

# Faberge

## Year-end report 2009

- The after tax profit for the year increased by SEK 936m from SEK -511m to SEK +425m
- Earnings before tax were SEK 561m (-1,285) in Property Management and SEK 119m (-55) in Improvement Projects
- The profit from property management increased to SEK 838m (568) while rental income decreased to SEK 2,194m (2,214) due to sales of property
- The surplus ratio increased to 67 per cent (65)
- Earnings per share were SEK 2.59 (-3.07) and equity per share was SEK 61 (60)
- The Board proposes a dividend of SEK 2.00 per share (2.00)

Results, SEKm	2009 Oct-Dec	2008 Oct-Dec	2009 Jan-Dec	2008 Jan-Dec
Rental income	547	540	2,194	2,214
Running costs and central costs	-208	-200	-791	-836
Net financial items (excl. changes in value)	-125	-209	-565	-810
<b>Profit from property management activities</b>	<b>214</b>	<b>131</b>	<b>838</b>	<b>568</b>
Changes in value	57	-1,533	-158	-1,908
Tax	-48	640	-255	829
<b>Profit/loss after tax</b>	<b>223</b>	<b>-762</b>	<b>425</b>	<b>-511</b>
Surplus ratio, %	65	66	67	65
Equity/assets ratio, %	-	-	32	32
Occupancy rate, %	-	-	90	93

## Chief executive's review

2009 was a good year for those of us who like challenges. World trade contracted by over ten per cent, unprecedented in peacetime.

One thing that we have all learnt from 2009 is that events are unfolding at an ever faster pace and becoming harder to predict. It is therefore more important than ever to build one's business in a way that is proactive and adaptable. The winner is the one who is most skilled at adapting his business and does so faster than anyone else. Our company culture, encapsulated by the acronym SPEAK, is based precisely on proactivity and adaptability. We have for several years been working actively to develop both our organisation and our portfolio to meet and take advantage of the challenges we face, fast and effectively.

Looking at the factors we have been able to influence during the financial crisis and recession, I am pleased to say that the outcome has been very good.

We have:

- improved our net operating income and surplus ratio,
- achieved positive net lettings,
- strengthened our balance sheet,
- achieved our ambition of selling at least as much as we invest.

One reason behind this success is our attractive property portfolio, but the key factor is that we have a highly efficient organisation.

Looking at the events of the last few years, it is clear that Fabege's share price has been strongly influenced by fluctuations in the economy. As economic growth has now turned positive and is expected to pick up further, Fabege will, thanks to its high-growth locations and project and transaction focus, be in a particularly good place to benefit from this growth.

I believe 2010 will be another year where a strong profit from our property management business will form the cornerstone of our earnings. I also believe that we will generate additional significant profits from transactions and improvements to our properties in our projects business.

*Christian Hermelin*

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

Fabege continued to perform very strongly in the fourth quarter of 2009. We further increased our net operating income, while earnings from property management activities were up by about 60 per cent year-on-year, primarily thanks to the continued low interest rate environment.

Activity in the lettings market is solid and rents in Fabege's sub-markets are stable. New lettings in the quarter totalled SEK 45m while net lettings were SEK 13m. Renegotiations have continued to make a positive contribution to Fabege's rental value. The occupancy rate fell during the period to 90 per cent (93), mainly due to the fact that the National Courts Administration has now moved out of our Klamparen 10 property on Kungsholmen.

Rental income increased to SEK 547m (540). Rental income from completed improvement projects contributed to the increase

## 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, adds value to and develops properties.

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.

#### **Property management**

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

#### **Improvement**

Realise the potential in our improvement and project portfolios.

#### **Sales**

Divest properties offering limited growth opportunities.

despite a lower occupancy rate and net sales of properties. For comparable properties rental income grew by 5 per cent. The surplus ratio was 65 per cent (66).

Earnings after tax increased to SEK 223m (-762) while unrealised changes in the value of properties were SEK 35m (-1,085). Yield requirements in Fabege's sub-markets have now stabilised. Realised changes in value were SEK 39m (0). Several transactions were concluded towards the end of the year.

At year-end the average interest rate in the loan portfolio was 2.57 per cent including commitment fees on committed lines of credit.

Net asset value per share at 31 December was SEK 67 (67) excluding deferred tax on fair value adjustments to properties.

<sup>1)</sup> The comparison figures for income and expense items relate to values for the period October–December 2008, and for balance sheet items as at 31 December 2008.

## Revenues and earnings<sup>1)</sup>

The profit for the year increased by SEK 936m from SEK -511m to SEK 425m. A lower net financial expense had a positive impact of SEK 244m, lower negative adjustments to value added SEK 1,753m while the tax charge increased by SEK -1,084m. Earnings before tax were SEK 561m (-1,285) in Property Management and SEK 119m (-55) in Improvement Projects. The total profit after tax was SEK 680m (-1,340) and earnings per share were SEK 2.59 (-3.07).

Rental income was SEK 2,194m (2,214) and net operating income SEK 1,465m (1,438). The fall in rental income is due to net sales of properties. Project completions contributed to the increase in rental income in the second half while efficiency improvements in the property management business reduced running costs, raising the surplus ratio to 67 per cent (65). For comparable properties, rental income increased by 3 per cent and net operating income by just over 6 per cent.

Realised changes in the value of properties totalled SEK 57m (143), while unrealised changes in value were SEK -310m (-1,545). The negative value adjustments were due to increased yield requirements in peripheral locations and in properties where vacancies are expected to increase. This was offset by positive changes in value attributable to the project portfolio. Yield requirements have now stabilised in Fabege's sub-markets. Fixed income derivatives and equities increased in value by SEK 95m (-506) while the net interest expense decreased to SEK -560m (-804) due to falling market interest rates (see "Financing" below).

## Tax

The tax expense for the period (current and deferred) was SEK -255m (829). The figure includes SEK 98m of taxes paid following the decision of the Swedish Supreme Administrative Court not to permit a review of an ongoing tax case. The amount was charged to earnings in the first quarter. Account has been taken of taxes on negative adjusted acquisition costs for certain shares in trading partnerships that are liable for tax. However, this regulatory change has not had any significant impact on Fabege's financial position.

## Cash flow

The profit increased liquidity by SEK 789m (640). After an increase of SEK 288m (1,104) in working capital, which varies primarily as a result of occupancy/final settlement for acquired and divested properties, operating activities resulted in a change in

liquidity of SEK 501m (-464). Acquisitions and investments exceeded sales by SEK 259m (217). The total change in liquidity resulting from operating activities was thus SEK 242m (-681). Cash flow was reduced by a dividend payment of SEK 329m (670) during the period. Share buybacks totalled SEK 0m (361). After the increase in debt, consolidated cash and cash equivalents were SEK 173m (54).

## Financing

Fabege employs long-term credit lines with fixed terms and conditions. At 31 December 2009 these had an average maturity of 5.6 years. The company's lenders are the major Nordic banks. Interest-bearing liabilities at the end of the period were SEK 19,109m (18,902) and the average interest rate was 2.48 per cent excluding commitment fees on the undrawn portion of committed credit facilities, or 2.57 per cent including these fees. Interest rates on 41 per cent of Fabege's loan portfolio were fixed using fixed income derivatives. The average fixed-rate period was 24 months, taking account of the effect of derivatives, while the average fixed-rate period for variable-rate loans was 45 days.

Fabege has callable swaps of SEK 7,550m with interest rates ranging from 3.33 to 3.98 per cent. The company also 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 valued at market value and the change in value is passed through the profit and loss account. At 31 December 2009 the recognised negative fair value adjustment to the portfolio was SEK 373m (471). The derivatives portfolio has been valued 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 December 2009 the company had unused committed lines of credit of SEK 3,939m. In the fourth quarter Fabege obtained a new SEK 1bn credit facility. In the first quarter of 2010 the credit facilities will be reduced by SEK 450m, on top of a further reduction of about SEK 300m in connection with the sale of Fabege's residential property portfolio.

Demand for Fabege's commercial paper continued to grow in the fourth quarter, in line with the recovery in financial markets.

## Interest rate maturity structure, 31 December 2009

	Amount SEKm	Average interest rate %	Share %
< 1 year	11,259	1.49	59
1–2 years	300	4.43	1
2–3 years	0	0.00	0
3–4 years	4,550	3.84	24
4–5 years	0	0.00	0
> 5 years	3,000	3.97	16
<b>Total</b>	<b>19,109</b>	<b>2.48</b>	<b>100</b>

## Loan maturity structure, 31 December 2009

	Credit agreements SEKm	Drawn SEKm
Certificate, programme	5,000	2,855
< 1 year	1,020	0
1–2 years	5,900	4,500
2–3 years	4,000	3,700
3–4 years	6,875	3,819
4–5 years	273	255
> 5 years	4,980	3,980
<b>Total</b>	<b>28,048</b>	<b>19,109</b>

<sup>1)</sup> The comparison figures for income and expense items relate to values for the period January–December 2008, and for balance sheet items as at 31 December 2008.

At year-end commercial paper worth SEK 2,855m was outstanding, up from SEK 727m at the end of 2008. In late-January 2010 SEK 3.5bn was outstanding. Fabege has available long-term credit facilities covering all outstanding commercial paper at any given time.

The total loan volume includes SEK 791m in loans for projects, on which the interest of SEK 20m has been capitalised.

### Financial position and net asset value

Shareholders' equity at the end of the period was SEK 9,969m (9,873) and the equity/assets ratio was 32 per cent (32).

Equity per share was SEK 61 (60). Net asset value per share, excluding deferred tax on fair value adjustments to properties, was SEK 67 (67).

### Property portfolio and property management

Fabege's activities in management and improvement of properties are concentrated to a few select 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 December 2009 Fabege owned 148 properties with a total rental value of SEK 2.4bn, a lettable floor area of 1.4m m<sup>2</sup> and a book value of SEK 29.2bn, including the project properties of SEK 6.2bn.

Commercial premises, primarily offices, represented 96 per cent of the rental value and residential premises 4 per cent. The financial occupancy rate for the property portfolio as a whole, including project properties, decreased to 90 per cent (93), which is mainly due to the fact that the National Courts Administration has now moved out of our Klamparen 10 property on Kungsholmen. The vacancy rate in our portfolio of investment properties was 8 per cent (5). New lettings in 2009 totalled SEK 299m (193) while net lettings were SEK 112m (-6). A 43,000 m<sup>2</sup> let to Vattenfall in Arenastaden, Solna had a significant impact on net lettings. Rents in renegotiated contracts increased by 4 per cent on average.

### Market

The market is still feeling the effects of the recession but the situa-

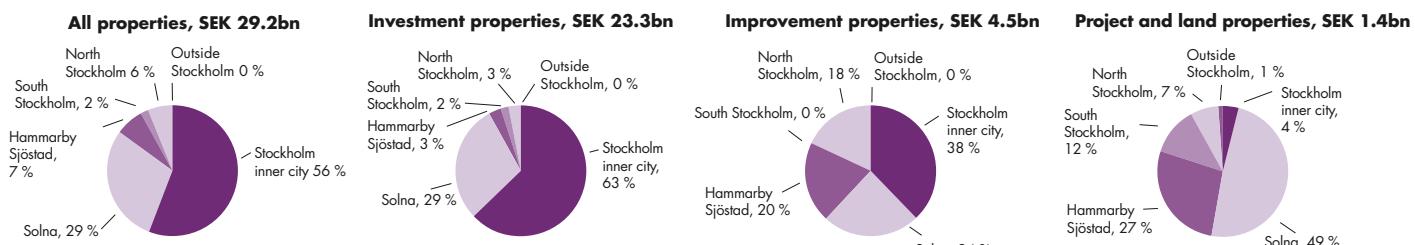
### Property portfolio 31 December 2009

Market segment	31 Dec 2009					Jan-Dec 2009		
	No. of properties	Lettalbe area, '000 m <sup>2</sup>	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>	86	1,050	23,266	1,979	92	1,811	-449	1,362
Improvement properties <sup>1)</sup>	35	299	4,500	370	82	331	-123	208
Land and project properties <sup>1</sup>	27	80	1,427	62	61	33	-32	1
<b>Total</b>	<b>148</b>	<b>1,429</b>	<b>29,193</b>	<b>2,411</b>	<b>90</b>	<b>2,175</b>	<b>-604</b>	<b>1,571</b>
of which, Inner City	45	547	16,417	1,248	91	1,156	-281	875
of which, Solna	36	494	8,502	735	91	654	-163	491
of which, Hammarby Sjöstad	13	146	1,943	184	81	149	-53	96
of which, South Stockholm	8	43	595	55	69	44	-22	22
of which, North Stockholm	45	199	1,713	189	95	172	-85	87
of which, outside Stockholm	1	0	23	0	0	0	0	0
<b>Total</b>	<b>148</b>	<b>1,429</b>	<b>29,193</b>	<b>2,411</b>	<b>90</b>	<b>2,175</b>	<b>-604</b>	<b>1,571</b>
Expenses for lettings, project development and property adm.								-105
<b>Total net operating income after expenses for lettings, project development and property administration.</b>								<b>1,466<sup>2)</sup></b>

<sup>1</sup> See definitions on page 11.

<sup>2</sup> The table refers to Fabege's property portfolio at 31 December 2009. Income and expenses are reported as if the properties had been held during the whole period. The difference between reported net operating income, SEK 1,466m, and net operating income in the profit and loss account, SEK 1,465m, is explained by the fact that 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 2009.

### Distribution of book value/market value



tion is stable and there is a certain degree of optimism about the future. In the portfolio transaction lead times are still longer than normal, competition for potential customers is increasing and the number of existing customers wishing to adapt their premises in response to the new economic environment is greater than normal. Despite this, average rents in Fabege's portfolio have remained largely unchanged. Bankruptcy rates are still very low.

In Stockholm City the market remains stable, but an increased supply of premises, primarily in the area around the Central Station, has led to increased competition. Fabege's own offering of vacant premises in Stockholm City is limited and concentrated to a small number of properties. Any vacancies are rapidly filled by new customers.

In Fabege's other sub-markets in Stockholm's inner city, Kungs-

holmen and Södermalm, the market situation is also unchanged. The eastern end of Kungsholmen is benefiting from the new developments in the area around the Central Station, which form part of a renewal of the western end of Stockholm City. The trend also remains positive in West Kungsholmen, which is undergoing rapid development, but the supply of premises is large and competition is stiff.

Overall, both average rents and vacancies in Fabege's inner city properties have remained largely unchanged.

In Solna Fabege's key sub-markets are Solna Business Park and Arenastaden. Solna Business Park is a well established business park where the market remains good with a high occupancy rate. Arenastaden is partly an established district with stable rents, and partly an area of new development centred on the future national arena for football, Swedbank Arena, around which a living neighbourhood with offices, housing and retail outlets as well as good transport connections will emerge over the next few years. The area has a lot of potential, with many new projects, and there is continued interest in establishing offices there.

In Hammarby Sjöstad the market for office properties is still under development, while ongoing redevelopment is making this formal industrial estate ever more attractive as an office location. The trend in rents was slightly negative in the autumn but has now stabilised.

### Changes in the property portfolio

In 2009 Fabege sold 14 properties for a total of SEK 1,234m. The sales resulted in a profit of SEK 57m before tax, or SEK 91m after tax. One property was acquired for SEK 56m.

### Changes in values

28 per cent of Fabege's properties have been externally valued as at 31 December 2009. The remaining properties have been internally valued based on the latest valuations. All properties were externally valued during the year. The total market value at 31

### Sale of properties

Properties	Area	Category	Lettalbe area, m <sup>2</sup>
<b>Q 1</b>			
Elefanten Mindre 1	Norrmalm	Office	4,825
Signalen 1	Södermalm	Office	3,263
<b>Q 2</b>			
Adam och Eva 1	Norrmalm	Office	2,405
Hammarby-Smedby 1:464, part of	Upplands Väsby	Land	0
Generatorn 17	Ulvsunda	Warehouse/Industrial	6,536
Sicklaön 145:13, 14, 15	Järla Sjö	Residential	210
<b>Q 3</b>			
Sicklaön 364:1	Järla Sjö	Land	0
<b>Q 4</b>			
Aeolus 1	Gamla stan	Office	6,762
Berglacken 5 & 6	Bromma	Office/Warehouse	12,718
Elektra 20	Västberga	Land	0
Sicklaön 145:20	Järla Sjö	Retail	3,344
Valnöten 8	Kungsholmen	Office/Retail	3,024
<b>Total property sales Jan-Dec 2009</b>			<b>43,087</b>

### Property acquisitions

Properties	Area	Category	Lettalbe area, m <sup>2</sup>
<b>Q 1</b>			
Gjutaren 27	Vasastan	Residential	1,616
<b>Total property acquisitions Jan-Dec 2009</b>			<b>1,616</b>

### Projects in progress >SEK 50m 31 December 2009, SEKm

Property name	Property type	Area	Completed	Lettalbe area, m <sup>2</sup>	Occupancy rate, %*	Estimated rental value	Book value, 31 Dec 2009	Estimated investment	Of which, accrued 31 Dec 2009
Päronet 8	Office	Solna Strand	Q1 2010	24,125	97	39	445	305	235
Fräsaren 10	Office	Solna	Q1 2011	11,470	88	21	90	155	15
Uarda 2	Office	Arenastaden	Q3 2012	44,500	97	103	140	1,050	23
<b>Total</b>				<b>80,095</b>	<b>95</b>	<b>163</b>	<b>675</b>	<b>1,510</b>	<b>273</b>
Other Project & land properties							1,197		
Other Improvement properties							4,055		
<b>Total Project, land and improvement properties</b>							<b>5,927</b>		

\*Operational occupancy rate, 22 Jan 2010

The annual rent for the largest projects in progress can increase to SEK 163m (fully let) from SEK 34m currently as of 31 December 2009.

December was SEK 29.2bn. Unrealised changes in the value of properties were SEK -310m (-1,545). The negative value adjustments were due to increased yield requirements in peripheral locations and in properties where vacancies are expected to increase. This was offset by positive changes in value attributable to the project portfolio.

### Projects and investments

Fabege's project investments are designed to reduce vacancy rates and raise rents in the portfolio, thereby improving cash flows and adding value. The basic principle is that no investment project should be initiated before the project has essentially been fully let and funded.

Total investments in existing properties and projects in 2009 were SEK 1,082m (1,963). The investments referred to new builds, extensions and conversions. The largest investments are shown in the table on page 5.

#### Completed projects

In the fourth quarter the projects in Fabege's Bocken 35 and 46 properties at Lästmakargatan-Regeringsgatan in Stockholm City and in Paradiset 29, the Lindhagen office and retail property on Kungsholmen, were completed and the properties were transferred to the company's investment portfolio.

#### Major ongoing projects

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

Fabege's project in its Uarda 2 property in Solna, where new offices for Vattenfall will be created, has now been initiated after the detailed development plan came into effect and a building permit was granted. Work on the project will intensify as of February 2010.

A decision has been taken to initiate an investment project in Fabege's Fräsaren 10 project in Solna Business Park. The SEK 155m investment refers to adaptation of premises for Vectura and Axfood. The occupancy rate is 88 per cent.

### Staff

At the end of the period 135 people (148) were employed in the Fabege Group.

### Parent company

Sales in 2007 were SEK 89m (108) and the profit before appropriations and tax was SEK -437m (-25). Net investments in property, equipment and shares were SEK -1,659m (-140).

The parent company applies Recommendation RFR 2.2 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 the balance sheet on page 9.)

### Share buyback programme

The 2009 AGM passed a resolution authorising the Board, during the period up to the next AGM, to buy back 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. No share buybacks were made in 2009. At 31 December 2009 the company held

4,929,400 treasury shares, representing 2.9 per cent of the total number of registered shares.

### The Board's proposals to the 2010 AGM

The Board of Directors will propose that the Annual General Meeting on 24 March 2010 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.

### 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 2009 the total increase in taxable incomes is SEK 4,854m. The decisions have resulted in total tax demands of SEK 1,359m plus a tax penalty of SEK 182m, i.e. a total demand of SEK 1,541m excluding interest. Fabege has strong reasons to contest the Tax Agency's decisions and has therefore appealed the decisions to the County Administrative Court in Stockholm.

In May 2009 the Supreme Administrative Court of Sweden announced decisions on three cases relating to other companies than Fabege. Fabege believes the decisions on the preliminary rulings addressed by the Supreme Administrative Court are not applicable to Fabege's cases, as they differ from those tried by the court. In the third quarter the Swedish Tax Agency submitted opinions to the County Administrative Court in Stockholm demanding that the case be tried under the Swedish tax evasion law. Fabege has submitted answers to these opinions. In the fourth quarter further cases were submitted for trial under the tax evasion law. At present statements are being exchanged regarding the parties' submissions to the court. Fabege maintains that the sales were accounted for and declared in compliance with applicable rules. Fabege's assessment is shared by external legal experts and tax advisors that have analysed the sales and the Tax Agency's reasoning.

No provision has been made in Fabege's balance sheet. Instead, the amount has been 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 given in the sensitivity analysis in the 2008 Annual Report (page 37).

Properties are reported 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 2008 Annual Report (page 37).

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 are described in the 2008 Annual Report (page 52).

No material changes in the company's assessment of risks have been made after publication of the 2008 Annual Report. Under its adopted targets for capital structure, Fabege aims to have an equi-

ty/assets ratio of at least 30 per cent and an interest coverage ratio of at least 2 (incl. realised changes in value).

### Events after the end of the reporting period

#### *Sale of residential portfolio to part-owned Tornet AB*

As previously announced, Fabege has, together with Peab and Brinova, formed a residential property company, Tornet AB, which will own and develop rental apartments. Fabege's holds a 45 per cent stake in the company. In February 2010 Fabege will transfer the majority of its residential portfolio to Tornet. The properties being transferred comprise 96,000 m<sup>2</sup> of residential space and are worth an estimated SEK 680m. The properties are being transferred at market value and will not result in a realised gain or loss. Upon completion of the transaction and settlement of outstanding balances at year-end, Fabege's equity/assets ratio will increase to 33 per cent and its leverage will fall to 64 per cent.

### Outlook for 2010

In early 2010 the rental market in Fabege's main markets in Stockholm remains stable while the transaction market has improved significantly following the stabilisation of financial markets in the autumn. With a strong cash flow generated by stable rental revenues and low interest expenses, good access to capital and properties that will remain attractive regardless of the state of the economy, Fabege is in a good position going into 2010. Overall, prospects for a continued strong operational and earnings performance in 2010 are good.

### 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 2009 the Group applies the new standard, IFRS 8 Operating Segments, which is based on the viewpoint of management. As a result, the Group's reportable segments have changed and two reportable segments have been defined for the Group, Investment Properties and Project/Improvement Properties.

IAS 1 Presentation of Financial Statements has been revised with effect from 1 January 2009. The revised standard states that transactions with owners must be separated from other transactions resulting in a change in the value of the company's assets and liabilities. As the Group has not previously reported any non-owner changes in equity, the only changes required in Fabege's financial reporting under the revised standard refer to the naming of the consolidated balance sheet, profit and loss account, statement of changes in equity and cash flow statement. These reports will now be called: Statement of financial position, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows.

IAS 23, which relates to borrowing costs, applies from 1 January 2009. Fabege currently capitalises borrowing costs that are attributable to the purchase, construction or production of an asset that takes a significant amount of time to complete for its intended

use or sale. IAS 40 has been revised in respect of investment properties so that projects in progress must now also be stated at fair value. This change has no significant impact on Fabege. In other respects, 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 2.2 Accounting for Legal Entities and the Swedish Annual Accounts Act and has applied the same accounting principles and valuation methods as in the last annual report.

Stockholm, 2 February 2010

Christian Hermelin  
*Chief Executive Officer*

### Review report

#### *Introduction*

We have reviewed the interim report for Fabege AB (publ) for the period 1 January 2009 to 31 December 2009. 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 financial statement 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, 2 February 2010  
Deloitte AB  
Svante Forsberg

*Authorised Public Accountant*

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

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	2009 Oct-Dec	2008 Oct-Dec	2009 Jan-Dec	2008 Jan-Dec
<b>Consolidated statement of comprehensive income (summary), SEKm</b>				
Rental income	547	540	2,194	2,214
Property expenses	-191	-186	-729	-776
<b>Net operating income</b>	<b>356</b>	<b>354</b>	<b>1,465</b>	<b>1,438</b>
Surplus ratio, %	65	66	67	65
Central administration and marketing	-17	-14	-62	-60
Dividends	0	0	0	2
Net interest expense	-124	-201	-560	-804
Share in profit/loss of associated companies	-1	-8	-5	-8
<b>Profit from property management activities</b>	<b>214</b>	<b>131</b>	<b>838</b>	<b>568</b>
Realised changes in value of properties	39	0	57	143
Unrealised changes in value of properties	35	-1,085	-310	-1,545
Change in value of fixed income derivatives	-7	-440	98	-485
Change in value of equities	-10	-8	-3	-21
<b>Profit/loss after financial items</b>	<b>271</b>	<b>-1,402</b>	<b>680</b>	<b>-1,340</b>
Current tax	-2	6	-100	3
Deferred tax	-46	634	-155	826
<b>Profit/loss for period/year</b>	<b>223</b>	<b>-762</b>	<b>425</b>	<b>-511</b>
<b>Comprehensive income attributable to parent company shareholders</b>	<b>223</b>	<b>-762</b>	<b>425</b>	<b>-511</b>
Earnings per share before dilution, SEK	1.36	-4.63	2.59	-3.07
Earnings per share after dilution, SEK	1.36	-4.63	2.59	-3.07
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	165.4
Average no. of shares before dilution, millions	164.4	164.5	164.4	166.5
Average no. of shares after dilution, millions	164.4	165.6	165.1	167.5

## Consolidated statement of financial position (summary), SEKm

	31 Dec 2009	31 Dec 2008	30 Sep 2009
<b>Assets</b>			
Properties	29,193	29,511	29,447
Other tangible fixed assets	2	3	2
Financial fixed assets	620	586	431
Current assets	704	388	387
Cash and cash equivalents	173	54	108
<b>Total assets</b>	<b>30,692</b>	<b>30,542</b>	<b>30,375</b>
<b>Equity and liabilities</b>			
Equity	9,969	9,873	9,746
Provisions	439	624	530
Interest-bearing liabilities	19,109	18,902	19,101
Derivatives	373	471	365
Non-interest-bearing liabilities	802	672	633
<b>Total equity and liabilities</b>	<b>30,692</b>	<b>30,542</b>	<b>30,375</b>
Equity/assets ratio, %	32	32	32
Contingent liabilities	2,172	1,901	1,727

## Statement of changes in equity, SEKm

	Equity	Of which, attributable to parent company shareholders	Of which, attributable to minority
<b>Shareholders' equity, 1 Jan 2008</b>	<b>11,415</b>	<b>11,415</b>	-
New shares, conversion of debt instruments	0	0	-
Cash dividend	-670	-670	-
Share buybacks	-361	-361	-
Profit/loss for the year	-511	-511	-
<b>Shareholders' equity, 31 Dec 2008</b>	<b>9,873</b>	<b>9,873</b>	-
Approved dividend	-329	-329	-
Profit/loss for the period	425	425	-
<b>Shareholders' equity, 31 Dec 2009</b>	<b>9,969</b>	<b>9,969</b>	-

**Statement of cash flows, SEKm**

	2009 Jan-Dec	2008 Jan-Dec
<b>Net operating income and realised changes in the value of existing properties excluding depreciation</b>	<b>1,510</b>	<b>1,577</b>
Central administration	–62	–60
Net financial items paid	–559	–880
Income tax paid	–100	3
Change in other working capital	–288	–1,104
<b>Cash flow from operations</b>	<b>501</b>	<b>–464</b>
Investments and acquisition of properties	–1,138	–2,164
Sale of properties, book value of divested properties	1,160	1,942
Other investments (net)	–281	5
<b>Cash flow from investing activities</b>	<b>–259</b>	<b>–217</b>
Dividend to shareholders	–329	–670
Share buybacks	–	–361
Change in interest-bearing liabilities	206	1,691
<b>Cash flow from financing activities</b>	<b>–123</b>	<b>660</b>
Change in cash and cash equivalents	119	–21
Cash and cash equivalents at beginning of period	54	75
<b>Cash and cash equivalents at end of period</b>	<b>173</b>	<b>54</b>

**Key ratios**

	2009 Jan-Dec	2008 Jan-Dec
<b>Financial</b>		
Return on capital employed, %	4.2	–1.7
Return on equity, %	4.3	–4.8
Interest coverage ratio, times	2.6	1.9
Equity/assets ratio, %	32	32
Leverage properties, %	65	64
Debt/equity ratio, times	1.9	1.9
<b>Share-related<sup>1)</sup></b>		
Earnings per share for the period, SEK	2.59	–3.07
Equity per share, SEK	61	60
Cash flow per share, SEK	4.87	4.33
No. of outstanding shares at end of period before dilution, '000	164,392	164,382
No. of outstanding shares at end of period after dilution, '000	164,392	165,449
Average no. of shares before dilution, '000	164,386	166,459
Average no. of shares after dilution, '000	165,052	167,526
<b>Property-related</b>		
No. of properties	148	157
Book value of properties, SEKm	29,193	29,511
Lettable area, m <sup>2</sup>	1,429,000	1,454,000
Financial occupancy rate, %	90	93
Surplus ratio, %	67	65

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

**PARENT COMPANY****Profit and loss account (summary), SEKm**

	2009 Jan-Dec	2008 Jan-Dec
Income	89	108
Expenses	–174	–181
Profit from shares and interests in Group companies	–291	806
Result from other securities and receivables that are fixed assets	–3	597
Net financial items	–156	–870
Change in value, fixed income derivatives	98	–485
<b>Profit/loss before tax</b>	<b>–437</b>	<b>–25</b>
Tax	28	254
<b>Profit/loss for period/year</b>	<b>–409</b>	<b>229</b>

**Balance sheet (summary), SEKm**

	31 Dec 2009	31 Dec 2008
Interests in Group companies	13,328	14,987
Other fixed assets	45,930	21,246
of which, receivables from Group companies	45,571	20,788
Other current assets	62	39
Cash and cash equivalents	161	43
<b>Total assets</b>	<b>59,481</b>	<b>36,315</b>
Equity	9,714	10,282
Provisions	63	63
Long-term liabilities	46,774	24,980
of which, liabilities to Group companies	30,403	6,725
Current liabilities	2,930	990
<b>Total equity and liabilities</b>	<b>59,481</b>	<b>36,315</b>

## Segment report (summary), SEKm

	Investment properties 2009 Jan-Dec	Project/improve- ment properties 2009 Jan-Dec	Total, Fabege 2009 Jan-Dec	Investment properties 2008 Jan-Dec	Project/improve- ment properties 2008 Jan-Dec	Total, Fabege 2008 Jan-Dec
Rental income	1,852	342	2,194	1,886	328	2,214
Property expenses	-578	-151	-729	-595	-181	-776
<b>Net operating income</b>	<b>1,274</b>	<b>191</b>	<b>1,465</b>	<b>1,291</b>	<b>147</b>	<b>1,438</b>
Surplus ratio, %	69	56	67	68	45	65
Central administration and marketing	-50	-12	-62	-48	-12	-60
Dividends	0	0	0	2	-	2
Net interest expense	-444	-116	-560	-680	-124	-804
Share in profit/loss of associated companies	-1	-4	-5	-2	-6	-8
<b>Operating profit/loss</b>	<b>779</b>	<b>59</b>	<b>838</b>	<b>563</b>	<b>5</b>	<b>568</b>
Realised changes in value, properties	36	21	57	49	94	143
Unrealised changes in value, properties	-327	17	-310	-1,489	-56	-1,545
Change in value, fixed income derivatives	76	22	98	-391	-94	-485
Change in value, equities	-3	0	-3	-17	-4	-21
<b>Profit/loss after financial items</b>	<b>561</b>	<b>119</b>	<b>680</b>	<b>-1,285</b>	<b>-55</b>	<b>-1,340</b>
Current tax	-100	0	-100	3	-	3
Deferred tax	-113	-42	-155	646	180	826
<b>Profit/loss for period/year</b>	<b>348</b>	<b>77</b>	<b>425</b>	<b>-636</b>	<b>125</b>	<b>-511</b>
<b>Total assets</b>	<b>24,462</b>	<b>6,230</b>	<b>30,692</b>	<b>24,586</b>	<b>5,956</b>	<b>30,542</b>
of which, properties	23,266	5,927	29,193	23,769	5,742	29,511
<b>Total liabilities</b>	<b>24,462</b>	<b>6,230</b>	<b>30,692</b>	<b>24,586</b>	<b>5,956</b>	<b>30,542</b>

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

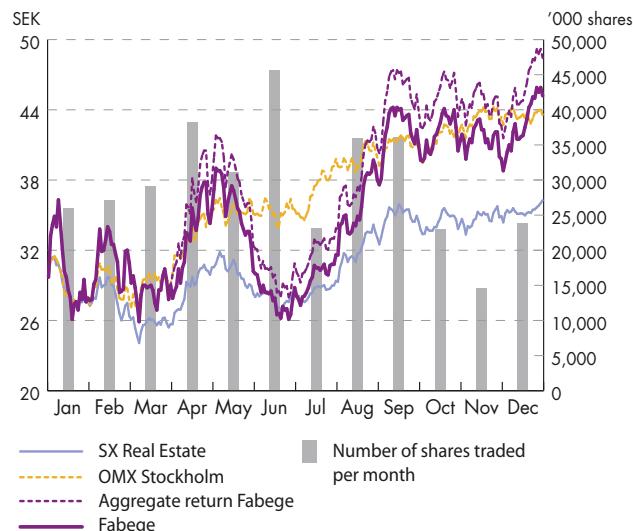
Assets and liabilities are stated as at the balance sheet date. Property assets are attributed directly to the respective segments according to the classification at the balance sheet date. Other assets and liabilities are allocated in a standardised manner based on their share of the property value.

Five properties were transferred from one segment to another during the year. In the third quarter the Uarda 2 property, where new offices are being created for Vattenfall, was transferred from the investment properties segment to the project/Improvement properties segment. In the fourth quarter three properties were transferred from projects to investment. These referred to the Bocken 35 and 46 properties and Paradiset 29, where the projects have been completed and the tenants have moved in. The Klamparen 10 property on Kungsholmen, which is being emptied after the departure of the tenant, the National Courts Administration, has been transferred from investment properties to the project/Improvement properties.

## Largest shareholders. 31 December 2009

Shareholder	No. of shares	Share of capital and votes, %
Brinova AB	23,291,092	14.2
Investment AB Öresund	12,616,270	7.7
Barclays Global Investors	8,924,247	5.4
SEB fonder	5,425,364	3.3
Nordea fonder	5,197,326	3.2
Swedbank Robur fonder	3,679,210	2.2
Länsförsäkringar fonder	3,367,529	2.0
Qviberg, Mats and family	2,888,636	1.8
Handelsbanken fonder	2,356,773	1.4
Andra AP-fonden	2,083,185	1.3
Other foreign owners	40,064,441	24.4
Other owners	54,497,499	33.1
<b>Total no. of outstanding shares</b>	<b>164,391,572</b>	<b>100.0</b>
Share buybacks	4,929,400	
<b>Total no. of shares</b>	<b>169,320,972</b>	

## Share price performance



## Financial reports 2010

Annual Report	week 9, 2010	Interim report Jan–Jun	8 July 2010
Annual General Meeting	24 March 2010	Interim report Jan–Oct	26 October 2010
Interim report Jan–Mar	27 April 2010	Year End Financial Statement 2010	2 February 2011

NB

This constitutes information that Fabege is required to publish under the Swedish Securities Market Act. The information was released for publication at 11:00 on 2 February 2010.

## 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 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/loss before tax 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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