



UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

Communication in CEO Letters before, during and after the Great Financial Crisis in 2008

A study of two companies in the real estate industry in
Sweden

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ABSTRACT

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Title: *Disclosure in CEO Letters before, during and after the Great Financial Crisis in 2008 - A study of two companies in the real estate industry in Sweden*

Background and problem discussion: In 2008 a financial crisis was set off by the burst of a real estate bubble. For many private stakeholders the crisis came more or less as a surprise since they had not anticipated that something like this could occur. Since many rely on the information stated in the annual reports of the companies it is important that this information is relevant and reliable. One of the three most read parts in annual reports are the CEO letters - personal letters written by the CEOs. There has been a debate about the usefulness of the information stated in these CEO letters. Does it give a true and fair view of the company or is it just a rhetorical tool to convince stakeholders? As a stakeholder it is important to be able to rely on all the information given in annual reports, both in good times and in bad times. Considering this the authors find it interesting to examine how the communication in CEO letters differs before, during and after the crisis and how it reflects the financial result.

Purpose: The purpose is to study the CEO letters of two Swedish real estate companies and examine how the communication differs and how it reflects the financial results before, during and after the great financial crisis in 2008.

Methodology: A textual analysis was performed on three CEO letters each, of two Swedish real estate companies, Fabege and Castellum. Two kinds of methods for textual analysis were used – content analysis and rhetorical analysis.

Results and conclusions: The communication did change when the financial crisis occurred but how it differed was not entirely the same in the examined companies. Fabege became more personal and disclosed more while Castellum became less personal with less disclosure during the financial crisis. Still, some similarities were observed. There was no tendency of any of the companies communicating more responsibility during the crisis but instead they both blamed their operational environment for the poor outcomes in greater extent. Both also made greater attempts to engage the readers and create interest during and after the crisis. The theoretical framework could not explain all differences – the authors found that other factors than the financial outcomes affected the communication. How the information stated in the CEO letters reflected the financial results also differed throughout the years. During the crisis financial results were not reflected as objectively as when outcomes were positive.

Keywords: CEO letter; voluntary disclosure; communication; real estate industry; content analysis; rhetorical analysis

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1 INTRODUCTION

1 INTRODUCTION

This opening chapter begins with a background description of the subject, followed by a problem discussion which argues about the problems considering voluntary disclosure in CEO letters. The purpose of this thesis is presented along with the research question and the chapter closes with a presentation of the outline of this thesis.

1.1 BACKGROUND

The real estate industry represents about 40 % of the wealth in the world and in 2001 the market boomed. This led to an increase in construction activity and mortgages and by the year of 2008 a real estate bubble had been built up. The prices on the market were initially high and the banks had given credit with low security. When the bubble suddenly burst and prices on the market fell drastically the financial crisis was a fact. The number of subprime mortgage defaults became so high that the banks began having problems surviving (Barkham 2013).

During the years prior to the financial crisis there were discussions about “The Great Moderation” which was an expression for a stable economic situation. It therefore became unlikely to think that a crisis would occur. In fact, some politicians even stated that they had outplayed the economic cycle and that there would be no recession during that cycle. At the same time there were analyzers and experts who warned about the fast raising prices and interest rate levels, but unfortunately this information did not reach the public by the time it was needed (Barkham 2013).

Stakeholders often rely on company information released by mass media (Davis 2006) but even though media provides much information nowadays, stakeholders still find it important to read the annual reports released by the companies. Annual reports consist of financial statements and accounting narratives, which are both important for making well-based decisions (Marton, Lumsden, Lundqvist & Pettersson 2012). The three most read parts of annual reports are financial statements, CEO letters and sections about strategies and goals (Ekenstam 2009).

Accounting narratives have become more common over the years and are constantly increasing in extent (Bettie, Dhanani, & Jones 2008). Out of these, CEO letters have become the most important and read text (Henderson 2004, Hyland 1998). CEO letters are voluntary and, in theory, the only requirement they have to fulfill is to be consistent with the information in the rest of the annual report (Jonäll 2006). In spite of this, Smith and Taffler (1995) found in their study of CEO letters that they were not consistent with the financial statements.

With this as a background one can conclude that it is important for stakeholders to receive relevant information to base their decisions on. Since the real estate industry is capital intensive, it can generate great revenues, but also great losses. Furthermore the industry is exposed to risks such as raised interest rates and vacancies. These two factors were in particular affected by the financial crisis in 2008 (Mizen 2008).

1 INTRODUCTION

1.2 PROBLEM DISCUSSION

For stakeholders to be able to trust the information given in annual reports, it needs to be consistent throughout the report and provide a unified impression of the company's financial status (Aktiespararna1997). The information includes both financial statements and accounting narratives. Some narratives are regulated - in Sweden the director's report is subject to auditing while other narratives, such as CEO letters, are unaudited and voluntary (Årsredovisningslag 1995:1554)

There has been a debate about the usefulness of the information stated in these CEO letters. Does it give a true and fair view of the company or is it just a rhetorical tool to convince stakeholders? In an article in Dagens Industri, the author argues that the trend for CEO-letters shows that the information in them is becoming less intriguing and informative. He also means that the letters nowadays mostly consist of general information about the company's development. Furthermore he suggests that one reason for this could be the desire to avoid disclosing information about the company's future. In this way they do not risk making forecasts which they cannot live up to (Carlsson 2006).

Another article describes CEO letters as an attempt to write something valuable but that instead becomes a pointless, almost amusing, text filled with clichés and exaggerated positivity. Year after year CEOs write about the future looking bright, the internationality of the company and changes during the past year that created value. If there are problems in the company and the outlook is negative there are ways to go around that as well, for example by describing weakening as "negative growth". It even occurs that CEOs do not bother to write a completely new letter every year but instead they use copy-paste and recycle the clichés used earlier (Öberg 2004).

The authors find it interesting to examine how CEO letters reflect financial results so users of annual reports can rely on information given in CEO letters by comparing their content to the actual financial results. Due to the importance CEO letters have when stakeholders seek information about companies, the authors are concerned that the information given is not relevant and reliable enough to give a true and fair view of how the company is performing.

Considering that the real estate industry triggered the great financial crisis and later suffered from it, the authors are curious to see whether the communication in CEO letters changed before, during and after the crisis. It is essential for stakeholders to be able to trust the information given in good times as well as in bad times. Therefore it is important to be aware of how communication can differ in different situations and how the information communicated reflects the actual financial results.

1 INTRODUCTION

1.3 PURPOSE

The purpose is to study the CEO letters of two Swedish real estate companies and examine how the communication differs and how it reflects the financial results before, during and after the great financial crisis in 2008.

To address the purpose the following research question was designed:

- How does the communication in the CEO letters differ, and how does it reflect the financial results, before, during and after the great financial crisis in 2008?

1.4 OUTLINE OF THE THESIS

After the introduction, chapter two presents the theories which act as the base for the analysis. In chapter three the used methodology is discussed in respect to choices made throughout the thesis. It also includes a description of the process of carrying out the study. The empirical results follow in chapter four consisting of the content and rhetorical analysis made of the CEO letters. In chapter five these results are discussed on the basis of the theories presented in chapter two. The conclusion of the study is presented in chapter six followed by suggestions for further research.

2 THEORETICAL FRAMEWORK

2 THEORETICAL FRAMEWORK

The chapter below introduces the reader to the theoretical framework of which the analysis and conclusions of the empirical results are based. First the function of CEO letters is treated followed by a description of the concept of voluntary disclosure. After this legitimacy theory, communication and impression management are presented as tools for influencing how the reader perceives the company and the CEO.

2.1 CEO LETTERS

The inspiration for this thesis comes especially from the previous research made on the subject by Kristina Jonäll (2006) and Ken Hyland (1998). They have both focused their work on analyzing CEO letters with different kinds of textual analysis. Jonäll has written a dissertation where she describes and interprets the CEO letters of three large Swedish companies and also a methodology book about how to analyze responsibility and transparency in CEO letters. Hyland has, among other things, studied 137 CEO letters to find out how CEOs present themselves and companies in a positive way, which role metadiscourse plays and how rhetoric is used to persuade the reader.

The primary users, the stakeholders, of annual reports are shareholders, other investors and creditors. (Hendriksen & Van Breda 1992). A Swedish annual report has to include a balance sheet, an income statement, footnotes and a director's report (Årsredovisningslag 1995:1554). Except for these compulsory parts annual reports often also include a CEO letter, analysis of the company's performance, information about the history of the company, its financial status and plans for the future (Jonäll 2006). Since the purpose is to examine CEO letters the focus will be on those from now on.

CEO letters often resemble each other even if it is up to the company to decide what they want to include. Parts normally included are a summary of occurrences, accomplishments and failures during the year, explanations about the financial results and expectations for the future. CEO letters are an effective way to gain credibility from the readers and thereby the stakeholders. CEO letters are personal letters which act as a way to increase the interest for the company and decrease insecurities the reader might have (Jonäll 2006).

As already mentioned, the CEO letter is voluntary and unaudited (Jonäll 2006). Listed companies are obliged to apply the conceptual framework of IASB. The framework aims at financial reporting in a broad perspective meaning that it includes all the information communicated to the users through the annual report. One important part of it is faithful representation which means that the information should be complete, neutral and free from errors (Marton et al. 2012). This means that the CEO letter, which is a part of the annual report, should also go under the guidelines of the conceptual framework.

CEO letters might, depending on what is disclosed, provide the users with information to make a more well-based decision (Preston, Wright & Young 1996). However, since it is voluntary it gives companies the possibility to present the company in a way which is of their own interest. By taking advantage of this they might not give the most faithful

2 THEORETICAL FRAMEWORK

representation which becomes a problem when users partially rely on information stated in CEO letters for making decisions (Preston et al. 1996).

2.2 VOLUNTARY DISCLOSURE

The purpose of information is to reduce uncertainty and therefore more information is preferred to less. Still, information is only valuable if it changes or might change one's decision. Hence, transparency and relevance are considered important factors for stakeholders since they facilitate their decisions (Hendriksen & Van Breda 1992).

The degree of transparency is affected by to which extent and how clear the company chooses to disclose information in their external financial reporting. By disclosing a certain kind of information, the company is able to create the picture of themselves they want to be associated with (Jonäll 2009).

How transparent the company chooses to be may depend on several things, for example the size of the company or in which culture the company operates. Studies have shown that international companies are more transparent when it comes to financial information in their reports while national companies are more generous disclosing non-financial information. When it comes to additional non-financial information in annual reports studies also show that legitimacy theory is commonly used to explain the presence of them (Gray, Meek, Roberts 1995).

2.3 LEGITIMACY THEORY

Legitimacy has been characterized by Lindblom as:

“... a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy” (Lindblom 1994 p.2)

The theory concerns both legitimizing whole systems and legitimizing specific companies. When the theory is used to legitimize a specific company it focuses on reducing the legitimacy gap which means that when the performance of the company and society's expectations of what the company should perform is not consistent, the difference needs to be legitimized (Lindblom 1994).

It is a system-oriented theory (Deegan 2002) that prescribes that a company can only continue to exist in the society where it operates if society feels that there is a consistency between corporate values and the values of society (Gray, Owen, & Adams 1996). This creates an external pressure on companies to disclose certain information that society requires. In order for a company to earn legitimacy it needs to disclose the particular information that society demands (Islam & Deegan 2007).

If a company has legitimacy problems different legitimacy strategies can be used to resolve these problems. A few examples of these strategies are to change the stakeholder's impression of certain occurrences, redirect attention from the legitimacy gap and attempt to change the external expectations from the society (Lindblom 1994).

2 THEORETICAL FRAMEWORK

Legitimacy is a key aspect for the survival of companies and CEO letters can be a platform for communication and implementation of legitimacy strategies (Jonäll 2009).

2.4 COMMUNICATION

In the following paragraphs communication in a broad perspective is presented to give a theoretical framework for analyzing communication in CEO letters.

2.4.1 LINEAR MODEL OF COMMUNICATION

A well-known model showing how communication channels are used was presented by Shannon and Weaver in 1998. According to them communication is a simple and linear process where the actual communication is a transmission of a message from a transmitter who encodes the information to a receiver who decodes it (Shannon & Weaver 1998).

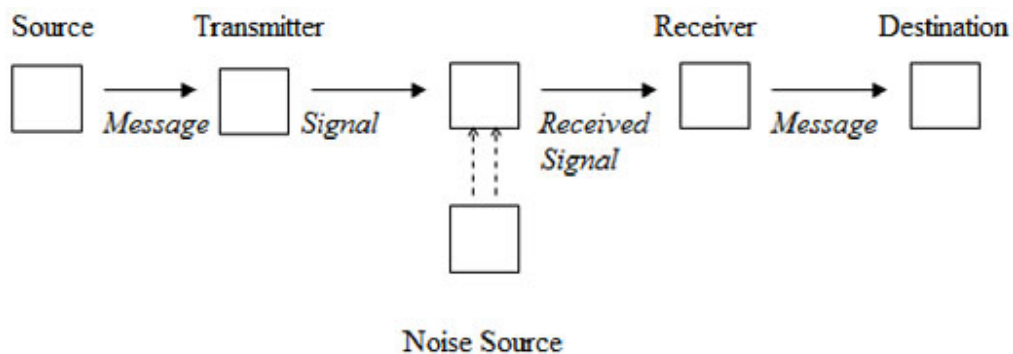


Figure 1 Shannon and Weaver's communication model

The information source decides which message to send. In the next step the message is transmitted and encoded to a signal by the transmitter in order for the message to reach the receiver. The signal has to go through a channel which can be exposed to a noise source and thus change how the message is perceived. The receiver decodes the signal so that the message finally reaches its destination (Shannon & Weaver 1998).

This model can explain how messages in CEO letters are encoded by CEOs and decoded by the readers.

2.4.2 RHETORIC

Rhetoric is about persuading the audience and annual reports are considered to be filled with rhetoric text and images to convince the reader. The authors of annual reports intend to find a way to control how the text is interpreted by the readers. It is a communication act where the company attempts to communicate its key messages to stakeholders and hopes that they decode the messages in the desired way (Crowther, Carterb & Cooper 2006). The CEO letter in particular is an effective way to convince a reader of ones message (Amernic & Craig, 2007).

2 THEORETICAL FRAMEWORK

There is a “language of managerialism” which is consistently used throughout annual reports and by using words such as *vision* and *mission* it helps create a picture to convince the readers. These texts are often accompanied by a considerable amount of images to enhance the key messages (Crowther, Carterb & Cooper 2006).

Rhetorical analysis is a good way to analyze the communicated responsibility and degree of transparency in CEO letters (Jonäll 2006), which is of importance in this thesis since it provides a tool for analyzing how the communication differs before, during and after the great financial crisis and how information is angled in the interest of the company. The analysis looks at three tools which are used for authentication when intending to persuade the reader. These are known as ethos, logos and pathos and are used to appeal to the reader as ethical, logical and emotional proof. Further explanation is provided in chapter three.

2.4.3 COMMUNICATION IN DIFFERENT SITUATIONS

Communication differs in different situations and for the analysis of what the CEO letters communicate it is important to have an understanding for why and how this can be displayed.

Causal reasoning and attributions tend to be more extensive when outcomes have been unfavorable than when they have been favorable. Research has also shown that unfavorable outcomes are often explained by an unstable economy, uncontrollable causes and other external causes. When the outcomes have been favorable on the other hand, attributions are generally fewer and the ones that exist are focused on internal causes such as decisions made within the company (Bettman & Weitz, 1983).

A study showed that CEO letters contain self-serving attributions both when it comes to strengthening the company’s performance and in defending poor outcomes. The same study found that these self-serving attributions do in fact convince the investors since they could be linked to an increase of stock prices. Furthermore the research indicates that self-serving attributions are not a case of authentic communication but instead a form of impression management (Staw, McKechnie & Puffer 1983).

2.5 IMPRESSION MANAGEMENT

Impression management originates from the field of social psychology and is a dramaturgical metaphor of people acting on a stage in front of an audience (Goffman 1959). It can be explained as a way for both individuals and organizations to use data selectively in order to present themselves in a better light (Clatworthy & Jones 2006). It can also be defined as the process by which people try to influence the impressions others receive from them (Brennan, Guillamon-Saorin & Pierce 2007).

The use of impression management may be justified by management's wish to show a convincing positive view of the company's achievements. This kind of behavior is presented among all kinds of firms, but especially in those where performance is poor. Thus, regarding financial reporting it is obviously a great risk that impression

2 THEORETICAL FRAMEWORK

management cannot be combined with the requirement to show stakeholders neutral, impartial information in annual reports. Studies have shown that impression management can have devastating consequences for stakeholders. (Clatworthy & Jones 2006).

CEO letters are generally seen as promotion, completely designed to create a corporate image to stakeholders. Since it is written as a personal letter to the reader, the document has a huge impact when it comes to building credibility and convincing the readers (Hyland 1998). Hence, when CEO letters are subject to impression management it becomes difficult for stakeholders to determine the credibility and trustworthiness of the information (Rahman 2012).

3 METHODOLOGY

3 METHODOLOGY

This chapter initiates with a description of the research design, the criterions for the selected data and the collection of the same. Thereafter the two methods of textual analysis performed are explained thoroughly and the chapter is completed with an evaluation of the methods used.

3.1 RESEARCH DESIGN

Since the purpose was to study CEO letters to examine how communication differed and how it reflected financial results before, during and after the great financial crisis, an interpretation of these differences and creation of a deeper understanding for them was attempted to achieve. In order to do this the research was based on theories which helped in understanding how what is communicated might not reflect the underlying facts.

The study was made on the annual reports of two companies and a textual analysis was carried out. The CEO letters were analyzed using the methodology of Kristina Jonäll (2006) for making textual analysis of CEO letters. The perceptions of the actual financial situation of the companies were based on relevant financial results and key ratios which were obtained from each company's annual reports. By choosing two companies it became possible to compare the companies and make a more reliable conclusion. The study was made on the CEO letters from three years to enable an analysis that included the dimension of financial crisis and how communication differs in different situations.

3.2 SELECTION OF COMPANIES

In order for the two cases examined in this study to be comparable the selected companies had to operate in the same industry. Since a part of the purpose was to examine the difference before, during and after the great financial crisis, an industry which both affected and was affected by the financial crisis was selected. The authors found the real estate industry appropriate for the purpose.

The following four criteria were set up for selecting suitable companies for the study:

- Operating in the real estate industry
- Swedish
- Approximately the same size in respect to revenue
- Listed groups

The companies needed to be Swedish since the CEO letters were examined and it facilitated the execution if they were written in Swedish. Furthermore the selected companies were considered to become more comparable if of comparable size. By selecting Swedish, listed groups it was ensured that both companies applied the same accounting principles and therefore showed comparable results. With these criteria in mind Castellum and Fabege were chosen which are both on the Swedish stock market and of comparable size in respect to revenue.

3 METHODOLOGY

3.3 SELECTION OF YEARS

In order to see how communication in CEO letters changed before, during and after the great financial crisis the CEO letters from three years; 2006, 2008 and 2010, were chosen. 2008 was selected as the year during the financial crisis since it was the year when both companies, together with many others, were the most affected by the crisis. There was a time of prosperity in 2006 why this year was chosen as the year of comparison before the crisis. Both companies had recuperated in 2010 and since it was appropriate to have the same interval between the years, 2010 represented the year after the crisis.

3.4 SELECTION OF FINANCIAL RESULTS AND KEY RATIOS

Perceptions of the actual situation of the companies were based on four selected financial results and key ratios. These were net income, interest coverage ratio, return on equity and return on capital employed. These are indicators that show how the balance sheet and income statement change before, during and after the great financial crisis for the two selected companies. Interest coverage ratio is especially interesting when analyzing the real estate industry since it is very much affected by changes in interest rates. (Johansson & Runsten 2005)

3.5 COLLECTION OF DATA

The data for the results were found on the websites of Fabeg and Castellum. The information for the description of the companies was found directly on the websites while the financial results and the CEO letters were found in PDF files of the annual reports which were downloaded.

3.6 METHODS FOR TEXTUAL ANALYSIS

There are many different types of textual analysis (Hellspong 2001) and the chosen types for this thesis were content and rhetorical analysis of the CEO letters. The methodology of this thesis was based on the methodology of the licentiate dissertation by Kristina Jonäll (2006). Her contribution with the dissertation was partially methodological and provides a method for using textual analysis for examining transparency and responsibility in CEO letters which was suitable for this thesis.

3.6.1 CONTENT ANALYSIS

Content analysis is a tool by which the existence of words or phrases in a text is analyzed. Existence, frequency and spread of words and phrases are compressed into fewer categories. These categories are then studied in a broader sense, which includes examining trends, patterns and relationships between concepts. The categories are based on words, meaning of words, expressions or themes (Krippendorf 2004, Weber 1985, Neuendorf 2002).

The purposes of carrying out a content analysis can be several and one of them is to compare different texts from different times to examine if there are any similarities or differences. This kind of analysis often focuses on what is specifically said but it can also be used to analyze what has been left out (Krippendorf 2004). A content analysis was useful for this thesis since it made it possible to see patterns and trends in the text and

3 METHODOLOGY

also compare the CEO letters between the years. It also helped to address the question about how the information given in CEO letters reflects the financial results before, during and after the great financial crisis in 2008.

KEYWORDS

In order to carry out a content analysis one has to define keywords and determine the conditions for coding. When the content analysis was carried out the text was coded and divided into different parts. A coding protocol was established where the keywords chosen were listed. Then, all six CEO-letters were read in order to create an overall picture of the content. Furthermore, the letters were printed and analyzed manually using the coding protocol and listed keywords.

In the method chosen the analysis was supposed to give answers about how responsibility and transparency are communicated in CEO-letters (Jonäll 2006). Since the focus of this thesis was communication in CEO letters the authors found it relevant to use the same keywords as Jonäll. She means that when communicating responsibility and transparency through texts the demands of stakeholders are fulfilled. Due to the fact that both Jonälls (2006) method and examined CEO letters were written in Swedish the keywords in this study were also Swedish.

RESPONSIBILITY

There are several possible ways to express responsibility. One way to assess the level of responsibility is to investigate how often personal pronouns are used and in which way they are used when the CEO explains an occurrence. If they are used to explain unfavorable situations or decisions it is always read as responsibility, although it is not always the other way around. Responsibility can be reinforced when verbs such as *kan*, *bör*, *skall*, *vill* are used in combination with personal pronouns or if phrases in combination with personal pronouns include words like *lova*, *försäkra*, *vidta åtgärder*, *engagemang* (Jonäll 2006).

To not use personal pronouns at all creates a greater distance between the writer and the reader which could lead to the writer being perceived as less responsible. When one does not want to show responsibility one tends to move focus from oneself to other people or externalities (Jonäll 2006).

Responsibility/non-responsibility is examined in two dimensions. In the first one it is investigated how and how often personal pronouns are used and also how and how often words that reinforce responsibility are used in combination with personal pronouns. The other dimension, non-responsibility, examines how and how often externalities are used as an explanation (Jonäll 2006).

3 METHODOLOGY

The personal pronouns in the content analysis are restricted to include first person singular and plural.

Person	Subjective	Objective	Possessive
First person singular	jag	mig	(min/mitt/mina)
First person plural	vi	oss	(vår/vårt/våra)

Table 1 Personal pronouns (Jonäll 2006)

Words that reinforce responsibility include: *kan, kunna, bör, borde, kommer, skall, måste, vill, lova, försäkra, vidta, engagemang, räkna (med), förvänta (vänta sig), tro, vet, (vara) övertygad* (Jonäll 2006).

The externalities include words such as: *marknad, leverantör, omständigheter, ogynnsam, valutakursförändringar*. These words only count when they actually point at something else than the own company or the staff and/or when they are used to explain unfavorable situations (Jonäll 2006).

TRANSPARENCY

An important goal for a writer when it comes to communicate information is to reduce both his own and the reader's uncertainty about occurrences and risks through the language of the text. You can say that there is transparency in an CEO-letter if the writer does not try to hide or trivialize negative occurrences or results while emphasizing the positive ones. Therefore, transparency can be strongly linked to how financial results are presented, how demand and sales are discussed and in which way important decisions in general or about the future are written (Jonäll 2006).

Transparency is also strongly linked to voluntary disclosure. In this thesis the authors chose to focus on the kind of words that indicate how well the company is operating (*investeringar, vakanser, nyuthyrning, nettouthyrning*) and the role of the employees throughout the year (*personal, anställda, medarbetare, arbetsstyrka*) (Jonäll 2006). When it came to the words describing the companies operating environment typical words for the industry were chosen instead of Jonälls original suggestion of words. The reason for this is that Jonäll did her study on manufacturing companies, while the ones examined in this thesis were service companies.

The aspect of transparency was especially difficult to analyze based only on a content analysis since the words chosen for coding are considered both sensitive information and words which can be used to present the company in a positive way. An example is the word "*medarbetare*" which is considered to be a word indicating transparency but can also be used to promote the organization. Another important factor to bear in mind is that a content analysis only shows if the company is transparent regarding the chosen key

3 METHODOLOGY

words, in this thesis *Operation* and *Work force*. In reality there are plenty of other things to be transparent about. Hence, it was important to complement the discussion with the results of the rhetorical analysis.

3.6.2 RHETORICAL ANALYSIS

Rhetoric is an old technique primarily used when speeches were written. Today it is also applicable when it comes to analyzing CEO letters where it has as a main purpose to persuade the reader (Jonäll 2006).

Rhetorical analysis is therefore about examining how a text is designed to be convincing. The basic assumption of this kind of analysis is that all language is fundamentally about influencing in one way or another, and that whoever is behind the text always wants to control or influence the readers way of decoding the message. CEO letters are full of text and expressions attempting to explain occurrences and decisions taken. This makes them an excellent subject for rhetorical analysis. Such analysis can reveal much about how the CEO sees the company in the near future as well as it can provide an understanding of how business leaders communicate responsibility and transparency through text (Jonäll 2006).

In rhetoric there are three tools for authentication which are known as ethos, logos and pathos. These are used to appeal to the reader as ethical, logical and emotional proof when intending to persuade the reader. When responsibility is communicated it strengthens ethos and when transparency is communicated it strengthens logos. The use of pathos strengthens both the sense of communicating responsibility and being transparent (Jonäll 2006). Since that both Jonälls (2006) method and examined CEO letters were written in Swedish the rhetorical analysis was also performed in Swedish.

ETHOS - RESPONSIBILITY

Ethical proof in a text communicate credibility and responsibility. They describe the authority, role and image of the writer which is important for whether the message will be accepted or not by the reader. Even if the message is true it has to be build up with ethos in order for it to reach the reader. One way of strengthening ethos is by communicating responsibility.

When creating ethos in a text there are several qualities which the writer has to communicate. These are *Qualifications and Characteristics*, *Credibility* and *Security*. *Qualifications and Characteristics* means that the writer presents himself as an experienced, skilled and authoritarian person. *Credibility* is about being competent, having expertise and making well-based decisions while *Security* means that the writer legitimizes himself as a responsible, kind and moral person. In order to analyze ethos, one can use interpersonal metadiscourse (Jonäll 2006). When using interpersonal metadiscourse as a tool for analyzing ethos one examines to which extent the writer uses hedges (*kanske, det verkar som, möjligtvis*), emphatics (*säkert, otvivelaktigt, tydligt*) used for underlining and attributors (*enligt, X säger*). One also examines attitude markers which are expression that show the attitude of the writer towards statements made in the text (*överraskande, förhoppningsvis*) and relational markers referring to build a

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relationship to the reader (*som ni kan se*) (Hyland 1998).

LOGOS - TRANSPARENCY

Logos is the objective information in the text which is used as a logical proof for showing the reader that the problems, statements, assumptions and conclusions are objective and well-based. When one analyzes the argumentation one can look at the extent of the information, how relevant it is and whether or not the information is enough to come to a conclusion. Sometimes less objective information is revealed on purpose in order to angle the subject. Transparency is therefore important for the extent of logos in the text. Besides the objective information logos also includes words that are used to link words and phrases so that it becomes logical. These kinds of words can help the reader to understand and interpret the text. Examples of linking words are sequencers (*första, nästa, sista*), frame markers (*som jag tidigare sa*) and announcements (*som ni kommer att se*). Linking words can also express the writer's attitude (*inte, förhoppningsvis, antagligen*). Logical arguments also explain and define the text (*till exempel, det vill säga, med andra ord*), show what has been done and who has done it (Jonäll 2006).

PATHOS - ENGAGE AND CREATE INTEREST

When the writer affects the readers emotions by showing his own emotions pathos is created. Both text and images can be used to do this and by being present in the text the writer shows his engagement. A lack of presence gives a feeling of neutrality which can be perceived as nonchalance and lack of engagement.

The writer should be able to engage the reader in the text and this is often done by creating a dialogue (*Kära aktieägare, ni kanske undrar varför vi*). Other things that can be analyzed are the use of metaphors and other symbolic expressions which attempt to create a bigger picture of experiences, ideas, feelings and insights (Jonäll 2006).

3.7 EVALUATION OF METHODS

3.7.1 RELIABILITY

A high reliability is achieved if the study is free from random errors and therefore it is important to avoid mistakes while collecting and processing data (Esaïsson 2009). The aim was to reach as high reliability as possible which was done by carrying out the analysis manually instead of using a computer program. By doing this greater control of the process was achieved since it was made meticulously and by both researchers. Furthermore a higher reliability was achieved since both the content analysis and the rhetorical analysis was made by the two researchers separately and any differences between the analyses were discussed.

3.7.2 VALIDITY

A high validity is characterized by answering the research questions and fulfilling the purpose why it is important to base the entire study on the purpose (Esaïsson 2009). Earlier in this chapter it has been argued about why each method was useful for the purpose and thereby the research question of this thesis.

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In the study two large real estate companies which can be considered representative in the Swedish real estate market were examined. No general conclusions can be drawn from only two cases and aspects such as size or culture could affect the outcome. Still, it is likely that the trends and patterns found in these two cases are valid in similar companies.

3.8 SOURCE CRITICISM

One should be critical to sources during the data collection in order to avoid inaccuracies in the study. It is important to use credible sources of high quality and also to be aware of where the sources come from (Esaïsson 2009).

Throughout the search for literature the researches aimed to be critical of each source and use sources considered relevant, reliable, up to date and of high quality. Sometimes it was difficult to combine relevance with up to date literature. Several sources in this thesis are therefore not up to date but were still considered relevant and therefore included anyway.

The information contained from the annual reports of the companies can be considered subjective. However the purpose was to examine if there were any differences in the communication in the CEO letters and if it reflected the financial results why it was not considered an issue. The issue was instead that the way the researchers read the information could have affected the result since they might have been partial and bias. An attempt to avoid this was made by being two researchers reading the information separately and several times.

4 EMPIRICAL RESULTS

4 EMPIRICAL RESULTS

The following chapter begins with a brief presentation of the two companies and a summary of their financial results. It continues with the results of the content analysis, which focuses on responsibility and transparency, and finishes with the results of the rhetorical analysis which is divided into ethos, logos and pathos.

4.1 PRESENTATION OF THE COMPANIES

4.1.1 FABEGE

Fabege is a listed real estate company whose main focus is renting out and administrating offices and property development in the Stockholm region. The CEO of Fabege entered the position of CEO in January 2007 and has written all of the CEO letters analyzed in this thesis. Thus, he did not make any decisions for Fabege in the role of CEO during 2006 (Fabege 2013).

4.1.2 CASTELLUM

Castellum is also a listed real estate company which mainly operates in five areas in Sweden which are all located nearby big cities. Their main activity is renting out commercial premises. The CEO of Castellum was the same during all three years examined and had held this position in the company since January 2006 (Castellum 2014).

4.2 FINANCIAL RESULTS OF THE COMPANIES

To answer a part of the research question, to examine how communication in CEO letters reflected the financial results of each company before, during and after the great financial crisis, perceptions of the companies' performances were based on relevant financial results and key ratios presented below.

Fabege	2006	2007	2008	2009	2010
Net income	1697	425	-511	1812	2266
Interest coverage ratio	3	2,6	1,9	2,8	2,1
Return on equity	16	4,3	-4,8	15,4	19,8
Return on capital employed	8,7	4,2	-1,7	9,9	9

Table 2 Financial results, Fabege (Årsredovisning 2006-2010)

Fabege was affected by the financial crisis in 2008 which is shown by the fact that all performance indicators were the lowest at this point. However, they managed to recover soon and had even reached better results in 2010 than 2006 in general.

4 EMPIRICAL RESULTS

Castellum	2006	2007	2008	2009	2010
Net income	1674	1487	-663	160	1964
Interest coverage ratio	3,4	2,9	2,6	3,1	3,0
Return on equity	16,4	16,4	-6,6	1,7	16,5
Return on capital employed	10,8	9	-2,4	2,6	10,4

Table 3 Financial results, Castellum (Årsredovisning 2006-2010)

For Castellum the financial development during the same period looked quite similar - they were undoubtedly affected by the crisis in 2008. All indicators were positive again in 2009 but still at a very low level comparing to 2006, which is a difference from Fabegé. In 2010 the company had once again reached the previous levels and recovered from the crisis.

4.3 RESULTS OF THE CONTENT ANALYSIS

A content analysis was performed on the CEO letters of both companies and the results of this are presented below. Whether the CEO expresses responsibility was examined in two dimensions. The first dimension looked at how responsibility was communicated. Tables 4 and 9 show how often and which personal pronouns were used and tables 5 and 10 show whether these personal pronouns referred to the past or the future. Tables 6 and 11 display how often words that reinforce responsibility were used in combination with the personal pronouns. The other dimension, non-responsibility, shows how often externalities were used as an explanation of which one can see the results in tables 7 and 12. Tables 8 and 13 display the degree of transparency by showing how much potentially sensitive information was disclosed and whether it referred to the past or the future.

4 EMPIRICAL RESULTS

Below the results of the content analysis for Fabege are presented and later the corresponding tables are presented for Castellum.

4.3.1 FABEGE

Personliga pronomen	2006	2008	2010
Jag	0	1	5
Mig	0	0	0
Min/mitt/mina	1	0	1
Vi	14	18	12
Oss	0	2	2
Vår/vårt/våra	11	14	12
Summa personliga pronomen	26	36	32
% andel personliga pronomen	3,8%	4,9%	3,7%
Totalt antal ord	693	741	858
Omvärldsord	2006	2008	2010
Marknad/er/en	6	8	11
Leverantör	0	0	0
Omständigheter	0	0	0
Ogynnsam	0	0	0
Ränta/e- (ej räntemarknad)	1	9	1
Valuta	0	0	0
Kris	0	2	1
Summa "omvärldsord"	7	19	13
% andel omvärldsord	1,0%	2,6%	1,5%
Totalt antal ord	693	741	858

Table 4 Use of personal pronouns and externalities, Fabege

The use of personal pronouns increased during the crisis and in 2010 levels were the same as the year prior to the crisis. Words aiming at using externalities as explanations more than doubled in percentage terms during the crisis and were still on a higher level in 2010 than in 2006. The most commonly used words were *Marknad/er/en* and *Ränta/e-*.

Personliga pronomen	2006	2008	2010
Dåtid	12	20	11
Framtid	14	16	21
% andel dåtid	46,1%	55,6%	34,4%
%andel framtid	53,9%	44,4%	65,6%
Totalt antal pronomen	26	36	32

Table 5 Personal pronouns, past and future, Fabege

The distribution of pronouns was quite even in 2006 and during the crisis year the slight difference was inverted. In 2010 the focus was much more on the future than on the past.

4 EMPIRICAL RESULTS

Ansvarsförstärkare	2006	2008	2010
Kan/Kunna	0	0	0
Bör/Borde	0	0	0
Skall/Ska	3	1	1
Kommer	1	4	1
Måste	0	0	0
Vill	0	0	0
Lova	0	0	0
Försäkra	0	0	0
Vidta	0	0	0
Engagemang	0	0	1
Räkna (med)	0	0	0
Förvänta (vänta sig)	0	0	0
Tro	0	0	0
Vet	0	0	0
(Vara) övertygad	0	0	1
Summa Ansvarsförstärkare	4	5	4
% andel ansvarsförstärkare	0,6%	0,7%	0,5%
Totalt antal ord	693	741	858

Table 6 Reinforcing responsibility, Fabège

Few words reinforcing responsibility were used and the amount was at approximately the same level during all three years.

4 EMPIRICAL RESULTS

Öppenhetsord	2006	2008	2010
Investeringar	1	1	2
Vakans	0	1	2
Nyuthyrning	0	2	0
Nettouthyrning	0	0	2
Totalt "verksamhet"	1	4	6
% andel verksamhet	50,0%	80,0%	85,7%
Personal	0	0	0
Anställda	0	0	0
Arbetsstyrka	0	0	0
Medarbetare	1	1	1
Totalt "personal"	1	1	1
% andel personal	50,0%	20,0%	14,3%
Totalt antal öppenhetsord	2	5	7
% andel öppenhetsord	0,3%	0,7%	0,8%
Totalt antal ord	693	741	858

Table 7 Degree of transparency, Fabege

The words indicating transparency were generally few but increased in extent in both 2008 and 2010. Out of the two categories *Operations* ("verksamhet") and *Work force* ("personal") it was *Operations* which stood for the increase while *Work force* decreased in percentage terms.

Öppenhetsord	2006	2008	2010
Dåtid	1	2	1
Framtid	1	3	6
% andel dåtid	50,0%	40,0%	14,3%
% andel framtid	50,0%	60,0%	85,7%

Table 8 Degree of transparency, past and future, Fabege

The distribution of words indicating transparency was even in 2006 but then focus shifted drastically towards the future in the following years.

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4.3.2 CASTELLUM

Personliga pronomen	2006	2008	2010
Jag	3	3	2
Mig	0	0	0
Min/mitt/mina	0	0	3
Vi	0	0	4
Oss	0	0	0
Vår/vårt/våra	2	0	0
Summa personliga pronomen	5	3	9
% andel personliga pronomen	0,6%	0,5%	1,4%
Totalt antal ord	882	627	657
Omvärldsord	2006	2008	2010
Marknad/er/en	5	4	7
Leverantör	0	0	0
Omständigheter	0	0	0
Ogynnsam	0	0	0
Ränta/e- (ej räntemarknad)	7	12	5
Valuta	0	0	0
Kris	0	4	1
Summa "omvärldsord"	12	20	13
% andel omvärldsord	1,4%	3,2%	2,0%
Totalt antal ord	882	627	657

Table 9 Use of personal pronouns and externalities, Castellum

There was a very limited amount of personal pronouns in relation to the amount of words in total. The use of personal pronouns did not change significantly between 2006 and 2008 but in 2010 there was an increase of the pronouns. Words aiming at using externalities as explanations more than doubled in percentage terms during the crisis and were still at higher level in 2010 than in 2006. The most commonly used words were *Marknad/er/en* and *Ränta/e-*.

Personliga pronomen	2006	2008	2010
Dåtid	2	0	3
Framtid	3	3	6
% andel dåtid	40,0%	0,0%	33,3%
%andel framtid	60,0%	100,0%	66,7%

Table 10 Personal pronouns, past and future, Castellum

The distribution of pronouns referring to the past and the future were quite similar in 2006 and 2010. During the crisis all pronouns referred to the future.

4 EMPIRICAL RESULTS

Ansvarsförstärkare	2006	2008	2010
Kan/Kunna	1	0	2
Bör/Borde	0	0	0
Skall/Ska	0	0	0
Kommer	1	0	3
Måste	0	0	0
Vill	0	0	1
Lova	0	0	0
Försäkra	0	0	0
Vidta	0	0	0
Engagemang	0	0	0
Räkna (med)	0	0	0
Förvänta (vänta sig)	0	0	0
Tro	0	0	0
Vet	0	0	0
(Vara) övertygad	1	0	0
Summa Ansvarsförstärkare	3	0	6
% andel ansvarsförstärkare	0,3%	0,0%	0,9%
Totalt antal ord	882	627	657

Table 11 Reinforcing responsibility, Castellum

In general, there were very few words reinforcing responsibility and during the crisis there were none. The amount was at its highest in 2010.

4 EMPIRICAL RESULTS

Öppenhetsord	2006	2008	2010
Investeringar	13	2	4
Vakans	8	1	2
Nyuthyrning	1	1	0
Nettouthyrning	2	0	2
Totalt "verksamhet"	24	4	8
% andel verksamhet	92,3%	80,0%	80,0%
Personal	0	0	0
Anställda	0	0	1
Arbetsstyrka	0	0	0
Medarbetare	2	1	1
Totalt "personal"	2	1	2
% andel personal	7,7%	20,0%	20,0%
Totalt antal öppenhetsord	26	5	10
% andel öppenhetsord	3,8%	0,7%	1,1%
Totalt antal ord	693	741	858

Table 12 Degree of transparency, Castellum

Words indicating transparency were many in 2006 but decreased remarkably during the crisis. In 2010 more words indicating transparency were used but still few in comparison to 2006. Out of the two categories *Operations* ("verksamhet") and *Work force* ("personal") it was *Operations* that stood for the majority of the words used. Therefore it was also these which decreased the most while *Work force* was at a constant level.

Öppenhetsord	2006	2008	2010
Dåtid	15	4	5
Framtid	11	1	5
% andel dåtid	57,7%	80,0%	50,0%
% andel framtid	42,3%	20,0%	50,0%

Table 13 Degree of transparency, past and future, Castellum

The distribution of words indicating transparency referring to the past and the future was even in 2006 and exactly the same in 2010. During the crisis the majority of the words referred to the past.

4 EMPIRICAL RESULTS

4.4 RESULTS OF THE RHETORICAL ANALYSIS

Hereby follow the results of the rhetorical analysis. First the results of Fabege are presented followed by the results of Castellum. The results have been divided according to the three categories ethos, logos and pathos. These three categories have been divided into three subcategories namely the three examined years; before, during and after the great financial crisis in 2008. The results are presented in tables to facilitate comparison between the years. In these tables a representative quote for each category and year is found followed by a brief comment of which kind of ethical, logical and emotional proof that was used. The comments are given in line with the methodology book by Jonäll (2006).

4.4.1 FABEGE

Ethos	Quote	Comment
2006	<i>"Fabege är idag en av de främsta aktörerna på fastighets- och hyresmarknaden i Stockholm. Vi tillhör sedan länge de mer transaktions-intensiva fastighetsbolagen och har en väl utvecklad projekt- och förädlings-verksamhet. Med 1,6 miljoner väl samlade och attraktiva uthyrningsbara kvadratmeter, mest kontor, i Stockholmsregionen har vi en stark marknadsposition."</i>	This is an example of using credibility to create ethos. Credibility is easier to achieve if the company has been successful in comparison with its operational environment since the success is enough to prove credibility.
2008	<i>"Vi fick se värdejusteringar nedåt främst i C-lägen medan A-lägen, där Fabege har flertalet av sina fastigheter, klarade sig bättre. Det är en bild som jag, liksom flera ledande fastighetsanalytiker, bedömer kommer att stå sig."</i>	By comparing himself to the leading real estate analysts the CEO creates credibility since he presents himself as a competent person who has expertise.
2010	<i>"Jag upplever att efterfrågan på bra lokaler ökade markant under slutet av 2010 och ser tydliga flyttströmmar till kvalitetshus"</i>	By expressing this kind of personal conviction the CEO gives the reader a sense of security as he, in a way, takes personal responsibility for what is said.

Table 14 Examples of ethos, Fabege

4 EMPIRICAL RESULTS

Logos	Quote	Comment
2006	<p><i>"För andra året i rad översteg Fabeges resultat efter skatt två miljarder kronor. Avkastning på eget kapital uppgick under året till nästan 20 procent. Soliditeten var vid årsskiftet över 40 procent. Efter ännu ett bra år har Fabege en mycket stark finansiell ställning. Börskursen för Fabege-aktien fortsatte upp för åttonde året i rad. Under 2006 uppgick totalavkastningen till drygt 28 procent."</i></p>	<p>The first section of the CEO letter describes the financial results in an objective way which gives the reader a lot of relevant information and allows the reader to come to his own conclusions based on the given information.</p>
2008	<p><i>"Vi fortsatte att effektivisera verksamheten och utvecklade samtidigt våra förvaltningsenheter och medarbetare. Ett exempel på framgångsrikt effektiviseringsarbete är att vi minskade energiförbrukningen med 8 procent, vilket är glädjande ur både kostnads- och miljöperspektiv"</i></p>	<p>A way to create logos is to disclose information about what has been done and who has done it. The arguments are tied together and reinforce each other by creating a logical link from one sentence to another.</p>
2010	<p><i>"Våra pågående projekt och projekt-möjligheter i bra lägen ska också bidra till ökat kassaflöde och värde-tillväxt och det är nu ett utmärkt läge att öka investeringsvolymen. Vi har en attraktiv projektportfölj med stor potential och en stark balansräkning som skapar utrymme för investeringar i nya värdeskapande projekt samt nya förvärv om rätt objekt dyker upp"</i></p>	<p>Here the CEO supports his own statements by linking the arguments in a logical way and thereby makes his conclusions logical.</p>

Table 15 Examples of logos, Fabege

4 EMPIRICAL RESULTS

Pathos	Quote	Comment
2006	<i>“Starkt fokus skapar nya möjligheter”</i>	The CEO opens the letter with this sentence which shows that he is positive and optimistic and expresses his own engagement. In good times there is no need to engage the reader since the stakeholders will be interested without having to be convinced.
2008	<i>“2008 var ett år med stora svängningar och tvära kast i de ekonomiska och finansiella förutsättningarna för såväl näringslivet som samhället i övrigt.”</i>	In this example the CEO uses metaphors to fill the text with emotions and engagement. "Stora svängningar" and "tvära kast" gives a picture of a company that has been exposed to difficulties during the year.
2010	<i>“Det är mycket glädjande att konstatera att alla segment i vår affärsmodell, nu på nytt, efter två års finanskris, levererar väsentliga bidrag till det totala resultatet”</i>	The use of positive emotions is always a good way to engage the reader. By using positive word such as <i>entusiasm, hopp, glädje, goda resultat</i> positivity and optimism is communicated in an effective way.

Table 16 Examples of pathos, Fabege

4.4.2 CASTELLUM

Ethos	Quote	Comment
2006	<i>“Jag är övertygad om att nära och långsiktiga kundrelationer kommer att ha en allt större betydelse på den framtida hyresmarknaden”</i>	By writing <i>"jag är övertygad"</i> the CEO presents himself as confident and determined and since he uses a pronoun he expresses personal responsibility.
2008	<i>“Totalavkastningen på aktien blev -5%. Det är inte tillfredsställande, men ändå betydligt bättre än Stockholmsbörsens -39% och Europeiskt fastighetsindex -49%”</i>	Here the CEO intends to show credibility, in spite of the negative results, by comparing the return of Fabege to the stock market and the real estate industry.
2010	<i>“Jag tycker att man i och med 2010 kan konstatera att den globala finanskrisen, som tog fart under 2008, knappt påverkat Castellum”</i>	By establishing that the crisis barely affected the company the CEO proves that he is competent, has taken the right decisions during the crisis and has lead the company through it in a successful way.

Table 17 Examples of ethos, Castellum

4 EMPIRICAL RESULTS

Logos	Quote	Comment
2006	<i>“Med i stort sett oförändrade hyresnivåer och vakanser är det främst låga räntenivåer och effekter av genomförda investeringar som bidragit till resultatökningen”</i>	Explanations of how the increased result has come about is an example of the use of logos.
2008	<i>“Fastighetsvärden går upp och ner. Efter att ha gått upp med 3,7 miljarder kronor sedan 2004 gick de ner med 1,3 miljarder kronor under 2008. Det är uppenbart att svängningarna förstärkts av att det tidigare varit relativt lätt att få finansiering, medan det för tillfället i finanskrisens spår är betydligt svårare.”</i>	The CEO writes openly about what has happened with the value of the properties and indicates that this problem derives from the exceptional situation that the great financial crisis is.
2010	<i>“Mätningar under året visar att vi från redan höga nivåer förbättrats ytterligare. Fortsatt miljöarbete har resulterat i såväl lägre energiförbrukning som CO2-utsläpp - bättre än uppsatta mål”</i>	This example shows how Castellum has improved and what this has led to. It is an example of logos because it shows what has happened and who has done it.

Table 18 Examples of logos, Castellum

Pathos	Quote	Comment
2006	<i>“Det mest imponerande är arbetet som ligger bakom siffrorna – alla medarbetares sätt att arbeta med att långsiktigt utveckla såväl kundrelationerna som själva produkten, d v s lokalen och kringsservicen”</i>	By pointing out how committed and engaged the employees are the CEO reinforces the feeling of pathos
2008	<i>“Med en stark balansräkning och fortsatt fokus på kunden och kassaflödet ser jag många intressanta möjligheter och utmaningar inför de närmsta åren”</i>	Here the CEO expresses a personal opinion about what is important and what matters the most. The purpose of this action is to make the reader identify himself with the values expressed by the CEO.
2010	<i>“Men 2010 är redan historia och vilka förväntningar kan man ha på 2011?”</i>	The CEO is here creating a dialogue with the reader by actively inviting the reader and thereby enabling the reader to not only passively receive the message but also take part.

Table 19 Examples of pathos, Castellum

4 EMPIRICAL RESULTS

The rhetorical analysis was not only based on the examples above but on all examined CEO letters in full. Hereby follows a brief summary of the findings.

When it came to ethos Fabege focused on comparing the company to its operational environment in 2006. In the following years the letters became more personal and communicated personal responsibility. Castellum's CEO tended to prove himself competent when outcomes were positive before and after the crisis while he during the crisis compared Castellum's result to the ones of the operational environment.

The use of logos as a rhetorical tool also changed in the case of Fabege. More explanations and linked arguments were found during and after the crisis than before. The rhetorical analysis showed that Castellum was generally more open than Fabege and in more aspects. However, Castellum decreased the level of explaining and creating logical arguments slightly once the crisis occurred.

For pathos, the results were very similar for both companies – the attempts to engage the reader became more frequent during and after the crisis than they had been before.

5 ANALYSIS

In this chapter the analysis, based on the content and rhetorical analysis and linked to the theoretical framework, is presented. The chapter reasons about the results so that a conclusion can be drawn. Due to the connection between responsibility and ethos, transparency and logos and pathos connection to both, the results from the two methods of textual analysis are analyzed together. Last, how the communication reflects the financial results is discussed.

5.1 RESPONSIBILITY AND ETHOS

Jonäll (2006) suggests that more extensive use of personal pronouns means that more responsibility is communicated, and since Fabège increased its use during the year of crisis this would mean that they communicated more responsibility than before. On the other hand, the use of externalities as explanations also increased during the crisis. Both Jonäll (2006) and Bettman & Weitz (1983) mean that this is a way of pointing at something else than the own performance as an explanation for poor outcomes. This would suggest that less responsibility was communicated which makes sense since the most commonly used words as explanations were "marknad/er/en" and "ränta/e-" and both the market and the interest rate level were in fact uncertain at this point. When looking at words reinforcing responsibility the words were few and there was no significant change of usage before, during and after the great financial crisis, which also indicated that there was no increase of communicated responsibility (Jonäll 2006).

As one can see the results were inconclusive and when looking at the use of ethos, which also changed during the three years, it showed that the CEO became more personal during and after the crisis. Still, the overall feeling the authors obtained when reading the CEO letters was that neither more nor less responsibility was communicated; there was simply a larger amount of information disclosed during the crisis.

It is clear that the use of personal pronouns, externalities as explanations and ethos changed throughout the years but it is possible that other factors than the crisis affected this change. Since the CEO entered his position in January 2007 it would not make sense for him to take personal responsibility for actions taken in 2006. A few years later, on the other hand, it probably became more natural to take responsibility and create a sense of security comparing to being completely new at the job. Also, due to the fact that CEO letters are personal, it would be plausible to think that it takes some time before a new CEO finds his "style" of communication in the letter.

In the case of Castellum the pattern was easier to see since all factors indicated that responsibility was not communicated. The CEO was quite impersonal, especially during the financial crisis. Words reinforcing responsibility were few, even non-existent during the year of crisis, which is a sign of not communicating responsibility. This was also reinforced by the fact that the use of externalities as explanations increased significantly (Jonäll 2006). The usage of these self-serving attributions seems to be an attempt to defend the poor outcomes (Staw, McKechnie & Puffer 1983).

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The CEO of Castellum showed himself very confident in general. Before and after the financial crisis, when results were positive, ethos was created by proving himself competent. In contrast he compared the results of the company to the poor outcomes of the stock market and the real estate industry during the crisis. According to Lindblom (1994) companies can legitimize poor results by attempting to change the expectations of the stakeholders. Here, by stating that the poor outcomes were actually quite good comparing to the operational environment, the CEO attempted to bring down the expectations of the stakeholders. This could reduce the legitimacy-gap.

Another way of reducing a legitimacy gap is to redirect attention from poor outcomes (Lindblom 1994). Examples of this can be found in the CEO letters of both companies during the year of crisis. Faberge focused on the past by writing about what they had accomplished. Castellum did the complete opposite and continued to focus on the future, writing about what they wanted to accomplish. No explanation for this difference was found in the theories why the authors think that it might depend on the individual communication strategies of each company.

After the crisis Faberge shifted focus towards the future which can be interpreted as an attempt to make the reader forget about the crisis. Castellum kept their focus on the future also after the crisis and continued to give a positive view of the company through this. According to impression management theory this is a strategy of the management to convince the reader that the future looks bright (Clatworthy & Jones 2006).

5.2 TRANSPARENCY AND LOGOS

All examined CEO letters included large amounts of financial information but how they were presented changed during the three years. When financial results are positive there might not be a demand from stakeholders to explain how outcomes have occurred since the results speak for themselves. Then there is not much need for causal reasoning and attributions (Bettman & Weitz 1983). When outcomes are poor the case is reversed.

As already mentioned, Faberge disclosed more information during the crisis than before and causal reasoning and attributions were more extensive. This was also proven when examining words indicating transparency. When more information is disclosed, uncertainty might be reduced (Hendriksen & Van Breda 1992) which should be sought after by stakeholders in time of crisis. A motive for disclosing more during crisis could be, according to Islam & Deegan (2007), to meet stakeholders' demand to disclose relevant information and thereby continuing to be legitimate. This can also be linked to logos. Before the crisis the information was mostly stated without any explanations but during and after, the CEO began to explain and create logical links between the arguments extensively. By disclosing what the outcomes have been and explaining why Faberge managed to please the needs of the stakeholders.

The case of Castellum was the complete opposite, namely that the CEO used a large amount of words indicating transparency before the crisis but decreased the usage drastically during the crisis. In contrast the rhetorical analysis found that the change was

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not so extreme since Castellum was open about other things than those examined in the content analysis. Still, they were less transparent than before.

According to Jonäll (2009) it can be desirable for companies to disclose more when outcomes have been positive since they wish to show how well the company has done. For the same reason, in line with the legitimacy theory, companies might attempt to avoid disclosing sensitive information during bad times, hoping to shift focus from poor outcomes (Lindblom 1994).

A reason for the different transparency strategies could be that Castellum did not recover as soon as Fabege why there was a greater insecurity for the future. The sudden lack of transparency in the CEO letters of Castellum reflected this insecurity. In line with the theory about impression management this might have made it difficult for stakeholders to determine the credibility and trustworthiness of the information (Rahman 2012, Preston et al. 1996).

The increase of words indicating transparency in Fabege consisted mainly of words referring to the future. Considering that, one might think that the relevance of the information given was not high enough according to stakeholders' demand since they probably sought information about how the crisis affected the company more than they sought information about its future potential. Castellum had a different approach. During the crisis year 80 % of the words indicating transparency referred to the past which is a difference from both before and after the crisis when the distribution was quite even. By focusing the disclosed information on the past, Castellum was transparent about what had already occurred. However, by disclosing only a few things achieved in the past companies can choose to disclose information selectively to their favor (Clatworthy & Jones 2006, Preston et al. 1996).

Another reason for focusing on the past could be that it might be risky to make comments about the future during a crisis since the future is uncertain and the company cannot be sure it will be able to live up to expectations created from statements about the future. By avoiding creating any expectations the CEO does not risk creating a legitimacy gap (Lindblom 1994).

5.3 PATHOS

Pathos was commonly created in the CEO letters of both companies since it is a way to engage and create interest by enhancing the message. The use of pathos can reinforce the information regarding both responsibility and transparency (Jonäll 2006). The difference one can see when examining the CEO letters is that the CEO of Fabege was more able to create pathos during and after the financial crisis than before. This could be explained by impression management theory which suggests that there is a greater need to engage stakeholders during bad times (Clatworthy & Jones 2006) but it could also here depend on the fact that the CEO was new at the time. However, the trend seems to look the same when examining the CEO letters of Castellum. Before the crisis the CEO did not engage the reader much but during the crisis, and to some extent after, he managed to interest the reader and even create a dialogue. One can clearly see that both CEOs attempted to

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engage the readers more during and after the crisis. This was done by changing their style of communication and the way they expressed themselves, but whether or not a reader becomes interested is of course very individual. The attempts to engage and convince the reader were motivated by a wish to affect how the message was decoded by the receiver (Crowther, Carterb & Cooper 2006). Since every message is decoded by every receiver the message is perceived differently by each receiver (Shannon & Weaver 1998).

5.4 REFLECTION OF FINANCIAL RESULTS

As it was shown in the rhetorical analysis both companies used the three rhetorical tools to greater extent during and after the financial crisis. This decreased the objectivity of the texts since it is a way for the author to control how the text is interpreted by the reader (Crowther, Carterb, Cooper 2006). When the objectivity is decreased it becomes difficult for stakeholders to rely on and interpret the information given in CEO letters.

A clear connection exists between the use of the rhetorical tools and the presence of impression management and legitimacy strategies in CEO letters. An excessive use of the rhetorical tools could lead to the devastating consequences that Clatworthy & Jones (2006) warned about when speaking of impression management. At the same time Jonäll (2006) means that legitimacy is a key aspect for survival of companies and therefore the use of legitimacy strategies can become necessary for some companies. One of the legitimacy strategies is to change stakeholder's impression (Lindblom 1994) why impression management is commonly used in CEO letters.

6 CONCLUSION

6 CONCLUSION

How does the communication in the CEO letters differ, and how does it reflect the financial results, before, during and after the great financial crisis in 2008?

6.1 CONCLUSION

The communication in the examined CEO letters differed before, during and after the great financial crisis in 2008 and it is clear that it, at least partially, depended on the crisis. How the two studied companies changed their communication was not entirely the same. Fabege became more personal and more transparent while Castellum became less personal and less transparent during the financial crisis. There was no tendency of any of the companies communicating more responsibility during the crisis but instead they both increased the use of externalities as explanations. Both also increased the use of pathos as a rhetorical tool.

The theoretical framework explained some of the changes in the communication but not all. In the analysis the authors found that other factors than the financial outcomes could have affected the communication. These factors were the communication strategies of each company, for how long the CEO had held his position and the personal communication “style” of the CEO.

How the information stated in the CEO letters reflected the financial results differed throughout the years. During the crisis, when less responsibility was communicated, more externalities were used as explanations and rhetorical tools were used to greater extent, financial results were not reflected as objectively as when outcomes were positive.

6.2 CONTRIBUTION

This thesis contributes to the previous research in two ways. First, the theories about how communication works when outcomes are positive versus negative were linked to the great financial crisis in 2008. Second, the study was made on companies in the real estate industry. None of these two aspects have been investigated regarding communication in CEO letters before.

6.3 SUGGESTIONS FOR FURTHER RESEARCH

Further research on the subject could be performed using the same method but studying other industries than the real estate industry. Another approach could be to study more years or companies. Furthermore it would be interesting to use the same research question but apply a different methodology and see if the conclusion would be the same. Research about voluntary disclosure could also be done on other texts than CEO letters such as press releases, information stated on company websites or other parts of the accounting narratives.

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Starkt fokus skapar nya möjligheter



Som nytitillträdd VD för Fabege är det glädjande att konstatera att 2006 blev ännu ett affärsintensivt och framgångsrikt år för bolaget. Min företrädare Erik Paulsson avslutade sitt mångåriga arbete som operativt ansvarig för Fabege med att återigen leverera ett starkt resultat till aktieägarna.

För andra året i rad översteg Fabeges resultat efter skatt två miljarder kronor. Avkastning på eget kapital uppgick under året till nästan 20 procent. Soliditeten var vid årsskiftet över 40 procent. Efter ännu ett bra år har Fabege en mycket stark finansiell ställning.

Börskursen för Fabege-aktien fortsatte upp för åttonde året i rad. Under 2006 uppgick totalavkastningen till drygt 28 procent.

Till följd av den positiva resultatutvecklingen under 2006 föreslår styrelsen en kontantutdelning om 8,00 kronor per aktie (7,50) samt överföring av bolagets samtliga aktier i Klövern AB till aktieägarna genom ett inlösenerbjudande. Styrelsens förslag innebär att sammanlagt cirka 2,2 miljarder kronor*, cirka 22 kronor per aktie, överförs till aktieägarna.

Starkt koncentrerad verksamhet

Fabège är idag en av de främsta aktörerna på fastighets- och hyresmarknaden i Stockholm. Vi tillhör sedan länge de mer transaktionsintensiva fastighetsbolagen och har en väl utvecklad projekt- och förädlingsverksamhet. Med 1,6 miljoner väl samlade och attraktiva uthyrningsbara kvadratmeter, mest kontor, i Stockholmsregionen har vi en stark marknadsposition.

Vi har valt att koncentrera vår verksamhet till några dynamiska marknader i och kring Stockholm. Innerstaden, Solna och Hammarby Sjöstad utgör våra huvudmarknader, där har vi byggt upp bestånd som tillsammans svarar för mer än 80 procent av värdet på Fabeges totala fastighetsportfölj. Inom våra huvudmarknader har vi strävat efter att samla fastigheterna i förvaltningseffektiva enheter. Sammanfattningsvis har vi efter några affärsintensiva år ett välpositionerat fastighetsbestånd i huvudstadsregionen.

Utvecklingen av Fabège kommer att fortsätta enligt vår etablerade affärsmodell. Fabège ska även framöver skapa värde genom såväl effektiv, kundnära förvaltning som väl genomförd förädling av fastigheter. Därtill ska vi fortsätta att utveckla fastighetsportföljen och ha hög beredskap för att ta vara på möjligheter till nya lönsamma fastighetsaffärer.

Allt starkare varumärke

Det är viktigt att Fabège värnar om de kärnvärden som präglar vår företagskultur: Snabbhet – Prestigelöshet – Entreprenörskap – Affärsmässighet – Kundnäret. Fabège ska även fortsättningsvis vara ett bolag som präglas av det lilla företags närhet och personliga relation till kunderna. Samtidigt ska vi erbjuda det stora företags resurser. Vi är företaget som snabbt, lyhört och kreativt tillmötesgår våra kunders önskemål.

Vårt varumärke har sedan lanseringen i maj 2005 blivit allt starkare och vi har nu en bra position på våra huvudmarknader. Vi ska fortsätta att bygga och stärka varumärket och bland våra målgrupper förankra en profil som överensstämmer med våra kärnvärden.

*Vid full anslutning till inlösenerbjudandet och en aktiekurs i Klövern om 29 kronor.

”

Utvecklingen av Fabeges kommer att fortsätta enligt vår etablerade affärsmodell.

Mycket väl fungerande organisation

Fabeges operativa verksamhet består av Förvaltning och Projekt & Utveckling. Vi har en mycket väl fungerande och anpassad organisation. Dock har vi alltid en hög beredskap för att anpassa verksamheten efter marknadens och fastighetsbeståndets utveckling. Organisationen kommer under 2007 att förstärkas ytterligare för att effektivt kunna utveckla och ta tillvara potentialen i hyresmarknaden och vår projektportfölj.

En väl fungerande förvaltning skapar förutsättningar för framgångsrik fastighetsförädling och fastighetshandel. Detta kommer vi att betona ännu mer nu när vi efter omstruktureringen de senaste åren har ett starkt koncentrerat bestånd av kommersiella fastigheter i Stockholm. Möjligheterna till verkligt effektiv fastighetsförvaltning har aldrig varit större i Fabege.

Fortsatt värdeskapande utveckling

I början av 2007 ser fastighetsmarknaden fortsatt stark ut och intresset för att investera i svenska fastigheter, inte minst i Stockholm, är stort bland såväl inhemska som internationella aktörer. Med nuvarande ränteutveckling kommer detta intresse knappast att mattas och transaktionsvolymen bedöms därför bli hög även i år. Hyresmarknaden fortsätter att stärkas generellt sett men främst på Fabeges viktigaste marknad, Stockholms innerstad. En stark ekonomisk utveckling gör att efterfrågan på kontorsyta successivt ökar.

Fabege har ett välpositionerat fastighetsbestånd och en intressant projekt- och förädlingsportfölj på den största och mest dynamiska hyres- och fastighetsmarknaden i Sverige, Stockholmsregionen. Efter ett flertal år med goda resultat har bolaget en stark finansiell ställning. Fabege har inte minst en effektiv organisation med mycket kompetenta och engagerade medarbetare. Sammantaget innebär detta att det finns goda förutsättningar till en fortsatt värdeskapande utveckling för Fabege under 2007.

Solna i mars 2007



Christian Hermelin
Verkställande direktör

ETT ÅR MED BÅDE OPERATIVA FRAMGÅNGAR OCH FINANSIELL TURBULENS

2008 VAR ETT år med stora svängningar och tvära kast i de ekonomiska och finansiella förutsättningarna för såväl näringslivet som samhället i övrigt. Den i början av året fortsatta högkonjunkturen förbyttes framåt höstkanten i en allvarlig finanskris och en begynnande lågkonjunktur som snabbt slog mot våra stora exportföretag. Det var stora rörelser – först upp och sedan ner – på den för oss så viktiga räntemarknaden. På börsen var det generellt sett rejält nedåt och Fabeges aktie backade 55 procent under det turbulenta börsåret 2008.

UPPNÅDDE VÅRA OPERATIVA MÅL

För vår operativa verksamhet var 2008 ett bra år med en fortsatt stabil hyresmarknad som gav ökade hyresintäkter om ca 150 Mkr och ett nästan tio procent högre driftöverskott. Vi uppnådde våra operativa mål: överskottsgraden förbättrades, vakansen minskade, vi ökade projektvolymen och koncentrerade verksamheten ytterligare till våra huvudmarknader.

Vi fortsatte att effektivisera verksamheten och utvecklade samtidigt våra förvaltningsenheter och medarbetare. Ett exempel på framgångsrikt effektiviseringsarbete är att vi minskade energiförbrukningen med 8 procent, vilket är glädjande ur både kostnads- och miljöperspektiv.

NEGATIVA VÄRDEFÖRÄNDRINGAR SLOG MOT RESULTATET

Fabeges resultat utvecklades dock totalt sett negativt till följd av negativa värdeförändringar på fastigheter och räntederivat. Dessa värdeförändringar påverkar inte kassaflödet men får i enlighet med IFRS ändå direkt genomslag i resultaträkningen.

I spåren av oron på kreditmarknaden och dess konsekvenser för transaktionsmarknaden ökade avkastningskraven

under 2008 vilket pressade fastighetsvärdena nedåt. För Fabeges del minskade fastighetsportföljens värde med 1,5 Mdr, vilket motsvarar en värdenedgång om cirka 5 procent. Vi fick se värdejusteringar nedåt främst i C-lägen medan A-lägen, där Fabege har flertalet av sina fastigheter, klarade sig bättre. Det är en bild som jag, liksom flera ledande fastighetsanalytiker, bedömer kommer att stå sig.

VÅRT FOKUS KOMMER ATT LIGGA PÅ ATT VÅRDA OCH UTVECKLA RELATIONERNA MED KUNDERNA

RÄNTEKOSTNADERNA SJUNKER BETYDLIGT

Det var turbulent på räntemarknaden och Fabeges genomsnittliga ränta gick från 4,3 procent i början av året till 5,1 procent innan finanskrisen kulminerade och åtgärderna för att stävja denna fick räntan att sjunka igen. Vid årets slut var Fabeges snittränta nere på 3,3 procent.

I början av 2009 fortsätter den korta räntan att sjunka och vi kommer under året sannolikt att ha betydligt lägre räntekostnader än föregående år vilket stärker vårt kassaflöde. Vi har under hösten sett över vår finansiering och har idag god tillgång till långsiktigt kapital.

NYTT LIV I TRANSAKTIONSMARKNADEN

Fabege var nettosäljare av fastigheter under 2008 – vi sålde 13 fastigheter för 2,1 Mdr medan vi köpte 2 för 0,2 Mdr. Aktiviteten var dock allmänt sett låg på fastig-

hetsmarknaden, med undantag för ett par mycket stora transaktioner. De successivt sjunkande marknadsräntorna bidrar nu till en alltmer attraktiv avkastning på fastigheter och vi kommer sannolikt att få se en ökad aktivitet och högre transaktionstakt.

STARK NYUTHYRNING I BÖRJAN AV ÅRET

I början av 2009 är hyresmarknaden fortsatt stabil på våra huvudmarknader och vi har börjat året med ett bra tempo i nyuthyrningen, bland annat flera större uthyrningar i projektfastigheter. Vattenfall kommer att hyra cirka 43 000 kvm i en ny kontorsbyggnad som ska uppföras i Arenastaden i Solna. Detta är en mycket stark bekräftelse på områdets allt större attraktivitet. Visionen för Arenastaden konkretiseras alltmer och vi har spännande år framför oss när den nya stadsdelen i Solna växer fram. I projektet Lindhagen/Paradiset 29 på Västra Kungsholmen har vi hyrt ut 2 300 kvm till affärssystemleverantören IFS som därmed blir den första kontorshyresgästen i denna nya och attraktiva kontors- och handelsfastighet i bästa skylt- och kommunikationsläge alldeles intill Essingeleden.

VÅL RUSTAT FÖR SVAGARE KONJUNKTUR

Alla tecken tyder dock på att vi är på väg in i en betydligt svagare konjunktur och Fabege är väl rustat, såväl organisatoriskt som beståndsmässigt, för att möta denna. Våra mål för 2009 är att

- Öka kvarsittningsgraden
- Förbättra överskottsgraden
- Bibehålla en stark balansräkning

Vårt fokus kommer att ligga på att vårda och utveckla relationerna med kunderna.

Genom att ta väl hand om våra hyresgäster och erbjuda dem möjligheter att utvecklas inom vårt bestånd skapar vi en bra plattform för förvaltningen när det blir sämre tider och oro på marknaden. Vi ska fortsätta att effektivisera verksamheten och förbättra driftnetto och överskottsgrad. Vi kommer också att ta vara på möjligheter till bra affärer, liksom vi gjorde under föregående år. Försäljning av lågavkastande fastigheter med begränsad utvecklingspotential, för att i stället investera i våra högavkastande projekt är helt i linje med vår affärsmodell.

UTSIKTER 2009

Fabege har kompetenta och engagerade medarbetare och en organisation som snabbt kan anpassas till nya förhållanden. Med sjunkande räntor och säkrad tillgång till kapital, ett starkt kassaflöde, en hög uthyrningsgrad samt fastigheter och lokaler som är attraktiva oavsett konjunktur, har Fabege en bra position inför 2009 som kommer att bli ett år med stora utmaningar men även intressanta möjligheter.

Christian Hermelin,
Verkställande direktör



Vd har ordet

Alla väsentliga nyckeltal förbättrades

Under 2010 vände fastighetsmarknaden uppåt och Fabeges olika delmarknader utvecklades starkt. Med våra fastigheters centrala lägen, marknadskänedom och hårt arbete skapade vi en stark utveckling och ett mycket bra resultat 2010. Vi har ökat koncentrationen av fastighetsportföljen genom ett större antal fastighetsförsäljningar. Med den stärkta balansräkningen har vi nu goda förutsättningar att öka takten inom projektutveckling samt tillvarata förvärvsmöjligheter.

2010 – ETT MYCKET BRA ÅR

Fabeges redovisade 2010 ett stabilt förvaltningsresultat samtidigt som resultatet från transaktioner och förädlingsverksamheten ökade väsentligt. Det är mycket glädjande att konstatera att alla segment i vår affärsmodell, nu på nytt, efter två års finanskris, levererar väsentliga bidrag till det totala resultatet. Våra medarbetare bidrog på ett mycket engagerat sätt till denna utveckling.

Jag är mycket nöjd med utvecklingen under 2010. Vi har mer än väl uppfyllt våra mål avseende att både öka aktiviteten och avkastningen i fastighetsportföljen och därmed väsentligt ökat det totala resultatet. Sammantaget förbättrades de mest väsentliga nyckeltalen under året.

- Balansräkningen stärktes och soliditeten ökade från 32 till 40 procent.
- Bemanningsgraden minskade, i enlighet med vår målsättning, till under 60 procent.
- Synligt eget kapital per aktie ökade från 61 till 69 kr och substansvärde exklusive uppskjuten skatt på övervärde fastigheter ökade med 10 kr till 77 kr per aktie.

De goda resultaten under året återspeglades också i den starka utvecklingen av Fabeges-aktien. Aktien steg under året med hela 74 procent, att jämföra med fastighetssektorn (OMX Real Estate) som steg 41 procent och Nasdaq OMX Stockholm som steg med 23 procent.

TRANSAKTIONSMARKNADEN TOG FART

Under 2010 präglades marknaden av ett tilltagande antal transaktioner. Även om 2010 inte var något rekordår ser vi nu en mer normaliserad transaktionsmarknad igen. Det finns många aktörer på stockholmsmarknaden men få bra objekt till salu. Antalet transaktioner fortsätter dock att öka och på Fabeges delmarknader ser vi sjunkande avkastningskrav, inte bara i Stockholms innerstad, utan även i Solna Business Park och Arenastaden.

Fabeges har under flera år arbetat för att renodla och koncentrera fastighetsportföljen till ett antal delmarknader med hög tillväxt. Det samlade beståndet ger oss de bästa förutsättningar för att skapa värden. Vår egen arbetsinsats blir därmed av största vikt vilket minskar risken och gör oss mindre konjunkturberoende.

Under 2010 avyttrades 54 fastigheter, huvudsakligen i oprioriterade områden, för drygt 4 Mdkr. Därmed är Fabeges fastighetsbestånd till 98 procent koncentrerat till de tre prioriterade delmarknaderna Stockholms innerstad, Solna och Hammarby Sjöstad. Förutom renodling har försäljningarna bidragit med nästan 400 Mkr i resultat tillskott efter skatt.

BRA HUS I BRA LÄGEN

På hyresmarknaden ser vi en begynnande brist på bra lokaler i bra lägen och i spåren av detta ökande hyresnivåer. Jag upplever att efterfrågan på bra lokaler ökade markant under slutet av 2010 och ser tydliga flyttströmmar till kvalitetshus. Många vill flytta till modernare kontorslokaler, och numera är flytten också ofta betingad av att företagen expanderar. Att Fabeges har bra hus i attraktiva lägen är i detta marknadsläge mycket värdefullt och det bådär gott för kommande år. Med en allt starkare hyresmarknad ser jag vår vakans som en potential inför framtiden.

Nya kunder är viktigt men det absolut viktigaste är befintliga kunder. Vi behöver fortsätta att arbeta för att en ännu högre andel av våra befintliga kunder väljer att förlänga sina avtal. Därför kommer nettoutbyrningen att vara i fokus i syfte att minska vakansgraden och därmed också öka överskottsgraden och direktavkastningen i portföljen.

MILJÖ – EN SJÄLVKLARHET

Fabeges har som mål att bidra till en hållbar samhällsutveckling. Därför beaktar vi hållbarhetsaspekten genom hela affärsprocessen och den ingår som en naturlig och viktig del i den dagliga verksamheten och i dialogen med våra kunder. Minskad energi-

” Vi levererade ett mycket bra förvaltningsresultat, men även projektvinster och transaktionsvinster bidrog väsentligt till det totala resultatet. ”

användning genom systematisk energieffektivisering är sedan flera år tillbaka ett av Fabeges viktigaste miljömål. Fabege har idag en värmeanvändning som ligger 40 procent under nationella genomsnittet och den totala energianvändningen har fortsatt att minska. Jag är stolt över den utvecklingen. Vi arbetar vidare med energieffektivisering, miljöcertifiering och implementering av gröna hyresavtal. Något som vi och våra hyresgäster har mycket att vinna på.

UTSIKTER 2011

Om dagens positiva konjunkturprognoser besannas är det min övertygelse att även 2011 blir ett år med positiv utveckling för bolaget och ett starkt resultat. Fabege har tack vare sina attraktiva fastigheter i tillväxtlägen och sin projekt- och transaktionsinriktning extra goda utsikter att gynnas.

Våra mål för 2011 innebär fortsatt väsentliga bidrag till Fabeges totala resultat från såväl förvaltning som förädling och transaktion. Jag ser goda möjligheter att genom ökad nettouthyrning förbättra uthyrningsgraden och därmed öka direktavkastningen och värdet i portföljen. Våra pågående projekt och projektmöjligheter i bra lägen ska också bidra till ökat kassaflöde och värdetillväxt och det är nu ett utmärkt läge att öka investeringsvolymen. Vi har en attraktiv projektportfölj med stor potential och en stark balansräkning som skapar utrymme för investeringar i nya värdeskapande projekt samt nya förvärv om rätt objekt dyker upp.

En stark konjunktur innebär högre räntekostnader samtidigt som ekonomisk tillväxt och inflation är positivt för fastighetsägandet. Fabege är ett av de bolag som genom portföljens attraktiva lägen och utvecklingsmöjligheter har goda förutsättningar att dra extra stor fördel av dagens marknadsläge.

Stockholm i februari 2011



CHRISTIAN HERMELIN
Verkställande direktör



VD har ordet

När jag ser tillbaka på det gångna året är det framför allt två saker jag är mycket nöjd med.

Det första är Castellums uthyrmingskapacitet. Föregående år undertecknades 737 nya hyresavtal och nettouthyrningen blev den bästa någonsin, 120 Mkr. Det mest imponerande är arbetet som ligger bakom siffrorna – alla medarbetares sätt att arbeta med att långsiktigt utveckla såväl kundrelationerna som själva produkten, d v s lokalen och kring servicen. En mycket stor andel av nyuthyrningen kommer från egna nätverk. Jag är övertygad om att nära och långsiktiga kundrelationer kommer att ha en allt större betydelse på den framtida hyresmarknaden.

Det andra är investeringstakten. Under 2006 investerade Castellum för 2,3 miljarder kronor. Det svåra är inte att investera stora belopp utan utmaningen ligger i till vilken avkastning och risk investeringen görs. Fastighetspriserna sätter hela tiden nya rekord, vilket innebär lägre avkastning som i många fall är för låg för att vara intressant för Castellum. Med Castellums organisation finns andra investeringsmöjligheter. En möjlighet är att växa tillsammans med våra 3 900 befintliga kunder. I organisationen har ett stort antal medarbetare frekvent kundkontakt, vilket medför god kännedom om, samt möjlighet att tillgodose befintliga och nya kundens förändrade behov. Drygt 40% av årets investeringar avsåg allt från mindre ombyggnationer till större nyproduktioner. En annan möjlighet är förvärv av fastigheter med vakanta ytor. Vår organisation med stor uthyrmingskapacitet kan göra en annan riskbedömning av vakanser än andra aktörer. Det finns många exempel där Castellum relativt snart efter förvärv av en vakant fastighet skrivit hyresavtal och därmed erhållit en avkastning som med god marginal överstiger marknadens avkastningskrav på likvärdig fastighet.

2006 blev även resultatmässigt ett bra år. Förvaltningsresultatet uppgick till 883 Mkr – en ökning med 8% mot föregående år, vilket är strax under målet om 10%. Med i stort sett oförändrade hyresnivåer och vakanser är det främst låga räntenivåer och effekter av genomförda investeringar som bidragit till resultatökningen. Det kan noteras att det skett två trendskiften från och med tredje kvartalet – sjunkande vakanser och stigande räntenivåer. Även om resultatpåverkan var begränsad, är det en tydlig effekt av den förbättrade svenska ekonomin och arbetsmarknaden.

Efterfrågan på fastigheter är fortsatt mycket stor från såväl svenska som utländska investerare. Sjunkande avkastningskrav har inneburit stigande fastighetspriser för tredje året i rad. Årets värdeuppgång i Castellums fastighetsbestånd uppgick till 1 145 Mkr, vilket motsvarar ca 5%. Resultatet efter skatt förbättrades med 29% till 1 674 Mkr – det bästa resultatet någonsin.

Resultattillväxten har medfört ett förslag om höjd utdelning till 2,85 kr per aktie, en ökning med 9% jämfört med föregående år. Den föreslagna utdelningen ligger i linje med såväl tillväxten i förvaltningsresultatet som tidigare utdelningsandelar.

I och med de senaste årens värdeuppgång på fastigheter har balansräkningen blivit allt starkare. Trots att investeringstakten under 2006 var hög med 10% ökning av balansräkningen, förblev soliditeten oförändrad 42%.

Totalavkastningen på Castellumaktien uppgick till 3,7 miljarder, vilket motsvarar +31%. Avkastningen är något högre än Stockholmsbörsen men något lägre än Fastighetsindex Sverige. Andelen utländskt ägande har under 2006 fortsatt att öka och uppgår nu till 53%. Det ökade utländska intresset för såväl aktier som fastigheter visar med all tydlighet på en fortsatt globalisering av investerarmarknaden och att Sverige är en del i denna.

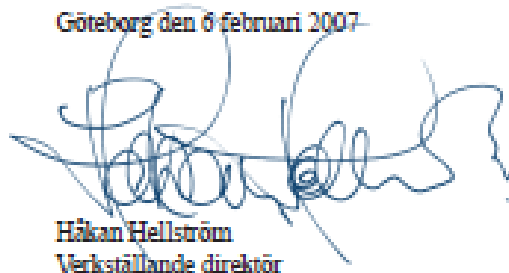
Årsredovisningen för 2006 är den tionde för Castellum som börsnoterat bolag. Även om man inte kan vila på gamla segrar kan ändå konstateras att det har varit tio bra år. Förvaltningsresultatet har i genomsnitt förbättrats med 15% per år och har i samtliga kvartalsbokslut varit bättre än motsvarande period föregående år. Fastighetsportföljen har under tioårsperioden nästan tredubblats. Det är en effekt av investeringar om 14 miljarder, försäljningar om 5 miljarder och att fastighetsvärdena ökat med i genomsnitt 4,5% per år, motsvarande 7 miljarder. För Castellums aktieägare har perioden resulterat i ökad börskurs och utdelningar om knappt 16 miljarder, motsvarande en totalavkastning om i genomsnitt 25% per år.

Efter ett antal år med relativt begränsad tillväxt i svensk ekonomi och sysselsättning har nu vakanssituationen förbättrats. Efterfrågan på lokaler tog fart under 2006 och nettouthyrningen är på historiskt höga nivåer. Detta var tydligast under andra halvåret och det kan inte noteras någon avmattning under början av innevarande år. I nuvarande marknadsläge är befintliga vakanser om drygt 300 Mkr den största potentialen i Castellum. Även om förbättrad efterfrågan och sjunkande vakanser skulle påverka hyresnivåerna redan innevarande år, kommer resultatpåverkan vara begränsad då kontraktsförfallstrukturen fördröjer effekten.

Den positiva utvecklingen på intäktsidan motverkas av stigande marknadsräntor med högre räntekostnader som följd. Castellum har för närvarande en låneportfölj om ca 11 miljarder med en räntenivå om 4,0%, vilket är 0,3%-enheter högre än genomsnittsräntan föregående år. Med all sannolikhet kommer ökningen att bli än högre, då Riksbanken förväntas höja styrräntan ytterligare under året.

För att nå målet om resultat tillväxt är det viktigt att investeringstakten är fortsatt hög, utan att för den skull sätta volym framför avkastning. Den starka balansräkningen ger möjlighet till att, inom ramen för en soliditet om lägst 35%, investera för ca 5 miljarder. Året har börjat bra, redan under första månaden har förvärvat för ca 600 Mkr, där förvärven i två nya tillväxtregioner – Linköping och Halmstad – känns extra spännande.

Göteborg den 6 februari 2007



Håkan Hellström
Verkställande direktör



"Jag är övertygad om att nära och långsiktiga kundrelationer kommer att ha en allt större betydelse på den framtida hyresmarknaden."

VD har ordet

Basta resultatet någonsin men också det sämsta.

2008 var ett turbulent år – började så bra att Riksbanken försökte dämpa inflationen och kyla ner ekonomin genom flera höjningar av styrräntan. Efter att finanskrisen briserat under sista kvartalet kom en kraftig inbromsning i ekonomin. De sänkta räntenivåerna därefter känns som en klen tröst för de omfattande varslen på arbetsmarknaden.

Hyresmarknaden kännetecknades av bra efterfrågan på lokaler, försiktigt stigande hyresnivåer och en fortsatt nyproduktion. Trots kraftig inbromsning i ekonomin under hösten har det varit fortsatt bra efterfrågan på lokaler och stabila hyresnivåer. Nyproduktionen har dock avstannat.

För Castellums del ökade hyresintäkterna 2008 med ca 240 miljoner kronor, en effekt av såväl stigande hyresnivåer som lägre vakanser och genomförda investeringar. Fastighetskostnaderna har ökat med ca 60 miljoner kronor främst utifrån ett större bestånd. Räntekostnaderna ökade med ca 130 miljoner kronor, varav ca 60 miljoner kronor på grund av högre räntenivåer. Sammantaget blev förvaltningsresultatet 973 miljoner kronor - det bästa någonsin!

Den 5%-iga tillväxten nådde inte upp till målet om 10%, men får ändå betraktas som tillfredsställande för ett turbulent år som 2008. Tillväxten möjliggör ett förslag om ökad utdelning till 3,15 kronor.

Fastighetsvärden går upp och ner. Efter att ha gått upp med 3,7 miljarder kronor sedan 2004 gick de ner med 1,3 miljarder kronor under 2008. Det är uppenbart att svängningarna förstärks av att det tidigare varit relativt lätt att få finansiering, medan det för tillfället i finanskrisens spår är betydligt svårare.

Även marknadsräntor går upp och ner. De under sista kvartalet kraftigt sjunkande långräntorna innebär att avtalad ränta var högre än marknadsräntan per årsskiftet, med en värdenedgång i räntederivatet om drygt 1 miljard kronor som följd.

Med vald strategi avseende fastighetsbestånd och finanspolicy är Castellums möjlighet att påverka dessa icke kassaflödespåverkande värderingsposter ytterst begränsad. Prissättningen på tillgångar och räntor blir allt mer internationell. Sedan några år tillbaka påverkar dock dessa poster resultaträkningen, vilket medför att Castellum redovisar ett resultat efter värdeförändringar och skatt på - 663 miljoner kronor - det sämsta någonsin!

Castellums balansräkning är fortsatt stark, vilket är än viktigare i en finanskris och inför en lågkonjunktur. Trots under året gjorda investeringar om 2,7 miljarder kronor och nedskrivningar om 1,3 miljarder kronor uppgår belåningsgraden till låga 50%. Castellums tillgång till långfristiga krediter är god.

Totalavkastningen på aktien blev -5%. Det är inte tillfredsställande, men ändå betydligt bättre än Stockholmsbörsens -39% och Europeiskt fastighetsindex -49%.

Vad skall man då tro om 2009?

Castellum har engagerade och kunniga medarbetare som alltid försöker leva upp till kundernas förväntningar, men i en begynnande lågkonjunktur kan ändå inte uteslutas att det blir mer uppsägningar än nyuthyrningar. En sådan utveckling kommer dock att få begränsad påverkan på 2009 då hyresavtalen i normalfallet måste sägas upp nio månader före förändring.

Hyresnivåerna kommer i och med indexuppräknningar initialt att stiga under 2009. Jag ser liten risk för väsentligt försämrade intäkter under 2009, förutsatt att det inte blir omfattande konkurser i näringslivet.

Räntekostnaderna kommer sannolikt sjunka under 2009. Den allmänna uppfattningen är att Riksbanken kommer att sänka styrräntan ytterligare, men hur detta tillsammans med statens ökande lånebehov och finanskrisens utveckling kommer att påverka priset på pengar är inte lika lärbedömt. Det absolut viktigaste för näringslivet generellt och fastighetsbranschen specifikt är att kreditmarknaden börjar fungera igen.

I tider av osäkerhet kring finansieringsmöjligheter kommer det även att råda osäkerhet om underliggande tillgångspriser. På lite längre sikt känner jag dock ingen oro för Castellums nuvarande värdering om ca 9 000 kronor per kvadratmeter. Det är med god marginal under nyproduktionspris och kräver inga höga hyror för att försvara värderingen.

Med en stark balansräkning och fortsatt fokus på kunden och kassaflödet ser jag många intressanta möjligheter och utmaningar inför de närmsta åren.

Göteborg den 4 februari 2009

Håkan Hellström
Verkställande direktör



VD har ordet

Både hyres- och fastighetsmarknaden har stärkts, vilket ger Castellum möjlighet till fortsatt tillväxt. Resultatet har ökat, balansräkningen har stärkts och kundernas uppfattning om Castellum har ytterligare förbättrats.

Under 2010 ökade förvaltningsresultatet med 1% till 1 141 Mkr. Det är det högsta förvaltningsresultatet någonsin, men tillväxten var beskedlig jämfört med målet om 10%. Främsta orsaken till den låga tillväxten var ett lågt momentum från 2009 med negativ nettouthyrning, begränsade investeringar och negativ inflation, men också ett kallt och snörikt 2010.

Även årets resultat blev det bästa någonsin, 1 964 Mkr att jämföra med 160 Mkr året innan. Resultatförbättringen är till övervägande del en effekt av en förbättrad fastighetsmarknad och stigande fastighetspriser, som för Castellums del beräknats till 1 222 Mkr motsvarande 4%.

Mot bakgrund av resultatet föreslås en utdelning om 3,60 kronor per aktie – en ökning med 3% mot föregående år.

Balansräkningen har stärkts ytterligare under året. Investeringarna ökade med 30% till 1,5 miljard medan beläningsgraden sjönk till 50% och outnyttjade långfristiga kreditutrymmen ökade till 2,8 miljarder.

Det är inte bara finansiella mått som stärkts. I en serviceinriktad organisation är det viktigt med både nöjda kunder och medarbetare. Mätningar under året visar att vi från redan höga nivåer förbättrats ytterligare. Fortsatt miljöarbete har resulterat i såväl lägre energiförbrukning som CO₂-utsläpp – bättre än uppsatta mål.

Aktiens totalavkastning om 31% under 2010 är något bättre än Stockholmsbörsen och flertalet utländska fastighetsindex, men något sämre än svenskt fastighetsindex.

Jag tycker att man i och med 2010 kan konstatera att den globala finanskrisen, som tog fart under 2008, knappt påverkat Castellum. Under den senaste treårsperioden har förvaltningsresultatet ökat med 24%. Trots investeringar om 5 miljarder, nedskrivningar om 1 miljard och en utdelningstillväxt om 20%, ligger beläningsgraden på låga 50%.

Men 2010 är redan historia och vilka förväntningar kan man ha på 2011?

Sverige har i ett internationellt perspektiv starka statsfinanser och en hög tillväxt i BNP. Vi har dock ännu inte sett den fulla effekten av sysselsättningstillväxten på *Arbetsmarknaden*, vilket är den viktigaste faktorn för fastighetssektorn. De flesta verkar vara överens om att svensk ekonomi ytterligare kommer att förstärkas under de närmsta åren, med ökad BNP och sysselsättning samt stigande inflation och räntor som följd.

Med denna tillväxt kommer *Hyresmarknaden* stärkas – ökad efterfrågan och sjunkande vakanser kommer att påverka marknadshyran uppåt. I Castellum kan vi redan nu se förbättrad nettouthyrning och fler lämnade offerter, vilket innebär att befintliga vakanser utgör en stor potential. Min bedömning är att fastighetskostnaderna är stabila och att driftsnettot därför kommer att förbättras.

På *Räntemarknaden* har korträntorna stigit i takt med Riksbankens höjningar av reporäntan, medan långräntorna är på ungefär samma nivåer som för ett år sedan. Att korträntorna fortsätter uppåt är uppenbart, men Castellum betalar gärna priset för ekonomisk tillväxt och inflation som över tid gynnar tillgångslaget fastigheter.

Ökat intresse för fastighetsinvesteringar och en klar förbättring att kunna låna pengar på *Kreditmarknaden* har medfört att likviditeten på *Fastighetmarknaden* är tillbaka på normala nivåer. Min bedömning är att fastighetspriserna fortsätter uppåt, kanske mer som en följd av förbättrat driftsnetto och mindre av sänkta avkastningskrav.

Med bra intjäning och stark balansräkning följer hög investeringskapacitet – i Castellum drygt 2 miljarder netto per år. Vi kommer likt tidigare år främst att fokusera på bättre avkastande ny-, till- och ombyggnationer för befintliga och nya kunder, men självklart också på förvärv av fastigheter med utvecklingspotential.

Om det var ett lågt momentum i Castellum vid årsskiftet 2009/2010, är min bedömning att det kommer att byggas upp successivt under 2011 för att få full effekt 2012.

Avslutningsvis vill jag framföra ett stort tack till alla anställda i Castellum. I en serviceinriktad organisation med kunden i fokus är ni den viktigaste resursen, vilket ni förvaltar på ett alldeles utmärkt sätt.

Göteborg den 25 januari 2011



Håkan Hellström
Verkställande direktör

