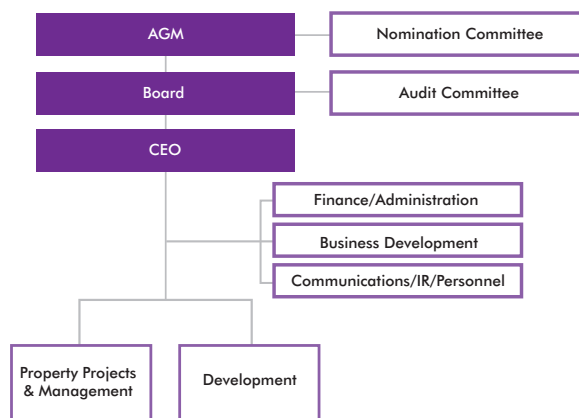


Corporate governance report

Fabege applies the Swedish Code of Corporate Governance (the Code). This corporate governance report does not form part of the formal financial statements but constitutes a separate report. Fabege's corporate governance report, which follows, has not been examined by the Company's auditors. Responsibility for governance, management and control of Fabege's operations is shared between the shareholders at the Annual General Meeting, the Board and the CEO.



THE SHAREHOLDERS

The Annual General Meeting is the Company's highest decision-making body. All shares in Fabege have the same voting power at the Annual General Meeting, which means that the possibility of exercising owner influence is equivalent to the proportion of the Company's capital held by the individual shareholder.

Fabege's ownership structure can be found on page 20.

Articles of Association

The Articles of Association of Fabege stipulate that the Company is to acquire, manage, improve and dispose of properties. The Board has its registered offices in Stockholm and is to comprise at least four and no more than eight members (a proposal has been made to the 2007 Annual General Meeting regarding a change to no more than nine members). The Annual General Meeting is to be held in Stockholm, and notice of the meeting is to be issued not earlier than six weeks and no later than four weeks before that date. The full text of the Articles of Association (according to proposal) can be found on page 81.

Annual General Meeting 2006

The Annual General Meeting was held in Stockholm on 4 April 2006. Mats Qviberg was elected to chair the meeting. 37 percent of the number of votes, were represented at the meeting. The full minutes of the Annual General Meeting are available on the Fabege website, www.fabege.se. Decisions taken by the meeting included the following:

Election of Board members and resolution on Board fees (proposal from the nomination committee)

It was decided that the number of Board members was to be seven and that Stefan Dahlbo, Göte Dahlin, Sven-Åke Johansson, Märtha Josefsson, Erik Paulsson, Mats Qviberg and Maths O. Sundqvist be re-elected as Board members with Mats Qviberg as Chairman of the Board.

Dividend, cash (proposal from the Board)

The dividend was established at SEK 7.50 with record day being 7 April 2006.

Authorisation of buy-back of own shares (proposal from the Board)

A decision was taken to authorise the Board to acquire and transfer shares, up to the date of the next AGM. This acquisition shall refer to a maximum of the number of shares that, at any given moment, are equivalent to 10 percent of the total number of outstanding shares.

Resolution on directed new share issue (proposal from the Board)

A decision was taken regarding a directed new share issue of no more than 4,553,335 new shares. The new shares were to be subscribed only by the shareholders in Fastighets AB Tornet (Tornet) and the decision was brought about by Fabege's offer of acquisition of all shares in Tornet.

Change of the Articles of Association (proposal from the Board)

A decision was taken to change wording which means that there will be a number of changes in order to adapt the Articles of Association to the current rules according to the new version of the Swedish Companies Act (SFS2005:551).

Principles for appointment of Nomination Committee (proposal from Nomination Committee)

Principles for appointment of the Nomination Committee were established as well as the proposals that the Nomination Committee is to develop. The Nomination Committee shall be made up of representatives of the four largest owners.

The Nomination Committee

The Nomination Committee is the body of the Annual General Meeting handling the preparation of decisions by the Meeting on appointment matters. The task of the Nomination Committee is to draw up proposals relating to the chairman of the Annual General Meeting, the Board, fees to be paid to the Board, auditors and audit fees and any changes in principles for appointment of the Nomination Committee.

The proposed directors' fees shall be divided among the Chairman of the Board, other Board members and members of committees.

On 27 September 2006, a Nomination Committee was announced with representation of the four largest shareholders, in accordance with the decision taken at the 2006 AGM. Peter Lindh (represented Maths O Sundqvist), Anders Silverbåge (Brinova

Fastigheter AB), Erik Törnberg (Investment AB Öresund) and Jan Andersson (Swedbank Robur Fonder) were appointed to the Nomination Committee. Anders Silverbåge was appointed chairman of the Nomination Committee. Together, the four shareholder representatives represent approximately 33 percent of the votes in Fabege.

The Nomination Committee has held three meetings at which minutes were kept and has had regular contact between these meetings. The Nomination Committee has based its activities on meetings with the Chairman of the Board, the former and current CEO and the Company's auditors and has been informed, among others, on the Company's strategy, risk management and control functions.

The Nomination Committee has discussed the size and composition of the Board, among others, referring to business experience, competence, the need for continuity and renewal in the work of the Board and the effects of the change of CEO. The Nomination Committee has also discussed and taken into consideration the issue of the independence of the Board members (see below regarding description of the Board).

The Nomination Committee's account of the manner in which its work has been undertaken and the Nomination Committee's proposals ahead of the 2007 AGM can be found on the Company's website. The committee's proposals are also set forth in the notice of the 2007 AGM.

THE BOARD OF DIRECTORS

In accordance with the Swedish Companies Act, the Board is responsible for Company organisation and for administration of the Company's affairs. The Board is to continuously assess the financial situation of the Company and Group. The principal task of the Board is to administer the Company's affairs on behalf of the shareholders in such a manner that the interests of the shareholders regarding the long-term positive return on capital are met.

The Board in 2006 comprised seven members elected at the 2006 Annual General Meeting. Mats Qviberg was also appointed Chairman of the Board at the Annual General Meeting. Sven-Åke Johansson was appointed deputy chairman at the Board meeting following election. Fabege's Director of Economy and Finance, Roger Johansson is the Secretary of the Board.

The Fabege Board contains expertise and experience which is of great significance in supporting, following and monitoring the operations of a leading property company in Sweden. Among the directors, there is great expertise regarding properties, the property market, financing and business development. During the year, an evaluation was made of the Board, indicating that the Board was working with great efficiency. The members of the Board, taken together, directly or indirectly, have considerable investments of their own in Fabege shares.

The composition of Fabege's Board fulfils the requirements of the Code and the listing agreements of Stockholmsbörsen (the Stockholm Stock Exchange). This applies to the Board during 2006 and the Nomination Committee's proposal for a new Board composition. Of the proposed Board members, the CEO Erik Paulsson is to be regarded as dependent in relation both to the Company and to major shareholders, Helen Olausson and Svante Paulsson dependent in relation to larger owners and MD Christian Hermelin dependent in relation to the Company. Other proposed Board members,

according to the definition in the Code and the listing of the Stockholm Stock Exchange, are independent in relation to both the Company and major shareholders.

The Board held five scheduled meetings during 2006 and a total of 12 Board meetings including the first meeting following election, extra meetings and meetings by correspondence. 2006 was a very active and eventful year for Fabege. The Board took decisions on several major transactions during the year. The reconstruction of and integration with Fastighets AB Tornet was handled and completed during the year. During 2006, properties were acquired for a total of SEK 16bn, while properties were sold for about SEK 12bn. A review of business concepts, goals, strategies, budget and quarterly report were also discussed. Information on the Board members' attendance at meetings is available in the nearby table. Information regarding the members included in the Audit Committee is also presented in the table.

Fees are paid to members of the Board in accordance with a decision adopted by the Annual General Meeting, and fees for 2006 amounted to a total of SEK 1,325,000, of which the Chairman received SEK 350,000, other members other than the CEO SEK 175,000 and SEK 100,000 for work in the Audit Committee of the Board, of which the Chairman receives SEK 50,000 and members SEK 25,000.

Attendance of meetings

12 Board meetings and five Audit Committee meetings have been held during the period.

| | Board meetings | Audit Committee |
|-------------------------------------|----------------|-----------------|
| Mats Qviberg, Chairman | 12 | ¹⁾ |
| Sven-Åke Johansson, Deputy Chairman | 12 | 5 |
| Stefan Dahlbo, member | 12 | ¹⁾ |
| Göte Dahlin, member | 12 | 5 |
| Märtha Josefsson, member | 11 | 5 |
| Erik Paulsson, member | 12 | ¹⁾ |
| Maths O Sundqvist, member | 10 | ¹⁾ |

¹⁾ Is not a member of the Audit Committee, hence no attendance is registered.

Rules of procedure and instructions

The Board of Fabege AB annually adopts rules of procedure, including instructions for distribution of work (with instructions for the CEO) and reporting instructions. In addition to the general provisions of the Swedish Companies Act, the Rules of Procedure, among other things, govern the following:

- The number of Board meetings (normally five scheduled meetings in addition to the first meeting following election)
- The forms of extra meetings and meetings by correspondence
- Items to be included on the agenda of a particular meeting
- The point in time at which Board material becomes available
- The keeping of minutes
- The duties of the Board of Directors
- The special position of the Chairman of the Board within the Board and the particular duties associated with this position

- Nomination of the Audit Committee with indication of the committee's duties
- The forms of discussion of remuneration issues
- The Board's delegation of the right of decision
- Reporting by the auditors, meetings with the auditors

The items which are normally present on the agenda are financial and operational reporting, decisions regarding acquisitions, sales and investments in existing properties, current market issues, personnel issues and reporting by the Audit Committee. The meeting in November/December dealt with budget issues and the updating of goals and strategy. Matters such as evaluation of the Board and CEO and remuneration issues are permanent items in the annual planning.

Audit Committee

The Board has appointed an Audit Committee from among its members. The Audit Committee comprises Sven-Åke Johansson (chairman.), Göte Dahlin and Märtha Josefsson, and is the extended arm of the Board for detailed examination of the Company's accounting/reporting, exercise of governance and control, risk management and conduct of the audit.

The Audit Committee has special rules of procedure which are adopted by the Board. Fabege's Audit Committee fulfils the requirements of the Code in relation to composition, and its members possess expertise and experience in auditing matters and other matters which fall within the committee's remit.

Five meetings were held in 2006. The minutes were distributed to all directors and the chairman of the committee reports to the Board.

During the year, major emphasis was put on the Company's internal control system. Items discussed among others were the project process, the financial function and the salary process. The Company ethical guidelines were also discussed as well as current auditing. At the meeting, the Company's auditors presented a report on their examination during the year. Risks in operations and financial reporting were discussed, as was the orientation of the audit.

Issues relating to remuneration to the Company management

The Board adopted policies for remuneration and other terms of employment for the Company management and decided on the remuneration and other terms of employment of the CEO. The entire Board, with the exception of the CEO, fulfils the duties incumbent upon a remuneration committee and therefore takes part in discussions and decisions on remuneration issues.

The remuneration of the CEO and corporate management and other benefits and terms of employment are set forth in Note 5 on page 60. The principles of remuneration and terms of employment will also be presented for approval at the 2007 Annual General Meeting.



From the left: Erik Paulsson, Göte Dahlin, Stefan Dahlbo, Mats Qviberg, Märtha Josefsson, Maths O Sundqvist and Sven-Åke Johansson.

Board of Directors of Fabege

Mats Qviberg¹⁾

Born: 1953.
 Chairman of the Board since 2001.
 Chief Executive Officer of Investment AB Öresund.
Other assignments: Chairman of the Board of HQ AB and Bilia AB. Director of the Board of SkiStar AB.
Education: Bachelor's degree in Business administration.
Shareholding: 1,136,893.

Sven-Åke Johansson¹⁾

Born: 1939.
 Deputy Chairman of the Board. Director of the Board since 2000.
Other assignments: Chairman of the Board of Industrifonden and Nordisk Renting AB. Deputy Chairman of Åkers AB and Director of the Board of Sittel AB.
Education: Doctor of technology and Bachelor's degree in Business administration.
Shareholding: 10,400.

Stefan Dahlbo¹⁾

Born: 1959.
 Director of the Board since 2003. Executive vice President of Investment AB Öresund.
Other assignments: Chairman of the Board of Klöver AB. Director of the Board of HQ AB and Nobia AB.
Education: Bachelor's degree in Business administration.
Shareholding: 19,000.

Göte Dahlin¹⁾

Born: 1941.
 Director of the Board since 2000.
Other assignments: Chairman of the Board of Veidekke ASA. Deputy Chairman of the Board of Nordisk Renting AB. Director of the Board of Svensk Inredning AB and ZAO Pervomayskaya Zarya.
Education: Bachelor's degree in Natural sciences.
Shareholding: 8,000.

Märtha Josefsson¹⁾

Born: 1947.
 Director of the Board since 2005. Chairman of the Board of Svenska Lärarfonder AB.
Other assignments: Director of the Board of Andra AP-fonden, Anoto AB, Ledstiernan AB, Luxonen S.A., Skandia Fonder AB, Upsala Nya Tidning AB and Telelogic AB.
Education: Bachelor's degree in Economics.
Shareholding: 4,480

Maths O Sundqvist

Born: 1950.
 Director of the Board since 2000. Chief Executive Officer of AB Skrindan.
Other assignments: Chairman of the Board of Jämtlamell AB. Director of the Board of Hexagon AB and Investment AB Öresund.
Education: Upper secondary school, Business administration.
Shareholding: 10,650,022.
 Dependent in relation to major shareholders.

Erik Paulsson

Born: 1942.
 Deputy Chairman of the Board since 2007 and Director of the Board since 1998.
Other assignments: Chairman of the Board of SkiStar AB and Wihlborgs Fastigheter AB. Director of the Board of Nolato AB.
Education: Lower secondary school, Business manager since 1959.
Shareholding: 32,000 and via Brinova.
 Dependent in relation both to the company and to major shareholders.

¹⁾ Independent according to the Swedish Code and the Stockholm Stock Exchange's listing agreement, independent in relation to both the Company and major shareholders.

CORPORATE MANAGEMENT

Chief Executive Officer

The CEO is responsible for operational control, and has responsibility for attending to continuous administration and directing operations in accordance with the Board's guidelines and instructions.

In addition to the distribution of responsibilities which applies in general under the Swedish Companies Act, the instructions for the CEO, among other things, govern the following:

- The duty and obligation of the CEO to ensure that the Board obtains information and necessary support for decision-making.
- The role of the CEO in making presentations at Board meetings.
- The duty and obligation of the CEO to continuously ensure that necessary information is obtained from each Company in the Group.
- The duty and obligation of the CEO to monitor compliance with adopted business concepts, objectives, strategic plans and guidelines and, if necessary, to propose revision of these to the Board.
- Matters that should always be submitted to the Board include major acquisitions, sales, or major investments in existing properties.
- It is the CEO's duty and obligation to ensure that Fabège observes the responsibilities concerning information etc. consequent to Fabège's listing agreement with the Nordic Exchange.

The rules of procedure also contain special reporting instructions governing the contents and times of reporting to the Board.

Group Management

In addition to the President and CEO, Group management comprises six individuals (for current members of Group management, see page 77):

- Executive vice President, Chief Financial Officer
- Director of Administration
- Director of Corporate Communications
- Executive Assistant to the CEO
- Director of Properties
- Director of Projects & Development

Group management meetings are normally held every two weeks. The meetings discuss strategic and operational issues such as property transactions, letting, market trends, organisation and monthly and quarterly follow-up.

Group management



Christian Hermelin

Born: 1964.

President and CEO.

Employed 1998 and in present position since 2007.

Previous employments: Project Manager at Fastighets AB Storheden.

Education: Bachelor's degree in Business administration.

Shareholding: 15,700.



Roger Johansson

Born: 1969.

Executive vice President and CFO.

Employed in present position since 2007.

Previous employments: Chief Financial Officer of the former Fabegge AB. Director of Finance of Drott and auditor with Deloitte & Touche AB.

Education: Bachelor's degree in Business administration.

Shareholding: 10,000.



Mats Berg

Born: 1958.

Director of Corporate Communications.

Employed in present position since 2001.

Previous employments: Head of market communications at AssiDomän. Director of Corporate Communications at AssiDomän Packaging and director of Corporate Communications at IBM Svenska and IBM Healthcare. And various corporate communications positions in Ericsson, Telia and Nynäs Petroleum.

Education: Bachelor's degree of arts, DIHR.

Shareholding: 7,500.



Anders Hörnqvist

Born: 1966.

Executive vice President and Director of Properties.

Employed 1998 and in present position since 2007.

Other directorships etc.: Member of the Board of Fastighetsägarna Stockholm.

Previous employments: Director of Properties in Fastighets AB Storheden and Property Manager in Granit & Beton AB.

Education: Bachelor's degree in Engineering.

Shareholding: 10,010.

REPORT ON INTERNAL CONTROL RELATING TO FINANCIAL REPORTING

Internal control is a process that is influenced by the Board, the corporate management, and other personnel. It has been designed to provide a reasonable assurance that the Company

- Has an appropriate and efficient organisation in regards to its operations
- Has reliable financial reporting
- Complies with rules and regulations

This report is limited to the internal control relating to the financial reporting and is not a part of the formal annual report. As such, it has not been reviewed by the Company's auditors. The Company utilises the established COSO (Internal Control – Integrated Framework) framework in its work.

Control environment

The Board has adopted Rules of Procedure to enable it to carry out its work effectively. These provide guidelines for the work of the Board and its committees, the assignment of the CEO and the financial reporting. It is updated annually.

The management of the Company reports regularly to the Board in accordance with the guidelines of financial reporting, the purpose of which is to provide information which is relevant, adequate, up-to-date and appropriate.

The Audit Committee, which represents the extended arm of the Board in the work of monitoring the formulation and reliability of the financial reporting, also reports to the Board.

The Rules of Procedure are also intended to bring about a clear distribution of responsibility between the Board (and its committees) and the CEO (with his management), among other things to bring about effective management of risks both in operations and in financial reporting.

In 2006, the Board laid down ethical guidelines for the management and other employees to follow. Policies regarding environment, equality and information, accounting principles and annual accounts instructions, and instructions regarding authorisation and payment approval already exist within the Company.

While Fabege has an organisation that is geographically concentrated and operations that are homogeneous, its legal structure is complex. Operations are capital intensive and are characterised by large flows of lease income, project expenses, acquisitions/sales of properties and financial costs.

Corporate management is responsible for formulating and documenting, as well as preparing and testing, the systems/processes and internal controls required to master material risks in the reporting of operating activities. This includes informing affected employees about their responsibility for maintaining good internal control.

As well as reviewing the contents of the financial reporting and methods employed in its preparation, the Audit Committee has looked at how the more detailed and frequent internal reporting is used in the evaluation and management of parts of the operation, this use indicating the quality of the control environment.

Risk assessment and control activities

Risks and critical processes, functions, and areas, are formulated from the control environment, significant results and balance sheet items, and significant processes of operations. Examples of processes, functions, and areas that have been defined as critical are the purchase, sales, and valuation processes referring to properties, the project process, the finance function, and the annual accounts process.

Every critical process, function, or area is to be described and documented with regards to the assignment of responsibilities, risk, and control. Appropriate instructions, routines, and manuals are to be prepared, updated, and communicated to the involved co-workers in order to assure their updated knowledge and adequate tools. As a whole, the internal control system is operated centrally by the management/Group function, but a suitable co-worker is assigned for every defined critical process, function, or area.

The operational units Administration and Projects & Development have control functions of their own, which are supplemented by a central control function on the Group level. Operational reporting is to take place on a monthly and quarterly basis in accordance with a standardised reporting package. Those responsible for the operations comment on and authorise the reporting.

A central function prepares the consolidated accounts and financial in close co-operation with the control function/the operative units and the finance function. This process has built-in control activities regarding reconciliation against independent systems/specifications of outcomes for income statement and balance sheet items.

Through the Audit Committee, the Board stays informed of and discusses the risks of error in the financial reporting, this review taking place following consultation with the external auditors.

Follow-up

The system for internal control needs to be updated as time goes by. This process is to be continuously overseen and observed as a part of the management work at different levels of the Company, partly by monitoring the person responsible for his or her respective and defined critical process, function, or area, and partly by a yearly evaluation of the internal control system.

The board regularly assesses the information submitted by the management and the Audit Committee. The Audit Committee's assignment to monitor management's work on improving internal control is of particular importance. It is of equal importance that necessary measures be taken regarding the shortcomings discovered by and suggestions arising from the Board, Audit Committee or auditor's reviews.

The Audit Committee keeps itself informed of the external auditors' review of the Company's accounts and internal control on a regular basis. The Company's auditors review the financial reporting regarding the annual report and carry out reviews of the quarterly reports.

The Audit Committee has, in its reviews, not found any reason to notify the Board of any significant shortcomings or unobserved risks in the financial reporting.



Svante Forsberg

Born: 1952

Fabege's auditor-in-charge since 2005

Authorised Public Accountant at Deloitte AB

Other significant audit assignments: Skandia Liv, Nordea, Anticimex and Connecta.

Internal audit

In consideration of the homogenous and geographically limited character of the operation and the simple design of the organisation, the Board has not found cause to set up an internal audit unit, as it has judged that the monitoring and reviews reported above are adequate, together with the external audit, to maintain effective internal control relating to financial reporting.

AUDIT

The Company's auditor shall, according to the Companies Act, review the Company's annual report and accounts as well as the management of the Board and the CEO. Following every financial year, the auditor is to submit an audit report to the Annual General Meeting. Auditors are appointed and remunerated in accordance with a decision adopted by the Annual General Meeting or a proposal of the Election Committee.

The Annual General Meeting for 2005 appointed Deloitte as auditor and Authorised Public Accountant Svante Forsberg to be in charge of the audit work for the time period until the Annual General Meeting for 2009.

Other than Fabege, Svante Forsberg has audit assignments for the following larger companies: Skandia Liv, Nordea, Anticimex and Connecta. He has no assignments for companies related to Fabege's principal owners or CEO. Over the past three years, Deloitte has also assisted Fabege in missions related to prospectus and auditing issues. The auditors reported their observations and presented their view on Fabege's internal control to the Board of Directors in February 2007. The auditors have participated in and submitted reports to all meetings with the Audit Committee (five during 2006). Reports have also been submitted to Company Management during the year.

Details of remuneration to Company's auditors can be found in Note 44 on page 67.

DEPARTURES FROM THE CODE

The code is based on the principle "comply or explain", which means that all rules must not always be followed and that no violation of the Code is entailed in diverging from one or more rules if such an action can be motivated and explained.

- While all board members have met with the auditors, none of them have done so without the presence of the CEO or another person from the Company's management. The board has, after reconciliation with the Company's auditor, not found such a meeting necessary, partly because of the fact that the auditors at numerous occasions have presented to the Audit Committee without the presence of the CEO.

Stockholm, 7 March 2007
The Board of Directors