Fabege

Year-end report 2008

- **Operating activities generated strong cash flows:**
  - **Rental income increased to SEK 2,214m (2,066) and**
  - **Net operating income grew to SEK 1,438m (1,312)**

  The stable cash flows are expected to increase
- **The result was hit by unrealised changes in value, which do not affect cash flow:**
  - **Properties SEK –1,545m (+893)**
  - **Fixed income derivatives SEK –485m (+37)**
  - **Deferred tax SEK +826m (–247)**
- **The after-tax result was SEK –511m (1,812) and earnings per share were SEK –3.07 (9.98)**
- **Equity per share was SEK 60 (67)**
- **The Board proposes a dividend of SEK 2.00 per share (4.00)**

Revenues, SEKm	2008	2007
Rental income	2,214	2,066
Operating- and central expenses	–836	–814
Net financial (excl. changes in value)	–810	–549
Property management result	**568**	**703**
Changes in value	–1,908	1,363
Tax	829	–254
Profit after tax	**–511**	**1,812**
Surplus ratio, %	65	64
Equity/assets ratio, %	32	36

Chief executive's review

2008 will go to history as the year when Sweden moved from strong economic growth to financial crisis and an emerging recession in record time. Hardly anyone has managed to remain unscathed by this rapid transformation of the economic and financial environment for businesses, individuals and households.

In the wake of the problems affecting credit markets and their consequences for the transaction market, yield requirements increased in 2008, putting downward pressure on property values. For Fabege this had the effect of reducing the value of the company's property portfolio by SEK 1.5bn, representing an annual decline of about five per cent. Values were written down, especially in class C locations. Prime, class A locations, where most of Fabege's properties are concentrated, fared better. This is a pattern which I, and several prominent property analysts, believe is set to continue.

Operationally, 2008 proved a good year for Fabege. Rental income increased by about SEK 150m and our net operating income was up by almost 10 per cent on 2007. The occupancy rate was 93 per cent, which is one percentage point higher than last year.

In 2008 we continued our efforts to streamline and concentrate our business while developing our property management units and human resources. An example of successful streamlining is our initiative in the environmental and energy area, where we achieved an 8 per cent reduction in energy use, benefiting the environment as well as the bottom line.

There were large movements on the interest rate market during 2008. Fabege's average interest rate increased from 4.3 per cent at the beginning of the year to 5.1 per cent before the financial crisis culminated and efforts to get to grips with it brought rates back down again. At year-end Fabege's average interest rate had fallen to 3.3 per cent. We have reviewed our funding requirements, and now have good access to long-term capital.

However, the overall result was negative, SEK -0.5bn, due to negative changes in the value of properties and fixed income derivatives that had a direct impact on the profit and loss account.

Fabege was a net seller of properties in 2008. We bought two properties for SEK 201m and sold 13 properties for SEK 2,095m. Overall, activity in the property market was very weak.

Christian Hermelin, CEO

The gradual decline in market interest rates is now helping to create an increasingly attractive return on properties, and it is not unlikely that we will soon see a pick-up in activity and a higher rate of transactions.

Fabege has begun the new year with a very large project letting, one of the largest in Sweden in recent years. Vattenfall, a major energy company, will be renting about 43,000 m^2 of space in a new office building to be built in Arenastaden in Solna. This is a strong confirmation of the growing attraction of the area. In 2009, after completion of the planning process, work will begin on the construciton of the new national arena, Swedbank Arena. The vision for Arenastaden is starting to take shape, and we look forward to a number of exciting years, as a new part of town emerges in Solna, where Fabege has 15 properties.

As we move into 2009 Sweden is heading for a recession but the rental market remains stable in our main markets. When the financial crisis culminated in late autumn market players responded quickly by taking a more cautious approach, and lead times increased. But we can now see signs of a pick-up of activity in the rental market, as there still is a need, and demand, for premises.

However, Fabege is well equipped in the event of weaker economic climate. We have skilled and highly motivated staff and an organisation that can adapt rapidly to changing circumstances. The company's access to capital is good. We already know that we will have stable rental revenues in 2009, and we believe our central locations will also help to ensure stability even in a harsher economic environment. Our focus will be on caring for and maintaining our strong relationships with our customers.

Christian Hermelin

Performance in the fourth quarter

The financial turbulence culminated in the last quarter of the year as indications of an economic downturn mounted. In Stockholm this resulted in a more cautious attitude in the rental market, resulting in longer lead times. New lettings had a total contracted annual value of SEK 33m (72) while net lettings were SEK -9m.

Fabege places a strong emphasis on taking good care of its existing tenants, and successfully concluded about 30 renegotiations during the period. Rents in renegotiated contracts increased by an average of 22 per cent, resulting in an annual increase in rental income of SEK 8m.

Overall, rents in Fabege's main markets remained stable in the last few months of the year.

Fabege's rental income increased slightly, to SEK 540m (532). The occupancy rate remained unchanged at 93 per cent, which is one percentage point more than at the same time last year.

The Group posts a loss after tax of SEK -762m (634). The figure includes unrealised changes in value relating to properties of SEK -1,085m (283). Changes in the value of fixed income derivatives were SEK -440m (-1) as a result of sharply falling interest rates towards the end of the year.

The surplus ratio improved by one percentage point to 66 per cent (65%). Fabege has continued its efforts to streamline its property management activities.

The average interest rate in the loan portfolio fell by 183 basis points to 3.27 per cent.

Net asset value per share at 31 December was SEK 67 (76) excluding deferred tax on the surplus value of the properties.

Revenues and earnings

The after-tax result for the full year 2008 was SEK -511m (1,812) and earnings per share after dilution were SEK -3.07 (9.98). The result after financial items was SEK -1,340m (2,066).

Rental income was SEK 2,214m (2,066) and net operating income SEK 1,438m (1,312). The increase in rental income was due to a net increase in properties and higher rents in the company's existing properties. For comparable properties rental income grew by 3 per cent. Realised changes in the value of properties totalled SEK 143m (446). Unrealised changes were SEK -1,545m (893) due to increased yield requirements while the value of the Group's fixed income derivatives fell by SEK -485m (37) as a result of sharply falling market interest rates at the end of year. The net interest expense increased to SEK -804m (-609) due to net investments in properties and higher interest rates.

Tax

The tax expense (current and deferred) for the year was SEK 829m (-254). The large change is due to elimination of deferred tax as a result of property sales and negative changes in value as well as valuations of additional tax loss carry-forwards. The result from property management includes full tax. At 31 December 2008, differences between the carrying amounts and tax bases of the properties were approximately SEK 8.8bn (10.5). At the same date the Group had valued tax loss carry-forwards of approximately SEK 4.7bn (3.8).

Cash flow

The result increased liquidity by SEK 640m (1,142). After an increase of SEK 1,104m (-491) in operating capital, which varies primarily as a result of occupancy/final settlement for acquired and divested properties, operating activities resulted in an increase in liquidity of SEK -464m (1,633). Investments and acquisitions exceeded property sales by SEK 217m (2,653). The total change in liquidity resulting from operating activities was thus SEK -681m (-1,020). Dividends to shareholders and share buybacks totalled SEK 670m (761) and SEK 361m (543), respectively. After the increase in debt, consolidated cash and cash equivalents were SEK 54m (75).

Financing

Fabege employs long-term credit lines with fixed terms and conditions and an average maturity of 5.4 years. The company's creditors are major Nordic banks. Interest-bearing liabilities at year-end were SEK 18,902m (17,210). The financial turbulence during the year has not affected the company's access to long-term capital, however, the gradual rise in market interest rates up to November had a negative impact on the net interest expense. The decline in market rates during the fourth quarter has affected

This is Fabege

A highly concentrated and focused property company

Fabege offers efficient premises that are adapted to tenant requirements, primarily offices but also retail and other premises, in the Stockholm area. The company manages and develops existing properties, and project development plays a prominent role in the Group.

Our portfolio is highly concentrated to a limited number of well located sub-markets with a strong development potential. A majority are located in the inner city of Stockholm and in Solna and Hammarby Sjöstad, where Fabege has strong market positions.

Fabege's business model

Fabege aims to create value by managing, improving and adapting its property portfolio, both through sales and acquisitions. Accrued values must be realised at the right time.

Acquisitions
Acquire properties with better growth opportunities than existing investment properties

Improvement
Realise the potential in our improvement and project portfolios

Property management
Property management in close proximity to the client to reduce vacancy levels and increase net operating income.

Sales
Divest properties offering limited growth opportunities

Interest rate maturity structure, 31 Dec 2008

	Amount SEKm	Average interest rate %	Share %
< 1 year	12,652	2.94	67
1-2 years	0	0	0
2-3 years	300	4.45	1
3-4 years	0	0	0
4-5 years	2,950	3.85	16
> 5 years	3,000	3.97	16
Total	**18,902**	**3.27**	**100**

Loan maturity structure, 31 Dec 2008

	Credit agreements SEKm	Drawn SEKm
Commercial paper programme	5,000	727
< 1 year	867	203
1-2 years	1,500	1,460
2-3 years	4,900	4,700
3-4 years	4,000	3,981
4-5 years	5,800	5,103
> 5 years	4,281	2,728
Total	**26,348**	**18,902**

Fabege's average interest rate, which fell by 1.83 percentage points during the period to 3.27 per cent excluding the cost of unused committed lines of credit at year-end, or 3.29 per cent including this cost.

40 per cent of Fabege's loan portfolio is fixed through fixed income derivatives. The average fixed-rate period was 24 months, including the effect of derivatives. At 31 December the company's derivatives portfolio had a value of SEK 7,700m with maturities of up to 10 years. Out of this, SEK 5,950m refers to callable swaps, which are expected to increase to SEK 7,550m in the first quarter of 2009. The derivatives contracts were concluded in summer 2008 with the aim of improving cash flow in a situation where the market was expecting interest rates to rise. The aim was to achieve an interest rate discount or to fix interest 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 valued at market value and the change has been passed through the profit and loss account. Following the sharp fall in market interest rates the value of the portfolio declined during the fourth quarter. At 31 December the deficit in the portfolio was SEK 471m. The derivatives portfolio has been valued at the present value of future cash flows. The change in value is of an accounting character and does not affect cash flow or leverage. The portfolio had a positive impact of SEK 54m on the net interest expense for the year.

The average fixed-rate period for variable-rate loans is 32 days. Future changes in interest rates will thus quickly affect about 60 per cent of the loan portfolio.

At 31 December the company had unused committed lines of credit of SEK 2,446m. SEK 1,468m was refinanced in the fourth quarter.

Fabege has available long-term credit facilities covering all outstanding commercial papers at any given time. Due to falling demand in the commercial papers market during the period, the company has shifted its funding to these facilities. Outstanding commercial papers had a nominal value of SEK 740m at year-end.

The total loan volume includes loans for projects worth SEK 1,766m, on which the interest of SEK 41m has been capitalised.

Financial position and net asset value

Shareholders' equity at the end of the year was SEK 9,873m (11,415) and the equity/assets ratio was 32 per cent (36). Equity per share was SEK 60 (67). Net asset value per share, excluding deferred tax on the surplus value of properties, was SEK 67 (76).

Property portfolio, 31 Dec 2008

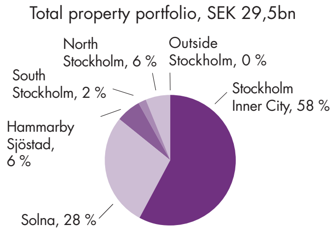
	31 December 2008					1 January-31 December 2008		
Market segment	No. of properties	Lettable area, '000 m2	Market value, SEKm	Rental value SEKm	Financial occupancy rate, %	Rental income SEKm	Property expenses SEKm	Net operating income SEKm
Property holdings								
Investment properties 1)	92	1,072	23,769	1,963	95	1,853	–477	1,376
Improvement properties 1)	35	283	3,827	342	86	273	–126	147
Land and project properties 1)	30	99	1,915	64	54	53	–38	15
Total	**157**	**1,454**	**29,511**	**2,369**	**93**	**2,179**	**–641**	**1,538**
of which, Inner City	49	551	16,937	1 217	95	1 152	–295	857
of which, Solna	34	493	8,244	722	90	651	–160	491
of which, Hammarby Sjöstad	13	147	1,890	175	83	141	–76	65
of which, South Stockholm	14	46	706	60	89	54	–20	34
of which, North Stockholm	46	217	1,711	195	93	181	–90	91
of which, outside Stockholm	1	0	23	0	0	0	0	0
Total	**157**	**1,454**	**29,511**	**2,369**	**93**	**2,179**	**–641**	**1,538**
Expenses for lettings, project development and property administration.								–97
Total net operating income after expenses for lettings, project development and property administration.								**1,441 2)**

1 See definitions on page 11.

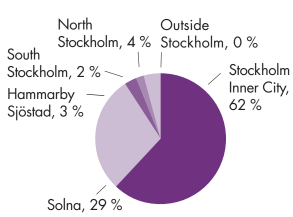
2 The table refers to Fabege's property portfolio as at 31 December 08. Income and expenses are reported as if the properties had been held during the whole period. The difference between reported net operating income, SEK 1,441m, and net operating income in the profit and loss account, SEK 1,438m, is explained by the fact that the net operating income from divested properties has been excluded and acquired/completed properties have been adjusted upwards as if they had been owned/completed during the whole of the period January–December 2008.

Distribution of book value/market value

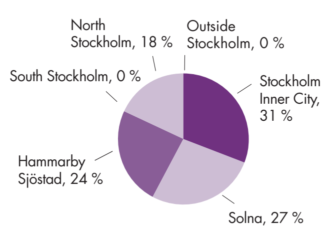
Total property portfolio, SEK 29,5bn



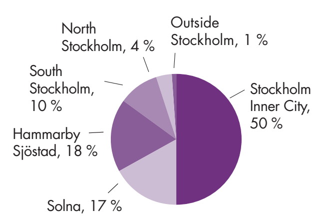
Investment properties, SEK 23,8 bn



Improvement properties, SEK 3,8bn



Project and land properties, SEK 1,9bn



Property sales

Property	Area	Category	Lettable area, m^2
Q1			
Marievik 14	Marievik	Office	16,923
Marievik 19	Marievik	Office	20,706
Verdandi 9	Vasastan	Residential	1,399
Landbyska Verket 10	Östermalm	Office	1,266
Krejaren 2	Östermalm	Land	–
Q2			
Axet 1/Bladet 1	Bergshamra	Office	31,688
Gräddö 2&4	Farsta	Office	14,321
Kurland 17	Vasastan	Office	1,798
Ånsta 20:17	Örebro	Industrial	3,011
Q3			
Kallhäll 9:35	Kallhäll	Land	–
Q4			
Polacken 25	Norrmalm	Office	2,467
Total property sales January-December 2008			**93,579**

Property acquisitions

Property	Area	Category	Lettable area, m2
Q1			
Uarda 2	Arenastaden	Warehouse	5,586
Krejaren 2	Östermalm	Land	–
Total property acquisitions, Jan-Dec 2008			**5,586**

Fabege's property portfolio and property management

Fabege's activities in management and improvement of properties and project development are highly concentrated to a few select sub-markets with strong growth prospects in and around Stockholm. The main markets are Stockholm's inner city, Solna and Hammarby Sjöstad.

At 31 December Fabege owned 157 properties with a total rental value of SEK 2.4bn, a lettable floor area of 1.5m m2 and a book value, including project properties, of SEK 29.5bn.

Commercial premises represented 97 per cent of the rental value and residential premises 3 per cent. The financial occupancy rate for the portfolio as a whole, including project properties, was 93 per cent (92). The vacancy rate in the investment property portfolio was unchanged at 5 per cent.

New lettings during the year were SEK 193m (327) while net lettings were SEK -6m (142). Predicted terminations in future project properties, totalling SEK 40m, had a significant impact on net lettings.

Rent levels in renegotiated contracts (94 contracts covering a total area of approx. 65,000 m2) increased by an average of 18 per cent, or SEK 17m.

Developments in Fabege's main markets

2008 was a year that saw both continued economic growth and financial turbulence, dramatic swings in interest rates and an emerging recession. Demand for efficient and flexible office space in Stockholm was good, although lead times in the rental market increased towards the end of the year due to uncertainty about the future of the economy. In Fabege's main markets, the inner city of Stockholm, Solna and Hammarby Sjöstad, the overall market situation is good, and rents remain stable.

Changes in the property portfolio

During the year Fabege acquired two properties for a total consideration of SEK 201m and sold thirteen properties for SEK 2,095m. The sales resulted in a profit of SEK 143m before tax, or SEK 333m after tax. At year-end the company's priority

Projects in progress >50 SEKm 31 Dec 2008, SEKm

Property name	Property type	Area	Completed	Lettable area, m^2	Occupancy rate %, area*	Estimated rental value	Book value 31 Dec 2008**	Estimated investment	Of which, accrued 31 Dec 2008
Risinge 1 et al.	Residential	Tensta/Rinkeby	Q2 2009	53,400	100	53	403	328	256
Paradiset 29 (50%)	Retail/Office/Garage	Stadshagen	Q3 2009	18,100	58	29	288	390	311
Bocken 35 and 46	Office	Norrmalm	Q4 2009	15,300	90	55	607	390	186
Päronet 8	Office	Solna Strand	Q1 2010	24,125	97	39	262	305	51
Rovan 1	Office/Retail	Huvudsta	dormant	16,400	82	24	163	121	61
Hammarby Gård 7	Office	Hammarby Sjöstad	dormant	8,900	20	20	121	185	86
Total				**136,225**	**85**	**220**	**1,844**	**1,719**	**951**
Other project & land properties							736		
Other improvement properties							3,162		
Total project, land and improvement properties							**5,742**		

* Operational occupancy rate, 4 Feb 2009
The annual rent for the largest projects in progress can increase to SEK 220m (fully let) from SEK 77m currently as of 31 Dec 2008.
** The total value of properties was written down by SEK 209m in 2008.

sub-markets, Stockholm's inner city, Solna and Hammarby Sjöstad, represented 92 per cent of the total value of the Group's property portfolio.

Changes in the value of properties

All properties have been externally valued as at 31 December 2008. The total market value at year-end was SEK 29.5bn (30.8). Unrealised changes in the value of properties were SEK -1,545m, of which SEK -1,085m refers to the fourth quarter. The write-down represents a decline during the year of about 5 per cent.

The average yield requirement in Fabege's portfolio has increased by 0.5 per cent since year-end. The increase is larger in the outer suburbs than in the inner suburbs and Stockholm City. However, the net effect is significantly smaller due to improved cash flows from the properties. The investments made in the portfolio will eventually lead to lower vacancy rates and higher rents, and thereby stronger cash flows and value growth.

The property valuation is based on cash flow statements, where the present value of net operating incomes is normally calculated for a five-year calculation period, and the residual value of the property at the end of the calculation period. The discount rate used for Fabege's portfolio is based on the nominal yield on government bonds plus an increment for property-related risk. We can now see that a positive effect on many of Fabege's properties with long contracts and stable customers results in a lower risk increment.

Yield requirement residual value

	Weighted yield requirement, %			
	2008	2007	2006	Spread
Inner City	5.6	5.1	5.2	5.0–6.5
Solna	6.5	5.8	6.1	6.0–7.0
Hammarby Sjöstad	6.9	6.3	6.6	6.5–7.5
Total	**6.0**	**5.5**	**5.8**	

Projects and investments

Fabege's project investments are forward-looking and are designed to reduce vacancy rates and raise rents in the portfolio, thereby improving cash flows and adding value.

A total of SEK 1,391m (966) was invested in existing properties and projects. The investments referred to land, new builds, extensions and conversions. The biggest investments referred to Paradiset 29, Bocken 35, 46 and Marievik 19, of which the latter was sold in April 2008.

Major projects (see also Projects in progress)

The project in Bocken 35 and 46 at the junction of Lästmakargatan-Regeringsgatan in Stockholm City is proceeding according to plan and is expected to be completed in the fourth quarter of 2009. The Paradiset 29/Lindhagen project on Kungsholmen is proceeding according to plan, and the retail area will open in August 2009. The next stage of the lettings process, covering the office areas, is underway. The property has been certified under the European Commission's GreenBuilding programme.

Fabege's Päronet 8 property in Solna Strand is undergoing an internal renovation and conversion. The project will be completed in the the first quarter of 2010. The property has been fully let to the Swedish Tax Agency.

Fabege's principle is that no investment projects should be initiated before the project has essentially been let and fully funded. This means that the previously approved investments in Rovan and Hammarby Gård will now be postponed, since the goal has not been achieved.

Staff

At year-end 148 people (140) were employed in the Fabege Group.

Parent company

Sales during the period were SEK 108m (108) and earnings before appropriations and tax were SEK -25m (1,048). Net investments in property, equipment and shares were SEK -140m (32). The parent company applies Recommendation RFR 2.1, Accounting for Legal Entities, of the Swedish Financial Accounting Standards Council, and the Swedish Annual Accounts Act. (See also the profit and loss account and balance sheet on page 9.)

Share buyback programme

The 2008 AGM passed a resolution authorising the Board, during the period up to the next AGM, to acquire shares. Share buybacks are subject to a limit of no more than 10 per cent of the total number of outstanding shares at any time. 6,441,451 shares (7,635,622) were repurchased during the year. At 31 December 2008 the company owned 4,929,400 treasury shares (7,635,622), which is equivalent to 2.9 per cent of the total number of registered shares. The average price paid for the shares was SEK 55.91.

The Board's proposals to the 2009 AGM

The Board of Directors will propose that the Annual General Meeting on 31 March 2009 authorise:

- The payment of a cash dividend of SEK 2.00 per share, worth a total of SEK 329m
- The Board to buy back Fabege 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
- The Board to offer Fabege's shareholders the opportunity to buy or sell, free of commission, the number of shares required to achieve a shareholding consisting of round lots

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). As at 31 December 2008 the total increase in taxable incomes is SEK 4,045m. The decisions have resulted in total tax demands of SEK 1,132m plus a tax penalty of SEK 170m, i.e. a total demand of SEK 1,302m excluding interest. Fabege has strong reasons to contest the Tax Agency's decisions and has therefore appealed the decisions.

Fabege is also contesting the ruling of the Administrative Court of Appeal, which we reported on in our 2007 Annual Report (see pages 40-41).

No provision has been made in Fabege's balance sheet, but the amount has been recognised as a contingent liability, as in previous financial reports.

Risks and uncertainties

Risks and uncertainties relating to cash flow from operations are primarily attributable to changes in rent levels, vacancy rates and interest rates. A detailed description of the effect of these changes on consolidated earnings is given in the sensitivity analysis in the 2007 Annual Report (page 46).

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 leverage are shown in the sensitivity analysis in the 2007 Annual Report (page 47).

Financial risk, i.e. the risk of insufficient access to long-term funding through loans, and Fabege's management of this risk are described in the 2007 Annual Report (page 63).

No significant changes in the company's risk assessments have been made since then.

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 times (including realised changes in value).

Events after the end of the reporting period

Major new letting to Vattenfall in Arenastaden

Vattenfall has concluded a rental agreement with Fabege for 43,000 m^2 of office space as well as garage and parking space in Arenastaden in Solna. Vattenfall's Nordic business area will be moving into a new office building located next to the Swedbank Arena and Mall of Scandinavia. Construction is scheduled to begin in 2009, subject to completion of the planning process .

The contract runs for 12 years and has an annual rental value of about SEK 100m. The total cost of the project is SEK 1,150m and funding has been arranged through a new SEK 875m facility. Vattenfall Nordic's new office building is expected to be completed in the third quarter of 2012.

Outlook for 2009

At the start of 2009 the rental market in Fabege's main markets in Stockholm remains stable, and Fabege has since year-end 2008 concluded agreements on the rental of premises representing a contracted annual value of SEK 120m. With falling interest rates and good access to capital, a strong cash flow, a high occupancy rate and properties and premises that will remain attractive regardless of the state of the economy, Fabege is in a good position for 2009, which will be year of big challenges as well as interesting opportunities. Overall, there are good prospects for a balanced development of Fabege's operations and earnings in 2009.

Accounting principles

Fabege prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). This year-end report has been prepared in accordance with IAS 34 Interim Financial Reporting. The Group has applied the same accounting principles and valuation methods as in the last annual report.

The parent company prepares its accounts in accordance with RFR 2.1, Accounting for Legal Entities, and the Swedish Annual Accounts Act and has applied the same report principles and valuation methods as in the last annual report.

Stockholm, 5 February 2009

Fabege AB (publ)
The Board of Directors

Review report

Introduction

We have made a partial review of the year-end financial statement of Fabege AB (publ) for the full year 2008. Responsibility for preparing this interim statement in accordance with IAS 34 and the Annual Accounts Act rests with the Board of Directors and Chief Executive Officer. Our responsibility is to express a conclusion on this interim statement based on our review.

Focus and scope

We have performed our review in accordance with the SÖG 2410 Standard on Review Engagements, 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 significantly more limited in scope than an audit performed in accordance with the Auditing Standard in Sweden (RS) and generally accepted auditing standards. The review procedures taken in a review do not enable us to obtain a degree of certainty that would make us aware of all important circumstances that would have been identified if an audit had been performed. The conclusion based on a review therefore does not have the same certainty as a conclusion based on an audit.

Conclusion

Based on our review, we have not discovered any circumstances that would give us reason to consider that the interim report has not, in all material respects, been prepared, in respect of the Group, in accordance with IAS 34 and the Annual Accounts Act and, in respect of the parent company, with the Annual Accounts Act.

Stockholm, 5 February 2009
Deloitte AB
Svante Forsberg
Authorised Public Accountant

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Profit and loss account, SEKm

	2008 Oct-Dec	2007 Oct-Dec	2008 Jan-Dec	2007 Jan-Dec
Rental income	540	532	2,214	2,066
Property expenses	–186	–188	–776	–754
Net operating income	**354**	**344**	**1,438**	**1,312**
Surplus ratio, %	*66*	*65*	*65*	*64*
Central administration and marketing	–14	–15	–60	–60
Realised changes in value, properties	0	239	143	446
Unrealised changes in value, properties	–1,085	283	–1 545	893
Operating profit/loss	**–745**	**851**	**–24**	**2,591**
Dividends	–	–	2	60
Net interest expense	–201	–165	–804	–609
Share in profit/loss of associated companies	–8	–	–8	–
Change in value, fixed income derivatives	–440	–1	–485	37
Change in value, equities	–8	–9	–21	–13
Profit/loss after financial items	**–1,402**	**676**	**–1,340**	**2,066**
Current tax	6	–3	3	–7
Deferred tax	634	–39	826	–247
Profit/loss for period/year	**–762**	**634**	**–511**	**1,812**
Attributable to parent company shareholders	–762	634	–511	1,812
Earnings per share before dilution, SEK	–4.63	3.67	–3.07	10.03
Earnings per share after dilution, SEK	–4.63	3.65	–3.07	9.98
No. of shares at end of period before dilution, millions	164.4	170.8	164.4	170.8
No. of shares at end of period after dilution, millions	165.4	171.9	165.4	171.9
Average no. of shares before dilution, millions	164.5	172.6	166.5	180.7
Average no. of shares after dilution, millions	165.6	173.7	167.5	181.8

Balance sheet summary, SEKm

	2008-12-31	2007-12-31	2008-09-30
Assets			
Properties	29,511	30,829	30,169
Other tangible fixed assets	3	6	3
Financial fixed assets	586	387	378
Current assets	388	458	471
Cash and cash equivalents	54	75	93
Total assets	**30,542**	**31,755**	**31,114**
Equity and liabilities			
Equity	9,873	11,415	10,646
Provisions	624	1,393	1,063
Interest-bearing liabilities	18,902	17,210	18,552
Derivatives	471	–	31
Non-interest-bearing liabilities	672	1,737	822
Total equity and liabilities	**30,542**	**31,755**	**31,114**
Equity/assets ratio, %	32	36	34
Contingent liabilities	1,901	1,735	1,696

Statement of changes in equity, SEKm

	Shareholders' equity	Of which attributable to parent company shareholders	Of which, attributable to minority
Shareholder's equity, 1 Jan 2007	**12,177**	**12,156**	**21**
New shares, conversion of debt instruments	2	2	–
Change in minority share through pre-emption rights to the shares in Fastighets AB Tornet	–21	–	–21
Redemption of shares paid in the form of shares in Klövern	–1,251	–1,251	–
Cash dividend	–761	–761	–
Share buybacks	–543	–543	–
Profit/loss for the year	1,812	1,812	–
Shareholders' equity, 31 Dec 2007	**11,415**	**11,415**	**–**
New shares, conversion of debt instruments	0	0	–
Cash dividend	–670	–670	–
Share buybacks	–361	–361	–
Profit/loss for the year	–511	–511	–
Shareholder's equity, 31 Dec 2008	**9,873**	**9,873**	**–**

Cash flow statement, SEKm

	2008 Jan-Dec	2007 Jan-Dec
Operating profit/loss excl. depreciation and changes in value of existing properties	**1,517**	**1,706**
Net financial items paid	–880	–557
Income tax paid	3	–7
Change in other working capital	–1,104	491
Cash flow from operating activities	**–464**	**1,633**
Investments and acquisitions of properties	–2,164	–4,984
Property sales, book value of divested properties	1,942	2,231
Other investments (net)	5	100
Cash flow from investing activities	**–217**	**–2,653**
Dividend to shareholders	–670	–761
Share buybacks	–361	–543
Change in interest-bearing liabilities	1,691	2,235
Cash flow from financing activities	**660**	**931**
Change in cash and cash equivalents	–21	–89
Cash and cash equivalents at beginning of period	75	164
Cash and cash equivalents at end of period	**54**	**75**

Key figures[1]

	2008 Jan-Dec	2007 Jan-Dec
Financial		
Return on capital employed, %	–1.7	9.9
Return on equity, %	–4.8	15.4
Interest coverage ratio, times	1.9	2.8
Equity/assets ratio, %	32	36
Leverage properties, %	64	56
Debt/equity ratio, times	1.9	1.5
Share-related		
Earnings per share for the period, SEK	–3.07	9.98
Equity per share, SEK	60	67
Cash flow per share, SEK	4.33	6.32
No. of outstanding shares at end of period before dilution, '000	164,382	170,823
No. of outstanding shares at end of period before dilution, '000	165,449	171,893
Average no. of shares before dilution, '000	166,459	180,730
Average no. of shares after dilution, '000	167,526	181,801
Property-related		
No. of properties	157	167
Book value of properties, SEKm	29,511	30,829
Lettable area, m2	1,454,000	1,546,000
Financial occupancy rate, %	93	92
Surplus ratio, %	65	64

[1] Dilution effects of potential ordinary shares have been taken into account in calculating key figures per share. As at 31 December 2008, Fabege has a convertible bond loan with a book value of SEK 47m (nominally SEK 45m). The loan has an interest rate of 5.25 per cent and matures on 1 October 2009. Bonds may be converted into shares up to 1 September 2009. The conversion price is SEK 41.80. Full conversion would result in an increase of 1,066,558 shares.

PARENT COMPANY
Profit and loss account, SEKm

	2008 Jan-Dec	2007 Jan-Dec
Income	108	108
Expenses	–181	–196
Net financial items	554	1,112
Change in value, interest rate derivatives	–485	37
Change in value, equities	–21	–13
Profit/loss before tax	**–25**	**1,048**
Tax	254	–10
Profit/loss for the period/year	**229**	**1,038**

Balance sheet, SEKm

	2008-12-31	2007-12-31
Interests in Group companies	14,987	15,116
Other fixed assets	21,246	32,313
of which receivables from Group comanpies	*20,788*	*32,089*
Other current assets	39	3
Cash and cash equivalents	43	58
Total assets	**36,315**	**47,490**
Equity	10,282	10,831
Provisions	63	62
Long-term liabilities	24,980	32,776
of which liabilities to Group companies	*6,725*	*19,244*
Current liabilities	990	3,821
Total equity and liabilities	**36,315**	**47,490**

Profit and loss account by segment, SEKm

	Investment properties 2008, Jan-Dec	Project/improvement properties 2008, Jan-Dec	Total Fabege 2008, Jan-Dec
Rental income	1,886	328	2,214
Property expenses	–595	–181	–776
Net operating income	**1,291**	**147**	**1,438**
Surplus ratio, %	*68*	*45*	*65*
Central administration and marketing	–48	–12	–60
Realised changes in value, properties	49	94	143
Unrealised changes in value, properties	–1,489	–56	–1,545
Operating profit/loss	**–197**	**173**	**–24**
Dividends	2	–	2
Net interest expense	–680	–124	–804
Share in profit/loss of associated companies	–2	–6	–8
Change in value, fixed income derivatives	–391	–94	–485
Change in value, equities	–17	–4	–21
Profit/loss after financial items	**–1,285**	**–55**	**–1,340**
Current tax	3	–	3
Deferred tax	646	180	826
Profit/loss for period/year	**–636**	**125**	**–511**
Occupancy rate, %	95	81	93
Market value, 31 Dec	23,769	5,742	29,511

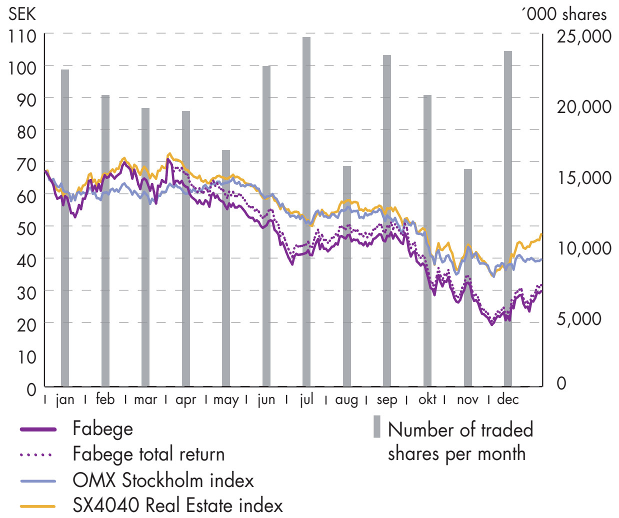
As of 2009 companies are required, under IFRS 8, to present financial information by segments, as viewed by management. In its briefings to market participants in 2008 Fabege has presented earnings figures for two segments, Investment properties and Project/Improvement properties. This form of reporting by segment will be included in forthcoming quarterly interim reports.

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 or sales.

Largest shareholders, 31 December 2008

Shareholder	No. of shares	Share of capital and votes, %
Brinova AB	23,291,092	14.2
Maths O Sundqvist	19,527,800	11.9
Öresund	11,050,036	6.7
Danske fonder	5,176,427	3.2
Swedbank Robur fonder	4,535,074	2.8
Mats Qviberg and family	2,703,636	1.6
SEB fonder	2,208,114	1.3
Länsförsäkringar fonder	1,639,924	1.0
Sjunde AP-fonden	1,368,358	0.8
SHB/SPP fonder	1,250,296	0.8
Other foreign owners	47,557,641	28.9
Other owners	44,073,756	26.8
Total	**164,382,154**	**100.0**
Share buybacks	4,929,400	
Total no. of shares	**169,311,554**	

Share price performance



Financial reports 2009

Annual Report 2008	week 11	Interim report Jan-Mar	28 April
Annual General Meeting	31 March	Interim report Jan-Jun	10 July
		Interim report Jan-Sep	27 October

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 book value 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.

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

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/loss 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.

Profit/loss from property management
Profit/loss for the period after financial items and reversal of changes in value.

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

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.

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