

2010

Interim Report January–June

- After-tax profit for the period improved by SEK 370m from SEK 131m to SEK 501m, corresponding to earnings per share of SEK 3.05 (0.80).
- Earnings before tax from Property Management amounted to SEK 492m (279) and from Property Development to SEK 106m (33).
- Transaction profit amounted to SEK 96m (12).
- Profit from Property Management increased to SEK 391m (379), while rental income declined to SEK 1,025m (1,096) as a result of net sales of properties.
- The equity/assets ratio increased to 34 per cent (32).

Results, SEKm

	2010 Apr–Jun	2009 Apr–Jun	2010 Jan–Jun	2009 Jan–Jun
Rental income	507	548	1,025	1,096
Running costs and central costs	–166	–188	–382	–404
Net financial items (excl. changes in value)	–131	–129	–252	–313
Profit from property management activities	210	231	391	379
Changes in value	169	49	207	–68
Tax	–39	–68	–97	–180
Profit/loss after tax	340	212	501	131
Surplus ratio, %	71	68	66	66
Equity/assets ratio, %	–	–	34	32
Occupancy rate, %	–	–	89	92

Chief executive's review

In line with the year's overall goal, all three of our operating areas are now contributing to the achievement of a significant earnings improvement.

We experienced a strong second quarter. Efficiency-enhancement measures continue to be carried out in Property Management with low energy consumption and high cost-consciousness. This has had a positive impact on running costs and the surplus ratio amounted to a full 71 per cent. Despite the harsh winter and high snow-clearance costs in the first quarter, we have now recaptured our position compared with the year-earlier period thanks to the outstanding efforts of our employees.

We also continued to devote considerable focus to our customers through such measures as increasing the frequency of our contacts and listening to customer needs in order to boost customer satisfaction and loyalty.

The rental market continued to display a positive trend and we received more and clearer signals from our customers that the need for floor area is growing. Activity in the transaction market is increasing at an even faster rate, largely due to greater international interest.

As the transaction market normalises, we expect to further boost the rate at which we achieve our goal of creating value in the property portfolio by divesting low-yield properties with minimal potential and starting up new, profitable projects that make a stronger contribution to the creation of value.

All in all, we continued to deliver stable profit from Property Management, with stronger earnings from Transaction and Property Development activities. Overall, all three operating areas contributed to a significant improvement in earnings. The increasingly strong property market has also resulted in a positive change in the value of our portfolio. Sweden now have a highly favourable macroeconomic starting position, with a sound economy and forecasts of continued relatively low interest rates and strong growth, which is vital for Fabege's continued positive performance.

CHRISTIAN HERMELIN

Performance in the second quarter¹⁾

During the second quarter, the very strong performance of the operations continued. The performance of the operations remained very strong during the second quarter. While earnings from Property Management activities were stable, the contribution from Property Development and Business Development/Transactions increased.

Activity in the lettings market was favourable and rents in Fabege's submarkets remained stable. New lettings in the quarter totalled SEK 37m, while net lettings amounted to SEK 6m. Renegotiations were limited but continued to have a marginally positive impact on the rental value.

The company's rental income and occupancy rate decreased as a result of net sales of properties. The occupancy rate declined to 89 per cent (92) and rental income fell to SEK 507m (548). The surplus ratio increased to 71 per cent (68), 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 65m (9). Five properties were divested during the period for a combined price of SEK 927m.

Unrealised changes in property value amounted to SEK 205m (-81). The value increase in the project portfolio totalled SEK 82m, which comfortably surpassed Fabege's return requirement of 20 per cent on invested capital. The SEK 123m 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 increased by SEK -99m as a result of lower long-term interest rates.

Earnings after tax rose to SEK 340 (212).

This is Fabege

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

Fabège 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.

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

At 30 June 2010, Fabège owned 122 properties with a combined market value of SEK 27.8bn. The rental income amounted to SEK 2.2bn.

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

¹⁾ The comparison figures for income and expense items relate to values for the period April-June 2009 and for balance sheet items as at 31 December 2009.

Results ¹⁾

The results for the period were strong. While the rental market was stable, the property market strengthened. 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 370m from SEK 131m to SEK 501m. A lower net financial expense had a positive impact of SEK +66m and higher positive value changes contributed SEK +275m, while the tax charge decreased by SEK 83m. Before tax, Property Management generated earnings of SEK 492m (279) and Property Development earnings of SEK 106m (33), making a total of SEK 598m (311). Earnings per share after tax amounted to SEK 3.05 (0.80).

Rental income totalled SEK 1,025m (1,096) and net operating income SEK 676m (723). The decline in rental income was due to net sales of properties and to 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 remain at 66 per cent (66), despite increased snow-clearance costs during the first quarter. In a comparable portfolio, rental income decreased approximately 1 per cent and net operating income about 2 per cent.

Realised changes in the value of properties amounted to SEK 96m (12). Unrealised changes in value totalled 270m (–200). The SEK 151m 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 119m, 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 –159m (120), and net interest expense declined to –245m (–311) as a result of lower market interest rates and a reduction in borrowing (refer to the Financing section).

TAX

The tax expense (deferred) for the period amounted to SEK –97m (–180), corresponding to 26.3 per cent tax on continuous taxable earnings. Sales of properties resulted in a total reversal of deferred tax of SEK 44m.

CASH FLOW

Profit contributed SEK 460m (287) to liquidity. After an increase of SEK 171m (–61) in working capital, which varies primarily as a result of the impact of occupancy/final settlement for acquired and divested properties, operating activities increased liquidity by SEK 289m (348). Sales exceeded acquisitions of and investments in properties by SEK 1,553m (–163).

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

ACQUISITIONS – GENERATE GROWTH

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

SALES – CONCENTRATION OF THE PORTFOLIO

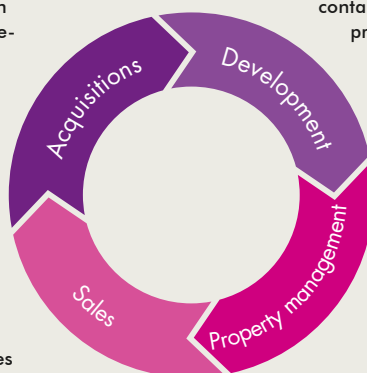
Fabège aims to divest properties that are located outside the company's concentrated property management units, as well as properties offering limited growth prospects. The location, condition and vacancy rate of the property are key factors determining growth potential. Accordingly, a fully let property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

DEVELOPMENT – CREATES VALUE

Development of properties offering growth potential is a key feature of the business model aimed at value creation. In addition to developing acquired properties, the portfolio also contains certain existing development and project properties whose potential the company endeavours to 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 Fabège's largest line of business. The company manages its properties on the basis of an efficient management organisation, organisationally divided into management areas, each with a major responsibility for ensuring high involvement and close proximity to the customer. Management is located close to customers in order to achieve a high occupancy rate and to ensure that the customer remains loyal. Satisfied customers contribute to increases in net operating income.



Interest rate maturity structure 30 June 2010

	Amount SEKm	Average interest rate %	Share %
< 1 year	10,108	2.02	58
1–2 years	0	0.00	0
2–3 years	2,700	3.93	15
3–4 years	1,850	3.70	10
4–5 years	0	0.00	0
> 5 years	3,000	3.97	17
Total	17,658	2.82	100

Loan maturity structure 30 June 2010

	Credit agreements SEKm	Drawn SEKm
Certificate programme	5,000	3,311
< 1 year	6,020	4,000
1–2 years	210	0
2–3 years	4,875	3,817
3–4 years	2,000	0
4–5 years	4,000	2,550
> 5 years	4,980	3,980
Total	27,085	17,658

Property sales Jan–Jun 2010

Properties	Area	Category	Lettable area, sqm
Quarter 1			
Paradisat 29 (50%)	Stads- hagen	Office/ Retail	17,749
Harpan 51	Öster- malm	Office/Resi- dential	4,661
Gjutaren 27	Vasastan	Residential	1,616
Fotkvarnen 1	Rinkeby	Residential	9,312
Fotkvarnen 2	Rinkeby	Land	0
Handkvarnen 3	Rinkeby	Residential	10,463
Hjulkvarnen 1	Rinkeby	Residential	5,818
Hjulkvarnen 2	Rinkeby	Residential	6,039
Hjulkvarnen 3	Rinkeby	Land	0
Rinkeby 2:1	Rinkeby	Land	0
Rinkeby 2:13	Rinkeby	Land	0
Rinkeby 2:14	Rinkeby	Land	0
Skvaltkvarnen 1	Rinkeby	Residential	8,804
Skvaltkvarnen 2	Rinkeby	Residential	4,542
Skvaltkvarnen 3	Rinkeby	Land	0
Hyppinge 1	Tensta	Land	0
Kullinge 1	Tensta	Residential	13,724
Risinge 1	Tensta	Residential	13,938
Vättinge 1	Tensta	Residential	7,223
Vättinge 2	Tensta	Residential	5,358
Vättinge 3	Tensta	Residential	9,490
Öninge 1	Tensta	Land	0
Quarter 2			
Induktorn 28	Bromma	Office/Re- tail/Industry	5,388
Hallen 6	Solna	Hotel	4,600
Orgelpipan 4	Norrmalm	Office/Retail	6,858
Päronet 8	Solna	Office	20,216
Vallentuna-Rickeby 1:480	Vallentuna	Land	0
Total property sales			155,799

Accordingly, the total change in liquidity resulting from operating activities was SEK 1,842m (185). Share buybacks amounted to SEK 61m (0). After the reduction in debt, consolidated cash and cash equivalents totalled SEK 174m (39).

FINANCING

Fabège employs long-term credit lines with fixed terms and conditions. At 30 June 2010, these had an average maturity of 5.9 years. The company's lenders are the major Nordic banks. Interest-bearing liabilities at the end of the period totalled SEK 17,658m (19,109) and the average interest rate was 2.82 per cent excluding and 2.93 per cent including commitment fees on the undrawn portion of committed credit facilities.

Interest rates on 40 per cent of Fabège's loan portfolio were fixed using fixed-income derivatives. The average fixed-rate period was 24 months, taking the effect of derivative instruments into account, while the average fixed-rate period for variable-rate loans was 44 days.

Fabège has callable swaps totalling SEK 7,550m with interest rates ranging from 3.33 to 3.98 per cent. In addition, the company holds performance swaps amounting to SEK 300m with maturities up to May 2011.

In compliance with the accounting rules contained in IAS 39, the derivatives portfolio has been measured at market value and the change in value is recognised in the profit and loss account. At 30 June 2010, the recognised negative fair

value adjustment of the portfolio amounted to SEK 507m. 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 second quarter, Fabège extended a loan agreement totalling SEK 3.3bn that would have matured in 2012 for an additional three years until 2015. At the same time, the same loan agreement was increased to SEK 4bn. At 30 June 2010, the company had unused committed lines of credit of SEK 4,427m.

Fabège has a commercial paper programme in an amount of SEK 5bn. Demand for Fabège's commercial paper remained favourable during the second quarter and at 30 June commercial paper worth SEK 3,311m was outstanding, compared with SEK 2,855m at the beginning of the year and SEK 3,096m at 31 March. Fabège has available long-term credit facilities covering all outstanding commercial paper at any given time.

The total loan volume includes SEK 394m in loans for projects, on which interest of SEK 4m has been capitalised.

FINANCIAL POSITION AND NET ASSET VALUE

Shareholders' equity amounted to SEK 10,080m (9,969) at the end of the period and the equity/assets ratio was 34 per cent (32). Shareholders' equity per share totalled SEK 62 (61). Excluding deferred tax on fair value adjustments of properties, net asset value per share was SEK 69 (67).

Operations

The first six months of the year were characterised by a stable rental market and an increasingly active and strong transaction market.

FABEGE'S PROPERTY PORTFOLIO AND PROPERTY MANAGEMENT

Fabège's activities in Property Management and Property Development are concentrated to a few selected submarkets in and around Stockholm. Stockholm's inner city, Solna och Hammarby sjöstad are the company's principal markets. At 30 June 2010, Fabège owned 122 properties with a total rental value of SEK 2.2bn, a lettable floor area of 1.3m sqm and a carrying amount of SEK 27.8bn, including development and project properties totalling SEK 4.5bn.

The financial occupancy rate for the entire property portfolio, including project properties, declined to 89 per cent (92). The vacancy rate in the portfolio of investment properties was 8 per cent (8).

New lettings during the period totalled SEK 105m (224), while net lettings amounted to SEK 2m (99). The letting to Vattenfall Nordic 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, 27 properties (of which 20 pertained to the property portfolio sold to part-owned Fastighets AB Tornet) were sold for a total of SEK 2,167m. The sales generated after-tax profit of SEK 139m.

CHANGES IN THE VALUE OF PROPERTIES

A total of 24 per cent of Fabege's properties were externally valued at 30 June 2010 and the remaining properties were internally valued based on the latest valuations. The total market value at 30 June was SEK 27.8bn (29.2).

Unrealised changes in the value of properties amounted to SEK 270m (-200). The yield requirement decreased somewhat during the second quarter and the yield requirement for the portfolio averaged 6.0 per cent (6.0). The SEK 151m 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 119m, which comfortably surpassed Fabege's return requirement of 20 per cent on invested capital.

PROJECTS AND INVESTMENTS

Fabège'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 Fabège's business model and should make a significant contribution to consolidated profit. The aim is to achieve a return of at least 20 per cent on invested capital.

Investments in existing properties and projects during the period totalled SEK 339m (687). The investments involved new builds, extensions and conversions.

Completed projects

The projects in the properties Pärone 8, Solna Strand (let to the Swedish Tax Agency), and Tygel 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, Solna, pertaining to the construction of Vattenfall Nordic's new offices, is now fully under way. The old building on the

property has been demolished and work on the foundation is in progress. The project is proceeding according to plan.

In the Fräsaren 10 property, Solna Business Park, the premises for Axfood Cash & Carry have been completed and the tenant has moved in. Facade renovation and tenant adaptations for Vectura have commenced and are expected to be completed in the first quarter of 2011.

The project in the Bocken 39 property, Lästmakargatan, is proceeding as planned. Demolition of part of the existing main body of the building is under way. Construction of two new main bodies for office and residential spaces will commence in the autumn.

During the period, a decision was made concerning an investment in the Farao 20 property, Arenastaden. A floor in the property has been adapted to serve as Fabège's new offices. Continued investments in adaptations for Egmont have commenced and are scheduled for completion at year-end. The property is fully let. The investment will total SEK 110m.

SEGMENT REPORTING

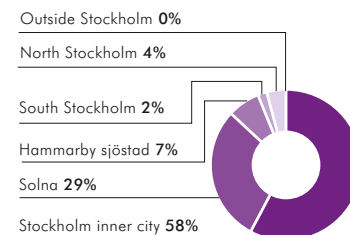
During the first period, two major project properties (Pärone 8 and Tygel 3) were transferred from Property Development to Property Management. During the second quarter, seven former development properties where renovations and lettings are now creating the conditions for a stable cash flow were reclassified as investment properties. One property was transferred from Property Management to Property Development.

Property Management generated net operating income of SEK 619m (649), corresponding to a surplus ratio of 67 per cent (69). The occupancy rate was 92 per cent. Profit from Property Management amounted to SEK 382m (378). Unrealised changes in value totalled SEK 151m (-197).

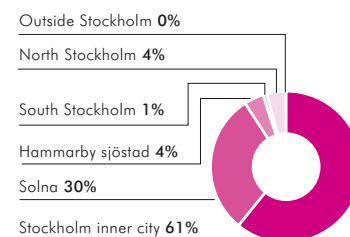
The portfolio of development properties generated net operating income of SEK 57m (74), corresponding to a surplus ratio of 53 per cent (46). Profit from Property Management totalled SEK 9m (1). Unrealised changes in value amounted to SEK 119m (-3).

Distribution of carrying amount/ market value 30 June 2010

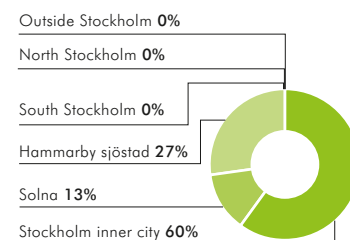
All properties, SEK 27.8bn



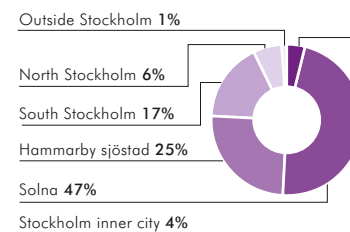
Investment properties, SEK 23.3bn



Development properties, SEK 2.9bn



Project properties, SEK 1.6bn



The arena project is emerging and proceeding according to plan.

Projects in progress >SEK 50m
30 June 2010

Property name	Property type	Area	Completed	Lettable area, sqm	Occupancy rate, % ¹⁾	Estimated rental value, SEKm ²⁾	Carrying amount, SEKm	Estimated investment SEKm	Of which, accrued SEKm
Fräsaren 10	Office	Solna	Q1-2011	11,470	88	21	137	155	46
Uarda 5 (former Uarda 2)	Office	Arenastaden	Q3-2012	44,500	97	103	213	1,050	78
Farao 20	Office	Arenastaden	Q1-2011	8,400	100	16	113	110	37
Bocken 39 ³⁾	Office/ Residential	Östermalm	Q4-2011	24,000	65	77	1,073	238	49
Total				88,370	87	217	1,536	1,553	210
Other Project and Land properties							1,166		
Other Development properties							1,810		
Total Project, Land and Development properties							4,512		

¹⁾ Operational occupancy rate at 30 June 2010.

²⁾ The annual rent for the largest projects in progress could increase to SEK 217m (fully let) from SEK 68m in annualised current rent as of 30 June 2010.

³⁾ 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.

Property portfolio
30 June 2010

	30 Jun 2010			1 Jan–30 Jun 2010				
	No. of properties	Lettable area, '000 sqm	Market value, SEKm	Rental value, SEKm	Financial occupancy rate, %	Rental income, SEKm	Property expenses, SEKm	Net operating income, SEKm
Property holdings								
Investment properties ¹⁾	87	1,047	23,283	1,946	92	882	–229	653
Development properties ¹⁾	8	137	2,883	210	71	75	–31	44
Land and Project properties ¹⁾	27	76	1,630	77	74	22	–14	8
Total	122	1,260	27,796	2,233	89	979	–274	705
of which, inner city	41	510	15,984	1,169	92	537	–145	392
of which, Solna	35	464	8,121	710	88	298	–73	225
of which, Hammarby sjöstad	13	144	2,046	188	80	74	–31	43
of which, South Stockholm	8	43	598	52	65	17	–6	11
of which, North Stockholm	24	99	1,024	114	94	53	–19	34
of which, outside Stockholm	1	0	23	0	0	0	0	0
Total	122	1,260	27,796	2,233	89	979	–274	705
Expenses for lettings, project development and property administration.								–49
Total net operating income after expenses for lettings, project development and property administration.								656²⁾

¹⁾ See definitions on page 9.

²⁾ The table refers to Fabeges' property portfolio at 30 June 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 656m, and net operating income in the profit and loss account, SEK 676m, 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-June 2010 period.

Segment report (summary)¹⁾

SEKm	Investment properties Jan–Jun 2010	Development properties Jan–Jun 2010	Total Jan–Jun 2010	Investment properties Jan–Jun 2009	Development properties Jan–Jun 2009	Total Jan–Jun 2009
Rental income	918	107	1,025	936	160	1,096
Property expenses	–299	–50	–349	–287	–86	–373
Net operating income	619	57	676	649	74	723
Surplus ratio, %	67	53	66	69	46	66
Central administration and marketing	–27	–6	–33	–25	–6	–31
Net interest expense	–204	–41	–245	–247	–64	–311
Share in profit/loss of associated companies	–6	–1	–7	–	–2	–2
Operating profit/loss	382	9	391	378	1	379
Realised changes in value, properties	92	4	96	4	8	12
Unrealised changes in value, properties	151	119	270	–197	–3	–200
Change in value, fixed income derivatives	–112	–22	–134	89	25	114
Change in value, equities	–21	–4	–25	5	1	6
Profit/loss before tax	492	106	598	279	33	311
Current tax				–98	–	–98
Deferred tax	–69	–28	–97	–66	–16	–82
Profit/loss for period/year	423	78	501	114	17	131
Total assets	24,577	4,762	29,339	23,795	6,526	30,321
of which, properties	23,284	4,512	27,796	23,125	6,343	29,468
Total liabilities and equity	24,577	4,762	29,339	23,795	6,526	30,321

¹⁾ See definitions on page 9.

Other financial information

STAFF

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

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

PARENT COMPANY

Sales during the period amounted to SEK 64m (48) and the result before appropriations and tax was SEK -266m (-7). Net investments in property, equipment and shares totalled SEK 29m (761).

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 June 2010, the company held 2,411,488 treasury shares, representing 1.5 per cent of the total number of registered shares.

ONGOING TAX CASES

As announced previously, the Swedish Tax Agency has decided to increase the Fabege Group's taxable income in respect of a number of property sales made through limited partnerships (see also the press release from 7 December 2006 and page 45 of Fabege's 2009 Annual Report). As at 30 June 2010, the total increase in taxable income amounts to SEK 5,301m. The decisions have resulted in total tax demands of SEK 1,371m plus a tax penalty of SEK 164m, making a total demand of SEK 1,535m excluding interest payments.

Fabège 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 under the Swedish Tax Evasion Act.

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

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

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

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

RISKS AND UNCERTAINTIES

Risks and uncertainties relating to cash flow from operating activities are primarily attributable to changes in rents, vacancies and interest rates. A 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 Fabège'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, Fabège aims to have an equity/assets ratio of at least 30 per cent and an interest coverage ratio of at least 2 (including realised changes in value).

EVENTS AFTER THE END OF THE REPORTING PERIOD

Effective 1 July, the Rován 1 property, Huvudsta centrum, was sold to Peab for a purchase consideration of SEK 97m. The sale encompassed approximately 18,000 sqm of residential development rights.

On the same date, the Vallentuna Rikeby 1:477 property and part of the Vallentuna Rikeby 1:327 property, including a building comprising 1,000 sqm and about 20,000 sqm of land, were sold to Stockholm Public Transport. The purchase consideration amounted to SEK 49.5m. These transactions will generate a combined after-tax gain of SEK 28m, which will be recognised in the third quarter.

Following the completion of transactions and settlement of purchase considerations outstanding at the end of the quarter, the equity/assets ratio increased to 35 per cent and the loan-to-value ratio declined to 61 per cent.

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.

SIGNING OF THE INTERIM REPORT

The Board of Directors and Chief Executive Officer hereby certify that the half-yearly report gives a true and fair overview of the business, financial position and earnings of the parent company and the Group and describes material risks and uncertainties faced by the company and the companies included in the Group.

Stockholm, 8 July 2010.

Erik Paulsson
Chairman of the Board

Göte Dahlin
Board Director

Oscar Engelbert
Board Director

Märtha Josefsson
Board Director

Pär Nuder
Board Director

Svante Paulsson
Board Director

Mats Qviberg
Board Director

Christian Hermelin
Chief Executive Officer

This interim report has not been examined by the company's auditors.

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

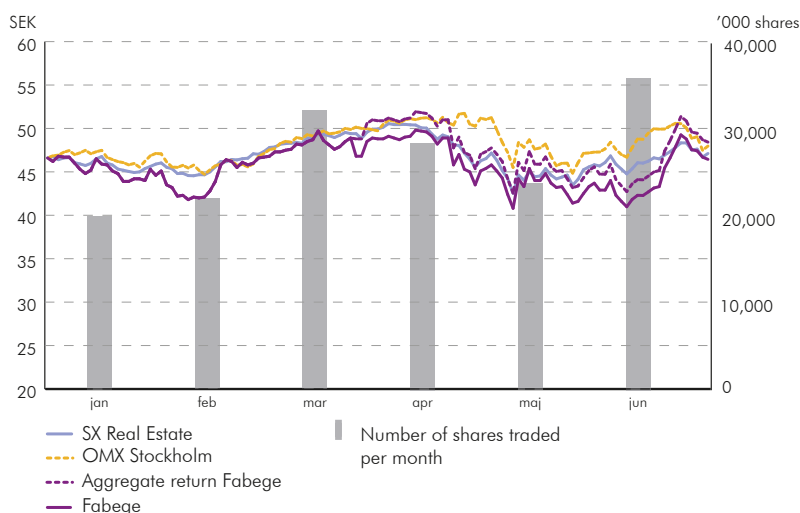
Interim report January–September:	26 October 2010
Year-end report for 2010:	2 February 2011
Annual report for 2010:	March 2011

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

31 May 2010

Shareholder	No. of shares	Share of capital and votes, %
Brinova AB	23,291,092	14.2
Investment AB Öresund	13,246,597	8.1
BlackRock funds	8,924,247	5.4
Cohen & Steers funds	8,577,555	5.2
Nordea funds	5,122,788	3.1
HQ funds	4,660,000	2.8
SEB funds	4,385,200	2.7
Länsförsäkringar funds	3,878,498	2.4
Swedbank Robur funds	3,655,318	2.2
Mats Qviberg and family	2,888,636	1.8
State of Norway	2,128,980	1.3
ENA City AB	1,700,000	1.0
Skandia Liv	1,401,959	0.9
Second AP-fund	1,248,268	0.8
ING funds	1,211,130	0.7
Other Swedish owners	43,774,043	26.8
Other foreign owners	33,817,261	20.6
Total no. of outstanding shares	163,911,572	100.0
Treasury shares	1,480,000	
Total no. of shares	165,391,572	

An updated owner list as per 30 June 2010, will be published on Fabege's website in mid-July.

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 Apr–Jun	2009 Apr–Jun	2010 Jan–Jun	2009 Jan–Jun	2009 Jan–Dec	Rolling 12 months Jul 09–Jun 10
Rental income	507	548	1,025	1,096	2,194	2,123
Property expenses	–149	–173	–349	–373	–729	–705
Net operating income	358	375	676	723	1,465	1,418
Surplus ratio, %	71	68	66	66	67	67
Central administration and marketing	–17	–15	–33	–31	–62	–64
Net interest expense	–129	–128	–245	–311	–560	–494
Share in profit/loss of associated companies	–2	–1	–7	–2	–5	–10
Profit from property management activities	210	231	391	379	838	850
Realised changes in value of properties	65	9	96	12	57	141
Unrealised changes in value of properties	205	–81	270	–200	–310	160
Change in value of fixed income derivatives	–99	121	–134	114	98	–150
Change in value of equities	–2	0	–25	6	–3	–34
Profit/loss before tax	379	280	598	311	680	967
Current tax	0	0	0	–98	–100	–2
Deferred tax	–39	–68	–97	–82	–155	–170
Profit/loss for period/year	340	212	501	131	425	795
Comprehensive income attributable to parent company shareholders	340	212	501	131	425	795
Earnings per share before dilution, SEK	2.08	1.30	3.05	0.80	2.59	4.84
Earnings per share after dilution, SEK	2.08	1.29	3.05	0.80	2.59	4.84
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	165.4	163.0	165.4	164.4	163.0
Average no. of shares before dilution, millions	163.7	164.4	164.0	164.4	164.4	164.2
Average no. of shares after dilution, millions	163.7	165.4	164.0	165.4	165.1	164.7

Consolidated statement of financial position (summary)

SEKm	30 Jun 2010	30 Jun 2009	31 Dec 2009
Assets			
Properties	27,796	29,468	29,193
Other tangible fixed assets	1	2	2
Financial fixed assets	613	448	620
Current assets	755	364	704
Cash and cash equivalents	174	39	173
Total assets	29,339	30,321	30,692
Equity and liabilities			
Equity	10,080	9,675	9,969
Provisions	430	581	439
Interest-bearing liabilities	17,658	19,031	19,109
Derivatives	507	357	373
Non-interest-bearing liabilities	664	677	802
Total equity and liabilities	29,339	30,321	30,692
Equity/assets ratio, %	34	32	32
Contingent liabilities	1,907	1,760	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	131	131	–
Shareholders' equity, 30 Jun 2009	9,675	9,675	–
Profit/loss for the year	294	294	–
Shareholders' equity, 31 Dec 2009	9,969	9,969	–
Share buybacks	–61	–61	–
Cash dividend	–329	–329	–
Profit/loss for the period	501	501	–
Shareholders' equity, 30 Jun 2010	10,080	10,080	–

Statement of cash flows

SEKm	2010 Jan-Jun	2009 Jan-Jun	2009 Jan-Dec
Net operating income and realised changes in the value of existing property portfolio excluding depreciation	763	735	1,510
Central administration	-33	-31	-62
Net financial items paid	-270	-319	-559
Income tax paid	0	-98	-100
Change in other working capital	-171	61	-288
Cash flow from operations	289	348	501
Investments and acquisition of properties	-350	-743	-1,138
Sale of properties, carrying amount of divested properties	2,012	586	1,160
Other investments (net)	-109	-6	-281
Cash flow from investing activities	1,553	-163	-259
Dividend to shareholders	-329	-329	-329
Share buybacks	-61	-	-
Change in interest-bearing liabilities	-1,451	129	206
Cash flow from financing activities	-1,841	-200	-123
Change in cash and cash equivalents	1	-15	119
Cash and cash equivalents at beginning of period	173	54	54
Cash and cash equivalents at end of period	174	39	173

Key ratios

SEKm	2010 Jan-Jun	2009 Jan-Jun	2009 Jan-Dec
Financial			
Return on capital employed, %	6.0	4.2	4.2
Return on equity, %	10.0	2.7	4.3
Interest coverage ratio, times	3.0	2.3	2.6
Equity/assets ratio, %	34	32	32
Loan-to-value ratio, properties, %	64	65	65
Debt/equity ratio, times	1.8	2.0	1.9
Share-related ¹⁾			
Earnings per share for the period, SEK	3.05	0.80	2.59
Equity per share, SEK	62	59	61
Cash flow per share, SEK	3.02	1.81	4.87
No. of outstanding shares at end of period before dilution, '000	162,980	164,382	164,392
No. of outstanding shares at end of period after dilution, '000	162,980	165,449	164,392
Average no. of shares before dilution, '000	164,029	164,382	164,386
Average no. of shares after dilution, '000	164,029	165,449	165,052
Property-related			
No. of properties	122	153	148
Carrying amount, properties, SEKm	27,796	29,468	29,193
Lettable area, sqm	1,260,000	1,441,000	1,429,000
Financial occupancy rate, %	89	92	90
Surplus ratio, %	66	66	67

¹⁾ 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-Jun	2009 Jan-Jun	2009 Jan-Dec
Income	64	48	89
Expenses	-105	-84	-174
Net financial items	-66	-91	-447
Change in value, fixed income derivatives	-134	114	98
Change in value, equities	-25	6	-3
Profit/loss before tax	-266	-7	-437
Tax	139	1	28
Profit/loss for period/year	-127	-6	-409

Parent Company balance sheet

SEKm	30 Jun 2010	30 Jun 09	31 Dec 09
Interests in Group companies	13,328	14,240	13,328
Other fixed assets	44,599	39,028	45,929
<i>of which, receivables from Group companies</i>	<i>44,280</i>	<i>38,584</i>	<i>45,571</i>
Other current assets	8	18	63
Cash and cash equivalents	166	28	161
Total assets	58,101	53,314	59,481
Equity	9,200	9,947	9,714
Provisions	64	62	63
Long-term liabilities	42,227	42,365	46,774
<i>of which, liabilities to Group companies</i>	<i>30,373</i>	<i>24,113</i>	<i>30,403</i>
Short-term liabilities	6,610	940	2,930
Total equity and liabilities	58,101	53,314	59,481



Questions concerning the report
will be answered by:

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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 8 July 2010, in which Christian
Hermelin and Åsa Bergström
present earnings for the quarter.

The information contained in this report is
such that Fabege is legally obliged to dis-
close under the Securities Market Act and/
or the Financial Instruments Trading Act.
The information was released for publica-
tion at 7:30 am CET on 8 July 2010.

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