Fabege

"Our customers and locations are central in everything we do."

Annual Report 2009

Contents

The formal annual report, which has been audited, comprises pages 42–66.

Highlights of 2009

Financial highlights

- Earnings after tax for the year increased by SEK 936m from SEK –511m to SEK +425m. The lower net interest expenses added SEK +244m and reduced negative value adjustments brought another SEK +1,753m, while the effective tax rate increased by SEK – 1,084m.
- Earnings before tax were SEK 561m (–1,285) in Property Management and SEK 119m (–55) in Improvement Projects.
- The profit from property management increased to SEK 838m (568) while rental income decreased to SEK 2,194m (2,214) due to sales of properties.
- The surplus ratio increased to 67 per cent (65%).
- Earnings per share were SEK 2.59 (–3.07) and equity per share was SEK 61 (60).
- The Board proposes a dividend of SEK 2.00 per share (2.00).

www.fabege.se

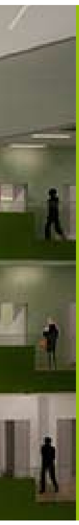
More information about Fabege and our operations is available on the Group's website.

From 40,000 to 5,000 tonnes of carbon dioxide in seven years

Fabege's climate work began in 2002 with a project to replace old oil-fired boilers with district heating. After that Fabege initiated a systematic effort to optimise the use of energy, which to date has led to a reduction in energy consumption by about 30 per cent. Taken together, the various measures have cut annual carbon dioxide emissions from about 40,000 tonnes to 5,000 tonnes. ■

Read more on page 36.

Fabege is a partner of SOS Children's Villages and is funding the building of a family house in Burundi that is aimed at giving vulnerable children a dignified life. Read more on page 41.



Major deal with Vattenfall

In January 2009, Vattenfall signed an agreement with Fabege for the lease of about 43,000 m² of office space in Arenastaden in Solna, where Vattenfall's Nordic unit and its business areas will be moving as a tenant into a brand new office building. The new building construction began in February 2010, and is expected to be completed in 2012. In addition to modern and flexible office premises with 2,000 workplaces, the property will house garages, a restaurant, an auditorium, a gym and exhibition rooms.

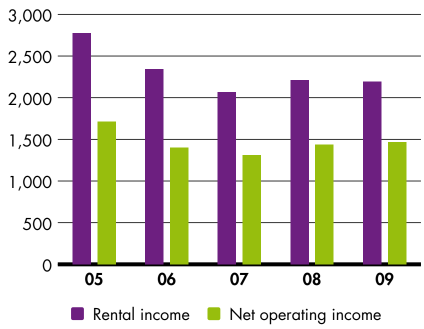
Environmental requirements and energy specifications for the building are impressive. Energy use in the building will be well below what is required for certification under the EU's GreenBuilding programme, partly thanks to the use of solar and wind power. ■

Some figures

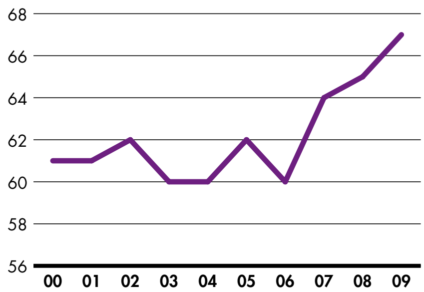
Key figures	2009	2008
Rental income, SEKm	2,194	2,214
Net operating income, SEKm	1,465	1,438
Profit/loss for the year, SEKm	425	–511
Return on equity, %	4.3	–4.8
Surplus ratio, %	67	65
Equity/assets ratio, %	32	32
Interest coverage ratio, times	2.6	1.9
Earnings per share after dilution, SEK	2.59	–3.07
Dividend per share, SEK	2.00[1]	2.00

[1] Proposed cash dividend for 2009.

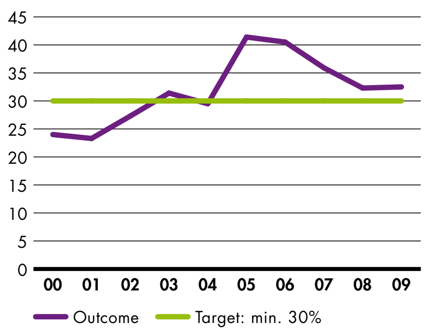
Rental income and Net operating income



Surplus ratio



Equity/assets ratio



This is Fabege

Fabege is one of Sweden's leading property companies focusing mainly on office premises and property development.

Fabege offers attractive and efficient premises, mainly offices but also retail and other premises. The company's operations are highly concentrated to a number of fast-growing sub-markets in the Stockholm region, primarily the inner city of Stockholm, Solna and Hammarby sjöstad.

Fabege manages a well positioned property portfolio that is continually being developed through improvement projects, sales and acquisitions. The concentration of properties to well contained clusters brings the company closer to its customers, which, coupled with Fabege's extensive local expertise, creates a solid foundation for efficient property management and high occupancy.

At year-end 2009, Fabege owned 148 properties with a total market value of SEK 29.2bn. Rental revenues in 2009 were SEK 2.2bn.

Fabege's vision is to be the most proactive, innovative and competent commercial property company in Stockholm as well as an important partner for its clients and society in general.

www.fabege.se

More information about Fabege and our operations is available on the Group's website.

Fabege's sub-markets

Stockholm inner city

Most of Fabege's inner city properties are located in the area around Kungsgatan and Drottninggatan, in the Norrtull area and in western and eastern Kungsholmen. The portfolio includes the DN-building and Wenner-Gren Center, two well-known Stockholm landmarks.

Solna

Arenastaden and Solna Business Park are Fabege's main sub-markets in Solna. Fabege is one of the initiators and part-owners of the new Arenastaden district, which will be home, not only to a large part of office buildings, but also to the spectacular new Swedbank Arena, an extensive retail complex, hotels and residential buildings.

Hammarby sjöstad

Fabege owns the majority of commercial properties in Hammarby sjöstad, the largest being the Luma building. The district is one of Stockholm's most exciting development areas, and it has become a highly attractive residential and office location area.

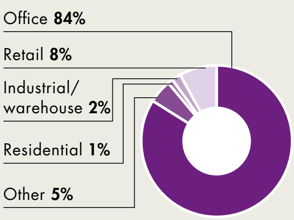
Other markets

Outside its three priority markets, Fabege owns a number of commercial properties in the suburbs of Stockholm, including Täby, Nacka, Bromma and Järla Sjö. In 2009, Fabege also owned residential properties in Tensta/Rinkeby. These were sold in early 2010.

Stockholm inner city

No. of properties	45
Lettable area, '000 m²	547
Market value, SEKbn	16.417
Rental value, SEKbn	1.248
Financial occupancy rate, %	91

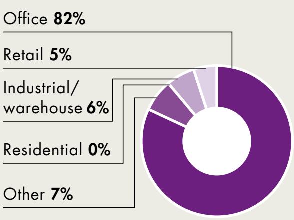
Breakdown of rental value



Solna

No. of properties	36
Lettable area, '000 m²	494
Market value, SEKbn	8.502
Rental value, SEKbn	0.735
Financial occupancy rate, %	91

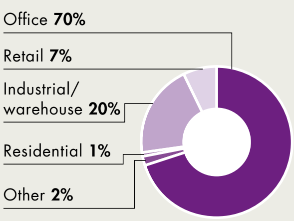
Breakdown of rental value



Hammarby sjöstad

No. of properties	13
Lettable area, '000 m²	146
Market value, SEKbn	1.943
Rental value, SEKbn	0.184
Financial occupancy rate, %	81

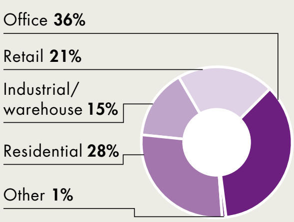
Breakdown of rental value



Other markets

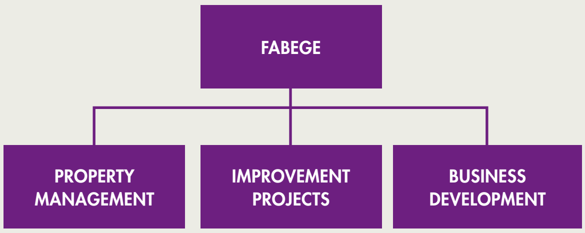
No. of properties	54
Lettable area, '000 m²	242
Market value, SEKbn	2.331
Rental value, SEKbn	0.244
Financial occupancy rate, %	89

Breakdown of rental value



The Business

Fabege operates in three business areas; Property Management, Improvement Projects, Business Development.



Operational Key Figures

	2009	2008
Property value, Management, SEKbn	23.3	23.8
Property value, Improvement projects, SEKbn	5.9	5.7
Invested in the company property portfolio, SEKbn	1.1	2.0
Aquisitions, SEKbn	0	0.2
Sales, SEKbn	1.2	2.1

Message from the CEO
We are creating values

Against all odds, 2009 proved to be a good year for the property market. Fabege managed to increase its net operating income as well as its surplus ratio. Net lettings were positive, and we strengthened our balance sheet. The attractive growth locations of the property portfolio supports our business model in creating value through management as well as improvement projects and transactions. With the economy growing again in 2010, the winds are favourable.

2009 was a good year for those of us who like challenges. World trade fell by over ten per cent. Never before have we experienced a sharper contraction in times of peace. One thing that we have all learnt from 2009 is that events are unfolding ever faster and becoming harder to predict. Therefore, it is more important than ever before to build your business in a proactive and adaptable manner. The winner is the one who is most skilled at adapting his business and does so faster than the others. Our company culture, expressed by our core values, is based precisely on this. We have for several years been working actively to develop both our organisation and our portfolio to meet and exploit the challenges we face, fast and effectively.

Looking at the factors that we have been able to influence during the financial crisis and recession, I am happy to say that the outcome has been very good. We have:

- improved our net operating income and surplus ratio,
- achieved positive net lettings,
- strengthened our balance sheet,
- succeeded in our ambition to sell at least as much as we invest.

This has primarily been achieved because Fabege has a highly efficient organisation, but we also succeeded in strengthening customer relationships and concluding long leases with stable customers. Another contributing factor is our strategically composed property portfolio, which is concentrated to three strong sub-markets with good prospects; the inner city of Stockholm, Solna and Hammarby Sjöstad. Most of Fabege's portfolio consists of efficient, flexible offices in attractive locations. Our attractive properties have given us stability during the recession, and will create potential for the future as growth continues.

The 2009 property market saw a significantly smaller number of transactions than in recent years. Yield requirements for properties have generally increased, while the spread between attractive and less attractive locations and products has widened. It is, therefore, nice to see, in a year like this, that the average yield requirement in our property portfolio has remained unchanged compared with the year before. The write-downs made have been offset by gains from improvements to project properties and stronger cash flows in our investment properties.

Fabege's shares increased by 50 per cent in 2009, outperforming the index for the property industry (SIX Real Estate), which gained 22 per cent, and the Stockholm Exchange, which increased by 47 per cent.

Our core values

In 2009, Fabege continued its efforts to establish its core values and the shared Fabege spirit that we are striving to create. Fabege's company culture should be inspired by a commitment to responsible enterprise, service-mindedness, action and fast feedback to our valued customers.

Activities in our property management department in 2009 were strongly customer-focused. We want to build good long-term relationships by showing concern for our customers and responding quickly to their needs. Strengthening customer relations is a vital success factor.

The environment – our social responsibility

Working to promote long-term sustainable development is an important and natural part of what we do. We want to create environments and meeting-places that help build a sustainable society. Sustainability is therefore a factor that is taken into account at all stages of our business process and an integral part of our day-to-day activities. Social responsibility is

“With the economy growing in 2010, the winds are favourable. Our business model will enable us to create value for the future.”

a long-term commitment that helps strengthen our brand and profitability.

In 2009, we continued our successful efforts on environmental and energy issues, cutting our energy consumption by a further five per cent, which brings the total reduction to 30 per cent since 2002. One effect of this is that our carbon dioxide emissions have been cut from about 40,000 tonnes to 5,000 tonnes in just seven years. I am very proud of this environmental success.

Favourable winds in 2010

As growth in the economy has now turned positive and is expected to pick up further, albeit from a low level, Fabege is, thanks to its high-growth locations and project and transaction focus, particularly well placed to benefit from the pick-up in economic activity. Fabege has skilled and highly motivated staff and an organisation that can adapt rapidly to changing conditions. With properties and premises that will remain attractive regardless of the state of the economy and interesting business opportunities in its portfolio, Fabege is in a good position going into 2010.

We will continue to streamline our operations and will also seek to take advantage of opportunities to conclude good deals. Our portfolio strategy remains unchanged, and we will continue our efforts to concentrate our portfolio to a number of priority sub-markets. By selling low-yield properties with limited development potential and investing in high-yield projects, we will aim to create value for the future, exactly as described in our business model.

I believe 2010 will be a year where a strong profit from property management activities will form a stable cornerstone for our results. I also believe that we will generate additional significant profits from transactions and improvements to properties in our projects business.

Stockholm, February 2010

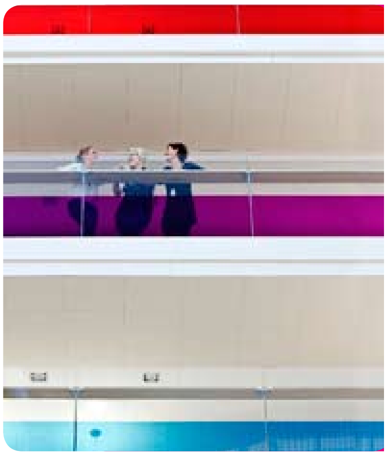
CHRISTIAN HERMELIN
CEO

Strategic focus

Fabege owns, manages and adds value to an extensive property portfolio in the Stockholm region, the most dynamic property and rental market in the Nordic countries. The company's business model is designed to create business opportunities and generate value through all stages of the business cycle.

Business concept

Fabege's business concept centres on commercial property in the Stockholm region, with a particular emphasis on a limited number of fast-growing sub-markets. Fabege aims to create value by managing, improving and actively adjusting its property portfolio through sales and acquisitions. Accured values should be realised at the right time.



Vision

To be the most proactive, innovative and competent commercial property company in Stockholm, and an important partner for our clients and for society in general. The natural first choice provider.

Mission

Through constant skills development, Fabege will seek to understand the customer's requirements and exceed expectations while strengthening our profile as a socially responsible company.

Strengths

THE BUSINESS

Fabege offers efficient and flexible premises, mostly offices but also retail and other premises. The company's operations are concentrated to the Stockholm region. The concentration of properties to well contained clusters brings the company closer to its customers, which, coupled with Fabege's extensive market expertise, creates a strong foundation for efficient property management and a high occupancy rate. The company's portfolio comprises 148 properties with a strong concentration to attractive sub-markets with development potential in Stockholm's inner city, Solna and Hammarby sjöstad. This strategic property portfolio constitutes the foundation of our business model.

Fabege has built up a strong pool of expertise in project development and is successfully running a number of property projects in attractive locations. We develop and add value to properties in response to changing demand and opportunities to generate strong returns. Fabege's project investments are forward-looking and designed to reduce vacancy rates and raise rents in the portfolio, thereby improving cash flows and adding value.

FOCUSING ON THE CUSTOMER

Stockholm's rental and property market and the high pace of economic activity constantly create new challenges. Fabege has a strong customer focus and a flat organisation. As a customer-oriented company with a strong entrepreneurial spirit, Fabege is continually adapting to changing market conditions and customer requirements.

Fabege has about 2,000 leases in its

commercial property portfolio. To minimise risk, the company strives to achieve a balanced mix of stable customers from different market segments. The 15 largest tenants by value account for about 29 per cent of the company's total contracted rental value and most of these have leases with significantly longer terms than the average for the portfolio.

AN INSPIRING COMPANY CULTURE

The right expertise and a strong commitment among staff are two key success factors. Fabege offers skills development and further education through customised training programmes, which are arranged on a regular basis.

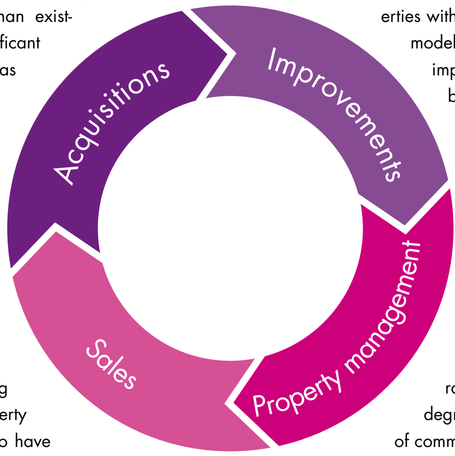
The building blocks of Fabege's corporate culture are its five core values: speed, informality, entrepreneurship, business orientation and client proximity. To build a common value basis that supports the company's operations and goals, Fabege continually runs internal programmes designed to build commitment to its core values and promote behaviour that is consistent with these values.

Business concept

Fabege's dynamic business model is designed to create value regardless of the economic climate. The emphasis of the business model varies over time in response to changing market conditions, and the organisation is therefore structured to be flexible and adaptable.

ACQUISITIONS – CREATE GROWTH Fabege aims to acquire properties that offer better growth opportunities than existing investment properties in its portfolio. As a significant player in a number of select sub-markets, Fabege has acquired in-depth experience and knowledge about the markets, plans for development, other players and individual properties. The company continuously monitors and analyses developments with a view to exploiting opportunities to develop its property portfolio.

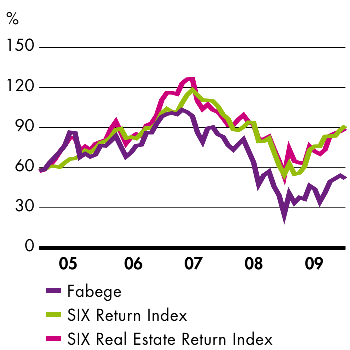
SALES – CONCENTRATING THE PORTFOLIO Fabege aims to sell properties that are located outside its concentrated property management units or have limited prospects for further growth. Location, condition and vacancies are key factors determining the growth potential of a property. A fully let property with modern and efficient premises that is deemed to have limited potential for rent increases and capital growth could thus become a candidate for divestment.



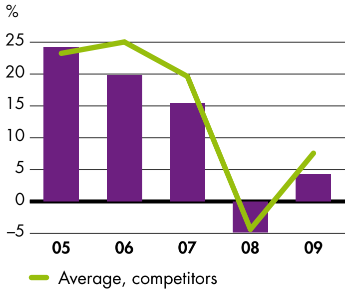
IMPROVEMENTS – ADDING VALUE Improvement projects in properties with growth potential are a key element of Fabege's business model, helping to add value. In addition to developing and improving acquired properties, Fabege already has a number of improvement and project properties in its portfolio whose potential it seeks to develop as market conditions permit. The volume of projects is adapted to market demand. New builds and more extensive development projects are always based on the principles defined in the EU's GreenBuilding programme.

PROPERTY MANAGEMENT – CLOSE TO THE CUSTOMER Property management is Fabege's main business area. The properties are managed by an efficient in-house organisation, which is divided into separate property management areas. Each area has a large degree of individual responsibility to ensure a high degree of commitment and proximity to the customer. The company's customer-facing property management activities are designed to support a high occupancy rate and encourage customers to remain with Fabege. Satisfied customers help to improve our net operating income.

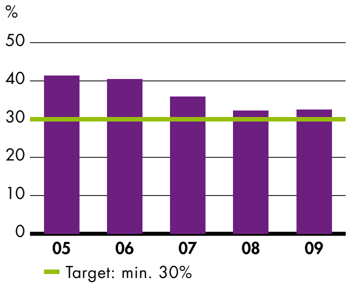
Total return



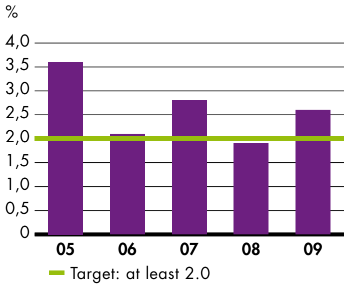
Return on equity



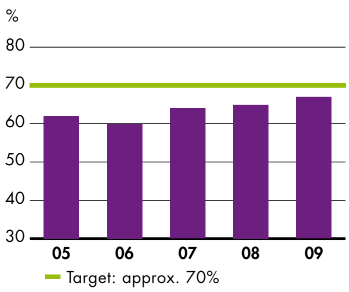
Equity/assets ratio



Interest coverage ratio



Surplus ratio



A goal-oriented business

Fabege's activities are goal-oriented at all levels of the organisation, and goals are defined from several different operational perspectives. The goals are broken down, developed and established in the different business areas and at unit level. Measurements and reviews of target achievement are performed regularly at all levels.

OVERALL GOALS

Fabege's overall goals are to use our size, strength and focus to create and realise values and provide our shareholders with the best overall return among property companies listed on the Stockholm Exchange.

FINANCIAL GOALS

The company's key financial criteria adopted by the Board are profitability, as measured by return on equity, equity/assets ratio and interest coverage ratio. Fabege aims to be one of the most profitable listed property companies. The target is to maintain an equity/assets ratio of at least 30 per cent and an interest coverage ratio of at least 2.0 including realised changes in value.

EFFICIENCY GOALS

Fabege aims to retain a high level of cost-efficiency and to be the leading player in comparisons with other Swedish property companies. To improve its operational efficiency and achieve its financial goals, the company continuously implements various forms of process improvements. The goal is to create an atmosphere where ideas and initiatives to develop processes and procedures are harnessed and converted into action. In 2009 several process improvement projects were implemented in various parts of the organisation. This work will continue in 2010.

Another long-term goal is to improve the surplus ratio to the same levels as for comparable property companies, i.e. a surplus ratio of around 70 per cent. In 2009 Fabege's surplus ratio was 67 per cent (65%).

Since 2002, Fabege's general environmental and efficiency target has been to cut energy use by an average of 5 per cent each year. In 2009, the outcome was 5 per cent. A more long-term target is to cut energy use by 20 per cent from the 2009 levels by 2014.

CUSTOMER SATISFACTION GOALS

In 2009, Fabege conducted a customer survey to get a better idea of what our customers think of us. The aim was to identify potential areas of improvement in order to further strengthen our customer relationships.

The strengths identified in the survey were primarily the premises themselves and their locations. One area where progress can be made is increased proactivity in our service provision. Fabege's employees are seen as service-minded and friendly, especially the important group of building maintenance technicians. Overall, 59 per cent of our customers are satisfied or very satisfied with Fabege as a landlord. The survey proved an important tool for development activities in 2009, and will be followed up.

EMPLOYEE SATISFACTION GOALS

Fabege aims to be an attractive employer – a company where employees have a sense of commitment, feel a part of things and are able to develop and grow. The boundaries and objectives for each employee's area of responsibility should be clearly defined and have the support of the employees. Our employees' activities are based on the company's core values, which inspire the way we work.

The goal for 2009 was to achieve the same high scores in our employee survey as in 2007. The results showed a general improvement in the overall score 3.9 (3.7), against an average of 3.3 for the industry as a whole. Read more on page 40. The next employee survey is scheduled for 2011, when we will aim to further improve our excellent scores.

Strategies

In order to achieve our goals, Fabege has adopted a number of clearly defined strategies for our property portfolio, acquisitions and improvements of properties, customer relationships, the composition of the customer base, brand building, company culture and human resources, as well as strategies for improving efficiency and minimising risk.

PORTFOLIO STRATEGY

Since 2004, Fabege has been implementing a calculated restructuring and concentration of its portfolio to the Stockholm region. The company has since continued to concentrate its properties to three submarkets: Stockholm's inner city, Solna and Hammarby sjöstad.

Commercial properties and projects within a 5 km radius of the centre of Stockholm constitute Fabege's core operation. The company seeks to concentrate its properties to units that can be managed efficiently. Anomalous properties located far from these units should be sold. Another key aspect of the strategy is to continually develop and improve the portfolio through acquisitions, improvements and sales. The aim is to consolidate and strengthen the company's market position by concentrating on a number of select market segments.

STRATEGY FOR ACQUISITIONS AND IMPROVEMENTS

Fabege aims to acquire properties with good growth prospects in a number of priority areas. Fabege is also working to develop and realise the potential of the property portfolio. New projects should generate a return on equity of at least 20 per cent.

Project investments should raise the status of the priority areas.

CUSTOMER STRATEGY

Fabege aims to attract new customers and develop strong customer relationships. Through active property management by competent staff skilled in dealing with customers, Fabege seeks to nurture and develop its relationships with existing customers. The company strives to achieve a good portfolio mix by attracting stable and financially robust customers representing a wide range of industries.

BRAND STRATEGY

The Fabege brand should support the company's business, add value and contribute to achieving the company's goals. Strengthening the brand is crucial to the company's continued success. Fabege works consistently to strengthen the image of the company among its priority stakeholders through marketing activities and by raising awareness and providing information about what we do.

Developing Fabege's intangible assets also involves building strong brands in the company's priority areas, such as Arenastaden in Solna, and for individual properties or concepts.

HUMAN RESOURCES STRATEGY

A key success factor for Fabege is its ability to attract and retain the right staff. The company works to ensure that its core values, SPEAK, colour the way we relate to other people, both internally and externally in relations with customers and other stakeholders. Our employees should be able to work in an open environment that fosters commitment and individual initiative through clearly defined targets, delegation of responsibility and rewards for excellence. Fabege places a strong emphasis on caring for our co-workers and their wellbeing, and on creating a safe work environment.

STRATEGY FOR RISK AND EFFICIENCY

To minimise risk exposure, Fabege's business activities should be limited and, as far as possible, controlled in terms of the choice of tenants and contract terms, business partners and commercial properties. The company's funding arrangements should be stable, carefully judged and cost-effective. Fabege should also maintain a continued high cost efficiency and strive for constant improvements.

The business

The Fabege organisation supports the company's dynamic business model, which is designed to create value regardless of the economic climate. The emphasis of the business model varies over time in response to changing market conditions, and the organisation is, therefore, structured to be flexible and adaptable. Fabege's cornerstones are the three business areas, Property Management, Improvement Projects and Business Development.

Property Management

Finding the right premises for a customer's specific requirements and ensuring that the customer is content is the essence of what we do. Our approach is long-term and based on a close dialogue with the customer, which builds trust and loyalty on both sides. Active property management may also involve solving a large and complex move or helping a customer to find new premises in our portfolio of properties.

About 85 of Fabege's 135 employees work with property management. The property management team has built a robust platform for our activities with a high occupancy rate and stable tenants.

The business is divided into geographic areas where each sub-market is managed by a separate unit with a large degree of individual responsibility and the ability to react swiftly to changes and identify new business opportunities.

Responsibility for the operations and development as well as for the financial statements of each property management area rests with the area manager. Each area has operations managers, building maintenance technicians, and lettings specialists. Property Management also includes the Business Support department, which consists of a team with specialist expertise in environmental issues, technology, purchasing and lettings.

ACTIVITIES IN 2009

In 2009, the property management team focused on developing the company's customer relationships even further, with the aim of encouraging customers to remain with Fabege. Intensive efforts were made in lettings to ensure a continued high occupancy rate, with a particular emphasis on our existing properties in the Arenastaden development area in Solna.

FOCUS FOR 2010

In 2010, we will focus on strengthening our customer relationships by raising our level of service and quality based on proactivity and commitment. We will also focus on introducing stricter requirements for purchasing and optimise running costs in order to improve cost efficiency, and to develop and streamline our internal processes.

Property Management will also continue to develop its lettings activities while seeking to exploit the opportunities created by the concentration of properties to well contained clusters.

Marianne Claéson
Executive Assistant
Axel Johnson International AB

Close customer relationships

In Wenner-Gren Center, one of Fabege's prestige properties, Axel Johnson International is a valued customer. Here, Fabege's property management team conducts a close dialogue with customers, which has resulted in a high occupancy rate. ■

Improvement Projects

Qualified improvement activities that add value to Fabege's properties is the second cornerstone of our business. The company has a lot of expertise and long experience of running extensive improvement projects and strives to attract long-term tenants to properties that have not yet been fully developed and can be redesigned based on the customer's requirements.

Responsibility for new builds and development projects, procurement and follow-up rests with the Projects department. The department is self-sufficient in terms of project expertise and consists of nine people. Construction services are procured externally, however.

Fabege's project investments are forward-looking and designed to improve the environmental characteristics of the properties and reduce vacancy rates, thereby improving cash flows and capital growth.

Projects aimed at adding value to land and buildings run over a longer period, often 10–15 years. In many cases the planning work is initiated in partnership with the local authority in the area where the property or land is located. Together, we create visions for how to develop the area in the best way for the people who live there, for society as a whole and for Fabege. The company's properties are developed and improved in response to changing demand. Project plans are developed for new constructions, while properties with development potential are acquired, developed to add value, and then either transferred to the Group's investment portfolio or sold. New constructions and more extensive development projects are always based on the principles of the EU's GreenBuilding programme.

ACTIVITIES IN 2009

In 2009, the Projects department focused on adding value to Fabege's existing properties in about ten major improvement projects in the Stockholm region. Some SEK 1.1bn was invested in existing properties. The department also worked with assuring internal processes to improve efficiency and quality.

FOCUS FOR 2010

From 2010 and for years to come, the department will be focusing on developing the new Arenastaden district in Solna, where Fabege currently owns properties with a total floor space of around 135,000 m². Over the next few years a new neighbourhood will emerge, where Fabege will have the chance to develop another 150,000 m² of offices and other commercial premises. Read more on page 12.

Carnegie's customised offices

In September 2009, Carnegie and Max Matthiessen moved into attractive new premises on Lästmakargatan–Regeringsgatan in Stockholm City. Fabege has customised the offices to meet the customer's specific requirements for modern investment banking operations. ■

Complete renovation for Tax Agency

In Solna Strand Fabege is currently working on a complete renovation and redevelopment of its Päronet 8 property. The property has been fully let to the Swedish Tax Agency, which will move in during the first quarter of 2010. ■

Project Arenastaden in Solna – a new living neighbourhood

Next to Solna station, the new Arenastaden is emerging; a living neighbourhood with a carefully balanced mix of residential buildings, offices and retail space, events and excellent transport connections, where environmental considerations have been integrated into all aspects of the development. Work is in full swing, creating new opportunities for new and existing tenants.

In Arenastaden plans are being drawn up for a well balanced mix of office, residential and retail space coupled with culture, natural meeting places and peaceful oases for recreation. With good transport connections and an integrated environmental approach, the groundwork has been laid for sustainable urban development. Arenastaden will become a living neighbourhood with an inner city environment that will reverberate into the future.

Geographically, the area is exceptionally well placed. Arenastaden is strategically located next to Solna railway station, which will also be the end stop for the coming Tvärbanan light rail line. There are many bus connections and the area is located right next to the E4 and E18 motorways, providing easy access to Arlanda and Bromma airports. In the longer term, there is also a possibility that Arenastaden will have its own underground station.

There's really no equivalent to Arenastaden anywhere else in Scandinavia. It will be home to ultramodern office solutions and safe housing developments, the Swedbank Arena, Sweden's new national football arena and a place for many other unique events, which is currently under construction. Plans are also being drawn up for a compherensive retail centre, as well as the Stockholm region's tallest hotel.

Fabege is a significant player on the Solna property market, and we are strongly committed to the development of the locality through significant investments in Solna Business Park and Arenastaden. As part of this commitment, Fabege is a joint owner of the company which runs the Arenastaden project, along with Solna Municipality, Jernhusen and Peab.

On 7 December 2009, HRH Crown Princess Victoria turned the first sod for Arenastaden at the site of the future Swedbank Arena in Solna at a ceremony

HRH Crown Princess Victoria took the first sod on December 7, 2009, marking the work start of the new district, Arenastaden in Solna.

Arenastaden will be a dynamic place to work and live.

which symbolised the start of this major new project.

WORKING AND LIVING IN ARENASTADEN

Arenastaden will become an exciting and dynamic place to work – almost like working in Stockholm city, only a little bit better. Co-workers on lunch breaks will have a wide range of restaurants to choose from and, if they have a moment to spare, perhaps one of the many stores in the retail centre can offer some diversion. After work, there are plenty of cinemas, bars and restaurants to choose from, and the icing on the cake is the presence of Swedbank Arena, the country's new national arena for football and other big events.

Fabege already owns the majority of the existing commercial property in Arenastaden (approximately 135,000 m²) and can offer a wide selection of offices in all sizes and layouts for small and large businesses. The company has a strong commitment to the development of the district and has worked for many years to raise the standard of the existing buildings and their surroundings.

Over the next few years, Fabege has the opportunity to build another 150,000 m² of new ultramodern, energy-efficient offices. Our goal is to create a modern, stylish and attractive area for tenants looking for modern, energy-efficient office solutions. All new buildings developed by Fabege will meet or exceed the GreenBuilding standards, and in some cases even more stringent environmental standards.

SWEDBANK ARENA

Swedbank Arena will play host to the Swedish national football team, famous artists and unique shows, all year round. World celebrities from the worlds of sport and music will travel here to compete for medals and the hearts of the audience. When the arena is completed in 2012, Solna and the Stockholm region will be able to pride themselves on Scandinavia's largest and most modern, multifunctional arena.

The distinguishing feature of the arena is flexibility. The surface can be changed from grass to ice or gravel and the roof is retractable, allowing the arena to be used year round for all types of event. It will have several restaurants and bars. For sports, the capacity will be 50,000, and for concerts up to 65,000. A large number of separate entrances and a sophisticated infrastructure will make getting in and out of the arena an easy task.

HOTEL AND SHOPS

Next to Swedbank Arena a comprehensive retail complex and one of Stockholm region's tallest hotel will also be built. The hotel, Quality Hotel Arenastaden, which will be integrated with Swedbank Arena, will offer 400 double rooms and a banqueting hall with a capacity of 2,000. It will have a spa and relax area, a restaurant, and 90 metres above ground level, there will be a spectacular sky bar offering panoramic views over the entire Stockholm region. Designed by Wingårdh architects, the hotel is scheduled for completion at the same time as Swedbank Arena, in late 2012. In Arenastaden, plans are also being drawn up for Scandinavia's largest retail and events centre. With 120,000 m² of retail space on three floors, 230 stores, restaurants, cinemas and cafés and an annual capacity to receive millions of visitors, this major new project will be the first serious alternative to shopping in Stockholm city.

For more information about Swedbank Arena, visit www.arenastaden.se, where live cameras will capture the emergence of Arenastaden.


Swedbank Arena

Business development

Fabege's third cornerstone is Business Development. This department consists of seven people with expertise in transactions, analysis, valuation, and portfolio and business development. Valuations of the properties are made by internal valuation experts as well as independent external valuation agencies. The department also has staff with analysis and business development expertise.

As a major player in a significant market, Fabege has built up good relationships with local authorities and policymakers as well as extensive experience and knowledge about local markets, properties, development plans and other players.

Acquisitions and sales are an integral part of what we do. The company continuously analyses its portfolio to take advantage of opportunities to increase capital growth. Fabege aims to acquire properties with good growth prospects that are located in the company's concentrated property management units. We plan to sell the properties at the right time to realise accrued values.

Location, condition and vacancies are key factors determining the growth potential of a property. A fully let property with modern and efficient premises but deemed to have limited potential for rent increases and capital growth could thus become a candidate for divestment, unless it forms a strategic part of a property cluster, for instance.

ACTIVITIES IN 2009

In 2009 Fabege continued its calculated drive to concentrate its properties to its sub-markets. Prime candidates for sale are properties located outside Fabege's priority sub-markets, low-yield properties with little development potential and anomalous properties with higher risk.

FOCUS IN 2010

In 2010, Fabege will continue its efforts to concentrate its portfolio through sales of selected properties in accordance with the portfolio strategy. Greater emphasis will also be placed on optimising values and highlighting opportunities in the portfolio.

Lindhagen certified GreenBuilding

On the site of the former Skogaholmsbageriet bakery in Kungsholmen –the Paradiset 29 property– Fabege and Peab (50/50) have developed an office and retail property called Lindhagen. The project forms part of an ongoing renewal of the Stadshagen district that will see the creation of 3,500 new apartments and 350,000 m^2 of commercial space. A certified GreenBuilding, Lindhagen opened in August 2009 and was sold in February 2010. ■

92 per cent of Fabege's properties within 5 km of Stockholm centre

In 2009, Fabege sold 14 properties for a total value of SEK 1,234m. One new property was acquired for SEK 56m. Most of the transactions are designed to slimline the portfolio by concentrating activities to priority sub-markets. ■

Property portfolio

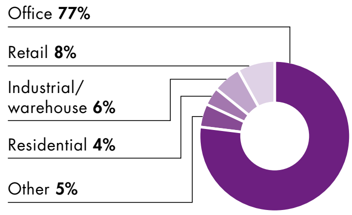
On 31 December 2009, Fabege's portfolio comprised 148 properties with a total lettable area of 1.4m m². The market value was SEK 29.2bn and the rental value SEK 2,411m. The financial occupancy rate was 90 per cent. Net operating income was SEK 1,465m on total rental revenues of SEK 2,194m.

PROPERTY PORTFOLIO

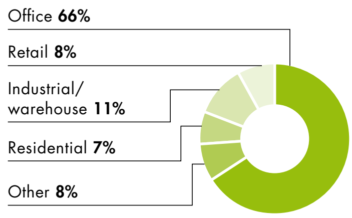
Fabege's properties are concentrated to the Stockholm region and divided into a number of priority sub-markets: Stockholm's inner city, Solna, Hammarby sjöstad and Other markets. 92 per cent of the portfolio is located within a radius of 5 km of the centre of Stockholm. The inner city sub-market accounts for 56 per cent of the total market value and 52 per cent of the rental value.

On 31 December 2009, the total lettable area in Fabege's portfolio was 1.4m m². The portfolio mainly comprises commercial premises, mostly offices, which account for 938,000 m² of space and 66 per cent of the total lettable area. In addition to offices, the portfolio also includes retail, industrial/warehouse and residential space and a small amount of hotel and garage space.

Rental value by category,
total SEK 2,411m



Lettable area by category,
total 1,429,000 m²



Breakdown by lettable area

31 Dec 2009	Office, '000 m²	Retail, '000 m²	Industrial/ wareh., '000 m²	Hotel, '000 m²	Residential, '000 m²	Garage, '000 m²	Other, '000 m²	Total, '000 m²
Stockholm inner city	406,612	35,483	28,836	7,674	14,679	45,723	7,766	546,773
Solna	368,810	31,440	49,293	14,616	1,058	23,777	5,376	494,370
Hammarby Sjöstad	87,497	10,121	44,906	0	691	2,386	179	145,780
South Stockholm	10,512	18,028	11,327	0	0	2,818	49	42,734
North Stockholm	64,347	12,435	31,211	0	87,028	3,825	409	199,255
Total	**937,778**	**107,507**	**165,573**	**22,290**	**103,456**	**78,529**	**13,779**	**1,428,912**

Property portfolio

	31 Dec 2009					1 Jan–31 Dec 2009		
	No. of properties	Lettable area, '000 m²	Market value, SEKm	Rental value, SEKm	Financial occupancy rate, %	Rental income, SEKm	Property expenses, SEKm	Net operating income, SEKm
Property holdings								
Investment properties[1]	86	1,050	23,266	1,979	92	1,811	–449	1,362
Improvement properties[1]	35	299	4,500	370	82	331	–123	208
Land and project properties[1]	27	80	1,427	62	61	33	–32	1
Total	**148**	**1,429**	**29,193**	**2,411**	**90**	**2,175**	**–604**	**1,571**
Stockholm inner city	45	547	16,417	1,248	91	1,156	–281	875
Solna	36	494	8,502	735	91	654	–163	491
Hammarby Sjöstad	13	146	1,943	184	81	149	–53	96
Other markets								
South Stockholm	8	43	595	55	69	44	–22	22
North Stockholm	45	199	1,713	189	95	172	–85	87
Outside Stockholm	1	0	23	0	0	0	0	0
Total	**148**	**1,429**	**29,193**	**2,411**	**90**	**2,175**	**–604**	**1,571**
Expenses for lettings, project development and property administration								–105
Total net operating income after expenses for lettings, project development and property administration								**1,466**[2]

[1] See definitions on page 81.
[2] The table refers to Fabege's property portfolio on 31 December 2009. Income and expenses are reported as if the properties were owned for the entire period. The difference between reported net operating income, SEK 1,466m, and net operating income in the profit and loss account, SEK 1,465m, is explained by the fact that net operating income from divested properties has been excluded, and acquired/completed properties have been adjusted upwards as if they had been owned/completed during the whole of the period January–December 2009.

CHANGES IN THE PORTFOLIO

In 2009 Fabege sold 14 properties and acquired one property. The majority of sales, such as the sale of the Sicklaön 145:20, Generatorn 17 and Bergklacken 5, 6 properties, were made with the aim of concentrating the portfolio to the company's priority sub-markets. Some sales were also based on the business model objective of divesting fully developed properties at the right time to realise accrued values. Examples of such sales include Elefanten Mindre 1 and Adam och Eva 1.

PROJECT DEVELOPMENT

Total investments in existing properties and projects in 2009 were SEK 1,082m (1,963). The investments referred to new builds, extensions and conversions.

The projects in the properties Bocken 35 and 46 at Lästmakargatan–Regeringsgatan in Stockholm City and Paradiset 29, Kungsholmen, were completed and the properties were transferred to the investment portfolio (Paradiset 29 was sold in Februari 2010).

Major ongoing projects

Fabege's Päronet 8 property in Solna Strand is undergoing internal renovation and conversion. The project will be completed in the first quarter of 2010 and the property has been fully let to the Swedish Tax Agency.

Fabege's project in the Uarda 2 property in Solna, where new offices for Vattenfall will be created, has now been initiated after the detailed development plan came into effect and a building permit was granted. Work on the project will intensify in February 2010.

A decision has been taken to initiate an investment project in Fabege's Fräsaren 10 property in Solna Business Park. The SEK 155m investment refers to adaptation of premises for Vectura and Axfood. Both Uarda 2 and Fräsaren 10 are almost fully let.

Property portfolio changes

	Fair value, SEKm	No.
Property portfolio, 1 Jan 2009	**29,511**	**157**
+ Acquisitions	56	1
+ Property settlements	–	4
+ New builds, extensions and conversions	1,082	–
– Sales	–1,146	–14
+/– Unrealised changes in value	–310	–
Property portfolio, 31 Dec 2009	**29,193**	**148**

Property sales and acquisitions

Property name	Area	Category	Lettable area, m²
Property sales Jan–Dec 2009			
Q1			
Elefanten Mindre 1	Norrmalm	Office	4,825
Signalen 1	Södermalm	Office	3,263
Q2			
Adam och Eva 1	Norrmalm	Office	2,405
Hammarby-Smedby 1:464, del av	Upplands Väsby	Land	0
Generatorn 17	Ulvsunda	Wareh./ industrial	6,536
Sicklaön 145:13, 14, 15	Järla Sjö	Residential	210
Q3			
Sicklaön 364:1	Järla Sjö	Land	0
Q4			
Aeolus 1	Gamla stan	Office	6,762
Bergklacken 5 & 6	Bromma	Wareh./ industrial	12,718
Elektra 20	Västberga	Land	0
Sicklaön 145:20	Järla Sjö	Retail	3,344
Valnöten 8	Kungsholmen	Wareh./ industrial	3,024
Total property sales			**43,087**
Property acquisitions Jan–Dec 2009			
Gjutaren 27	Vasastan	Residential	1,616
Total properties acquisitions			**1,616**

Projects in progress >50 SEKm, 31 Dec 2009, SEKm

Property name	Property type	Area	Completed	Lettable area, m²	Occupancy rate, % Floor area	Estimated rental value	Book value 31 Dec 2009	Estimated investment	Of which, accrued 31 Dec 2009
Päronet 8	Office	Solna Strand	Q1-2010	24,125	97	39	445	305	235
Fräsaren 10	Office	Solna Business Park	Q1-2011	11,470	88	21	90	155	15
Uarda 2	Office	Arenastaden	Q3-2012	44,500	97	103	140	1050	23
Total				**80,095**	**95**	**163**	**675**	**1,510**	**273**
Other Projects and land properties							1,197		
Other Improvement properties							4,055		
Total Projects, land and improvement properties							**5,927**		

CUSTOMERS

Fabege has many large, stable companies as customers. The customer portfolio is well diversified with a large number of tenants from a wide range of industries, respresenting a mix of private businesses and public sector organisations.

On 31 December 2009, the contracted rent was SEK 2,167m (2,191), of which 77 per cent referred to office premises.

On the same date, the 15 largest tenants by value represented a total contract value of SEK 634m, or 29 per cent of the total contracted rental value.

LEASES

On 31 December 2009, the portfolio included 3,834 signed leases with a contract value of SEK 2,167m. On the same date, the average remaining contract term was 3.6 years (3.8). In 2009, new leases were signed for 145,000 m² (91,000) of space with a total annual rental value of SEK 299m (193).

Fabege also renegotiated and extended existing leases with a total annual rental value of SEK 75m (114). The shorter average contract term is primarily due to sales of properties with long leases.

VACANCIES

The financial occupancy rate was 90 per cent (93). The lower rate is mainly due to the National Courts Administration's move from Fabege's Klamparen 10 property in Kungsholmen, where a new lease has yet to be signed.

Fabege's 15 largest tenants by value

- NASDAQ OMX
- ICA
- Bonnierföretagen
- Swedish Tax Agency
- COOP
- Carnegie Investment Bank
- EDB Business Partner
- National Insurance Office
- Svenska Spel
- Sveriges Utbildningsradio
- Swedish Migration Board
- Lantbrukarnas Ekonomi
- Peab Sverige
- Cybergymnasiet Nacka
- Financial Supervisory Authority

On 31 December 2009, the 15 largest tenants by value represented a total contract value of SEK 634m, or 29 per cent of the total contracted rental value.

Average remaining lease term by sub-market, 31 Dec 2009

Area	No. of properties	No. of leases	Lease term
Stockholms innerstad	45	738	3.6
Solna	36	429	3.9
Hammarby sjöstad	13	338	2.4
Other markets	54	444	3.2
Total/average	**148**	**1,949**	**3.6**

Maturity structure of commercial leases, 31 Dec 2009

Area	No. of leases	Area, m²	Contracted annual rent	Share, %
2010	635	237,097	403,100	20
2011	473	168,015	316,129	16
2012	462	148,365	281,825	14
2013	182	127,973	299,623	15
>2014	197	320,778	694,033	35
Total	**1,949**	**1,002,228**	**1,994,710**	**100**

Property-related key figures

	2009	2008	2007
No. of properties	148	157	167
Lettable area, '000 m²	1,429	1,454	1,546
Financial occupancy rate, %	90	93	92
Rental value, SEKm	2,194	2,214	2,066
Property expenses, SEKm	–729	–776	–754
Net operating income, SEKm	1,465	1,438	1,312
Surplus ratio, %	67	65	64

Market valuation

On 31 December 2009, Fabege's property portfolio consisted of 148 properties, of which 66 was office space, 12 per cent industrial/warehouse space, 7 per cent retail space, 7 per cent residential space and 8 per cent other premises. The portfolio had an estimated market value of SEK 29.2bn and the weighted required yield was 6.0 per cent.

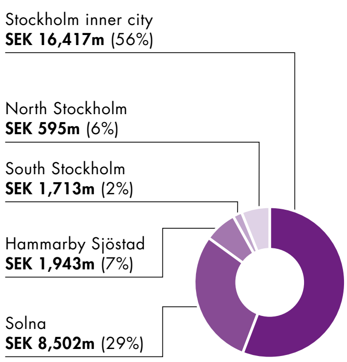
Fabege's ten largest properties by value

Property	Area m²	m²
Trängkåren 7	Marieberg	76,427
Ladugårdsgärdet 1:48	Värtahamnen	39,335
Fräsaren 11	Solna	40,272
Bocken 39	Norrmalm	21,947
Apotekaren 22	Norrmalm	29,423
Smeden 1	Solna	45,319
Fräsaren 12	Solna	29,746
Barnhusväder-kvarnen 36	Norrmalm	25,384
Bocken 35	Norrmalm	16,563
Ormträsket 10	Norrtull	18,035

Market value and yields by sub-market

Sub-market	Market value, 31 Dec 2009 (SEKm)	%	Yield %
Stockholm inner city	16,417	56	5.6
Solna	8,502	29	6.5
Hammarby sjöstad	1,943	7	7.0
South Stockholm	595	2	7.1
North Stockholm	1,713	6	6.5
Outside Stockholm	23	0	–
Total	**29,193**	**100**	**6.0**

Market value of properties



PROPERTY PORTFOLIO

Fabege's property portfolio consists of commercial premises in the Stockholm region, with a high concentration of properties in Stockholm's inner city, Solna and Hammarby Sjöstad. 56 per cent of the portfolio is located in Stockholm's inner city, and 92 per cent is located within a radius of 5 km of the centre of Stockholm. Thus, most properties are located in attractive office districts with good transport connections and a wide range of local services. The portfolio includes fully developed properties with stable cash flows as well as properties with development potential.

PROPERTY VALUE

At 31 December 2009, the portfolio had an estimated market value of SEK 29.2bn (29.5). The average discount rate for the portfolio was 8.1 per cent (7.9%) and is based on the nominal yield on five-year government bonds plus a premium for property-related risk. The weighted required yield at the end of the calculation period was 6.0 per cent (6.0%).

CHANGES IN VALUE

Unrealised changes in the value of Fabege's properties in 2009 totalled SEK –310m (–1,545). The write-down represents a decline in value of about 1.1 per cent.

The average required yield in the property portfolio remains largely unchanged. The increase in required yields was larger in the outer suburbs of Stockholm than in the inner suburbs and in Stockholm City. The write-downs made in 2009 were offset by gains from improvements to project properties and stronger cash flows in our investment properties.

Investments made in the portfolio will eventually lead to lower vacancy rates and higher rents, and thereby stronger cash flows and value growth.

VALUATION PRINCIPLES

All properties in Fabege's portfolio are externally valued at least once a year by independent valuers. Since 2000, the valuations have been performed in accordance with the Valuation Guidelines of the Swedish Property Index. In 2009, Fabege's properties were valued by DTZ Sweden AB and Newsec Analys AB, whose valuers are authorised by ASPECT, the Association for Chartered Surveying, Property Evaluation and Transactions. The valuations were performed over the course of the year. Each property is valued separately without taking portfolio effects into account. An external property valuation is based on the following valuation data:

- Quality-assured information from Fabege, including each property's specific prospects, taking account of factors such as condition, location, leases, running and maintenance costs, vacancies, contract durations and planned investments. One analysis is also by made existing tenants.
- Up-to-date assessments of trends in rents, vacancies and required yields for relevant geographic and character-defined markets as well as normalised running and maintenace costs.
- Information from public sources on the land area of the properties, leaseholds and detailed development plans for undeveloped land and developable properties.
- Inspections performed in period 2007–2009.

Valued properties are divided into the following categories: Investment properties in normal operation, Project properties undergoing major redevelopment with contracted tenants, for which a cash flow valuation is performed. Other Project properties and undeveloped land are valued using a method based on prices in the area where the property or land is located.

For investment properties a cash flow model is used in which the present value of net operating income less reinvested investments over a five- or ten-year period is calculated. The present value of the residual value at the end of the period is also calculated. Cash flow analyses with longer calculation periods than five years are performed if this is warranted due to long lease terms.

The data used in cash flow analyses is based on future rent payments for each property in accordance with the applicable contract terms. For future rent periods and for unlet premises, valuers make individual assessments based on the property's specific prospects.

For other project properties, values are based on applicable planning conditions and actual prices obtained in sales of undeveloped land and development rights. The value of ongoing newly built projects is normally deemed to be the market value of the property plus actual project costs at the time of the valuation

The investment market

by Newsec Advice AB

Stockholm has the most attractive and liquid transaction market in Sweden, accounting for more than half of the total transaction volume in recent years.

Until autumn 2008, the investment market for commercial properties was one of high transaction volumes and a large proportion of international investors, which was largely due to loose lending by Swedish and foreign banks and expectations of rising rents.

In 2009, the total transaction volume in the Swedish property market was just under SEK 37bn [1], of which Stockholm accounted for SEK 16.3bn. This is the lowest figure in ten years, well below that of 2008, of SEK 132.8bn. The financial crisis had the effect of reducing the share of international investors in the Swedish property market, from about 60 per cent in 2007 to 11 per cent in 2009. This, and the sharp contraction of credit, are key factors behind the low volumes.

Despite the low annual volume, there are now clear signals that a recovery is underway. Transaction volumes have picked up significantly in the last two quarters, foreign investors are showing a renewed interest in the Swedish market and prices appear to be stabilising, especially for high-quality properties in good locations. Unmodernised properties and properties in less attractive locations are expected to recover later, as quality and secure cash flows are currently the key factors for investors. The most active investors in 2009, and in the months ahead, are companies with a local presence, property management expertise and strong equity positions.

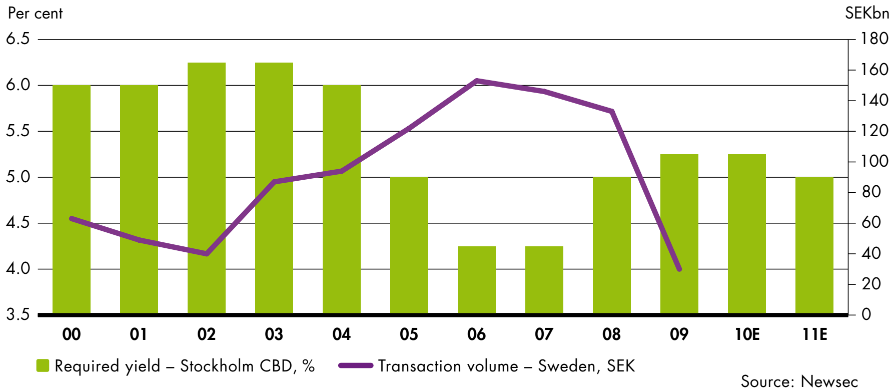
Yield requirements in Stockholm City have increased by about 125 basis points since hitting a trough in 2007 in response to the problems in financial markets, widespread risk aversion among investors and expectations of a weakening rental market. Yield requirements for modern office properties in central Stockholm currently range from 5.25 to 5.50 per cent. In the rest of the inner city, outside the area known as Stockholm City, yields range from 6.0 to 6.75 per cent.

In Solna's most attractive office submarkets, which include Solna Business Park, yield requirements are only 25 to 50 basis points above those of equivalent properties in the inner city, not counting downtown Stockholm. At year-end 2009, yield requirements in Solna Business Park ranged from 6.25 to 7.25 per cent. The figures are slightly higher in Arenastaden, at 6.5 to 7.5 per cent. In Hammarby Sjöstad, an area that has been developed in recent years, yield requirements are generally 50 to 100 basis points higher than in the inner city, not counting downtown Stockholm. For offices, yield requirements in Hammarby Sjöstad range from 6.5 to 7.75 per cent.

Newsec expects yield requirements to remain stable in 2010 as rents start to bottom out, followed by a recovery in 2011 in line with a normalisation in financial markets, coupled with relatively low interest rates. The most attractive investment markets, such as Solna and the inner city, are expected to recover first, while less developed office markets such as Hammarby Sjöstad are expected to follow a bit later.

[1] of which SEK 6.7bn refers to transactions of less than SEK 100m.

Required yield/Transaction volume



Source: Newsec

Market review
by Newsec Advice AB

The office property market in greater Stockholm consists of about 12 million m², making it the largest office market in all of the Nordic countries. In the third quarter of 2009, the population in the region exceeded 2 million, which equals 22 per cent of the Swedish population . During the first nine months of 2009, the number of inhabitants in Greater Stockholm rose by almost 30,000 people, which means that the region now accounts for almost half of Sweden's population growth.

The recovery phase of the recession has now begun, with exports and household spending expected to be the two main drivers. Inflation pressures are expected to remain subdued, resulting in slowly rising interest rates during the period 2010–2012. The financial market is expected to slowly stabilise in 2010–2011, but leverage ratios and interest margins are expected to normalise at above pre-crisis levels. Swedish GDP growth is estimated at 1.5 per cent in 2010 and 2.5 per cent in 2011, moving towards 3.5 per cent in 2012–2013.

THE STOCKHOLM ECONOMY

The Stockholm region is the engine of the Swedish economy, and has experienced stronger economic growth than the rest of the country over the last decade. The population of the capital has increased by about 25 per cent over the last three decades and is expected to grow by around 1.5 per cent annually (about 26,000 people) over the next ten years, against growth of 0.5 per cent for Sweden as a whole.

The regional services sector is large, which has mitigated the impact of the recession. Employment in Stockholm generally follows the rest of the economy with a lag of 12 to 18 months, and did not start falling until the second half of 2009. In the third quarter of 2009, total employment in Stockholm had declined by a mere 0.1 per cent on the previous quarter, and Stockholm is expected to outperform the national average in the coming years. Employment in Stockholm is expected to fall by about 0.25 per cent in 2010 and then stabilise, while a decline of 2 per cent is forecast for Sweden as a whole.

Two of the fastest growing municipalities in the region are Stockholm and Solna, where the population is expected to grow by 1.4–1.8 per cent a year over the next ten-year period. Population growth and high net inward commuting reflect the attraction of these areas, create economic growth and have a strong impact on the demand for commercial premises. Encouraging and enabling population growth and attracting new business requires continued urban development in the form of new housing, offices, retail premises and infrastructure.

STOCKHOLM'S OFFICE MARKET

The office market in Stockholm comprises a total floor area of about 11.8m m². The most attractive sub-market is the inner city of Stockholm, with about 6m m² of space, of which about 1.8m m² is found in the most central areas, known as the Central Business District (CBD). In 2009, about 70,000 m² of office space was completed, of which almost half had been pre-let. Just under a third of this space is located in central Stockholm. The primary targets for urban development in Stockholm are the Karolinska institutet/Norra Station area, northwest Kungshol-

Main landlords in the Stockholm region, commercial premises

Owner	Floor area (m²)
Vasakronan	1,700,000
Fabege	1,300,000
Castellum	510,000
AtriumLjungberg	460,000
AMF Fastigheter	430,000
Unibail-Rodamco	410,000
LE Lundbergsföretagen	390,000
SEB	340,000
Diligentia	330,000
AFA Fastigheter	330,000

Source: Newsec

Macroeconomic indicators – Sweden

Source: Newsec

men, Hammarby sjöstad and western Stockholm City, where both residential and commercial premises are being built. Fabege has office properties in most of these areas.

A large portion of ongoing projects in Stockholm City are found in the western part of the area, where the Waterfront Building and the Kungsbrohuset property account for about 44,000 m². In other parts of the inner city a lot of new development has centred on West Kungsholmen while Solna is the most dynamic market outside the inner city. In Solna, most of the new projects are centred around Solna Station and Arenastaden, where 150,000–200,000 m² of office space will be completed in a series of new builds and conversion projects in the years to come.

The number of speculative projects has been small in recent years, and Newsec expects the speculative share to continue to decline. Some 160,000 m² of office space, of which about 75 per cent has been let, will become available in the Stockholm market in 2010. The rate of new construction is expected to be slow over the next few years due to the late cyclical nature of the construction industry.

Current infrastructural investments in Stockholm include the Stockholm City Line railway tunnel, the Spårväg City tram line and the Förbifart Stockholm bypass. In Solna, current projects include the extension of the Tvärbanan light rail line from Alvik to Solna Station, the repositioning of the E18 motorway and the building of a direct link between Arenastaden and Arlanda International Airport.

VACANCIES

In the second half of 2009, tenants displayed greater resolve, resulting in stronger activity in the rental market. Tenants are increasingly demanding office premises with efficient use of space that can help cut the overall cost despite the relatively high cost per square metre. Other key factors influencing decisions on the choice of premises are transport connections and opportunities to profile the company through the premises. Certain tenants are now seizing the opportunity to rent attractive office premises in order to attract staff as the economy turns.

Vacancies in the inner city and Stockholm City are significantly lower than in the other sub-markets but are also more volatile, with changes in demand having an immediate impact. Solna Business Park and Arenastaden have the lowest vacancy rates in Solna and these markets are stable, despite slightly higher vacancies than in the inner city. Hammarby sjöstad is another stable office market with relatively low volatility, although vacancies are higher than in the inner city. Weaker projected employment in 2010 despite the bottoming-out of the economy coupled with ongoing efforts by many tenants to use space more efficiently are expected to lead to continued increase in vacancies in 2010, with a peak expected in 2011. The main casualties of rising vacancies will be older and inefficient premises.

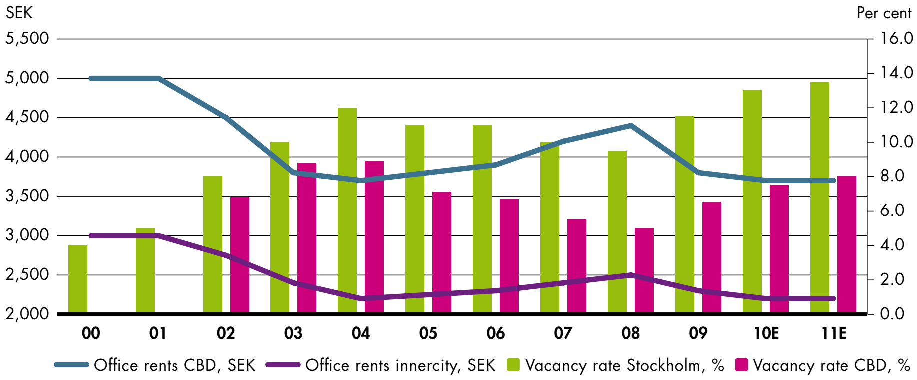
RENTS

The rental market for commercial premises is primarily affected by employment trends, employees' ties to specific offices, and new office construction. Economic growth normally results in higher employment, which in turn increases demand for premises, pushes down vacancies and creates a potential for higher market rents.

The rental market for offices in Stockholm has performed strongly in recent years. Activity in the market has been relatively good in 2009, with new lets of office premises totalling about 300,000 m². Fabege signed the biggest lease in 2009, an agreement with Vattenfall for the lease of 43,000 m² of space in Arenastaden in Solna.

Rents stabilised towards the end of 2008 and fell by 5–10 per cent in most sub-markets in 2009, largely because of a stronger bargaining position for tenants coupled with a greater acceptance of lower rents among landlords. Modern premises in Stockholm City suffered the biggest decline, with rents falling by about 15 per cent, while modern premises in Solna and Hammarby sjöstad saw declines of 2–5 per cent. The brunt of the decline in rents is now behind us and only a modest decrease is forecast for 2010.

Rents and vacancies



Source: Newsec

"Fabege is the second largest commercial property owner in the inner city of Stockholm, with 45 properties comprising 547,000 m²."

Market share

10%

Stockholm inner city

The inner city of Stockholm is the largest office market in the Nordic region. With approximately 6.1m m² of space, the sub-market accounts for over 50 per cent of all office space in Greater Stockholm. The inner city is attractive to tenants thanks to the central location, prestigious addresses, excellent transport connections and a high service level.

Fabege is the second largest property owner in the inner city, with 45 properties comprising 547,000 m² and a market share of 10 per cent. The portfolio is dominated by modern offices and retail outlets in prime locations. Currently, offices account for 74 per cent of the portfolio.

The rental value of Fabege's inner city properties is SEK 1,248m, which represents 52 per cent of the Group's total rental value. At year-end 2009, the occupancy rate in the area was about 91 per cent.

The main concentration of properties in the portfolio is in the area around Kungsgatan and Drottninggatan. Fabege's holdings around Drottninggatan comprise twelve properties. In the Kungsgatan–Norrlandsgatan–Lästmakargatan area, close to Stureplan, Fabege's owns a well contained cluster of eight properties. In these areas, Fabege has strengthened its position among tenants requiring modern and efficient premises, one example of this being the lease signed with Carnegie and Max Matthiessen in September 2009. In many industries, a central location is a very high priority, and price sensitivity is low, as reflected in the high rents.

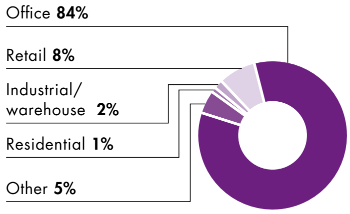
Another priority area for Fabege is Norrtull/Norra Stationsområdet, where the company now owns five properties, including the Wenner-Gren Center landmark property.

In Kungsholmen Fabege owns the DN-huset property as well as a number of buildings by Kungsholmstorg. In East Kungsholmen, around Kungsbroplan and the eastern end of Fleminggatan, demand for premises is rising as the area is adjacent to the Stockholm Central Station district, which is being rapidly developed.

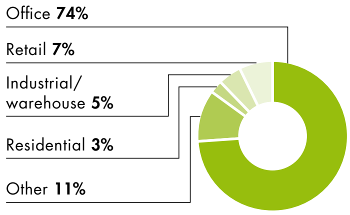
Fabege's rents remained stable in 2009 are expected to remain equally stable in 2010.

In Stockholm City, financial companies, law firms, management consultancies and other consulting firms account for a large share of tenants. Consultancies, financial companies and brokerages are also well represented in Norra Stationsområdet, while the area around the Central Station is not dominated by any particular industries.

Rental value by category



Lettable area by category



Key figures	2009
No. of properties	45
Market value, SEKm	16,417
Lettable area, '000 m²	547
Financial occupancy rate, %	91
Remaining contract term, years	3.6
Rental value, SEKm	1,248

Largest tenants	m²
Nasdaq OMX	34,000
Bonnierföretagen	29,000
Sveriges Utbildningsradio AB	15,000
Lantbrukarnas Ekonomi AB	12,000
Carnegie Investment Bank AB	10,000

Newsec on the market

The inner city of Stockholm has about 6.1m m² of office space. The biggest category of tenants is companies working in banking and finance, along with law firms and consultancies.

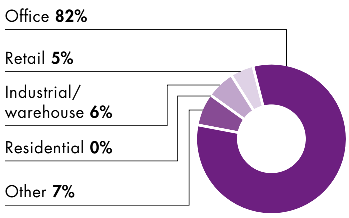
The rental market for offices in Stockholm performed strongly from 2005 to 2007. In late 2008 market rents stabilised as the financial crisis took a strong grip of the real economy and in 2009 rents fell by 5–10 per cent in the inner city, with modern offices in the attractive Central Business District (CBD) experiencing the biggest declines, falling by about 15 per cent. In autumn 2009 activity in the rental market picked up again, and most of the decline in rents is now expected to be behind us. In late 2009 market rents in the inner city are expected to range from SEK 1,700–2,400/m² outside CBD and from SEK 3,200–3,800/m² for modern offices in CBD. The rental market is expected to stabilise in 2010, with only a modest decline forecast for the full year.

As employment is expected to remain soft in 2010, office vacancies are expected to continue to increase. Yet it is expected that the services sector, which is significant in Stockholm, will weather the contraction of activity better than manufacturers and other sectors. The increase in vacancies for office premises is, therefore, expected to be modest, mainly affecting properties in less attractive locations, as well as older, unmodernised offices. At year-end 2009, vacancies in the inner city are estimated at 10.5 per cent outside CBD and 6.5 per cent in CBD. Inner city vacancies are forecast to peak in 2011 at about 12 per cent outside CBD and 8 per cent in CBD.

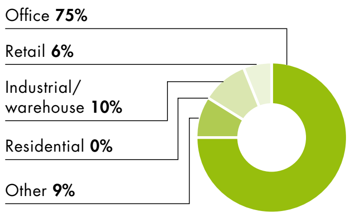
Solna

In 2009, Solna was named Sweden's most business-friendly municipality for the fourth year in a row by the Confederation of Swedish Enterprise. Solna has a dynamic business sector with a large share of service-sector and knowledge-intensive companies. About 35,000 people commute daily to Solna. The total office market is about 1.5m m², representing 13 per cent of the total office space in Greater Stockholm.

Rental value by category



Lettable area by category



Key figures	**2009**
No. of properties	36
Market value, SEKm	8,502
Lettable area, '000 m²	494
Financial occupancy rate, %	91
Remaining contract term, years	3.9
Rental value, SEKm	735

Largest tenants	**m²**
Swedish Tax Agency	41,000
ICA	27,000
Svenska Spel AB	18,000
EDB Business Partner Sverige AB	15,000
Coop	13,000

As Solna's largest commercial property owner with a market share of almost 40 per cent, Fabege is in a unique position to take part in the renewal of entire districts.

Fabege owns 36 properties with a total floor space of 494,000 m² in Solna. Today, 75 per cent of Fabege's premises in the area are offices, with retail outlets, warehouses, hotels and light industry accounting for the rest. The rental value is about SEK 735m, representing 30 per cent of the company's total rental value.

Solna Business Park is today a virtually fully developed district that constitutes an established business park with attractive tenants like ICA, EDB and Coop, having chosen to locate their head offices there. The occupancy rate is 96 per cent.

Around Solna Station, an entirely new part of town, is emerging, Arenastaden. Here, Fabege sees a big potential to create a living neighbourhood with office, retail and residential properties in an attractive environment. Our ambition is to create an area with head offices for companies that, due to their size, have chosen not to establish themselves in central Stockholm.

The area has good transport connections, with commuter trains serving a centrally located station, and many local bus services.

In Arenastaden, which is still in the early stages of development, Fabege's rents are somewhat lower than in Solna Business Park, and vacancies are higher. Many of Fabege's tenants in Solna Business Park are stable customers with long leases, as in Arenastaden.

At year-end 2009, the occupancy rate in the area was about 91 per cent.

Fabege also has ten properties in other parts of Solna, in Solna Strand, Huvudsta, Järva and Bergshamra.

Rents have generally increased over the last few years, and are expected to continue to increase. Fabege's rents remained stable in 2009 are expected to remain equally stable in 2010.

Newsec on the market

Market rents for offices in Solna have been relatively stable over the last few years, and the decline in market rents in Solna's office sub-markets is generally considered smaller than in the inner city and CBD, falling by about 5 per cent. In the most attractive sub-markets, which include Solna Business Park, market rents for modern offices range from SEK 1,700–2,000/m². Market rents in Arenastaden are slightly lower, ranging from SEK 1,400–1,700/m². As Arenastaden continues to be developed, highlighting the new character of the area, rents will rise, eventually matching those in Solna Business Park.

Vacancy rates of 10–12 per cent in Solna Business Park are the lowest among the various sub-markets in Solna. Vacancies in Arenastaden are slightly higher, at 11–13 per cent.

"Fabege is the largest commercial property owner in Solna with 36 properties comprising 494,000 m² of space."

Market share

40%

Market share

77%

"Fabege is the largest commercial property owner in Hammarby sjöstad, with 13 properties comprising 146,000 m² of space."

Hammarby sjöstad

In the last decade Hammarby sjöstad has been one of the most interesting development areas in Greater Stockholm. An entirely new part of town has been created, attracting some 20,000 new residents. The total amount of office space in Hammarby sjöstad is about 120,000 m².

Fabege is the largest owner of commercial premises in Hammarby sjöstad, with 77 per cent of the office market. The company owns 13 properties with a total floor space of 146,000 m² in the area. The rental value is about SEK 184m, representing 8 per cent of the company's total rental value. Offices account for 60 per cent of Fabege's premises, with retail outlets, warehouses and light industry accounting for the rest. At year-end 2009 the occupancy rate in the area was about 81 per cent.

In just a few years Hammarby sjöstad has evolved into a new part of town with mainly residential space but also significant share of commercial premises. The area is well connected through the Tvärbanan light rail line, ferries and local bus services. This, combined with the area's proximity to Stockholm's inner city are attracting a growing number of service sector companies to the area, which is currently home to almost 500 (400) [1] businesses, a figure that is expected to double once the area has been fully developed.

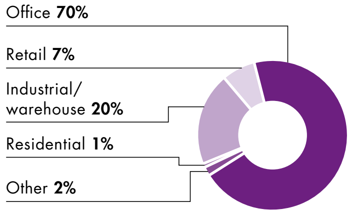
As the single largest owner and manager of office properties in Hammarby sjöstad, Fabege is in a good position to influence the character of the area. The character of the company's commercial premises in the area is gradually shifting, from light industry to services.

The portfolio consists mainly of a large number of small customers.

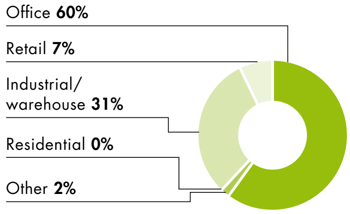
Rents have increased over the past few years, and are expected to continue to rise. The proximity to the inner city, good transport links and the exclusive waterfront location give the area a special character that is attracting creative service-sector companies such as architectural firms, advertising agencies and TV production companies.

[1] Source: PAR

Rental value by category



Lettable area by category



Key figures	2009
No. of properties	13
Market value, SEKm	1,943
Lettable area, '000 m²	146
Financial occupancy rate, %	81
Remaining contract term, years	2.4
Rental value, SEKm	184

Largest tenants	m²
WSP Sverige AB	4,000
Vitvaruspecialisten Nordin & Ölwing AB	3,000
Point Transaction Systems AB	3,000
MTG	3,000
Wallmans Nöjen AB	2,000

Newsec on the market

In line with the continued development of Hammarby sjöstad, market rents have climbed and now range from SEK 1,500–1,800/m².

Rents are still lower than in the area around the Ericsson Globe Arena, and the difference compared with the southern parts of Södermalm is slightly bigger. A difference in rents of a couple of hundra SEK per m² has prompted some tenants to leave Södermalm to set up shop in Hammarby sjöstad. The same trend is evident in the Ericsson Globe Arena district, despite a slightly smaller difference in rents compared with Södermalm.

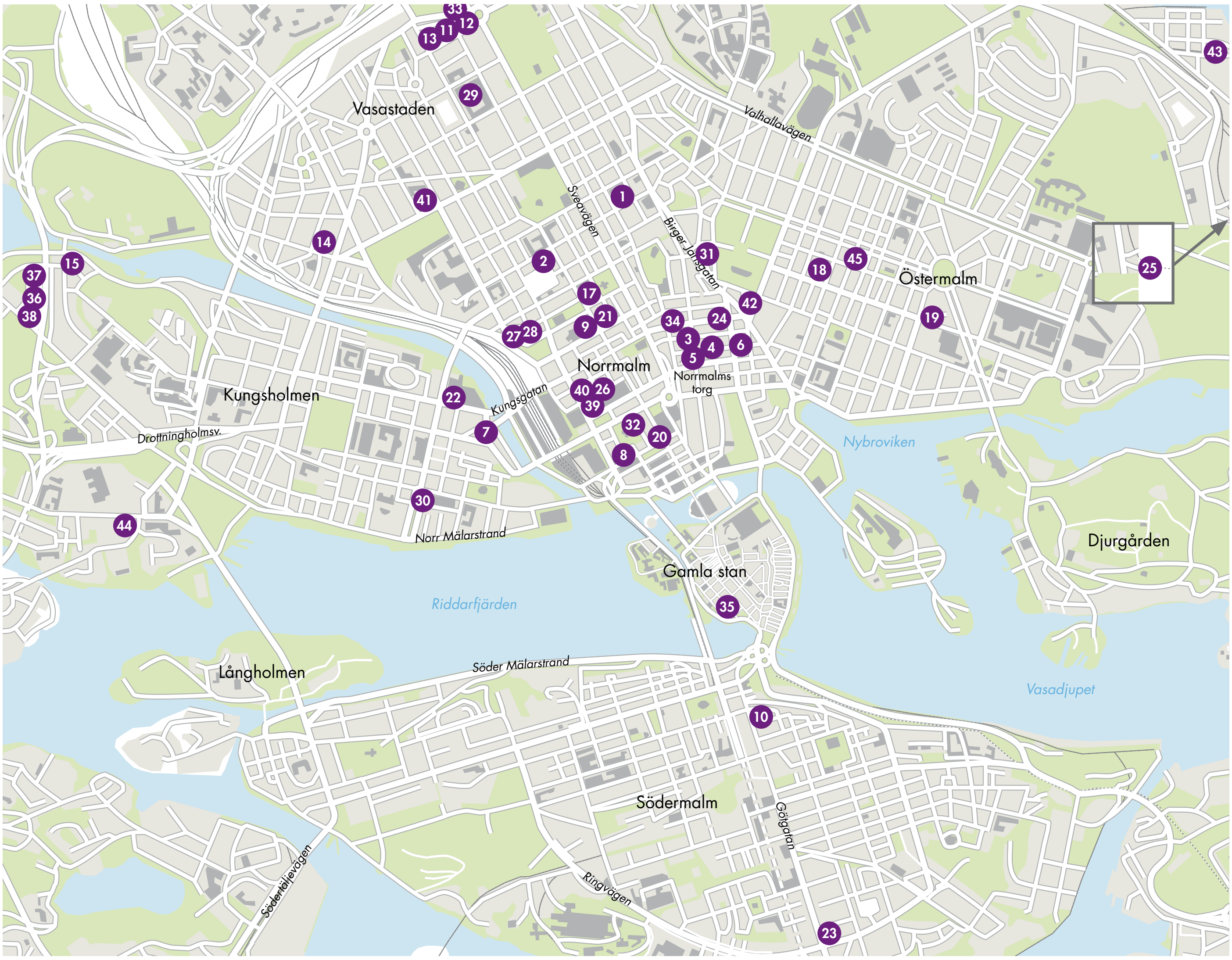
Vacancies in Hammarby sjöstad are higher than in the Ericsson Globe Arena district and Södermalm, at about 12–15 per cent.

Fabege in other markets

In the rest of the Stockholm area, Fabege has 54 properties with a total lettable area of 242,000 m². Most of the commercial properties are located in Täby, Bromma and Järla Sjö (Nacka).

Property Listing

Stockholm inner city 31 December 2009




Trängkåren 7


Ladugårdsgärdet 1:48

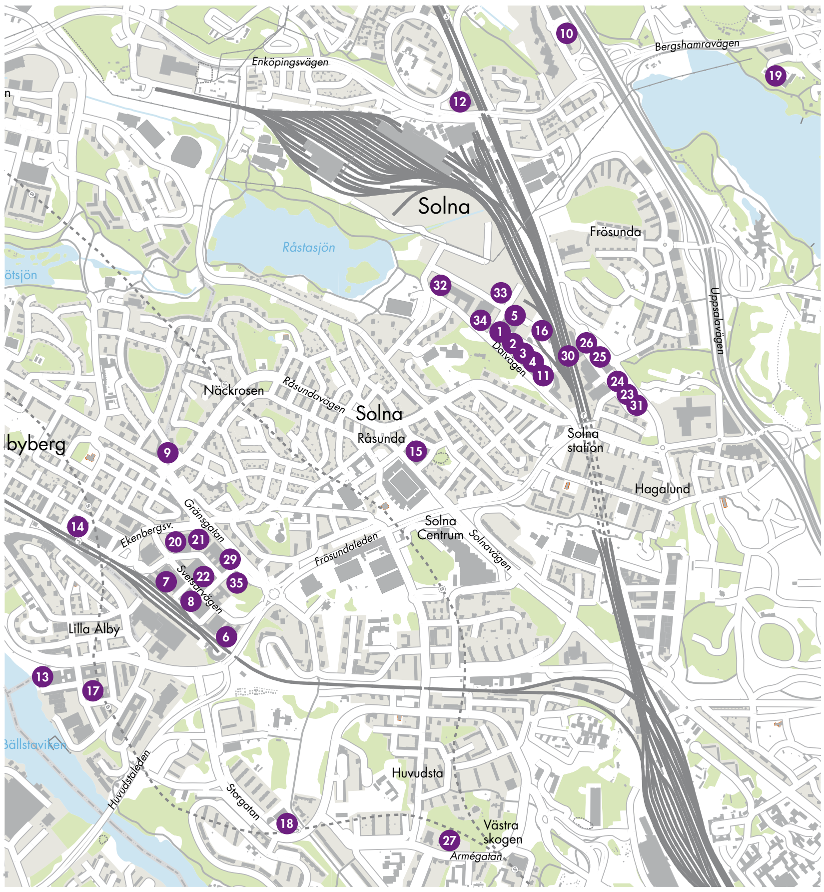

Läraren 13

Property name	Area	Street	Leasehold	Construction year	Residential, m²	Offices, m²	Retail, m²	Hotels, m²	Industrial/ Warehouse, m²	Other, m²	Garage space, m²	Total, m²	Ratable value, m²
INNER CITY													
1 Apotekaren 22[1]	Norrmalm	Döbelnsg 20, 24, Kungstensg 21–23, Rådmansg 40, 42, Tuleg 7 A–B, 13		1902/2002	0	27,547	0	0	821	0	1,055	29,423	0
2 Barnhusväderkvarnen 36[1]	Norrmalm	Rådmansg 61–65		1963	0	13,889	1,270	0	1,518	163	8,544	25,384	402,000
3 Bocken 35[1]	Norrmalm	Lästmakarg 22–24		1951	0	16,046	0	0	517	0	0	16,563	110,000
4 Bocken 39[2]	Norrmalm	Lästmakarg 14, Kungsg 7–15		1931	1,182	16,906	2,272	0	1,587	0	0	21,947	622,600
5 Bocken 46[1]	Norrmalm	Regeringsgatan 56		1977	0	3,146	0	0	0	0	0	3,146	74,000
6 Bocken 47[1]	Norrmalm	Lästmakargatan 8	T	1929	0	361	665	0	0	0	0	1,026	31,600
7 Drabanten 3[1]	Kungsholmen	Kungsbroplan 3 m fl		1907	0	6,478	0	0	49	0	0	6,527	108,000
8 Duvan 6[1]	Norrmalm	Klara Södra Kyrkogata 1		1975	0	10,106	0	0	100	0	0	10,206	326,000
9 Fenix 1[1]	Norrmalm	Barnhusgatan 3	T	1929	0	3,385	48	0	238	0	0	3,671	82,000
10 Fiskaren Större 3[1]	Södermalm	Götgatan 2		1930	1,375	235	987	0	0	0	0	2,597	42,000
11 Getingen 13[1]	Vasastan	Sveavägen 149	T	1963	0	10,720	562	0	2,904	0	0	14,186	186,000
12 Getingen 14[1]	Vasastan	Sveavägen 143–147	T	1953	0	10,789	0	0	473	365	0	11,627	125,000
13 Getingen 15[1]	Vasastan	Sveavägen 159	T	1963	0	12,674	2,711	0	6,352	0	5,000	26,737	90,980
14 Gjutaren 27[1]	Vasastan	Rörstrandsgatan 6		1914	1,380	0	202	0	34	0	0	1,616	26,401
15 Glädjen 12[1]	Stadshagen	Franzéng 6, Hornsbergs Strand 17	T	1949	0	12,240	0	0	0	0	0	12,240	198,000
16 Glädjen 13[3]	Stadshagen		T	0	0	0	0	0	0	0	0	0	57,000
17 Grönlandet Södra 13[1]	Norrmalm	Adolf Fredriks Kyrkogata 8		1932	0	8,193	0	0	0	0	0	8,193	221,000
18 Guldfisken 18[1]	Östermalm	Nybrogatan 57		1936	699	4,393	0	0	0	0	0	5,092	117,400
19 Harpan 51[1]	Östermalm	Gumshornsg 2, Linnég 69–71		1920	2,106	2,199	356	0	0	0	0	4,661	0
20 Hägern Mindre 7[1]	Norrmalm	Drottninggatan 27–29	T	1971	0	8,477	1,675	0	928	2,167	0	13,247	324,000
21 Islandet 3 (50%)[1]	Norrmalm	Holländargatan 11–13	T	1904	0	4,189	10	0	0	0	0	4,199	86,000
22 Klamparen 10[2]	Kungsholmen	Fleminggatan 12		1986	0	22,381	0	0	149	0	0	22,530	363,000
23 Kolonnen 7[1]	Södermalm	Götgatan 95, m fl		1965	1,082	2,161	116	0	67	0	700	4,126	65,200
24 Kåkenhusen 38[1]	Östermalm	Brunnsgatan 3, Norrlandsgatan 31–33		1932	0	5,581	1,096	0	0	4	0	6,681	272,000
25 Ladugårdsgärdet 1:48[1]	Värtahamnen	Tullvaktsvägen 9		1930/49	0	37,765	0	0	0	0	1,570	39,335	539,698
26 Lammet 17[1]	Norrmalm	Bryggarg 4, G:a Brog 13A, Korgmakargr 4	T	1982	0	5,226	137	0	1,620	0	0	6,983	0
27 Läraren 13[1]	Norrmalm	Torsgatan 4		1904/29	0	6,898	0	0	0	0	0	6,898	172,000
28 Läraren 5[2]	Norrmalm	Torsgatan 2		1904/29	524	3,689	0	0	68	1	0	4,282	73,895
29 Mimer 5[1]	Vasastan	Hagagatan 25 A–C, Vanadisvägen 9		1957	0	11,491	0	0	256	5	0	11,752	0
30 Murmästaren 7[1]	Kungsholmen	Kungsholmstorg 16		1898	0	2,519	502	0	67	0	0	3,088	60,200
31 Norrtälje 24[1]	Norrmalm	Engelbrektsgatan 5–7		1881	0	6,416	0	0	90	1	680	7,187	201,000
32 Orgelpipan 4[1]	Norrmalm	Klarabergsgatan 33–35	T	1957	0	3,103	1,768	0	676	0	1,311	6,858	166,000
33 Ormträsket 10[1]	Vasastan	Sveavägen 166–170, 186		1962/1967	0	13,803	3,706	0	526	0	0	18,035	223,200
34 Oxen Mindre 33[1]	Norrmalm	Luntmakarg 18, Malmskillnadsg 47 A, B		1979	2,823	9,337	0	0	154	3	1,053	13,370	227,000
35 Pan 1[1]	Gamla Stan	S Nygatan 40–42, L Nygatan 23		1929	102	2,326	721	0	0	0	0	3,149	49,507
36 Paradiset 23[1]	Stadshagen	Strandbergsg 53–57		1944	0	8,695	316	0	3,294	5	0	12,310	144,000
37 Paradiset 27[1]	Stadshagen	Strandbergsg 59–65		1959	0	19,968	3,977	0	1,016	4	3,800	28,765	344,000
38 Paradiset 29 (50%)[1]	Stadshagen	Lindhagensg 120, Strandbergsg 45		1946	0	5,093	6,376	0	30	5,000	1,250	17,749	111,000
39 Pilen 27[1]	Norrmalm	Bryggarg 12A		1907	0	1,965	0	0	116	0	0	2,081	67,000
40 Pilen 31[1]	Norrmalm	Gamla Brog 27–29, Vasag 38	T	1988	0	5,148	1,134	2,577	60	0	760	9,679	307,000
41 Resedan 3[1]	Vasastan	Dalagatan 13		1929	1,007	2,473	0	0	0	0	0	3,480	64,000
42 Sparven 18[1]	Östermalm	Birger Jarlsg 21–23, Kungsg 2		1929	0	1,936	1,642	5,097	0	0	0	8,675	274,000
43 Stralsund 1 (50%)[3]	Värtahamnen	Fjärde Bassängvägen 10			0	0	0	0	0	0	0	0	0
44 Trängkåren 7[1]	Marieberg	Gjörwellsg 30–34, Rålambsv 7–15		1963	0	49,563	1,927	0	4,888	49	20,000	76,427	795,000
45 Ynglingen 10[1]	Östermalm	Jungfrug 23, 27, Karlav 58–60		1929	2,399	7,102	1,308	0	236	0	0	11,045	253,000
TOTAL INNER CITY					**14,679**	**406,612**	**35,483**	**7,674**	**28,834**	**7,766**	**45,723**	**546,771**	**8,001,681**

[1] Investment property – properties that is actively managed on an ongoing basis.
[2] Improvement property – Properties in which a conversion or extension is in progress or planned that has a significant impact on the property's net operating income. Net operating income is affected either directly by the project or by limitations on lettings prior to impending improvement work. Recently acquired properties (last twelve months) in which work is in progress that is aimed at significantly improving the property's net operating income compared with the time of acquisition.
[3] Land & project property – Land and developable properties and properties in which a new build/complete redevelopment is in progress.

Property Listing

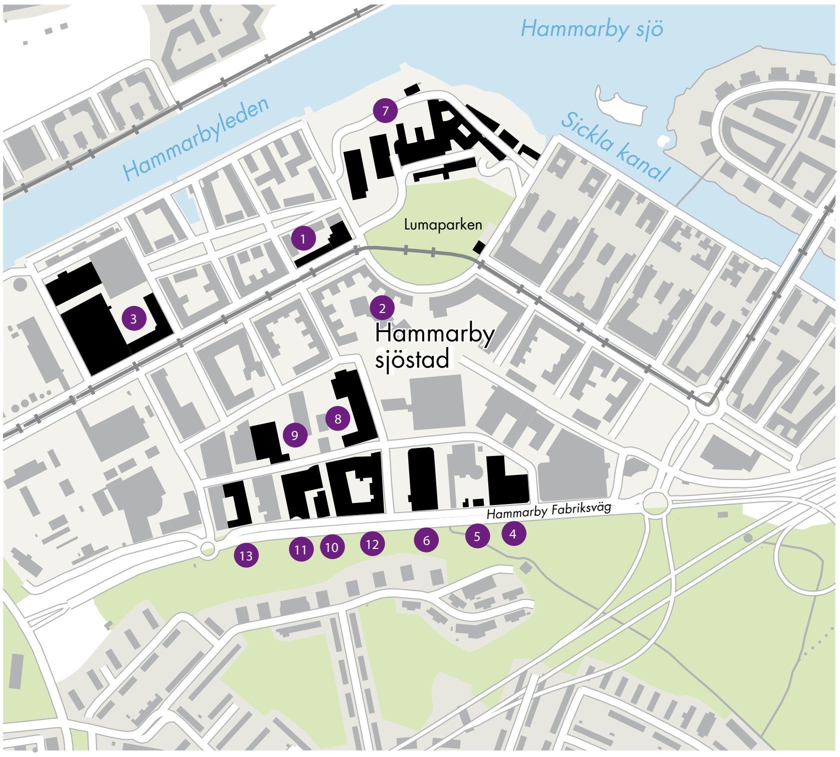
Solna and Hammarby sjöstad 31 December 2009




Fräsaren 12


Fräsaren 11


Luma 1



Property name	Area	Street	Leasehold	Construction year	Residential, m²	Offices, m²	Retail, m²	Hotels, m²	Industrial/ Warehouse, m²	Other, m²	Garage space, m²	Total, m²	Ratable value, m²
SOLNA													
1 Farao 14[2]	Solna Station	Dalvägen 10, Pyramidvägen 9		1967	0	9,239	406	0	1,937	0	0	11,582	129,400
2 Farao 15[1]	Solna Station	Dalvägen 8, Pyramidvägen 5		1981	0	7,026	708	0	462	1,740	319	10,255	77,400
3 Farao 16[2]	Solna Station	Dalvägen 4–6, Pyramidvägen 3		1973	0	3,123	1,409	0	1,369	877	0	6,778	49,600
4 Farao 17[2]	Solna Station	Dalvägen 2, Pyramidvägen		1975	0	4,622	0	0	665	316	520	6,123	36,800
5 Farao 20[3]	Solna Station	Pyramidvägen 7		1964	0	6,052	0	0	1,892	0	0	7,944	0
6 Fräsaren 10[3]	Solna	Svetsarvägen 24		1964	0	10,348	0	0	0	9	0	10,357	61,400
7 Fräsaren 11[1]	Solna	Englundavägen 2–4, Svetsarvägen 4–10		1962	0	32,255	0	1,840	2,625	1,152	2,400	40,272	404,000
8 Fräsaren 12[1]	Solna	Svetsarvägen 12–18, 20, 20A		1964	0	19,404	10,109	0	173	60	0	29,746	394,946
9 Hallen 6[1]	Solna	Råsundavägen 175		1992	0	0	0	4,600	0	0	0	4,600	39,600
10 Järvakrogen 3[3]	Frösunda	Enköpingsvägen 1			0	0	0	0	0	0	0	0	2,328
11 Kairo 1[1]	Solna Station	Pyramidvägen 2		1983	0	10,741	0	0	0	0	0	10,741	107,400
12 Karlsro 1[1]	Järva	Karlsrogatan 2		1968	0	1,824	0	0	11,141	0	0	12,965	41,400
13 Nöten 4[1]	Solna Strand	Solna strandväg 2–60		1971	0	38,899	670	0	7,319	259	11,736	58,883	406,000
14 Orgeln 7[1]	Sundbyberg	Järnvägsg 12–20, Lysgränd 1, Roseng2,4, Stureg 11–19		1966	0	23,154	3,694	0	166	74	0	27,088	280,000
15 Planen 4[1]	Råsunda	Bollgatan 1–5, Solnavägen 102 A–C		1992	0	4,509	389	0	115	61	0	5,074	54,800
16 Pyramiden 4[2]	Solna Station	Pyramidvägen 20		1960	0	3,075	0	0	75	10	0	3,160	38,000
17 Päronet 8[2]	Solna Strand	Solna strandväg 13–15, Torggatan		1976	0	19,700	0	0	915	0	0	20,615	180,000
18 Rovan 1[3]	Huvudsta	Storgatan 60–68		1972	626	2,115	6,153	8,176	0	11	0	17,081	159,000
19 Skogskarlen 1 & 3[1]	Bergshamra	Björnstigen 81, Pipers väg 2		1929/1971	0	7,579	814	0	880	0	0	9,273	109,895
20 Sliparen 1[2]	Solna	Ekensbergsv 115, Svetsarv 1–3		1963	0	4,586	0	0	0	0	0	4,586	17,151
21 Sliparen 2[1]	Solna	Ekensbergsv 113, Svetsarv 3–5		1964	0	18,704	0	0	464	783	0	19,951	201,800
22 Smeden 1[1]	Solna	Englundav 6–14, Smidesv 5–7, Svetsarv 5–17		1967	432	34,522	4,894	0	1,454	18	4,000	45,319	371,718
23 Stigbygeln 2[1]	Solna Station	Gårdsvägen 6		1955	0	8,898	0	0	0	0	0	8,898	87,600
24 Stigbygeln 3[1]	Solna Station	Gårdsvägen 8		1960	0	5,794	0	0	0	0	0	5,794	59,600
25 Stigbygeln 5[1]	Solna Station	Gårdsvägen 10 A, B		1963	0	6,701	0	0	635	0	0	7,336	78,600
26 Stigbygeln 6[1]	Solna Station	Gårdsvägen 12–18		2001	0	6,732	581	0	170	6	2,702	10,191	156,200
27 Styckjunkaren 3[1]	Huvudsta	Armégatan 38		1974	0	12,548	304	0	1,222	0	0	14,074	132,200
28 Svetsaren 1[1]	Solna	Englundavägen 7–13		1964	0	31,386	329	0	2,372	0	0	34,087	327,000
29 Tygeln 3[3]	Solna Station	Gårdsvägen 13–21		2001	0	2,711	0	0	0	0	0	2,711	44,200
30 Tömmen 2[2]	Solna Station	Solna Station			0	0	0	0	0	0	2,100	2,100	0
31 Uarda 1[2]	Solna Station	Dalvägen 22A–C, 22–30		1987	0	19,935	980	0	5,963	0	0	26,878	180,000
32 Uarda 2[3]	Solna Station	Dalvägen 18, Magasinvägen 1		1978	0	0	0	0	5,586	0	0	5,586	21,000
33 Uarda 4[1]	Solna Station	Dalvägen 14–16		1992	0	6,355	0	0	1,549	0	0	7,904	89,200
34 Yrket 3[1]	Solna Station	Smidesvägen 2–8		1982	0	6,273	0	0	145	0	0	6,418	32,725
TOTAL SOLNA					**1,058**	**368,810**	**31,440**	**14,616**	**49,293**	**5,376**	**23,777**	**494,369**	**4,370,963**
HAMMARBY SJÖSTAD													
1 Fartygstrafiken 2[2]	Hammarby-hamnen	Hammarby Allé 91–95		1955	0	6,769	1,764	0	136	0	0	8,669	63,800
2 Godsfinkan 1[1]	Hammarby-hamnen	Heliosvägen 1	T	1990	0	7,779	0	0	55	28	0	7,862	56,359
3 Hammarby Gård 7[3]	Hammarby-hamnen	Hammarby Allé 21, 25, Hammarby Kajv 2–8,12–18		1937	0	16,163	0	0	3,982	0	0	20,145	159,800
4 Korphoppet 1[2]	Hammarby-hamnen	Hammarby Fabriksväg 41–43		1949	0	3,035	372	0	9,795	17	1,200	14,419	35,372
5 Korphoppet 5[3]	Hammarby-hamnen	Hammarby Fabriksväg 37–39	T	1968	0	0	359	0	3,143	65	0	3,567	11,321
6 Korphoppet 6[2]	Hammarby-hamnen	Hammarby Fabriksväg 33	T	1988	0	2,327	2,355	0	0	40	0	4,722	31,800
7 Luma 1[2]	Hammarby-hamnen	Ljusslingan 1–17, 2–36, Glödlampsgränd 1–6, Luma-parksv 2–18, 5–21, Kölnag 3		1930	691	23,741	2,314	0	7,706	0	0	34,452	193,586
8 Påsen 10[1]	Hammarby-hamnen	Heliosg 11–13, Virkesv 9		1942	0	3,698	1,445	0	4,696	0	0	9,839	34,692
9 Påsen 8[1]	Hammarby-hamnen	Virkesvägen 5	T	1974	0	0	0	0	3,105	0	0	3,105	13,096
10 Trikåfabriken 12[3]	Hammarby-hamnen	Hammarby Fabriksväg 27		1942	0	679	0	0	345	17	0	1,041	4,355
11 Trikåfabriken 4[1]	Hammarby-hamnen	Hammarby Fabriksväg 25		1991	0	5,402	0	0	4,535	0	0	9,937	67,400
12 Trikåfabriken 8[1]	Hammarby-hamnen	Hammarby Fabriksväg 29–31		1930	0	10,185	692	0	4,535	12	0	15,424	60,400
13 Trikåfabriken 9[1]	Hammarby-hamnen	Hammarby Fabriksväg 19–21		1928	0	7,720	820	0	2,874	0	1,186	12,600	43,249
TOTAL HAMMARBY SJÖSTAD					**691**	**87,497**	**10,121**	**0**	**44,907**	**179**	**2,386**	**145,781**	**775,230**

1) Investment property – properties that is actively managed on an ongoing basis.

2) Improvement property – Properties in which a conversion or extension is in progress or planned that has a significant impact on the property's net operating income. Net operating income is affected either directly by the project or by limitations on lettings prior to impending improvement work. Recently acquired properties (last twelve months) in which work is in progress that is aimed at significantly improving the property's net operating income compared with the time of acquisition.

3) Land & project property – Land and developable properties and properties in which a new build/complete redevelopment is in progress.

Property Listing

Other 31 December 2009

Property name	Area	Street	Leasehold	Construction year	Residential, m²	Offices, m²	Retail, m²	Hotels, m²	Industrial/ Warehouse, m²	Other, m²	Garage space, m²	Total, m²	Ratable value, m²
OTHER NORTH STOCKHOLM													
Berga 6:558[3]	Åkersberga				0	0	0	0	0	0	0	0	0
Bordduken 7[1]	Brommaplan	Klädesvägen 12–14	T	1984	0	5,572	2,661	0	92	0	0	8,325	88,800
Brandsprutan 2[1]	Näsby Park	Nytorpsvägen 5–7		1988	0	9,977	256	0	37	0	3,000	13,270	0
Domnarvet 18[1]	Lunda	Fagerstagatan 11–13	T	1991	0	5,254	103	0	267	0	0	5,624	0
Domnarvet 36[1]	Lunda	Fagerstagatan 15	T	1991	0	3,790	0	0	0	0	0	3,790	17,695
Elementet 1[1]	Ulvsunda	Ulvsundavägen 106		1938	0	3,282	2,612	0	3,636	0	0	9,530	55,076
Ferdinand 9[1]	Bromsten	Bromstensvägen 168–172		1956	0	0	0	0	4,643	0	0	4,643	17,593
Fotkvarnen 1[2]	Rinkeby	Sunnanbyplan 9 – 10	T	1970	8,858	454	0	0	0	0	0	9,312	28,320
Fotkvarnen 2[2]	Rinkeby	Sunnanbyplan 3–25, 6–16	T	1970	0	0	0	0	0	0	0	0	1,000
Grammet 1[1]	Brommaplan	Tunnlandet 3, 11–13		1962	0	4,559	2,239	0	233	29	0	7,060	66,800
Hammarby Smedby 1:464[3]	Upplands Väsby	Johanneslundsvägen 3–5			0	0	0	0	0	0	0	0	0
Handkvarnen 3[2]	Rinkeby	Sörbyplan 3–13, 4–32	T	1970	9,428	314	0	0	721	0	0	10,463	90,497
Hjulkvarnen 1[2]	Rinkeby	Mellanbyplan 9–11	T	1970	5,215	361	0	0	242	0	0	5,818	19,158
Hjulkvarnen 2[2]	Rinkeby	Mellanbyplan 8–10	T	1970	5,451	360	0	0	229	0	0	6,039	28,535
Hjulkvarnen 3[2]	Rinkeby	Mellanbyplan	T	1970	0	0	0	0	0	0	0	0	1,333
Hyppinge 1[2]	Tensta	Hyppingeplan	T	1970	0	0	0	0	0	0	0	0	478
Induktorn 28[1]	Bromma	Ranhammarsvägen 24	T	1942	0	2,773	1,118	0	1,497	0	0	5,388	17,698
Induktorn 33[1]	Bromma	Ranhammarsvägen 16–18		1943	0	4,116	640	0	12,299	360	0	17,415	59,879
Jollen 4[1]	Näsby Park	Kuttervägen 1–3		1970	0	7,549	0	0	742	0	0	8,291	32,000
Kullinge 1[2]	Tensta	Risingeplan 9–11	T	1970	13,004	512	64	0	144	0	0	13,724	44,350
Linneduken 5[1]	Brommaplan	Brommaplan 403–405	T	1948	0	2,154	222	0	232	0	0	2,608	23,996
Masugnen 7[2]	Bromma	Karlsbodavägen 18–20		1991	0	10,862	0	0	0	21	825	11,708	0
Märsta 15:5[3]	Märsta				0	0	0	0	0	0	0	0	570
Racketen 11[3]	Alvik	Gustavslundsvägen			0	0	0	0	0	0	0	0	7,984
Rinkeby 2:1[2]	Rinkeby	Parkering	T	1970	0	0	0	0	0	0	0	0	0
Rinkeby 2:13[2]	Rinkeby	Parkering	T	1970	0	0	0	0	0	0	0	0	0
Rinkeby 2:14[2]	Rinkeby	Parkering	T	1970	0	0	0	0	0	0	0	0	0
Risinge 1[2]	Tensta	Risingeplan 8–10	T	1970	13,440	252	163	0	83	0	0	13,938	82,741
Sjukhuset 9[1] och 10[3]	Danderyd	Mörbylund 3–5		1972	0	0	0	0	1,410	0	0	1,410	6,200
Skvaltkvarnen 1[2]	Rinkeby	Storbyplan 9–11	T	1970	8,336	423	0	0	45	0	0	8,804	26,654
Skvaltkvarnen 2[2]	Rinkeby	Storbyplan 8–10	T	1970	4,542	0	0	0	0	0	0	4,542	13,327
Skvaltkvarnen 3[2]	Rinkeby	Storbyplan	T	1970	0	0	0	0	0	0	0	0	1,249
Tekniken 1[3]	Sollentuna				0	0	0	0	0	0	0	0	6,600
Täby Näsbypark 73:5[3]	Näsby Park				0	0	0	0	0	0	0	0	0
Ulvsunda 1:1[1]	Bromma flygplats	Flygplansinfarten 27	A	2004	0	0	0	0	1,241	0	0	1,241	0
Vallentuna Rickeby 1:327[3]	Vallentuna				0	0	0	0	0	0	0	0	349
Vallentuna Rickeby 1:477[1]	Vallentuna			2009	0	0	0	0	1,167	0	0	1,167	5,600
Vallentuna Rickeby 1:488[3]	Vallentuna				0	0	0	0	0	0	0	0	0
Veddesta 2:68[1]	Veddesta	Fakturavägen 6		1990	0	998	0	0	1,779	0	0	2,777	14,889
Vättinge 1[2]	Tensta	Hyppingeplan 8–10	T	1970	6,780	292	75	0	76	0	0	7,223	23,217
Vättinge 2[2]	Tensta	Hyppingeplan 20–31	T	1970	5,250	108	0	0	0	0	0	5,358	14,996
Vättinge 3[2]	Tensta	Hyppingeplan 9–11	T	1970	6,725	387	1,983	0	395	0	0	9,490	62,425
Vävnaden 1[1]	Brommaplan	Tunnlandet 2	T	1987	0	0	299	0	0	0	0	299	6,084
Öninge 1[2]	Tensta	Risingeplan 3–31, 4–32	T	1970	0	0	0	0	0	0	0	0	674
TOTAL OTHER OUTSIDE STOCKHOLM					**87,028**	**64,348**	**12,435**	**0**	**31,210**	**410**	**3,825**	**199,255**	**866,767**

[1] Investment property – properties that is actively managed on an ongoing basis.

[2] Improvement property – Properties in which a conversion or extension is in progress or planned that has a significant impact on the property's net operating income. Net operating income is affected either directly by the project or by limitations on lettings prior to impending improvement work. Recently acquired properties (last twelve months) in which work is in progress that is aimed at significantly improving the property's net operating income compared with the time of acquisition.

[3] Land & project property – Land and developable properties and properties in which a new build/complete redevelopment is in progress.

Property name	Area	Street	Leasehold	Construction year	Residential, m²	Offices, m²	Retail, m²	Hotels, m²	Industrial/ Warehouse, m²	Other, m²	Garage space, m²	Total, m²	Ratable value, m²
OTHER SOUTH STOCKHOLM													
Lillsätra 3[1]	Sätra	Storsätragränd 5	T	2008	0	0	0	0	8,519	0	0	8,519	26,100
Näsby 4:1472[3]	Tyresö	Studiovägen 1			0	0	0	0	0	0	0	0	124
Pelaren 1[3]	Globen	Pastellvägen 2–6			0	0	0	0	0	0	0	0	4,208
Sicklaön 145:17[1]	Nacka	Garverigränd 7–13, Winborgs väg 26–30		1888	0	67	4,730	0	290	0	0	5,087	54,200
Sicklaön 145:19[1]	Nacka	Turbinv 1–11		1900	0	2,119	11,913	0	167	9	2,818	17,026	146,400
Sicklaön 145:2[3]	Nacka	Turbinv 1			0	2,100	0	0	0	0	0	2,100	0
Sicklaön 392:1[3]	Danvikstull	Kvarnholmsvägen 12		1986	0	0	0	0	0	0	0	0	4,252
Söderbymalm 3:405[3]	Haninge	Nynäsvägen 65, Stores Gränd 20–22		1972	0	6,226	1,386	0	2,351	40	0	10,003	151,421
Söderbymalm 3:405[3]	Haninge	Nynäsvägen 65, Stores Gränd 20–22		1972	0	6,226	1,386	0	2,351	40	0	10,003	151,421
TOTAL OTHER SOUTHERN STOCKHOLM					**0**	**10,512**	**18,028**	**0**	**11,327**	**49**	**2,818**	**42,734**	**386,705**
OTHER OUTSIDE STOCKHOLM													
Grimbergen[3]	Belgien	St Annastraat			0	0	0	0	0	0	0	0	0
TOTAL OTHER OUTSIDE STOCKHOLM					**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL OTHER					**103,456**	**937,779**	**107,507**	**22,290**	**165,569**	**13,780**	**78,529**	**1,428,910**	**14,401,346**


Jollen 4


Masugnen 7

Responsible enterprise

Fabege strives to be a responsible and environmentally aware company. Through extensive efforts to cut energy use as well as other measures, the company works to reduce its environmental impact. Fabege takes responsibility for its co-workers and strives to be attentive to their needs. The company has also chosen to take a social responsibility by committing to various projects for children and young people. These initiatives highlight Fabege's profile as a socially responsible company.

Social responsibility at Fabege: Highlights of 2009

- Fabege cut its energy use by 5 per cent.
- Carbon dioxide emissions have been cut from around 40,000 tonnes in 2002 to about 5,000 tonnes in 2009.
- The employee survey points to a positive work climate.
- In September, Fabege's family house in Burundi opened its doors to seven abandoned orphans.

To help build a sustainable society, governments have introduced laws and regulations covering the activities of individuals as well as businesses. Extensive laws and clear guidelines have been introduced on environmental and labour law issues, and government agencies and NGO's are monitoring compliance and pushing the agenda forward. Today, taking responsibility on environmental and labour law issues is a must for all companies.

Yet, the world is ever-changing, giving rise to new expectations. In the 1990s, companies' primary objective was to increase shareholder value, but in recent years, the business sector has increasingly come to be expected to take a social responsibility. The UN's conventions on human rights, and initiatives like Global Compact and similar documents have come to be seen as standards.

The property sector currently accounts for about 40 per cent of total energy use and emits significant amounts of carbon dioxide. Therefore, it is crucial for all property companies to assume responsibility for the environment and to work on energy issues in a focused and structured manner. Fabege has been working systematically on environmental issues since 2002 and we are currently running a number of systematic environmental projects with clearly defined goals aimed at reducing and preventing negative impacts on the environment. Guidelines for this work are outlined in Fabege's environmental policy.

In addition to complying with Swedish labour laws, Fabege also takes responsibility for developing our co-workers' skills and offer opportunities to take individual responsibility and make a difference.

Fabege's ethical guidelines are consistent with the United Nations Global Compact and its principles. The ethical guidelines and other policy documents provide guidance for Fabege's executives and co-workers when performing their duties.

Environmental responsibility

Fabege's environmental activities are goal-oriented, systematic and preventive, with a view to continually reduce and prevent negative impacts on the environment. Key focus areas include climate change factors, indoor environment, waste management and the choice of building materials.

The company's environmental policy states that environmental activities should be a natural and integral part of what we do. Fabege's environmental activities are long-term and fully integrated in our day-to-day activities in property management, project development and transactions. In property management, we take a systematic approach to improve environmental standards based on the ISO 14001 environmental management system. For a number of years, the company has been compiling procedures, inspection results and control data in a self-assessment database. A property's energy use and improvement potential are also becoming increasingly important factors in acquisitions. As part of the acquisition process, Fabege's energy and environmental specialists analyse the property's energy use and environmental risks when assessing their value.

The results of Fabege's sustainability work are accounted for in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting (G3). GRI reporting can be done at several levels, ranging from C, the lowest level, to A, the highest. Fabege has opted to report at level C.

Energy and environmental goals

Reducing energy use through systematic energy optimisation has been a key environmental goal for Fabege for a number of years. Since 2002, Fabege has cut its energy use by about 5 per cent each year. This success is partly the result of dedicated efforts to optimise running costs, and partly a result of investments in energy-efficient technology. The objective to further cut energy use by 20 per cent by 2014.

- Long-term energy optimisation target of at least 20 per cent by 31 December, 2014 from the 2009 levels while maintaining the same indoor climate.
- Produce a documented energy strategy for each property for 2010 to 2014.
- Reduce Fabege's heating consumption from an average of 83 kwh/m² in 2009 to 70 kwh/m² by 31 December, 2014.
- All new construction and significant conversions of office properties are performed in accordance with the GreenBuilding principles.
- Fabege will strive to meet the requirements for a GreenBuilding certification for the entire company in 2010.

GREENBUILDING

All new construction is performed in accordance with the GreenBuilding principles as minimum standarts.

Environmental policy

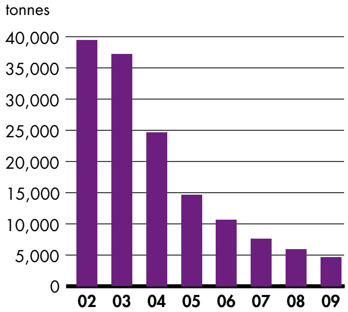
Fabege seeks to create value for the company's shareholders, and concern for the environment should be a natural and integral part of our activities in property management, project development and property transactions. Fabege aims to offer attractive properties with a low environmental impact and high level of user comfort.
To achieve this, Fabege seeks to:

- Ensure that energy, water and other natural resources are used in an efficient and environmentally sound manner.
- Offer waste management opportunities for recycling and facilitate efficient, environmentally-friendly methods.
- Reduce the total amount of waste.
- Set clear environmental requirements for the purchase of goods and services.
- Replace hazardous chemicals with less hazardous alternatives where possible.
- Reduce the environmental impact of transports in service assignments and goods deliveries.
- Select building methods and materials on the basis of environmental considerations and in accordance with Fabege's environmental programme for new builds and conversions.
- Prevent the generation and spreading of pollution.
- Raise the level of environmental expertise among employees through training, and communicate environmental issues internally and externally.
- Regularly document, follow up, evaluate and improve our environmental work.
- Comply with or exceed applicable environmental legislation and other regulations applying to the company's activities.

Consumption statistics, total	2009
Water, m^3	931,262
Energy, MWh[1)]	220,127
Of which	
Heating	*115,972*
Cooling	*24,623*
Electricity	*79,532*
Renewable energy, MWh	200,203
CO_2-emission, ton (heating, cooling, electricity)	39,447

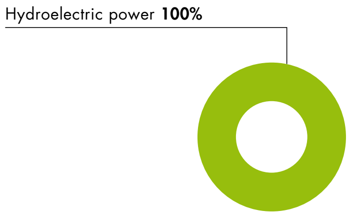
[1)] Figures based on identical portfolio 2009, 122 properties, 1 395 035 **m²**.

Carbon dioxide emissions

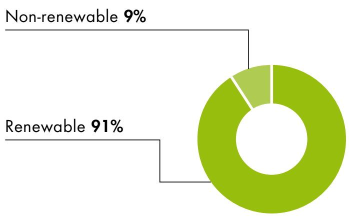


Carbon dioxide emissions have been cut drastically thanks to our efforts to optimise energy use by switching from oil to district heating, use electricity that comes with an environmental product declaration, and adjust the composition of our property portfolio.

Energy type in electricity production



Total share of renewable energy



ENVIRONMENTAL ORGANISATION

Responsibility for Fabege's environmental policy rests with the CEO and group management. The operational activities are supported by the equivalent of three full-time employees in the areas of environment and energy. The environment and energy department serves as a resource and skills pool for the company's Property Management, Projects, Business Development and Communications departments. It provides support to the company's activities and leads and participates in evaluations that contribute to Fabege's development.

SUSTAINABLE URBAN DEVELOPMENT AND ENVIRONMENTAL CERTIFICATION

Being able to offer customers premises with strong environmental and energy credentials improves a company's competitiveness in an increasingly environmentally aware market. To meet these demands, Fabege is running a number of development projects designed to contribute to sustainable urban development.

Customers and other stakeholders demand an ever higher standard of energy efficiency. Fabege has, therefore, set a target of obtaining the requirements for a GreenBuilding certification for the company as a whole in 2010.

At year-end 2009, Fabege had two properties with GreenBuilding certification: the Lindhagen project in the Paradiset 29 property on Kungsholmen, and Päronet 8 in Solna. In 2009, Fabege also decided to sign up to the Climate Pact, a partnership between the City of Stockholm and local business. The Pact is a platform for partnership on climate issues, aimed at cutting emissions of greenhouse gases. The company is involved in a similar partnership with the Municipality of Solna, called "Hållbart resande" (Sustainable Travelling).

POSITIVE RESULTS OF ENVIRONMENTAL ACTIVITIES

Fabege's systematic efforts to optimise energy use by switching from oil to district heating and from cooling machines to district cooling systems with superior environmental performance, using electricity that comes with an environmental product declaration, and adjusting the composition of its property portfolio have proved very successful, resulting in a reduction in carbon dioxide emissions from about 40,000 tonnes in 2002 to about 5,000 tonnes in 2009.

In 2009, Fabege cut its energy use by another 5 per cent from an already low level. The company has also reduced its heat use by more than 30 per cent since 2002 (approximately 5%/year). This was achieved primarily through energy optimisation but also partly through investments in energy-efficient technology.

Fabege has also been working on its fleet of company cars. In the past year alone, the carbon dioxide emission per km was cut by 6 per cent from 12,557 grams per km to 11,814 grams per km.

GREEN ELECTRICITY

Another aspect of environmental responsibility concerns the use of electricity produced in an environmentally-friendly manner. All electricity delivered to Fabege's properties is certified hydro-generated electricity from Vattenfall's Nordic power plants. Our properties in Solna and Sundbyberg use district heating provided by Norrenergi, which holds the Bra Miljöval (Good Environmental Choice) ecolabel of the Swedish Society for Nature Conservation. Fabege has also converted its last oil-fired boilers to district heating.

ENERGY ASSESSMENTS

In 2007, the Swedish National Board of Housing, Building and Planning introduced a new regulation requiring that property owners produce energy assessments for their properties. In practice, this involves reviewing each property's energy use and issuing certificates showing how much energy is used in the property. These regulatory requirements have now been integrated into Fabege's energy optimisation activities. Fabege requires high standards from the external experts that we commission. The task has been to review energy use in our properties and use the data obtained to optimise consumption and invest in measures to improve energy efficiency. This was an underlying success factor when Fabege succeeded in reducing its energy consumption by an impressive 8 per cent in 2008 (heating, cooling and electricity) and by a further 5 per cent in 2009.

All electricity delivered to Fabege's properties is certified hydro-generated electricity from Vattenfall's Nordic power plants.

CONTINUOUS IMPROVEMENT IN WASTE MANAGEMENT

When making an acquisition or adapting premises for tenants, Fabege explores which areas can be used for sorting of waste for recycling, both centrally and in the premises of each tenant. We also look at where the areas are located within the property in relation to goods flows, transports, floor plans, etc. An average of nine types of waste are sorted for recycling in Fabege's properties.

ENVIRONMENTAL CONTROL OF THE BUILDING PROCESS

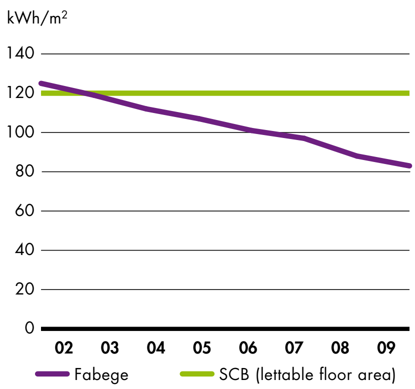
In projects and development activities, Fabege's general environmental programme is integrated into the company's framework programme as regards choice of materials, waste management and building methods. The aim is to give concrete expression to Fabege's environmental policy through environmental control of the building process. When a building is converted or renovated, a demolition plan is drawn up. In all projects, a plan for handling of waste products is prepared together with the building and waste management contractors. In new builds and redevelopment projects, only building materials and products with limited environmental impact may be used.

DEMANDS ON SUPPLIERS

Purchasing activities and suppliers' environmental performance constitute a cornerstone of Fabege's environmental work. Our purchasing and supplier agreements secure strong commercial terms and prices as well as a high quality and delivery reliability, and should be inspired by concern for human beings and the environment. The general principle is that suppliers shall comply with applicable employment laws and other applicable laws, rules and regulations. Suppliers are also required to permit Fabege to verify such compliance. Fabege supports the United Nations Convention on the Rights of the Child, Article 32:1.

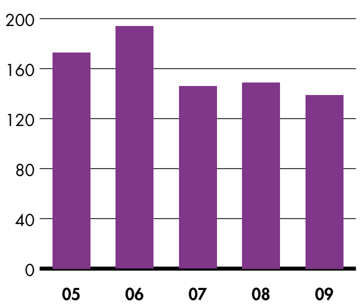
To clarify the company's position to suppliers, the co-workers staff and other stakeholders, Fabege has defined a procurement policy, which is available on the company's website, www.fabege.se, under About Fabege/Procurement.

Heat use in Fabege premises

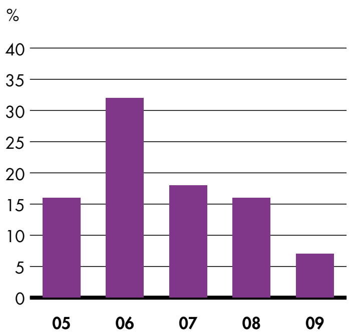


Over time, Fabege's systematic efforts to optimise running costs have reduced energy use in our properties by more than 30 per cent.

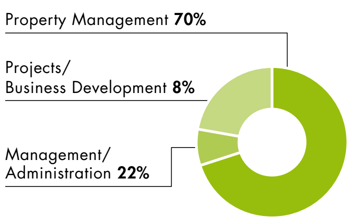
No. of employees, average



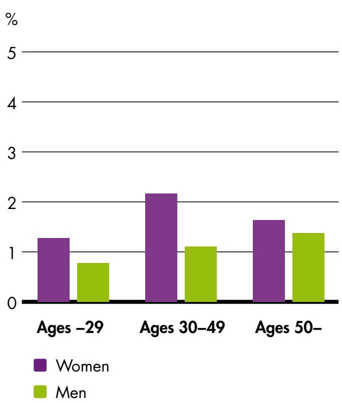
Staff turnover



Staff in respective areas



Absence due to illness 2009



Age structure in the Fabege Group 2009

%	Total	Ages	20–29	30–39	40–49	50–59	60–69
Women	37.8		11.8	37.3	29.4	11.8	9.8
Men	62.2		4.8	35.7	36.9	11.9	10.7
Total	**100.0**		**7**	**36**	**35**	**12**	**10**

An attractive employer

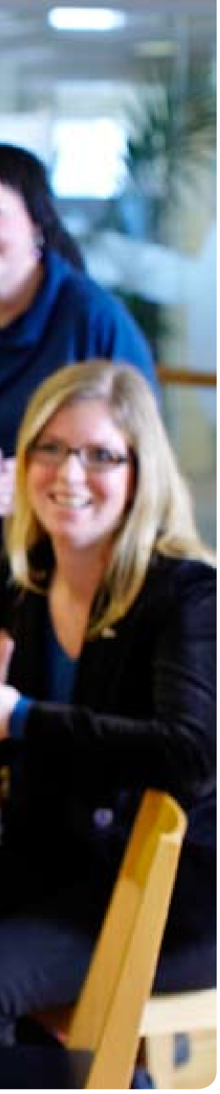
Being an attractive employer involves taking responsibility for staff and being attentive to their needs. Recognising that the skills and commitment of our co-workers are crucial to our future development, Fabege seeks to promote employee satisfaction by offering good opportunities for development. Committed and satisfied co-workers are essential to ensuring customer satisfaction, which, in turn, has a direct impact on our business objectives.

At year-end 2009, Fabege had 135 employees. Leadership development, improving the work environment for our staff and establishing Fabege's values internally were key focus areas in Fabege's human resources activities in 2009.

Thanks to its flat organisation and short decision-making paths, Fabege enables its co-workers to take rapid and independent action. The company is inspired by an entrepreneurial spirit, and rewards individual initiative. Our employees have a lot of freedom and are encouraged to innovate. Fabege and its staff aim to combine the opportunities available to a big company with the client proximity and personal relationships offered by a small company.

FABEGE'S CORE VALUES

Fabege's company culture and relations should be distinguished by openness, truthfulness, honesty and responsible behaviour. This builds confidence and trust. The company's core values underpin our company culture, which stimulates and encourages individual initiative and creative solutions. We strongly believe that a positive and appreciative company culture promotes the development of the



Human resources strategy

- Our core values should colour the way in which we relate to other people, both internally and externally in relations with customers and other stakeholders.
- We will have a strong focus on caring for our co-workers, well-being and a safe work environment.
- Our employees will be able to work in an open environment that fosters commitment and individual initiative through clearly defined targets, delegation of responsibility and rewards for excellence.
- We will work to attract and retain skilled staff.

company and paves the way for commercial success.

Since 2008, as part of our ambition to be an attractive employer, Fabege has been working to establish the company's core values throughout the organisation in order to strengthen our shared commitment to those values: speed, informality, entrepreneurship, business orientation and client proximity. In 2009, Fabege continued its efforts to establish its core values even further.

A CAREER WITH FABEGE

Fabege's ambition is to develop and retain staff. Our aim is to ensure that our employees are able to develop and grow professionally through new or varied duties and responsibilities.

Internal recruitment is a natural part of Fabege's company culture. In the course of their careers, Fabege employees commonly perform a variety of duties and work in different places within the organisation. Not infrequently, vacancies in senior positions are filled through internal recruitment. It is the performance and dedication of each employee that determine how he or she will develop and progress in his or her career. Fabege strives to foster a work climate that encourages employees to develop their skills and exchange information throughout the organisation.

All employees have individual career development plans to support their professional development. Based on the company's goals, each employee and his or her manager define a set of personal targets for the employee's development at regular appraisal interviews. Fabege's employees are expected to show dedication and initiative, and independently take advantage of opportunities to develop so that they may contribute to Fabege's business in the best possible manner.

A SAFE WORK ENVIRONMENT

Fabege provides a safe and healthy work environment for its co-workers. The company's occupational health and safety committee continued its successful work on ensuring continuous progress on work environment issues. This helps promote interest in issues relating to physical and mental well-being at work. Fire safety and other safety procedures have been improved, and all measures are documented

SPEAK
Our core values

Speed

- We are efficient, prioritise fast decisions, provide prompt feedback and offer simple solutions.
- We act with clarity, have drive and make sure we keep our deadlines.

Informality

- We show respect by being open and attentive to our colleagues, customers and suppliers.
- We are more important than I. We are team players and strive to work together and ensure cohesion in the team.
- We are humble and show courage by daring to ask for help and sharing our knowledge with others.

Entrepreneurship

- We see opportunities and do not get bogged down in the problems.
- We are creative, inspire new ideas and dare to try unconventional solutions.
- We show our commitment by ensuring that adopted decisions are implemented.

Business orientation

- We set clear goals, ensure that everyone is behind them and actively follow them up.
- We act with competence and look for win-win solutions
- We make sure we use the resources we have access to in the form of knowledge, skills and tools.

Client proximity

- We build trust and long-term customer relationships by arriving in time, doing our homework and providing the best possible service based on the customer's requirements.
- We get to know the customers, employees and suppliers through an open, attentive and personal approach.

in a support system called Nyckelknippan, to which all employees have access. In 2010 a tailor-made training programme on occupational health and safety will be offered to all interested employees. The committee consists of managers and co-workers from all areas of activity, and all meetings are minuted.

HEALTH & FITNESS AND A WORK-LIFE BALANCE

Fabege is committed to promoting health and fitness, and encourages staff to exercise and stay fit. The company offers all co-workers a membership of a fitness chain. Employees can also go for health and fitness checks at several different fitness facilities. Fabege has a group health insurance policy, which ensures that all employees gain fast access to care in case of illness.

Offering a sound balance between work and leisure is a key element in Fabege's ambition to be an attractive employer. The company encourages both women and men to go on parental leave.

DIALOGUE AND WELL-BEING

Fabege strives to ensure that all co-workers feel that they have a say in the company's development, and in order to create an attractive and inspiring workplace, the company encourages employees to engage in an active and open dialogue with their managers. On a regular basis, Fabege conducts an extensive employee survey to measure how the company is viewed as an employer. The response rate in the 2009 survey was 93 per cent (88%), which must be regarded as a high value. For the second year in a row the survey employed a method whose results show how working conditions affect employees' performance, as measured by a performance index. Measured against the property business category in the reference database, Fabege is well above average with a performance index score of 3.9, against 3.3 for the industry as a whole.

In 2009, Fabege initiated several projects aimed at creating a sense of "us" among staff, including a family day with a sports theme, and a staff conference with teambuilding activities based on the company's core values.

EQUAL OPPORTUNITIES

Property has traditionally been seen as a male-dominated industry but in recent years, the industry has been attracting a growing number of women. Fabege wants to promote a more even balance between the sexes, and to give women and men the same opportunities for recruitment to various positions in the company. At year-end, two out of seven members of Fabege's senior management team were women, or about 28 per cent (12.5%).

RELATIONSHIPS WITH SCHOOLS AND UNIVERSITIES

In 2009, Fabege took part in recruitment events and worked on strengthening the company's image as an attractive employer. The company continuously offers traineeships and exam topics to give young people an insight into working life. Another activity that Fabege has participated in is an initiative called Framtidståget where schoolchildren in 9th grade learn about relationships between different courses at upper secondary level and the labour market. At these events, motivational speakers representing different industries and businesses talk about their work and what they believe the future holds for various professions.

A GREATER STAKE THROUGH PROFIT-SHARING

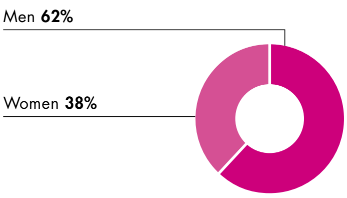
In order to give its co-workers a greater stake in the company, Fabege has been running a profit-sharing scheme since 2000. Allocations are made in the form of Fabege shares based on the company's profitability and return on equity. Shares are tied up for five years after allocation.

Occupational health and safety policy

Fabege works to ensure a safe work environment in order to

- promote commitment and collaboration among employees
- promote personal and professional development
- prevent harm and eliminate risks to health
- ensure that business trips using company cars can be made in a safe manner.

Executive positions, breakdown by gender



Social responsibility

Social commitment is a natural part of Fabege's social responsibility and a way to contribute to building a sustainable society. Fabege takes an active part in the development of local communities and in projects that change and influence the world we live in a wider sense. The following are just a few examples of the social responsibility that Fabege has chosen to embrace.

Fabege has chosen to help abandoned orphans in Burundi, Africa. Through our partnership with SOS Children's Villages we are funding a family house that will provide a home to a family with seven children.

Fabege's ethical guidelines are consistent with the United Nations Global Compact and its principles. The ethical guidelines and other policy documents provide guidance for Fabege's managers and other staff in the performance of their duties.

Since 2008, Fabege is a member of CSR Sweden, a corporate network that uses dialogue to encourage businesses to perform corporate social responsibility activities, and strives to develop a set of soft guidelines governing businesses' social responsibility. Fabege participates in seminars and hearings with other companies in order to share its experiences with others and gain new experiences for itself about how other companies work actively on social responsibility issues.

RESPONSIBILITY FOR SEVEN CHILDREN IN BURUNDI

There are many ways to care about the world you live in. At Fabege, we have chosen to take a particular interest in the fates of abandoned orphans in Burundi. As a partner of SOS Children's Villages since 2008, Fabege is funding the building of a family house in Cibitoke, Burundi, Africa. Burundi is one of the world's poorest countries. The country has suffered an eleven-year civil war with disastrous consequences. The war ended in 2004 and a fragile peace has since been achieved but there are many children who have lost their parents to the war, famine and Aids.

The SOS Children's Village in Cibitoke will eventually provide a home, a family, education and a chance to live a dignified life to some 150 children. Schools and a medical clinic that children from the village and from the surrounding area will have access to, are being built. We have funded the building of a family house for one family consisting of an SOS mother and seven children. This is our way of contributing to making the world a better place.

RESPONSIBILITY FOR CHILDREN AND YOUNG PEOPLE LOCALLY

Solna Vikings – Girl Power

Since 2008, Fabege has been the lead sponsor of the Solna Vikings men's and women's basketball teams. The Solna Vikings women's team represents success, a healthy lifestyle and pride, and Fabege supports their "Tjejkraft" (Girl Power) project. This successful project, now in its fifth season, involves preventive work with young girls where the members of the Solna Vikings women's team serve as mentors and role models at three schools in Solna. Through exercises designed to strengthen the individual, mentorship, physical activities and group dynamics, the project helps strengthen the girls' self-esteem and self-reliance. The Girl Power project has had a great impact in empowering these young girls and improving the climate in the classroom.

The Stockholm Ice Hockey Association – Fair Play and Respect

Fabege is the lead sponsor of the Stockholm Ice Hockey Association and its "Fair Play and Respect" initiative in period 2009–2011. The initiative is aimed at young ice hockey players aged 8–15, who are taught how to act in a sportsmanlike manner, behave themselves in the stand, and show respect for the referee and for other players.

The Association also works to promote fair play and prevent cheating, violence, bullying, racism, foul language, doping, alcohol and drug abuse. The initiative helps young players develop both inside and outside the rink.

Stockholm Football Association – Zero Tolerance

Since 2009 Fabege is also a sponsor for the Stockholm Football Association's Zero Tolerance project. The project is aimed at preventing violence and unacceptable language between referees, players, leaders and parents. The project covers 4,000 players aged 8–19 who receive coaching using literature provided by Sila Snacket (Mind Your Language). Team leaders and parents' groups receive the same coaching.

Drug-free Sweden 2000

As of 2009, Fabege supports the Drug-free Sweden 2000 campaign. Launched in 1989, the campaign aims to ensure that all schools in Sweden gain access to professional and up-to-date information on drugs/drug abuse and action programmes. Thanks to the support provided, the campaign has been able to continuously distribute information about drug and drug abuse issues free of charge to all primary and secondary schools in Sweden.

Directors' Report

The Board of Directors and Chief Executive Officer of Fabege AB (publ), organisation number 556049-1523, hereby present their 2009 report for the Group and parent company.

THE BUSINESS

Fabege is one of Sweden's leading property companies focusing on commercial premises. The business is concentrated to a small number of fast-growing priority sub-markets in the Stockholm region. Fabege manages and improves its existing properties while continuously developing its portfolio through sales and acquisitions. Realising value is an integral and key part of the business.

The deals and investments made in 2009 continued the process of concentrating the Group's property holdings to the inner city of Stockholm, Solna and Hammarby sjöstad. On 31 December 2009, Fabege owned 148 properties with a total rental value of SEK 2.4bn, a lettable floor area of 1.4m m² and a book value of SEK 29.2bn, of which SEK 6.2bn refers to project properties.

Commercial premises, primarily offices, represented 96 per cent of the rental value and residential premises 4 per cent. The financial occupancy rate for the portfolio as a whole was 90 per cent (93%). The vacancy rate in Fabege's portfolio of investment properties was 8 per cent (5%). New lettings in 2009 totalled SEK 299m (193) while net lettings were SEK 112m (–6). A 43,000 m² let to Vattenfall in Arenastaden in Solna had a significant impact on net lettings. Rents in renegotiated contracts increased by 4 per cent on average.

REVENUES AND EARNINGS

Earnings for the year increased by SEK 936m from SEK –511m to SEK 425m. A lower net financial expense had a positive impact of SEK +244m, lower negative adjustments to value added SEK +1,753m while the tax charge increased by SEK –1,084m. Earnings before tax were SEK 561m (–1,285) in Property Management and SEK 119m (–55) in Improvement Projects, or SEK 680m (–1,340) in total. Earnings per share after tax were SEK 2.59 (–3.07).

Rental income was SEK 2,194m (2,214) and net operating income SEK 1,465m (1,438). The fall in rental income is due to net sales of properties. Project completions contributed to the increase in rental income in the second half. Efficiency improvements in our property management business helped to reduce running costs, raising the surplus ratio to 67 per cent (65%). For comparable properties, rental income increased by 3 per cent and net operating income by just over 6 per cent.

Realised changes in the value of properties were SEK 57m (143) and unrealised changes SEK –310m (–1,545). The negative value adjustments were due to increased yield requirements in peripheral locations and in properties where vacancies are expected to increase. This was offset by positive changes in value attributable to the project portfolio. Yield requirements in Fabege's sub-markets have now stabilised. Fixed income derivatives and equities increased in value by SEK 95m (–506) while the net interest expense decreased to SEK –560m (–804) due to falling market interest rates (see "Financing" below).

TAX

The tax expense for the year (current and deferred) was SEK –255m (829). The figure includes SEK 98m of taxes paid following the decision of the Swedish Supreme Administrative Court not to permit a review of an ongoing tax case. The amount was charged to earnings in the first quarter. Account has been taken of taxes on negative adjusted acquisition costs for certain shares in trading partnerships that are liable for tax. This regulatory change has not had any significant impact on Fabege's financial position.

CASH FLOW

The profit increased liquidity by SEK 789m (640). After an increase of SEK 288m (1,104) in working capital, which varies primarily as a result of occupancy/final settlement for acquired and divested properties, operating activities resulted in an increase in liquidity of SEK 501m (–464). Acquisitions and investments exceeded sales by SEK 259m (217). The overall increase in liquidity from operations was thus SEK 242m (–681). Cash flow was reduced by a dividend payment of SEK 329m (670). Share buybacks totalled SEK 0m (361). After the increase in debt, consolidated cash and cash equivalents were SEK 173m (54).

FINANCING

Fabege employs long-term credit lines with fixed terms and conditions and an average maturity of 5.6 years. The company's lenders are major Nordic banks. Interest-bearing liabilities at the end of the period were SEK 19,109m (18,902) with an average interest rate of 2.48 per cent excluding committed lines of credit, or 2.57 per cent including the cost of unused committed lines of credit. 41 per cent of Fabege's loan portfolio was fixed using fixed income derivatives. The average fixed-rate term was 24 months, taking account of the effect of derivatives, while the average fixed-rate term for variable-rate loans was 45 days.

Fabege has callable swaps of SEK 7,550m with interest rates of 3.33 to 3.98 per cent. The company also holds performance swaps of SEK 300m with maturities up to May 2011. The derivatives contracts were concluded in summer 2008 to improve cash flow in a situation where the market was expecting interest rates to rise. The aim was to obtain a discount on interest rates or fix rates at a level that was attractive from a long-term perspective. In compliance with the accounting rules contained in IAS 39, the derivatives portfolio has been valued at market value and the change has been passed through the profit and loss account. On 31 December 2009, the recognised negative fair value adjustment to the portfolio was SEK 373m (471). The derivatives portfolio has been valued at the present value of future cash flows. The change in value is of an accounting nature and has no impact on cash flow.

On 31 December 2009, the company had unused committed lines of credit of SEK 3,939m. In the fourth quarter, Fabege obtained a new SEK 1bn credit facility. In the first quarter of 2010, credit facilities will be reduced by SEK 450m, on top of a further reduction of about SEK 300m in connection with the sale of Fabege's residential property portfolio.

Demand for Fabege's commercial paper continued to grow in the fourth quarter, in line with the recovery in financial markets. The total value of outstanding commercial paper was SEK 2,855m, up from SEK 727m at year-end 2008. At the end of January 2010, SEK 3.5bn was outstanding. Fabege has available long-term credit facilities covering its outstanding commercial paper at any given time.

The total loan volume includes SEK 791m in loans for projects, on which the interest of SEK 20m has been capitalised.

FINANCIAL POSITION AND NET ASSET VALUE

Shareholders' equity at the end of the period was SEK 9,969m (9,873) and the equity/assets ratio 32 per cent (32%). Equity per share was SEK 61 (60) and net asset value per share, excluding deferred tax on fair value adjustments to properties, SEK 67 (67).

ACQUISITIONS AND SALES

Investments in 2009 totalled SEK 1,138m (2,164), of which SEK 56m (201) refers to property acquisitions and SEK 1,082m (1,963) to investments in existing properties and projects. One property was acquired for SEK 56m and 14 properties were sold for SEK 1,234m. The sales resulted in a profit of SEK 57m before tax, or SEK 91m after tax.

Major sales referred to one property in the Old Town (SEK 360m) and two fully developed properties in the inner city (SEK 299m and SEK 150m). The deals concluded in 2009 resulted in a further concentration of the Group's portfolio to Fabege's priority sub-markets, which accounted for 92 per cent of the total value of the Group's properties.

INVESTMENTS IN EXISTING PROPERTIES AND PROJECTS IN PROGRESS

The pace of improvement projects was reduced in 2009. Decisions were made on major project investments for SEK 1,230m, of which SEK 1,050m refers to new offices for Vattenfall in Fabege's Uarda 2 property in Solna. Investments of SEK 1,082m (1,963) in existing properties and projects referred to land, new builds, extensions and conversions. Major investments in 2009 included Bocken 35 and 46 (Norrmalm), Paradiset 29 (Stadshagen) and Päronet 8 (Solna strand). The project in Uarda 2 in Solna will commence in the first quarter of 2010.

PARENT COMPANY

Turnover in 2009 was SEK 89m (108) and the loss before appropriations and tax was SEK –437m (–25). Net investments in equipment and shares were SEK –1,659m (–140). Cash and cash equivalents in the company increased to SEK 161m (43).

SHARES AND SHARE CAPITAL

Fabege's share capital at year-end was SEK 5,096m (5,096), represented by 169,320,972 shares (169,311,554). All shares carry the same voting rights and entitle the holder to the same share of the company's capital. On 1 October 2009, the remaining portion of the company's SEK 45m convertible bond loan matured and was repaid.

The following indirect or direct shareholdings in the company as of 31 January 2009 represent one tenth or more of the votes for all shares in the company:

Shareholding	Share of votes, %
Brinova	14.2

Through Fabege's profit-sharing fund and the Wihlborgs & Fabege profit-sharing fund, the employees own a total of 445,322 shares, representing a stake of 0.3 per cent in the company.

SHARE BUYBACK PROGRAMME

The 2009 AGM passed a resolution authorising the Board, to buy back and transfer shares in the company during the period leading up to the next AGM. Share buybacks are subject to a limit of 10 per cent of the total number of outstanding shares at any time. No shares were bought back in 2009 (6,444,451). The company's holding of treasury shares remains unchanged at 4,929,400 shares (4,929,400), which represents 2.9 per cent of the total number of registered shares. The quota value is SEK 30.10 per share.

RISKS AND UNCERTAINTIES

Risks and uncertainties relating to cash flow from operations are primarily attributable to changes in rents, vacancies and interest rates. Another source of uncertainty is changes in the value of the property portfolio. A detailed description of the impact of these changes on consolidated cash flow and the company's key figures is given in the sensitivity analyses.

Financial risk, defined as the risk of insufficient access to long-term funding through loans, and Fabege's management of this risk are described in Note 3.

The sensitivity analysis refers to Fabege's property holdings and balance sheet on 31 December 2009. It shows the effects on the Group's cash flow and profit after financial items on an annualised basis after taking account of the full effect of each parameter. Earnings are also affected by realised and unrealised changes in the value of properties and derivates.

SENSITIVITY ANALYSIS – CASH FLOW AND EARNINGS

SEKm	Change	SEKm
Rent level, commercial	1%	20.8
Rent level, residential	1%	0.9
Financial occupancy rate, %	1% point	24.2
Property expenses	1%	7.3
Interest expenses 2010[1]	1% point	109.0
Interest expenses, longer-term perspective[2]	1% point	191.0

[1] The effect of the change on interest expenses in 2010 is based on the assumption of a change in the yield curve of 1%, an unchanged loan volume and fixed-rate term, with effect from 1 January 2010.

[2] Change of 1% in total outstanding loan volume.

Rental income

Fabege's business in property management and project development is highly concentrated to sub-markets with good growth prospects in and around Stockholm. After the sale of the majority of Fabege's residential portfolio in February 2010, commercial properties account for 99 per cent of the company's rental income. As the company's commercial leases run over a period of several years, the full impact of changes in rents will not be felt in any single year. New contracts normally run for 3–5 years and are subject to 9 months' notice with an index clause linked to inflation. At year-end the average remaining term of Fabege's commercial leases was 3.6 years. Normally, about 20 per cent of the contract portfolio is renegotiated each year. The risk of increased vacancies in the investment property portfolio is estimated to be small thanks to the properties' central locations and stable customers. The largest tenants in terms of value make up a small share of the total number. Rent losses are insignificant.

Property expenses

Property expenses include operations and maintenance expenses, property tax, ground rent and expenses for administration and lettings. Running costs largely consist of tariff-based expenses such as heating, electricity and water. Fabege conducts contract negotiations and works continuously to minimise running costs. A large share of the Group's expenses is passed on to the tenants, which reduces the exposure. The standard of the property management portfolio is deemed to be high.

Interest expenses

At year-end, the fixed-rate term of the loan portfolio was about 24 months. Fabege employs financial instruments to limit interest risk and flexibly adjust the average fixed-rate term of the loan portfolio. Changes in the value of derivatives are reported in the profit and loss account. A more detailed description of financial risks is presented in Note 3.

Property values

Properties are reported at fair value and changes in value are recognised in the profit and loss account. Fabege's properties are concentrated to central Stockholm and neighbouring areas. Thanks to its stable customers and modern premises in good locations, Fabege's prospects for maintaining property values even in a weaker economic climate are good. Continued development of project properties generates capital growth. The table below shows the effect of a 1 per cent change in the value of a property on earnings, equity/assets ratio and leverage.

SENSITIVITY ANALYSIS – PROPERTY VALUE

Change in value before tax %	Impact on earnings, SEKm	Equity/assets ratio, %	Leverage, properties %
+1	215	33,0	64,8
0	–	32,5	65,5
–1	–215	32,0	66,1

ASSET MANAGEMENT

Capital structure

Fabege's asset management activities are designed to generate the best return for shareholders among property companies listed on the Stockholm stock exchange. The company seeks to optimise its equity/debt ratio to ensure that its capital base is sufficient in relation to the nature, scope and risks of the business. Under its adopted targets for capital structure, the company aims to have an equity/assets ratio of at least 30 per cent and an interest coverage ratio of at least 2.0 (including realised changes in value). Current key figures are shown in the five-year summary on page 80.

Debt management

The main task of Fabege's debt management activities is to ensure that the company maintains at all times a stable, well balanced and cost-efficient financial structure through borrowing in the bank and capital markets. The company's financial policy defines how financial risks should be managed, which is described in greater detail in Note 3.

Dividends

Under its dividend policy, Fabege aims to pay a dividend to its shareholders comprising that part of the company's profit which is not required for the consolidation or development of the business. In the current market conditions this means that the dividend will comprise at least 50 per cent of the profit from property management activities and realised gains from the sale of properties after tax.

TAX SITUATION

Current tax

Unused tax losses, which are expected to reduce the tax expense in future years, are estimated at SEK 4.3bn (4.7).

Payment of income tax can also be delayed through tax depreciation of the properties. In case of a direct sale of property a tax profit defined as the difference between the selling price and the tax residual value of the property is realised. If the sale is made in the form of a company this effect can be reduced. It is generally expected that current tax will remain low over the next few years.

Because of the decision of the Supreme Administrative Court not to permit a review of a tax case, a tax expense of SEK 98m relating to paid tax has been recognised.

Deferred tax liability/tax asset

On 31 December 2009, the difference between the book and tax residual values of Fabege's property portfolio was approximately SEK 8.7bn (8.8). Under IFRS rules on deferred tax, differences between carrying amounts and tax bases should be recognised at the nominal tax rate (26.3%) with no discount. However, exceptions exist for business combinations, which can be classified as asset acquisitions. See also the section entitled "Accounting principles" on page 54 and Note 29 on page 63 in respect of deferred tax.

On 31 December 2009, net deferred tax liabilities were SEK 99bn (244), as shown in the following specification, see table.

Deferred tax attributable to	SEKm
– tax losses	1,131
– difference between book and tax values in respect of properties	–1,126
– deficit, derivatives	98
– other	–4
Net asset, deferred tax	**99**

Ongoing tax cases

The Tax Agency has in several decisions announced that companies in the Fabege Group will have their taxable incomes increased in respect of a number of property sales made through limited partnerships.

On 31 December 2009, the total increase in taxable incomes is SEK 4,854m (4,045). The decisions have resulted in a total tax demand of SEK 1,359m (1,132) plus a tax penalty of SEK 182m (170), i.e. a total demand including penalties of SEK 1,541m (1,302) excluding interest.

Fabege strongly contests the tax demands made by the Tax Agency and has appealed the decisions to the County Administrative Court. It is Fabege's firm opinion that the sales were reported and declared in accordance with applicable rules, and no provisions have, therefore, been made in the balance sheet. For the time being, the amount has been recognised as a contingent liability, as in previous financial statements.

The partners of the limited partnerships reported and declared their share of the proceeds in full compliance with applicable tax rules. The sales resulted in a low income tax, but it should be pointed out that in the Tax Agency's own opinion it is perfectly permissible and acceptable to sell commercial properties tax-free in packaged form, i.e. the small amount of tax resulting from the sales was neither unexpected nor controversial. The way in which the properties were sold was chosen exclusively for business reasons, and not to reduce the amount of tax payable. The most immediate alternative, which was to sell the properties through limited liability companies, would not have resulted in a higher tax charge for any company in the Group. The type of property transaction through a trading/limited partnership that the Tax Agency has made a tax decision on has been common practice in the industry.

In May 2009, the Supreme Administrative Court of Sweden announced decisions on three cases relating to other companies than Fabege. Fabege believes the decisions on the preliminary rulings addressed by the Supreme Administrative Court cannot be applied to Fabege's cases, as these differ from those tried by the court. In the third quarter, the Tax Agency submitted opinions to the County Administrative Court in Stockholm demanding that the case be tried under the Swedish tax evasion law. Fabege has submitted answers to these opinions. In the fourth quarter, further cases were submitted for trial under the tax evasion law. At present, statements are being exchanged regarding the parties' submissions to the court.

Fabege maintains that the sales were accounted for and declared in compliance with applicable rules. Fabege's assessment is shared by external legal experts and tax advisors that have analysed the sales and the Tax Agency's reasoning.

For companies in the Fabege Group, the Tax Agency's decision relates to the single largest transactions and, to the best of our knowledge, a significant share of the total potential amount. Information about any further decisions made by the Tax Agency and the reasoning behind the decisions will be presented in Fabege's interim reports. Any changes in current assessments and any court rulings will be announced through press releases.

THE WORK OF THE BOARD OF DIRECTORS

A separate description of the work of the Board of Directors is given in the Corporate Governance Report on page 69.

ENVIRONMENT

Fabege does not conduct activities that are subject to permit and notification requirements under Chapter 9, Section 6 of the Environmental Code. Out of Fabege's tenants, only a few conduct such activities. More information about Fabege's environmental work is given in the section "Responsible enterprise" on page 34.

STAFF

The average number of employees in the Group during the year was 139 (149), of which 56 (58) were women and 83 (91) were men. 28 people were employed in the parent company (34). At year-end the number of employees was 135, of which 51 were women. See also page 58, Note 6.

GUIDELINES FOR REMUNERATION AND OTHER EMPLOYMENT TERMS FOR MANAGEMENT

The term "management" refers to the Chief Executive Officer and other members of senior management. The entire Board of Directors (except the CEO) is responsible for drawing up a draft statement of principles governing remuneration and other terms of employment for management and for preparing decisions on the CEO's remuneration and other terms of employment.

The 2009 AGM resolved to adopt the following guidelines for compensation and other terms of employment for management:

Remuneration should be market-based and competitive, and should reflect responsibilities and performance that are in the interest of the shareholders. Fixed salaries should be reviewed each year. Fabege has a profit-sharing fund covering all employees of the company. Allocations to the fund should be based on the achieved return on equity and are subject to a ceiling of one base amount per year per employee. Remuneration in addition to fixed salary should be subject to a ceiling and tied to the fixed salary. Any other benefits should constitute a limited part of the remuneration. The retirement age is 65. Pension benefits should be equivalent to the ITP supplementary pension plan for salaried employees in industry and commerce or be contribution-based with a maximum contribution of 35 per cent of the pensionable salary. Termination salary and severance pay must not exceed 24 months in total.

Information about remuneration paid to senior executives in 2009 is provided in Note 6.

The Board proposes that the guidelines on variable remuneration be clarified prior to the 2010 AGM. A complete version of the Board's proposal will be included in the AGM documents, which will be published on Fabege's website.

EVENTS AFTER THE BALANCE SHEET DATE

Sale of residential portfolio to part-owned Tornet AB

Fabege has, together with Peab and Brinova, formed a new residential property company called Tornet AB, which will own and develop rental apartments. Fabege holds a 45 per cent stake in the company. In February 2010, Fabege transferred the majority of its residential portfolio to Tornet. The portfolio comprises 96,000 m^2 of residential space with a value of approximately SEK 680m. The transaction was concluded at market value and will not result in a realised gain or loss.

Upon completion of the transaction and settlement of outstanding balances at year-end, Fabege's equity/assets ratio will increase to 33 per cent and its leverage will fall to 64 per cent.

Sale of part-owned Paradiset 29 in Kungsholmen

Fabege and Peab have sold the joint-owned (50/50) Paradiset 29 property on Lindhagensgatan in Stockholm to Invesco Real Estate. The sale was made in the form of a company with an underlying property value of SEK 842m (100%), resulting in a profit after tax of SEK 20m for Fabege.

Sale of Harpan 51 on Östermalm

Fabege has sold its Harpan 51 property on Gumshornsgatan/Linnégatan in Stockholm for SEK 142m to Fastighets AB Kannan. The sale was made in the form of a company and resulted in a pre-tax profit of SEK 14m.

OUTLOOK FOR 2010

In early 2010, the rental market in Fabege's main markets in Stockholm remained stable while the transaction market has improved considerably following the stabilisation of financial markets. With a strong cash flow generated by stable rental revenues and low interest expenses, good access to capital and properties that will remain attractive regardless of the state of the economy, Fabege is in a favourable position going into 2010. Overall, prospects for a strong operational and earnings performance in 2010 are good.

APPROPRIATION OF RETAINED EARNINGS

The shareholders are asked to decide on the appropriation of

	SEK
Retained earnings	1,860,697,693
Loss for the year	–408,927,992
Total	**1,451,769,701**

The Board of Directors and Chief Executive Officer propose that the amount be allocated as follows:

	SEK
Dividend to the shareholders SEK 2 per share	328,783,144
Carried forward	1,122,986,557
Total	**1,451,769,701**

The dividend amount is based on the total number of outstanding shares on 31 January 2010, i.e. 164,391,572 shares, and is subject to alteration up to and including the record date, depending on share buybacks.

STATEMENT OF THE BOARD OF DIRECTORS ON THE PROPOSED DIVIDEND

Grounds

The Group's equity has been calculated in compliance with IFRS standards, as adopted by the EU, the interpretations of these (IFRIC) and Swedish law through the application of Recommendation RFR 2:1 Supplementary Accounting Rules for Corporate Groups of the Swedish Financial Reporting Board. The parent company's equity has been calculated in accordance with Swedish law, applying recommendation RFR 2:2 Accounting for Legal Entities of the Swedish Financial Reporting Board.

The Board of Directors has established that the company will have full coverage for its restricted equity after the proposed dividend.

The Board of Directors considers that the proposed dividend is defensible based on the criteria contained in the second and third paragraphs of Section 3 of Chapter 17 of the Swedish Companies Act, nature, scope and risks of the business, consolidation requirements, liquidity and other financial circumstances. The Board would like to make the following comments pertaining there to:

Nature, scope and risks of the business

The Board estimates that the company's and the Group's equity after the proposed dividend will be sufficient in view of the nature and scope of the business and the associated risks. In drawing up its proposal, the Board has taken account of the company's equity/assets ratio, historical and budgeted performance, investment plans and the general economic environment.

Consolidation requirements, liquidity and other financial circumstances

Consolidation requirements

The Board of Directors has made a general assessment of the company's and the Group's financial position and its ability to meet its obligations. The proposed dividend constitutes 3.4 per cent of the company's equity and 3.3 per cent of consolidated equity. The stated target for the Group's capital structure is a minimum equity/assets ratio of 30 per cent, and it is estimated that the Group will be able to maintain an interest coverage ratio of at least 2.0 also after the proposed dividend. In view of the current situation on the property market, the company and the Group have a good equity/assets ratio. Against this background, the Board considers that the company and the Group are in a good position to take advantage of future business opportunities and ride out any losses that may be incurred. Planned investments have been taken into account in the proposed dividend payment. Nor will the dividend have any significant impact on the company's or the Group's ability to make further commercially motivated investments in accordance with the adopted plans.

In the parent company, some assets and liabilities have been valued at fair value in accordance with Chapter 4, Section 14 of the Swedish Annual Accounts Act. The impact of this valuation, which increased equity in the parent company by SEK 95m (–506), has been taken into account.

Liquidity

The proposed dividend will not affect the company's and the Group's ability to meet its payment obligations in a timely manner. The company and the Group have good access to liquidity reserves in the form of short- and long-term credit. Agreed credit lines can be drawn at short notice, which means that the company and the Group are well prepared to manage variations in liquidity and any unexpected events.

Other financial circumstances

The Board of Directors has assessed all other known circumstances that may be significant for the company's and the Group's financial position and that have not been addressed in the above. No circumstance has been discovered in the course of the assessment that would cast doubt on the defensibility of the proposed dividend.

Stockholm, 26 February 2010

The Board of Directors

Consolidated
Statement of comprehensive income

SEK millions	Note	2009	2008
Rental income	5, 7	2,194	2,214
Property expenses	8	–729	–776
Net operating income		**1,465**	**1,438**
Central administration and marketing	9	–62	–60
Profit from other securities and receivables that are fixed assets	11	6	16
Interest income	12	4	21
Share in profit/loss of associated companies	17	–5	–8
Interest expenses	12	–570	–839
Operating profit/loss	1–6, 16, 19, 45	**838**	**568**
Realised changes in value, investment properties	10, 15	57	143
Unrealised changes in value, investment properties	10, 15	–310	–1,545
Changes in value, fixed income derivatives	28	98	–485
Changes in value, equities	13	–3	–21
Profit/loss before tax		**680**	**–1,340**
Tax on profit for the year	14	–255	829
Total profit/loss for the year		**425**	**–511**
Comprehensive income attributable to parent company shareholders		**425**	**–511**
Earnings per share before dilution, SEK		2:59	–3:07
Earnings per share after dilution, SEK		2:59	–3:07
No. of shares at end of period before dilution, millions		164.4	164.4
No. of shares at end of period after dilution, millions		164.4	165.4
Average no. of shares before dilution, millions		164.4	166.5
Average no. of shares after dilution, millions		165.1	167.5

Consolidated
Statement of financial position

SEK millions	Note	2009	2008
ASSETS			
Investment properties	15	29,193	29,511
Equipment	16	2	3
Interests in associated companies	17	307	21
Receivables from associated companies	18	–	59
Other long-term securities holdings	20	122	82
Deferred tax	29	99	244
Other long-term receivables	21	92	180
Total fixed assets		**29,815**	**30,100**
Trade receivables	22	19	42
Other receivables	23	627	297
Prepaid expenses and accrued income		58	49
Cash and cash equivalents	36	173	54
Total current assets		**877**	**442**
TOTAL ASSETS		**30,692**	**30,542**
EQUITY AND LIABILITIES			
Share capital		5,096	5,096
Other contributed capital		3,017	3,017
Retained earnings incl. profit/loss for the year		1,856	1,760
Total shareholders' equity	24	**9,969**	**9,873**
Liabilities to credit institutions	26	16,254	17,925
Convertible bonds	26, 27	–	47
Derivatives	28	373	471
Provisions	30	356	478
Total long-term liabilities		**16,983**	**18,921**
Liabilities to credit institutions	25, 26	2,855	930
Trade payables		89	91
Provisions	30	83	146
Tax liabilities		10	25
Other liabilities	31	245	92
Accrued expenses and deferred income	32	458	464
Total current liabilities		**3,740**	**1,748**
TOTAL EQUITY AND LIABILITIES		**30,692**	**30,542**
Assets pledged as security	33	**16,160**	**15,760**
Contingent liabilities	33	**2,172**	**1,901**

Consolidated
Statement of changes in equity

	Attributable to parent company shareholders					Minority interest	Total equity
SEK millions	Share capital	Other contributed capital	Translation reserves	Retained earnings incl. profit/loss for the year	Summa		
Opening balance, 1 January 2008	**5,086**	**3,017**	**–23**	**3,335**	**11,415**	–	**11,415**
Total loss for the year				–511	–511		–511
Total income and expenses for the period			**–**	**–511**	**–511**	**–**	**–511**
Cash dividend				–670	–670		–670
New shares, conversion of debt instruments	0	0			0		0
Reclassification			23	–23			
Share buybacks				–361	–361		–361
Withdrawal of treasury shares	–261			261			
Bonus issue	271			–271			
Closing balance, 31 December 2008	**5,096**	**3,017**	**–**	**1,760**	**9,873**	–	**9,873**
Opening balance, 1 January 2009	**5,096**	**3,017**	**–**	**1,760**	**9,873**	–	**9,873**
Total profit for the year				425	425		425
Total income and expenses for the period			**–**	**425**	**425**	**–**	**425**
Cash dividend				–329	–329		–329
New shares, conversion of debt instruments	0	0			0		0
Closing balance, 31 December 2009	**5,096**	**3,017**	**–**	**1,856**	**9,969**	–	**9,969**

Consolidated
Statement of cash flows

SEK millions	Note	2009	2008
OPERATING ACTIVITIES			
Net operating income and realised changes in the value of existing properties excluding depreciation		1,510	1,577
Central administration		–62	–60
Interest received and dividend		10	37
Interest paid	34	–569	–917
Income tax paid/received		–100	3
Cash flow before change in working capital		**789**	**640**
CHANGE IN WORKING CAPITAL			
Current receivables		–232	70
Current liabilities		–56	–1,174
Total change in working capital	35	**–288**	**–1,104**
Cash flow from operating activities		**501**	**–464**
INVESTING ACTIVITIES			
Investments and acquisition of properties		–1,138	–2,164
Sale of properties, book value at beginning of year	15	1,160	1,942
Acquisition of interests in associated companies	17	–286	–23
Acquisition of interests in other companies	20	–65	–31
Sale of interests in other companies		17	–
Other financial fixed assets		53	59
Cash flow from investing activities		**–259**	**–217**
FINANCING ACTIVITIES			
Dividends		–329	–670
Share buybacks		–	–361
Loans received/repayment of loans		206	1,691
Cash flow from financing activities		**–123**	**660**
Change in cash and cash equivalents		119	–21
Cash and cash equivalents at beginning of period	36	54	75
Cash and cash equivalents at end of period	36	**173**	**54**

Parent company
Profit and loss account

SEK millions	Note	2009	2008
Net turnover	40	89	108
Operating costs	41	–174	–181
Operating loss	1–3, 6, 16, 45	**–85**	**–73**
Profit/loss from shares and interests in Group companies	42	–291	806
Profit from other securities and receivables that are fixed assets	11, 13	402	597
Changes in value, fixed income derivatives	28	98	–485
Interest income	12	2	1
Interest expenses	12	–563	–871
Loss before tax		**–437**	**–25**
Tax on profit for the year	14	28	254
Profit/loss for the year		**–409**	**229**

Parent company
Balance sheet

SEK millions	Note	2009	2008
ASSETS			
FIXED ASSETS			
Tangible fixed assets			
Buildings and land	43	–	–
Equipment	16	–	1
Total tangible fixed assets		–	**1**
Financial fixed assets			
Shares and interests in Group companies	44	13,328	14,987
Receivables from Group companies		45,571	20,788
Other long-term securities holdings	20	39	63
Deferred tax asset	29	131	164
Other long-term receivables	21	188	230
Total financial fixed assets		**59,257**	**36,232**
TOTAL FIXED ASSETS		**59,257**	**36,233**
CURRENT ASSETS			
Current receivables			
Trade receivables		1	1
Other receivables		60	7
Prepaid expenses and accrued income		2	31
Total current receivables		**63**	**39**
Cash and cash equivalents	36	**161**	**43**
TOTAL CURRENT ASSETS		**224**	**82**
TOTAL ASSETS		**59,481**	**36,315**
EQUITY AND LIABILITIES			
Shareholders' equity	24		
Restricted equity			
Share capital		5,096	5,096
Reserve fund/Share premium account		3,166	3,166
Unrestricted equity			
Retained earnings		1,861	1,791
Profit/loss for the year		–409	229
Total shareholders' equity		**9,714**	**10,282**
Provisions			
Provisions for pensions	30	63	63
Total provisions		**63**	**63**
Long-term liabilities			
Liabilities to credit institutions	26	15,998	17,737
Convertible bonds	26, 27	–	47
Derivatives	28	373	471
Liabilities to subsidiaries		30,403	6,725
Total long-term liabilities		**46,774**	**24,980**
Current liabilities			
Liabilities to credit institutions	26	2,855	930
Trade payables		3	1
Other liabilities		9	4
Accrued expenses and deferred income	32	63	55
Total current liabilities		**2,930**	**990**
TOTAL EQUITY AND LIABILITIES		**59,481**	**36,315**
Assets pledged as security	33	**13,317**	**14,429**
Contingent liabilities	33	**621**	**285**

Parent company
Statement of changes in equity

SEK millions	Note	Share capital	Reserve fund/Share premium account	Unrestricted equity	Total equity
	24				
Equity, 31 December 2007		**5,086**	**3,166**	**2,579**	**10,831**
Profit for the year				229	229
Cash dividend				–670	–670
Share buybacks				–361	–361
New shares, conversion of debt instruments		0		0	0
Withdrawal of treasury shares		–261		261	
Bonus issue		271		–271	
Net Group contributions received				253	253
Equity at 31 December 2008		**5,096**	**3,166**	**2,020**	**10,282**
Loss for the year				–409	–409
Cash dividend				–329	–329
New shares, conversion of debt instruments		0		0	0
Net Group contributions received				170	170
Equity at 31 December 2009		**5,096**	**3,166**	**1,452**	**9,714**

Parent company
Cash flow statement

SEK millions	Note	2009	2008
OPERATING ACTIVITIES			
Operating loss excl. depreciation		–84	–72
Interest received		407	618
Interest paid	34	–562	–949
Income tax paid		–	–
Cash flow before change in working capital		**–239**	**–403**
Change in working capital			
Current receivables		–24	–36
Current liabilities		14	–4
Total change in working capital	35	**–10**	**–40**
Cash flow from operating activities		**–249**	**–443**
INVESTING ACTIVITIES			
Acquisition of interests in Group companies		–17	–
Sale of interests in Group companies		747	130
Acquisition and sale of interests in other companies		17	–11
Other tangible fixed assets		–	–1
Other financial fixed assets		–24,799	11,206
Cash flow from investing activities		**–24,052**	**11,324**
FINANCING ACTIVITIES			
Dividends paid		–329	–670
Group contributions received and made		231	350
Dividends received		700	800
Share buybacks		–	–361
Loans received/repayment of loans		23,817	–11,015
Cash flow from financing activities		**24,419**	**–10,896**
Change in cash and cash equivalents		118	–15
Cash and cash equivalents at beginning of period	36	43	58
Cash and cash equivalents at end of period	36	**161**	**43**

Notes

(SEK million, unless otherwise specified)

Note 1 General information

Fabege AB (publ), organisation number 556049-1523, with registered office in Stockholm, is the parent company of a corporate group with subsidiary companies, as stated in Note 44. The company is registered in Sweden and the address of the company's head office in Stockholm is: Fabege AB, Box 730, 169 27 Solna. Visiting address: Dalvägen 8.

Fabege is one of Sweden's leading properties companies, with a business that is concentrated to the Stockholm region. The company operates through subsidiaries and its property portfolio consists primarily of commercial premises.

Note 2 Accounting principles

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, the International Financial Reporting Standards (IFRS), as adopted by the EU, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), at 31 December 2009. The Group also applies Recommendation RFR 2:1 (Supplementary Accounting Rules for Corporate Groups) of the Swedish Financial Reporting Board, which specifies the supplementary rules that are required in addition to IFRS under provisions contained in the Swedish Annual Accounts Act. The annual accounts of the parent company have been prepared in accordance with the Annual Accounts Act, Recommendation RFR 2:2 Accounting for Legal Entities of the Swedish Financial Reporting Board and statements issued by the Swedish Financial Reporting Board. The parent company's accounts comply with the Group's principles, except in respect of what is stated below in the section entitled Differences between the accounting principles of the Group and the parent company. Items included in the annual accounts have been stated at cost, except in respect of revaluations of investment properties and in respect of financial instruments. The following is a description of significant accounting principles that have been applied.

Consolidated financial statements

Subsidiaries

Subsidiaries are those companies in which the Group directly or indirectly holds more than 50 per cent of the votes or in other ways exercises a controlling influence. Controlling influence means that the Group has the right to draw up financial and operational strategies. The existence and effect of potential voting rights that can currently be used or converted is taken into account in assessing whether the Group exercises a controlling influence. Subsidiaries are included in the consolidated financial statements as of the time when the controlling influence is transferred to the Group and are excluded from the consolidated financial statements as of the time when the controlling influence ceases. Subsidiaries are reported in accordance with the purchase method. Acquired identifiable assets, liabilities and contingent liabilities are carried at fair value at the date of acquisition. The surplus, defined as the difference between cost and fair value of the acquired interests and the sum of fair value of acquired identifiable assets and liabilities, is recognised as goodwill. If the historical cost is less than the fair value of the acquired subsidiary's net assets, the difference is recognised directly in the profit and loss account. All inter-company transactions and balances within the Group have been eliminated in preparing the consolidated financial statements. In case of the acquisition of a group of assets or net assets that do not constitute an operation, the costs for the Group are instead allocated to the individually identifiable assets and liabilities in the group based on their relative fair values at the time of acquisition.

Interests in associated companies

A company is reported as an associated company if Fabege holds at least 20 per cent and no more than 50 per cent of the votes or otherwise exercises a significant influence on the company's operational and financial control. In the consolidated financial statements associated companies are reported in accordance with the equity method. Interests in associated companies are reported in the balance sheet at cost after adjusting for changes in the Group's share of the associated company's net assets, less any decrease in the fair value of individual interests. In transactions among Group companies and associated companies that part of unrealised gains and losses which represents the Group's share of the associated company is eliminated, except as regards unrealised losses that are due to impairment of an assigned asset.

Joint ventures

For companies that are 50 per cent owned in which Fabege exercises a joint controlling influence together with another party, the company's assets, liabilities, income and expenses have been included in the consolidated financial statements in proportion to Fabege's ownership share (proportionate consolidation). In transactions between the Group and a joint venture that part of unrealised gains and losses which represents the Group's share of the jointly controlled company is eliminated.

Minority interest

Minority interest consists of the market value of minority interests in net assets for subsidiaries included in the consolidated financial statements at the time of the original acquisition and the minority owners' share of changes in equity after the acquisition.

Reporting of income

All investment properties are let to tenants under operating leases. Rental income from the company's property management activities is recognised in the period to which it refers. Gains or losses from the sale of properties are recognised at the date of contract unless the purchase contract contains specific provisions which prohibit this. Rental income from investment properties is recognised on a straight-line basis in accordance with the terms and conditions of the applicable leases. In cases where a lease provides for a discounted rent during a certain period that is offset by a higher rent at other times, the resulting deficit or surplus is distributed over the term of the lease.

Interest income is distributed over the term of the contract. Dividends on shares are recognised when the shareholder's right to receive payment is deemed to be secure.

Leasing – Fabege as lessee

Leasing agreements in which the risks and benefits associated with ownership of the assets are in all material respects borne by the lessor are classified as operating leases. All of the Group's leases are classified as operating leases. Lease payments are reported as an expense in the profit and loss account and distributed over the term of the agreement on a straight-line basis.

Investment properties

All properties in the Group are classified as investment properties, as they are held for the purpose of earning rental income or for capital gains or a combination of the two.

The concept of investment property includes buildings, land and land improvements, new builds, extensions or conversions in progress and property fixtures.

Investment properties are recognised at fair value at the balance sheet date. Gains and losses attributable to changes in the fair value of investment properties are recognised in the period in which they arise in the income and expense item Unrealised changes in value, investment properties.

Gains or losses from the sale or disposal of investment properties consist of the difference between the selling price and carrying amount based on the most recent revaluation to fair value. Gains or losses from sales or disposals are recognised in the income and expense item Realised changes in value, investment properties. Projects involving conversion/maintenance and adaptations for tenants are recognised as an asset to the extent that the work being undertaken adds value in relation to the latest valuation. Other expenses are charged to expense immediately. Sales and acquisitions of properties are recognised at the time when the risks and benefits associated with ownership are transferred to the buyer or seller, which is normally on the contract date.

Tangible fixed assets

Equipment is recognised at cost less accumulated depreciation and any impairment. Depreciation of equipment is expensed by writing off the value of the asset on a straight-line basis over its estimated period of use.

Impairment

In case of an indication of a decrease in the value of an asset (excluding investment properties and financial instruments, which are valued at fair value), the recoverable amount of the asset is determined. If the carrying amount of the asset exceeds the recoverable amount the asset is written down to this value. Recoverable amount is defined as the higher of market value and value in use. Value in use is defined as the present value of estimated future payments generated by the asset.

Loan expenses

In the consolidated financial statements loan expenses have been recognised in the profit and loss account in the year to which they refer, except to the extent that they have been included in the cost of a building project. The interest rate used to calculate the capitalised borrowing cost is the average interest rate of the loan portfolio. In the accounts of individual companies the main principle – that all loan expenses should be charged to expense in the year to which they refer – has been applied.

Income tax

The income and expense item Tax on profit for the year includes current and deferred income tax for Swedish and foreign Group units. The current tax liability is based on the taxable profit for the year. Taxable profit for the year differs from reported profit for the year in that it has been adjusted for non-taxable and non-deductible items. The Group's current tax liability is calculated on the basis of tax rates that have been prescribed or announced at the balance sheet date.

(Note 2 cont.)

Deferred tax refers to tax on temporary differences that arise between the carrying amount of assets and the tax value used in calculating the taxable profit. Deferred tax is reported in accordance with the balance sheet liability method. Deferred tax liabilities are recognised for practically all taxable temporary differences, and deferred tax assets are recognised when it is likely that the amounts can be used to offset future taxable profits. The carrying amount of deferred tax assets is tested for impairment at the end of each financial year and an impairment loss is recognised to the extent that it is no longer probable that sufficient taxable profits will be available against which the deferred tax asset can be fully or partially offset. Deferred tax is recognised at the nominal current tax rate with no discount. Deferred tax is recognised as an income or expense in the profit and loss account, except in those cases where it refers to transactions or events that have been recognised directly in equity. In such cases the deferred tax is also recognised directly in equity.

Deferred tax assets and tax liabilities are offset against one another when they refer to income tax payable to the same tax authority and when the Group intends to settle the tax by paying the net amount.

Foreign currencies
Transactions in foreign currencies are translated, upon inclusion in the accounts, to the functional currency at the exchange rates applying on the transaction date. Monetary assets and liabilities in foreign currencies are translated at the balance sheet date at the exchange rates applying on the balance sheet date. Any resulting foreign exchange differences are recognised in the profit and loss account for the period.

In preparing the consolidated financial statements, the balance sheets of the Group's foreign operations are translated from their functional currencies into Swedish kronor based on the exchange rates applying at the balance sheet date. Income and expense items are translated at the average exchange rate for the period. Any resulting translation differences are recognised in equity and transferred to the Group's translation reserve. The accumulated translation difference is transferred and reported as part of a capital gain or loss in cases where the foreign operation is divested.

Cash flow statement
Fabege reports cash flows from the company's main sources of income: net operating income from the property management business and gains or losses from sales of properties in the company's day-to-day activities.

Information about related parties
For information about the company's transactions with related parties, see Note 6 in respect of compensation to senior executives and Note 37 for other related-party transactions.

Provisions and contingent liabilities
Provisions are recognised when the company has a commitment and it is likely that an outflow of resources will be required and the amount can be reliably estimated.

Contingent liabilities are recognised if there exists a possible commitment that is confirmed only by several uncertain future events and it is not likely that an outflow of resources will be required or that the size of the commitment can be calculated with sufficient accuracy.

Financial instruments
A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the commercial terms and conditions of the instrument. A financial asset is removed from the balance sheet when the rights inherent in the agreement are realised or expire or if the company loses control over them. A financial liability is removed from the balance sheet when the obligation arising from the agreement has been met or ceased for other reasons.

Transaction date accounting is used for derivatives while settlement date accounting is used for spot purchases and sales of financial assets.

In connection with each financial report the company assesses whether there are objective indications of impairment of financial assets or groups of financial assets.

Financial instruments are recognised at amortised cost or fair value, depending on the initial categorisation under IAS 39.

Calculation of fair value of financial instruments
Fair value of derivatives and loan liabilities is determined by discounting future cash flows by the quoted market interest rate for each maturity. Future cash flows in the derivatives portfolio are calculated as the difference between the fixed contractual interest under each derivatives contract and the implied Stockholm Interbank Offered Rate (STIBOR) for the period concerned. The present value of future interest flows arising therefrom is calculated using the implied STIBOR curve. For the callable swaps included in the portfolio the option component has not been assigned a value, as the swaps can only be called at par value and thus do not have an impact on earnings. Decisions to call swaps are made by the banks.

Shareholdings have been categorised as "Financial assets held for trading". These are valued at fair value and changes in value are recognised in the profit and loss account. Quoted market prices are used in determining the fair value of shareholdings. Where no such prices are available fair value is determined using the company's own valuation technique.

For all financial assets and liabilities, unless otherwise stated in the Notes, the carrying amount is considered to be a good approximation of fair value.

Set-off of financial assets and liabilities
Financial assets and liabilities are offset against each other and the net amount is recognised in the balance sheet when there is a legal right of set-off and there is an intention to settle the items by a net amount or to simultaneously realise the asset and settle the liability.

Cash and cash equivalents
Cash and cash equivalents consist of cash assets held at financial institutions. Cash and cash equivalents also includes short-term investments with maturities of less than three months from the date of acquisition that are exposed to insignificant risk of fluctuations in value. Cash and cash equivalents are recognised at their nominal amounts.

Trade receivables
Trade receivables are categorised as "Loans and receivables", which means that the item is recognised at amortised cost. Fabege's trade receivables are recognised at the amount that is expected to be received after deducting for uncertain receivables, which are assessed individually. The expected maturity of a trade receivable is short, and the value is therefore recognised at the nominal amount with no discount. Impairment of trade receivables is recognised in operating expenses.

Long-term receivables and other receivables
Long-term receivables and other (current) receivables primarily consist of promissory note receivables relating to sales proceeds for properties that have been sold but not yet vacated. These items are categorised as "Loans and receivables", which means that the items are recognised at amortised cost. Receivables are recognised at the amount that is expected to be received after deducting for uncertain receivables, which are assessed individually. Receivables with short maturities are recognised at nominal amounts with no discount.

Derivatives
Fabege does not apply hedge accounting of derivatives and therefore categorises derivatives as "Financial assets or financial liabilities held for trading purposes". Assets and liabilities in these categories are stated at fair value and changes in value are recognised in the profit and loss account.

Trade payables
Trade payables are categorised as "Other liabilities", which means that the item is recognised at amortised cost. The expected maturity of a trade payable is short, and the liability is therefore recognised at the nominal amount with no discount.

Issued convertible bonds
Convertible bonds are recognised as a compound financial instrument consisting of a debt component and an equity component. The breakdown of the value into these components is made by calculating the fair value of the liability and assuming that the residual item represents the value of the equity component. The debt component is then recognised at amortised cost. Transactions incurred in connection with the issue of a compound financial instrument must be divided into debt and equity components in proportion to the breakdown of the proceeds of the issue.

Fabege's convertible bonds matured and were paid off on 1 October 2009. The interest rate on the convertibles was 5.25, which was higher than the market interest rate, as Fabege's average borrowing rate at the time (1 Oct 2004) was 4.35 per cent. For that reason no breakdown by equity component has been reported.

Other liabilities
Fabege's liabilities to credit institutions and holders of Fabege commercial paper and other liabilities are categorised as "Other liabilities" and valued at amortised cost. Long-term liabilities have an expected maturity of more than 1 year while current liabilities have a maturity of less than 1 year.

Compensation to employees
Compensation to employees in the form of salaries, holiday pay, paid sick leave, etc. as well as pensions are recognised as it is earned. Pensions and other compensation paid after termination of employment are classified as defined contribution or defined benefit pension plans. The Group has both defined contribution and defined benefit pension plans. Pension costs for defined contribution plans are charged to expense as they are incurred. For defined benefit plans the present value of the pension liability is calculated using an actuarial method known as the projected unit credit method. Actuarial gains and losses are recognised in the profit and loss account to the extent that they exceed the higher of 10 per cent of the Group's pension assets and pension liabilities at the beginning of the reporting period. Amounts outside this band are recognised in the profit and loss account during the employees' estimated

(Note 2 cont.)

average remaining period of service. Employees in the former Fabege have defined benefit pension plans. As of 2005 no further accrual of this pension liability has been made.

Differences between the accounting principles of the Group and the parent company

The financial statements of the parent company have been prepared in accordance with the Annual Accounts Act, Recommendation RFR 2:2 Accounting for Legal Entities of the Swedish Financial Reporting Board and statements issued by the Swedish Financial Reporting Board. Tax laws in Sweden allow companies to defer tax payments by making allocations to untaxed reserves in the balance sheet via the income and expense item appropriations. In the consolidated balance sheet these are treated as temporary differences, i.e. a breakdown is made between deferred tax liability and equity. Changes in untaxed reserves are recognised in the consolidated profit and loss account and broken down into deferred tax and profit for the year. Interest during the period of construction that is included in the cost of the building is only recognised in the consolidated financial statements.

Group contributions and shareholder contributions are reported in accordance with Statement UFR 2 of the Swedish Financial Reporting Board. This means that Group contributions and shareholder contributions are recognised based on their economic significance. The contributions are reported as a capital transfer, i.e. as a decrease or increase of unrestricted equity. The consequence of this accounting principle is that only tax that is attributable to income and expense items is recognised in the profit and loss account.

Defined benefit and defined contribution pension plans are reported in accordance with hitherto applicable Swedish accounting standards, which are based on the provisions of the Swedish Pension Obligations Vesting Act ("Tryggandelagen").

New IFRS and interpretations

The application of the new IFRS 8 Operating Segments standard has meant that segment information for the Group is presented from the perspective of management and that operating segments are identified based on the internal reports submitted to the company's most senior executive. The Group has identified the CEO as the most senior executive, which means that the internal reports used by the CEO for monitoring the business and making decisions on the allocation of resources have been used as a basis for the presented segment information. Based on the company's internal reporting, two operating segments have been identified: Property Management and Improvement Projects. Rental income and property expenses as well as realised and unrealised changes in value including tax are directly attributable to properties in each segment (direct income and expenses). In cases where a property changes character during the year earnings attributable to the property are allocated to either segment based on the period of time that the property belonged to each segment. Central administration and items in net financial expense have been allocated to the segments in a standardised manner based on each segment's share of the total property value (indirect income and expenses). This applies also to tax that is not directly attributable to earnings from property management activities or sales. Assets and liabilities are stated as at the balance sheet date. Property assets are attributed directly to the respective segments in accordance with the classification at the balance sheet date. Other assets and liabilities are allocated in a standardised manner based on their share of the property value.

IAS 1 Presentation of Financial Statements has been revised with effect from 1 January 2009. This means, for instance, that the company separates transactions with owners from other transactions resulting in a change in the value of the company's assets and liabilities. As the Group has not previously reported any non-owner changes in equity, the only changes required in Fabege's financial reporting under the revised standard refer to the naming of the consolidated balance sheet, profit and loss account, statement of changes in equity and cash flow statement. These reports will now be called: Statement of financial position, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows.

IAS 23 Borrowing Costs has been applied from 1 January 2009. Fabege previously capitalised borrowing costs that are attributable to the purchase, construction or production of an asset that takes a significant amount of time to complete for its intended use or sale. Which is why this change has not had a significant impact.

IAS 40 has been revised in respect of investment properties so that projects in progress must now also be stated at fair value. This change has not had any significant impact on Fabege.

As a result of the additional disclosure requirements provided for in the revised IFRS 7, Fabege has provided more information on financial instruments carried at fair value and on the Group's liquidity risks.

The revised IFRS 3 must be applied prospectively, which means that it will only affect acquisitions made on or after 1 January 2010. The revised standard includes a new definition of business combination, which may affect the classification. Acquisition-related costs may no longer be included in the cost of a business combination, but should instead be reported as an expense in the profit and loss account.

Other new and alternated standards and interpretations have not had an impact on the Group's financial reports for 2009.

Note 3 Financial instruments and financial risk management

Principles for financing and financial risk management

As a net borrower, Fabege is exposed to financial risks. In particular, Fabege is exposed to financing risk, interest risk, currency risk and credit risk. Operational responsibility for the Group's borrowing, liquidity management and financial risk exposure rests with the finance function, which is a central unit in the parent company. Fabege's financial policy, as adopted by the Board of Directors, specifies how financial risks should be managed and defines the limits for the activities of the company's finance function. Fabege aims to limit its risk exposure and, as far as possible, control the exposure with regard to choice of investments, tenants and contract terms, financing terms and business partners.

Financing and liquidity risk

Financing and liquidity risk is defined as the borrowing requirement that can be covered in a tight market. The borrowing requirement can refer to refinancing of existing loans or new borrowing.

Fabege strives to ensure a balance between short-term and long-term borrowing, distributed among a number of different sources of funding. Fabege's financial policy states that unused credit facilities must be available to ensure good liquidity. Agreements on committed long-term credit lines with defined terms and conditions and revolving credit facilities have been concluded with a number of major lenders. Fabege's main credit providers are the Nordic commercial banks.

The Group's borrowing is secured mainly by mortgages on properties. Since autumn 2004 the Group has been active in the Swedish commercial paper market. The company is aiming to become a significant player in this market. At year-end 2009 Fabege had unused credit facilities of SEK 3,939m excluding the commercial paper programme.

Committed lines of credit, 31 Dec 2009

Year, maturity	Used amount, SEKm	Committed amount, SEKm
Commercial paper programme	2,855	5,000
< 1 year	0	1,020
1–2 years	4,500	5,900
2–3 years	3,700	4,000
3–4 years	3,819	6,875
4–5 years	255	273
> 5 years	3,980	4,980
Total	**19,109**	**28,048**

Interest risk

RInterest risk refers to the risk that changes in interest rates will affect the Group's borrowing expense. Interest expenses constitute the Group's single largest expense item. Under its adopted financial policy, the company aims to fix interest rates based on forecast interest rates, cash flows and capital structure. Fabege employs financial instruments, primarily interest rate swaps, to limit interest risk and as a flexible means of adjusting the average fixed-rate term of its loan portfolio. The sensitivity analysis in the Directors' Report shows how the Group's short-term and long-term earnings are affected by a change in interest rates. Interest-bearing liabilities at 31 December were SEK 19,109m (18,902) with an average interest rate of 2.48 per cent (3.27%) excluding the cost of committed lines of credit, or 2.57 per cent including this cost. Of total liabilities, SEK 2,855m referred to outstanding commercial paper. The total loan volume at 31 December includes loans for works in progress of SEK 791m, on which interest of SEK 20m has been capitalised. The average fixed-rate term of the loans, including the effects of exercised derivatives, was 24 months (24) at 31 December. The average maturity was 5.6 years (5.4). Average leverage at year-end was 65 per cent. The derivatives portfolio is valued at fair value in accordance with IAS 39. The value of the portfolio is SEK –373m. Realised changes in value in profit for the year is SEK 0m (-1) and unrealised changes in value SEK 98m (–484). Changes in market value occur as a result of changes in market interest rates. A market valuation of the loan portfolio (excl. derivatives products) shows a deficit of SEK 0m (1). For all other financial assets and liabilities, unless otherwise stated in the Notes, the carrying amount is considered a good approximation of fair value.

Interest expenses linked to the liabilities are incurred over the course of the remaining maturities and cash flows from the derivatives are synchronised with the loan cash flows. Trade payables and other current liabilities mature within 365 days of the balance sheet date. Fabege's obligations arising from these financial liabilities are largely met by rent payments from tenants, most of which are payable on a quarterly basis.

(Note 3 cont.)

Interest rate maturity structure, 31 Dec 2009

Year, maturity	SEKm	Average interest rate, %	Share, %
< 1 year	11,259	1.49	59
1–2 years	300	4.43	1
2–3 years	0	0.00	0
3–4 years	4,550	3.84	24
4–5 years	0	0.00	0
> 5 years	3,000	3.97	16
Total	**19,109**	**2.48**	**100**

Currency risk
Currency risk refers to the risk that Fabege's profit and loss account and balance sheet will be negatively affected by a change in exchange rates. Fabege owns a land property in Belgium. Under the Group's policy, properties must be financed in the currency of the country in which they are located. To avoid currency risks, the value of the Belgian property has been hedged through euro-denominated loans. Any changes in exchange rates will thus affect only the net profit for the property.

Credit risk
Credit risk is the risk of loss as a result of the failure of a counterparty to fulfil its obligations. The risk is limited by the requirement, contained in the company's financial policy, that only creditworthy counterparties be accepted in financial transactions. Credit risk arising from financial counterparties is limited through netting/ISDA agreements and was deemed to be non-existent at year-end. As regards trade receivables, the policy states that customary credit assessments must be made before a new tenant is accepted. The company also assesses creditworthiness in respect of any promissory note receivables arising from the sale of properties and businesses. The maximum credit exposure in respect of trade receivables and promissory note receivables is the carrying amount.

Parent company
Responsibility for the Group's external borrowing normally rests with the parent company. The company uses the funds raised to finance the subsidiaries on market terms.

Note **4** Significant estimates and assessments for accounting purposes

The valuation at fair value of the company's investment properties involves the use of estimates and assessments that are to be regarded as significant for accounting purposes (see also Note 15). The estimates and assessments made in connection with the realisation of investment properties, primarily with respect to rental guarantees and promissory note receivables, are also deemed significant. For rental guarantees an assessment is made of the probability of payment and of any investment costs for preparing the premises for lets during the remaining term of the guarantee. Rental guarantees etc. are included in the balance sheet item Other provisions. When performing property transactions an assessment of risk transfer is made. This serves a quideline when the transaction is to be booked. As for promisorry note claims an assessment shows which amount can be expected to come in.

Upon acquisition of a company the company makes an assessment of whether the acquisition is to be regarded as an asset acquisition or a business combination. The acquisition of a company that only contains properties and has no property management organisation/administration is normally classified as an asset acquisition.

In valuing tax losses, the company makes an assessment of the probability that the loss can be used to offset future taxable profits. Confirmed tax losses are used as a basis for calculating deferred tax assets if it is highly likely that they can be used to offset future profits.

As regards Fabege's ongoing tax cases, the company has taken the view that no provision is required. For more information, see the description of tax cases on page 45 of the Directors' Report.

Note **5** Reporting by segment

	Property Management Jan–Dec 2009	Improvement Projects Jan–Dec 2009	Total Fabege Jan–Dec 2009	Property Management Jan–Dec 2008	Improvement Projects Jan–Dec 2008	Total Fabege Jan–Dec 2008
Rental income	1,852	342	2,194	1,886	328	2,214
Property expenses	–578	–151	–729	–595	–181	–776
Net operating income	**1,274**	**191**	**1,465**	**1,291**	**147**	**1,438**
Surplus ratio, %	*69*	*56*	*67*	*68*	*45*	*65*
Central administration and marketing	–50	–12	–62	–48	–12	–60
Dividends	0	0	0	2	–	2
Net interest expense	–444	–116	–560	–680	–124	–804
Share in profit/loss of associated companies	–1	–4	–5	–2	–6	–8
Profit from property management activities	**779**	**59**	**838**	**563**	**5**	**568**
Realised changes in value of properties	36	21	57	49	94	143
Unrealised changes in value of properties	–327	17	–310	–1,489	–56	–1,545
Change in value of fixed income derivatives	76	22	98	–391	–94	–485
Change in value of equities	–3	0	–3	–17	–4	–21
Profit/loss before tax	**561**	**119**	**680**	**–1,285**	**–55**	**–1,340**
Current tax	–100	0	–100	3	–	3
Deferred tax	–113	–42	–155	646	180	826
Profit/loss for period/year	**348**	**77**	**425**	**–636**	**125**	**–511**
Total assets	**24,462**	**6,230**	**30,692**	**24,586**	**5,956**	**30,542**
of which, properties	*23,266*	*5,927*	*29,193*	*23,769*	*5,742*	*29,511*
Total liabilities	**24,462**	**6,230**	**30,692**	**24,586**	**5,956**	**30,542**

Segments are reported from the point of view of management, divided into two segments: Property Management and Improvement Projects. Rental income and property expenses as well as realised and unrealised changes in value including tax are directly attributable to properties in each segment (direct income and expenses). In cases where a property changes character during the year earnings attributable to the property are allocated to either segment based on the period of time that the property belonged to the segment. Central administration and items in net financial expense have been allocated to the segments in a standardised manner based on each segment's share of the total property value (indirect income and expenses). This applies also to tax that is not directly attributable to earnings from property management activities or sales. Assets and liabilities are stated as at the balance sheet date. Property assets are attributed directly to the respective segments in accordance with the classification at the balance sheet date. Other assets and liabilities are allocated in a standardised manner based on their share of the property value. Five properties were transferred between the segments during the year. In the third quarter the Uarda 2 property, where new offices are being created for Vattenfall, was transferred from the Property Management segment to the Improvement Projects segment. In the fourth quarter three properties were transferred from Improvement Projects to Property Management. These were the Bocken 35 and 46 properties and Paradiset 29, where the projects have been completed and the tenants have moved in. The Klamparen 10 property in Kungsholmen, which is being vacated after the departure of the tenant, the National Courts Administration, has been transferred from Property Management to Improvement Projects.

Note 6 Employees and salary expenses, etc.

Average no. of employees	2009	Of which, men	2008	Of which, men
Parent company	28	10	34	13
Subsidiaries	111	73	115	78
Group, total	**139**	**83**	**149**	**91**

	Salaries and other compensation 2009	Social-security contributions 2009	Salaries and other compensation 2008	Social-security contributions 2008
Parent company	23	17	21	16
– of which, pension expenses		9		8
Subsidiaries	48	24	51	24
– of which, pension expenses		7		7
Group, total	**71**	**41**	**72**	**40**
– of which, total pension expenses		**16**		**15**

Sick leave January–December 2009

Total sick leave as a percentage of total ordinary working time	1.4
of which, share of long-term sick leave	
(continuous leave of 60 days or more)	7.3
Sick leave, women	2.2
Sick leave, men	1.4
Sick leave, employees < 30 years	1.1
Sick leave, employees aged 30–49	1.5
Sick leave, employees > 49 years	1.5

Breakdown by sex, Directors and senior executives

	Board 2009	Board 2008	Senior executives 2009	Senior executives 2008
Men	6	6	6	7
Women	1	2	2	1
Total	**7**	**8**	**8**	**8**

Compensation for senior executives
Senior executives refers to seven persons who together with the Chief Executive Officer made up senior management in 2009. In 2009 1 man stepped down from the senior management team and was replaced by 1 woman. From 2009 the senior management team consists of the Chief Financial Officer (CEO), Executive Vice President and Chief Financial Officer (CFO), Director of Communications, Director of Business Development, Director of Properties (Stockholm City), Director of Properties (Other Markets) and Director of Projects and Director of Transactions. The compensation paid to senior executives is based on market terms in accordance with the guidelines adopted by the AGM. For the current composition of senior management, see page 75.

Fabege has a profit-sharing fund covering all employees of the company. Allocations to the profit-sharing fund are based on the achieved return on equity and are subject to a ceiling of one base amount per year per employee. For 2009 provisions of about SEK 3m, which is equivalent to 50 per cent of one base amount per employee, have been made. Other benefits refer to company cars, household-related services and health insurance.

Pension
Pension expenses refers to the expense recognised in the profit and loss account for the year. The retirement age for the Chief Executive Officer is 65 years. A pension premium of 35 per cent of the CEO's pensionable salary is paid during the term of employment. For other senior executives the ITP supplementary pension plan for salaried employees in industry and commerce or an equivalent plan applies and the retirement age is 65 years.

Severance pay
The contract between the company and the CEO is subject to six months' notice by either party. In case of termination by the company the CEO is entitled to 18 months' severance pay. The employment contracts of other senior executives are terminable on three to six months' notice and provide for severance pay of up to 18 months. Severance pay is only paid in case of termination by the company and is offset by other income for all persons in senior positions.

Basis of preparation
The Board of Directors with the exception of the CEO is responsible for preparing a proposal for compensation and other terms of employment for the CEO and a set of principles for compensation and other terms of employment for other senior executives.

The Board of Directors
The Directors are paid Directors' fees in accordance with the decisions of the Annual General Meeting. In 2009 total Directors' fees of SEK 2,235,000 (2,420,000) were paid. Out of this amount, the Chairman of the Board received SEK 375,000 plus a separate fee of SEK 835,000 for assisting the management team on two projects, and the other Directors, excluding the CEO, received a total of SEK 1,025,000 (1,210,000). No other fees or benefits were paid to the Board.

Compensation and other benefits to senior executives 2009, SEK '000

Senior management	Salary/Fee	Other benefits	Pension	Total
Chief Executive Officer	2,448	148	854	3,450
Executive Vice President	1,383	86	495	1,964
Other senior executives	6,108	589	1,898	8,595

In 2009 extra compensation/bonuses of SEK 149,000 in total were paid to other senior executives. No other variable or share price-related compensation was paid to senior management.

The Board of Directors	Fee, Board Director	Fee, Audit Committee	Total
Erik Paulsson (Chairman)	1,210	–	1,210
Sven-Åke Johansson (Deputy Chairman)	185	50	235
Göte Dahlin	185	25	210
Märta Josefsson	185	25	210
Svante Paulsson	185	–	185
Mats Qviberg	185	–	185
Total	**2,135**	**100**	**2,235**

Note 7 Rental income

Operating leases – the Group as lessor
All investment properties are let to tenants under operating leases and generate rental income. A breakdown by remaining maturity of future rental income attributable to non-cancellable operating leases is shown in the following table:

	Group	
	2009	2008
Maturity:		
Within 1 year	403	343
1 to 5 years	1,125	1,179
Later than 5 years	467	536
Residential, garage/parking	172	133
Total	**2,167**	**2,191**

The difference between total rents at 31 December 2009 and income, as stated in the profit and loss account for 2009, is due to bought/sold properties, renegotiations and changes in occupancy rates in 2009. Contracts relating to residential premises and garage/parking spaces remain in force until further notice.

Note 8 Property expenses

	Group	
	2009	2008
Operating expenses, maintenance and tenant adaptations	–435	–474
Property tax	–130	–137
Ground rent	–37	–42
VAT expense	–22	–26
Property/project adm. and lettings	–105	–97
Total	**–729**	**–776**

Note 9 Central administration and marketing

Refers to senior management expenses, expenses attributable to the public nature of the company and other expenses connected to the company type.

Property- and property management-related administration expenses are not included, as these are treated as property expenses.

Note 10 Realised and unrealised changes in value, investment properties

	Group	
	2009	2008
Realised changes in value:		
Sale proceeds	1,234	2,095
Book value and expenses	–1,177	–1,952
Total realised changes in value	**57**	**143**
Unrealised changes in value:		
Changes in value relating to properties owned at 31 Dec 2009	–297	–1,540
Changes in value relating to properties divested during the year	–13	–5
Total unrealised changes in value	**–310**	**–1,545**
Total realised and unrealised changes in value	**–253**	**–1,402**

Book/fair value and the resulting unrealised changes in value are determined quarterly based on valuations. If a property is sold in quarters 2–4, the sale will give rise, in addition to the unrealised change in value, to a realised change in value based on the selling price in relation to confirmed fair value for the last quarter.

In measuring the results for the full year, the following breakdown is instead obtained, irrespective of revaluations during the year:

	Group	
	2009	2008
Gain from property sales, full year:		
Sale proceeds	1,233	2,095
Book value and expenditure (based on value at beginning of year)	–1,189	–1,957
	44	**138**
Unrealised changes in value:		
Changes in value relating to existing properties	–297	–1,540
	–297	**–1,540**
Total realised and unrealised changes in value	**–253**	**–1,402**
Breakdown between positive and negative results		
Positive	360	1,176
Negative	–613	–2,578
Total	**–253**	**–1,402**

Note 11 Profit/loss from other securities and receivables that are fixed assets

	Group		Parent company	
	2009	2008	2009	2008
Dividends	0	2	0	2
Interest income, Group companies	–	–	404	609
Interest income, promissory notes	6	14	1	7
Total	**6**	**16**	**405**	**618**

Note 12 Interest income and interest expenses

	Group		Parent company	
	2009	2008	2009	2008
Interest income	4	21	2	1
Total	**4**	**21**	**2**	**1**
Interest expenses	–570	–839	–563	–871
Total	**–570**	**–839**	**–563**	**–871**

All interest income is attributable to financial assets valued at amortised cost.

Interest expenses are mainly attributable to financial liabilities valued at amortised cost.

Note 13 Changes in value, shares

The loss of SEK –3m (–21) refers to shares in Diös Fastigheter, SEK +5m (–13), shares in AIK Fotboll AB, SEK +3m (–8) and shares in Sveland Sakförsäkringar AB, SEK –11m (0).

Note 14 Tax on profit for the year

	Group		Parent company	
	2009	2008	2009	2008
Current tax on profit for the year	–100	3	–	–
Adjustment for current tax from previous years	–	–	–	–
Total current tax	**–100**	**3**	**–**	**–**
Deferred tax	–155	826	28	254
Total tax	**–255**	**829**	**28**	**254**
Nominal tax (26.3%) on profit after financial items	–179	375	115	7
Tax effects of adjustment items				
– Adjustment for deficits and temporary differences from previous years	11	225	–2	20
– Dividends from subsidiaries	–	–	184	224
– Tax-exempt profit from sale of Group companies/properties	49	230	–	–
– Impairment of shares in subsidiaries	–	–	–261	–
– Deferred tax attributable to Fabege Storstockholm AB,[1)]	–98	–	–	–
– Restatement of deferred tax, 26.3 %	–	8	–	–8
– Other	–38	–9	–8	11
Total tax	**–255**	**829**	**28**	**254**

[1)] Tax attributable to the ruling of the Supreme Administrative Court in a case involving Fabege Storstockholm AB. See the section on tax in the Directors' Report on page 44.

Note 15 Investment properties

All properties in Fabege's portfolio are externally valued at least once a year by independent external valuers with recognised qualifications. The properties are valued at fair value, i.e. at their estimated market values. The property valuers in 2009 were DTZ Sweden AB and Newsec Analys AB. Fabege provides information about existing and future rental agreements, operations and maintenance expenses and estimated investments based on maintenance plans and estimated future vacancies to the valuers. On-site inspections were carried out in all properties on at least one occasion during the period 2007–2009. The properties have also been inspected on site in connection with major investments or other changes that affect the value of a property.

The property valuation is based on cash flow statements, in which the present value of net operating incomes during a five-year calculation period and the residual value of the property at the end of the period are calculated. Long-term vacancies are estimated on the basis of the property's location and condition. The valuers' assessments of outgoing payments for running costs and regular maintenance are based on experience of comparable properties and information on historical costs provided by Fabege. Expenses are expected to increase in line with the assumed inflation rate. Ground rents are calculated on the basis of agreements or, alternatively, in reference to market grounds rents if the ground rent period expires during the calculation period. Property tax is estimated on the basis of the general property taxation for 2009.

The discount rate used is a nominal required return on total capital before tax. The required rate of return is based on previous experiences from assessments of the market's required returns for similar properties. The discount rate for Fabege's property portfolio is 8.1 per cent (7.9%) and is based on the nominal yield on 5-year government bonds plus a premium for property-related risk. The risk premium is set individually based on the stability of the tenant and the length of the lease. The residual value is the market value of the leasehold/property at the end of the period of calculation, which is estimated on the basis of forecast net operating income for the first year after the calculation period. The weighted required yield at the end of the calculation period is 6.0 per cent (6.0%).

The market assessments were performed in accordance with guidelines issued by the Swedish Property Index.

Valuation assumptions

Annual inflation, %	2.0
Weighted discount rate, %	8.1
Weighted required yield, residual value, %	6.0
Average long-term vacancy, %	4.9

Operations and maintenance	
Commercial, SEK/m²	337
Residential, SEK/m²	462

Market values, 31 December 2009

	2009	Weighted yield, %	Change in value after deducting for investments, %
Stockholm inner city	16,417	5.6	–0.7
Solna	8,502	6.5	–1.6
Hammarby Sjöstad	1,943	6.9	–1.4
Rest of Stockholm	2,308	6.7	–1.9
Other outside Stockholm	23	–	0.0
	29,193	**6.0**	**–1.1**

	Group	
	2009	**2008**
Opening fair value	29,511	30,829
Property acquisitions	56	201
Investments in new builds, extensions and conversions	1,082	1,963
Changes in value, existing property portfolio	–297	–1,540
Changes in value relating to properties divested during the year	–13	–5
Sales and disposals	–1,146	–1,937
Closing fair value	**29,193**	**29,511**

Book/fair value and the resulting unrealised changes in value are determined quarterly based on valuations. If a property is sold in quarters 2–4, the sale will give rise, in addition to the unrealised change in value, to a realised change in value that is based on the selling price in relation to confirmed fair value for the last quarter.

Assessed value of Swedish properties	14,401	14,919

Fabege has mortgaged certain properties, see also Note 33 Assets pledged as security and contingent liabilities.

Note 16 Equipment

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Cost at beginning of year	19	28	4	4
Investments	0	0	0	0
Sales and disposals	0	–9	–	–
Cost at end of year	19	19	4	4
Opening depreciation	–16	–22	–3	–2
Sales and disposals	0	7	0	0
Depreciation charge for the year	–1	–1	–1	–1
Closing accumulated depreciation	–17	–16	–4	–3
Book value	**2**	**3**	**0**	**1**

The Group has operating leases to a small extent for cars and other technical equipment. All agreements are subject to normal market terms.

Note 17 Interests in associated companies

	Group		Parent company	
	2009	2008	2009	2008
Cost at beginning of year	21	–3	–	–
Acquisition/share in profit/loss	286	23	–	–
Sales	0	1	–	–
Cost at end of year	307	21	–	–
Book value	**307**	**21**	**–**	**–**

Name/Org.no.	Regd. office	Capital share, % [1]	Book value
Järla Sjö Exploatering AB 556615-3952	Stockholm	33.3	–2
Råsta Holding AB 556742-6761	Stockholm	25.0	50
Råsta Administration AB 556702-8682	Stockholm	20.0	0
TCL SARL 19982401227	Luxemburg	45.0	182
Nyckeln 0328 SE 517100-0069	Stockholm	30.0	77
			307

[1] Applies also to the share of votes for the total number of shares.

Fabege performs financial operations as part of a joint venture. The company provides funding services, borrowing money in capital markets, and lending services, by providing cash loans.

The company's borrowing activities in capital markets have been dormant due to the market disruptions in 2009.

Summary of profit and loss account and balance sheet for associated companies, SEKm (100%)

	Group	
	2009	2008
Profit and loss account		
Rental income	–	–
Net operating income	–	–
Loss for the year	**–1**	**–29**
Balance sheet		–
Fixed assets	1,812	602
Current assets	400	7
Total assets	**2,212**	**609**
Shareholders' equity	1,531	35
Allocations	89	–
Other liabilities	592	574
Total equity and liabilities	**2,212**	**609**

Note 18 Receivables from associated companies

Receivables from associated companies in 2008 refer to a receivable of SEK 59m from Nyckeln 0328 SE, which bears interest on market terms.

Note 19 Joint ventures

Joint venture refers to a company in which Fabege exercises a controlling influence together with another party.

Owned by subsidiaries:	Regd. office	Capital share, % [1]
Centralbadet HB 916609-6017	Stockholm	50
Värtan Fastigheter KB 969601-0793	Stockholm	50
Zeolit Exploaterings AB 556604-9440	Stockholm	50

[1] Applies also to the share of votes for the total number of shares.

Through companies Fabege owns properties that are run as joint ventures. In these companies Fabege controls its share of future earnings through its share of the assets and liabilities of the jointly owned company. The net asset value is best expressed by recognising Fabege's share of the assets, liabilities, income and expenses of the company in the consolidated financial statements item by item. In the consolidated financial statements proportionate consolidation (item by item) is therefore used for these joint ventures.

The following properties are owned as joint ventures:
Islandet 3
Stralsund 1
Paradiset 29

The following table shows the impact of these joint ventures on the Fabege Group.

	Group	
	2009	2008
Profit and loss account		
Rental income	20	11
Net operating income	9	6
Profit for the year	**5**	**–16**
Balance sheet		
Fixed assets	501	420
Current assets	7	13
Total assets	**508**	**433**
Shareholders' equity	214	215
Other liabilities	294	218
Total equity and liabilities	**508**	**433**
Average no. of employees	–	–

Note 20 Other long-term securities holdings

	Group		Parent company	
	2009	2008	2009	2008
Cost at beginning of year	82	76	63	72
Acquisitions/Investments	65	31	0	11
Changes in value	–8	–21	–8	–21
Reclassifications	–	–	0	1
Sales	–17	–4	–16	–
Cost at end of year	122	82	39	63
Book value	**122**	**82**	**39**	**63**

Shareholding	Book value
Parent company	
Svelands Sakförsäkring AB – Fabege's capital share is 15.8 per cent and the number of shares 31,800	28
AIK Fotboll AB – Fabege's capital share is 18.5 per cent and the number of shares 1,554,865	9
AIK Hockey AB – Fabege's capital share is 2 per cent and the number of shares 41,000	0
Interests in tenant-owner's associations	1
Subsidiaries	
Arenabolaget i Solna AB – Fabege's capital share is 16.7 per cent and the number of shares 167	78
Swedish Arena Management AB – Fabege's capital share is 16.7 per cent and the number of shares 167	6
	122

Note 21 Other long-term receivables

	Group		Parent company	
	2009	2008	2009	2008
Maturity:				
1 to 5 years after balance sheet date	92	180	188	230
later than 5 years from balance sheet date	–	–	–	–
Total	**92**	**180**	**188**	**230**

Group
Other long-term receivables refers to promissory note receivables arising from the sale of properties. During the year a provision of SEK 22m (41) was recognised.

Parent company
In the parent company long-term receivables from the Group's joint ventures have been included as associated companies. No impairment losses have been recognised.

Note 22 Trade receivables

	Group	
Age structure of overdue trade receivables	**2009**	**2008**
0 – 30 days	13	30
31 – 60 days	2	4
61 – 90 days	0	2
> 90 days	21	13
Of which, provisions	–17	–7
Total	**19**	**42**

Note 23 Other receivables

In the consolidated financial statements the item includes sale proceeds of SEK 479m (136) for properties that have been sold but not yet vacated and promissory notes maturing within one year of SEK 12m (65). Promissory notes have been written down by SEK 15m (0).

Note 24 Shareholders' equity

	Outstanding shares	Registered shares
No. of shares at beginning of year	164,382,154	169,311,554
Issue of new shares, conversion of convertible bonds	9,418	9,418
Total	**164,391,572**	**169,320,972**

All shares carry equal voting rights, one vote per share.
The quota value of a share is SEK 30.10.
Proposed dividend per share, SEK 2.00.
For other changes in shareholders' equity, see the consolidated and parent company statements of changes in equity.

Note 25 Overdraft facility

	Group		Parent company	
	2009	2008	2009	2008
Available credit limit	120	120	120	120
Unused share	–120	–53	–120	–53
Unused share	**0**	**67**	**0**	**67**

Note 26 Liabilities by maturity date

	Group		Parent company	
Interest-bearing liabilities	**2009**	**2008**	**2009**	**2008**
Maturity up to 1 year from balance-sheet date	2,855	930	2,855	930
Maturity 1 to 5 years from balance sheet date	12,019	15,244	13,458	15,244
Maturity later than 5 years from balance sheet date	4,235	2,728	2,540	2,540
Total	**19,109**	**18,902**	**18,853**	**18,714**

Non-interest-bearing liabilities are expected to become due for payment within one year. For the interest rate maturity structure, see Note 3.

Note 27 Convertible bonds

Fabege's convertible bonds matured and were paid off on 1 October 2009. The carrying amount of the convertible bond loan was SEK 47m (nominally SEK 45m). The bonds could be converted up to 1 September 2009 at a price of SEK 41.80.

The interest on the convertible bonds was 5.25 per cent, which was higher than the market interest rate at the time (1 Oct 2004). For this reason no equity component from the breakdown under IAS 32 has been reported. Fabege's average interest rate at the same point in time was 4.35 per cent.

Note 28 Derivatives

	Group 2009	Group 2008	Parent company 2009	Parent company 2008
Short-term excess value	1	–	1	–
Long-term excess value	–	–	–	–
Total excess value	**1**	**–**	**1**	**–**
Short-term deficit	–	–7	–	–7
Long-term deficit	–374	–464	–374	–464
Total deficit	**–374**	**–471**	**–374**	**–471**
Total	**–373**	**–471**	**–373**	**–471**

The Group does not apply hedge accounting, see "Financial instruments" in Note 2 Accounting principles. Derivatives are classified as interest-bearing liabilities in the balance sheet and valued at fair value in compliance with level 2, IFRS 7, Section 27a. With the exception of the closable swaps and performance swaps, valued in accordance with level 3, IFRS 7. See also Note 2, page 55. Changes in value are recognised in the profit and loss account under a separate item, Changes in value, fixed income derivatives. As of 2006 IAS 39 has been applied also in the parent company.

IFRS 7, level 3

	Group 2009	Group 2008	Parent company 2009	Parent company 2008
Value at beginning of year	–466	–3	–466	–3
Acquisitions/Investments	0	–450	0	–450
Changes in value	92	–14	92	–14
Matured	0	1	0	1
Value at end of year	–374	–466	–374	–466
Book value	**–374**	**–466**	**–374**	**–466**

Note 29 Deferred tax liability/asset

Interest-bearing liabilities	Group 2009	Group 2008	Parent company 2009	Parent company 2008
Deferred tax has been calculated on the basis of:				
– Tax losses	–1,131	–1,241	–33	–35
– Difference between the carrying amounts and tax bases of properties	1,126	1,136	–	–
– Derivatives	–98	–124	–98	–124
– Other	4	–15	–	–5
Net deferred tax asset/liability	**–99**	**–244**	**–131**	**–164**

Negative amounts above refer to deferred tax assets.

Total valued tax losses in the Group, which have been taken into account in calculating deferred tax, are approximately SEK 4.3bn (4.7). See also the section on tax in the Directors' Report, page 44.

Note 30 Provisions

Out of total provisions of SEK 439m (624), SEK 221m (408) refers to obligations relating to rental guarantees for divested properties. Other amounts refers to stamp duties on properties that are payable upon the sale of a property, SEK 41m (39), and a provision of SEK 96m (96) for tax in the subsidiary company Fastighets AB Tinnen.

	Rental guarantees	Other provisions	Provisions for pensions	Total
At 1 Jan 2009	408	135	81	624
Provisions for the year	–21	2	–	–19
Used/paid during the year	–166		–	–166
At 31 Dec 2009	221	137	81	439
Provisions comprise				
Long-term component	138	137	81	356
Short-term component	83	–	–	83
	221	**137**	**81**	**439**

Rental guarantees
The rental guarantees have remaining maturities of up to 3.5 years. The criteria for assessing the size of provisions are described in Note 4.

Provisions for pensions
Obligations relating to defined contribution pension plans are met through payments to the government agencies or companies administering the plans. A number of Fabege employees have defined benefit pensions under the ITP supplementary pension plan for salaried employees in industry and commerce for which regular payments are made to Alecta. These are classified as defined benefit pension plans covering several employers. As there is not sufficient information to report these as defined benefit plans, they have been reported as defined contribution plans. It is unclear how a surplus or deficit in the plan would affect the size of future contributions from each participating company and for the plan as a whole. Alecta is a mutual insurance company that is governed by the Swedish Insurance Business Act as well as by agreements between employers and unions.

Fees for pension insurance policies provided by Alecta in 2009 are approximately SEK 3m (3). Alecta's surplus can be distributed to the policy owners and/or insured parties. At year-end 2009 Alecta's surplus, as expressed by the "collective funding ratio", was 141 per cent (112%). The collective funding ratio is defined as the market value of Alecta's assets as a percentage of its commitments to policyholders calculated using Alecta's actuarial assumptions, which do not comply with IAS 19.

Fabege has a PRI (Pensionsregistreringsinstitutet) liability, which is a defined benefit pension plan. However, no new payments are being made to PRI. Defined benefit pension obligations recognised in the balance sheet comprise the present value of defined benefit pension obligations. Any actuarial gains/losses are recognised through the profit and loss account to the extent that they are outside the band.

The parent company's pension provision refers to a PRI liability.

Note 31 Other liabilities

In 2009 the item referred primarily to a SEK 135m liability to associated companies.

Note 32 Accrued expenses and deferred income

	Group		Parent company	
	2009	2008	2009	2008
Advance payment of rents	307	254	–	–
Accrued interest expenses	45	36	37	36
Other provisions	106	174	26	19
Total	**458**	**464**	**63**	**55**

Note 33 Assets pledged as security and contingent liabilities

	Group		Parent company	
Assets pledged as security	2009	2008	2009	2008
Property mortgages	14,649	14,558	–	–
Shares in subsidiaries	1,511	1,202	–	–
Promissory notes	–	–	13,317	14,429
Total	**16,160**	**15,760**	**13,317**	**14,429**
Contingent liabilities				
Guarantees on behalf of subsidiaries	–	–	300	–
Ongoing tax cases	1,541	1,419	–	–
Other provisions	631	482	321	285
Total	**2,172**	**1,901**	**621**	**285**

The Group has pension commitments of SEK 42m (43), which are secured through a pension fund. The collective funding ratio (see the definition in Note 29) for the pension fund is 125 per cent (119.8%). No provision has been made, as the pension commitment is fully covered by the assets of the fund.

For more information about ongoing tax cases, see the section on tax in the Directors' Report, page 45.

Note 34 Interest paid

Interest paid during the year in the Group was SEK 590m (958), of which SEK 20m (41) has been capitalised in the investment business. No capitalisation of interest has been made in the parent company.

Note 35 Changes in working capital

	Group		Parent company	
	2009	2008	2009	2008
Change acc. to balance sheet	–287	–1,182	–9	–118
Change in assets and liabilities in respect of interest income, dividends and interest expenses	–1	78	–1	78
Total	**–288**	**–1,104**	**–10**	**–40**

Note 36 Cash and cash equivalents

Cash and cash equivalents comprise cash assets and bank balances. The Group has unused overdraft facilities, which are not included in cash and cash equivalents, of SEK 120m (53).

Note 37 Related-party transactions

Erik Paulsson and his family and company have a controlling influence in PEAB AB. In 2009 Fabege received income from lettings activities of SEK 22m (23) from the PEAB Group. Fabege has paid compensation of SEK 188m (554) to the PEAB Group for contract work.

Erik Paulsson and his family have a controlling influence in Hansan AB. In 2009, consultancy services of SEK 1m (1) were procured.

In 2008 Fabege acquired 50 per cent of the shares of Deamatris Förvaltning AB from PEAB for a consideration of SEK 30m.

In 2009 Fabege earned income of SEK 1m (0.5) from joint ventures. No significant transactions were made with associated companies.

The transactions are deemed to have been made on market terms.

Note 38 Dividend per share

The dividends that were adopted at Annual General Meetings and paid out in 2009 and 2008 were SEK 2.00 per share and SEK 4.00 per share, respectively. At the AGM on 24 March 2010 the Board will propose a dividend for 2009 of SEK 2.00 per share, resulting in a total dividend payment of SEK 328,783,144. The dividend amount is based on the total number of outstanding shares at 31 January 2010, i.e. 164,391,572 shares, and is subject to alteration up to and including the record date, depending on share buybacks.

Note 39 Adoption of the annual report

The annual report was adopted by the Board of Directors and approved for publication on 26 February 2010.

The Annual General Meeting will be held on 24 March 2010.

Note 40 Net turnover

The parent company's income consists primarily of inter-company invoicing.

Note 41 Operating expenses

	Parent company	
	2009	2008
Employee expenses	–48	–38
Administration and running costs	–125	–142
Depreciation of equipment	–1	–1
Total	**–174**	**–181**

Note 42 Profit/loss from shares and interests in Group companies

	Parent company	
	2009	2008
Share in the profits of trading and limited partnerships	–	6
Impairment of shares in subsidiaries	–991	–
Anticipated dividends on shares and interests	700	800
Total	**–291**	**806**

Note 43 Buildings and land

	Parent company 2009	Parent company 2008
Cost at beginning of year	0	2
Reclassification	0	–2
Cost at end of year	**0**	**0**
Opening depreciation	0	0
Closing accumulated depreciation	**–**	**–**
Book value	**–**	**–**
of which, buildings	–	–
of which, land improvements	–	–
of which, land	–	–
Assessed value of Swedish properties	0	0

Note 44 Shares and interests in Group companies

	Parent company 2009	Parent company 2008
Cost at beginning of year	14,987	15,162
Acquisitions and additions	79	–
Sales	–747	–
Liquidations	–	–175
Cost at end of year	**14,319**	**14,987**
Opening depreciation	0	–46
Liquidations/mergers	–	46
Impairment	–991	–
Closing accumulated depreciation	**0**	**0**
Book value	**13,328**	**14,987**

Directly owned subsidiaries

Namn/Org nr	**Regd. office**	**Capital share, % 1)**	**Bokfört värde**
Hilab Holding Stockholm AB 556670-7120	Stockholm	100	10,126
LRT Holding Company AB 556647-7294	Stockholm	100	3,126
Fabege Holding Solna 556721-5289	Stockholm	100	0
Fabege V12 AB 556747-0561	Stockholm	100	76
			13,328

1) Applies also to the share of votes for the total number of shares.

The stated capital share includes shares from other Group companies.
The Group comprises 253 (281) companies.

Note 45 Fees and compensation to auditors

The following fees have been paid to the company's auditors:

Fees and expenses, SEK '000

	Group 2009	Group 2008	Parent company 2009	Parent company 2008
Deloitte				
audit assignments 1)	3,937	4,900	3,937	4,900
other assignments	510	1,416	510	1,416

1) Audit assignments refers to the examination of the annual report and accounting records and of the Board of Directors' and CEO's administration of the company, other tasks incumbent upon the company's auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks.

Note 46 Events after the balance sheet date

Sale of residential portfolio to part-owned Tornet AB
Fabege has, together with Peab and Brinova, formed a new residential property company called Tornet AB, which will own and develop rental apartments. Fabege holds a 45 per cent stake in the company. In February 2010 Fabege transferred the majority of its residential portfolio to Tornet. The portfolio comprises 96,000 m² of residential space with a value of approximately SEK 680m. The transaction was concluded at market value and will not result in a realised gain or loss.

Upon completion of the transaction and settlement of outstanding balances at year-end, Fabege's equity/assets ratio will increase to 33 per cent and its leverage will fall to 64 per cent.

Sale of part-owned Paradiset 29 in Kungsholmen
Fabege and Peab have sold the joint-owned (50/50) Paradiset 29 property on Lindhagensgatan in Stockholm to Invesco Real Estate. The sale was made in the form of a company with an underlying property value of SEK 842m (100%) and resulted in a profit after tax of SEK 20m for Fabege.

Sale of Harpan 51
Fabege has sold its Harpan 51 property on Gumhornsgatan/Linnégatan in Stockholm for SEK 142m to Fastighets AB Kannan. The sale was made in the form of a company and resulted in a pre-tax profit of SEK 14m.

Signing of the Annual Report

The Board of Directors and Chief Executive Officer hereby certify that:

- the annual report has been prepared in accordance with the Swedish Annual Accounts Act and Recommendation RFR 2:1 of the Swedish Financial Accounting Standards Board,
- the annual report provides a true and fair view of the company's financial position and results, and
- the Directors' Report provides a true and fair overview of the development of the company's business, position and results and describes significant risks and uncertainties faced by the company.

The Board of Directors and Chief Executive Officer furthermore certify that:

- the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as referred to in Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards,
- the consolidated financial statements provide a true and fair view of the Group's financial position and results, and
- the Directors' Report for the Group gives a true and fair overview of the development of the Group's business, results and position and describes significant risks and uncertainties faced by the companies included in the Group.

Stockholm, 26 February, 2010

Erik Paulsson
Chairman

Sven-Åke Johansson
Deputy Chairman

Göte Dahlin

Märtha Josefsson

Svante Paulsson

Mats Qviberg

Christian Hermelin
Chief Executive Officer

We presented our audit report on 26 February 2010
Deloitte AB

Svante Forsberg
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of Fabege AB (publ)
Corporate Registration 556049-1523

We have examined the annual accounts, consolidated financial statements and accounting records as well as the Board of Directors and Chief Executive Officer's administration of Fabege AB (publ) for 2009. The company's annual report and the consolidated financial statements form part of the printed version of this document, pages 42–66. Responsibility for the accounts and administration of the company and for ensuring that the Swedish Annual Accounts Act is applied in preparing the annual accounts and that the International Financial Reporting Standards (IFRS), as adopted by the EU and implemented in the Annual Accounts Act, are applied in preparing the consolidated financial statements rests with the Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on the annual accounts, consolidated financial statements and administration based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards in Sweden. This means that we have planned and conducted the audit so as to obtain a high but not absolute assurance that the annual accounts and consolidated financial statements are free of material misstatement. An audit involves examining a selection of evidence supporting the amounts and other disclosures contained in the accounts. An audit also involves assessing the accounting principles and their application by the Board of Directors and Chief Executive Officer, assessing significant estimates made by the Board of Directors and Chief Executive Officer in preparing the annual accounts and consolidated financial statements, and evaluating the overall information presented in the annual accounts and consolidated financial statements. As a basis for our statement on release from liability, we have examined significant decisions, actions and circumstances of the company in order to be able to determine the liability, if any, to the company of any Director or the Chief Executive Officer. We have also examined whether any Director or the Chief Executive Officer has in any other way acted in violation of the Swedish Companies Act, the Annual Accounts Act or the company's Articles of Association. We believe that our audit provides a reasonable basis for the statements presented below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and provide a true and fair view of the company's results and financial position in accordance with generally accepted auditing standards in Sweden. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU and implemented in the Annual Accounts Act, and provide a true and fair view of the Group's results and financial position. The Directors' Report accords with the other parts of the annual accounts and consolidated financial statements.

We recommend that the Annual General Meeting adopt the parent company and consolidated profit and loss accounts, balance sheets, the Statement of compherensive income and the Statement of financial position allocate profit of the parent company in accordance with the proposal in the Directors' Report, and that the members of the Board of Directors and Chief Executive Officer be released from liability for the financial year.

Stockholm, 26 February 2010

Deloitte AB

Svante Forsberg
Authorised Public Accountant

Corporate Governance Report

Fabege is a Swedish public limited-liability company with registered office in Stockholm. The company's corporate governance is based on its Articles of Association, the Swedish Companies Act and other applicable laws and regulations. Fabege applies the Swedish Corporate Governance Code (the "Code"), whose main purpose is to improve standards of governance among Swedish businesses. The Code is based on the principle of 'comply or explain'. The reasons for Fabege's departures from the Code are explained in greater detail below. This Corporate Governance Report does not form part of the formal annual report documents, but constitutes a separate report. It has not been examined by the company's auditors.

Responsibility for the governance, management and control of Fabege's activities is shared among the shareholders at the Annual General Meeting, the Board of Directors and the Chief Executive Officer. Fabege works continuously to achieve a more efficient and appropriate governance of the company.

SHAREHOLDERS

Fabege's shares are listed on Nasdaq OMX Stockholm. The company's share capital is SEK 5,096m, represented by 169,320,972 shares. Of these, 4,929,400 are treasury shares, representing 2.9 per cent of the total number of shares. In Fabege all shares carry the same voting rights at the AGM, which means that opportunities to exercise influence as an owner are consistent with each shareholder's capital share in the company. Fabege's ownership structure is described on pages 76–78.

ARTICLES OF ASSOCIATION

Fabege's Articles of Association state that the company shall seek to acquire, manage, add value to and divest properties. The Board of Directors has its registered office in Stockholm. In other respects, the Articles of Association contain provisions on the number of shares, the number of Directors and auditors, and the Annual General Meeting. The full text of Fabege's Articles of Association is available at www.fabege.se.

ANNUAL GENERAL MEETING 2009

The Annual General Meeting is the company's highest decision-making body. The 2009 Annual General Meeting was held in Stockholm on 31 March 2009. Erik Paulsson was elected to chair the meeting. The AGM was attended by shareholders holding a total of 68.7m shares, representing 42 per cent of the votes. A full set of minutes from the AGM is available on Fabege's website, www.fabege.se. The following are the principal resolutions adopted at the AGM:

Election of Directors and resolution on Directors' fees (proposal of the Nominating Committee)

The AGM resolved that the Board should consist of eight Directors and approved the re-election of Göte Dahlin, Christian Hermelin, Sven-Åke Johansson, Märtha Josefsson, Mats Qviberg, Erik Paulsson and Svante Paulsson to the Board. Arne Berggren was elected to the Board as a new Director as a replacement for Helen Olausson, and Erik Paulsson was elected Chairman. The AGM resolved that Directors' remuneration should remain unchanged in 2009.

Election of an auditor

Deloitte AB were reappointed as the company's auditors until the 2013 AGM with Svante Forsberg as Chief Auditor.

Cash dividend (proposal of the Board)

The dividend was fixed at SEK 2.00 and the record date was set at 3 April 2009.

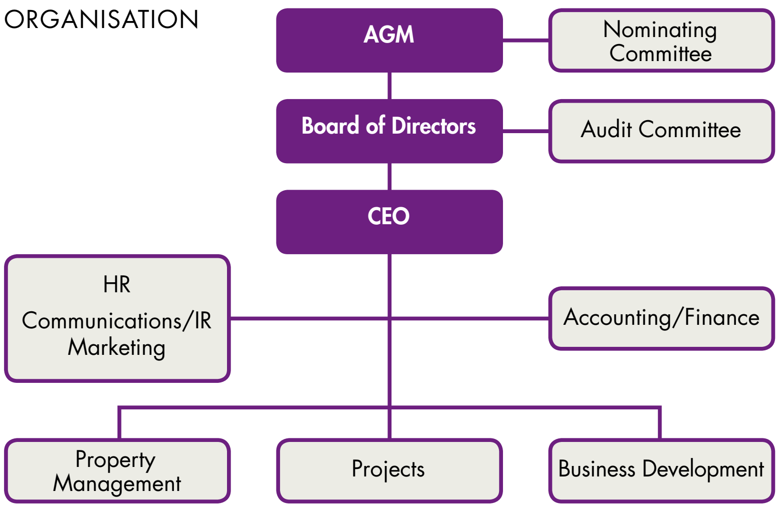
Principles for the appointment of the Nominating Committee (proposal of the Nominating Committee)

The AGM adopted a set of principles for the appointment of the Nominating Committee and the proposals that the Nominating Committee is required to prepare. The Nominating Committee will consist of representatives for the four largest owners.

Compensation to management

The shareholders decided that the guidelines on compensation for management should remain unchanged.

ORGANISATION



Authorisation on share buybacks (proposal of the Board)

The AGM decided to authorise the Board, for a period ending no later than the next AGM, to acquire and transfer shares. Share buybacks are subject to a limit of 10 per cent of the total number of outstanding shares at any time.

THE NOMINATING COMMITTEE

The Nominating Committee is the AGM's body for preparing decisions relating to appointments. The Committee's task is to draw up proposals for the appointment of the AGM chairman, Chairman of the Board and Directors, Directors' fees, the appointment of auditors, auditors' fees and any amendments to the principles governing the election of the Nominating Committee. The proposal for Directors' fees must specify a breakdown between the Chairman, other Directors and committee work.

In accordance with the AGM's decision, the four largest shareholders have been offered one seat each on Fabege's Nominating Committee, and on 24 September 2009 a Nominating Committee was announced that represents about 28.4 per cent of the votes in Fabege. The Nominating Committee consists of the following members: Anders Silverbåge (Brinova Fastigheter AB), Peter Laveson (Investment AB Öresund), Anders Rydin (SEB fonder) and Thomas Ehlin (Nordea fonder).

The Nominating Committee has held five minuted meetings and remained in contact during the intervening periods. As a basis for its work, the Committee has met with the Board Chairman and listened to his views on the work of the Board. The Committee has also contacted the other Directors, the Audit Committee and the company's auditors to obtain a clear idea of the work of the Board. It has also studied the company's strategy, risk management and control functions.

The Nominating Committee has discussed the size and composition of the Board of Directors in respect of industry experience, expertise, and the need for continuity and renewal of the work of the Board. The Committee has also discussed and taken account of issues relating to the independence of Directors (see below for a description of the Board).

The Nominating Committee's report on its activities and proposals to the 2010 AGM are available on the company's website. The Committee's proposals are also described in the notice for the 2010 AGM.

THE BOARD OF DIRECTORS

Under the Swedish Companies Act, the Board of Directors is responsible for the company's organisation and the administration of the company's affairs. The Board is required to continuously assess the financial situation of the company and Group. Its main task is to manage the company's activities on behalf of the owners in a way that secures the owners' interest in a strong long-term return on capital.

Composition

Eight Directors were elected to the Board at the 2009 AGM. The AGM also elected Erik Paulsson as Chairman of the Board. Sven-Åke Johansson was appointed Deputy Chairman at the constituent Board meeting. Fabege's Chief Financial Officer, Åsa Bergström, acts as the Board's secretary. In April 2009, after Valot Invest sold its stake in Fabege, Arne Berggren stepped down from the Board. During the remainder of 2009, the Board consisted of seven members.

Fabege's Board of Directors includes members that have skills and experience of great significance for the support, monitoring and control of the operations of a leading property company in Sweden. It includes members with expertise on property, the property market, funding and business development. Collectively, the members of the Board have significant personal shareholdings in Fabege, directly or indirectly. Fabege's Board meets the requirements on independent Directors provided for in the Code and in the company's listing agreement with the Stockholm stock exchange.

The Nominating Committee proposes re-electing Göta Dahlin, Christian Hermelin, Märtha Josefsson, Erik Paulsson, Svante Paulsson och Mats Qviberg to the Board. Out of the proposed Directors, Erik Paulsson is to be regarded as dependent both in relation to the company and in relation to major shareholders, Svante Paulsson as dependent in relation to major shareholders and the CEO, Christian Hermelin, as dependent in relation to the company. The other proposed Directors are, according to the definitions contained in the Code and listing agreement, independent in relation to both the company and major shareholders.

Rules of procedure and instructions

Each year, the Board of Directors of Fabege adopts a set of rules of procedure, including instructions on division of labour and reporting, to supplement the provisions of the Companies Act, Fabege's Articles of Association and the Code.

In addition to the general provisions of the Companies Act, the Rules of Procedure regulate the following:

- The number of Board meetings (normally five ordinary meetings in addition to the constituent meeting)
- The forms for extra meetings and telephone meetings
- Items to be included in the agenda at each meeting
- When Board material should be made available
- Minute-taking
- The duties of the Board
- The special role played by the Chairman in the Board and the specific duties arising from that role
- The appointment of an Audit Committee and a specification of the tasks to be performed by the Committee
- The forms for preparing issues relating to compensation
- Delegation of decision-making powers by the Board
- Reporting by the auditors and meetings with the auditors

The items that should normally be included in the agenda are financial and operational reporting, decisions on acquisitions and sales and on investments in existing properties, current market issues, HR issues and reporting by the Audit Committee.

Board meetings

In 2009 the Board held six ordinary meetings and a total of eleven meetings, including one constituent meeting, one extra meeting and three telephone meetings.

There are a number of standing agenda items: financial and operational reporting, decisions on acquisitions, investments and sales, current market issues, HR issues and reporting by the Audit Committee. In addition to these, the Board has addressed a number of specific issues, as follows:

1. February: Year-end financial statement 2008, annual report 2008, evaluation of the work of the Board, follow-up of compliance with guidelines on compensation for senior executives
2. March. Briefing prior to the AGM
3. March. Constituent meeting after the AGM, signing for the company, committees
4. April: Telephone meeting
5. May: Interim report for the first quarter, rules of procedure for the Board and Audit Committee, ethical guidelines
6. May: Telephone meeting
7. June: Telephone meeting
8. June: Strategy discussion
9. August: Interim report for the second quarter
10. November: Interim report for the third quarter, evaluation of the CEO's performance, issues relating to management remuneration.
11. December: Strategic plan 2010, budget 2010

In 2009, the Board made decisions on several major transactions and investments in the company's existing property portfolio. In 2009 Fabege acquired one property for SEK 56m and sold 14 properties for SEK 1,234m. Decisions were made on investments of SEK 1,230m relating to the development and improvement of properties in the company's existing portfolio. At the end of the year an assessment was made of the Board, which showed that the Board was operating in a highly satisfactory manner.

The Directors are paid Directors' fees in accordance with the resolutions of the Annual General Meeting. For 2009, total fees of SEK 2,235,000 were paid, of which the Chairman received SEK 375,000 plus extra remuneration of SEK 835,000 for project work. The other Directors received SEK 185,000 and SEK 100,000 for work on the Board's Audit Committee, of which the chairman received SEK 50,000 and the other members SEK 25,000.

Information on Directors' attendance at meetings is provided in the table below. The table also shows which Directors are members of the Audit Committee.

Attendance, number of meetings

During the period eleven Board meetings and four meetings of the Audit Committee were held.

	Board Directors	Audit Committee
Erik Paulsson, Chairman	11	
Sven-Åke Johansson, Deputy Chairman	11	4
Arne Berggren [1]	1	
Göte Dahlin, Director	10	4
Christian Hermelin, Director	11	
Märtha Josefsson, Director	11	4
Helen Olausson, Director [2]	2	
Svante Paulsson, Director	11	
Mats Qviberg, Director	11	

[1] Stepped down in April 2009.
[2] Stepped down at the 2009 AGM.

The Audit Committee

The Board of Directors has appointed an Audit Committee from among its own members consisting of Sven-Åke Johansson (Chairman) and Märtha Josefsson. The Audit Committee acts as an extension of the Board for the monitoring of issues relating to accounting, auditing and financial reporting. Its remit includes addressing issues relating to operational risks and risk management, internal control (environment, design and implementation), accounting principles and financial follow-up and reporting, and the performance of audits. The Committee meets regularly with the company's auditor to obtain information on the focus, scope and results of audit activities. It operates according to separate rules of procedure, which are reviewed and adopted annually by the Board. Fabege's Audit Committee meets the Code's requirements on composition and its members possess skills and experience on accounting and other issues within the Committee's area of responsibility.

In 2009 four meetings of the Audit Committee were held. During the year a lot of emphasis continued to be placed on the company's internal control system. The Audit Committee also addressed issues such as the leadership of project activities and project follow-up, processes for the closing of the accounts and financial reporting, tax procedures, the company's management of funding issues and valuations of properties. Other issues addressed by the Committee included relevant accounting and tax issues and the revised Swedish Corporate Governance Code. The Committee's members also discussed risks in the business and accounting practices as well as the focus of audits. At the beginning of the year an assessment was made resulting in a proposal to re-elect Deloitte as the company's auditors at the 2009 AGM. At each meeting the company's auditors submitted reports on their audits during the year. Minutes of the Audit Committee's meetings were distributed to all Directors and the chairman of the Committee reported to the Board on a regular basis.

Issues relating to management remuneration

In accordance with the principles of compensation and other terms of employment for management adopted by the AGM, the Board has adopted a decision on remuneration and other terms of employment for the Chief Executive Officer. All members of the Board except the CEO perform the tasks incumbent on a remuneration committee and thus participate in the process of drafting and making decisions on remuneration issues. During the year the Board reviewed compliance with the principles of remuneration for senior executives.

Remuneration and other benefits and terms of employment for the CEO and management are described in Note 6 on page 58. The company's principles of remuneration and terms of employment will also be presented at the 2010 AGM.

MANAGEMENT

The Chief Executive Officer

The Chief Executive Officer is responsible for operational governance and for the day-to-day management and leadership of the business, in accordance with the guidelines, instructions and decisions adopted by the Board of Directors.

In addition to the general provisions relating to division of responsibility contained in the Swedish Companies Act, the rules of procedure governing the work of the CEO specify:

- the CEO's duty and obligation to ensure that the Board of Directors receives information and the necessary documentation on which to base decisions.
- the CEO's role of presenting reports at Board meetings.
- the CEO's duty and obligation to ensure that the necessary information is retrieved on a continuous basis from each company in the Group.
- the CEO's duty and obligation to monitor compliance with the Board's decisions in respect of goals, business concept, strategic plans, ethical and other guidelines, and, where necessary, request a review of the same by the Board.
- issues that must always be submitted to the Board, such as major acquisitions and sales or major investments in exiting properties.
- the CEO's duty and obligation to ensure that Fabege fulfils its obligations in respect of disclosure, etc. under the company's listing agreement with the Stockholm stock exchange.

The rules of procedure also contain a separate reporting instruction, which governs the content and timing of reporting to the Board.

Group management

In 2009, the Group management consisted of seven persons, in addition to the CEO:
Chief Financial Officer
Director of Communications
Director of Properties (Stockholm City)
Director of Properties (Other Markets)
Director of Projects & Development
Director of Business Development
Director of Transactions

As of January 2010, the Group management consists of six persons in addition to the CEO, as one of the Directors of Properties is no longer a member of the Group management (current Group management team, see page 75).

Group management meetings are normally held every two weeks. In these meetings the management team addresses strategic and operational issues such as property transactions, lettings, market trends, organisational issues and monthly and quarterly reviews. The Executive Assistant of the CEO also takes part in these meetings.

REPORT ON INTERNAL CONTROL IN RESPECT OF FINANCIAL REPORTING

Internal control is a process that is influenced by the Board of Directors, management and the company's employees and that has been designed to provide a reasonable assurance that the company's goals are achieved in the follow categories:

- that the company has an appropriate and efficient organisation for its business operations
- that the company produces reliable financial statements
- that the company complies with applicable laws and regulations

This report has been prepared in accordance with the Swedish Corporate Governance Code (Sections 10.5 and 10.6). The report, which is limited to internal control in respect of financial reporting, does not constitute a part of the formal annual report and has not been examined by the company's auditors.

In its work, the company uses the established COSO framework (Internal Control – Integrated Framework).

Control environment

Fabege has a geographically well contained organisation and homogenous operational activities but its legal structure is complex. The business is capital-intensive and is characterised by large monetary flows, including rental income, expenses for project activities, acquisitions/sales of properties and financial expenses.

Overall responsibility for ensuring good internal control and efficient risk management rests with the Board of Directors. To be able to perform its work in an appropriate and efficient manner, the Board has adopted a set of rules of procedure. The Board's rules of procedure are aimed at ensuring a clear division of responsibility between the Board of Directors (and its committees) and the Chief Executive Officer (and his management team) with a view to achieving efficient risk management in the company's operations and in financial reporting. The rules of procedure are updated annually. In 2009, the Board performed its annual review and adopted rules of procedure for the Board, rules of procedure for the Audit Committee and a set of ethical guidelines governing conduct at the company.

The management team is responsible

for designing and documenting and for maintaining and testing the systems/processes and internal controls that are required to manage significant risks in the accounts and the company's day-to-day activities. Operational responsibility for internal control rests with the company's management and with those individuals who by virtue of their roles in the company are in charge of each defined critical process, function or area.

The company's financial reporting is governed by a set of policies and guidelines. The company has defined policies for matters such as funding, environmental issues, equal opportunities and disclosure, accounting principles and instructions for the closing of the accounts and authorisation of payments. A thorough review and update of all policies was initiated in 2009 and will continue into 2010. In addition to the policies, the company has adopted more detailed guidelines and instructions, which are reviewed and updated on a regular basis.

Risk assessment

Risks and critical processes, functions and areas are defined on the basis of the control environment, significant results and balance sheet items as well as significant business processes. The following processes, functions and areas have been defined as critical for Fabege:

- Acquisitions and sales
- New lettings and renegotiations
- Projects
- Closing of the accounts and reporting
- Funding
- Valuation of properties
- Rent payments
- Purchasing
- Tax

Fabege conducts annual reviews and evaluations of risk areas for the purpose of identifying and managing risks in consultation between management, the Audit Committee, the company's auditors and other parties.

Control activities

Critical processes, functions and areas are described and documented in respect of division of responsibility, risks and controls. The necessary instructions, procedures and manuals are produced, updated and communicated to the relevant staff to ensure that they have up-to-date knowledge and adequate tools. The measures are aimed at integrating risk management in the company's day-to-day procedures. Compliance with policies, guidelines and instructions is monitored on an ongoing basis. Employees are given frequent training to ensure that they have required expertise. In 2009 particular emphasis was placed on internally reviewing and assuring processes for the closing of the accounts and financial reporting, funding, new lettings and renegotiations, projects, purchasing and remuneration.

In addition to the external audit performed in 2009, the company also performed an internal assessment of compliance and controls in critical processes.

The operating units, Property Management and Projects, have a separate controller function which supplements the central controller function at Group level. Operational reports are prepared monthly and quarterly based on a standardised reporting package and submitted for comments/approval to executives with operational responsibility. Reviews and updates with executives with operational responsibility are made throughout the year. Performance is assessed against budgets and forecasts, which are updated twice a year. Since 2009 the company has been producing rolling 12-month forecasts.

A central function prepares consolidated financial statements and other financial reports in close collaboration with the controller function/operating units and the finance function. This work includes integrated control activities in the form of reconciliation with standalone systems/specifications of outcomes for income and expense items and balance sheet items.

Information and communication

Management is responsible for informing the staff concerned about their responsibility to maintain good internal control. The company Intranet and briefing sessions are used to ensure that employees are kept up-to-date on the company's governing policies and guidelines.

Responsibility for external information rests with the Communications department. The company's Investor Relations activities are based on principles for regular and accurate information in accordance with stock exchange regulations. The ambition is to improve knowledge of and build confidence in the company among investors, analysts and other stakeholders.

In addition to financial reporting to the Board, more detailed reports are prepared, at more frequent intervals, in support of the company's internal governance and control activities. Monthly reports are presented and discussed at meetings of the senior management team.

Follow-up

The internal control system also needs to change over time. The aim is to ensure that this is monitored and addressed on an ongoing basis through management activities at various levels of the company, both through monitoring of the individuals responsible for each defined critical process, function and area and through ongoing evaluations of the internal control system.

The company's management reports regularly to the Board based on the adopted instructions for financial reporting, which are designed to ensure that the information provided is relevant, adequate, up-to-date and appropriate.

The Audit Committee also reports to the Board. It acts as the extended arm of the Board in monitoring the formulation and reliability of financial reports. In addition to examining the content of and methods used in preparing financial reports, the Audit Committee has studied the way in which the more detailed and frequent internal reporting is used in evaluating and managing different areas of activity, which provides an indication of the quality of the control environment. The Committee also performs regular reviews and evaluations of internal controls in respect of critical processes and regularly studies the results of the external auditors' examinations of the company's accounts and internal controls.

The auditors examine the company's financial reporting in respect of the full-year financial statements and review all quarterly interim reports.

The Board regularly evaluates the information submitted by management and the Audit Committee. Of particular significance, when required, is the Audit Committee's task of monitoring management's work on developing the internal controls and of ensuring that measures are taken to address any problems and proposals that have been identified in the course of examinations by the Board, Audit Committee or auditors.

The Board of Directors has informed itself through its members and through the Audit Committee on risk areas, risk management, financial reporting and internal control and has discussed risks for errors in financial reporting with the external auditors.

In the course of its work on examining and evaluating internal control in respect of critical processes in 2009, the Audit Committee has not found reason to alert the Board's to any significant issues in respect of internal control or financial reporting.

Internal auditing

To supplement the external auditing activities, work began in 2009 on internally evaluating critical processes in the company. As a result of this work, and in view of the homogenous and geographically limited nature of the company's activities and its simple organisational structure, the Board has not found reason to set up a separate internal audit unit. The Board believes the monitoring and examination described above, coupled with the external audits, are sufficient to ensure that effective internal control in respect of financial reporting is maintained.

AUDITING

Under the Swedish Companies Act, the company's auditor is required to examine the company's annual report and accounts as well as the management performed by the Board of Directors and Chief Executive Officer. After the end of each financial year, the auditor is required to submit an audit report to the Annual General Meeting. The appointment and remuneration of auditors is based on the AGM's resolutions on proposals submitted by the Nominating Committee.

At the 2009 AGM, the auditing firm, Deloitte, was appointed as the company's auditors with the authorised public accountant Svante Forsberg as chief auditor for the period up to the 2013 AGM.

In addition to Fabege, Svante Forsberg has audit assignment for the following major companies: Anticimex, Black Earth Farming, Connecta, Diligentia, o2 Vind, and Skandia Liv. He has no other assignments for companies that are closely related to Fabege's major owners or the CEO. In addition to its assignment as Fabege's appointed auditors, Deloitte has performed audit-related assignments relating primarily to tax and accounting issues.

The auditors reported their observations and simultaneously presented their views on the quality of internal controls in Fabege at the Board meeting in February 2010. The auditors have participated in and presented reports at all meetings of the Audit Committee (4 in 2009). Reports were also presented to management in 2009.

Fees paid to the company's auditors are described in Note 45 on page 65.

DIFFERENCES IN RELATION TO THE CODE

The application of the Code is based on the principle of 'comply or explain', which means that a company is not obliged to follow all rules without exception and that deviations from one or several individual rules do not constitute a breach of the Code if there are reasons for this and explanations are provided for such deviations.

- All members of the Board of Directors have met with the company's auditors, but not without the presence of the Chief Executive Officer or another member of the management team. After consulting with the auditors, the Board has not found it necessary to arrange such a meeting, partly because the auditors have, on several occasions, presented reports to the Audit Committee without the presence of the CEO.

Stockholm, 26 February 2010

The Board of Directors

The Board of Directors

Erik Paulsson
Born 1942. Chairman of the Board since 2007 and Director since 1998.
Other directorships: Chairman Backahill AB, Diös Fastigheter AB, SkiStar AB and Wihlborgs Fastigheter AB. Director of Brinova Fastigheter AB and Nolato AB.
Education: Secondary school. Company executive since 1959.
Shareholding: 66,596 and via Brinova*.

Sven-Åke Johansson
Born 1939. Chairman in 2000 and Deputy Chairman since 2001.
Other directorships: Director of Industrifonden and Nordisk Renting AB.
Education: Ph.D. in Engineering, M.Sc. in Economics and Business, DHS and reserve officer in the Royal Swedish Air Force.
Shareholding: 19,500.**

Göte Dahlin
Born 1941. Director since 2000.
Other directorships: Deputy Chairman of Veidekke ASA and Nordisk Renting AB. Director of Rezidor Hotel Group AB and Svensk Inredning Viking AB.
Education: B.Sc. in Natural Sciences.
Shareholding: 15,000 through personal endowment policy.**

Christian Hermelin
Born 1964. Director since 2007. CEO of Fabege AB.
Employed since: 1998, in current position since 2007.
Education: B.Sc. in Business Studies.
Shareholding: 69,400.*

Svante Paulsson
Born 1972. Director since 2007. Managing Director of Backahill AB.
Other directorships: Director of PEAB AB, AB Cernelle and Ängelholms Näringsliv AB.
Education: Secondary school, high school in the USA.
Shareholding: 144,438.*

Märtha Josefsson
Born 1947. Director since 2005.
Other directorships: Chairman of Svenska Lärarfonder AB. Director of Luxonen S.A, Investment AB Öresund, Opus Prodox AB, Ticket Travel Group AB, the Second AP Fund and Skandia Fonder AB.
Education: B.Sc. in Economics.
Shareholding: 60,000.**

Mats Qviberg
Born 1953. Director since 2001.
Other directorships: Chairman of HQ AB and Bilia AB. Deputy Chairman of Investment AB Öresund. Director of SkiStar AB.
Education: M.Sc. in Economics and Business.
Shareholding: 2,888,636.**

Shareholdings on 26 February, 2010.

* Dependent in relation to both the company and major shareholders under the Swedish Corporate Governance Code and the company's listing agreement with the Stockholm stock exchange.

** Independent in relation to both the company and major shareholders under the Swedish Corporate Governance Code and the company's listing agreement with the Stockholm stock exchange.

Group Management

Åsa Bergström
Deputy CEO, Chief Financial Officer.
Born 1964. Employed since 2007, in current position since 2008.
Previous employment: Senior Manager at KPMG, CFO positions at property companies, including Granit & Betong and Oskarsborg.
Education: M.Sc. in Economics and Business.
Shareholding: 21,800.

Christian Hermelin
Chief Executive Officer. Born 1964.
Employed since 1998, in current position since 2007.
Previous employment: Project Manager, Fastighets AB Storheden.
Education: B.Sc. in Business Studies.
Shareholding: 69,400.

Klaus Hansen-Vikström
Director of Business Development. Born 1953.
Employed since 2006, in current position since 2009.
Previous employment: Managing Director of Stockholm Modecenter, own business in clothing industry, Managing Director and founder of Brubaker AS.
Education: Diploma in Specialized Business Studies.
Shareholding: 20,000.

Klas Holmgren
Project Manager. Born 1970.
Employed since 2001, in current position since 2010.
Previous employment: Platzer Bygg, Peab and JM.
Education: Engineer.
Shareholding: 0.

Annette Kaunitz
Director of Communications. Born 1963.
Employed since 2009.
Previous employment: Director of Internal & Corporate Relations, Swedish Match AB.
Education: B.Sc. and DIHM.
Shareholding: 0.

Johan Rudberg
Business Development. Born 1961.
Employed since 2004, in current position since 2007.
Previous employment: Director of Project Development at Drott, Stockholm Director at Centralkonsult, Works Manager at Reinhold Bygg AB.
Education: M.Sc. in Engineering.
Shareholding: 20,450.

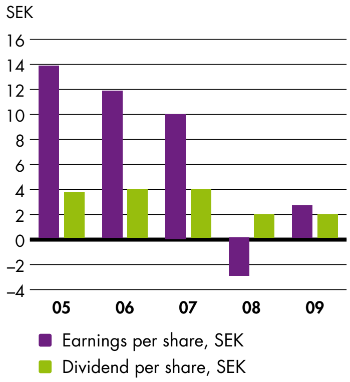
Urban Sjölund
Director of Properties. Born 1962.
Employed since 1991, in current position since 2007.
Previous employment: Construction and Project Manager at JCC AB, Arsenalen AB and MacGruppen AB, Property Manager at BPA Fastigheter AB and various executive positions at Bergaliden AB, Storheden AB and Wihlborgs Fastigheter AB.
Education: M.Sc. in Engineering.
Shareholding: 30,000.

Shareholdings on 26 February, 2010.

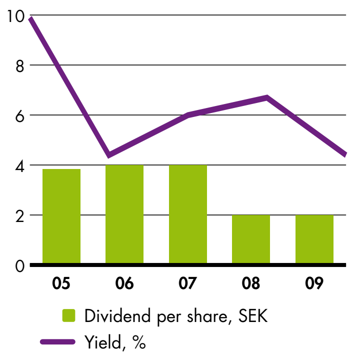
Share information

Fabege's shares are quoted on the Nasdaq OMX Nordic Exchange Stockholm in the Large Cap segment. The company's share capital at year-end 2009 was SEK 5,096m, represented by 169.3 million shares with a quota value of SEK 30.10. Each share carries one vote.

Profit/loss per share and dividend



Dividend per share and direct yield



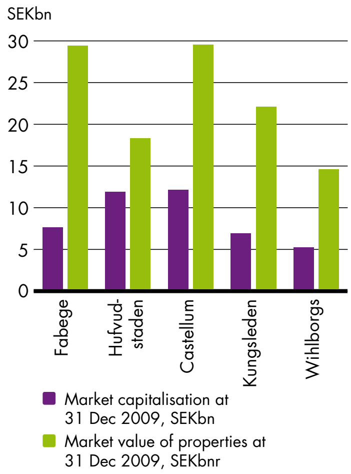
In 2009, the Stockholm stock exchange went up by 47 per cent and the index for the property industry (SX Real Estate) by 22 per cent. Fabege's shares gained 50 per cent, from SEK 30.00 to SEK 45.20.

TURNOVER AND TRADING

The implementation of the EU's MiFiD directive has affected share trading in Europe, as shares can now be traded in marketplaces, resulting in an increasing degree of fragmentation. Fabege's shares are now traded in several other marketplaces in addition to Nasdaq OMX Stockholm. However, the Stockholm exchange still accounts for a significant majority of trades, accounting for 84 per cent of turnover in 2009.

374 million Fabege shares were traded in 2009, of which 293 million (244) changed hands on Nasdaq OMX Stockholm. The total value of traded shares was SEK 13bn, of which SEK 10.9bn (11.5) refers to Stockholm. The average turnover rate for Fabege shares was 227 per cent (144), against 119 per cent (152) for the

The largest listed property companies

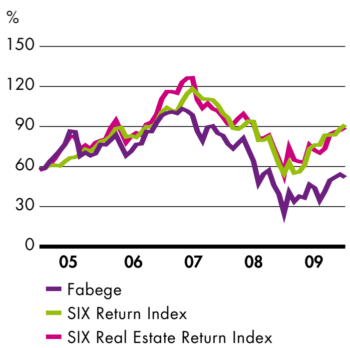


Nasdaq OMX as a whole. On an average day of trading 1,489,000 Fabege shares (969,000) changed hands in 866 transactions (685).

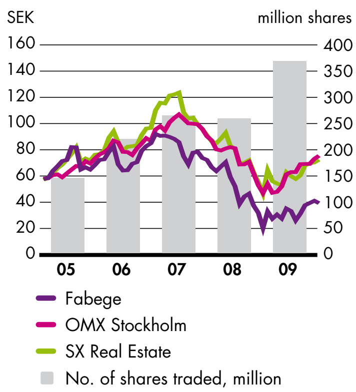
SHARE PRICE PERFORMANCE

The total return on Fabege's shares, including reinvested dividends of SEK 2.00 per share, was 63 per cent. At year-end,

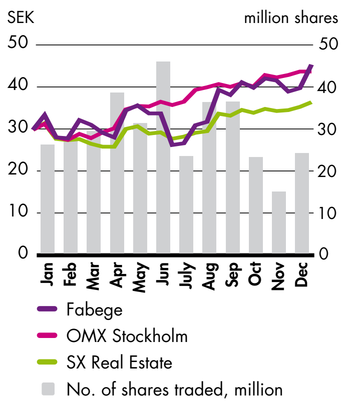
Total yield 2005–2009



Share price performance 2005–2009



Share price performance 2009



the company had a market capitalisation of about SEK 7.4bn. The lowest price paid in 2009 was SEK 26.10, on 20 January, and the highest price paid was SEK 45.90, on 29 December.

SHARE CAPITAL

Fabege's share capital is SEK 5,096m, represented by 169,320,972 shares (169,311,554). All shares carry the same voting rights and entitle the holder to the same share of the company's capital.

The 2009 AGM decided to authorise the Board of Directors to buy back shares during the period leading up to the 2010 AGM. Acquisitions may be made by purchase on Nasdaq OMX Stockholm and are subject to the provision that the company's share of the total number of outstanding shares not exceed 10 per cent. No shares were repurchased in 2009 (6,444,451). At year-end, Fabege held 4.9 million treasury shares, or 2.9 per cent of the total number of shares in the company.

The number of outstanding shares in 2009 was also affected by continued conversions of convertible bonds into Fabege shares by a number of holders of convertibles (see below).

OWNERSHIP STRUCTURE

On 31 December 2009 Fabege had 35,530 (33,152) shareholders. The largest shareholder was Brinova which held 14.2 per cent of the total number of outstanding shares, followed by Investment AB Öresund which held 7.7 per cent and Barclays Global Investors which held 5.4 per cent. The ten largest owners controlled 42.3 per cent of the total number of outstanding shares.

Foreign owners held 29.8 per cent of the share capital. Of the portion held by Swedish investors, 70.2 per cent of the share capital, institutional owners held 33.5 per cent, equity funds 13.2 per cent and Swedish private investors 23.5 per cent.

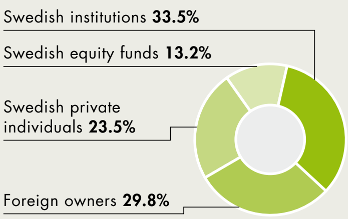
Distribution by size of shareholding on 31 December 2009

Size of shareholding	No. of shareholders	Share of no. of shareholders, %	No. of shares	Share of capital and votes, %
0–500	23,099	65.0	4,497,408	2.8
501–1,000	5,644	15.9	4,444,022	2.7
1,001–5,000	5,340	15.0	11,805,048	7.2
5,001–10,000	709	2.0	5,223,964	3.2
10,001–100,000	574	1.6	16,458,071	10.1
100,001–1,000,000	137	0.4	45,681,751	27.7
1,000,001–	27	0.1	81,210,708	46.3
Total	**35,530**	**100.0**	**169,320,972**	**100.0**

Distribution by country

Country	2009	2008	2007
Sweden	70.2	69.9	59.5
UK	9.9	5.6	6.4
USA	5.7	10.4	18.9
Other countries	14.2	14.1	15.2

Breakdown of ownership by category



Largest shareholders, 31 Dec 2009	No. of shares	Share of capital and votes, %
Brinova AB	23,291,092	14.2
Investment AB Öresund	12,616,270	7.7
Barclays Global Investors	8,924,247	5.4
SEB funds	5,425,364	3.3
Nordea funds	5,197,326	3.2
Swedbank Robur funds	3,679,210	2.2
Länsförsäkringar funds	3,367,529	2.0
Mats Qviberg and family	2,888,636	1.8
SHB funds	2,356,773	1.4
Second AP Fund	2,083,185	1.3
Government of Norway	1,991,264	1.2
Six Sis Ag W8Imy	1,955,903	1.2
SE Invest Fund	1,950,000	1.2
Bgl Bnp Paribas	1,735,925	1.1
Fourth AP Fund	1,667,013	1.0
Other foreign owners	32,431,349	19.7
Other shareholders	52,830,486	32.1
Total no. of outstanding shares	**164,391,572**	**100.0**
Treasury shares	4,929,400	
Total no. of shares	**169,320,972**	

Source: SIS Ägarservice

NET ASSET VALUE PER SHARE

Equity per share at 31 December 2009, was SEK 61 (60). Net asset value per share excluding deferred tax on fair value adjustments to properties was SEK 67 (67). At year-end, the share price thus represented 67 per cent of net asset value. A margin of error in property valuations of +/– 1 per cent has an impact on net asset value of +/– SEK 215m, or SEK 1.31 per share. See Sensitivity analysis, property value on page 44.

DIVIDEND TO THE SHAREHOLDERS

Under its dividend policy, Fabege aims to pay a dividend to its shareholders comprising that part of the company's profit which is not required for the consolidation or development of the business. Under current market conditions this means that the dividend will comprise at least 50 per cent of the profit from property management activities and realised gains from the sale of properties after tax.

In drawing up its dividend proposal, the Board assesses whether the company's and Group's equity after the proposed dividend will be sufficient in view of the nature and scope of the business and the associated risks. The Board takes account of the company's equity/assets ratio, historical and budgeted performance, investment plans and the general economic environment.

The Board proposes that a dividend of SEK 2.00 per share (2.00) be paid to the shareholders. The dividend represents 77 per cent of earnings per share.

The proposed record date for the right to receive a dividend is 29 March 2010. If the AGM adopts the proposed decision it is expected that the dividend will be paid through Euroclear Sweden AB (formerly VPC AB) on 1 April 2010.

CONVERTIBLES

The convertible bonds, which had a nominal value of SEK 45m and a book value of SEK 47m, matured on 1 October 2009. The bonds bore interest at a rate of 5.25 per cent and were convertible up to 1 September 2009, at a price of SEK 41.80. In 2009, SEK 394,000 was converted into 9,418 new shares.

Analysts covering Fabege

ABG Sundal Collier:	Fredric Cyon	**Kempen:**	Robert Woerdeman
ABN Amro Bank N.V.:	Jan Willem van Kranenburg	**Morgan Stanley:**	Bart Gysens
Cheuvreux Nordic:	Andreas Dahl	**Nordea Bank:**	Jonas Andersson
Carnegie Investment Bank:	Fredrik Skoglund	**Swedbank:**	Andreas Daag
Deutsche Bank:	Hans Derninger	**SEB Enskilda:**	Bengt Claesson
DnB NOR:	Simen R Mortensen	**UBS Investment Bank:**	Albin Sandberg
Goldman Sachs International:	Nick Webb	**Ålandsbanken Sverige:**	Erik Nyman
HQ Bank:	Olof Nyström	**Öhmans:**	David Zaudy
Handelsbanken Capital Markets:	Tobias Kaj		

Key figures	2009	2008
Financial		
Return on capital employed, %	4.2	–1.7
Return on equity, %	4.3	–4.8
Interest coverage ratio, times	2.6	1.9
Equity/assets ratio, %	32	32
Leverage properties, %	65	64
Debt/equity ratio, times	1.9	1.9
Per share data[1]		
Earnings per share for the year, SEK	2.59	–3.07
Equity per share, SEK	61	60
Cash flow per share, SEK	4.87	4.33
No. of outstanding shares at end of period before dilution, '000	164,392	164,382
No. of outstanding shares at end of period after dilution, '000	164,392	165,449
Average no. of shares before dilution, '000	164,386	166,459
Average no. of shares after dilution, '000	165,052	167,526
Dividend, SEK	2:00	2:00
Yield, %	4.4	6.7

[1] Dilution of potential ordinary shares has been taken into account in calculating key figures per share.

Information to shareholders

Fabege publishes its annual report and interim reports in Swedish and English. In addition to the printed versions, all publications are available as pdf files on the company's website.

All shareholders of Fabege have received an offer to receive financial information from the company. Fabege sends interim reports and the annual report by post to shareholders that have requested this. All financial reports and press releases are available in Swedish and English on the company's website. Fabege also provides information via a subscription service on its website, through which anyone with an interest in the company can access press releases, interim reports, annual reports and other information.

The company's website also provides information about Fabege's share price. Fabege provides quarterly presentations in connection with each interim report.

Monitor Fabege's performance at fabege.se

The Internet is one of our main information channels. The aim for our website is to continuously provide shareholders, investors and other capital market players with relevant, up-to-date information on the Group's operations and activities.

The website provides information on the company and its operations and strategies. Here you can also find financial information, share data and information about the AGM as well as a great deal of additional data.

Financial calendar

Interim report January–March:	27 April 2010
Interim report January–June:	8 July 2010
Interim report January–September:	26 October 2010
Year-end financial statement for 2010	2 February 2011
Annual report for 2010	March 2011

Annual General Meeting

The Annual General Meeting of Fabege AB (publ) will be held at 4 pm on Wednesday 24 March 2010 at Nalen, Regeringsgatan 74, Stockholm. Registration for the AGM begins at 3 pm.

The notice of AGM has been published in Post- och Inrikes Tidningar and Svenska Dagbladet and on the company's website.
Shareholders wishing to participate in the AGM must:

- be registered in the share register maintained by Euroclear Sweden AB (formerly VPC AB) on Wednesday 18 March 2010,
- notify the company of their intention to participate, stating the names of any assistants they wish to invite, no later than 4 pm on Wednesday 18 March 2010.

Notice of attendance at the AGM may be made in one of the following ways:

- In writing to: Fabege AB (publ), "Fabeges Årsstämma", Box 7839, 103 98 Stockholm
- By telephone: +46 8-402 90 68
- On Fabege's website, www.fabege.se, where additional information about the AGM is available.

Dividend

The Board proposes that a dividend of SEK 2.00 per share be paid to the shareholders. The proposed record date for the right to receive a dividend is 29 March 2010. If the AGM adopts the proposed decision, it is expected that the dividend will be paid through Euroclear Sweden AB (formerly VPC AB) on 1 April 2010.

Five year summary

	2009	2008	2007	2006	2005
Profit and loss account, SEKm					
Rental income	2,194	2,214	2,066	2,343	2,778
Net operating income	1,465	1,438	1,312	1,401	1,716
Realised changes in value/Gain from property sales	57	143	446	61	859
Unrealised changes in value, properties	–310	–1,545	893	911	844
Operating profit/loss	838	568	703	646	977
Profit before tax	680	–1,340	2,066	1,863	2,761
Profit after tax	425	–511	1,812	2,266	2,666
Balance sheet, SEKm					
Investment properties	29,193	29,511	30,829	27,188	21,296
Other tangible fixed assets	2	3	6	11	11
Financial fixed assets	620	586	387	1,889	330
Current assets	704	388	458	757	4,185
Cash and cash equivalents	173	54	75	164	71
Equity	9,969	9,873	11,415	12,177	10,727
of which minority share of equity [1]	–	–	–	21	–
Provisions	439	624	1,393	1,001	1,356
Interest-bearing liabilities	19,109	18,902	17,210	14,999	12,503
Derivatives	373	471	–	–	–
Non-interest-bearing liabilities	802	672	1,737	1,832	1,307
Total assets	30,692	30,542	31,755	30,009	25,893
Key ratios [2]					
Surplus ratio, %	67	65	64	60	62
Interest coverage ratio, times	2.6	1.9	2.8	2.1	3.6
Capital employed, SEKm	29,451	29,246	28,625	27,176	23,230
Equity/assets ratio, %	32.5	32.3	35.9	40.5	41.4
Debt/equity ratio, times	1.9	1.9	1.5	1.2	1.2
Leverage, properties, %	65.5	64.1	55.8	55.2	58.7
Return on equity, %	4.3	–4.8	15.4	19.8	24.2
Return on capital employed, %	4.2	–1.7	9.9	9.0	12.7
Average interest rate on interest-bearing liabilities, %	2.48	3.27	4.28	3.72	3.65
Property acquisitions and investments in existing properties, SEKm	1,138	2,164	4,984	17,045	3,741
Property sales, selling price, SEKm	1,234	2,095	2,919	12,064	13,771
Average no. of employees	139	149	146	194	173
Data per share, SEK [2]					
Earnings	2.59	–3.07	9.98	11.74	13.75
Equity	61	60	67	64	56
Dividend [3]	2.00	2.00	4.00	4.00	3.75
Yield, %	4.4	6.7	6.0	4.4	9.9
Share price at year-end [4]	45.20	30.00	66.25	91.75	75.75
No. of shares at year-end before dilution, millions	164	164	171	190	192
Average no. of shares after dilution, millions	164	168	182	192	193

[1] Under IFRS, minority interests should be reported as a component of equity. According to previous Swedish regulations, sharholders' equity was reported excluding minority interests, which was instead reported separately as minority interest.

[2] Key ratios based on the average number of shares, sharholders' equity, capital employed, and interest-bearing liabilities have been calculated based on weighted average.

For 2005–2008, dilution effects of outstanding convertible debentures have been taken into account in the calculation of key figures per share.
For the years 2005–2006, key ratios have been recalculated to be comparable with ratios for 2007–2009, in the light of the Fabege share having been split (2:1).

[3] Cash dividend 2009 as proposed.

[4] Last paid.

For definitions see page 81.

Definitions

RETURN ON EQUITY. Profit for the period/year divided by average shareholders' equity. In interim statements the return is converted to its annualized value without taking account of seasonal variations.

RETURN ON CAPITAL EMPLOYED. Profit before tax plus interest expenses, divided by average capital employed. In interim statements the return is converted to its annualised value without taking account of seasonal variations.

LEVERAGE, PROPERTIES. Interest-bearing liabilities divided by the book value of the properties at the end of the period.

YIELD, SHARE. Dividend for the year divided by the share price at year-end.

EQUITY PER SHARE. Parent company shareholders' share of equity according to the balance sheet, divided by the number of shares at the end of the period.

FINANCIAL OCCUPANCY RATE. Contract value divided by rental value at the end of the period.

INVESTMENT PROPERTIES. Properties that are being actively managed on an ongoing basis.

IMPROVEMENT PROPERTIES. Properties in which a conversion or extension is in progress or planned that has a significant impact on the property's net operating income. Net operating income is affected either directly by the project or by limitations on lettings prior to impending improvement work. Recently acquired properties (last twelve months) in which work is in progress that is aimed at significantly improving the property's net operating income compared with the time of acquisition.

RENTAL VALUE. Contract value plus estimated annual rent for vacant premises after a reasonable general renovation.

CASH FLOW PER SHARE. Profit before tax plus depreciation, plus/minus unrealised changes in value less current tax, divided by average number of shares.

CONTRACT VALUE. Stated as an annual value. Index-adjusted basic rent under the rental agreement plus rent supplements.

LAND & PROJECT PROPERTIES. Land and developable properties and properties in which a new build/complete redevelopment is in progress.

NET LETTINGS. New lettings during the period less terminations to vacate.

PROFIT/EARNINGS PER SHARE. Parent company shareholders' share of profit after tax for the period divided by average number of outstanding shares during the period.

INTEREST COVERAGE RATIO. Profit/loss before tax plus financial expenses and plus/minus unrealised changes in value, divided by financial expenses.

DEBT/EQUITY RATIO. Interest-bearing liabilities divided by shareholders' equity.

EQUITY/ASSETS RATIO. Shareholders' equity (including minority share) divided by total assets.

CAPITAL EMPLOYED. Total assets less non-interest bearing liabilities and provisions.

SURPLUS RATIO. Net operating income divided by rental income.

History

When the present-day Fabege was created in 2005, it was the third property company to bear the name. The company name, Fabege, originates in a company created by Birger Gustavsson, one of the leading property players in the 1970s and 1980s. Originally, Fabege was short for Fastighetsaktiebolaget Birger Gustavsson. The then Fabege was acquired by Näckebro, which in turn was bought by Drott, which was later split into two companies, one of which was given the name Fabege. This company was then acquired by Wihlborgs Fastigheter, and the following year, they changed their name to Fabege.

1990 Wihlborgs' B shares are listed on the O List of the Stockholm Stock Exchange.

1993 Bergaliden becomes the new main owner of Wihlborgs.

1996 In December, Wihlborgs' B shares are listed on the A List of the Stockholm Stock Exchange.

1997 In the spring, Wihlborgs completes the acquisition of M2 Fastigheter. In September the Board of Wihlborgs submits a public offer to acquire Klövern Fastigheter AB.

1998 At the beginning of the year, Wihlborgs completes the acquisition of Klövern Fastigheter AB. On 13 April 1998, Wihlborgs puts in an offer for Fastighets AB Storheden. The merger is carried out in late summer the same year.

2000 High voting A shares are converted into B shares.

2001 The main owner, Bergaliden, sells its entire shareholding of 30.2 per cent in Wihlborgs. Wihlborgs acquires Postfastigheter along with its portfolio of 73 properties. In December, Wihlborgs' shares are listed on the O List of the Stockholm Stock Exchange.

2002 Wihlborgs sells 60 properties in non-priority locations to Adcore, which is reorganised into a property company under the name of Klövern AB. In June, Wihlborgs effects a 1:5 reverse split.

2003 Wihlborgs acquires shares in Drott AB (later divided into Bostads AB Drott and Fabege AB), and becomes the company's largest shareholder during the year. At the end of the year, Wihlborgs sells Klara Zenit for SEK 2,950m, generating a profit of SEK 400m.

2004 Wihlborgs completes its acquisition of Fabege AB after a public offer to other shareholders of the company, adding about 150 commercial properties to its portfolio. In December, the company announces its proposal to spin off its Öresund properties to the shareholders and concentrate the business to the Stockholm region.

2005 The Öresund business is distributed to the shareholders and listed on the O List of the Stockholm Stock Exchange under the name of Wihlborgs Fastigheter AB. "Old" Wihlborgs is thus concentrated to the Stockholm region and changes its name to Fabege AB. In December, the company concludes an agreement to acquire 82.4 per cent of the shares of Fastighets AB Tornet.

2006 Fabege acquires Fastighets AB Tornet along with its portfolio of 104 properties. Other acquisitions include the WennerGren Center and Solna Business Park. Fabege's property holdings in Kista and Täby are sold to Klövern.

2007 Fabege continues to concentrate its business to its main markets, Stockholm Inner City, Solna and Hammarby Sjöstad. 17 properties are sold and 8 are acquired. In June, the company effects a 2:1 share split, doubling the number of shares.

2008 Fabege increases the tempo of projects where existing properties are processed and developed in order to increase cash flow and value growth.

2009 Fabege continues to concentrate its property portfolio, some 92 per cent of which is found in a 5 km radius of downtown Stockholm. Towards the end of the year, work is initiated in the new district, Arenastaden, in Solna.

Production
Fabege in cooperation with Hallvarsson & Halvarsson AB

Photographers
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Printing
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