

# 2010

## Interim Report January–March

- After-tax profit for the period improved by SEK 242m from SEK –81m to SEK 161m, corresponding to earnings per share of SEK 0.98 (–0.49).
- Earnings before tax from Property Management amounted to SEK 189m (46) and from Property Development to SEK 30m (–15).
- Transaction profit amounted to SEK 31m (3).
- Profit from Property Management increased 22 per cent to SEK 181m (148), while rental income declined to SEK 518m (548).
- The equity/assets ratio increased to 33 per cent (32).

### Results, SEKm

	2010 Jan–Mar	2009 Jan–Mar	2009 Jan–Dec
Rental income	518	548	2,194
Running costs and central costs	–216	–216	–791
Net financial items (excl. changes in value)	–121	–184	–565
<b>Profit from property management activities</b>	<b>181</b>	<b>148</b>	<b>838</b>
Changes in value	38	–117	–158
Tax	–58	–112	–255
<b>Profit/loss after tax</b>	<b>161</b>	<b>–81</b>	<b>425</b>
Surplus ratio, %	61	64	67
Equity/assets ratio, %	33	32	32
Occupancy rate, %	90	90	90

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## Performance in the first quarter<sup>1)</sup>

During the first quarter, the very strong performance of the operations continued. Although net operating income declined, this was mainly due to sales of properties, while earnings from property management improved by slightly more than 20 per cent during the quarter as a result of continued low interest rates.

Activity in the lettings market was favourable and rents in Fabege's sub-markets remained stable. New lettings in the quarter totalled SEK 68m, while net lettings amounted to SEK -3m. Renegotiations continued to contribute positively to the rental value.

The occupancy rate was 90 per cent, unchanged compared with year-end. Rental income declined to SEK 518m (548). As a result of completed rental guarantees and a negative index, rental income from an identical portfolio decreased nearly 2 per cent. The negative impact of relocations was offset by an increase in rental income from completed project properties. The surplus ratio was 61 per cent (64). The decrease was due to a rise in snow-clearance costs and to higher property tax resulting from the new property taxation.

Earnings after tax increased to SEK 161m (-81). Unrealised changes in property value amounted to SEK 65m (-119). Realised changes in value amounted to SEK 31m (3). During the period, the residential portfolio was transferred to part-owned Fastighets AB Tornet and an additional two properties were divested.

The average interest rate in the loan portfolio at the end of the period was 2.72 per cent, including commitment fees for committed lines of credit. Net asset value per share amounted to SEK 66 (67), excluding deferred tax on fair value adjustments of properties.

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<sup>1)</sup> The comparison figures for income and expense items relate to values for the period January-March 2009 and for balance sheet items as at 31 December 2009.

## Chief executive's review

**Market has bottomed out! Although we must not exaggerate the upturn in the rental and transaction market, in my mind it is clear that our markets have now turned upwards.**

Property Management operations continue to develop favourably. However, it has been a difficult winter for our property companies in the form of high costs for such items as snow clearance. Accordingly, Fabege's Property Management operation reported a reduction in the surplus ratio, although if snow-clearance costs are excluded, the surplus ratio continued to improve.

The rental market for office premises in inner city Stockholm has now bottomed out and demand is rising. There is a shortage of good buildings in good locations, which benefits Fabege. Renegotiations of leases are few and the results are favourable. Net lettings are close to nil, which is satisfactory at the beginning of the year, since the first quarter normally accounts for a large share of the year's lease terminations.

After the close of the quarter, the Administrative Court rejected Fabege's appeals in several of our tax cases. The Administrative Court's verdicts will be appealed by Fabege. In our opinion, the Administrative Court has disregarded a number of important aspects and the verdicts are therefore incorrect. This assessment is shared by our advisors. We are of the opinion that there are good reasons

to believe that the Administrative Court of Appeal will amend the Administrative Court's rulings to the benefit of Fabege. Our ambitions for 2010 are as follows:

- More customers who extend their leases: Many of our customers are choosing to remain with us and to extend their leases on expiry. We work hard to take good care of and nurture relationships with our key customers
- Retain a strong balance sheet: In accordance with our business model, we have, through sales of low-yield properties with limited potential and through investments in our proprietary project portfolio, increased both our equity/assets ratio and the potential for future development gains. This is how we generate value for the future.
- Significantly increased earnings: We anticipate stable profit from Property Management operations in 2010. We also expect that ongoing project investments and the increasingly favourable transaction climate, through value growth and capital gains, will contribute to a significant improvement in earnings in 2010.

CHRISTIAN HERMELIN

## This is Fabege

Fabège, which is one of Sweden's leading property companies, conducts operations that are primarily focused on office premises and property development.

Fabège offers attractive and efficient premises, primarily for offices but also for retail and other operations. The company's portfolio is highly concentrated to a number of sub-markets offering robust growth in the Stockholm area, primarily Stockholm's inner city, Solna and Hammarby sjöstad.

Fabège manages a well-located property portfolio, which is developed continuously through improvements, sales and acquisitions. By collecting properties in clusters, increased customer proximity is achieved which, combined with comprehensive market knowledge, creates conditions for efficient management and a high occupancy rate.

At 31 March 2010, Fabège owned 127 properties with a combined market value of SEK 28.3bn. The rental income amounted to SEK 2.3bn.

Fabège's vision is to be the most proactive, innovative and competent property company for commercial premises in Stockholm, and a significant partner for customers and society at large.

# Results <sup>1)</sup>

## REVENUES AND EARNINGS

Profit for the period improved by SEK 242m from SEK -81m to SEK 161m. A lower net financial expense had a positive impact of SEK 67m and higher positive value adjustments contributed SEK 155m, while the tax charge decreased by SEK 54m. Before tax, Property Management generated earnings of SEK 189m (46) and Property Development earnings of SEK 30m (-15), making a total of SEK 219m (31). Earnings per share amounted to SEK 0.98 (-0.49).

Rental income totalled SEK 518m (548) and net operating income SEK 318m (348). The lower rental income was due to net sales of properties and to a decrease in rental guarantees and a negative index. The negative impact of relocations was offset by an increase in rental income from completed project properties. Running costs increased as a result of high snow-clearance costs and higher property tax, which meant that the surplus ratio declined to 61 per cent (64). In a comparable portfolio, rental

income decreased by nearly 2 per cent and net operating income by 6 per cent. Realised changes in the value of properties amounted to SEK 31m (3).

Unrealised changes in value amounted to SEK 65m (-119). Yield requirements were stable during the period. The SEK 28m increase in the value of the portfolio of investment properties was attributable to properties for which the risk of vacancies and declining rent levels has decreased. The project portfolios contributed to a value increase of SEK 37m, which was in line with Fabege's return requirement of 20 per cent of invested capital. Changes in the value of interest-rate derivatives and equities amounted to SEK -58m (-1) and net interest expense declined to SEK -116m (-183), as a result of lower market interest rates and a reduction in borrowing (refer to the section Financing).

## TAX

The tax expense for the period (deferred) amounted to SEK -58m (-112), corre-

sponding to 26.3 per cent tax on continuous taxable earnings. Sales of properties resulted in a total tax charge of SEK 0.5m.

## CASH FLOW

Profit contributed SEK 193m (155) to liquidity. After a decrease of SEK 359m (-127) in working capital, which varies primarily as a result of occupancy/final settlement for acquired and divested properties, operating activities increased liquidity by SEK 552m (28).

Since sales exceeded acquisitions of and investments in properties by SEK 915m (-22), the total change in liquidity resulting from operating activities was SEK 1,467m (6). Share buybacks amounted to SEK 1m (0). After the reduction in debt, consolidated cash and cash equivalents amounted to SEK 191m (44).

## FINANCING

Fabège employs long-term credit lines with fixed terms and conditions. At 31 March 2010, these had an average maturity of 5.6

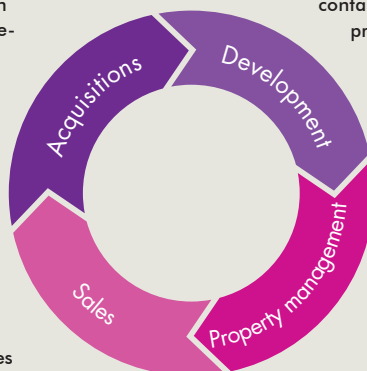
<sup>1)</sup> The comparison figures for income and expense items relate to values for the period January-March 2009 and for balance sheet items as at 31 December 2009.

### ACQUISITIONS – GENERATE GROWTH

Fabège aims to acquire properties offering potential surpassing that of the existing investment properties in the portfolio. As a major player in a limited number of selected sub-markets, Fabège has accumulated in-depth experience and knowledge of the markets, development plans, other players and properties. The company continuously monitors and analyses developments to be able to capitalise on opportunities to develop the property portfolio.

### SALES – CONCENTRATION OF THE PORTFOLIO

Fabège aims to divest properties that are located outside the company's concentrated property management units, as well as properties offering limited growth prospects. The location, condition and vacancy rate of the property are key factors determining growth potential. Accordingly, a fully let property with modern and efficient premises, which is considered to offer limited potential for rent increases and value growth, could be a sales candidate.



### DEVELOPMENT – CREATES VALUE

Development of properties offering growth potential is a key feature of the business model aimed at value creation. In addition to developing acquired properties, the portfolio also contains certain existing development and project properties whose potential the company endeavours to develop as market conditions permit. The project volume is adapted to market demand. New builds and comprehensive project development are always performed in accordance with the Green-Building principles.

### MANAGEMENT – ALWAYS CLOSE TO THE CUSTOMER

Property management is Fabège's largest line of business. The company manages its properties on the basis of an efficient management organisation, organisationally divided into management areas, each with a major responsibility for ensuring high involvement and close proximity to the customer. Management is located close to customers in order to achieve a high occupancy rate and to ensure that the customer remains loyal. Satisfied customers contribute to increases in net operating income.

### Interest rate maturity structure, 31 March 2010

	Amount SEKm	Average interest rate %	Share %
< 1 year	9,811	1.57	55
1-2 years	300	4.43	2
2-3 years	0	0.00	0
3-4 years	4,550	3.84	26
4-5 years	0	0.00	0
> 5 years	3,000	3.97	17
<b>Total</b>	<b>17,661</b>	<b>2.61</b>	<b>100</b>

### Loan maturity structure, 31 March 2010

	Credit agreements SEKm	Drawn SEKm
Certificate programme	5,000	3,096
< 1 year	1,520	1,000
1-2 years	4,500	3,000
2-3 years	3,560	2,768
3-4 years	6,875	3,817
4-5 years	0	0
> 5 years	4,980	3,980
<b>Total</b>	<b>26,435</b>	<b>17,661</b>

### Property sales Jan-Mar 2010

Properties	Area	Category	Lettable area, sqm
Paradiset 29 (50%)	Stads- hagen	Office/-Re- tail	17,749
Harpan 51	Öster- malm	Office/Resi- dential	4,661
Gjutaren 27	Vasastan	Residential	1,616
Fotkvarnen 1	Rinkeby	Residential	9,312
Fotkvarnen 2	Rinkeby	Land	0
Handkvarnen 3	Rinkeby	Residential	10,463
Hjulkvarnen 1	Rinkeby	Residential	5,818
Hjulkvarnen 2	Rinkeby	Residential	6,039
Hjulkvarnen 3	Rinkeby	Land	0
Rinkeby 2:1	Rinkeby	Land	0
Rinkeby 2:13	Rinkeby	Land	0
Rinkeby 2:14	Rinkeby	Land	0
Skvaltkvarnen 1	Rinkeby	Residential	8,804
Skvaltkvarnen 2	Rinkeby	Residential	4,542
Skvaltkvarnen 3	Rinkeby	Land	0
Hyppinge 1	Tensta	Land	0
Kullinge 1	Tensta	Residential	13,724
Risinge 1	Tensta	Residential	13,938
Vättinge 1	Tensta	Residential	7,223
Vättinge 2	Tensta	Residential	5,358
Vättinge 3	Tensta	Residential	9,490
Öninge 1	Tensta	Land	0
<b>Total property sales</b>			<b>118,737</b>

years. The company's lenders are the major Nordic banks. Interest-bearing liabilities at the end of the period were SEK 17,661m (19,109) and the average interest rate was 2.61 per cent excluding and 2.72 including commitment fees on the undrawn portion of committed credit facilities. Interest rates on 40 per cent of Fabege's loan portfolio were fixed using fixed-income derivatives. The average fixed-rate period was 25 months, taking the effect of derivative instruments into account, while the average fixed-rate period for variable-rate loans was 49 days.

Fabège has callable swaps of SEK 7,550m with interest rates ranging from 3.33 to 3.98 per cent. In addition, the company holds performance swaps of SEK 300m with maturities up to May 2011. The derivatives contracts were concluded in summer 2008 to improve cash flow in a situation where the market was expecting interest rates to rise. The aim was to obtain a discount on interest rates or fix rates at a level that was attractive from a long-term perspective.

In compliance with the accounting rules contained in IAS 39, the derivatives portfolio has been measured at market value and the change in value is recognised in the profit and loss account. At 31 March 2010, the recognised negative fair value adjustment of the portfolio was SEK 408m. The derivatives portfolio has been measured at the present value of future

cash flows. The change in value is of an accounting nature and has no impact on the company's cash flow.

At 31 March 2010, the company had unused committed lines of credit of SEK 3,774m. In the first quarter, Fabège reduced the credit facilities, which total SEK 1,631m, as a result of property sales.

Fabège has a commercial paper programme in an amount of SEK 5bn. Demand for Fabège's commercial paper remained favourable during the first quarter and at 31 March commercial paper worth SEK 3,096m was outstanding, compared with SEK 2,855m at the beginning of the year. Fabège has available long-term credit facilities covering all outstanding commercial paper at any given time.

The total loan volume includes SEK 518m in loans for projects, on which interest of SEK 2m has been capitalised.

### FINANCIAL POSITION AND NET ASSET VALUE

Shareholders' equity amounted to SEK 9,800m (9,969) at the end of the period and the equity/assets ratio was 33 per cent (32). The dividend payment resolved by the Annual General Meeting was charged against shareholders' equity during the period. Shareholders' equity per share amounted to SEK 60 (61). Excluding deferred tax on fair value adjustments of properties, net asset value per share was SEK 66 (67).

## Operations

**The start of 2010 has been favourable, with a stable lettings market and an increasingly active transaction market.**

### FABEGE'S PROPERTY PORTFOLIO AND PROPERTY MANAGEMENT

Fabège's activities in Management and Development of properties are concentrated to a few selected sub-markets with strong growth prospects in and around Stockholm. Stockholm's inner city, Solna and Hammarby sjöstad are the company's principal markets. At 31 March 2010, Fabège owned 127 properties with a total rental value of SEK 2.3bn, a lettable floor area of 1.3m sqm and a carrying amount of SEK 28.3bn, including project properties of SEK 4.8bn.

The financial occupancy rate for the entire property portfolio, including project properties, was unchanged at 90 per cent. The vacancy rate in the portfolio of investment properties was 8 per cent (8).

New lettings during the period totalled SEK 68m (150), while net lettings were SEK -3m (76). The letting to Vattenfall Nordic had a significant impact on net lettings in the year-earlier period. Rents in renegotiated contracts increased by an average of 2 per cent.

## CHANGES IN THE PROPERTY PORTFOLIO

During the period, 22 properties (of which 20 pertained to the property portfolio sold to part-owned Fastighets AB Tornet) were sold for a total of SEK 1,240m. The sales generated after-tax profit of SEK 30m.

## CHANGES IN THE VALUE OF PROPERTIES

26 per cent of Fabegé's properties were externally valued as at 31 March 2010 and the remaining properties were internally valued based on the latest valuations. The total market value at 31 March was SEK 28.3bn (29.2bn). Unrealised changes in the value of properties were SEK 65m (-119). The yield requirement was stable during the period. The yield requirement for the portfolio averaged 6.1 per cent (6.0). The increase was due to the divestment of the low-yield residential portfolio. The SEK 28m increase in the value of the portfolio of investment properties was attributable to properties for which the risk of vacancies and declining rent levels has decreased. The project portfolios contributed to a value increase of SEK 37m, which was in line with Fabegé's return requirement of 20 per cent of invested capital.

## PROJECTS AND INVESTMENTS

Fabegé's project investments are designed to reduce vacancy rates and raise rents in the property portfolio, thereby improving cash flows and adding value. The development of properties is a key feature of Fabegé's business model and should make a significant contribution to consolidated profit. The aim is to achieve a return of at least 20 per cent on invested capital.

Investments in existing properties and projects during the period totalled SEK 200m (332). The investments involved new builds, extensions and conversions.

### Completed projects

During the first quarter, the projects in the properties Pärnet 8, Solna Strand (let to the Swedish Tax Agency) and Tygel 3, Arenastaden (let to Adidas) were completed and the properties have been transferred to the portfolio of investment properties.

### Major ongoing projects

The project in the Uarda 2 property, Solna, pertaining to the erection of Vattenfall

Nordic's new offices, is now fully under way. Project planning and demolition of the old building on the property is currently being performed.

In the Fräsaren 10 property, Solna Business Park, the premises for Axfood Cash & Carry have been completed and the tenant has moved in. Facade renovation and tenant adaptations for Vectura will be performed during coming quarters, with occupancy scheduled for the first quarter of 2011.

During the period, a decision was made concerning an investment in part of the Bocken 39 property, Lästmakargatan. The existing main body of the building will be demolished to make way for about 4,900 sqm of office space and 2,400 sqm of residential space (tenant-owned apartments) and certain other space totalling approximately 10,000 sqm. The investment will total SEK 237m.

## SEGMENT REPORTING

During the period, two properties (Pärnet 8 and Tygel 3) were transferred from Property Development to Property Management. The portfolio of residential properties that was sold to part-owned Fastighets AB Tornet reduced Property Development's property portfolio.

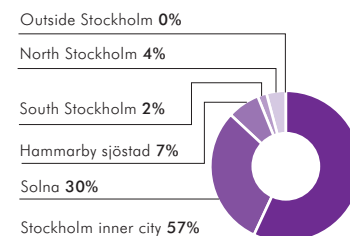
Property Management generated net operating income of SEK 291m (320), corresponding to a surplus ratio of 63 per cent (68). The occupancy rate was 92 per cent. Profit from property management amounted to SEK 178m (161). Unrealised changes in value amounted to SEK 28m (-117). Realised changes in value amounted to SEK 31m (3) and derived from the sale of Harpan 51 and the part-owned Paradiset 29.

The portfolio of development properties generated net operating income of SEK 27m (28), corresponding to a surplus ratio of 47 per cent (36). Profit from property management amounted to SEK 3m (-13). Unrealised changes in value amounted to SEK 37m (-2).

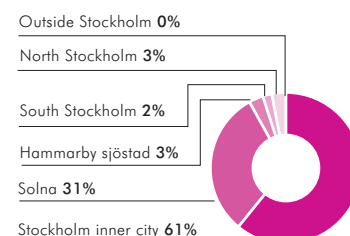


## Distribution of carrying amount/market value, 31 March 2010

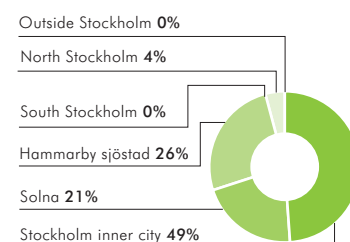
### All properties, SEK 28,3bn



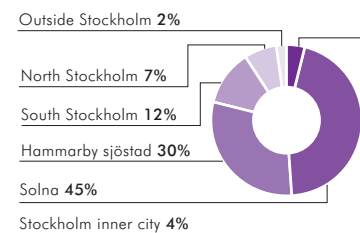
### Investment properties, SEK 23,5bn



### Development properties, SEK 3,4bn



### Project properties, SEK 1,4bn



Vattenfall Nordic's new office in Arenastaden, Solna.

## Projects in progress >SEK 50m 31 March 2010

Property name	Property type	Area	Completed	Lettable area, sqm	Occupancy rate, area, % <sup>1)</sup>	Estimated rental value, SEKm <sup>2)</sup>	Carrying amount, SEKm	Estimated investment SEKm	Of which, accrued SEKm
Fräsaren 10	Office	Solna	Q1-2011	11,470	88	21	128	155	36
Uarda 5 (former Uarda 2)	Office	Arenastaden	Q3-2012	44,500	97	103	200	1,050	64
<b>Total</b>				<b>55,970</b>	<b>95</b>	<b>124</b>	<b>328</b>	<b>1,205</b>	<b>100</b>
Other Project and Land properties							1,024		
Other Development properties							3,479		
<b>Total Project, Land and Development properties</b>							<b>4,831</b>		

<sup>1)</sup> Operational occupancy rate, at 16 April 2010.

<sup>2)</sup> The annual rent for the largest projects in progress could increase to SEK 124m (fully let) from SEK 7m in annualised current rent as of 31 March 2010.

## Property portfolio 31 March 2010

	31 March 2010			1 Jan–31 Mar 2010				
	No. of properties	Lettable area, '000 sqm	Market value, SEKm	Rental value, SEKm	Financial occupancy rate, %	Rental income, SEKm	Property expenses, SEKm	Net operating income, SEKm
<b>Property holdings</b>								
Investment properties <sup>1)</sup>	85	1,049	23,435	1,964	92	440	-131	309
Development properties <sup>1)</sup>	15	183	3,480	268	75	50	-23	27
Land and Project properties <sup>1)</sup>	27	71	1,352	61	67	8	-8	0
<b>Total</b>	<b>127</b>	<b>1,303</b>	<b>28,267</b>	<b>2,293</b>	<b>90</b>	<b>498</b>	<b>-162</b>	<b>336</b>
of which, Inner city	42	520	16,060	1,187	92	271	-86	185
of which, Solna	37	491	8,572	752	88	156	-45	111
of which, Hammarby sjöstad	13	144	1,948	183	81	36	-18	18
of which, South Stockholm	8	43	598	53	69	8	-3	5
of which, North Stockholm	26	105	1,066	118	95	27	-10	17
of which, Outside Stockholm	1	0	23	0	0	0	0	0
<b>Total</b>	<b>127</b>	<b>1,303</b>	<b>28,267</b>	<b>2,293</b>	<b>90</b>	<b>498</b>	<b>-162</b>	<b>336</b>
Expenses for lettings, project development and property administration.								-25
<b>Total net operating income after expenses for lettings, project development and property administration.</b>								<b>311<sup>2)</sup></b>

<sup>1)</sup> See definitions on page 8.

<sup>2)</sup> The table refers to Fabega's property portfolio at 31 March 2010. Income and expenses are recognised as if the properties had been held during the entire period. The difference between recognised net operating income, SEK 311m, and net operating income in the profit and loss account, SEK 318m, is attributable to net operating income from divested properties being excluded and acquired/completed properties being adjusted upwards as if they had been owned/completed throughout the period.

## Segment report (summary)<sup>1)</sup>

SEKm	Investment properties Jan–Mar 2010	Development properties Jan–Mar 2010	Total Jan–Mar 2010	Investment properties Jan–Mar 2009	Development properties Jan–Mar 2009	Total Jan–Mar 2009
Rental income	460	58	518	471	77	548
Property expenses	-169	-31	-200	-151	-49	-200
<b>Net operating income</b>	<b>291</b>	<b>27</b>	<b>318</b>	<b>320</b>	<b>28</b>	<b>348</b>
Surplus ratio, %	63	47	61	68	36	64
Central administration and marketing	-13	-3	-16	-13	-3	-16
Net interest expense	-96	-20	-116	-146	-37	-183
Share in profit/loss of associated companies	-4	-1	-5	-	-1	-1
<b>Operating profit/loss</b>	<b>178</b>	<b>3</b>	<b>181</b>	<b>161</b>	<b>-13</b>	<b>148</b>
Realised changes in value, properties	31	-	31	3	-	3
Unrealised changes in value, properties	28	37	65	-117	-2	-119
Change in value, fixed income derivatives	-29	-6	-35	-6	-1	-7
Change in value, equities	-19	-4	-23	5	1	6
<b>Profit/loss before tax</b>	<b>189</b>	<b>30</b>	<b>219</b>	<b>46</b>	<b>-15</b>	<b>31</b>
Current tax	-	-	-	-98	-	-98
Deferred tax	-49	-9	-58	-11	-3	-14
<b>Profit/loss for period/year</b>	<b>140</b>	<b>21</b>	<b>161</b>	<b>-63</b>	<b>-18</b>	<b>-81</b>
<b>Total assets</b>	<b>24,320</b>	<b>5,013</b>	<b>29,333</b>	<b>24,366</b>	<b>6,210</b>	<b>30,576</b>
of which, properties	23,436	4,831	28,267	23,438	5,974	29,412
<b>Total liabilities</b>	<b>24,320</b>	<b>5,013</b>	<b>29,333</b>	<b>24,366</b>	<b>6,210</b>	<b>30,576</b>

<sup>1)</sup> See definitions on page 8.

# Other financial information

## ANNUAL GENERAL MEETING ON 24 MARCH 2010

Fabege's Annual General Meeting on 24 March adopted the Board of Directors' motion to pay a dividend of SEK 2.00 per share for the 2009 financial year. The Meeting also resolved on the cancellation of 3,929,400 treasury shares and on a bonus issue to restore the share capital. The number of registered shares on 31 March 2010 was reduced in accordance with the resolution. However, the change was not registered by Swedish Companies Registration Office until April 2010. For other resolutions, refer to the press release and documents from the AGM on Fabege's website.

## STAFF

At the end of the period, the Fabege Group had 120 employees (135).

The decrease mainly resulted from the transfer of employees to Fastighets AB Tornet in connection with the divestment of the residential portfolio.

## PARENT COMPANY

Sales during the period amounted to SEK 27m (24) and the result before appropriations and tax to SEK -117m (-91). Net investments in property, equipment and shares were SEK -21m (-750). The parent company applies Recommendation RFR 2.3, Accounting for Legal Entities, and the Swedish Annual Accounts Act (see also the profit and loss account and the balance sheet on page 11).

## SHARE BUYBACK PROGRAMME

The 2010 AGM passed a resolution authorising the Board, no longer than up to the next AGM, to buy back and transfer shares in the company. Share buybacks are subject to a limit of 10 per cent of the total number of outstanding shares at any time. According to an AGM resolution, 3,929,400 treasury shares have been cancelled. During the period, 20,000 shares were bought back (average price: SEK 46.40 per share). At 31 March 2010, the company held 1,020,000 treasury shares, representing 0.6 per cent of the total number of registered shares.



## ONGOING TAX CASES

As announced previously, the Swedish Tax Agency has decided to increase the Fabege Group's taxable income in respect of a number of property sales made through limited partnerships (see also the press release from 7 December 2006 and page 45 of Fabege's 2009 Annual Report). As at 31 March 2010, the total increase in taxable income amounts to SEK 5,301m. The decisions have resulted in total tax demands of SEK 1,485m plus a tax penalty of SEK 182m, making a total demand of SEK 1,667m excluding interest charges. Fabege strongly contests the Tax Agency's decisions and has therefore appealed the decisions to the Administrative Court. Since the end of 2009, the Swedish Tax Agency has been submitting opinions demanding that the cases be tried under the Swedish Tax Evasion Act.

During the first quarter, the correspondence between the parties, including submissions to the Administrative Court, continued. An additional matter in which a trial under the Tax Evasion Act has been requested has also arisen.

On 20 April 2010, the Administrative Court issued verdicts concerning several of Fabege's tax cases. The Administrative Court has approved the Tax Agency's decisions which, in total, entail an increase in taxable income by SEK 2,858m, and a total tax demand, including tax penalties, of SEK 727m. To this will be added interest charges of about SEK 84m. The original tax demand, pertaining to an offsetting of revenues against loss carry-forwards, has been reduced by SEK 176m. These carry-forwards have not been recognised

in Fabege's balance sheet.

The Administrative Court's verdicts pertain to cases for which the matter of reallocation of earnings has been tried. They do not encompass other cases in which only the matter of tax evasion is to be tried. For the cases remaining to be considered by the Administrative Court, correspondence pertaining to the parties' submissions is continuing.

Fabege is adhering to its view that the sales were accounted for and declared in compliance with applicable rules. This assessment is shared by external legal experts and tax advisors that have analysed the sales and the Tax Agency's reasoning. The Administrative Court's verdicts will be appealed by Fabege, which is of the opinion that the Administrative Court has disregarded a number of important aspects and that the verdicts are therefore incorrect – an assessment shared by Fabege's advisors on the matters. In the opinion of Fabege, there are good reasons to believe that the Administrative Court of Appeal will amend the Administrative Court's rulings to the benefit of Fabege.

No provision has been made in Fabege's balance sheet. Until further notice, the amount is instead being recognised as a contingent liability, as in previous financial statements.

## RISKS AND UNCERTAINTIES

Risks and uncertainties relating to cash flow from operations are primarily attributable to changes in rents, vacancies and interest rates. A detailed description of the effect of these changes on consolidated

earnings is presented in the sensitivity analysis in the 2009 Annual Report (pages 43–44).

Properties are recognised at fair value and changes in value are recognised in the profit and loss account. The effects of changes in value on consolidated earnings, the equity/assets ratio and the loan-to-value ratio are shown in the sensitivity analysis in the 2009 Annual Report (pages 43–44).

A description of financial risk, which is the risk that the company will have insufficient access to long-term loan funding, and Fabege's management of this risk is presented in the 2009 Annual Report (page 56).

No material changes in the company's assessment of risks have been made after publication of the 2009 Annual Report. Under its adopted targets for capital structure, Fabege aims to have an equity/assets ratio of at least 30 per cent and an interest coverage ratio of at least 2 (inclusive real-ised changes in value).

#### EVENTS AFTER THE END OF THE REPORTING PERIOD

On 1 April, Fabege's shareholding in Sveland Sakförsäkring AB was sold to TryggHansa. The transaction gave rise to a capital loss of SEK 23m, which was recog-



nised in first-quarter earnings.

In April, Fabege sold its site leasehold right to the Induktorn 28 property in Ulvsunda, Stockholm, to Svenska Hus i Stockholm AB. The property comprises approximately 5,400 sqm of warehouse and industrial premises. The purchaser will take possession of the premises on 3 May 2010. The purchase consideration is SEK 26m and the sale will generate an after-tax gain of SEK 5m, which will be recognised in the second quarter of 2010.

As announced in a press release on 22 April 2010, the Administrative Court has issued verdicts concerning several of Fabege's tax cases. The Administrative Court rejects Fabege's appeal of the Swedish Tax Agency's decisions to increase the company's taxable income. Also refer above to the section, Ongoing tax cases.

#### ACCOUNTING PRINCIPLES

Fabege prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

From 1 January 2010, the revised IFRS 3 affects business combinations occurring on or after 1 January 2010. In the revised standard, the definition of a business combination has been amended, which could affect the classification. Acquisition-related costs may no longer be included in the cost of a business combination but must instead be recognised as a cost in profit and loss.

In other respects, the Group has applied the same accounting policies and valuation methods as in the most recent annual report. The parent company prepares its accounts in accordance with RFR 2.3, Accounting for Legal Entities, and the Swedish Annual Accounts Act and has applied the same accounting principles and valuation methods as in the most recent annual report.

Stockholm, 27 April 2010

CHRISTIAN HERMELIN  
Chief Executive Officer

This Interim Report is unaudited.

## Monitor Fabege's performance at fabege.se

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

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



## Financial calendar

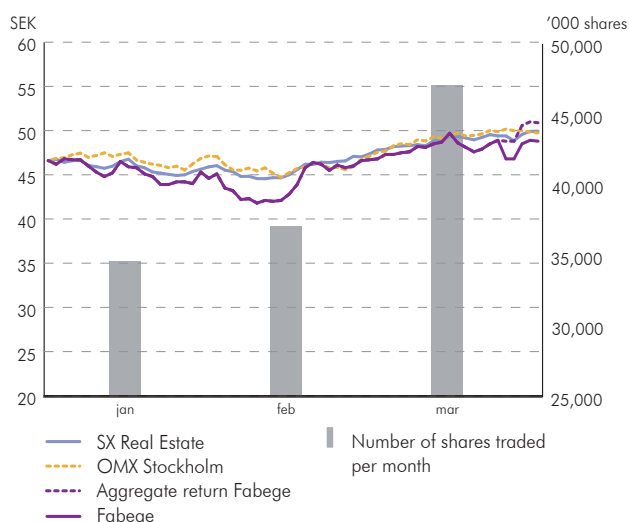
Interim report January–June:	8 July 2010
Interim report January–September:	26 October 2010
Year-end report for 2010:	2 February 2011
Annual report for 2010:	March 2011



# Fabege share

Fabege's shares are quoted on the Nasdaq OMX Nordic Exchange Stockholm in the Large Cap segment.

## Share price performance



## Largest shareholders, 31 March 2010

Shareholder	No. of shares	Share of capital and votes. %
Brinova AB	23,291,092	14.2
Investment AB Öresund	12,780,402	7.8
BlackRock funds	8,924,247	5.4
Cohen & Steers funds	8,604,490	5.2
Nordea funds	5,113,381	3.1
SEB funds	4,491,764	2.7
Länsförsäkringar funds	4,334,211	2.6
SEB	3,363,934	2.0
Swedbank Robur funds	3,344,618	2.0
Mats Qviberg and family	2,888,636	1.8
SHB funds	2,658,666	1.6
Fourth AP-fund	1,667,013	1.0
ENA City AB	1,640,000	1.0
Third AP-fund	1,431,709	0.9
Skandia Liv	1,342,831	0.8
Other foreign owners	27,278,454	16.7
Other shareholders	51,216,124	31.2
<b>Total no. of outstanding shares</b>	<b>164,371,572</b>	<b>100.0</b>
Treasury shares	1,020,000	
<b>Total no. of shares</b>	<b>165,391,572</b>	

## Definitions

### RETURN ON EQUITY

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

### RETURN ON CAPITAL EMPLOYED

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

### LEVERAGE, PROPERTIES

Interest-bearing liabilities divided by the carrying amount of the properties at the end of the period.

### YIELD, SHARE

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

### EQUITY PER SHARE

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

### FINANCIAL OCCUPANCY RATE

Contract value divided by rental value at the end of the period.

### INVESTMENT PROPERTIES

Properties that are being actively managed on an ongoing basis.

### DEVELOPMENT PROPERTIES

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

### RENTAL VALUE

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

### CASH FLOW PER SHARE

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

### CONTRACT VALUE

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

### LAND & PROJECT PROPERTIES

Land and developable properties and properties in which a new build/complete redevelopment is in progress.

### NET LETTINGS

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

### PROFIT/EARNINGS PER SHARE

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

### INTEREST COVERAGE RATIO

Profit after financial items plus financial expenses and plus/minus unrealised changes in value, divided by financial expenses.

### SEGMENT REPORT

In accordance with IFRS 8, segments are reported as viewed by management, i.e. broken down into two segments: Investment Properties and Development Properties.

Rental income and property expenses as well as realised and unrealised changes in value including tax are directly attributable to properties in each segment (direct income and expenses). In cases where a property changes character during

the year, earnings attributable to the property will be allocated to either segment based on the period of time that the property belonged to the segment. Central administration and items in net financial items have been allocated to the segments in a standardised manner based on each segment's share of the total property value (indirect income and expenses). This applies also to tax that is not directly attributable to earnings from property management activities or sales.

Assets and liabilities are stated as at the balance sheet date. Property assets are attributed directly to the respective segments according to the classification at the balance sheet date. Other assets and liabilities are allocated in a standardised manner based on their share of the property value.

### DEBT/EQUITY RATIO

Interest-bearing liabilities divided by shareholders' equity.

### EQUITY/ASSETS RATIO

Shareholders' equity (including minority share) divided by total assets.

### CAPITAL EMPLOYED

Total assets less non-interest bearing liabilities and provisions.

### SURPLUS RATIO

Net operating income divided by rental income.

## Consolidated statement of comprehensive income (summary)

SEKm	2010 Jan-Mar	2009 Jan-Mar	2009 Jan-Dec	Rolling 12 months Apr 09-Mar 10
Rental income	518	548	2,194	2,164
Property expenses	-200	-200	-729	-729
<b>Net operating income</b>	<b>318</b>	<b>348</b>	<b>1,465</b>	<b>1,435</b>
Surplus ratio, %	61	64	67	66
Central administration and marketing	-16	-16	-62	-62
Net interest expense	-116	-183	-560	-493
Share in profit/loss of associated companies	-5	-1	-5	-9
<b>Profit from property management activities</b>	<b>181</b>	<b>148</b>	<b>838</b>	<b>871</b>
Realised changes in value of properties	31	3	57	85
Unrealised changes in value of properties	65	-119	-310	-126
Change in value of fixed income derivatives	-35	-7	98	70
Change in value of equities	-23	6	-3	-32
<b>Profit/loss before tax</b>	<b>219</b>	<b>31</b>	<b>680</b>	<b>868</b>
Current tax	0	-98	-100	-2
Deferred tax	-58	-14	-155	-199
<b>Profit/loss for period/year</b>	<b>161</b>	<b>-81</b>	<b>425</b>	<b>667</b>
<b>Comprehensive income attributable to parent company shareholders</b>	<b>161</b>	<b>-81</b>	<b>425</b>	<b>667</b>
Earnings per share before dilution, SEK	0.98	-0.49	2.59	4.06
Earnings per share after dilution, SEK	0.98	-0.49	2.59	4.06
No. of shares at end of period before dilution, millions	164.4	164.4	164.4	164.4
No. of shares at end of period after dilution, millions	164.4	165.4	164.4	164.4
Average no. of shares before dilution, millions	164.4	164.4	164.4	164.4
Average no. of shares after dilution, millions	164.4	165.4	165.1	165.0

## Consolidated statement of financial position (summary)

SEKm	31 Mar 2010	31 Mar 2009	31 Dec 2009
<b>Assets</b>			
Properties	28,267	29,412	29,193
Other tangible fixed assets	2	2	2
Financial fixed assets	635	513	620
Current assets	238	605	704
Cash and cash equivalents	191	44	173
<b>Total assets</b>	<b>29,333</b>	<b>30,576</b>	<b>30,692</b>
<b>Equity and liabilities</b>			
Equity	9,800	9,463	9,969
Provisions	418	593	439
Interest-bearing liabilities	17,661	18,886	19,109
Derivatives	408	478	373
Non-interest-bearing liabilities	1,046	1,156	802
<b>Total equity and liabilities</b>	<b>29,333</b>	<b>30,576</b>	<b>30,692</b>
Equity/assets ratio, %	33	31	32
Contingent liabilities	2,039	1,762	2,172

## Statement of changes in equity

SEKm	Equity	Of which, attributable to parent company shareholders	Of which, attributable to minority
<b>Shareholders' equity, 1 Jan 2009</b>	<b>9,873</b>	<b>9,873</b>	-
New shares, conversion of debt instruments	0	0	-
Cash dividend	-329	-329	-
Profit/loss for the year	425	425	-
<b>Shareholders' equity, 31 Dec 2009</b>	<b>9,969</b>	<b>9,969</b>	-
Share buybacks	-1	-1	-
Approved dividend	-329	-329	-
Profit/loss for the period	161	161	-
<b>Shareholders' equity, 31 Mar 2010</b>	<b>9,800</b>	<b>9,800</b>	-

## Statement of cash flows

SEKm	2010 Jan-Mar	2009 Jan-Mar	2009 Jan-Dec
<b>Net operating income and realised changed in the value of existing property portfolio excluding depreciation</b>	<b>325</b>	<b>352</b>	<b>1,510</b>
Central administration	-16	-16	-62
Net financial items paid	-116	-180	-559
Income tax paid	0	-1	-100
Change in other working capital	359	-127	-288
<b>Cash flow from operations</b>	<b>552</b>	<b>28</b>	<b>501</b>
Investments and acquisition of properties	-200	-388	-1,138
Sale of properties, carrying amount of divested properties	1,201	368	1,160
Other investments (net)	-86	-2	-281
<b>Cash flow from investing activities</b>	<b>915</b>	<b>-22</b>	<b>-259</b>
Dividend to shareholders		-	-329
Share buybacks	-1	-	-
Change in interest-bearing liabilities	-1,448	-16	206
<b>Cash flow from financing activities</b>	<b>-1,449</b>	<b>-16</b>	<b>-123</b>
Change in cash and cash equivalents	18	-10	119
Cash and cash equivalents at beginning of period	173	54	54
<b>Cash and cash equivalents at end of period</b>	<b>191</b>	<b>44</b>	<b>173</b>

## Key ratios

SEKm	2010 Jan-Mar	2009 Jan-Mar	2009 Jan-Dec
<b>Financial</b>			
Return on capital employed, %	4.7	2.8	4.2
Return on equity, %	6.5	-3.4	4.3
Interest coverage ratio, times	2.8	1.9	2.6
Equity/assets ratio, %	33	31	32
Loan-to-value ratio, properties, %	62	64	65
Debt/equity ratio, times	1.8	2.0	1.9
<b>Share-related <sup>1)</sup></b>			
Earnings per share for the period, SEK	0.98	-0.49	2.59
Equity per share, SEK	60	57	61
Cash flow per share, SEK	1.32	0.34	4.87
No. of outstanding shares at end of period before dilution, '000	164,372	164,382	164,392
No. of outstanding shares at end of period after dilution, '000	164,372	165,449	164,392
Average no. of shares before dilution, '000	164,382	164,382	164,386
Average no. of shares after dilution, '000	164,382	165,449	165,052
<b>Property-related</b>			
No. of properties	127	157	148
Carrying amount, properties, SEKm	28,267	29,412	29,193
Lettable area, sqm	1,303,000	1,447,000	1,429,000
Financial occupancy rate, %	90	92	90
Surplus ratio, %	61	64	67

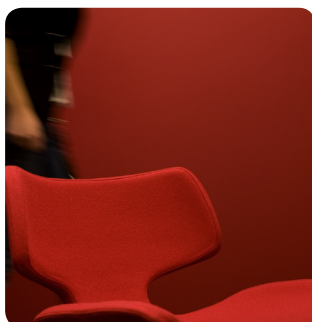
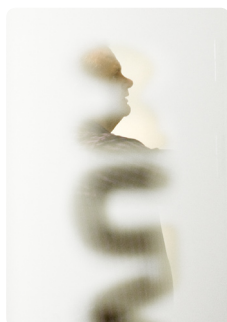
<sup>1)</sup> Dilution of potential ordinary shares has been taken into account in calculating key figures per share. Since the bonds were fully redeemed on 1 October 2009, there will be no further dilution.

## Parent Company Profit and loss account (summary)

SEKm	2010 Jan-Mar	2009 Jan-Mar	2009 Jan-Dec
Income	27	24	89
Expenses	-55	-48	-174
Net financial items	-31	-66	-447
Change in value, fixed income derivatives	-35	-7	98
Change in value, equities	-23	6	-3
<b>Profit/loss before tax</b>	<b>-117</b>	<b>-91</b>	<b>-437</b>
Tax	48	22	28
<b>Profit/loss for period/year</b>	<b>-69</b>	<b>-69</b>	<b>-409</b>

## Parent Company Balance sheet

SEKm	31 Mar 2010	31 mar 09	31 Dec 09
Interests in Group companies	13,328	14,240	13,328
Other fixed assets	43,708	22,705	45,929
<i>of which, receivables from Group companies</i>	<i>43,462</i>	<i>22,237</i>	<i>45,571</i>
Other current assets	68	21	63
Cash and cash equivalents	180	32	161
<b>Total assets</b>	<b>57,284</b>	<b>36,998</b>	<b>59,481</b>
Equity	9,322	10,214	9,714
Provisions	64	63	63
Long-term liabilities	44,391	25,760	46,774
<i>of which, liabilities to Group companies</i>	<i>29,418</i>	<i>7,495</i>	<i>30,403</i>
Short-term liabilities	3,507	961	2,930
<b>Total equity and liabilities</b>	<b>57,284</b>	<b>36,998</b>	<b>59,481</b>



**Questions concerning the report  
will be answered by:**

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**[www.fabege.se](http://www.fabege.se)**

More information about Fabege and its operations is available on the Group's website. The website also includes a webcast presentation from 27 April 2010, in which Christian Hermelin and Åsa Bergström present earnings for the quarter.

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The information contained in this report is such that Fabege is legally obliged to disclose under the Securities Market Act and/or the Financial Instruments Trading Act. The information was released for publication at 8:00 am CET on 27 April 2010.

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