

# 2011

## Year-end Report

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

### Key figures, SEKm

	2011 Oct–Dec	2010 Oct–Dec	2011 Jan–Dec	2010 Jan–Dec
Rental income	458	487	1,804	2,007
Running costs and central costs	–156	–180	–640	–721
Net financial items (excl. changes in value)	–141	–125	–600	–504
Profit from property management activities	161	182	564	782
Changes in value	269	423	853	1,147
Tax	–17	1	–276	–232
Profit/loss after tax	413	606	1,141	1,697
Surplus ratio, %	69	66	68	67
Equity/assets ratio, %	–	–	39	39
Equity per share, SEK	–	–	73	69
Return on equity, %	–	–	9.9	16.0

# Chief executive's review

**2011 was a favourable year for Fabege! High net lettings during the year gradually began generating income growth. However, the results from this year's achievements will largely take the shape of income growth in 2012–2013. The property portfolio's value growth was favourable and property transactions during the year generated a positive contribution to earnings. On the whole, I am delighted that property management, development and transactions contributed to the overall earnings.**

Strong demand in the rental market and our focus on retaining customers contributed to high net lettings, resulting in an increased occupancy rate and rental growth, while also enabling us to create significant value through project development. During the year, we reduced the project risk by signing several major and important leases and by maintaining a fast pace in the development of the project portfolio. Positive net lettings and development of the property portfolio enabled us to create the foundation for strong income and value growth ahead. I am particularly pleased to see that our employees' initiatives make a difference.

The year's investments and property transactions allowed Fabege to continue to focus on its prioritised sub-markets, all of which experienced a positive trend in 2011. The favourable trend in Arenastaden was particularly gratifying. In

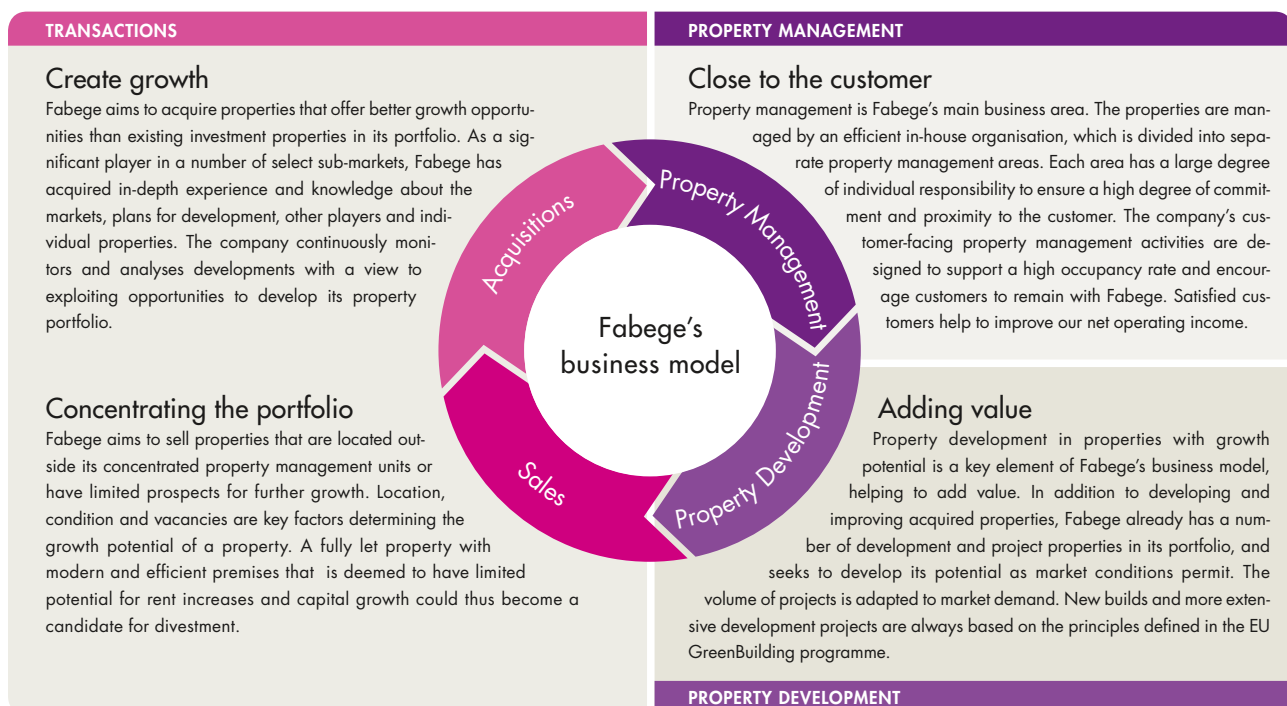
2012, Swedbank Arena will be completed and Vattenfall will relocate to the area. The recently signed agreement concerning the establishment of the Mall of Scandinavia will more clearly define the neighbourhood and we anticipate increased interest in building office space in the area. For Fabege, this entails faster expansion of the area and higher value growth, thus creating the foundation for Arenastaden to be a competitive alternative to the inner city.

The economic outlook deteriorated during the year and uncertainty regarding the trend moving forward is considerable. However, at the time of writing, I still perceive strong demand in the rental market. Stockholm's growth and on-going discussions are paving the way for favourable net lettings also in 2012. We will experience strong growth in rental income and management profit in the coming two years. Fabege is well equipped with a



strong balance sheet and a well-situated property portfolio with healthy development potential.

CHRISTIAN HERMELIN  
*Chief Executive Officer*



# Results<sup>2)</sup>

## Fourth quarter in brief<sup>1)</sup>

### QUARTER 4 OCTOBER–DECEMBER 2011

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

<sup>1)</sup>The comparison figures for income and expense items relate to values for the period October–December 2010 and for balance sheet items as at 31 December 2010.

During the year the positive net-lettings trend has begun to impact the income statement and value growth remains favourable in both the project and the investment portfolio.

### REVENUES AND EARNINGS

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

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

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

### TAX

The tax expense for the year amounted to SEK –276m (–232), corresponding to 26.3 per cent tax on continuous taxable earnings. Sales of properties resulted in a total

### Business model's contribution to earnings

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

deferred tax cost of SEK –7m. The recognition of tax pertaining to previously unrecognised loss carryforwards resulted in tax revenue of SEK 60m in the fourth quarter.

### CASH FLOW

Profit contributed SEK 744m (1,015) to liquidity. After a decrease of SEK 1,198m (–1,099) in working capital, which varies primarily as a result of the impact of occupancy/final settlement for acquired and divested properties, the liquidity of operating activities changed by SEK 1,946m (–84). Acquisitions of and investments in properties exceeded sales by SEK 1,527m (–2,837). Accordingly, the total change in liquidity resulting from operating activities was SEK 419m (2,753). Cash flow during the period was charged with SEK 489m (329) for the payment of dividends. Share buybacks amounted to SEK 38m (61). After the increase in debt, consolidated cash and cash equivalents totalled SEK 74m (73).

### FINANCING

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

Interest-bearing liabilities at the end of the period totalled SEK 16,755m (16,646) and the average interest rate was 3.72 per

<sup>2)</sup>The comparison figures for income and expense items relate to values for the period January–December 2010 and for balance sheet items as at 31 December 2010.

## Interest rate maturity structure 31 December 2011

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

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

## Loan maturity structure 31 December 2011

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

## Property sales

Jan–Dec 2011

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

## Property acquisitions

Jan–Dec 2011

Properties	Area	Category	Lettable area, sqm
<b>Quarter 1</b>			
Pyramiden 3	Arenastaden	Land	0
Signalen 3	Arenastaden	Land	0
<b>Quarter 4</b>			
Farao 8	Arenastaden	Office	5,774
Farao 19	Arenastaden	Land	0
Solna Nationalarenan 8	Arenastaden		0
<b>Total</b>			<b>5,774</b>

cent excluding and 3.80 per cent including commitment fees on the undrawn portion of committed credit facilities.

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

The derivatives portfolio is measured at market value and the change in value is recognised in the profit and loss account. At 31 December 2011, the recognised negative fair value adjustment of the portfolio amounted to SEK 664m (267). The derivatives portfolio has been measured at the present value of future cash flows. The change in value is of an accounting nature and has no impact on the company's cash flow. At the due date, the market value of derivative instruments is always zero.

In December, Fabege launched a bond financing program with a limit of SEK 5,000m via the co-owned company Svensk Fastighetsfinansiering AB (SFFAB). Through the bond financing program Fabege borrowed SEK 289m in the capital

market. SFFAB's first issuance took the shape of a three-year bond totalling SEK 650m, of which SEK 400m carried fixed interest at a rate of 3.65 per cent and SEK 250m was subject to variable interest rates. The bonds are secured by property mortgage deeds. SFFAB is jointly owned by Fabege, Wihlborgs, Peab and Brinova. Fabege owns 30 per cent of the company. The aim is to expand the company's financing base with a new source of financing.

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

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

Net interest expense includes SEK 6m in nonrecurring costs.

## FINANCIAL POSITION AND NET ASSET VALUE

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

# Operations

The rental market developed well during the whole year with considerable activity and demand, despite the global economic turbulence. For Fabege, this was reflected in high net letting, an improved letting ratio and an increase in rents. The transaction market also remained strong, although activity declined during the fourth quarter. Fabeges transaction operation made a significant contribution to total earnings.

## FABEGE'S PROPERTY PORTFOLIO AND PROPERTY MANAGEMENT

Fabeges activities in Property Management and Property Development are concentrated to a few selected submarkets in and around Stockholm. Stockholm's inner city, Solna and Hammarby Sjöstad are the company's principal markets. At

31 December 2011, Fabege owned 97 properties with a total rental value of SEK 2.1bn, a lettable floor area of 1.1m sqm and a carrying amount of SEK 29.2bn, including development and project properties totalling SEK 6.4bn. The financial occupancy rate for the entire property portfolio, including project properties,

was 90 per cent (88). The occupancy rate in the portfolio of investment properties was 92 per cent (91).

New lettings during the period totalled SEK 241m (211), while net lettings amounted to SEK 130m (27). Rents in negotiated contracts increased an average of 7 per cent. Efforts to extend and renegotiate leases with existing customers were highly successful. During the year, several large leases were signed for premises in our project properties, the largest of which pertained to Svea Ekonomi (SEK 24m), The Swedish Civil Contingencies Agency (SEK 18m) and Tastsinn (SEK 18m). A number of major leases were renegotiated and extensions of current leases were completed, such as for Fabège's largest customer, Nasdaq OMX.

#### CHANGES IN THE PROPERTY PORTFOLIO

During the year, eleven properties were sold for a total of SEK 936m. The sales generated a before-tax profit of SEK 173m and after-tax profit of SEK 166m.

Five properties were acquired for a total of SEK 518m, all in Arenastaden. Four of the properties are undeveloped and comprise sites totalling about 25,000 sqm, which can be developed primarily for offices but also for retail and residential purposes. The fifth property is an approximately 10,000 sqm office property that favourably complements Fabège's existing portfolio in the area.

#### CHANGES IN THE VALUE OF PROPERTIES

A total of 26 per cent of Fabège's properties were externally valued at 31 December 2011 and the remaining properties were internally valued based on the latest valuations. The entire property portfolio is externally valued at least once a year. The total market value at 31 December 2011 was SEK 29.2bn (27.0).

Unrealised changes in the value of properties amounted to SEK 1,093m (843). The yield requirement decreased somewhat during the year and the yield requirement for the portfolio averaged 5.7 per cent (6.0).

The SEK 675m (579) increase in the value of the portfolio of investment properties was primarily attributable to rising rents and properties for which the risk of vacancies has declined. The project portfolio contributed to a value increase of SEK 418m (264).

#### PROJECTS AND INVESTMENTS

Fabège's project investments are designed to reduce vacancy rates and increase rents

in the property portfolio, thereby improving cash flows and adding value. The development of properties is a key feature of Fabège'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 year totalled SEK 1,457m (907). The investments involved new builds, extensions and conversions.

#### Completed projects

During the first quarter 2011 the projects in the properties Fräsaren 10, Solna Business Park (let to Vectura and Axfood) and Farao 20, Arenastaden (let to Egmont and Fabège), were completed. The properties have been transferred to the portfolio of investment properties.

#### Major ongoing projects

The project in the Uarda 5 property, Arenastaden, pertaining to the construction of Vattenfall's new headoffice, is proceeding as planned. At present, work is under way on the facades and interior fittings. The first office floor is now complete.

The office project in the Bocken 39 property on Lästmakargatan 20 is nearing completion. Tenants have moved into the let premises. What remains is customisation of the un-let premises to tenant needs. The property will be transferred to Property Management during the first quarter of 2012.

The National Agency for Education has relocated to the Klamparen 10 property on Fleminggatan 12. Meanwhile, adaptations to the needs of the remaining tenants continue, with occupancy scheduled for 2012. A total of 72 per cent of the property has been let. The detail planning work to enable an add-on to the property continues.

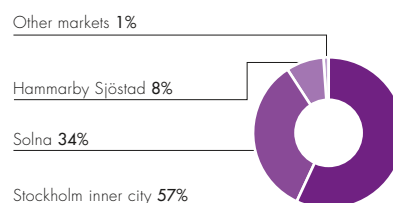
Björn Borg AB has relocated to the Apotekaren 22 property on Tulegatan/Rådmanngatan. Customisation to the needs of other tenants due to move into the property in 2012 is under way. The occupancy rate of the project is currently 57 per cent and letting work on other vacant premises continues, with several attractive negotiations.

Work on the Uarda 1 (Sjökvarteret), Arenastaden, office project is also proceeding as planned, with work on the frames and facades currently under way. The property is scheduled for occupancy in the early part of the fourth quarter of 2012. The occupancy rate is 66 per cent.

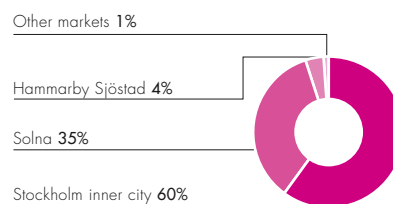
#### Distribution of market value

31 December 2011

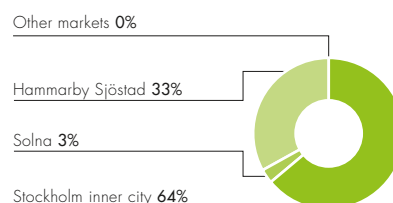
All properties, SEK 29.2bn



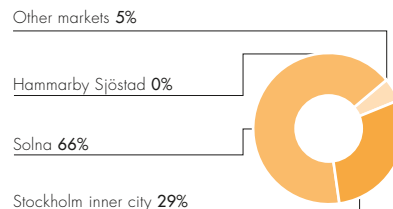
Investment properties, SEK 22.8bn



Development properties, SEK 3.7bn



Project properties, SEK 2.7bn



#### Development of Arenastaden

During the year, development work at Arenastaden has moved ahead. Production of Swedbank Arena is fully under way. The arena will be inaugurated during the autumn of 2012. In December, Fabège's jointly owned company Råsta Holding sold the development right to the retail centre to Unibail-Rodamco, thus enabling construction of Mall of Scandinavia to commence in 2012. This contribution to the development of Arenastaden means a great deal for Fabège's continued development of office development rights and existing office properties in Arenastaden. Fabège owns about 200,000 sqm of exist-

ing office floor space and 180,000 sqm of development rights in the area. The consortium owns approximately 360,000 sqm of additional development rights.

## SEGMENTREPORTING

During the first half of the year, three project properties were transferred from Property Development to Property Management.

The segment Property Management generated net operating income of SEK 1,111m (1,233), corresponding to a surplus ratio of 69 per cent (68). The occupancy rate was 92 per cent (91). Profit from Property Management amounted to SEK 581m (768). Realised and unrealised changes in value totalled SEK 763m (794).

The segment Property Development generated net operating income of SEK

116m (115), corresponding to a surplus ratio of 62 per cent (57). Profit from Property Management totalled SEK -17m (14). The year-on-year decline was due to considerable fluctuations in cash flow between project and development properties. Realised and unrealised changes in value amounted to SEK 503m (286).

## Projects in progress >SEK 50m

31 December 2011

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
Apotekaren 22 <sup>3)</sup>	Office	Norrmalm	Q4-2012	31,599	76	90	1,126	204	79
Bocken 39 <sup>3)</sup>	Office	Östermalm	Q4-2011	19,909	80	75	1,160	149	140
Klamparen 10	Office	Kungsholmen	Q2-2012	22,530	72	66	713	233	140
Uarda 1 <sup>3)</sup>	Office	Arenastaden	Q3-2012	41,079	60	78	455	533	157
Uarda 5	Office	Arenastaden	Q3-2012	44,500	100	106	940	1,050	642
<b>Total</b>				<b>159,617</b>	<b>78</b>	<b>415</b>	<b>4,394</b>	<b>2,169</b>	<b>1,158</b>
Other Land and Project properties							577		
Other Development properties							1,406		
<b>Total Project, Land and Development properties</b>							<b>6,377</b>		

<sup>1)</sup> Operational occupancy rate at 31 December 2011.

<sup>2)</sup> The annual rent for the largest projects in progress could increase to SEK 415m (fully let) from SEK 132.4m in annualised current rent as of 31 December 2011.

<sup>3)</sup> Information regarding area, rental value and carrying amount pertains to the entire property. The investment amount pertains to only a portion of the property.

## Property portfolio

31 December 2011

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

<sup>1)</sup> See definitions on page 9.

<sup>2)</sup> Time-limited deductions of approximately SEK 98m have not been recognised in the rental value.

<sup>3)</sup> The table refers to Fabeges property portfolio at 31 December 2011. Income and expenses are recognised as if the properties had been held during the entire period. The difference between recognised net operating income, SEK 1,223m, and net operating income in the profit and loss account, SEK 1,227m, 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 January–December 2011 period.

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

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

<sup>1)</sup> See definitions on page 9.

# Other financial information

## STAFF

At the end of the year, the Fabège Group had 122 employees (126).

## PARENT COMPANY

Sales during the period amounted to SEK 102m (102) and the result before appropriations and tax was SEK 1,389m (-150). Net financial items include dividends to the Parent Company of SEK 2,000m (0). Net investments in property, equipment and shares totalled SEK 5m (-30).

The parent company applies Recommendation RFR 2, 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 2011 AGM passed a resolution authorising the Board, not longer than up to the next AGM, to buy back and transfer shares in the company. Share buybacks are subject to a limit of 10 per cent of the total number of outstanding shares at any time. During the period, 755,000 shares were bought back at an average price of SEK 51.03. At 31 December 2011, the company held 3,166,488 treasury shares, representing 1.9 per cent of the total number of registered shares.

## THE BOARD'S PROPOSALS TO THE AGM

The board of Directors will propose that the Annual General Meeting on 29 March 2012 authorise:

- the payment of a cash dividend of SEK 3.00 per share, worth a total of SEK 487m.
- the Board to buy back Fabège shares representing no more than 10 per cent of the total number of outstanding shares during the period up to the next Annual General Meeting.

## ONGOING TAX CASES

As announced previously, the Swedish Tax Agency has decided to increase the Fabège 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 53 of Fabège's 2010 Annual Report). The transactions derive from Tornet, the old Fabège and Wihlborgs during the years 2003–2006. As at 31 December 2011, the total increase in taxable income amounts to SEK 8,368m. The decisions have resulted

in total tax demands of SEK 2,214m plus a tax penalty of SEK 164m, making a total demand of SEK 2,378m excluding interest payments. At 31 December 2011, accrued interest amounted to SEK 303m. Fabège strongly contests the tax demands resulting from the Tax Agency's and Administrative Court's decisions and has appealed the decisions.

During the spring of 2011, the Swedish Administrative Court announced verdicts in all of Fabège's ongoing tax cases. The Swedish Administrative Court ruled in favour of the Swedish Tax Agency's position that Fabège should be taxed pursuant to the Swedish Tax Evasion Act. All of the verdicts have been appealed with the Swedish Administrative Court of Appeals and Fabège has been granted a respite for the payments of taxes until the Swedish Administrative Court of Appeals has issued a verdict. The Swedish Administrative Court of Appeals has issued a stay of proceedings in all cases pending the Supreme Administrative Court's hearing of the Swedish National Tax Board's preliminary verdict in what is known as the "Cyprus case." During the fourth quarter of 2011, additional tax cases were brought before the Swedish Administrative Court for consideration. As a result, all of the transactions completed by the Fabège Group on the basis of the so-called Holland solution are subject to consideration. Since Fabège does not believe that the Swedish Tax Agency will make further claims, it believes that the above figures concerning increased taxes and tax demands will not rise. Fabège considers that the Tax Agency and the Administrative Court has disregarded a number of important aspects and that the verdicts are therefore incorrect – an assessment shared by Fabège's advisors on the matters. Fabège is of the opinion that it is highly probable that the Administrative Court of Appeal will amend the Administrative Court's rulings to the benefit of Fabège.

Fabège is adhering to its view that the sales were accounted for and declared in compliance with applicable rules. This assessment is shared by external legal experts and tax advisors that have analysed the sales, the arguments of the Swedish Tax Agency and the verdicts of the Administrative Court.

No provision has been made in Fabège's balance sheet. However, 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 operating activities are primarily attributable to changes in rents, vacancies and interest rates. A more detailed description is presented in the risk section of the 2010 Annual Report (pages 9–10), and a description of the effect of these changes on consolidated earnings is presented in the sensitivity analysis in the 2010 Annual Report (page 52).

Properties are recognised at fair value and changes in value are recognised in profit and loss. 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 2010 Annual Report (page 52).

A description of financial risk, which is the risk that the company will have insufficient access to long-term loan funding, and Fabège's management of this risk is presented in the 2010 Annual Report (pages 10–11 and 64).

No material changes in the company's assessment of risks have been made after publication of the 2010 Annual Report. Under its adopted targets for capital structure, Fabège aims to have an equity/assets ratio of at least 30 per cent and an interest coverage ratio of at least 2 (including realised changes in value).

## OUTLOOK FOR 2012

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

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

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

## 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.

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 Accounting for Legal Entities and the Swedish Annual Accounts Act and has applied the same accounting policies and valuation methods as in the most recent annual report.

Stockholm, 2 February 2012



CHRISTIAN HERMELIN  
Chief Executive Officer

## REVIEW REPORT

### Introduction

We have reviewed the interim report for Fabege AB (publ) for the period 1 January 2011 to 31 December 2011. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Focus and scope

We conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410, Review of Interim Financial Information Performed

by the Independent Auditor of the Entity. A review consists in making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and generally accepted auditing standards.

The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the parent company in accordance with the Annual Accounts Act.

Stockholm, 2 February 2012

Deloitte AB

Svante Forsberg  
*Authorised Public Accountant*

## Monitor developments at Fabege's website!

You are most welcome to visit Fabege's website, which is one of our main information channels. The aim is to continuously provide you with relevant, up-to-date information.

The website provides information on the company and its operations and strategies. You can also find financial information, share data, details about our properties and ongoing projects and much more. Visitors to the website can also search for vacant premises, and our tenants are able to easily find contact details or other information related to the property in which they are located.



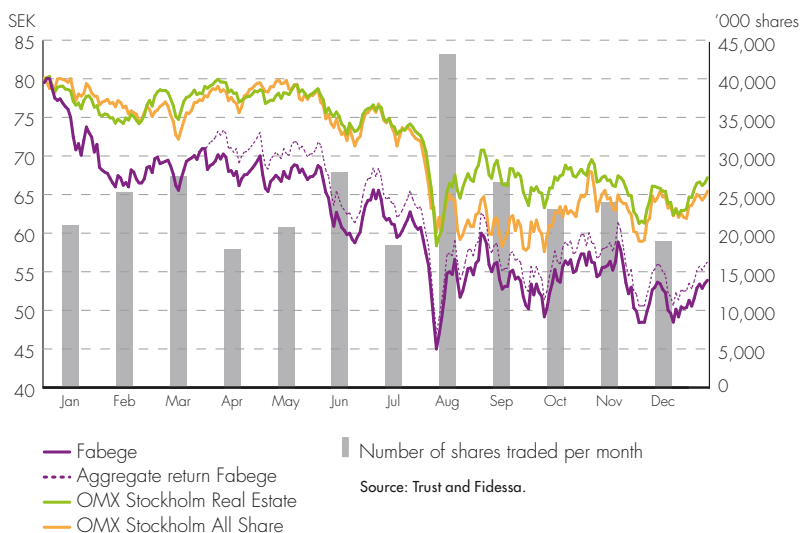
## Financial calendar

Annual report for 2011 .....	7 March 2012
Annual General Meeting 2012 .....	29 March 2012
Interim report Jan–March .....	26 April 2012

# Fabege share

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

## Share price performance



## Largest shareholders <sup>1)</sup>

31 December 2011

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

<sup>1)</sup> Certain shareholders may, through custodial accounts, have had different holdings than are apparent from the shareholder's register. Source: SIS Ägarservice AB, data derived from Euroclear Sweden AB, as of December 31, 2011.

## Definitions

### CASH FLOW PER SHARE

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

### CAPITAL EMPLOYED

Total assets less non-interest bearing liabilities and provisions.

### CONTRACT VALUE

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

### DEBT/EQUITY RATIO

Interest-bearing liabilities divided by shareholders' equity.

### DEVELOPMENT PROPERTIES

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

### DIVIDEND YIELD

Dividend for the year divided by the share price at yearend.

### EQUITY/ASSETS RATIO

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

### EQUITY PER SHARE

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

### FINANCIAL OCCUPANCY RATE

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

### INTEREST COVERAGE RATIO

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

### INVESTMENT PROPERTIES

Properties that are being actively managed on an ongoing basis.

### LAND & PROJECT PROPERTIES

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

### LEVERAGE, PROPERTIES

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

### NET LETTINGS

New lettings during the period less terminations to vacate.

### PROFIT/EARNINGS PER SHARE

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

### RENTAL VALUE

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

### RETURN ON CAPITAL EMPLOYED

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

### RETURN ON EQUITY

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

### 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).

The property asset is directly attributable to each segment and is recognised as of the closing date.

### SURPLUS RATIO

Net operating income divided by rental income.

## Consolidated statement of comprehensive income (summary)

SEKm	2011 Oct-Dec	2010 Oct-Dec	2011 Jan-Dec	2010 Jan-Dec
Rental income	458	487	1,804	2,007
Property expenses	-140	-165	-577	-659
<b>Net operating income</b>	<b>318</b>	<b>322</b>	<b>1,227</b>	<b>1,348</b>
Surplus ratio, %	69%	66%	68%	67%
Central administration and marketing	-16	-15	-63	-62
Net interest expense	-149	-139	-609	-522
Share in profit/loss of associated companies	8	14	9	18
<b>Profit/loss from property management activities</b>	<b>161</b>	<b>182</b>	<b>564</b>	<b>782</b>
Realised changes in value of properties	90	47	173	237
Unrealised changes in value of properties	321	166	1,093	843
Unrealised change in value of fixed income derivatives	-134	213	-397	106
Change in value of equities	-8	-3	-16	-39
<b>Profit/loss before tax</b>	<b>430</b>	<b>605</b>	<b>1,417</b>	<b>1,929</b>
Current tax	-1	-3	-1	-3
Deferred tax	-16	4	-275	-229
<b>Profit/loss for period/year</b>	<b>413</b>	<b>606</b>	<b>1,141</b>	<b>1,697</b>
<b>Comprehensive income attributable to parent company shareholders</b>	<b>413</b>	<b>606</b>	<b>1,141</b>	<b>1,697</b>
Earnings per share, SEK	2.55	3.72	7.01	10.38
No. of shares at end of period, millions	162.2	163.0	162.2	163.0
Average no. of shares, millions	162.2	163.0	162.7	163.5

## Consolidated statement of financial position (summary)

SEKm	31 Dec 2011	31 Dec 2010
<b>Assets</b>		
Properties	29,150	26,969
Other tangible fixed assets	1	3
Financial fixed assets	1,124	714
Current assets	362	1,504
Cash and cash equivalents	74	73
<b>Total assets</b>	<b>30,711</b>	<b>29,263</b>
<b>Equity and liabilities</b>		
Equity	11,890	11,276
Provisions	585	423
Interest-bearing liabilities <sup>1)</sup>	16,755	16,646
Derivatives	664	267
Non-interest-bearing liabilities	817	651
<b>Total equity and liabilities</b>	<b>30,711</b>	<b>29,263</b>
Equity/assets ratio, %	39	39
Contingent liabilities	3,376	2,520

<sup>1)</sup> Of which short-term SEK 3,219m (5,818).

## Statement of changes in equity

SEKm	Equity	Of which, attributable to parent company shareholders	Of which, attributable to minority
<b>Equity, 1 Jan 2010</b>	<b>9,969</b>	<b>9,969</b>	-
Share buybacks	-61	-61	-
Cash dividend	-329	-329	-
Profit/loss for the period	1,697	1,697	-
<b>Equity, 31 Dec 2010</b>	<b>11,276</b>	<b>11,276</b>	-
Share buybacks	-38	-38	-
Cash dividend	-489	-489	-
Profit/loss for the year	1,141	1,141	-
<b>Equity, 31 Dec 2011</b>	<b>11,890</b>	<b>11,890</b>	-

## Statement of cash flows

SEKm	2011 Jan-Dec	2010 Jan-Dec
<b>Net operating income and realised changes in the value of existing property portfolio excluding depreciation</b>	<b>1,407</b>	<b>1,600</b>
Central administration	-63	-62
Net financial items paid	-595	-520
Income tax paid	-1	-3
Change in other working capital	1,198	-1,099
<b>Cash flow from operations</b>	<b>1,946</b>	<b>-84</b>
Investments and acquisition of properties	-1,986	-940
Sale of properties, carrying amount of divested properties	756	3,978
Other investments (net)	-297	-201
<b>Cash flow from investing activities</b>	<b>-1,527</b>	<b>2,837</b>
Dividend to shareholders	-489	-329
Share buybacks	-38	-61
Change in interest-bearing liabilities	109	-2,463
<b>Cash flow from financing activities</b>	<b>-418</b>	<b>-2,853</b>
Change in cash and cash equivalents	1	-100
Cash and cash equivalents at beginning of period	73	173
<b>Cash and cash equivalents at end of period</b>	<b>74</b>	<b>73</b>

## Key ratios

	2011 Jan-Dec	2010 Jan-Dec
<b>Financial</b>		
Return on capital employed, %	7.2	8.7
Return on equity, %	9.9	16.0
Interest coverage ratio, times	2.2	3.0
Equity/assets ratio, %	39	39
Loan-to-value ratio, properties, %	57	62
Debt/equity ratio, times	1.4	1.5
<b>Share-related <sup>1)</sup></b>		
Earnings per share for the period, SEK	7.01	10.38
Equity per share, SEK	73	69
Cash flow per share, SEK	4.49	6.13
No. of outstanding shares at end of period, '000	162,225	162,980
Average no. of shares, '000	162,719	163,504
<b>Property-related</b>		
No. of properties	97	103
Carrying amount, properties, SEKm	29,150	26,969
Lettable area, sqm	1,107,000	1,138,000
Financial occupancy rate, %	90	88
Surplus ratio, %	68	67

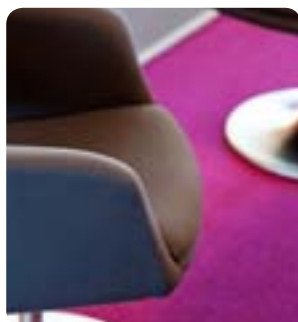
<sup>1)</sup>No dilution effect arises, since there are no potential shares (such as convertibles).

## Parent Company profit and loss account (summary)

SEKm	2011 Jan-Dec	2010 Jan-Dec
Income	102	102
Expenses	-193	-190
Net financial items	1,877	77
Change in value, fixed income derivatives	-397	106
Change in value, equities	0	-29
<b>Profit/loss before tax</b>	<b>1,389</b>	<b>66</b>
Tax	158	-28
<b>Profit/loss for period/year</b>	<b>1,547</b>	<b>38</b>

## Parent Company balance sheet (summary)

SEKm	30 Dec 2011	31 Dec 2010
Interests in Group companies	13,328	13,328
Other fixed assets	39,090	37,669
<i>of which, receivables from Group companies</i>	<i>38,815</i>	<i>37,524</i>
Other current assets	161	25
Cash and cash equivalents	69	64
<b>Total assets</b>	<b>52,648</b>	<b>51,086</b>
Equity	10,382	9,363
Provisions	68	63
Long-term liabilities	38,892	35,771
<i>of which, liabilities to Group companies</i>	<i>25,156</i>	<i>24,676</i>
Short-term liabilities	3,306	5,889
<b>Total equity and liabilities</b>	<b>52,648</b>	<b>51,086</b>



# This is Fabege

Fabege, which is one of the leading property companies in Sweden, conducts operations that are primarily focused on letting office premises and property development.

The company's portfolio is highly concentrated to three sub-markets offering robust growth in the Stockholm area; Stockholm's inner city, Solna and Hammarby Sjöstad. Fabege offers attractive and efficient premises, principally for offices but also for retail and other operations.

Fabege 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 December 2011, Fabege owned 97 properties with a combined market value of SEK 29.2bn. The rental income amounted to SEK 2.1bn.

## 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 2 February 2012, 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 on 2 February 2012.

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Registered office of the Board: Stockholm

Fabege