

Proposal of the board of directors of Castellum AB (publ) in respect of renewal of the incentive program to members of the executive management

The board of directors of Castellum AB (publ) proposes that the annual general meeting to be held on March 21, 2013 resolves to renew the incentive program for members of the executive management in accordance with the following key considerations. The proposal is a renewal of the incentive program which has been applied by Castellum during several three-year periods. An overall objective of the operations of Castellum is to create a sound development of shareholder value over time. The operations of the Castellum group is focused on cash-flow growth, i.e. income from property management per share, to limited operational risk. This intends to increase value within the group at low financial risk, and at the same time offer a competitive share dividend to the shareholders. Accordingly, the board of directors of Castellum regards that it is essential that the group offers a remuneration structure and the terms of employment required to recruit and maintain a competent group executive management with capacity and incentive to achieve established objectives, at costs adapted to the group. The structure of the incentive program is based on the objective to align the interests of the group executive management with the interests of the shareholders by way of the group executive management also being shareholders of Castellum and by increasing the share of the total remuneration which is connected to the development of the group.

Below is a description of the essential terms of the proposed incentive program.

The included members of the executive management and the main structure

The incentive program applies to the group executive management, which at the time of this proposal includes the managing director, deputy managing director, finance director and financial director in Castellum, and the managing directors of Castellum's subsidiaries.

The incentive program is made up of two parts, one part which is based on each year's profit and one part which is based on the total return on the Castellum share over a three-year period.

The annual profit based remuneration

The annual profit based remuneration is based on growth in income from property management per share (i.e. cash flow based growth) and on an overall determination of the development of certain soft factors, for instance concerning customer and personnel satisfaction and other parameters which the board of directors, after consulting the managing director of Castellum AB (publ), decides to give priority to under the current financial year. In order to receive full variable remuneration linked to the income from property management a 10% annual growth of the income from property management is required. In the event of growth in the interval 0–10%, a linear calculation is performed in respect of the outcome and the remuneration to be paid. Possible remuneration is paid annually as salary after the closing of accounts.

The three-year share price based remuneration

The three-year share price based remuneration is based on the total return on the Castellum share in total numbers during the three-year period, as well as the total return on the Castellum-share in comparison to real estate share indexes in Sweden, Great Britain and the Eurozone during the period of measurement. In order to receive full variable remuneration in accordance with the three-year program, the total return must amount to at least 50% during the relevant period, and the total return must further exceed the development of the indexes, respectively, with at least 5 percentage units during the relevant period. In the event of an outcome in the interval 0–50% and 0–5 percentage units, respectively, a linear calculation is performed in respect of the outcome and the remuneration to be paid. Possible remuneration is paid annually as salary after the end of the three-year period of measurement.

General regulations

The variable remuneration shall, in respect of the yearly result-based program, be based on the annual salary that the member of the executive management in question had in the month of July the current financial year starting in July 2014. In respect of the three-year share price based remuneration program, the variable remuneration is based on an average of the annual salaries that the member of the executive management in question had in the month of July 2014, 2015 and 2016. A member of the executive management that receives variable remuneration shall, in respect of an amount corresponding to at least half the received remuneration after deduction for tax, purchase Castellum shares. The variable remuneration is not a pension qualifying income.

The board of directors is entitled to re-allocate the maximum amount of the variable remuneration, which may be paid out in accordance with the parameters set out above, between the different parameters. If one or more of the conditions in respect of variable remuneration are not complied with, the board of directors has yet, under certain circumstances, the discretion to resolve to award remuneration.

The term of the incentive program

In respect of the annual profit based bonus, the incentive program shall be applicable for the financial years 2014, 2015 and 2016, and, in respect of the three-year share price based remuneration, for the period June 2014 - May 2017.

Cap of the remuneration

The wording of the incentive program implies that the variable remuneration cannot exceed three extra annual salaries during the relevant three-year period. Based on the current annual salaries of the present group of participants, the cost for the annual profit based program may amount to a maximum of SEK 10 million a year (social services charges included) and for the three-year share price based program, to a maximum of SEK 31 million for the entire three-year period (social services charges included).

Gothenburg, January 22, 2013
CASTELLUM AB (publ)
The board of directors