

# 2010

## Interim Report

### January–September

- After-tax profit for the period improved by SEK 889m from SEK 202m to SEK 1,091m, corresponding to earnings per share of SEK 6.67 (1.23).
- Earnings before tax from Property Management amounted to SEK 1,126m (384) and from Property Development to SEK 198m (25).
- Transaction profit amounted to SEK 190m (18).
- Profit from Property Management declined to SEK 600m (624), and rental income declined to SEK 1,520m (1,647) as a result of net sales of properties.
- The equity/assets ratio increased to 37 percent (32).

#### Key figures, SEKm

	2010 Jul–Sep	2009 Jul–Sep	2010 Jan–Sep	2009 Jan–Sep
Rental income	495	551	1,520	1,647
Running costs and central costs	–159	–179	–541	–583
Net financial items (excl. changes in value)	–127	–127	–379	–440
Profit from property management activities	209	245	600	624
Changes in value	517	–147	724	–215
Tax	–136	–27	–233	–207
Profit/loss after tax	590	71	1,091	202
Surplus ratio, %	71	70	68	67
Equity/assets ratio, %	–	–	37	32
Loan-To-Value Ratio, %	–	–	60	65

# Chief executive's review

**We have again put a solid quarter behind us, during which stable Property Management earnings and growing contributions from the Transaction and Development business areas combined to provide significantly higher overall earnings.**

I am delighted to confirm that the employees have worked fantastically and we can earnestly state that the entire team delivered this quarter. The macroeconomic horizon in Sweden is clearly bright, despite the dark clouds in the skyline elsewhere. I can only agree with the metaphor of Cecilia Hermansson, Chief Economist at Swedbank, in the bank's latest macroeconomic analysis: "While other countries must mend a leaking roof, we need merely to keep an eye on ours." If the current economic forecast is verified, I am convinced that the Swedish market will continue to show robust growth.

We note the continuing positive trend in the office rental market, with customers throughout our submarkets giving clear signals of a greater need for attractive premises. The impact on the profit and loss account will be subject to a lag, however, due to sluggish revenue flow in our operations, as occupancy frequently occurs several months after the initial contact.

In the case of Fabege, the positive trend is further enhanced by substantial

contributions from the Transaction and Development business areas. Given a more normalised transactions market, we can further raise the pace of our efforts to attain our objective of creating value in the property portfolio by disposing of low-yield properties with limited potential and instead launching new profitable projects that contribute to value creation in a superior manner. We have worked purposefully with this portfolio strategy throughout the year and plan to continue doing so.

Sweden now has an excellent macroeconomic base with sound economic parameters plus forecasts of continuing low interest rates and high growth – a combination of key significance for Fabege's continued positive trend. In contrast to the situation one or two years ago, we can state that we are currently facing an agreeable problem. Risks have been replaced by opportunities and we have to meet the challenge of optimally leveraging them.

**CHRISTIAN HERMELIN**  
*Chief Executive Officer*

## This is Fabege

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

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

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 30 September 2010, Fabege owned 119 properties with a combined market value of SEK 28.1bn. The rental income amounted to SEK 2.2bn.

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

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

During the third quarter, trends in both the lettings market and the transactions market remained positive.

Activity in the lettings market was favourable and rents in Fabege's submarkets remained stable. New lettings in the quarter totalled SEK 52m, while net lettings amounted to SEK 2m. Renegotiations were limited but continued to have a marginally positive impact on the rental value.

The company's rental income fell to SEK 495m (551) as a result of net sales of properties. The occupancy rate was 89 per cent (92). The surplus ratio increased to 71 per cent (70), an increase attributable to continued successful efforts to reduce energy consumption and enhance efficiency in Property Management.

Realised changes in the value of properties amounted to SEK 94m (6). Properties were divested during the period for a combined price of SEK 466m.

Unrealised changes in property value amounted to SEK 407m (-145). The value increase in the project portfolio totalled SEK 68m, which comfortably surpassed Fabege's return requirement of 20 per cent on invested capital. The SEK 339m increase in the value of the portfolio of investment properties was attributable to individual new lettings and declining yield requirements for good buildings in good locations. The more positive outlook of the property market was supported by the transactions executed during the period.

The negative fair value adjustment of the derivatives portfolio decreased by SEK 27m as a result of higher long-term interest rates. Earnings after tax rose to SEK 590m (71).

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

# Results<sup>1)</sup>

**The results for the period were strong. While the rental market was stable, the property market strengthened. Value growth, development gains in the project portfolio and transaction profit contributed positively to Fabege's results.**

## REVENUES AND EARNINGS

Profit for the period improved by SEK 889m from SEK 202m to SEK 1,091m. A lower net financial expense had a positive impact of SEK 53m and higher positive value changes contributed SEK 939m, while the tax charge increased by SEK 26m. Before tax, Property Management generated earnings of SEK 1,126m (384) and Property Development earnings of SEK 198m (25), making a total of SEK 1,324m (409). Earnings per share after tax amounted to SEK 6.67 (1.23).

Rental income totalled SEK 1,520m (1,647) and net operating income SEK 1,026m (1,109). The decline in rental income was due to net sales of properties combined with a decrease in rental guarantees and a negative index. The adverse impact of relocations was offset by an

increase in rental income from completed project properties. Continued efficiency enhancements in the Property Management operations enabled the surplus ratio to increase to 68 per cent (67), despite increased snow clearance costs during the first quarter. In a comparable portfolio, rental income decreased by approximately 1 per cent and net operating income by about 3 per cent.

Realised changes in the value of properties amounted to SEK 190m (18). Unrealised changes in value totalled SEK 677m (-345). The SEK 490m increase in the value of the portfolio of investment properties was attributable to properties for which the risk of vacancies and declining rent levels decreased and to declining yield requirements. The project portfolio contributed to a value increase of SEK

187m, which comfortably surpassed Fabege's return requirement of 20 per cent on invested capital. Changes in the value of interest-rate derivatives and equities amounted to SEK -143m (112), and net interest expense declined to SEK -383m (-436) as a result of lower market interest rates and a reduction in borrowing (refer to the Financing section).

## TAX

The tax expense for the period amounted to SEK -233m (-207), corresponding to 26.3 per cent tax on continuous taxable earnings. Sales of properties resulted in a total reversal of deferred tax of SEK 55m.

## CASH FLOW

Profit contributed SEK 807m (544) to liquidity. After a decrease of SEK 289m (-37) 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 increased by SEK 1,096m (507). Sales exceeded acquisitions of and

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

### ACQUISITIONS – GENERATE GROWTH

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

### SALES – CONCENTRATION OF THE PORTFOLIO

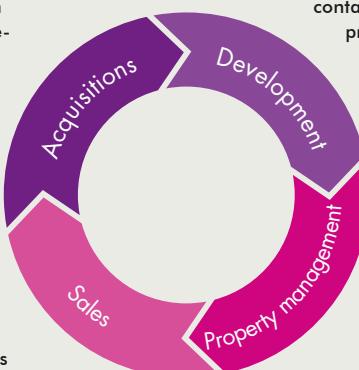
Fabege aims to divest properties that are located outside the company's concentrated property management units, as well as properties offering limited growth prospects. The location, condition and vacancy rate of the property are key factors determining growth potential. Accordingly, a fully let property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

### DEVELOPMENT – CREATES VALUE

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

### MANAGEMENT – ALWAYS CLOSE TO THE CUSTOMER

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



### Interest rate maturity structure

30 September 2010

	Amount SEKm	Average interest rate %	Share %
< 1 year	9,212	2.46	55
1–2 years	0	0.00	0
2–3 years	4,550	3.84	27
3–4 years	0	0.00	0
4–5 years	0	0.00	0
> 5 years	3,000	3.97	18
<b>Total</b>	<b>16,762</b>	<b>3.10</b>	<b>100</b>

### Loan maturity structure

30 September 2010

	Credit agreements SEKm	Drawn SEKm
Certificate programme	5,000	3,330
< 1 year	5,520	4,200
1–2 years	210	0
2–3 years	4,875	2,927
3–4 years	2,000	0
4–5 years	4,000	3,325
> 5 years	4,980	2,980
<b>Total</b>	<b>26,585</b>	<b>16,762</b>

### Property sales

Jan–Sep 2010

Properties	Area	Category	Lettable area, sqm
<b>Quarter 1</b>			
Paradiset 29 (50%)	Stads-hagen	Office/ Retail	17,749
Harpan 51	Öster-malm	Office/ Residential	4,661
Gjutaren 27	Vasastan	Residential	1,616
Fotkvarnen 1	Rinkeby	Residential	9,312
Fotkvarnen 2	Rinkeby	Land	0
Handkvarnen 3	Rinkeby	Residential	10,463
Hjulkvarnen 1	Rinkeby	Residential	5,818
Hjulkvarnen 2	Rinkeby	Residential	6,039
Hjulkvarnen 3	Rinkeby	Land	0
Rinkeby 2:1	Rinkeby	Land	0
Rinkeby 2:13	Rinkeby	Land	0
Rinkeby 2:14	Rinkeby	Land	0
Skvaltkvarnen 1	Rinkeby	Residential	8,804
Skvaltkvarnen 2	Rinkeby	Residential	4,542
Skvaltkvarnen 3	Rinkeby	Land	0
Hyppinge 1	Tensta	Land	0
Kulling 1	Tensta	Residential	13,724
Risinge 1	Tensta	Residential	13,938
Vättinge 1	Tensta	Residential	7,223
Vättinge 2	Tensta	Residential	5,358
Vättinge 3	Tensta	Residential	9,490
Öninge 1	Tensta	Land	0
<b>Quarter 2</b>			
Induktorn 28	Bromma	Office/Retail/ Industry	5,388
Hallen 6	Solna	Hotel	4,600
Orgelpipan 4	Norrörmalm	Office/Retail	6,858
Päronet 8	Solna	Office	20,216
Vallentuna Rikkeby 1:480	Vallentuna	Land	0
<b>Quarter 3</b>			
Ferdinand 9	Bromsten	Industry/ Warehouse	4,643
Påsen 10	Hammarby-Indus- try/hamnen	Office/ Hammarby-Industry/ Warehouse	9,839
Rovan 3, 4, 5	Huvudsta	Land	0
Sicklaön 145:17	Nacka	Retail	5,087
Vallentuna Rikkeby 1:327 (part of)	Vallentuna	Land	0
Vallentuna Rikkeby 1:477	Vallentuna	Land	1,167
<b>Total property sales</b>			<b>176,535</b>

investments in properties by SEK 1,636m (–322). Accordingly, the total change in liquidity resulting from operating activities was SEK 2,732m (185). Share buybacks amounted to SEK 61m (0) and dividend amounted to SEK 329m (329). After the reduction in debt, consolidated cash and cash equivalents totalled SEK 168m (108).

ised in the profit and loss account. At 30 September 2010, the recognised negative fair value adjustment of the portfolio amounted to SEK 480m. 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.

During the third quarter, the company also gave notice terminating loan limits totalling SEK 500m with maturity in 2011. At 30 September 2010, the company had unused committed lines of credit of SEK 4,823m.

Fabege has a commercial paper programme in an amount of SEK 5bn. Demand for Fabege's commercial paper remained favourable during the third quarter and at 30 September commercial paper worth SEK 3,330m was outstanding, compared with SEK 2,855m at the beginning of the year. Fabege has available long-term credit facilities covering all outstanding commercial paper at any given time.

The total loan volume includes SEK 484m in loans for projects, on which interest of SEK 7m has been capitalised.

### FINANCIAL POSITION AND NET ASSET VALUE

Shareholders' equity amounted to SEK 10,670m (9,969) at the end of the period and the equity/assets ratio was 37 per cent (32). Shareholders' equity per share totalled SEK 65 (61). Excluding deferred tax on fair value adjustments of properties, net asset value per share was SEK 73 (67).

## Operations

**During the year, the lettings market has become progressively stronger, at the same time as activity in the transactions market has increased significantly.**

### FABEGE'S PROPERTY PORTFOLIO AND PROPERTY MANAGEMENT

Fabege's 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 30 September 2010, Fabege owned 119 properties with a total rental value of SEK 2.2bn, a lettable floor area of 1.2m sqm and a carrying amount of SEK 28.1bn, including development and project prop-

erties totalling SEK 4.4bn. The financial occupancy rate for the entire property portfolio, including project properties, was 89 per cent (92). The vacancy rate in the portfolio of investment properties was 9 per cent (8).

New lettings during the period totalled SEK 157m (254), while net lettings amounted to SEK 6m (99). The letting to Vattenfall had a significant impact on net lettings in the year-earlier period. Rents in negotiated contracts increased an average of 3 per cent.

## CHANGES IN THE PROPERTY PORTFOLIO

During the period, 34 properties (of which 20 pertained to the property portfolio sold to part-owned Fastighets AB Tornet) were sold for a total of SEK 2,633m. The sales generated after-tax profit of SEK 245m.

## CHANGES IN THE VALUE OF PROPERTIES

A total of 24 per cent of Fabege's properties were externally valued at 30 September 2010 and the remaining properties were internally valued based on the latest valuations. The total market value at 30 September was SEK 28.1bn (29.2).

Unrealised changes in the value of properties amounted to SEK 677m (-345). The yield requirement decreased somewhat during the third quarter and the yield requirement for the portfolio averaged 6.0 per cent (6.0). The SEK 490m increase in the value of the portfolio of investment properties was attributable to properties for which the risk of vacancies and declining rent levels has decreased and to lower yield requirements. The project portfolio contributed to a value increase of SEK 187m, which comfortably surpassed Fabege's return requirement of 20 per cent on invested capital.

## PROJECTS AND INVESTMENTS

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

Investments in existing properties and projects during the period totalled SEK 588m (813). The investments involved new builds, extensions and conversions.

## Completed projects

The projects in the properties Päronet 8, Solna Strand (let to the Swedish Tax Agency), and Tygeln 3, Arenastaden (let to Adidas), were completed during the first quarter. 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. The raising of the new concrete framework is under way and is expected to be finalised by year-end. In the Fräsaren 10 property, Solna Busi-

ness Park, the premises for Axfood Cash & Carry have been completed and the tenant has moved in. Facade renovation and tenant adaptations for Vectura have commenced and are expected to be completed in the first quarter of 2011.

The project in the Bocken 39 property, Lästmakargatan 14, is proceeding as planned. Part of the old building has been demolished to provide space for two new buildings, one for offices and the other for housing. Work on raising the new concrete frameworks is in progress.

The project at Farao 20, Arenastaden, is also developing as planned. A floor in the property has been adapted to serve as Fabege's new offices. Continued investments in adaptations for Egmont have commenced and are scheduled for completion at year-end.

During the third quarter, a decision was made to invest in the Klamparen 10 property, at Flemminggatan 12. The decided investment amounts to SEK 160m and pertains to a basic investment in vacant space and in customisations to the needs of the National Agency for Education, which is to let about 45 per cent of the total surface area. At the same time, work on the detailed development plan is under way to enable the building of additional floors.

## SEGMENT REPORTING

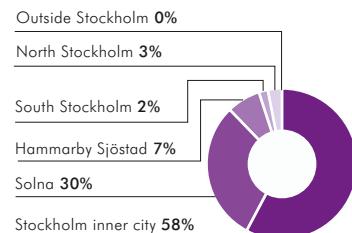
During the first quarter, two major project properties (Päronet 8 and Tygeln 3) were transferred from Property Development to Property Management. During the period, eight former development properties, where renovations and lettings are now creating the conditions for a stable cash flow, were reclassified as investment properties; one of these was reclassified in the third quarter. Two properties have been transferred from Property Management to Property Development, including, one in the third quarter.

Property Management generated net operating income of SEK 941m (983), corresponding to a surplus ratio of 69 per cent (70). The occupancy rate was 91 per cent. Profit from Property Management amounted to SEK 586m (602). Unrealised changes in value totalled SEK 490m (-309).

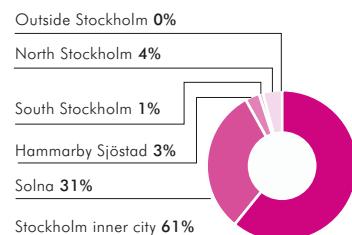
The portfolio of development properties generated net operating income of SEK 85m (126), corresponding to a surplus ratio of 57 per cent (51). Profit from Property Management totalled SEK 14m (22). Unrealised changes in value amounted to SEK 187m (-36).

## Distribution of carrying amount/ market value 30 September 2010

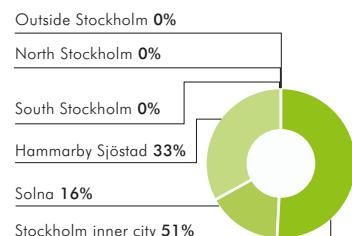
### All properties, SEK 28.1bn



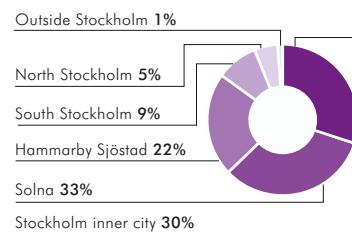
### Investment properties, SEK 23.7bn



### Development properties, SEK 2.4bn



### Project properties, SEK 2.0bn



The arena project is emerging and proceeding according to plan.

**Projects in progress >SEK 50m**  
30 September 2010

Property name	Property type	Area	Completed	Lettalbe area, sqm	Occupancy rate, area, % <sup>1)</sup>	Estimated rental value, SEKm <sup>2)</sup>	Carrying amount, SEKm	Estimated investment, SEKm	Of which, accrued, SEKm
Fräsaren 10	Office	Solna	Q1-2011	11,470	88	21	170	155	72
Uarda 5 (former Uarda 2)	Office	Arenastaden	Q3-2012	44,500	97	103	300	1,050	141
Farao 20	Office	Arenastaden	Q1-2011	8,400	100	16	150	110	67
Bocken 39 <sup>3)</sup>	Office/Residential	Östermalm	Q4-2011	24,000	65	77	1,106	243	69
Klamparen 10 <sup>4)</sup>	Office	Kungsholmen	Q4-2011	22,530	51	60	530	160	3
<b>Total</b>				<b>110,900</b>	<b>80</b>	<b>277</b>	<b>2,256</b>	<b>1,718</b>	<b>352</b>
Other Project and Land properties							811		
Other Development properties							1,299		
<b>Total Project, Land and Development properties</b>							<b>4,366</b>		

<sup>1)</sup> Operational occupancy rate at 30 September 2010.

<sup>2)</sup> The annual rent for the largest projects in progress could increase to SEK 277m (fully let) from SEK 72m in annualised current rent as of 30 September 2010.

<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. The aim is to divest the residential portion of the project as tenant-owned apartments.

<sup>4)</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**

30 September 2010

	30 Sep 2010			1 Jan-30 Sep 2010				
	No. of properties	Lettalbe area, '000 sqm	Market value, SEKm	Rental value, SEKm	Financial occupancy rate, %	Rental income, SEKm	Property expenses, SEKm	Net operating income, SEKm
<b>Property holdings</b>								
Investment properties <sup>1)</sup>	86	1,050	23,719	1,983	91	1,320	-330	990
Development properties <sup>1)</sup>	7	112	2,404	173	82	107	-35	72
Land and Project properties <sup>1)</sup>	26	76	1,962	77	45	27	-19	8
<b>Total</b>	<b>119</b>	<b>1,238</b>	<b>28,085</b>	<b>2,233</b>	<b>89</b>	<b>1,454</b>	<b>-384</b>	<b>1,070</b>
of which, inner city	41	510	16,304	1,181	93	808	-207	601
of which, Solna	36	463	8,321	722	85	444	-104	340
of which, Hammarby Sjöstad	12	134	1,968	175	78	105	-39	66
of which, South Stockholm	7	38	500	46	68	22	-8	14
of which, North Stockholm	22	93	973	109	93	75	-26	49
of which, outside Stockholm	1	0	19	0	0	0	0	0
<b>Total</b>	<b>119</b>	<b>1,238</b>	<b>28,085</b>	<b>2,233</b>	<b>89</b>	<b>1,454</b>	<b>-384</b>	<b>1,070</b>
Expenses for lettings, project development and property administration.							-73	
<b>Total net operating income after expenses for lettings, project development and property administration.</b>							<b>997<sup>2)</sup></b>	

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

<sup>2)</sup> The table refers to Fabege's property portfolio at 30 September 2010. Income and expenses are recognised as if the properties had been held during the entire period. The difference between recognised net operating income, SEK 997m, and net operating income in the profit and loss account, SEK 1,026m, 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-September 2010 period.

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

SEKm	Investment properties Jan-Sep 2010	Development properties Jan-Sep 2010	Total Jan-Sep 2010	Investment properties Jan-Sep 2009	Development properties Jan-Sep 2009	Total Jan-Sep 2009
	Jan-Sep 2010	Jan-Sep 2009		Jan-Sep 2009	Jan-Sep 2009	
Rental income	1,371	149	1,520	1,399	248	1,647
Property expenses	-430	-64	-494	-416	-122	-538
<b>Net operating income</b>	<b>941</b>	<b>85</b>	<b>1,026</b>	<b>983</b>	<b>126</b>	<b>1,109</b>
Surplus ratio, %	69	57	68	70	51	67
Central administration and marketing	-39	-8	-47	-36	-9	-45
Net interest expense	-321	-62	-383	-345	-91	-436
Share in profit/loss of associated companies	5	-1	4	-	-4	-4
<b>Operating profit/loss</b>	<b>586</b>	<b>14</b>	<b>600</b>	<b>602</b>	<b>22</b>	<b>624</b>
Realised changes in value, properties	169	21	190	4	14	18
Unrealised changes in value, properties	490	187	677	-309	-36	-345
Change in value, fixed income derivatives	-89	-18	-107	82	23	105
Change in value, equities	-30	-6	-36	5	2	7
<b>Profit/loss before tax</b>	<b>1,126</b>	<b>198</b>	<b>1,324</b>	<b>384</b>	<b>25</b>	<b>409</b>
Current tax	0	0	0	-98	0	-98
Deferred tax	-178	-55	-233	-93	-16	-109
<b>Profit/loss for period/year</b>	<b>948</b>	<b>143</b>	<b>1,091</b>	<b>193</b>	<b>9</b>	<b>202</b>
<b>Total assets</b>	<b>24,570</b>	<b>4,521</b>	<b>29,091</b>	<b>23,844</b>	<b>6,531</b>	<b>30,375</b>
of which, properties	23,719	4,366	28,085	23,083	6,364	29,447
<b>Total liabilities and equity</b>	<b>24,570</b>	<b>4,521</b>	<b>29,091</b>	<b>23,844</b>	<b>6,531</b>	<b>30,375</b>

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

# Other financial information

## STAFF

At the end of the period, the Fabege Group had 125 employees (135).

## PARENT COMPANY

Sales during the period amounted to SEK 83m (66) and the result before appropriations and tax was SEK -305m (-71). Net investments in property, equipment and shares totalled SEK 27m (685).

The parent company applies Recommendation RFR 2.3, Accounting for Legal Entities, and the Swedish Annual Accounts Act (see also the profit and loss account and the balance sheet on page 11).

## SHARE BUYBACK PROGRAMME

The 2010 AGM passed a resolution authorising the Board, 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, 1,411,488 shares were bought back (average price: SEK 43.04 per share). At 30 September 2010, the company held 2,411,488 treasury shares, representing 1.5 per cent of the total number of registered shares.

## FABEGE'S NOMINATION COMMITTEE AHEAD OF THE 2011 AGM

In accordance with the resolutions passed at Fabege's 2010 Annual General Meeting (AGM), the following Nomination Committee has been formed, based on the ownership at 31 August 2010 and known changes thereafter: Anders Silverbåge (Brinova Fastigheter AB), Erik Törnberg (Investment AB Öresund), Gustav Colliander (Cohen & Steers) and Thomas Ehlin (Nordea fonder). The Nomination Committee jointly represents about 30.7 per cent of the votes in Fabege. The AGM will be held in Stockholm on 30 March 2011.

## ONGOING TAX CASES

As announced previously, the Swedish Tax Agency has decided to increase the Fabege Group's taxable income in respect of a number of property sales made through limited partnerships (see also the press release from 7 December 2006 and page 45 of Fabege's 2009 Annual Report). As at 30 September 2010, the total increase in taxable income amounts to SEK 6,046m. The decisions have resulted in total tax demands of SEK 1,580m plus a tax penalty of SEK 164m, making a total demand of SEK 1,744m excluding interest payments.

Fabege strongly contests the tax demands resulting from the Tax Agency's decisions and has appealed the decisions to the Administrative Court. Since the end of 2009, the Swedish Tax Agency has also been submitting opinions demanding that the case be tried concerning a breach of Swedish tax legislation.

On 20 April 2010, the Administrative Court issued verdicts concerning several of Fabege's tax cases, whereby the Administrative Court approved the Tax Agency's decisions to increase Fabege's taxable income. The decisions have been appealed to the Administrative Court of Appeal and Fabege has been granted a respite for paying the tax until the Administrative Court of Appeal has issued its verdict. In September and October, an additional six verdicts were issued whereby the Administrative Court accepted the Swedish Tax Agency's rulings that Fabege's taxable income should be increased. In common with the other tax cases, the verdicts will be appealed and Fabege will request a respite from paying the tax. Fabege considers that the Administrative Court has disregarded a number of important aspects and that the verdicts are therefore incorrect – an assessment shared by Fabege's advisors on the matters. In the opinion of Fabege, there are good reasons to believe that the Administrative Court of Appeal will amend the Administrative Court's rulings to the benefit of Fabege.

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

Fabege is adhering to its view that the sales were accounted for and declared in compliance with applicable rules. This assessment is shared by external legal experts and tax advisors that have analysed the sales and the Tax Agency's reasoning.

No provision has been made in Fabege'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 detailed description of the effect of these changes on consolidated earnings is presented in the sensitivity analysis in the 2009 Annual Report (pages 43–44).

Properties are recognised at fair value and changes in value are recognised in 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 2009 Annual Report (pages 43–44).

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

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

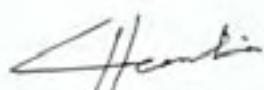
## ACCOUNTING POLICIES

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.

As of 1 January 2010, the revised IFRS 3 affects business combinations occurring on or after 1 January 2010. In the revised standard, the definition of a business combination has been amended, which could affect the classification. Acquisition-related costs may no longer be included in the cost of a business combination but must instead be recognised as a cost in profit and loss. In other respects, the Group has applied the same accounting policies and valuation methods as in the most recent annual report.

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

Stockholm 26 October 2010



CHRISTIAN HERMELIN  
Chief Executive Officer

## REVIEW REPORT

### Introduction

We have reviewed the interim report for Fabege AB (publ) for the period 1 January 2010 to 30 September 2010. 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, 26 October 2010

Deloitte AB

Svante Forsberg

*Authorised Public Accountant*

## Monitor developments at Fabege's new website!

You are welcome to visit Fabege's new website. The Internet is one of our main information channels. Accordingly, we have carried out a thorough upgrade of the content and functionality of our website to further improve usability and accessibility. The aim is to continuously provide our priority stakeholders 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

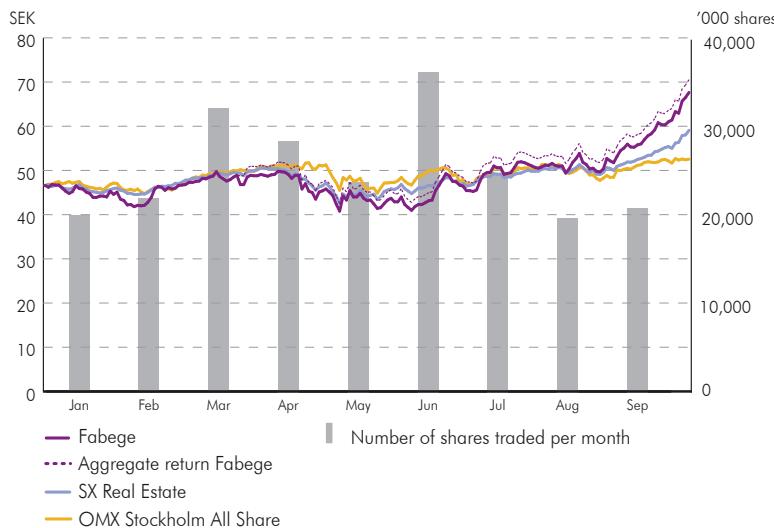
Year-end report for 2010:	2 February 2011
Annual report for 2010:	March 2011
Annual General Meeting 2011:	30 March 2011

Please note that Fabege has a new visiting address as of 14 June 2010: Pyramidvägen 7, Arenastaden in Solna.

# Fabege share

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

## Share price performance



## Largest shareholders

30 september 2010

Shareholder	No. of shares	Share of capital and votes, %
Brinova AB	23,291,092	14.3
Investment AB Öresund	10,746,597	6.6
BlackRock funds	8,931,254	5.5
Cohen & Steers funds	8,258,310	5.1
Nordea funds	6,663,723	4.1
HQ funds	5,698,677	3.5
Länsförsäkringar funds	5,219,310	3.2
SEB Fonder	4,703,299	2.9
Swedbank Robur funds	4,648,514	2.9
Mats Qviberg and family	2,888,636	1.8
SHB Fonder	2,703,203	1.7
ENA City AB	1,780,000	1.1
Norska Staten	1,708,270	1.0
Skandia Liv	1,340,024	0.8
Second AP-fund	1,224,277	0.8
Other Swedish owners	47,495,974	28.9
Other foreign owners	25,678,924	15.8
<b>Total no. of outstanding shares</b>	<b>162,980,084</b>	<b>100.0</b>
Treasury shares	2,411,488	
<b>Total no. of shares</b>	<b>165,391,572</b>	

## Definitions

### RETURN ON EQUITY

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

### LEVERAGE, PROPERTIES

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

### DIVIDEND YIELD

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

### EQUITY PER SHARE

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

### FINANCIAL OCCUPANCY RATE

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

### INVESTMENT PROPERTIES

Properties that are being actively managed on an ongoing basis.

### DEVELOPMENT PROPERTIES

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

in progress aimed at significantly improving the property's net operating income compared with the time of acquisition.

### RENTAL VALUE

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

### CASH FLOW PER SHARE

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

### CONTRACT VALUE

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

### LAND & PROJECT PROPERTIES

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

### NET LETTINGS

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

### PROFIT/EARNINGS PER SHARE

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

### INTEREST COVERAGE RATIO

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

### SEGMENT REPORT

In accordance with IFRS 8, segments are reported as viewed by management, i.e. broken down

into two segments: Investment Properties and Development Properties.

Rental income and property expenses as well as realised and unrealised changes in value including tax are directly attributable to properties in each segment (direct income and expenses). In cases where a property changes character during the year, earnings attributable to the property will be allocated to either segment based on the period of time that the property belonged to the segment. Central administration and items in net financial items have been allocated to the segments in a standardised manner based on each segment's share of the total property value (indirect income and expenses). This applies also to tax that is not directly attributable to earnings from property management activities or sales.

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

### DEBT/EQUITY RATIO

Interest-bearing liabilities divided by shareholders' equity.

### EQUITY/ASSETS RATIO

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

### CAPITAL EMPLOYED

Total assets less non-interest bearing liabilities and provisions.

### SURPLUS RATIO

Net operating income divided by rental income.

### Consolidated statement of comprehensive income (summary)

SEKm	2010 Jul-Sep	2009 Jul-Sep	2010 Jan-Sep	2009 Jan-Sep	2009 Jan-Dec	Rolling 12 months Oct 09-Sep 10
Rental income	495	551	1,520	1,647	2,194	2,067
Property expenses	-145	-165	-494	-538	-729	-685
<b>Net operating income</b>	<b>350</b>	<b>386</b>	<b>1,026</b>	<b>1,109</b>	<b>1,465</b>	<b>1,382</b>
Surplus ratio, %	71%	70%	68%	67%	67%	67%
Central administration and marketing	-14	-14	-47	-45	-62	-64
Net interest expense	-138	-125	-383	-436	-560	-507
Share in profit/loss of associated companies	11	-2	4	-4	-5	3
<b>Profit from property management activities</b>	<b>209</b>	<b>245</b>	<b>600</b>	<b>624</b>	<b>838</b>	<b>814</b>
Realised changes in value of properties	94	6	190	18	57	229
Unrealised changes in value of properties	407	-145	677	-345	-310	712
Change in value of fixed income derivatives	27	-9	-107	105	98	-114
Change in value of equities	-11	1	-36	7	-3	-46
<b>Profit/loss before tax</b>	<b>726</b>	<b>98</b>	<b>1,324</b>	<b>409</b>	<b>680</b>	<b>1,595</b>
Current tax	0	0	0	-98	-100	-2
Deferred tax	-136	-27	-233	-109	-155	-279
<b>Profit/loss for period/year</b>	<b>590</b>	<b>71</b>	<b>1,091</b>	<b>202</b>	<b>425</b>	<b>1,314</b>
<b>Comprehensive income attributable to parent company shareholders</b>	<b>590</b>	<b>71</b>	<b>1,091</b>	<b>202</b>	<b>425</b>	<b>1,314</b>
Earnings per share before dilution, SEK	3.62	0.43	6.67	1.23	2.59	8.02
Earnings per share after dilution, SEK	3.62	0.43	6.67	1.23	2.59	8.02
No. of shares at end of period before dilution, millions	163.0	164.4	163.0	164.4	164.4	163.0
No. of shares at end of period after dilution, millions	163.0	164.4	163.0	164.4	164.4	163.0
Average no. of shares before dilution, millions	163.0	164.4	163.7	164.4	164.4	163.9
Average no. of shares after dilution, millions	163.0	165.3	163.7	165.3	165.1	164.3

### Consolidated statement of financial position (summary)

SEKm	30 Sep 2010	30 Sep 2009	31 Dec 2009
<b>Assets</b>			
Properties	28,085	29,447	29,193
Other tangible fixed assets	4	2	2
Financial fixed assets	616	431	620
Current assets	218	387	704
Cash and cash equivalents	168	108	173
<b>Total assets</b>	<b>29,091</b>	<b>30,375</b>	<b>30,692</b>
<b>Equity and liabilities</b>			
Equity	10,670	9,746	9,969
Provisions	454	530	439
Interest-bearing liabilities	16,762	19,101	19,109
Derivatives	480	365	373
Non-interest-bearing liabilities	725	633	802
<b>Total equity and liabilities</b>	<b>29,091</b>	<b>30,375</b>	<b>30,692</b>
Equity/assets ratio, %	37	32	32
Contingent liabilities	2,144	1,727	2,172

### Statement of changes in equity

SEKm	Equity	Of which, attributable to parent company shareholders	Of which, attributable to minority
Shareholders' equity, 1 Jan 2009	9,873	9,873	-
New shares, conversion of debt instruments	0	0	-
Cash dividend	-329	-329	-
Profit/loss for the year	202	202	-
Shareholders' equity, 30 Sep 2009	9,746	9,746	-
Profit/loss for the year	223	223	-
Shareholders' equity, 31 Dec 2009	9,969	9,969	-
Share buybacks	-61	-61	-
Cash dividend	-329	-329	-
Profit/loss for the period	1,091	1,091	-
Shareholders' equity, 30 Sep 2010	10,670	10,670	-

### Statement of cash flows

SEKm	2010 Jan-Sep	2009 Jan-Sep	2009 Jan-Dec
<b>Net operating income and realised changes in the value of existing property portfolio excluding depreciation</b>	<b>1,236</b>	<b>1,127</b>	<b>1,510</b>
Central administration	-47	-45	-62
Net financial items paid	-382	-440	-559
Income tax paid	0	-98	-100
Change in other working capital	289	-37	-288
<b>Cash flow from operations</b>	<b>1,096</b>	<b>507</b>	<b>501</b>
Investments and acquisition of properties	-596	-870	-1,138
Sale of properties, carrying amount of divested properties	2,346	590	1,160
Other investments (net)	-114	-42	-281
<b>Cash flow from investing activities</b>	<b>1,636</b>	<b>-322</b>	<b>-259</b>
Dividend to shareholders	-329	-329	-329
Share buybacks	-61	0	0
Change in interest-bearing liabilities	-2,347	198	206
<b>Cash flow from financing activities</b>	<b>-2,737</b>	<b>-131</b>	<b>-123</b>
Change in cash and cash equivalents	-5	54	119
Cash and cash equivalents at beginning of period	173	54	54
<b>Cash and cash equivalents at end of period</b>	<b>168</b>	<b>108</b>	<b>173</b>

### Key ratios

SEKm	2010 Jan-Sep	2009 Jan-Sep	2009 Jan-Dec
<b>Financial</b>			
Return on capital employed, %	8.1	3.8	4.2
Return on equity, %	14.1	2.7	4.3
Interest coverage ratio, times	3.1	2.5	2.6
Equity/assets ratio, %	37	32	32
Loan-to-value ratio, properties, %	60	65	65
Debt/equity ratio, times	1.6	2.0	1.9
<b>Share-related<sup>1)</sup></b>			
Earnings per share for the period, SEK	6.67	1.23	2.59
Equity per share, SEK	65	59	61
Cash flow per share, SEK	4.81	3.34	4.87
No. of outstanding shares at end of period before dilution, '000	162,980	164,392	164,392
No. of outstanding shares at end of period after dilution, '000	162,980	164,392	164,392
Average no. of shares before dilution, '000	163,679	164,385	164,386
Average no. of shares after dilution, '000	163,679	165,273	165,052
<b>Property-related</b>			
No. of properties	119	152.0	148.0
Carrying amount, properties, SEKm	28,085	29,447	29,193
Lettable area, sqm	1,238,000	1,442,000	1,429,000
Financial occupancy rate, %	89	92	90
Surplus ratio, %	68	67	67

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

### Parent Company profit and loss account (summary)

SEKm	2010 Jan-Sep	2009 Jan-Sep	2009 Jan-Dec
Income	83	66	89
Expenses	-146	-126	-174
Net financial items	-107	-123	-447
Change in value, fixed income derivatives	-107	105	98
Change in value, equities	-28	7	-3
<b>Profit/loss before tax</b>	<b>-305</b>	<b>-71</b>	<b>-437</b>
Tax	71	10	28
<b>Profit/loss for period/year</b>	<b>-234</b>	<b>-61</b>	<b>-409</b>

### Parent Company balance sheet

SEKm	30 Sep 2010	30 Sep 09	31 Dec 09
Interests in Group companies	13,328	14,316	13,328
Other fixed assets	33,589	39,124	37,458
of which, receivables from Group companies <sup>1)</sup>	33,357	38,724	37,099
Other current assets	12	13	62
Cash and cash equivalents	164	96	161
<b>Total assets</b>	<b>47,093</b>	<b>53,549</b>	<b>51,009</b>
Equity	9,091	9,892	9,714
Provisions	64	62	63
Long-term liabilities	31,334	42,643	38,302
of which, liabilities to Group companies <sup>1)</sup>	20,624	24,303	21,931
Short-term liabilities	6,604	952	2,930
<b>Total equity and liabilities</b>	<b>47,093</b>	<b>53,549</b>	<b>51,009</b>

<sup>1)</sup> For the items receivables from Group companies and liabilities to Group companies, the comparative figures have been adjusted. This is because these items should in fact have been recognised net at 31 December 2009, although they were previously recognised gross.



**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 26 October 2010, in which Christian Hermelin and Åsa Bergström present earnings for the quarter.

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The information contained in this report is such that Fabege is legally obliged to disclose under the Securities Market Act and/or the Financial Instruments Trading Act. The information was released for publication at 8:00 am CET on 26 October 2010.

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