



CASTELLUM

INTERIM REPORT
JANUARY-MARCH

2016

Interim Report January-March 2016

Castellum is one of the major listed real estate companies in Sweden. The fair value of the real estate portfolio amounts to SEK 45 billion, and comprises of commercial properties. The real estate portfolio is owned and managed through a decentralized organization in five growth regions in Sweden and Denmark: Greater Gothenburg (incl. Borås and Halmstad), the Öresund Region (Malmö, Lund, Helsingborg and Copenhagen), Greater Stockholm, Mälardalen (Örebro, Västerås and Uppsala) Eastern Götaland (Jönköping, Linköping and Norrköping).

Castellum is listed on Nasdaq Stockholm Large Cap.

- Rental income for the period January-March 2016 amounted to SEKm 855 (SEKm 801 corresponding period previous year).
- Income from property management amounted to SEKm 366 (338), corresponding to SEK 2.23 (2.06) per share, an increase of 8%. Income has been charged by approx. SEKm 13 for non-recurring costs related to ongoing transactions and the recent reorganization. Excluding those costs the increase would have been 12%.
- Changes in value on properties amounted to SEKm 489 (329) and on derivatives to SEKm -148 (-102).
- Net income after tax for the period amounted to SEKm 577 (451), corresponding to SEK 3.52 (2.75) per share.
- Net investments amounted to SEKm 2,442 (1,039) of which SEKm 335 (295) were new constructions, extensions and reconstructions, SEKm 2,110 (822) acquisitions and SEKm 3 (78) sales. The investments include acquisition of the remaining 50% of the shares in CORHEI Fastighets AB (former Ståhls) with a property value of SEKm 2,083.
- After the reporting period, Castellum announced that in 2016 the company will bring the whole Group together under the joint brand name Castellum and create a new operational structure. The change creates conditions for further growth, enhanced local presence and empowerment.

KEY RATIOS

	2016 Jan-March	2015 Jan-March
Rental income, SEKm	855	801
Net operating income, SEKm	556	518
Income of property management, SEKm	366	338
<i>D:o SEK/share</i>	2.23	2.06
<i>D:o growth</i>	+8%	+5%
Net income after tax, SEKm	577	451
Net investments SEKm	2,442	1,039
Net leasing, SEKm	0	21
Loan to value ratio	50%	50%
Interest coverage ratio	338%	324%
Long term net asset value (EPRA NAV) SEK/share	130	113
Actual net asset value (EPRA NNNAV) SEK/share	115	99

For more detailed information about Castellum see www.castellum.se.

Taking Castellum to the next level!

Castellum's organization will be transformed throughout 2016. We'll take Castellum to a new level when it comes to local proximity, more efficient and effective common support systems, future development and close cooperation among various Group units. We take the digital world seriously: utilize Castellum's state-of-the-art tools and competence to create an even more attractive business partner and an even stronger employer of choice.

Instead of having six separate subsidiaries, we'll be working through four regions and under a single brand: Castellum. The regions West, Mid, Stockholm and Öresund cover our eighteen local working areas, each of which will receive increased empowerment to make and carry out business decisions. Property value in these regions adds up to SEK 8-15 billion, where West accounts for the highest values and Öresund for the lowest.

I'm convinced that this change will be on track for improved market penetration and increased cost efficiency. Our ongoing savings program is already expected to result in an annual boost of SEKm 30, and that figure will increase over the next year under this planned reorganization. More importantly, we expect significant long-term effects on the revenue side. All of this in order to create greater shareholder value: increased total return on equity investment.

Major projects

The first quarter also included major transactions. In March, 10 months earlier than planned, we acquired the remaining 50% of Ståhl's for approx. SEKm 555. Properties totalling more than SEK 2 billion were thus added to Castellum's balance sheet with an annual income from property management of SEKm 55. In addition, this transaction leads to faster, more efficient and more effective coordination, as well as facilitating investment decisions for potentially interesting new projects in Linköping and Norrköping.

During the first quarter, investments totalled SEKm 2,442, of which SEKm 335 relates to projects. The project portfolio already includes several major projects. Current intensive efforts are also in progress to increase the volume of future projects, and it is our intention to begin several new office and logistics projects over the next 12 months.



In Uppsala, for example, work will soon begin on Kungspassagen – a high-quality office building next to the railway station. The building encompasses approx. 7,600 sq.m., is already 40% leased and currently awaits zoning decisions.

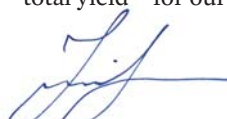
Growth close to the target

During Q1, income from property management increased by 8% to SEK 2.23 per share – after consulting costs (non-recurring) for ongoing transactions as well as for the reorganization.

Net leasing hovered around zero, mainly due to two terminations. There is every expectation that these attractive properties will soon be rented out again. Projects contributed positively to net leasing. The focus is now increasingly on the renegotiation of existing agreements, which are expected to increase future rental levels. Vacancy rates remained at the year-end level, approx. 10%.

The long-term net asset value, the shareholders' equity that we manage, increased to SEK 130 per share, despite a dividend of SEK 4.90 during the period. Alongside income from property management, the increase in property value contributed SEKm 486, or SEK 3 per share.

I'm convinced that Castellum will sustain this positive development, thereby achieving our growth objective of 10% in income from property management. Over time, this will result in continued high dividend growth as well as enhancing share value – i.e. providing a competitive total yield – for our shareholders.



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.

Business model

Investments and development of commercial premises managed in a decentralized and customer-focused organization. Castellum focus on cash-flow and operates with low financial risk.

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

Development of commercial properties in growth regions

Castellum's real estate portfolio is located in the five growth regions Greater Gothenburg, Öresund Region, Greater Stockholm, Mälardalen and Eastern Götaland. This, together with rational property management and a strong presence in the market, provides for good business opportunities.

The real estate portfolio will consist of commercial properties with general and flexible premises for office, retail, warehouse, logistics and industry purposes.

The real estate portfolio will be continuously enhanced and developed in order to improve cash flow. Castellum will continue to grow with customer demand, mainly through new constructions, extensions and reconstructions but also through acquisitions.

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.

Customer focus through local organizations

Castellum will be perceived as a customer focused company. This is achieved by developing long-term relations and supplying premises and services meeting customer demands.

Service and property management will be delivered by a decentralized organization with strong local presence. Property management will be carried out mainly by our own employed personnel.

Castellum shall have skilled and committed employees, which is achieved by being an attractive workplace with good development possibilities.

Strong balance sheet with low financial risk

Castellum will have low financial risk. The chosen risk key ratios are loan to value and interest coverage ratio.

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.

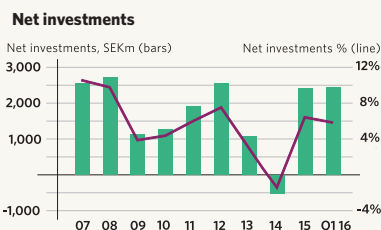
Purchase or transfer of own shares will be available as a method for adjusting the company's capital structure to the company's capital need and as payment or funding of real estate investments. Company owned shares may not be traded for short term purpose of capital gain.

Castellum's real estate portfolio has a geographical distribution covering five growth regions and will consist of various types of commercial premises. The risk within in the customer portfolio will be kept low.

STRATEGIC TOOLS

- In order to achieve the overall objective of 10% cash-flow growth, i. e. income from property management per share, annual net investments of at least 5% of the property value will be made. This is currently equivalent to approx. SEK 2 billion.
- One of the three largest real estate owners in each local market.

OUTCOME

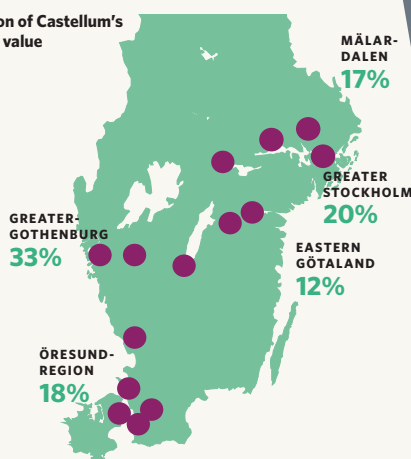


SEKm 2,442

Net investments first quarter 2016

Proportion of Castellum's property value

NKI 80
NMI 85



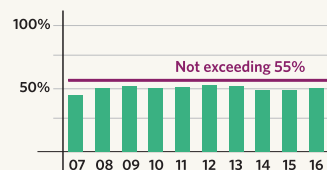
Objective 10%

Castellum's overall objective is an annual growth in cash-flow, i.e. income from property management per share, of at least 10%

Growth Q1 2015: 8%

- Loan to value ratio not permanently exceeding 55%. Interest coverage ratio of at least 200%.
- At least 50% of pre-tax property management income will be distributed. Investment plans, consolidation needs, liquidity and financial position in general will be taken into account.
- Castellum will be one of the largest listed real estate companies in Sweden.
- Risk within the customer portfolio will be kept low using diversification over many fields of business, length and size of contracts.

Loan to value ratio



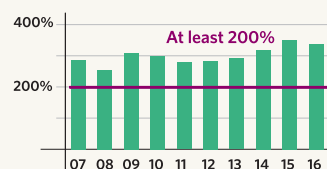
50%

Loan-to-value ratio 1 st quarter 2016

52%

Dividend ratio 2015

Interest coverage ratio



4,700

commercial contracts where the single largest contract accounts for approx. 2%

Customers and Organization

Customers - a reflection of the diverse Swedish economy

Castellum holds approx. 4,700 commercial contracts, with good risk diversification regarding size of contracts, geography, type of premises, length of contracts and various customer industries. The single largest contract corresponds to approx. 2% of Castellum's total rental income.

Nine out of ten customers recommend Castellum

It is important that Castellum meets customer expectations: we deliver what we promise. An external customer survey is therefore carried out annually, the Satisfied Customer Index. The latest survey, conducted in 2015, showed continued and consistent high marks for Castellum, with a weighted index of 80. This is higher than the industry benchmark of 75.

Nine out of ten customers surveyed, 88%, replied that they want to lease from Castellum again and gladly recommend Castellum as a landlord to others.

High leasing activity

Castellum's leasing activity is high. During the first quarter 2016, the organization has signed 181 new leases with a total annual value of SEKm 102. Robust leasing activities indicate the importance of taking care of customers and networks.

A decentralized and small-scale organization infers deep local knowledge and interaction

Castellum owns and manage the Group properties in a decentralized organization, and this results in close relationships with customers, short decision-making processes and local empowerment to make and carry out business decisions.

Each subsidiary is involved in the local business community through business associations where important contacts are forged with both current and prospective customers. Castellum, as one of the largest real estate owners on each local market, also contributes to regional development. Local subsidiaries operate through co-operation with municipalities and universities/colleges.

Satisfied employees

Castellum works actively to recruit and retain top-notch employees by offering a stimulating work environment, competence development and experience sharing.

Employee viewpoints about Castellum are regularly measured and the latest survey, conducted in 2014, shows

a continued high index, 85 on a 100-point scale. This indicates that employees are satisfied with their work situation and have high confidence in the company and management.

Castellum has about 300 employees.

Sustainable business

Castellum's sustainability efforts is based on continuous improvements with focus on the efficient use of resources, a sustainable real estate portfolio and sustainable collaborations, as well as on social commitment and responsibility.

The Code of Conduct is the foundation of that Castellum's operations are conducted in a responsible way and the objective is to make sound and proper business decisions in all respects, high business morality, good business ethics, responsibility awareness and impartiality.

Our contribution to positive development in the communities where Castellum is active involves various forms of ongoing collaborations. These include joint projects with customers, business colleagues, municipalities and educational institutions. During 2015, 75 young people received their introduction to working life through our apprenticeship program, as holiday workers, interns or trainees.

The energy consumption use in Castellum is approx. 43% lower than the sector average. 20% of the property portfolio is environmental classified according to Green Building, Miljöbyggnad or BREEAM.

In September 2015, Castellum was awarded "Green Star 2015" by GRESB (Global Real Estate Sustainability Benchmark). "Green Star 2015" means that Castellum was awarded the highest rating in the global rating for industry-leading sustainability efforts in the category of office and industrial properties. GRESB is an international industry-driven organization committed to enhancing and protecting shareholder value through annual assessment of sustainability activities in real estate sectors around the world. Over 700 real estate companies and funds participated in the 2015 assessment.

Castellum has also been awarded the World Green Building Council's top distinction, Business Leadership in Sustainability during 2015. The award promotes leading sustainable businesses and inspires best practice in sustainable construction, corporate engagement and sustainable projects.

Market comments

Swedish economy

The Swedish economy continues its improvement trend, with strong GDP growth that is expected to hold steady throughout the remainder of 2016. Growth is still primarily driven by investments and domestic, private consumption. Construction and infrastructure investments in Sweden remain at high levels. Service exports have developed rapidly in the recent past, and now, goods exports have also started to demonstrate increased demand. However, geopolitical turmoil continues to dampen the mood – mainly for industry.

Higher public spending – resulting from the influx of asylum seekers – is also expected to contribute to GDP growth. Increased transfers help maintain household consumption levels. Despite higher tax revenues, the anticipated rise in public spending will lead to an increased deficit in public finances during the year.

The labour market has been positively affected by the stronger economy. Labour shortages are expected for several groups, primarily within construction and the public sector. However, employment increases are expected to affect the unemployment rate only marginally. Inflation has begun to show signs of rising, but still 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 exchange rate dampens inflation.

Macro indicators

Unemployment	7.6%	(February 2016)
Inflation	0.8%	(March 2016 compared to March 2015)
GDP growth	1.3%	(Q4 2015 compared to Q3 2015)

Source: SCB

Rental market

In general, the rental market was stronger during Q1 2016 compared to Q1 2015, and demand was high for both new constructions and existing premises. As a result, occupancy rates increased and the supply of office space, particularly in central locations, did not line up with demand. A slight increase in rental levels was noted for central locations as well as for areas immediately adjacent to central locations, primarily due to limited supply.

The supply of new space is relatively stable, especially in Stockholm and Gothenburg, but the new spaces do not cover current demand. In Malmö, demand for office space is still lower than the construction of new office space, and this mainly affects vacancy rates and the existing portfolio.

Overall, the logistics market is growing in Sweden's established logistics hubs, and vacancy rates are low in these centres. The need for newly built, modern, logistics facilities is great, and there are plans for several logistics facilities in Gothenburg – both with and without tenants before construction start.

Property market

The Swedish real estate market continued to be attractive, and the transaction volume for the first quarter amounted to SEK 25 billion (25). The market continues to be characterized by intense competition, where supply is not in balance with demand. This means that property prices have continued to increase and yield requirements have decreased.

Demand from foreign buyers continued to increase during the quarter, and non-Swedish nationals accounted for 29% (22%) of the transaction volume. Swedish real estate companies remained the largest investors. Foreign-buyer acquisitions were mainly in the segments of office, retail and logistics.

Completed transactions took place throughout the country and in most segments. However, it can be noted that interest was strongest for office and retail properties and somewhat lower for warehouse and logistics facilities. Commercial properties represented approximately 83% (77%) of the total transaction volume.

Interest and credit market

Since 2015, the Riksbank has clearly focused on an inflation target of 2% and conducted an extremely expansionary monetary policy. The Swedish Riksbank has also taken historic decisions – most recently in February 2016 – when the repo rate was lowered to –0.50%. The Riksbank has also announced further purchases of government bonds, thereby damping longer-term interest rates. The Riksbank believes that inflation is trending to a slight rise, but it is still considered too low. The repo rate path has gradually been adjusted downwards, and the Riksbank now believes that the repo rate will not be positive until the beginning of 2018.

The 3-month Stibor rate – a significant factor for Castellum – rose slightly in late 2015 and early 2016 but then fell rapidly to historic lows after the Riksbank's cut in February. It has since remained relatively stable.

The spread between short and long-term interest rates decreased early in the year, due to decreasing long-term interest rates. Current long-term interest rates are also at record low levels.

Access to bank financing and capital market financing is considered favourable and relatively favourable, respectively. Credit margins on the capital market were considered higher in the latter part of 2015 and were seen to continue increasing slightly in 2016. However, the recent number of bonds issued in the Swedish corporate bond market has been low, and access to capital market financing is mainly found through short maturities. Credit margins for bank financing, which increased slightly at the end of 2015, are expected to either remain relatively stable or to continue rising somewhat.

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. For definitions see Castellum's website www.castellum.se

Income from property management, i.e. net income excluding changes in value and tax, amounted for the period January-March 2016 to SEKm 366 (338), equivalent to SEK 2.23 (2.06) per share - an increase with 8%. Income from property management rolling four quarters amounted to SEKm 1,561 (1,465) equivalent to SEK 9.52 per share (8.93) - an increase of 7%.

During the period, changes in value on properties amounted to SEKm 489 (329) and on derivatives to SEKm -148 (-102). Net income after tax for the period was SEKm 577 (451), equivalent to SEK 3.52 (2.75) per share.

Rental income

Group's rental income amounted to SEKm 855 (801). For office and retail properties, the average contracted rental level, including charged heating, cooling and property tax, amounted to SEK 1,356 per sq.m., whereas for warehouse and industrial properties, it amounted to SEK 808 per sq.m. Rental levels, which are considered to be in line with the market, have in comparable portfolio increased by approx. 1.5% 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 90.3% (88.7%). The total rental value for vacant premises on yearly basis amounted to approx. SEKm 432 (436).

The rental income for the period includes a lump sum of SEKm 4 (3) as a result of early termination of leases.

Gross leasing (i.e. the annual value of total leasing) during the period was SEKm 102 (85), of which SEKm 27 (9) were leasing of new constructions, extensions and reconstructions. Notices of termination amounted to SEKm 102 (64), of which bankruptcies were SEKm 8 (2) and SEKm 0 (1) were notices of termination with more than 18 months remaining length of contract. Net lease for the period was hence SEKm 0 (21).

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

Property costs

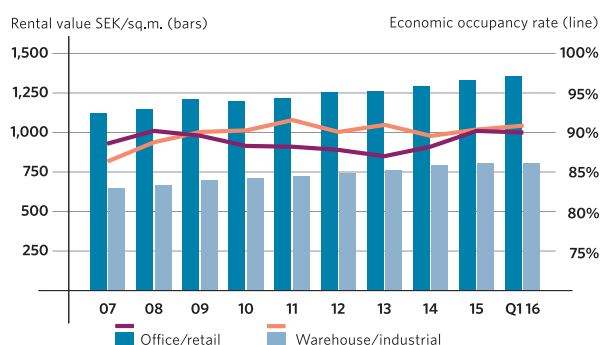
Property costs amounted to SEKm 299 (283) corresponding to SEK 354 per sq.m. (336). Consumption for heating during the period has been calculated to 99% (86%) of a normal year according to the degree day statistics.

Property costs SEK/sq.m	Office/ Retail	Warehouse/ Industrial	2016 Total	2015 Total
Operating expenses	234	147	196	185
Maintenance	46	21	35	30
Ground rent	4	7	5	8
Real estate tax	70	23	50	50
Direct property costs	354	198	286	273
Leasing and property administration	-	-	68	63
Total	354	198	354	336
Previous year	333	198	336	

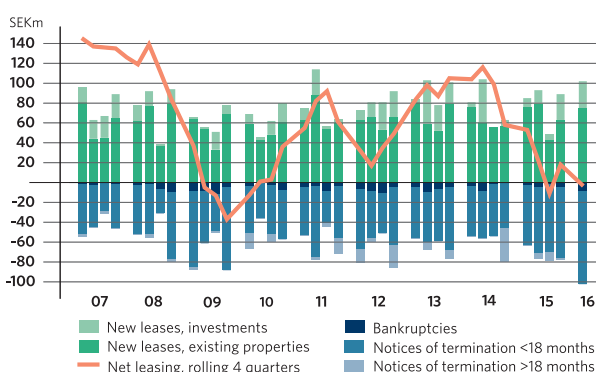
Central administrative expenses

Central administrative expenses totalled SEKm 42 (29) and has during the period been charged with SEKm 13 for non-recurring costs related to ongoing transactions and reorganization. This also includes costs for a profit-and-share-price related incentive plan for 10 persons in executive management of SEKm 3 (4).

Rental value and economic occupancy rate



Net leasing



Income from joint ventures

Income from joint ventures for the period January-February amounted to SEKm 3 (-) and refers to Castellum's 50% share of the income in CORHEI Fastighets AB (former Ståhls). For more information, see the section Joint venture on page 14.

Of this income, SEKm 4 refers to income from property management and SEKm -1 to tax.

Net interest

Net interest items were SEKm -152 (-151). The average interest rate level was 2.9% (3.2%). Net financial income was positively affected by approx. SEKm 15 due to the average interest rate level decrease by 0.3%-units.

Changes in value

The real estate market is characterized 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 4 percentage points. This, primarily in combination with project profits and improved cash flow results, resulted in a change in value of SEKm 486, corresponding to 1%, for the first quarter. Also included was an additional payment, received during the quarter, of SEKm 3 for a previously sold property. As each property is valued 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 -149 (-99), mainly due to changes in long-term market interest rates. Castellum's currency derivatives has during the period changed SEKm -5 (9) where the effective part of the value change of SEKm -6 (12) 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.

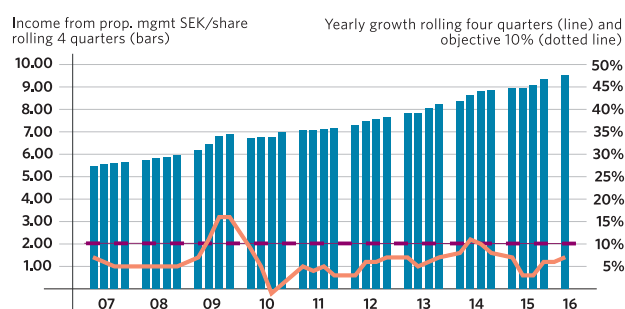
Remaining tax loss carryforwards can be calculated to SEKm 1,169 (809). Fair values for the properties exceed their fiscal value by SEKm 23,939 (22,239) of which SEKm 1,890 (1,893) relates to the acquisition of properties accounted for as asset acquisitions. As deferred tax liability, a full nominal 22% tax of the net difference is reported, reduced by the deferred tax relating to asset acquisitions, i.e., SEKm 4,593 (4,299).

Castellum has no current tax disputes.

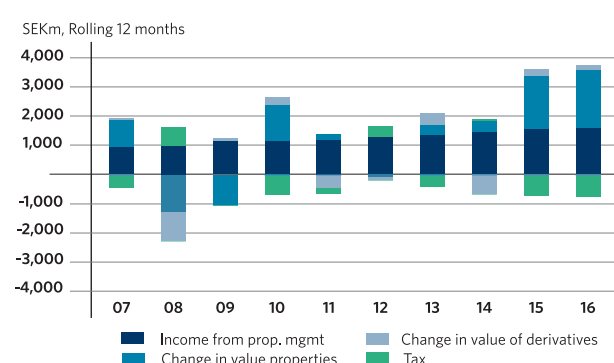
Tax calculation 2016-03-31

SEKm	Basis current tax	Basis deferred tax
Income from property management	366	
Do attributable to joint venture	- 4	
Deductions for tax purposes		
depreciations	- 182	182
reconstructions	- 51	51
Other tax allowances	- 2	12
Taxable income from property management	127	245
Properties sold	-	-
Changes in value on properties	-	486
Changes in value on derivatives	- 148	-
Taxable income before tax loss carry forwards	- 21	731
Tax loss carry forwards, opening balance	- 809	809
Acquired deficit CORHEI	- 333	333
Tax loss carry forwards, closing balance	1,169	- 1,169
Taxable income	6	704
Tax according to the income statement for the period	- 1	- 155

Income from Property Management per share



Income over time



Real Estate Portfolio

The real estate portfolio is located in Greater Gothenburg, the Öresund Region, Greater Stockholm, Mälardalen and Eastern Götaland. The main focus, which represents approx. 70% of the portfolio, is in the three major urban regions.

The commercial portfolio consists of 69% office and retail properties as well as 27% 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 4% consist of projects and undeveloped land.

Castellum owns approx. 780,000 sq.m. of unutilized building rights and furthermore ongoing projects with remaining investments of approx. SEKm 1,500.

Investments

During the period, investments totalling SEKm 2,445 (1,117) were carried out, of which SEKm 355 (295) were new constructions, extensions and reconstructions and SEKm 2,110 (822) were acquisitions. Of the total investments SEKm 2,103 refer to Eastern Götaland, SEKm 112 to Greater Gothenburg, SEKm 99 to Mälardalen, SEKm 73 to the Öresund Region and SEKm 58 to Greater Stockholm. After sales of SEKm 3 (78) net investments amounted to SEKm 2,442 (1,039).

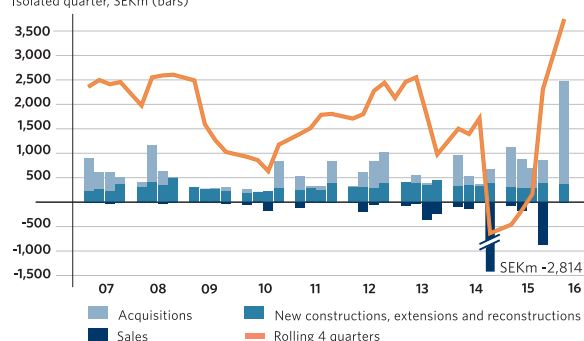
During the period Castellum acquired the remaining 50% of the shares in CORHEI Fastighets AB (former Ståhls) corresponding to a property value of SEKm 2,083. During the last quarter of 2015 agreements have also been concluded for the acquisition of two office properties under construction, one in Hyllie in Malmö for SEK 426 with change of possession scheduled to April 2016,

Changes in the real estate portfolio

	Value, SEKm	Number
Real estate portfolio on 1 January, 2016	41,818	597
+ Acquisitions	2,110	24
+ New constructions, extensions and reconstructions	335	1
- Sales	0	-
+/- Unrealized changes in value	486	-
+/- Currency translation	24	-
Real estate portfolio on 31 March 2016	44,773	622

Investments

Isolated quarter, SEKm (bars)



and one in Hagastaden, Stockholm for SEK 1.6 billion with change of possession scheduled to February 2017. The properties will be accounted for when the change of possession has taken place due to the agreements which is conditional upon i.e. completion.

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 1,700 (1,700) per sq.m.

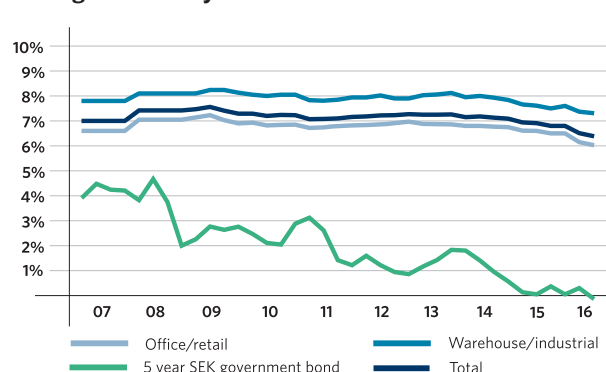
In order to ensure and validate the quality of the internal valuations, an external valuation - representing over 50% of the portfolio - is made every year-end. The difference between the internal and external valuations has historically been small.

Based on these internal valuations, property value at the end of the period were assessed to SEKm 44,773 (38,951), corresponding to SEK 12,506 per sq.m.

Average valuation yield, SEKm

(excl. project/land and building rights)	Mkr
Net operating income properties	623
+ Real occupancy rate, 94% at the lowest	59
+ Property cost annual rate	25
- Property administration, 30 SEK/sq.m.	- 26
Normalized net operating income (3 months)	681
Valuation (excl. building rights of SEKm 464)	42,571
Average valuation yield	6.4%

Average valuation yield over time



Castellums' real estate portfolio 31-03-2016

	31-03-2016					January - March 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
Office/retail											
Greater Gothenburg	85	477	8,749	18,360	168	1,408	92.6%	155	40	339	115
Öresund Region	65	412	6,000	14,558	137	1,328	84.4%	116	38	361	78
Greater Stockholm	43	284	4,918	17,293	105	1,479	90.4%	95	23	328	72
Mälardalen	79	439	6,119	13,945	138	1,257	91.6%	127	37	331	90
Eastern Götaland	48	342	4,969	14,548	114	1,341	90.3%	103	35	417	68
Total office/retail	320	1,954	30,755	15,744	662	1,356	90.0%	596	173	354	423
Warehouse/industrial											
Greater Gothenburg	104	666	5,593	8,399	128	768	92.5%	118	30	184	88
Öresund Region	44	285	1,891	6,627	54	751	88.3%	47	13	189	34
Greater Stockholm	51	289	3,230	11,181	75	1,044	93.0%	70	18	251	52
Mälardalen	38	185	1,308	7,052	36	774	90.6%	33	10	205	23
Eastern Götaland	9	62	258	4,146	8	503	68.0%	5	2	123	3
Total warehouse/industrial	246	1,487	12,280	8,254	301	808	91.0%	273	73	198	200
Total	566	3,441	43,035	12,506	963	1,119	90.3%	869	246	286	623
Leasing and property administration									58	68	- 58
Total after leasing and property administration									304	354	565
Development projects	29	122	1,373	-	28	-	-	14	8	-	6
Undeveloped land	27	-	365	-	-	-	-	-	-	-	-
Total	622	3,563	44,773	-	991	-	-	883	312	-	571

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 571 accounted for above and the net operating income of SEKm 556 in the income statement is explained by the adjustment of the net operating income of SEKm 15 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

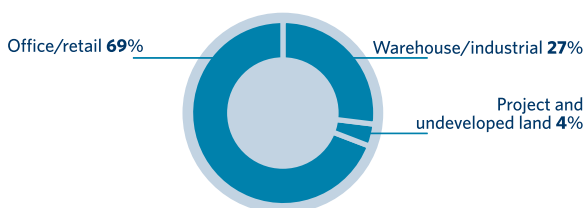
	2016 Jan-March	2015 Jan-March	2015 Jan-Dec
Rental value, SEK/sq.m.	1,119	1,085	1,095
Economic occupancy rate	90.3%	88.7%	90.3%
Property costs, SEK/sq.m.	354	336	316
Net operating income, SEK/sq.m.	656	624	673
Property value, SEK/sq.m.	12,506	11,384	12,282
Number of properties	622	587	597
Lettable area, thousand sq.m.	3,563	3,383	3,392

Segment information

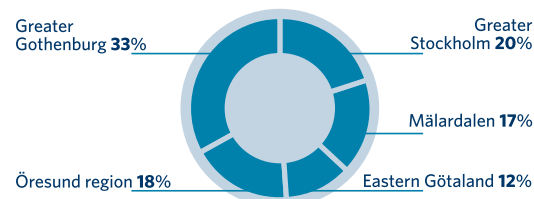
SEKm	Rental income		Income from property management	
	2016 Jan-March	2015 Jan-March	2016 Jan-March	2015 Jan-March
Greater Gothenburg	283	265	135	116
Öresund Region	163	162	71	73
Greater Stockholm	167	172	81	75
Mälardalen	158	143	66	59
Eastern Götaland	84	59	39	29
Total	855	801	392	352

The difference between the income from property management of SEKm 392 (352) above and the groups accounted income before tax of SEKm 733 (565) consists of unallocated income from property management of SEKm -26 (-14), changes in property value of SEKm 489 (329) and changes in values of derivatives of SEKm -148 (-102) 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		Econ. occup. April 2016	Total inv., land incl. SEKm	Remain. inv. SEKm	Completed	Comment
		SEKm	SEK/ sq.m					
Lindholmen 30:5, Gothenburg	9,243	23	2,500	22%	265	141	Q1 2017	New construction office
Drottningparken, Örebro	4,280	9	2,050	100%	100	19	Q3 2016	New construction office
Kranbilen 2, Huddinge	8,571	9	1,050	40%	94	70	Q1 2017	New construction warehouse/ logistic
Inom Vallgraven 4:1, Gothenburg	2,500	9	3,700	100%	92	79	Q2 2017	Extension and reconstruction cultural and entertainment venue
Majorna 163:1, Gothenburg	5,867	9	1,500	75%	88	58	Q4 2016	Reconstruction office and warehouse
Varpen 10, Huddinge	2,520	5	2,050	100%	66	47	Q4 2016	New construction car retail
Tjurhornet 15, Stockholm	5,786	1	250	-	65	57	Q3 2016	Parking facilities
Sändaren 1, Malmö	2,771	4	1,550	100%	47	40	Q2 2017	Reconstruction office
Ringspännet 5, Malmö	3,333	5	1,350	100%	51	29	Q4 2016	New construction car retail/ garage
Gamla Rådstugan 1, Norrköping	2,185	5	2,100	30%	48	38	Q4 2016	Reconstruction office
Verkstaden 14, Västerås	1,844	4	2,000	85%	45	39	Q1 2017	New construction office
Bangården 4, Solna	4,120	4	1,100	100%	42	42	Q4 2016	Reconstruction apartment hotel

Projects completed/partly moved in

Verkstaden 14, Västerås	6,100	8.5	1,400	100%	84	5	Q1 2016	Extension and reconstruction educations facilities
-------------------------	-------	-----	-------	------	----	---	---------	---

Larger acquisitions during 2016

Property	Area, sq.m	Rental value		Econ. occup. April 2016	Acquisition SEKm	Access	Category
		SEKm	SEK/ sq.m				
CORHEIs property portfolio in Linköping and Norrköping	162,504	194	1,200	83%	2,083	March 2015	Office and logistics
Lerstenen 1 and 2, Lund	15,543	3	700	95%	26	Feb 2016	Warehouse



The property Mark Harmattan 11 in Norrköping included in acquisition of CORHEI's stocks.





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. This option was used 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 140, corresponding to the net deferred tax liability.

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 March 31, 2016, a value of SEKm 45,454 (42,652) and are financed by shareholders' equity of SEKm 15,556 (15,768), deferred tax liabilities of SEKm 4,593 (4,299), interest bearing liabilities of SEKm 22,650 (20,396) and non interest bearing liabilities of SEKm 2,655 (2,189).

Interest bearing liabilities

At the end of the period Castellum had binding credit agreements totalling SEKm 31,822 (30,325) of which SEKm 25,860 (25,141) was long term and SEKm 5,962 (5,184) short term.

During the period MTN of nominally SEKm 100 were issued 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 deduction of cash of SEKm 150 (39), net interest bearing liabilities were SEKm 22,500 (20,357), of which SEKm 6,597 (6,499) were MTN and SEKm 3,487 (3,157) outstanding commercial papers. (Nominal SEKm 6,600 respectively SEKm 3,491.)

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 22,500 (20,357) of which SEKm 12,416 (10,460) were

secured by the company's properties and SEKm 10,084 (9,897) unsecured. The proportion of used secured financing was thus 28% 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, 50% and 338% respectively. The average duration of Castellum's credit agreements was 3.1 years (3.1). Margins and fees on long-term credit agreements had an average duration of 3.1 years (3.1).

Credit maturity structure 31-03-2016

SEKm	Credit agreements	Utilized in		Total
		Bank	MTN/Cert	
0-1 year	5,962	353	4,987	5,340
1-2 years	1,730	630	1,100	1,730
2-3 years	11,057	5,107	1,050	6,157
3-4 years	8,917	3,267	1,850	5,117
4-5 years	2,855	2,008	847	2,855
> 5 years	1,301	1,051	250	1,301
Total	31,822	12,416	10,084	22,500

Unutilized credit in long term credit agreements (more than 1 year) **3,360**

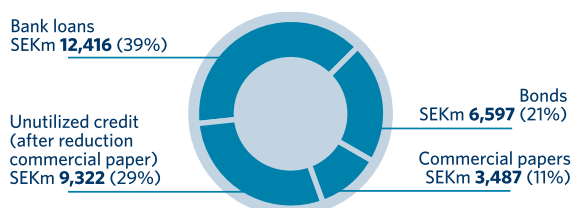
Interest rate maturity structure

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 2.6 years (2.5). The average effective interest rate as per March 31, 2016 was 2.8% (2.9%).

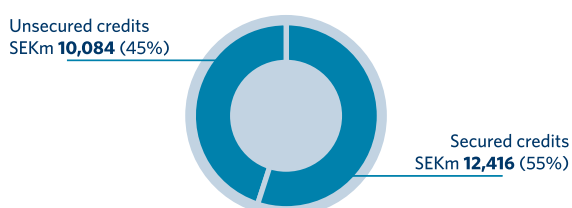
Castellum utilizes interest rate derivatives to achieve the desired interest rate maturity structure. Interest rate derivatives is a cost effective and flexible way to achieve the desired fixed interest term. In the interest rate maturity structure, interest rate derivatives are accounted for in the earliest time segment in which they can mature.

Credit margins and fees are distributed in the table by reported underlying loans.

Distribution of interest bearing financing 31-03-2016



Secured credit facilities 31-03-2016



Interest rate maturity structure 31-03-2016

	Credit, SEKm	Interest rate derivatives SEKm	Net. SEKm	Closing interest rate	Average fixed interest rate term
0-1 year	19,003	- 9,400	9,603	2.9%	0.3 year
1-2 years	350	1,200	1,550	2.5%	1.4 years
2-3 years	-	1,300	1,300	3.4%	2.4 years
3-4 years	300	1,950	2,250	2.8%	3.7 years
4-5 years	2,847	1,400	4,247	2.3%	4.7 years
5-10 years	-	3,550	3,550	3.3%	6.6 years
Total	22,500	-	22,500	2.8%	2.6 years

Currency

Castellum owns properties in Denmark with a value of SEKm 979 (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 March 31, 2016, the market value of the interest rate derivatives portfolio amounted to SEKm -1,273 (-1,124) and the currency derivative portfolio to SEKm 2 (7). All derivatives are, as at the year end, 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%	50%
Interest coverage ratio	At least 200%	At least 150%	338%
Funding risk			
- average capital tied up	At least 2 years		3.1 years
- proportion maturing within 1 year	No more than 30% of outstanding loans and unutilized credit agreements		9%
- average maturing credit price	At least 1.5 years		3.1 years
- proportion capital market financing*	No more than 75% of outstanding interest bearing liabilities		45%
- liquidity reserve*	Secured credit agreements corresponding to SEKm 750 and 4.5 months upcoming loan maturities		Need: SEKm 3,593 Available: SEKm 7,672
Interest rate risk			
- average interest duration	1.0-3.5 years	-	2.6 years
- proportion maturing within 6 months	At least 20%, no more than 55%	-	40%
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 Jan-March	2015 Jan-March	Rolling 4 quarters April 15 - March 16	2015 Jan-Dec
Rental income	855	801	3,353	3,299
Operating expenses	- 165	- 157	- 515	- 507
Maintenance	- 28	- 25	- 136	- 133
Ground rent	- 5	- 7	- 25	- 27
Property tax	- 43	- 42	- 173	- 172
Leasing and property administration	- 58	- 52	- 241	- 235
Net operating income	556	518	2,263	2,225
Central administrative expenses	- 42	- 29	- 126	- 113
Results from joint venture	3	-	24	21
- of which income from property management	4	-	27	23
- of which changes in property values	-	-	3	3
- of which tax	- 1	-	- 6	- 5
Net interest costs	- 152	- 151	- 603	- 602
Income from property management incl. results joint venture	365	338	1,558	1,531
- of which income from property management	366	338	1,561	1,533
Revaluation of results due to stepwise acquisition	27	-	27	-
<i>Changes in value</i>				
Properties	489	329	1,997	1,837
Derivatives	- 148	- 102	170	216
Income before tax	733	565	3,752	3,584
Current tax	- 1	- 5	- 12	- 16
Deferred tax	- 155	- 109	- 733	- 687
Net income for the period/year	577	451	3,007	2,881
Other total net income				
Items that will be reclassified into net income				
Translation difference of currencies	22	- 18	8	- 32
Change in value derivatives, currency hedge	- 7	12	5	24
Total net income for the period/year	592	445	3,020	2,873

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

Development of the net operating income

SEKm				of which				
	Outcome 2015 Q1	Outcome 2015 Q1	Change	Comparable portfolio	Completed projects	Acquisitions	Sales	Project and land
Rental income	855	801	54	29	5	49	- 29	0
Operating expenses	- 165	- 157	- 7	- 2	- 1	- 12	8	0
Maintenance	- 28	- 25	- 3	- 3	0	- 1	1	0
Ground rent	- 5	- 7	2	0	0	0	2	0
Property tax	- 43	- 42	- 1	0	0	- 3	2	0
Net operation income, excl admin	614	570	45	24	4	33	- 16	0

Condensed Consolidated Balance Sheet

SEKm	31 March 2016	31 March 2015	31 Dec 2015
Assets			
Investment properties	44,773	38,951	41,818
Share in joint venture	-	-	526
Goodwill	140	-	-
Other fixed assets	30	26	27
Current receivables	361	573	242
Liquid assets	150	73	39
Total assets	45,454	39,623	42,652
Shareholders' equity and liabilities			
Shareholders' equity	15,556	13,340	15,768
Deferred tax liability	4,593	3,721	4,299
Other provisions	16	21	14
Derivatives	1,271	1,447	1,117
Interest-bearing liabilities	22,650	19,791	20,396
Non interest-bearing liabilities	1,368	1,303	1,058
Total shareholders' equity and liabilities	45,454	39,623	42,652
Pledged assets (property mortgages)	19,058	18,219	18,164
Contingent liabilities	-	-	-

Data per Share

	2016 Jan-March	2015 Jan-March	Rolling 4 quarters April 15 - March 16	2015 Jan-Dec
Average number of shares, thousand	164,000	164,000	164,000	164,000
Income from property management, SEK	2.23	2.06	9.52	9.35
Income from prop. management after tax (EPRA EPS*), SEK	2.06	1.95	9.14	9.03
Earnings after tax, SEK	3.52	2.75	18.34	17.57
Outstanding number of shares, thousand	164,000	164,000	164,000	164,000
Property value, SEK	273	238	273	255
Long term net asset value (EPRA NAV*), SEK	130	113	130	129
Actual net asset value (EPRA NNNAV*), SEK	115	99	115	116

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

Financial Key Ratios

	2016 Jan-March	2015 Jan-March	Rolling 4 quarters April 15 - March 16	2015 Jan-Dec
Net operating income margin	65%	65%	67%	67%
Interest coverage ratio	338%	324%	354%	351%
Return on actual net asset value	15.6%	13.1%	21.9%	20.4%
Return on total capital	9.2%	8.5%	10.0%	10.0%
Return on equity	15.0%	13.6%	23.2%	21.7%
Net investments, SEKm	2,442	1,039	3,816	2,413
Loan to value ratio	50%	50%	50%	49%

*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, e.g. the key ratios EPRA EPS (Earnings Per Share), EPRA NAV (Net Asset Value) and EPRA NNNAV (Triple Net Asset Value).

Condensed Changes in Equity

SEKm	Number of outstanding shares, thousand	Share capital	Other capital contribution	Currency transl. reserve	Currency hedge reserve	Retained earnings	Total equity
Shareholders equity 31-12-2014	164,000	86	4,096	20	-13	9,460	13,649
Dividend, March 2015 (4.60 SEK/share)	-	-	-	-	-	- 754	- 754
Net income Jan-March 2015	-	-	-	-	-	451	451
Other total net income Jan-March 2015	-	-	-	-18	12	-	- 6
Shareholders equity 31-03- 2015	164,000	86	4,096	2	-1	9,157	13,340
Net income April-Dec 2015	-	-	-	-	-	2,430	2,430
Other total net income April-Dec 2015	-	-	-	-14	12	-	- 2
Shareholders equity 31-12-2015	164,000	86	4,096	-12	11	11,587	15,768
Dividend, March 2016 (4.90 SEK/share)	-	-	-	-	-	- 804	- 804
Net income Jan-March 2016	-	-	-	-	-	577	577
Other total net income Jan-March 2016	-	-	-	22	- 7	-	15
Shareholders equity 31-03-2016	164,000	86	4,096	10	4	11,360	15,556

Condensed Cash Flow Statement

SEKm	2016 Jan-March	2015 Jan-March	Rolling 4 quarters April 15 - March 16	2015 Jan-Dec
Net operating income	556	518	2,263	2,225
Central administrative expenses	- 42	- 29	- 126	- 113
Reversed depreciations	3	3	12	12
Net interest rates paid	- 142	- 155	- 592	- 605
Tax paid	2	- 4	- 2	- 8
Translation difference of currencies	- 1	- 2	- 6	- 7
Cash flow from operating activities before change in working capital	376	331	1,549	1,504
Change in current receivables	- 136	- 158	- 44	- 66
Change in current liabilities	301	306	64	69
Cash flow from operating activities	541	479	1,569	1,507
Investments in new constructions, refurbishments and extensions	- 335	- 295	- 1,272	- 1,232
Property acquisitions	- 2,110	- 822	- 3,609	- 2,321
Change in liabilities at acquisitions of property	- 4	- 1	- 20	- 17
Property sales	3	76	1,062	1,135
Change in receivables at sales of property	17	- 1	256	238
Investment joint venture	555	-	50	- 505
Other investments	- 6	- 1	- 14	- 9
Cash flow from investment activities	- 1,880	- 1,044	- 3,547	- 2,711
Change in long term liabilities	2,254	1,345	2,859	1,950
Dividend paid	- 804	- 754	- 804	- 754
Cash flow from financing activities	1,450	591	2,055	1,196
Cash flow for the period/year	111	26	77	- 8
Liquid assets opening balance	39	47	73	47
Liquid assets closing balance	150	73	150	39

The Parent Company

The parent company handles questions concerning the stock and capital market and Group common functions concerning financials, administrations, property management and investments.

Condensed Income statement	2016	2015	2015
SEKm	Jan-March	Jan-March	Jan-Dec
Income	5	5	21
Operating expenses	- 35	- 22	- 90
Net financial items	4	3	9
Dividend/group contributions	-	-	815
Change in derivatives	- 148	- 102	216
Income before tax	- 174	- 116	971
Tax	38	26	- 76
Net income for the period/year	- 136	- 90	895

Comprehensive income for the parent company			
Net income for the period/year	- 136	- 90	895
Items that will be reclassified into net income			
Translation difference foreign operations	7	- 15	- 24
Unrealized change, currency hedge	- 7	12	24
Total net income for the period/year	- 136	- 93	895

Condensed Balance sheet	31 March	31 March	31 Dec
SEKm	2016	2015	2015
Participations in group companies	6,030	6,030	6,030
Receivables, group companies	20,577	18,053	19,918
Other assets	167	208	112
Liquid assets	0	38	0
Total	26,774	24,329	26,060
Shareholders' equity	3,778	3,730	4,718
Derivatives	1,271	1,447	1,117
Interest bearing liabilities	19,383	17,630	18,005
Interest bearing liabilities, group companies	2,212	1,412	2,105
Other liabilities	130	110	115
Total	26,774	24,329	26,060

Pledged assets (receivables group companies)	16,376	15,201	15,309
Contingent liabilities (guaranteed commitments for subsidiaries)	2,148	2,161	2,150

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	+ 35/- 35	+	-
Vacancies	- 40/+ 40	+	-
Property costs	- 12/+ 12	-	0
Interest costs	- 74/- 29*	-	+

* 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

	- 20%	- 10%	0%	+ 20%	+ 10%
Properties	- 20%	- 10%	0%	+ 20%	+ 10%
Changes in value, SEKm	- 8,955	- 4,477	-	4,477	8,955
Loan to value ratio	63%	56%	50%	46%	42%

Financial risk

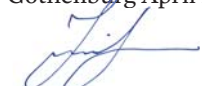
Ownership of properties presumes a working credit market. Castellum's greatest financial risk is to lack access to funding. The risk is reduced by a low loan-to-value ratio and long-term credit agreements.

Annual General Meeting 2016

At the Annual General Meeting on March 17, 2016 decisions were i. e. made on;

- a dividend of SEK 4,90 per share,
- re-election of present members of the Board of Directors Mrs. Charlotte Strömberg, Mr. Per Berggren, Mrs. Anna-Karin Hatt, Mrs. Nina Linander, Mr. Christer Jacobson and Mr. Johan Skoglund. Mrs. Christina Karlsson Kazeem was elected as new member of the Board of Directors. Mrs. Charlotte Strömberg was re-elected as Chairman of the Board of Directors. Further the AGM decided that the level of remuneration to the members of the Board of Directors shall be SEK 2,820,000 in total,
- to appoint a new election committee for the AGM 2017 according to previously applied model,
- guidelines for remuneration to members of the executive management and renewed incentive program to the executive management,
- a renewed mandate for the Board to decide on purchase and transfer of the company's own shares.

Gothenburg April 13, 2016



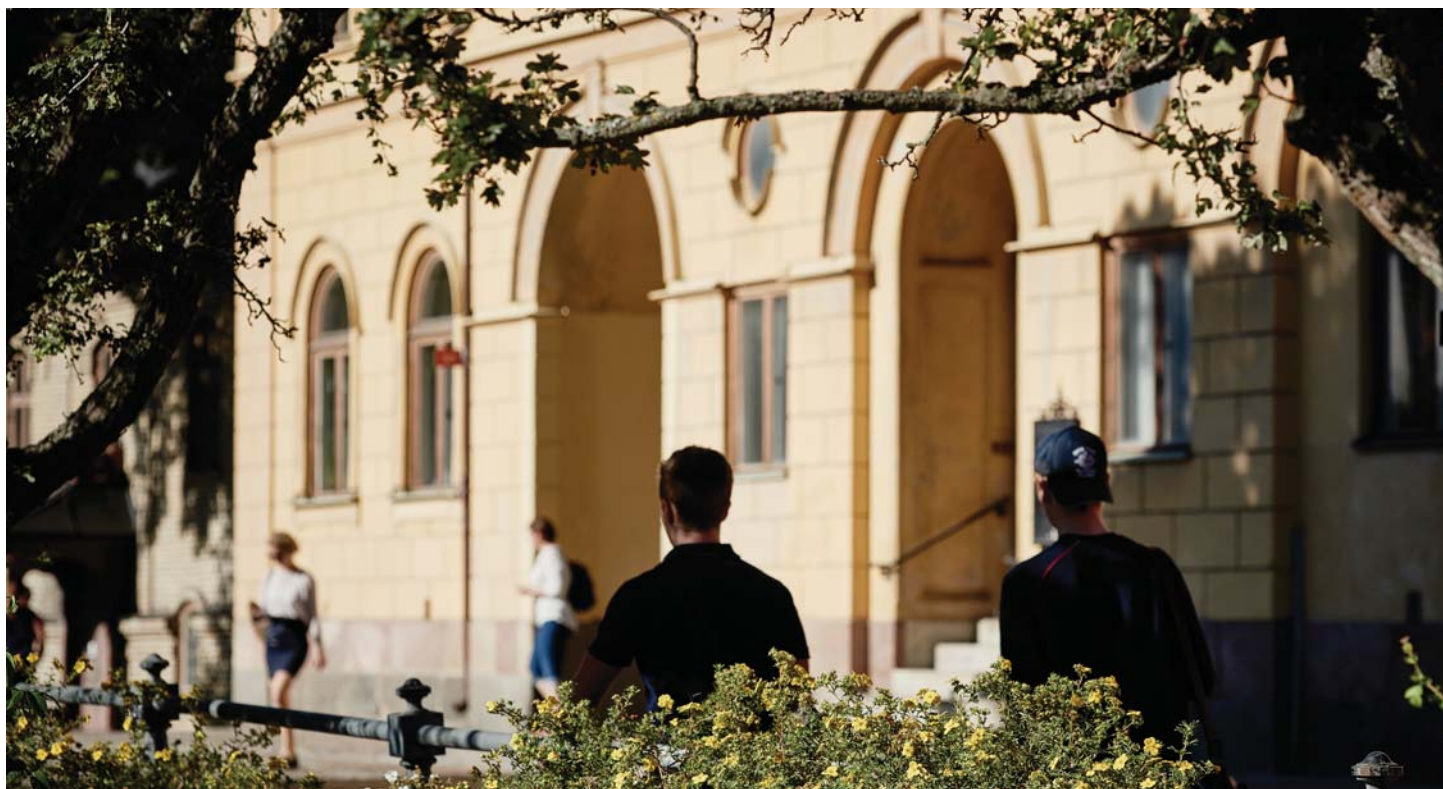
Henrik Saxborn
Chief Executive Officer

This Interim Report has not been examined by the company's auditors.

Events after the reporting period

After the reporting period, Castellum announced that the Group will be brought together under a single brand, Castellum. The Group will also adopt a new, more unified structure where the six subsidiaries will operate under four regions: West, Stockholm, Mid and Öresund. Meanwhile, work has been initiated to create common support functions and more qualitative, efficient and effective support processes. Furthermore, Castellum is launching strategic initiatives to further develop the Group's joint expertise in a number of key areas such as project development, sustainability solutions and digitalization. The changes are being implemented to strengthen local decision-making and set the form for continued growth.

The work of establishing the new corporate structure and the common brand name will be implemented throughout 2016.



The Castellum Share

The Castellum share is listed on Nasdaq Stockholm Large Cap. At the end of the period the company had about 21,100 shareholders. Shareholders registered abroad cannot be broken down in terms of directly held and nominee registered shares except for two foreign shareholders who has flagged for holding over 5%, Stichting Pensioenfonds ABP and Blackrock. Castellum has no direct registered shareholder with holdings exceeding 10%. The ten single largest shareholders registered in Sweden are presented in the table below.

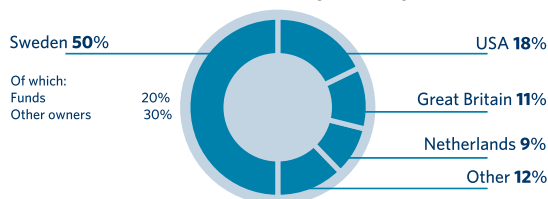
Shareholders on 31-03-2015

Shareholders	Number of shares thousand	Percentage of voting rights and capital
SEB Fonder	7,978	4.9%
Lannebo Fonder	6,117	3.7%
AMF Försäkring & Fonder	3,690	2.3%
Länsförsäkringar Fonder	3,452	2.1%
Handelsbanken Fonder	3,001	1.8%
Stiftelsen Global Challenges	2,500	1.5%
Kåpan Pensioner	2,154	1.3%
Carnegie Fonder	2,000	1.2%
Magdalena Szombatfalvy	1,935	1.2%
Danske Invest & Danica Pension	1,769	1.1%
Board and executive management Castellum	301	0.2%
Other shareholders registered in Sweden	47,793	29.1%
Shareholders registered abroad	81,310	49.6%
Total registered shares	164,000	100.0%
Repurchased shares	8,007	
Total registered shares	172,007	

There is no potential common stock (eg. convertibles)

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

Distribution of shareholders by country 31-03-2016



The Castellum share price as at 31 March, 2016 was SEK 129.10 (130.30) equivalent to a market capitalization of SEK 21.2 billion (21.4), calculated on the number of outstanding shares.

During the period a total of 59 million (57) shares were traded, equivalent to an average of 963,000 shares (920,000) per day, corresponding on an annual basis to a turnover rate of 147% (140%). The share turnover is based on statistics from Nasdaq Stockholm, Chi-X, Burgundy, Turquoise and BATS Europe. 61% of the trading was done on the Nasdaq, 22% on Chi-X, 9% on Turquoise and 8% on BATS.

Net asset value

Net asset value is the total equity which the company manages to its owners by creating return and growth given a certain level of risk.

The long term net asset value (EPRA NAV) can be calculated to SEK 130 per share (113). The share price at the end of the period was thus 99% (115%) of the long term net asset value.

Net asset value	SEKm	SEK/share
Equity according to the balance sheet	15,556	95
Reversed		
Derivatives according to balance sheet	1,271	8
Goodwill according to balance sheet	- 140	- 1
Deferred tax according to balance sheet	4,593	28
Long term net asset value (EPRA NAV)	21,280	130
Deduction		
Derivatives as above	- 1,271	- 8
Estimated real liability, deferred tax 5%*	- 1,144	- 7
Actual net asset value (EPRA NNAV)	18,865	115

* Estimated real deferred tax liability net has been calculated to 5% 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%.

Earnings

Income from property management adjusted for nominal tax attributable to income from property management (EPRA EPS) amounted to SEK 9.14 (8.41) on rolling annual basis. This results in a share price yield of 7.1% (6.5%) corresponding to a multiple of 14 (15). Income from property management must be adjusted by a long-term increase in the property value.

Net income after tax amounted on rolling annual basis to SEK 18.34 per share (9.09), which from the share price gives a yield of 14.2% (7.0%), corresponding to a P/E of 7 (14).

Dividend yield

The latest carried dividend of SEK 4.90 (4.60) corresponds to a yield of 3.8% (3.5%) 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 2.9% (25%), including a dividend of SEK 4.90.

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.

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

	Sensitivity analysis		
	-1%-unit	+1%-unit	
Income from prop. management rolling 12 months	1,561	1,561	1,561
Change in property value (on average 10 years)	513	85	940
D:o %	1.20%	0.20%	2.20%
Current tax, 5%	- 78	- 78	- 78
Earnings after tax	1,966	1,568	2,423
Earnings SEK/share	12.17	9.56	14.77
Return on actual long-term net asset value	11.0%	8.7%	13.4%
Earnings / share price	9.4%	7.4%	11.4%
P/E	11	14	9

EPRA Key ratios

	31 March 2016	31 March 2015	31 Dec 2015
EPRA Earnings (Income from property management after tax), SEKm	338	320	1,481
EPRA Earnings (EPS) SEK/share	2.06	1.95	9.03
EPRA NAV (Long term net asset value), SEKm	21,280	18,508	21,184
EPRA NAV, SEK/share	130	113	129
EPRA NNNNAV (Net asset value), SEKm	18,865	16,202	18,946
EPRA NNNNAV, SEK/share	115	99	116
EPRA Vacancy Rate	10%	11%	10%

Growth, yield and financial risk

	1 year	3 years average/year	10 years average/year
Growth			
Rental income SEK/share	2%	2%	6%
Income from prop. management SEK/share	6%	7%	6%
Net income for the year after tax SEK/share	102%	26%	8%
Dividend SEK/share	7%	7%	6%
Long term net asset value SEK/share	15%	10%	7%
Actual net asset value SEK/share	16%	9%	6%
Real estate portfolio SEK/share	15%	7%	8%
Change in property value	5.0%	2.5%	1.2%
Yield			
Return on actual long term net asset value	19.7%	12.4%	10.8%
Return on actual net asset value	21.9%	12.8%	10.7%
Return on total capital	10.0%	7.1%	6.6%
Total yield of the share (incl. dividend)			
Castellum	2.9%	15.7%	8.4%
Nasdaq Stockholm (SIX Return)	- 7.9%	12.7%	7.6%
Real Estate Index Sweden (EPRA)	7.3%	25.1%	11.1%
Real Estate Index Europe (EPRA)	- 3.2%	17.4%	2.9%
Real Estate Index Eurozone (EPRA)	2.0%	17.1%	4.5%
Real Estate Index Great Britain (EPRA)	- 5.3%	14.9%	- 0.1%
Financial risk			
Loan to value ratio	50%	51%	50%
Interest coverage ratio	354%	327%	302%

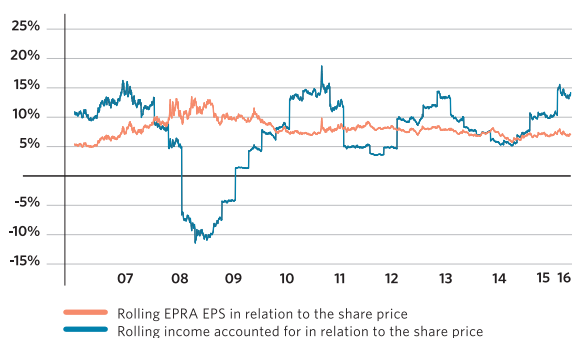
The share's dividend yield



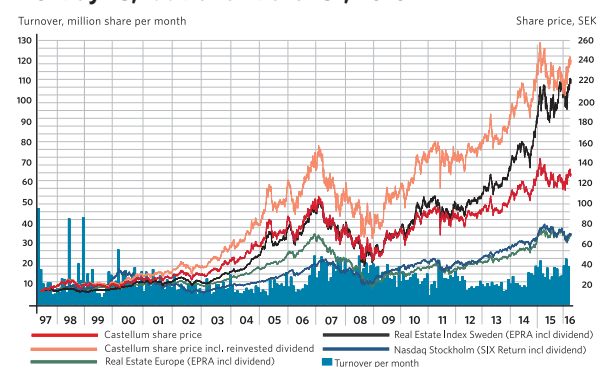
Share price/net asset value



Yield earnings per share



The Castellum share's price trend and turnover since the IPO May 23, 1997 until March 31, 2016



Calendar

Half-year Report January-June 2016

Interim Report January-September 2016

Year-end Report 2016

Annual General Meeting 2017

13 July 2016, around 3 pm

12 October 2016

19 January 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.

Local contacts

Aspholmen Fastigheter AB
Rörvägen 1, Box 1824,
701 18 Örebro
Phone +46 (0)19-27 65 00
orebro@aspholmenfastigheter.se
www.aspholmenfastigheter.se

Fastighets AB Corallen
Bataljongsgatan 10, Box 7,
551 12 Jönköping
Phone +46 (0)36-580 11 50
info@corallen.se
www.corallen.se

Fastighets AB Briggen
Riggaregatan 57, Box 3158,
200 22 Malmö
Phone +46 (0)40-38 37 20
info@briggen.se
www.briggen.se

Eklandia Fastighets AB
Theres Svenssons gata 9, Box 8725,
402 75 Göteborg
Phone +46 (0)31-744 09 00
info@eklandia.se
www.eklandia.se

Fastighets AB Brostaden
Tjurhornsgränd 6, Box 5013,
121 05 Johanneshov
Phone +46 (0)8-602 33 00
info@brostaden.se
www.brostaden.se

Harry Sjögren AB
Kråketorpsgränd 20,
431 53 Mölndal
Phone +46 (0)31-706 65 00
info@harrysjogren.se
www.harrysjogren.se



CASTELLUM

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

Castellum AB (publ) • Box 2269, 403 14 Gothenburg • Visiting address Kaserntorget 5
Phone +46 (0)31-60 74 00 • Fax +46 (0)31-13 17 55 • Email info@castellum.se • www.castellum.se
Domicile: Gothenburg • Corporate identity no: 556475-5550