Fabege

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

Annual Report 2011

2011 in brief

Financial highlights

- Net lettings amounted to SEK 130m (27).
- Profit from property management declined to SEK 564m (782), and rental income declined to SEK 1,804m (2,007) as a result of net sales of properties and higher market interest rates.
- Unrealised changes in the value of properties amounted to SEK 1,093m (843) and of interest-rate derivatives to a negative SEK 397m (pos: 106).
- After-tax profit for the year was SEK 1,141m (1,697), or SEK 7.01 per share (10.38).
- The equity ratio was unchanged at 39 per cent and the loan-to-value ratio declined to 57 per cent.
- The Board of Directors proposes a dividend of SEK 3.00 per share (3.00).

www.fabege.se

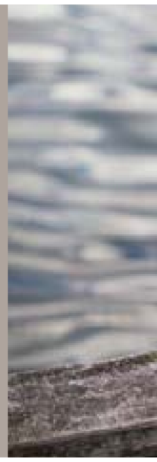
More information about Fabege and our operations is available on the Group's website.

In 2011, Fabege concluded leases worth SEK 241m

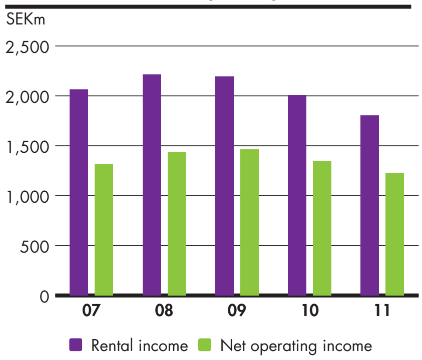
This represents 275 new leases with an average annual rent of SEK 0.9m. However, the most gratifying development during the year was the sharply improved retention rate, whereby customers corresponding to 75 per cent of the rental value that had expired opted to remain as tenants in Fabege's portfolio. ■

Fabege has joined the UN Global Compact

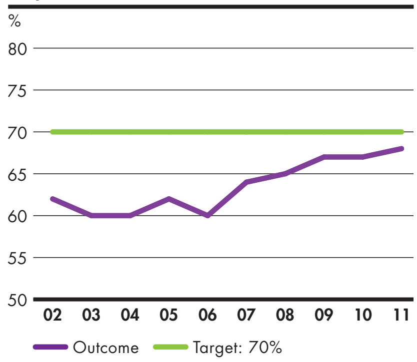
For several years, Fabege has conducted a successful environmental and energy initiative. Fabege also takes social responsibility and the company's sustainability work includes urban development focused on people and the environment. Joining the UN Global Compact in 2011 was a natural step that underscores our commitment. Accordingly, Fabege has taken a stance to promote the UN's ten principles on human rights, labour conditions, corruption and a better environment. ■



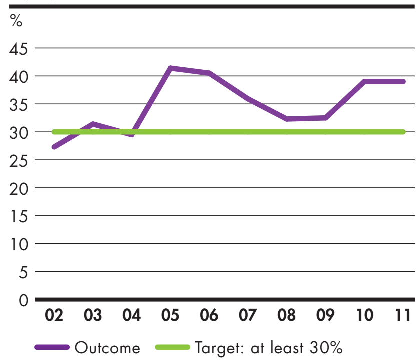
Rental income and net operating income



Surplus ratio



Equity/assets ratio



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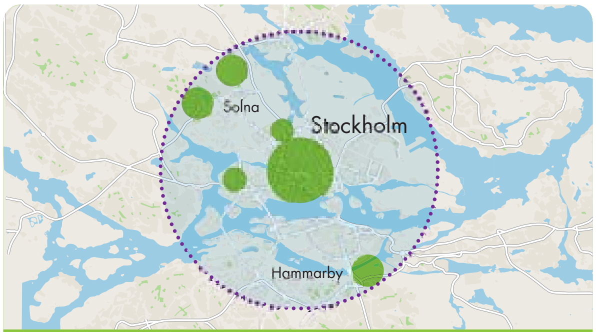
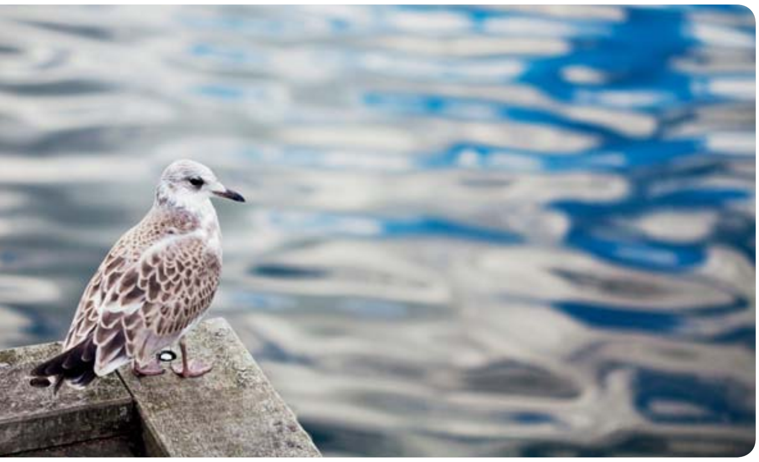


Growth in attractive markets

During 2011, Fabege continued to invest and develop the property portfolio in its prioritised sub-markets. Net investments totalled approximately SEK 1bn, through investments in projects and transactions. Value growth of around SEK 1.1bn should also be considered. ■



Key figures	2011	2010
Rental income, SEKm	1,804	2,007
Net operating income, SEKm	1,227	1,348
Profit for the year, SEKm	1,141	1,697
Return on equity, %	9.9	16.0
Surplus ratio, %	68	67
Equity/assets ratio, %	39	39
Interest coverage ratio, times	2.2	3.0
Earnings per share before and after dilution, SEK	7.01	10.38
Dividend per share, SEK	3.00[1]	3.00

[1] Proposed cash dividend for 2011.

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, such as Stockholm inner city, Solna and Hammarby Sjöstad.

Fabege manages a well-located property portfolio that is continuously being refined through development, 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 customers and society in general.

At year-end 2011, Fabege owned 97 properties with a total market value of SEK 29.2bn. Rental revenues in 2011 were SEK 1.8bn.

Fabege's sub-markets

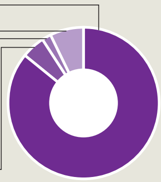
Stockholm inner city

Most of Fabege's inner city properties are located in the area around Kungsgatan and Drottninggatan, in the Norrtull area and in western and eastern Kungsholmen. The portfolio includes the DN building and Wenner-Gren Center, two well-known Stockholm landmarks. *Read more on page 30.*

No. of properties	38
Lettable area, '000 sqm	497
Market value, SEKbn	16,809
Rental value, SEKbn	1,181
Financial occupancy rate, %	92

Breakdown of rental value

Office **86%**
Retail **7%**
Industrial/ warehouse **2%**
Other **5%**



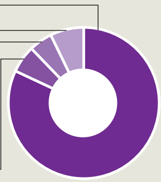
Solna

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 number of office buildings, but also to the new Swedbank Arena, the Mall of Scandinavia shopping centre, the Quality Hotel Arena and residential buildings. *Read more on page 32.*

No. of properties	37
Lettable area, '000 sqm	455
Market value, SEKbn	9,856
Rental value, SEKbn	720
Financial occupancy rate, %	88

Breakdown of rental value

Office **82%**
Retail **7%**
Industrial/ warehouse **5%**
Other **6%**



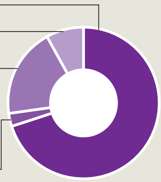
Hammarby Sjöstad

Fabege owns most of the 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. *Read more on page 34.*

No. of properties	13
Lettable area, '000 sqm	130
Market value, SEKbn	2,215
Rental value, SEKbn	178
Financial occupancy rate, %	84

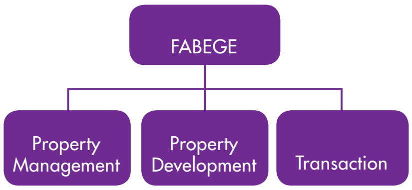
Breakdown of rental value

Office **70%**
Retail **8%**
Industrial/ warehouse **19%**
Other **3%**



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 mutual trust and loyalty.

PROPERTY DEVELOPMENT

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

TRANSACTION

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

Operational key figures	2011	2010
Property value, Management, SEKbn	22.8	21.5
Property value, Development Projects, SEKbn	6.4	5.5
Invested in the proprietary property portfolio, SEKbn	1.5	0.9
Acquisitions, SEKbn	0.5	–
Sales, SEKbn	0.9	4.4

www.fabege.se
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Message from the CEO
2011 was a good year for Fabege!

We more than fulfilled our prioritised targets of increasing net lettings and raising the pace of project development. Our three areas of operation – property management, property development and transactions – all contributed significantly to our overall earnings. For the most part, however, this year's achievements will result in revenue growth and earnings from property development in 2012 to 2013. I am particularly satisfied to see that our employees' efforts are making a difference!

The robust demand in the lettings market and our focus on retaining customers contributed to the high level of net lettings. This resulted in increases in the lettings ratio and rent growth, while also giving us an opportunity to generate considerable value through project development. Consequently, Fabege was able to report positive earnings from all areas of operation, whereby transaction and property-development operations also contributed approximately 50 per cent of the year's earnings (excluding changes in the value in the property-management portfolio) – which is completely in line with our goals.

GOOD PROPERTIES IN GOOD LOCATIONS

Through the year's investments and property transactions, Fabege continued to focus on its prioritised sub-markets. The trend in all sub-markets was positive in 2011. The favourable trend at Arenastaden was particularly gratifying. At the end of 2012, Swedbank Arena and Vattenfall will be relocating to this area.

The recently signed agreement with Unibail Rodamco concerning the establishment of the Mall of Scandinavia is a vital piece of the puzzle in the creation of the future city district. With the best shopping centre in Scandinavia, people working in Arenastaden will have access to all the nearby services and shopping they will ever need. For Fabege, this entails faster expansion of the area and a higher appreciation in value. In this regard, we have laid a good foundation for Arenastaden becoming a competitive alternative to the inner city.

FROM RISK TO POTENTIAL IN THE PROJECT PORTFOLIO

As a result of positive net lettings and development of the property portfolio, we reduced our project risk during the year. Our five largest projects account for two thirds of the value of our project portfolio. The lettings ratio in these is 78 per cent and they will all be transferred to property management in 2012. We are thus significantly reducing the number of non-yielding assets in our portfolio, while retaining a highly attractive project portfolio with the potential to create favourable conditions for new value-generating projects.

THE ENVIRONMENT – EVERYONE IS INVOLVED

In today's market, value-generating environmental work provides competitive advantages, by creating business value and contributing to pride among employees and the positive development of a sustainable society. I am proud of our organisation's commitment to sustainability matters. During the year, we joined the UN Global Compact, an undertaking that will continue to hallmark our work moving forward. For a number of years, energy optimisation has been one of the most prioritised aspects of Fabege's environmental work. Again in 2011, Fabege continued to develop properties with a distinct environmental profile through various environment classifications and certifications. We regard this as the right positioning for the future. By means of Green Leases, we offer our tenants a tool for focusing and interacting on environmental issues, with the aim of reducing both the environmental impact and costs.

OUTLOOK 2012

The economic outlook deteriorated during the year and future development is subject to major uncertainty. We already know that in one year's time we at Fabege will have:

- increased revenues by more than SEK 200m
- received a continued contribution of profit from property development
- a more attractive project portfolio

Furthermore, we know that Stockholm will experience strong growth, in parallel with a low rate of new production of offices in Stockholm. At the time of writing, my perception is that demand for quality remains favourable and I believe that this trend will

also continue regardless of the economic climate. In the current state of the market, the fact that Fabege has modern premises in attractive locations is very valuable and bodes well for the years to come. I also regard our well-situated project vacancies and development rights as future potential.

Our geographical concentration with almost all our properties within a radius of five km from Stockholm inner city creates both proximity to customers and useful knowledge of the market. Accordingly, our own efforts will be the key to capitalising on the potential represented by our projects and making us less dependent on general economic conditions.

We are also hoping to soon have our tax cases behind us. We still believe that we will prevail, but we are ensuring that we have the capacity to meet any negative outcome.

New customers are important but our existing customers are paramount. Fabege aims to operate as an even more customer-oriented organisation with a top ranking in customer satisfaction surveys. We will be continuing and intensifying our structured and successful work to establish excellent relationships with our customers so that they will, to the extent possible, elect to stay with us. For this reason, net lettings will continue to be in focus!

Stockholm, February 2012

CHRISTIAN HERMELIN
Chief Executive Officer

Strategic focus and objectives

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. Overriding strategies and a distinct focus steer the business toward its objectives.

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. Accrued value 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 customers 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. Fabege aims to strengthen its position in these selected market segments and endeavours to concentrate its properties in management-efficient units. The company 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 investments should raise the status of the priority areas.

CUSTOMER STRATEGY

Fabege is to be perceived as a customer-oriented organisation that cultivates strong customer relations. Through active property management by competent and customer-focused 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's 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 Hammarby Sjöstad, Solna Business Park and Arenastaden in Solna, as well as for individual properties or concepts.

HUMAN RESOURCES STRATEGY

Fabege should be the best employer for the most competent employees. 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 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 its co-workers 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 lease terms, business partners and business objects.

The company's funding arrangements should be stable, carefully evaluated and cost-effective.

Fabege should also maintain continued high cost efficiency and strive for continuous 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 performance are performed regularly at all levels.

OVERALL GOAL

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. The total return on Fabege's share in 2011 was minus 28 per cent (calculated as share price performance including reinvested dividends).

FINANCIAL OBJECTIVES

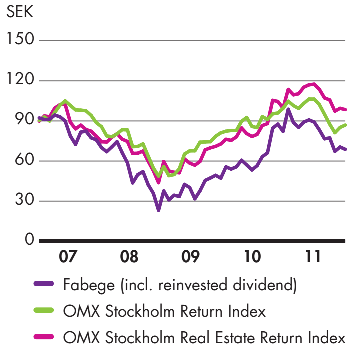
The company's key financial criteria adopted by the Board are profitability, as measured by the return on equity, equity/assets ratio and interest coverage ratio. Fabege aims to be one of the most profitable listed property companies long-term. The target is to maintain an equity/assets ratio of at least 30 per cent and an interest coverage ratio of at least 2.0 including realised changes in value. At 31 December 2011, return on equity was 9.9 per cent, the equity/assets ratio was 39 per cent and the interest coverage ratio was 2.2.

PORTFOLIO EFFICIENCY AND EFFICIENCY OBJECTIVES

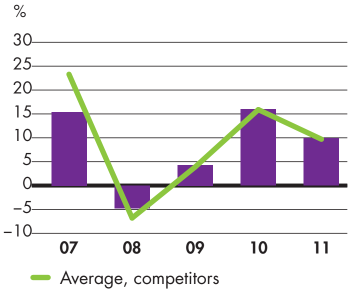
A key objective for Fabege is generating strong net lettings. Retaining existing customers through a high retention rate

FINANCIAL OBJECTIVES

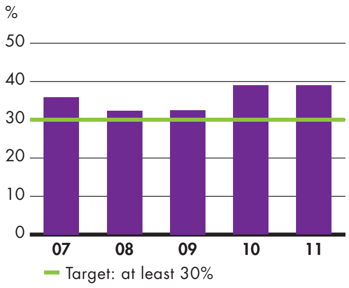
Total return



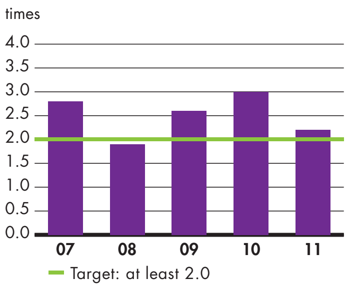
Return on equity



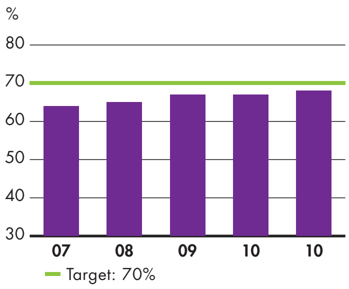
Equity/assets ratio



Interest coverage ratio



Surplus ratio



is profitable. New lettings are important for reducing the vacancy rate and for enabling project investments in conversions and new builds. Net lettings amounted to SEK 130m in 2011.

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. Fabege aims to create an atmosphere where ideas and initiatives for developing processes and procedures are harnessed and converted into action. Work on process improvements continued in 2011.

Another long-term aim is to improve the surplus ratio to 70 per cent. In 2011, Fabege's surplus ratio was 68 per cent (67). Fabege believes that the target of 70 per cent will be achieved as of 2013.

Fabege aims to annually invest about SEK 1,000–1,500m in the company's project portfolio. The investment is to generate a return of at least 20 per cent through value growth. In 2011, SEK 1,457m was invested. The return on invested capital was 29 per cent.

Fabege aims to create a high overall return of its property portfolio through acquisitions, property development and sales. In 2011, the total return (net operating income and value changes in relation to the average property value) was 8.8 per cent.

ENVIRONMENTAL AND 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 2011, the accumulated reduction was 9 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 30 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

Fabege aims to increase profitability by becoming a more customer-oriented organisation. The target is to achieve a top-ranking in the satisfied customer index (SCI) survey and to be the natural choice for existing and potential customers. During the year, the company conducted a customer survey that resulted in a number of activities aimed at better meeting customers' requests and requirements.

The objective is to identify and capitalise on Fabege's development potential in terms of offering customers a superior product and service and thus forging 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 should be based on the company's core values.

In January 2012, an employee-satisfaction survey was conducted. Fabege's goal was to maintain the same high level as in prior surveys. The performance rating was 3.9, reflecting an improvement in comparison with the corresponding survey in 2009.

Read more on page 51.

BUSINESS FOCUS IN 2012

- Increase profitability by becoming a more customer-oriented company.
- Strengthen cash flow in the investment-property portfolio.
- Continue to maintain a rapid pace in the development of the portfolio.
- Create value growth through projects and "good properties in attractive locations."
- Significant improvement in overall earnings.

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 lease terms, as well as financing terms and business partners. Described below are the principal areas of risk faced by Fabege in its business operations.

OPPORTUNITIES AND RISKS IN THE INVESTMENT-PROPERTY PORTFOLIO

Risks and opportunities associated with cash flow primarily pertain to changes in rental income and property expenses. The occupancy rate and rents have a significant impact on rental income. The occupancy rate in turn is dependent on net lettings. Tenant stability and their ability to pay influence the risk of customer bad debts.

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 and commercial premises, with an emphasis on office space, account for 99 per cent of 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 specific 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 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 checks 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 project operations are conducted, 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 as of 2009. Fabege also conducts regular lease 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.

Key figures in Fabege's investment-property portfolio

In 2011, the rental market in Stockholm was strong and the key figures with the greatest impact on cash flow in the investment-property portfolio improved. The occupancy rate in the overall portfolio, including project properties, improved to 90 per cent (88). In the investment-property portfolio, the occupancy rate rose to 92 per cent (91). The rents in re-negotiated contracts increased 7 per cent on average. Net lettings amounted to SEK 130m, which will have a positive impact on rental flows and key figures in 2012 and 2013. Customer bad debts totalled SEK 1.4m, corresponding to 0.01 per cent of rental income.

In 2011, the share of cancellable leases was 16 per cent, corresponding to annual rent of SEK 291m, of which SEK 218m was extended by existing tenants. Fabege's average remaining lease term for commercial leases was 3.5 years at year-end. At the start of 2012, only 12 per cent of leases, corresponding to a rental value of SEK 232m, fall due for either cancellation or re-negotiation. During 2012, the occupancy rate in the portfolio will increase through a positive net of occupancies/vacancies. None of the ten largest customers are due for re-negotiation or relocation in 2012.

In terms of costs, work continued on reducing energy consumption, which is the largest cost item. In 2011, energy consumption declined 6 per cent. The aim for 2012 is an additional 4 per cent reduction. Operating costs per sqm were an average of SEK 223 (239).

Sensitivity analysis: INVESTMENT PROPERTY PORTFOLIO

- A 1-percentage point change in the occupancy rate generates an earnings impact of SEK 21m.
- A 1-percentage point change in the rental value generates an earnings impact of SEK 21m.
- A 1-percentage point change in property costs generates an earnings impact of SEK 6m.

Fabege's assessment:

Fabege believes that modern properties in good locations result in a low risk of increased vacancies. Completed projects and positive net lettings will contribute to stronger cash flow and an improved occupancy rate in the coming years.

OPPORTUNITIES AND RISKS IN THE PROJECT PORTFOLIO

Opportunities and risks in the project portfolio primarily pertain to project risks related to schedule and the cost level in the procurement process for construction services. A high occupancy rate in project properties reduces the risk of vacancies and lost cash flow when the property has been completed and transitions to the management phase.

Procurement of major projects

Fabege annually conducts project-procurement processes involving significant amounts. Fabege's Project Managers, who possess extensive experience and expertise, are responsible for these procurement processes, which are conducted with the support of framework programmes, framework agreements and agreement templates.

Key figures in Fabege's project portfolio

In 2011, Fabege conducted five major new builds and conversion projects. The five projects will be completed successively in 2012 and will transition to the management phase. All projects are within budget and on schedule. The projects are expected to generate a direct yield on total capital invested of approximately 7–9 per cent. Fabege's objective is for project investments to generate value growth of at least 20 per cent on invested capital. In 2011, Fabege invested SEK 1,457m in the project portfolio, which created value growth of SEK 418m, corresponding to a yield of 29 per cent. The remaining income potential of the five major projects, after relocations during the fourth quarter, totals about SEK 280m, of which SEK 187m is backed by leases. The occupancy rate in the project portfolio was 78 per cent at year-end.

The market value of the project properties was SEK 6.4bn at 31 December 2011. As a result of completions, SEK 4.4bn will transition to the management phase in 2012 and begin generating cash flow. The full impact on cash flow will not be seen until January 2013.

Sensitivity analysis: PROJECT PORTFOLIO

- A 1 per cent change in the cost level of project investments generates an earnings impact of SEK 15m.
- A 1 per cent change in the return on capital invested will generate an earnings impact of SEK 15m.

Fabege's assessment:

Cost frames and schedules will be adhered to in the major projects. Fabege does not see any current risk of increasing construction costs. The high occupancy rate in the projects entails limited risk.

OPPORTUNITIES AND RISKS IN PROPERTY VALUES

Properties are booked at fair value and value changes are included in profit or loss. The value of the property is determined according to generally accepted methods. 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. The value of the property portfolio is in part a result of how Fabege develops its property portfolio through its leasing and customer structure and through property improvements, and in part the result of external factors that impact demand in Fabege's markets. 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 is creating value growth in the portfolio. The market price is impacted by expected future net operating income and the buyer's yield requirements, as well as access to and the terms and conditions of financing.

Key figures in Fabege's property portfolio

In 2011, the value of the property portfolio increased. A higher occupancy rate and improved cash flows, as well as declining direct yield requirements had a positive impact on the value trend of the properties. Unrealised value changes in the investment-property portfolio totalled SEK 675m. Meanwhile, the project portfolio contributed to value growth of SEK 418m. The average yield requirement in the portfolio was 5.7 per cent (5.9) at year-end. The combined market value was SEK 29.2bn at year-end, corresponding to about SEK 26,400 per sqm. The portfolio includes development rights for about 400,000 sqm with an average carrying amount of SEK 2,500 per sqm. In 2011, the direct yield on the properties was 4.3 per cent and the total yield was 8.8 per cent.

Sensitivity analysis: PROPERTY VALUES

- A 1 per cent change in the property value will generate an earnings impact of SEK 291m, excluding deferred taxes, and SEK 214m including deferred taxes.
- A 1 per cent change in the property value will result in a change in the equity/assets ratio of 0.2 per cent and of 0.6 per cent in the leverage.
- A change in rent per sqm of SEK 100 would theoretically generate a value change of SEK 2bn.

Fabege's assessment:

As a result of low initial values for project properties and development rights, Fabege believes that there is great potential for the creation of value through project investments. Improved cash flows will contribute to stronger property values moving forward. Meanwhile, there is considerable uncertainty concerning the market's yield requirements. Fabege believes that property values in Fabege's submarkets will be stable in 2012.

OPPORTUNITIES AND RISKS IN FINANCING

Property ownership is highly capital intensive and interest expenses comprise Fabege's single largest cost item.

Interest expenses and financial instruments

The interest rate risk refers to the risk that changes in market interest rates will impact Fabege's borrowing costs. Under the company's finance policy, the fixed-rate period is to be based on the estimated interest rate trend, cash flow and capital structure. 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. Derivatives are recognised at fair value. If agreed interest rates deviate 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.

Key figures in Fabege's loan portfolio

The fixed-rate term of the loan portfolio was about 3.6 years at year-end. The average fixed-term maturity period at year-end was 5.9 years and available unutilised facilities amounted to SEK 3,2m. In 2012, SEK 1.5bn of Fabege's long-term facilities will be re-negotiated. Also refer to the Financing section on page 12.

Sensitivity analysis: FINANCING

- A 1-percentage point change in the market interest rate will generate an earnings impact of SEK 66m (refers to 2012).

Fabege's assessment:

By interest-hedging 75 per cent of the loan portfolio, interest-rate changes will have a limited impact on Fabege's borrowing costs. Fabege believes that its available facilities are sufficient and that the existing agreements will be refinanced.

OTHER OPPORTUNITIES AND RISKS

Deferred taxes and loss carryforwards

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.

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 year-end exposure amounted to SEK 2.7bn, including accrued interest. On-going tax cases are described in further detail in the Administration Report on page 61.

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 even if a commercial business is unable 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.

Sensitivity analysis: OTHER

- If Fabege loses its tax cases and is forced to pay the full amount, its equity/assets ratio will decline to 30 per cent and the loan-to-value ratio will rise to 67 per cent. Fabege can manage this risk without contravening the covenants in its loan agreement with banks.

Fabege's assessment:

With a high degree of probability, Fabege believes the outcome of the tax cases will be positive for Fabege.

Financing

Fabege's properties represent significant values and the loan-to-value ratio, 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 facilitate secure and flexible financial management. The fixed-rate period in the past year generates additional cash-flow stability.

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 department, 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 the Board of Directors. The policy states that 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 while governing 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 amounted to nearly SEK 12bn, which, in relation to total assets of about SEK 31bn, 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.

INTEREST-BEARING LIABILITIES

Access to long-term and stable financing is crucial to the pursuit of a 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, the 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 on page 13. During the year, a borrowing agreement totalling SEK 4bn was extended. At 31 December 2011, unutilised credit facilities amounted to SEK 3.2bn. Fabege's loan agreements at 31 December 2011 had an average remaining term of 5.9 years and are renegotiated continuously well in advance of maturity.

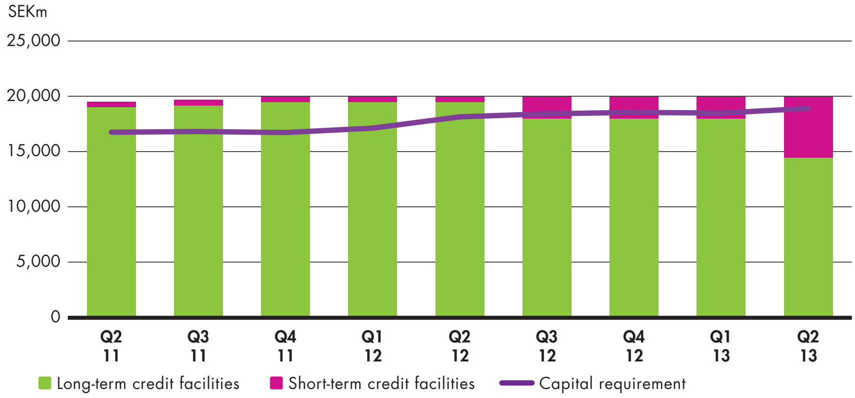
Commercial paper programme

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 1.7bn of the programme had been utilised.

Bond programme

In December, Fabege launched a bond program with a limit of SEK 5bn via the co-owned company Svensk Fastighetsfinansiering AB (SFFAB). Through the

Credit facilities and capital requirement, 31 January 2011

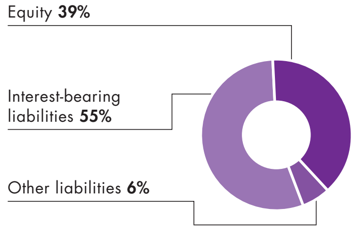


Fabege's credit facilities exceed the company's capital requirements by a healthy margin.

Financial objectives, 31 December 2011

	Goal	Outcome
Equity/assets ratio, %	30	39
Interest coverage ratio, multiple	2.0	2.2
Loan-to-value ratio, %	60	57

Supply of capital



A high equity/assets ratio and low debt/equity ratio create security.

bond program Fabege borrowed SEK 289m in the capital market. The bonds are secured by property mortgage deeds. SFFAB is jointly owned by Fabege, Wihlborgs, Peab and Brinova. Fabege owns 30 per cent of the company. The aim is to expand the company's financing base with a new source of financing.

OTHER LIABILITIES

Other liabilities mainly comprise noninterest-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 75 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

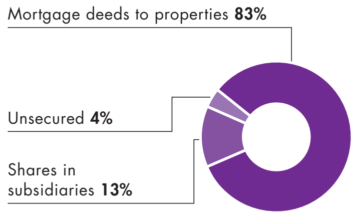
Fabege's fundamental view has traditionally been that short fixed-rate periods generate the lowest interest expenses over time. However, as a result of the prevailing situation of low interest rates and to create secure cash flows in potentially uncertain times ahead, Fabege opted in August to interest hedge part of its loan portfolio, by entering into interest swap agreements totalling SEK 5bn. At 31 December 2011, the fixed-rate period was 3.6 years. Read more about interest-rate derivatives and the valuation thereof in Note 3 on page 73.

Loan maturity structure,
31 December 2011

	Credit agreements, SEKm	Drawn, SEKm
Commercial paper programme	5,000	1,719
< 1 year	2,034	1,514
1–2 years	5,540	3,440
2–3 years	329	329
3–4 years	5,040	3,735
4–5 years	2,041	2,041
> 5 years	4,976	3,977
Total	**24,960**	**16,755**

Unutilised credit facilities totalled SEK 3,205m and the average maturity was 5.9 years.

Allocation of collateral



Most borrowing is secured by mortgage deeds to properties.

Interest rate maturity structure,
per 2011-12-31

	Amount, SEKm	Average interest rate, %	Share, %
< 1 year	4,027	5.64[1)]	24
1–2 years	1,850	3.70	11
2–3 years	1,178	2.45	7
3–4 years	0	0.00	0
4–5 years	4,200	2.71	25
> 5 years	5,500	3.36	33
Total	**16,755**	**3.72**	**100**

[1)] The average interest rate for the < 1 year period includes the margin for the entire debt portfolio because the company's fixed-rate period is established using interest rate swaps, which are traded without margins.

The business

The Fabege organisation supports the company's dynamic business model, which is designed to create value regardless of the economic climate. Because the emphasis of the business model varies over time in response to changing market conditions, the organisation is structured to be flexible and adaptable. Fabege's cornerstones are Property Management and Property Development, as well as Sales and Acquisitions.

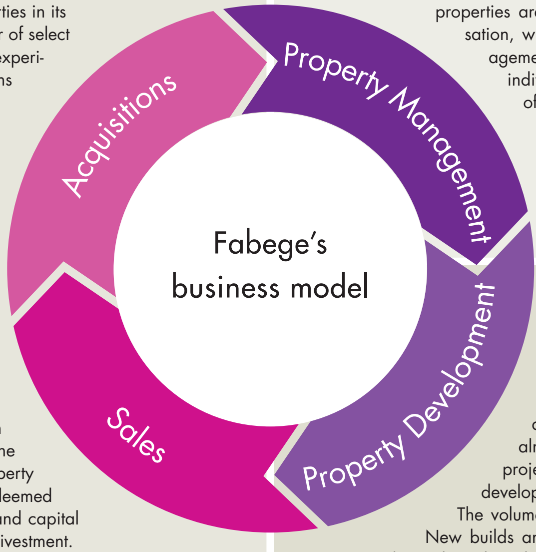
Transactions Read more on page 20 ▶

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 add value to 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 15 ▶

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 close-to-the-customer 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, with the aim of adding 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 their 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 17 ▶

Business model, contributions to earnings

SEKm	Jan–Dec 2011	Jan–Dec 2010
Profit from Property Management	581	768
Changes in value (portfolio of investment properties)	675	579
Contribution from Property Management	**1,256**	**1,347**
Profit from Property Management	–17	14
Changes in value (profit from property development)	418	264
Contribution from Property Development	**401**	**278**
Contribution from Transactions (Realised changes in value)	**173**	**237**
Changes in value, derivatives and equities	–413	67
Profit before tax	**1,417**	**1,929**

Property Management

Property management involves more than operating a property and making a tenant feel at home. Customers are the key to Fabege's property management operations. Tenants are what create value in properties and the goal is for each tenant to have a friction-free existence in functioning premises. Fabege aims to be a partner to its customers and participate when their business changes.

Fabege's 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 swiftly take decisions to enable new business opportunities.

About 75 of Fabege's 122 employees work with property management. The property management team has built a robust platform for its activities in the form of a high occupancy rate and cordial tenant relations.

In each Fabege submarket, the area manager is responsible for the operation and development of the properties, as well as contact and relationship building with customers. In each specific business area, market area managers also work on designated property and customer responsibility. Each team also has operations managers and building maintenance technicians with solid technical expertise, as well as letting specialists. Property Management includes the Engineering and Environment department, which comprises specialist expertise in the prioritised areas of environmental issues and energy consumption.

DURING THE YEAR

In 2011, the property-management organisation focused on intensifying its dialogue with tenants. This initiative was aimed at further developing customer relationships and capturing the customers' impression of our work. What can we do better? How can we achieve this? Based on our customers' feedback, the property-management department has identified a number of areas that form the foundation of an improvement effort. Aspects that came to light included requests for an improved fault reporting system, more presentable entrance halls and better information flows.

During the year, the company conducted intensive letting work to ensure a continued high occupancy rate. Particular attention was paid to the project properties in the Arenastaden development area in Solna, where a number of major leases were signed in 2011.

FOCUS IN 2012

The main focus in 2012 will continue to be our effort to advance the operations based on the on-going tenant dialogue. Surveys will continue to be conducted in 2012 to review and measure this work. Furthermore, stricter requirements are being imposed on procurement and operations optimisation to increase cost efficiency and to develop and enhance the efficiency of internal processes.

Björn Borg's new showroom

On Tulegatan 11 in Norrmalm, Björn Borg has established its new headquarters, which also act as a showroom, and the premises are designed to create inspiration and enhance the creativity of the employees.

Björn Borg considered it important to put a personal touch on the office and instil the essence of the Björn Borg brand. Those who visit the new headquarters will see that this has been successful. ■

Our profitability is based on satisfied customers

The relentless pursuit of satisfied customers is something that Fabege takes very seriously. For us, this work in not a limited-time project with a set final date, but rather an ever-present element of our everyday working lives. Our work is characterised by the insight that the creation of satisfied customers is an iterative process, which constantly requires us to listen to the customers' needs, learn what customers want, change and improve our operations and our offering and to then keep on asking the customers what they want.

HIGH MARKS FROM OUR CUSTOMERS...

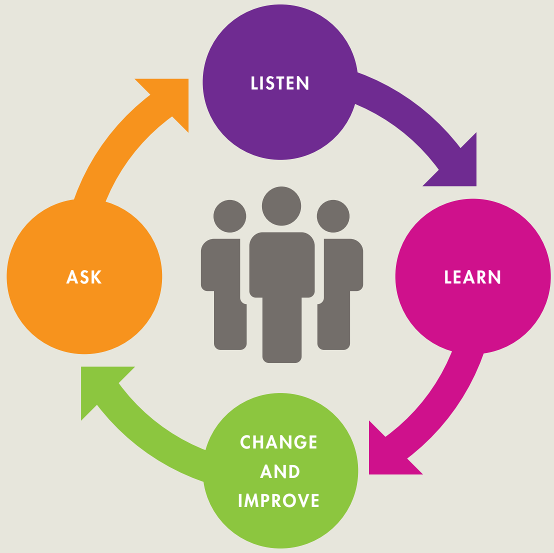
In 2011, we worked intently on becoming more customer-oriented. During the year, we conducted such measures as a detailed customer survey to identify ways to better meet our customers' expectations and become a better landlord. The results of the survey gave Fabege high marks overall, while also providing valuable knowledge about what areas to improve. For example, 90 per cent of the tenants polled responded that they were satisfied with the reception they experienced in contacts with Fabege.

...BUT WE WILL NOT LEAVE IT AT THAT.

In 2012, we will continue the intense and systematic work of achieving satisfied customers by maintaining an effective customer dialogue. We continue to review the customer survey from 2011 and are working on the improvement areas that were identified, including procedures for fault reporting and better information flows.

As of 2012, Fabege is engaged in an active change effort with the aim of creating a more customer-oriented organisation. The effort is being pursued with the objective, in two years' time, of:

- being ranked among the top three in the SCI and
- being the natural choice of existing and potential customers.



Property Development

Qualified development activities that add value to Fabege's properties constitute 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 value growth.

The company's properties are developed and improved in response to changing demand. Project plans are prepared for new builds, while properties with development potential are acquired, developed and then either transferred to the Group's investment portfolio or sold. New builds and more extensive development projects are always based on the principles of environmental building and energy requirements that comfortably fulfil the criteria for 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, visions are created for how to develop the area in the best way for the residents, for society as a whole and for Fabege as a company.

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

DURING THE YEAR

In 2011, the Projects department focused on developing value to Fabege's existing properties. Project volumes increased during the year and work was dominated by about ten major property development projects, including Vattenfall's new headquarters in Arenastaden. Some SEK 1,457m was invested in existing properties. The department also worked on assuring internal processes to improve efficiency and quality.

FOCUS IN 2012

Project volumes are expected to rise in coming years and the activities will focus on developing the new Arenastaden district in Solna, and on major development projects in Hammarby Sjöstad and Solna Business Park.

A green office in the middle of it all

Fabege is performing a complete renovation of the Klamparen 10 property to create greener offices close to the high tempo of the metropolis.

Klamparen is located on Fleminggatan 12–14, a calm area where Norrmalm becomes Kungsholmen – only a stone's throw from the pulse of Kungsgatan.

The property is undergoing interior renovation featuring a new floor plan, new surfaces and new technical installations, including lifts. The renovation encompasses about 31,000 sqm on ten floors for forthcoming tenants including the Swedish National Agency for Education, the Swedish Civil Contingencies Agency and the Swedish Election Authority.

Fabege has ambitious environmental and energy goals and has thus opted to plan an environment-friendly property featuring low energy consumption. The property will fulfil the GreenBuilding criteria, meaning that its energy consumption will be at least 25 per cent lower than prior to the conversion.

Fabege in Arenastaden

Fabege is passionate about the development of the new Arenastaden city district – which is possibly the Nordic region's most exciting development project. As a major player in the property market in Solna, Fabege is deeply involved in the development of the municipality.

The Arenastaden project involves far more than simply building individual office properties. It encompasses everything that is needed to create a modern, fresh and attractive area for a modern and active lifestyle.

Fabege currently owns most of the existing commercial properties in Arenastaden. These properties comprise approximately 135,000 sqm under management and 65,000 sqm in on-going projects. This means that Fabege has a wide range of premises capable of meeting various customer needs, regardless of size. In the coming years, Fabege will have the opportunity to build slightly more than an additional 180,000 sqm of ultramodern, energy-efficient office space. In line with the entire Arenastaden's fundamental concept, all properties will be built to not less than the GreenBuilding standard and in many cases achieve even stricter requirements.

Vattenfall's new offices, Uarda 1, in Arenastaden constitute one of Fabege's most exciting projects. Construction is proceeding at full speed and is now nearing completion. When completed in autumn 2012, the office will be a top-modern and environment-friendly property comprising 43,000 sqm of floor space and 2,000 flexible workplaces. Uarda 1 is just one of many examples of Fabege's high ambitions in terms of creating sustainable properties from an environmental and business perspective.

Arenastaden

Text by: Newsec Advice AB

In Solna, Arenastaden is emerging as the latest, most modern and most comprehensive city district in the Nordic region. An entire new arena is being created featuring meeting areas such as Swedbank Arena and the Mall of Scandinavia, combined with attractive workplaces and housing close to Stockholm City.

As the area is developed, the Arenastaden brand will emerge and be established as a famous and renowned location with a city centre featuring comprehensive service functions in the shape of both neighbourhood and commercial services. The area will offer both large-scale amenities in the form of an arena and shopping centre, which will put it on the map, and intimate environments such as cafés, water contact and a pedestrian precinct. Arenastaden will also offer an office area featuring strong public transport and ultramodern space-efficient premises, as well as newly built housing in attractive locations. The area has all of the prerequisites for creating fascinating environments for the eyes and soul; a vibrant city district with an exuberant street life, combined with a relaxing housing atmosphere – all of which is just six minutes from Stockholm City.

Stockholm County, which is Sweden's growth engine, is growing in population twice as quickly as Greater London and five times faster than the Paris region. Despite increased concern in the Euro zone, the economy in Stockholm County remains strong, backed by a stable services sector and a considerable influx of residents.

In the past 20 years, Solna has experienced a population trend that has been three times stronger than for Sweden as a whole and forecasts indicate an even stronger trend in the coming ten-year period.

The business community in the Municipality of Solna comprises more than 8,000 companies employing nearly 70,000 individuals, most of whom commute to the municipality. Solna is an attractive submarket for the establishment of operations and it has been named by the Confederation of Swedish Enterprise as the most business-friendly municipality in Sweden for four consecutive years.

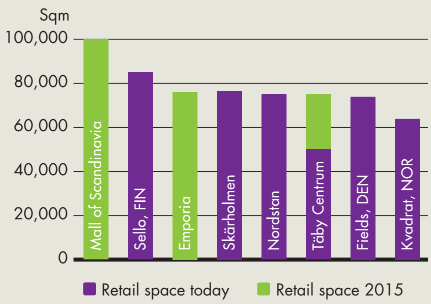
Housing

When completed, Arenastaden will feature about 3,000 new residential units, corresponding to slightly more than half of the residential portfolio in both Western Kungsholmen and the new Hagastaden. Arenastaden's 3,000 planned residential units correspond to a three-year rise in demand in Solna. ■

Retail

The Mall of Scandinavia, which is being built adjacent to the arena, will be Europe's largest indoor shopping mall. The centre will feature about 100,000 sqm of floor space, 230–250 stores and exhibition premises divided among three floors. Logistics and the choice of materials will be unique and the finished complex will set a new standard for the shopping experience. Compared with existing competitors, there will be slightly more than 30 per cent more floor space than the largest shopping centre in Stockholm today, such as Täby and Skärholmen. A full 1.5 million potential visitors live within a 30-minute drive, half of them within 15 minutes. The number of expected visitors is estimated to reach 15 million annually and sales are anticipated to be about 60 per cent higher than in Täby Centrum. According to Newsec's latest forecast, the annual purchasing power in Stockholm County will increase by the equivalent of a new Täby Centrum. ■

Largest Nordic shopping centre

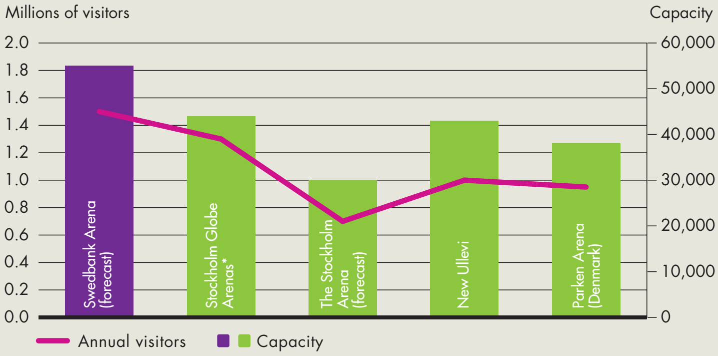


Source: Newsec

Events

The new Swedbank Arena will be the largest in Scandinavia and one of Europe's most modern arenas. It will have a capacity of 50,000 seats, which can be expanded to 65,000 for concerts. The arena will serve as the stage for the largest events in Scandinavia and anticipates about 1.5 million annual visitors. The arena, which will be multi-functional, will have a retractable roof and modern technology that will attract visitors from throughout the Nordic region. ■

Largest Nordic arenas



*The Stockholm Arena separated. Audience figures from 2009, unless forecast.
Source: Arena Information

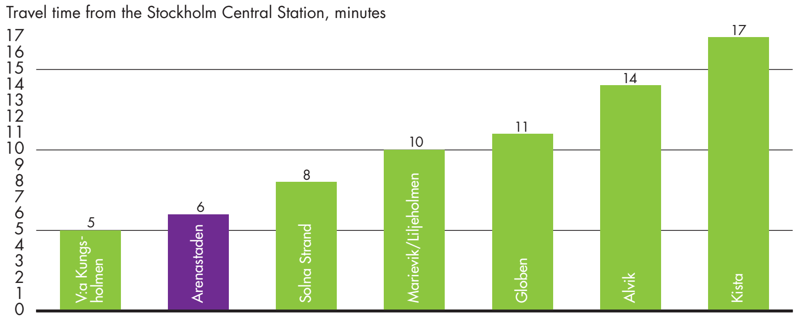
Offices

Solna, with Sweden's best corporate climate, has shown an exceptionally strong employment trend. Approximately 60,000 people commute daily to Solna, including many who utilise track-bound public transport to and from work. The location of Arenastaden is strategic with excellent transport facilities, including a modern commuter solution that will be extended to Stockholm Arlanda Airport. The Tvärbanan light rail service will also connect to the station and thus offer passengers transverse travel options. Once the City Line is completed in 2017, travel time to Stockholm Central Station will be shortened to six minutes. Direct transfers to the underground service will be facilitated by the integration of the commuter train and underground service into a common traffic system. Several bus lines will also operate in the local vicinity. Excellent parking facilities will be offered for cars in the area. In the future, entry and exit slip roads to the E4 and E18 highways will also be improved to increase accessibility, thus enhancing activity in the area.

Fully developed, Arenastaden will comprise approximately 360,000 sqm of office space. This size corresponds to the current areas of Västra Kungsholmen, Marievik or Solna Strand, but with a significantly more modern property stock.

Office markets in inner suburbs

Travel time from the Stockholm Central Station, minutes



Source: Newsec

Transactions

Fabege's third cornerstone is Business Development, which focuses on transactions, analyses, valuations and portfolio and business development. Acquisitions and sales are a natural feature 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 value.

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. We also have extensive experience and knowledge about local markets, properties, development plans and other players.

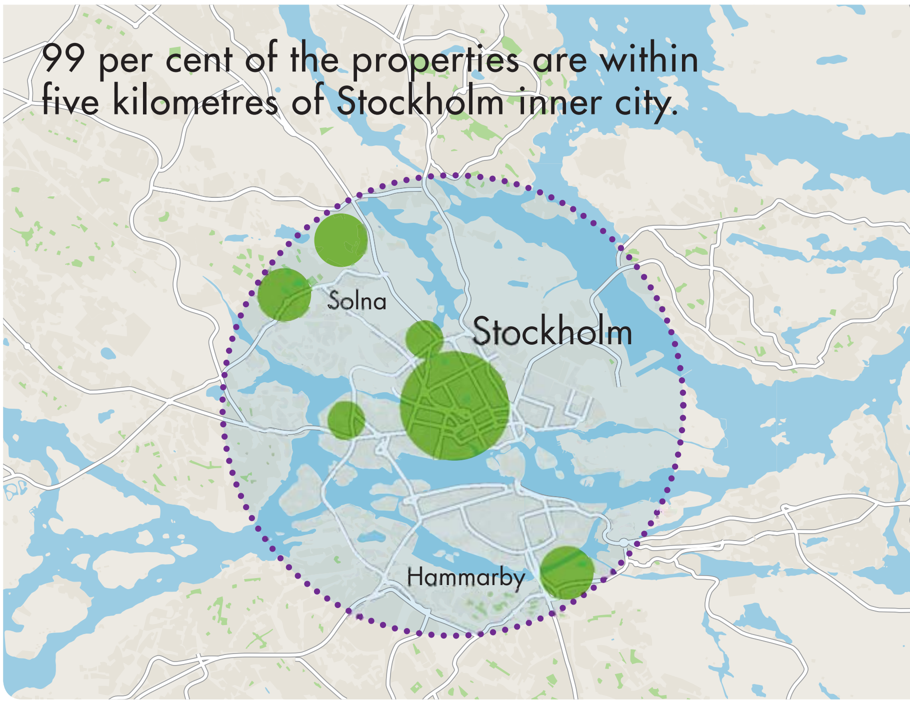
This department has ten employees. Valuations of the properties are made by internal valuation experts as well as independent external valuation agencies. A model whereby all properties, 25 per cent per quarter, are subject to external appraisal every quarter ensures a realistic market valuation of the property portfolio.

ACTIVITIES IN 2011

In 2011, work on concentrating the portfolio was essentially completed. Some 11 properties were divested at a total value of SEK 936m and five properties were acquired at a value of SEK 518m. All acquisitions were made in Arenastaden, which is a prioritised development area. See the summary of acquired and sold properties on page 24. The properties that remain outside the prioritised submarkets are primarily land properties.

FOCUS 2012

In 2012, Fabege primarily focused on monitoring and reinforcing its market position. The company will also continue to focus intently on optimising value and highlighting the opportunities in the portfolio. During the year, we will also be open to acquisition opportunities in our strategic markets, which is entirely in line with Fabege's business concept.



Investment market[1)]

Stockholm has the most attractive and liquid transaction market in Sweden, accounting for nearly 50 per cent of the Swedish transaction volume in recent years.

In 2011, transaction volumes in the Swedish property market amounted to SEK 85bn (98), of which Stockholm accounted for SEK 39bn (42) representing almost 46 per cent of the total Swedish transaction volume.

Quality and secure cash flows are generally key factors for investors, which makes the majority of Fabege's portfolio, with properties in good locations and of good quality, among the most sought-after investment objects.

STOCKHOLM INNER CITY

The yield requirements for modern office properties in central Stockholm are currently between 4.4 and 4.9 per cent. In other inner city locations outside the city centre, yield requirements range from 4.9 to 5.5 per cent. Fabege estimates that yield requirements throughout Stockholm inner city have the potential to decline somewhat, due to expected rental growth.

SOLNA

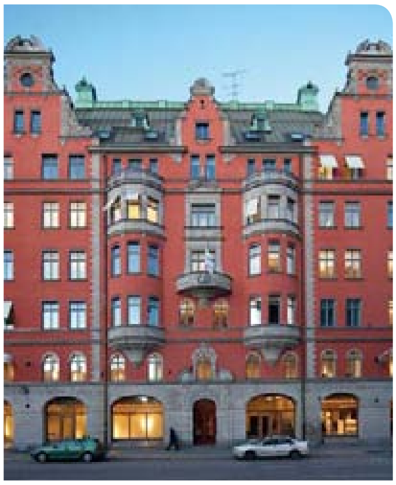
In Solna Business Park and Arenastaden, yield requirements are between 5.5 and 6.0 per cent. Fabege foresees increased demand for office space in these areas, which will have a positive effect on rental levels and thereby also on the value trend.

In conjunction with the signing and construction of the Mall of Scandinavia, Fabege has noted an increase in demand for premises in Arenastaden, which will have a positive impact on rents and property values.

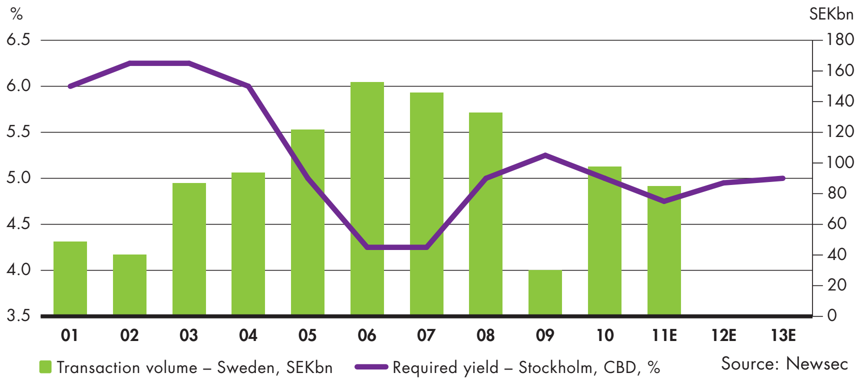
HAMMARBY SJÖSTAD

In Hammarby Sjöstad, an office market that remains in the development phase, yield requirements range from 6.1 to 6.6 per cent. In this area, Fabege has also noted increased demand for good products, which has a positive effect on the rent trend.

[1)] Source: Newsec

Transaction volume/Yield requirements



Source: Newsec

FORECAST

The demand for modern premises in Fabege's submarkets is favourable and the supply of vacant premises is limited, which indicates that rents will remain favourable. Fabege's property portfolio, characterised by solid properties and low risk, provides a foundation for stable property values in 2012.

Yield requirements, %	2011	2010
Stockholm inner city	4.40–4.90	4.75–5.00
Stockholm inner city, outside city core	4.90–5.50	5.25–5.75
Solna Business Park	5.50–6.00	5.75–6.25
Arenastaden	5.50–6.00	5.75–6.25
Hammarby Sjöstad	6.10–6.60	6.25–6.75

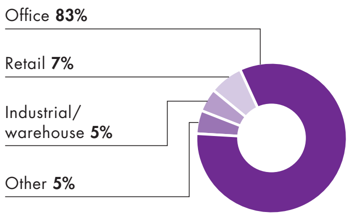
Source: Newsec

Property portfolio

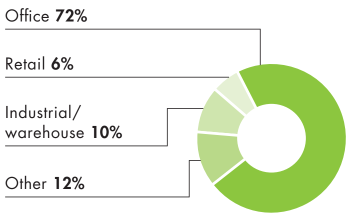
On 31 December 2011, Fabege's portfolio comprised 97 properties with a total lettable area of 1.1m sqm. The market value was SEK 29.2bn and the rental value SEK 2.1bn. The financial occupancy rate was 90 per cent. Rental income for the year totalled SEK 1,804m and net operating income was SEK 1,227m.

Fabege's properties are concentrated to the Stockholm region and divided into three priority sub-markets: Stockholm inner city, Solna and Hammarby Sjöstad. A full 99 per cent of the property portfolio is located within a radius of five kilometres of the center of Stockholm.

Rental value by category, total SEK 2,098m



Lettable area by category, total 1,107,000 sqm



PROPERTY PORTFOLIO

Fabege's properties are concentrated to the Stockholm region and divided into three priority sub-markets: Stockholm inner city, Solna and Hammarby Sjöstad. A full 99 per cent of the property portfolio is located within a radius of five kilometres of the centre of Stockholm. The inner city sub-market accounts for 58 per cent of the total market value and 56 per cent of the rented value.

The portfolio mainly comprises commercial premises, mostly offices, which account for 797,000 sqm of space and 72 per cent of the total lettable area. In addition to offices, the portfolio includes retail, industrial/warehouse and residential space and hotel and garage space.

CHANGES IN THE PROPERTY PORTFOLIO

In 2011, Fabege divested 11 properties. Most of the sales were aimed at streamlining the property portfolio to focus on prioritised sub-markets, a concentration of the portfolio that has now essentially been completed. Five properties were ac-

Breakdown by lettable area, per 31 December 2011

'000 sqm	Office	Retail	Industrial/ warehouse	Hotel	Residential	Garage	Total
Stockholm inner city	373	27	30	8	11	48	497
Solna	325	35	35	10	2	48	455
Hammarby Sjöstad	79	13	29	0	1	8	130
Other markets	20	1	4	0	0	0	25
Total	**797**	**76**	**98**	**18**	**14**	**104**	**1,107**

Property portfolio

	31 December 2011						1 January – 31 December 2011		
	No. of properties	Lettable area, '000 sqm	Market value, SEKm	Yield, %	Rental value[2], SEKm	Financial occupancy rate, %	Rental income, SEKm	Property expenses,SEKm	Net operating income, SEKm
Property holdings									
Investment properties[1]	70	929	22,773	5,7	1,803	92	1,600	–399	1,201
Development properties[1]	9	126	3,692	5,6	235	76	169	–50	119
Land and project properties[1]	18	52	2,685	6,1	60	69	19	–11	8
Total	**97**	**1,107**	**29,150**	**5,7**	**2,098**	**90**	**1,788**	**–460**	**1,328**
Inner city	38	497	16,809	5,4	1,181	92	1,028	–266	762
Solna	37	455	9,856	6,2	720	88	598	–137	461
Hammarby Sjöstad	13	130	2,215	6,3	178	84	144	–51	93
Other markets	9	25	270	7,0	19	88	18	–6	12
Total	**97**	**1,107**	**29,150**	**5,7**	**2,098**	**90**	**1,788**	**–460**	**1,328**
Expenses for lettings, project development and property administration									–105
Total net operating income after expenses for lettings, project development and property administration									**1,223**[3]

[1] See definitions on page 97.
[2] In the rental value, time limited deductions of about SEK 98m were not deducted.
[3] The table refers to Fabege's property portfolio on 31 December 2011. Income and expenses were recognised as if the properties were owned for the entire period. The difference between recognised net operating income above, SEK 1,223m, and net operating income in profit or loss, SEK 1,227m, is due to net operating income from divested properties being excluded, and acquired/completed properties being adjusted upwards as if they were owned/completed during the period of January–December 2011.

quired during the year, all in Arenastaden. Four of the properties are undeveloped and comprise plots of about 25,000 sqm that can be developed, primarily for retail space but also for housing. The fifth property is an office property with about 10,000 sqm of floor space that is a suitable supplement to Fabege's portfolio in the area.

PROJECT DEVELOPMENT

Investments in existing properties and projects in 2011 totalled SEK 1,457m (907). The investments pertained to new builds, extensions and conversions.

During the first quarter of the year, the projects in the Fräsaren 10, Solna Business Park (leased to Vectura and Axfood) and Farao 20, Arenastaden (leased to Egmont and Fabege) were completed and subsequently transferred to the investment-property portfolio.

MAJOR ON-GOING PROJECTS

Fabege is currently pursuing five major office projects. All projects are proceeding as planned within the set time and cost frames. At year-end, the occupancy rate in the projects was 78 per cent.

The office project in the Bocken 39 property on Lästmakargatan is nearly completion. Tenants have assumed occupancy and the property will be transferred to the investment-property portfolio during the first quarter of 2012.

In the Klamparen 10 project on Fleminggatan and the Apotekaren 22 project on Tulegatan/Rådmansgatan, the first tenants have assumed occupancy. Customisations for other tenants that are to assume occupancy in 2012 are under way.

The office projects at Uarda 1 and Uarda 5 in Arenastaden will be completed for occupancy during the fourth quarter of 2012.

During the year, the Board decided on project investments totalling about SEK 1.8bn. Fabege believes that the rate of investment will remain high in 2012.

Average remaining lease term by sub-market, 31 December 2011

Area	No. of properties	No. of leases	Lease term
Stockholm inner city	38	724	3.6
Solna	37	434	3.7
Hammarby Sjöstad	13	308	2.4
Other markets	9	15	4.1
Total/average	**97**	**1,481**	**3.5**

Maturity structure of commercial leases, 31 December 2011

Due, year	No. of leases	Area, sqm	Contracted annual rent, SEKk	Share, %
2012	462	132,244	231,529	13
2013	357	183,375	418,321	23
2014	328	139,438	318,964	18
2015	178	131,660	307,229	17
>2016	156	228,550	526,434	29
Total	**1,481**	**815,267**	**1,802,477**	**100**

Property-related key figures

	2011	2010	2009
No. of properties	97	103	148
Lettable area, '000 sqm	1,107	1,138	1,429
Financial occupancy rate, %	90	88	90
Rental value, SEKm	2,098	2,061	2,194
Surplus ratio, %	68	67	67

Property portfolio changes	Fair value, SEKm	No.
Property portfolio, 1 Jan 2011	**26,969**	**103**
+ Acquisitions	518	5
+ New builds, extensions and conversions	1,468	–
– Sales/other	–898	–11
+/– Unrealised changes in value	1,093	–
Property portfolio, 31 Dec 2011	**29,150**	**97**

Projects in progress >50 SEKm, 31 December 2011

Property name	Property type	Area	Completed	Lettable area, sqm	Occupancy rate, % Floor area[1]	Estimated rental value[2]	Carrying amount 31 Dec 2011	Estimated investment	Of which, accrued 31 Dec 2011
Apotekaren 22[3]	Office	Norrmalm	Q4-2012	31,599	76	90	1,126	204	79
Bocken 39[3]	Office	Östermalm	Q4-2011	19,909	80	75	1,160	149	140
Klamparen 10	Office	Kungsholmen	Q2-2012	22,530	72	66	713	233	140
Uarda 1	Office	Arenastaden	Q3-2012	41,079	60	78	455	533	157
Uarda 5	Office	Arenastaden	Q3-2012	44,500	100	106	940	1,050	642
Total				**159,617**	**78**	**415**	**4,394**	**2,169**	**1,158**
Other Land and Project Properties							577		
Other Development Properties							1,406		
Total Projects, Land and Development Properties							**6,377**		

[1] Operational occupancy rate at 31 December 2011.
[2] The annual rent for the largest projects in progress could increase to SEK 415m (fully let) from SEK 132.4m in annualised current rent as of 31 December 2011.
[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.

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, representing a mix of private businesses and public sector organisations.

On 31 December 2011, the contracted rent was SEK 1,880m (1,811), of which 85 per cent referred to office premises.

On the same date, the 15 largest tenants by value represented a total contract value of SEK 559m, or 30 per cent of the total contracted rental value.

LEASES

On 31 December 2011, the portfolio included approximately 1,500 signed leases at a contract value of SEK 1,802m. On the same date, the average remaining lease term was 3.5 years (3.5). In 2011, new leases were signed for 105,000 sqm (98,000) of space with a total annual rental value of SEK 241m (211).

Fabege also renegotiated and extended existing leases with a total annual rental value of SEK 64m (113).

VACANCY RATIO

The financial occupancy rate was 90 per cent (88). The increase was the result of a successful letting effort.

Fabege's 15 largest tenants by value

- Nasdaq OMX Stockholm
- Bonnier Dagstidningar
- ICA
- Carnegie Investment Bank
- Peab Sverige
- COOP Sverige Fastigheter
- EDB Business Partner
- Praktikertjänst
- Swedish Tax Agency
- Svenska Spel
- Lantbrukarnas Ekonomi
- Cybergymnasiet Nacka
- The Swedish Migration Board
- Max Matthiessen
- Hotell Kung Karl

On 31 December 2011, the 15 largest tenants by value represented a total contract value of SEK 559m, or 30 per cent of the total contracted rental value.

Changes in the property portfolio

January–December 2011

Property sales

Property name	Area	Category	Lettable area, sqm
Quarter 1			
Bocken 51	Norrmalm	Residential	2,438
Grimbergen	Belgien	Land	0
Quarter 2			
Induktorn 33	Bromma	Industrial/Warehouse	17,415
Märsta 15:5	Märsta	Land	0
Sicklaön 392:1	Danvikstull	Land	0
Uarda 2	Arenastaden	Land	0
Quarter 3			
Näsby 4:1472	Tyresö	Land	0
Quarter 4			
Kåkenhusen 38	Östermalm	Office/Retail	6,688
Påsen 8	Hammarby	Industrial/Warehouse	3,096
Racketen 11	Alvik	Land	0
Styckjunkaren 4	Huvudsta	Land	0
Total property sales			**29,637**

Property acquisitions

Property name	Area	Category	Lettable area, sqm
Quarter 1			
Pyramiden 3	Arenastaden	Land	0
Signalen 3	Arenastaden	Land	0
Quarter 4			
Farao 8	Arenastaden	Office	5,774
Farao 19	Arenastaden	Land	0
Nationalarenan 8	Arenastaden	Development right	0
Total property acquisitions			**5,774**

Valuation of the property portfolio

In 2011, the property market improved further, particularly in the sub-markets in which Fabege is active. Significant demand resulted in higher property prices and thus impacted Fabege's portfolio in the shape of positive unrealised value changes. Letting efforts progressed favourably during the year, particularly in Fabege's project properties. As a result, Fabege recognised considerable positive unrealised value changes in both projects and investment properties.

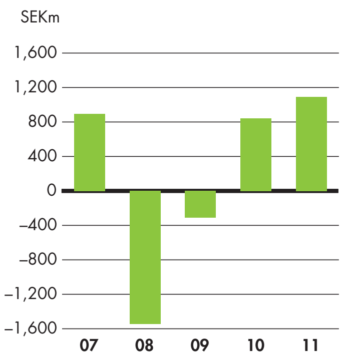
Fabege's ten largest properties by value

Property	Area	Sqm
Trängkåren 7	Marieberg	76,716
Ladugårdsgärdet 1:48	Norra Djurgårdsstaden	37,765
Bocken 39	Norrmalm	19,909
Apotekaren 22	Norrmalm	31,599
Fräsaren 11	Solna Business Park	39,383
Uarda 5	Arenastaden	0
Fräsaren 12	Solna Business Park	36,526
Smeden 1	Solna Business Park	45,693
Bocken 35	Norrmalm	15,362
Barnhusväderkvarnen 36	Norrmalm	25,642

Market value and yields by sub-market

Submarket	Market value, 31 Dec 2011, (SEKm)	%	Yield, %
Stockholm inner city	16,809	58	5.4
Solna	9,856	34	6.2
Hammarby Sjöstad	2,215	7	6.3
Other markets	270	1	7.0
Fabege total	**29,150**	**100**	**5.7**

Unrealised value changes, Properties



PROPERTY VALUE

At 31 December 2011, the portfolio had an estimated market value of SEK 29.2bn (27.0). 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 general property-related risk general risk for properties and for object-specific premiums. The weighted required yield at the end of the calculation period was 5.7 per cent (5.9).

VALUE CHANGES

Unrealised value changes on Fabege's properties totalled SEK 1,093m (843) during the year. The write-up/increase corresponds to a value increase of about 4.2 per cent during the year. The value change resulted from declining yield requirements and from future cash flows. To this should be added value growth through project gains.

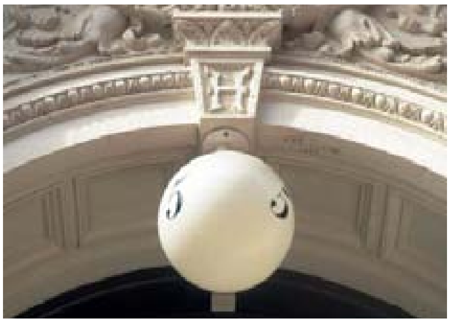
The average yield requirement in the property portfolio declined 0.14 per cent compared with year-end 2010. The yield has declined in all sub-markets. The net impact of the value changes increased further as a result of improved cash flows in the properties and positive results from projects. The investments made in the portfolio will ultimately lead to a lower vacancy ratio and higher rents in the portfolio, thus bolstering cash flow and value growth.

Valuation data

Each property is valued separately without taking portfolio effects into account. External 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 regularly 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 attractiveness. For larger conversions or other major value-impacting events, new inspections are conducted in connection with the external valuation.






VALUATION PRINCIPLES

All properties in Fabege's portfolio are externally valued at least once a year by independent appraisers. Since 2000, property valuations have been conducted in accordance with the guidelines established by the Swedish Property Index. In 2011, 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 performed regularly 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 valued using the location-price method.

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 sale of undeveloped land and building rights. The value of on-going new builds is generally deemed to correspond to the property's market value plus project expenses paid at the time of valuation.

Competition description
Intense competition and many players

The markets on which Fabege is active are characterised by intense competition. A large number of property companies and institutional players focus on property types and geographic areas that overlap those of Fabege to some extent.

The competitive situation can be described from two perspectives; the property market and the market for rentals.

On the Stockholm property market, Fabege cooperates with several major property companies, as well institutional players and many private property owners. With its focus and direction on property management, property development and transactions, Fabege is becoming a niche player whose operations supplement those who focus on institutional ownership in Stockholm. Fabege possesses expertise and experience in developing and improving properties, and in finding customers for these development projects.

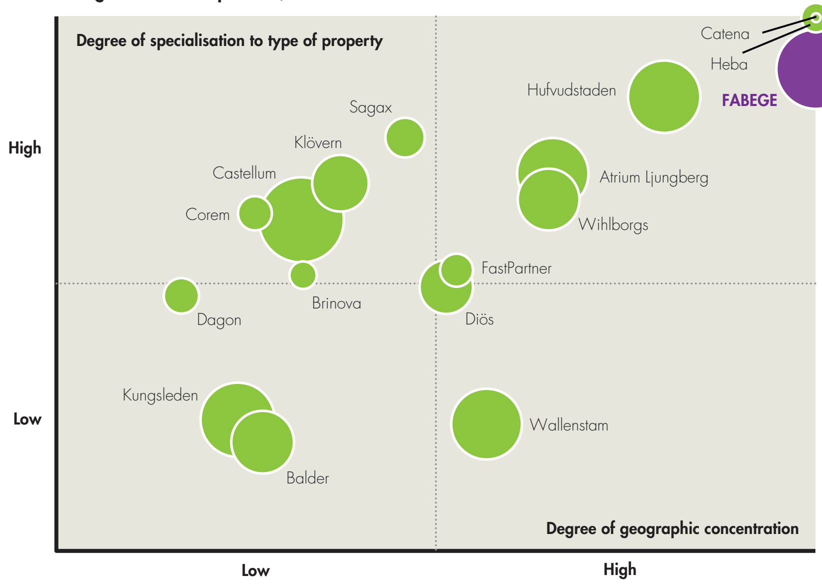
The risk for many institutional property owners could constitute potential for Fabege in the creation of value through property development. Consequently, exchange transactions between Fabege and these property owners, whereby Fabege sells completed developed properties with stable cash flows in return for properties with development potential, are not unusual. The relatively high growth in the Stockholm market ensures favourable value growth in Fabege's concentrated property portfolio.

When competing for customers, the location and condition of properties are key competitive advantages. Fabege strives for specialisation. High geographic concentration and focus on offices generates a high degree of knowledge of the sub-markets on which the company focuses and makes it possible to develop entire areas. Another key competitive advantage is the ability to satisfy customer requirements, by offering a high degree of adaptation of premises to suit customer needs. Close proximity to customers is key. Fabege has modern, efficient premises in attractive prime locations and also builds new properties when required. The organisation consists of customised teams of employees focusing on new lettings, project development and property management; all designed to create customer-adapted solutions and good business.

Environmental issues are another increasingly important competitive tool. Fabege has long had a strong focus on the environment and sustainability. The company's development activities are characterised by an environmental approach, in the form of environmental classification of new buildings and the offering of green leases. Fabege has several Sustainable City development projects and also supports the UN's Global Compact.

Finally, a stable balance sheet and excellent relations with lenders and other parties generate competitive advantages. Fabege is a partner with the strength and ability to drive the development of the offices of tomorrow.

Fabege and its competitors, December 2011



As a result of efforts in recent years to streamline and concentrate the property portfolio, Fabege is now one of the most specialised companies in the Swedish property market.

Source: Leimdörfer

Competitors, key figures 2011

Company	Investment focus	Main geographic market	Owner	Market value, SEKm	No. of properties	Lettable area, '000 sqm	Rental income, SEKm	Occupancy, %
Fabege	**Office, retail**	**Stockholm**	**Listed**	**29,150**	**97**	**1,107**	**1,788**	**90**
Vasakronan	Office, retail	Stockholm, Uppsala, Gothenburg, Malmö, Lund	1–4 AP-fonden	82,370	216	2,762	6,048	93
Diligentia[1)]	Office, retail, residential	Stockholm, Gothenburg, Malmö	Skandia Liv	30,322	135	1,305	2,246	94
Hufvudstaden	Office, retail	Stockholm, Gothenburg	Listed	22,300	n.a[2)]	365	1,437	96
AMF Fastigheter	Office, retail, residential	Stockholm, Gothenburg	AMF Pension	35,000	31	636	1,900	n.a[2)]
Humlegården[1)]	Office, retail	Stockholm	Länsförsäkringar	8,546	41	282	521	88

[1)] Figures pertain to 2010.
[2)] No information available.

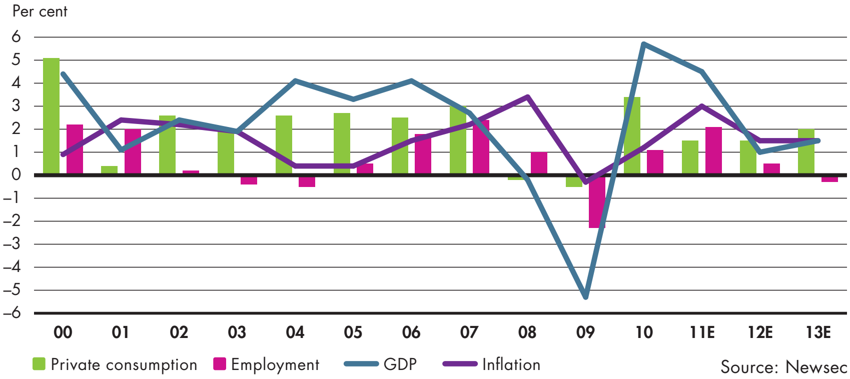
Market review

by Newsec Advice AB

The Greater Stockholm office market is the most liquid market in Sweden. The country has excellent economic fundamentals, with domestic demand as the principal growth engine in coming years. The region had a stable employment trend during the recent recession, primarily due to an expanding service sector. This factor, combined with low inflation and low interest rates, is generating growth potential for office properties in the Scandinavian capital.

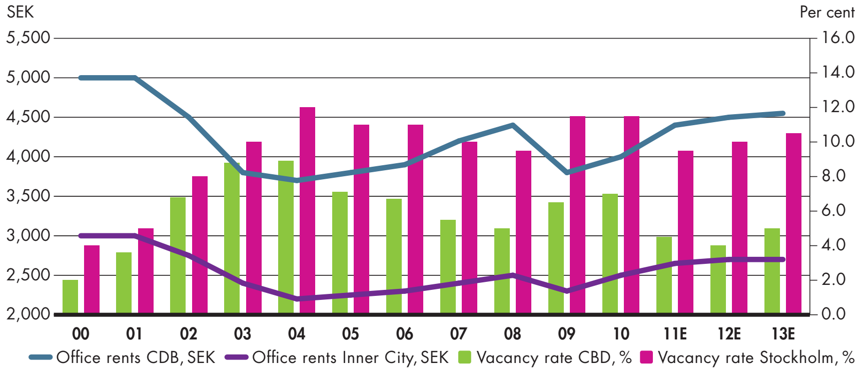
In early 2011, expectations of a continued strong economic trend were high based on 2010, when Sweden strengthened its strong position compared with other European countries and had GDP growth of a full 5.7 per cent. During the autumn, the turbulence in the business environment increased, which was followed by a significant hike in risk premiums in the Euro zone and notable credit restrictions, mainly by European banks. The turmoil has not yet had any great impact on Stockholm's businesses and the economic cycle in the county remains strong, but the growth rate decreased in the most recent quarter. Sweden has excellent economic fundamentals and domestic demand will be able in part to offset the weak conditions in the Euro zone in 2012. Lower interest rates and an improved household climate will generate higher domestic demand, which is the most significant growth engine.

Macroeconomic indicators – Sweden



Source: Newsec

Rents and vacancies



Source: Newsec

GROWING POPULATION AND DIVERSIFIED BUSINESS COMMUNITY CONTRIBUTED TO STABLE GROWTH

The entire Stockholm City and Stockholm County is expanding, in terms of both the number of inhabitants and companies. More than 20 per cent of the Swedish population lives in the Greater Stockholm area and the region has had nearly twice as much growth, in terms of population percentage, as the rest of the country during the 2000s. It is estimated that the population increase will remain strong in the future and that the Stockholm region will also be the growth engine in the Swedish economy in coming years, which will benefit the local property market.

The business community in Greater Stockholm is dominated by the service sector. The largest branches are banking and finance, IT and other consulting operations. The service sector, which has a high degree of office-based operations, remained strong in 2011 and is expected to develop relatively well in coming years, primarily in Stockholm, despite a declining total employment trend in Sweden in 2012–2013. For industry, the prospects are gloomy and this is where the approaching global recession will be noticed most distinctly.

STRONG OFFICE MARKET THAT DEMANDS QUALITY AND EFFICIENCY

The Greater Stockholm office market comprises approximately 12 million sqm of office space. A strong employment trend is a guarantee for increased demand for commercial premises, a trend that was underscored even more clearly in 2011 when demand for high-quality offices was much higher than for offices in secondary locations. During 2011, as a result of the financial crisis of 2008–2009, slightly more than 40,000 sqm of office space was completed, which caused many project starts to be postponed. Approximately 80 per cent of the office space that reached the market in 2011 has now been let. New production for 2012 is back at a historically normal level, of about 130,000 sqm, of which more than 90 per cent is pre-let.

Major leases were signed during 2011 for the few on-going new-development projects in Stockholm that were started on the basis of speculation. The number of refurbishment projects has increased but those in progress are largely in smaller buildings.

During 2011, rents rose across the board, although growth declined somewhat late in the year. In Stockholm, office vacancies are down to historically low levels. Combined with the country's excellent economic fundamentals, this is estimated to generate higher rents in 2012. Tenants are demanding modern and flexible premises, a trend that is having an adverse impact on older properties. Adaptable premises enable less office space per employee, generating lower total workplace costs, thus creating scope for higher rent per sqm. As a result of this, the discrepancy in vacancies and rents between old and new portfolios is expected to increase further in the future.

OFFICE-BASED INNER-CITY SERVICE SECTOR EXPANDS

The inner city has been, and is estimated to remain, the most attractive sub-market in Stockholm. Commuting potential has increased significantly in recent decades and has contributed to a higher number of commuters. The T-centralen station is currently the largest transfer point in Stockholm County and will remain so for the foreseeable future, thus generating rising demand for premises with relatively short commuting distance from there. The inner city consists of 6.2 million sqm of office space, of which 1.9 million sqm is located in the Central Business District (CBD).

The Stockholm region has a major service sector, which will generate stability in the regional economy in coming years. The sector's office-based operations have contributed to higher demand for modern offices. A strong office market in the CBD, with high rents and low vacancy rates, is expected to favour close-to-the-city locations. In the inner city, excluding the CBD, the vacancy rate has recently declined and is estimated to amount to 7.5 per cent, while rents have risen by more than 5 per cent in 2011 to about SEK 2,650/sqm. A more moderate rent increase is expected in 2012. Activity was high in the inner city in 2011 and attractive premises were leased rapidly. New production has been concentrated primarily to Västra Kungsholmen, which continues to develop jointly with Hagastaden and Norra Djurgårdsstaden, which will be major expansion areas.

The market rent levels for offices in the CBD have risen to SEK 4,400/sqm, an increase of nearly 15 per cent since 2010. Top rents have increased to more than SEK 5,000/sqm and the vacancy rate has decreased to 4.5 per cent, from 7.0 per cent in 2010. The rent level is expected to increase somewhat in 2012.

SOLNA – RAPIDLY GROWING MUNICIPALITY, WITH AN ESTABLISHED AND EXPANDING OFFICE MARKET

Solna has an established corporate culture and an attractive office market, with excellent transport facilities. Many commute daily to work to a business community that is benefiting from Sweden's most company-friendly municipality. The most attractive sub-areas include Solna Business Park and Frösunda, which will be supplemented by Arenastaden in a couple of years. The city-district development in Hagastaden and the New Karolinska Hospital is another key to the future since the project will link Stockholm to Solna and will create a world-leading science centre. In 2012, new space will be available in primarily Arenastaden. The market rent for modern offices in Solna Station and Solna Business Park has remained relatively stable in 2011 at just under SEK 2,000/sqm.

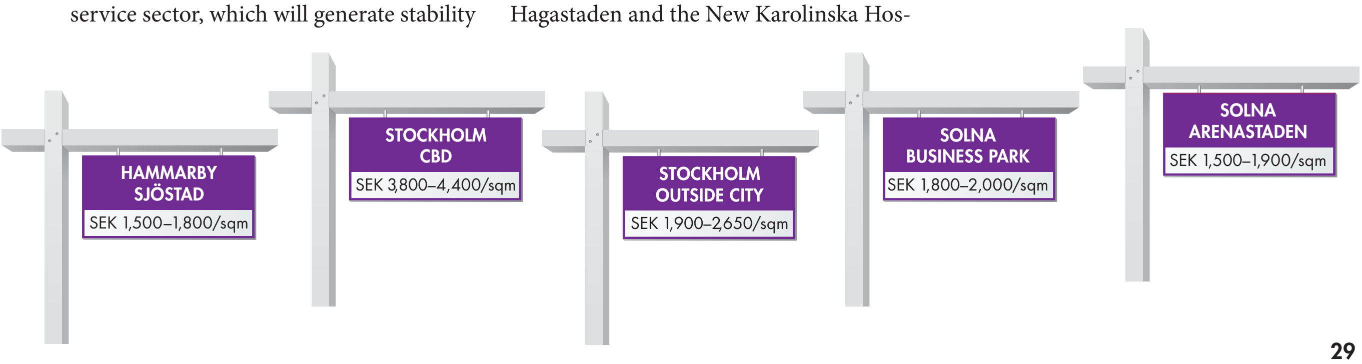
Main landlords in the Stockholm region, commercial premises

Owner	Floor area (sqm)
Vasakronan	1,790,000
Stockholms Kommun	1,440,000
Fabege	880,000
Atrium Ljungberg	490,000
AMF Fastigheter	460,000
Diligentia	360,000
Rodamco	330,000
AFA Fastigheter	320,000
Castellum	310,000
Hufvudstaden	290,000

Source: Newsec

HAMMARBY SJÖSTAD – MARKET TREND GENERATES RENT POTENTIAL

Hammarby Sjöstad has been one of the largest development areas in Greater Stockholm in the past decade. The office portfolio in Hammarby Sjöstad is currently estimated at about 120,000 sqm. It is only in recent years that high-class office space has been added to the office market in Hammarby Sjöstad, which has driven the rent trend. Despite the relatively low vacancy rate, about 20 per cent, activity in the rental market was high in 2011. The market rent is about SEK 1,700/sqm, but could rise to SEK 2,200/sqm in the modern parts of the stock. Rents are expected to rise somewhat in 2012.



Fabege is the second largest commercial property owner in the inner city of Stockholm, with 38 properties comprising 497,000 sqm of floor space.

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

6%

Stockholm inner city

Stockholm inner city is the largest office market in the Nordic region. With approximately 6.2 million sqm of space, this sub-market accounts for slightly more than 51 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 facilities and a high service level.

Fabege is the second largest property owner in Stockholm inner city, with 38 properties comprising 497,000 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 in Stockholm inner city.

The rental value of Fabege's properties in Stockholm inner city is SEK 1,181m, which represents 56 per cent of the Group's total rental value. At year-end 2011, the occupancy rate in the area was about 92 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 eight properties. In the Kungsgatan–Norrlandsgatan–Lästmakargatan area, close to Stureplan, Fabege owns a well contained cluster of six 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 prioritised area for Fabege is Norrtull/Norra Stationsområdet, where the company now owns five properties, of which the Wenner-Gren Center is the landmark property. In the Kungsholmen district of Stockholm, Fabege owns buildings such as the DN Tower and the adjacent low-rise buildings.

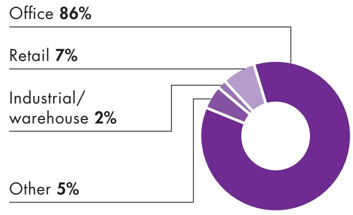
Fabege's rents experienced a positive trend during the year. Ahead of 2012, a stabilisation of the rental market is expected.

Market rate and vacancy rate

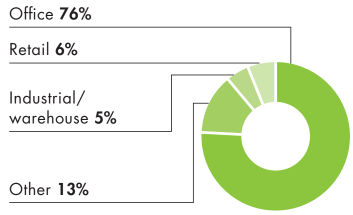
	Market rate, SEK/sqm	Occupancy rate, %
Stockholm inner city	3,800–4,400	95.5
Outside city	1,900–2,650	92.5

Source: Newsec

Rental value by category



Lettable area by category



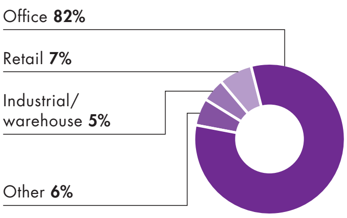
Key figures	2011
No. of properties	38
Market value, SEKm	16,809
Lettable area, '000 sqm	497
Financial occupancy rate, %	92
Remaining contract term, years	3,6
Rental value, SEKm	1,181

Largest tenants	sqm
Nasdaq OMX Stockholm	34,000
Bonnier Dagstidningar AB	28,000
Lantbrukarnas Ekonomi AB	12,000
Carnegie Investment Bank AB	10,000
Cybergymnasiet i Nacka AB	10,000

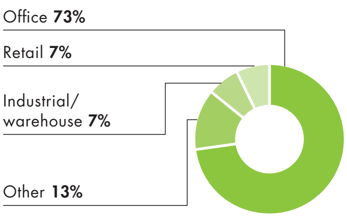
Solna

In 2011, Solna was named Sweden's most business-friendly municipality for the sixth year by the Confederation of Swedish Enterprise. With its dynamic business climate and strong population growth, Solna is in the midst of an exciting development phase. About 60,000 people commute daily to Solna. The total office market is about 1 million sqm.

Rental value by category



Lettable area by category



Key figures	2011
No. of properties	37
Market value, SEKm	9,856
Lettable area, '000 sqm	455
Financial occupancy rate, %	88
Remaining contract term, years	3.7
Rental value, SEKm	720

Largest tenants	sqm
ICA	27,000
Peab Sverige AB	20,000
Svenska Spel AB	18,000
Swedish Tax Agency	16,000
COOP Sverige Fastigheter AB	13,000

Market rents and occupancy rate

	Market rate, SEK/sqm	Occupancy rate, %
Arenastaden	1,500–1,900	80
Solna Business Park	1,800–2,000	90

Source: Newsec

Fabege is Solna's largest owner of commercial properties and thus has a unique opportunity to be involved in the renewal of entire districts.

Fabege owns 37 properties in Solna with total floor space of 455,000 sqm, of which offices account for 73 per cent. This corresponds to a share of nearly 35 per cent of the office market in Solna. The rental value is about SEK 720m, representing 34 per cent of the company's total rental value.

ARENASTADEN

In Arenastaden, Fabege is building and developing a vibrant city district featuring offices, retail stores, housing and an attractive environment. The area has excellent transport facilities as a result of its proximity to Stockholm Arlanda Airport and the European Route E4, as well as the planned expansion of commuter trains, the Tvärbanan light railway and buses.

Swedbank Arena and the largest shopping centre in the Nordic region, Mall of Scandinavia, are two major landmarks currently being built in Arenastaden.

The emergence of the new district will generate a positive trend for rents in the area. The year-end occupancy rate was about 80 per cent.

SOLNA BUSINESS PARK

Solna Business Park is a property area comprising an established business park. For example, ICA, EDB and Coop have located their headquarters in the area. Solna Business Park has excellent transport facilities and acts as a hub for the underground, commuter trains, long-distance trains, buses and the forthcoming Tvärbanan light railway.

Many tenants in Solna Business Park are stable customers with long leases. The occupancy rate in the area was about 90 per cent at year-end 2011.

OTHER AREAS OF SOLNA

Fabege also owns a few properties in other areas of Solna.

Fabege is the largest commercial property owner in Solna with 37 properties comprising a total of 455,000 sqm of space.

Fabege's share of the office market in Solna.

35%

Fabege is the largest commercial property owner in Hammarby Sjöstad, with 13 properties comprising 130,000 sqm of floor space.

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

65%

Hammarby Sjöstad

Hammarby Sjöstad is one of Stockholm's most interesting areas. An attractive new city district has been developed on former industrial grounds and quickly became popular for residential and business purposes. Hammarby Sjöstad's office market totals about 120,000 sqm of floor space.

Fabege is the largest owner of commercial premises in Hammarby Sjöstad. The company owns 13 commercial properties with total floor space of 130,000 sqm in the area. The rental value is about SEK 178m, representing 8 per cent of the company's total rental value. Offices account for 60 per cent of Fabege's premises, representing 65 per cent of the office market in Hammarby Sjöstad. At year-end 2011, the occupancy rate in the area was about 80 per cent.

Hammarby Sjöstad has evolved into a highly attractive city district, for residents and companies. The area has excellent transport facilities through the Tvärbanan light rail line, ferries and local bus services. In 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 landscape of the area. The character of the company's commercial premises in the area is gradually shifting, from light industry to services. Fabege has, for example, invested in upgrading and developing the Luma property. During 2011, the Hammarby Gård 7 property was also developed – a section of land here was sold for the construction of housing and a unique hotel is being built on the remaining land.

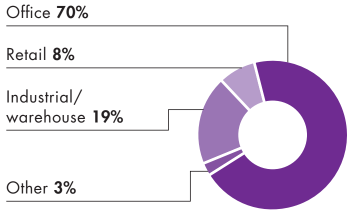
Rents have increased over the past few years, and are expected to continue to rise. The proximity to the inner city, good transport links and the exclusive waterfront location all create a special character that is attracting creative service-sector companies such as architectural firms, advertising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

Market rents and occupancy rate

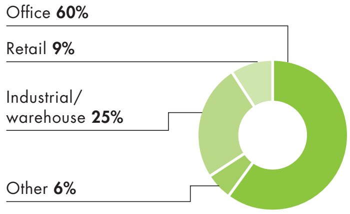
Market rents, SEK/sqm	1,500–1,800
Occupancy rate, %	80

Source: Newsec

Rental value by category

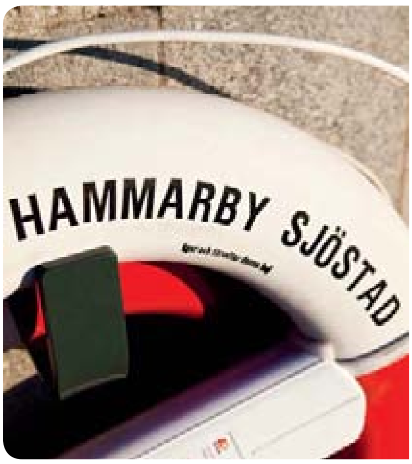


Lettable area by category



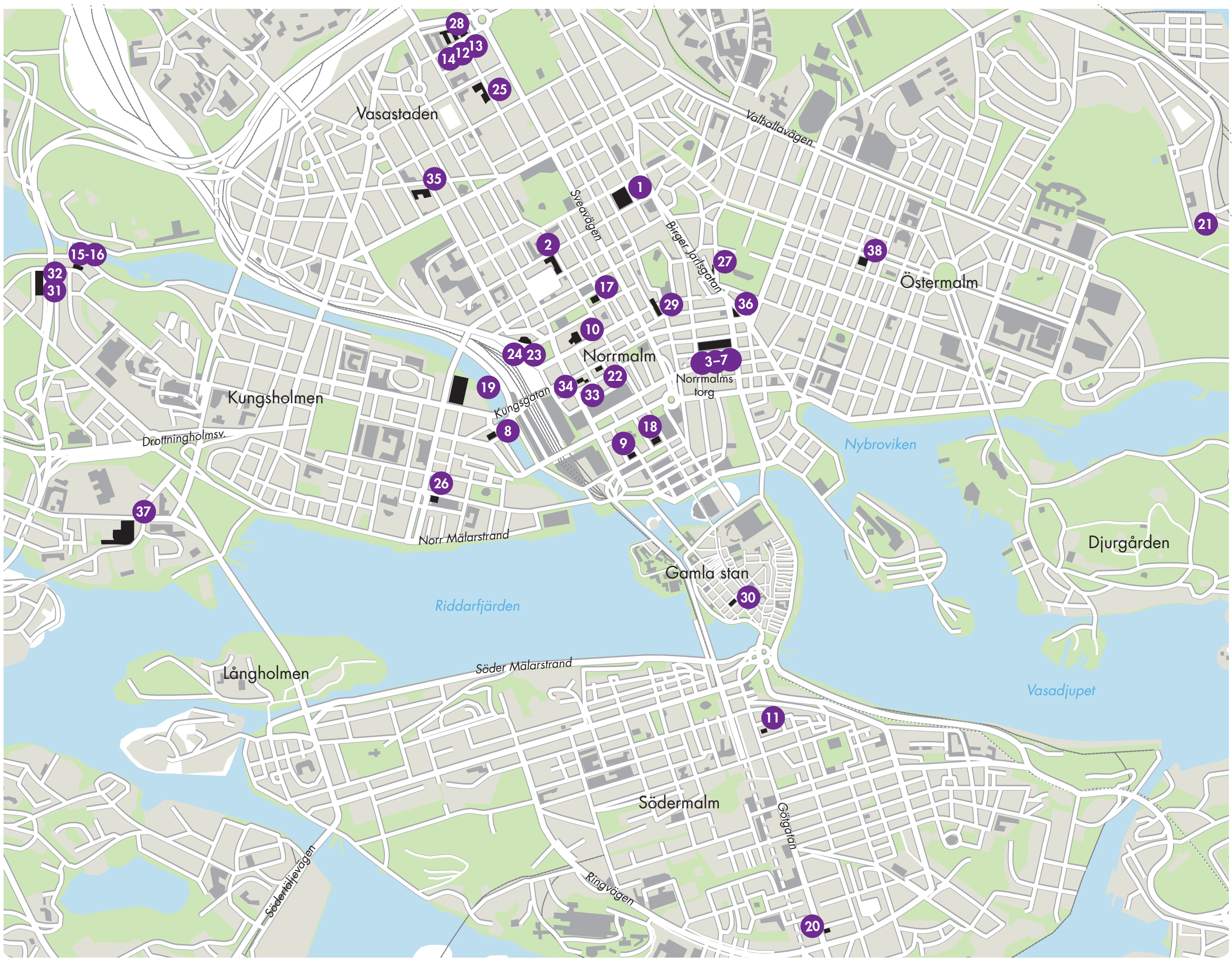
Key figures	2011
No. of properties	13
Market value, SEKm	2,215
Lettable area, '000 sqm	130
Financial occupancy rate, %	84
Remaining contract term, years	2.4
Rental value, SEKm	178

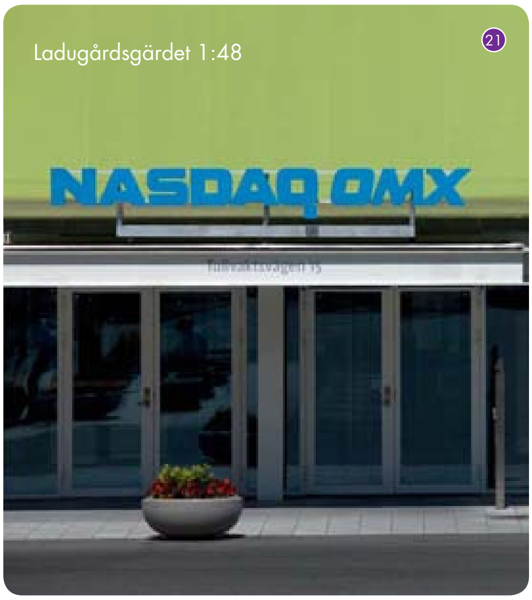
Largest tenants	sqm
Upplands Motor Stockholm Söder AB	4,000
Point Transaction Systems AB	4,000
Vitvaruspecialisten Nordin & Ölwing AB	3,000
Wallmans Nöjen AB	3,000
WSP Sverige AB	3,000



Property listing

Stockholm inner city 31 December 2011





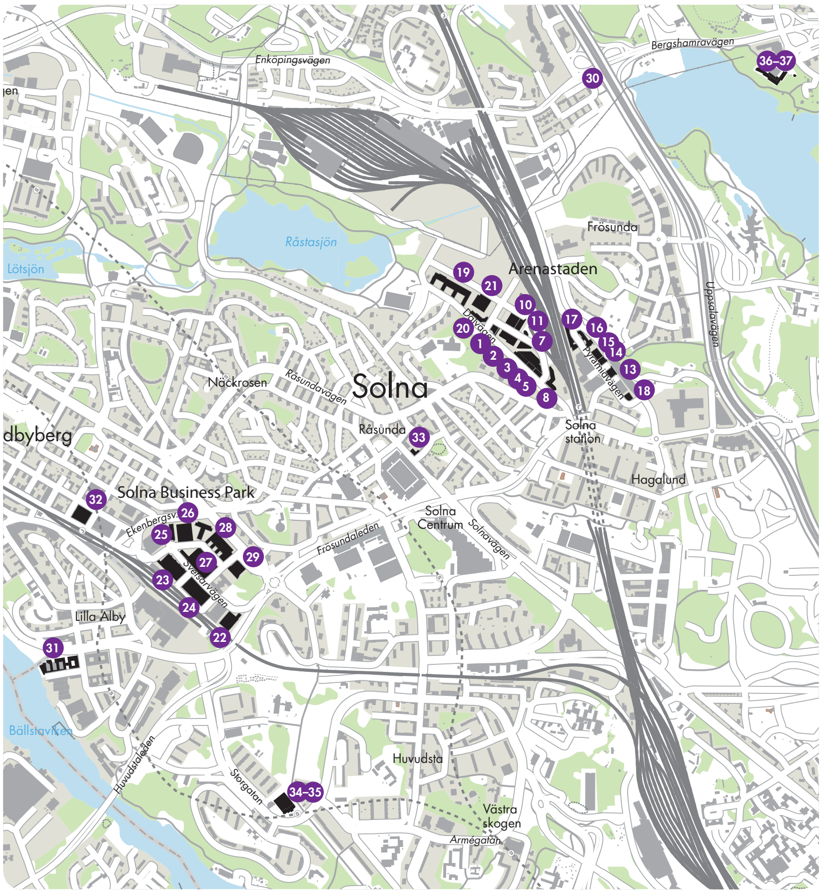
Property name	Area	Street	Leasehold	Construction year	Offices, sqm	Retail, sqm	Industrial/ warehouse, sqm	Residential, sqm	Hotels, sqm	Parking/ Other, sqm	Total lettable area, sqm	Assessed value, SEK '000
INNER CITY												
1 Apotekaren 22[1]	Norrmalm	Döbelnsg 20, 24, Kungstensg 21–23, Rådmansg 40,42, Tuleg 7 A–B 13		1902/2002	27,284	0	1,315	0	0	3,000	31,599	0
2 Barnhusväderkvarnen 36	Norrmalm	Rådmansg 61–65		1963	13,889	1,253	1,535	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 20, Kungsg 7–15		1931	14,944	3,094	1,651	0	0	220	19,909	545,000
5 Bocken 46	Norrmalm	Regeringsgatan 56		1977	0	0	0	0	0	0	0	0
6 Bocken 47	Norrmalm	Lästmakarg 8	T	1929	531	665	0	0	0	0	1,196	30,800
7 Bocken 52[1]	Norrmalm	Lästmakargatan 14–16			548	0	0	1,182	0	0	1,730	41,800
8 Drabanten 3	Kungsholmen	Kungsbroplan 3 m fl		1907	6,478	0	73	0	0	0	6,551	129,000
9 Duvan 6	Norrmalm	Klara Södra Kyrkogata 1		1975	9,579	0	85	0	0	211	9,875	308,000
10 Fenix 1	Norrmalm	Barnhusgatan 3	T	1929	3,368	48	255	0	0	0	3,671	84,000
11 Fiskaren Större 3	Södermalm	Götgatan 21		1930	235	993	0	1,375	0	0	2,603	52,000
12 Getingen 13	Vasastan	Sveavägen 149	T	1963	10,716	610	2,855	0	0	2,415	16,600	213,000
13 Getingen 14	Vasastan	Sveavägen 143–147	T	1953	11,177	0	315	0	0	1,231	12,723	166,000
14 Getingen 15	Vasastan	Sveavägen 159	T	1963	12,632	2,970	7,162	0	0	0	22,764	90,980
15 Glädjen 12	Stadshagen	Franzéng 6, Hornsbergs Strand 17	T	1949	12,337	0	0	0	0	0	12,337	255,000
16 Glädjen 13[2]	Stadshagen		T		0	0	0	0	0	0	0	53,000
17 Grönlandet Södra 13	Norrmalm	Adolf Fredriks Kyrkogata 8		1932	8,193	0	0	0	0	0	8,193	258,000
18 Hägern Mindre 7	Norrmalm	Drottninggatan 27–29	T	1971	8,338	1,675	1,109	0	0	2,167	13,289	357,000
19 Klamparen 10[2]	Kungsholmen	Fleminggatan 12		1986	20,487	0	2,043	0	0	0	22,530	332,000
20 Kolonnen 7	Södermalm	Götgatan 95, m fl		1965	2,161	116	67	1,082	0	345	3,771	72,000
21 Ladugårdsgärdet 1:48	Värtahamnen	Tullvaktsvägen 5–23		1930/49	37,765	0	0	0	0	0	37,765	574,532
22 Lammet 17	Norrmalm	Bryggarg 4, G:a Brog 13A, Korgmakargr 4	T	1982	5,326	317	737	0	0	479	6,859	0
23 Läraren 5	Norrmalm	Torsgatan 2 A		1904/29	3,653	0	68	578	0	1	4,300	86,400
24 Läraren 13	Norrmalm	Torsgatan 4		1904/29	6,837	0	0	0	0	0	6,837	189,000
25 Mimer 5	Vasastan	Hagagatan 25 A–C, Vanadisvägen 9		1957	11,672	0	75	0	0	5	11,752	0
26 Murmästaren 7	Kungsholmen	Kungsholmstorg 16		1898	2,519	472	79	0	0	0	3,070	64,800
27 Norrtälje 24	Norrmalm	Engelbrektsgatan 5–7		1881	6,365	0	173	0	0	526	7,064	232,000
28 Ormträsket 10	Vasastan	Sveavägen 166–170, 186		1962/1967	13,381	3,706	494	0	0	2,071	19,652	281,000
29 Oxen Mindre 33	Norrmalm	Luntmakarg 18, Malmskillnadsg 47 A, B		1979	8,471	0	154	2,823	0	1,573	13,021	247,000
30 Pan 1	Gamla Stan	S Nygatan 40–42, L Nygatan 23		1929	2,326	721	0	102	0	0	3,149	74,470
31 Paradiset 23	Stadshagen	Strandbergsg 53–57		1944	8,837	316	3,012	0	0	1,655	13,820	164,000
32 Paradiset 27	Stadshagen	Strandbergsg 59–65		1959	20,016	4,038	1,006	0	0	2,229	27,289	377,000
33 Pilen 27	Norrmalm	Bryggarg 12 A		1907	1,965	0	116	0	0	0	2,081	58,400
34 Pilen 31	Norrmalm	Gamla Brog 27–29, Vasag 38	T	1988	5,148	1,134	60	0	2,577	571	9,490	249,000
35 Resedan 3	Vasastan	Dalagatan 13		1929	2,473	0	0	1,007	0	2	3,482	0
36 Sparven 18	Östermalm	Birger Jarlsg 21–23, Kungsg 2		1929	1,936	1,642	30	0	5,097	0	8,705	290,000
37 Trängkåren 7	Marieberg	Gjörwellsg 30–34, Rålambsv 7–15		1963	49,975	1,927	4,765	0	0	20,049	76,716	895,100
38 Ynglingen 10	Östermalm	Jungfrug 23, 27, Karlav 58–60		1929	7,070	1,308	247	2,399	0	526	11,550	288,400
TOTAL INNER CITY					**373,248**	**27,306**	**29,926**	**10,548**	**7,674**	**48,241**	**496,942**	**8,091,682**

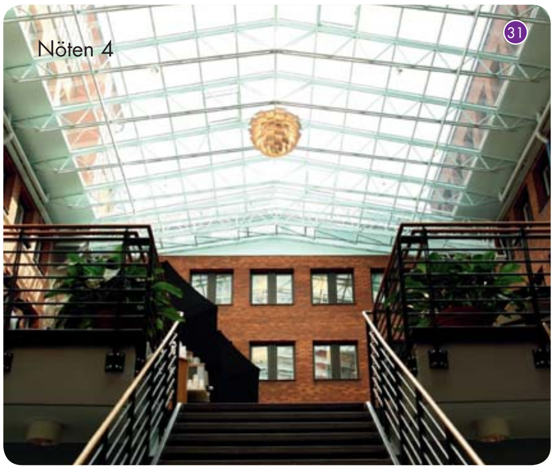
The list of properties contains all properties owned by Fabege at 31 December 2011. Unless otherwise stated, the property is classified as an investment property, meaning a property under regular and active management.

[1] Development property – Properties in which a conversion or extension is in progress or planned that has a significant impact on the property's net operating income. Net operating income is affected either directly by the project or by limitations on lettings prior to impending development work.

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

Property listing
Solna 31 December 2011





Property name	Area	Street	Construction year	Offices, sqm	Retail, sqm	Industrial/ warehouse, sqm	Residential, sqm	Hotels, sqm	Parking/ Other, sqm	Total lettable area, sqm	Assessed value, SEK '000
ARENASTADEN											
1 Farao 8	Arenastaden	Dalvägen 12, Pyramidvägen 11	2001	5,218	240	316	0	0	0	5,774	68,915
2 Farao 14[1)]	Arenastaden	Dalvägen 10, Pyramidvägen 7, 9	1967	9,095	406	1,020	0	0	1,174	11,695	83,400
3 Farao 15	Arenastaden	Dalvägen 8, Pyramidvägen 5	1981	6,427	708	1,016	0	0	1,020	9,171	83,496
4 Farao 16	Arenastaden	Dalvägen 4–6, Pyramidvägen 3	1973	2,861	1,409	1,442	0	0	540	6,252	53,600
5 Farao 17	Arenastaden	Dalvägen 2, Pyramidvägen	1975	5,017	0	509	0	0	195	5,721	39,600
6 Farao 19[2)]	Arenastaden			0	0	0	0	0	0	0	0
7 Farao 20	Arenastaden	Pyramidvägen 7	2010	7,260	0	127	0	0	375	7,762	103,400
8 Kairo 1	Arenastaden	Pyramidvägen 2	1983	10,741	0	0	0	0	0	10,741	117,600
9 Solna Nationalarenan 8	Arenastaden			0	0	0	0	0	0	0	0
10 Pyramiden 3[2)]	Arenastaden	Pyramidvägen 4–6, Magasinvägen 4		0	0	0	0	0	0	0	5,800
11 Pyramiden 4	Arenastaden	Pyramidvägen 20	1960	3,019	0	70	0	0	10	3,099	43,000
12 Signalen 3[2)]	Arenastaden			0	0	0	0	0	0	0	37,168
13 Stigbygeln 2	Arenastaden	Gårdsvägen 6	1955	8,898	0	0	0	0	0	8,898	102,000
14 Stigbygeln 3	Arenastaden	Gårdsvägen 8	1960	4,814	0	998	0	0	0	5,812	63,400
15 Stigbygeln 5	Arenastaden	Gårdsvägen 10 A, B	1964	6,820	0	0	0	0	570	7,390	83,800
16 Stigbygeln 6	Arenastaden	Gårdsvägen 12–18	2001	9,113	581	271	0	0	6	9,971	174,800
17 Tygeln 3	Arenastaden	Gårdsvägen 13–21	2001	4,436	0	0	0	0	5,100	9,536	74,073
18 Tömmen 2	Arenastaden	Gårdsvägen 2		0	0	0	0	0	2,610	2,610	0
19 Uarda 1[2)]	Arenastaden	Dalvägen 22A–C, 22–30	1987	11,741	480	4,323	0	0	0	16,544	29,600
20 Uarda 4	Arenastaden	Dalvägen 14–16	1992	6,374	0	1,558	0	0	0	7,939	98,600
21 Uarda 5[2)]	Arenastaden	Dalvägen 18, Magasinvägen 1		0	0	0	0	0	0	0	89,000
TOTAL ARENASTADEN				101,834,	3,824	11,677	0	0	11,600	128,935	1,351,252
SOLNA BUSINESS PARK											
22 Fräsaren 10	Solna Business Park	Svetsarvägen 24	1964	6,981	4,241	285	0	0	56	11,563	116,800
23 Fräsaren 11	Solna Business Park	Englundavägen 2–4, Svetsarvägen 4–10	1962	33,118	0	1,815	0	1,840	2,610	39,383	418,000
24 Fräsaren 12	Solna Business Park	Svetsarvägen 12–18, 20, 20A	1964	19,404	10,109	173	0	0	6,840	36,526	446,000
25 Sliparen 1[1)]	Solna Business Park	Ekensbergsv 115, Svetsarv 1–3	1963	1,561	0	3,204	0	0	0	4,765	17,151
26 Sliparen 2	Solna Business Park	Ekensbergsv 113, Svetsarv 3–5	1964	16,827	0	2,616	0	0	3,315	22,758	210,000
27 Smeden 1	Solna Business Park	Englundav 6–14, Smidesv 5–7, Svetsarv 5–17	1967	35,427	5,009	1,081	467	0	3,709	45,693	425,406
28 Svetsaren 1	Solna Business Park	Englundavägen 7–13	1964	29,655	329	3,564	0	0	6,090	39,638	345,000
29 Yrket 3	Solna Business Park	Smidesvägen 2–8	1982	4,864	0	1,045	0	0	1,470	7,379	32,725
TOTAL SOLNA BUSINESS PARK				147,837	19,688	13,783	467	1,840	24,090	207,705	2,011,082
SOLNA, OTHER											
30 Järvakrogen 3[2)]	Frösunda	Enköpingsvägen 1		0	0	0	0	0	0	0	4,098
31 Nöten 4	Solna Strand	Solna strandväg 2–60	1971	38,796	670	8,452	0	0	5,779	53,697	440,000
32 Orgeln 7	Sundbyberg	Järnvägsg 12–20, Lysgränd 1, Roseng2,4, Stureg 11–19	1966	23,013	3,887	166	0	0	2,399	29,465	301,000
33 Planen 4	Råsunda	Bollgatan 1–5, Solnavägen 102 A–C	1992	4,509	389	125	0	0	1,381	6,404	61,800
34 Rovan 1	Huvudsta	Storgatan 60–68	1972	1,853	5,989	30	0	0	2,852	10,724	84,400
35 Rovan 2	Huvudsta	Storgatan 64	1972	0	0	0	1,227	7,645	0	8,872	114,000
36 Skogskarlen 1	Bergshamra	Björnstigen 81, Pipers väg 2	1971	7,064	814	689	0	0	195	8,762	104,800
37 Skogskarlen 3	Bergshamra	Pipersväg 2C	1929	0	0	0	0	0	0	0	1,857
TOTAL SOLNA, OTHER				75,235	11,749	9,462	1,227	7,645	12,606	117,924	1,111,955
TOTAL SOLNA				**324,906**	**35,261**	**34,922**	**1,694**	**9,485**	**48,296**	**454,564**	**4,474,289**

The list of properties contains all properties owned by Fabege at 31 December 2011. Unless otherwise stated, the property is classified as an investment property, meaning a property under regular and active management.

1) Development property – Properties in which a conversion or extension is in progress or planned that has a significant impact on the property's net operating income. Net operating income is affected either directly by the project or by limitations on lettings prior to impending development work.

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

Property listing

Hammarby Sjöstad 31 December 2011

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	Assessed value, SEK '000
HAMMARBY SJÖSTAD												
1 Båtturen 1[2]	Hammarby Sjöstad			0	0	0	0	0	0	0	0	0
2 Fartygstrafiken 2	Hammarby Sjöstad	Hammarby Allé 91–95		1955	6,808	1,764	153	0	0	1	8,726	101,000
3 Godsfinkan 1	Hammarby Sjöstad	Heliosvägen 22–26	T	1990	7,759	0	75	0	0	24	7,858	71,959
4 Hammarby Gård 7[1]	Hammarby Sjöstad	Hammarby Allé 21, 25, Hammarby Kajv 2–18, Hammarby Kaj 14–18		1937	9,514	586	2,198	0	0	1,230	13,528	205,600
5 Korphoppet 1	Hammarby Sjöstad	Hammarby Fabriksväg 41–43		1949	4,276	916	8,194	0	0	750	14,136	35,372
6 Korphoppet 5[1]	Hammarby Sjöstad	Hammarby Fabriksväg 37–39	T	1968	604	1,127	1,771	0	0	65	3,567	11,321
7 Korphoppet 6	Hammarby Sjöstad	Hammarby Fabriksväg 33	T	1988	0	428	4,254	0	0	40	4,722	28,800
8 Linjefarten 1[2]	Hammarby Sjöstad				0	0	0	0	0	0	0	0
9 Luma 1[1]	Hammarby Sjöstad	Ljusslingan 1–17, 2–36, Glödlampsgränd 1–6, Lumaparksv 2–18, 5–21, Kölnag 3		1930	24,223	3,911	5,970	691	0	3,843	38,638	207,425
10 Trikåfabriken 4	Hammarby Sjöstad	Hammarby Fabriksväg 25		1991	5,300	3,464	763	0	0	976	10,503	80,800
11 Trikåfabriken 8	Hammarby Sjöstad	Hammarby Fabriksväg 29–31		1930	9,988	692	4,036	0	0	12	14,728	60,400
12 Trikåfabriken 9	Hammarby Sjöstad	Hammarby Fabriksväg 19–21		1928	9,624	267	1,598	0	0	816	12,305	43,249
13 Trikåfabriken 12[1]	Hammarby Sjöstad	Hammarby Fabriksväg 27		1942	742	0	201	0	0	205	1,148	4,355
TOTAL HAMMARBY SJÖSTAD					**78,838**	**13,155**	**29,213**	**691**	**0**	**7,962**	**129,859**	**850,281**

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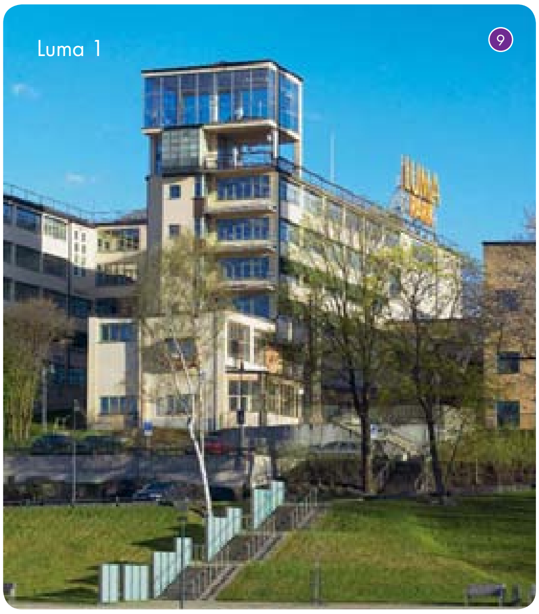
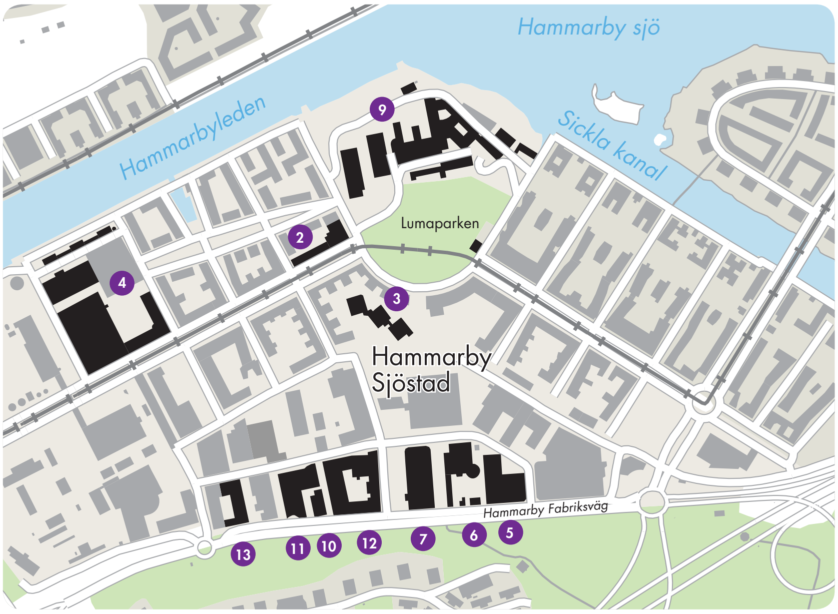
[1] Development property – Properties in which a conversion or extension is in progress or planned that has a significant impact on the property's net operating income. Net operating income is affected either directly by the project or by limitations on lettings prior to impending development work.

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





Property listing
Other 31 December 2011

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	Assessed value, SEK '000
OTHER, NORTH STOCKHOLM												
Berga 6:558 1)	Åkersberga				0	0	0	0	0	0	0	0
Hammarby Smedby 1:464 1)	Upplands Väsby	Johanneslundsvägen 3–5			0	0	0	0	0	0	0	0
Hammarby Smedby 1:472 1)	Upplands Väsby	Johanneslundsvägen 3–5			0	0	0	0	0	0	0	5,600
Masugnen 7	Bromma	Karlsbodavägen 18–20		1991	10,881	0	21	0	0	525	11,427	36,400
Tekniken 1 1)	Sollentuna				0	0	0	0	0	0	0	6,600
Ulvsunda 1:1	Bromma	Flygplansinfarten 27	A	2004	0	0	1,241	0	0	0	1,241	0
Vallentuna Rickeby 1:327 1)	Vallentuna				0	0	0	0	0	0	0	293
TOTAL, NORTH STOCKHOLM					10,881	0	1,262	0	0	525	12,668	48,893
OTHER, SOUTH STOCKHOLM												
Pelaren 1 1)	Globen	Pastellvägen 2–6			0	0	0	0	0	0	0	4,208
Söderbymalm 3:405 1)	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	72,708
TOTAL, OTHER					**20,121**	**1,386**	**3,613**	**0**	**0**	**565**	**25,685**	**121,601**

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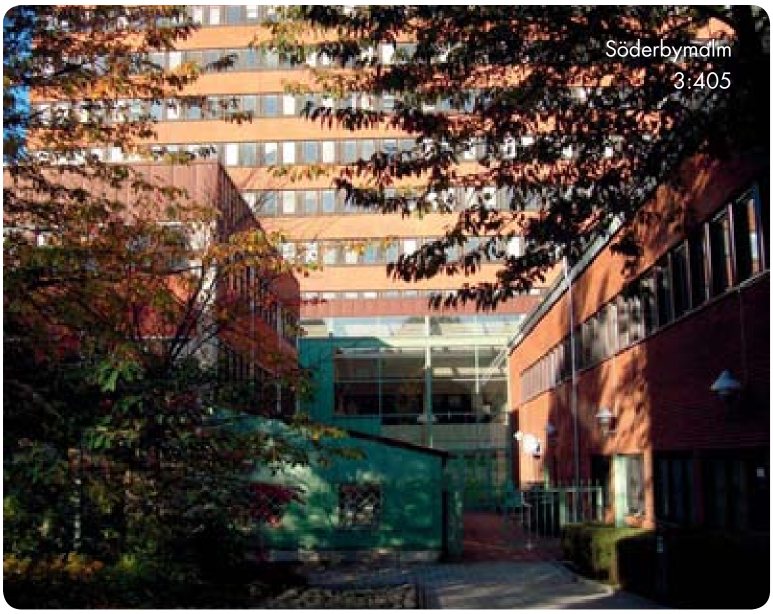
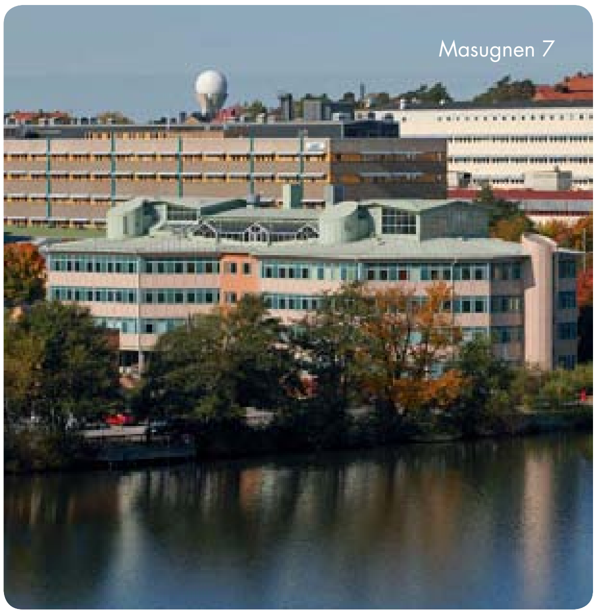
1) Land & project property – Land and developable properties and properties in which a new build/complete redevelopment is in progress.





Responsible enterprise

Fabege is a socially aware and responsible company. The company works to proactively reduce its environmental impact and, in cooperation with customers, contributes to sustainable urban development. Fabege acts responsibly in all sectors of its business activities and relations with stakeholders within and outside the company. Fabege strives to be a positive force in society.

Since properties account for an estimated 40 per cent of the world's total energy consumption, their climate impact is substantial. Today, there is a sharper focus on energy and climate, particularly in view of the on-going population growth, urbanisation and climate change. This trend requires resource-efficient and sustainable urban development.

As a property owner, Fabege has both an opportunity and a responsibility to support tomorrow's sustainable cities. Offering customers the best possible environmental standard is another point of departure for Faberge's activities, and the growing awareness of customers is creating new opportunities.

High-quality premises from an environmental and energy perspective create value added for existing tenants and attract new customers. In this area, Fabege has a strong position based on its long-term, systematic and pro-active environmental work.

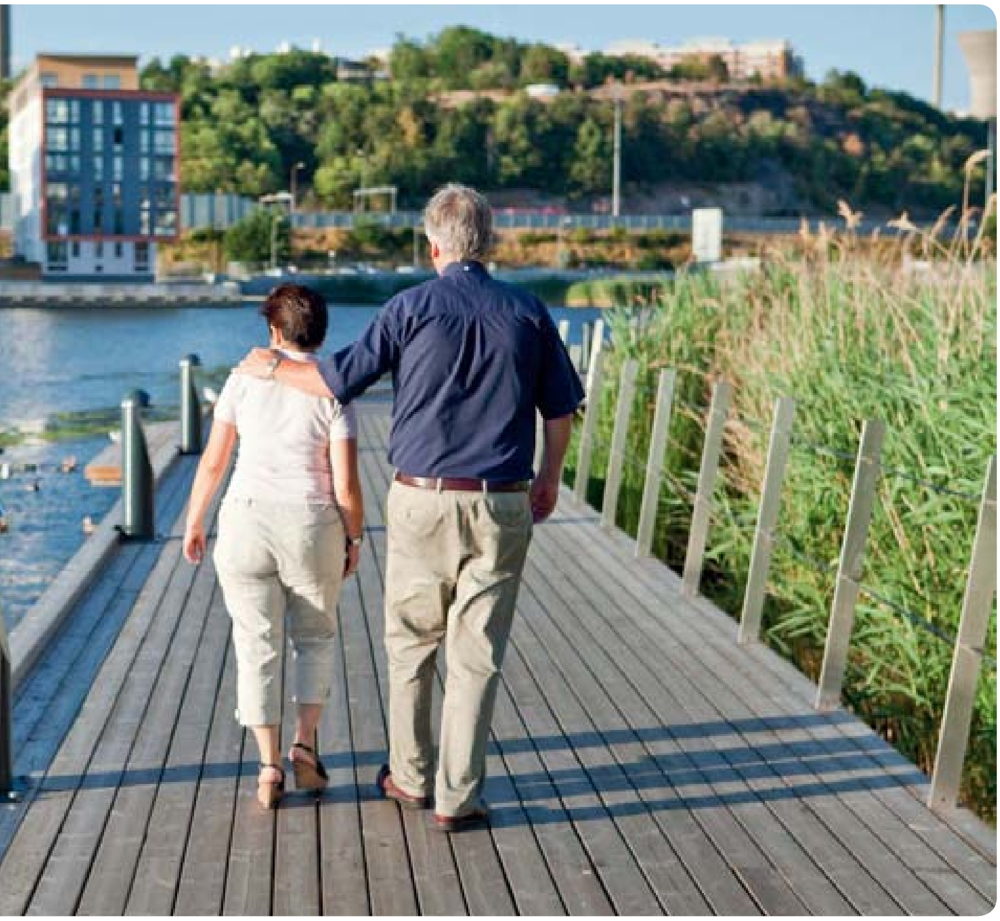
Responsibility and sound business ethics characterise Fabege's relations with the world at large. The aim is that all parties impacted by Fabege's business activities, whether they are customers, employees, suppliers or contractors, will feel that their best interests are being served and that Fabege is a partner they can trust.

Sustainable highlights 2011

- Fabege joined the UN Global Compact.
- Increased focus on business ethics.
- Environmental classification became standard in new production and major redevelopments.
- Green leases were introduced.
- Energy consumption was further reduced.
- CO_2 emissions reduced to approximately 4,000 tonnes from about 40,000 tonnes in 2002.
- The 2014 target in terms of heating consumption was achieved (70 kWh/sqm LOA).

Green leases for the benefit of customers and the environment

Fabege offers its tenants green leases covering energy matters, sorting at source, sustainable travel and the choice of building materials. The objective is to focus on and cooperate in environmental matters in order to reduce both the environmental impact and costs. For example, while Fabege assumes responsibility for increasing the property's energy performance, its tenants impact each other positively by working together to achieve a greater reduction in the environmental impact than could be achieved working separately as individuals. ■



Fabege supports Global Compact

Fabege supports the UN Global Compact initiative in terms of the company's actions concerning human rights, labour rights, environmental standards and anti-corruption. Global Compact promotes responsible enterprise throughout the world and assigns greater responsibility to the business community for the challenges of globalisation. By supporting the Global Compact, Fabege is committed to the realisation and integration of the principles of the Global Compact into its operations. Fabege also has a Code of Conduct that reflects the principles. ■

District heating 50 per cent below the sector average

Property companies that systematically reduce their energy consumption have a much more advanced position than their competitors, as illustrated by an overview of energy consumption levels reported by seven property investment companies. All seven companies had levels below the average reported by the Swedish Energy Agency. According to the latest statistics published by the Energy Agency, energy consumption for heating and hot water in properties averaged 148 kWh/sqm (2010) and 132 kWh/sqm (2009). The statistics pertain to heated floor space in district-heated properties in climate zone 3, which includes Stockholm County.

Corresponding energy consumption in Fabege's properties during 2011 amounted to 60 kWh/sqm, Atemp* unadjusted, which is about 50 per cent below the sector average. District heating accounts for 99 per cent of Fabege's heating consumption.

"Companies that take energy and climate issues seriously show just how much progress can be made. However, efforts that generate the best results are not necessarily the most glamorous ones, but everyday and long-term actions," says Mia Östman, Environmental Manager at Fabege. ■

* Fabege's heating consumption per sqm is estimated using LOA and Atemp respectively. Atemp is used in energy declarations and comprises areas supposed to be heated to a temperature of at least 10°C. LOA is defined as premises aimed for purposes other than residential, space for maintenance of buildings and general communication.

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, environment-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 transport 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 environmental work on a regular basis.
- Comply with or exceed applicable environmental legislation and other regulations applying to the company's activities.

The environment is a natural feature of Fabege's business

Pro-active environmental work is a success factor for Fabege. Fabege's principal environmental measures are linked directly to the company's core business. Since 2002, Fabege has conducted its goal-oriented, systematic and preventive environmental work. The aim is to create attractive and sustainable properties, with the energy issue regarded as the most highly prioritised environmental aspect.

Climate change per se does not represent a significant physical risk for Fabege, given the locations of its property holdings. Due to temperature changes, however, the need to control heating and cooling has changed. The use of air conditioning and process cooling is increasing constantly in office premises. One reason for the growing utilisation of air conditioning is the solar heat gain co-efficient (SHGC) on office buildings, while another is increased tenant demand for thermal and visual comfort.

Fabege's efforts in this area entail continuously making active choices, enhancing operational efficiency without comprising comfort, making environmentally safe choices of materials and increasing the quality of the indoor environment. During 2011, Fabege continued to develop properties with a distinctive environmental profile. The company applies the GreenBuilding standard as minimum level both for new builds and major redevelopments. The GreenBuilding criteria include energy, indoor environment and building material selection.

Fabege's environmental policy is the focal point of the company's collective environmental measures. When Fabege acquires properties, energy consumption and environmental risks are analysed. A building's energy consumption and improvement potential are becoming increasingly important for its market attractiveness. Property management activities are based on the ISO 14001 environmental management system and procedures, inspections and test results have been gathered for years in a database that enables self-control.

SUSTAINABLE URBAN DEVELOPMENT

Fabege defines sustainable urban development as long-term development of attractive areas and city districts, not only individual properties. The company's development projects create a carefully analysed balance between economic, social, ecological and cultural development, thus resulting in vibrant city districts with a favourable mix of office buildings, retail premises and housing, as well as good communications and consideration for the environment. The work includes everything from the outdoor environment, with details such as lighting and green areas, to infrastructure including service and communications.

Fabege conducts its development projects in close cooperation with cities and other interests. The company also participates in several networks for which the common aim is to reduce the environmental and climate impact caused by properties and city districts. Examples of these networks include BELOK, the Sweden Green Building Council and the Climate Pact, a partnership between the City of Stockholm and Confederation of Swedish Enterprise. Fabege is also a member of the sector-specific Property Owners' reference group for green leases.

Environmentally classified buildings are a central element in sustainable urban development. Opportunities to impact personal travel requirements represent another key element. In addition to close proximity to public transport services, Fabege thus offers pool bicycles to all tenants in the Solna Business Park. At Vattenfall's new head office in Arenastaden, power outlets for electric cars are being installed. Fabege works continuously to reduce the environmental impact of transport, and all of the company's service vehicles are eco-cars. In order to maintain favourable development, Fabege engages in a continuous dialogue with players that work to promote sustainable travel.

PROPERTIES WITH AN ENVIRONMENTAL PROFILE

Because demand for sustainable properties is continuing to grow from one year to the next, environmental classifications and certification systems have been developed to help various target groups that are willing to assume a measure of environmental responsibility. For new builds and major redevelopments, Fabege

Sustainable urban development – Arenastaden

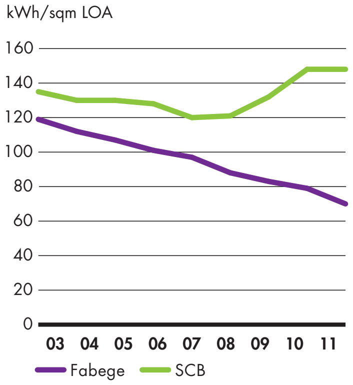
Sustainability efforts have the greatest impact when a holistic approach is taken to development, instead of focusing only on individual sections, and when partnerships are initiated with companies that share our strong commitment to the environment. To make city districts sustainable, Fabege is focusing on the environment, energy and social sustainability. Social sustainability can be achieved by integrating residences, workplaces, leisure activities, neighbourhood services and strong public transportation – in a single area. This creates the best conditions for living and working in harmony and enjoying a healthy lifestyle. ■

Sweden Green Building Council is a certification system based on regulations from the Swedish construction industry and public authorities, as well as Swedish construction practices. Certification provides a guarantee of a building's critical qualities in terms of energy, the indoor environment and materials.

GreenBuilding is a UN initiative for reduced energy consumption. To gain certification, the building must use 25 per cent less energy than previously, or compared with the requirements of the National Board of Housing, Building and Planning.

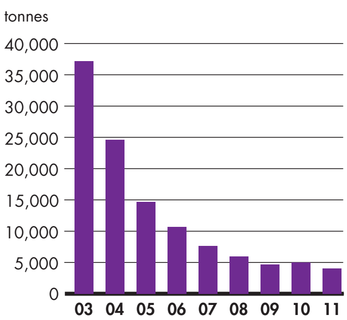
BRE Environmental Assessment Method (BREEAM) is an environmental classification system that originated in the UK. The system encompasses project management, the building's energy consumption, indoor climate conditions, water consumption and waste management, as well as land use and the building's impact on the surrounding area.

Heating in Fabege premises



Over time, Fabege's systematic efforts to optimise running costs have reduced energy use in our properties drastically. Fabege's heating consumption in 2011 averaged 70 kWh/sqm LOA and 60 kWh/sqm Atemp.

Carbon dioxide emissions



CO_2 emissions have been reduced drastically as a result of energy optimisation, conversion from oil to district heating, the choice of environmentally declared electricity and a changed property portfolio.

Consumption statistics, total	2011
Water consumption, cbm	519,828
Purchased energy, MWh[1]	158,377
Of which	
District heating	*74,744*
Cooling	*24,005*
Electricity	*59,628*
Renewable energy, MWh (95%)	150,499
CO_2 emissions, tonnes (heating, electricity, cooling)	4,009
District heating consumption	66 kWh/sqm Atemp[2] Temperature corrected
	60 kWh/sqm Atemp[2] Uncorrected
	70 kWh/sqm LOA[3] Temperature corrected

[1] Figures based on identical portfolio 2011, 77 properties, 1,098,314 sqm.
[2] Atemp district heating, identical portfolio 2011, 75 properties, 1,149,342 sqm.
[3] LOA district heating, identical portfolio 2011, 75 properties, 1,083,716 sqm.

Uarda 5 – Vattenfall's new head office.

offers various systems of environmental classification and certification, such as Green Building, the Sweden Green Building Council (SGBC) and BREEAM.

For Fabege's new production and major redevelopments, classification in accordance with the SGBC principles is the minimum level. Fabege is currently developing three major projects with SGBC as the standard: Uarda 1, Uarda 5 and Nöten 4. To date, Fabege has classified five properties in accordance with GreenBuilding, the latest of which is Uarda 5. GreenBuilding focuses on energy efficiency and the certificate means the building uses 25 per cent less energy than required according to the Swedish National Board of Housing, Building and Planning's regulations.

The property management industry has an important mission of making it easier for tenants to change their behavioural patterns for the benefit of the environment. Fabege's energy experts offer energy-saving information and all Fabege tenants are free to choose Green Leases and Green Electricity Contracts, which offer the customers renewable electricity at a competitive price, as well as energy advisory services that provide lower electricity costs for end-customers.

GREEN ELECTRICITY

Environmentally certified hydroelectric power from Vattenfall's Nordic plants accounts for all electricity supplied to Fabege's properties. Norrenergi supplies "Good Environmental Choice" district heating and district cooling to the properties in Solna and Sundbyberg. Some time ago, Fabege also converted its last-remaining oil furnaces to district heating.

Energy and environmental targets 2011

To reduce energy consumption as much as possible is an important goal for Fabege. Energy efficiency offers the best opportunity to achieve this objective. Fabege's aims are:

- A minimum reduction of 20 per cent by 31 December 2014, based on energy consumption levels in 2009, with unchanged indoor climate conditions. This amounts to an annual reduction of about 4 per cent.
- To reduce energy consumption from an average of 83 kWh/sqm (2009) to 70 kWh/sqm LOA by 31 December 2014.

From 2002 to 2009, energy consumption was reduced by about 5 per cent annually. During 2011, the consumption level was reduced by 9 per cent. This success is attributable to intensive work focused on operational optimisation and investments in energy-efficient technology.

ENVIRONMENTAL CONTROL OF THE BUILDING PROCESS

New builds and major redevelopments are 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 to address 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 redeveloped, a demolition plan is drawn up. In all projects, a plan for the 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.

POSITIVE RESULTS OF ENERGY EFFORTS

Fabege's systematic environmental work has generated positive results. Between 2002 and 2011, Fabege's CO_2 emissions were reduced from 40,000 to 4,000 tonnes, or by more than 90 per cent. During the same period, energy consumption was reduced by more than 40 per cent. Fabege's efforts have included systematic energy optimisation, conversions from oil to district heating and conversions from proprietary cooling machines to district cooling offering improved environmental performance. Conversions to Green electricity and changes in the property portfolio have also contributed to the favourable development. Fabege has reduced its heating consumption by an additional approximately 11 per cent, and is thus currently about 50 per cent below the average reported by the Swedish Energy Agency for the Stockholm County climate zone, which also makes Fabege an industry leader. The result was primarily achieved through energy optimisation, but also through investments in energy-efficient technology. The results have been achieved mainly through energy-optimisation measures, but also through investments in energy-efficient technology.

CONTINUOUS IMPROVEMENT IN WASTE MANAGEMENT

Fabege offers effective waste management in its properties. In connection with acquisitions or tenant adaptations, Fabege explores the existence of space for sorting at source in order to optimise waste management in relation to flows of materials, transports, floor plans and other factors. An average of five types of waste are sorted for recycling in Fabege's properties and the company strives to recycle and recover when and wherever possible. For the past three years, Fabege has worked with a waste management contractor that maintains direct contact with the tenants for more customised tenant service. Transport needs have also been reduced by working with only one contractor. As a result of comprehensive efforts focused on renewal, recycling and sorting, waste volumes and, in turn, costs have been reduced.

FABEGE'S ENVIRONMENTAL ORGANISATION

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

Vattenfall's new head office

The property is owned and will be managed by Fabege, with Vattenfall and a restaurant as tenants. The office building is GreenBuilding certified and classified in compliance with SBGC GOLD. The energy requirement is half of the level stipulated in the National Board of Housing, Building and Planning's building regulations. Examples of environmental and energy adaptations include a climate shell that meets the criteria for passive buildings, sedum roofs, solar panels that generate electricity and warm water, free cooling and energy-efficient light sources. The energy consumption levels of the building and the business activities housed in the building will be shown on digital displays in the reception hall. ■

Responsible procurement of goods and services

In 2011, Fabege established a new purchasing organisation for increased control and more effective purchasing. Through greater clarity in requirements, Fabege intends to enhance the quality of the purchasing process.

High business ethics, consideration for human rights, entrepreneurship, competition, objectivity and equal treatment comprise the fundamental principles. The Purchasing Department has a leading role in the procurement process and its responsibilities include ensuring a distinctive and transparent procurement function, high service levels and secure implementation. To clarify the company's position in relation to suppliers, Fabege's own employees and other stakeholders, Fabege has a procurement policy describing responsibilities and regulations for the procurement process. As a result of membership of the UN Global Compact, suppliers receive a clearer description of Fabege's values in that Fabege's viewpoints are now expressed in the procurement process, for example through information about the company's code of conduct and environmental policy. Cooperation with suppliers and contractors is regarded as extremely important, as good quality is a critical parameter in Fabege's efforts to create long-term relations with tenants and suppliers.

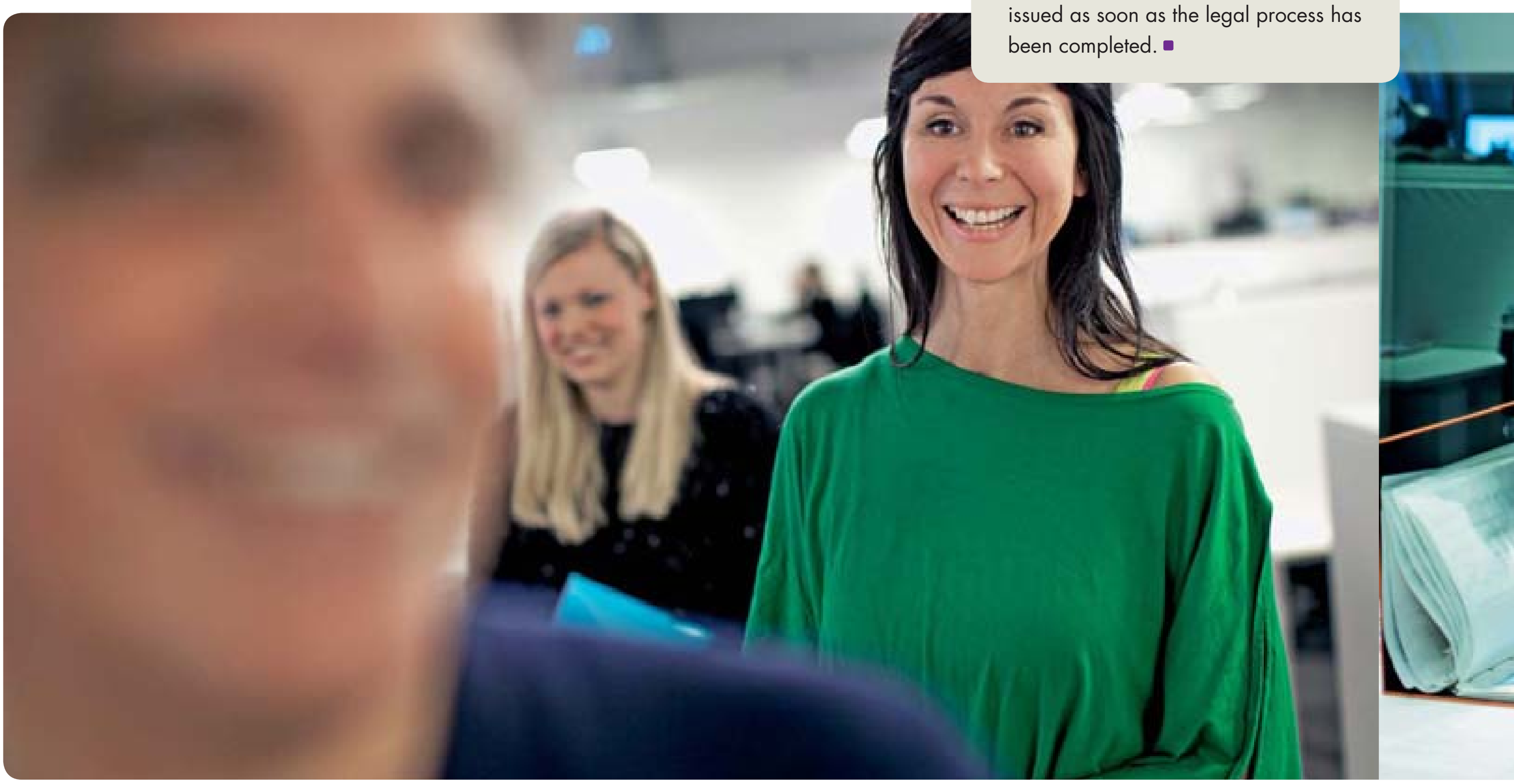
Because many Fabege tenants have direct contact with Fabege's suppliers of products and services, it is important to ensure the skills and expertise of suppliers, good service levels and their ability to make tenants feel safe and secure in Fabege's properties. Fabege regularly conducts customer satisfaction surveys that include questions about how the company's suppliers and contractors act in their relations with Fabege's tenants. Results of the surveys are used in dialogues with suppliers to develop their business activities.

Selected suppliers are analysed before contract decisions are made. The analyses include financial stability, credit worthiness, rating, collective bargaining affiliation, valid insurance cover, quality plans

Increased focus on business ethics

Business ethics is an important issue for the construction and property sector. Fabege's core values form the basis for the actions of all of its employees. Since Fabege has joined the UN Global Compact, a new Code of Conduct has been adopted; visit www.fabege.se. Fabege also has a fraud policy and a whistleblower function to facilitate the reporting of unethical behaviour or improprieties at the workplace. All employees are also naturally welcome to attend a lecture on bribery legislation and a group seminar on the same theme. Fabege's entire management team has held internal ethics discussions and an ethics council has been established, which is charged with advancing work on business ethics at the company.

Since June 2011, the Chairman of the Fabege Board has been involved in a legal process concerning a project in which Fabege is one of the part owners. Additional information will be issued as soon as the legal process has been completed. ■



or ISO certification and references from the suppliers' major customers.

Fabege is now formulating procedures and systems to chart the sustainability work and responsibilities of the various suppliers.

Fabege purchases various types of contracting services. Since the company is engaged in a very large number of projects, subcontractors are also used to a considerable extent. In order to have clearly defined procedures and uniform control of these negotiations, Fabege pursues a deeply rooted and well-documented project process, which encompasses contract templates, framework descriptions, administrative regulations, demarcation lists and general agreements. The large number of links in the procurement chain makes it difficult to control materials in particular and products in general. However, it is easier to monitor actual implementation and conditions at worksites.

CONTROL OVER CONSTRUCTION SITE ACTIVITIES

At all construction sites, all applicable legislation must be complied with. In addition, special regulations may apply to different types of construction sites. It is the contractor's responsibility to ensure that all worksites have access to expertise and practices required for the particular site. Continuous audits are conducted during the course of all projects.

Construction sites are risk-filled environments and worksite safety is one of the most important issues for construction contractors. Fabege procures any construction contractor exclusively from a corps of suppliers that meet the company's stringent risk-management demands. Despite preventive measures, there is always a risk of accidents. In 2011, a tragic accident occurred when a person died during the construction of a new building. Since the accident, Fabege has increased its focus on work environmental issues.

As long as incidents, accidents and other deviations from the norm occur, there will be potential in the procurement process to improve Fabege's control over safety, social conditions and business ethics.

Our core values

Speed

- We are efficient, we prioritise fast decisions, provide prompt feedback and offer simple solutions.
- We act with clarity, we make things happen, and make sure deadlines are met.

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 hindered by problems.
- We are creative, encourage new ideas and dare to try unconventional solutions.
- We show our commitment by ensuring that adopted decisions are implemented.

Business orientation

- We set and gain acceptance for clear goals and we actively follow them up.
- We act with competence and look for win-win solutions.
- We make sure we use all accessible resources, be it within knowledge, skills or tools.

Customer 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.

Our co-workers are Fabege's public face

In most cases, property tenants meet Fabege through their everyday contacts with building technicians and other employees who work with building maintenance and operation. These meetings are the company's most important customer encounters. Outside the properties that Fabege leases to customers, our employees are the company's principal asset and public face.

With its flat organisational structure and short decision-making channels, Fabege has empowered its employees to act quickly and independently. The company is characterised by an entrepreneurial spirit that encourages personal initiative and new schools of thought. Fabege offers the same resources as major corporations, but maintains the small company's close proximity and personal relations to customers.

At year-end 2011, Fabege had 122 employees, of whom about 62 per cent were active in building operations and maintenance and 38 per cent in business development, sales and administration. All employees are covered by a collective bargaining agreement.

A CAREER AT FABEGE

Fabege aims to develop and retain talented employees. Our employees should be able to develop and grow professionally through new or diversified work areas and job assignments. Vacancies are often filled through internal recruitment. As a result, many Fabege employees transfer between various functions within the organisation and have opportunities to test many different job assignments. Their own job performance and interests are often critical factors in any employee's career development in the company. Fabege strives to create a work climate that stimulates skills development and generous transfers of knowledge throughout the entire organisation.

Individual career development plans form the basis of every employee's professional development. Based on the company's goals, each employee and their manager jointly define a set of personal targets for the employee's development at regular appraisal interviews. Fabege's employees are expected to show dedication and initiative, and independently utilise opportunities to develop so that they may contribute to Fabege's business in the best possible manner.

SAFE WORK ENVIRONMENT

Fabege provides a safe and healthy work environment. The company's occupational health and safety committee, which includes managers and employees from various work areas, works to ensure 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. During 2011, all safety officers underwent safety officer training and a fire and work environment coordinator was employed.

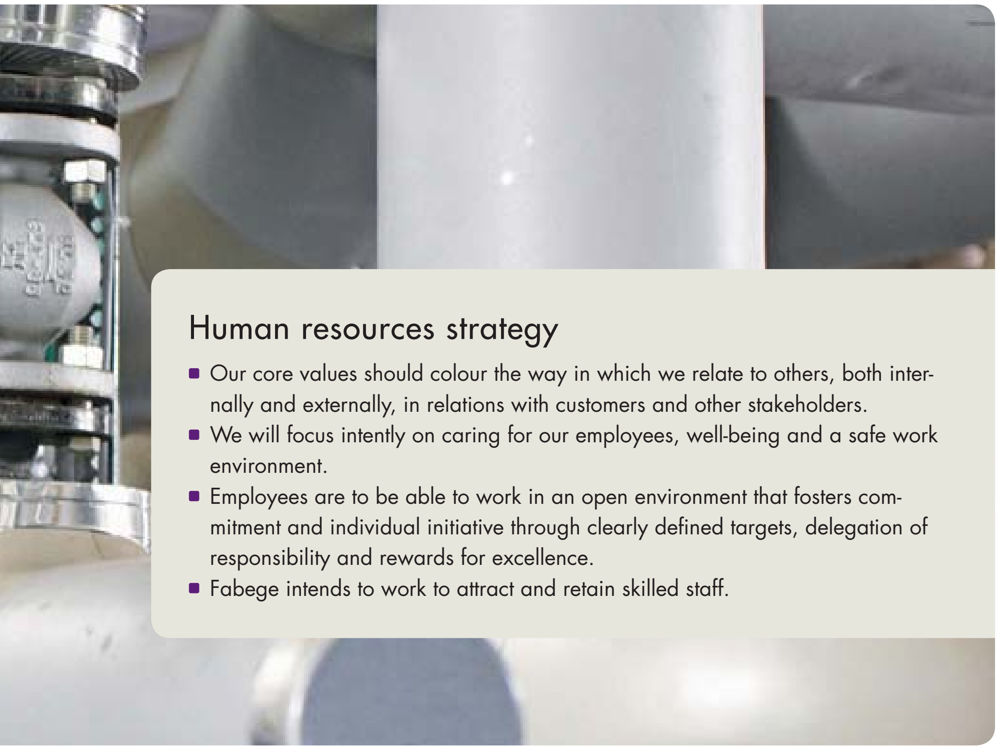
HEALTH, FITNESS AND BALANCE

Fabege is committed to promoting health and fitness, and encourages staff to exercise and stay fit. All employees are offered fitness checks, to be used at several different fitness facilities. In 2012, all employees are offered the opportunity of training with colleagues during work hours. 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 employer. The company encourages both women and men to take parental leave.

DIALOGUE AND WELL-BEING

Fabege strives to ensure that all employees feel that they have a say in the company's development. To create an attractive and inspiring workplace, the company encourages employees to engage in an active and open dialogue with their managers. In addition, an innovation group with representatives from the various parts of the business meet regularly to raise new ideas, question and discuss future solutions.



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 focus intently on caring for our employees, well-being and a safe work environment.
- Employees are to 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 intends to work to attract and retain skilled staff.

Fabege regularly conducts an extensive survey to measure how the company is viewed by the employees. The response rate in the 2011 survey was 99 per cent. For the past few years, the survey has employed a method which measures how working conditions affect employees' performance, as measured by a performance index. The performance rating was 3.9, reflecting an improvement in comparison with the corresponding survey in 2009. The performance rating for the industry as a whole is 3.4.

EQUAL OPPORTUNITIES

Although the property industry has traditionally been viewed as male dominated, a growing number of women are currently being attracted to the industry. 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. However, within certain job categories, such as building maintenance technicians, a very limited number of applicants are available. At year-end, one out of five members of Fabege's Group management team was a woman, or 20 per cent (28). The total proportion of women working at Fabege was 35 per cent.

STUDENT RELATIONS

To safeguard future recruitment needs, Fabege is committed to building relations with students. During 2011, Fabege participated in labour market 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 and the property industry. Fabege is actively involved in Fastighetsbranschens Marknadsråd (the Property Sector's Market Council), a forward-looking initiative to raise awareness among today's youth of the property sector's potential. The council is striving to develop a professional training curriculum for building technicians, since the market foresees a forthcoming shortage in this field, due to the large number of retiring building technicians.

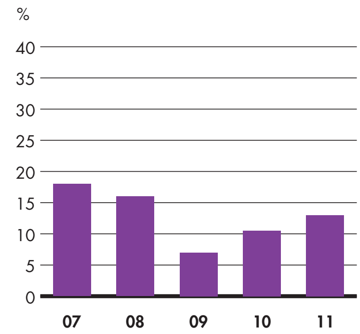
INCREASED PARTICIPATION THROUGH PROFIT-SHARING

To increase the employees involvement 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.

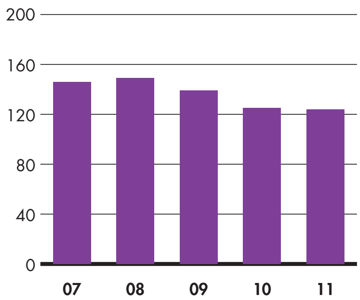
Age structure in the Fabege Group 2011

%	Total	Age	20–29	30–39	40–49	50–59	60–69
Women	35		7	37	35	12	9
Men	65		2	37	39	18	4
Total	**100**		**4**	**37**	**38**	**15**	**6**

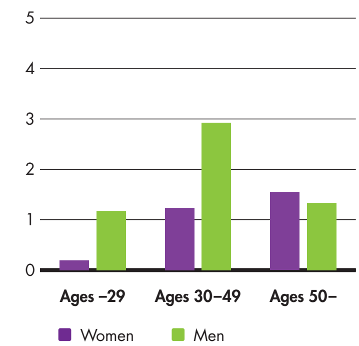
Staff turnover, %



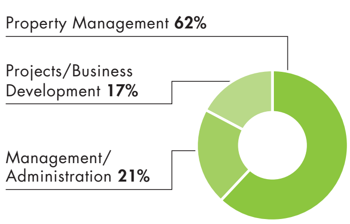
No. of employees, average



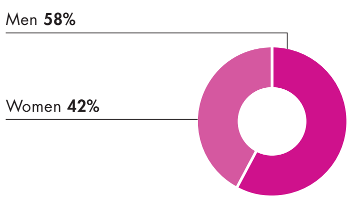
Absence due to illness 2011, %



Staff in each area



Gender distribution in executive positions



Social involvement

The aim of Fabege's social involvement is to support sustainable social development, responsible actions and a proud and committed corps of employees. Fabege takes on various types of social involvement in the local communities where the company owns properties and in projects that change living conditions for fellow human beings in the world at large.

SUPPORT TO CHILDREN AND YOUTH IN LOCAL NEIGHBOURHOODS

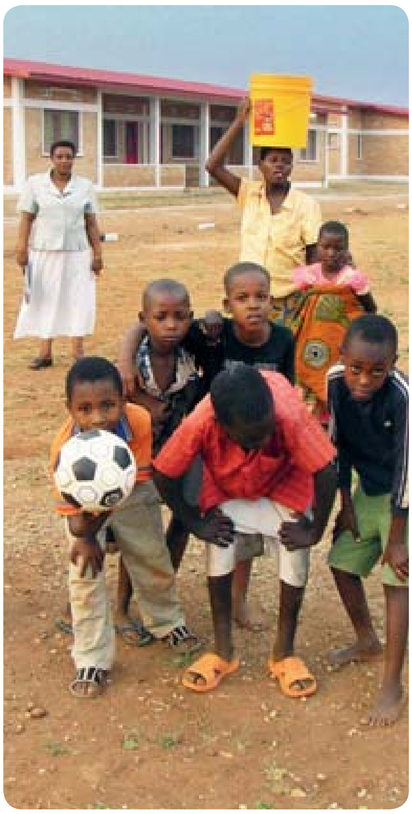
Fabege has sponsored sports clubs in the company's local areas for many years. The primary objective is to support activities that are important for children and young children. Examples of projects that Fabege supports include "Fair Play and Respect" within the Stockholm Ice Hockey Association and "Zero Tolerance" and "Sila Snacket" (Mind Your Language) within the Stockholm Football Association.

RETOY

In Hammarby Sjöstad, Fabege supports Retoy, a project focused on sustainability and human rights. The project was started in Hammarby Sjöstad's City Library in the former Luma factory building; various games are used to teach children and parents about the Children's Convention, sustainable consumption and global ramifications. Retoy is active through the Play for Sustainability Collection Foundation, which also includes the cooperation of the Stockholm City Library, UNICEF and the Museum of Science and Technology.

FABEGE SUPPORTS SOS CHILDREN'S VILLAGES

The southernmost property in which Fabege is socially involved is situated in the Cibitoke SOS Children's Village in Burundi, in Africa. Fabege has financed the construction of a family house and the company has assumed responsibility for the house and its family. In 2011, another child became part of the family, which now consists of an SOS mother and 10 children ranging in age from 2 to 10. The village provides approximately 150 children with a new home, a new family, education and a chance for a better life. It also includes schools and a medical clinic accessible to children living in the village and the surrounding area. Fabege's support to SOS Children's Villages is a way of making an extra commitment to the less fortunate people in the world.



Fabege's heating consumption in 2011 was 50 per cent below the sector average

2011

- Carbon emissions have been reduced by 90 per cent since 2002.
- Fabege achieved its 2014 heating-consumption target per unit area already in 2011.
- Fabege joined the UN Global Compact.
- Retoy – a project about sustainability and human rights.
- 95 per cent renewable energy.

In 2012, the pivotal sustainability effort continues with measures such as:

2012

- Continued focus on environmentally classified buildings.
- Standardised Green Leases.
- Developing attractive and sustainable city districts.
- Increased customer focus.

About Fabege's 2011 sustainability report

This is Fabege's first sustainability report according to the GRI guidelines for voluntary reporting of sustainability information. The sustainability report is included in Fabege's 2011 Annual Report and pertains to the 2011 financial year. Fabege reports in accordance with level C, GRI version 3.0. The information in the sustainability report has not been reviewed by a third party, although Fabege believes that the information in the 2011 Annual Report and sustainability report, along with the information on Fabege's website, fulfils GRI's information requirements for application level C.

Fabege has a CSR council featuring representatives from various functions in the business. This CSR council has identified Fabege's most significant target group – the company's stakeholders on the basis of the impact relationship – and based on this it has selected the information to be included in the sustainability report and which GRI indicators to report on in 2011. Fabege aims for the sustainability report and the 2011 Annual Report to provide a comprehensive overview of Fabege's economic, environmental and social work and results.

Unless otherwise indicated, the information pertains to the entire Fabege Group. In other cases, clarifying comments are provided in the GRI Index for each indicator.

This Index includes the standard information that is mandatory for application level C, additional standard information that Fabege has decided to report on and all core indicators in GRI's protocol 3.0, as well as the indicators from the Construction and Real Estate Sector Supplement (CRESS) upon which Fabege reports.

Comments
to the index are available in the Sustainability report at www.fabege.se.

Key

Reference www/GRI Index = complete GRI Index on Fabege's website.

- Fully reported
- Not reported
- Partly reported
- Not relevant to Fabege's operations

Standard information/indicators		Reference	Status
1	**STRATEGY AND ANALYSIS**		
1.1	Comments by the CEO	4–5	Fully reported
1.2	Risks and opportunities	11, 42, 48–49	Fully reported
2	**ORGANISATION**		
2.1	Name of the organization	2–3	Fully reported
2.2	Primary brands, products and/or services	2–3	Fully reported
2.3	Operational structure	3	Fully reported
2.4	Location of headquarters	Cover back	Fully reported
2.5	Countries where the Group operates	2–3	Fully reported
2.6	Nature of ownership	92–93	Fully reported
2.6	Markets served	2–3	Fully reported
2.8	Scale of the reporting organization	2–3	Fully reported
2.9	Significant changes during the reporting period	www/GRI Index	Fully reported
2.10	Awards received during the reporting period	www/GRI Index	Fully reported
3	**REPORT PARAMETERS**		
	Report profile		
3.1	Reporting period	54, www/GRI Index	Fully reported
3.2	Date of most recent report	www/GRI Index	Fully reported
3.3	Reporting cycle	www/GRI Index	Fully reported
3.4	Contact persons	95	Fully reported
	Scope and boundary of report		
3.5	Process for defining report content	54, www/GRI Index	Fully reported
3.6	Boundary of the report	54, www/GRI Index	Fully reported
3.7	Specific limitations on the scope or boundary of the report	54, www/GRI Index	Fully reported
3.8	Basis for reporting on joint ventures	Note 2, page 62	Fully reported
3.10	Explanation of the reasons for and effect of any restatements of information	www/GRI Index	Not relevant to Fabege's operations
3.11	Significant changes in the scope, boundary or measurement methods compared with reports in prior years	www/GRI Index	Not relevant to Fabege's operations

Standard information/indicators		Reference	Status
	Assurance		
3.12	GRI Index	www/GRI Index	Fully reported
3.13	Policy and current practice regarding external verification	54	Fully reported
4	**GOVERNANCE, COMMITMENTS AND STAKEHOLDER RELATIONSHIPS**		
	Governance		
4.1	Governance structure of the organization	81–86, 92–93	Fully reported
4.2	Chairman's position	81–88	Fully reported
4.3	Number of independent, non-executive Board members	83–88	Fully reported
4.4	Mechanisms for shareholders and employees to provide recommendations or directions to the Board or management	81	Fully reported
4.8	Internally prepared policies and guidelines	44, 48–49	Fully reported
4.12	Externally charters, principles or other initiatives	43–45	Fully reported
4.13	Memberships in associations	43, 45	Fully reported
	Stakeholder engagement		
4.14	List of stakeholder groups	42, 54	Fully reported
4.15	Basis for identification and selection of stakeholders	42, 54	Partly reported
4.16	Approach for the stakeholder dialogue	48, 50–51	Partly reported
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to these	42	Partly reported

INDICATORS

		Reference	Status
	ECONOMIC PERFORMANCE INDICATORS		
EC1	Direct economic value generated and distributed	68	Fully reported
EC2	Financial implications and other risks and opportunities due to climate change	44	Fully reported
EC3	Coverage of the organization's defined-benefit plan obligations	68, 74	Fully reported
EC4	Significant financial assistance received from government	www/GRI Index	Fully reported
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation		Not reported
EC7	Procedures for local hiring of employees and senior management team	www/GRI Index	Not relevant to Fabege's operations
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	45	Partly reported
	ENVIRONMENTAL PERFORMANCE INDICATORS		
EN1	Materials used by weight or volume		Not reported
EN2	Percentage of materials used that are recycled input materials		Not reported

Standard information/indicators		Reference
Energy		
EN3	Direct energy consumption by primary energy source	
EN4	Indirect energy consumption by primary energy source	46
EN5	Energy saved due to conservation and efficiency improvements	43, 46–47, 53
EN6	Initiatives to provide energy efficient or renewable energy based products and services	43, 45–46
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	46–47
EN8	Total water withdrawal by source	46
Biodiversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	
Emissions, Effluents and Waste		
EN16	Total direct and indirect greenhouse-gas emissions by weight	46
EN17	Other relevant indirect greenhouse-gas emissions by weight	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	44–47, 50
EN19	Emissions of ozone-depleting substances by weight	
EN20	NO, SO, and other significant air emissions by type and weight	www/GRI Index
EN21	Total water discharge by quality and destination	www/GRI Index
EN22	Total weight of waste by type and disposal method	47
EN23	Total number and volume of significant spills	www/GRI Index
Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	45–47
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	
Other		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	www/GRI Index
EN29	Significant environmental impacts of transportation	www/GRI Index
SOCIAL INDICATORS		
Labor practices and decent work		
LA1	Total workforce by employment type, employment contract, and region	50–51, 74
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	51, www/GRI Index
Relation between employees and management		
LA4	Percentage of employees covered by collective bargaining agreements	50
LA5	Minimum notice period(s) regarding significant operational changes	
Occupational health and safety		
LA6	Percentage of workforce represented in formal work-environment committees Work environment – Health and safety	50
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender	51
LA8	Education, training, counselling, prevention and risk–control programs in place to assist workforce members, their families, or community members regarding serious disease	www/GRI Index

Standard information/indicators		Reference
Education		
LA10	Average hours of training per year per employee by gender, and by employee category	
LA12	Percentage of employees receiving regular career development reviews	50
Diversity and equal opportunity		
LA13	Composition of governance bodies and breakdown of employees per employee category by indicators of diversity	51, 74, 87–88
LA14	Ratio of basic salary of men to women by employee category	
Human rights		
HR1	Percentage and total number of significant investment agreements that have undergone human-rights screening	
HR2	Percentage of significant suppliers that have undergone human-rights screening, and actions taken	48–49
Non-discrimination		
HR4	Total number of incidents of discrimination and corrective actions taken	www/GRI Index
Freedom of association and collective bargaining		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken	48–49, www/GRI Index
HR6	Operations identified as having significant risk for incidents of child labour and actions taken	48–49, www/GRI Index
HR7	Operations identified as having significant risk for incidents of forced labour and actions taken	48–49, www/GRI Index
Society		
SO1	Design and scope of programmes and practices that assess and manage the impacts of operations on society/communities	45, www/GRI Index
SO2	Percentage and total number of business units analysed for risks related to corruption	www/GRI Index
Corruption		
SO3	Percentage of employees trained in anti-corruption policies and procedures	48, www/GRI Index
SO4	Actions taken in response to incidents of corruption	www/GRI Index
Politics		
SO5	Public policy positions and participation in lobbying	www/GRI Index
Anti-competitive behaviour		
SO7	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	48
Compliance		
SO8	Monetary value of fines and number of sanctions for noncompliance with laws and regulations	48, www/GRI Index
Customer health and safety		
PR1	Life-cycle stages in which health and safety impacts of products and services are assessed and the percentage of products and services subject to such procedures	44–49
Product and service labelling		
PR3	Type of product and service information required by procedures, and percentage of products and services subject to such information requirements	45
Product development		
PR5	Practices related to customer satisfaction, including results of surveys	8, 16, 48
Market communications		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, PR and sponsorship	48
CRESS		
CRE 8	Type and number of sustainability certification, rating and labelling schemes for new construction, management, occupation and redevelopment.	42–47

The 2011 financial year

Quarter 1
January–March 2011

- The rental market continued to develop well in early 2011.
- New lettings amounted to SEK 40m (68), while net lettings totalled SEK 13m (–3).
- Profit from property management declined to SEK 113m (181) due to a smaller property portfolio and higher market interest rates.
- The surplus ratio was 62 per cent (61).
- Two sites were acquired in Arenastaden.
- Properties were divested for a combined price of SEK 160m, generating a capital gain of SEK 0m after tax (31).
- After-tax profit for the period increased to SEK 378m (161).
- The equity/assets ratio was 39 per cent (33).

Quarter 2
April–June 2011

- The rental market continued to develop well and market activity increased during the quarter.
- New lettings amounted to SEK 59m (37), while net lettings totalled SEK 47m (6).
- Profit from property management declined to SEK 157m (210) due to a smaller property portfolio and higher market interest rates.
- The surplus ratio was 72 per cent (71).
- Four properties outside the company priority areas were sold for a combined sales consideration of SEK 136m, generating a capital gain before tax of SEK 50m.
- After-tax profit for the quarter amounted to SEK 278m (340).
- The equity/assets ratio was 39 per cent (34).

Quarter 3
July–September 2011

- The rental market remained strong in the third quarter, hallmarked by considerable activity and demand. Positive net lettings to date in 2011 have contributed to an increase in the occupancy rate to 90 per cent during the quarter.
- New lettings amounted to SEK 62m (52), while net lettings totalled SEK 51m (2). Several major leases were signed during the quarter, with only a few terminations.
- Profit from property management declined to SEK 133m (209) due to a smaller property portfolio and higher market interest rates.
- The surplus ratio was 69 per cent (71).
- Due to the market's anticipation of lower interest rates ahead, the negative fair value of the derivative portfolio increased by SEK 301m.
- A minor land site in Tyresö was sold.
- After-tax profit for the quarter amounted to SEK 72m (590).
- The equity/assets ratio was 38 per cent (37).

Quarter 4
October–December 2011

- The rental market remained strong in the fourth quarter, hallmarked by considerable activity and demand.
- New lettings amounted to SEK 80m (53). During the quarter, several major leases were signed in the project portfolio. The largest tenant, Nasdaq OMX Stockholm, extended its lease until 2020 and simultaneously reduced its total floor space under the lease. Despite this resulting in vacancies of SEK 28m, net lettings amounted to SEK 19m (21) for the quarter.
- Profit from property management amounted to SEK 161m (182) due to a smaller property portfolio and higher market interest rates.
- The surplus ratio was 69 per cent (66).
- Due to declining long-term interest rates, the negative fair value of the derivative portfolio increased by SEK 134m.
- After-tax profit for the quarter amounted to SEK 413m (606).
- During the quarter, four property sales were completed and three properties were acquired.
- The equity/assets ratio was 39 per cent (39).

Financial reporting 2011

Contents

Directors' Report

The Board of Directors and Chief Executive Officer of Fabege AB (publ), company registration number 556049-1523, hereby present their 2011 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 transactions and investments made in 2011 continued to reflect the focus on property holdings in the sub-markets of Stockholm inner city, Solna and Hammarby Sjöstad. On 31 December 2011, Fabege owned 97 properties with a total rental value of SEK 2.1bn, lettable floor space of 1.1m sqm and a carrying amount of SEK 29.2bn, of which SEK 6.4bn 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 90 per cent (88). The occupancy rate in Fabege's portfolio of investment properties was 92 per cent (91). New lettings in 2011 totalled SEK 241m (211), while net lettings were SEK 130m (27). Rents in renegotiated contracts rose an average of 7 per cent. During the year, several major leases were signed in project properties, the largest of which pertained to Svea Ekonomi (SEK 24m), the Swedish Civil Contingencies Agency (SEK 18m) and Tatsinn (SEK 18m). Several key negotiations and extensions of existing leases were conducted, including one with Fabege's largest customer, Nasdaq OMX Stockholm.

REVENUES AND EARNINGS

Profit for the year amounted SEK 1,141m (1,697). Because of a smaller property portfolio, higher market interest rates and a greater deficit value in the portfolio of interest-rate derivatives, earnings declined compared with the preceding year. Earnings per share after tax amounted to SEK 7.01 (10.38).

Rental income totalled SEK 1,804m (2,007) and net operating income SEK 1,227m (1,348). The decline in rental income was due to net sales of properties. The surplus ratio amounted to 68 per cent (67). In a comparable portfolio, rental income increased 1 per cent while operating income increased approximately 2 per cent. During 2012, and in early 2013, the positive net lettings trend will gradually impact the occupancy ratio and growth in rental income.

Realised changes in the value of properties amounted to SEK 173m (237), and unrealised changes in value totalled SEK 1,093m (843). The SEK 675m unrealised change in the value of the portfolio of investment properties was primarily attributable to properties with potential for an increase in rent levels and a reduction in vacancy rates. The project portfolio contributed to an unrealised value change of SEK 418m, which comfortably surpassed Fabege's return requirement of 20 per cent on invested capital. Share in profit of associated companies amounted to SEK 9m (18). Changes in the value of interest-rate derivatives and equities amounted to SEK –413m (67), and net interest expense increased to SEK –609m (–522), due to higher market interest rates (refer to the Financing section below).

Business model contributions to earnings

SEKm	Jan–Dec 2011	Jan–Dec 2010
Profit from Property Management	581	768
Changes in value (portfolio of investment properties)	675	579
Contribution from Property Management	**1,256**	**1,347**
Profit from Property Management	–17	14
Changes in value (profit from Property Development)	418	264
Contribution from Property Development	**401**	**278**
Contribution from Transactions (Realised changes in value)	**173**	**237**
Changes in value, derivatives and equities	–413	67
Profit before tax	**1,417**	**1,929**

TAX

The tax expense for the year amounted to SEK –276m (–232), corresponding to 26.3 per cent tax of continuous taxable earnings. Sales of properties resulted in a total deferred tax cost of SEK –7m. The recognition of tax pertaining to previously unrecognised loss carryforwards resulted in tax revenue of SEK 60m in the fourth quarter.

CASH FLOW

Profit contributed SEK 748m (1,015) to liquidity. After a decrease of SEK 1,198m (1,099) 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 changed by SEK 1,946m (–84). Acquisitions of and investments in properties exceeded sales by SEK 1,527m (–2,837). Accordingly, the total change in liquidity resulting from operating activities was SEK 419m (2,753). Cash flow during the period was charged with SEK 489m (329) for the payment of dividends. Share buybacks amounted to SEK 38m

(61). After the decrease in debt, consolidated cash and cash equivalents totalled SEK 74m (73).

FINANCING

Fabege employs long-term credit lines subject to fixed terms and conditions. At 31 December 2011, these had an average maturity of 5.9 years. The company's lenders are the major Nordic banks.

Interest-bearing liabilities at year-end totalled SEK 16,755m (16,646) and the average interest rate was 3.72 percent excluding and 3.80 per cent including commitment fees on the undrawn portion of committed credit facilities.

Interest rates on 75 per cent of Fabege's loan portfolio were fixed using fixed-income derivatives. The average fixed-rate period was 3.6 years, taking the effect of derivative instruments into account, while the average fixed-rate period for variable-rate loans was 52 days. In August, Fabege opted to interest hedge an additional portion of its loan portfolio. At year-end, the company's portfolio of derivative instruments totalled SEK 5,000m – of which SEK 1,000m was for a term of three years, SEK 1,500m for a term of five years, SEK 1,500m for seven years and SEK 1,000m for a term of ten years – carrying fixed interest at annual rates of between 2.18 and 2.73 per cent. Fabege also holds cancellable swaps totalling SEK 7,550m at interest rates ranging from 2.87 to 3.98 per cent that mature between 2013 and 2018.

The derivatives portfolio is measured at market value and the change in value is recognised in profit or loss. At 31 December 2011, the recognised negative fair value adjustment of the portfolio was SEK 664m (267). 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. At the due date, the market value of derivative instruments is always zero.

In December, Fabege launched a bond financing programme with a limit of SEK 5,000m via the co-owned company Svensk Fastighetsfinansiering AB (SFFAB). Through the bond financing programme Fabege borrowed SEK 289m in the capital market. SFFAB's first issuance took the shape of a three-year bond totalling SEK 650m, of which SEK 400m carried fixed interest at a rate of 3.65 per cent and SEK 250m was subject to variable interest rates. The bonds are secured by property mortgage deeds. SFFAB is jointly owned by Fabege, Wihlborgs, Peab and Brinova. Fabege owns 30 per cent of the company. The aim is to expand the company's financing base with a new source of financing.

Fabege has a commercial paper programme in an amount of SEK 5,000m. At the end of the year, outstanding commercial paper amounted to SEK 1,719m, compared with SEK 2,249m at the beginning of the year. The market for commercial paper improved during the early part of 2012 and amounts outstanding at 20 January totalled SEK 2,115m. Fabege has available long-term credit facilities covering all outstanding commercial paper at any given time. At 31 December 2011, the company had unutilised committed lines of credit of SEK 3,205m.

The total loan volume includes SEK 939m in loans for projects, on which interest of SEK 27m has been capitalised.

Net interest expense includes SEK 6m in nonrecurring costs.

FINANCIAL POSITION AND NET ASSET VALUE

Shareholders' equity amounted to SEK 11,890m (11,276) at year-end and the equity/assets ratio was 39 per cent (39). Shareholders' equity per share totalled SEK 73 (69). Excluding deferred tax on fair value adjustments of properties, net asset value per share was SEK 84 (77).

ACQUISITIONS AND SALES

Investments in 2011 totalled SEK 1,975m (940), of which SEK 518m (0) refers to property acquisitions and SEK 1,457m (907) to investments in existing properties and projects. Five properties were acquired, while eleven were sold for SEK 936m. The sales resulted in a profit of SEK 173m (237) before tax, or SEK 166m (393) after tax.

Major property sales pertained to Kåkenhusen 38 in the city, which was sold to Hufvudstaden for SEK 475m, and Bocken 51, a newly built residential property in the city that was sold as tenant-owner apartments for a total purchase consideration of SEK 139m. Other sales primarily pertained to land for residential purposes and non-prioritised properties. Sales were one step in the continued streamlining of Fabege's property portfolio and realising its potential at the right opportunity.

INVESTMENTS IN EXISTING PROPERTIES AND ONGOING PROJECTS

During 2011, decisions were made on major project investments for SEK 1,818m (613). Investments of SEK 1,457m (907) in existing properties and projects referred to land, new builds, extensions and conversions. Major investments in 2011 included Uarda 5 and Uarda 1, Arenastaden, Bocken 39, Lästmakargatan, Klamparen 10, Fleminggatan and Apotekaren 22, Tulegatan/Rådmansgatan. The projects in the properties Fräsaren 10, Solna Business Park (let to Vectura and Axfood) and Farao 20, Arenastaden (let to Egmont, Nordisk Film and Fabege), were completed during the first quarter. The properties have been transferred to the portfolio of investment properties.

PARENT COMPANY

Sales during the year amounted to SEK 102m (102) and profit before appropriations and tax was SEK 1,389m (66). Net financial items include dividends from subsidiaries of SEK 2,000m (0). Net investments in property, equipment and shares totalled SEK 5m (–30).

SHARES AND SHARE CAPITAL

Fabege's share capital at year-end was SEK 5,097m (5,097), represented by 165,391,572 shares (165,391,572).

All shares carry the same voting rights and entitle the holder to the same share of the company's capital. The quotient value was SEK 30.82 per share.

The following indirect or direct shareholdings in the company as of 31 December 2011 represent one tenth or more of the votes for all shares in the company:

Shareholding 2012-12-31	Share of votes, %
Brinova	14.4

Through Fabege's profit-sharing fund and the Wihlborgs & Fabege profit-sharing fund, the employees of Fabege own a total of 406,116 shares, representing a stake of 0.25 per cent in the company.

SHARE BUYBACK PROGRAMME

The 2011 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, 755,000 shares were bought back at an average price of SEK 51.03.

At 31 December 2011, the company held 3,166,488 treasury shares, representing 1.9 per cent of the total number of registered shares.

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 2011. 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
Rental income, total	1%	18
Financial occupancy rate, %	1%-point	21
Property expenses	1%	6
Interest expenses 2012[1]	1%-point	66.0
Interest expenses, longer-term perspective[2]	1%-point	167.5

[1] The effect of the change on interest expenses in 2012 is based on the assumption of a change in the yield curve of 1 per cent and an unchanged loan volume and fixed-rate term, with effect from 1 January 2012.

[2] Change of 1 per cent 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 inner city, Solna and Hammarby Sjöstad. Since commercial premises with an emphasis on office space account for the entire business, employment and the office market trend in Stockholm are of considerable significance to Fabege. As the company's commercial leases have a term of several years, the full impact of changes in rents will not be felt in any single year. New leases normally have a term of three to five years and are subject to nine months' notice with an index clause linked to inflation. The lease portfolio is currently deemed to be in line with market levels. Normally, about 20 per cent of the lease portfolio is renegotiated each year. At year-end, Fabege's average remaining term for commercial leases 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 as of 2010. Fabege also conducts lease negotiations and works continuously to optimise 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 to ensure stable, well-balanced and cost-effective financing. 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 3.6 years. Changes in the value of derivatives are recognised in profit or loss.

Property values

Properties are recognised at fair value and changes in value are recognised in profit or loss. Fabege's properties are concentrated to central Stockholm and neighbouring areas. As a result of 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 on earnings, equity/assets ratio and loan-to-value ratio of a 1 per cent change in the value of a property.

SENSITIVITY ANALYSIS – PROPERTY VALUE

Change in value before tax, %	Impact on earnings, SEKm	Equity/assets ratio, %	Loan-to-value ratio properties, %
+1	215	38.9	56.9
0	–	38.7	57.5
–1	–215	38.4	58.1

ASSET MANAGEMENT

Capital structure

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

Current key figures are shown in the five-year summary on page 96.

Debt management

The main task of Fabege's debt management activities is to ensure that the company maintains a stable, well balanced and cost-efficient financial structure at all times 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 the part of the company's profit that 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 profit from property management activities and realised gains from the sale of properties after tax.

TAX SITUATION

Current tax

Tax-loss carryforwards, which are expected to reduce the tax expense in future years, are estimated at SEK 4.4bn (4.2). Payment of income tax can also be delayed through tax depreciation of the properties. In case of a direct sale of property, profit for tax purposes, 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 2011, the difference between the book and tax residual values of Fabege's property portfolio was approximately SEK 11.2bn (9.4).

On 31 December 2011, net deferred tax liabilities were SEK 390bn (152), as shown in the following specification, see table.

Deferred tax attributable to	SEKm
– tax-loss carryforwards	–1,148
– difference between book and tax values in respect of properties	1,708
– deficit, derivatives	–175
– other	5
Net debt, deferred tax	**390**

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.

At 31 December 2011, the total increase in taxable income amounted to SEK 8,368m (7,098). The decisions have resulted in total tax demands of SEK 2,214m (1,874) plus a tax penalty of SEK 164m (164), making a total demand of SEK 2,378m (2,038) excluding interest payments. At 31 December 2011, accrued interest amounted to SEK 303m.

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

The various partners of the limited partnerships reported and declared their share of the proceeds in full compliance with applicable tax rules. The sales resulted in 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 based its tax ruling on has been common practice in the industry.

During the spring of 2011, the Swedish Administrative Court announced verdicts in all of Fabege's on-going tax cases. The Administrative Court ruled in favour of the Tax Agency's position that Fabege should be taxed pursuant to the Tax Evasion Act. All of the verdicts have been appealed with the Administrative Court of Appeals and Fabege has been granted respite for the payment of taxes until the Administrative Court of Appeals has issued a verdict. The Administrative Court of Appeals has issued a stay of proceedings in all cases pending the Supreme Administrative Court's hearing of the National Tax Board's preliminary verdict in what is known as the "Cyprus case." During the fourth quarter of 2011, additional tax cases were brought before the Administrative Court for consideration.

Fabege considers that the Tax Agency and the Administrative Court have 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.

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, the arguments of the Tax Agency and the verdicts of the Administrative Court.

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.

All of the transactions completed by the Fabege Group on the basis of the so-called Holland solution are now subject to consideration. Since Fabege does not believe that the Tax Agency will make further claims, it believes that the above figures concerning increased taxes and tax demands will not rise. Any changes in current assessments and any court rulings will be announced through press releases. The status of ongoing cases is always reported in interim reports.

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 81.

ENVIRONMENT

Fabege does not conduct activities that are subject to permit and notification requirements under Chapter 9, Section 6 of the Environmental Code. Of Fabege's tenants, only a few conduct such activities. More information about Fabege's environmental work is given in the Sustainability Report on page 42.

HUMAN RESOURCES

The average number of employees in the Group during the year was 124 (125), including 44 (47) women and 80 (78) men. A total of 32 people were employed in the Parent Company (31). At year-end, the number of employees was 122 (126), including 43 (47) women. See also page 74, Note 6.

GUIDELINES FOR REMUNERATION AND OTHER EMPLOYMENT TERMS FOR MANAGEMENT

The term "management" refers to the Chief Executive Officer and other members of executive 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 2011 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 remuneration.

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 (1) 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 2011 is provided in Note 6.

The Board proposes unchanged principles governing variable remuneration ahead of the 2012 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.

OUTLOOK FOR 2012

Both the rental market and transaction market strengthened during 2011. The development of the portfolio and the favourable net lettings trend enable Fabege to continue to generate and deliver contribution to profit from all parts of its business model, meaning property management, property development and property transactions. We look forward to strong earnings in 2012, including:

- A stronger cash flow from the portfolio of investment properties.
- A continued high development rate in the portfolio.
- Value growth through projects and attractive properties in good locations.

Although uncertainty concerning the economic outlook is considerable, Fabege is well equipped with a strong balance sheet and a property portfolio in good locations with favourable development potential.

APPROPRIATION OF RETAINED EARNINGS

The shareholders are asked to decide on the appropriation of:

	SEK
Retained earnings	571,628,675
Profit for the year	1,547,150,567
Total	**2,118,779,242**

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

	SEK
Dividend to the share-holders SEK 3.00 per share	486,675,252
Carried forward	1,632,103,990
Total	**2,118,779,242**

The dividend amount is based on the total number of outstanding shares on 31 December 2011, i.e. 162,225,084 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 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 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 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 4.7 per cent of the company's equity and 4.1 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 withstand 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 measured at fair value in accordance with Chapter 4, Section 14 of the Swedish Annual Accounts Act. The impact of this valuation, which decreased equity in the Parent Company by SEK 289m (increase 77), 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, 24 February 2012

The Board of Directors

Consolidated
Statement of comprehensive income

SEK millions	Note	2011	2010
Rental income	5, 7	1,804	2,007
Property expenses	8	–577	–659
Net operating income		**1,227**	**1,348**
Central administration and marketing	9	–63	–62
Profit from other securities and receivables that are fixed assets	11	13	5
Interest income	12	1	2
Share in profit/loss of associated companies	17	9	18
Interest expenses	12	–623	–529
Operating profit/loss	1–6, 16, 18, 42	**564**	**782**
Realised changes in value, investment properties	10, 15	173	237
Unrealised changes in value, investment properties	10, 15	1,093	843
Changes in value, fixed income derivatives	26	–397	106
Changes in value, equities	13	–16	–39
Profit/loss before tax		**1,417**	**1,929**
Tax on profit for the year	14	–276	–232
Total profit/loss for the year		**1,141**	**1,697**
Comprehensive income attributable to Parent Company shareholders		**1,141**	**1,697**
Earnings per share before dilution, SEK		7.01	10.38
Earnings per share after dilution, SEK		7.01	10.38
No. of shares at end of period before dilution, millions		162.2	163.0
No. of shares at end of period after dilution, millions		162.2	163.0
Average no. of shares before dilution, millions		162.7	163.5
Average no. of shares after dilution, millions		162.7	163.5

Consolidated
Statement of financial position

SEK millions	Note	2011	2010
ASSETS			
Investment properties	15	29,150	26,969
Equipment	16	1	3
Interests in associated companies	17	591	443
Receivables from associated companies	18	261	81
Other long-term securities holdings	19	165	152
Other long-term receivables	20	107	38
Total fixed assets		**30,275**	**27,686**
Trade receivables	21	15	18
Other receivables	22	299	1,437
Prepaid expenses and accrued income		48	49
Cash and cash equivalents	34	74	73
Total current assets		**436**	**1,577**
TOTAL ASSETS		**30,711**	**29,263**
EQUITY AND LIABILITIES			
Share capital		5,097	5,097
Other contributed capital		3,017	3,017
Retained earnings incl. profit/loss for the year		3,776	3,162
Total shareholders' equity	23	**11,890**	**11,276**
Liabilities to credit institutions	25	13,521	10,828
Derivatives	26	664	267
Deferred tax liabilities	27	390	152
Provisions	28	148	191
Total long-term liabilities		**14,723**	**11,438**
Liabilities to credit institutions	24, 25	3,234	5,818
Trade payables		151	82
Provisions	28	47	80
Tax liabilities		17	6
Other liabilities	29	181	97
Accrued expenses and deferred income	30	468	466
Total current liabilities		**4,098**	**6,549**
TOTAL EQUITY AND LIABILITIES		**30,711**	**29,263**
Assets pledged as security	31	**14,416**	**15,131**
Contingent liabilities	31	**3,376**	**2,520**

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 2010	**5,096**	**3,017**	**1,856**	**9,969**	**–**	**9,969**
Total loss 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
Cancellation of treasury shares	–118		118			
Bonus issue	119		–119			
Closing balance, 31 December 2010	**5,097**	**3,017**	**3,162**	**11,276**	–	**11,276**
Opening balance, 1 January 2011	**5,097**	**3,017**	**3,162**	**11,276**	–	**11,276**
Total profit for the year			1,141	1,141		1,141
Total income and expenses for the period			**1,141**	**1,141**	–	**1,141**
Cash dividend			–489	–489		–489
Share buybacks			–38	–38		–38
Closing balance, 31 December 2011	**5,097**	**3,017**	**3,776**	**11,890**	–	**11,890**

Consolidated
Statement of cash flows

SEK millions	Note	2011	2010
OPERATING ACTIVITIES			
Net operating income and realised changes in the value of existing properties excluding depreciation		1,407	1,600
Central administration		–63	–62
Interest received and dividend 10 37		14	7
Interest paid	32	–610	–527
Income tax paid/received		0	–3
Cash flow before change in working capital		**748**	**1,015**
CHANGE IN WORKING CAPITAL			
Current receivables		1,142	–800
Current liabilities		56	–299
Total change in working capital	33	**1,198**	**–1,099**
Cash flow from operating activities		**1,946**	**–84**
INVESTING ACTIVITIES			
Investments and acquisition of properties		–1,986	–940
Sale of properties, carrying amount at beginning of year	15	756	3,978
Acquisition of interests in associated companies	17	–37	–103
Acquisition of interests in other companies	19	–29	–77
Sale of interests in other companies		0	7
Other tangible fixed assets		–1	–2
Other financial fixed assets		–230	–26
Cash flow from investing activities		**–1,527**	**2,837**
FINANCING ACTIVITIES			
Dividends		–489	–329
Share buybacks		–38	–61
Loans received/repayment of loans		109	–2,463
Cash flow from financing activities		**–418**	**–2,853**
Change in cash and cash equivalents		1	–100
Cash and cash equivalents at beginning of period	34	73	173
Cash and cash equivalents at end of period	34	**74**	**73**

Parent Company
Profit and loss accounts

SEK millions	Note	2011	2010
Net turnover	38	102	102
Operating costs	39	–193	–190
Operating loss	1–3, 6, 16, 42	**–91**	**–88**
Profit/loss from shares and interests in Group companies	40	2,065	216
Profit from other securities and receivables that are fixed assets	11, 13	455	368
Changes in value, fixed income derivatives	26	–397	106
Interest income	12	1	1
Interest expenses	12	–644	–537
Loss before tax		**1,389**	**66**
Tax on profit for the year	14	158	–28
Profit/loss for the year		**1,547**	**38**

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	2011	2010
ASSETS			
FIXED ASSETS			
Tangible fixed assets			
Equipment	16	1	3
Total tangible fixed assets		**1**	**3**
Financial fixed assets			
Shares and interests in Group companies	41	13,328	13,328
Receivables from Group companies		38,815	37,524
Other long-term securities holdings	19	9	6
Deferred tax asset	27	261	103
Other long-term receivables	20	4	33
Total financial fixed assets		**52,417**	**50,994**
TOTAL FIXED ASSETS		**52,418**	**50,997**
CURRENT ASSETS			
Current receivables			
Trade receivables		0	0
Other receivables		136	5
Prepaid expenses and accrued income		25	20
Total current receivables		**161**	**25**
Cash and cash equivalents	34	**69**	**64**
TOTAL CURRENT ASSETS		**230**	**89**
TOTAL ASSETS		**52,648**	**51,086**
EQUITY AND LIABILITIES			
Shareholders' equity	23		
Restricted equity			
Share capital		5,097	5,097
Reserve fund/Share premium account		3,166	3,166
Unrestricted equity			
Retained earnings		572	1,062
Profit/loss for the year		1,547	38
Total shareholders' equity		**10,382**	**9,363**
Provisions			
Provisions for pensions	28	68	63
Total provisions			**63**
Long-term liabilities			
Liabilities to credit institutions	25	13,072	10,847
Derivatives	26	664	267
Liabilities to subsidiaries		25,156	24,676
Total long-term liabilities		**38,892**	**35,790**
Current liabilities			
Liabilities to credit institutions	25	3,219	5,799
Trade payables		2	4
Other liabilities		4	7
Accrued expenses and deferred income	30	81	60
Total current liabilities		**3,306**	**5,870**
TOTAL EQUITY AND LIABILITIES		**52,648**	**51,086**
Assets pledged as security	31	**13,107**	**12,627**
Contingent liabilities	31	**3,532**	**3,452**

Parent Company
Statement of changes in equity

SEK millions	Note	Share capital	Reserve fund	Un-restricted equity	Total equity
	23				
Equity, 31 December 2009		**5,096**	**3,166**	**1,452**	**9,714**
Profit for the year				38	38
Total income and expenses for the period				**38**	**38**
Cash dividend				–329	–329
Share buybacks				–61	–61
Cancellation of treasury shares		–118		118	0
Bonus issue		119		–119	0
Equity on 31 December 2010		**5,097**	**3,166**	**1,099**	**9,362**
Profit for the year				1,547	1,547
Total income and expenses for the period				**1,547**	**1,547**
Cash dividend				–489	–489
Share buybacks				–38	–38
Equity on 31 December 2011		**5,097**	**3,166**	**2,119**	**10,382**

Parent Company
Cash flow statement

SEK millions	Note	2011	2010
OPERATING ACTIVITIES			
Operating loss excl. depreciation		–91	–87
Interest received		457	398
Interest paid	32	–629	–535
Income tax paid		–	–
Cash flow before change in working capital		**–263**	**–224**
Change in working capital			
Current receivables		–136	38
Current liabilities		7	–6
Total change in working capital	33	**–129**	**32**
Cash flow from operating activities		**–392**	**–192**
INVESTING ACTIVITIES			
Acquisition of interests in Group companies		–	–
Sale of interests in Group companies		–	–
Acquisition and sale of interests in other companies		–4	4
Other tangible fixed assets		0	–4
Other financial fixed assets		738	–270
Cash flow from investing activities		**734**	**–270**
FINANCING ACTIVITIES			
Dividends paid		–489	–329
Group contributions received and made		65	217
Share buybacks		–38	–61
Loans received/repayment of loans		125	538
Cash flow from financing activities		**–337**	**365**
Change in cash and cash equivalents		5	–97
Cash and cash equivalents at beginning of period	34	64	161
Cash and cash equivalents at end of period	34	**69**	**64**

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 41. 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 policies

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 2011. The Group also applies Recommendation RFR 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 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 policies 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 policies 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. The acquisition of a subsidiary is recognised in accordance with the purchase method. The purchase consideration for the business combination is measured at fair value at the acquisition date, which is calculated as the total of the fair values at the acquisition date for the assets acquired, assumed or acquired liabilities, as well as equity shares issued in exchange for control of the acquired business. Acquisition-related costs are recognised in profit or loss as incurred. For business combinations in which the sum of the purchase consideration, any non-controlling interests and fair value at the acquisition date of prior share holdings exceeds the fair value at the acquisition date of identifiable acquired net assets, the difference is recognised as goodwill in the statement of financial position. If the difference is negative, it is recognised as profit on a bargain purchase directly in profit or loss following retesting of the difference.

Interests in associated companies

A company is recognised 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 recognised in accordance with the equity method. Interests in associated companies are recognised 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.

Minority interest

For each business combination, the non-controlling interest in the acquired company is either measured at fair value or at the value of the proportional share of the non-controlling interest of the acquired company's identifiable net assets.

Recognition 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 recognised as an expense in profit or loss and distributed over the term of the lease 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 measured 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 profit or loss 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 recognised 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.

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 recognised 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 profit or loss, 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.

(Note 2 cont.)

Current 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 profit or loss 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 recognised 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 35 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 is extinguished 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 there from 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 measured at fair value and changes in value are recognised in profit or loss. 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 without discounting.

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 profit or loss.

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 measured at amortised cost. Long-term liabilities have an expected maturity of more than one year while current liabilities have a maturity of less than one year.

Remuneration to employees
Remuneration 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 profit or loss insofar as 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 profit or loss 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
Segment information is 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 Property Development. 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 policies 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 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.

A Group contribution received by the Parent Company from a subsidiary is recognised under the same policies as traditional dividends from subsidiaries, i.e. as financial income. Group contributions paid from the Parent Company to a subsidiary are recognised as a financial expense in profit or loss. The amendment to RFR 2 concerning Group contributions requires the company to now recognise Group contributions as financial income/financial expense.

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

Executive management does not believe that the new and amended standards and interpretations will have any impact on the Group's 2011 financial statements.

New and revised standards and interpretations for 2011

The following new and amended standards and interpretations have come into effect and apply for the 2011 financial year:

Standards:

Amendment to IAS 24 Related Party Disclosures
Amendment to IAS 32 Financial Instruments: Classification
Improvements to IFRSs 2011, a change package featuring improvements to various standards and interpretations. The changes that have come into effect and apply for the 2011 financial year include clarifications concerning IFRS 7 disclosures and clarifications concerning the statement of changes in equity in IAS 1.

Interpretations

Amendments to IFRIC 14 IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their Interaction
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Executive management does not believe that the new and amended standards and interpretations will have any impact on the Group's 2011 financial statements.

New and amended standards and interpretations that have yet to come into effect

Standards	**Will be applied to the financial year commencing:**
Amendments to IFRS 7 Financial instrument: Disclosure (Disclosures related to transfers of financial assets)	1 July 2011 or later
IFRS 9 Financial Instruments and subsequent amendments to IFRS 9 and IFRS 7*	1 January 2015 or later
IFRS 10 Consolidated Financial Statements*	1 January 2013 or later
IFRS 11 Joint Arrangements*	1 January 2013 or later
IFRS 12 Disclosure of Interests of Other Entities*	1 January 2013 or later
IFRS 13 Fair Value Measurement*	1 January 2013 or later
Amendments to IAS 1 Presentation of Financial Statements *(Presentation of items in other comprehensive income)**	1 July 2012 or later
Amendment to IAS 12 Income taxes *(Deferred Tax: Recovery of Underlying Assets)**	1 January 2012 or later
Amendments to IAS 19 Employee Benefits*	1 January 2013 or later
Amendments to IAS 27 Consolidated and Separate Financial Statements*	1 January 2013 or later
Amendments to IAS 28 Investments in Associates and Joint Ventures*	1 January 2013 or later
Amendments to IFRS 7 Financial instruments: Disclosures *(Offsetting of financial assets and financial liabilities)**	1 January 2013 or later
Amendments to IAS 32 Financial instruments: Classification *(Offsetting of financial assets and financial liabilities)**	1 January 2014 or later

* Not yet approved for application within the EU.

Interpretations	**To be applied to financial years commencing:**
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013 or later

* Not yet approved for application within the EU.

The aforementioned new and amended standards and interpretations have yet to be applied by the Group.

The amendment to IFRS 9 Financial instruments that was issued in December 2011 requires IFRS 9 to be applied to financial years commencing 1 January 2015 or later. The most significant impact of IFRS 9 in terms of the classification and measurement of financial liabilities relates to changes in fair value that arise from changes in the credit risk of a financial liability (identified at fair value in profit or loss). Under IFRS 9, for financial liabilities that are classified at fair value in profit or loss, the amount of the change in fair value that results from the change in credit risk for the liability must be presented in other comprehensive income.

IFRS 13 Fair Value Measurement establishes a framework for measurement at fair value when so required by other standards. The standard is applicable when measuring financial and non-financial items at fair value. Fair value is defined as the price that would be received in the event of a sale of an asset or the compensation that would be received to transfer a liability in a normal transaction between market players at the time of measurement, known as the exit price. IFRS 13 requires several quantitative and qualitative disclosures concerning measurement at fair value.

Executive management's assessment is that the application of IFRS 9 and IFRS 13 could affect the recognised amounts in the financial statements in terms of the Group's financial assets and liabilities. The executive management has yet to conduct a detailed analysis of the impact of the application of IFRS 9 and IFRS 13 and is thus presently unable to quantify its impact.

Amendments to IAS 19 change the recognition of defined-benefit pension plans and severance pay. The most significant amendments pertain to the recognition of defined-benefit obligations and plan assets. The amendments require actuarial gains and losses to immediately be recognised in other comprehensive income, which entails the elimination of the corridor method. Executive management believes that the application of the amendments to IAS 19 will impact the amounts recognised in the financial statements and entail more extensive disclosures than before. Executive management has yet to conduct a detailed analysis of the impact of the application of IAS 19 and is thus presently unable to quantify its impact. When the Group begins to apply the amendments to IAS 19, it will no longer apply UFR 4 Accounting for special employer's contribution and tax on returns, which has been rescinded by the Swedish Financial Reporting Board. The Group will instead recognise a special payroll tax and tax on returns according to the rules stipulated in IAS 19, which will require the actuarial assumptions that are to be made during the calculation of defined-benefit pension plans to also include taxes that accrue to pension benefits. Executive management believes that the change concerning a special payroll tax and tax on returns could impact the recognised amounts in the financial statements. It has yet to conduct a detailed analysis of the impact of the application of the change and is thus presently unable to quantify the impact.

The amendments to IAS 1 Presentation of Financial Statements require additional disclosures in other comprehensive income so that items in other comprehensive income are grouped in two categories: a) items that will not be transferred to profit or loss, and, b) items that will be transferred to profit or loss provided that certain criteria are fulfilled. Executive management believes that the amendments to IAS 1 only impacts presentations and disclosures in the financial statements.

Executive management does not believe that other new and amended standards and interpretations will have any significant impact on the consolidated financial statements in the period in which they are first applied.

THE PARENT COMPANY'S ACCOUNTING POLICIES

Amended accounting policies

The amendments to RFR 2 Accounting for legal entities that came into effect and apply to the 2011 financial year entail that Group contributions are no longer recognised in equity. A Group contribution that the Parent Company receives from a subsidiary is recognised under the same principles as traditional dividends from subsidiaries and recognised as financial income. Group contributions paid from the Parent Company to a subsidiary are recognised in profit or loss as a financial expense. The amendments to RFR 2 concerning Group contributions have resulted in the company now recognising Group contributions as a financial income/expense. Other amendments to RFR 2 have had no significant impact on the Parent Company's financial statements.

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

(Note 3 cont.)

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 with a commercial paper programme of SEK 5,000m. The company is aiming to become a significant player in this market. At year-end 2011, Fabege had unused credit facilities of SEK 3,205m excluding the commercial paper programme.

Committed lines of credit, 31 Dec 2011

Year, maturity	Utilised amount, SEKm	Committed amount, SEKm
Commercial paper programme	5,000	1,719
< 1 year	2,034	1,514
1–2 year	5,540	3,440
2–3 year	329	329
3–4 year	5,040	3,735
4–5 year	2,041	2,041
> 5 year	4,976	3,977
Total	**24,960**	**16,755**

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 16,755m (16,646) with an average interest rate of 3.72 per cent (3.45) excluding the cost of committed lines of credit, or 3.80 per cent (3.57) including this cost. Of total liabilities, SEK 1,719m (2,249) referred to outstanding commercial paper. The total loan volume at 31 December includes loans for works in progress of SEK 939m, on which interest of SEK 27m has been capitalised.

In August, Fabege opted to interest hedge part of its loan portfolio, by entering into interest swap agreements totalling SEK 5,000m – of which SEK 1,000m was for a term of three years, SEK 1,500m for a term of five years, SEK 1,500m for seven years and SEK 1,000m for a term of ten years. On these terms, Fabege pays fixed interest at annual rates of between 2.18 and 2.73 per cent. The company already holds cancellable swaps totalling SEK 7,550m, of which SEK 2,700m was extended for an additional three years in August. The extensions entail an annual improvement in the cash flow of the derivatives portfolio of SEK 27m through 2013. Following the extensions, Fabege holds cancellable swaps totalling SEK 7,550m at interest rates ranging from 2.87 to 3.98 per cent. The average fixed-rate term of the loans, including the effects of exercised derivatives, was 44 months (23) at 31 December. The average maturity was 5.9 years (5.3). Average leverage at year-end was 57 per cent (62). The derivatives portfolio is measured at fair value in accordance with IAS 39. The value of the portfolio is SEK –664m (–267). Realised changes in value in profit for the year were SEK 0m (0) and unrealised changes in value SEK –397m (+106). Changes in market value occur as a result of changes in market interest rates and volatility, since the company holds structured derivative products in its portfolio. A market valuation of the loan portfolio (excl. derivatives products) shows a deficit of SEK 5m (0). For all other financial assets and liabilities, unless otherwise stated in the Notes, the carrying amount is considered a solid approximation of fair value.

In December, Fabege launched a bond financing programme with a limit of SEK 5,000m via the co-owned company Svensk Fastighetsfinansiering AB (SFFAB). Through the bond financing programme Fabege borrowed SEK 289m in the capital market. SFFAB's first issuance took the shape of a three-year bond totalling SEK 650m, of which SEK 400m carried fixed interest at a rate of 3.65 per cent and SEK 250m was subject to variable interest rates. The bonds are secured by property mortgage deeds. SFFAB is jointly owned by Fabege, Wihlborgs, Peab and Brinova. Fabege owns 30 per cent of the company. The aim is to expand the company's financing base with a new source of financing.

Net interest expense includes SEK 6m in nonrecurring costs.

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.

Interest rate maturity structure, 31 Dec 2011

Year, maturity	SEKm	Average interest rate, %	Share, %
< 1 year	4,027	5.64*	24
1–2 year	1,850	3.70	11
2–3 year	1,178	2.45	7
3–4 year	0	0.00	0
4–5 year	4,200	2.71	25
> 5 year	5,500	3.36	33
Total	**16,755**	**3.72**	**100**

*The average interest rate for the < 1 year period includes the margin for the entire debt portfolio because the Company's fixed-rate period is established using interest rate swaps, which are traded without margins.

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. Under Fabege's policy, property holdings are to be financed in the local currency. Accordingly, exchange-rate fluctuations only impact net profit for the property. During the year, Fabege sold a site in Belgium and now owns no assets abroad.

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, as well as concerning loans to associated companies. The maximum credit exposure in respect of trade receivables and promissory note receivables is the carrying amount.

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

Note 4 Significant estimates and assessments for accounting purposes

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

As regards Fabege's on-going tax cases, the company has taken the view that no provision is required. For more information, also refer to the description of tax cases on page 61 of the Directors' Report.

Note 5 Reporting by segment

SEKm	Property Management Jan–Dec 2011	Development Projects 2011	Total Jan–Dec 2011	Property Management Jan–Dec 2010	Development Projects 2010	Total Jan–Dec 2010
Rental income	1,618	186	1,804	1,806	201	2,007
Property expenses	–507	–70	–577	–573	–86	–659
Net operating income	**1,111**	**116**	**1,227**	**1,233**	**115**	**1,348**
Surplus ratio, %	*69*	*62*	*68*	*68*	*57*	*67*
Central administration and marketing	–51	–12	–63	–50	–12	–62
Net interest expense	–468	–123	–609	–432	–90	–522
Share in profit/loss of associated companies	7	2	9	17	1	18
Operating profit/loss	**581**	**–17**	**564**	**768**	**14**	**782**
Realised changes in value, properties	88	85	173	215	22	237
Unrealised changes in value, properties	675	418	1,093	579	264	843
Profit/loss before tax per segment	**1,344**	**486**	**1,830**	**1,562**	**300**	**1,862**
Change in value, fixed income derivatives and equities			–413			67
Profit/loss before tax			**1,417**			**1,929**
Properties, market value	22,773	6,377	29,150	21,453	5,516	26,969
Occupancy rate, %	92	75	90	91	69	88

Segments are recognised 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 half of the year, three project properties-were transferred from Property Development to Property Management.

Note 6 Employees and salary expenses, etc.

Average no. of employees	2011	Of which, men	2010	Of which, men
Parent Company	32	12	31	11
Subsidiaries	92	68	94	67
Group, total	**124**	**80**	**125**	**78**

	Salaries and other compensation 2011	Social-security contributions 2011	Salaries and other compensation 2010	Social-security contributions 2010
Parent Company	25	26[1]	24	20
– of which, pension expenses		12		9
Subsidiaries	42	21	47	21
– of which, pension expenses		5		5
Group, total	**67**	**47**	**71**	**41**
– of which, total pension expenses		17		14

[1] The cost increase was mainly due to longer life expectancy in the pension calculation.

Breakdown by gender, Directors and senior executives

	Board 2011	Board 2010	Senior executives 2011	Senior executives 2010
Men	7	6	4	5
Women	2	1	1	2
Total	**9**	**7**	**5**	**7**

Compensation for senior executives

The term Other senior executives refers to the four persons who together with the Chief Executive Officer made up executive management in 2011. During the year, Group management was restructured and one woman and one man stepped down. As of 1 April 2011, the executive management team consists of the Chief Financial Officer (CEO), Executive Vice President and Chief Financial Officer (CFO), Director of Business Development, Director of Properties and Director of Projects. 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 executive management, see page 88.

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 2011, provisions of about SEK 6,6m, which is equivalent to 100 per cent of one base amount per employee including payroll tax, have been made. Other benefits refer to company cars, household-related services and health insurance.

Pension

Pension expenses refer to the expense recognised in profit or loss 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 2011, total Directors' fees of SEK 2,755,000 (2,420,000) were paid. Out of this amount, the Chairman of the Board received SEK 400,000 (375,000) plus a separate fee of SEK 835,000 (835,000) for assisting the management team on two projects, and the other Directors, excluding the CEO, received a total of SEK 1,520,000 (1,210,000). No other fees or benefits were paid to the Board.

(Note 6 cont.)

Compensation and other benefits to senior executives, SEK '000

Group management 2011	Salary/Fee	Other benefits	Pension	Total
Chief Executive Officer	2,719	152	946	3,817
Executive Vice President	1,550	89	490	2,129
Other senior executives	5,020	294	1,022	6,336

In 2011, extra compensation/bonuses totalling SEK 1,154,000 (1,067,000) in total were paid to other senior executives. No other variable or share price-related compensation was paid to executive management.

Group management 2010	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

The Board of Directors	2011 Fee, Board Director	2011 Fee, Audit Committee	2011 Total	2010 Fee, Board Director	2010 Fee, Audit Committee	2010 Total
Erik Paulsson (Chairman)	1,235	–	1,235	1,210	–	1,210
Göte Dahlin	200	30	230	185	25	210
Oscar Engelbert	200	–	200	185	–	185
Eva Eriksson	200	–	200	–	–	–
Märta Josefsson	200	60	260	185	50	235
Pär Nuder	200	30	230	185	25	210
Svante Paulsson	200	–	200	185	–	185
Mats Qviberg	200	–	200	185	–	185
Total	**2,635**	**120**	**2,755**	**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 2011	Group 2010
Maturity:		
Within 1 year	232	290
1 to 5 years	1,219	1,139
Later than 5 years	352	304
Residential, garage/parking	77	79
Total	**1,880**	**1,811**

The difference between total rents at 31 December 2011 and income, as stated in profit or loss for 2011, is due to bought/sold properties, renegotiations and changes in occupancy rates in 2011. Leases relating to residential premises and garage/parking spaces remain in force until further notice.

Note 8 Property expenses

	Group 2011	Group 2010
Operating expenses, maintenance and tenant adaptations	–301	–374
Property tax	–129	–138
Ground rent	–29	–34
VAT expense	–13	–15
Property/project adm. and lettings	–105	–98
Total	**–577**	**–659**

Note 9 Central administration and marketing

Refers to executive 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 2011	Group 2010
Realised changes in value:		
Sale proceeds	936	4,350
Carrying amount and expenses	–763	–4,113
	173	**237**
Unrealised changes in value:		
Changes in value relating to properties owned at 31 Dec 2011	1,088	829
Changes in value relating to properties divested during the year	5	14
	1,093	**843**
Total realised and unrealised changes in value	**1,266**	**1,080**

Fair value and the resulting unrealised changes in value are determined quarterly based on valuations. If a property is sold in the second to fourth quarters, 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 2011	Group 2010
Gain from property sales, full year:		
Sale proceeds	936	4,350
Carrying amount and expenditure (based on value at beginning of year)	–758	–4,099
	178	**251**
Unrealised changes in value:		
Changes in value relating to existing properties	1,088	829
	1,088	**829**
Total realised and unrealised changes in value	**1,266**	**1,080**
Breakdown between positive and negative results		
Positive	1,466	1,471
Negative	–200	–391
Total	**1,266**	**1,080**

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

	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Dividends	0	0	0	0
Interest income, Group companies	–	–	455	394
Interest income, promissory notes	13	5	1	3
Total	**13**	**5**	**456**	**397**

Note 12 Interest income and interest expenses

	Group		Parent Company	
	2011	2010	2011	2010
Interest income	1	2	1	1
Total	**1**	**2**	**1**	**1**
Interest expenses	–623	–529	–644	–537
Total	**–623**	**–529**	**–644**	**–537**

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

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

Note 13 Changes in value, shares

The loss of SEK 16m (–39) derived from unrealised losses of SEK 0m (–6) and SEK 16 (–10), respectively, on shares in AIK Fotboll AB and Swedish Arena Management AB as well as a realised loss of SEK 0m (–23) on shares in Sveland Sakförsäkringar AB.

Note 14 Tax on profit for the year

	Group		Parent Company	
	2011	2010	2011	2010
Current tax on profit for the year	–1	–3	–	–
Adjustment for current tax from previous years	–	–	–	–
Total current tax	**–1**	**–3**	**–**	**–**
Deferred tax	–275	–229	158	–28
Total tax	**–276**	**–232**	**158**	**–28**
Nominal tax (26.3%) on profit after financial items	–373	–507	–365	–18
Tax effects of adjustment items				
– Adjustment for deficits and temporary differences from previous years	62	32	–	–1
– Dividends from subsidiaries	–	–	526	–
– Tax-exempt profit/loss from sale of properties	39	217	–	–
– Deficit acquired companies	–	15	–	–
– Other	–4	11	–3	–9
Total tax	**–276**	**–232**	**158**	**–28**

Note 15 Investment properties

All properties in Fabege's portfolio are externally valued at least once a year by independent external appraisers with recognised qualifications. The properties are valued at fair value, i.e. at their estimated market values. The property appraiser in 2011 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 appraisers. On-site inspections were carried out in all properties on at least one occasion during the period 2009–2011. 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 appraisers' 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 the most recent taxation year.

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 7.9 per cent (8.0) and is based on the nominal yield on five-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 5.7 per cent (5.9).

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

Valuation assumptions	
Annual inflation, %	2.0
Weighted discount rate, %	7.9
Weighted required yield, residual value, %	5.7
Average long-term vacancy, %	4.6
Operations and maintenance	
Commercial, SEK/sqm	312

Market values, 31 December 2011

	2011	Weighted yield, %	Change in value, %
Stockholm inner city	16,809	5.4	4.8
Solna	9,856	6.2	2.7
Hammarby Sjöstad	2,215	6.3	6.1
Other markets	270	7.0	–0.2
	29,150	**5.7**	**4.2**

	Group	
	2011	2010
Opening fair value	26,969	29,193
Property acquisitions	518	–
Investments in new builds, extensions and conversions	1,468	940
Changes in value, existing property portfolio	1,088	829
Changes in value relating to properties divested during the year	5	14
Sales and disposals	–898	–4,007
Closing fair value	**29,150**	**26,969**

The carrying amount/fair value and the resulting unrealised changes in value are determined quarterly based on valuations. If a property is sold in the second to the fourth quarter, 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 most recent quarter.

Assessed value of Swedish properties	13,538	13,817

Fabege has mortgaged certain properties, see also Note 31 "Assets pledged as security and contingent liabilities".

Note 16 Equipment

	Group		Parent Company	
	2011	2010	2011	2010
Cost at beginning of year	21	19	7	4
Investments	0	4	0	5
Sales and disposals	–1	–2	–1	–2
Cost at end of year	20	21	6	7
Opening depreciation	–18	–17	–4	–4
Sales and disposals	0	0	0	0
Depreciation charge for the year	–1	–1	–1	0
Closing accumulated depreciation	–19	–18	–5	–4
Carrying amount	**1**	**3**	**1**	**3**

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

Note 17 Interests in associated companies[1)]

	Group		Parent Company	
	2011	2010	2011	2010
Cost at beginning of year	443	307	–	–
Acquisition/contribution/loss	148	136	–	–
Cost at end of year	591	443	–	–
Carrying amount	**591**	**443**	–	**–**

Name/Org.no.	Regd. office	Capital share, % [2)]	Book value
Järla Sjö Exploatering AB 556615-3952	Stockholm	33.3	–2
Råsta Holding AB 556742-6761	Stockholm	37.5	59
Råsta Administration AB 556702-8682	Stockholm	20.0	0
Projektbolaget Oscarsborg AB 556786-3419	Stockholm	50.0	0
TCL Sarl 19982401227[3)]	Luxemburg	45.0	339
Centralbadet HB 916609-6017	Stockholm	50.0	117
Värtan Fastigheter KB 969601-0793	Stockholm	50.0	5
Visio Exploaterings AB	Stockholm	50.0	0
Nyckeln 0328 SE 517100-0069[4)]	Stockholm	30.0	73
			591

[1)] Read more about associated companies in Note 35.
[2)] Applies also to the share of votes for the total number of shares.
[3)] Fabege's holding in Fastighets AB Tornet is indirectly owned through TCL Sarl.
[4)] Fabege's holding in SFFAB is indirectly owned by Nyckeln 0328.
Fabege conducts financial operations in an associated company.

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

	Group	
	2011	2010
Profit and loss account		
Rental income	203	160
Net operating income	80	–54
Profit for the year	**415**	**327**
Balance sheet		
Fixed assets	11,517	11,039
Current assets	987	541
Total assets	**12,504**	**11,580**
Shareholders' equity	9,297	9,084
Allocations	–	–
Other liabilities	3,207	2,496
Total equity and liabilities	**12,504**	**11,580**

Note 18 Receivables from associated companies

Receivables from associated companies primarily pertain to receivables for the Projekbolaget Oscarsborg AB of SEK 87m (81) and for Råsta Holding AB of SEK 159m (0). These are subject to interest rates at market terms and conditions.

Note 19 Other long-term securities holdings

	Group		Parent Company	
	2011	2010	2011	2010
Cost at beginning of year	152	122	6	39
Acquisitions/Investments	29	77	4	4
Changes in value	–16	–16	–1	–6
Sales	–	–31	–	–31
Cost at end of year	165	152	9	6
Carrying amount	**165**	**152**	**9**	**6**

Shareholding	**Carrying amount**
Parent Company	
AIK Fotboll AB – Fabege's capital share is 18.5 per cent and the number of shares 4,042,649	7
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	173
Swedish Arena Management AB – Fabege's capital share is 16.7 per cent and the number of shares 167	–16
Total	**165**

In 2010, Fabege divested its shares in Svelands Sakförsäkring AB; also refer to Note 13.

Note 20 Other long-term receivables

	Group		Parent Company	
	2011	2010	2011	2010
Maturity:				
1 to 5 years after balance sheet date	107	38	4	33
later than 5 years from balance sheet date	–	–	–	–
Total	**107**	**38**	**4**	**33**

Group
Other long-term receivables refer to promissory note receivables arising from the sale of properties. During the year a provision of SEK 0 (63) was recognised.

Note 21 Trade receivables

	Group	
Age structure of overdue trade receivables	**2011**	**2010**
0 – 30 days	10	15
31 – 60 days	2	0
61 – 90 days	4	1
> 90 days	7	12
Of which, provisions	–8	–10
Total	**15**	**18**

Note 22 Other receivables

In the consolidated financial statements the item includes sale proceeds of SEK 71m (1,360) for properties that have been sold but not yet vacated, a current receivable from the associated company Visio of SEK 130m (0) and promissory notes that mature within one year SEK 0m (12m).

Note 23 Shareholders' equity

	Outstanding shares	Registered shares
No. of shares at beginning of year	162,980,084	165,391,572
Cancellation of repurchased shares	–	–
Repurchase of treasury shares	–755,000	–
Total	**162,225,084**	**165,391,572**

All shares carry equal voting rights, one vote per share.
The quotient 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 24 Overdraft facility

	Group		Parent Company	
	2011	2010	2011	2010
Available credit limit	120	120	120	120
Unused share	–120	–69	–120	–69
Unused share	**0**	**51**	**0**	**51**

Note 25 Liabilities by maturity date

	Group		Parent Company	
Interest-bearing liabilities	**2011**	**2010**	**2011**	**2010**
Maturity up to 1 year from balance-sheet date	3,234	5,799	3,219	5,799
Maturity 1 to 5 years from balance sheet date	9,545	7,867	9,096	7,867
Maturity later than 5 years from balance sheet date	3,976	2,980	3,976	2,980
Total	**16,755**	**16,646**	**16,291**	**16,646**

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

Note 26 Derivatives

	Group		Parent Company	
	2011	2010	2011	2010
Short-term excess value	–	–	–	–
Long-term excess value	–	–	–	–
Total excess value	–	**–**	–	**–**
Short-term deficit	–	–3	–	–3
Long-term deficit	–664	–264	–664	–264
Total deficit	**–664**	**–267**	**–664**	**–267**
Total	**–664**	**–267**	**–664**	**–267**

The Group does not apply hedge accounting, see "Financial instruments" in Note 2 Accounting policies. Derivatives are classified as interest-bearing liabilities in the balance sheet and measured at fair value in compliance with level 2, IFRS 7, Section 27a, with the exception of the closable swaps and performance swaps, measured in accordance with level 3, IFRS 7. See also Note 2, page 70. Changes in value are recognised in profit or loss under a separate item, Changes in value, fixed income derivatives. IAS 39 has been applied also in the Parent Company since 2006.

	Group		Parent Company	
IFRS, level 3	**2011**	**2010**	**2011**	**2010**
Acquisition value at beginning of year	–250	–360	–250	–360
Acquisitions/Investments	–56	–	–56	–
Changes in value	–282	110	–282	110
Matured	56	–	56	–
Acquisition value at end of year	–532	–250	–532	–250
Carrying amount	**–532**	**–250**	**–532**	**–250**

The change in value of SEK –282m (110) was attributable in its entirety to derivative instruments held by the company at the end of the year as shown in the statement of comprehensive income.

Note 27 Deferred tax liability/asset

Interest-bearing liabilities	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Deferred tax has been calculated on the basis of:				
– Tax losses	–1,148	–1,104	–86	–33
– Difference between the carrying amounts and tax bases of properties	1,708	1,321	–	–
– Derivatives	–175	–70	–175	–70
– Other	5	5	–	–
Net deferred tax asset/liability	**390**	**152**	**–261**	**–103**

Negative amounts above refer to deferred tax assets.

Total recognised tax-loss carryforwards in the Group, which have been taken into account in calculating deferred tax, are approximately SEK 4.4bn (4.2). See also the section on tax in the Directors' Report, page 61.

Note 28 Provisions

Out of total provisions of SEK 195m (271), SEK 78m (146) refers to obligations relating to rental guarantees for divested properties and SEK 83m to pension provisions. Other amounts refer to stamp duties on properties that are payable upon the sale of a property, SEK 34m (43).

	Rental guarantees	Other provisions	Provisions for pensions	Total
At 1 Jan 2011	146	43	82	271
Provisions for the year			1	1
Used/paid during the year	–68	–9	–	–77
At 31 Dec 2011	**78**	**34**	**83**	**195**
Provisions comprise				
Long-term component	31	34	83	148
Short-term component	47	–	–	47
Total	**78**	**34**	**83**	**195**

Rental guarantees
The rental guarantees have remaining maturities of up to two 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 recognised 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 2011 are approximately SEK 3m (3). Alecta's surplus can be distributed to the policy owners and/or insured parties. At year-end 2011 Alecta's surplus, as expressed by the "collective funding ratio", was 113 per cent (146). 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 profit or loss to the extent that they are outside the band.

The Parent Company's pension provision refers to a PRI liability.

Note 29 Other liabilities

In 2011, the item primarily included liabilities related to the acquisition of a property for SEK 67m (0).

Note 30 Accrued expenses and deferred income

	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Advance payment of rents	279	280	–	–
Accrued interest expenses	53	39	52	39
Other provisions	136	147	29	21
Total	**468**	**466**	**81**	**60**

Note 31 Assets pledged as security and contingent liabilities

Assets pledged as security	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Property mortgages	12,439	13,404	–	–
Shares in subsidiaries	1,977	1,727	–	–
Promissory notes	–	–	13,107	12,627
Total	**14,416**	**15,131**	**13,107**	**12,627**
Contingent liabilities				
Guarantees on behalf of subsidiaries	–	–	2,967	3,019
Ongoing tax cases	2,680	2,038	–	–
Guarantees and undertakings for the benefit of associated companies	472	294	472	225
Other provisions	224	188	244	208
Total	**3,376**	**2,520**	**3,683**	**3,452**

The Group has pension commitments of SEK 34m (41), which are secured through a pension fund. The collective funding ratio for the pension fund is 126 per cent (128). 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 61.

Note 32 Interest paid

Interest paid during the year in the Group was SEK 636m (542), of which SEK 27m (13) has been capitalised in the investment business. No capitalisation of interest has been made in the Parent Company.

Note 33 Changes in working capital

	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Change acc. to balance sheet	1,210	–1,097	–120	34
Change in assets and liabilities in respect of interest income, dividends and interest expenses	–12	–2	–9	–2
Total	**1,198**	**–1,099**	**–129**	**32**

Note 34 Cash and cash equivalents

Cash and cash equivalents comprise cash assets and bank balances. The Group has unused overdraft facilities, which are not included in cash and cash equivalents, of SEK 120m (69).

Note 35 Related-party transactions

Erik Paulsson, with his family and companies, holds controlling influence in Hansan AB. In 2011, consulting services totalling SEK 3m (3) were procured. Hansen paid SEK 1m (0) in rent for premises to Fabege.

Receivables from Projektbolaget Oscarsborg AB totalled SEK 87m (81) at 31 December 2011. In 2011, a decision was taken to approve the sale of part of the Hammarby Gård 7 property to Oscar Properties, which is represented by Fabege Director Oscar Engelbert. The purchase consideration was SEK 265m with an expected profit of SEK 140m. The transaction is expected to be finalised in 2012.

Svensk Fastighetsfinansiering AB (SFFAB) is jointly owned by Fabege, Wihlborgs, Peab and Brinova. Fabege owns 30 per cent of the company. The intention is to expand the Fabege's financing base with a new source of financing. In December 2011, Fabege launched a bond programme with a total limit of SEK 5bn. Through the bond programme, Fabege borrowed SEK 289m in the capital market. The bonds are secured by property mortgage deeds.

A loan of SEK 130m was issued to the associated company Visio.

Fabege has a promissory note receivable of SEK 159m (150) from the associated company Råsta Holding. Fabege also purchased the 3D property Nationalarenan 8, which will be built on the Mall of Scandinavia, from Råsta Holding. The property's market value at the date of acquisition was SEK 7m. Fabege has a promissory note receivable of SEK 103m (0) from Arena bolaget i Solna KB, as well as a promissory note receivable of SEK 22m (0) from Swedish Arena Management KB.

Note 36 Dividend per share

The dividends that were adopted at Annual General Meetings and paid out in 2011 and 2010 were SEK 3.00 per share and SEK 2.00 per share, respectively. At the AGM on 29 March 2012 the Board will propose a dividend for 2011 of SEK 3.00 per share, resulting in a total dividend payment of SEK 486,675,252. The dividend amount is based on the total number of outstanding shares at 2 February 2011, i.e. 162,225,084 shares, and is subject to alteration up to and including the record date, depending on share buybacks.

Note 37 Adoption of the annual report

The Annual Report was adopted by the Board of Directors and approved for publication on 24 February 2012.

The Annual General Meeting will be held on 29 March 2012.

Note 38 Net turnover

The Parent Company's income consists primarily of intra-Group invoicing.

Note 39 Operating expenses

	Parent Company	
	2011	**2010**
Employee expenses	–61	–50
Administration and running costs	–131	–139
Depreciation of equipment	–1	–1
Total	**–193**	**–190**

Note 40 Profit/loss from shares and interests in Group companies

	Parent Company	
	2011	**2010**
Group contributions	65	216
Anticipated dividends on shares	2,000	–
Total	**2,065**	**216**

Note 41 Shares and interests in Group companies

	Parent Company	
	2011	**2010**
Cost at beginning of year	14,319	14,319
Acquisitions and additions	–	–
Sales	–	–
Cost at end of year	**14,319**	**14,319**
Opening depreciation	–991	–991
Impairment	–	–
Carrying amount	**–991**	**–991**
Closing accumulated depreciation	**13,328**	**13,328**

Directly owned subsidiaries

Name/Corporate identity no.	Regd. office	Capital share, % [1]	Carrying amount
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 184 (223) companies.

Note 42 Fees and compensation to auditors

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

Fees and expenses, SEK '000

	Group		Parent Company	
	2011	**2010**	**2011**	**2010**
Deloitte				
audit assignments[1]	3,183	3,355	3,183	3,355
other auditing activities	245	379	245	379
tax advisory services	531	770	531	770
other services	17	78	17	78
	3,976	**4,582**	**3,976**	**4,582**

[1] Auditing assignments pertain to the auditing of the Annual Report and financial statements, as well as the administration of the Board and the CEO, other tasks required by the company's auditors and advisory services and representation brought on by observations during such audits or such other tasks.

Note 43 Events after the balance sheet date

There were no significant events to report.

Corporate Governance Report

Fabege is a Swedish public limited-liability company with registered office in Stockholm. The company's corporate governance is based on its Articles of Association, the Swedish Companies Act and other applicable laws and regulations. Fabege applies the Swedish Corporate Governance Code (the "Code"), whose main purpose is to improve standards of governance among Swedish businesses. The Code is based on the principle of "comply or explain". The reasons for Fabege's departures from the Code are explained in greater detail 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, 3,166,488 are treasury shares, representing 1.9 per cent of the total number of shares. In Fabege all shares carry the same voting rights, which means that opportunities to exercise influence as an owner are consistent with each shareholder's capital share in the company. The following shareholders, directly or indirectly hold shares that represent one tenth or more of the votes for all shares in the company:

Shareholding	Share of votes, %
Brinova	14.4

Fabege's ownership structure is described on page 92.

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 (AGM). The full text of Fabege's Articles of Association is available at www.fabege.se.

ANNUAL GENERAL MEETING 2011

The AGM is the company's highest decision-making body. Shareholders who would like to participate in the business of the AGM must be registered in the transcript of the entire share register pertaining to the conditions prevailing five days prior to the AGM 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 AGM.

The 2011 AGM was held in Stockholm on 30 March 2011. Erik Paulsson was elected to chair the meeting. The AGM was attended by shareholders holding a total of 68.2m shares, representing 41.2 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:

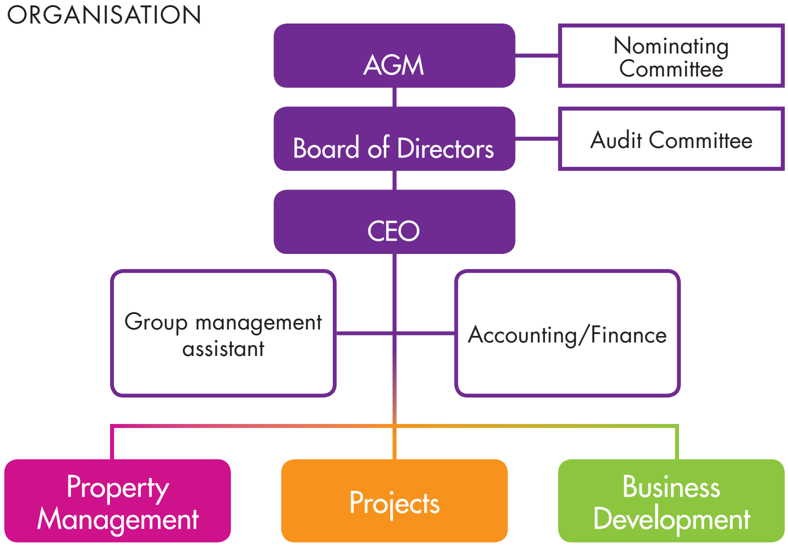
Amendment to the Articles of Association (proposed by the Board)

The AGM resolved on minor amendments to the Articles of Association requiring the number of Board members to be increased to nine and for the notification process to be simplified.

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

The AGM resolved that the Board should consist of nine Directors and approved the re-election of Göte Dahlin, Oscar Engelbert, Christian Hermelin, Märtha Josefsson, Pär Nuder, Mats Qviberg, Erik Paulsson and Svante Paulsson to the

ORGANISATION



Board. Eva Eriksson was elected to the Board as a new Director. Erik Paulsson was elected Chairman. The AGM resolved that a total of SEK 2,755,000 (2,445,000) be paid in Directors' fees in 2011.

Cash dividend (proposed by the Board)

The dividend was fixed at SEK 3.00 and the record date was set at 4 April 2011.

Principles for the appointment of the Nominating Committee (proposed by 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.

Remuneration to management

The AGM resolved on guidelines for the remuneration of management. Remuneration is to be in line with market terms and competitive. Responsibility and performances that coincide with shareholders' interested are to be reflected in the remuneration. The fixed salary is to be re-evaluated annually. Remuneration beyond the fixed salary, which rewards target-related performances, may be paid. Such remuneration is to be contingent on the degree to which predetermined targets were fulfilled within the framework of the company's operations. The targets encompass both financial and non-financial criteria. Any remuneration beyond the fixed salary is to be maximised and related to the fixed salary. Variable remuneration may not exceed three (3) months' salary. Managements' variable remuneration may not exceed an annual cost for the company totalling SEK 2.5m (excluding social security fees), calculated on the basis of the number of individuals who currently hold executive positions. Other benefits are to comprise a limited portion of the remuneration where applicable.

Authorisation on share buybacks (proposed by 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.

Resolution on property sale to Oscar Properties

The AGM resolved to approve the sale of part of the Hammarby Gård 7 property to Oscar Properties, which is represented by Fabege Director Oscar Engelbert. The purchase consideration was SEK 265m with an expected profit of SEK 140m.

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 29 September 2011 a Nominating Committee was announced that represents about 28.4 per cent of the votes in Fabege. The Nominating Committee consists of the following members: Bo Forsén (Brinova Fastigheter AB), Fredrik Grevelius (Investment AB Öresund), Eva Gottfridsdotter-Nilsson (Länsförsäkringar Fondförvaltning) and Anders Rydin (SEB Fonder).

The Nominating Committee held two 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 2012 AGM are available on the company's website. The Committee's proposals are also described in the notice for the 2012 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

Nine Directors were elected to the Board at the 2011 AGM, thus increasing the Board by one new Director. The AGM also elected Erik Paulsson as Chairman of the Board. Fabege's Chief Financial Officer, Åsa Bergström, acts as the Board's secretary.

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.

Nominating Committee's proposals

The Nominating Committee proposes re-electing Oscar Engelbert, Christian Hermelin, Märtha Josefsson, Pär Nuder, Erik Paulsson, Svante Paulsson, Mats Qviberg och Eva Eriksson, thus proposing eight Directors. 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 executive management. The other proposed Directors are, according to the definitions stipulated in the Code, independent in relation to the company, the executive 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 six scheduled meetings in addition to the statutory 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 2011, the Board held six scheduled meetings of a total of eleven meetings, including one statutory 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, scheduled meeting: Year-end financial statement 2010, Annual Report 2010, evaluation of the work of the Board, follow-up of compliance with guidelines on compensation for senior executives
2. March: Per capsulam
3. March, scheduled meeting: Briefing prior to the AGM
4. March: Statutory meeting after the AGM, signing for the company, committees
5. May: Per capsulam
6. May, scheduled meeting: Interim report for the first quarter, rules of procedure for the Board and Audit Committee, Code of Conduct
7. August: Per capsulam
8. August, scheduled meeting: Interim report for the second quarter
9. November, scheduled meeting: Interim report for the third quarter, evaluation of the CEO's performance, issues relating to management remuneration
10. November: Per capsulam
11. December, scheduled meeting: Strategy plan for 2012, budget for 2012

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, submit opinions on and approve all reports before they are published. In 2011, the Board made decisions on several major transactions and investments in the company's existing property portfolio. In 2011, Fabege sold eleven properties for SEK 936m. Five properties were acquired for SEK 518m. Decisions were made on investments of about SEK 1.8bn 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 2012.

The Directors are paid Directors' fees in accordance with the resolutions of the Annual General Meeting. For 2011, total fees of SEK 2,755,000 were paid, of which the Chairman received SEK 400,000 plus extra remuneration of SEK 835,000 for project work. The other Directors received SEK 200,000 and SEK 120,000 for work on the Board's Audit Committee, of which the chairman received SEK 60,000 and the other members SEK 30,000.

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 11 Board meetings and four meetings of the Audit Committee were held.

The Board 2011	Elected	Independent/ dependent	Board fee, SEK'000	Attendance Board	Attendance Audit Committee
Erik Paulsson, Chairman	1998	4)	1,235	11	
Göte Dahlin, Director	2000	1)	230	11	4
Eva Eriksson, Director *)	2011	1)	200	7	
Oscar Engelbert, Director	2010	2)	200	11	
Christian Hermelin, Director	2007	3)	–	11	
Märtha Josefsson, Director	2005	1)	260	11	4
Pär Nuder, Director	2010	1)	230	9	4
Svante Paulsson, Director	2007	5)	200	11	
Mats Qviberg, Director	2001	1)	200	11	

1) Independent in relation to the company, its executive management and major shareholders according to the Code.
2) Dependent in relation to the company, and independent in relation to its executive management and major shareholders according to the Code.
3) Dependent in relation to the company and its executive management, and independent in relation to its major shareholders according to the Code.
4) Dependent in relation to the company, its executive management and major shareholders according to the Code.
5) Independent in relation to the company and its executive management, and dependent in relation to and major shareholders according to the Code.
*) Assumed the position at the 2011 AGM.

The Audit Committee

The Board has appointed an Audit Committee from among its own members consisting of Märtha Josefsson (Chairman), Göte Dahlin and Pär Nuder. 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 policies 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 pro cesses 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 2011, four meetings of the Audit Committee were held. During the year, considerable 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 work on ethics and the Code of Conduct, a review of essential policies and guidelines concerning that services that may be procured from the elected auditors, the procurement of major projects and the company's transactions and interactions with associated companies, as well as the letting process. 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 74. The company's principles of remuneration and terms of employment will also be presented at the 2012 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 existing 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.

Until 31 March 2011, Group management comprised seven persons. Following a restructuring, Group management comprised four persons, in addition to the CEO:

Chief Financial Officer/Executive Vice President
Director of Properties
Director of Projects and Development
Director of Business Development

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 2011, the Board performed its annual review and adopted rules of procedure for the Board, rules of procedure for the Audit Committee and the company's Code of Conduct.

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 policies and instructions for the closing of the accounts and authorisation of payments. In 2010, Fabege implemented a comprehensive evaluation and update of its policies, which are subsequently regularly reviewed and updated. 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. In early 2011, Fabege joined the UN Global Compact and thus pledged to comply with the ten principles in the areas of human rights, labour rights, the environment and anticorruption. As part of its work on the UN Global Compact, the company established an ethics council and adopted a new Code of Conduct. The first status report will be submitted in March 2012 and comprises part of the company's Annual Report. During the year, work on reporting according to GRI was also initiated.

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 the Board and the Audit Committee for review by the auditors.

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 2011, all of the company's critical processes were subject to an internal review. In addition to the external audit performed in 2011, the company also performed an internal assessment of compliance and controls in critical processes.

A central controller function supports work on the follow up the operating units – Property Management and Projects. The control department is in charge of operational reporting. 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 Issuers. The aim is to improve knowledge of and build confidence in the company among investors, analysts and other stakeholders. In 2011, the effort to improve information and access to information on the external website continued. The communications department was strengthened by the recruitment of an additional employee with the aim of further improving and clarifying the dissemination of information to the market.

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.

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 Group management.

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

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

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

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

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

In the course of its work on examining and evaluating internal control in respect of critical processes in 2011, the Audit Committee found no 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, Fabege is working to facilitate internal evaluations of critical processes. 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: Alliance Oil, Anticimex, Black Earth Farming, Cinnober, Diligentia, Skandia Liv and Swedbank. 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 2012. The auditors have participated in and presented reports at all meetings of the Audit Committee (four in 2011). Reports were also presented to management in 2011.

Fees paid to the company's auditors are described in Note 42 on page 80.

DIFFERENCES IN RELATION TO THE CODE

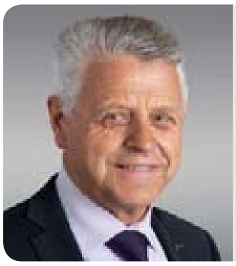
The application of the Code is based on the principle of 'comply or explain', which means that a company is not obliged to follow all rules without exception and that deviations from one or several individual rules do not constitute a breach of the Code if there are reasons for this and explanations 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, 24 February 2012

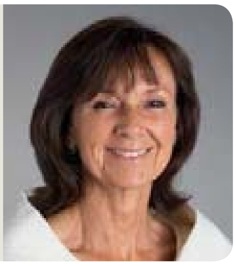
The Board of Directors

Board of Directors and Auditor



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

Eva Eriksson
Born 1959. Director since 2011.
Other directorships: Chairman of BWG Homes ASA. Director of ByggPartner AB, Fortin AS and Strategisk Arkitektur AB.
Education: M.Sc. in Engineering.
Shareholding: 0.



Christian Hermelin
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: 186,917.

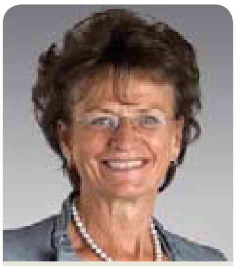
Pär Nuder
Born 1963.
Director since 2010.
Other directorships: Chairman of Sundbybergs Stadshus AB and Third AP-fund. Director of SkiStar AB, Nyx Security AB and Swedegas AB. Senior Director Albright Stonebridge Group.
Education: LL.M.
Shareholding: 0.

Mats Qviberg
Born 1953.
Director since 2001.
Other directorships: Chairman of the Board of Bilia AB and Investment AB Öresund. Director of SkiStar AB.
Education: Bachelor's degree in Business Administration.
Shareholding: 2,917,686.

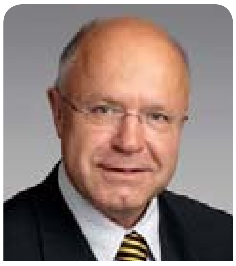
Svante Paulsson
Born 1972. Director since 2007.
Other directorships: Responsible for strategy and projects in Backahill AB. Deputy Chairman of the Board of Backahill AB. Director of Bilia AB, PEAB AB and AB Cernelle.
Education: Lower secondary school, High School in the US.
Shareholding: 166,918.

Göte Dahlin
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
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
Born 1947.
Director since 2005.
Other directorships: Director of Luxonen S.A, Cityhold Property, Second AP Fund and Skandia Fonder AB.
Education: Bachelor's degree in Economics.
Shareholding: 78,000.



AUDITOR
Svante Forsberg
Authorised Public accountant, Deloitte.
Born 1952.
Auditor at Fabege since 2005.
Other directorships: Auditing assignments in the following major companies: Alliance Oil, Anticimex, Black Earth Farming, Cinnober, Diligentia, Skandia Liv and Swedbank.

For information on independence/dependence, fees, etc. refer to page 83.

Shareholding at 31 December 2011.

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: 186,917.

Klaus Hansen Vikström
Director of Business Development. Born 1953. Employed since 2006, in current position since 2009.
Previous employment: Managing Director of Stockholm Modecenter, MD and founder of Brubaker AS.
Education: Diploma in Specialized Business Studies.
Shareholding: 39,517.

Åsa Bergström
Deputy CEO, Chief Financial Officer. Born 1964. Emloyed 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: 41,317.

Klas Holmgren
Director of Project and Development.
Born 1970.
Employed since 2001, in current position since 2010.
Previous employment: Platzer Bygg, Peab and JM.
Education: Engineer.
Shareholding: 19,517.

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: 49,517.

Shareholding at 31 December 2011.

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 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 24 February 2012

Erik Paulsson
Chairman

Göte Dahlin
Director

Oscar Engelbert
Director

Eva Eriksson
Director

Märtha Josefsson
Director

Pär Nuder
Director

Svante Paulsson
Director

Mats Qviberg
Director

Christian Hermelin
Director
Chief Executive Officer

We presented our audit report on 24 February 2011
Deloitte AB

Svante Forsberg
Authorized Public Accountant

Auditor's Report

To the annual general meeting of the shareholders of Fabege AB
Corporate identity number 556049-1523

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Fabege AB for the financial year 2011-01-01 – 2011-12-31, with the exception of the Corporate Governance Report on pages 81–86. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 58–89.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Fabege AB for the financial year 2011-01-01 – 2011-12-31. We have also performed a statutory review of the Corporate Governance Report.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and and for ensuring that the Corporate Governance Report on pages 81–86 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A Corporate Governance Report has been prepared and its statutory information is compliant with the provisions of the Companies Act and the other features of the annual accounts and consolidated accounts.

Stockholm, 24 February 2012
Deloitte AB

Svante Forsberg
Authorized 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. At year-end 2011, the company had market capitalisation of SEK 8.7bn and a net asset value of approximately SEK 11.9bn.

The property sector performed somewhat better than the stock market as a whole during 2011, although some decline in share prices was noted. The property index declined by 14 per cent and the Nasdaq OMX Stockholm was down 17 per cent. The Fabege share declined by 31 per cent from SEK 78.55 to SEK 53.90.

TURNOVER AND TRADING

Since the introduction of EU's MiFiD directive, which allows shares to be traded in marketplaces other than the markets where they are listed, a growing percentage of Swedish shares are being traded outside Stockholm. This trend is particularly noticeable for the most actively traded shares of the companies on the Large Cap list, for which other marketplaces usually account for 50 per cent or more of trading in these shares.

Trading in the Fabege share also reflects a trend toward more fragmented trading, with sales in a growing number of marketplaces; during 2011, the shares were traded in more than 10 marketplaces. The Nasdaq OMX Stockholm Nordic Exchange accounted for 50 per cent of all trading in Fabege shares during 2011, compared with 62 per cent in 2010 and 84 per cent in 2009.

During the year, a total of 296,000,000 (297,000,000) Fabege shares were traded, of which 149,000,000 (185,000,000) were traded on the Nasdaq OMX Stockholm Nordic Exchange. The total value of the traded shares was SEK 18.1bn (15.6), of which SEK 9.1bn (9.7) was traded in Stockholm. On an average trading day, 1,168,000 Fabege shares (1,173,000) were traded in 541 transactions.

The average turnover rate for Fabege shares was unchanged at 182 per cent (182), calculated based on the total share turnover. The average turnover rate for all companies on the Nasdaq OMX Stockholm Nordic Exchange was 95 per cent (95), which was in line with the preceding year, while the average turnover on the Large-Cap list rose somewhat to 101 per cent (99).

SHARE PRICE PERFORMANCE

The total return on Fabege's shares, i.e. the share price performance including reinvested dividends of SEK 3.00 per share, was minus 28 per cent. At year-end, the company had market capitalisation of about SEK 8.7bn. The highest price paid in 2011 was SEK 80.05, on 4 January, and the lowest price paid was SEK 45.00, on 8 August.

SHARE CAPITAL

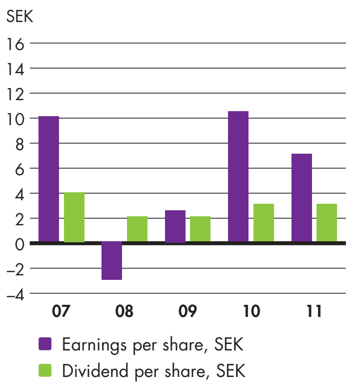
Fabege's share capital is SEK 5,097m (5,097), represented by 165,391,572 shares (165,391,572). All shares carry the same voting rights and entitle the holder to the same share of the company's capital.

The 2011 AGM resolved to authorise the Board of Directors to buy back shares during the period leading up to the 2012 AGM. Acquisitions may be made by means of purchases 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, 755,000 shares (1,411,488) were repurchased at an average price of SEK 51.03 (43.04). At 31 December 2011, Fabege's total holding of treasury shares was 3,166,488, or 1.9 per cent of the total number of registered shares.

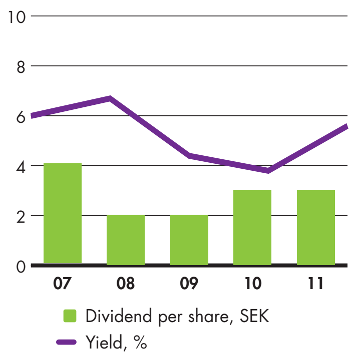
OWNERSHIP STRUCTURE

At 31 December 2011 Fabege had 32,156 shareholders (33,792). The largest shareholder was Brinova, which held 14.4 per cent of the total number of outstand-

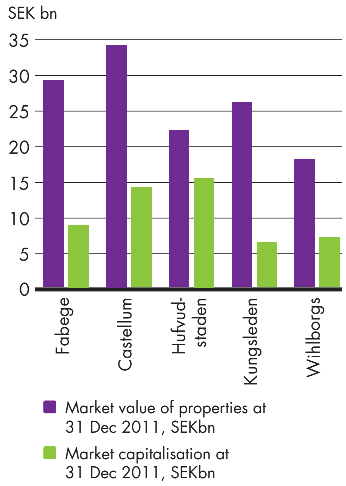
Profit/loss per share and dividend



Dividend per share and direct yield



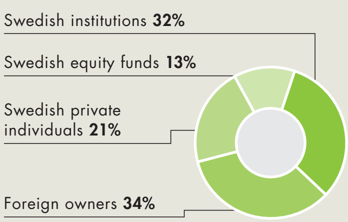
The largest listed property companies



Distribution by size of shareholding, 31 December 2011

Size of shareholding	No. of shareholders	Share of no. of shareholders, %	No. of shares	Share of capital and votes, %
0–500	21,447	66.7	4,096,973	2.5
501–1,000	4,941	15.3	3,856,768	2.3
1,001–5,000	4,574	14.2	9,906,837	6.0
5,001–10,000	568	1.8	4,092,012	2.5
10,001–100,000	474	1.5	13,547,520	8.2
100,001–1,000,000	127	0.4	44,974,377	27.2
1,000,001–	25	0.1	84,917,085	51.3
Total	**32,156**	**100.0**	**165,391,572**	**100.0**

Breakdown of ownership by category



Distribution by country

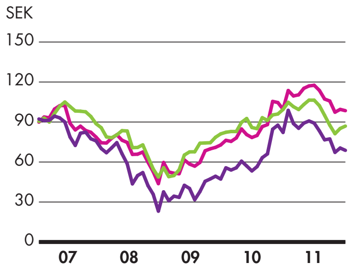
Country	2011	2010	2009
Sweden	65.7	67.6	70.2
USA	15.8	17.3	5.7
UK	5.0	2.3	9.9
Other countries	13.5	12.8	14.2

15 largest shareholders[1)] 31 Dec 2011

	No. of shares	Share of capital, %	Share of votes, %
Brinova AB	23,291,092	14.1	14.4
Öresund Investment AB	10,793,144	6.5	6.7
BlackRock funds	8,938,454	5.4	5.5
SEB funds	6,876,374	4.2	4.2
Länsförsäkringar funds	5,724,416	3.5	3.5
State of Norway	4,031,647	2.4	2.5
Swedbank Robur funds	3,098,233	1.9	1.9
Mats Qviberg and family	2,917,686	1.8	1.8
SHB funds	2,704,220	1.6	1.7
ENA City AB	2,670,000	1.6	1.6
Fourth AP-fund	2,600,342	1.6	1.6
Second AP-fund	1,830,612	1.1	1.1
AMF Försäkring & Fonder	1,630,000	1.0	1.0
Third AP-fund	1,402,672	0.8	0.9
Skandia Liv	1,165,293	0.7	0.7
Other foreign shareholders	43,858,085	26.5	27.0
Other Swedish shareholders	38,692,814	23.4	23.9
Total no. of outstanding shares	**162,225,084**	**98.1**	**100.0**
Treasury shares	3,166,488	1.9	0.0
Total no. of shares	**165,391,572**	**100.00**	**100.0**

[1)] Certain shareholders may have had a different shareholding in the nominee registration than that stated in the share ledger.
Source: SIS Ägarservice AB, according to data from Euroclear Sweden AB at 31 December 2011.

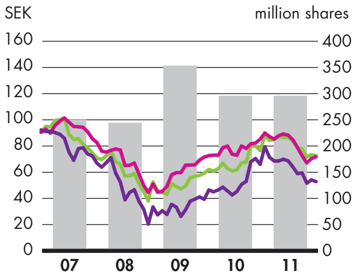
Total yield 2007–2011



- Fabege (incl. reinvested dividend)
- OMX Stockholm Return Index
- OMX Stockholm Real Estate Return Index

Source: Trust

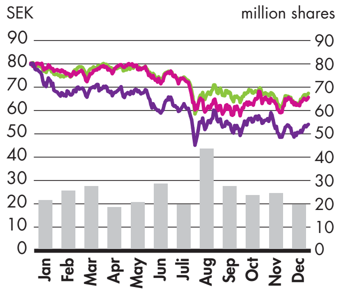
Share price performance 2007–2011



- Fabege
- OMX Stockholm All Share
- OMX Stockholm Real Estate
- No. of shares traded, million

Source: Trust and Fidessa

Share price performance 2011



- Fabege
- OMX Stockholm All Share
- OMX Stockholm Real Estate
- No. of shares traded, million

Source: Trust and Fidessa

ing shares, followed by Investment AB Öresund which held 6.7 per cent and BlackRock funds which held 5.5 per cent. The 15 largest owners jointly controlled 49.1 per cent of the total number of outstanding shares.

Foreign owners held 34.3 per cent of the share capital. Of the portion held by Swedish investors, amounting to 65.7 per cent, institutional owners held 32.5 per cent, equity funds 12.6 per cent and Swedish private investors 20.6 per cent of the share capital.

NET ASSET VALUE PER SHARE

Equity per share at 31 December 2011 was SEK 73 (69). Net asset value per share excluding deferred tax on fair value adjustments to properties was SEK 84 (77). At year-end, the share price thus represented approximately 64 per cent of net asset value. A margin of error in property valuations of +/– 1 per cent has an impact on net asset value of +/– SEK 215m, or SEK 1.33 per share. See the sensitivity analysis on property value on page 60.

DIVIDEND TO SHAREHOLDERS

According to its dividend policy, Fabege aims to pay a dividend to its shareholders comprising the part of the company's profit 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 (3.00) be paid to the shareholders. The dividend represents approximately 43 per cent of earnings per share and slightly more than 65 per cent of distributable earnings in accordance with the dividend policy.

The proposed record date for the right to receive a dividend is 3 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 10 April 2012.

Analysts covering Fabege

ABG Sundal Collier:	Fredric Cyon
ABN Amro Bank N.V.:	Jan Willem van Kranenburg
Carnegie Investment Bank:	Tobias Kaj
Danske Bank:	Peter Trigarszky
Deutsche Bank:	Fredrik Skoglund
DnB NOR:	Siemen R Mortensen
Erik Penser AB:	Johan Edberg
Goldman Sachs International:	Julian Livingston-Booth
Handelsbanken Capital Markets:	Albin Sandberg
Kempen:	Robert Woerdeman
Morgan Stanley:	Bart Gysens
Nordea Bank:	Jonas Andersson
Pareto Öhman:	David Zaudy
Swedbank:	Andreas Daag
SEB Enskilda:	Bengt Claesson
UBS Investment Bank:	Howard Lesser

Key figures	2011	2010
Financial		
Return on capital employed, %	7.2	8.7
Return on equity, %	9.9	16.0
Interest coverage ratio, multiple	2.2	3.0
Equity/assets ratio, %	39	39
Leverage properties, %	57	62
Debt/equity ratio, multiple	1.4	1.5
Per share data		
Earnings per share for the year, SEK	7.01	10.38
Equity per share, SEK	73	69
Cash flow per share, SEK	4.49	6.13
No. of outstanding shares at end of period, '000	162,225	162,980
Average no. of shares, '000	162,719	163,504
Dividend, SEK	3.00[1]	3.00
Yield, %	5.6	3.8

[1] Proposed dividend 2011.

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. ■

Annual General Meeting

The Annual General Meeting of Fabege AB (publ) will be held at 5 pm CET on Thursday 29 March 2012 at Norra Latin, Drottninggatan 71B, Stockholm, Sweden. Registration for the AGM begins at 4 pm CET.

The notice of the 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 Friday 23 March 2012,
- notify the company of their intention to participate, stating the names of any advisors they wish to invite, no later than 4:00 pm CET on Friday 23 March 2012.

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 3 April 2012. If the AGM adopts the proposed resolution, it is expected that the dividend will be paid through Euroclear Sweden AB (formerly VPC AB) on 10 April 2012.

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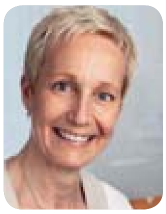

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Financial calendar

Interim report Jan–March... 26 April 2012
Interim report Jan–June.........6 July 2012
Interim report Jan–Sept...... 16 Oct 2012
Year-end report 2012...........4 Feb 2013
Annual Report 2012 .... March 2013

Five-year summary[1)]

	2011	2010	2009	2008	2007
Profit and loss accounts, SEKm					
Rental income	1,804	2,007	2,194	2,214	2,066
Net operating income	1,227	1,348	1,465	1,438	1,312
Realised changes in value/Gain from property sales	173	237	57	143	446
Unrealised changes in value, properties	1,093	843	–310	–1,545	893
Profit/loss from property management	564	782	838	568	703
Profit/loss before tax	1,417	1,929	680	–1,340	2,066
Profit/loss after tax	1,141	1,697	425	–511	1,812
Balance sheets, SEKm					
Investment properties	29,150	26,969	29,193	29,511	30,829
Other tangible fixed assets	1	3	2	3	6
Financial fixed assets	1,124	714	620	586	387
Current assets	362	1,504	704	388	458
Cash and cash equivalents	74	73	173	54	75
Equity	11,890	11,276	9,969	9,873	11,415
of which minority share of equity [2)]	–	–	–	–	–
Provisions	585	423	439	624	1,393
Interest-bearing liabilities	16,755	16,646	19,109	18,902	17,210
Derivatives	664	267	373	471	–
Non-interest-bearing liabilities	817	651	802	672	1,737
Total assets	30,711	29,263	30,692	30,542	31,755
Key ratios [3)]					
Surplus ratio, %	68	67	67	65	64
Interest coverage ratio, multiple	2.2	3.0	2.6	1.9	2.8
Capital employed, SEKm	29,309	28,189	29,451	29,246	28,625
Equity/assets ratio, %	38.7	39	32	32	36
Debt/equity ratio, multiple	1.4	1.5	1.9	1.9	1.5
Leverage, properties, %	57.5	62	65	64	56
Return on equity, %	9.9	16.0	4.3	–4.8	15.4
Return on capital employed, %	7.2	8.7	4.2	–1.7	9.9
Average interest rate on interest-bearing liabilities, %	3.72	3.45	2.48	3.27	4.28
Property acquisitions and investments in existing properties, SEKm	1,986	907	1,138	2,164	4,984
Property sales, selling price, SEKm	936	4,350	1,234	2,095	2,919
Average no. of employees	124	125	139	149	146
Data per share, SEK [3)]					
Earnings	7.01	10.38	2.59	–3.07	9.98
Equity	73	69	61	60	67
Dividend	3.00[4)]	3.00	2.00	2.00	4.00
Yield, %	5.6	3.8	4.4	6.7	6.0
Share price at year-end [5)]	53.90	78.55	45.20	30.00	66.25
No. of shares at year-end before dilution, millions	162	163	164	164	171
Average no. of shares after dilution, millions	163	163	164	168	182

[1)] The years 2007–2011 have been prepared and, where appropriate, remeasured in accordance with IFRS.

[2)] Under IFRS, minority shares are to be recognised as part of shareholders' equity. Under previous Swedish rules, shareholders' equity was recognised excluding minority shares, which were recognised separately as minority interest instead.

[3)] Key ratios based on the average number of shares, shareholders' equity, capital employed, and interest-bearing liabilities have been calculated on a weighted average basis. For 2007–2008, the dilution effects of convertible debentures outstanding have been taken into account when calculating key data per share.

[4)] Cash dividend 2011 as proposed.

[5)] Last paid.

Definitions on page 97.

History

When the current Fabege was created in spring 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 in 2004, 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.

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 year-end, 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. Some 17 properties are sold and eight 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 the portfolio is found in a five kilometre 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.

2011
The concentration of the property portfolio continues and Fabege continues to focus on the development of projects. The new Arenastaden city district is growing and developing, with the Mall of Scandinavia and Swedbank Arena as major landmarks.

Definitions

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

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

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 on-going 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 carrying amount 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.

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Fabege