	234
Stockholm	46	367	9,780	26,613	333	1,812	93.4%	311	63	343	248
North	75	563	9,572	16,999	426	1,514	92.6%	395	108	382	287
<b>Total office/retail</b>	<b>436</b>	<b>3,075</b>	<b>57,860</b>	<b>18,815</b>	<b>2,356</b>	<b>1,532</b>	<b>91.3%</b>	<b>2,150</b>	<b>554</b>	<b>360</b>	<b>1,596</b>
<b>Warehouse/industrial</b>											
Central	48	250	1,613	6,451	88	708	86.0%	76	21	165	55
Öresund	44	287	1,930	6,731	107	743	86.3%	92	24	169	68
West	104	666	5,431	8,156	254	763	91.3%	232	54	163	178
Stockholm	51	290	3,336	11,516	151	1,044	91.2%	138	31	216	107
<b>Total warehouse/industrial</b>	<b>247</b>	<b>1,493</b>	<b>12,310</b>	<b>8,249</b>	<b>600</b>	<b>804</b>	<b>89.6%</b>	<b>538</b>	<b>130</b>	<b>175</b>	<b>408</b>
<b>Total</b>	<b>683</b>	<b>4,568</b>	<b>70,170</b>	<b>15,363</b>	<b>2,956</b>	<b>1,294</b>	<b>91.0%</b>	<b>2,688</b>	<b>684</b>	<b>300</b>	<b>2,004</b>
Leasing and property administration									136	60	- 136
<b>Total after leasing and property administration</b>									<b>820</b>	<b>360</b>	<b>1,868</b>
Development projects	29	123	1,605	-	55	-	-	25	14	-	11
Undeveloped land	30	-	334	-	-	-	-	-	-	-	-
<b>Total</b>	<b>742</b>	<b>4,691</b>	<b>72,109</b>	<b>-</b>	<b>3,011</b>	<b>-</b>	<b>-</b>	<b>2,713</b>	<b>834</b>	<b>-</b>	<b>1,879</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 SEKm 1,879 accounted for above and the net operating income of SEKm 1,209 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 671 on properties acquired/completed during the year, which are recalculated as if they had been owned or completed during the whole period.

### Property related key ratios

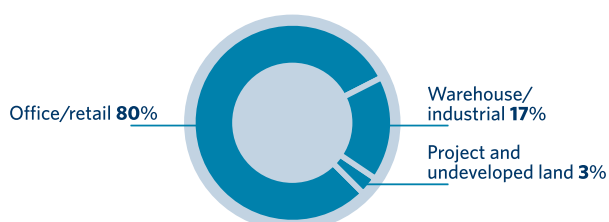
	2016 Jan-June	2015 Jan-June	2015 Jan-Dec
Rental value, SEK/sq.m.	1,294	1,088	1,095
Economic occupancy rate	91.0%	88.7%	90.3%
Property costs, SEK/sq.m.	360	319	316
Net operating income, SEK/sq.m.	818	646	673
Property value, SEK/sq.m.	15,363	11,602	12,282
Number of properties	742	605	597
Lettable area, thousand sq.m.	4,691	3,433	3,392
Valuation yield, on average	6.0%	6.8%	6.5%

### Segment information

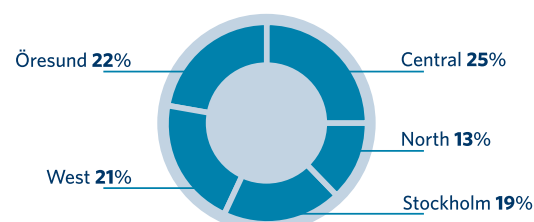
SEKm	Rental income		Income from property management	
	2016 Jan-June	2015 Jan-June	2016 Jan-June	2015 Jan-June
Central	528	414	234	182
Öresund	348	324	163	154
West	557	535	273	255
Stockholm	341	344	178	160
North	33	-	16	-
<b>Total</b>	<b>1,807</b>	<b>1,617</b>	<b>864</b>	<b>751</b>

The difference between the income from property management of SEKm 864 (751) above and the groups accounted income before tax of SEKm 1,106 (1,733) consists of unallocated income from property management of SEKm -44 (-35), transaction and restructuring costs of SEKm -133 (-), changes in property value of SEKm 616 (880) and changes in values of derivatives of SEKm -223 (137) and stepwise acquisition tax in joint venture of SEKm 27 (-) respectively SEK -1 (-).

### Property value by property type



### Property value by region



# Larger investments and sales

## Larger projects

Property	Area, sq.m	Rental value SEKm SEK/sq.m		Econ. occup. July 2016	Total inv., land incl. SEKm	Remain. inv. SEKm	Completed	Comment
Lindholmen 30:5, Gothenburg	9,243	23	2,500	53%	265	82	Q1 2017	New construction office
Nordstaden 2:16, Gothenburg	9,200	5	3,300	0%	135	133	Q2 2017	Reconstruction office and retail and facing
Drottningparken, Örebro	4,280	9	2,050	100%	100	1	Q3 2016	New construction office
Kranbilen 2, Huddinge	8,571	9	1,050	40%	94	61	Q1 2017	New construction warehouse/logistic
Inom Vallgraven 4:1, Gothenburg	2,500	9	3,700	100%	92	70	Q2 2017	Extension and reconstruction cultural and entertainment venue
Majorna 163:1, Gothenburg	5,867	9	1,500	75%	88	35	Q4 2016	Reconstruction office/warehouse
Varpen 10, Huddinge	2,520	5	2,050	100%	66	29	Q4 2016	New construction car retail
Tjurhornet 15, Stockholm	5,786	1	250	-	65	40	Q3 2016	Parking facilities
Ringspännat 5, Malmö	3,333	5	1,350	100%	49	11	Q4 2016	New construction car retail/garage
Sändaren 1, Malmö	2,771	4	1,550	100%	47	36	Q2 2017	Reconstruction office
Gamla Rådstugan 1, Norrköping	2,185	5	2,100	30%	47	29	Q4 2016	Reconstruction office
Verkstaden 14, Västerås	1,844	4	2,000	85%	45	31	Q1 2017	New construction office
Bangården 4, Solna	4,120	4	1,100	100%	42	34	Q4 2016	Reconstruction apartment hotel
Nytorget 2, Umeå	3,508	2	1,800	100%	39	24	Q4 2016	Reconstruction office
<b>Projects completed/partly moved in</b>								
Verkstaden 14, Västerås	6,100	9	1,400	100%	84	5	Q1 2016	Extension and reconstruction educations facilities

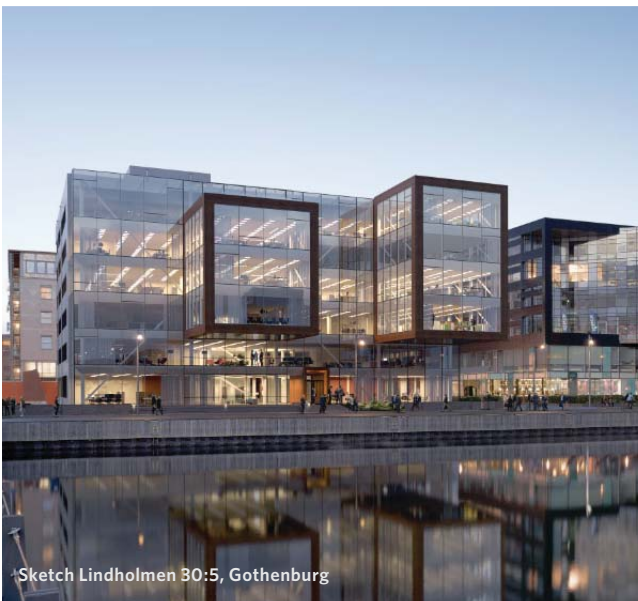
## Larger acquisitions during 2016

Property	Area, sq.m	Rental value SEKm SEK/sq.m		Econ. occup. July 2016	Acquisition SEKm	Access	Category
Norrporten's property portfolio in Stockholm, Luleå, Umeå, Östersund, Sundsvall, Gävle, Örebro, Jönköping, Växjö, Helsingborg and Copenhagen	1,114,274	2,053	1,850	93%	26,415	June 2016	Office and retail
CORHEIs portfolio in Linköping and Norrköping	162,504	196	1,200	83%	2,083	March 2015	Office och logistic
Mässhallen 2, Malmö	7,318	18	2,450	100%	328	April 2016	Office
Lerstenen 1 and 2, Lund	3,649	3	700	95%	26	Feb 2016	Warehouse
Hamnen 22:28 and 22:31, Malmö	5,107	1	300	85%	25	May 2016	Warehouse

## Större fastighetsförsäljningar under 2016

Property	Area, sq.m	Rental value SEKm SEK/sq.m		Underlying prop. price, SEKm	Deferred tax and Trans. costs SEKm	Net sales price, SEKm	Access	Category
Sadelknappen 1, 4 and Stångbättet, Malmö	5,248	4	800	28	1	27	July 2016	Warehouse and office





# Financing

Castellum shall have a low financial risk, meaning a loan to value ratio not permanently exceeding 55% and an interest coverage ratio of at least 200%. Castellum's assets had on June 30, 2016, a value of SEKm 75,205 (42,652) and are financed by shareholders' equity of SEKm 25,089 (15,768), deferred tax liabilities of SEKm 6,596 (4,299), interest bearing liabilities of SEKm 39,356 (20,396) and non interest bearing liabilities of SEKm 4,164 (2,189).

## Shareholders' equity

As part of the acquisition of Norrporten, Castellum completed a rights issue as well as a directed share issue.

The rights issue of 82,000,000 new shares, which ended in June, meant that Castellum raised approximately SEK 6.3 billion before deduction of issue costs of about SEKm 123 (SEKm 95 net after deduction of deferred tax). In addition, a total of 27,201,166 Castellum shares constituted part of the consideration for the Norrporten shares, corresponding to a value of SEKm 3,075 at the time of access. Relying on the share-issue authorization from the Extraordinary General Meeting on 20 May 2016, the Castellum Board decided on a directed share issue to the Second and Sixth Swedish National Pension Funds totalling 19,194,458 consideration shares. Pursuant to the authorization from the AGM on 17 March 2016, the Castellum Board also decided to transfer all previously repurchased shares, representing 8,006,708 shares. Castellum's repurchased shares were acquired in year 2000 for a total purchase price of SEKm 194.

After the rights and directed share issues, the number of outstanding Castellum shares totals 273,201,166.

## Interest bearing liabilities

At the end of the period Castellum had binding credit agreements totalling SEKm 48,753 (30,325) of which SEKm 33,132 (25,141) was long term and SEKm 15,621 (5,184) short term.

The acquisition of Norrporten meant the takeover of a total of SEKm 14,172 in credit agreements. In direct connection to this action, agreements totalling SEKm 4,269 were renegotiated and guarantee contracts were entered into for agreements totalling SEKm 8,117.

In addition, during the period MTN of nominally SEKm 100 were issued, a new credit agreement of SEKm 1,600 were signed and credit agreement of SEKm 2,000 were

repurchased and/or extended.

Furthermore CORHEI's financing amounting SEKm 1,069 has been included in Castellum's interest bearing liabilities. After the reporting period another new credit agreement of SEKm 3,000 were signed.

After deduction of cash of SEKm 425 (39), net interest bearing liabilities were SEKm 38,931 (20,357), of which SEKm 6,597 (6,499) were MTN and SEKm 4,746 (3,157) outstanding commercial papers. (Nominal SEKm 6,600 respectively SEKm 4,750.)

Most of Castellum's loans are short-term revolving loans, utilized in long-term binding credit agreements in Nordic banks. This means great flexibility. Bonds issued under the MTN program and the commercial papers are a complement to the existing funding in banks and broaden the funding base. At the end of the period the fair value of the liabilities is in principle in line with the value accounted for.

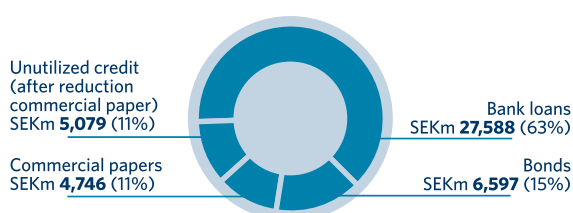
Long-term loan commitments in banks are secured by pledged mortgages in properties and/or financial covenants. Outstanding commercial papers and bonds under the MTN-program are unsecured.

Net interest bearing liabilities amounted to SEKm 38,931 (20,357) of which SEKm 27,074 (10,460) were secured by the company's properties and SEKm 11,857 (9,897) unsecured. The proportion of used secured financing was thus 38% of the property value. 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, 54% and 351% respectively. The average duration of Castellum's credit agreements was 2.6 years (3.1). Margins and fees on long-term credit agreements had an average duration of 2.0 years (3.1).

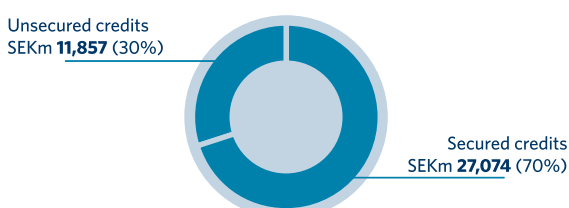
## Credit maturity structure 30-06-2016

SEKm	Credit agreements	Utilized in		
		Bank	MTN/Cert	Total
0-1 year	15,621	7,943	6,596	14,539
1-2 years	3,195	1,895	1,300	3,195
2-3 years	19,836	11,096	1,000	12,096
3-4 years	4,785	2,085	1,700	3,785
4-5 years	2,523	2,026	497	2,523
> 5 years	2,793	2,543	250	2,793
<b>Total</b>	<b>48,753</b>	<b>27,588</b>	<b>11,343</b>	<b>38,931</b>

## Distribution of interest bearing financing 30-06-2016



## Secured credit facilities 30-06-2016





### Interest rate maturity structure 30-06-2016

	Credit, SEKm	Interest rate derivatives SEKm	Net. SEKm	Closing interest rate	Average fixed interest rate term
0-1 year	35,784	- 17,639	18,145	2.8%	0.2 year
1-2 years	-	2,450	2,450	1.7%	1.5 years
2-3 years	-	2,250	2,250	1.8%	2.5 years
3-4 years	650	4,489	5,139	2.0%	3.7 years
4-5 years	2,497	2,800	5,297	2.7%	4.6 years
5-10 years	-	5,650	5,650	2.6%	6.7 years
<b>Total</b>	<b>38,931</b>	<b>-</b>	<b>38,931</b>	<b>2.5%</b>	<b>2.4 years</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 on the same date was 2.4 years (2.5). The average effective interest rate as per June 30, 2016 was 2.5% (2.9%).

Castellum utilizes interest rate derivatives to achieve the desired interest rate maturity structure. Interest rate derivatives is a cost effective 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.

### Currency

Castellum owns properties in Denmark with a value of SEKm 5,127 (954), 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.

### Interest rate and currency derivatives

Castellum utilizes interest rate derivatives to achieve the desired interest rate maturity structure. According to the accounting standard IAS 39, 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. 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, 2016, the market value of the interest rate derivatives portfolio amounted to SEKm - 1,915 (-1,124) and the currency derivative portfolio to SEKm - 10 (7). 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 in the long run exceeding 55%	No more than 65%	54%
Interest coverage ratio	At least 200%	At least 150%	351%
Funding risk			
- average capital tied up	At least 2 years		2.6 years
- proportion maturing within 1 year	No more than 30% of outstanding loans and unutilized credit agreements		25%
- average maturing credit price	At least 1.5 years		2.0 years
- proportion capital market financing*	No more than 75% of outstanding interest bearing liabilities		29%
- liquidity reserve*	Secured credit agreements corresponding to SEKm 750 and 4.5 months upcoming loan maturities		Fulfilled
Interest rate risk			
- average interest duration	1.0-3.5 years	-	2.4 years
- proportion maturing within 6 months	At least 20%, no more than 55%	-	42%
Credit and counterparty risk			
- rating restrictions	Credit institutions with high ratings, at least S&P BBB+		Satisfied
Currency risk			
- translation exposure	Shareholders equity is not secured	-	Not secured
- transaction exposure	Handled if exceeding SEKm 25	-	Under SEKm 25

\* During the period the mandate in the financial policy were increased concerning proportion capital market financing from 50% to 75%. As a consequence of this the liquidity reserve were increased to cover the proportion maturing within 4.5 months instead of 90 days.

# Condensed Consolidated statement of Comprehensive Income

SEKm	2016 April-June	2015 April-June	2015 Jan-June	2016 Jan-June	Rolling 4 quarters July 15 - June 16	2015 Jan-Dec
Rental income	952	816	1,807	1,617	3,489	3,299
Operating expenses	- 134	- 110	- 299	- 267	- 539	- 507
Maintenance	- 32	- 32	- 60	- 57	- 136	- 133
Ground rent	- 6	- 6	- 11	- 13	- 25	- 27
Property tax	- 49	- 43	- 92	- 85	- 179	- 172
Leasing and property administration	- 78	- 65	- 136	- 117	- 254	- 235
<b>Net operating income</b>	<b>653</b>	<b>560</b>	<b>1,209</b>	<b>1,078</b>	<b>2,356</b>	<b>2,225</b>
Central administrative expenses	- 36	- 32	- 68	- 61	- 120	- 113
Transaction and restructuring costs	- 123	-	- 133	-	- 133	-
Results from joint venture	-	2	3	2	22	21
- of which income from property management	-	2	4	2	25	23
- of which changes in property values	-	-	-	-	3	3
- of which tax	-	0	- 1	0	- 6	- 5
Net interest costs	- 173	- 152	- 325	- 303	- 624	- 602
<b>Income from property management incl. results joint venture</b>	<b>321</b>	<b>378</b>	<b>686</b>	<b>716</b>	<b>1,501</b>	<b>1,531</b>
- of which income from property management*	444	378	820	716	1,637	1,533
Revaluation of results due to stepwise acquisition	-	-	27	-	27	-
<i>Changes in value</i>						
Properties	127	551	616	880	1,573	1,837
Derivatives	- 75	239	- 223	137	- 144	216
<b>Income before tax</b>	<b>373</b>	<b>1,168</b>	<b>1,106</b>	<b>1,733</b>	<b>2,957</b>	<b>3,584</b>
Current tax	- 9	- 4	- 10	- 9	- 17	- 16
Deferred tax	- 97	- 216	- 252	- 325	- 614	- 687
<b>Net income for the period/year</b>	<b>267</b>	<b>948</b>	<b>844</b>	<b>1,399</b>	<b>2,326</b>	<b>2,881</b>
<b>Other total net income</b>						
<b>Items that will be reclassified into net income</b>						
Translation difference of currencies	- 13	- 6	9	- 24	1	- 32
Change in value derivatives, currency hedge	- 13	6	- 20	18	- 14	24
<b>Total net income for the period/year</b>	<b>241</b>	<b>948</b>	<b>833</b>	<b>1,393</b>	<b>2,313</b>	<b>2,873</b>
<b>Total net income for the year related to:</b>						
- Shareholders in the parent company	267	948	844	1,399	2,326	2,881
- No minority interests	-	-	-	-	-	-
Average number of shares, thousand	201,531	189,014	195,238	189,014	192,101	189,014
Income, per share	1.32	5.02	4.32	7.40	12.11	15.24

\* For calculation see Financial Key Ratios, page 20.



# Condensed Consolidated Balance Sheet

SEKm	30 June 2016	30 June 2015	31 Dec 2015
<b>Assets</b>			
Investment properties	72,109	40,187	41,818
Share in joint venture	-	479	526
Goodwill	2,032	-	-
Other fixed assets	63	25	27
Current receivables	576	464	242
Liquid assets	425	55	39
<b>Total assets</b>	<b>75,205</b>	<b>41,210</b>	<b>42,652</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	25,089	14,288	15,768
Deferred tax liability	6,596	3,937	4,299
Other provisions	18	19	14
Derivatives	1,925	1,202	1,117
Interest-bearing liabilities	39,356	20,483	20,396
Non interest-bearing liabilities	2,221	1,281	1,058
<b>Total shareholders' equity and liabilities</b>	<b>75,205</b>	<b>41,210</b>	<b>42,652</b>
Pledged assets (property mortgages)	34,803	18,761	18,164
Pledged assets (chattel mortgage)	824	-	-
Contingent liabilities	-	-	-

## Condensed Changes in Equity

SEKm	Number of outstanding shares, thousand	Share capital	Other capital contribution	Currency transl. reserve	Currency hedge reserve	Non- controlling interest	Retained earnings	Total equity
<b>Shareholders equity 31-12-2014</b>	<b>164,000</b>	<b>86</b>	<b>4,096</b>	<b>20</b>	<b>- 13</b>	<b>-</b>	<b>9,460</b>	<b>13,649</b>
Dividend, March 2015 (4.60 SEK/share)	-	-	-	-	-	-	- 754	- 754
Net income Jan-June 2015	-	-	-	-	-	-	1,399	1,399
Other total net income Jan-June 2015	-	-	-	- 24	18	-	-	- 6
<b>Shareholders equity 30-06-2015</b>	<b>164,000</b>	<b>86</b>	<b>4,096</b>	<b>- 4</b>	<b>5</b>	<b>-</b>	<b>10,105</b>	<b>14,288</b>
Net income July-Dec 2015	-	-	-	-	-	-	1,482	1,482
Other total net income July-Dec 2015	-	-	-	- 8	6	-	-	- 2
<b>Shareholders equity 31-12-2015</b>	<b>164,000</b>	<b>86</b>	<b>4,096</b>	<b>- 12</b>	<b>11</b>	<b>-</b>	<b>11,587</b>	<b>15,768</b>
Dividend, March 2016 (4.90 SEK/share)	-	-	-	-	-	-	- 804	- 804
New issue of shares	82,000	41	6,273	-	-	-	-	6,314
Non-cash issue /Sales of own shares	27,201	10	2,160	-	-	-	905	3,075
Issue expenses	-	-	- 123	-	-	-	-	- 123
D:o Effect on tax	-	-	28	-	-	-	-	28
Acquired minority shareholding	-	-	-	-	-	- 2	-	- 2
Net income Jan-June 2016	-	-	-	-	-	-	844	844
Other total net income Jan-June 2016	-	-	-	9	- 20	-	-	- 11
<b>Shareholders equity 30-06-2016</b>	<b>273,201</b>	<b>137</b>	<b>12,434</b>	<b>- 3</b>	<b>- 9</b>	<b>- 2</b>	<b>12,532</b>	<b>25,089</b>



# Condensed Cash Flow Statement

SEKm	2016 April-June	2015 April-June	2016 Jan-June	2015 Jan-June	Rolling 4 quarters July 15 - June 16	2015 Jan-Dec
Net operating income	653	560	1,209	1,078	2,356	2,225
Central administrative expenses	- 36	- 32	- 68	- 61	- 120	- 113
Reversed depreciations	4	3	7	6	13	12
Net interest rates paid	- 134	- 138	- 276	- 293	- 588	- 605
Tax paid	42	2	44	- 2	38	- 8
Translation difference of currencies	- 9	- 4	- 10	- 6	- 11	- 7
<b>Cash flow from operating activities before change in working capital</b>	<b>520</b>	<b>391</b>	<b>906</b>	<b>722</b>	<b>1,688</b>	<b>1,504</b>
Change in current receivables	89	62	- 47	- 96	- 17	- 66
Change in current liabilities	110	- 57	411	249	231	69
<b>Cash flow from operating activities</b>	<b>719</b>	<b>396</b>	<b>1,270</b>	<b>875</b>	<b>1,902</b>	<b>1,507</b>
Investments in new constructions, refurbishments and extensions	- 467	- 274	- 802	- 569	- 1,465	- 1,232
Property acquisitions	- 354	- 600	- 391	- 1,422	- 1,290	- 2,321
Change in liabilities at acquisitions of property	-	15	- 4	14	- 35	- 17
Property sales	57	185	60	261	934	1,135
Change in receivables at sales of property	1	47	18	46	210	238
Business combination	- 10,728	-	- 11,187	-	- 11,187	-
Investment joint venture	-	- 477	-	- 477	- 28	- 505
Other investments	11	- 2	5	- 3	- 1	- 9
<b>Cash flow from investment activities</b>	<b>- 11,480</b>	<b>- 1,106</b>	<b>- 12,301</b>	<b>- 2,150</b>	<b>- 12,862</b>	<b>- 2,711</b>
Change in long term liabilities	4,848	692	6,033	2,037	5,946	1,950
Change in long-term receivables	- 2	-	- 2	-	- 2	-
New issue of shares	6,190	-	6,190	-	6,190	-
Dividend paid	-	-	- 804	- 754	- 804	- 754
<b>Cash flow from financing activities</b>	<b>11,036</b>	<b>692</b>	<b>11,417</b>	<b>1,283</b>	<b>11,330</b>	<b>1,196</b>
<b>Cash flow for the period/year</b>	<b>275</b>	<b>- 18</b>	<b>386</b>	<b>8</b>	<b>370</b>	<b>- 8</b>
Liquid assets opening balance	150	73	39	47	55	47
<b>Liquid assets closing balance</b>	<b>425</b>	<b>55</b>	<b>425</b>	<b>55</b>	<b>425</b>	<b>39</b>

## The Parent Company

Condensed Income statement	2016	2015	2016	2015
SEKm	Apr-June	Apr-June	Jan-June	Jan-June
Income	5	4	10	9
Operating expenses	- 20	- 25	- 55	- 47
Net financial items	- 3	0	1	3
Change in derivatives	- 66	239	- 214	137
Sales of shares in subsidiaries	2,784	-	2,784	-
<b>Income before tax</b>	<b>2,700</b>	<b>218</b>	<b>2,526</b>	<b>102</b>
Tax	18	- 49	56	- 23
<b>Net income for the period/year</b>	<b>2,718</b>	<b>169</b>	<b>2,582</b>	<b>79</b>
<b>Comprehensive income for the parent company</b>				
Net income for the period/year	2,718	169	2,582	79
<b>Items that will be reclassified into net income</b>				
Translation difference foreign operations	13	- 3	20	- 18
Unrealized change, currency hedge	- 13	6	- 20	18
<b>Total net income for the period/year</b>	<b>2,718</b>	<b>172</b>	<b>2,582</b>	<b>79</b>

Condensed Balance sheet	30 June	30 June	31 Dec
SEKm	2016	2015	2015
Participations in group companies	22,409	6,030	6,030
Receivables, group companies	21,410	19,275	19,918
Other assets	218	157	112
Liquid assets	0	10	0
<b>Total</b>	<b>44,037</b>	<b>25,472</b>	<b>26,060</b>
Shareholders' equity	15,788	3,902	4,718
Derivatives	1,349	1,202	1,117
Interest bearing liabilities	23,943	18,325	18,005
Interest bearing liabilities, group companies	2,719	1,917	2,105
Other liabilities	238	126	115
<b>Total</b>	<b>44,037</b>	<b>25,472</b>	<b>26,060</b>
Pledged assets (receivables group companies)	18,754	15,675	15,309
Contingent liabilities (guaranteed commitments for subsidiaries)	10,363	2,157	2,150

# Financial Key Ratios

A number of the financial measures presented by Castellum in the interim report are not defined in accordance with the 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 the IFRS. Unless otherwise stated, the table below presents measures, along with their reconciliation, which are not defined according to the IFRS. Definitions for these measures appear on the page 27.

	April - June 2016	April - June 2015	Jan - June 2016	Jan - June 2015	Rolling 12 months July 15 - June 16	Jan - Dec 2015
Average number of shares, thousand (related to financial key ratios) *	201,530	189,014	195,238	189,014	192,101	189,014
Outstanding number of shares, thousand (related to balance sheet ratios) *	273,201	189,014	273,201	189,014	273,201	189,014

\*) 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, and utilized in all ratio calculations for SEK-per-share. The conversion factor is 1.15.

## 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 in property management income. Income from property management also forms the basis of the annual shareholder dividend: at least 50% of property-management income. 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 carryforwards.

	April - June 2016		April - June 2015		Jan - June 2016		Jan - June 2015		Rolling 12 months July 15 - June 16		Jan - Dec 2015	
Income from property management	SEKm	SEK/share	SEKm	SEK/share	SEKm	SEK/share	SEKm	SEK/share	Mkr	SEK/share	SEKm	SEK/share
Income before tax	373	1.85	1,168	6.18	1,106	5.66	1,733	9.17	2,957	15.29	3,584	18.96
Reversed												
Transaction and restructuring costs	123	0.61	-	-	133	0.68	-	-	133	0.68	-	-
Revaluation of results due to stepwise acquisition	-	-	-	-	- 27	- 0.14	-	-	- 27	- 0.14	-	-
Changes in value, properties	- 127	- 0.63	- 551	- 2.92	- 616	- 3.15	- 880	- 4.66	- 1,573	- 8.19	- 1,837	- 9.72
Change in value, derivatives	75	0.37	- 239	- 1.26	223	1.14	- 137	- 0.72	144	0.76	- 216	- 1.14
Changes in value, properties joint venture	-	-	-	-	-	-	-	-	- 3	- 0.02	- 3	- 0.02
Tax joint venture	0	0.00	0	0.00	1	0.01	0	0.00	6	0.03	5	- 0.03
= Income from property management	444	2.20	378	2.00	820	4.20	716	3.79	1,637	8.38	1,533	8.11
EPRA Earnings (Income from prop. management after tax)												
Income from property management	444	2.20	378	2.00	820	4.20	716	3.79	1,637	8.52	1,533	8.11
Reversed; Current tax Income from property management	- 34	- 0.17	- 9	- 0.05	- 64	- 0.33	- 27	- 0.14	- 89	- 0.46	- 52	- 0.27
EPRA Earnings / EPRA EPS	410	2.03	369	1.95	756	3.87	689	3.65	1,548	8.06	1,481	7.84

## NET ASSET VALUE

Net asset value is the total equity which 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.

Net asset value	SEKm SEK/share		SEKm SEK/share		SEKm SEK/share	
Equity according to the balance sheet	25,089	92	14,288	76	15,768	83
Reversed:						
Derivatives according to balance sheet	1,925	7	1,202	6	1,117	6
Goodwill according to balance sheet	- 2,032	- 7	-	-	-	-
Deferred tax according to balance sheet	6,596	24	3,937	21	4,299	23
<b>Long term net asset value (EPRA NAV)</b>	<b>31,578</b>	<b>116</b>	<b>19,427</b>	<b>103</b>	<b>21,184</b>	<b>112</b>
Deduction						
Derivatives as above	- 1,925	- 7	- 1,202	- 6	- 1,117	- 6
Estimated real liability, deferred tax 4%*	- 1,360	- 4	- 968	- 6	- 1,121	- 6
<b>Short term net asset value (EPRA NNAV)</b>	<b>28,293</b>	<b>104</b>	<b>17,257</b>	<b>91</b>	<b>18,946</b>	<b>100</b>

\* Estimated real deferred tax liability net has been calculated to 4% 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 22%, 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 22% and that 67% are sold indirect through company disposals where the buyers tax discount is 6%, which gives a present value of deferred tax liability of 6%. Furthermore, deferred tax assets attributable to non-deductible losses in the derivatives portfolio have been valued at a nominal tax of 22%.



## 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 55% and an interest-coverage ratio of at least 200%.

Interest coverage ratio	April - June 2016	April - June 2015	Jan - June 2016	Jan - June 2015	Rolling 12 months July 15 - June 16	Jan - Dec 2015
Income from prop. management rolling 12 months	444	378	820	716	1,637	1,533
Reversed;						
Net interest	173	152	325	303	624	602
Income from prop. management joint venture	-	- 2	- 4	- 2	- 25	- 23
<b>Income from prop. management excl. net interest and JV</b>	<b>617</b>	<b>528</b>	<b>1,141</b>	<b>1,017</b>	<b>2,236</b>	<b>2,112</b>
Interest coverage ratio	357%	347%	351%	336%	358%	351%
<b>Loan to value ratio</b>						
Interest-bearing liabilities			39,356	20,483		20,396
Liquid assets			- 425	- 55		- 39
<b>Net interest-bearing liabilities net</b>			<b>38,931</b>	<b>20,428</b>		<b>20,357</b>
Investment properties			72,109	40,187		41,818
Acquired properties not taken into possession			- 11	- 46		- 15
Divested properties still in Castellum's possession			-	210		18
<b>Net investment properties</b>			<b>72,098</b>	<b>40,351</b>		<b>41,821</b>
Loan to value ratio			54%	51%		49%

## 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 2016	April - June 2015	Jan - June 2016	Jan - June 2015	Rolling 12 months July 15 - June 16	Jan - Dec 2015
Acquisitions	26,779	600	28,889	1,422	29,788	2,321
New constructions, extensions and reconstructions	467	274	802	569	1,465	1,232
<b>Total investment</b>	<b>27,246</b>	<b>874</b>	<b>29,691</b>	<b>1,991</b>	<b>31,253</b>	<b>3,553</b>
Net sales price	- 30	- 183	- 33	- 261	- 912	- 1,140
<b>Net investments</b>	<b>27,216</b>	<b>691</b>	<b>29,658</b>	<b>1,730</b>	<b>30,341</b>	<b>2,413</b>
<b>Proportion of the property value, %</b>	<b>61%</b>	<b>2%</b>	<b>71%</b>	<b>5%</b>	<b>75%</b>	<b>6%</b>

## Other Financial Key Ratios

	2016 April - June	2015 April - June	2016 Jan - June	2015 Jan - June	Rolling 12 months July 15 - June 16	2015 Jan - Dec
Net operating income margin	69%	69%	67%	67%	68%	67%
Interest rate level, on average	2.7%	3.0%	2.8%	3.1%	2.9%	3.0%
Return on longterm net asset value	15.5%	19.9%	15.0%	17.1%	15.5%	18.2%
Return on actual net asset value	2.3%	26.0%	7.4%	19.7%	11.8%	20.4%
Return on total capital	4.9%	10.8%	6.0%	9.7%	6.6%	10.0%
Return on equity	5.3%	28.4%	8.4%	21.1%	12.6%	21.7%
Property value, SEK/share	264	213	264	213	264	221
Gross leasing	106	92	208	177	347	316
Net leasing	47	16	47	37	28	18

## Accounting Principles

Castellum follows the EU-adopted IFRS standards. This interim report has been prepared according to IAS 34 Interim Financial Reporting and the Annual Accounts Act. Disclosures in accordance with IAS 34 Interim Financial Reporting are presented either in the notes or elsewhere in the interim report. Otherwise, accounting principles and methods for calculations have remained unchanged compared with the Annual Report of the previous year.

# 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 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 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	+ 54/- 54	+	-
Vacancies	+ 60/- 60	+	-
Property costs	- 17/+ 17	-	0
Interest costs	- 113/- 44*	-	+

\* Due to the interest-rate floor in credit agreements, Castellum is not able to take full advantage of negative interest rates. This results in a negative outcome, even for a one-percentage-point reduction of the interest rate.

## Opportunities and risks in property values

Castellum reports its properties at fair value 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. 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	- 14,422	- 7,211	-	7,211	14,422
Loan to value ratio	67%	60%	54%	49%	45%

## 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.

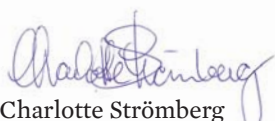




## Signing of the Report

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 15, 2016



Charlotte Strömberg  
Chairman



Per Berggren  
Board member



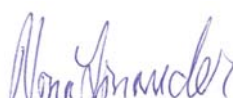
Anna-Karin Hatt  
Board member



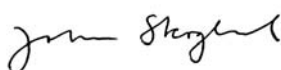
Christer Jacobson  
Board member



Christina Karlsson Kazeem  
Board member



Nina Linander  
Board member



Johan Skoglund  
Board member



Henrik Saxborn  
CEO

## Event after the reporting period

After the reporting period, Jörgen Lundgren was appointed CEO of Castellum's Northern Region and also became a member of Castellum's Executive Group Management. Jörgen has previously been CEO, as well as Assistant Manager of Norrporten. Jörgen Lundgren has extensive experience in the banking and financing industry – for example, as Regional Manager of Nordea during 1999-2007.

## Auditors' Report

*Independent Auditors' Report on Review of Half-year Financial Information.*

To the Board of Directors of Castellum AB (publ)  
Corporate identity number: 556475-5550

### Introduction

We have reviewed the half-year report for Castellum AB (publ) for the period January 1 – June 30, 2016. The Board of Directors and the President are responsible for the preparation and presentation of this half-year report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this half-year 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.

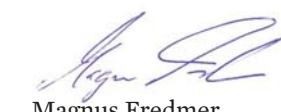
### Conclusion

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 15, 2016



Hans Wärén  
Authorized Public  
Accountant



Magnus Fredmer  
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 23,900 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 shareholder with holdings exceeding 10%. The ten single largest shareholders registered in Sweden are presented in the table below.

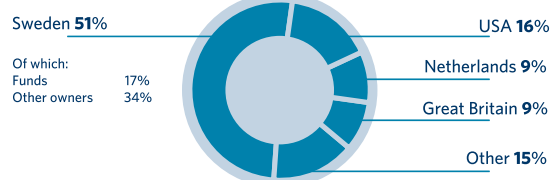
### Shareholders on 30-06-2016

Shareholders	Number of shares thousand	Percentage of voting rights and capital
Andra AP-fonden	15,199	5.6%
Sjätte AP-fonden	13,601	5.0%
SEB Fonder	12,618	4.6%
Lannebo Fonder	8,330	3.1%
AMF Försäkring & Fonder	6,038	2.2%
Stiftelsen Global Challenges	3,750	1.4%
Handelsbanken Fonder	3,655	1.3%
AFA Försäkring	3,647	1.3%
Länsförsäkringar Fonder	3,279	1.2%
Danske Invest & Danica Pension	2,792	1.0%
Board and executive management Castellum	282	0.1%
Other shareholders registered in Sweden	66,417	24.3%
Shareholders registered abroad	133,594	48.9%
<b>Total registered shares</b>	<b>273,202</b>	<b>100.0%</b>

There is no potential common stock (eg. convertibles)

Source: Modular Finance AB according to information from Euroclear Sweden AB

### Distribution of shareholders by country 30-06-2016



The Castellum share price as at 30 June, 2016 was SEK 119.90 (101.08) equivalent to a market capitalization of SEK 32.8 billion (19.1), calculated on the number of outstanding shares.

Since the beginning of the year a total of 115 million (102) shares were traded, equivalent to an average of 628,000 shares (863,000) per day, corresponding on an annual basis to a turnover rate of 57% (127%). 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 116 per share (102). The share price at the end of the period was thus 103% (99%) 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 8.06 (7.40) on rolling annual basis. This results in a share price yield of 6.7% (7.3%) corresponding to a multiple of 15 (14). 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 12.11 per share (10.85), which from the share price gives a yield of 10.1% (10.7%), corresponding to a P/E of 10 (9).

### Dividend yield

The latest carried dividend of SEK 4.25 (3.99) corresponds to a yield of 3.6% (3.9%) based on the share price at the end of the period.

### Total share yield

During the last 12-month period the total yield of the Castellum share has been 23% (2%), including a dividend of SEK 4.25.

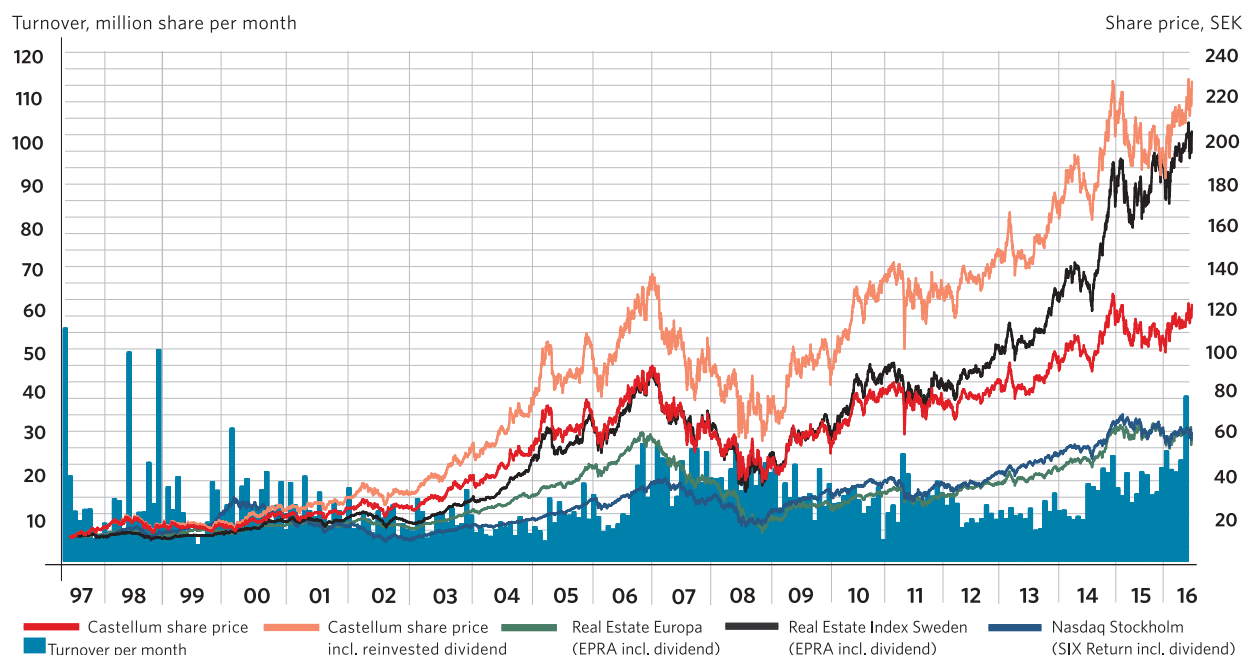
### Net asset yield including long-term change in value

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 real estate portfolio, Castellum is able to make use of long-term value changes.

## The Castellum share's price trend and turnover since the IPO May 23, 1997 until June 30, 2016





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

	Sensitivity analysis		
	-1%-unit	+1%-unit	
Income from prop. management rolling 12 months	1,637	1,637	1,637
Change in property value (on average 10 years)	776	71	1,481
D:o %	1.1%	0.1%	2.1%
Current tax, 5%	- 82	- 82	- 82
<b>Earnings after tax</b>	<b>2,331</b>	<b>1,626</b>	<b>3,036</b>
Earnings SEK/share	12.14	8.47	15.81
Return on actual long-term net asset value	11.8%	8.9%	14.8%
Earnings / share price	10.1%	7.1%	13.2%
P/E	10	14	8

## EPRA Key ratios

	30 June 2016	30 June 2015	31 Dec 2015
EPRA Earnings (Income from property management after tax), SEKm	756	689	1,481
EPRA Earnings (EPS) SEK/share	3.87	3.65	7.84
EPRA NAV (Long term net asset value), SEKm	31,578	19,427	21,184
EPRA NAV, SEK/share	116	102	112
EPRA NNNNAV (Net asset value), SEKm	28,293	17,257	18,946
EPRA NNNNAV, SEK/share	104	91	100
EPRA Vacancy Rate	9%	11%	10%

## Growth, yield and financial risk

	1 year	3 years average/ year	10 years average/ year
<b>Growth</b>			
Rental income SEK/share	5%	3%	6%
Income from prop. management SEK/share	10%	8%	6%
Net income for the year after tax SEK/share	14%	9%	5%
Dividend SEK/share	7%	7%	6%
Long term net asset value SEK/share	13%	10%	6%
Actual net asset value SEK/share	15%	9%	6%
Real estate portfolio SEK/share	24%	10%	8%
Change in property value	3.8%	2.5%	1.1%
<b>Yield</b>			
Return on actual long term net asset value	15.5	13.6	11.4
Return on actual net asset value	11.8	13.6	11.2
Return on total capital	6.6	7.2	6.6
<b>Total yield of the share (incl. dividend)</b>			
Castellum	23.1%	19.1%	10.3%
Nasdaq Stockholm (SIX Return)	- 3.3%	13.0%	8.3%
Real Estate Index Sweden (EPRA)	28.6%	27.0%	12.9%
Real Estate Index Europe (EPRA)	1.1%	16.0%	3.0%
Real Estate Index Eurozone (EPRA)	15.8%	17.4%	5.1%
Real Estate Index Great Britain (EPRA)	- 10.1%	10.1%	- 0.5%
<b>Financial risk</b>			
Loan to value ratio	54%	51%	50%
Interest coverage ratio	358%	334%	302%

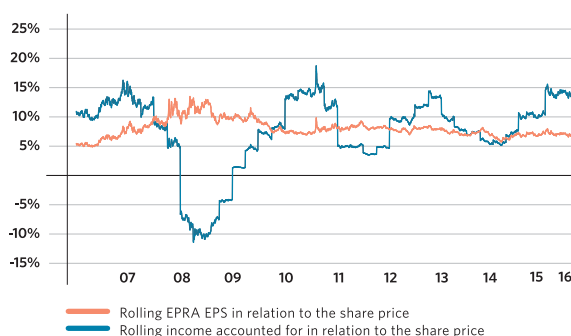
## The share's dividend yield



## Share price/net asset value



## Yield earnings per share



Since 1997, Castellum's share has been listed on Nasdaq, Stockholm Large Cap under the name CAST.

# Definitions

## 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.

## 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.

## 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.

## 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.

## 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.

## Liquidity risk

The risk of not having access to liquidity or unutilized credit facilities in order to settle payments due.

## 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.

## Net operating income margin

Net operating income as a percentage of rental income.

## 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.

Average number of shares - the weighted average number of outstanding shares during a given period.

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.

## Operating expenses, maintenance, etc.

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.

## 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.

## 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 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 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 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.

## 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.

## 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.

## Calendar

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Interim Report January-September 2016

12 October 2016, around 1 pm

Year-end Report 2016

19 January 2017

Annual General Meeting 2017

23 March 2017

### **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 Henrik Saxborn, CEO, tel +46 705 60 74 50 or Ulrika Danielsson, CFO, tel +46 706 47 12 61.

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# CASTELLUM

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

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