Fabege

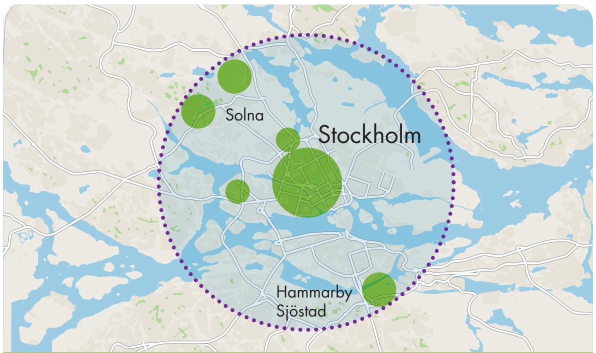
Annual Report 2010

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

Contents

The formal annual report, which has been audited, comprises pages 50–83.

2010 in brief



Concentrated portfolio

During the year, Fabege sold 54 properties for SEK 4,350m. Accordingly, Fabege has concluded the streamlining of its portfolio to its prioritised submarkets. The concentration has resulted in 98 per cent of Fabege's properties now being located within five kilometres of Stockholm's centre. The divestments have freed capital with which to increase project investments in the proprietary portfolio, and to acquire properties offering favourable growth potential. ■

Fabege's heat consumption is 40 per cent below national average.

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 optimize the use of energy, and Fabege currently consumes 40 per cent less heat than the national average. Taken together, the various measures have cut annual carbon dioxide emissions from about 40,000 tonnes to 5,500 tonnes. ■

Read more on page 40.

Key figures	2010	2009
Rental income, SEKm	2,007	2,194
Net operating income, SEKm	1,348	1,465
Profit/loss for the year, SEKm	1,697	425
Return on equity, %	16.0	4.3
Surplus ratio, %	67	67
Equity/assets ratio, %	39	32
Interest coverage ratio, times	3.0	2.6
Earnings per share before and after dilution, SEK	10.38	2.59
Dividend per share, SEK	3.00[1]	2.00

[1] Proposed cash dividend for 2010.

Modern offices for the Swedish National Agency for Education at Kungsholmen

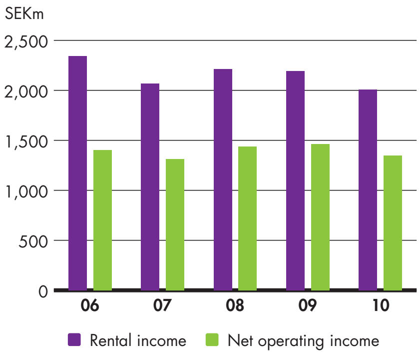
In September, the Swedish National Agency for Education signed a lease for about 9,000 sqm of office premises in the Klamparen 10 property, which formerly housed the Stockholm District Court, on Fleminggatan 14/Scheelegatan 36 in the Kungsholmen district of Stockholm. The property is undergoing an overall interior renovation featuring an exciting floor plan, new surface layers and modern technical installations. ■

Financial highlights

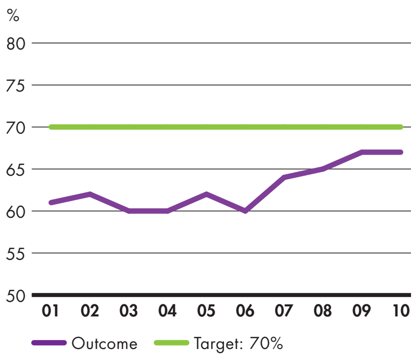
- After-tax profit for the year improved to SEK 1,697m (425), corresponding to earnings per share of SEK 10.38 (2.59).
- Profit from property management declined to SEK 782m (838), and rental income declined to SEK 2,007m (2,194) as a result of net sales of properties.
- Earnings before tax from the Property Management segment amounted to SEK 1,562m (488) and from the Property Development segment to SEK 300m (97).
- Transaction profit amounted to SEK 237m (57).
- The Board of Directors proposes a dividend of SEK 3.00 per share (2.00).

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

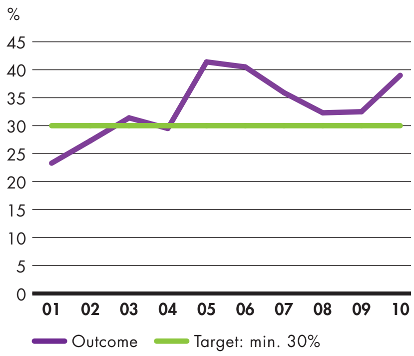
Rental income and Net operating income



Surplus ratio



Equity/assets ratio



This is Fabege

Fabege is one of Sweden's leading property companies, focusing mainly on letting and managing office premises as well as property development.

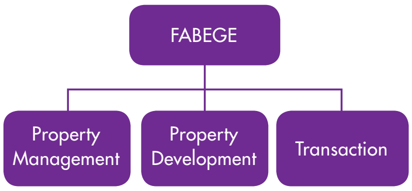
Fabege offers attractive and efficient premises, mainly offices but also retail and other premises. The company's operations are highly concentrated to a number of fast-growing sub-markets in the Stockholm region, as the inner city of Stockholm, Solna and Hammarby Sjöstad.

Fabege manages a well positioned property portfolio that is continually being developed through development 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.

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. At year-end 2010, Fabege owned 103 properties with a total market value of SEK 27.0bn. Rental revenues in 2010 were SEK 2.0bn.

The Business

Fabege operates in three business areas; Property Management, Property Development and Transaction.



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.

PROPERTY DEVELOPMENT

Qualified development 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 property development 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.

TRANSACTION

Fabege's third cornerstone is Transaction development. Acquisitions and sales are an integral part of Fabege´s business model and makes a significant contribution to consolidated progit. The company continuously analyses its portfolio to take advantage of opportunities to increase capital growth.

Operational key figures	2010	2009
Property value, Management, SEKbn	21.5	23.3
Property value, development projects, SEKbn	5.5	5.9
Invested in the company property portfolio, SEKbn	0.9	1.1
Acquisitions, SEKbn	–	0
Sales, SEKbn	4.4	1.2

www.fabege.se
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Fabege's sub-markets

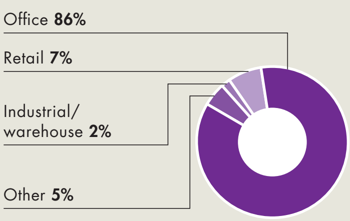
Stockholm inner city

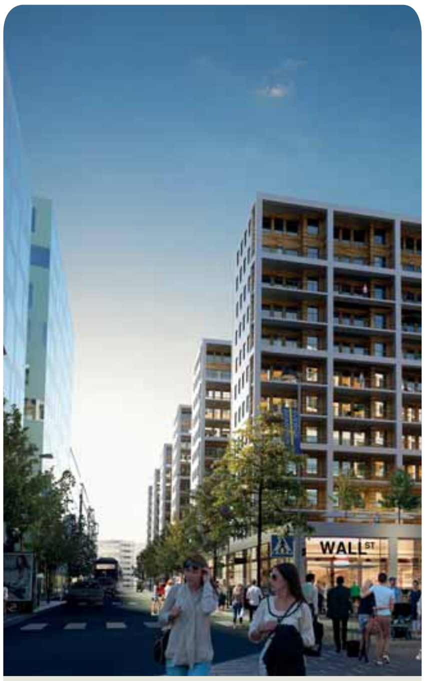
Most of Fabege's inner city properties are located in the area around Kungsgatan and Drottninggatan, in the Norrtull area and in western and eastern Kungsholmen. The portfolio includes the DN building and Wenner-Gren Center, two wellknown Stockholm landmarks.

Read more on page 29.

No. of properties	42
Lettable area, '000 sqm	501
Market value, SEKbn	16,215
Rental value, SEKbn	1,167
Financial occupancy rate, %	90

Breakdown of rental value





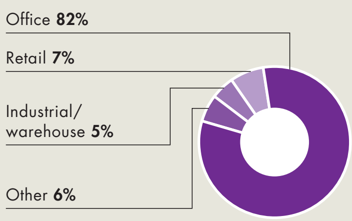
Solna

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.

Read more on page 30.

No. of properties	34
Lettable area, '000 sqm	462
Market value, SEKbn	8,333
Rental value, SEKbn	0.685
Financial occupancy rate, %	86

Breakdown of rental value



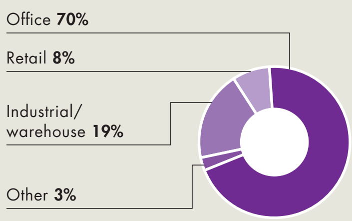
Hammarby Sjöstad

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.

Read more on page 33.

No. of properties	12
Lettable area, '000 sqm	132
Market value, SEKbn	1,987
Rental value, SEKbn	0.175
Financial occupancy rate, %	82

Breakdown of rental value



Message from the CEO
All vital key figures improved

The property market turned upwards during 2010, and Fabege's sub-markets strongly developed. Through the central locations of our properties, along with our market knowledge and hard work, we generated strong growth and highly favourable earnings in 2010. We increased the concentration of our property portfolio through a large number of property sales. With a strengthened balance sheet, our potential to increase the rate of project development and capitalise on acquisition opportunities is substantial.

2010 – A VERY GOOD YEAR

Fabege reported stable property management earnings while earnings from transactions and the development portfolio also rose sharply. It is gratifying to report that all segments in our business model, after a two-year interruption during the financial crisis, are once again generating significant contributions to our total earnings. Our employees contributed their strong commitment to this favourable trend.

I am delighted with Fabege's business development during 2010. We comfortably met our goals, in terms of both increased business activities and yield on the property portfolio, thereby achieving a sharp increase in total earnings. Overall, improvements were noted in the most important key figures during the year.

- The balance sheet was strengthened and the equity/assets ratio rose from 32 to 40 per cent.
- The loan-to-value ratio, in line with our goal, was reduced to less than 60 per cent.
- Shareholders' equity per share rose from SEK 61 to SEK 69, and the net asset value per share increased by SEK 10 to SEK 77 per share.

The favourable earnings during the year were also reflected in strong performance by the Fabege share. The share price rose sharply, up 74 per cent, while the property sector index (OMX Real Estate), in comparison, increased by 41 per cent and Nasdaq OMX Stockholm by 23 per cent.

TRANSACTION MARKET GAINED MOMENTUM

During 2010, the market was characterised by a growing number of transactions. While 2010 was no record year, we now see a more normalised transaction market again. There are many players on the Stockholm market, but only a few good properties for sale. The number of transactions continues to rise, however, and we have noted declining yield requirements in Fabege's sub-markets, not only in Stockholm inner city, but also in Solna Business Park and Arenastaden.

For several years, Fabege has worked to slimline and concentrate the property portfolio to a smaller number of sub-markets characterised by high growth. Since the overall portfolio provides us with the best potential to create value, our own work efforts have become critically important in order to reduce our risk exposure and sensitivity to economic trends. During 2010, 54 properties were sold, primarily in non-prioritised areas, for just over SEK 4bn. As a result, 98 per cent of Fabege's property portfolio is now concentrated in the three prioritised sub-markets comprising Stockholm inner city, Solna and Hammarby Sjöstad. In addition to this slimlining, the divestments contributed nearly SEK 400m in after-tax profit.

ATTRACTIVE BUILDINGS IN GREAT LOCATIONS

In the rental market, we see a growing shortage of attractive premises in good locations and, as a result, rising rent levels. I sense that the demand for attractive premises rose sharply toward year-end 2010, and I see a clearly discernible trend of relocating to quality buildings. Many companies want to relocate to more modern office premises, and the need to relocate is currently also being driven by companies undergoing expansion. In today's market, Fabege's portfolio of quality properties in attractive locations is extremely valuable and bodes well for the years ahead. With an ever stronger rental market, I now regard our vacancies as a future business potential.

New customers are important, but existing customers are definitely our principal asset. We need to continue our efforts to encourage even more of existing customers to extend their leases. Accordingly, net lettings will remain in focus in order to reduce the vacancy ratio and, in turn, increase the surplus ratio and the property portfolio yield.

THE ENVIRONMENT – OF COURSE

Fabege's goal is to contribute to sustainable social development. We take the sustainability aspect into consideration throughout the business process, and it is included as a natural and vital part of daily business activities and in dialogues with our customers. Lower

“We delivered an exceptionally good property management result, and the earnings from transactions and the development portfolio also made a strong contribution.”

energy consumption through systematic energy-efficiency enhancements has been one of Fabege's key environmental objectives for many years. Fabege's heating consumption is now 40 per cent lower than the national average, and our total energy consumption continues to decline. I am proud of this trend. We will continue to work with energy efficiency, environmental certification, and the implementation of green rental contracts. Both Fabege and the tenants have a great deal to gain from these efforts.

OUTLOOK FOR 2011

If today's positive economic forecasts come true, I am convinced that 2011 will be another year of favourable business growth and strong earnings for the company. With attractive properties in growth locations and a focus on projects and transactions, Fabege's opportunities to benefit from current market trends are exceptionally good.

Our goals for 2011 call for continued substantial contributions to Fabege's total earnings from property management, property improvement and transaction activities. We have the strong potential to improve the letting ratio through increased net letting, thus increasing the yield and value of the portfolio. Our ongoing projects and project opportunities in attractive locations will also contribute to an increased cash flow and value growth, and today's market provides an excellent opportunity to raise our investment volume. We have an attractive project portfolio with great potential, and a strong balance sheet that creates room for investments in new value-creating projects, as well as new acquisitions, should suitable properties arise on the market.

Although a strong economy means higher interest rate costs, economic growth and inflation are positive factors for property ownership. With the attractive locations and development opportunities represented by our portfolio, Fabege is among the companies with the best potential to capitalise fully on today's market conditions.

Stockholm, February 2011

CHRISTIAN HERMELIN
CEO

Strategic focus

Fabege owns and manages an extensive property portfolio in the Stockholm region, the most dynamic property and rental market in the Nordic countries. The company strives to create business opportunities and generate value through all stages of the business cycle. To achieve its operational objectives, Fabege has established clear strategies for business-critical areas.

Business concept

Fabege's business concept focuses on commercial properties 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 to our clients and to society in general. The natural first-choice provider.

Mission

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

Fabege's strategies

PORTFOLIO STRATEGY

The core of Fabege's operations comprises commercial properties in the Stockholm inner city, Solna and Hammarby Sjöstad sub-markets. Since 2004, Fabege has implemented a goal-oriented restructuring and concentration of its property portfolio. The Group aims to concentrate its properties in management-efficient units. Fabege intends to acquire properties offering strong growth potential in prioritised areas. The aim is to continuously advance the property portfolio and add value through acquisitions, property development and sales.

STRATEGY FOR PROPERTY DEVELOPMENT

Fabege is working to develop and realise the potential of the existing property portfolio. New projects should generate a return on invested capital of at least 20 per cent and raise the status of the priority areas.

CUSTOMER STRATEGY

Fabege aims to develop strong customer relations. Through active property management by competent and customer-focued staff, Fabege seeks to nurture and develop its relations 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 company image among its priority stakeholders by raising awareness and providing knowledge about our activities.

Developing Fabege's intangible assets also involves building strong brands in the company's prioritised 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 business objects.

The company's funding arrangements should be stable, carefully evaluated and cost-effective. Fabege should also maintain a continued high cost efficiency and strive for constant improvements.

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 co-worker level. Measuring and reviewing 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

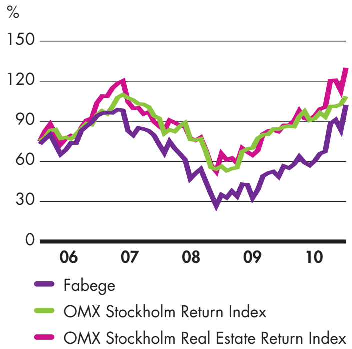
The company's key financial criteria adopted by the Board are profitability, as measured by return on equity, equity/assets ratio and interest coverage ratio. Fabege aims to be one of the most profitable listed property companies long-term. The target is to maintain an equity/assets ratio of at least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

EFFICIENCY GOALS

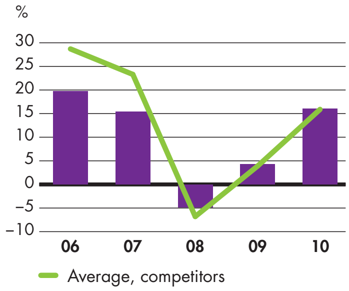
Fabege aims to retain a high level of cost-efficiency and to be the leading player in comparison with other Swedish property companies. To improve its operational efficiency and achieve its financial goals, the company continuously implements various forms of process improvements. The goal is to create an atmosphere where ideas and initiatives to develop pro-

FINANCIAL GOALS

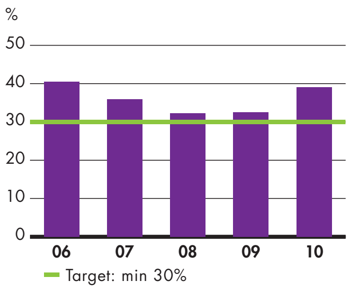
Total return



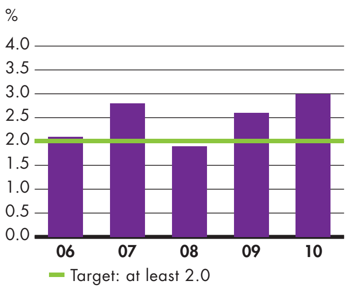
Return on equity



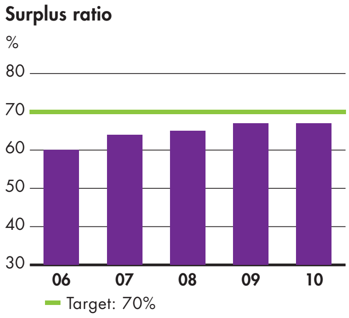
Equity/assets ratio



Interest coverage ratio



Surplus ratio



cesses and procedures are harnessed and converted into action. In 2010, several process development projects were implemented in various parts of the organisation. This work will continue in 2011.

Another long-term goal is to improve the surplus ratio to 70 per cent. In 2010, Fabege's surplus ratio was 67 per cent (67).

ENVIRONMENTAL & ENERGY OBJECTIVES

Since 2002, an overriding environmental and efficiency objective has been to reduce the company's year-on-year energy consumption by an average of 5 per cent. A future objective is to reduce energy consumption by 20 per cent from the 2009 level by 2014, which corresponds to an annual average reduction of 4 per cent. In 2010, the reduction was 3 per cent.

CUSTOMER MIX OBJECTIVES

Fabege has about 1,500 leases in its commercial portfolio. To minimise its risks, Fabege aims to achieve a balanced mix of stable customers from various market segments. The company's 15 largest tenants in terms of value account for approximately 31 per cent of the total contracted lease value, and, in most cases, its leases have a duration that significantly exceeds the average in the company's proprietary portfolio.

CUSTOMER-RELATION OBJECTIVES

During the year, a new method to improve and intensify Fabege's customer relations was implemented. Based on last year's customer survey, a structured process was initiated with the aim of creating improved insight into the customers' perception of Fabege. Part of the process involves accompanying the customer into the long-term management relationship with Fabege, from the leasing process and customisation of premises to tenant needs, to assuming occupancy in the finished premises. The objective is to identify any development potential within Fabege in order to offer the customer an even better product and service, thus building stronger customer relations.

EMPLOYEE SATISFACTION GOALS

Fabege aims to be an attractive employer – where co-workers have a sense of commitment, participation, and are able to develop and grow. The boundaries and objectives for each employee's area of responsibility should be clearly defined and established. Our employees' activities are based on the company's core values, SPEAK.

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. During 2010, no employee survey was planned, the next survey is scheduled for 2011, when we will aim to further improve our excellent scores. Read more on page 44.

Opportunities and risks

All business activities are associated with a certain measure of risk, which also generates opportunities. Fabege aims to limit its risk exposure and, to the extent possible, control it when it comes to choosing investment objects, tenants and contract terms, as well as financing terms and business partners. Described below are the principal areas of risk faced by Fabege in its business operations.

CASH FLOW OPPORTUNITIES AND RISKS

The risks and opportunities associated with cash flow primarily pertain to changes in rental income, property expenses and interest expenses. The sensitivity analysis on page 52 presents the financial impact that changes in these items have on cash flow.

Rental income

Growth in the Swedish economy is the primary engine driving demand for office premises. Increased demand leads to lower vacancies and rising rents. Vacancies and rents are also impacted by new production.

Fabege's property portfolio is concentrated to sub-markets with favourable growth potential. Commercial premises, with an emphasis on office space, account for 99 per cent of its operations. Accordingly, employment figures and developments in the Stockholm office market are of considerable significance for Fabege's operations.

Since commercial leases have a term of a certain number of years, changes in rents do not achieve full effect during a given year. Newly signed leases generally have a term of three to five years, including a period of notice of nine months and an index clause related to inflation. Rents for the company's lease portfolio are currently deemed to be in line with market levels. Normally, about 20 per cent of the lease portfolio is renegotiated each year. Fabege's average remaining lease term for commercial leases was 3.5 years at year-end.

Fabege works closely with its customers and is receptive to their changing needs. The risk of increased vacancies in the investment-property portfolio is deemed minor considering the portfolio's central locations and stable customers. The lease portfolio is spread among many sectors and companies of different sizes. The largest tenants in terms of value are all stable companies and comprise a limited portion of the total number of tenants. With the aim of limiting the credit risk, Fabege's credit policy governs the controls and assessments that are made of the customers' ability to pay. The tenants' ability to pay is strong and rent losses are negligible.

Fabege's portfolio of modern office premises in central locations generates a stable cash flow from management operations. However, when we conduct project operations, buildings are vacated, which has an adverse impact on cash flow for a period of time.

Property expenses

Property expenses include regular operating and maintenance expenses, property tax, ground rent and administration and letting expenses. Regular operating expenses largely comprise tariff-based expenses such as heating, electricity and water. Fabege is pursuing a successful effort to reduce its consumption of heating, electricity and water, with a target of achieving 20-per cent lower consumption over a five-year period. Fabege also conducts regular contract negotiations and procurements aimed at reducing costs. A large portion of property expenses is paid for by tenants, thus reducing the company's exposure. The standard of the property portfolio is deemed to be high.

Interest expenses

The interest rate risk refers to the risk that changes in market interest rates will impact Fabege's borrowing costs. Interest expenses are the Group's single largest expense item. Under the company's finance policy, the fixed-rate period shall be based on the estimated interest trend, cash flow and capital structure. The strategic focus is primarily on a short fixed-rate period. Fabege employs financial instruments, mainly in the form of interest rate swaps, in order to limit the interest rate risk, and to flexibly influence the average fixed-rate period of the loan portfolio. The fixed-rate period in the loan portfolio was about 23 months at year-end.

OPPORTUNITIES AND RISKS ASSOCIATED WITH VALUES AND FINANCING

Property values

Properties are booked at fair value and the value changes are included in profit or loss. The sensitivity analysis on page 52 presents the impact that changes in property values have on earnings, equity/assets ratio and loan-to-value ratio. The value of the property is determined according to an established methodology. Fabege has the value of about 25 per cent of its portfolio appraised externally at the end of each quarter. The value of the remaining properties is appraised internally. Accordingly, the entire property portfolio is valued by an external appraiser at least once a year. Changes in rents, vacancies and yield requirements in the market have an impact on the value of the properties. Fabege's properties are concentrated to central Stockholm and its immediate surroundings. Stable customers and modern premises in prime locations provide a strong foundation for maintaining property values, also during economic downturns. The continued advancement of Fabege's project and development properties creates value growth in the portfolio.

Financial instruments

Fabege deploys fixed-income derivatives to flexibly impact the average fixed-rate period of the loan portfolio. Derivatives are recognised at fair value. If the agreed interest rate deviates from the market rate, a theoretical surplus or deficit value arises, which is recognised in profit or loss.

Interest-bearing liabilities and financial risks

The property sector is capital intensive and requires a functioning capital market. The liquidity risk refers to the borrowing requirement that can be covered by refinancing or new borrowing in a strained market scenario. Fabege aims to strike a balance between short and long-term borrowing divided among a number of financing sources. Long-term credit facilities with predetermined terms and conditions, and revolving credit facilities have been signed with lenders. The average fixed-term maturity period at year-end was 5.3 years. Also refer to the Financing section below.

Deferred tax

Fabege recognises deferred tax liabilities attributable to the difference between market value and the taxable residual value of properties. However, sales are normally conducted through packaging, resulting in a lower effective tax rate.

OTHER OPPORTUNITIES AND RISKS

Tax cases

Fabege is pursuing several tax cases in the Administrative Court and the Administrative Court of Appeal related to property sales through limited partnerships. The combined exposure amounted to SEK 2,038m at year-end. Ongoing tax cases are described in further detail in the Administration Report on page 53.

Environment

Under the Swedish Environmental Code, commercial businesses are responsible for any contamination or other environmental damages, and for the remediation thereof. The Swedish Environmental Code also stipulates that unless a commercial business is able to pay for the remediation of a property, the party who owns the property is responsible. Accordingly, Fabege could be subject to such remediation requirements. However, Fabege deems this risk to be minor since its property portfolio primarily comprises commercial office premises.

Fabege continuously investigates and identifies potential environmental risks in its property portfolio. In the event of any such risks arising, action and remediation plans for these are prepared.

Financing

Property ownership is highly capital intensive, and Fabege's property portfolio represents a significant value. Accordingly, the choice of capital structure and financing policy are of the utmost importance. Fabege's financing operations are governed by the company's financial policy, which is established by the Board of Directors. Long-term credit lines provide safe and flexible financial management.

CAPITAL STRUCTURE

The balance between shareholders' equity and borrowed capital is a key issue for the company. Fabege aims to have a strong financial position. The company's objective is to achieve an equity/assets ratio of at least 30 per cent and an interest coverage ratio of at least 2.0.

FINANCE FUNCTION

Fabege's financial management, which is a central unit in the Parent Company, is responsible for the Group's borrowing, liquidity management and financial risk exposure.

FINANCE POLICY

Fabege's financing operations are governed by the company's financial policy, which is established by its Board of Directors. The policy states the primary task of the financial management is to ensure that the company always maintains stable, well-balanced and cost-efficient financing. The fixed-rate period must take into account circumstances at any given time. Potential currency exposures must be minimised. The policy also states the counterparties that the company is permitted to deploy and governs the authority and delegation of responsibility for the organisation.

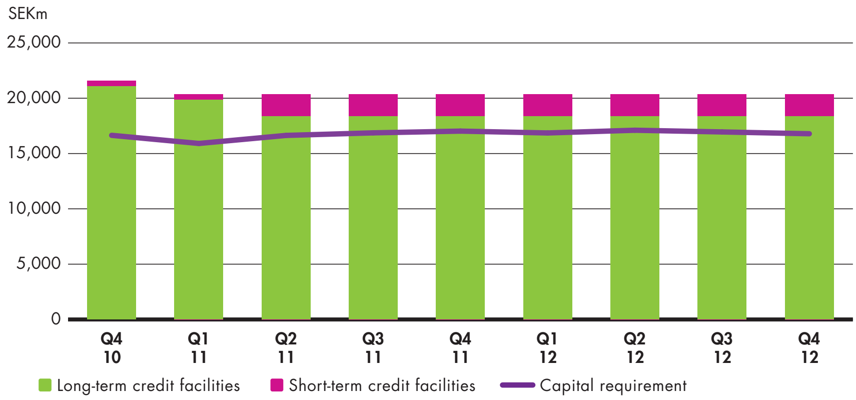
SUPPLY OF CAPITAL

Fabege's supply of capital largely derives from three sources: shareholders' equity, interest-bearing liabilities and other liabilities.

SHAREHOLDERS' EQUITY

Shareholders' equity slightly exceeded SEK 11bn, which, in relation to the total assets of SEK 29bn, corresponded to an equity/assets ratio of 39 per cent at year-end. This is well above the company's target of 30 per cent.

Credit facilities and capital requirement, 31 January 2011



INTEREST-BEARING LIABILITIES

Access to long-term and stable financing is crucial to the pursuit of a long-term sustainable business. Fabege values long-term and trusting relations with its creditors. The company has decided to sign long credit agreements with some of the largest banks in the Nordic region. The largest lenders are Swedbank, Nordea, Handelsbanken, SEB, Nykredit, and Realkredit Danmark. The credit agreements enable the company to borrow funds as needed within a predetermined framework, and to govern the terms in the form of, for example, margins that are to apply in the coming years. The Group's borrowing requirements and its access to credit lines are presented in the diagram above. Following the extension of a borrowing agreement valued at SEK 2bn and the termination of a borrowing agreement totalling SEK 1bn in January 2011, unutilised credit facilities amounted to SEK 5.2bn. Fabege's loan agreements at 31 January 2011 had an average remaining term of 6.1 years and are renegotiated continually well in advance of maturity.

Commercial paper programme

As a supplement to traditional bank financing, Fabege is active in the Swedish commercial paper market, with commercial paper worth SEK 5bn. The company guarantees access to unutilised credit facilities to cover all outstanding commercial paper at any given time. At year-end, SEK 2.2bn of the programme had been utilised.

OTHER LIABILITIES

Other liabilities mainly comprise non-interest-bearing liabilities, such as accounts payable, deferred tax liabilities, and prepaid expenses and accrued income.

COVENANTS

Fabege's obligations concerning covenants are similar in the various credit agreements and stipulate an equity/assets ratio of at least 25 per cent and an interest coverage ratio of at least 1.5. At property level, the loan-to-value ratio varies between 60 and 80 per cent, depending on the type of property and financing.

COLLATERAL

Fabege's borrowing is largely guaranteed by property mortgage deeds. Shares in property-owning subsidiaries are also deployed as collateral to a lesser extent. Some unsecured borrowing is also undertaken. The distribution of collateral is presented in the diagram to the right.

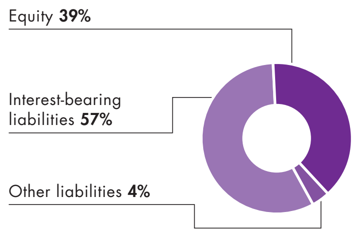
FIXED-RATE PERIOD

Fabege's fundamental view is that short fixed-rate periods generate the lowest interest expenses over time. Accordingly, the company aims to maintain a financial position strong enough to manage the natural variations in net interest expenses that a short fixed-rate period entails. The fixed-rate period that nevertheless can be traced back to the turbulent situation in the financial market during the summer of 2008. At 31 December 2010, the fixed-rate period was 23 months. Read more about fixed-income derivatives and the valuation thereof in Note 3 on page 64.

Financial goals, 31 December 2010

	Goal	Outcome
Equity/assets ratio, %	30	39
Interest coverage ratio, times	2.0	3.0
Loan-to-value ratio, %	60	62

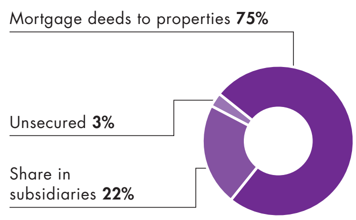
Supply of capital



Loan maturity structure, 31 December 2010

	Credit agreements SEKmr	Drawn SEKm
Certificate programme	5,000	2,249
< 1 year	4,730	3,550
1–2 years	1,000	1,000
2–3 years	6,875	3,667
3–4 years	0	0
4–5 years	4,000	3,200
> 5 years	4,980	2,980
Total	**26,585**	**16,646**

Allocation of collateral



Interest rate maturity structure, 31 December 2010

	Amount SEKm	Average interest rate %	Share %
< 1 year	9,096	3.09	55
1–2 years	0	0.00	0
2–3 years	4,550	3.84	27
3–4 years	0	0.00	0
4–5 years	0	0.00	0
> 5 years	3,000	3.97	18
Total	**16,646**	**3.45**	**100**

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 Property Management and Property Development, as well as Sales and Acquisitions.

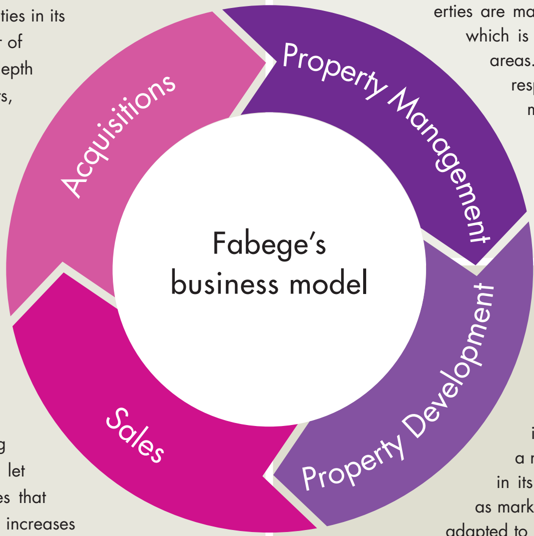
Transactions Read more on page 18 ▶

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.

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.



Property Management Read more on page 13 ▶

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.

Adding value

Property development in properties with growth potential is 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 development and project properties in its portfolio, and seeks to develop its potential 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 GreenBuilding programme.

Property Development Read more on page 15 ▶

Business model contributions to earnings

SEKm	Jan–Dec 2010	Jan–Dec 2009
Profit Property Management	768	779
Changes in value (portfolio of investment properties)	579	–327
Contribution Property Management	**1,347**	**452**
Profit Property Management	14	59
Changes in value (profit from property development)	264	17
Contribution Property Development	**278**	**76**
Contribution Transactions (Realised changes in value)	**237**	**57**
Changes in value, derivatives and equities	67	95
Profit before tax	**1,929**	**680**

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.

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.

About 81 of Fabege's 126 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.

Responsibility for the operations and development as well as for contacts and relationship-building with its clients in the respective 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 the important area of environmental issues and energy consumption, as well as technology and purchasing.

ACTIVITIES IN 2010

In 2010, 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 2011

The primary aim in 2011 is to further focus on letting operations and improving the occupancy rate. We continue to strengthen our customer relations 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.

Mama Mia cares for the children

Our customer Mama Mia, Scandinavia's largest private women and children's clinic, is located in cosy premises on Karlavägen in Stockholm, where it has been active since 2002. Marja Way is one of Mama Mia´s professionals offering specialist care for expecting mothers. ■

Satisfied customers

Everyone is discussing the importance of having satisfied customers. But how do we achieve this? And how can Fabege improve in order to attract new customers while retaining existing ones? We believe in simplicity.

We ask…
We have decided to ask our customers a number of questions to figure out if we can somehow improve.

We listen…
Our customers have needs and expectations. To determine what these are, we must listen to what our customers say and turn their responses into action.

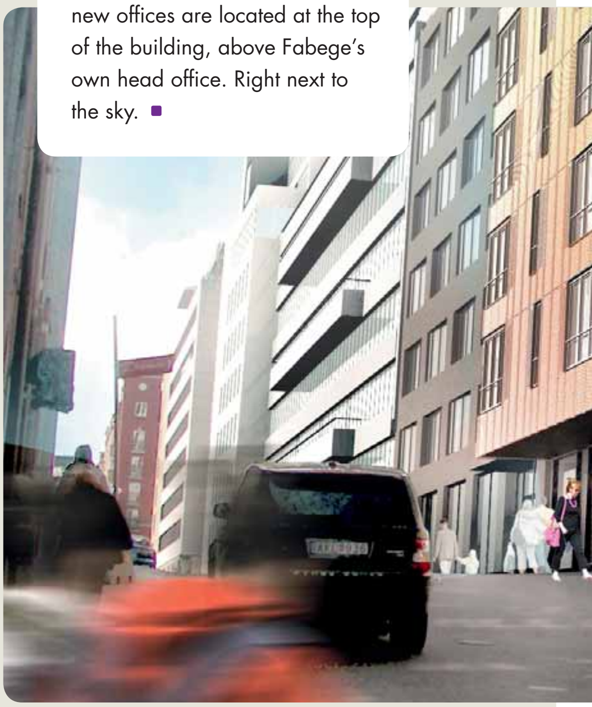
We develop…
If it turns out that our customers feel that we should improve in certain areas, we will work on this to enhance our service.

Selling is one thing, building relationships another. Once we have signed an agreement with a customer, we must honour our promises. Although quality is subjective, customers' expectations must generally be exceeded if a sense of favourable service is to be perceived. In addition to prime premises, this also requires qualities among our co-workers such as perceptiveness, commitment and the right attitude. This is something we work hard to achieve.

Naturally, our goal is to make our customers want to remain Fabege tenants in the long term. Accordingly, we are conducting surveys to identify ways to meet customer expectations and become an even better landlord.

Egmont foresees future potential in Arenastaden

During 2010, Egmont Tidskrifter med Nordisk Film, a successful and exciting media company, signed a lease for 4,500 sqm in Arenastaden, Solna. Egmont's new offices are located at the top of the building, above Fabege's own head office. Right next to the sky. ■



Property Development

Qualified development activities that add value to Fabege's properties is the second cornerstone of our business. For Fabege, sustainable urban development entails the development of not only individual properties, but also areas and districts that will remain attractive long term. Our development projects create a well-proportioned balance between economic, social, ecological and cultural development. This results in vibrant areas featuring a favourable mix of offices, stores and residential units, as well as excellent transport opportunities and environmental consideration.

The company has vast expertise and extensive experience from running property development projects, and strives to attract long-term tenants for properties that have not yet been fully developed and can be redesigned based on the customer's requirements.

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.

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 GreenBuilding programme.

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 residents, for society as a whole and for Fabege.

Responsibility for new constructions and development projects, procurement and follow-up rests with the Projects department. The department is self-sufficient in terms of project expertise. Construction services are, however, procured externally. During the year, the department expanded due to an increased need for proprietary resources.

ACTIVITIES IN 2010

In 2010, the Projects department focused on adding value to Fabege's existing properties in about ten major property development projects in the Stockholm region, and in particular, Vattenfall's new head office in Arenastaden. Some SEK 0.9bn was invested in existing properties. The department also worked with assuring internal processes to improve efficiency and quality.

FOCUS 2011

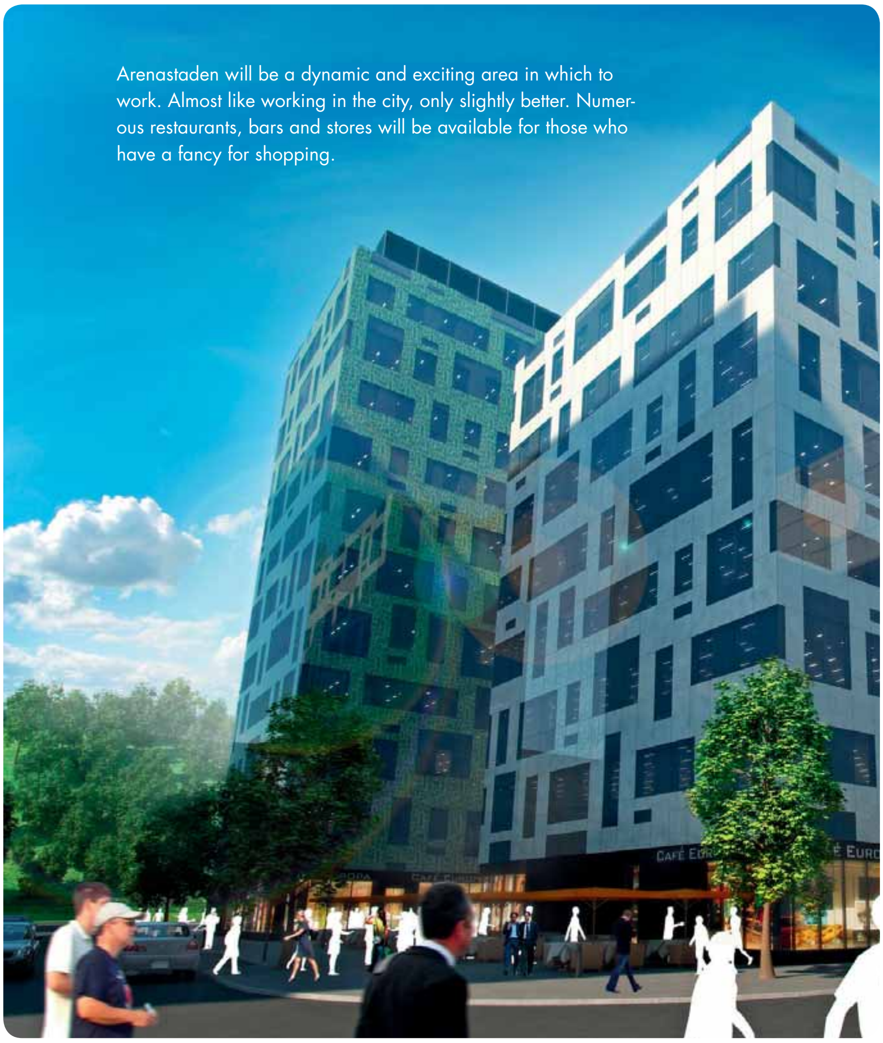
Project volumes are expected to rise in the coming years and the activities will be focusing on developing the new Arenastaden district in Solna, and three major development projects in Stockholm inner city: Apotekaren 22, Klamparen 10, and Bocken 39.

Development of city blocks

In the Bocken property block on Lästmakargatan, in the Norrmalm district of Stockholm, work has been underway on a major development project for a few years. The aim is to reinvigorate a centrally located backstreet by creating a vibrant street environment with attractive office premises, stores and residential units. This will become an attractive area in the very centre of the city.

Construction is being conducted in various phases and comprises four different buildings. The first phase has already been completed with office premises for Carnegie and Max Matthiessen.

The development of new office space and the construction of residential buildings for tenant-owner apartments are currently under way. ■



Arenastaden will be a dynamic and exciting area in which to work. Almost like working in the city, only slightly better. Numerous restaurants, bars and stores will be available for those who have a fancy for shopping.

Project Arenastaden in Solna

a vibrant 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.

There's really no equivalent to Arenastaden anywhere else in Scandinavia. Currently under construction, it will house ultramodern office solutions and safe housing developments, the Swedbank Arena, Sweden's new national football arena, and a place for many other unique events. Plans are also drawn up for a compherensive retail centre, as well as one of the tallest hotels in the Stockholm region. Arenastaden will become a vibrant neighbourhood with a 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 speedy access to Arlanda and Bromma airports. In the longer term, the underground will be closer connected to the commuter trains through an integrated traffic system.

Arenastaden will become an exciting and dynamic place to work. 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. Almost like working in Stockholm city, only a little bit better.

Fabege in Arenastaden

Being a significant player on the Solna property market, Fabege has a strong commitment to the development of the locality. 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.

Fabege already owns the majority of the existing commercial property in Arenastaden, approximately 135,000 sqm in property management and 50,000 sqm in projects in progress, and can offer a wide selection of office premises of all sizes and layouts for small and large businesses. The company has a strong commitment to the development of the district and has already begun to raise the standard of the existing buildings and their surroundings.

In coming years, Fabege will have the opportunity to build more than 130,000 sqm of ultramodern energy-efficient office space in its proprietary portfolio. The 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.

Fabege's property portfolio in Arenastaden, sqm

Existing commercial space	135,000
Projects in progress	50,000
Development rights	130,000
Total	**315,000**

Vattenfall's new head office
The new head office will comprise four interlinked buildings of various heights. Light-toned and glass-clad façades will give a modern, relaxed impression. The street level and main entrance will have a spacious and friendly ambiance.

Vattenfall's new offices in Arenastaden

Vattenfall's new head office is currently one of Fabege's most exciting projects in the emerging Arenastaden district. Construction is fully underway and the office will, upon completion in late 2012, be a modern and environment-friendly building comprising 43,000 sqm of office space and 2,000 flexible workplaces.

Global warming is central to the project and the building will be environmentally labelled with the ultimate GOLD standard under the Sweden Green Building Council's Environmentally Classified Building classification system.

Vattenfall has ambitious environmental and energy aims, and so does Fabege. The building will feature innovations such as solar cells, sedum roofing with vegetation that absorbs water and melted snow, and possible wind turbines on the roofs. This will be a unique building with a high level of environmental compatibility and low energy consumption.

Scandinavia's largest multifunctional arena.

Swedbank Arena will welcome the Swedish national football team, famous artists and unique shows, all year round. Famous celebrities from the worlds of sport and music will come here to compete for medals and the cheers from the audience. When completed in 2012, Solna and the Stockholm region will be proud to offer 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 spectators, and for concerts up to some 65,000.

Billion-krona transaction

In December 2010, Fabege sold 16 properties for SEK 1,350m, thus freeing up resources to invest in properties in Fabege's prioritised areas. As a result of the transaction, Fabege has essentially concentrated its portfolio to the sub-markets of Stockholm inner city, Solna Business Park and Arenastaden in Solna and Hammarby Sjöstad.

Business development

Fabege's third cornerstone is Business Development which focuses on transactions, analyses, valuations and portfolio and business development. Acquisitions and sales are a natural 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 potential, located within the company's sub-markets. 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.

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

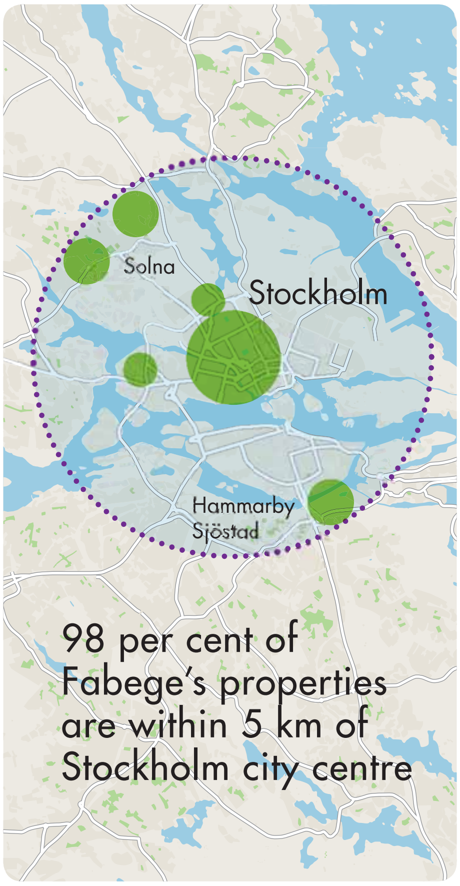
This department consists of nine people. Valuations of the properties are made by internal valuation experts as well as independent external valuation agencies.

ACTIVITIES IN 2010

In 2010, the goal-oriented efforts of concentrating the portfolio continued and were essentially completed. Some 54 properties were divested for a total value of SEK 4,350m. Refer to the compilation of the sold properties on page 23. The properties that remain outside the prioritised sub-markets are individual properties and land.

FOCUS 2011

In 2011, efforts will focus on the acquisition opportunities for properties with development potential. Additional focus will also be placed on optimising value and visualising opportunities in the portfolio.



Investment market

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

In 2010, transaction volumes [1] in the Swedish property market amounted to SEK 98bn (37), of which Stockholm accounted for SEK 42bn (16.3) representing almost 43 per cent of the total Swedish transaction volume. The total transaction volume shows a distinct recovery following last year's decline, although volume has not reached the peak levels of 2006 to 2007, with few exceptions.

Quality and secure cash flows are generally the key factors for investors, thus making most of Fabege's portfolio, featuring properties in prime locations and of solid quality, among the most sought-after investment objects.

STOCKHOLM INNER CITY

The direct yield requirements for modern office properties in central Stockholm are currently between 4.75 and 5.0 per cent. In other inner city locations outside the city centre, direct yield requirements range from 5.25 to 5.75 per cent.

Fabege estimates that yield requirements throughout Stockholm inner city have the potential to decline somewhat, due to expected rental growth.

[1] Transactions larger than/equal to SEK 100m, Source: Newsec.

SOLNA

In Solna Business Park, one of Solna's most attractive office sub-markets, yield requirements are between 5.75 and 6.0 per cent. Fabege sees an increased demand on office space in these areas, which creates a positive effect on rental levels and thereby also on value development.

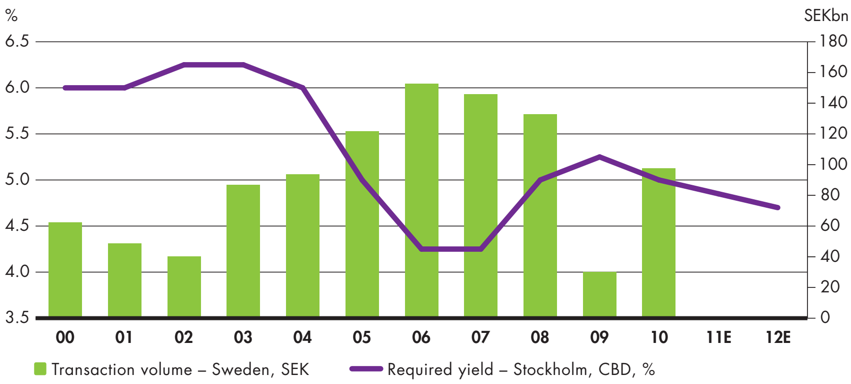
HAMMARBY SJÖSTAD

In Hammarby Sjöstad, an office market that remains in the development phase, yield requirements are range from 6.25 to 6.75 per cent. Fabege sees an increased demand in good products, which creates a positive effect on rental levels.

OUTLOOK

Strong growth and high employment levels, a normalised finance market and only marginally rising interest rates, lead Fabege to expect a positive trend in rents, and thereby somewhat sinking yield requirements during 2011–2012.

Transaction volume/Yield requirements



Source: Newsec

Yield requirements, %	**2010**	**2009**
Stockholm inner city	4.75–5.00	5.25–5.50
Stockholm inner city, outside city core	5.25–5.75	5.75–6.25
Solna Business Park	5.75–6.25	6.25–7.00
Arenastaden	5.75–6.25	6.50–7.00
Hammarby Sjöstad	6.25–6.75	6.50–7.50

Source: Newsec

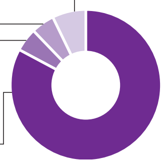
Property portfolio

On 31 December 2010, Fabege's portfolio comprised 103 properties with a total lettable area of 1.1m sqm. The market value was SEK 27.0bn and the rental value totalled SEK 2,1bn. The financial occupancy rate was 88 per cent. Rental income was SEK 2,007m and Net operating income totalled SEK 1,348m.

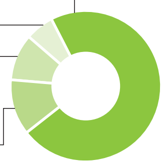
PROPERTY PORTFOLIO

Fabege's properties are concentrated to the Stockholm region and divided into three priority sub-markets: Stockholm inner city, Solna, Hammarby Sjö-stad. Some 98 per cent of the property portfolio is located within a radius of 5 km of the centre of Stockholm. The inner city sub-market accounts for 60 per cent of the total market value and 57 per cent of the rental value.On 31 December 2010, the total lettable area in Fabege's portfolio was 1.1m sqm. The portfolio mainly comprises commercial premises, mostly offices, which account for 823,000 sqm of space and 72 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 2,061m



Lettable area by category, totalt 1,138 '000 sqm



Breakdown by lettable area, per 31 December 2010

'000 sqm	Office	Retail	Industry/ Warehouser	Hotel	Residential	Garage	Other	Total
Stockholm inner city	382,322	27,446	26,412	7,674	10,548	43,687	3,405	501,493
Solna	337,252	30,972	34,151	9,570	1,574	47,519	472	461,509
Hammarby Sjöstad	79,086	12,014	32,445	0	691	7,688	209	132,132
Other Markets	24,237	2,026	15,864	0	0	525	448	43,100
Total	**822,897**	**72,458**	**108,871**	**17,244**	**12,813**	**99,419**	**4,534**	**1,138,234**

Property portfolio	31 December 2010						1 January – 31 December 2010		
	No. of properties	Lettable area, '000 sqm	Market value, SEKm	Yield requirements, %	Rental value, SEKm	Financial occupancy rate, %	Rental income, SEKm	Property expenses, SEKm	Net operating income, SEKm
Property holdings									
Investment properties[1]	69	917	21,453	5.9	1,759	91	1,569	–404	1,165
Developmentt properties[1]	9	149	3,325	5.7	233	76	193	–59	134
Land and project properties[1]	25	72	2,191	6.2	69	44	34	–23	11
Total	**103**	**1,138**	**26,969**	**5.9**	**2,061**	**88**	**1,796**	**–486**	**1,310**
Stockholm inner city	42	502	16,215	5.5	1,167	90	1,069	–281	788
Solna	34	461	8,333	6.3	685	86	556	–138	418
Hammarby Sjöstad	12	132	1,987	6.6	175	82	140	–54	86
Other markets	15	43	434	7.1	34	61	31	–13	18
Total	**103**	**1,138**	**26,969**	**5.9**	**2,061**	**88**	**1,796**	**–486**	**1,310**
Expenses for lettings, project development and property administration									–98
Total net operating income after expenses for lettings, project development and property administration									**1,212** [2]

[1] See definitions on page 89.
[2] The table refers to Fabege's property portfolio on 31 December 2010. Income and expenses are reported as if the properties were owned for the entire period. The difference between reported net operating income above, SEK 1,212m, and net operating income in the profit and loss account, SEK 1,348m, 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 were owned/completed during the period of January–December 2010.

CHANGES IN THE PROPERTY PORTFOLIO

In 2010, Fabege divested 54 properties. Most of the sales were aimed at slimlining the property portfolio to focus on prioritised sub-markets, a concentration of the portfolio that has now essentially been completed. In addition, some of the investment properties in prioritised areas were sold in accordance with the business model's objective of divesting fully developed properties at the right time in order to realise accrued value. No properties were acquired during 2010.

PROJECT DEVELOPMENT

Total investments in existing properties and projects in 2010 were SEK 907m (1,082). The investments referred to new builds, extensions and conversions.

During the first quarter of the year, the projects in the Päronet 8 property at Solna strand (let to the Swedish Tax Agency) and in the Tygeln 3 property in Arenastaden (let to Adidas) were completed, and subsequently transferred to the investment-property portfolio.

Development of the City area
On Lästmakargatan, between Norrlandsgatan and Regeringsgatan, stores, new offices and residences are being built to reinvigorate a centrally located backstreet.

MAJOR ONGOING PROJECTS

The project in the Bocken 39 property on Lästmakargatan 14 is proceeding as planned. During the fourth quarter, a property division was undertaken, under which the residential project was transferred to the Bocken 51 property (divested in January 2011) and part of the property with existing rental rights was partitioned off to form a separate property, Bocken 52.

The project at Farao 20, Arenastaden, is also developing according to plan. Egmont moved in at year-end and Nordisk Film assumed occupancy in February. The property is fully let and will be transferred to Property Management during the first quarter of 2011.

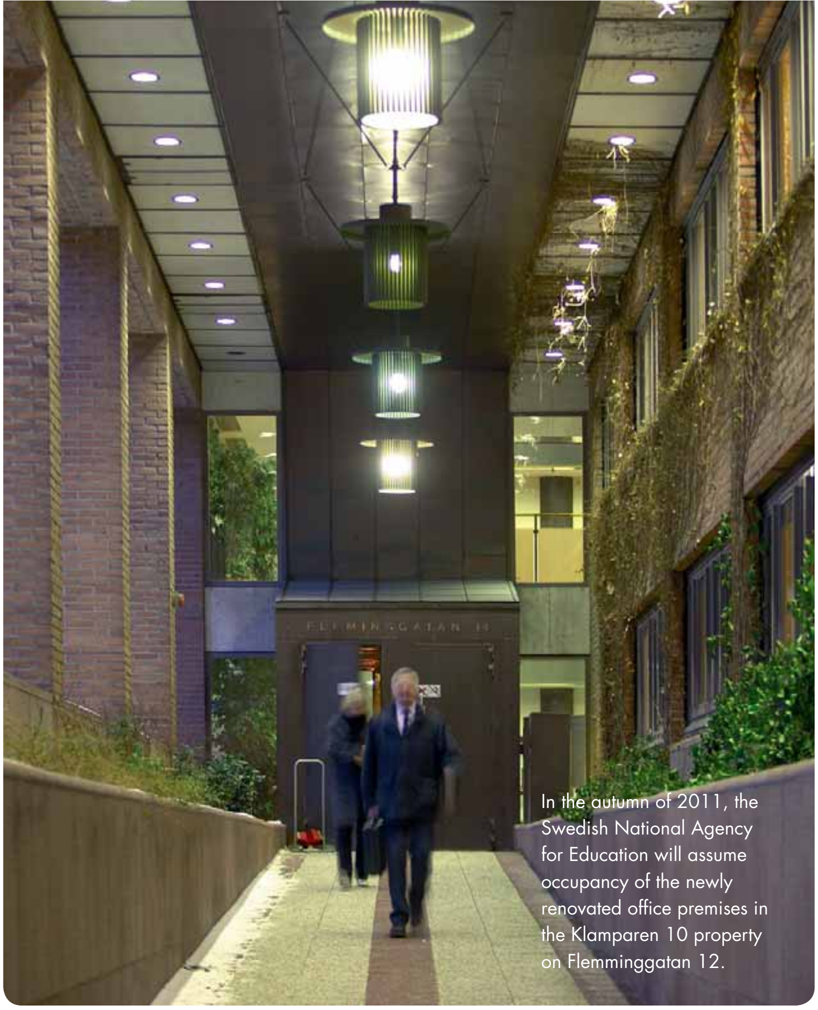
Property portfolio changes

	Fair value, SEKm	No.
Property portfolio, 1 Jan 2010	**29,193**	**148**
+ Acquisitions	–	–
+ Property settlements	–	9
+ New builds, extensions and conversions	940	–
– Sales	–4,007	–54
+/– Unrealised changes in value	843	–
Property portfolio, 31 Dec 2010	**26,969**	**103**

Projects in progress >50 SEKm, 31 December 2010

Property name	Property type	Area	Completed	Lettable area, sqm	Occupancy rate, % Floor area[1]	Estimated rental value[2]	Book value 31 Dec 2010	Estimated investment	Of which, accrued 31 Dec 2010
Bocken 39[3]	Office/Residence	Östermalm	Q4-2011	19,800	74	69	980	147	84
Farao 20	Office	Arenastaden	Q1-2011	8,400	100	16	203	110	99
Fräsaren 10	Office	Solna	Q1-2011	11,470	88	21	240	155	117
Klamparen 10[3]	Office	Kungsholmen	Q4-2011	22,530	46	60	533	160	6
Uarda 5 (former Uarda 2)	Office	Arenastaden	Q3-2012	44,500	97	103	390	1,050	218
Total				**106,700**	**81**	**269**	**2,346**	**1,622**	**524**
Other Land and Project Properties							875		
Other Development Properties							2,295		
Total Projects, Land and Development Properties							**5,516**		

[1] Operational occupancy rate at 31 December 2010.
[2] The annual rent for the largest projects in progress could increase to SEK 269m (fully let) from SEK 65m in annualised current rent as of 31 December 2010.
[3] Information regarding area, rental value and booked value pertains to the entire property. The investment amount pertains to only a portion of the property.



In the autumn of 2011, the Swedish National Agency for Education will assume occupancy of the newly renovated office premises in the Klamparen 10 property on Flemminggatan 12.

Average remaining lease term by sub-market, 31 Dec 2010

Area	No. of properties	No. of leasesl	Lease term
Stockholm inner city	42	700	3.3
Solna	34	389	4.0
Hammarby Sjöstad	12	307	2.4
Other markets	15	62	3.5
Total/average	**103**	**1,458**	**3.5**

Maturity structure of commercial leases, 31 Dec 2010

Due, year	No. of leases	Area, sqm	Contracted annual rent	Share, %
2011	438	177,258	289,572	17
2012	419	146,021	280,963	16
2013	317	184,170	424,958	25
2014	129	105,498	257,881	15
>2015	155	215,585	478,499	27
Total	**1,458**	**828,532**	**1,731,874**	**100**

The project in the Fräsaren 10 property in Solna Business Park was completed in conjunction with Vectura's occupancy in early 2011. The property was transferred to Management in the first quarter of 2011.

In the Klamparen 10 property, on Fleminggatan 12, work gained momentum during January 2011 on behalf of Skolverket. Meanwhile, detailed planning work is in progress to enable the building of an extension.

The project in the Uarda 5 property in Arenastaden, pertaining to the construction of Vattenfall's new head office, is proceeding as planned.

During the fourth quarter of 2010, decision was made to invest in Apotekaren 22 and Bocken 52. These investments amount to approximately SEK 145m and the projects will be starting up in the spring of 2011.

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 2010, the contracted rent was SEK 1,811m (2,167), of which 94 per cent referred to office premises. On the same date, the 15 largest tenants by value represented a total contract value of SEK 565m, or 31 per cent of the total contracted rental value.

LEASES

On 31 December 2010, the portfolio included 1,458 signed leases at a contract value of SEK 1,811m. On the same date, the average remaining contract term was 3.5 years (3.6). In 2010, new leases were signed for 98,000 sqm (145,000) of space with a total annual rental value of SEK 211m (299).

Fabege also renegotiated and extended existing leases with a total annual rental value of SEK 113m (75). The shorter average contract term is primarily due to sales of properties with long leases.

VACANCIES

The financial occupancy rate was 88 per cent (90). The decline was primarily due to vacancies in prospective project properties (The Swedish National Courts Administration in Klamparen 10, and the Swedish Educational Broadcasting Company in Apotekaren 22), and to the divestment of properties with a high occupancy rate.

Property-related key figures

	2010	2009	2008
No. of properties	103	148	157
Lettable area, '000 sqm	1,138	1,429	1,454
Financial occupancy rate, %	88	90	93
Rental value, SEKm	2,061	2,194	2,214
Surplus ratio, %	67	67	65

Fabege's 15 largest tenants by value

- OMX
- Bonnnier Dagstidningar
- ICA
- COOP
- Carnegie Investment Bank
- Peab Sverige
- EDB Business Partner
- Praktikertjänst
- Skatteverket
- Svenska Spel
- Lantbrukarnas Ekonomi
- Migrationsverket
- Cybergymnasiet Nacka
- Finansinspektionen
- Max Matthiessen

On 31 December 2010, the 15 largest tenants by value represented a total contract value of SEK 565m, or 31 per cent of the total contracted rental value.

Property sales

January–December 2010

Property name	Area	Category	Lettable area, sqm
Quarter 1			
Paradiset 29 (50%)	Stadshagen	Office/Retail	17,749
Harpan 51	Östermalm	Office/Residential	4,661
Gjutaren 27	Vasastan	Residential	1,616
Fotkvarnen 1	Rinkeby	Residential	9,312
Fotkvarnen 2	Rinkeby	Land	0
Handkvarnen 3	Rinkeby	Residential	10,463
Hjulkvarnen 1	Rinkeby	Residential	5,818
Hjulkvarnen 2	Rinkeby	Residential	6,039
Hjulkvarnen 3	Rinkeby	Land	0
Rinkeby 2:1	Rinkeby	Land	0
Rinkeby 2:13	Rinkeby	Land	0
Rinkeby 2:14	Rinkeby	Land	0
Skvaltkvarnen 1	Rinkeby	Residential	8,804
Skvaltkvarnen 2	Rinkeby	Residential	4,542
Skvaltkvarnen 3	Rinkeby	Land	0
Hyppinge 1	Tensta	Land	0
Kullinge 1	Tensta	Residential	13,724
Risinge 1	Tensta	Residential	13,938
Vättinge 1	Tensta	Residential	7,223
Vättinge 2	Tensta	Residential	5,358
Vättinge 3	Tensta	Residential	9,490
Öninge 1	Tensta	Land	0
Quarter 2			
Induktorn 28	Bromma	Office/ Retail/Industry	5,388
Hallen 6	Solna	Hotel	4,600
Orgelpipan 4	Norrmalm	Office/Retail	6,858
Päronet 8	Solna	Office	20,216
Vallentuna Rickeby 1:480	Vallentuna	Land	0
Quarter 3			
Ferdinand 9	Bromsten	Industry/Warehouse	4,643
Påsen 10	Hammarbyhamnen	Office/Industry/ Warehouse	9,839
Rovan 3, 4, 5	Huvudsta	Land	0
Sicklaön 145:17	Nacka	Retail	5,087
Vallentuna Rickeby 1:327 (part of)	Vallentuna	Land	0
Vallentuna Rickeby 1:477	Vallentuna	Land	1,167
Quarter 4			
Bordduken 7 [1]	Brommaplan	Office/Retail	8,173
Brandsprutan 2 [1]	Näsbypark	Office	13,270
Domnarvet 18 [1]	Lunda	Office	5,624
Domnarvet 36 [1]	Lunda	Office	3,790
Elementet 1 [1]	Ulvsunda	Office/Retail/ Industry	9,519
Grammet 1	Brommaplan	Office/Retail	7,060
Guldfisken 18	Östermalm	Office	5,092
Hammarby-Smedby 1:471	Upplands Väsby	Land	0
Jollen 4 [1]	Näsbypark	Office	8,302
Karlsro 1 [1]	Järva	Industry/Warehouse	12,970
Lillsätra 3 [1]	Sätra	Industry/Warehouse	8,519
Linneduken 5 [1]	Brommaplan	Office	2,608
Täby Näsbypark 73:5 [1]	Näsbypark	Land	0
Sicklaön 145:2 [1]	Nacka	Retail	2,100
Sicklaön 145:19 [1]	Nacka	Office	17,026
Sjukhuset 9 and 10 [1]	Danderyd	Industry/Warehouse	1,410
Styckjunkaren 3 [1]	Huvudsta	Office	12,911
Veddesta 2:68 [1]	Veddesta	Office/Industry/ Warehouse	2,777
Vävnaden	Brommaplan	Retail	299
Total property sales			**297,985**

[1] Sold as of 5 December 2010, occupancy on 12 January 2011.

In December 2010, Fabege sold 16 properties, located outside its prioritised areas, to Profi Fastigheter II AB, including Linneduken 5 at Brommaplan.

Property valuation

After a couple of years of declining values, the market has now recovered. Successful property development and declining yield requirements enabled Fabege to report positive unrealised value changes of SEK 843m in 2010. Realised value changes amounted to SEK 237m.

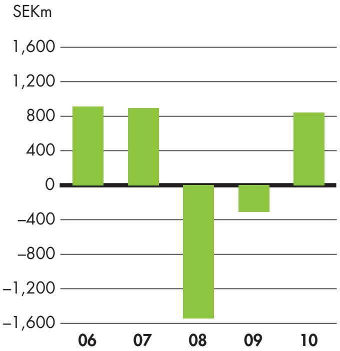
Fabege's ten largest properties by value

Property	Area	sqm
Trängkåren 7	Marieberg	76,463
Ladugårdsgärdet 1:48	Värtahamnen	37,765
Fräsaren 11	Solna	39,330
Bocken 39	Norrmalm	14,779
Apotekaren 22	Norrmalm	31,422
Smeden 1	Solna	45,694
Fräsaren 12	Solna	36,526
Bocken 35	Norrmalm	15,362
Barnhusväder-kvarnen 36	Norrmalm	25,642
Luma 1	Hammarby Sjöstad	38,077

Market value and yields by sub-market

Sub-market	Market value, 31 Dec 2010, (SEKm)	%	Yield %
Stockholm inner city	16,215	60	5.5
Solna	8,333	31	6.4
Hammarby Sjöstad	1,987	7	6.6
Other Markets	434	2	7.1
Total	**26,969**	**100**	**5.9**

Value changes, properties



PROPERTY VALUE

At 31 December 2010, the portfolio had an estimated market value of SEK 27.0bn (29.2). The average discount rate for the portfolio was 7.9 per cent (7.9%) and is based on the nominal interest rate on five-year government bonds plus a premium for property-related risk. The weighted required yield at the end of the calculation period was 5.9 per cent (6.0).

CHANGES IN VALUE

Unrealised changes in the value of Fabege's properties in 2010 totalled SEK 843m (–310). The write-up/increase corresponds to a value increase of about 3 per cent during the year. Compared with the preceding year-end, the average yield requirement in the property portfolio declined about 0.1 per cent. The decline in yield requirements in the city centre more or less equals that of the outer and inner suburbs. The net effect of the value changes further increased as a result of improved cash flows from the properties and positive results from projects. Investments in the portfolio will ultimately lead to reduced vacancies and higher rents and thus, increased 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 ac-

Valuation data

Each property is valued separately without taking portfolio effects into account. Property valuations are based on the following valuation data:

- Quality-assured information from Fabege, including each property's specific prospects, taking into account factors such as condition, location, leases, running and maintenance costs, vacancies, lease duration and planned investments. An analysis of existing tenants is also made.
- Current assessments of trends in rents, vacancies and required yields for relevant geographic and character-defined markets as well as normalised running and maintenance costs.
- Information from public sources concerning the land area of the properties, leaseholds and detailed development plans for undeveloped land and developable properties.
- Properties are inspected on a rolling schedule and all properties have been inspected in the past three years. The aim of the inspections is to assess the properties' overall standard, condition and the attractiveness of the premises. For larger conversions or other major value-impacting events, new inspections are conducted in connection with the external valuation.

cordance with the Valuation Guidelines of the Swedish Property Index. In 2010, the properties were valued by Newsec Analys AB, whose appraisers are authorised by ASPECT, the Association for Chartered Surveying, Property Evaluation and Transactions. Valuations were regularly performed during the year. Each quarter, internal valuations are also conducted of parts of the portfolio, as well as an internal overall value assessment of the entire portfolio. The internal valuation is performed using the same methodology as the external valuations.

The properties expected future cash flow during the selected calculation period is measured as follows:

- \+ Rent payments
- – Running costs (including property tax and ground rent)
- – Maintenance costs

= Net operating income

- – Less investments

= Cash flow

PROPERTY CATEGORIES

Valued properties are divided into the following categories:

- Investment Properties in normal operation, for which a cash flow valuation is performed.
- 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.

Investment and Project Properties

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. All premises are subject to an individual market-based assessment of rents. For leased premises, an estimated market rent is used for the cash flow calculations after the expiration of the lease. The assessment of such factors as market rents, future running costs and investments was performed by external appraisers using information from Fabege's organisation. Operating and maintenance expenses were based on historical results, and on budget figures and statistics pertaining to similar properties. Cash flow analyses with calculation periods exceeding five years are applied if deemed motivated due to long leases.

Other Project Properties

Valuations of Other Project Properties are based on the prevailing planning conditions and listed price levels in connection with the sales of undeveloped land and building rights.

Market review

With 11.9 million sqm of office space, the Greater Stockholm office market is considered the largest and most liquid office market in the Nordic region. The region is the country's economic engine with a rapidly rising population, well-educated labour force and competitive companies. The service sector, which is the single largest industry in the region, contributed to a stable trend during the recession, a strong recovery and solid future growth potential.

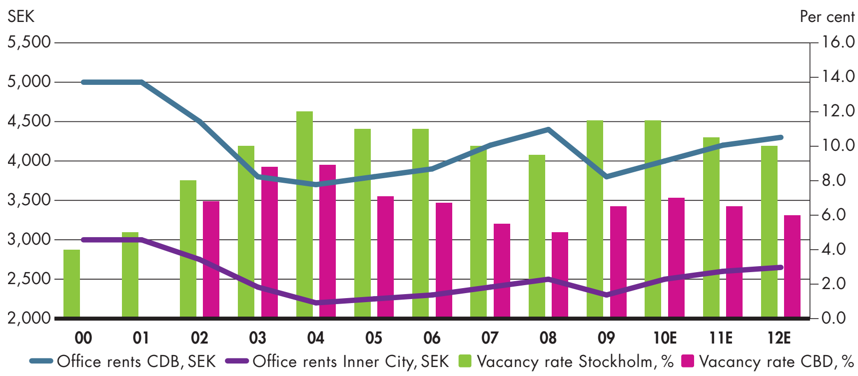
by Newsec Advice AB

Swedish economy reported very strong figures during of 2010 and GDP grew 7.3 per cent during the fourth quarter compared to the same quarter 2009. In the past year, the economy has been in recovery, and economic indicators reflect a climate that is clearly above average. Export demand and household consumption increased during the year, although the recovery largely derived from temporary stockpiling in the industrial sector. The financial market has recovered in part, while bank margins declined noticeably in 2009–2010. The margins, which are approaching levels that are more sustainably normal, are higher than before the financial crisis. However, the spread in the margins between various investors is expected to remain considerable, depending on factors such as the bank's assessment of risk levels in different portfolios. Sweden's GDP growth is expected to be 3.5 per cent in 2011 and 2.5 per cent in 2012.

Macroeconomic indicators – Sweden

Source: Newsec

Rents and vacancies



Source: Newsec

CONTINUED STRONG GROWTH IN THE STOCKHOLM REGION

The Stockholm region is the engine of the Swedish economy. Over the past three decades, the population has increased by one-third and is expected to rise by an additional approximately 1 per cent annually (about 21,000 people) until 2040, compared with nationwide growth of around 0.4 per cent. Two of the most expansive municipalities in the region are Stockholm and Solna, whose populations are expected to grow by 1.3–2.3 per cent annually through 2019.

The service sector is the single largest industry and, as a result of its strong trend, effects of the recession were mild and recovery strong. In the fourth quarter of 2010, employment in the region grew 2.1 per cent compared with 2009, and the region is expected to experience stronger growth than the rest of the country in the years ahead. The population growth, combined with the positive net influx of people, generates economic growth, which is expected to increase the demand for infrastructure, housing and commercial premises in the years to come.

SURPLUS DEMAND IN THE OFFICE MARKET

Stockholm's office market comprises approximately 11.9 million sqm of floor space. Just over one million people are employed in the region, corresponding to a demand for some 500,000 office workplaces.

Since the early 2000s, new production combined with an increasingly efficient use of premises has created a supply surplus in the office market. However, since the demand for office space is now increasing faster than the supply, this supply surplus is expected to turn into a demand surplus in the coming years, resulting in fewer vacancies and increased rents. In 2010, about 140,000 sqm of office space was completed. This year, new production is expected to decline to 40,000 sqm, to subsequently rise to 120,000 sqm in 2012. The largest share of the newly produced space is also expected to remain pre-let.

A MORE EFFICIENT OFFICE MARKET

Stockholm's office market has become increasingly divided in recent years, with an increasing rent and vacancy discrepancy between premises of high and low space efficiency. The efficiency of premise use has increased and, despite employment having grown by more than 100,000 jobs in the 2000s, the amount of office space in use has remained stable at about 10.5 million sqm. This has resulted in vacancies increasing from about 500,000 sqm to 1,500,000 sqm, with a large share of the vacancy increase having occurred in the older element of the portfolio. The effect of the divided market has been beneficial and is expected to continue to benefit efficient office space in prime locations.

STOCKHOLM INNER CITY

The inner city has been, and is estimated to continue to be, the most attractive sub-market in Stockholm. This is due to increasing commuting, which creates greater demand for office space located within a relatively short journey from the Central station. The area comprises 6.2 million sqm, of which some 1.9 million sqm are found in the CBD (Central Business Dirstrict). Strong development in the service sector resulted in a sharp increase in demand for modern offices in the CBD in 2010. In recent years, a number of major office projects have been completed, particularly in the western areas by Stockholm Central Station, and the standard of Fabege's available office space is high. In 2011, essentially no new office space is expected to become available, while just over 10,000 sqm of space is expected to be completed in 2012. Vacancies for high-quality office space are low and rents increased in the past year from about SEK 3,700/sqm to SEK 3,900/sqm, with peak rents at about SEK 5,000 sqm. Rents are expected to continue rising in 2011.

Efficient office premises in other inner city areas are also expected to show favourable development in the years to come. There has been a significant amount of new production of office space in recent years, particularly in Västra Kungsholmen. The sub-markets that the City of Stockholm is primarily focusing on and that will be developed ahead are Västra Kungsholmen, Norra Stationsområdet and Värtahamnen. A total of nearly 90,000 sqm of office space is expected to become available in the market in 2011 to 2013. Rents increased in 2010, market rents are about SEK 2,500/sqm, and are expected to continue rising in 2011.

SOLNA

Located close to Stockholm inner city, Solna is an established office market with a total of about one million sqm of space. Solna Business Park and Frösunda currently have the most efficient office portfolio. However, about 200,000 sqm of new office space is planned in Arenastaden (Solna Station) in the coming years, which will raise the sub-market's standards and attractiveness. The development of Norra Station/New Karolinska Hospital is also key to the municipality's future, since the project will connect Stockholm and Solna, and a world-leading Science Park will be created, featuring unique life science expertise. In 2011 to 2013, 145,000 sqm of office space is expected to become available in Solna, most of which in Arenastaden, Frösunda and Huvudsta. Market rents for modern offices in Arenastaden and Solna Business Park increased somewhat in 2010, to SEK 1,900/sqm, and are expected to continue to increase in 2011.

Main landlords in the Stockholm region, commercial premises

Owner	Floor area (sqm)
Vasakronan Holding AB	1,727,204
Stockholms Kommun	1,471,479
Fabege AB	891,343
AMF Pensionsförsäkring AB	457,341
Atrium Ljungberg AB	449,959
Rodamco Northern Europe AB	393,676
Försäkringsaktiebolaget Skandia	359,878
L E Lundbergföretagen AB	332,782
AFA Sjukförsäkringsaktiebolag	319,917
Boultbee (Holding) AB	294,440

Source: Newsec

HAMMARBY SJÖSTAD

Hammarby Sjöstad has been one of Greater Stockholm's largest development areas in the past decade. A combination of relatively low office rents and proximity to the inner city makes the area attractive among tenants. The office market totals nearly 100,000 sqm and almost 10,000 sqm of office space is expected to become available in the market in 2011 to 2013. Despite a high vacancy rate of around 18 per cent, activity in the letting market rose in 2010. Market rents are about SEK 1,600/sqm, although they can reach SEK 2,000/sqm in the most modern parts of the portfolio. Rents are expected to increase somewhat in 2011.

Fabege is the second largest commercial property owner in the inner city of Stockholm, with 42 properties comprising 502,000 sqm.

Fabege's market share of the office market in Stockholm inner city.

6%

Stockholm inner city

The inner city of Stockholm is the largest office market in the Nordic region. With approximately 6.2m sqm 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 42 properties comprising 502,000 sqm. The portfolio is dominated by modern offices and retail outlets in prime locations. Currently, offices account for 76 per cent of the portfolio, which represents a market share of 6 per cent of the office market.

The rental value of Fabege's inner city properties is SEK 1,167m, which represents 57 per cent of the Group's total rental value. At year-end 2010, the occupancy rate in the area was about 90 per cent.

For many sectors, a central location is a high priority and price sensitivity is low, which is reflected in high rents. Tenants in the city centre mainly comprise finance companies, law firms, management consultants and other consultancies.

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 owns a well contained cluster of eight properties. In these property blocks, Fabege is conducting an extensive project aimed at reinvigorating a central backstreet, thus creating an attractive location in the very heart of the city.

Another priority area for Fabege is Norrtull/Norra Stationsområdet, where the company now owns five properties, including the Wenner-Gren Center landmark property. In the Kungsholmen district of Stockholm, Fabege owns buildings such as the DN Tower and the adjacent low-rise buildings.

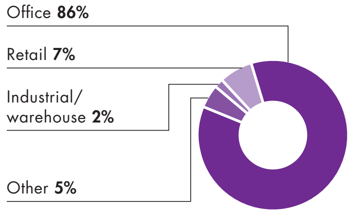
Fabege's rents were stable during the year. In 2011, we expect a stronger rental market with lower vacancies and higher rents.

Market rate and vacancy rate

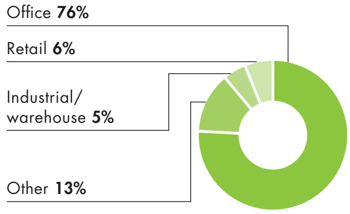
	Market rate, SEK/sqm	Vacancy rate, %
Stockholm inner city	3,400–3,900	7.0
Outside city	1,800–2,500	9.5

Source: Newsec

Rental value by category



Lettable area by category



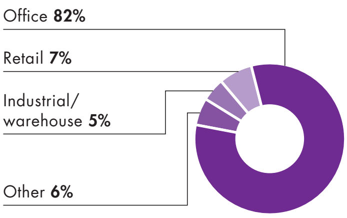
Key figures	2010
No. of properties	42
Market value, SEKm	16,215
Lettable area, '000 sqm	501
Financial occupancy rate, %	90
Remaining contract term, years	3.3
Rental value, SEKm	1,167

Largest tenants	sqm
Nasdaq OMX	34,000
Bonnier Dagstidningar AB	28,000
Lantbrukarnas Ekonomi AB	12,000
Carnegie Investment Bank AB	10,000
Praktikertjänst AB	9,000

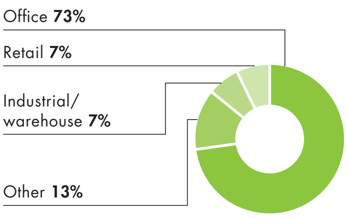
Solna

In 2010, Solna was named Sweden's most business-friendly municipality for the fifth 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 million sqm.

Rental value by category



Lettable area by category



Key figures	2010
No. of properties	34
Market value, SEKm	8,333
Lettable area, '000 sqm	462
Financial occupancy rate, %	86
Remaining contract term, years	4.0
Rental value, SEKm	685

Largest tenants	sqm
ICA	27,000
Peab Sverige AB	17,000
Skatteverket	16,000
COOP	13,000
EDB Business Partner Sverige AB	13,000

Market rent and vacancy rate

	Market rent, SEK/sqm	Vacancy rate, %
Solna Business Park	1,700–1,900	9
Arenastaden	1,400–1,900	18

Source: Newsec

As Solna's largest commercial property owner, Fabege is in a unique position to take part in the renewal of entire districts.

Fabege owns 34 properties with a total floor space of 462,000 sqm in Solna. Today, 73 per cent of Fabege's premises in the area are offices. The rental value is about SEK 685m, representing 33 per cent of the company's total rental value.

SOLNA BUSINESS PARK

Today, Solna Business Park is virtually a fully developed district that constitutes an established business park with attractive tenants like ICA, EDB and Coop, having located their head offices here. The area has good communications with the metro, buses and the forthcoming light-rail service.

Many tenants in Solna Business Park are stable customers with long leases. The lettings ratio in the area was about 93 per cent at year-end 2010.

ARENASTADEN

An entirely new district is emerging around Solna Station, Arenastaden. Here, Fabege sees a big potential to create a living neighbourhood with office, retail and residential properties in an attractive environment. The area has good transport connections, with commuter trains serving a centrally located station, and many local bus services.

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. In Arenastaden, which is still in the early stages of development, Fabege's rents are somewhat lower than in Solna Business Park. At year end 2010, the occupancy rate was 80 per cent.

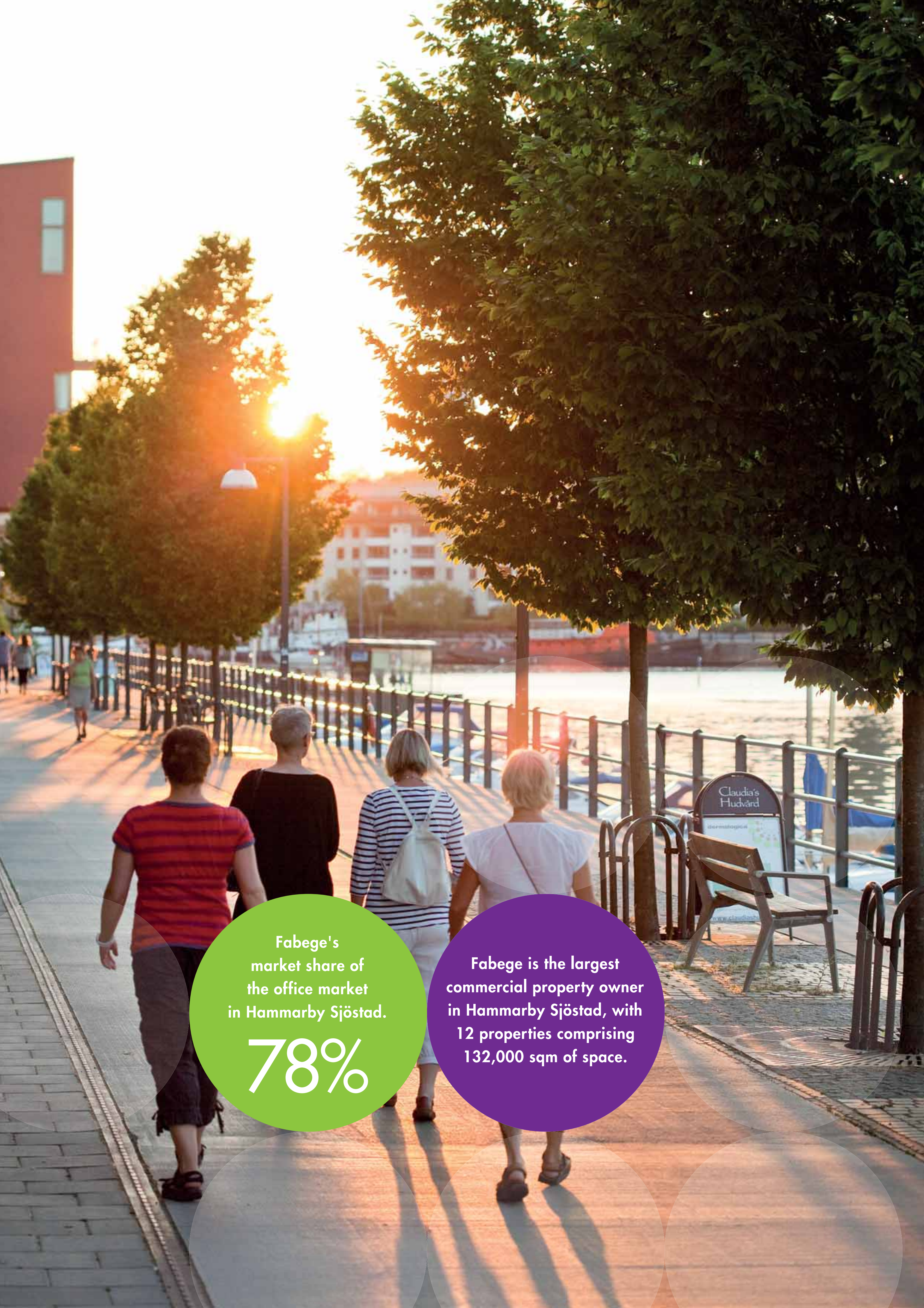
GREATER SOLNA

Fabege also owns about ten properties in other areas of Solna.

Fabege is the largest commercial property owner in Solna with 34 properties comprising 462,000 sqm of space.

Fabege's market share of the office market in Solna.

33%



Fabege's market share of the office market in Hammarby Sjöstad.

78%

Fabege is the largest commercial property owner in Hammarby Sjöstad, with 12 properties comprising 132,000 sqm of space.

Hammarby Sjöstad

In the last decade, Hammarby Sjöstad has been one of the most interesting development areas in Greater Stockholm. An attractive new city district has been developed on former industrial grounds. It has quickly become a popular residential area, which is also becoming increasingly attractive for office premises. The total amount of office space in Hammarby Sjöstad is about 100,000 sqm.

Fabege is the largest owner of commercial premises in Hammarby Sjöstad. The company owns 12 commercial properties with a total floor space of 132,000 sqm in the area. The rental value is about SEK 175m, representing 8 per cent of the company's total rental value. Offices account for 60 per cent of Fabege's premises, representing 78 per cent of the office market in Hammarby Sjöstad. At year-end 2010, the occupancy rate in the area was about 82 per cent.

Hammarby Sjöstad has evolved to a highly attractive area, with mainly residential space, but also a significant share of commercial premises. The area is well connected through the Tvärbanan light rail line, ferries and local bus services. In the coming years, Fabege will focus on further establishing Hammarby Sjöstad as an attractive office market.

As the single largest owner and manager of office properties in Hammarby sjöstad, Fabege has the opportunity 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 is mainly made up of a large number of small customers.

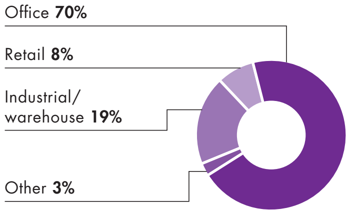
Rents have increased over the past few years, and are expected to continue to rise. The proximity to the inner city, good transport links and the exclusive waterfront location all create a special character that is attracting creative service-sector companies such as architectural firms, advertising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

Market rent and vacancy rate

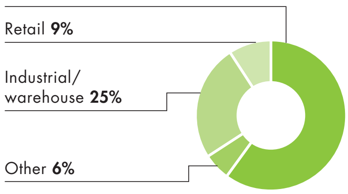
Market rate, SEK/sqm	1,400–1,600
Vacancy rate, %	18

Source: Newsec

Rental value by category



Lettable area by category

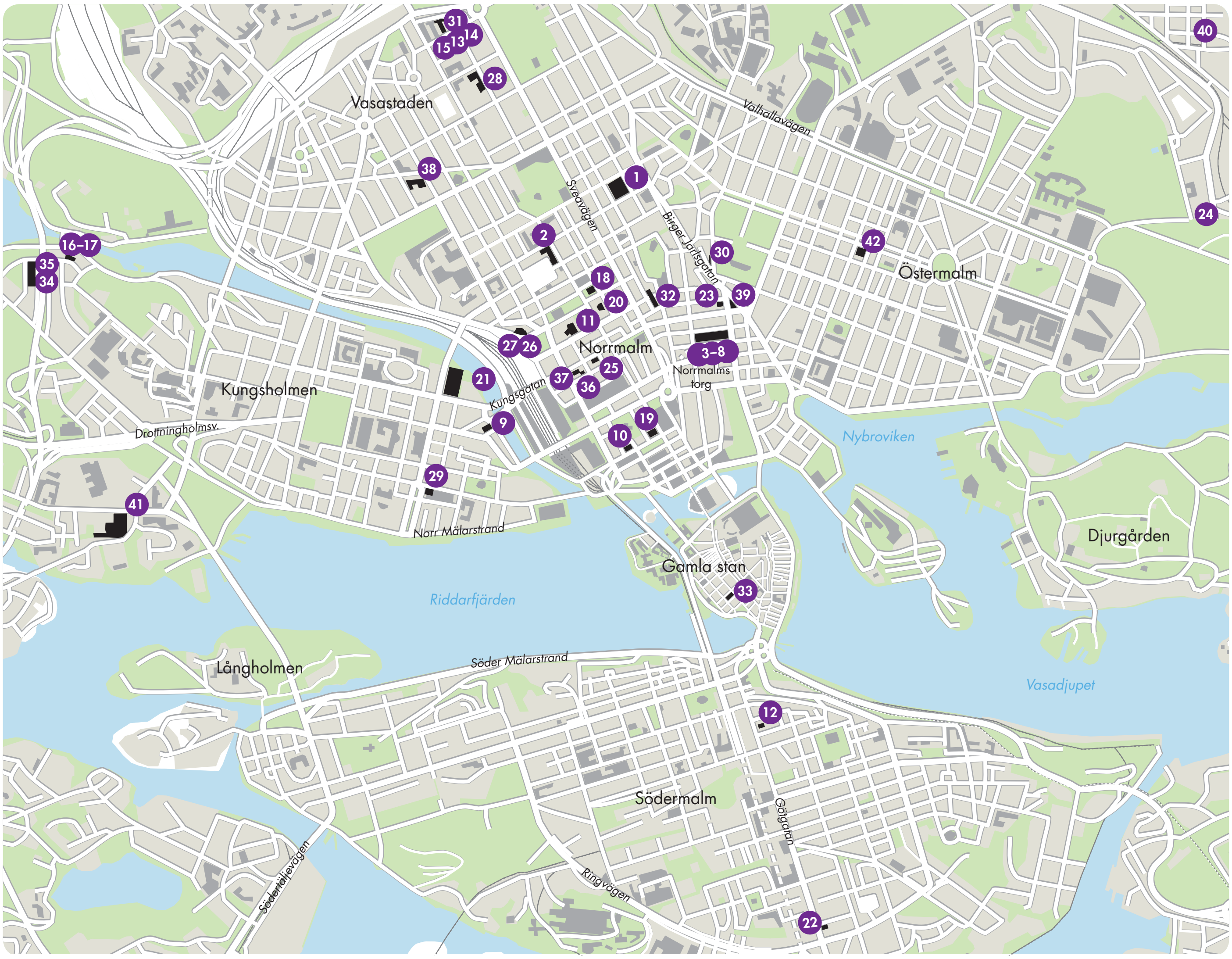


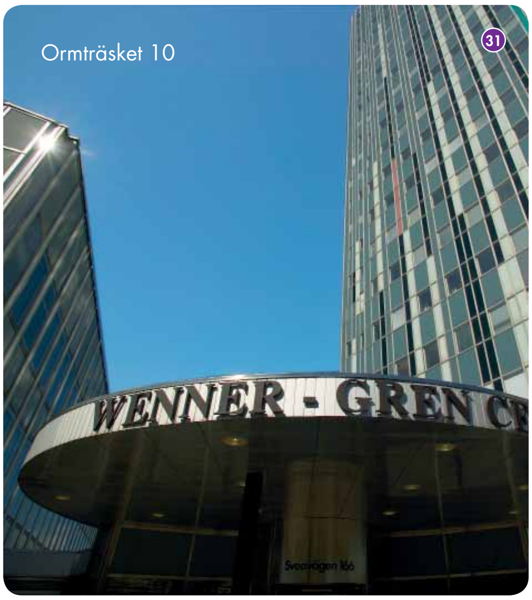
Key figures	2010
No. of properties	12
Market value, SEKm	1,987
Lettable area, '000 sqm	132
Financial occupancy rate, %	82
Remaining contract term, years	2.4
Rental value, SEKm	175

Largest tenants	sqm
Point Transaction Systems AB	4,000
WSP Sverige AB	3,000
Phonera Networks AB	3,000
Rösjötorp Utbildning AB	2,000
Strängbetong AB	2,000

Property Listing

Stockholm inner city 31 December 2010





Property name	Area	Street	Leasehold	Construction year	Offices, sqm	Retail, sqm	Industrial/ Warehouse, sqm	Residential, sqm	Hotels, sqm	Parking/ Other, sqm	Total lettable area, sqm	Ratable value, sqm
INNER CITY												
1 Apotekaren 22[1]	Norrmalm	Döbelnsg 20, 24, Kungstensg 21–23, Rådmansg 40, 42, Tuleg 7 A–B 13		1902/2002	27,547	0	875	0	0	3,000	31,422	0
2 Barnhusväderkvarnen 36	Norrmalm	Rådmansg 61–65		1963	13,889	1,270	1,518	0	0	8,965	25,642	437,000
3 Bocken 35	Norrmalm	Lästmakarg 22–24		1951	14,616	301	445	0	0	0	15,362	596,000
4 Bocken 39[1]	Norrmalm	Lästmakarg 14, Kungsg 7–15		1931	11,423	2,454	682	0	0	220	14,779	609,200
5 Bocken 46	Norrmalm	Regeringsgatan 56		1977	0	0	0	0	0	0	0	0
6 Bocken 47	Norrmalm	Lästmakarg 8	T	1929	526	665	0	0	0	0	1,191	30,800
7 Bocken 51[2]	Norrmalm	Lästmakarg 18		1931	0	0	0	0	0	0	0	0
8 Bocken 52[1]	Norrmalm	Lästmakarg 14–16			548	0	0	1,182	0	0	1,730	0
9 Drabanten 3	Kungsholmen	Kungsbroplan 3 m fl		1907	6,478	0	73	0	0	0	6,551	129,000
10 Duvan 6	Norrmalm	Klara Södra Kyrkogata 1		1975	9,565	0	84	0	0	211	9,861	308,000
11 Fenix 1	Norrmalm	Barnhusgatan 3	T	1929	3,385	48	238	0	0	0	3,671	84,000
12 Fiskaren Större 3	Södermalm	Götgatan 2		1930	235	993	0	1,375	0	0	2,603	52,000
13 Getingen 13	Vasastan	Sveavägen 149	T	1963	10,719	610	2,856	0	0	2,415	16,600	213,000
14 Getingen 14	Vasastan	Sveavägen 143–147	T	1953	10,847	0	315	0	0	1,231	12,393	166,000
15 Getingen 15	Vasastan	Sveavägen 159	T	1963	12,847	2,688	7,295	0	0	0	22,830	90,980
16 Glädjen 12	Stadshagen	Franzéng 6, Hornsbergs Strand 17	T	1949	12,337	0	0	0	0	0	12,337	255,000
17 Glädjen 13[1]	Stadshagen		T		0	0	0	0	0	0	0	86,000
18 Grönlandet Södra 13	Normalm	Adolf Fredriks Kyrkogata 8		1932	8,193	0	0	0	0	0	8,193	258,000
19 Hägern Mindre 7	Normalm	Drottninggatan 27–29	T	1971	8,385	1,675	1,014	0	0	2,167	13,241	357,000
20 Islandet 3 (50%)	Normalm	Holländargatan 11–13	T	1904	4,189	10	0	0	0	128	4,327	199,000
21 Klamparen 10[2]	Kungsholmen	Fleminggatan 12		1986	22,381	0	149	0	0	0	22,530	332,000
22 Kolonnen 7	Södermalm	Götgatan 95, m fl		1965	2,161	116	67	1,082	0	345	3,771	72,000
23 Kåkenhusen 38	Östermalm	Brunnsgatan 3, Norrlandsgatan 31–33		1932	5,581	1,096	0	0	0	4	6,681	272,000
24 Ladugårdsgärdet 1:48	Värtahamnen	Tullvaktsvägen 9		1930/49	37,765	0	0	0	0	0	37,765	574,532
25 Lammet 17	Normalm	Bryggarg 4, G:a Brog 13A, Korgmakargr 4	T	1982	5,326	137	578	0	0	639	6,859	0
26 Läraren 5[1]	Normalm	Torsgatan 2		1904/29	3,649	0	68	578	0	1	4,296	86,400
27 Läraren 13	Normalm	Torsgatan 4		1904/29	6,837	0	0	0	0	0	6,837	189,000
28 Mimer 5	Vasastan	Hagagatan 25 A–C, Vanadisvägen 9		1957	11,672	0	75	0	0	5	11,752	0
29 Murmästaren 7	Kungsholmen	Kungsholmstorg 16		1898	2,519	472	79	0	0	0	3,070	34,800
30 Norrtälje 24	Normalm	Engelbrektsgatan 5–7		1881	6,432	0	90	0	0	1	6,523	232,000
31 Ormträsket 10	Vasastan	Sveavägen 166–170, 186		1962/1967	13,439	3,706	500	0	0	2,071	19,716	281,000
32 Oxen Mindre 33	Normalm	Luntmakarg 18, Malmskillnadsg 47 A, B		1979	9,337	0	154	2,823	0	708	13,022	247,000
33 Pan 1	Gamla Stan	S Nygatan 40–42, L Nygatan 23		1929	2,326	721	0	102	0	0	3,149	74,470
34 Paradiset 23	Stadshagen	Strandbergsg 53–57		1944	8,837	316	3,002	0	0	1,655	13,810	164,000
35 Paradiset 27	Stadshagen	Strandbergsg 59–65		1959	20,029	3,977	1,061	0	0	2,179	27,246	377,000
36 Pilen 27	Normalm	Bryggarg 12A		1907	1,965	0	116	0	0	0	2,081	58,400
37 Pilen 31	Normalm	Gamla Brog 27–29, Vasag 38	T	1988	5,148	1,134	60	0	2,577	571	9,490	249,000
38 Resedan 3	Vasastan	Dalagatan 13		1929	2,473	0	0	1,007	0	2	3,482	0
39 Sparven 18	Östermalm	Birger Jarlsg 21–23, Kungsg 2		1929	1,936	1,642	0	0	5,097	0	8,675	290,000
40 Stralsund 1 (50%)[2]	Värtahamnen	Fjärde Bassängvägen 10			0	0	0	0	0	0	0	0
41 Trängkåren 7	Marieberg	Gjörwellsg 30–34, Rålambsv 7–15		1963	49,705	1,927	4,782	0	0	20,049	76,463	895,100
42 Ynglingen 10	Östermalm	Jungfrug 23, 27, Karlav 58–60		1929	7,075	1,308	236	2,399	0	526	11,544	288,400
TOTAL INNER CITY					**382,322**	**27,446**	**26,412**	**10,548**	**7,674**	**47,092**	**501,493**	**8,618,082**

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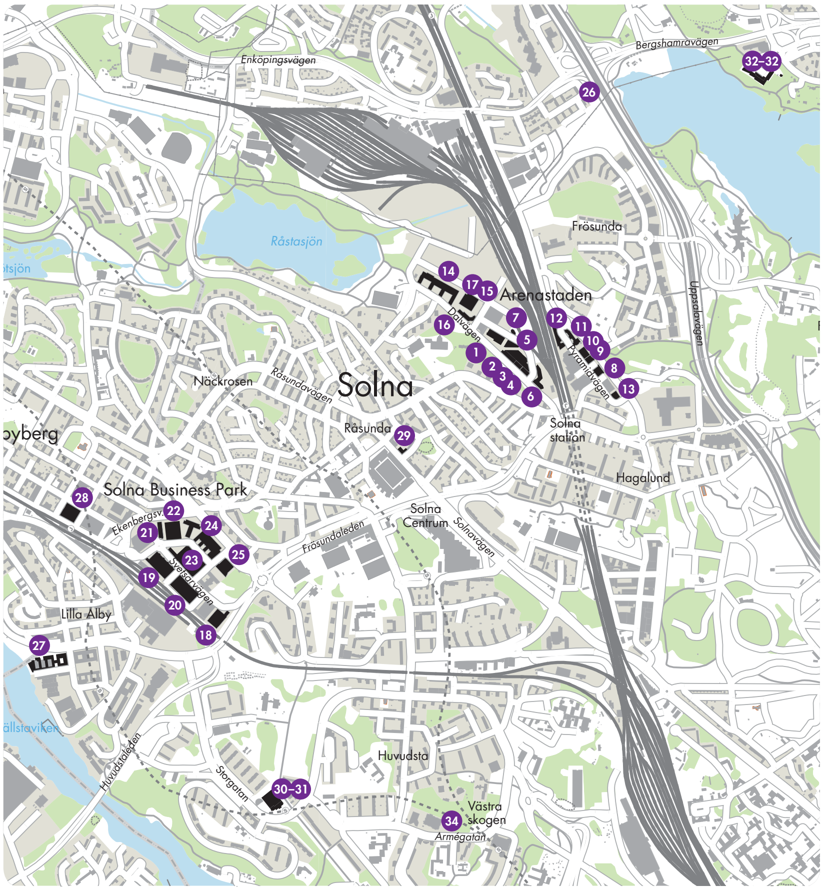
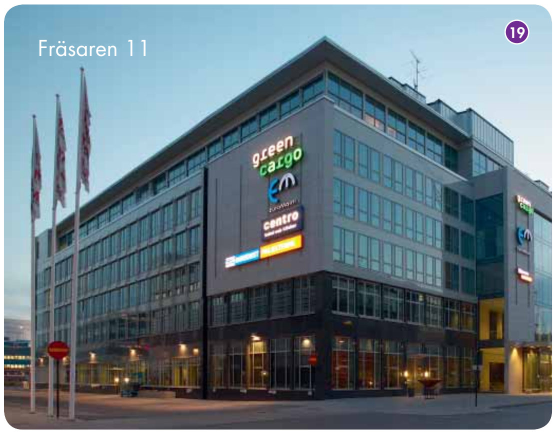
Property Listing

Solna 31 December 2010





Fräsaren 11

19

20

Fräsaren 12

Uarda 5

17

Property name	Area	Street	Leasehold	Construction year	Offices, sqm	Retail, sqm	Industrial/ Warehouse, sqm	Residential, sqm	Hotels, sqm	Parking/ Other, sqm	Total lettable area, sqm	Rateable value, sqm
SOLNA, ARENASTADEN												
1 Farao 14[1)]	Solna Station	Dalvägen 10, Pyramidvägen 7, 9		1967	9,095	406	1,970	0	0	224	11,695	83,400
2 Farao 15	Solna Station	Dalvägen 8, Pyramidvägen 5		1981	6,427	708	1,016	0	0	1,020	9,171	83,496
3 Farao 16	Solna Station	Dalvägen 4–6, Pyramidvägen 3		1973	2,861	1,409	1,442	0	0	540	6,252	53,600
4 Farao 17	Solna Station	Dalvägen 2, Pyramidvägen		1975	5,017	0	509	0	0	195	5,721	39,600
5 Farao 20[2)]	Solna Station	Pyramidvägen 7		1964	7,260	0	127	0	0	375	7,762	28,200
6 Kairo 1	Solna Station	Pyramidvägen 2		1983	10,741	0	0	0	0	0	10,741	117,600
7 Pyramiden 4	Solna Station	Pyramidvägen 20		1960	3,014	0	75	0	0	10	3,099	43,000
8 Stigbygeln 2	Solna Station	Gårdsvägen 6		1955	8,898	0	0	0	0	0	8,898	102,000
9 Stigbygeln 3	Solna Station	Gårdsvägen 8		1960	4,824	0	988	0	0	0	5,812	63,400
10 Stigbygeln 5	Solna Station	Gårdsvägen 10 A, B		1963	6,820	0	0	0	0	570	7,390	83,800
11 Stigbygeln 6	Solna Station	Gårdsvägen 12–18		2001	9,131	581	253	0	0	6	9,971	174,800
12 Tygeln 3	Solna Station	Gårdsvägen 13–21		2001	4,436	0	0	0	0	5,100	9,536	74,073
13 Tömmen 2	Solna Station	Solna Station			0	0	0	0	0	2,610	2,610	0
14 Uarda 1[1)]	Solna Station	Dalvägen 22A–C, 22–30		1987	21,426	980	5,632	0	0	645	28,683	99,600
15 Uarda 2[2)]	Solna Station				0	0	0	0	0	0	0	0
16 Uarda 4	Solna Station	Dalvägen 14–16		1992	6,381	0	1,558	0	0	0	7,939	98,600
17 Uarda 5[2)]	Solna Station	Dalvägen 18, Magasinvägen 1		1978	0	0	0	0	0	0	0	4,988
TOTAL SOLNA, ARENASTADEN					106,331	4,084	13,570	0	0	11,295	135,280	1,150,157
SOLNA BUSINESS PARK												
18 Fräsaren 10[2)]	Solna	Svetsarvägen 24		1964	11,220	0	202	0	0	56	11,478	33,200
19 Fräsaren 11	Solna	Englundavägen 2–4, Svetsarvägen 4–10		1962	33,065	0	1,815	0	1,840	2,610	39,330	418,000
20 Fräsaren 12	Solna	Svetsarvägen 12–18, 20, 20A		1964	19,404	10,109	173	0	0	6,840	36,526	446,000
21 Sliparen 1[1)]	Solna	Ekensbergsv 115, Svetsarv 1–3		1963	3,659	0	1,106	0	0	0	4,765	17,151
22 Sliparen 2	Solna	Ekensbergsv 113, Svetsarv 3–5		1964	16,827	0	2,616	0	0	3,315	22,758	210,000
23 Smeden 1	Solna	Englundav 6–14, Smidesv 5–7, Svetsarv 5–17		1967	35,784	4,894	876	432	0	3,709	45,694	425,406
24 Svetsaren 1	Solna	Englundavägen 7–13		1964	30,161	329	3,041	0	0	6,090	39,621	345,000
25 Yrket 3	Solna Station	Smidesvägen 2–8		1982	5,373	0	1,045	0	0	1,470	7,888	32,725
TOTAL SOLNA BUSINESS PARK					155,493	15,332	10,873	432	1,840	24,090	208,059	1,927,482
SOLNA, OTHER												
26 Järvakrogen 3[2)]	Frösunda	Enköpingsvägen 1			0	0	0	0	0	0	0	2,328
27 Nöten 4	Solna Strand	Solna strandväg 2–60		1971	38,796	670	8,452	0	0	5,779	53,697	440,00
28 Orgeln 7	Sundbyberg	Järnvägsg 12–20, Lysgränd 1, Roseng2,4, Stureg 11–19		1966	23,206	3,694	166	0	0	2,399	29,465	301,00
29 Planen 4	Råsunda	Bollgatan 1–5, Solnavägen 102 A–C		1992	4,509	389	125	0	0	1,381	6,404	61,800
30 Rovan 1	Huvudsta	Storgatan 60–68		1972	1,853	5,989	30	0	0	2,852	10,724	157,400
31 Rovan 2	Huvudsta	Storgatan 64		1972	0	0	0	1,142	7,730	0	8,872	0
32 Skogskarlen 1	Bergshamra	Björnstigen 81, Pipers väg 2		1929/1971	7,064	814	935	0	0	195	9,008	104,800
33 Skogskarlen 3	Bergshamra				0	0	0	0	0	0	0	1,857
34 Styckjunkaren 4[2)]	Huvudsta				0	0	0	0	0	0	0	0
TOTAL SOLNA, OTHER					75,428	11,556	9,708	1,142	7,730	12,606	118,170	1,070,955
TOTAL SOLNA					**337,252**	**30,972**	**34,151**	**1,574**	**9,570**	**47,991**	**461,509**	**4,148,594**

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Property Listing

Hammarby Sjöstad 31 December 2010

Property name	Area	Street	Leasehold	Construction year	Offices, sqm	Retail, sqm	Industrial/ Warehouse, sqm	Residential, sqm	Hotels, sqm	Parking/ Other, sqm	Total lettable area, sqm	Ratable value, sqm
HAMMARBY SJÖSTAD												
1 Fartygstrafiken 2	Hammarby-hamnen	Hammarby Allé 91–95		1955	6,803	1,764	136	0	0	1	8,704	101,000
2 Godsfinkan 1	Hammarby-hamnen	Heliosgatan 1	T	1990	7,758	0	75	0	0	24	7,857	71,959
3 Hammarby Gård 7[2]	Hammarby-hamnen	Hammarby Allé 21, 25, Hammarby Kajv 2–8,12–18		1937	9,342	586	2,198	0	0	1,230	13,356	205,600
4 Korphoppet 1[1]	Hammarby-hamnen	Hammarby Fabriksväg 41–43		1949	3,587	916	8,817	0	0	750	14,070	35,372
5 Korphoppet 5[2]	Hammarby-hamnen	Hammarby Fabriksväg 37–39	T	1968	604	1,486	1,412	0	0	65	3,567	11,321
6 Korphoppet 6	Hammarby-hamnen	Hammarby Fabriksväg 33	T	1988	0	428	4,254	0	0	40	4,722	28,800
7 Luma 1[1]	Hammarby-hamnen	Ljusslingan 1–17, 2–36, Glödlampsgränd 1–6, Lumaparksv 2–18, 5–21, Kölnag 3		1930	25,308	2,411	5,889	691	0	3,778	38,077	207,425
8 Påsen 8	Hammarby-hamnen	Virkesvägen 5	T	1974	0	0	3,096	0	0	0	3,096	13,096
9 Trikåfabriken 4	Hammarby-hamnen	Hammarby Fabriksväg 25		1991	5,295	3,464	853	0	0	976	10,588	80,800
10 Trikåfabriken 8	Hammarby-hamnen	Hammarby Fabriksväg 29–31		1930	9,988	692	4,051	0	0	12	14,743	60,400
11 Trikåfabriken 9	Hammarby-hamnen	Hammarby Fabriksväg 19–21		1928	9,520	267	1,602	0	0	816	12,205	43,249
12 Trikåfabriken 12[2]	Hammarby-hamnen	Hammarby Fabriksväg 27		1942	881	0	62	0	0	205	1,148	4,355
TOTAL HAMMARBY SJÖSTAD					**79,086**	**12,014**	**32,445**	**691**	**0**	**7,897**	**132,132**	**863,377**

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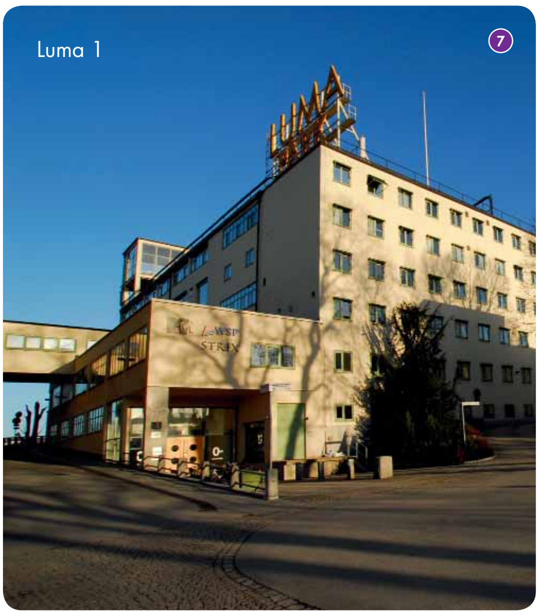
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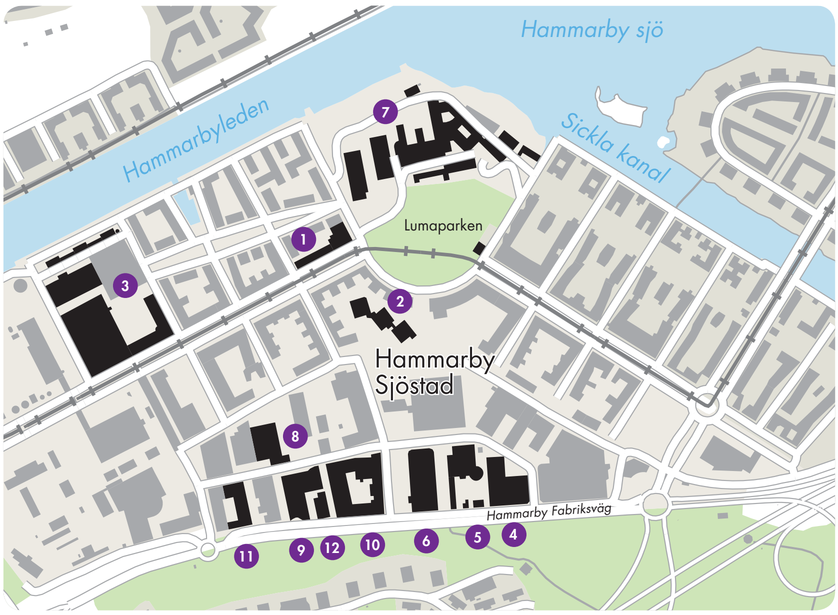

Property Listing

Other 31 December 2010

Property name	Area	Street	Leasehold	Construction year	Offices, sqm	Retail, sqm	Industrial/ Warehouse, sqm	Residential, sqm	Hotels, sqm	Parking/ Other, sqm	Total lettable area, sqm	Ratable value, sqm
OTHER, NORTH STOCKHOLM												
Berga 6:558[2]	Åkersberga				0	0	0	0	0	0	0	0
Hammarby Smedby 1:464[2]	Upplands Väsby	Johanneslundsvägen 3–5			0	0	0	0	0	0	0	0
Hammarby Smedby 1:472[2]	Upplands Väsby	Johanneslundsvägen 3–5			0	0	0	0	0	0	0	0
Induktorn 33	Bromma	Ranhammarsvägen 16–18		1943	4,116	640	12,272	0	0	387	17,415	59,456
Masugnen 7	Bromma	Karlsbodavägen 18–20		1991	10,881	0	0	0	0	546	11,427	36,400
Märsta 15:5[2]	Märsta				0	0	0	0	0	0	0	570
Racketen 11[2]	Alvik	Gustavslundsvägen			0	0	0	0	0	0	0	8,128
Tekniken 1[2]	Sollentuna				0	0	0	0	0	0	0	6,600
Ulvsunda 1:1	Bromma flygplats	Flygplansinfarten 27	A	2004	0	0	1,241	0	0	0	1,241	0
Vallentuna Rickeby 1:327[2]	Vallentuna				0	0	0	0	0	0	0	178
TOTAL, NORTH STOCKHOLM					14,997	640	13,513	0	0	933	30,083	111,332
OTHER, SOUTH STOCKHOLM												
Näsby 4:1472[2]	Tyresö	Studiovägen 1			0	0	0	0	0	0	0	124
Pelaren 1[2]	Globen	Pastellvägen 2–6			0	0	0	0	0	0	0	4,208
Sicklaön 392:1[2]	Danvikstull	Kvarnholmsvägen 12		1986	0	0	0	0	0	0	0	3,121
Söderbymalm 3:405[2]	Haninge	Nynäsvägen 65, Stores Gränd 20–22		1972	9,240	1,386	2,351	0	0	40	13,017	68,500
TOTAL, SOUTH STOCKHOLM					9,240	1,386	2,351	0	0	40	13,017	75,953
OTHER, OUTSIDE STOCKHOLM												
Grimbergen [2]	Belgien	St Annastraat			0	0	0	0	0	0	0	0
TOTAL, OUTSIDE STOCKHOLM					0	0	0	0	0	0	0	0
TOTAL, OTHER					**24,237**	**2,026**	**15,864**	**0**	**0**	**973**	**43,100**	**187,285**

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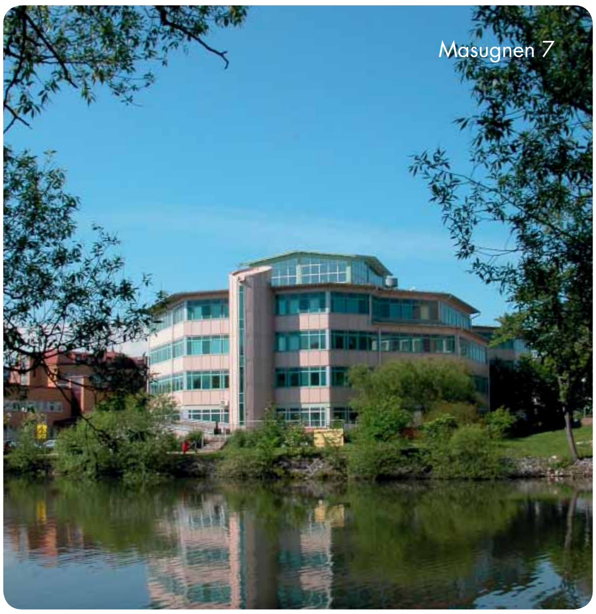


Responsible enterprise

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 2010

- Fabege supports the UN's Global Compact initiative.
- Carbon dioxide emissions have been cut from around 40,000 tonnes in 2002 to about 5,500 tonnes in 2010.
- Fabege's heat consumption has decreased to average 79 kWh/sqm LOA.
- Continued work with leadership development.

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.

GLOBAL COMPACT

Fabege has resolved to promote the UN Global Compact initiative in terms of the company's actions concerning human rights, labour rights, environmental standards and anti-corruption measures. Fabege's ethical guidelines have thus been replaced by a Code of Conduct, whose format better matches the initiative's ten fundamental principles.

The Global Compact is based on the UN Declaration of Human Rights, the UN Convention against Corruption, the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work, the OECD's Guidelines for Multinational Enterprises and the Rio Declaration on Environment and Development. The objective is to promote responsible enterprise worldwide and to give greater responsibility to the business community for the challenges of globalisation. By supporting the Global Compact, Fabege undertakes to realise and integrate the ten principles into its operations.

Green Electricity

Electricity supplied to Fabege's properties is certified, hydro-generated electricity from Vattenfall's facilities in the Nordic region.

Environmental responsibility

Fabege's environmental activities are goaloriented, 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 Environmental responsibility 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.

GREENBUILDING

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

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. In 2010, consumption fell by another 3 per cent. This success is partly the result of dedicated efforts to optimise running costs, and partly due to investments in energy-efficient technology.

- Long-term energy optimisation target of at least 20 per cent by 31 December, 2014 based on the 2009 levels, while maintaining the same indoor climate.
- Reduce Fabege's heating consumption from an average of 83 kWh/sqm (2009) to 70 kWh/sqm LOA by 31 December, 2014.
- All new construction and significant conversions of office properties are performed in accordance with the GreenBuilding principles.

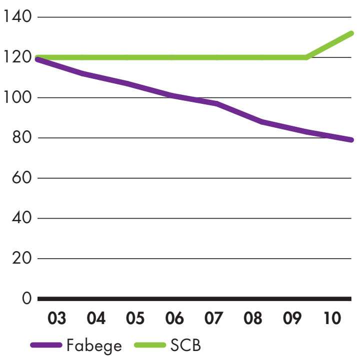
Environmental policy

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.
- Document, follow up, evaluate and improve our environmental work on a regular basis.
- Comply with or exceed applicable environmental legislation and other regulations applying to the company's activities.

Heating in Fabege premises

kWh/sqm LOA



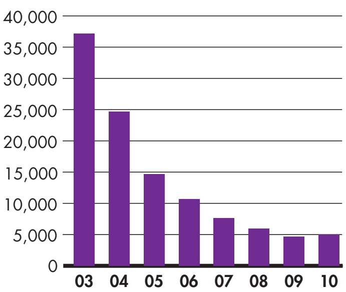
Over time, Fabege's systematic effrorts to optimise running costs have reduced energy use in our properties by more than 35 per cent. Fabege's heating consumption in 2010 averaged 79 kWh/sqm LOA and 74 kWh/sqm Atemp.

Consumption statistics, total	2010
Water, sqm	306,361
Energy, MWh[1)]	190,366
Of which	
Heating	*89,900*
Cooling	*24,669*
Electricity	*75,797*
Renewable energy, MWh	180,848
CO_2-emission, tonnes (heating, cooling, electricity)	5,500

[1)] Figures based on identical portfolio 2010, 92 properties, 1,144,882 sqm.

Carbon dioxide emissions

tonnes



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.

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 fulltime 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. Therefore, Fabege has set a target that all new production takes place in acccordance with the principals for GreenBuilding. So far, Fabege has certified two GreenBuilding properties: the Lindhagen project in the Paradiset 29 property on Kungsholmen, and Päronet 8 in Solna. Fabege has also joined 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.

In 2010, Fabege continued cutting energy use by another 3 per cent from an already low level.

The company has also reduced its heating by approximatley 35 per cent since 2002 (approximately 5 per cent/year). This was achieved primarily through energy optimisation but also partly through investments in energy-efficient technology. Fabege's heating consumption per sqm is estimated using LOA and Atemp respectivley. LOA is defined as premises aimed for other purposes that residential, such as space for maintenance of buildings and general communication. Atemp is used in energy declarations and comprises areas that are supposed to be heated no less than 10°C.

Carbon emissions have been reduced sharply through the company's systematic efforts to optimise energy use. In total, emissions have been reduced from about 40,000 tonnes in 2002 to about 5,500 tonnes in 2010 (5,000). Due to a modified emissions mix from our energy suppliers, Fabege's carbon emissions increased slightly in 2010, despite a 3 per cent reduction in energy consumption. This was primarily caused by the suppliers' additional use of fossil fuels as a result of the cold winter.

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 power plants in the Nordic region. 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.

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 BUIL DING PROCESS

New construction and major redevelopments are being conducted using the GreenBuilding principles as the minimum requirements. In projects and developments, Fabege's overriding environmental programme is integrated into Fabege's framework programme concerning factors such as the selection of material, waste management and the construction method. 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.

DEMAND 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 people 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, co-workers and other stakeholders, Fabege has defined a procurement policy, which is available on the company's website, www.fabege.se, under Corporate Governance/Corporate responsibility/Purchasing and procurement.

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 2010, Fabege had 126 employees. Leadership development and the theme of responsibility and communication were a point of focus in Fabege's human resources activities during the year. In addition, all building maintenance technicians underwent a four-day training course in energy-efficiency enhancements.

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 co-workers aim to combine the resources available to a big company with the client proximity and personal relationships offered by a small company.

FABEGE'S CORE VALUES

A shared value foundation and a strong corporate culture are among the distinguishing factors for successful companies. Accordingly, Fabege continuously strives to strengthen its employees' awareness of the company's value foundations: speed, informality, entrepreneurship, business orientation and client proximity.

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 and vacancies are often filled through internal recruitment. In the course of their careers, Fabege employees commonly perform a variety of duties and work in different places within the organisation.

It is the performance and dedication of each employee that determine how they will develop and progress in their career. Fabege strives to foster a work climate that encourages employees to develop their skills and exchange information throughout the organisation.

Individual career development plans support every co-worker's professional development. Based on the company's goals, each co-worker and their manager jointly define a set of personal targets for the co-worker's development at regular appraisal interviews. Fabege's co-workers 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. The company's occupational health and safety committee, which includes managers and co-workers from

“I apply my specialist expertise as an advisor, promoter and controller. I work with management, project planning, external communications and business development. It is incredibly exciting to have a job with such width and depth.”

Mia Östman *Environment/Operational support manager*

“I began working as a property technician at 22, and now at 30 I am an operations manager. This says a lot about Fabege as an employer. I was young and given considerable responsibility, which I enjoyed and which made me stay.”

Anthony Cooks *Operator*

Read more about our emplyees on **www.fabege.se** various work areas, is working 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 in a support system, to which all employees have access.

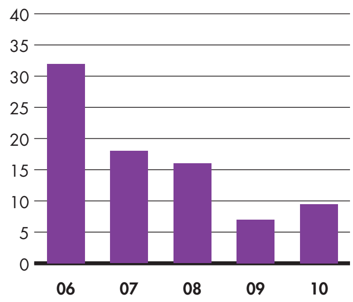
HEALTH & FITNESS AND A WORK-LIFE BALANCE

Fabege is committed to promoting health and fitness, and encourages staff to exercise and stay fit. All co-workers are offered a membership to a fitness chain. Employees can also obtain health and fitness checks, to be used at several different fitness facilities.

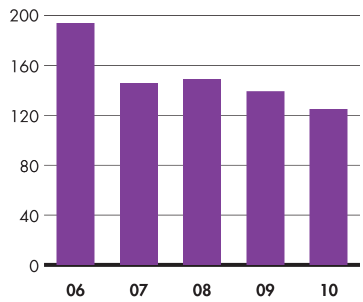
Fabege has a group health insurance policy, which ensures that all employees gain fast access to professional care in case of illness.

Offering a sound balance between work and leisure is a key element in Fabege's ambition to be an attractive

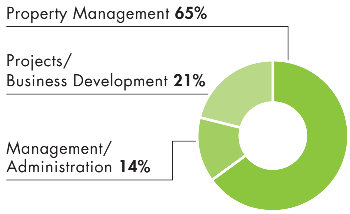
Staff turnover, %



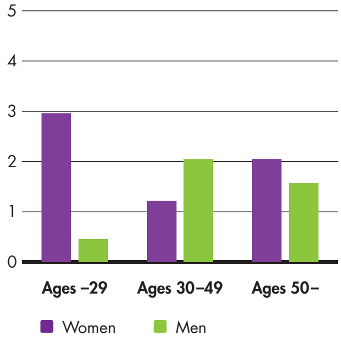
No. of employees, average



Staff in respective areas



Absence due to illness 2010, %



Age structure in the Fabege Group 2010

%	Total	Ages	20–29	30–39	40–49	50–59	60–69
Women	37.3		10.6	36.3	31.9	10.6	10.6
Men	62.7		4.1	43.8	31.5	13.8	6.8
Total	**100.0**		**6.3**	**38.9**	**34.2**	**12.7**	**7.9**

Human resources strategy

- Our core values should colour the way in which we relate to others, 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.

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 health risks
- ensure that business trips using company cars can be made in a safe manner.

"Fabege offers a positive working environment characterised by a good working relationship between experienced colleagues and young talents. Everyone gladly shares their knowledge and experience, which makes it easy to become acquainted with the work." **Daniel Jirhäll** *Marketing area manager*

employer. The company encourages both women and men to take parental leave.

DIALOGUE AND WELL-BEING

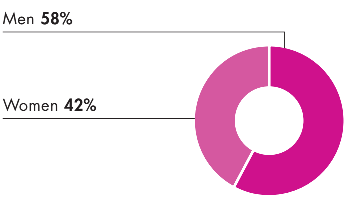
Fabege strives to ensure that all co-workers feel that they have a say in the company's development, and in order to create an attractive and inspiring workplace, the company encourages employees to engage in an active and open dialogue with their managers.

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, which is considered a high value. For the second year in a row, the survey employed a method which shows 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 (3.7), against 3.3 for the industry as a whole. The next employee survey is scheduled for the spring of 2011, the objective of which is to further improve the strong earnings.

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 gender balance, and give women and men the same opportunities for recruitment to various positions in the company. At yearend, two out of seven members of Fabege's senior management team were women, or about 28 per cent (28).

Executive positions, breakdown by gender



RELATIONSHIPS WITH SCHOOLS AND UNIVERSITIES

In order to safeguard future recruitment needs, Fabege is engaged in various relations-creating activities with students. During the year, Fabege participated in Stockholm Career Days, and worked to strengthen the company's image as an attractive employer. The company continuously offers traineeships and thesis projects to give young people an insight into working life. Another activity in which Fabege has participated is an initiative called Framtidståget where school children in the 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. Fabege is also actively involved in Fastighetsbranschens Marknadsråd (the Property Sector's Market Council), a forward-looking initiative to raise awareness about the property sector's potential among today's youth.

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.

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 customers, employees and suppliers through an open, attentive and personal approach.

Social responsibility

The goal of Fabege's social commitment is 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. Below are but a few examples of the social responsibility that Fabege has chosen to embrace.

Fabege has resolved to promote the UN's Global Compact initiative in the company's actions involving human rights, labour rights, environmental standards and anti-corruption measures. By supporting the Global Compact, Fabege undertakes to realise and integrate the ten principles into its operations.

RESPONSIBILITY FOR NINE CHILDREN IN BURUNDI

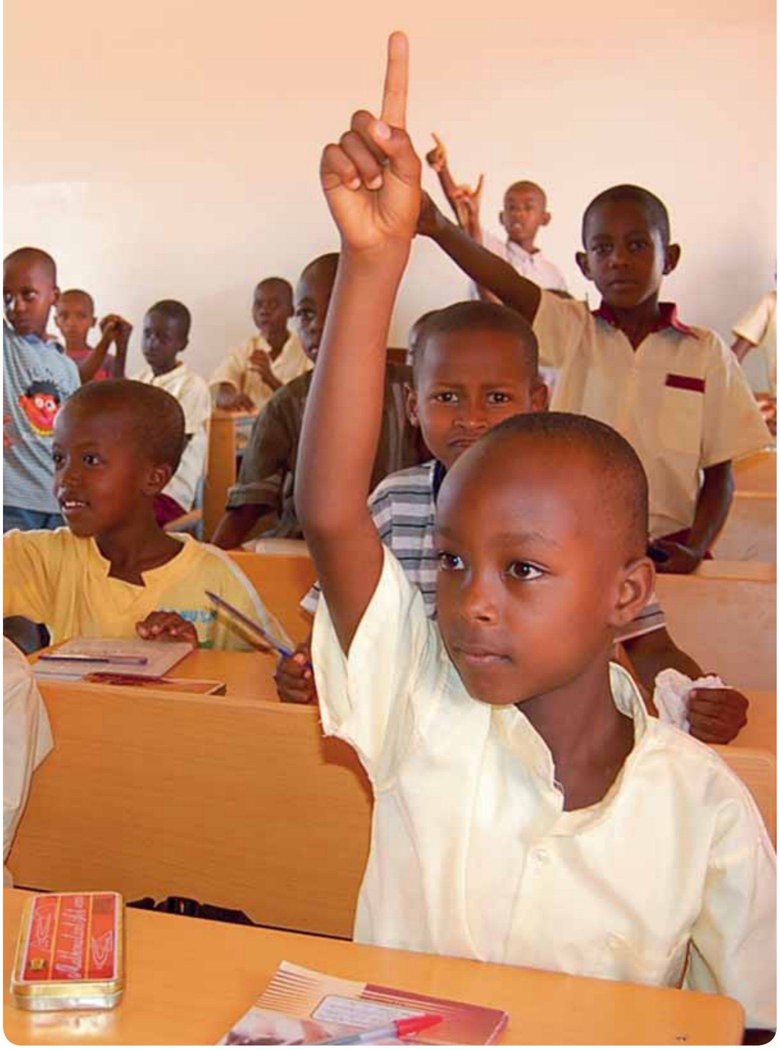
There are many ways to care about the world you live in. At Fabege, we have chosen to take a particular interest in the fates of abandoned orphans in Burundi. In 2008, Fabege financed the construction of an SOS Children's Village family house in Burundi, Africa. In 2011, Fabege will continue to run the family house.

The SOS Children's Village in Cibitoke, in Burundi, 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 nine children. This is our way of contributing to making the world a better place.

RESPONSIBILITY FOR CHILDREN AND YOUNG PEOPLE LOCALLY

For a number of years, Fabege has been sponsoring various local sports clubs. The main purpose is to support initiatives important to children and young people locally. For example, Fabege has supported AIK, Solna Vikings, Stockholms Fotbollsförbund, Brommapojkarna and Sollentuna Hockey Club. Two of Fabege's major commitments are described below.

Fabege helps 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 nine children.



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 2009–2011. The initiative is aimed at young ice-hockey players aged 8–15, who are taught how to act in a sportsmanlike manner, how to behave 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.

The 2010 financial year

Quarter 1
January–March 2010

- Clear upward turn in the lettings and transaction market, with increased demand.
- Fabege continued to perform very well as a result of a stable lettings market and increasingly active transaction operations.
- Profit from Property Management rose 22 per cent, while rental income declined due to factors such as property sales.
- The surplus ratio was 61 per cent (64) and was impacted by rising snow-clearance costs and higher property tax.
- The residential portfolio was transferred to the co-owned company Fastighets AB Tornet and two additional property sales were completed.
- Results after tax for the period rose SEK 242m from a loss of SEK 81m to profit of SEK 161m, corresponding to SEK 0.98 per share (loss: 0.49)
- Equity/assets ratio amounted to 33 procent (32).

Quarter 2
April–June 2010

- Continued positive trend in the lettings and transactions market.
- A stable lettings market, development gains in the project portfolio and increased transaction gains contributed to Fabege's strong performance.
- Profit from Property Management declined to SEK 210m (231), and rental income declined due to property sales.
- The surplus ratio was a full 71 per cent for the second quarter, as a result of successful efficiency-enhancing initiatives in the improvement operations.
- Profit after tax for the period rose by SEK 128m from SEK 212m to SEK 340m, corresponding to SEK 2.08 per share (1.30).
- The equity/assets ratio increased to 34 per cent (32).

Quarter 3
July–September 2010

- The positive trend in the lettings and transactions market continued.
- Fabege experienced another strong quarter with stable profit from Property Management and increasing contributions from transaction and Property Development operations.
- Profit from Property Management declined to SEK 209m (245) and rental income decreased due to property sales.
- The surplus ratio for the third quarter remained high at 71 per cent.
- Property sales were completed that generated a combined purchase price of SEK 466m.
- Profit for the period after tax rose by SEK 519m from SEK 71m to SEK 590m, corresponding to SEK 3.62 per share (0.43).
- The equity/assets ratio increased to 37 per cent (32).

Quarter 4
October–December 2010

- The year ended strongly in the property market in general and in Fabege's sub-markets in particular.
- Fabege continued its strategic streamlining, and, following the year's divestments, 98 per cent of the company's property portfolio was concentrated to the prioritised sub-markets.
- Property sales were completed generating a combined purchase price of SEK 1,717m during the final quarter through the divestment of properties outside the prioritised sub-markets.
- Profit from Property Management declined to SEK 182m (214) and rental income decreased due to property sales.
- The surplus ratio for the fourth quarter was 66 per cent (65).
- Profit after tax for the fourth quarter rose by SEK 383m from 223 to 606, corresponding to SEK 3.72 per share (1.36).
- The equity/assets ratio increased to 39 per cent (32).
- The Board of Directors proposed a dividend of SEK 3.00 per share (2.00).

Financial reporting 2010

Contents

Directors' Report

The Board of Directors and Chief Executive Officer of Fabege AB (publ), company registration number 556049-1523, hereby present their 2010 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 2010 continued the process of concentrating the Group's property holdings to the inner city of Stockholm, Solna and Hammarby Sjöstad. On 31 December 2010, Fabege owned 103 properties with a total rental value of SEK 2.1bn, a lettable floor area of 1.1m sqm and a book value of SEK 27.0bn, of which SEK 5.5bn refers to project properties.

Commercial premises, primarily offices, represented 99 per cent of the rental value. The financial occupancy rate for the portfolio as a whole was 88 per cent (90). The occupancy rate in Fabege's portfolio of investment properties was 91 per cent (92). New lettings in 2010 totalled SEK 211m (299) while net lettings were SEK 27m (112). The letting to Vattenfall in Arenastaden in Solna had a significant impact on net lettings previous year. Rents in renegotiated contracts increased by 1 per cent on average.

REVENUES AND EARNINGS

Profit for the period improved by SEK 1,272m from SEK 425m to SEK 1,697m. Before tax, Property Management generated earnings of SEK 1,562m (488) and Property Development earnings of SEK 300m (97), making a total of SEK 1,862m (585). Earnings per share after tax amounted to SEK 10.38 (2.59).

Rental income totalled SEK 2,007m (2,194) and net operating income SEK 1,348m (1,465). The decline in rental income was due to net sales of properties combined with a decrease in rental guarantees and a negative index adjustment for the existing portfolio. To this was added net vacating of properties, although this was offset by increased rental revenue from completed property projects. Continued efficiency enhancements in the Property Management operations enabled the surplus ratio to stay unchanged at 67 per cent (67), despite increased snow clearance costs during the first quarter. In a comparable portfolio, rental income decreased by approximately 1 per cent and net operating income by about 2 per cent.

Realised changes in the value of properties amounted to SEK 237m (57). The entire portfolio has been externally appraised at least once during the year and unrealised changes in value totalled SEK 843m (–310). The SEK 579m (-327) increase in the value of the portfolio of investment properties was attributable to properties for which the risk of vacancies and declining rent levels decreased and to declining yield requirements. The project portfolio contributed to an unrealised value change of SEK 264m (17), which comfortably surpassed Fabege's return requirement of 20 per cent on invested capital. Share in profit of associated companies rose to SEK 18m (–5) and were primarily attributable to the shareholding in Fastighets AB Tornet. Changes in the value of interestrate derivatives and equities amounted to SEK 67m (95), and net interest expense declined to SEK–522m (–560) as a result of a reduction in borrowing (refer to the Financing section).

Business model contributions to earnings

SEKm	Jan–Dec 2010	Jan–Dec 2009
Profit from Property Management	768	779
Changes in value (portfolio of investment properties)	579	–327
Contribution from Property Management	**1,347**	**452**
Profit from Property Management	14	59
Changes in value (profit from Property Development)	264	17
Contribution from Property Development	**278**	**76**
Contribution from Transactions (Realised changes in value)	**237**	**57**
Changes in value, derivatives and equities	67	95
Profit before tax	**1,929**	**680**

TAX

The tax expense for the year amounted to SEK –232m (–255), corresponding to 26.3 per cent tax on continuous taxable earnings. Sales of properties resulted in a total reversal of deferred tax of SEK 156m.

CASH FLOW

Profit contributed SEK 1,015m (789) to liquidity. After an increase of SEK 1,099m (288) in working capital, which varies primarily as a result of the impact of occupancy/final settlement for acquired and divested properties, the liquidity of operating activities increased by SEK –84m (501). Sales exceeded acquisitions of and investments in properties by SEK 2,837m (–259). Accordingly, the total change in liquidity resulting from operating activities was SEK 2,753m (242). Cash flow during the year was charged with SEK 329m (329) for dividend payment. Share buybacks amounted to SEK 61m (0). After the reduction in debt, consolidated cash and cash equivalents totalled SEK 73m (173).

FINANCING

Fabege employs long-term credit lines with fixed terms and conditions. On 31 December 2010, these had an average maturity of 5.3 years. The company's lenders are the major Nordic banks.

Interest-bearing liabilities at the end of the period totalled SEK 16,646m (19,109) and the average interest rate was 3.45 per cent excluding and 3.57 per cent including commitment fees on the undrawn portion of committed credit facilities. In line with rising market interest rates, Fabege's average interest during the year rose by 1 per cent compared with the beginning of the year, when the interest rate was 2.57 per cent.

Interest rates on 47 per cent of Fabege's loan portfolio were fixed using fixed income derivatives. The average fixed-rate period was 23 months, taking the effect of derivative instruments into account, while the average fixed-rate period for variablerate loans was 39 days.

Fabege has callable swaps totalling SEK 7,550m with interest rates ranging from 3.33 to 3.98 per cent. In addition, the company holds performance swaps amounting to SEK 300m with maturities up to May 2011.

In compliance with the accounting rules contained in IAS 39, the derivatives portfolio has been measured at market value and the change in value is recognised in the profit and loss account. On 31 December 2010, the recognised negative fair value adjustment of the portfolio amounted to SEK 267m (373). The derivatives portfolio has been measured at the present value of future cash flows. The change in value is of an accounting nature and has no impact on the company's cash flow.

During the fourth quarter, Fabege extended a credit limit of SEK 1bn to 2012. Following year-end, an additional SEK 2bn were extended until 2016, while credit facilities totalling SEK 1bn were terminated. On 31 December 2010, the company had unused committed lines of credit of SEK 4,939m.

Fabege has a commercial paper programme to the amount of SEK 5bn. On 31 December 2010, commercial paper worth SEK 2,249m was outstanding. Fabege has available long-term credit facilities covering all outstanding commercial paper at any given time.

The total loan volume includes SEK 698m in loans for projects, on which interest of SEK 13m has been capitalised.

FINANCIAL POSITION AND NET ASSET VALUE

Shareholders' equity amounted to SEK 11,276m (9,969) at the end of the period and the equity/assets ratio was 39 per cent (32). Shareholders' equity per share totalled SEK 69 (61). Excluding deferred tax on fair value adjustments of properties, net asset value per share was SEK 77 (67).

ACQUISITIONS AND SALES

Investments in 2010 totalled SEK 940m (1,138), of which SEK 0m (56) refers to property acquisitions and SEK 907m (1,082) to investments in existing properties and projects. No property was acquired and 54 properties were sold for SEK 4,350m. The sales resulted in a profit of SEK 237m (57) before tax, or SEK 393m (91) after tax.

Of the property sales, SEK 677m pertained to the residential portfolio sold to part-owned Fastighets AB Tornet. In the fourth quarter, a portfolio of 16 properties outside Fabege's priority submarkets was sold to Profi for SEK 1,350m. Other major property transactions included the sale of Päronet 8, in Solna strand, and Paradiset 29, in Stadshagen. These sales were part of efforts to streamline Fabege's property portfolio, which is now 98 per cent focused on the three priority sub-markets.

INVESTMENTS IN EXISTING PROPERTIES AND PROJECTS IN PROGRESS

During 2010, decisions were made on major project investments for SEK 613m (1,230). Investments of SEK 907m (1,082) in existing properties and projects referred to land, new builds, extensions and conversions. Major investments in 2010 included Uarda 5 in Arenastaden, Bocken 39 at Lästmakargatan, Farao 20 in Arena staden and Fräsaren 10 in Solna Business Park. The projects in the properties Päronet 8, Solna Strand (let to the Swedish Tax Agency), and Tygeln 3, Arenastaden (let to Adidas), were completed during the first quarter. The properties have been transferred to the portfolio of investment properties.

PARENT COMPANY

Sales during the period amounted to SEK 102m (89) and the result before appropriations and tax was SEK –150m (–437). Net investments in property, equipment and shares totalled SEK –30m (1,659). The company's cash and cash equivalents declined to SEK 64m (161). See profit/loss accounts and balance sheets on page 60.

SHARES AND SHARE CAPITAL

Fabege's share capital at year-end was SEK 5,097m (5,096), represented by 165,391,572 shares (169,320,972). All shares carry the same voting rights and entitle the holder to the same share of the company's capital.

The following indirect or direct shareholdings in the company as of 31 December 2010 represent one tenth or more of the votes for all shares in the company:

Shareholding	Share of votes, %
Brinova	14.3

Through Fabege's profit-sharing fund and the Wihlborgs & Fabege profitsharing fund, the employees of Fabege own a total of 363,171 shares, representing a stake of 0.2 per cent in the company.

SHARE BUY-BACK PROGRAMME

The 2010 AGM passed a resolution authorising the Board, not longer than up to the next AGM, to buy back and transfer shares in the company. Share buybacks are subject to a limit of 10 per cent of the total number of outstanding shares at any time.

During the period, 1,411,488 shares were bought back (average price: SEK 43.04 per share). At 31 December 2010, the company held 2,411,488 treasury shares, representing 1.5 per cent of the total number of registered shares. The quotient value is SEK 30.82.

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 2010. 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

	Change	Effect, SEKm
Rent level, residential	1%	18.1
Financial occupancy rate, %	1%-point	20.6
Property expenses	1%	6.6
Interest expenses 2011[1]	1%-point	98.0
Interest expenses, longer-term perspective[2]	1%-point	166.5

[1] The effect of the change on interest expenses in 2011 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 2011.

[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 Stockholm, Solna and Hammarby Sjöstad. Since commercial premises with an emphasis on office space account for 99 per cent of the business, employment and the office market trend in Stockholm are of considerable significance to Fabege. 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 ormally run for 3–5 years and are subject to 9 months' notice with an index clause linked to inflation. The contract portfolio is currently deemed to be in line with market levels. Normally, about 20 per cent of the contract portfolio is renegotiated each year. At year-end, Fabege's average remaining term for commercial agreements was 3.5 years.

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 is pursuing a structured effort to reduce its consumption of heating, electricity and water, with a target of achieving 20 per cent lower consumption over a five-year period from and including 2010. Fabege also 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

The strategic focus is primarily on a short fixed-rate period. Fabege employs financial instruments, mainly in the form of interest-rate swaps, to limit interest risk and flexibly adjust the average fixed-rate term of the loan portfolio. At year-end, the fixed-rate term of the loan portfolio was about 23 months. Changes in the value of derivatives are reported in the profit and loss account.

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 in the portfolio. 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	199	38.9	61.1
0	–	38.5	61.7
–1	–199	38.1	62.3

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 88.

Debt management

The main task of Fabege's debt management ctivities 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 4.2bn (4.3). 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.

Deferred tax liability/tax asset

On 31 December 2010, the difference between the book and tax residual values of Fabege's property portfolio was approximately SEK 9.4bn (8.7). 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 62 and Note 28 on page 71 in respect of deferred tax.

On 31 December 2010, net deferred tax liabilities were SEK 152bn (-99), as shown in the following specification, see table.

Deferred tax attributable to	SEKm
– tax losses	–1,104
– difference between book and tax values in respect of properties	1,321
– deficit, derivatives	–70
– other	5
Net asset, deferred tax	**152**

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 2010, the total increase in taxable incomes is SEK 7,098m (4,854). The decisions have resulted in a total tax demand of SEK 1,874m (1,359) plus a tax penalty of SEK 164m (182), i.e. a total demand including penalties of SEK 2,038m (1,541) excluding interest.

Fabege strongly contests the tax demands resulting from the Tax Agency's and Administrative Court's decisions and has appealed the decisions.

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.

During 2010, the Administrative Court issued verdicts concerning several of Fabege's tax cases, whereby the Administrative Court approved the Tax Agency's decisions to increase Fabege's taxable income. The decisions have been appealed to the Administrative Court of Appeal and Fabege has been granted a respite for paying the tax until the Administrative Court of Appeal has issued its verdict. In December 2010, the Administrative Court of Appeal announced that the tax matters would be subject to a stay of proceedings pending the advance ruling of the Council for Advance Tax Rulings in respect of the "Cyprus case."

Fabege considers that the Tax Agency and the Administrative Court has disregarded a number of important aspects and that the verdicts are therefore incorrect – an assessment shared by Fabege's advisors on the matters. Fabege is of the opinion that it is highly probable that the Administrative Court of Appeal will amend the Administrative Court's rulings to the benefit of Fabege.

The Administrative Court's verdicts pertain to cases for which the matter of reallocation of earnings has been tried. They do no encompass ther cases in which only the matter of tax avoidance is to be tried. For the cases remaining to be considered by the Administrative Court, correspondence pertaining to the parties' submissions is continuing.

Fabege is adhering to its view that the sales were accounted for and declared in compliance with applicable rules. This assessment is shared by external legal experts and tax advisors that have analysed the sales and the Tax Agency's reasoning. No provision has been made in Fabege's balance sheet. However, until further notice, the amount is instead being recognised as a contingent liability, as in previous financial statements.

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 74.

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 40.

HUMAN RESOURCES

The average number of employees in the Group during the year was 125 (139), of which 47 (56) were women and 78 (83) were men. 31 people were employed in the parent company (28). At year-end the number of employees was 126, of which 47 were women. See also page 66, 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 2010 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. Such remuneration could depend on the extent to which predetermined objectives are met within the framework of the company's operations. The objectives encompass financial and non-financial criteria. Remuneration in addition to fixed salary should be subject to a ceiling and tied to the fixed salary. Variable remuneration may not exceed three (3) months' salary. Variable remuneration to company management must not exceed a maximum total annual cost for the company of SEK 2.5m (excluding social security fees), calculated on the basis of the number of persons who currently constitute senior executives. Other benefits, where applicable, may only constitute a limited portion of the remunerations.

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.

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 2010 is provided in Note 6.

The Board proposes unchanged principles governing variable remuneration ahead of the 2011 Annual General Meeting. 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 END OF THE REPORTING PERIOD

In January, Fabege extended a credit limit of SEK 2bn by five years to 2016, while credit facilities totalling SEK 1bn were terminated.

Effective 4 January, the Bocken 51 property at Lästmakargatan was sold to the Lästmakarpalatset Tenant Owners Association. Since the selling price of SEK 139m corresponded to the latest market valuation as of 31 December 2010, the transaction did not give rise to a capital gain.

Following the sale of the Bocken 51 property and the settlement on 12 January of the outstanding sales consideration for the Profi transaction, the equity ratio rose to 40 per cent and the loan-to-value ratio declined to 57 per cent.

OUTLOOK FOR 2011

Both the rental market and transaction market strengthened during 2010. The positive market trend facilitates Fabege's efforts to continue to create and add to earnings from all components of the business model, meaning management, development and transactions. The streamlined property portfolio – with modern properties in prime locations in Stockholm inner city, Solna and Hammarby Sjöstad – facilitates a continuing favourable trend for Fabege's operations and earnings during 2011.

APPROPRIATION OF RETAINED EARNINGS

The shareholders are asked to decide on the appropriation of:

	SEK
Retained earnings	1,220,545,484
Loss for the year	–121,445,660
Total	**1,099,099,824**

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

	SEK
Dividend to the shareholders SEK 3.00 per share	488,940,252
Carried forward	610,159,572
Total	**1,099,099,824**

The dividend amount is based on the total number of outstanding shares on 31 Dedcember 2011, i.e. 162,980,084 shares, and is subject to alteration up to and including the record date, depending on share buy-backs.

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 thereto:

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 5.2 per cent of the company's equity and 4.3 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 77m (95), 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, 25 February 2011

The Board of Directors

Consolidated
Statement of comprehensive income

SEK millions	Note	2010	2009
Rental income	5, 7	2,007	2,194
Property expenses	8	–659	–729
Net operating income		**1,348**	**1,465**
Central administration and marketing	9	–62	–62
Profit from other securities and receivables that are fixed assets	11	5	6
Interest income	12	2	4
Share in profit/loss of associated companies	17	18	–5
Interest expenses	12	–529	–570
Operating profit/loss	1–6, 16, 19, 43	**782**	**838**
Realised changes in value, investment properties	10, 15	237	57
Unrealised changes in value, investment properties	10, 15	843	–310
Changes in value, fixed income derivatives	27	106	98
Changes in value, equities	13	–39	–3
Profit/loss before tax		**1,929**	**680**
Tax on profit for the year	14	–232	–255
Total profit/loss for the year		**1,697**	**425**
Comprehensive income attributable to parent company shareholders		**1,697**	**425**
Earnings per share before dilution, SEK		10:38	2:59
Earnings per share after dilution, SEK		10:38	2:59
No. of shares at end of period before dilution, millions		163.0	164.4
No. of shares at end of period after dilution, millions		163.0	164.4
Average no. of shares before dilution, millions		163.5	164.4
Average no. of shares after dilution, millions		163.5	165.1

Consolidated
Statement of financial position

SEK millions	Note	2010	2009
ASSETS			
Investment properties	15	26,969	29,193
Equipment	16	3	2
Interests in associated companies	17	443	307
Receivables from associated companies	18	81	–
Other long-term securities holdings	20	152	122
Deferred tax	28	–	99
Other long-term receivables	21	38	92
Total fixed assets		**27,686**	**29,815**
Trade receivables	22	18	19
Other receivables	23	1,437	627
Prepaid expenses and accrued income		49	58
Cash and cash equivalents	35	73	173
Total current assets		**1,577**	**877**
TOTAL ASSETS		**29,263**	**30,692**
EQUITY AND LIABILITIES			
Share capital		5,097	5,096
Other contributed capital		3,017	3,017
Retained earnings incl. profit/loss for the year		3,162	1,856
Total shareholders' equity	24	**11,276**	**9,969**
Liabilities to credit institutions	26	10,828	16,254
Derivatives	27	267	373
Deferred tax liabilities	28	152	–
Provisions	29	191	356
Total long-term liabilities		**11,438**	**16,983**
Liabilities to credit institutions	25, 26	5,818	2,855
Trade payables		82	89
Provisions	29	80	83
Tax liabilities		6	10
Other liabilities	30	97	245
Accrued expenses and deferred income	31	466	458
Total current liabilities		**6,549**	**3,740**
TOTAL EQUITY AND LIABILITIES		**29,263**	**30,692**
Assets pledged as security	32	**15,131**	**16,234**
Contingent liabilities	32	**2,520**	**2,172**

Consolidated

Statement of changes in equity

SEK millions	Attributable to parent company shareholders: Share capital	Other contributed capital	Retained earnings incl. profit/loss for the year	Total	Minority interest	Total equity
Opening balance, 1 January 2009	**5,096**	**3,017**	**1,760**	**9,873**	**–**	**9,873**
Total loss 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**
Opening balance, 1 January 2010	**5,096**	**3,017**	**1,856**	**9,969**	**–**	**9,969**
Total profit for the year			1,697	1,697		1,697
Total income and expenses for the period			**1,697**	**1,697**	**–**	**1,697**
Cash dividend			–329	–329		–329
Share buybacks			–61	–61		–61
Withdrawal of treasury shares	–118		118			
Bonus issue	119		–119			
Closing balance, 31 December 2010	**5,097**	**3,017**	**3,162**	**11,276**	**–**	**11,276**

Consolidated
Statement of cash flows

SEK millions	Note	2010	2009
OPERATING ACTIVITIES			
Net operating income and realised changes in the value of existing properties excluding depreciation		1,600	1,510
Central administration		–62	–62
Interest received and dividend 10 37		7	10
Interest paid	33	–527	–569
Income tax paid/received		–3	–100
Cash flow before change in working capital		**1,015**	**789**
CHANGE IN WORKING CAPITAL			
Current receivables		–800	–232
Current liabilities		–299	–56
Total change in working capital	34	**–1,099**	**–288**
Cash flow from operating activities		**–84**	**501**
INVESTING ACTIVITIES			
Investments and acquisition of properties		–940	–1,138
Sale of properties, book value at beginning of year	15	3,978	1,160
Acquisition of interests in associated companies	17	–103	–286
Acquisition of interests in other companies	20	–77	–65
Sale of interests in other companies		7	17
Other tangible fixed assets		–2	0
Other financial fixed assets		–26	53
Cash flow from investing activities		**2,837**	**–259**
FINANCING ACTIVITIES			
Dividends		–329	–329
Share buybacks		–61	–
Loans received/repayment of loans		–2,463	206
Cash flow from financing activities		**–2,853**	**–123**
Change in cash and cash equivalents		–100	119
Cash and cash equivalents at beginning of period	35	173	54
Cash and cash equivalents at end of period	35	**73**	**173**

Parent company
Profit and loss accounts

SEK millions	Note	2010	2009
Net turnover	39	102	89
Operating costs	40	–190	–174
Operating loss	1–3, 6, 16, 43	**–88**	**–85**
Profit/loss from shares and interests in Group companies	41	–	–291
Profit from other securities and receivables that are fixed assets	11, 13	368	402
Changes in value, fixed income derivatives	27	106	98
Interest income	12	1	2
Interest expenses	12	–537	–563
Loss before tax		**–150**	**–437**
Tax on profit for the year	14	29	28
Profit/loss for the year		**–121**	**–409**

No statement of comprehensive income has been prepared because the Parent Company has no transactions that should be included in other comprehensive income.

Parent company
Balance sheets

SEK millions	Note	2010	2009
ASSETS			
FIXED ASSETS			
Tangible fixed assets			
Equipment	16	3	–
Total tangible fixed assets		**3**	**–**
Financial fixed assets			
Shares and interests in Group companies	42	13,328	13,328
Receivables from Group companies		37,524	37,099
Other long-term securities holdings	20	6	39
Deferred tax asset	28	103	131
Other long-term receivables	21	33	188
Total financial fixed assets		**50,994**	**50,785**
TOTAL FIXED ASSETS		**50,997**	**50,785**
CURRENT ASSETS			
Current receivables			
Trade receivables		0	1
Other receivables		5	60
Prepaid expenses and accrued income		20	2
Total current receivables		**25**	**63**
Cash and cash equivalents	35	**64**	**161**
TOTAL CURRENT ASSETS		**89**	**224**
TOTAL ASSETS		**51,086**	**51,009**
EQUITY AND LIABILITIES			
Shareholders' equity	24		
Restricted equity			
Share capital		5,097	5,096
Reserve fund/Share premium account		3,166	3,166
Unrestricted equity			
Retained earnings		1,221	1,861
Profit/loss for the year		–121	–409
Total shareholders' equity		**9,363**	**9,714**
Provisions			
Provisions for pensions	29	63	63
Total provisions		**63**	**63**
Long-term liabilities			
Liabilities to credit institutions	26	10,828	15,998
Derivatives	27	267	373
Liabilities to subsidiaries		24,676	21,931
Total long-term liabilities		**35,771**	**38,302**
Current liabilities			
Liabilities to credit institutions	26	5,818	2,855
Trade payables		4	3
Other liabilities		7	9
Accrued expenses and deferred income	31	60	63
Total current liabilities		**5,889**	**2,930**
TOTAL EQUITY AND LIABILITIES		**51,086**	**51,009**
Assets pledged as security	32	**12,627**	**13,317**
Contingent liabilities	32	**3,452**	**621**

Parent company
Statement of changes in equity

SEK millions	Note	Share capital	Reserve fund	Un-restricted equity	Total equity
	24				
Equity, 31 December 2008		**5,096**	**3,166**	**2,020**	**10,282**
Profit for the year				–409	–409
Total income and expenses for the period				**–409**	**–409**
Cash dividend				–329	–329
New shares, conversion of debt instruments		0		0	0
Net Group contributions received				170	170
Equity on 31 December 2009		**5,096**	**3,166**	**1,452**	**9,714**
Loss for the year				–121	–121
Total income and expenses for the period				**–121**	**–121**
Cash dividend				–329	–329
Share buybacks				–61	–61
Withdrawal of treasury shares		–118		118	
Bonus issue		119		–119	
Net Group contributions received				160	160
Equity on 31 December 2010		**5,097**	**3,166**	**1,100**	**9,363**

Parent company
Cash flow statement

SEK millions	Note	2010	2009
OPERATING ACTIVITIES			
Operating loss excl. depreciation		–87	–84
Interest received		398	407
Interest paid	33	–535	–562
Income tax paid		–	–
Cash flow before change in working capital		**–224**	**–239**
Change in working capital			
Current receivables		38	–24
Current liabilities		–6	14
Total change in working capital	34	**32**	**–10**
Cash flow from operating activities		**–192**	**–249**
INVESTING ACTIVITIES			
Acquisition of interests in Group companies		–	–17
Sale of interests in Group companies		–	747
Acquisition and sale of interests in other companies		4	17
Other tangible fixed assets		–4	–
Other financial fixed assets		–270	–24,799
Cash flow from investing activities		**–270**	**–24,052**
FINANCING ACTIVITIES			
Dividends paid		–329	–329
Group contributions received and made		217	231
Dividends received		–	700
Share buybacks		–61	–
Loans received/repayment of loans		538	23,817
Cash flow from financing activities		**365**	**24,419**
Change in cash and cash equivalents		–97	118
Cash and cash equivalents at beginning of period	35	161	43
Cash and cash equivalents at end of period	35	**64**	**161**

Notes

(SEK million, unless otherwise specified)

Note 1 General Information

Fabege AB (publ), company registration 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: Pyramidvägen 7.

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 2010. 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. Fabege capitalises borrowing costs attributable to the purchase, construction or production of an assets that takes a considerable amount of time to complete for its intended use or sale. 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 36 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.

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 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.

Segment reporting
The application of the new standard IFRS 8 Operating segments has resulted in the Group's segment information being presented from the perspective of management and that operating segments are identified based on the internal

reports submitted to the company's chief operating decision maker. The Group has identified the CEO as the chief operating decision maker, 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 each 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 also applies to tax that is not directly attributable to earnings from property management activities or sales. Property assets are attributed to each segment pursuant to the classification on the balance sheet date.

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").

In the Parent Company, adjustments were made to the comparative figures for the items Receivables from Group companies and Liabilities to Group companies, because the items, which should rightly have been recognised in their net amount on 31 December 2009, were previously recognised gross.

New IFRS and interpretations

IAS 27 and IFRS 3 Business combinations

The revised IAS 27 and IFRS 3 apply to acquisitions (business combinations) as of the 2010 financial year. In the revised standard, the definition of business combination has changed, which could affect the classification of indirect acquisition of properties as asset acquisitions or business combinations. Acquisition-related costs may no longer be included in the cost, but should instead be recognised as an expense in profit and loss. For Fabege, the change entails that certain expenses resulting from property acquisitions classified as business combinations will be expensed.

Amendments to existing standards

A number of minor amendments to existing IFRS standards have become effective and apply to the 2010 financial year. The amendments pertain to such factors as IAS Classification of expenditures on unrecognised assets and IFRS 8 Operating segments. The improvements to IFRS in 2009 had no impact on the Group's financial statements in 2010; nor did other new and amended standards and interpretations have any impact on the Group's financial statements in 2010.

New and amended standards and interpretations that have not become effective

New and amended standards pertain to the amended disclosure requirements in IFRS 1, IFRS 7 and IAS 24. A new standard, IFRS 9 Financial instruments, becomes effective as of 2013. The impact of this standard cannot be determined as yet. In the opinion of management, other new and amended standards and interpretations will not have any significant impact on the Group's financial statements in the period during which they are initially applied.

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 2010 Fabege had unused credit facilities of SEK 4,939m excluding the commercial paper programme.

Committed lines of credit, 31 Dec 2010

Year, maturity	Used amount, SEKm	Committed amount, SEKm
Commercial paper programme	5,000	2,249
< 1 year	4,730	3,550
1–2 years	1,000	1,000
2–3 years	6,875	3,667
3–4 years	0	0
4–5 years	4,000	3,200
> 5 years	4,980	2,980
Total	**26,585**	**16,646**

Interest risk

Interest 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 16,646m (19,109) with an average interest rate of 3.45 per cent (2.48) excluding the cost of committed lines of credit, or 3.57 per cent (2.57) including this cost. Of total liabilities, SEK 2,249m (2,855) referred to outstanding commercial paper. The total loan volume at 31 December includes loans for works in progress of SEK 698m, on which interest of SEK 13m has been capitalised. The average fixed-rate term of the loans, including the effects of exercised derivatives, was 23 months (24) at 31 December. The average maturity was 5.3 years (5.6). Average leverage at year-end was 62 per cent (65). The derivatives portfolio is valued at fair value in accordance with IAS 39. The value of the portfolio is SEK –267m (–373). Realised changes in value in profit for the year is SEK 0m (0) and unrealised changes in value SEK 106m (98). 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 (0). 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 2010

Year, maturity	SEKm	Average interest rate, %	Share, %
< 1 year	9,096	3.09	55
1–2 years	0	0.00	0
2–3 years	4,550	3.84	27
3–4 years	0	0.00	0
4–5 years	0	0.00	0
> 5 years	3,000	3.97	18
Total	**16,646**	**3.45**	**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. At year-end, Fabege owned one land property in Belgium. Under Fabege's policy, property holdings are to be financed in the local currency. To avoid currency risks, the value of the Belgian property was hedged using EUR loans. Accordingly, exchange-rate fluctuations only impacted net profit for the property. The aforementioned property was sold in January 2011, whereupon the EUR loan was also repaid.

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 för 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 53 of the Directors' Report.

Note 5 Reporting by segment

SEKm	Property Management Jan–Dec 2010	Improvement Projects 2010	Total Jan–Dec 2010	Property Management Jan–Dec 2009	Improvement Projects Jan–Dec 2009	Total Jan–Dec 2009
Rental income	1,806	201	2,007	1,852	342	2,194
Property expenses	–573	–86	–659	–578	–151	–729
Net operating income	**1,233**	**115**	**1,348**	**1,274**	**191**	**1,465**
Surplus ratio, %	*68*	*57*	*67*	*69*	*56*	*67*
Central administration and marketing	–50	–12	–62	–50	–12	–62
Net interest expense	–432	–90	–522	–444	–116	–560
Share in profit/loss of associated companies	17	1	18	–1	–4	–5
Operating profit/loss	**768**	**14**	**782**	**779**	**59**	**838**
Realised changes in value, properties	215	22	237	36	21	57
Unrealised changes in value, properties	579	264	843	–327	17	–310
Profit/loss before tax per segment	**1,562**	**300**	**1,862**	**488**	**97**	**585**
Change in value, fixed income derivatives and equities			67			95
Profit/loss before tax			**1,929**			**680**
Properties, market value	21,453	5,516	26,969	23,266	5,927	29,193
Occupancy rate, %	91	69	88	92	79	90

Segments are reported from the point of view of management, divided into two segments: Property Management and Development 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). Property assets are attributed directly to the respective segments in accordance with the classification at the balance sheet date. During the first quarter, two major project properties (Päronet 8 and Tygeln 3) were transferred from Improvement Projects to Property Management. During the year, eight former development properties, where renovations and lettings are now creating the conditions for stable cash flow, were reclassified as Investment properties, including one in the third quarter. Three properties have been transferred from Property Management to Improvement Projects, including one in the fourth quarter.

Note 6 Employees and salary expenses, etc.

Average no. of employees	2010	Of which, men	2009	Of which, men
Parent company	31	11	28	10
Subsidiaries	94	67	111	73
Group, total	**125**	**78**	**139**	**83**

	Salaries and other compensation 2010	Social-security contributions 2010	Salaries and other compensation 2009	Social-security contributions 2009
Parent company	24	20	23	17
– of which, pension expenses		9		9
Subsidiaries	47	21	48	24
– of which, pension expenses		5		7
Group, total	**71**	**41**	**71**	**41**
– of which, total pension expenses		14		16

Sick leave January–December	2010
Total sick leave as a percentage of total ordinary working time	1.8
of which, share of long-term sick leave (continuous leave of 60 days or more)	13.8
Sick leave, women	1.6
Sick leave, men	1.9
Sick leave, employees < 30 years	2.1
Sick leave, employees aged 30–49	1.8
Sick leave, employees > 49 years	1.7

Breakdown by gender, Directors and senior executives

	Board 2010	Board 2009	Senior executives 2010	Senior executives 2009
Men	6	6	5	6
Women	1	1	2	2
Total	**7**	**7**	**7**	**8**

Compensation for senior executives
Senior executives refers to six persons who together with the Chief Executive Officer made up senior management in 2010. 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, 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 81.

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 2010 provisions of about SEK 6m, 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 2010 total Directors' fees of SEK 2,420,000 (2,235,000) 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 1,210,000 (1,025,000). No other fees or benefits were paid to the Board.

Compensation and other benefits to senior executives 2010, SEK '000

Senior management	Salary/Fee	Other benefits	Pension	Total
Chief Executive Officer	2,324	151	854	3,329
Executive Vice President	1,595	88	520	2,203
Other senior executives	5,806	404	1,540	7,750

In 2010 extra compensation/bonuses of SEK 1,067,000 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
Göte Dahlin	185	25	210
Oscar Engelbert	185	–	185
Märta Josefsson	185	50	235
Pär Nuder	185	25	210
Svante Paulsson	185	–	185
Mats Qviberg	185	–	185
Total	**2,320**	**100**	**2,420**

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 2010	Group 2009
Maturity:		
Within 1 year	290	403
1 to 5 years	1,139	1,125
Later than 5 years	304	467
Residential, garage/parking	79	172
Total	**1,811**	**2,167**

The difference between total rents at 31 December 2010 and income, as stated in the profit and loss account for 2010, is due to bought/sold properties, renegotiations and changes in occupancy rates in 2010. Contracts relating toresidential premises and garage/parking spaces remain in force until further notice.

Note 8 Property expenses

	Group	
	2010	2009
Operating expenses, maintenance and tenant adaptations	–374	–435
Property tax	–138	–130
Ground rent	–34	–37
VAT expense	–15	–22
Property/project adm. and lettings	–98	–105
Total	**–659**	**–729**

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	
	2010	2009
Realised changes in value:		
Sale proceeds	4,350	1,234
Book value and expenses	–4,113	–1,177
	237	**57**
Unrealised changes in value:		
Changes in value relating to properties owned at 31 Dec 2010	829	–297
Changes in value relating to properties divested during the year	14	–13
	843	**–310**
Total realised and unrealised changes in value	**1,080**	**–253**

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	
	2010	2009
Gain from property sales, full year:		
Sale proceeds	4,350	1,233
Book value and expenditure (based on value at beginning of year)	–4,099	–1,189
	251	**44**
Unrealised changes in value:		
Changes in value relating to existing properties	829	–297
	829	**–297**
Total realised and unrealised changes in value	**1,080**	**–253**
Breakdown between positive and negative results		
Positive	1,471	360
Negative	–391	–613
Total	**1,080**	**–253**

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

	Group		Parent company	
	2010	2009	2010	2009
Dividends	0	0	0	0
Interest income, Group companies	–	–	394	404
Interest income, promissory notes	5	6	3	1
Total	**5**	**6**	**397**	**405**

Note 12 Interest income and interest expenses

	Group		Parent company	
	2010	2009	2010	2009
Interest income	2	4	1	2
Total	**2**	**4**	**1**	**2**
Interest expenses	–529	–570	–537	–563
Total	**–529**	**–570**	**–537**	**–563**

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 39m (loss: 3) derived from unrealised losses of SEK 6m (profit: 3) and SEK 10 (0), respectively, on shares in AIK Fotboll AB and Swedish Arena Management AB as well as a realised loss of SEK 23m (loss: 11) on shares in Sveland Sakförsäkringar AB.

Note 14 Tax on profit for the year

	Group		Parent company	
	2010	2009	2010	2009
Current tax on profit for the year	–3	–100	–	–
Adjustment for current tax from previous years	–	–	–	–
Total current tax	**–3**	**–100**	**–**	**–**
Deferred tax	–229	–155	29	28
Total tax	**–232**	**–255**	**29**	**28**
Nominal tax (26.3%) on profit after financial items	–507	–179	39	115
Tax effects of adjustment items				
– Adjustment for deficits and temporary differences from previous years	32	11	–1	–2
– Dividends from subsidiaries	–	–	–	184
– Tax-exempt profit from sale of Group companies/properties	217	49	–	–
– Impairment of shares in subsidiaries	–	–	–	–261
– Deferred tax attributable to Fabege Storstockholm AB, [1]	–	–98	–	–
– Deficit acquired companies	15	–	–	–
– Other	11	–38	-9	–8
Total tax	**–232**	**–255**	**29**	**28**

[1] Tax attributable to the ruling of the Supreme Administrative Court in a case involving Fabege Storstockholm AB 2009.

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 valuer in 2010 was 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 2008–2010. 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 2010.

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 8.0 per cent (8.1) 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 5.9 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, %	8.0
Weighted required yield, residual value, %	5.9
Average long-term vacancy, %	4.5
Operations and maintenance	
Commercial, SEK/m²	338

Market values, 31 December 2010

	2010	Weighted yield, %	Change in value after deducting for investments, %
Stockholm inner city	16,215	5.5	3.4
Solna	8,333	6.3	3.1
Hammarby Sjöstad	1,987	6.6	4.3
Other markets	434	7.1	–1.4
	26,969	**5.9**	**3.3**

	Group	
	2010	**2009**
Opening fair value	29,193	29,511
Property acquisitions	–	56
Investments in new builds, extensions and conversions	940	1,082
Changes in value, existing property portfolio	829	–297
Changes in value relating to properties divested during the year	14	–13
Sales and disposals	–4,007	–1,146
Closing fair value	**26,969**	**29,193**

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	13,817	14,401

Fabege has mortgaged certain properties, see also Note 32 Assets pledged as security and contingent liabilities.

Note 16 Equipment

	Group		Parent company	
	2010	**2009**	**2010**	**2009**
Cost at beginning of year	19	19	4	4
Investments	4	0	5	0
Sales and disposals	–2	0	–2	0
Cost at end of year	21	19	7	4
Opening depreciation	–17	–16	–4	–3
Sales and disposals	0	0	0	0
Depreciation charge for the year	–1	–1	0	–1
Closing accumulated depreciation	–18	–17	–4	–4
Book value	**3**	**2**	**3**	**0**

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	
	2010	2009	2010	2009
Cost at beginning of year	307	21	–	–
Acquisition/contribution/loss	136	286	–	–
Sales	–	0	–	–
Cost at end of year	443	307	–	–
Book value	**443**	**307**	**–**	**–**

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	46
Råsta Administration AB 556702-8682	Stockholm	20.0	0
Projektbolaget Oscarsborg AB2) 556786-3419	Stockholm	50.0	0
TCL Sarl 199824012273)	Luxemburg	45.0	315
Nyckeln 0328 SE 517100-00694)	Stockholm	30.0	84
			443

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

2) The project company Oscarsborg AB is newly formed in 2010 and was established by Fabege and Oscar Properties Invest AB for the purpose of acquiring existing properties for new construction or conversion into flats and then to transfer them to tenant-owner associations. During 2010, Fabege transferred two project properties to the Oscarsborg AB project company. The holding in Oscarsborg is long-term for Fabege, but is considered a financial investment rather than a long-term holding in properties since the purpose of the company's operations is to sell projects to tenant-owner associations. Since the investment is considered a financial investment, Fabege has chosen to recognise the holding in accordance with the equity method.

3) Fabege's holding in Fastighets AB Tornet is indirectly owned through TCL Sarl.

4) Fabege conducts financial operations in an associated company. The operations comprise funding services conducted by means of borrowing in capital markets and lending services through the provision of cash loans. During 2010, the finance market improved significantly and the company intensified work on its borrowing operations. Accordingly, the Board decided to raise so-called MTN loans on the bond market during 2011. The terms and conditions are currently being formulated.

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

	Group	
	2010	2009
Profit and loss account		
Rental income	160	–
Net operating income	–54	–
Loss for the year	**327**	**–1**
Balance sheet		
Fixed assets	11,039	1,812
Current assets	541	400
Total assets	**11,580**	**2,212**
Shareholders' equity	9,084	1,531
Allocations	–	89
Other liabilities	2,496	592
Total equity and liabilities	**11,580**	**2,212**

Note 18 Receivables from associated companies

Receivables from associated companies pertain in their entirety to receivables from Projektbolaget Oscarsborg AB on which interest is accrued in line with 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

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

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

	Group	
	2010	2009
Profit and loss account		
Rental income	15	20
Net operating income	8	9
Profit for the year	**12**	**5**
Balance sheet		
Fixed assets	122	501
Current assets	2	7
Total assets	**124**	**508**
Shareholders' equity	94	214
Other liabilities	30	294
Total equity and liabilities	**124**	**508**
Average no. of employees	–	–

During the year, Fabege divested its 50-per cent participation in the company Zeolit Exploaterings AB.

Note 20 Other long-term securities holdings

	Group		Parent company	
	2010	2009	2010	2009
Cost at beginning of year	122	82	39	63
Acquisitions/Investments	77	65	4	0
Changes in value	–16	–8	–6	–8
Sales	–31	–17	–31	–16
Cost at end of year	152	122	6	39
Book value	**152**	**122**	**6**	**39**

Shareholding	Book value
Parent company	
AIK Fotboll AB – Fabege's capital share is 18.5 per cent and the number of shares 1,554,865	4
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	148
Swedish Arena Management AB – Fabege's capital share is 16.7 per cent and the number of shares 167	–1
	152

During the year, Fabege divested its shares in Svelands Sakförsäkring AB; also refer to Note 13.

Note 21 Other long-term receivables

	Group		Parent company	
	2010	2009	2010	2009
Maturity:				
1 to 5 years after balance sheet date	38	92	33	188
later than 5 years from balance sheet date	–	–	–	–
Total	**38**	**92**	**33**	**188**

Group
Other long-term receivables refers to promissory note receivables arising from the sale of properties. During the year a provision of SEK 63m (22) 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	2010	2009
0 – 30 days	15	13
31 – 60 days	0	2
61 – 90 days	1	0
> 90 days	12	21
Of which, provisions	–10	–17
Total	**18**	**19**

Note 23 Other receivables

In the consolidated financial statements the item includes sale proceeds of SEK 1,360m (479) for properties that have been sold but not yet vacated and promissory notes maturing within one year of SEK 12m (12). Promissory notes have been written down by SEK 0m (15). Sales proceeds were settled in January 2011.

Note 24 Shareholders' equity

	Outstanding shares	Registered shares
No. of shares at beginning of year	164,391,572	169,320,972
Cancellation of repurchased shares		–3,929,400
Repurchase of treasury shares	–1,411,488	
Total	**162,980,084**	**165,391,572**

All shares carry equal voting rights, one vote per share.
The quota value of a share is SEK 30.82.
Proposed dividend per share, SEK 3.00.
For other changes in shareholders' equity, see the consolidated and parent company statements of changes in equity.

Note 25 Overdraft facility

	Group		Parent company	
	2010	2009	2010	2009
Available credit limit	120	120	120	120
Unused share	–69	–120	–69	–120
Unused share	**51**	**0**	**51**	**0**

Note 26 Liabilities by maturity date

	Group		Parent company	
Interest-bearing liabilities	2010	2009	2010	2009
Maturity up to 1 year from balance-sheet date	5,799	2,855	5,799	2,855
Maturity 1 to 5 years from balance sheet date	7,867	12,019	7,867	13,458
Maturity later than 5 years from balance sheet date	2,980	4,235	2,980	2,540
Total	**16,646**	**19,109**	**16,646**	**18,853**

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 Derivatives

	Group		Parent company	
	2010	2009	2010	2009
Short-term excess value	–	1	–	1
Long-term excess value	–	–	–	–
Total excess value	**–**	**1**	**–**	**1**
Short-term deficit	–3	–	–3	–
Long-term deficit	–264	–374	–264	–374
Total deficit	**–267**	**–374**	**–267**	**–374**
Total	**–267**	**–373**	**–267**	**–373**

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 62. 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.

	Group		Parent company	
IFRS 7, level 3	**2010**	**2009**	**2010**	**2009**
Acquisition value at beginning of year	–374	–466	–374	–466
Acquisitions/Investments	–	–	–	–
Changes in value	107	92	107	92
Matured	–	–	–	–
Acquisition value at end of year	–267	–374	–267	–374
Book value	**–267**	**–374**	**–267**	**–374**

The change in value of SEK 107m (92) was attributable in entirety to derivative instruments held by the company at the end of the year as shown in the statement of comprehensive income.

Note 28 Deferred tax liability/asset

	Group		Parent company	
Interest-bearing liabilities	**2010**	**2009**	**2010**	**2009**
Deferred tax has been calculated on the basis of:				
– Tax losses	–1,104	–1,131	–33	–33
– Difference between the carrying amounts and tax bases of properties	1,321	1,126	–	–
– Derivatives	–70	–98	–70	–98
– Other	5	4	–	–
Net deferred tax asset/liability	**152**	**–99**	**–103**	**–131**

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 4.2bn (4.3). See also the section on tax in the Directors’ Report, page 50.

Note 29 Provisions

Out of total provisions of SEK 271m (439), SEK 146m (221) 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 43m (41).

	Rental guarantees	Other provisions	Provisions for pensions	Total
At 1 Jan 2010	221	137	81	439
Provisions for the year	12	2	1	15
Used/paid during the year	–87	–96	–	–183
At 31 Dec 2010	146	43	82	271
Provisions comprise				
Long-term component	66	43	82	191
Short-term component	80	–	–	80
	146	**43**	**82**	**271**

Rental guarantees
The rental guarantees have remaining maturities of up to 3 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 2010 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 143 per cent (141). 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 30 Other liabilities

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

Note 31 Accrued expenses and deferred income

	Group		Parent company	
	2010	2009	2010	2009
Advance payment of rents	280	307	–	–
Accrued interest expenses	39	45	39	37
Other provisions	147	106	21	26
Total	**466**	**458**	**60**	**63**

Note 32 Assets pledged as security and contingent liabilities

	Group		Parent company	
Assets pledged as security	2010	2009	2010	2009
Property mortgages	13,404	14,649	–	–
Shares in subsidiaries	1,727	1,585	–	–
Promissory notes	–	–	12,627	13,317
Total	**15,131**	**16,234**	**12,627**	**13,317**
Contingent liabilities				
Guarantees on behalf of subsidiaries	–	–	3,019	300
Ongoing tax cases	2,038	1,541	–	–
Guarantees and undertakings for the benefit of associated companies	294	398	225	256
Other provisions	188	233	208	65
Total	**2,520**	**2,172**	**3,452**	**621**

The Group has pension commitments of SEK 41m (42), which are secured through a pension fund. The collective funding ratio (see the definition in Note 29) for the pension fund is 128 per cent (125). 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 53.

Note 33 Interest paid

Interest paid during the year in the Group was SEK 542m (590), of which SEK 13m (20) has been capitalised in the investment business. No capitalisation of interest has been made in the parent company.

Note 34 Changes in working capital

	Group		Parent company	
	2010	2009	2010	2009
Change acc. to balance sheet	–1,097	–287	34	–9
Change in assets and liabilities in respect of interest income, dividends and interest expenses	–2	–1	–2	–1
Total	**–1,099**	**–288**	**32**	**–10**

Note 35 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 69m (120).

Note 36 Related-party transactions

Erik Paulsson, with his family and companies, holds controlling influence in Hansan AB. In 2010, consulting services totalling SEK 3m (1) were procured.

In 2010, Fabege earned income of SEK 0.7m (1.0) from joint ventures. In February 2010, Fabege transferred most of its residential-property portfolio to the property company Tornet. The portfolio comprises about 96,000 sqm of residential space worth approximately SEK 680m. The transaction was conducted at market value and entailed no capital gains.

In autumn 2010, Fabege also transferred two properties to Projektbolaget Oscarsborg AB at a value of SEK 315m. The transactions were conducted at market value and entailed no capital gains. Receivables with Projektbolaget Oscarsborg AB totalled SEK 81m (0) at year-end.

Note 37 Dividend per share

The dividends that were adopted at Annual General Meetings and paid out in 2010 and 2009 were SEK 2.00 per share and SEK 2.00 per share, respectively. At the AGM on 30 March 2011 the Board will propose a dividend for 2010 of SEK 3.00 per share, resulting in a total dividend payment of SEK 488,940,252. The dividend amount is based on the total number of outstanding shares at 31 December 2010, i.e. 162,980,084 shares, and is subject to alteration up to and including the record date, depending on share buybacks.

Note 38 Adoption of the annual report

The annual report was adopted by the Board of Directors and approved for publication on 25 February 2011.

The Annual General Meeting will be held on 30 March 2011.

Note 39 Net turnover

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

Note 40 Operating expenses

	Parent company 2010	2009
Employee expenses	–50	–48
Administration and running costs	–139	–125
Depreciation of equipment	–1	–1
Total	**–190**	**–174**

Note 41 Profit/loss from shares and interests in Group companies

	Parent company 2010	2009
Impairment of shares in subsidiaries	–	–991
Anticipated dividends on shares and interests	–	700
Total	**–**	**–291**

Note 42 Shares and interests in Group companies

	Parent company 2010	2009
Cost at beginning of year	14,319	14,987
Acquisitions and additions	–	79
Sales	–	–747
Cost at end of year	**14,319**	**14,319**
Opening depreciation	–991	0
Impairment	–	–991
Book value	**–991**	**–991**
Closing accumulated depreciation	**13,328**	**13,328**

Directly owned subsidiaries

Name/Corporate identity no.	Regd. office	Capital share, % [1]	Book value
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 223 (253) companies.

Note 43 Fees and compensation to auditors

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

Fees and expenses, SEK '000

	Group 2010	Group 2009	Parent company 2010	Parent company 2009
Deloitte				
audit assignments	3,355	3,432	3,355	3,432
other auditing activities	379	332	379	332
tax advisory services	770	510	770	510
other services	78	173	78	173
	4,582	**4,447**	**4,582**	**4,447**

Note 44 Events after the balance sheet date

In January, Fabege extended a credit limit of SEK 2bn by five years to 2016, while credit facilities totalling SEK 1bn were terminated.

Effective 4 January, the Bocken 51 property at Lästmakargatan was sold to the Lästmakarpalatset Tenant Owners Association. Since the selling price of SEK 139m corresponded to the latest market valuation as of 31 December 2010, the transaction did not give rise to a capital gain.

Following the sale of the Bocken 51 property and the settlement on 12 January of the outstanding sales consideration for the Profi transaction, the equity ratio rose to 40 per cent and the loan-to-value ratio declined to 57 per cent.

Corporate Governance Report

Fabege is a Swedish public limitedliability 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 at the end of this report.

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 5,097m, represented by 165,391,572 shares. Of these, 2,411,488 are treasury shares, representing 1.5 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. The following indirect or direct shareholdings in the company as of 31 December 2010 represent one tenth or more of the votes for all shares in the company:

Shareholding	Share of votes %
Brinova	14,3

Fabege's ownership structure is described on page 85.

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 2010

The Annual General Meeting is the company's highest decision-making body. Shareholders who would like to participate in the business of the Annual General Meeting must be registered in the transcript of the entire share register pertaining to the conditions prevailing five days prior to the Annual General Meeting and notify the company of their intention, and that of no more than two advisors, to attend the Meeting no later than 4:00 pm on the day stipulated in the notice convening the Annual General Meeting.

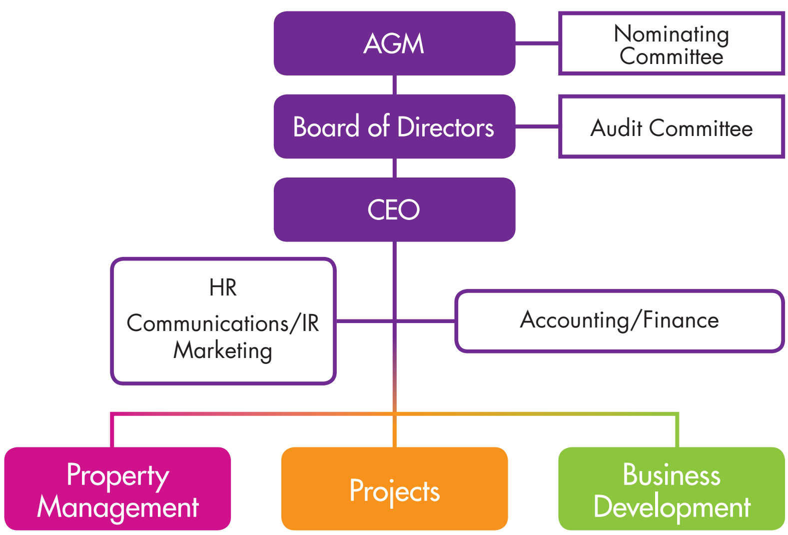
The 2010 Annual General Meeting was held in Stockholm on 24 March 2010. Erik Paulsson was elected to chair the meeting. The AGM was attended by shareholders holding a total of 59.0m shares, representing 35.9 per cent of the votes.

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. Oscar

ORGANISATION



Engelbert and Pär Nuder were elected to the Board as new Directors. Erik Paulsson was elected Chairman. The AGM resolved that Directors' remuneration should remain unchanged in 2010.

Cash dividend (proposal of the Board)

The dividend was fixed at SEK 2.00 and the record date was set at 29 March 2010.

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

Guidelines were resolved on for compensation to management. These guidelines are presented in their entirely on page 66.

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 30 September 2010 a Nominating Committee was announced that represents about 30.7 per cent of the votes in Fabege. The Nominating Committee consists of the following members: Anders Silverbåge (Brinova Fastigheter AB), Erik Törnberg (Investment AB Öresund), Gustaf Colliander (Cohen & Steers) and Thomas Ehlin (Nordea fonder).

The Nominating Committee has held four 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 2011 AGM are available on the company's website. The Committee's proposals are also described in the notice for the 2011 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 2010 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. Up to the 2010 Annual General Meeting, the Board of Directors comprised seven members, since Arne Berggren, who was elected at the 2009 Annual General Meeting, stepped down from his seat in April 2009.

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. The Board aims to retain members with expertise in areas such as properties, 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.

The Nominating Committee's proposal

The Nominating Committee proposes reelecting Göta Dahlin, Oscar Engelbert, Christian Hermelin, Märtha Josefsson, Pär Nuder, Erik Paulsson, Svante Paulsson and Mats Qviberg, and electing Eva Eriksson to the Board. Accordingly, the Nomination Committee proposes that the number of Board members be increased by one to a maximum of nine members. Out of the proposed Directors, Erik Paulsson is to be regarded as dependent in relation to the company, the Group management and in relation to major shareholders, Svante Paulsson as dependent in relation to major shareholders, Oscar Engelbert as dependant in relation to the company, and the CEO, Christian Hermelin, as dependent in relation to the company and the Group management. The other proposed Directors are, according to the definitions contained in the Code, independent in relation to the company, the Group management 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

Board meetings

In 2010, the Board held six ordinary meetings and a total of twelve meetings, including one constituent meeting, one extra meeting and four per capsulam 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, ordinary meeting: Year-end financial statement 2009, annual report 2009, evaluation of the work of the Board, follow-up of compliance with guidelines on compensation for senior executives
2. March, ordinary meeting: 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. June: Telephone meeting
7. June: Telephone meeting
8. June: Telephone meeting
9. August, ordinary meeting: Interim report for the second quarter
10. October, extra meeting: Strategy discussion
11. November, ordinary meeting: Interim report for the third quarter, evaluation of the CEO's performance, issues relating to management remuneration.
12. December, ordinary meeting: Strategic plan 2011, budget 2011.

The year-end report is addressed by the Board at a Board meeting held on the same date on which the report is published in the market. Other interim reports are addressed at the immediate following Board meeting. However, Board members are always given the opportunity to read and submit opinions on all reports before they are published.
In 2010, the Board made decisions on several major transactions and investments in the company's existing property portfolio. In 2010 Fabege sold 54 properties for SEK 4,350m. Decisions were made on investments of SEK 600m 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. Profit was discussed at the Board meeting in February 2011.

The Directors are paid Directors' fees in accordance with the resolutions of the Annual General Meeting. For 2010, 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 twelve Board meetings and four meetings of the Audit Committee were held.

	Board Directors	Audit Committee
Erik Paulsson, Chairman	12	
Göte Dahlin, Director	12	4
Oscar Engelbert [2]	10	
Christian Hermelin, Director	12	
Sven-Åke Johansson [1]	2	1
Märtha Josefsson, Director	11	4
Pär Nuder [2]	9	3
Svante Paulsson,Director	12	
Mats Qviberg, Director	12	

[1] Stepped down at the 2010 AGM.
[2] Assumed seat on the Board at the 2010 AGM.

The Audit Committee

Audit Committee from among its own members consisting of Märta Josefsson (Chairman), Göte Dahlin and Pär Nuder. Sven-Åke Johansson, who was formerly the Committee's Chairman, stepped down in conjunction with the 2010 Annual General Meeting. 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 regularly meets with senior executives to discuss and form an opinion of the state of the company's essential processes from an internal control perspective. Board members review all interim reports. The year-end report, the corporate governance report and the administration report are discussed specifically at the Committee's meeting early each year. 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 2010, 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. During the year, the Audit Committee addressed areas such as the Group's ongoing tax cases, a review of the derivative portfolio, review of segment reporting and Fabege's commitment to the development of Arenastaden. Year-end accounts and valuation matters were addressed, as were operational and auditing risks. At each meeting, the company's auditors submitted a report of their review during the year. The minutes from the Audit Committee's meetings were shared with all Board members, and the Committee's Chairman submitted regular reports to the Board.

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 66. The company's principles of remuneration and terms of employment will also be presented at the 2011 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 Nasdaq OMX Stockholm.

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

Group Management

The CEO directs the work of Group management and reaches decisions in consultation with the other members of management. Group management jointly conducts the operational control and manages the business and engages in daily management in accordance with the Board's guidelines, instructions and resolutions.

The key to success is having motivated employees. With the aim of creating the best conditions for this, Fabege's Group management has to establish a clear framework and objectives for the operation. Group management must create the conditions for employees to achieve the established objectives by:

- Clearly communicating the company's course and objectives
- Establishing an approach based on the company's collective expertise
- Coaching, inspiring and creating workplace satisfaction and positive energy
- Regularly reviewing and providing feedback on the established objectives.

In 2010, the Group management consisted of six persons, in addition to the CEO:
Chief Financial Officer
Director of Communications
Director of Properties
Director of Projects & Development
Director of Business Development
Director of Transactions

Operational Group management meetings are held on a weekly basis. Once a month, minuted decision-making meetings are held, during which strategic and operational matters such as property transactions, letting, market trends, organisation and monthly and quarterly reviews are addressed. The CEO's assistant also participates 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.

The company applies the established COSO (Internal Control – Integrated Framework) framework in its work.

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 2010, 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. In 2010, Fabege implemented a comprehensive review and update of its policies. All policies were discussed and decided on by Group management. Information concerning resolved policies was also disseminated throughout the organisation. In addition, more detailed guidelines and instructions are reviewed and updated regularly. At year-end, the company initiated an effort to review the company's Code of Conduct and ethical guidelines aimed at having Fabege join the UN Global Compact.

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 2010, all of the company's critical processes were subject to an internal review. In addition to the external audit performed in 2010, 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 Nasdaq OMX Stockholm's Rule Book for Issuerss. The ambition is to improve knowledge of and build confidence in the company among investors, analysts and other stakeholders. In 2010, a comprehensive effort was implemented to improve information and access to information on the external website.

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
Corporate Governance Report
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 2010, 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 2011. The auditors have participated in and presented reports at all meetings of the Audit Committee (4 in 2010). Reports were also presented to management in 2010. Fees paid to the company's auditors are described in Note 43 on page 73.

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, 25 February 2011

The Board of Directors

AUDITOR
Svante Forsberg
Authorised Public accountant, Deloitte. Born 1952.
Auditor at Fabege since 2005.
Other audit assignments:
Alliance Oil, Anticimex, Black Earth Farming, Connecta, Diligentia, Skandia Liv and Swedbank.

Board of Directors and Auditor

Erik Paulsson[4]
Born 1942. Chairman of the board since 2007 och Director since 1998.
Other directorships: Chairman of the Board in Backahill AB, Diös Fastigheter AB, SkiStar AB and Wihlborgs Fastigheter AB. Director of Brinova Fastigheter AB and Nolato AB.
Education: Lower secondary school. Business manager since 1959.
Shareholding: 66,596 and via Brinova.

Göte Dahlin[1]
Born 1941.
Director since 2000.
Other directorships: Deputy Chairman of RBS Nordisk Renting AB, Director of Rezidor Hotel Group AB and Svensk Inredning Viking AB.
Education: B.Sc. in Natural Science.
Shareholding: 15,000 through personal endowment policy.

Oscar Engelbert[2]
Born 1976. Director since 2010.
Other directorships: CEO of Oscar Properties AB. Director of Bonniers konsthall.
Education: Secondary School, Boston University and Economics for Entrepreneurs.
Shareholding: 0.

Märtha Josefsson[1]
Born 1947.
Director since 2005.
Other directorships: Chairman of the Board of Svenska Lärarfonder AB. Director of Luxonen S.A, Investment AB Öresund, Opus Prodox AB, Second AP-fonden and Skandia Fonder AB.
Education: Bachelor's degree in Economics.
Shareholding: 70,000.

Christian Hermelin[3]
Born 1964. Director since 2007. CEO of Fabege AB.
Employed since: 1998 and in current position since 2007.
Education: Bachelor's degree in Administration.
Shareholding: 71,400.

Pär Nuder[1]
Born 1963.
Director since 2010.
Other directorships: Chairman of Sundbybergs Stadshus AB. Director of Orrefors Kosta Boda AB and Swedegas AB. Senior Director Albright Stonebridge Group.
Education: LL.M.
Shareholding: 0.

Mats Qviberg[1]
Born 1953.
Director since 2001.
Other directorships: Chairman of the Board of Bilia AB. Deputy Chairman of the Board of Investment AB Öresund. Director of SkiStar AB.
Education: Bachelor's degree in Business Administration.
Shareholding: 2,890,036.

Svante Paulsson[5]
Born 1972.
Director since 2007.
Other directorships: Responsible for strategy and projects in Backahill AB. Deputy Chairman of the Board of Backahill AB. Director of Bilia AB, PEAB AB, AB Cernelle and Ängelholms Näringsliv AB.
Education: Lower secondary school, High School in the US.
Shareholding: 162,318.

[1] In accordance with the Swedish Corporate Governance Code, independent in relation to the company, the Group management and major shareholders.
[2] In accordance with the Swedish Corporate Governance Code, dependent in relation to the company, independent in relation to the Group management and major shareholders.
[3] In accordance with the Swedish Corporate Governance Code, dependent in relation to the company and the Group management, independent in relation to major shareholders.
[4] In accordance with the Swedish Corporate Governance Code, dependent in relation to the company, the Group management and major shareholders.
[5] In accordance with the Swedish Corporate Governance Code, independent in relation to the company and the Group management, dependent in relation to major shareholders.

Shareholdings on 31 December 2010.

Auditor

Svante Forsberg, Authorised Public accountant, Deloitte.
See page 79.

Group Management

Christian Hermelin

Chief Executive Officer. Born 1964. Employed since 1998, in current position since 2007.
Previous employment: Project Manager, Fastighets AB Storheden.
Education: Bachelor's degree in Administration.
Shareholding: 71,400.

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.

Klas Holmgren

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

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.

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.

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.

Shareholdings on 31 December 2010.

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, 25 February 2011

Erik Paulsson
Chairman

Göte Dahlin

Oscar Engelbert

Märtha Josefsson

Pär Nuder

Svante Paulsson

Mats Qviberg

Christian Hermelin
Chief Executive Officer

We presented our audit report on 25 February 2011
Deloitte AB

Svante Forsberg
Authorised Public Accountant

Auditor's Report

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

We have audited the Annual Report and the consolidated financial statements – with the exception of the Corporate Governance Report on pages 74–79 – the accounts and the administration of the Board of Directors and the CEO of Fabege AB for the financial year from 1 January 2010 to 31 December 2010. The Company's Annual Report and consolidated financial statements are included in the printed version of this document on pages 50–83. The Board of Directors and the CEO are responsible for these accounts and the administration of the Company, and for ensuring that the Annual Accounts Act is applied when compiling the Annual Report, and that the International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act are applied for compiling the consolidated financial statements. Our responsibility is to express an opinion on the Annual Report, the consolidated financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable, but not absolute assurance that the Annual Report and the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and their application by the Board of Directors and the CEO, evaluating the material estimations made by the Board of Directors and CEO when compiling the Annual Report and the consolidated financial statements, and evaluating the overall presentation of information in the Annual Report and the consolidated financial statements. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any Board member or the CEO or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The Annual Report has been prepared in accordance with the Annual Accounts Act and provides a true and fair picture of the Company's earnings and financial position in accordance with Generally Accepted Accounting Standards in Sweden. The consolidated financial statements have been compiled in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act and provide an accurate impression of the Group's earnings and financial position. Our statement does not encompass the Corporate Governance Report on pages 74–79. The Administration Report is compatible with the other parts of the Annual Report and consolidated financial statements.

We recommend that the Annual General Meeting adopt the income statements and balance sheets of the Parent Company and the Group, that the profit in the Parent Company be dealt with in accordance with the proposal in the Report of the Board of Directors and that the members of the Board and the CEO be discharged from liability for the financial year.

STATEMENT ON THE CORPORATE GOVERNANCE REPORT

The Board of Directors and CEO are responsible for the Corporate Governance Report on pages 74–79 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

As the basis for our statement on whether the Corporate Governance Report was prepared in accordance and complies with the other elements of the Annual Accounts Act, we have read the Corporate Governance Report and assessed its statutory content based on our knowledge of the company.

A Corporate Governance Report has been prepared pursuant to and its statutory information is compliant with the Annual Accounts Act and the other elements of the consolidated financial statements.

Stockholm, 25 February 2011

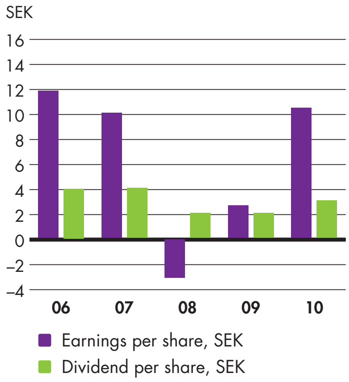
Deloitte AB

Svante Forsberg
Authorised Public Accountant

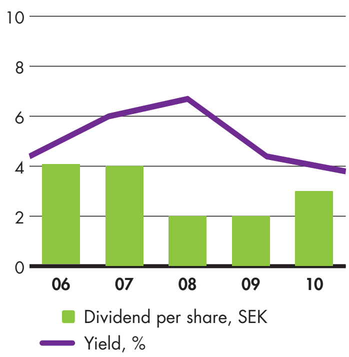
Share information

Fabege's share is listed on the Nasdaq OMX Stockholm Nordic Exchange and included in the Large-Cap list under the Real Estate sector. The company had a market capitalisation at year-end of SEK 12.9bn and a net asset value of approximately SEK 11.3bn.

Profit/loss per share and dividend



Dividend per share and direct yield



In 2010, the property sector outperformed the stock market as a whole. The Fabege share rose 74 per cent from SEK 45.20 to SEK 78.55, while the property index (SX Real Estate) was up 41 per cent and the Nasdaq OMX Stockholm increased 23 per cent.

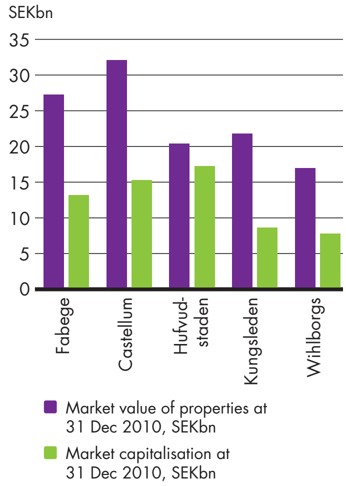
TURNOVER AND TRADING

As a result of the EU's MiFiD directive, shares may be traded in marketplaces other than that in which they are listed. The trend is that an increasingly greater portion of Swedish shares are being traded outside Stockholm. This is particularly noticeable for the most traded shares of the companies on the Large-Cap list.

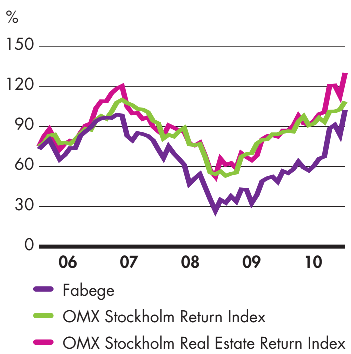
In 2010, Fabege's shares were traded in more than ten market places. However, trading on the Nasdaq OMX Stockholm Nordic Exchange still accounted for most of the trading of the Fabege share, and in 2010, 62 per cent (84) of the total share turnover took place there.

During the year, a total of 297,000,000 (374,000,000) Fabege shares were traded, of which 185,000,000 (293,000,000) were traded on the Nasdaq OMX Stockholm Nordic Exchange. The total value of the traded shares was SEK 15.6bn (13.5), of which SEK 9.7bn (10.9) was traded in Stockholm. The average turnover rate for Fabege shares was 182 per cent (227). The average turnover rate on the Nasdaq OMX Stockholm Nordic Exchange declined for the second consecutive year, amounting to 95 per cent (119).
On an average trading day, 1,173,000

The largest listed property companies

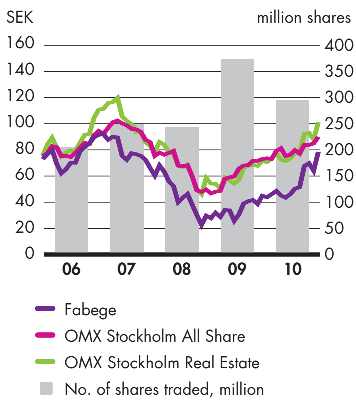


Total yield 2006–2010



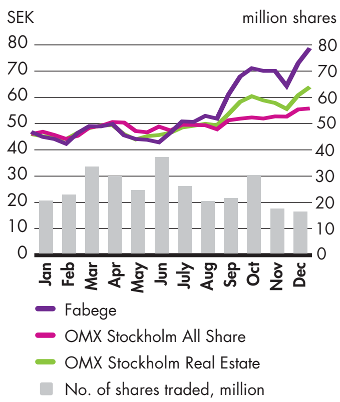
Source: Trust

Share price performance 2006–2010

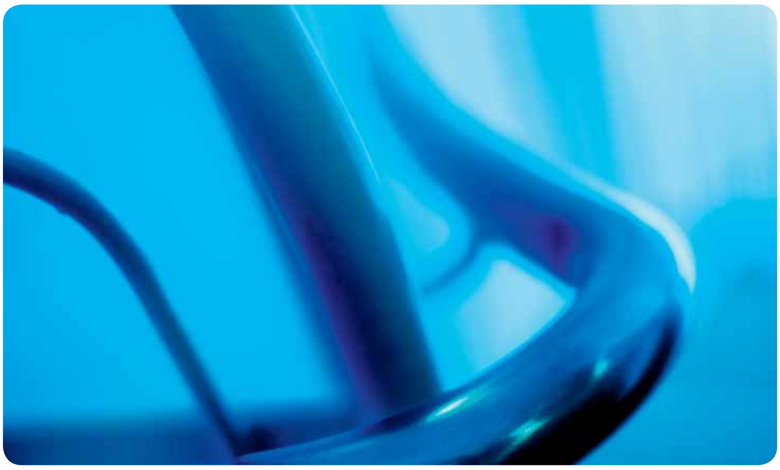


Source: Trust and Fidessa

Share price performance 2010



Source: Trust and Fidessa



Fabege shares (1,489,000) were traded in 1,134 transactions (866).

SHARE PRICE PERFORMANCE

The total return on Fabege's shares, including reinvested dividends of SEK 2.00 per share, was 81 per cent. At year-end, the company had a market capitalisation of about SEK 12.9bn. The lowest price paid in 2010 was SEK 41.00, on 8 June, and the highest price paid was SEK 78.55, on 30 December.

SHARE CAPITAL

Fabege's share capital is SEK 5,097m, represented by 165,391,572 shares (169,320,972). All shares carry the same voting rights and entitle the holder to the same share of the company's capital.

The 2010 AGM decided to authorise the Board of Directors to buy back shares during the period leading up to the 2011 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. During the year, 1,411,488 shares (0) were repurchased at an average price of SEK 43.04. After the cancellation of 3,929,400 shares in April 2010, Fabege's total holding of treasury shares was 2,411,488, or 1.5 per cent of the total number of registered shares.

OWNERSHIP STRUCTURE

On 31 December 2010 Fabege had 33,792 shareholders (35,530). The largest shareholder was Brinova which held 14.3 per cent of the total number of outstanding shares, followed by Investment AB Öresund which held 6.6 per cent and BlackRock funds which held 5.5 per cent. The 15 largest owners controlled 55.5 per cent of the total number of outstanding shares.

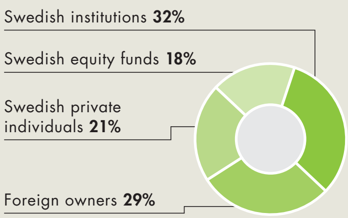
Distribution by size of shareholding, 31 December 2010

Size of shareholding	No. of shareholders	Share of no. of shareholders, %	No. of shares	Share of capital and votes, %
0–500	22,455	66.4	4,329,493	2.7
501–1,000	5,273	15.6	4,109,609	2.5
1,001–5,000	4,817	14.3	10,501,437	6.5
5,001–10,000	615	1.8	4,434,733	2.7
10,001–100,000	484	1.4	13,900,561	8.5
100,001–1,000,000	116	0.3	40,630,826	24.9
1,000,001–	32	0.2	87,484,913	52.2
Total	**33,792**	**100.0**	**165,391,572**	**100.0**

Distribution by country

Country	2010	2009	2008
Sweden	67.6	70.2	69.9
USA	17.3	5.7	10.4
UK	2.3	9.9	5.6
Other countries	12.8	14.2	14.1

Breakdown of ownership by category



Largest shareholders, 31 Dec 2010

	No. of shares	Shares of capital and votes, %
Brinova AB	23,291,092	14.3
Investment AB Öresund	10,746,597	6.6
BlackRock funds	8,938,454	5.5
Cohen & Steers funds	8,377,466	5.1
SEB funds	5,694,059	3.5
Nordea funds	5,634,243	3.5
Länsförsäkringar funds	5,510,248	3.4
Carnegie funds	4,390,100	2.7
Swedbank Robur funds	4,334,381	2.6
Qviberg, Mats and family	2,890,036	1.8
SHB funds	2,572,209	1.6
Government of Norway	2,514,557	1.5
Second AP fund	1,910,679	1.2
ENA City AB	1,880,000	1.2
AMF Försäkring & Fonder	1,630,000	1.0
Other foreign shareholders	28,695,564	17.6
Other shareholders	43,970,399	26.9
Total no. of outstanding shares	**162,980,084**	**100.0**
Treasury shares	2,411,488	
Total no. of shares	**165,391,572**	

Source: SIS Ägarservice

Foreign owners held 29.3 per cent of the share capital. Of the portion held by Swedish investors, 70.7 per cent of the share capital, institutional owners held 32.1 per cent, equity funds 17.9 per cent and Swedish private investors 20.7 per cent.

NET ASSET VALUE PER SHARE

Equity per share at 31 December 2010, was SEK 69 (61). Net asset value per share excluding deferred tax on fair value adjustments to properties was SEK 77 (67). At year-end, the share price thus represented 101 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 199m, or SEK 1.22 per share. See Sensitivity analysis, property value on page 52.

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 3.00 per share (2.00) be paid to the shareholders. The dividend represents 29 per cent of earnings per share and slightly more than 50 per cent of distributable earnings in accordance with the dividend policy.

The proposed record date for the right to receive a dividend is 4 April 2011. If the AGM adopts the proposed decision it is expected that the dividend will be paid through Euroclear Sweden AB (formerly VPC AB) on 7 April 2011.

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:	Tobias Kaj	**Swedbank:**	Andreas Daag
Danske Bank:	Peter Trigarszky	**SEB Enskilda:**	Bengt Claesson
DnB NOR:	Simen R Mortensen	**UBS Investment Bank:**	Howard Lesser
Goldman Sachs International:	Nick Webb	**Ålandsbanken Sweden:**	Erik Nyman
Handelsbanken Capital Markets:	Albin Sandberg	**Öhmans:**	David Zaudy

Key figures	2010	2009
Financial		
Return on capital employed, %	8.7	4.2
Return on equity, %	16.0	4.3
Interest coverage ratio, times	3.0	2.6
Equity/assets ratio, %	39	32
Leverage properties, %	62	65
Debt/equity ratio, times	1.5	1.9
Per share data		
Earnings per share for the year, SEK	10.38	2.59
Equity per share, SEK	69	61
Cash flow per share, SEK	6.13	4.87
No. of outstanding shares at end of period before dilution, '000	162,980	164,392
No. of outstanding shares at end of period after dilution, '000	162,980	164,392
Average no. of shares before dilution, '000	163,504	164,386
Average no. of shares after dilution, '000	163,504	165,052
Dividend, SEK	3.00[1]	2.00
Yield, %	3.8	4.4

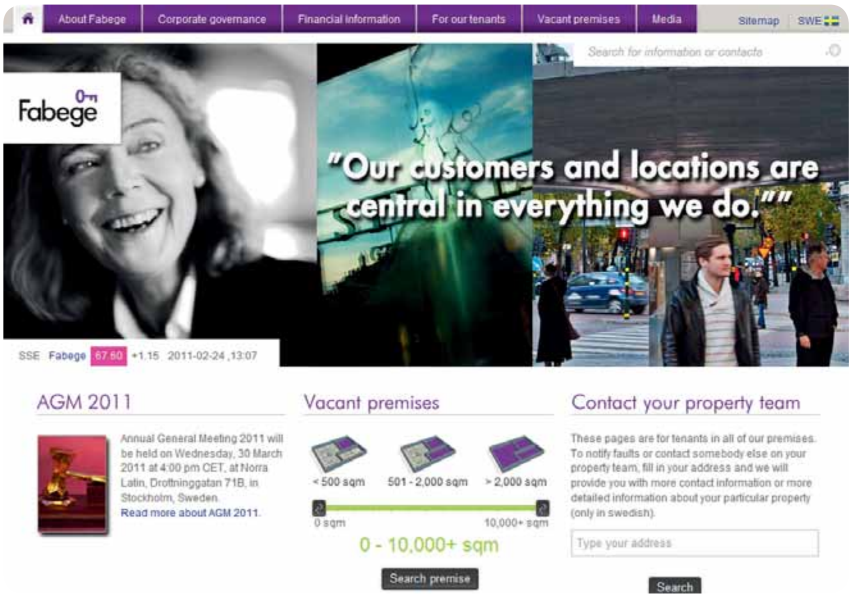
[1] Proposed dividend 2010.

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, fabege.se.

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.

Contact information

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Annual General Meeting

The Annual General Meeting of Fabege AB (publ) will be held at 4 pm CET on Wednesday 30 March 2011 at Norra Latin, Drottninggatan 71B, Stockholm, Sweden. Registration for the AGM begins at 3 pm CET.

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 Thursday 24 March 2011,
- notify the company of their intention to participate, stating the names of any assistants they wish to invite, no later than 4 pm CET on Thursday 24 March 2011.

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 3.00 per share be paid to the shareholders. The proposed record date for the right to receive a dividend is 4 April 2011. If the AGM adopts the proposed decision, it is expected that the dividend will be paid through Euroclear Sweden AB (formerly VPC AB) on 7 April 2011.

Financial calendar

Interim report Jan–March: .... 3 May 2011
Interim report Jan–June: .... 7 July 2011
Interim report Jan–Sep: ..... 26 October 2011
Year-end report 2011 .... 2 February 2012
Annual report for 2011 .... March 2012

Five-year summary

	2010	2009	2008	2007	2006
Profit and loss accounts, SEKm					
Rental income	2,007	2,194	2,214	2,066	2,343
Net operating income	1,348	1,465	1,438	1,312	1,401
Realised changes in value/Gain from property sales	237	57	143	446	61
Unrealised changes in value, properties	843	–310	–1,545	893	911
Operating profit/loss	782	838	568	703	646
Profit before tax	1,929	680	–1,340	2,066	1,863
Profit after tax	1,697	425	–511	1,812	2,266
Balance sheets, SEKm					
Investment properties	26,969	29,193	29,511	30,829	27,188
Other tangible fixed assets	3	2	3	6	11
Financial fixed assets	714	620	586	387	1,889
Current assets	1,504	704	388	458	757
Cash and cash equivalents	73	173	54	75	164
Equity	11,276	9,969	9,873	11,415	12,177
of which minority share of equity [1]	–	–	–	–	*21*
Provisions	271	439	624	1,393	1,001
Interest-bearing liabilities	16,646	19,109	18,902	17,210	14,999
Derivatives	267	373	471	–	–
Non-interest-bearing liabilities	651	802	672	1,737	1,832
Total assets	29,263	30,692	30,542	31,755	30,009
Key ratios [2]					
Surplus ratio, %	67	67	65	64	60
Interest coverage ratio, times	3.0	2.6	1.9	2.8	2.1
Capital employed, SEKm	28,189	29,451	29,246	28,625	27,176
Equity/assets ratio, %	39	32	32	36	40
Debt/equity ratio, times	1.5	1.9	1.9	1.5	1.2
Leverage, properties, %	62	65	64	56	55
Return on equity, %	16.0	4.3	–4.8	15.4	19.8
Return on capital employed, %	8.7	4.2	–1.7	9.9	9.0
Average interest rate on interest-bearing liabilities, %	3.45	2.48	3.27	4.28	3.72
Property acquisitions and investments in existing properties, SEKm	907	1,138	2,164	4,984	17,045
Property sales, selling price, SEKm	4,350	1,234	2,095	2,919	12,064
Average no. of employees	125	139	149	146	194
Data per share, SEK [2]					
Earnings	10.38	2.59	–3.07	9.98	11.74
Equity	69	61	60	67	64
Dividend	3.00[3]	2.00	2.00	4.00	4.00
Yield, %	3.8	4.4	6.7	6.0	4.4
Share price at year-end [4]	78.55	45.20	30.00	66.25	91.75
No. of shares at year-end before dilution, millions	163	164	164	171	190
Average no. of shares after dilution, millions	163	164	168	182	192

[1] Under IFRS, minority shares are reported as part of shareholders' equity. Under previous Swedish rules, shareholders' equity was reported excluding minority shares, which were reported separately as minority interest instead.

[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 2006–2008, dilution effects of outstanding convertible debentures have been taken into account in the calculation of key figures per share. For the years 2006, key ratios have been recalculated to be comparable with ratios for 2007–2010, in the light of the Fabege share having been split (2:1).

[3] Cash dividend 2010 as proposed.

[4] Last paid.

For definitions see page 89.

Definitions

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

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.

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

DEVELOPMENT 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.

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

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.

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

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

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

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

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.

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

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.

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.

SURPLUS RATIO. Net operating income divided by rental income.

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

Production
Fabege in cooperation with Hallvarsson & Halvarsson AB

Photographers
Per-Erik Adamsson, Erik Lefvander, Magnus Fond, Conny Ekström, Archus, SOS Children's Villages Archives

Printing
åtta45, Solna

Translation
The Bugli Company AB, Stockholm

History

When the current 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.

2010 Fabege essentially completes the concentration of its property portfolio. The property portfolio is now concentrated to Stockholm inner city, Solna and Hammarby Sjöstad. Continued focus on development of the new Arenastaden district.

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Fabege