Castrum

Annual Report 1999

1999 in brief

February 4, 1999: Castrum raises its property assets by FIM 700 million

February 4, 1999: Castrum agrees on a long-term FIM 700 million debt financing programme

February 4, 1999: Castrum sells properties worth FIM 80 million outside its core business areas

March 9, 1999: the Annual General Meeting decides to lower the nominal value of the Castrum share from FIM 10 to FIM 8

May 28, 1999: Castrum buys warehousing and logistics properties from Kesko worth FIM 247 million
Over the year, Castrum raises its share capital from FIM 138 million to FIM 615 million

Key indicators

	1999	1998	Change, %
Property assets, total FIM billion	1.45	0.6	142
Floor area, m², approx.	444 000	110 000	304
Turnover, MFIM, approx.	129	48	169
Equity ratio, %	45	21	114
Earnings per share, FIM	0.35	0.05	600
Investments, MFIM	984	44	2 136
Staff, average	14	12	17

Information for shareholders

Financial information

Interim report January 1–March 31, publication May 11, 2000
Interim report January 1–June 30, publication August 17, 2000
Interim report January 1–September 30, publication November 2, 2000

Annual and interim reports are also published in English.
Publications are available on our home page www.castrum.fi

Annual General Meeting

The Annual General Meeting of Castrum Oyj shareholders will be held at 4 p.m. on Thursday, March 23, 2000 in Ravintola Tekniska at Yrjönkatu 30, Helsinki, Finland.

Shareholders who wish to attend the meeting must so notify the company by 4 p.m. on March 22, 2000, either in writing to Castrum Oyj, Kalevankatu 30, 00100 Helsinki, Finland, by fax to +358 9 6226 7222, by phone to +358 9 6226 720 or by e-mail to eva.schalin@castrum.fi.

The invitation to the Annual General Meeting has been published in Helsingin Sanomat and Hufvudstadsbladet on March 7, 2000.

Growth and Active Customer Service
Chief Excecutive's Review

"The recorded performance of real estate investment companies in 1999 and their consequent dividend decisions are early demonstrations of the success that shareholders and other investors expect from the field."

In 1999, Castrum consistently implemented the new strategy adopted the previous year. Through real-estate transactions, it substantially strengthened its standing as the only Nordic real estate investment company specializing in ownership and leasing of warehouse and logistics properties and light industrial premises.

Castrum increased its real estate assets to around FIM 1.45 billion in 1999, increasing its holdings of properties suited to its business focus, which subsequently doubled by the end of the year. As Castrum paid half of the purchase price in its own shares, it simultaneously expanded its ownership base in line with the chosen goal. It also restructured its finances, generating a 45 per cent rise in its equity ratio over the year, well within the 40–50 per cent target set by the Board.

Occupancy of the new properties went very well. Going through dozens of properties and transferring and renewing well over two hundred lease contracts and several subcontracts meant that all those involved had to work long days for several months. I want to take this opportunity to express my warmest appreciation and thanks to the staff and Castrum's partners for the successful completion of this daunting task.

In 1998, many real estate companies changed their form, started operations or were listed on exchange; 1999, by contrast, was a time of rapid growth and development. Companies expanded and further focused their operations, and new companies as yet unlisted started up. Gradually, performance and dividend distribution capacity have been improved. The recorded performance of real estate investment companies in 1999 and their consequent dividend decisions are early demonstrations of the success that shareholders and other investors expect from the field. To increase investor interest, companies have also adopted a more active approach and begun to work together, not least to improve the transparency of the business.

Castrum has adopted the role of an active property owner, as its customers' interests demand. Its staff are responsible for property leasing and are thus in regular contact with tenants, ensuring that they learn more about their customers' business activities and changing needs. Thanks to its growing property portfolio, Castrum can better offer tenants new options that suit their changing situations. To generate more effective entities, the company is networking increasingly with other providers of logistical and storage services. The property transactions concluded in 1999 made Castrum an important purchaser of services on the home market, and thus also a desirable partner for subcontractors.

It is Castrum's goal to retain its standing as a major Finnish provider of services in line with its business focus. Its strategy calls for further expansion in response to the prevailing market situation. The company aims to raise total assets to FIM 2 billion by the end of 2000, and in later years according to how the property investment market develops. In the present market, Castrum will grow moderately by acquiring individual properties with a good yield that suit its business focus both in purpose and location.

In terms of performance, the past year was a satisfactory one for Castrum. The Board of Directors is proposing the distribution of dividend to shareholders for the first time in ten years. The company now owns properties that will generate income throughout the year, which was not the case all through 1999. The increased real estate assets have created a solid base on which to build up profits and dividend capacity in future years.

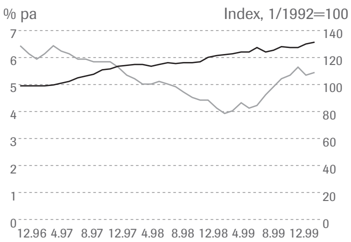
"Castrum has adopted the role of an active property owner, as its customers' interests demand."

"The Board of Directors is proposing the distribution of dividend to shareholders for the first time in ten years."

Ownership Increasingly Professionalized

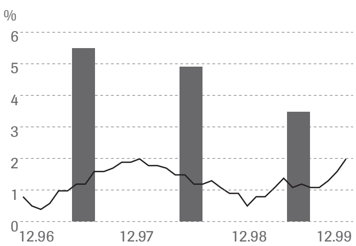
Operating Environment

Building quotation price index / Interest 10 years



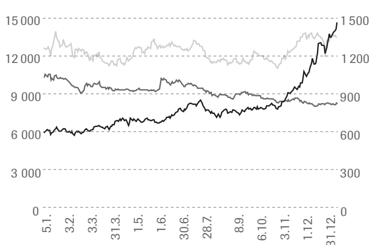
— 10-year interest. Source: Leonia Bank
— Building construction quotation price index. Source: Rapal

Change in GNP /Inflation



■ Volume change in GNP
— Change in consumer price index
Source: Leonia Bank

Share trading volume and average price



Source: HEX Oy
— HEX All Share Index
Investment —
Banking and financing —

The Finnish real estate market has experienced strong growth during the last few years. Along with this positive trend, the intense demand for space has raised rent levels, especially in large cities. The Finnish real estate market is still fairly undeveloped both in absolute terms and in terms of the size of the economy. So far, only 0.02 per cent of Finnish properties have been securitized. International developments in the sector, by contrast, can be seen in the United States and in Sweden. In Finland, securitization began again when new companies entered the real estate market. The capital market and the real estate market have started to get closer to each other.

The Finnish real estate market is in a phase of fast structural development. The old ownership tradition is gradually breaking down, especially in the premises market. Companies are seeking options for satisfying their space needs on the rental market. This development is dividing use of premises, ownership and services related to the use of premises into separate business functions. It is also creating a new market for suppliers of premises, the service companies engaged in the professional real estate business. Ownership will be increasingly professionalized. Castrum wants to make its own contribution to this development process.

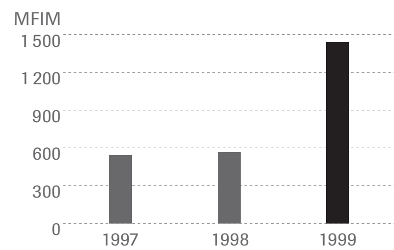
Change will continue to be rapid in the next few years, too. Real estate companies will have to grow. A rise in the sector’s market value to a level of EUR 5 billion would increase its credibility and importance, also making foreign investors more interested in Finnish real estate companies.

One of the worst obstacles to the development of the sector is its practically non-existent liquidity. As a result, the market value of real estate companies is 20-30 per cent below the net asset value. Real estate companies can contribute a more positive trend themselves by promoting the openness and transparency of their operations. Attracting more public attention through joint measures between real estate companies would also help.

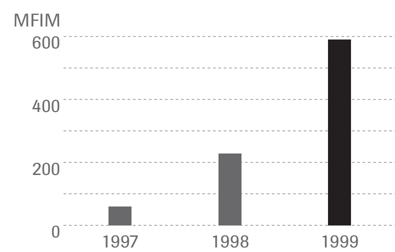
Real estate investment includes elements whose evaluation requires special know-how and local familiarity. Real estate companies are always local, whereas capital markets are national and increasingly international. Information that enables analysis and comparison of options is needed to support decision-making. Transparency is essential in defining the value and evaluating the risks of real estate companies.

Recovery from fhe Downswing
Castrum in Transition

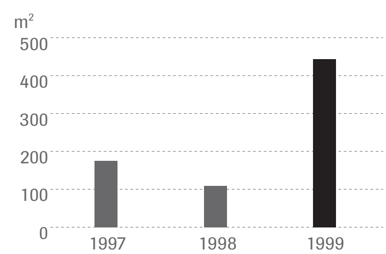
Property portfolio



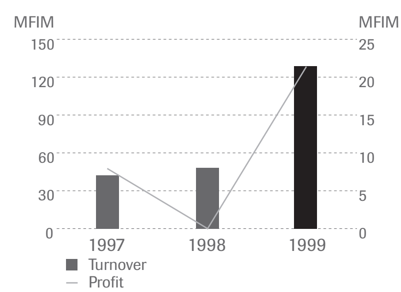
Leases



Floor area



Turnover and profit



1984–1987 The development company Oy Expaco Ab is founded on March 12, 1984. The company is listed on the OTC list in September 1984.

1988–1989 The company focuses its operations on real estate development and changes its name to Castrum Oy. On July 5, 1988, Castrum is transferred from the OTC list to the Main List. Share capital is increased by some FIM 130 million to FIM 360 million.

1990–1994 Considerable losses arise from real estate development operations.The company adjusts to the weak financial situation in Finland and secures its future operations with a long-term debt financing agreement. Share capital is lowered to FIM 130 million.

1995–1997 Rental income and occupancy rate both increase. In 1995, Company shareholders subscribe FIM 52 million in convertible bonds. Cash flow is stabilized and the company's value-added net worth moves into the black.

1998 Castrum continues to develop its operations in line with its new business idea. The new Chief Executive Officer, Hannu Parikka, starts work on May 9. Operations expanded in line with the new company strategy, beginning with negotiations with several parties on the purchase of new real estate.

1999 Property assets increase from FIM 0.6 billion to FIM 1.45 billion and shareholders' equity from FIM 121 million to FIM 711 million. The number of real estate properties increases from 20 to 68. Castrum agrees on a new FIM 829 million long-term debt financing programme.

2000 Castrum will continue to implement its strategy, aiming to increase its property assets to at least FIM 2 billion by the end of 2000 or later depending on how the property market develops. The company will distribute dividend for the first time since 1989.

Services through Networking
Castrum Today

Business idea
Castrum leases its properties and premises to satisfy its customers' needs for space. Through its network, the company offers services in the following areas:
- storage
- finishing of products
- light industry
- other services needed by customer companies
- services needed by their personnel

Castrum focuses on real estate situated in the Helsinki metropolitan area and in Tampere, Turku and other centres of growth and expertise for logistics in Finland, mainly situated close to main traffic arteries.

Objectives
Castrum aims to
- maintain net yield on properties at a competitive level
- maintain an equity ratio between 40 and 50 per cent
- follow a shareholder-friendly dividend policy of distributing 50 to 90 per cent of operating profit as dividends
- increase its real estate assets according to its focus

Castrum aims to maintain its position as the leading Nordic real estate investment company in its special field. The company regularly informs its shareholders and other partners about its operations and performance, and constantly monitors and promotes the transparency of its public relations.

Familiarity with customer businesses is the basis for good cooperation
Understanding customers' needs and businesses is one of the cornerstones of Castrum's operations. The company aims to provide the right customers with the right solutions, to ensure good long-term relationships. This also creates the potential for its customer companies' business development.

Castrum's own personnel are responsible for the leasing, sales, acquisitions and administration of all 62 properties and are in constant contact with customers. In addition, they see to the proper functioning of property care and maintenance and the purchase of contract services. Close relations with tenants facilitate communications and efficient feedback.

Castrum offers fast and flexible customer service by networking with an increasing circle of subcontractors and other partners.

Castrum outsources provision and monitoring of maintenance services to Tallberg Toimitilajohto Oy (in the Helsinki economic area), Kestra Oy (properties used by Kesko), Kai Miesmäki Oy (Tampere economic area) and Catella Property Consultants Oy (Oulu economic area). For each property, there is a specific technical manager in the management company and a commercial manager at Castrum.

Customer satisfaction
Continuous and regular customer feedback is crucial to the development of Castrum's operations. Castrum collects customer feedback, for example through an annual customer satisfaction survey.

Between June and August 1999, Castrum representatives personally visited 120 tenants to survey customer experiences and expectations concerning, for example, the smoothness of operations and the quality of contract services. The tenants interviewed represented about 90 per cent of all company's tenants at the time.

Castrum received a good overall rating; suggestions for improvements focused mainly on the cleaning of public spaces and reaction times to repair notifications. Service friendliness

Strategy

The Castrum strategy is to

- deepen its special skills
- increase its real estate assets close to main traffic arteries in Finnish growth centres
- broaden its ownership base

Castrum will continue to specialize and deepen its know-how by increasing its real estate assets within its business focus. The company aims to broaden its ownership base in order to increase the turnover and liquidity of its share on the stock market.

was rated highest. The survey results will be discussed with real estate managers to ensure as fast reactions as possible. Subcontractors such as cleaning companies and maintenance firms also receive feedback at once. Similarly, feedback is discussed at the tenant meetings arranged by Castrum twice a year.

Meetings with tenants twice a year

For every property, Castrum arranges meetings between the users and representatives of the lessor twice a year. Real estate managers and representatives of service providers also attend these meetings, which discuss any problems in the property, any adjustments or repairs needed and the future of the area and property.

Regular evaluation guarantees good condition

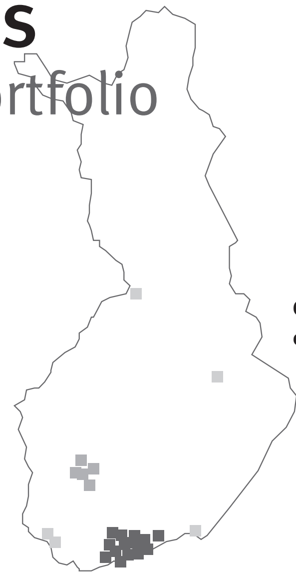
Castrum's know-how is reflected in the company's investments. Properties are maintained and adjusted by focusing the investments to meet customer needs vis-à-vis logistics. For many properties, Castrum has unused building rights, allowing customers to expand in their current locations. Investments focus on the adaptability and development potential of properties.

To intensify evaluation of its properties, Castrum has launched property surveys of its assets, and the resulting information transfers into its real estate management systems. The property surveys include an evaluation of the properties' condition, an energy survey and maintenance registers and conservation plans.

Using the evaluations of property condition, Castrum compiles a long-term renovation plan and an estimate of maintenance cash-flow for all its real estate assets; these then form the framework for its maintenance budget. Using the energy surveys, Castrum monitors maintenance expenses and is thus able to optimize them and set target levels.

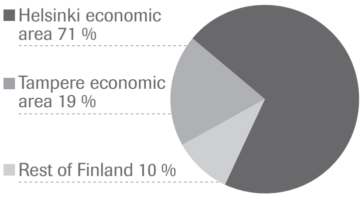
Maintenance registers compiled for all properties facilitate competitive tendering by maintenance service providers and help to monitor the quality of maintenance services.

Castrum's
Property Portfolio

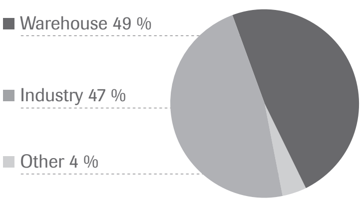


Geographically, Castrum divides its real estate properties into three areas:
- Helsinki economic area
- Tampere economic area
- Rest of Finland

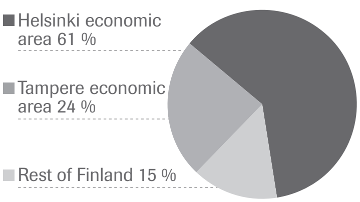
Properties by area
Total MFIM 1 442



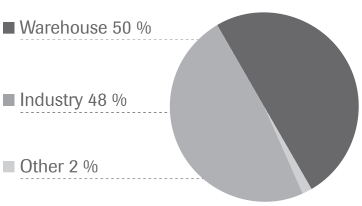
Properties by type of property



Floor area by area
Total 444 000 m²



Floor area by type of property



Castrum is the leading Nordic real estate investment company focusing on owning and leasing properties for logistics, warehousing and light industry.

Warehousing properties are easily accessible and are suitable for the importing, temporary storage and onward distribution of goods.

Logistics properties are suitable for upgrading and adding value to products – for instance by changing packaging sizes, providing extra accessories or fittings, or meeting maturity or preservation requirements – in addition to normal storage.

Properties for light industry are suitable for adding more value to products, either through research and development or through light manufacturing processes.

98 per cent of the floor area of Castrum's properties is warehousing and industry properties according to the main purpose of use. Warehouses account for 49 per cent and industrial properties for 47 per cent of the value of the company's real estate assets.

Geographically, Castrum's properties are focused on the Helsinki and Tampere economic areas. 71 per cent of the value of the property portfolio is in the Helsinki economic area and 19 per cent in the Tampere economic area. About 10 per cent is situated elsewhere in Finland, mainly in Turku, Kuopio, Pori, Oulu and Kotka.

The balance sheet value of Castrum's real estate assets amounts to FIM 1.44 billion. According to an outside estimate, the market value was FIM 1.48 billion in December 1999. The total net floor area of real estate is 444 000 m² and the annualized net rent of the whole portfolio about FIM 22.72/m² per month. The average value is about FIM 3,250 per sq. metre. The real estate portfolio comprises some 580,000 m² of unused building rights, the value of which is included in all the above figures.

Value of properties by area and type of property, MFIM

Area	Warehouse	Industry	Other	Total
Helsinki economic area	566	395	62	1 023
Tampere economic area	108	167	0	275
Rest of Finland	23	121	0	144
Total	697	683	62	1 442

Floor area of properties by area and type of property, m²

Helsinki economic area	141 991	122679	7 972	272 642
Tampere economic area	40 611	65 152	0	105 763
Rest of Finland	38 771	26 593	0	65 364
Total	221 373	214 424	7 972	443 769

Purotie 1
Cariitti Oy

Kiinteistö Oy Purotie 1, which was completed in 1981, lies near Kirkkonummi station and the Hanko main highway, close to the centre of Kirkkonummi. The 1,540 m² light industry property with its red brick element facade stands out from the many other industrial properties around. The office premises have just been renovated and a conversion from electric heating to district heating is under way.

The building, which is suitable for a single user, has been leased by Cariitti Oy, which plans and produces special light fixtures. For example, Cariitti produced the street lights and facade light fittings on Esplanadi, Helsinki, and the award-winning lightning on Hakaniemi bridge, Helsinki. In addition, the company manufactures the light fixtures designed for Artek by Alvar Aalto and Leiviskä.

The development of the centre of Kirkkonummi is one of the municipality's most important projects in the near future. It intends to support local businesses by ensuring competitive locations and operating potential through flexible physical planning. It is also working to improve the road and railway connections with the rest of the Helsinki metropolitan area and to develop Kantvik harbour, especially with regard to the traffic to the Baltic countries.

Äyrikuja 3
AW-Store Oy

Kiinteistö Oy Äyrikuja 3 is situated by Helsinki/Vantaa Airport in Veromiehenkylä, Vantaa, about 200 metres north of ring road III and 1 kilometre from the airport. The closeness of the airport and good connections to highways out of the Helsinki region make for a logistically good entity.

The building, constructed in 1984, comprises about 8,100 m² of warehouse facilities and about 1,000 m² of office premises. AW-Store Oy, a warehouse hotel company providing customers with value-added services related to warehousing, is a tenant. In its transportation operations, AW-Store cooperates with Kuehne & Nagel. AW-Stores clients include some Finnish central wholesalers.

The property has 2,324 gross m² of unused building rights, which enables flexible adaptation of the property to suit the user's growing need for space. Veromiehenkylä is becoming more and more of an office area as a result of several development projects due to be completed or planned. The logistical needs of the companies in the area will increase the Äyrikuja property's attractiveness and value.

Geographical division

The Helsinki economic area comprises properties within an hour's drive from the centre of Helsinki.

The Tampere sub-regional unit as defined by Statistics Finland forms the Tampere economic area.

The rest of Finland includes all properties not included in the Helsinki or Tampere economic areas - for example, those in Turku, Kuopio, Pori, Oulu and Kotka.

All Castrum properties have good traffic connections. In the Helsinki region, for example, properties are situated close to the ring roads and the main outgoing highways.

Castrum's real estate portfolio comprises 62 properties. 'Property' then refers to an entity with one address that may be composed of several real estate companies. For example, Tikkurilan yrityskeskus, PEX-Projekti and Messukylä each include several real estate companies.

Of the 62 properties, four are flats or flat complexes. One address may include many flats in a large real estate company, as for example at Sörnäisten Rantatie 33, Mukulakuja 4 in Hyrylä or Kipparinkatu 2, where Castrum owns several flats but not the entire real estate company.

More than half of Castrum's properties, 32, are properties with one user where the user is principally responsible for property maintenance and upkeep at its own expense.

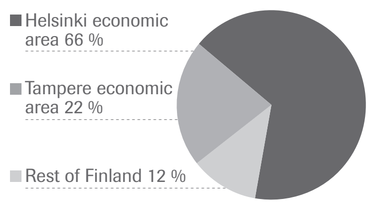
Net return and net yield on properties by area and type of property[1)]

Area	Warehouse, FIM 1,000	Industry, FIM 1,000	Other, FIM 1,000	Total, FIM 1,000	Net yield, %
Helsinki economic area	38 302	37 396	4 551	80 249	8.1
Tampere economic area	8 704	17 450	0	26 154	9.7
Rest of Finland	9 846	4 301	0	14 147	9.9
Total	56 852	59 147	4 551	120 550	8.5
Net yield, %	7.3	10.4	7.7	8.5	

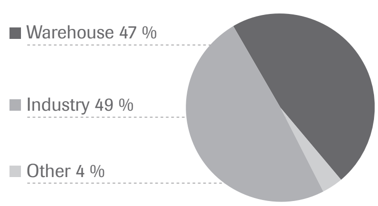
[1)] Annual level December 31, 1999

Net return on properties by area

Net return total MFIM 121

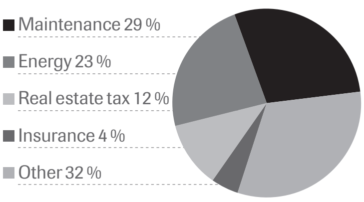


Net return on properties by type of property



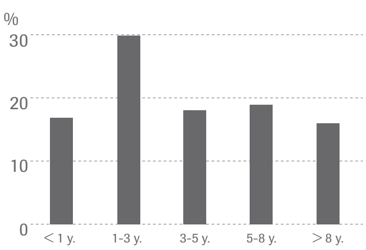
Distribution of property expenses

Total MFIM 29



Duration of leases

Average weighted duration 50 months



Customers

Castrum has about 270 lease contracts and some 190 customers. Most customers represent the following sectors:

- Warehousing (e.g. LP-Logistiikkapalvelut, AW-Store, Alko and Lindell as tenants)
- Transport and forwarding (e.g. Fritz Companies Finland, Wilson Finland, BDN Cargo Transport, Combitrans, Global Mail FP)
- Wholesale (e.g. Kesko, Tecalemit, Computer 2000 Finland)
- Manufacturing and research companies (e.g. Nokia, Patria Finavitec, Sandvik Tamrock, Kvaerner Pulping, General Electric Hydro, Insrumentointi, Valio, Novart, Cariitti).

This division is not exclusive, nor the division of properties by use. Many Castrum tenants engage in various operations, including anything from storage and upgrading to office work and occupational health care, in the same facilities.

Most customers are leading representatives of their respective sectors. The largest tenants are shown in the list of properties on pages 14–15.

Occupancy rate

The occupancy rate in Castrum properties based on floor area was 96 per cent on December 31, 1999. The economic occupancy rate was some 94 per cent on that date.

Castrum had 11 properties with vacant rental space on December 31, 1999. The largest vacant premises were situated in Tikkurilan yrityskeskus in Vantaa (warehouse and terminal space), PEX-Projekti in Vantaa (office premises), Honkatalo in Vantaa (office premises) and Pihtisulku in Tampere (manufacturing and office premises).

10 largest customers

Company	Sector	% of annual gross income
Kesko Corporation	Retail and wholesale trade	16.4
Nokia Group	Electronics industry	8.7
Alko Group	Retail and wholesale trade	7.2
Fritz Companies Finland Oy	Transport and forwarding	4.4
Metso Corporation	Metal and engineering industry	4.0
Lp-logistiikkapalvelut Oy	Storage services	3.3
Lindell Oy	Wholesale	3.3
Computer 2000 Finland Oy	Wholesale	3.2
Kværner Pulping Oy	Metal and engineering industry	3.0
Wilson Finland Oy	Transport and forwarding	2.7
Total		56.2

Santaradantie 8

Oy Klippan Ab

The property at Santaradantie 8 is situated in Vantaa amid good traffic connections, about 2 kilometres northwest of the junction of ring road III and the Lahti motorway. It is about 11 kilometres from the airport and 18 kilometres from the centre of Helsinki. There are several warehousing, industrial and wholesaling companies around the area.

The building, completed in 1974, comprises 180 m^2 of office premises and 2,700 m^2 of premises for light industry, including an extension completed in 1990. Two loading bays and the driving access all round the building facilitate lorry traffic and goods transport. Oy Klippan Ab, which develops, produces and markets various types of safety belts and high-quality child safety seats, is the tenant. The authorities have approved Klippan Oy's crash test track for E certification tests.

The site has 2,822 gross m^2 of unused building rights, enabling additional construction and further development of the building to suit the tenant's needs. The area will develop further and building grow denser when the undeveloped sites in the area are taken over by light industry and wholesale companies.

Vitikka 6

Oy National Chemsearch Ab

Vitikka 6 situated in Nihtisilta, Espoo, is a warehousing property, which was originally the Bergholm glass store. The 1,700 m² property was renovated in 1998 when a new building was constructed in connection with the old one. The new building comprises of some 2,400 m² of warehousing facilities and 250 m² of office premises. In its functional and technical level, the property is ideally suited to meet the warehousing needs of medium-sized companies. It is situated close to the Turku motorway. Ring road II is to be completed nearby, and will improve these good traffic connections even further.

The warehouse in the new building is being leased by Oy National Chemsearch Ab, which is part of the international NCH-Corporation Group. The share of NCH, founded in 1919, is listed on the New York Stock Exchange. NCH in Finland imports maintenance and repair products, such as chemicals, to be used in industry. The office premises are leased by Suomen Laatutakuujärjestelmät Oy. The property includes about 1,700 m² of vacant warehouse space, with facilities allowing bridge crane access.

Castrum contract types

When properties are transferred to another owner, lease relationships are usually maintained. As a result of rapid growth, Castrum has several different lease contracts, mainly owing to the different ownership backgrounds and background organizations, whose ways of handling leasing operations vary substantially.

Castrum's lease contracts can be divided into four main categories:

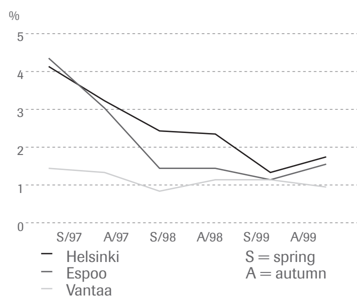
1. The rent comprises only capital rent. The tenant is responsible for property maintenance at its own expense.
2. The rent comprises capital rent and maintenance rent. The tenant pays both rents to Castrum who handles the property maintenance. Castrum charges tenants the maintenance expenses as maintenance rents.
3. The rent comprises the total rent, the tenant then pays the rent to Castrum, who handles the property maintenance.
4. The rent comprises capital rent and maintenance rent; the tenant then pays the capital rent to Castrum and the maintenance rent to the principal tenant, who handles the property maintenance.

Significant new lease contracts (January 1 – December 31, 1999)

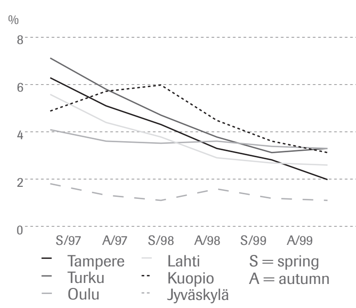
Castrum concluded 56 lease contracts for 18 different properties. The area rented totalled 58,767 sq. metres and the corresponding monthly rent FIM 1.9 million. The average rent under the new contracts was FIM 32.31/m² per month. The average rent-weighted duration of lease contracts was 4.9 years.

Tenant	Address	Floor area, m²
Wilson Finland Oy, Juvan Teollisuuskatu 23	Espoo	11 422
Computer 2000 Finland Oy, Ruosilantie 14	Helsinki	9 500
Oy Tecalemit Ab, Hankasuontie 13	Helsinki	8 634
Patria Finavitec Oy, Naulakatu 3	Tampere	5 964
Kesko Corporation, Vanha Porvoontie 229	Vantaa	3 040
Pyroll Valkeakoski Oy, Rautajalankatu 1	Valkeakoski	5 500
Cariitti Oy, Purotie 1	Kirkkonummi	1 542
Pirkanmaa joint municipal board for social services, Naulakatu 3	Tampere	1 365
Halti Oy, Juvan Teollisuuskatu 23	Espoo	1 154
YKK-Finland Oy, Insinöörinkatu 2	Helsinki	920

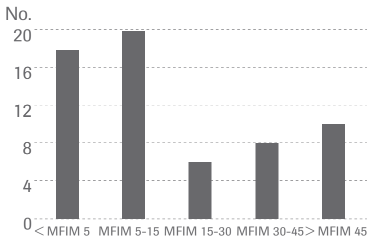
Vacancy rate in Helsinki economic area



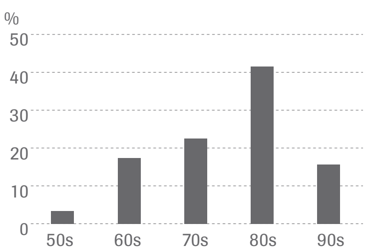
Vacancy rate in rest of Finland



Distribution of properties by value



Distribution of properties by age



Properties sold in 1999

Address	Use	Selling price FIM million
Helsinki, Kalevankatu 30	office property	49.0
Helsinki, Eerikinkatu 29	parking places	2.3
Helsinki, Kappelitie 8	office property	20.0
Helsinki, hotel site	undeveloped site	10.0
Vantaa, ABG-tontti, part I	undeveloped site	6.5
Harjavalta, Matinharjuntie 1	site and cold warehouse	0.2
Oulu, Kotkantie 8	training centre	19.0
Pirkkala, Turkkirata 14	foundry property	10.0
Total		117.0

Changes in the property portfolio in line with the business focus

Castrum has gained a clear competitive advantage over individual suppliers of rental space, thanks to its focus, staff know-how and large property portfolio. Focusing means improved customer service and varied supply. Castrum seeks its basic income and continuity from large properties, whereas small properties bring flexibility, individuality and liquidity. Castrum's impressive clientele forms a good basis for secure and stable rental income.

10 largest properties

Property	Address	Municipality	Primary use	Floor area, 1 000 m²	Duration of leases, y
Tikkurilan Yrityskeskus	Heidehofintie 2	Vantaa	Warehouse/Industry	29	9
Messukylä	Etu-Hankkionkatu 1	Tampere	Industry	42	5
PEX-Projekti	Virkatie 12–14	Vantaa	Warehouse	18	3
Honkatalo	Vanha Porvoontie 229	Vantaa	Warehouse	29	7
Rydönnotko	Rydönnotko 1	Turku	Warehouse	20	9
Jokipohja	Jokipohjantie 28	Tampere	Warehouse	26	9
Konalan yrityskeskus	Ruosilantie 14	Helsinki	Warehouse	17	4
Juvanpuisto	Juvan Teollisuuskatu 23	Espoo	Warehouse	11	5
Vapaalan yrityskeskus	Köysikuja 1	Vantaa	Terminal/Warehouse	12	2
Keran toimitalo	Karapellontie 4 C	Espoo	Warehouse	8	2

Castrum's growth strategy is implemented by acquiring properties that conform with this focus, in terms of both location and purpose of use, and mainly on own capital terms. Other acquisition criteria are size and income generated by the target. Castrum bought and sold properties during 1999 in order to better achieve its focus. It acquired 51 new properties and sold 8 properties, flats or undeveloped sites.

Properties acquired in 1999

Seller	Number of properties[1)]	Purchase price, FIM million	Date of transfer
Sponda, Ilmarinen, Sampo, Nokia, Merita Kiinteistöt	41	700.0	1.3.1999
Kesko	8	243.0	1.7.1999
Merita Invest	1	9.5	1.9.1999
Kesko	1	[2)]	1.1.2000

[1)] The figure refers to address entities, not legal units.

[2)] Included in the purchase price FIM 243,0 million.

Pihtisulunkatu 9
Rengaslinja Oy

Kiinteistö Oy Pihtisulku is situated at Pihtisulunkatu 9 in the Myllypuro industrial area west of Tampere. The office and warehouse property completed in 1990 was transferred to Castrum at the beginning of March, 1999. The impressive property, which is in good condition, comprises nearly 7,000 m^2 of space, half of which is warehouse space and half office space. The office premises are suitable for light assembly companies. The building is surrounded by a big yard. The large lift doors and bridge cranes make it a practical warehouse.

The largest user of Pihtisulunkatu 9 is Rengaslinja Oy, which leases a large part of the building's warehouse for storing tyres. The building is also used by Sandvik Oyj and TRB-Raiseborers Oy. About half of the floor area is vacant at the moment. The vacant premises are mainly offices that are also highly suitable for the assembly of electronics, for example.

The Pihtisulku area includes plenty of unused building rights. It is planned for development into a practical and attractive industrial and warehousing area which would offer companies good operating prerequisites, including synergy advantages.

Naulakatu 3

Patria Finavitec Oy

Kiinteistö Oy Naulakatu 3 is situated in a prominent location in Tampere, almost in the centre of the city. The impressive property, completed in 1983, which is in good condition, was transferred to Castrum at the beginning of March, 1999. This 14,700 m² property is best suited for light industry or training purposes. The extensive yard surrounding the property offers the potential for large parking areas.

The biggest user in Naulakatu 3 at the moment is Patria Finavitec Oy, part of the Finnish technology group Patria Industries, which operates globally. Patria Finavitec manufactures and overhauls aircraft and their parts for military purposes, and designs and manufactures high space technology, electronics and software. The property at Naulakatu 3 is also used by the Tampere Vocational Adult Education Centre and MSC Control Oy, together with several smaller companies.

Castrum is developing the property at Naulakatu 3 with an even greater focus on making it a centre of high technology and training. It has the potential for future construction of additional premises for tenants to support their growing needs in the area.

Statement by Kiinteistötaito Peltola & Pulkkanen Oy on Castrum's property portfolio

Property evaluation

The purpose of this evaluation is to define the unencumbered market value of targets as investments in the situation on December 31, 1999.

The main evaluation principle used is the yield value method, in which future net yields on market terms are capitalized target by target. Income requirements take account of interest rates, income growth expectations, target-related income and property risks, and area- and target-specific liquidity. The impact of lease contracts has been taken into account on the basis of cash flow.

Target-specific income and expenses conform with the lease contracts in effect. The expenses given are target-specific expectations for 2000.

Factors of change in the value of properties during 1999

The following factors increased property values: Inflation expectations increased slightly, the vacancy rate continued to decrease in the Helsinki metropolitan area and other growth centres, demand for good properties was high, new lease contracts were partly at a higher rent level, and improvements have been carried out at some properties. Factors that decreased values included rising market interest rates and the fact that the remaining duration of lease contracts at some targets with high rent levels has shortened.

We have used Ministry of Finance economic forecasts for our interest rate and inflation figures. These have also formed the basis for defining income requirements. Market rents have been set on the basis of comparison data.

Value of real estate assets

Property values moved both ways during 1999. Higher values derived mainly from rising market rents and better new lease contracts. Lower values usually resulted from a higher estimated risk and greater income requirements. Value increases exceeded decreases.

The unencumbered market value of the real estate portfolio totals FIM 1.48 billion.

Helsinki, December 31, 1999
Kiinteistötaito Peltola & Pulkkanen Oy

Jouko Peltola, Licentiate in Technology
Authorized Property Valuer Generally authorised

Juhani Pulkkanen, M.Sc. (Tech)
Authorized Property Valuer Office Premises

List of Properties on Dec. 31, 1999

Helsinki economic area

Name of property	Address	City/town	Year built	Main purpose of use	Net floor area, m²	Unused building rights (gross floor area), m²	Main tenants
Atomitie	Atomitie 1	Helsinki	1972	Warehouse	5 115	17 556	ISS-Suomi Oy, Finnstaples Oy
Hankasuontie	Hankasuontie 13	Helsinki	1961	Warehouse	9 866	3 839	Oy Tecalemit Ab
Paino-Hermanni	Haukilahdenkatu 4	Helsinki	1988	Industry	3 487	88	Art Print Oy
Tikkurilan yrityskeskus	Heidehofintie 2	Vantaa	1982	Industry	28 542	24 222	Alko Group, Tamro Oyj, Valio Oyj
Hitsaajantalo	Hitsaajankatu 8	Helsinki	1958	Industry	5 484	0	HA-Vartiointi Oy, Villa Ruutu Oy
Höyläämö	Höyläämötie 12	Helsinki	1960	Industry	1 926	1 585	Turkistukku Oy, Suomen Euromasters Oy
Lahden nouto	Ilmarisentie 3	Lahti	1981	Warehouse	2 131	14 549	Kesko Corporation
Insinöörinkatu	Insinöörikatu 2	Helsinki	1988	Industry	4 221	10	YKK-Finland Oy, Oy Suomen Belimo Ab, Peab Oy
Juvanpuisto	Juvan Teollisuuskatu	Espoo	1974	Warehouse	11 443	4 578	Wilson Finland Oy, Halti Oy
Kankirauta	Kankiraudantie 6	Helsinki	1983	Warehouse	6 211	9 858	Kesko Corporation
Keran toimitalo	Karapellontie 4	Espoo	1961	Warehouse	8 386	23 149	Nokia Group
Hollolan Kangas	Keskikankaantie 19	Hollola	1992	Industry	3 043	586	Roxon Oy
Keskikankaantie 9	Keskikankaantie 9	Hollola	1970	Industry	17 678	0	Andritz Oy
Kilonkallio	Kilonkallio 1	Espoo	1984	Industry	3 675	0	Nokia Group
Herkules	Kirkkoherrantie 6–8	Helsinki	1963	Other	231	103	Kesko Corporation
Nastolan Vilka	Kouvolantie 227	Nastola	1981	Industry	14 687	19 760	Novart Oy
Vapaalan yrityskeskus	Köysikuja 1	Vantaa	1961	Warehouse	12 416	16 629	LP-Logistiikkapalvelut Oy, Deko Audio Oy
Luiskakulma	Luiskatie 8	Helsinki	1992	Warehouse	1 116	0	KJK-Autoturva-Pro Oy, Tamo Finland Oy
Matintalo	Matinpurontie 3	Espoo	1974	Industry	2 231	428	Sinax Oy
Melkonkatu	Melkonkatu 26	Helsinki	1982	Other	5 758	0	Oy Lindell Ab
Hämeenportti	Mestaritie 6	Vantaa	1991	Industry	4 547	0	Oy Berendsen PMC Ab
Mukulakuja	Mukulakuja 4	Tuusula	1987	Industry	2 350	228	Yleiskylmä Findri Oy Ltd, Carital Oy
Jokelan teollisuustalo	Nukarintie 12	Tuusula	1975	Industry	2 249	6 675	(Private)
Olarintörmä	Olarinluoma 14	Espoo	1987	Industry	7 431	0	Oy Esmi Ab
Ormuspelto	Ormuspellontie 20	Helsinki	1974	Industry	1 005	1 300	T-Collar Oy
Puronvarsi	Purotie 1	Kirkkonummi	1981	Industry	1 444	0	Cariitti Oy
Konalan yrityskeskus	Ruosilantie 14	Helsinki	1974	Warehouse	16 632	12 079	Computer 2000 Finland Oy,Esselte Meto Oy, Pharmacia Biotech
Radanvarsi	Santaradantie 8	Vantaa	1974	Warehouse	2 615	2 732	Oy Klippan Ab
Riihimäen teollisuustalo	Tehtaankatu 11	Riihimäki	1990	Industry	2 484	2 158	LVI-Tukku Oy, Prolaser Oy Ltd, Nelikemia Oy
Lippajärven toimitalo	Teollisuustie 5	Kauniainen	1981	Industry	1 812	273	Levanto Oy
Työpaja	Työpajankatu 2	Helsinki	1988	Warehouse	3 193	0	Freshfish Oy

Honkatalo	Vanha Porvoontie 229	Vantaa	1976	Warehouse	29 065	25 435	Oy Fritz Companies Finland Ab, Kesko Corporation, Petrasol Ky
Vanha Talvitie	Vanha Talvitie 1	Helsinki	1991	Warehouse	3 428	0	Alko Group
Nastolanrinne	Varjolanrinteentie 11	Nastola	1983	Industry	4 585	3 406	Oy Berendsen PMC Ab
Verkatehtaankatu	Verkatehtaankatu	Hyvinkää	1977	Industry	1 057	2 294	Suomen Euromaster Oy
Vierikuja	Vierikuja 7–9	Järvenpää	1986	Industry	1 762	238	HT-Hyllytekniikka Oy
PEX-Projekti	Virkatie 12–14	Vantaa	1984	Warehouse	18 077	49 377	BDN Cargo Transport Oy, Combitrans Oy, Schenker BTL Oy
Lasila	Vitikka 6	Espoo	1976	Industry	3 975	0	National Chemsearch Oy, Suomen Laatutakuujärjestelmät Oy
Ylä-Malmin liiketalo	Ylä-Malmintori	Helsinki	1989	Warehouse	2 183	0	Kesko Corporation
Äyrikuja 3	Äyrikuja 3	Vantaa	1984	Warehouse	8 962	2 570	AW-Store Oy
ABG (1	Osuustie - ABG	Vantaa		Other		21 640	
Tonttipaino (1	Valimotie 30 – Tonttipaino	Vantaa		Other		6 882	
Ankkuri (2	Kipparinkatu 2	Espoo	1986	Other	786	0	V. M. Sohlman Oy, Bouquet Finland Oy
Sörnäisten Rantatie(2	Sörnäisten Rantatie 33	Helsinki	1976	Industry	3 004	0	Sodexho Oy, Liikuntaympyrä Oy
					271 445	276 531	

Tampere economic area

Messukylä	Etu-Hankkionkatu 1	Tampere	1961	Industry	41528	69 100	Valmet Oyj, Kvaerner Pulping Oy
Huhtakatu	Mottitie 2	Valkeakoski	1969	Industry	1202	473	Pirkanmaa joint municipal board for social services
Valkeakosken arkki	Rautajalankatu 1	Valkeakoski	1983	Warehouse	5295	8 959	Pyroll Valkeakoski Oy
Jokipohjantie	Jokipohjantie 28	Tampere	1990	Warehouse	25651	26 392	Kesko Corporation
Naulakadun teollisuustalo	Naulakatu 3	Tampere	1983	Industry	16025	595	Patria Finavitec Oy, TAKK
Pihtisulku	Pihtisulunkatu 9	Tampere	1990	Industry	6397	85 152	Sandvik Tamrock Oy, Rengaslinja Oy
Sarankulma	Sarankulmankatu 22	Tampere	1974	Warehouse	4395	2 260	Instrumentointi Oy
Stark	Vihiojantie 1	Tampere	1991	Warehouse	5270	4 799	Starckjohann Oyj
					105 763	197 730	

Rest of Finland

Päivärannantie 18	Päivärannantie 18	Kuopio	1990	Warehouse	14801	35 185	Kesko Corporation
Rydönnotko 1	Rydönnotko 1	Turku	1982	Warehouse	20097	48 957	Kesko Corporation
Satakunnankatu 27	Satakunnankatu 27	Pori	1972	Warehouse	2801	5 483	Kesko Corporation
Takojantie	Takojantie 7	Kouvola	1963	Warehouse	1072	1 930	(Private)
Takojantie 32	Takojantie 32	Kotka	1980	Industry	2354	5 756	Oy Amri Ab
Emigrantti-hotelli	Hangon Bulevardi 15	Hanko	1907	Muu	1197	0	Kårkulla Samkommun, Hangon Lehti
Trafik Center (2	Gropintie 3	Tammisaari	1983	Warehouse	1 152	2 304	Nice Price Oy Ltd
Humppilantie 35	Humppilantie 35	Humppila	1968	Industry	18035	8 465	Merita Real Estate Ltd
Välivainion teollisuustalo	Revontie 1	Oulu	1963	Industry	3119	0	
Jurvakainen	Tyrnäväntie 6	Oulu	1971	Industry	3085	2 820	Autotalo Jurvakainen, JP Caravan Oy
					66 561	108 596	
					443 769	582 857	

1) Undeveloped site
2) Real estate shares

Environmental Policy
and Environmental Report 1999

Property management and the environment

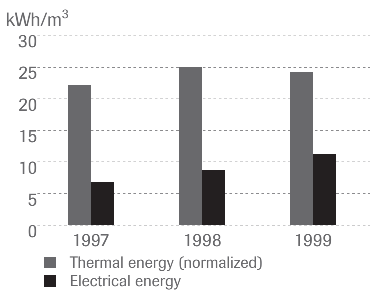
The environmental impacts of property management have attracted growing interest in the 1990s. With the transition to a new millennium, environmental issues will become an ever more important part of the real estate business. For Castrum, environmental issues are an important part of normal day-to-day property management.

In 1998, Castrum developed and introduced this environmental guide and an annual environmental report. The environmental guide defines the measures needed to fulfil the environmental obligations arising from its activities and to prevent environmental risks and impacts. The environmental report presents statistics describing changes in waste management and use of energy and water.

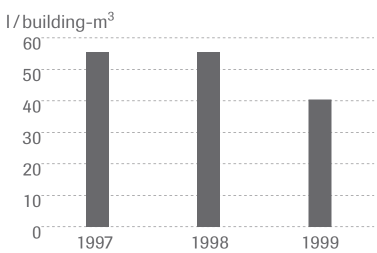
In order to meet future challenges, Castrum has participated in Finnish Association of Building Owners and Construction Clients (RAKLI) development projects aiming at compiling environmental guidelines for property management and construction. Through this cooperation, Castrum has been able to clarify its own environmental responsibilities, too.

Castrum intends to comply for its part with the principles of sustainable development in property management with environmental impact.

Use of energy



Water consumption



How does Castrum implement its principles in practice?

The most important environmental impacts of property management arise from energy and water consumption, waste management and property development. Castrum has entered into an energy-saving contract as part of a wide real estate environment programme, ProGresS with Motiva, the Ministry of Trade and Industry and RAKLI in which it commits itself to promote energy-saving solutions in its properties.

To regulate the main environmental impact of its activities, Castrum complies with the principles outlined below.

Energy consumption

Castrum aims to reduce energy consumption in properties by implementing any recommendations made in inspections of properties' condition, energy surveys and electricity market reviews. An energy survey project was launched at the end of 1999 at all the properties with many users. Maintenance expenses in Castrum's properties are also monitored in the national benchmark project.

Water consumption

By adequately monitoring water consumption, Castrum strives to ensure that there are no unknown leaks and that equipment saves water. Monitoring of water consumption in properties is continuous. Water-saving equipment is favoured in renovations and conversions.

Waste management

Castrum aims to develop its properties' waste management according to the principles of sustainable development by reducing the load on waste disposal sites and increasing the proportion of recycled waste and waste that could be utilized as energy. This is aimed at by

Environmental policy

Castrum Oyj's measures to protect the environment could be summarized as follows:

1. Castrum Oyj complies with laws and provisions concerning environmental protection in all its activities.
2. Planning of property development and renovation aims to reduce harmful environmental impacts.
3. Use of material resources aims to minimize consumption, prevent deterioration of the environment and increase recovery and recycling.
4. Castrum Oyj encourages material suppliers and contracting parties to adopt procedures promoting environmental protection.

What does Castrum gain from its environmentally friendly operating methods?

– use of energy, raw material and water and waste management are improved
– operating methods and products are planned that protect the environment
– environmental risks threatening business operations are noticed in good time and prevented
– future environmental expenses are predicted more reliably
– environmental friendliness is a market advantage.

providing the proper technical facilities for sorting waste and recycling, and by providing tenants with information on the matter. Castrum encourages tenants to reach this target.

Construction

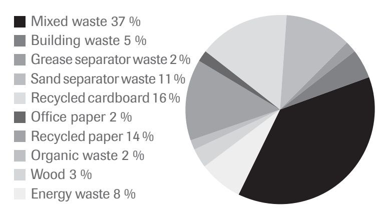
In its planning guidelines, Castrum favours solutions that promote energy saving and ensure that buildings are healthy and pleasant for users. The company strives to promote selection of construction materials that have a long life-cycle and are recyclable as far as possible. Facilities are planned to make conversion as easy as possible.

In both construction and demolition work Castrum aims to recycle as much construction waste as possible. As an example of recycling construction waste, about 85 per cent of the construction waste accumulating during the construction of the Alko head office was collected for recycling. When contractors are selected, special attention is paid to environmentally friendly operating methods. The company considers a certified environmental management system a special recommendation.

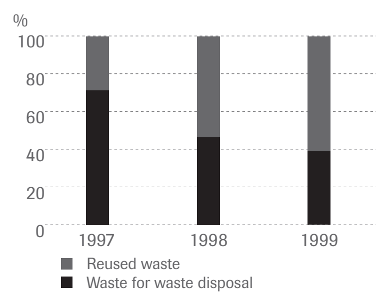
Survey of environmental risks in real estate investment

Castrum has surveyed the environmental risks at its properties through several different programmes. A programme assessing the condition and energy consumption of properties was launched in 1999. Compilation of an operating guideline for mould and moisture damage has begun. The location of Castrum's properties in relation to classified groundwater basins has been surveyed. An environmental survey has been conducted in risk properties situated on important groundwater basins, paying special attention to the pollution risk to soil and groundwater. These risks have also been surveyed at properties where pollution is considered possible in view of the operating history. The surveys have not revealed any extensive or significant environmental problems. Castrum will continue to pay attention to the management of environmental risks.

Different waste types



Reuse of waste



Financing

Financing policy

Castrum manages financial risks arising from operative activities and investments using the financing policy laid down by the company's Board of Directors. This policy supports business activities and aims to guarantee stable and risk-free long-term operations in all circumstances.

The most important single financing risk for Castrum is the interest-rate risk connected with the company's loans, i.e. the effect of changes in market interest rates. In order to hedge against this and other risks connected with financial operations, the company acts as follows:

- Interest-rate risks are minimized by hedging with various interest rate instruments. At least half of all interest-rate risks over five years must be hedged using different instruments.
- The Board of Directors decides on the hedging of significant interest-rate risks.
- Derivatives are used only to lower the risks of the credit portfolio.
- Castrum does not invest in stock exchange shares or other equities unless they are connected with properties or premises to be acquired.

Credit portfolio Dec. 31, 1999

Loans and loan terms

MFIM	Loan period on withdrawal	Due date	Average interest rate,% pa
18	1 year	31/12/2000	
54	2 year	31/12/2001	
321	4 year	4/3/2004	
300	7 year	4/3/2007	
693 [1]	5 year		4.59
130 [2]	5 years	23/12/2004	3.36
823	5,0 years [3]		4.40

[1] Den Danske Bank, Leonia Pankki and Merita Pankki in equal instalments
[2] Landesbank, Kiel
[3] Remaining weighed loan period on Dec. 31, 1999

Interest rates

Interest rates and related loan amounts

6 months Euribor MFIM	Fixed interest rate MFIM	Fixed interest rate % pa	Top interest rate MFIM	Top interest rate % pa
18				
54				
107	107	3,94	107	4,50
100	100	4,42	100	4,80
279	207		207	
130				
409	207		207	

Financing structure and hedging against interest-rate risks

Castrum's credit financing was reorganized in connection with the acquisition of new properties in 1999. The old financing agreement concluded to ensure the company's liquidity would have expired at the end of 1999.

At the beginning of 1999, Castrum reorganized its debt financing by agreeing on a FIM 700 million programme with Den Danske Bank, Leonia Bank and Merita Bank, who underwrite the programme on an equal basis. In mid-July, the company agreed on an additional FIM 130 million financing programme with Landesbank, Kiel.

The company's liabilities totalled FIM 823 million at the end of 1999. The credit portfolio can be divided into three parts:

1. Altogether FIM 72 million in short-term loans which mature at the end of 2000 and 2001. The loans will be repaid out of cash from properties sold.
2. Altogether FIM 451 million in loans which mature in 2004.
3. FIM 300 million long-term loan maturing in 2007.

At the end of the financial period, the average weighted loan period for the portfolio was 5.0 years. FIM 207 million of the portfolio is hedged using 5- or 8-year interest rate swaps and FIM 207 million using 5- or 8-year CAP options. The average interest rate was 4.40 on the date of closing. One of the credit conditions is that the company's equity ratio, cash flow and margin on financial expenses remain at agreed levels.

Financing properties to be acquired and capital structure

Castrum's profit is greatly affected by the success of its investments, i.e. the acquisition of properties and other targets. In addition to the selection of targets, the financing plays a central role in future results and thus the entire company's profit.

- The company does not take currency risks.
- Liquid assets are invested in short-term money market instruments.

Castrum aims to maintain long-term confidential relationships lasting over business cycles with its main financiers. Covenants related to use of collateral, equality between financiers, certain financial indicators, etc. which are connected with Castrum's financing agreements affect the company's financing.

Properties to be acquired are evaluated target by target by capitalizing future net market income. The present discount coefficients used for capitalization take account of interest rate levels, profit growth expectations, target-related profit and property risks, and area and target-specific liquidity. In addition, net cash flow from existing lease contracts must be taken into account. Evaluations are conducted by two independent authorized property valuers.

Due to the new property financing method, the ratio of shareholder's equity to liabilities improved significantly during 1999, boosting the equity ratio to 45 per cent from the 21 per cent at the end of 1998. Shareholders' equity increased from FIM 121 million to FIM 711 million and liabilities from FIM 477 million to FIM 857 million.

Sensitivity analysis

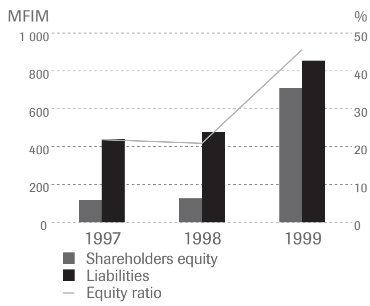
In order to better estimate future return for shareholders, Castrum has calculated the effect of various variables on its result.

The data in the sensitivity analysis is based on realized expenses in 1999. As most properties have had an effect only for part of the year, expenses have been converted into annual figures.

An average increase of FIM 0.5/m^2 per month in rents improves operating profit by FIM 2.8 million, corresponding to an 1.8 per cent increase in rents on the annual level. A 1 per cent increase in occupancy rate raises profits by FIM 1.5 million.

If management expenses rise FIM 0.25/m^2 per month, profits decrease by FIM 1.4 million, corresponding to a 4.6 per cent in management expenses. When administrative expenses rise 5 per cent, profits are down FIM 0.6 million. If interest rates increase by 0.5 per cent, profits deteriorate by FIM 4.0 million.

Capital structure and equity ratio



Key financing figures 1999

Equity ratio, %	45.4
Interest cover (operating profit / net financial expences)	2.04

Sensitivity analysis

Variable	Change, %	Effect on result, MFIM
Rental income	+ 1.0	+ 1.5
Management expences	+ 1.0	– 0.3
Real estate tax	+ 1.0	– 0.3
Administrative expenses	+ 1.0	– 0.1
Interest level	+ 1.0 %-p.	– 7.9
Occupancy rate	+ 1.0	+ 1.5

Review by the Board of Directors

Business climate

According to preliminary data, GNP increased about 3.8 per cent in 1999. Domestic demand remained stable and conventional industry strengthened towards the end of the year, as exports revived. Household confidence in the economy remained strong and was boosted by the improved employment situation. Inflation started to rise in the euro zone during the year and consequently expectations that the European Central Bank will tighten its monetary policy have increased.

Demand for rental space continued to be buoyant. Compared with the long-term average, there is very little office, commercial, industrial and warehouse space available. According to a market review by Catella Property Consultants Oy, the vacancy rate of industrial and warehouse facilities has already dropped to 1.4 per cent.

The share price trend in real estate investment companies did not correspond to their strong growth and good financial performance, and this seems to have influenced new companies' listing on Helsinki Exchanges. As a consequence, Castrum has not been able to implement measures to increase the liquidity of its shares.

Real estate assets

Castrum increased its real estate assets from about FIM 0.6 billion to some FIM 1.45 billion during 1999. The total floor area of the company's properties rose at the same time from some 110,000 sq. metres to 444,000.

On February 4, 1999, Castrum signed an agreement on real estate deals with a number of investors, increasing the value of its property assets by over FIM 700 million to about FIM 1.3 billion. The properties acquired were transferred to Castrum on March 1, 1999.

On May 28, 1999, Castrum signed a FIM 243 million purchase agreement with Kesko Corporation and parties close to it on 9 warehouse and industrial properties. The total area of these properties is nearly 90,000 sq. metres and they were transferred to Castrum on July 1, 1999. Agreement on acquisition of one of the properties included in the agreement, Vanha Talvitie 12 in Helsinki, was reached on December 23, 1999.

On June 14, 1999 Castrum bought a property at Atomitie 1 in Helsinki from Merita Invest Oy for FIM 9.5 million.

Castrum sold several properties outside its core business activities during 1999. Office properties at Kalevankatu 30 in Helsinki and Kappelitie 8 in Espoo, a garage in Eerikinkatu 29 in Helsinki and an undeveloped site at Virkatie 9 in Vantaa were sold to the Sponda Group for a total of FIM 81.3 million. In addition, Castrum sold a property at Kotkantie 3 in Oulu for FIM 19 million to the City of Oulu. In addition, some other smaller properties were sold.

The following renovation projects were completed or launched during the review period: A new building and renovation project at Heidehofintie 2 in Vantaa worth about FIM 39 million was completed in February, when the new head office and renovated warehouse were transferred to Alko Inc.
A FIM 16 million warehouse renovation project was launched at Ruosilantie 14 in Helsinki.

As a result of the real estate transactions made during the review period, the number of real estate companies increased by 64. At the end of the year, 94 real estate companies belonged to the Group.

According to an authorized outside estimate, the market value of Castrum's real estate assets was FIM 1,480 million at the end of 1999, which is FIM 38 million more than the book value.

Rental operations

In connection with the property acquisitions in the spring and summer of 1999, leases and subcontracting agreements connected with the properties were also transferred to Castrum. The properties bought from Kesko in June mainly had only one user, tenants such as Nokia, Alko, Kesko, etc. The majority of these leases were made for over 8 years.

The occupancy rate in Castrum's properties was about 96 per cent at the end of the review period. During 1999, leases were renewed or new lease agreements were made for a total of some 61,000 sq. metres, representing a total value of some FIM 112 million. At the end of the review period, the total value of leases amounted to some FIM 592 million (FIM 226 million in 1998) and the corresponding average duration of a contract weighted by the amount of rent was 50.0 (52.0) months.

Turnover and profit for the review period

Castrum's turnover increased to FIM 129.2 million in 1999, from FIM 48.5 million the year before. Turnover for the review period totalled FIM 28.9 million for the first four-month period, FIM 45.6 million for the second and FIM 54.7 million for the third.

Group profit increased to FIM 21.6 million (FIM 0.6 million in 1998). It includes sales profits amounting to FIM 0.9 million. The profit is charged with FIM 3 million one-off costs incurred from taking possession of new properties. Profit per share was FIM 0.35 (0.05 mk).

Financing

Castrum's long-term debt financing programme was reorganized in connection with the property deals made in February 1999.

Half of the property transactions concluded during 1999 were financed by long-term loans and half by share issues targeted at the sellers.

The Group repaid all its old loans (FIM 379 million) and drew new long-term loans amounting to FIM 829 million. The loan period is 3 years for FIM 78 million worth of loans, 5 years for FIM 451 million and 8 years for FIM 300 million. FIM 207 million of the loans is hedged with interest rate swaps and another FIM 207 million with CAP options. The Group's current assets amounted to FIM 100 million at year-end.

Changes in share capital

In accordance with a decision of the annual general meeting of shareholders on March 9, 1999, Castrum's share capital was lowered by FIM 27,684,300 from 138,421,500 to 110,737,200 by reducing the nominal value of the share from FIM 10 (ten) to FIM 8 (eight). The whole reduction was used for immediate coverage of the company's confirmed balance sheet loss. The decrease in share capital did not affect overall shareholders' equity.

The annual general meeting decided to increase share capital by a minimum of FIM 391,006,024 and a maximum of 467,574,000 through a new issue during March 9-15, 1999, in which 39,394,466 new Castrum shares were offered for subscription by Nokia Group, Sponda Plc, Tamsoil Oy, Sampo Life Insurance Company Limited, ST International Insurance Company, Ilmarinen Pension Insurance Company Ltd and Merita Real Estate Ltd as part of the transactions agreed on February 4, 1999. In addition, new company shares were offered for subscription on March 10-31, 1999 by old shareholders and holders of option rights under the pre-emption right of shareholders and the warrant conditions. A total of 48,875,753 shares were subscribed at a subscription price of FIM 9.

An extraordinary meeting of shareholders on June 24, 1999 decided to increase share capital from FIM 501,743,224 to FIM 611,432,160 through a new FIM 109,688,936 issue on June 24, 1999, in which 13,711,117 new Castrum shares were offered for subscription by Kesko Corporation, Kesko Pension Fund, Centeryhtiöt Oy, Kespro Oy, Kiinteistö Oy Kajaanin Hallitalo, Kiinteistö Oy Porin Ostoskeskus, Kiinteistö Oy Kankiraudantie 6 and Hämeenkylän Kauppa Oy as part of the property deals agreed on May 28, 1999. All the shares offered were subscribed at FIM 9.

On March 9, 1999, the annual general meeting of shareholders granted the Board of Directors the right to decide on a new issue, a warrant loan or issue of a convertible bond within a year. Issues can be implemented in one or several blocks of shares on conditions decided on in more detail by the Board of Directors to the effect that shares in a new issue, shares subscribed with warrants and shares given in connection with a transfer of convertible bonds raise share capital by a maximum of FIM 27,680,000 altogether. Subscription may take place in line with stipulations concerning subscription in kind. The Board of Directors may decide on deviation from the shareholders' subscription rights within limits allowed in the Companies Act if the company has a weighty financial reason, such as to implement corporate transactions or cooperation arrangements or to increase its financing options. This authorization was entered in the Trade Register on April 15, 1999. FIM 23,330,136 of this authorization was unused on the date of closing.

The Castrum Board of Directors used this authorization when it decided on June 24, 1999 to offer 543,733 new Castrum shares for subscription by Merita Invest Oy during June 28-30, 1999 as part of a real estate transaction agreed on June 14, 1999. All the shares offered were subscribed at a subscription price of FIM 9. Shareholders' subscription rights were deviated from because a significant part of the property transaction between Castrum and Merita Invest Oy could be financed with this new issue. The acquisition was in line with Castrum's strategy and forms part of a programme which aims at significantly increasing property assets. Payment of the purchase price by offering the seller rights to subscribe company shares provided Castrum with an advantageous financing option for this property acquisition. The real estate transferred by Merita Invest Oy was examined by outside experts before the property deal was signed on June 14, 1999. The property was valued on the same grounds as other company properties at the time. The current market value was defined for the property, and the net worth of the company shares at the market value. The price trend for the shares on Helsinki Exchanges was taken into account when the subscription price of new shares issued was set.

The shares carry entitlement to dividend for the first time for 1999.

After the increases, Castrum's share capital is FIM 615,782,024. On February 25, 2000 the largest shareholders and their voting rights are as follows: Tamro Group 17.9%, Kesko Corporation 17.8%, Sponda Group and Tamsoil Oy 17.0%, Ilmarinen Pension Insurance Company Ltd 13.8%, Sampo Life Insurance Company Limited and ST International Insurance Company 10.9%, Nokia Group 6.7% and Merita Real Estate Ltd and PMA-Invest Oy 5.6%.

The company shares were entered in the book-entry system on May 3, 1999.

Board of Directors and auditors

Castrum's Annual General Meeting of shareholders on March 9, 1999 decided that the Board of Directors would comprise six members, and elected Mr Juhani Mäkinen as chairman of the Board and Ms Helena Walldén, Mr Hannu Lonka, Mr Asko Piekkola, Mr Juhani Pohjolainen and Mr Pentti Tarkkanen as members. An extraordinary meeting of shareholders on June 24, 1999 decided that the company's Board of Directors would comprise seven members, and elected Mr Jouko Tuunainen as a new member.

The Annual General Meeting elected Authorized Public accountants KPMG Wideri Oy Ab and Mr Sixten Nyman, APA, as the company auditors.

Year 2000

The change of the millennium did not cause any problems in company operations. Information systems and equipment had been checked and updated in order to avoid problems. Testing and updating generated expenses totalling about FIM 240,000.

Board's proposals to the Annual General Meeting on March 23, 2000

The Group's distributable assets are FIM 21,582,078.17 and in the parent company FIM 25,732,020.70.

The Board of Directors proposes to the Annual General Meeting that a dividend of FIM 0.25 per share, totalling FIM 19,243,188.25, be distributed and that FIM 6,488,832.45 be carried over in shareholders' equity.

Prospects for 2000

The economic prospects for 2000 are favourable in Finland at the moment. The good economic trend is expected to continue for the next few years and GDP should grow in 2000 about 4 per cent. Inflation in the euro zone is expected to rise to around 2 per cent and interest rates to rise slightly from the exceptionally low level in 1999. Construction continues to be buoyant, though growth is slowing down. The supply of available properties is expected to remain low or even decrease. Demand for rental properties should thus remain high.

Castrum Group plans to further expand its ownership base and increase its property assets in the years to come.

Turnover is expected to rise, mainly as a result of the real estate deals made in 1999, and profit should improve during 2000.

Income Statement

Financial year January 1 – December 31	Group 1999	1998	1999	1998	Parent company 1999	1998
	EUR 1,000	EUR 1,000	FIM 1,000	FIM 1,000	FIM 1,000	FIM 1,000
Turnover (1)	21 736	8 153	**129 238**	48 474	117 335	35 720
Other operating income (2)	162		**962**		1 368	
Personnel expenses(3)	894	621	**5 316**	3 693	2 667	1 379
Depreciation and write-downs (4)						
Depreciation according to plan	3 779	1 393	**22 468**	8 280	2 499	142
Real estate write-downs		883		5 247		13 800
Depreciation and write-downs, total	3 779	2 275	**22 468**	13 528	2 499	13 942
Other operating expenses (5), (6)	6 300	2 623	**37 458**	15 598	74 738	34 336
Operating profit	10 925	2 633	**64 958**	15 655	38 798	-13 937
Financial income and expenses						
Income from investments held as fixed assets	12		**73**		73	
Other interest and financial income						
From Group companies					27 484	11 127
From others	113	166	**673**	986	436	821
Interest and other financial expenses (7)						
To others	5 901	2 750	**35 088**	16 350	34 239	14 830
Total financial income and expenses	-5 776	-2 584	**-34 343**	-15 365	-6 245	-2 882
Profit/loss for the year before taxes and minority interest	5 149	49	**30 615**	289	32 553	-16 819
Direct taxes						
On the financial year	1 534		**9 120**		6 821	
On earlier financial years		17		103		
Minority interest	15	40	**88**	239		
Profit/loss for the financial year	3 630	106	**21 582**	631	25 732	-16 819

Balance Sheet

Assets

December 31	Group 1999	1998	1999	1998	Parent company 1999	1998
	EUR 1,000	EUR 1,000	FIM 1,000	FIM 1,000	FIM 1,000	FIM 1,000
Fixed assets						
Intangible assets (9)						
Other capitalized expenditure	2 619	165	**15 572**	978	10 541	
	2 619	165	**15 572**	978	10 541	
Tangible assetst						
Land	49 252	31 144	**292 841**	185 176		
Buildings	188 712	57 426	**1 122 029**	341 441	103 822	
Machinery and equipment	732	282	**4 353**	1 676	839	692
Other tangible assets	89		**527**			
Advance payments and construction in progress	513	4 528	**3 048**	26 922		
	239 297	93 380	**1 422 798**	555 216	104 661	692
Investments (10)						
Holdings in Group companies					442 802	64 307
Other shares and holdings	260	624	**1 544**	3 712	288	288
	260	624	**1 544**	3 712	443 090	64 595
Fixed assets, total	**242 176**	**94 169**	**1 439 914**	**559 906**	**558 292**	**65 287**
Current assets						
Inventories						
Stocks and shares	2 792	840	**16 602**	4 993	11 639	
Receivables (11)						
Long-term receivables						
Amounts owed by Group companies					887 332	464 254
Short-term receivables						
Accounts receivable	754	159	**4 481**	945	3 970	506
Other receivables	767	4	**4 561**	26	4 554	26
Prepaid expenses and accrued income (12)	783	1 203	**4 655**	7 155	2 992	2 411
	2 304	1 367	**13 697**	8 126	11 516	2 943
Securities held as financial assets	3 588	3 095	**21 335**	18 400	21 335	18 400
Cash in hand and at banks	13 268	1 496	**78 887**	8 896	70 453	6 860
Current assets, total	**21 957**	**6 797**	**130 521**	**40 415**	**1 002 276**	**492 458**
Assets, total	**264 128**	**100 967**	**1 570 435**	**600 321**	**1 560 568**	**557 745**

Shareholders' equity and liabilities

December 31	Group 1999	1998	1999	1998	Parent company 1999	1998
	EUR 1,000	EUR 1,000	FIM 1,000	FIM 1,000	FIM 1,000	FIM 1,000
Shareholders' equity (13)						
Share capital	103 567	23 281	**615 782**	138 422	615 782	138 422
Share premium fund	12 300	4 369	**73 131**	25 979	73 131	25 979
Retained profits/losses	2	-7 434	**14**	-44 199		-26 843
Profit/loss for the financial year	3 630	106	**21 582**	631	25 732	-16 819
Shareholders' equity, total	**119 499**	**20 323**	**710 509**	**120 833**	**714 645**	**120 738**
Minority interest	416	489	**2 474**	2 908		
Provisions						6 000
Liabilities						
Long-term liabilities						
Convertible bonds(14)		14 450		85 918		87 878
Loans from credit institutions (15)	134 382	63 236	**799 000**	375 984	799 000	337 761
Pension loans		496		2 947		
Other long-term liabilities				77		
Deferred tax liability (16)	309	13	**1 839**			
	134 691	78 195	**800 839**	464 926	799 000	425 638
Short-term liabilities						
Convertible bonds (14)	189		**1 122**		3 082	
Loans from credit institutions(15)	4 037		**24 000**		24 000	
Accounts payable	461	1 054	**2 740**	6 266	742	1 401
Other liabilities	1 016	168	**6 041**	999	1 433	1 177
Accrued expenses and deferred income (11)	3 819	738	**22 708**	4 388	17 667	2 791
	9 521	1 960	**56 612**	11 654	46 923	5 369
Liabilities, total	**144 213**	**80 155**	**857 451**	**476 580**	**845 923**	**431 007**
Shareholders' equity and liabilities, total	**264 128**	**100 967**	**1 570 435**	**600 321**	**1 560 568**	**557 745**

Cash Flow Statement

FIM 1,000	Group 1999	1998	Parent company 1999	1998
Cash flow from operations				
Sales income	**131 954**	29 183	116 132	-12 163
Expenses from operations	**-51 437**	-15 262	-16 435	13 942
Cash flow from operations before financial items and taxes	**80 517**	13 921	99 697	1 779
Paid interest and payments of other financial expenses	**-30 184**	2 041	-31 955	-2 882
Dividend received	**73**	-	73	-
Interest received	**673**	-	435	-
Cash flow before extraordinary items	**51 079**	15 962	68 250	-1 103
Cash flow from operations(A)	**51 079**	15 962	68 250	-1 103
Cash flow from investments				
Investments in tangible and intangible assets	**-537 190**	-45 626	-66 509	-2 088
Other investments	**-2 348**	-	-204 080	-
Income from surrender of other investments	**118 100**	1 129	20 000	1 129
Cash flow from investments (B)	**-421 438**	-44 497	-250 589	-959
Cash flow from financial arrangements				
Change in long term receivables			-236 373	-26 942
Withdrawals of long-term loans	**829 000**	34 650	829 000	34 650
Repayments of long-term loans	**-385 009**	-	-343 761	
Dividend paid and other distribution of profit	**-**	-		-
Change in minority interest	**-706**	-	-	-
Cash flow from financial arrangements (C)	**443 285**	34 650	248 866	7 708
	-			
Increase in liquid funds (A+B+C)	**72 927**	6 115	66 527	5 646
Liquid funds at beginning of financial period	**27 296**	4 591	25 260	19 614
Liquid funds at end of financial period	**100 222**	16 856	91 788	25 260

The proportion of property deals made in 1999 that were financed by a share issue targeted at the sellers (FIM 568 million) has not been entered as an investment or as an increase in share capital.

Accounting Principles

The annual accounts have been prepared in conformance with the requirements of the Finnish Accounting Act and other rules and regulations concerning the compilation of financial statements.

Assessments used in the financial statements

The preparation of the financial statements in conformity with applicable regulations and generally accepted accounting principles requires management to make estimates and assumptions that affect the valuation and allocation of the reported figures. Actual results may differ from such estimates.

Principles of consolidation

The consolidated financial statements include all Group companies and also real estate companies. The Group does not have any associated companies to include in the consolidated financial statements under the equity method of accounting, nor does it have any foreign subsidiaries. All mutual shareholdings are eliminated using the acquisition cost method. The difference between the acquisition cost and the value of the net assets at the time of acquisition is allocated to land and buildings in the balance sheet, since all acquisition prices are based on the market value of the property and no actual business activities are acquired. The items allocated to buildings in the balance sheet are depreciated according to the planned depreciation for that fixed asset.

Minority interests

Minority interests include a 15% interest in the shareholders' equity and profits of Kiinteistö Oy Vantaan Alfa, Vantaan Beta, Vantaan Gamma and Koy Tuusulan Mukulakuja.

The other companies are wholly owned by the Castrum Group.

Intragroup transactions

All intragroup transactions, as well as mutual receivables and liabilities, have been eliminated.

Turnover

Turnover includes rental income and maintenance fees from properties and shares in real estate companies. Credit losses on rental receivables are allocated to other operating expenses.

Other operating income

Profits from the sale of real estate shares of current and fixed assets are entered as other operating income.

Direct taxes

Taxes are periodized based on the results of Group companies, taking into account the confirmed losses of the companies. The minimum amount of income tax payable on the basis of the proposed dividend are taken into account as tax for the financia period for which the dividend is paid. As of 1998 the financial statements also include deferred tax liabilities and assets resulting from the timing differences between the financial statements and taxation.

Valuation of property assets

The book values of property assets are based on estimates of the current market value of properties at the time of acquisition less depreciation according to plan and the write-downs recorded. The write-downs will be reversed if they are no longer justified.

The current market value of property assets is assessed annually by both the company and external valuators. The difference between the book value and the value assessed by external valuators is stated in the notes to the annual accounts.

Properties that are not within the company's core business area, and which the Group plans to realize over the next few years, are valued mainly at the probable sale price according to an external valuation.

Fixed assets and depreciation

Fixed assets are valued at their direct acquisition cost.

No construction-time or other interest expenses are capitalized in the acquisition cost. Depreciation of buildings is determined by the condition, technical age, location, use and leasability of the building concerned.

An advance plan for depreciation has been used to determine depreciation on physical fixed assets. It is assumed that the total annual maintenance investments spent on specific properties correspond to the total amount of annual depreciation.

Renovation investments aim to maintain the properties' condition and their current rental income.

The depreciation period has been shortened in properties outside the Group's business focus and those where the rent level substantially exceeds the market level.

In the case of new tenants, repair costs to the tenant are recorded as an expense for that year or allocated over the duration of the leasing contract. A separate plan for depreciation is compiled for major renovation costs.

Fees related to property deals were entered in other capitalized expenditure. The depreciation principle was changed in the financial statements for 1998 to correspond to the international practice, in which buildings are depreciated over a longer period. The change in depreciation periods had a positive impact on the 1998 result in that depreciation on buildings amounted to FIM 7.8 million whereas this figure would have been FIM 13.6 million if calculated on the principles used prior to 1998.

Depreciation according to plan is recorded on a straight-line basis over the estimated useful lifetimes of fixed assets as follows:

Buildings as from 1998:

Commercial premises, office buildings	75 years
Warehouses, industrial premises and terminals	50 years
Machinery and equipment, cars, IT software	5–6 years
Other long-term expenditure	20 years

No planned depreciation of land is made.

Inventories

Inventories include real estate shares outside the company focus and other shares to be relinquished. Inventories are valued at their direct acquisition cost. Real estate shares in inventories are valued using external valuations.

Derivatives

Derivative contracts concluded in order to hedge against interest-rate risks on long-term loans have not been entered at their current value in the financial statements.

Other accounting principles

No company debt has been allocated to shares in apartments owned by the Group.

The Group has arranged statutory pension insurance for its personnel with a pension insurance company. The insurance premiums are recorded as personnel expenses. The Group does not have any pension arrangements other than statutory employee pension insurance.

Development costs of R&D-oriented projects are recorded as expenses. Fees paid for leasing commissions are recorded as expenses.

The financial statements do not include any items denominated in foreign currencies. The Group does not have any financial leasing agreements.

Notes to the Financial Statements

1. Turnover

(FIM 1,000)	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Rental income and maintenance fees	129 238	48 474	117 335	35 720
	129 238	48 474	**117 335**	35 720

The significant property deals during the 1999 financial year outlined in the report by the Board of Directors must be taken into account when data is compared with the previous financial period.

2. Other income from business operations

Other income from business operations in 1999 includes profits from the sale of property shares.

3. Details of personnel and administration

	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Personnel expenses				
Fees and salaries paid to CEO and Board members	1 426	525	1 426	525
Other salaries and wages	2836	2 196	703	333
Pension expenses	625	484	260	114
Other social security expenses	429	488	278	407
Personnel expenses, total	**5 316**	3 693	**2 667**	1 379
Average number of personnel during the financial year				
CEO	1	1	1	1
Financial management	3,5	2,5	1,5	
Real estate management	5	5		
Marketing	4,5	3,5	1,5	
Total	14	12	4	1

4. Depreciation and write-downs

A total net write-down of FIM 17.4 million was recorded in the financial statements in 1998 for those properties which the Group plans to realize and for real estate shares. Earlier write-downs of some properties within the core business area have been reversed to a total amount of FIM 12.2 million. Consequently, the figure shown in the consolidated income statement is FIM 5.3 million, which is the net sum of the value adjustments made to fixed assets. Correspondingly, a net total of FIM 13.8 million is recorded in the parent company's income statement as write-downs in the value of shares in subsidiaries, and reversals of earlier write-downs in 1998.

5. Other operating expenses

The parent company's other operating expenses include maintenance fees paid to subsidiaries.

6. Real estate taxes

(FIM 1,000)	Group 1999	Group 1998
Other operating expenses include real estate taxes as follows:	**3 665**	1 132

7. Interest expenses and other financial expenses

Other financial expenses comprise withdrawal fees paid, guarantee commissions and management fees on loans.

8. Valuation differences of real estate property

The book values of real estate are calculated by subtracting planned depreciation and write-downs from the original acquisition prices. Write-downs recorded earlier have been reversed if the higher market value has proved the write-downs unnecessary.

The market value of real estate is evaluated by the company and by external valuators annually. Market value depends on expectations, calculation methods, intended use and the valuator.

The estimates given in the table below are based on sale prices when properties sold voluntarily under normal terms are evaluated.

(FIM 1,000)	Book-value	Estimated market value	Valuation difference
Year			
1995	542	413	-129
1996	535	487	-48
1997	532	520	-12
1998	562	580	18
1999	**1 442**	**1 480**	**38**

Real estate assets have increased as a result of the real estate deals during 1999. The rise in cash flow from rental income has also increased the estimated market value.

9. Fixed assets

(FIM 1,000)	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Acquisition cost Jan. 1	994	994	0	
Increases	15198		11 145	
Acquisition cost Dec. 31	**16 192**	**994**	**11 145**	
Accumulated planned depreciation Jan. 1	-16	-16		
Depreciation for the financial year	-604		-604	
Accumulated planned depreciation Dec. 31	**-620**	-16	-604	
Book value Dec. 31	**15 572**	**978**	**10 541**	
Land				
Acquisition cost Jan. 1	213 977	211 977		
Increases	155 634	2 000		
Decreases	-51 006			
Acquisition cost Dec. 31	318 605	213 977		
Accumulated write-downs Jan. 1	-28 800	-28 800		
Write-downs on land sales	3 036			
Accumulated write-downs Jan. 1	-25 764	-28 800		
Book value Dec. 31	**292 841**	**185 177**		
Buildings				
Acquisition cost Jan. 1	457 155	440 172		
Increases	804 088	16 983	105 582	
Transfers of uncompleted buildings	26 922			
Decreases	-52 471			
Acquisition cost Dec. 31	1 235 694	457 155	105 582	
Accumulated planned depreciation Jan. 1	-95 814	-88 032		
Accumulated planned depreciation on properties sold	9 298			
Depreciation for the financial year	-19 949	-7 782	-1 760	
Accumulated planned depreciation Dec. 31	-106 465	-95 814	-1 760	
Accumulated write-downs Jan. 1	-19 900	-19 900		
Write-downs on properties sold	12 700			
Accumulated write-downs Dec. 31	-7 200			
Book value Dec. 31	**1 122 029**	341 441	**103 822**	
Machinery and equipment				
Residual value Jan. 1	1 676	1 226	692	291
Increases	4 543	944	283	553
Decreases	-36	-11	-1	-10
Residual value Dec. 31	6 183	2 159	974	834
Planned depreciation for financial year Dec. 31	-1 830	-483	-135	-142
Book value Dec. 31	**4 353**	1 676	**839**	**692**
Other tangible assets				
Residual value Jan. 1				
Increases	598			
Decreases				
Residual value Dec. 31	598			
Planned depreciation for financial year Dec. 31	-71			
Book value Dec. 31	**527**			
Advance payments and construction in progress				
Acquisition cost Jan. 1	26 922			
Increases	3048	26 922		
Decreases	-26 922			
Book value Dec. 31	**3 048**	**26 922**		
Shares in subsidiary companies				
Acquisition cost Jan. 1			326 002	318 473
Increases			385 845	7 529
Decreases			-8 254	
Acquisition cost Dec. 31			703 593	326 002
Accumulated write-downs Jan. 1			-261 695	-253 895
Write-downs on a sold company			754	

(1 000 mk)	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Write-downs during the financial year				-18 000
Reversals of write-downs during the financial year				10 200
Accumulated write-downs Dec. 31			-260 941	-261 695
Book value Dec. 31			**442 652**	**64 307**
Other shares and holdings				
Acquisition cost Jan. 1	6 412	7 526	288	1 402
Increases	11	15		15
Decreases	-4 978	-1 129		-1 129
Acquisition cost Dec. 31	1 445	6 412		
Accumulated write-downs Jan. 1	-2 700	-2 000		
Write-downs during the financial year		-700		
Write-downs on shares sold	2 700			
Accumulated write-downs Dec. 31		-2 700		
Book value Dec. 31	**1 445**	3 712	**288**	288

10. Parent company's shares in subsidiaries

Property and location	Holding and votes, %	Book value, FIM 1,000
Vedex Oy, Helsinki	100	20 200
Castrum Generator Oy, Helsinki	100	1 102
Kiinteistö Oy Mäntsälän Teollisuushallit, Mäntsälä	100	0
Kiinteistö Oy Karapellontie 4 C, Espoo	100	3 100
Keskinäinen Kiinteistö Oy Ruosilantie 14, Helsinki	100	330
Kiinteistö Oy Pohjois-Rintala, Vantaa	100	19 847
Kiinteistö Oy Vantaan Omega, Vantaa	100	215
Kiinteistö Oy Vantaan Epsilon, Vantaa	100	342
Kiinteistö Oy Vantaan Lambda, Vantaa	100	55
Kiinteistö Oy Vantaan Omigron, Vantaa	100	45
Kiinteistö Oy Vantaan Zeeta, Vantaa	100	38
Kiinteistö Oy Kuninkaankaari, Vantaa	100	548
Kiinteistö Oy Kuninkaankruunu, Vantaa	100	296
Kiinteistö Oy Kuninkaanlinna, Vantaa	100	30
Kiinteistö Oy Kuninkaanpuisto, Vantaa	100	30
Kiinteistö Oy Kuninkaanvala, Vantaa	100	30
Kiinteistö Oy Hankasuontie 13, Helsinki	100	24 209
Kiinteistö Oy Haukilahdenkatu 4, Espoo	100	12 905
Kiinteistö Oy Vantaan Santaradantie 8, Vantaa	100	5 291
Kiinteistö Oy Hollolan Keskikankaantie 9, Hollola	100	25 171
Kiinteistö Oy Hollolan Keskikankaantie 19, Hollola	100	10 172
Kiinteistö Oy Humppilantie 35, Humppila	100	12 413
Keskinäinen Kiinteistö Oy Kilonkallio 1, Espoo	100	144
Kiinteistö Oy Tampereen Vihiojantalo, Tampere	100	11 333
Kiinteistö Oy Välivainion Teollisuustalo, Oulu	100	3 111
Kiinteistö Oy Järvenpään Vierikuja 7-9, Järvenpää	100	2 056
Kiinteistö Oy Riihimäen Tehtaankatu 11, Riihimäki	100	2 616
Kiinteistö Oy Helsingin Luiskakulma, Helsinki	100	2 044
Kiinteistö Oy Nastolan Varjolanrinne, Nastola	100	6 382
Kiinteistö Oy Oulun Jurvakainen, Oulu	100	3 545
Kiinteistö Oy Vantaan Honkanummi, Vantaa	100	66 775
Kiinteistö Oy Vantaan Äyrikuja 3, Vantaa	100	27 241
Keskinäinen Kiinteistö Oy Vantaan Äyrikuja 3, Vantaa	100	50
Kiinteistö Oy Melkonkatu 26, Helsinki	100	31 493
Keskinäinen Kiinteistö Oy Melkonkatu 26, Helsinki	100	50
Kiinteistö Oy Olarintörmä, Espoo	100	28 056
Kiinteistö Oy Espoon Juvanpuisto, Espoo	100	53 994
Kiinteistö Oy Hämeenportin Yritystalo, Vantaa	100	15 167
Keskinäinen Kiinteistö Oy Kouvolantie 227, Nastola	100	120
Keskinäinen Kiinteistö Oy Naulakatu 3, Tampere	100	239
Keskinäinen Kiinteistö Oy Rautajalankatu 1, Valkeakoski	100	74
Kiinteistö Oy Insinöörinkatu, Helsinki	100	-110
Keskinäinen Kiinteistö Oy Matinpurontie 3, Espoo	100	82
Keskinäinen Kiinteistö Oy Purotie 1, Kirkkonummi	100	70

Property and location	No.	Holding and votes, %	Book value, FIM 1,000
Keskinäinen Kiinteistö Oy Vitikka 6, Espoo		100	140
Keskinäinen Kiinteistö Oy Teollisuustie 5, Kauniainen		100	79
Keskinäinen Kiinteistö Oy Sarankulmankatu 22, Tampere		100	105
Kiinteistö Oy Takojantie 32, Kotka		100	542
Keskinäinen Kiinteistö Oy Höyläämötie 12, Helsinki		100	56
Keskinäinen Kiinteistö Oy Ilmarisentie 3, Lahti		100	77
Keskinäinen Kiinteistö Oy Rydönnotko 1, Turku		100	443
Keskinäinen Kiinteistö Oy Satakunnankatu 27, Pori		100	85
Keskinäinen Kiinteistö Oy Jokipohjantie 28, Tampere		100	443
Keskinäinen Kiinteistö Oy Malmin Kankirauta, Helsinki		100	130
Kiinteistö Oy Kalatori, Helsinki		100	70
Kiinteistö Oy Atomitie 1, Helsinki		100	97
Kiinteistö Oy Messukylän Kattila, Tampere		100	626
Kiinteistö Oy Messukylän Turpiini, Tampere		100	626
Pihtisulku Oy, Tampere		100	6 423
Kiinteistö Oy Päivärannantie 18, Kuopio		100	18 378
Keskinäinen Kiinteistö Oy Päivälahdenranta, Kuopio		100	110
Keskinäinen Kiinteistö Oy Vanha Talvitie 12, Helsinki		100	50
Kiinteistö Oy Valkeakosken Huhtakatu 1, Valkeakoski		100	1 434
Tamsilva Oy, Tampere		100	590
Keskinäinen Kiinteistö Oy Verkatehtaankatu 1, Hyvinkää		100	55
Keskinäinen Kiinteistö Oy Takojantie 7, Kouvola		100	53
Keskinäinen Kiinteistö Oy Turkkirata 14, Pirkkala		100	50
Kiinteistö Oy Harjavallan Teollisuustalo, Harjavalta		100	1 567
Drawer Oy, Tampere		100	1 253
Tamforest Oy, Tampere		100	1 404
Tamwell Oy, Tampere		100	997
Keskinäinen Kiinteistö Oy Vantaan Petäjäpelto, Vantaa		100	50
Kiinteistö Oy Tuusulan Mukulakuja 4, Tuusula		85	5 254
Castratti Oy, Helsinki		100	15
Tonttipaino Oy, Vantaa		100	9 000
Kiinteistö Oy Ormuspellontie, Helsinki		100	1 544
Keskinäinen Kiinteistö Oy Messukylän Casari, Tampere		100	50
Keskinäinen Kiinteistö Oy Messukylän Castrulli, Tampere		100	50
Kiinteistö Oy Hitsaajatalo, Helsinki		100	55
			442 802

Subsidiaries' shares in subsidiaries

Castrum Generator Oy

Kiinteistö Oy Vantaan Köysikuja 1, Vantaa		100	56 359
Kiinteistö Oy Vantaan Alfa, Vantaa		85	4 598
Kiinteistö Oy Vantaan Beta, Vantaa		85	4 598
Kiinteistö Oy Vantaan Gamma, Vantaa		85	4 598
Kiinteistö Oy Tuusulan Opinkulma, Tuusula		100	50
Kiinteistö Oy Tuusulan Nukarinsuora, Tuusula		100	50
Kiinteistö Oy Tuusulan Kartanonmäki, Tuusula		100	50
Kiinteistö Oy Tuusulan Puistonreuna, Tuusula		100	50
Kiinteistö Oy Tuusulan Tärkkelystehdas, Tuusula		100	50
CG-Autopaikoitus Oy, Helsinki		100	3 830
			74 233

Vedex Oy

Kiinteistö Oy Ylä-Malmintori 6, Helsinki		100	37 700
Kiinteistö Oy Kirkkoherrantie 6-8, Helsinki		100	200
Kiinteistö Oy Hangon Bulevardi, Hanko		100	2 524
			40 424

Other shares and holdings of the parent company and subsidiaries

Parent company's other shares			
Central Share Register of Finland Cooperative	3		210
Subsidiaries' other shares and holdings			
Ylä-Malmintori, shares in parking garage	22	4,00	1 117

11. Receivables and loans

Main items included in prepaid expenses and accrued income

Significant items included under prepaid expenses and accrued income for the Group and the parent company are value-added tax receivables (FIM 4.6 million for the Group and FIM 2.9 million for the parent company).

Main items included in accrued expenses and prepaid income

Significant items included in the Group's accrued expenses and prepaid income are tax accruals (FIM 9.1 million) and interest accruals (FIM 9.5 million) for the financial year.

The parent company's most significant items are tax accruals (FIM 6.8 million) and interest accruals (FIM 9.5 million) for the financial year.

Loans to inner circle members

No loans have been granted to the members of the Board or the CEO, nor have any guarantees been provided on their behalf.

12. Securities held as financial assets

Securities held as financial assets include money market fund units acquired and short-term money market investments made to invest liquid cash funds. The current value of investments did not essentially deviate from the book value on the date of closing.

13. Change in shareholder's equity

(FIM 1,000)	Group 1999	Group 1998	Parent company 1999	Parent company 1998
Share capital				
At the beginning of financial year	138 421	138 421	138 421	138 421
Decrease in share capital	-27 684		-27 684	
Share issues				
New issue March 9, 1999	391 006		391 006	
New issue June 24,1999	109 689		109 689	
New issue June 24,1999	4 350		4 350	
At end of financial year	615 782	138 421	615 782	138 421
Share premium account				
At the beginning of financial year	25 979	25 979	25 979	25 979
Losses covered from previous financial years	-15 978		-15 978	
New issue March 9, 1999	48 875		48 875	
New issue June 24,1999	13 711		13 711	
New issue June 24,1999	544		544	
At end of financial year	73 131	25 979	73 131	25 979
Profit/loss brought forward				
At the beginning of financial year	-43 568	-44 199	-43 662	-26 844
Losses covered by decrease of share capital	27 684		27 684	
Transfer from share premium account	15 978		15 978	
Other change	-80			
At end of financial year	14	-44 199	0	-26 844
Profit/loss for financial year	21 582	631	25 732	-16 819
Shareholders' equity at end of financial year	710 510	120 833	714 646	120 738
Distributable funds	21 582	-43 568	25 732	-43 663

Castrum Oyj's share capital was decreased by FIM 27,684,300 during the financial period by reducing the nominal share value from FIM 10 to FIM 8.

The reduction was used to cover accumulated losses. FIM 15,978,433.50 was transferred from the share premium account to cover confirmed losses.

In connection with real estate transactions during the financial year, share capital was increased through targeted share issues described in detail in the Board of Directors' report

14. Convertible bonds and warrants

(FIM 1,000)	Group 1999	Group 1998	Parent company 1999	Parent company 1998
I/1988 April 5, 1988	0	33 950	1 960	35 910
I/1995 February 17, 1995	1 122	51 968	1 122	51 968
	1 122	85 918	3 082	87 878

The parent company's long-term liabilities include the convertible bond I/1988 issued on April 5, 1988, which matures on April 30, 2000.

The part of the bond in a Group company's investment portfolio has been eliminated in the consolidated financial statements.

Convertible bond I/1995 was issued on February 17, 1995 and is interest-free. The loan will be repaid in a single installment on April 30,

2000. Each FIM 1,000 bond can be converted into 100 Castrum Oyj shares with a nominal value of FIM 10 per share.
The bonds also carry a total of 51,968 warrants, each of which may be used to subscribe one hundred Castrum Oyj shares with a nominal value of FIM 10 per share at FIM 9 per share. The subscription period is from May 3, 1999 to April 30, 2004. No shares were subscribed between 1995 and 1999 based on the convertible bond or warrants.

In the new issue on March 9, 1999, part of the subscription price of the new shares, FIM 84,796,000, was set off against capital in the I/1988 and I/1995 convertible bonds.

15. Long-term loans

Long-term loans maturing (FIM 1,000)	Group 1999	Group 1998	Parent company 1999	Parent company 1998
1999		379 008		337 761
2000	24 000	85 918	24 000	87 878
2001	60 000		60 000	
2002	6 000		6 000	
2003	6 000		6 000	
2004	442 000		442 000	
2005	3 000		3 000	
2006	3 000		3 000	
2007	279 000		279 000	
	823 000	**464 926**	**823 000**	**425 639**

During the financial year, Castrum Oyj agreed with three financing banks on a long-term financing programme that will replace the old loans.

FIM 409 million of long-term liabilities is tied to the Euribor market rate. FIM 207 million has been converted to a fixed interest rate with interest rate swaps and another FIM 207 million with CAP options.

16. Deferred tax liabilities and assets

In 1998, the consolidated financial statements included deferred tax liabilities and assets resulting from timing differences between the financial statements and taxation. The changed method of calculation did not have any impact on the Group's profit or equity.

In the consolidated accounts, the deferred tax liability arises from the goodwill on consolidation for buildings in the consolidated financial statements, deferred tax assets for confirmed losses and write-downs not deducted from taxes. Deferred tax assets are calculated on the confirmed losses and write-downs following the prudence principle and taking into account the uncertainties attached to how the losses will be dealt with. The tax rate applicable on the balance sheet date has been used to calculate tax liabilities and assets.

Deferred tax liabilities and assets are not included in the financial statements of the parent company or other Group companies. The Group has deferred tax liabilities and assets arising from the following items:

(FIM 1,000)	Group 1999	Group 1998
Balance sheets of Group companies		
Tax assets on confirmed losses	9 257	5 676
Tax liabilities on the depreciation difference	-1 839	
Tax assets from write-downs	13 849	
Consolidation		
Tax liability on consolidation goodwill	-23 106	-5 676
Net total	**-1 839**	**0**

At the end of 1999 the parent company and other Group companies had confirmed losses totalling about FIM 106 million.

17. Pledges, guarantees and other liabilities

(FIM 1,000)	Group 1999	Group 1998	Parent company 1999	Parent company 1998
For loans from financial institutions, FIM 823 million				
Mortgages on real estate	1 723 741	433 057		
Other pledges	20 800	52 467	24 798	24 798
Other pledges given for own liabilities		2 278		
Guarantees for others	280	280	280	280

18. Derivatives

Castrum Oyj has used derivative contracts to hedge against interest rate risks arising from long-term loans.

Nominal values and current values of open contracts	Nominal value FIM thousand	Current value FIM million
Interest rate swaps, 5 years	107 100	3,84
8 years	99 900	5,34
	207 000	**9,18**
CAP options, 5 years	107 100	3,62
8 years	99 900	6,88
	207 000	**10,50**

The current value represents the yield generated if the derivative positions had been closed on the date of closing.

Castrum's Share Capital

Share capital

On February 25, 2000, the number of Castrum Oyj shares issued was 76,972,753. The nominal value of the share is FIM 8. The company's fully paid up share capital as entered in the Trade Register was FIM 615,782,024 on February 25, 2000.

According to the Articles of Association, Castrum's minimum capital is FIM 300 million and its maximum capital FIM 1,200 million. All company shares carry equal entitlement to dividend and other profit shares distributed by the company. Each share carries one vote. There are a total of 406 shareholders.

Castrum Oyj shares are listed on Helsinki Exchanges, where shares are traded in euros. The company's trading code is CAS1S and a trading lot contains 2,000 shares. The shares are in the book-entry system managed by the Finnish Central Securities Depository Ltd. By February 25, 2000, 99.95 per cent of the shares were entered in the book-entry system.

Convertible bonds and warrants

On February 17, 1995, Castrum issued FIM 51,968,000 in convertible bonds and granted warrants in connection with it. One convertible FIM 1,000 bond entitles its holder to subscribe a hundred shares. The main shareholders have set off a total of FIM 50,846,000 in subscription prices against the capital of the convertible bond I/1995 in connection with real estate deals agreed on February 4, 1999. With the remaining convertible bonds, the company's share capital may be raised to a maximum of FIM 897,600 according to the exchange conditions. The exchange may take place during April 30, 1995 - October 31, 2000, except in November and December each year.

The annual general meeting of shareholders on March 9, 1999 decided, in relation to the decrease in the share's nominal value and the increase in share capital, to revise the warrant terms for the convertible bond issue with warrants I/95. In connection with real estate deals in 1999, the main shareholders have returned to the company a total of 50,846 warrants granted to them in connection with convertible bond 1/1995. As a result of subscription using the remaining warrants, the company's share capital may be raised to a maximum of FIM 897,600 according to the subscription conditions. The subscription may take place during May 3, 1999–April 30, 2004, except in November and December each year.

Trend in share capital

In accordance with a decision of the annual general meeting of shareholders, Castrum's share capital has been lowered by FIM 27,684,300 from FIM 138,421,500 to FIM 110,737,200 by decreasing the nominal value of the share from FIM 10 (ten) to FIM 8 (eight) during the financial period.

The annual general meeting on September 3, 1999 decided, as part of the real estate transactions agreed on February 4, 1999, to increase share capital from FIM 110,737,200 to FIM 501,743,224 through a new FIM 391,006,024 issue.

The extraordinary meeting of shareholders on June 24, 1999 decided, as part of the real estate transaction agreed on May 28, 1999, to increase share capital from FIM 501,743,224 to

FIM 611,432,160 through a new FIM 109,688,936 issue.

The Board of Directors decided on June 24, 1999, under the right granted by the annual general meeting of shareholders, to increase share capital from FIM 611,432,160 to FIM 615,782,024 through a new FIM 4,349,864 issue, as part of the real estate transactions agreed on June 14, 1999.

All the above-mentioned shares carry entitlement to dividend for the first time for 1999.

Right to increase share capital

On March 9, 1999, the annual general meeting of shareholders granted the Board of Directors the right to decide, within a year of an annual general meeting decision, on a new issue, the grant of option rights or the issue of a convertible bond. Issues can be implemented in one or several blocks of shares on conditions decided on in more detail by the Board of Directors to the effect that shares in a new issue raise share capital to a maximum of FIM 27,680,000 altogether. This authorization includes a right to deviate from the shareholders' subscription rights.

The Board of Directors has used FIM 4,349,864 of its total FIM 27,680,000 issue rights in connection with a real estate transaction agreed on June 14, 1999. Share capital can thus be further raised to a maximum of FIM 23,330,136 under the same rights.

Changes in share capital

Increase method	Due date/ subscription period	Increase, no.	Increase, FIM	New number of shares	New share capital, FIM
Share capital on January 1, 1999					138 421 500
Change in nominal value					
10 FIM -> 8 FIM	April, 14, 1999		-27 684 300	13 842 150	110 737 200
New issue					
to sellers of properties	March 9–15, 1999				
to shareholders, 1:1[1)]	March 10–31, 1999	48 875 753	391 006 024	62 717 903	501 743 224
Share issue targeted at					
Kesko Corporation	24.6.1999	13 711 117	109 688 936	76 429 020	611 432 160
Share issue targeted at					
Merita Invest Oy	28.6-30.6.1999	543 733	4 349 864	76 972 753	615 782 024

[1)] Subscription ratio

Dividend distribution policy

Castrum aims to be a company whose value increases for its owners. In line with a decision of the Board of Directors, the principle is to distribute dividend accounting for 50–90 per cent of the operative result. The company strives to maintain its equity rate at 45–50 per cent. Castrum aims to ensure payment to shareholders of a return on their investment higher than the interest on current convertible bonds.

Holdings and shareholders

All information on shareholders is based on the book-entry register on February 25, 2000.

Largest shareholders on Feb. 25, 2000

Shareholder's name	Number of shares	% of shares
Tamro Group	13 781 769	17.90
Kesko Corporation	13 711 117	17.81
Sponda Oyj and Tamsoil Oy	13 111 116	17.03
Ilmarinen Pension Insurance Company Ltd	10 644 453	13.83
Sampo Life Insurance Company Limited and ST International	8 394 450	10.91
Nokia Group	5 222 223	6.78
Merita Real Estate Ltd and PMA-Invest Oy	4 299 543	5.59
Cast-Rixa Oy	1 747 512	2.27
Enterprise Fennia	1 010 000	1.31
OKOBANK Osuuspankkien Keskuspankki Oy and Pension Fund of Cooperative Banks	1 414 825	1.84
Other shareholders (392)	3 635 745	4.72
Total	76 972 753	100.0

Shareholders by holdings on Feb. 25, 2000

Holding	No. of shareholders	Percentage of all shareholders	Number of shares owned	Percentage of all shares
1 – 1 000	224	55.17	60 123	0.08
1 001 – 10 000	141	34.73	502 623	0.65
10 001 – 100 000	21	5.17	530 391	0.69
100 001 – 1 000 000	9	2.22	4 905 893	6.37
1 000 001 –	11	2.71	70 938 848	92.16
Total	406	100.0	76 937 878	99.95
Shares in the joint account			34 875	0.05
Sum total			76 972 753	100.0

Sectoral breakdown on Feb. 25, 2000

Sector	No. of shareholders	Percentage of all shareholders	Number of shares owned	Percentage of all shares
Corporations	52	12.81	54 145 828	70.34
Financial and insurance institutions	6	1.48	11 149 001	14.48
Public-sector organizations	1	0.25	10 644 453	13.83
Non-profit organizations	2	0.49	5 616	0.01
Households	343	84.48	990 960	1.29
Foreign	2	0.49	2 020	0.00
Shares not converted into the book-entries			34 875	0.05
	406	100.0	76 972 753	100.00
Nominee-registered shares	2		4 046	0.01

Holdings of management

The members of the Castrum Oyj Board of Directors and the President and CEO owned altogether a total of 77,000 shares, or 0.1 per cent of the company's share capital and votes on February 25, 2000.

Castrum's Board of Directors has decided that Helsinki Exchanges' new "Guidelines for Insiders" will be applied as of March 1, 2000.

Share price trend and trading volumes

Key indicators	1999	1998	1997	1996	1995
Share capital, FIM million	615.8	138.4	138.4	129.9	129.9
Number of shares at end of period (thousand)	76 972.8	13 842.2	13 842.2	12 992.2	12 992.2
Average number of shares (thousand)	61 026.7	13 842.2	13 240.3	12 992.2	12 992.2
Earnings per share, FIM	0.35	0.05	0.6	-1.04	-1.89
Shareholders' equity per share	9.23	8.73	8.68	7.94	8.90
Dividend per share, FIM [1]	0.25	0.0	0.0	0.0	0.0
Dividend pay-out ratio, %	62.9	0.0	0.0	0.0	0.0
Dividend yield, %	5.0	0.0	0.0	0.0	0.0
P/E ratio	14.43	112.0	14.7	negat.	negat.
Average share price	6.66	7.26	10.40	6.18	3.36
Highest share price	8.62	10.5	13.50	7.50	4.00
Lowest share price	4.99	5.2	7.10	4.00	2.00
Share price at end of period	5.05	5.6	8.80	7.00	4.00
Market value of share capital at end of period, FIM million	388.7	77.5	121.8	90.9	52.0
Shares traded (thousand)	14 224.9	910.0	1 112.7	668.0	4.2
Shares traded, %	18.5	6.6	8.0	5.0	0.0
Stock exchange turnover, FIM million	95.0	6.6	11.6	4.1	0.0

[1] Board's proposal for 1999

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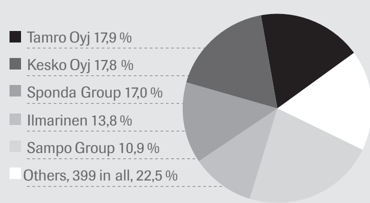
Share price and trading volume

Principal shareholders



Key Indicators
and Calculation of Key Indicators

Key indicators

Group	1999 MFIM	1998 MFIM	1997 MFIM	1996 MFIM	1995 MFIM
Turnover	129.2	48.5	42.1	36.5	30.4
Wages, salaries and fees	5.3	3.7	2.5	1.6	1.4
Operating profit	65.0	15.6	20.5	5.7	0.2
as % of turnover	50.3	32.2	48.7	15.6	0.7
Depreciation according to plan[2]	22.5	8.3	13.8	13.4	11.9
Net financing expenses	-34.3	-15.3	-12.0	-19.2	-24.9
as % of turnover	26.6	31.5	28.6	52.6	81.9
Profit/loss before extraordinary items	30.6	0.3	8.4	-13.5	-24.7
as % of turnover	23.7	0.6	20.0	negat.	negat.
Profit/loss before taxes and minority interest	30.6	0.3	8.4	-13.5	-35.0
as % of turnover	23.7	0.6	20.0	negat.	negat.
Interest-free liabilities	34.4	97.6	93.2	96.2	104.8
Interest-bearing liabilities	823.0	378.9	344.0	359.7	358.7
Shareholders' equity and untaxed reserves	710.5	120.8	120.2	103.1	116.6
Balance sheet total	1 570.4	600.3	560.5	562.2	582.5
Return on equity %	5.1	0.3	7.5	-12.8	-18.1
Return on investment %	6.1	3.4	5.0	1.3	0.3
Equity ratio, %	45.4	21.0	22.0	18.9	20.5
Net indebtedness, %	101.5	284.2	261.7	334.8	287.5
Taxes	9.1	-0.1	-0.2	0.1	0.1
Dividend[1]	19.2	0.0	0.0	0.0	0.0
Gross investment in fixed assets	984.0	44.5	19.8	5.8	3.9
as % of turnover	761.4	91.8	47.0	15.9	12.7
Personnel at end of period	14	13	12	8	7

[1] Board proposal for 1999 [2] In the 1998 financial statements, the company's depreciation procedure was brought into line with the international standard by extending the depreciation periods on buildings.

Calculation of key indicators

Capital invested = Balance sheet total - interest-free liabilities (average over period)

Return on investment (ROI), % = $\frac{\text{Profit before extraordinary items + interest expences + financial expences}}{\text{Balance sheet total - interest-free liabilities (average over period)}}$ x 100

Return on equity (ROE), % = $\frac{\text{Profit before extraordinary items - taxes}}{\text{Shareholder's equity + minority interest}}$ x 100

Equity ratio, % = $\frac{\text{Shareholders' equity in balance sheet + minority interest}}{\text{Balance sheet total - advances received}}$ x 100

Earnings per share, FIM[3] = $\frac{\text{Profit before extraordinary items - taxes - minority interest}}{\text{Average number of shares}}$

Shareholders' equity per share, FIM[3] = $\frac{\text{Shareholders' equity}}{\text{Number of shares at end of period}}$

Dividend per share, FIM = $\frac{\text{Nominal dividend per share}}{\text{Share issue ratio}}$

Pay-out ratio, % = $\frac{\text{Dividend per share}}{\text{Profit per share}}$

Dividend yield, %[3] = $\frac{\text{Dividend per share}}{\text{Share price on 31 Dec. / Share issue ratio}}$ x 100

P/E-ratio[3] = $\frac{\text{Share price on 31 Dec. / Share issue ratio}}{\text{Dividend per share}}$

Shares traded, % = $\frac{\text{Number of shares traded}}{\text{Average number of outstanding shares}}$ x 100

Average duration of leases = Total value of leases / Rental revenue (month)

Total value of leases = Rental revenue (FIM) x duration of lease (months)

Occupancy rate = Number of square metres rented / Total number of square metres x 100

[3] Key indicator adjusted for share issue

Proposal of the Board of Directors
and Auditors' Report

Proposal of the Board of Directors

Consolidated profit for 1999	FIM 21 582 078.17
Retained earnings	FIM 14 223.86
Consolidated non-restricted shareholders' equity on December 31, 1999	FIM 21 596 302.03
Parent company profit for 1999	FIM 25 732 020.70
Retained earnings	FIM 0.00
Parent company non-restricted shareholders' equity on December 31, 1999	FIM 25 732 020.70

The Board of Directors proposes to the Annual General Meeting that:
- a FIM 0.25 dividend per share be distributed, totalling FIM 19 243 188.25
- FIM 6 488 832.45 be charged to the accrued profit/loss account

If the Board proposal is approved, the shareholders' equity of the company after disposal of the profit is as follows:

Shareholders' equity	
Share capital	FIM 615 782 024.00
Share premium account	FIM 73 131 169.50
Retained earnings	FIM 6 488 832.45
Total shareholders' equity	FIM 695 402 025.95

Helsinki, February 29, 2000

Juhani Mäkinen
chairman

Hannu Lonka **Asko Piekkola** **Juhani Pohjolainen**
Pentti Tarkkanen **Jouko Tuunainen** **Helena Walldén**

Auditors' Report

To the shareholders of Castrum Oyj,

We have audited the accounting, the financial statements and the corporate governance of Castrum Oyj for the 1999 financial year. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, source and application of funds and notes to the financial statements, have been prepared by the Board of Directors and the Chief Executive Officer. Based on our audit we express an opinion on these financial statements and on the corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the President have legally complied with the rules of Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the Members of the Board of Directors and President of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the treatment of the loss for the financial year is in compliance with the Companies' Act.

Helsinki, March 1, 2000

KPMG Wideri Oy Ab
Authorized Public Accountants

Sixten Nyman, APA **Tiina Torniainen, APA**

Corporate Governance

The main duties of the Board of Directors are
- implementation of the Group's business strategy
- approval of the operating plan
- approval and supervision of budget implementation
- approval of juridical structural changes
- analysis of operations and financial result
- decisions on major investments and sales
- updating of instructions for the President and CEO
- fixing of bonuses and target pay levels
- appointment of the President and CEO

The Board of Directors evaluates its operating methods and working principles regularly each year.

Board of Directors: Juhani Mäkinen, Helena Walldén, Hannu Lonka, Asko Piekkola, Pentti Tarkkanen, Jouko Tuunainen and Juhani Pohjolainen

Principles

The work of Castrum's Board of Directors and the company's management procedures are mainly based on the recommendations issued by the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers in 1997 concerning management of public companies and on the OECD Principles of Corporate Governance.

Castrum Oyj's institutions, i.e. the Annual General Meeting of shareholders, the Board of Directors and the President and CEO, carry supreme responsibility for the administration and operations of the Group. The Annual General Meeting elects the Board of Directors, which is composed of at least three and at most eight members. The term of the Board of Directors lasts until the close of the next Annual General Meeting following their election. The Annual General Meeting also has exclusive power under the Companies Act to amend the Articles of Association, approve the financial statements, decide on the amount of dividend, and elect the company auditors.

Board of Directors

The duties and responsibilities of the Board of Directors are determined on the basis of the Finnish Companies Act and other applicable legislation.

The Board of Directors has general judicial power in all those company matters that are not determined as duties of other institutions under law or the Articles of Association. The general duty of the Board of Directors is to attend to the company's administration and suitable organization of its operations. The Board must act in the interest of the company in all situations.

The present Board of Directors has seven members. The President and CEO is not a member of the Board. All current Board members have been appointed from outside the company.

The Board usually meets eight to ten times per year. It meets on company premises or, exceptionally, at some other place decided on beforehand.

President and CEO

The President and CEO attends to the day-to-day operations of the company under the Companies Act and sees to it that the company's accounting complies with the law and that asset management is arranged in a reliable way.

In addition to, and as part of, the above-mentioned duties, the President and CEO is responsible for:

- seeing to it that the company complies with official regulations and that taxes are duly paid
- seeing to it that the company's and its subsidiaries' financial administration and monitoring and supervision systems are properly organized
- seeing to it that the insurance policies covering the company's and its subsidiaries' operations and assets are valid
- monitoring the company's cash flow and liquidity
- seeing to it that the company has proper administration systems that produce up-to-date information in a reliable way
- attending to the compilation of financial statements and interim reports and the publication of stock exchange information in accordance with the regulations of Helsinki Exchanges and as provided in the Securities Markets Act
- implementing the decisions of the Board of Directors and reporting on them to the Board
- presenting the matters to be dealt with at Board meetings

Holdings of The Board of Directors and The President and CEO

Members of the Board of Directors and the management held the following number of Castrum Oyj shares on February 25, 2000: members of the Board of Directors 75,000, President and CEO 2,000.

Board of Directors

Chairman Mr Juhani Mäkinen,
born 1956, Legal Counsellor,
Hannes Snellman Oy
Chairman of the Board of Directors of Castrum since 1996

Mr Hannu Lonka, born 1951, Director,
Merita Real Estate Ltd
Member of the Board since 1999

Mr Asko Piekkola, born 1952,
President,
AG-Partners Corporate Finance Oy
Member of the Board since 1999

Mr Juhani Pohjolainen, born 1938,
Master of Science in Engineering
Member of the Board since 1998

Mr Pentti Tarkkanen, born 1942,
Director of Administration, Tamro Plc
Member of the Board since 1993

Mr Jouko Tuunainen, born 1945,
Executive Vice President,
Kesko Corporation
Member of the Board since 1999

Ms Helena Waldén, born 1953,
Executive Director, OKOBANK
Member of the Board since 1997

Organization and Contact Information

Management group: Calle Roselius, Jukka Hakkila, Risto Adler, Jari Kähkönen and Hannu Parikka

Management

Mr Hannu Parikka, born 1952
President and Chief Executive Officer since 1998
Tel. +358 9 6226 7239, 050 352 2635
hannu.parikka@castrum.fi

Management group

The company's management group consists of the President and CEO, the directors of the three administrative groups, and the head of renovation and construction. The five members of the management group are thus Mr Hannu Parikka (President and CEO), Mr Jukka Hakkila (Director, Property), Mr Jari Kähkönen (Director, Finance), Mr Calle Roselius (Director, Marketing), and Mr Risto Adler (Building Manager).

Main duties of the management group are to develop company operations, distribute information among the administrative groups, and prepare investment decisions for the Board of Directors. The Management group meets regularly once a week.

Administrative groups

Castrum's staff work in three groups. The members of the administrative groups, together with the President and CEO, comprise the 13-person strong staff.

Personnel bonus plan

Castrum's entire personnel has signed an agreement on a bonus plan. Bonuses will be paid on the basis of the company's performance during the financial period January 1 – December 31, 2000. The basis for evaluation is earnings per share in the financial statements.

Back row: Eve Silventoinen, Lea Jokinen, Pirjo Wiksten, Eija Riitala, Hanna Nurminen, Salla Karvinen and Juha Hakkarainen
Middle row: Hannu Parikka, Jukka Hakkila, Calle Roselius, Risto Adler, Jari Kähkönen and Merja Ekberg
Front row: Eva Schalin and Veli-Pekka Mäkinen

Marketing

Leasing
Selling properties
Customer satisfaction research
Corporate marketing
Communications

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Ms Eva Schalin,
communications
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Property administration

Property management (technical management)
Construction (project management, contracts)
Building management (administrative management)

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Mr Risto Adler, Building Manager
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Ms Hanna Nurminen, Project Secretary
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Ms Eija Riitala, Building Manager,
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Finance and accounting

Budgeting
Financial reporting
Financing
Accounting
Salaries
Compilation of financial statements
Payment transactions
Accounts payable and receivable

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Ms Merja Ekberg,
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Ms Salla Karvinen,
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Castrum Annual Report 1999

KREAB / Libris 2000

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