

High level of activity
in challenging times

Q2



HALF-YEAR REPORT
JANUARY-JUNE 2020

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Strong first half of the year with 9% growth in income from property management

Important events during the period

The single largest event during the quarter was the ongoing coronavirus crisis. To date, Castellum has managed the challenges well, but humbly faces the difficulties in assessing the long-term effects.

During the quarter, construction began on the new courthouse building in central Malmö, which will be one of northern Europe's largest workplaces for lawyers. When fully let, the property is expected to generate annual rental income of approximately MSEK 81.

During the quarter, Castellum acquired an office property in central Malmö. The property contains a total lettable area of approximately 6,800 square metres. The investment totalled MSEK 216 including overheads.

Castellum is planning to construct an office building in central Örebro with the Swedish Police as the tenant. The building is made entirely of wood and will be certified under the Sweden Green Building Council's (SGBC) new NollCO2 certification. The objective is that the building will have net-zero carbon emissions during its lifetime. The investment is estimated at approximately MSEK 225 and will generate an annual rental income of around MSEK 15.

During the quarter, Castellum was commissioned to create modern and suitable premises of approximately 9,200 square metres for the Swedish National Courts Administration in Jönköping. The investment volume totalled to MSEK 325 and will generate an annual rental income of around MSEK 23.

A unanimous board gave the go-ahead to implement tangible roadmaps with clear milestones and actions for reaching zero carbon emissions by 2030.

- Income for the period January-June 2020 totalled MSEK 2,999 (2,871 for the corresponding period last year).
- Income from property management amounted to MSEK 1,689 (1,543), corresponding to SEK 6.18 (5.65) per share, an increase of 9%.
- Changes in value on properties amounted to MSEK 418 (1,882) and on derivatives to MSEK -209 (-297).
- Net income after tax for the period amounted to MSEK 1,534 (2,586), corresponding to SEK 5.62 (9.47) per share.
- Long-term net reinstatement value (EPRA NRV) amounted to SEK 199 per share (184), an increase of 8%.
- Net lettings for the period amounted to MSEK 200 (4).
- Net investments amounted to MSEK 1,378 (186) of which MSEK 292 (2,770) pertained to acquisitions, MSEK 1,205 (1,473) to new construction, extensions and reconstructions, and MSEK 119 (4,057) to sales.

KEY METRICS	2020 Apr-June	2019 Apr-June	2020 Jan-June	2019 Jan-June	2019 Jan-Dec
Income, MSEK	1,523	1,438	2,999	2,871	5,821
Net operating income (NOI), MSEK	1,132	1,067	2,170	2,044	4,113
Income from property management, MSEK	895	817	1,689	1,543	3,146
NOI SEK/share	3.28	2.99	6.18	5.65	11.52
NOI growth	+10%	+8%	+9%	+9%	+7%
Net income after tax, MSEK	1,052	1,245	1,534	2,586	5,650
Net investment, MSEK	735	912	1,378	186	1,974
Net lettings, MSEK	101	11	200	4	-24
Loan-to-value ratio	43%	44%	43%	44%	43%
Interest coverage ratio	561%	504%	529%	485%	502%
Net reinstatement value (EPRA NRV), SEK/share	199	184	199	184	195
Net tangible assets (EPRA NTA), SEK/share	190	177	190	177	187
Net disposal value (EPRA NDV), SEK/share	156	146	156	146	154

Cover: The cover shows a sketch of Castellum's construction of the new courthouse building in central Malmö, which will be one of northern Europe's largest workplaces for lawyers. Together with the new construction of E.ON's Nordic head office, this strengthens Castellum's position as a long-term urban developer in central Malmö.

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

High level of activity in challenging times

It is yet too early to draw any final conclusions regarding how the corona pandemic will impact our industry. What we can note today, is that Castellum has thus far managed the challenges well. The rental notifications for Q2 have been paid to 99% and our assessment is that Q3 will follow the same payment pattern and share. Slightly more than 230 contracts, corresponding to a rental value of MSEK 110 have been changed from quarterly to monthly payments. Rent discounts amounted to a total of MSEK 14, of which half is covered by the government's support programme. Despite the impact of the pandemic on society, thus far we have essentially not noted any bankruptcies and rental losses on a par with last year, MSEK 6 (5).

Earnings continue to climb

In terms of earnings, we have hardly noted any negative impact. On the contrary, income from property management increased 10% in the second quarter and 9% for the first six months. Net lettings were notably high at MSEK 200 due to contracts being signed for the new Swedish National Courts Administration in Malmö. Net lettings for existing properties were also positive in the first six months and amounted to MSEK 2 (-15).

Castellum has a cost focus and works continuously to review both working methods and purchasing. In 12 months, this has resulted in lower costs of approximately SEK 100 million, of which SEK 40 million in 2020.

In our property valuation in Q2 2020 we currently have not noted any need for impairment. The prevailing pandemic has been taken into consideration, as has increased risk in certain businesses and the assessed decline in growth, which has entailed minor adjustments to cash flow and required yields. Overall, this has led to an increase in property value of MSEK 299. The net asset value therefore amounted to SEK 199 per share. The loan-to-value ratio thereby decreased to under 43%.

Market affected – moderately

From my perspective, rental levels still appear to remain essentially stable. Exceptions exist of course – hotels, restaurants and stores belong to the most affected customer segments. Altogether, these segments account for around 8% of Castellum's rental income and the aforementioned support measures are primarily being applied to these segments.



In all our cities, we continue to offer the same rental levels for offices as prior to the pandemic, so our markets have thus far shown considerable resilience. As regards Stockholm, it should be noted that Castellum's rents are largely tied in to old, long-term contracts, which means that we have some potential to raise rents even if today's top levels should decline.

The property market remains stable except for hotels and stores where prices have been adjusted down. We have noted an increasing activity month-by-month and the transaction volume in June was not far off last year's figure, with a larger number of international investors than previous years.

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High activity

Castellum's strength in terms of finances, decision-making and capacity means we have been able to remain highly active in the second quarter of the crisis:

- The Board decided, as one of the first property companies in the world, on roadmaps to reach climate neutrality by 2030.
- Investments totalling around SEK 3 billion were put in motion. When it comes to constructing courts and police facilities, which is an interesting area in public sector properties, the state often chooses Castellum. The first fully carbon neutral police building will be constructed in Örebro.
- Despite unreasonable political control systems, with punitive taxation of solar energy, we have chosen to take the forefront with regard to the expansion of solar cells. Our initiative has been acknowledged with a prize from Svensk Solenergi and we are in the mid-construction of one of Northern Europe's largest rooftop solar cell installations.
- A significant property in central Malmö has been acquired at advantageous terms due to pressure from the pandemic.
- A buy-back programme for our own shares was launched during the quarter with the aim of creating long-term shareholder value.

The difficult questions

Even if Castellum appears to have managed the acute period of the crisis well, the long-term effects remain to be assessed. How will the global and Swedish economies develop over the next few years? What will be the effects on our industry of the behavioral changes that could be a more permanent consequence of the coronavirus crisis?

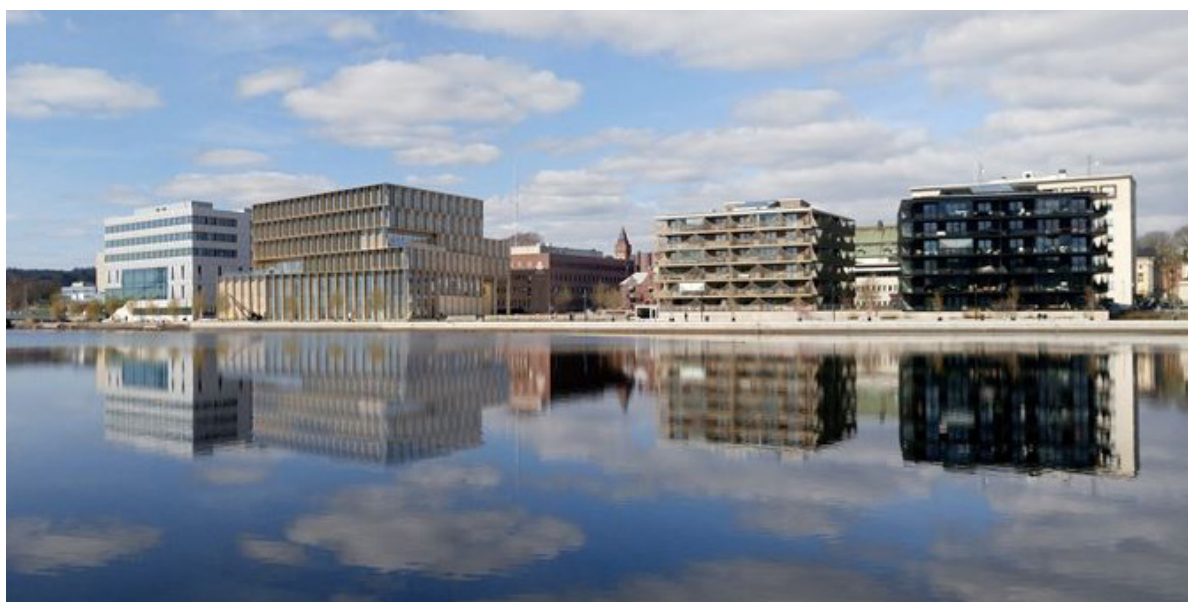
What do the enormous stimulus packages initiated by the world's central banks entail for interest and inflation over the forthcoming years? And how will these impact required yields on the assets that generate positive returns, for example, properties and equities? Given the lack of any clear answers to these questions, they remain closely monitored at Castellum and we are highly prepared to act.

“Thus far, Castellum has managed the challenges brought on by the pandemic well”.

At this stage, it will have to suffice with my best assessment of this year's outcome. Following a strong first half of the year, I believe that 2020 will also, despite the pandemic, entail higher income from property management, and thus even the dividend, for the 23rd consecutive year. I also believe that it is in circumstances such as those prevailing that Castellum reaps rewards for the moderate risk levels in its operations, both operational and financial.



Henrik Saxborn
CEO



Within a short period, Castellum has for the second time been commissioned to create modern and suitable premises for the Swedish National Courts Administration, this time in Jönköping.

Market comments

Swedish, Danish and Finnish economies

The coronavirus crisis has dominated economic development both globally and in Sweden during most of the first half of 2020. The closure of businesses and drastic restrictions to activities across society led to a sharp decline in GDP and rapidly rising unemployment. Developments in the second half of 2020 are difficult to assess, but there are many indications of a slight economic recovery compared with the second quarter of 2020. Nonetheless, unemployment in Sweden is expected to rise to more than 9% in 2021. Sweden's GDP for the full-year 2020 is forecast to fall 4.5% and to then rise sharply, up +3.6% in 2021 and up +4.1% in 2022 (Riksbank, July 2020). Low interest rates and very robust monetary policy and fiscal measures have helped to support financial markets. The Swedish housing market has been marginally affected to date, but the housing market could be impacted if unemployment were to rise further and economic activity were to fall further, resulting in additional adverse implications for GDP from slowing private consumption.

The development of the Swedish krona exchange rate plays a key role for inflation in Sweden, as a weak exchange rate normally contributes to higher inflation. The krona was weak in 2019 (TCW index) and continued to be so in the first quarter of 2020, though the krona has strengthened slightly in the second quarter. According to the Riksbank (July 2020), inflation – expressed in terms of CPIF – will fall to 0.4% in 2020 and then rise to 1.4% in 2021 and 2022.

Danish and Finnish GDP growth and unemployment respectively were also severely impacted, particularly in the second quarter of 2020, as a consequence of the global coronavirus crisis. Private consumption has also fallen, in a similar way to Sweden, but weaker export prospects have also had an adverse effect. Fiscal measures have been implemented with some positive effects in addition to the effects of a highly expansive monetary policy, though it remains unclear whether these can reverse the negative trend in the near future. The main scenario is similar to that in Sweden, with recovery in 2021 following a sharp drop in GDP in 2020.

Overall, this means the trend for the economy in the second half of the year is extremely difficult to assess.

MACRO INDICATORS - SWEDEN		
Unemployment	8.0%	(May 2020)
Rate of inflation	0.0%	(May 2020 vs May 2019)
GDP growth	0.1%	(Q1 2020 compared with Q4 2019)

Source: Statistics Sweden

Rental market

The coronavirus crisis continues to fundamentally change society and large parts of the world have been essentially shut down. During the quarter however, certain restrictions have eased around the world and country borders have started to reopen. Previous domestic travel restrictions have been lifted in Sweden and Finland, while Denmark has to a greater degree returned to almost normal conditions. At the same time, the risk of a second wave is subject to much discussion.

It remains too early to speak about the long-term effects of COVID-19 on rental and vacancy levels, but we can state that Castellum entered this crisis with historically low vacancy levels and record-high rental levels in all markets, at the same time as we continue to offer office space at the same rental levels as prior to the pandemic.

Despite uncertainty going forward, premises are still being shown and business transactions are still being conducted, albeit on a smaller scale. This is also demonstrated by net lettings for Castellum in the first six months and for the second quarter of 2020 being up on the corresponding periods in 2019.

Stable rental levels have been noted in Stockholm, Gothenburg and Malmö as a result of continued record low vacancy rates in the CBDs and the most attractive sub-markets. Over the short term, the offering of new construction will be limited and primarily let in advance. During the quarter, office rents in regional cities were stable.

Rents for office in Helsinki's CBD remained stable during the quarter and consolidated on previous record levels. Strong demand has spread from Helsinki's CBD to surrounding areas, however, there are still high vacancy rates in secondary areas, as well as in properties of lower quality. In Copenhagen, rents in the CBD were stable during the quarter. The high level of access to land and building rights in and around the city is, however, a limiting factor for rent potential.

The rental market in Sweden for warehouses/logistics spaces has been positive during the quarter, with rising rents in prime logistics locations, particularly in semi-central locations with good means of transportation and sorting yards (last-mile locations). This is driven by strong demand, based mainly on the growth in e-commerce. Rental levels are relatively stable for the largest logistics rental properties (>10,000 square metres), a situation that appears to continue despite the coronavirus crisis.

Property market

The volume for transactions over MSEK 40 in the transaction market in Sweden totalled around SEK 78 billion (86) over 182 transactions (235) in the first half of 2020.

Sentiment among investors in the Swedish property market declined sharply on the outbreak of the coronavirus crisis. A slight improvement was discernible thereafter. Most transactions in Q2 2020 took place at stable levels. The share of foreign investors in the first half of 2020 was approximately 35% (29), which was a historic high. A weak Swedish krona in combination with a great deal of liquidity in the global capital market (which is looking for returns in the low interest rate environment) could explain an increased influx of foreign capital into the Swedish property market.

In Castellum's markets, the required yield for office properties were stable during the quarter, however the number of comparative transactions following the outbreak of the coronavirus crisis remains limited.

Warehouse and logistics properties continue to attract a growing number of both domestic and international investors, largely driven by the growth of e-commerce. Low levels of supply among attractive logistics properties, in combination with high demand among investors, resulted in stable and in some cases falling yield requirements.

During the period, the transaction volume in the Danish property market totalled approximately DKK 24 billion (approximately 27). The mood among investors remains strong, however, and a shift in investor interest from the housing segment to the office segment has been noted. The required yield for offices in the CBD in Copenhagen is assessed as remaining stable at 3.5%.

In Finland, the transaction volume in the Finnish property market in the first half of 2020 totalled approximately EUR 2.6 billion (approximately 3.7). There is a considerable demand among investors for the most attractive objects, and the required yield for offices in the CBD is estimated at 3.4%, which is roughly on a par with Stockholm. Increased investor interest has been noted for secondary and development properties as well.

Altogether, this indicates an awakening property market, despite the fact that the macroeconomic effects of the pandemic are as yet not transparent. Most property categories remain very interesting, but in particular those with secure cash flows, such as public sector and logistics properties.

Interest and credit markets

In December 2019, Sweden's Riksbank raised repo rates from -0.25% to zero. The Riksbank's latest repo-rate path (July 2020) indicates that the repo rate will remain at zero until late 2023.

Swedish long-term interest rates fell drastically in 2019 until early autumn, when they bottomed out and subsequently trended upward again. However, the upswing broke off in early 2020 and, since then, long-term interest rates have posted a downward trend. After the first six months, the five-year swap rate was approximately 5 basis points (0.05%) which was approximately 30 points lower than at the start of the year. Current levels are historically very low. STIBOR 3m, which rose gradually during the first quarter, fell back approximately 25 basis points to about 5 basis points at the end of June, which was 10 basis points lower than at year end. Taken together, the yield curve was virtually flat between STIBOR 3m and the 5-year swap rate at the end of the second quarter.

Access to financing in the Swedish and international capital markets deteriorated radically at the end of the first quarter and credit spreads widened drastically. During the second quarter, the situation has somewhat improved though lending conditions in the property sector have not improved to the same extent as for most other sectors.

In Denmark, the CIBOR 3m fell about 5 basis points at the end of the second quarter after rising sharply in the first quarter of 2020, primarily in light of the Danish krona coming under a certain amount of pressure against the Euro, which led the central bank of Denmark to raise its marginal rate by 15 basis points. At the end of the second quarter of 2020, CIBOR 3m was around -0.2%, compared to -0.4% at the end of 2019. EURIBOR 3m also fell slightly at the end of the second quarter, following a temporary and relatively sharp rise in April and was about -0.4% at the half-year mark.

Castellum's agenda for the sustainable city

Castellum shall be one of the most sustainable property companies in Europe and a major player in the construction of a sustainable society. Our sustainability initiatives are fully integrated into our operations and in our daily work with managing and developing our property portfolio, customer relations, employees and financing.

Castellum's sustainability agenda, "The sustainable city," is divided into four areas of focus: The Planet, Future-Proofing, Wellness and Social Responsibility. These areas of focus ensure that we conduct our operations responsibly and create long-term solutions from an economic, ecological and social perspective. We have also established measurable targets that are monitored and reported annually.

Castellum is the first property company in the Nordic region to have its climate targets approved by the Science Based Targets (SBT) initiative. Castellum's target is to achieve 100% climate neutrality in its operations by 2030, thereby supporting the UN's climate agreement and the national ambition for a fossil fuel-free Sweden.

For a complete account of outcomes for 2019, refer to Castellum's Annual Report.

Events during the quarter

During the quarter, construction began on Malmö's new courthouse building in central Malmö. The Swedish National Courts Administration will be a long-term tenant when the 20-year lease starts to run from occupancy at the end of 2022. The property will be certified under Miljöbyggnad Gold, the highest environmental certification level, focusing, for example, on energy efficiency and choice of materials.

During extreme situations, such as the ongoing coronavirus crisis, it is important to work together. This is why Castellum is offering customers in industries with an urgent need for warehouse facilities the opportunity to short-term lease premises at Castellum Säve (former Säve airport). Read more about Castellum Säve on page 11.

Castellum's initiative to build 100 solar cell installations within five years received the Achievement of the Year

award from the Svensk Solenergi industry association.

Castellum has long held a leading role in climate and sustainability among the country's property companies. The solar cell initiative is a key element toward achieving the company's ambitious target to be 100% climate neutral by 2030, where the goal includes scope 1-3.

A unanimous board has given the go-ahead to implement two roadmaps, one for property management and one for project development. The roadmap for project development is the most challenging part as the development of buildings accounts for about 60% of the industry's carbon dioxide emissions. Innovative choices, which will be required, often lead to more cost-effective solutions over time. By highlighting the great climate impact of construction itself, Castellum wants to develop an area that the industry has neglected for years.

In 2019, Castellum started 14 projects involving new, larger solar cell installations. The largest to date is Hisingen Logistikpark, where a 30,000-square metre solar cell roof is being installed, corresponding to five football pitches. The 8,500 solar panels will produce 3.3 GWh per year, equivalent to the electricity consumption of 660 standard houses.

In central Örebro, Castellum will construct an office building with the Swedish Police as the tenant. The building is made entirely of wood and will be certified under the Sweden Green Building Council's (SGBC) new NollCO2 certification. The objective is that the building will have net zero carbon emissions during its lifetime. The project will achieve climate neutrality primarily by building the framework in wood rather than steel and concrete, which is traditional practice. The use of wood reduces emissions approximately 40% compared with traditional construction. Another way to achieve climate neutrality is to install solar panels on property roofs as part of Castellum's "100 on Solar" solar cell programme, which not only provides electricity to the property but also a surplus of renewable energy that can be used by others.

OUR FOCUS AREAS



THE PLANET

We will responsibly and efficiently reduce resource use and carbon emissions that cause global warming.



FUTURE-PROOFING

We will create a sustainable property portfolio in a changing world.



WELLNESS

We will promote health, wellness and productivity.



SOCIAL RESPONSIBILITY

We will conduct business in a responsible manner in relation to the community as well as to our stakeholders.

**Castellum's target
is to achieve 100%
climate neutrality in its
operations by 2030.**

38%

Share of sustainability-
certified total area until
the second quarter

TARGET 2020

- 100% non-fossil fuel powered vehicles

TARGET 2025

- 15% lower energy consumption cf. 2015
- 50% of properties in sq. m. environmentally certified
- 40-60% equality among all occupational categories
- 20% of employees to have international backgrounds

TARGET 2030

- Net-zero carbon emissions
- 100% non-fossil fuel energy

ONGOING TARGETS

- 1% water conservation per year
- 1.5% energy efficiency enhancements per year
- All new production and major reconstructions sustainability certified
- Bring ecosystem services to major projects
- <2% short-term sick leave.
- <3% long-term sick leave.
- 4% of all employees to be apprentices or interns
- Create job opportunities for young people and the long-term unemployed
- 100% of employees to be trained in the Code of Conduct

Condensed consolidated statement of comprehensive income

MSEK		2020 Apr-June	2019 Apr-June	2020 Jan-June	2019 Jan-June	Rolling 12 months 19 July-20 June	2019 Jan-Dec
Rental income		1,370	1,296	2,715	2,605	5,375	5,265
Service income		121	112	221	223	450	452
Co-working income		32	30	63	43	124	104
Income	Note 2	1,523	1,438	2,999	2,871	5,949	5,821
Operating costs	Note 3	-146	-147	-330	-372	-669	-711
Maintenance expenses	Note 3	-28	-33	-62	-73	-146	-157
Property tax	Note 3	-92	-74	-183	-151	-399	-367
Co-working expenses	Note 3	-32	-30	-68	-42	-125	-99
Letting and property administration expenses	Note 3	-93	-87	-186	-189	-371	-374
Net operating income		1,132	1,067	2,170	2,044	4,239	4,113
Central administrative expenses	Note 3	-38	-42	-75	-90	-148	-163
Acquisition costs		—	-9	—	-9	—	-9
<i>Net financing costs</i>	Note 4						
Net interest costs		-194	-202	-394	-401	-775	-782
Letting cost/Site leasehold fee		-5	-6	-12	-10	-24	-22
Income from property management incl. acquisition costs*	Note 1	895	808	1,689	1,534	3,292	3,137
<i>Income from property management</i>		895	817	1,689	1,543	3,292	3,146
Goodwill, impairment		—	—	—	-179	—	-179
<i>Changes in value</i>	Note 5						
Properties		415	1,193	418	1,882	2,454	3,918
Derivatives		-42	-176	-209	-297	-23	-111
Income before tax		1,268	1,825	1,898	2,940	5,723	6,765
Current tax	Note 6	-40	-74	-82	-107	-140	-165
Deferred tax	Note 6	-176	-506	-282	-247	-985	-950
Net income for the period/year		1,052	1,245	1,534	2,586	4,598	5,650
Other comprehensive income							
Items that can be reclassified to net income for the period							
Translation difference of currencies, etc.		-387	113	28	156	-36	92
Changes in values on derivatives, currency hedge		209	-88	-66	-97	-16	-47
Comprehensive income for the period/year**		874	1,270	1,496	2,645	4,546	5,695
Average number of shares, thousand		273,113	273,201	273,157	273,201	273,179	273,201
Income, SEK/share		3.85	4.56	5.62	9.47	16.83	20.68

* For calculation, financial key metrics, page 23.

** Net income and comprehensive income for the period/year is entirely assignable to the Parent Company's shareholders.

Accounting policies can be found on page 25.

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

Performance analysis, January – June 2020

NOTE 1 Income from property management

Income from property management (i.e. net income excluding changes in value and tax) for the period January–June 2020 amounted to MSEK 1,689 (1,534), equivalent to SEK 6.18 (5.65) per share – an increase of 9%. Income from property management, rolling four quarters, amounted to MSEK 3,292 (3,075), equivalent to SEK 12.05 per share (11.26) – an increase of 7%.

SEGMENT INFORMATION

MSEK	Income		Income from property management	
	2020 Jan–June	2019 Jan–June	2020 Jan–June	2019 Jan–June
Central	799	724	460	390
West	685	646	404	372
Öresund	627	579	374	331
Stockholm–North	800	852	512	510
Finland	25	27	12	19
Co-working	63	43	–8	–2
Total	2,999	2,871	1,754	1,620

The difference between the income from property management of MSEK 1,754 (1,620) above and the Group's reported income before tax of MSEK 1,898 (2,940) consists of unallocated income from property management of MSEK –65 (–86), impairment of goodwill of MSEK 0 (–179), change in values on properties of MSEK 418 (1,882) and change in values on derivatives of MSEK –209 (–297).

NOTE 2 Income

The Group's income totalled MSEK 2,999 (2,871). Rental income includes discounts of MSEK 60 (45) as well as a lump sum of MSEK 5 (3) as a result of early termination of leases. In the second quarter, Castellum granted discounts of MSEK 14 in accordance with the government's rent support package, whereby Castellum takes 50% of the cost. Accordingly, for reasons of simplification, rental income was reduced by a net amount of MSEK 7 for the actual quarter. Furthermore, SEK 20 million in non-recurring income was received, which consists of a number of insurance cases that were settled during the second quarter.

The average economic occupancy rate was 93.9% (94.4), where the calculation has been changed to only take into account vacancies unlike previously, where discounts were also included. The comparative figures have been restated.

Moreover, the co-working company United Spaces generated income of MSEK 63 (43) in the period.

DEVELOPMENT OF INCOME

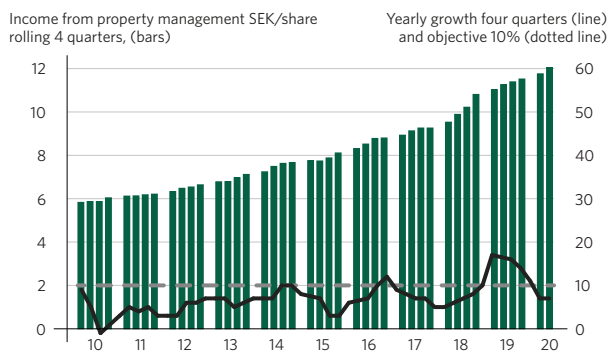
MSEK	2020 Jan–June	2019 Jan–June	Change, %
Like-for-like portfolio	2,642	2,566	3.0%
Development properties	156	98	
Transactions	138	164	
Co-working	63	43	
Income	2,999	2,871	4.5%

Rental income in the like-for-like portfolio increased 3.0%, which was due to higher rents, up 3.8%, but also higher vacancies and discounts of 0.8%. Gross lettings (i.e. the annual value of total lettings) during the period was MSEK 355 (170), of which MSEK 198 (19) pertained to lettings in conjunction with new construction, extensions and reconstructions. Notices of termination amounted to MSEK 155 (166), of which bankruptcies were MSEK 1 (4). MSEK 9 (3) related to notices of termination with more than 18 months left of the contract. Accordingly, net lettings for the period totalled MSEK 200 (4). The time difference between reported net lettings and the income effect thereof is estimated to be between 9–18 months in investment properties and 12–24 months for investments in new construction, extensions and reconstructions.

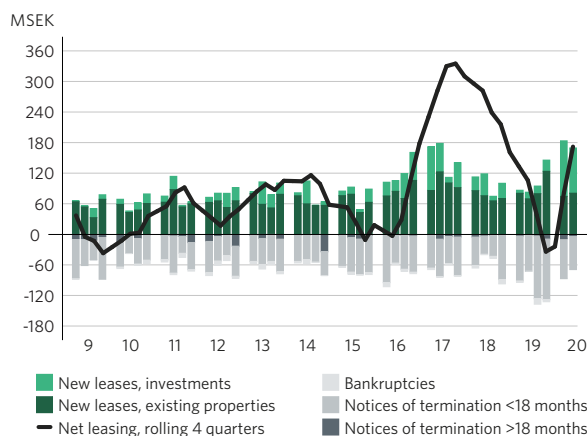
NET LETTINGS JAN–JUN 2020

MSEK	Region						Total
	Central	West	Öresund	Sthlm	North	Finland	
NEW LETTINGS							
Existing prop.	57	35	25	36	1	3	157
Investments	36	0	141	21	0	0	198
Total	93	35	166	57	1	3	355
NOTICES OF TERMINATION							
Existing prop.	-41	-31	-31	-51	0	0	-154
Bankruptcies	0	0	-1	0	0	0	-1
Total	-41	-31	-32	-51	0	0	-155
Net lettings	52	4	134	6	1	3	200
NOI Q2 2019	1	-7	8	1	1	0	4

INCOME FROM PROPERTY MANAGEMENT PER SHARE



NET LETTINGS



NOTE 3 Costs

Direct property costs totalled MSEK 575 (596), corresponding to SEK 273 per sq. m. (282). Property costs for the like-for-like portfolio decreased 2.8%, despite increased property tax due to the property taxation that took place in the middle of 2019. In addition, expenses for co-working totalled MSEK 68 (42).

Property administration totalled MSEK 186 (189), corresponding to SEK 90 per sq. m. (94).

Central administrative expenses were MSEK 75 (90). Central administrative expenses also included costs related to the profit and share price-related incentive plan for members of Executive Management of MSEK 4 (1).

DEVELOPMENT OF PROPERTY COSTS

MSEK	2020 Jan-June	2019 Jan-June	Change, %
Like-for-like portfolio	514	529	-2.8%
Development properties	29	26	
Transactions	32	41	
Direct property costs	575	596	-3.5%
Co-working	68	42	
Property administration	186	189	
Central administration	75	90	
Total costs	904	917	-1.4%

Consumption for heating during the period has been calculated to 80% (87) of a normal year according to the degree day statistics.

PROPERTY COSTS

SEK/sq. m.	Office	Public sector properties	Ware- house/ logistics	Light industry	Retail	Total
Operating costs	203	184	99	101	127	156
Maintenance	39	34	15	25	30	30
Property tax	134	107	27	27	75	87
Total prop. costs	376	325	141	153	232	273
Letting & prop. admin.						90
Total	376	325	141	153	232	363
NOI Q2 2019	381	315	155	161	262	376

NOTE 4 Net financing costs

Net interest costs amounted to MSEK -394 (-401). The average interest rate over the period was 2.0% (2.1). Net interest costs were positively affected by approximately MSEK 17 due to the 0.1 percentage point decrease in the average interest rate. Further, costs for site leasehold fees amounted to MSEK 9 (9) and for lease agreements to MSEK 3 (1).

NOTE 5 Changes in value

During 2020, the property market has remained cautious due to the current uncertainty about the long-term impact of the coronavirus pandemic, even if slight signs of recovery materialised toward the end of the period with differentiation between various types of assets. Castellum recognised unrealised change in value of MSEK 299 (2,199), of which MSEK 224 pertained to project gains. Moreover sales of MSEK 119 (-317) were recognised, which comprised an

earout from the sale of the Archimedes property in Stockholm in 2018. The value of the derivatives changed by MSEK -209 (-297), mainly due to changes in long-term market interest rates.

CHANGE IN VALUES ON PROPERTIES

MSEK	2020 Jan-June	2019 Jan-June
Cash flow	97	359
Project gain	224	294
Required yield	-27	1,353
Acquisitions	5	193
Unrealised change in value	299	2,199
NOI %	0.3%	2.5%
Sales	119	-317
Total	418	1,882
NOI %	0.4%	2.1%

NOTE 6 Tax

Recognised tax totalled MSEK -364 (-354), of which MSEK -82 (-107) is current tax. Current tax is calculated based on a nominal tax rate of 21.4%, while deferred tax is based on the lower tax rate of 20.6% that applies from 2021. Due to the possibility to deduct depreciation and reconstruction on property for tax purposes, and to utilise tax loss carry forwards, the tax paid is low. Tax paid arises as a result of there being existing tax loss carry forwards in the former Norrporten Group, and can thus not be utilised in Castellum as a whole.

Remaining tax loss carry forwards can be estimated at MSEK 464 (854). Furthermore, there are untaxed reserves of MSEK 563 (327). Fair values for the properties exceed their fiscal value by MSEK 57,417 (56,365) of which MSEK 6,577 (6,553) relates to the acquisition of properties accounted for on the acquisition date as asset acquisitions. A full nominal tax of 20.6% of the net income from these items less the deferred tax attributable to the asset acquisitions - that is, MSEK 10,493 (10,153) - is recognised as a deferred tax liability.

Castellum has no ongoing tax disputes.

TAX CALCULATION 30 JUNE 2020

MSEK	Basis current tax	Basis deferred tax
Income from property management	1,689	
Non-deductible interest	62	
Deductions for tax purposes		
depreciation	-561	561
reconstructions	-164	164
Other tax adjustments	-255	-45
Taxable income from property management	771	680
<i>current tax 21.4%, if tax loss carry forwards are not utilised</i>	165	
Sales of properties	—	—
Change in values on properties	—	299
Taxable income before tax loss carry forwards	771	979
Tax loss carry forwards, opening balance	-854	854
Tax loss carry forwards, closing balance	464	-464
Taxable income	381	1,369
Tax according to the income statement for the period	-82	-282

Note 6 cont.

NET DEFERRED TAX LIABILITY 30 JUN 2020			
MSEK	Basis	Nominal tax liability	Real tax liability
Tax loss carry forwards	464	100	100
Untaxed reserves	-563	-121	-121
Properties	-57,417	-11,828	-2,068
Total	-57,516	-11,849	-2,089
Properties, asset acquisitions	6,577	1,355	
In the balance sheet	-50,939	-10,493	

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

The actual net deferred tax liability has been estimated at 4% based on a discount rate of 3%. Further, it has been assumed that tax loss carry forwards are realised in one year with a nominal tax of 21.4%, that the properties are realised in 50 years and where the entire portfolio is sold indirectly in corporate wrappers (the previous assumption was 67%), and where the buyer's tax discount is 7%, which is in line with transactions made by Castellum in recent years. Castellum's changed assumptions (compared with the close of the previous year) for the share to be sold indirectly versus directly is in line with EPRA's new guidelines for the market valuation of deferred tax liabilities.



CASTELLUM SÄVE – SUSTAINABLE TRANSPORT AND LOGISTICS HUB OF THE FUTURE

During extreme situations, such as the ongoing coronavirus crisis, it is important to work together. This is why Castellum is offering customers in industries with an urgent need for warehouse facilities the opportunity to short-term lease premises at Castellum Säve (former Säve airport).

In addition, work is continuing to develop Castellum Säve into a logistics hub of the future, and an area for innovation and development focused on sustainable transportation and mobility.

Castellum Säve is considered one of Castellum's largest and most important projects over the coming ten-year period. Castellum is planning to develop the area in phases, and construct a total of 800,000 square metres of modern logistics and operations premises. Long-term development of the area will require new detailed development plans, and the hope is that the initial plan will be approved and ready to allow the start of construction in 2021.

The area already generates a healthy return through the operations that are already in place.

Condensed Consolidated Balance Sheet

MSEK		30 June 2020	30 June 2019	31 Dec 2019
ASSETS				
Investment properties	Note 7	97,012	91,427	95,168
Goodwill	Note 8	1,670	1,691	1,691
Leases, right-of-use	Note 9	910	868	846
Other fixed assets		182	198	179
Current receivables		1,104	1,056	928
Cash and cash equivalents		200	157	173
Total assets		101,078	95,397	98,985
EQUITY AND LIABILITIES				
Equity		43,469	40,727	43,777
Deferred tax liability	Note 6	10,493	9,433	10,153
Other provisions		5	6	5
Interest-bearing liabilities	Note 10	41,834	40,242	40,826
Derivatives	Note 11	863	701	715
Lease liability	Note 9	910	868	846
Non-interest bearing liabilities		3,504	3,420	2,663
Total equity and liabilities		101,078	95,397	98,985
Pledged assets (pledged mortgages)		19,768	20,923	20,903
Pledged assets (chattel mortgages)		—	—	—
Contingent liabilities		—	—	—

Condensed Changes in Equity

MSEK	Number of outstanding shares, thousand	Share capital	Other capital contribution	Currency translation reserve	Currency hedge reserve	Non- controlling interest	Retained earnings	Total equity
Equity 31 Dec 2018	273,201	137	12,434	274	-269	-2	27,175	39,749
Dividend, Mar and Sep 2019 (SEK 6.10/share)	—	—	—	—	—	—	-1,667	-1,667
Net income, Jan-June 2019	—	—	—	—	—	—	2,856	2,856
Other comprehensive income, Jan-June 2019	—	—	—	156	-97	—	—	59
Equity 30 June 2019	273,201	137	12,434	430	-366	-2	28,094	40,727
Net income, July-December 2019	—	—	—	—	—	—	3,064	3,064
Other comprehensive income, July-Dec 2019	—	—	—	-64	50	—	—	-14
Equity 31 Dec 2019	273,201	137	12,434	366	-316	-2	31,158	43,777
Dividend, Mar and Sep 2020 (SEK 6.50/share)	—	—	—	—	—	—	-1,776	-1,776
Repurchase of own shares	—	—	—	—	—	—	-28	-28
Net income, Jan-Jun 2020	—	—	—	—	—	—	1,534	1,534
Other comprehensive income, Jan-June 2020	—	—	—	28	-66	—	—	-38
Equity, 30 June 2020	273,201	137	12,434	394	-382	—	30,888	43,469

Balance sheet, 30 June 2020

NOTE 7 Property portfolio and property value

Investment properties

The property portfolio is located in growth areas in Sweden, Copenhagen and Helsinki. The commercial portfolio consists of 47% office, 23% public sector properties, 17% warehouse/logistics, 7% retail and 2% light industry. The properties' locations vary from city centre locations to well-situated industrial areas with good means of communication and services. The remaining 4% consists of projects and undeveloped land.

Castellum owns approximately 700,000 sq. m. of unutilised building rights and ongoing larger projects with remaining investments of approximately SEK 3.5 billion.

Investments

During the period, investments totalling MSEK 1,497 (4,243) were carried out, of which MSEK 292 (2,770) were acquisitions and MSEK 1,205 (1,473) new construction, extensions and reconstructions. After receipt of the earnout of MSEK 119 (4,057), net investments amounted to MSEK 1,378 (186).

CHANGES IN THE PROPERTY PORTFOLIO

	Fair value, MSEK	Number
Property portfolio on 1 January 2019	95,168	632
+ Acquisitions	292	3
+ New construction, extensions and reconstructions	1,205	1
- Sales	—	—
+/- Unrealised changes in value	299	—
+/- Currency translation	48	—
Property portfolio on 30 June 2020	97,012	636

Property value

Internal valuations

Castellum assesses property values through internal valuations, as of previous year, corresponding to level 3 in IFRS 13. The valuations are based on a 10-year cash flow based model

with individual valuation for each property 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%.

Ongoing projects 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 approximately SEK 1,500 (1,500) per square metre. 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. Historically, the difference between the internal and external valuations has been small.

Based on these internal valuations, property value at the end of the period was assessed at MSEK 97,012 (95,168), corresponding to SEK 22,541 (22,363) per square metre.

Average valuation yield

The average valuation yield for Castellum's property portfolio, excluding development projects and undeveloped land, can be calculated at 5.1% (5.1%).

AVERAGE VALUATION YIELD

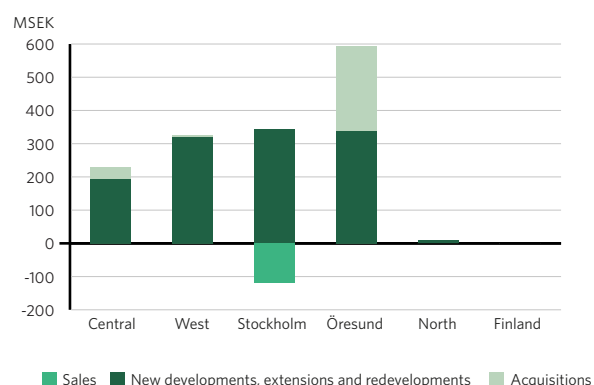
(excl. projects/land and building rights)	MSEK
Net operating income, properties	2,351
+ Real occupancy rate, 94% at the lowest	128
- Normalised property costs	-39
- Property admin, SEK 30/sq. m.	-65
Normalised net operating income (3 months)	2,375
Valuation (excl. building rights of MSEK 563)	92,338
Average valuation yield	5.1%

Valuation yield per category	30 June 2020	31 Dec 2019
Office	5.0%	5.0%
Public sector properties	4.8%	4.8%
Warehouse/logistics	5.7%	5.6%
Retail	6.0%	5.8%
Light industry	6.4%	6.6%
Total	5.1%	5.1%

PROPERTY-RELATED KEY METRICS

	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
Rental value, SEK/sq. m.	1,533	1,481	1,495
Economic occupancy rate	93.9%	94.4%	93.8%
Property costs, SEK/sq. m.	363	376	384
Net operating income, SEK/sq. m.	1,050	1,004	1,001
Property value, SEK/sq. m.	22,541	21,967	22,363
Number of properties	636	631	632
Lettable area, thousand sq. m.	4,284	4,162	4,255
Average valuation yield	5.1%	5.1%	5.1%

INVESTMENTS PER REGION

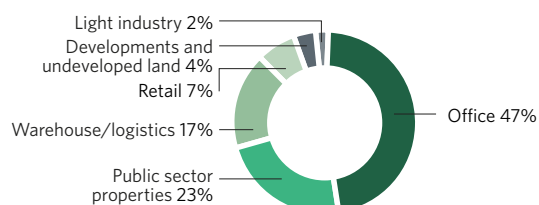


Castellum's property portfolio

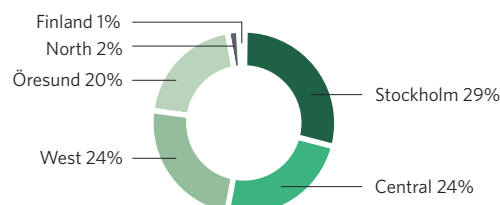
Category	30 Jun 2020				January - June 2020						
	No. of properties	Area, thousand sq. m.	Property value, MSEK	NOI SEK/sq. m.	Rental value, MSEK	NOI SEK/sq. m.	Occupancy rate	Income, MSEK	Property costs, MSEK	NOI SEK/sq. m.	Net operating income, MSEK
OFFICE											
Stockholm	29	283	11,372	40,126	324	2,287	94.8%	302	55	392	247
West	66	374	10,834	28,935	337	1,801	94.5%	312	61	328	251
Central	78	541	10,755	19,898	425	1,571	91.8%	385	93	343	292
Öresund	44	402	11,579	28,831	426	2,121	91.7%	380	89	442	291
North	2	5	93	18,436	4	1,598	98.7%	4	1	397	3
Finland	1	14	880	60,955	25	3,507	100.0%	25	5	682	20
Total Office	220	1,619	45,513	28,104	1,541	1,903	93.2%	1,408	304	376	1,104
PUBLIC SECTOR PROPERTIES											
Stockholm	12	89	5,615	62,882	140	3,141	97.0%	132	22	488	110
West	15	110	2,180	19,774	77	1,400	92.2%	71	13	228	58
Central	31	314	8,662	27,629	281	1,789	96.8%	270	52	334	218
Öresund	8	91	3,401	37,503	108	2,389	98.9%	106	14	311	92
North	10	99	1,999	20,137	74	1,500	94.8%	70	13	268	57
Total Public sector properties	76	703	21,857	31,091	680	1,936	96.4%	649	114	325	535
WAREHOUSE/LOGISTICS											
Stockholm	38	280	5,515	19,679	174	1,239	90.8%	155	21	150	134
West	69	594	7,175	12,085	253	852	93.9%	230	38	128	192
Central	30	165	1,487	9,016	66	797	89.8%	59	12	140	47
Öresund	32	210	2,161	10,297	91	871	94.2%	83	17	170	66
Total Warehouse/Logistics	169	1,249	16,338	13,084	584	935	92.6%	527	88	141	439
RETAIL											
Stockholm	29	152	3,323	21,912	117	1,549	94.8%	110	15	197	95
West	15	59	1,098	18,657	40	1,362	96.6%	37	7	243	30
Central	21	114	1,823	16,061	75	1,316	97.0%	71	14	245	57
Öresund	11	45	811	17,811	35	1,514	88.7%	30	7	298	23
Total Retail	76	370	7,055	19,092	267	1,443	94.9%	248	43	232	205
LIGHT INDUSTRY											
Stockholm	10	44	746	17,172	27	1,257	95.0%	26	4	206	22
West	16	66	696	10,552	28	848	92.9%	25	4	131	21
Central	10	29	356	12,200	16	1,071	96.9%	15	3	195	12
Öresund	4	42	340	8,075	17	794	93.9%	16	3	105	13
Total Light Industry	40	181	2,138	11,834	88	970	94.5%	82	14	153	68
Total investment properties	581	4,122	92,901	22,541	3,160	1,533	93.9%	2,914	563	273	2,351
Letting and property administration									186	90	-186
Total after letting and property administration									749	363	2,165
Project(s)	35	162	3,712	—	28	—	—	12	9	—	3
Undeveloped land	20	—	399	—	—	—	—	—	—	—	—
Total	636	4,284	97,012	—	3,188	—	—	2,926	758	—	2,168

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 entire period. The discrepancy between the net operating income of MSEK 2,168 reported above and the net operating income of MSEK 2,170 in the income statement is explained by the MSEK 7 upward adjustment of the net operating income on properties acquired/completed during the period, which were recalculated as if they had been owned or completed during the entire period, and MSEK -5 from the co-working company that is not included in the above table. A more detailed description about property categories is available on page 27, definitions.

PROPERTY VALUE BY PROPERTY CATEGORY



PROPERTY VALUE BY REGION



Customers

Castellum's property portfolio and customer segments

Castellum's portfolio is well distributed over various segments, whereby almost half consist of office buildings and a quarter comprise public sector properties. The latter provide a stable and secure income base, in the form of customers as well as longer contract durations. Castellum's exposure to the retail segment currently represents 7% of the income value, but this segment includes grocery stores and car dealerships. Another type of retail exposure also occurs in the warehouse/logistics segment, in the form of storage and distribution from the fast-growing e-commerce segment, which favours rental growth and contributes to the transformation of well-situated properties in the form of the last mile.

Lease maturity structure

Contract maturities for Castellum's portfolio appear in the table below. The relatively low proportion of contracts maturing in 2020 is primarily due to the fact that most contracts have already been renegotiated.

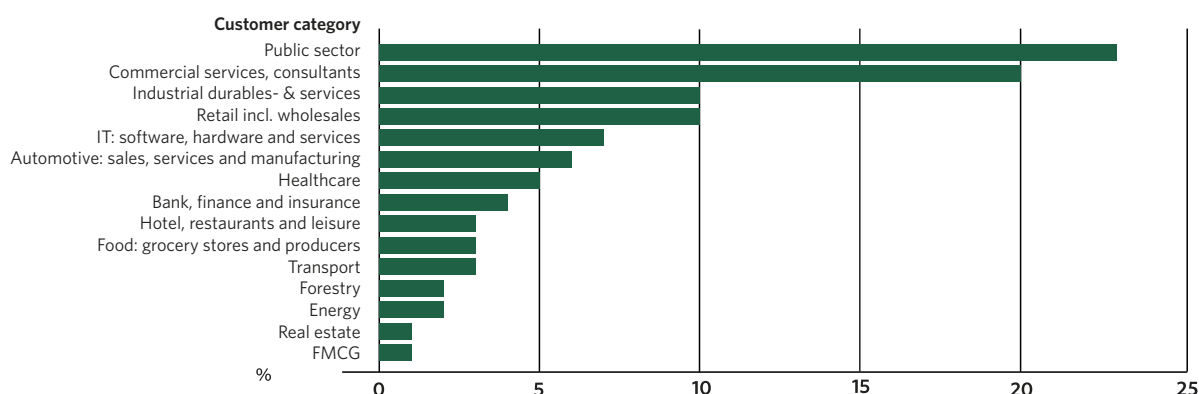
LEASE MATURITY STRUCTURE, 30 JUN 2020			
MSEK	No. of leases	Lease value, MSEK	Percentage of value
Commercial, term			
2020	931	107	2%
2021	1,594	834	15%
2022	1,213	1,066	19%
2023	1,149	1,128	20%
2024	330	530	9%
2025+	418	1,785	32%
Total commercial	5,635	5,450	97%
Residential	443	41	1%
Parking spaces and other	5,870	96	2%
Total	11,948	5,587	100%

Risk exposure, credit risk

Castellum's lease portfolio features a good risk exposure. The Group has approximately 5,600 commercial contracts and 443 residential contracts, and their distribution in terms of size is presented in the table below. The single largest lease as well as the single largest customer accounts for around 2% of the Group's total rental income, meaning that Castellum's exposure to single-customer credit risk is very low.

LEASE SIZE				
Lease size, MSEK	No. of leases	Share	Lease value, MSEK	Share
Commercial				
<0.25	2,737	23%	201	4%
0.25-0.5	940	8%	346	6%
0.5-1.0	814	7%	575	10%
1.0-3.0	766	6%	1,320	23%
<3.0	378	3%	3,008	54%
Total	5,635	47%	5,450	97%
Residential	443	4%	41	1%
Parking spaces and other	5,870	49%	96	2%
Total	11,948	100%	5,587	100%

COMMERCIAL LEASES DISTRIBUTED BY SECTOR



Castellum's portfolio is well distributed over various segments, whereby almost half consist of office buildings. Exposure to segments that are particularly affected by the coronavirus crisis is relatively low.

Castellum's project portfolio



1. Hisingen Logistics Park, Phase 2 GOTHENBURG

■ Ongoing
New construction, logistics
Investment: MSEK 337



2. Backa 20:5, Phase 2 GOTHENBURG

■ Ongoing
New construction, warehouse/office
Investment: MSEK 82



3. Masthugget 26:1 GOTHENBURG

■ Ongoing
New construction, office
Investment: MSEK 238



4. Götaland 5 JÖNKÖPING

■ Ongoing
New development, court
Investment: MSEK 325



5. Visionen 3 JÖNKÖPING

■ Completed or fully/partially occupied
Reconstruction, office
Investment: MSEK 87



6. GreenHaus HELSINGBORG

■ Ongoing
New construction, office
Investment: MSEK 305



7. Sellerin 3 LUND

■ Ongoing
New construction, warehouse/car dealer
Investment: MSEK 88



8. Nya Domstolsverket MALMÖ

■ Ongoing
New development, court
Investment: SEK 1.3 billion



9. E.ON MALMÖ

■ Ongoing
New construction, office
Investment: SEK 1.3 billion



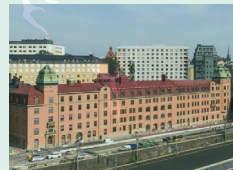
10. Moränen 3 MALMÖ

■ Completed or fully/partially occupied
New construction, light industry
Investment: MSEK 54



11. Dragarbrunn 21:1 UPPSALA

■ Ongoing
New and reconstruction, office
Investment: MSEK 443



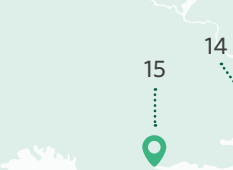
12. Öskaret 1 STOCKHOLM

■ Ongoing
Reconstruction, office
Investment: MSEK 638



13. Örnäs 1:17 UPPLANDS-BRO

■ Completed or fully/partially occupied
New construction, warehouse/logistics
Investment: MSEK 208



14. Verkstaden 14 VÄSTERÅS

■ Ongoing
New construction, office
Investment: MSEK 198



15. Korsningen ÖREBRO

■ Ongoing
New construction, office
Investment: MSEK 227



■ Ongoing
● Completed or fully/partially occupied (ongoing investment)

Larger investments

Larger investments

Property	Area, sq. m.	Rental value		Econ. occup. Jun 2020	Total inv. incl. land, MSEK	Of which inv., MSEK	Remain- ing inv., MSEK	Completed	Category
		MSEK	SEK/ sq. m.						
Sjustjärnan 1/E.ON, Malmö	31,460	78	2,775	91%	1,296	216	1,080	Q1 2023	New construction, office
Godsfinkan 1, Malmö	26,500	81	3,030	91%	1,270	305	965	Q1 2023	New development, court
Öskaret 1, Stockholm	10,841	60	5,550	67%	638	497	141	Q4 2020	Reconstruction, office
Dragarbrunn 21:1, Uppsala	12,166	32	2,750	72%	443	186	257	Q4 2021	New and reconstruction, office
Hisingen Logistics Park, Phase 2, Gothenburg	36,700	26	700	100%	337	293	44	Q3 2020	New construction, logistics
Göta 5, Jönköping	9,200	23	2,500	100%	325	16	309	Q3 2022	New development, court
GreenHaus, Helsingborg	7,000	19	2,800	31%	305	85	220	Q2 2022	New construction, office
Masthugget 26:1, Gothenburg	4,185	13	3,200	10%	238	184	54	Q4 2020	New construction, office
Korsningen 1, Örebro	5,650	15	2,800	100%	227	10	217	Q2 2022	New construction, office
Verkstaden 14, Västerås	5,800	14	2,430	88%	198	26	172	Q1 2022	New construction, office
Sellerin 3, Lund	5,190	7	1,300	40%	88	49	39	Q1 2021	New construction, warehouse/car dealer
Backa 20:5, Gothenburg	4,600	7	1,500	100%	82	41	41	Q1 2021	New construction, warehouse/office
Developments completed/partly occupied									
Örnäs 1:17, Upplands-Bro	15,719	15	1,000	54%	208	196	12	Q1 2020	New construction, warehouse/logistics
Visionen 3, Jönköping	5,155	10	1,850	80%	87	67	20	Q2 2020	Reconstruction, office
Moränen 3, Malmö	3,421	5	1,350	82%	54	54	0	Q1 2020	New construction, light industry
Total developments, >MSEK 50					5,796	2,225	3,571		

NOTE 8 Goodwill

In 2016, the CORHEI and Norrporten companies were acquired. Goodwill arose in connection with these acquisitions, primarily related to the difference between nominal tax, and the calculated supplementary tax which was applied at time of acquisition. A write-off for goodwill is primarily justified for a major downturn in the property market or a situation wherein properties included in the transaction above are divested. At the end of the period, goodwill attributable to deferred tax was MSEK 1,480 (1,480). In addition, the co-working company United Spaces was acquired in early 2019, which is why goodwill arose that amounted to MSEK 190 (211) at the end of the period.

NOTE 9 Leases

IFRS 16 Leases entered force on 1 January 2019, meaning that Castellum values its leases and recognises the right-of-use as an asset with a corresponding liability. At the balance sheet date, the value of Castellum's leases was MSEK 910 (846), divided into site leasehold agreements of MSEK 483 (483) and rental agreements in United Spaces, the co-working company acquired during last year, of MSEK 427 (363).

NOTE 10 Interest-bearing liabilities and cash equivalents

Castellum must maintain a low level of financial risk, meaning a sustainable LTV ratio of less than 50% and an interest coverage ratio of at least 200%.

Interest-bearing liabilities

At the end of the period, Castellum had credit agreements totalling MSEK 53,590 (60,604), of which MSEK 44,654 (49,433) was long-term and MSEK 8,936 (11,171) short-term. Of the utilised borrowing facilities at the end of the period, MSEK 33,133 (30,233) was long-term and MSEK 8,501 (10,420) short-term.

After deduction of cash of MSEK 200 (173), net interest-bearing liabilities were MSEK 41,634 (40,653), of which MSEK 26,989 (27,512) were bonds outstanding and MSEK 2,650 (5,136) commercial paper outstanding (nominal MSEK 26,973 and MSEK 2,655 respectively).

During the first six months, bank credit facilities of approximately MSEK 2,125 were extended and approximately MSEK 4,070 were terminated. Castellum has also, as part of Castellum's Swedish MTN program, issued new bonds with a nominal amount of MSEK 1,450 while bonds with a nominal value of MSEK 2,025 matured.

Most of Castellum's borrowings are revolving bank credit facilities, which means great flexibility. Issued bonds and commercial paper expand the financing base, and account for the majority of the utilised borrowing facilities. At the end of the period, the fair value of liabilities essentially corresponded with the carrying amounts. Long-term bank loan commitments are normally secured by pledged property deeds. Issued commercial paper and bonds are unsecured. Undertakings to meet specific financial ratios are included as covenants under certain financing agreements including

the EMTN program. Of net interest-bearing liabilities totaling MSEK 41,634 (40,653), MSEK 11,995 (7,249) was pledged against property deeds and MSEK 29,639 (33,404) was unsecured, which means that approximately 29% (18) of loans outstanding were secured. The proportion of secured financing used, with the addition of commercial paper outstanding backed by secured bank credit commitments, was thus 15% (13) of the properties' value. Castellum's share of unsecured assets at the end of the year was 60% (57). Secured borrowing in relation to total assets was 12% (7).

The financial covenants stipulate an LTV ratio not exceeding 65%, an interest coverage ratio of at least 150% and for EMTN also that the share of secured borrowing may not exceed 45% of the Group's total assets, which Castellum fulfils with comfortable margins showing current levels for those ratios at: 43%, 529% and 12% respectively. The average debt maturity structure for utilised borrowing facilities including extension options at year end was 3.6 years (3.8), whereas the average credit price tenor at the same point in time was 2.9 years (3.2). At the end of the period, the net debt to EBITDA ratio was 10 (10).

Castellum has an official credit rating from the credit rating agency Moody's. The rating, which is an Investment Grade rating, is Baa2 with a stable outlook. The rating is expected to result in further improvement of financial flexibility for Castellum by supporting both Castellum's relative funding cost and access to loan capital over time.

Interest rate maturity structure

In order to secure a stable and low net interest cash flow, the interest rate maturity structure is distributed over time. The average fixed interest term was 3.1 years (3.3). The average effective rate at 30 June 2020 was 1.83% (1.82) excluding unutilised credit agreements, and 1.93% (1.99) including unutilised credit agreements. Castellum utilises interest rate swaps to achieve the desired interest rate maturity structure. Interest rate swaps are a cost-efficient and flexible way to achieve the desired fixed interest term.

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

Currency exposure

Castellum owns properties in Denmark and Finland with a value of MSEK 7,335 (7,247), 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.

CREDIT MATURITY STRUCTURE, 30 JUNE 2020

Credit agreements	MSEK	Utilised in			Share, %
		Bank	MTN/Commercial paper	Total	
0-1 year	8,936	2,376	6,125	8,501	20%
1-2 years	9,245	4,298	3,897	8,195	20%
2-3 years	8,819	3,101	4,048	7,149	17%
3-4 years	15,798	11	6,986	6,997	17%
4-5 years	2,057	11	2,046	5,057	5%
>5 years	8,735	2,198	6,537	8,735	21%
Total	53,590	11,995	29,639	41,634	100%

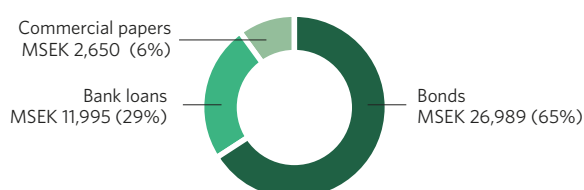
INTEREST RATE MATURITY, 30 JUNE 2020

Maturity date	MSEK **	Share, %	Average interest rate, %*	Average fixed interest rate term
0-1 year	17,231	41%	2.11%	0.3
1-2 years	3,699	9%	0.75%	1.3
2-3 years	2,999	7%	1.08%	2.5
3-4 years	5,321	13%	2.27%	3.4
4-5 years	1,349	3%	1.81%	4.6
5-10 years	11,035	27%	1.77%	8.0
Total	41,634	100%	1.83%	3.11

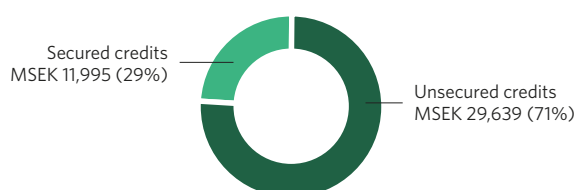
* Including credit-agreement fees and exchange rate differences for MTNs

** Calculated on the net volume of interest-bearing liabilities and derivatives

DISTRIBUTION OF INTEREST-BEARING LIABILITIES, 30 JUNE 2020



SECURED CREDIT FACILITIES, 30 JUNE 2020



NOTE 11 Interest rate and currency derivatives

Castellum utilises interest rate swaps to achieve the desired interest rate maturity structure. In accordance with the IFRS 9 accounting standard, derivatives are subject to market valuation. If the agreed interest rate deviates from the market interest rate, notwithstanding credit margins, a theoretical surplus or deficit value arises in the interest rate swaps, where changes in value not affecting the cash flow are recognised in profit or loss. 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 holds derivatives in order to hedge currency fluctuation in its investments in Denmark and Finland as well as to manage currency risk and adjust its interest rate structure in connection with borrowing in the international capital market. 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 comprehensive income.

To calculate the market value of derivatives, market rates for each term and, where appropriate, exchange rates as quoted in 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 30 June 2020, the market value of the interest rate swap portfolio amounted to MSEK -801 (-592) and the currency derivative portfolio to MSEK -62 (-123). All derivatives are, as for the previous year, classified at level 2 according to IFRS 13.

CASTELLUM'S FINANCIAL POLICY AND COMMITMENTS IN CREDIT AGREEMENTS

	Policy	Commitment	Outcome
Loan-to-value ratio	Not exceeding 50%	Not exceeding 65%	43%
Interest coverage ratio	At least 200%	At least 150%	529%
The share of secured borrowing/total assets		Not exceeding 45%	12%
Funding risk			
- average debt maturity	At least 2 years		3.6 yrs
- proportion maturing within 1 year	No more than 30% of loans outstanding and unutilised credit agreements		12%
- average credit price tenor	At least 1.5 years		2.9 yrs
- liquidity reserve	Secured credit agreements corresponding to MSEK 750 and 4.5 months upcoming loan maturities		Achieved
Interest rate risk			
- average interest duration	1.5-3.5 years		3.1 yrs
- proportion maturing within 6 months	No more than 50%		32%
Credit and counterparty risk			
- rating restriction	Credit institutions with high ratings, at least S&P BBB+		Achieved
Currency risk			
- translation exposure	Net investments are hedged		Achieved
- transaction exposure	Handled if exceeding MSEK 25		Achieved

Condensed Consolidated Cash Flow Statement

MSEK	2020 Apr-June	2019 Apr-June	2020 Jan-June	2019 Jan-June	Rolling 12 months Jul 19-June 20	2019 Jan-Dec
Net operating income	1,132	1,067	2,170	2,044	4,239	4,113
Central administrative expenses	-38	-42	-75	-90	-148	-163
Reversed depreciation	7	20	30	29	65	64
Net interest paid	-190	-206	-325	-363	-723	-761
Tax paid	-6	58	-5	-74	-92	-161
Translation difference of currencies	-104	25	-38	59	-52	45
Cash flow from operating activities before change in working capital	801	922	1,757	1,605	3,289	3,137
Change in current receivables	110	93	-165	-157	-173	-165
Change in current liabilities	-116	-471	-55	-190	699	564
Cash flow from operating activities	795	544	1,537	1,258	3,815	3,536
Investments in new construction, extensions and reconstructions	-637	-696	-1,205	-1,473	-2,494	-2,762
Property acquisitions	-217	-252	-292	-2,770	-872	-3,350
Change in liabilities at acquisitions of property	-4	127	-147	133	-7	273
Sales of properties	119	36	119	4,057	200	4,138
Change in receivables at sales of properties	12	622	-11	125	25	161
Other investments	9	-22	-17	-274	-168	-425
Cash flow from investment activities	-718	-185	-1,553	-202	-3,316	-1,965
Change in long term interest-bearing liabilities	-1,035	-113	947	-77	1,574	540
Change in other long term liabilities	—	—	—	—	-307	-307
Change in long term receivables	12	-24	12	-16	36	8
Swap termination	—	-215	—	-215	—	-215
Repurchase of own shares	-28	—	-28	—	-28	—
Dividend paid	—	—	-888	-834	-1,731	-1,667
Cash flow from financing activities	-1,051	-352	43	-1,142	-456	-1,641
Cash flow for the period/year	-974	7	27	-86	43	-70
Cash and cash equivalents opening balance	1,174	150	173	243	157	243
Cash and cash equivalents closing balance	200	157	200	157	200	173

Parent Company

Condensed Income statement

MSEK	2020 Apr-June	2019 Apr-June	2020 Jan-June	2019 Jan-June
Income	25	20	50	40
Costs	-56	-49	-112	-107
Net financing costs	-22	10	0	19
Change in values on derivatives	56	-199	-219	-345
Income before tax	3	-218	-281	-393
Tax	7	6	13	13
Net income for the period/year	10	-212	-268	-380
Comprehensive income for the Parent Company				
Net income for the period	10	-212	-268	-380
Items that will be reclassified into net income				
Translation difference of currencies	-156	27	18	67
Unrealised change, currency hedge	156	-26	-65	-50
Comprehensive income for the period/year	10	-211	-315	-363

Condensed Balance sheet

MSEK	30 June 2020	30 June 2019	31 Dec 2019
Participations, Group companies	20,159	19,907	20,147
Receivables, Group companies	40,956	38,092	28,777
Other assets	112	114	11,048
Cash and cash equivalents	58	50	54
Total	61,285	58,163	60,026
Equity	15,556	15,788	17,676
Derivatives	863	701	715
Interest-bearing liabilities	39,067	37,541	38,065
Interest-bearing liabilities, Group companies	4,564	3,087	3,346
Other liabilities	1,235	1,046	224
Total	61,285	58,163	60,026
Pledged assets (receivables, Group contributions)	16,558	17,349	17,343
Contingent liability (guaranteed commitments for subsidiaries)	2,201	2,552	2,538

Opportunities and risks

Opportunities and risks in the cash flow

Risk and uncertainty factors regarding cash flow from ongoing operations is mainly attributable to changes in rental levels, vacancy rates and interest rates. The sensitivity analysis below shows how much a one-percentage-point change affects cash flow.

SENSITIVITY ANALYSIS – CASH FLOW Effect on income, next 12 months

	Effect on income, MSEK ±1% (points)	Probable scenario	
		Boom	Recession
Rental level/index	+59/-59	+	-
Vacancies	+64/-64	+	-
Property costs	-15/+15	-	0
Interest cost*	-129/109	0	-

*The asymmetry is due to the fact that at present, Castellum deems the opportunities for fully including negative market rates to be limited.

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 in the assumptions and calculations made.

SENSITIVITY ANALYSIS – CHANGE IN VALUE

	-20%	-10%	0%	+10%	+20%
Properties					
Change in value, MSEK	-19,402	-9,701	—	9,701	19,402
Loan-to-value ratio	54%	48%	43%	39%	36%

Financial risk

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

Sustainability

With sustainability risks Castellum refers to risks that are directly or indirectly connected with environmental risks, climate changes, code of conduct and responsibility risks. For more detailed information about the above and other risks and uncertainties, visit Castellum's website or see Castellum's 2019 Annual Report, "Risk and risk management" on pages 110-121.

Corona pandemic

COVID-19 has impacted people and society as well as accelerated the transformation of, inter alia, behaviour and technical development – what were previously considered trends have become a reality. No one is unaffected. We are, however, impacted in different ways and to different degrees. The majority of the most exposed sectors are within the service sector, such as hotels, travel, restaurants, cafés and retail, which are the sectors from which Castellum has received enquiries as to liquidity relief. Here, Castellum is finalising individual agreements where the transition from quarterly to monthly payments has undoubtedly been the most common solution followed by the government's rent support. The latter starts with the property owner and allows them to offer a rent discount of up to 50% in the second quarter, and thereafter the property owner applies for compensation from the state for half of the 50%. The final outcome entails the customer paying 50% of the rent for the second quarter, the property owner giving a 25% discount and the government paying 25%.

At the time of writing, agreements to swap from quarterly to monthly payments have been agreed for quarterly rents corresponding to about MSEK 110. Moreover, MSEK 14 in discounts linked to the state support have been given, where Castellum defrays 50%, meaning that MSEK 7 has been charged to second quarter earnings.

Castellum's largest customer segment comprises government authorities and agencies, around 23% of total revenue, which is a stable and secure customer group with a long duration in our portfolio. It is also a customer group that is less dependent on the business cycle or crises, and which continues to have a need for expansion, which is confirmed, not least, by the projects announced by Castellum in the second quarter.

The billing for the second quarter has been paid by 99%, and Castellum's assessment is that the third quarter will follow the same payment patterns and share, indicating a strong and stable cash flow and a good customer base.

Property projects

Castellum's projects are progressing as planned and a number of large projects started during the quarter for the National Courts Administration and the Swedish Police. A few reports of obstacles have been received, but these are more of a general character and currently involve no tangible delays.

Transactions and property value

Sentiment among investors in the Swedish property market declined sharply on the outbreak of the coronavirus crisis, whereafter a slight improvement was discernible. COVID-19 has had a notable impact on society in various ways, where the service sector incl. some retail has had a tough time, while warehouse/logistics have fared well due, among other things, to changed consumption patterns in the form of increased e-commerce. Moreover, offices are on "standby," where flexible workplaces (work where you want to – when you want to) advocate reducing office space, the desire to reduce travel and commuting speaks for potential changes office locations, while increased distance in the office, own desk, etc. indicates unchanged or increased demand for space. The ultimate result, however, remains to be seen. However, it is clear that long and secure cash flows with state and government agencies as customers are more highly appreciated in these times. On short term, the real property assets are even more polarised than before.

Castellum's portfolio noted a small value increase, mainly driven by project gains and somewhat stronger cash flow. Impairment has been recognised, mainly within retail, which was driven by higher yield requirements and lower cash flow. At portfolio level however, the yield remained unchanged.

Financing

Castellum has strong financial muscles, with unutilised credit facilities and cash and cash equivalents totalling approximately SEK 12 billion, which will easily cover all maturities in 2020 and well into 2021 while there is space to meet the needs of operations. Castellum's credit maturity structure for the remainder of 2020 consists of MSEK 2,650 in commercial paper and MSEK 1,225 in bonds. Castellum aims to refinance maturing commercial paper and bonds with new issues, if the market allows it, but the company also has the possibility of replacing maturing debt by utilising existing unutilised bank credit facilities.

Strength

With a strong balance sheet, financial resources in place and a dedicated organisation that is able to act, Castellum is in a strong starting position for managing this crisis.

Financial Key Metrics

A number of the financial metrics presented by Castellum in the interim report are not defined in accordance with IFRS. However, the company believes that these measures provide useful supplementary information to both investors and Castellum management, as they facilitate evaluation of company performance. It is to be noted that, since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies. Hence, these financial measures should not be seen as a substitute for measures defined according to IFRS. Unless otherwise stated, the table below presents measures, along with their reconciliation, which are not defined according to IFRS. Definitions for these measures appear on page 28.

	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Rolling 12 months Jul 19-Jun 20	Jan-Dec 2019
Average number of shares, thousand (related to financial key metrics)	273,113	273,201	273,157	273,201	273,179	273,201
Number of shares outstanding, thousand (related to balance sheet key metrics)	273,031	273,201	273,031	273,201	273,031	273,201

Income from property management

Castellum's operations are focused on cash flow growth from ongoing management operations – i.e. growth in income 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 income from property management. Income from property management is calculated before tax paid, as well as after the theoretical tax that Castellum would have paid on income from property management had there been no loss carry forwards.

	Apr-Jun 2020		Apr-Jun 2019		Jan-Jun 2020		Jan-Jun 2019		Rolling 12 months Apr 19-Mar 20		Jan-Dec 2019	
	MSEK	SEK/ share	MSEK	SEK/ share	MSEK	SEK/ share	MSEK	SEK/ share	MSEK	SEK/ share	MSEK	SEK/ share
Income before tax	1,268	4.64	1,825	6.68	1,898	6.95	2,940	10.76	5,723	20.95	6,765	24.76
Reversed:												
Acquisition costs	—	—	9	0.03	—	—	9	0.03	—	—	9	0.03
Goodwill, impairment	—	—	—	—	—	—	179	0.66	—	—	179	0.66
Change in values on properties	-415	-1.52	-1,193	-4.37	-418	-1.53	-1,882	-6.89	-2,454	-8.98	-3,918	-14.34
Change in values on derivatives	42	0.16	176	0.65	209	0.76	297	1.09	23	0.08	111	0.41
= Income from property management	895	3.28	817	2.99	1,689	6.18	1,543	5.65	3,292	12.05	3,146	11.52
EPRA Earnings (Income from property management after tax)												
Income from property management	895	3.25	817	2.99	1,689	6.18	1,543	5.65	3,292	12.05	3,146	11.52
Reversed: Current tax, income from property management	-95	-0.32	-103	-0.38	-165	-0.60	-187	-0.69	-271	-0.99	-293	-1.08
EPRA Earnings/EPRA EPS	800	2.93	714	2.61	1,524	5.58	1,356	4.96	3,021	11.06	2,853	10.44

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 in different ways, where mainly time and turnover in the property portfolio impact on the value. Long-term net reinstatement value (EPRA NRV) 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 items as goodwill, derivatives and deferred tax liability. Net tangible assets (EPRA NTA) is the same as EPRA NRV but with the difference that goodwill that is not attributed to deferred taxes is not seen as an asset. Furthermore, the deferred tax should be based on market value according to how the company has completed property transactions in recent years. Net disposal value (EPRA NDV) is equal to equity according to the balance sheet but with adjustment for goodwill.

	30 Jun 2020		30 Jun 2019		31 Dec 2019	
	MSEK	SEK/share	MSEK	SEK/share	MSEK	SEK/share
Equity according to the balance sheet	43,469	159	40,727	149	43,777	160
Reversed:						
Declared, undistributed dividend	888	3	833	3		
Derivatives according to the balance sheet	863	3	701	3	715	3
Goodwill attributable to deferred tax	-1,480	-5	-1,490	-5	-1,480	-5
Deferred tax according to the balance sheet	10,493	39	9,433	34	10,153	37
Net reinstatement value (EPRA NRV)	54,233	199	50,204	184	53,165	195
Deduction:						
Goodwill due to acquisition of United Spaces	-190	-1	-201	-1	-211	-1
Estimated real liability, deferred tax, 4%*	-2,090	-8	-1,717	-6	-1,925	-7
Net tangible assets (EPRA NTA)	51,953	190	48,286	177	51,029	187
Reversed:						
Derivatives according to above	-863	-3	-701	-3	-715	-3
Deferred tax	-8,403	-31	-7,716	-28	-8,228	-30
Net disposal value (EPRA NDV)	42,687	156	39,869	146	42,086	154

* 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 realised in one year with a nominal tax of 21.4%, and that the properties are realised in 50 years and where the entire portfolio is sold indirectly in corporate wrappers where the buyers tax discount is 7%.

Cont. Financial Key Metrics

Financial risk

Castellum's strategy is to own, develop and manage properties at low financial risk. This is expressed in a loan-to-value ratio not permanently exceeding 50% and an interest coverage ratio of at least 200%. Furthermore, net debt to EBITDA that expresses how many years it takes for a company to repay its interest-bearing debt, is an important financial risk metric.

	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Rolling 12 months Jul 19-Jun 20	Jan-Dec 2019
Interest coverage ratio						
Income from property management	895	817	1,689	1,543	3,292	3,146
Reversed:						
Net interest	194	202	394	401	775	782
Income from property management excl. net interest	1,089	1,019	2,083	1,944	4,067	3,928
Interest coverage ratio	561%	504%	529%	485%	525%	502%
Loan-to-value ratio				30 Jun 2020	30 Jun 2019	31 Dec 2019
Interest-bearing liabilities				41,834	40,242	40,826
Cash and cash equivalents				-200	-157	-173
Net interest-bearing liabilities				41,634	40,085	40,653
Investment properties				97,012	91,427	95,168
Acquired properties not taken into possession				157	-164	-304
Divested properties still in Castellum's possession				-14	39	3
Net investment properties				97,155	91,302	94,867
Loan-to-value ratio				43%	44%	43%
Net debt to EBITDA				30 Jun 2020	30 Jun 2019	31 Dec 2019
Interest-bearing liabilities				41,834	40,242	40,826
Cash and cash equivalents				-200	-157	-173
Net interest-bearing liabilities				41,634	40,085	40,653
Net operating income				2,170	2,044	4,113
Central administration expenses				-75	-90	-163
Operating income				2,095	1,954	3,950
Net debt to EBITDA				9.9	10.3	10.3

Investment

In order to achieve the overall target 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.

	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Rolling 12 months Jul 19-Jun 20	Jan-Dec 2019
Net investments						
Acquisitions	217	252	292	2,770	872	3,350
New construction, extensions and reconstructions	637	696	1,205	1,473	2,494	2,762
Total investments	854	948	1,497	4,243	3,366	6,112
Net sales prices	-119	-36	-119	-4,057	-200	-4,138
Net investments	735	912	1,378	186	3,166	1,974
Proportion of the property value, %	1%	1%	1%	0%	3%	2%

Other Financial Key Metrics

	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Rolling 12 months Jul 19-Jun 20	Jan-Dec 2019
Surplus ratio	76%	76%	74%	72%	73%	72%
Interest rate level, on average	1.9%	2.1%	2.0%	2.1%	2.0%	2.0%
Net debt to EBITDA	9.9	10.3	9.9	10.3	9.9	10.3
Return on EPRA NRV	17.6%	13.9%	7.4%	12.7%	9.9%	12.6%
Return on total capital	5.9%	9.4%	9.9%	8.3%	6.6%	8.4%
Return on equity	9.9%	12.6%	7.2%	13.3%	11.6%	14.5%
Property value, SEK/share	355	335	355	335	355	348
Gross lettings	170	83	355	170	596	411
Net lettings	101	11	200	4	172	-24

Accounting policies

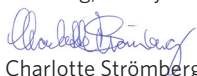
Castellum complies with the IFRS standards adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act. Disclosures in accordance with IAS 34 Interim Financial Reporting are provided in notes and elsewhere in the interim report.

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

Signing of the Report

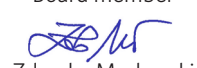
The Board of Directors and the CEO give their assurance that the half-year report provides a true and fair view of the Parent Company's and Group's operations, financial position and results and as well as the significant risks and uncertainties facing the Parent Company and companies within the Group.

Gothenburg, 15 July 2020


Charlotte Strömberg
Chairman of the Board


Anna-Karin Hatt
Board member

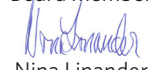

Christina Karlsson Kazeem
Board member

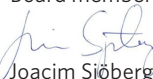

Zdravko Markovski
Board member


Henrik Saxborn
Chief Executive Officer


Per Berggren
Board member


Christer Jacobson
Board member


Nina Linander
Board member


Joacim Sjöberg
Board member

This information is information that Castellum is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8:00 a.m. CEST on Wednesday, 15 July 2020.

Events after balance sheet date

No significant events occurred after the balance sheet date.

Review report

Independent Auditor's Report on the review of half-year financial information

To the Board of Directors of Castellum AB (publ)
Corp. ID. No. 556475-5550

Introduction

We have reviewed the half-year report for Castellum AB (publ) for the period 1 January–30 June 2020. The Board of Directors and the CEO 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 interim report based on our review.

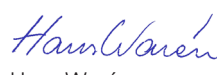
Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for preparing 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 has not, in all material respects, been 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, 15 July 2020
Deloitte AB


Hans Warén
Authorised Public Accountant

The Castellum share

The Castellum share is listed on Nasdaq Stockholm Large Cap. At the end of the period the company had approximately 74,000 shareholders. The ten individual largest owner constellations confirmed as of 30 June 2020 are presented in the table below.

SHAREHOLDERS 30 JUNE 2020		
Shareholders	Number of shares, thousand	Percentage of voting rights and capital
Rutger Arnhult	36,318	13,3%
APG Asset Management	16,914	6,2%
BlackRock	13,681	5,0%
Länsförsäkringar Fonder	9,288	3,4%
Vanguard	9,224	3,4%
Szombatfalvy-sfären	7,861	2,9%
AMF Försäkring & Fonder	6,857	2,5%
Norges Bank	6,472	2,4%
Lannebo Fonder	6,115	2,2%
SHB Fonder & Liv	5,840	2,1%
Board and Executive Management Castellum	182	0,1%
Other shareholders registered in Sweden	63,621	23,3%
Shareholders registered abroad	90,658	33,2%
Total shares outstanding	273,031	100,0%
Repurchase of own shares	170	
Total shares registered	273,201	100,0%

There is no potential common stock (e.g. convertibles).

Source: Holdings by Modular Finance AB. Collected and analysed data from Euroclear, Morningstar, Finansinspektionen, Nasdaq and Millistream.

Acquisitions and transfers of own shares

The 2020 AGM gave a mandate to the Board up until the next AGM to acquire and transfer shares. The acquisition may include no more than the number of shares that corresponds at any time to 10% of the total number of shares outstanding. In May 2020, 170,203 shares were repurchased at an average price of SEK 165.12. On 30 June 2020, the company's holding of treasury shares amounted to 170,113 shares corresponding to 0.06% of the number of shares registered.

Share price and share turnover

The Castellum share price as of 30 June 2020 was SEK 174.05 (177.55), equivalent to a market capitalisation of SEK 47.6 billion (48.5), calculated on the number of shares outstanding.

During the period, a total of 172 million (138) shares were traded, equivalent to an average of 1,395,000 shares (1,134,000) per day, corresponding on an annual basis to a turnover rate of 128% (104). The share turnover is based on statistics from Nasdaq Stockholm, Cboe CXE EU, Turquoise and Cboe BXE EU.

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.

The long-term net reinstatement value (EPRA NRV) can

be calculated to SEK 199 per share (184). The share price at the end of the year was thus 88% (95) of EPRA NRV.

Earnings

Income from property management adjusted for tax attributable to income from property management (EPRA EPS) amounted to SEK 11.06 (9.81) on a rolling annual basis. This results in a share price return of 6.3% (5.6) corresponding to a multiple of 16 (18). Income from property management must be adjusted for value growth in the long-term property portfolio and effective tax paid.

Earnings per share after tax amounted on rolling annual basis to SEK 16.83 per share (27.87), which from the share price gives a yield of 9.6% (15.9), corresponding to P/E ratio of 10 (9).

Dividend yield

The recent AGM approved a dividend of SEK 6.50 (6.10) corresponding to a dividend yield of 3.7% (3.3) based on the share price at the end of the period. Of the dividend, SEK 3.25 was distributed in March and the remainder will be disbursed in September.

Total share yield

During the last 12-month period the total return on the Castellum share was 1.7% (26.5), including the dividend.

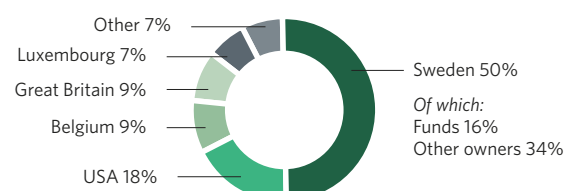
Net asset yield including long-term change in value

In companies managing real assets, such as property, 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 change in value. In order to provide an accurate figure of the yield, the numerator – i.e., income – must be similarly adjusted. Therefore, the recorded income from property management has to be supplemented with a component of value changes as well as with effective tax to provide an accurate view of income and yield.

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

DISTRIBUTION OF SHAREHOLDERS BY COUNTRY 30 JUN 2020



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

	Sensitivity analysis		
		-1% (point)	+1% (point)
Income from prop. mgmt rolling 12 months	3,292	3,292	3,292
Change in values on properties (on average 10 years)	3.2%	2.2%	4.2%
NOI MSEK	2,926	2,011	3,840
Current tax, 10%	-315	-315	-315
Earnings after tax	5,903	4,988	6,817
Earnings, SEK/share	21.62	18.27	24.97
Return on EPRA NRV	11.8%	9.9%	13.6%
Earnings/share price	12.4%	10.5%	14.3%
P/E ratio	8	10	7

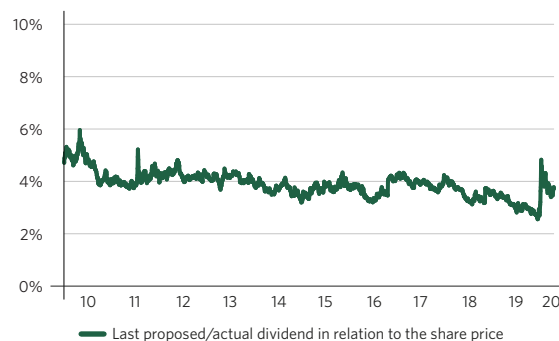
EPRA KEY RATIOS

	30 Jun 2020	30 Jun 2019	31 Dec 2019
EPRA Earnings (Income from property mgmt after tax paid), MSEK	1,524	1,356	2,853
EPRA Earnings (EPS), SEK/share	5.58	4.96	10.44
EPRA NRV, MSEK	54,233	50,204	53,165
EPRA NRV, SEK/share	199	184	195
EPRA NTA, MSEK	51,953	48,826	51,029
EPRA NTA, SEK/share	190	177	187
EPRA NDV, MSEK	42,687	39,869	42,086
EPRA NDV, SEK/share	156	146	154
EPRA Vacancy rate	6%	6%	6%
EPRA Cost ratio incl. costs for vacancy	24%	27%	26%
EPRA Cost ratio excl. costs for vacancy	22%	25%	24%
EPRA Return	5.0	5.0%	5.0%
EPRA "Topped-up" Yield	5.1	5.1%	5.2%

GROWTH, YIELD AND FINANCIAL RISK

	1 year	3 years average/ year	10 years average/ year
Growth			
Rental income SEK/share	2%	3%	4%
Income from property management, SEK/share	7%	10%	7%
Net income for the year after tax SEK/share	neg.	neg.	14%
Dividend SEK/share	7%	9%	8%
EPRA NRV SEK/share	8%	13%	11%
Property portfolio SEK/share	6%	8%	8%
Change in values on properties	2.6%	4.8%	3.2%
Return			
Return on EPRA NRV	9.9%	16.6%	14.8%
Return on equity	11.6%	19.1%	16.9%
Return on total capital	6.6%	10.0%	8.4%
Total return on the share (incl. dividend)			
Castellum	1.7%	16.2%	15.1%
Nasdaq Stockholm (SIX Return)	7.2%	6.9%	11.2%
Real Estate Index Sweden (EPRA)	-1.1%	14.8%	17.4%
Real Estate Index Europe (EPRA)	-6.4%	0.5%	9.1%
Real Estate Index Eurozone (EPRA)	-7.3%	-0.2%	8.8%
Real Estate Index Great Britain (EPRA)	-9.1%	-2.3%	8.0%
Financial risk			
Loan-to-value ratio	43%	45%	49%
Interest coverage ratio	525%	448%	364%

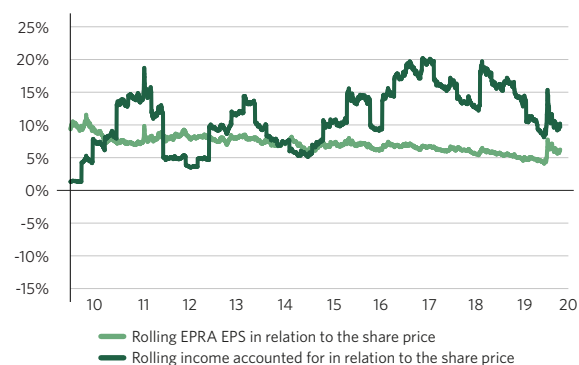
THE SHARE'S DIVIDEND YIELD



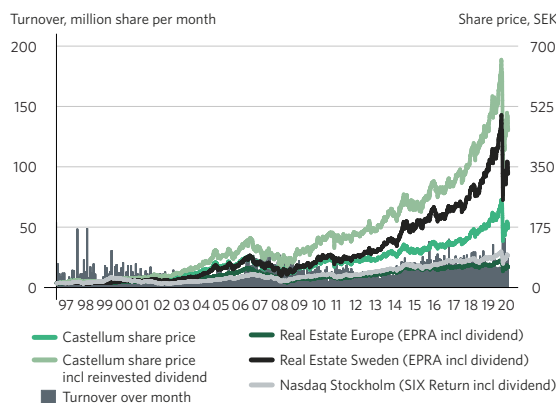
SHARE PRICE/NET ASSET VALUE



YIELD EARNINGS PER SHARE



THE CASTELLUM SHARE'S PRICE TREND AND TURNOVER SINCE THE IPO, 23 MAY 1997 UNTIL 30 JUNE 2020



Definitions

SHARE-RELATED KEY METRICS

Dividend yield

Dividend as a percentage of the share price at the end of the period.

Total return per share

Share price development with addition of the dividends during the period as if reinvested in shares on the day shares traded ex-dividend.

Number of shares

Registered number of shares – the number of shares registered at a given point in time. Number of shares outstanding – the number of shares registered with a deduction for the company's own repurchased shares at any given point in time. Average number of shares – the weighted average number of shares outstanding during a given period

Data per share

In calculating income and cash flow per share the average number of shares has been used, whereas in calculating assets, equity and net asset value per share the number of shares outstanding has been used.

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. Taxable income from property management means income from property management less deductions for tax purposes of depreciation and reconstruction.

EPRA NRV – Net Reinstatement Value

Equity as recognised in the balance sheet, adjusted for interest rate swaps, goodwill relating to deferred tax, and deferred tax in its entirety.

EPRA NTA – Net Tangible Assets

Equity as recognised in the balance sheet following add-back of derivatives and goodwill, adjusted for actual deferred tax instead of nominal deferred tax.

EPRA NDV – Net Disposal Value

Equity as recognised in the balance sheet, adjusted for goodwill that does not constitute deferred tax.

Dividend payout ratio

Dividend as a percentage of income from property management.

PROPERTY-RELATED KEY METRICS

Economic occupancy rate

Rental income (excluding discounts) 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.

Property type

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

Property costs

This item includes both direct property costs, such as operating expenses, maintenance, site leasehold fees and property tax, as well as indirect costs for letting and property administration.

Income from property management

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

Rental income

Rents (excluding discounts) debited plus supplements such as reimbursement of heating costs and property tax.

Rental value

Rental income plus estimated market rent for vacant premises.

SEK per square metre

Property-related key metrics, 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 metrics have been recalculated on an annual basis, disregarding seasonal variations normally occurring in operations.

Surplus ratio

Net operating income as a percentage of rental income.

FINANCIAL KEY METRICS

Return on EPRA NRV

Net income after tax with reversed change in values on derivatives and deferred tax as a percentage of initial EPRA NRV. In the interim accounts the return has been recalculated on an annual basis, disregarding seasonal variations normally occurring in operations.

Return on equity

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

Return on total capital

Income before tax with reversed net financing costs and changes in values 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.

Loan-to-value ratio

Interest-bearing liabilities after deduction for cash and cash equivalents 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.

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 costs.

Net debt to EBITDA

Interest-bearing liabilities after deduction for cash and cash equivalents in relation to net operating income less central administrative expenses.

About Castellum

Castellum is one of the largest listed property companies in Sweden with a property value of SEK 97 billion. We are located in 17 growth regions in Sweden, as well as Copenhagen and Helsinki. 250,000 people go to work every day in our properties. We develop flexible workplaces and smart logistics solutions with a lettable area of 4.3 million square metres. One of our sustainability goals is to become entirely climate neutral by 2030. Castellum is the only Nordic property and construction company elected to the Dow Jones Sustainability Index (DJSI). The Castellum share is listed on Nasdaq Stockholm Large Cap.

Beyond expectations.
www.castellum.se

Financial calendar

Interim report January–September 2020
Year-end report 2020

15 October 2020
22 January 2021

www.castellum.se

Visit Castellum's website to download and/or subscribe to Castellum's press releases and financial reports. For further information please contact Henrik Saxborn, CEO of Castellum AB, phone +46 31 60 74 50 or Ulrika Danielsson, CFO of Castellum AB, phone +46 706 47 12 61.



CASTELLUM

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