

- Profit from property management increased to SEK 282m (270), and rental income increased to SEK 920m (894). The year-on-year change was due to growth through positive net lettings and completed projects.
- Realised and unrealised changes in value amounted to SEK 955m (591) on properties and SEK 100m (38) on interest-rate derivatives.
- After-tax profit for the period amounted to SEK –826m (656), corresponding to earnings per share of SEK –5.09 (4.03), following a provision of SEK 1,900m for ongoing tax matters.
- Net lettings amounted to SEK 131m (60).

# 2012

Interim Report  
January–June

Summary, SEKm	2012 April–June	2011 April–June	2012 Jan–Jun	2011 Jan–Jun
Rental income	467	448	920	894
Running costs and central costs	–153	–139	–329	–325
Net financial items (excl. changes in value)	–157	–152	–309	–299
Profit from property management activities	157	157	282	270
Changes in value	417	225	1,045	623
Tax	–1,961	–104	–2,153	–237
Profit/loss after tax	–1,387	278	–826	656
Surplus ratio, %	70	72	67	67
Equity/assets ratio, %	–	–	33	39
Equity per share, SEK	–	–	65	70
Return on equity, %	–	–	–14.7	11.5

# Chief executive's review

**Fabege's operations performed very well during the first half year. We foresee continued solid net lettings, expanding cash flow and very strong value growth in the property portfolio. At the end of May the verdict from the Supreme Administrative Court's (SAC), in what is known as the Cyprus case, was published. Along with our advisors, we believe that we are correct in the matter, although in view of the ensuing uncertain legal scenario, we have decided to provision SEK 1,900m for ongoing tax matters.**

The SAC's verdict in the Cyprus case was unexpected. None of Fabege's cases have been handled in the way that these hearings were handled by the SAC. Fabege's transactions and packagings are based on both organizational and commercial reasons. However, The SAC's verdict creates significant uncertainty concerning the legal scenario, thus leading us to provision SEK 1,900m for cautionary reasons. We stand by our claim that we recognised and declared the sales pursuant to the prevailing regulatory framework, and the processes will now be further pursued in the Administrative Court of Appeal. Backed by a strong balance sheet, expanding cash flow and available facilities, we are capable of coping with potential forthcoming payments.

The Swedish credit market continues to work well for Fabege. We have long prioritised long-term partnerships and healthy relationships with the Nordic banks and have thus been successful in adapting our capital requirements to requests and requirements over time.

Fabege's operations have performed well in recent years. We have high goals for our net lettings and retention rate among

existing tenants. Our successful net lettings have enabled us to bolster project volumes with new constructions and the modernisation of existing office properties. We are now noting how our hard work is generating results in the form of income growth and lower vacancies. As a result of the positive trend, we also foresee highly favourable value growth in the management portfolio and project portfolio. And we know that there is more to come. We will experience solid income growth, primarily in early 2013 when our largest tenant, Vattenfall, assumes occupancy. The potential value growth in ongoing projects has not been fully realised either.

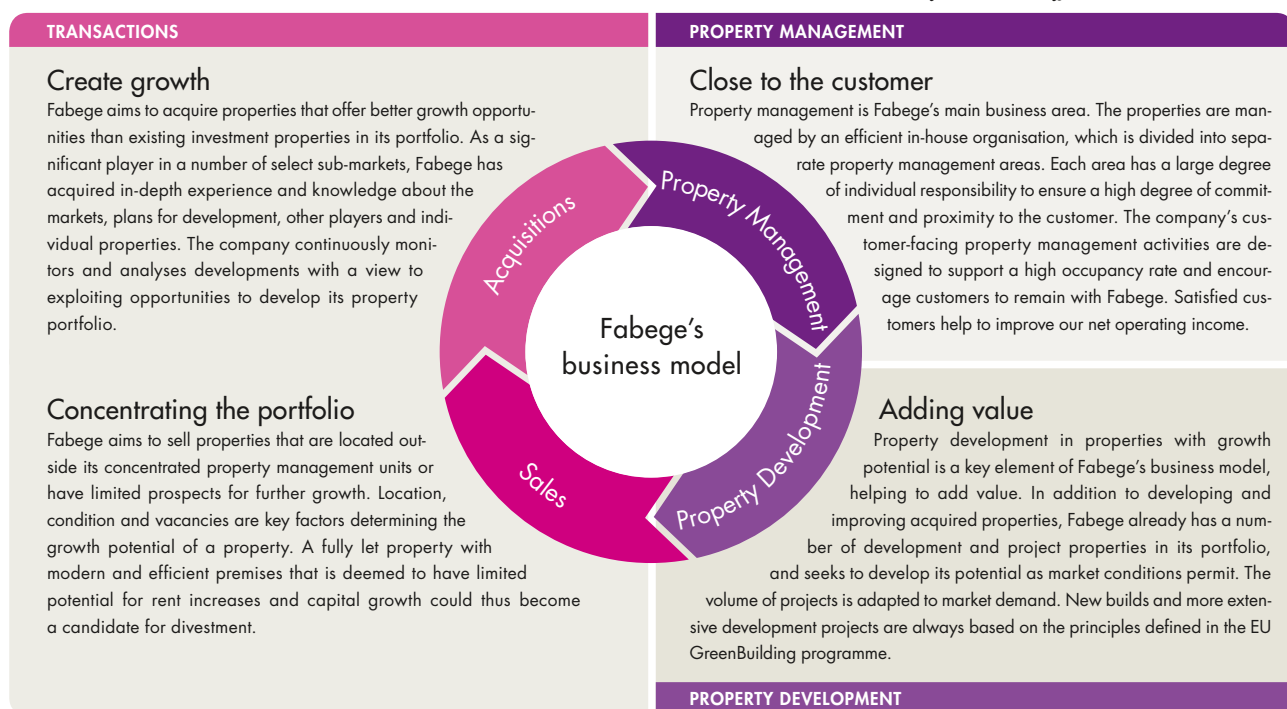
Our strong net lettings and declining management vacancies signal a continued positive climate in our local submarket. Stockholm is growing, while the supply of new office premises in good locations remains limited. Rents are rising for modern properties in good locations. Our business model and our geographic concentration have enabled us to capitalise on the positive trend. During the second quarter, we also signed agreements with several prominent tenants – companies with strong



brands that we would like to see become long-term customers.

Of our five major ongoing projects, four will be completed during this year and the properties will be transferred to the management portfolio. The projects are proceeding as planned and the results are exceeding our own expectations and rigorous demands. Overall, we look forward to a continued strong business trend.

CHRISTIAN HERMELIN  
Chief Executive Officer





# Results<sup>2)</sup>

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

### QUARTER 2 APRIL–JUNE 2012

- The rental market remained strong with healthy demand for office premises in Stockholm.
- New lettings amounted to SEK 76m (59). During the quarter, several new leases were signed in the project portfolio. Net lettings amounted to SEK 43m (47).
- Profit from property management amounted to SEK 157m (157). Increased rental income from strong net lettings and completed projects was offset by somewhat higher operating expenses and net interest expense due to greater indebtedness and mortgage-deed-related expenses.
- The surplus ratio amounted to 70 per cent (72).
- The property portfolio showed continued unrealised value growth of SEK 403m (250), of which projects accounted for SEK 293m (65).
- Due to increasing long-term interest rates the negative fair value of the derivative portfolio increased by SEK 120m.
- In view of SAC's verdict in what is known as the Cyprus case and the ensuing uncertain legal scenario, Fabege has resolved to provision SEK 1,900m for ongoing tax matters.
- After-tax profit for the quarter amounted to SEK –1,387m (278).

<sup>1)</sup> The comparison figures for income and expense items relate to values for the period April–June 2011 and for balance sheet items as at 31 December 2011.

Operations contributed to a strong earnings trend during the first half year, hallmarked by higher rental income and highly favourable value growth in the property portfolio. Following the SAC's verdict in what is known as the Cyprus case, Fabege decided to make a provision of SEK 1,900m for ongoing tax matters, which was charged to profit.

### REVENUES AND EARNINGS

Profit for the period amounted SEK -826m (656) following a provision of SEK 1,900m for ongoing tax matters. An improvement in net operating income and positive value changes in the property portfolio and the derivative portfolio contributed to a year-on-year improvement in earnings. Earnings per share after tax amounted to SEK –5.09 (4.03).

Despite a smaller portfolio, rental income rose to SEK 920m (894) and net operating income increased to SEK 617m (599). The increase in rental income was attributable to positive net lettings and completed project properties. The surplus ratio amounted to 67 per cent (67). In a comparable portfolio, rental income and operating income increased with more than 5 per cent. Positive net lettings will continue to generate gradual growth in rental income in 2012 and early 2013.

Realised changes in the value of properties amounted to SEK 146m (50), and unrealised changes in value totalled SEK 809m (541). The SEK 294m unrealised change in the value of the portfolio of investment properties was primarily attributable to properties with potential for an increase in rent levels and a reduction in vacancy rates as well as a slightly lower required yield. The project portfolio contributed to an unrealised value change of SEK 515m, which was primarily attributable to contributions of profit from property development in the major ongoing project properties.

Share in profit of associated companies amounted to SEK –1m (–1). Changes in the value of interest-rate derivatives and equities amounted to SEK 90m (32), and net interest expense increased to SEK –308m (–298) mainly due to an increase in indebtedness.

### Business model's contribution to earnings

SEKm	Jan–Jun 2012	Jan–Jun 2011
Profit from Property Management	294	281
Changes in value (portfolio of investment properties)	294	411
<b>Contribution from Property Management</b>	<b>588</b>	<b>692</b>
Profit from Property Management	–12	–11
Changes in value (profit from Property Development)	515	130
<b>Contribution from Property Development</b>	<b>503</b>	<b>119</b>
<b>Contribution from Transactions</b> (Realised changes in value)	<b>146</b>	<b>50</b>
<b>Total contribution to the business</b>	<b>1,237</b>	<b>861</b>

### TAX

The expenses for the period amounted to SEK –2,153m (–237), of which SEK 1,900m pertained to a provision for ongoing tax matters. Operating taxes are calculated at a rate of 26.3 per cent on taxable earnings. Property sales resulted in combined deferred tax revenue of SEK 50m.

### CASH FLOW

Profit contributed SEK 473m (319) to liquidity. After an increase of SEK 340m (–1,210) in working capital, which varies primarily as a result of the impact of occupancy/final settlement for acquired, the liquidity of operating activities changed by SEK 133m (1,529). Acquisitions of and investments in properties exceeded sales by SEK 712m (902). Accordingly, the total change in liquidity resulting from operating activities was SEK –579m (627). A dividend payment of SEK 487m (489) was charged to cash flow during the period. After the increase in debt, consolidated cash and cash equivalents totalled SEK 86m (201).

### FINANCING

Fabega employs long-term credit lines with fixed terms and conditions. At 30 June 2012, these had an average maturity of 5.5 years. The company's lenders are the major Nordic banks.

<sup>2)</sup> The comparison figures for income and expense items relate to values for the period January–June 2011 and for balance sheet items as at 31 December 2011.

Interest-bearing liabilities at the end of the period totalled SEK 17,833m (16,755) and the average interest rate was 3.72 per cent excluding and 3.81 per cent including commitment fees on the undrawn portion of committed credit facilities.

Interest rates on 70 per cent of Fabege's loan portfolio were fixed using fixed-income derivatives. The average fixed-rate period was 3.1 years, taking the effect of derivative instruments into account, while the average fixed-rate period for variable-rate loans was 53 days. The company's portfolio of derivative instruments has not changed since year-end 2011 and at 30 June comprised interest rate swaps totalling SEK 5,000m – of which SEK 1,000m have a term until 2014, two amounts of SEK 1,500m until 2016 and 2018, respectively, and another SEK 1,000m until 2021 – carrying fixed interest at annual rates of between 2.18 and 2.73 per cent. Fabege also holds cancellable swaps totalling SEK 7,550m at interest rates ranging from 2.87 to 3.98 per cent that mature between 2013 and 2018.

The derivatives portfolio is measured at market value and the change in value is recognised in the profit and loss account. At 30 June 2012, the recognised negative fair value adjustment of the portfolio amounted to SEK 564m (664). The derivatives portfolio is measured at the present value of future cash flows. The change in value is of an accounting nature and has no impact on the company's cash flow. At the due date, the market value of derivative instruments is always zero.

Fabège has a commercial paper programme in an amount of SEK 5,000m. At the end of the quarter, outstanding commercial paper amounted to SEK 2,603m, compared with SEK 1,719m at the beginning of the year. Fabège has available

long-term credit facilities covering all outstanding commercial paper at any given time. At 30 June 2012, the company had unutilised committed lines of credit of SEK 2,466m. At 30 June 2012, Fabège had a total of SEK 429m in bonds outstanding within the framework of its bond program, which was launched in December 2011. The programme, which has a limit of SEK 5,000m, was introduced via the co-owned company Svensk Fastighetsfinansiering AB (SFFAB). The bonds are secured by collateral in property mortgage deeds. SFFAB is jointly owned by Fabège, Wihlborgs, Peab and Brinova. Fabège owns 30 per cent of the company. The aim is to expand the company's financing base with a new source of financing.

In June, Fabège extended a SEK 500m line of credit for three years and an additional SEK 1,000m line of credit for 1.5 years while also increasing the said line of credit by SEK 200m.

Net financial items included nonrecurring expenses totalling SEK 9m, primarily pertaining to mortgage deeds.

The total loan volume includes SEK 1,348m in loans for projects, on which interest of SEK 20m is capitalised.

In early July, Fabège signed an additional credit line totalling SEK 1.1bn. This credit line is not listed in the tables as of 30 June 2012, to the right.

#### FINANCIAL POSITION AND NET ASSET VALUE

Shareholders' equity amounted to SEK 10,577m (11,890) at the end of the period and the equity/assets ratio was 33 per cent (39). Shareholders' equity per share totalled SEK 65 (73). Excluding deferred tax on fair value adjustments of properties, net asset value per share was SEK 77 (84).

#### Interest rate maturity structure

30 June 2012

	Amount SEKm	Average interest rate %	Share %
< 1 year	5,105	5.24*	29
1–2 years	1,850	3.70	10
2–3 years	1,178	2.45	7
3–4 years	600	2.89	3
4–5 years	3,600	2.68	20
> 5 years	5,500	3.36	31
<b>Total</b>	<b>17,833</b>	<b>3.72</b>	<b>100</b>

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

#### Loan maturity structure

30 June 2012

	Credit agreement SEKm	Drawn SEKm
Certificate programme	5,000	2,603
< 1 year	4,034	3,214
1–2 years	3,240	710
2–3 years	5,969	4,724
3–4 years	40	40
4–5 years	2,041	2,041
> 5 years	4,975	4,501
<b>Total</b>	<b>25,299</b>	<b>17,833</b>

#### Property sales

Jan–Jun 2012

Properties	Area	Category	Lettable area, sqm
<b>Quarter 2</b>			
Läraren 5	Norrmalm	Office	4,300
Båtturen 1	Hammarby Sjöstad	Land	0
Linjefarten 1	Hammarby Sjöstad	Land	0
<b>Total property sales</b>			<b>4,300</b>

#### Property acquisitions

Jan–Jun 2012

Properties	Area	Category	Lettable area, sqm
<b>Quarter 2</b>			
Islandet 3	Norrmalm	Office	4,327
<b>Total property acquisitions</b>			<b>4,327</b>

## Operations

**The rental market in Stockholm performed well during the first half year, hallmarked by declining vacancies and rising rents for modern properties in prime locations. Fabège reported continued strong net lettings in both management and project properties. The rate of investment was high and the property portfolio continued to show value growth.**

#### 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 and Hammarby Sjöstad are the company's principal markets. At 30 June 2012, Fabège owned 96 properties with a total rental value of SEK 2.2bn, a lettable

floor area of 1.1m sqm and a carrying amount of SEK 30.8bn, including development and project properties totalling SEK 7.0bn. The financial occupancy rate for the entire property portfolio, including project properties, was 90 per cent (89). The occupancy rate in the portfolio of investment properties was 93 per cent (92).

New lettings during the period totalled SEK 185m (99), while net lettings amounted

to SEK 131m (60). Rents in negotiated contracts increased an average of 6 per cent. Efforts to extend and renegotiate leases with existing customers were highly successful. During the period, several large leases were signed for premises in our project properties, the largest of which pertained to Skatteverket (net SEK 60m). Several minor leases were also signed in the portfolio of investment properties.

### CHANGES IN THE PROPERTY PORTFOLIO

During the second quarter, an exchange transaction was completed with Gamla Livförsäkringsbolaget SEB Trygg Liv and the previously resolved divestment of land in Hammarby Sjöstad to Oscar Properties was finalised. A total of three properties was divested for SEK 476m and the remaining 50 per cent of an already co-owned property was acquired for SEK 150m. The transactions generated a profit of SEK 146m before taxes and SEK 196 after taxes.

### CHANGES IN THE VALUE OF PROPERTIES

The entire property portfolio is externally valued at least once a year. A total of 30 per cent of Fabegé's properties were externally valued at 30 June 2012 and the remaining properties were internally valued based on the latest valuations. The total market value at 30 June 2012 was SEK 30.8bn (29.2).

Unrealised changes in the value of properties amounted to SEK 809m (541). The average required yield declined slightly since the year-end, although amounted to an unchanged 5.7 per cent (5.8 per 30 June 2011) when rounded off.

The SEK 294m (411) change in the value of the portfolio of investment properties was primarily attributable to rising rents and properties for which the risk of vacancies has declined. The project portfolio contributed to a value increase of SEK 515m (130) which was primarily attributable to earnings from property development in the major ongoing project properties.

### PROJECTS AND INVESTMENTS

Fabegé's project investments are designed to reduce vacancy rates and increase rents in the property portfolio, thereby improving cash flows and adding value. The development of properties is a key feature of Fabegé'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.

In 2012, the aim is to increase the rate of development in the project portfolio. Investments in existing properties and projects during the period totalled SEK 868m (581). The investments involved new builds, extensions and conversions.

#### Completed projects

During the first quarter 2012 the project in the property Bocken 39 (Lästmakargatan) was completed. The property has been transferred to the portfolio of investment properties.

### Major ongoing projects

The project in the Uarda 5 property, Arenastaden, pertaining to the construction of Vattenfall's new headoffice, is proceeding as planned. At present, work is under way on the interior fittings. The first building has been completed and undergone final inspection. The property will be ready for occupancy by September 2012.

In the Klamparen 10 property on Flemingsgatan 12, several of the tenants have assumed occupancy. Meanwhile, adaptations to the needs of the remaining tenants continue, with occupancy scheduled for 2012. Following additional lettings, the office section is now essentially fully let. A few minor retail spaces remain to be let.

Tenant customisations are proceeding as planned in the Apotekaren 22 property at Tulegatan/Rådmanngatan. Another lease was signed during the quarter and the project's occupancy ratio is now 87 per cent.

The office project in Uarda 1 (Sjökvarteret) in Arenastaden is also proceeding as planned. Installation work and tenant customisations are under way, and the property will be ready for occupancy by the end of 2012 and early 2013. Several new leases were signed during the quarter and the occupancy ratio is now 84 per cent.

An investment decision totalling SEK 690m was taken during the first quarter concerning customisations of the Nöten 4 property on behalf of the Swedish Tax Agency. Work with installations is under way and proceeding as planned.

### Development of Arenastaden

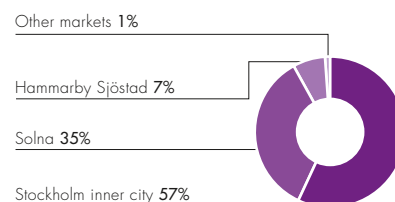
Fabegé co-owns several on-going projects in Arenastaden. Completion work is under way on the co-owned Arenan and Arenagate properties, which are to be ready for opening by autumn 2012. Infrastructure investments are proceeding as planned. Unibail-Rodamco has commenced the construction of the Mall of Scandinavia, which is scheduled for completion by autumn 2015. Interest in establishing offices in Arenastaden has strengthened since the design of the area has become more tangible. Fabegé owns about 200,000 sqm of existing office floor space and 180,000 sqm of development rights in the area. The consortium owns approximately 360,000 sqm of additional development rights, primarily for housing.

### SEGMENTREPORTING

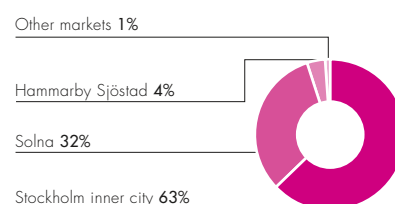
During the first quarter, the now completed Bocken 39 property was transferred from Property Development to Property Management. Two properties (Nöten 4, Solna strand and Fenix 1, Norrmalm) were transferred from Property Management to

### Distribution of market value 30 June 2012

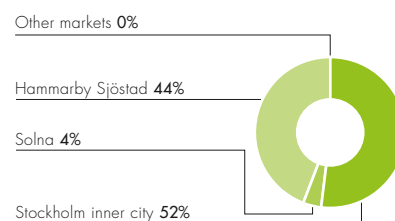
All properties, SEK 30.8bn



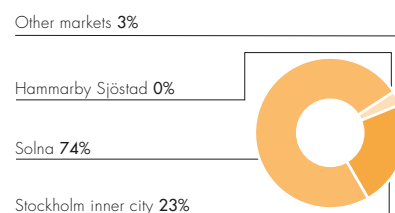
Investment properties, SEK 23.8bn



Development properties, SEK 2.8bn



Project properties, SEK 4.2bn



Property Development following decisions concerning major investments and conversions.

The segment Property Management generated net operating income of SEK 555m (544), corresponding to a surplus ratio of 68 per cent (68). The occupancy rate was 93 per cent (92). Profit from Property Management amounted to SEK 294m (281). Realised and unrealised changes in value totalled SEK 328m (440).

The segment Property Development generated net operating income of SEK 62m (55), corresponding to a surplus ratio of 61 per cent (59). Profit from Property Management totalled SEK -12m (-11). Realised and unrealised changes in value amounted to SEK 627m (151).

## Projects in progress >SEK 50m

30 June 2012

Property name	Property type	Area	Completed	Lettable area, sqm	Occupancy rate, area, % <sup>1)</sup>	Estimated rental value, SEKm <sup>2)</sup>	Carrying amount, SEKm	Estimated investment, SEKm	Of which, accrued, SEKm
Apotekaren 22 <sup>3)</sup>	Office	Norrmalm	Q4-2012	31,599	89	85	1,240	269	167
Nöten 4	Office	Solna strand	Q1-2014	51,026	91	94	675	690	129
Klamparen 10	Office	Kungsholmen	Q3-2012	22,530	91	66	891	248	200
Uarda 1 <sup>3)</sup>	Office	Arenastaden	Q3-2012	41,079	70	78	621	525	273
Uarda 5	Office	Arenastaden	Q3-2012	44,500	100	106	1,400	1,050	859
<b>Total</b>				<b>190,734</b>	<b>88</b>	<b>429</b>	<b>4,827</b>	<b>2,782</b>	<b>1,628</b>
Other Land and Project properties							579		
Other Development properties							1,570		
<b>Total Project, Land and Development properties</b>							<b>6,976</b>		

<sup>1)</sup> Operational occupancy rate at 30 June 2012.

<sup>2)</sup> The annual rent for the largest projects in progress could increase to SEK 429m (fully let) from SEK 140m in annualised current rent as of 30 June 2012.

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

## Property portfolio

30 June 2012

	30 June 2012					1 January – 30 June 2012		
	No. of properties	Lettable area, '000 sqm	Market value, SEKm	Rental value <sup>2)</sup> , SEKm	Financial occupancy rate, %	Rental income, SEKm	Property expenses, SEKm	Net operating income, SEKm
<b>Property holdings</b>								
Investment properties <sup>1)</sup>	69	895	23,818	1,841	93	825	-210	615
Development properties <sup>1)</sup>	9	108	2,809	187	74	66	-26	40
Land and Project properties <sup>1)</sup>	18	106	4,167	136	71	48	-16	32
<b>Total</b>	<b>96</b>	<b>1,109</b>	<b>30,794</b>	<b>2,164</b>	<b>90</b>	<b>939</b>	<b>-252</b>	<b>687</b>
of which, inner city	38	499	17,497	1,224	92	545	-143	402
of which, Solna	37	454	10,748	728	89	311	-78	233
of which, Hammarby Sjöstad	12	130	2,279	192	84	76	-27	49
of which, Other	9	26	270	20	86	7	-4	3
<b>Total</b>	<b>96</b>	<b>1,109</b>	<b>30,794</b>	<b>2,164</b>	<b>90</b>	<b>939</b>	<b>-252</b>	<b>687</b>
Expenses for lettings, project development and property administration								-54
<b>Total net operating income after expenses for lettings, project development and property administration</b>								<b>633<sup>3)</sup></b>

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

<sup>2)</sup> Time-limited deductions of approximately SEK 86m (in rolling annual rental value at 30 June 2012) have not been recognised in the rental value.

<sup>3)</sup> The table refers to Fabeges property portfolio at 30 June 2012. Income and expenses are recognised as if the properties had been held during the entire period. The difference between recognised net operating income, SEK 633m, and net operating income in the profit and loss account, SEK 617m, 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 2012 period.

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

SEKm	Management properties Jan–Jun 2012	Development properties Jan–Jun 2012	Total Jan–Jun 2012	Management properties Jan–Jun 2011	Development properties Jan–Jun 2011	Total Jan–Jun 2011
Rental income	818	102	920	800	94	894
Property expenses	-263	-40	-303	-256	-39	-295
<b>Net operating income</b>	<b>555</b>	<b>62</b>	<b>617</b>	<b>544</b>	<b>55</b>	<b>599</b>
Surplus ratio, %	68%	61%	67%	68%	59%	67%
Central administration and marketing	-20	-6	-26	-24	-6	-30
Net interest expense	-240	-68	-308	-238	-60	-298
Share in profit/loss of associated companies	-1	0	-1	-1	0	-1
<b>Operating profit/loss</b>	<b>294</b>	<b>-12</b>	<b>282</b>	<b>281</b>	<b>-11</b>	<b>270</b>
Realised changes in value, properties	34	112	146	29	21	50
Unrealised changes in value, properties	294	515	809	411	130	541
<b>Profit/loss before tax per segment</b>	<b>622</b>	<b>615</b>	<b>1,237</b>	<b>721</b>	<b>140</b>	<b>861</b>
Changes in value, fixed income derivatives and equities			90			32
<b>Profit/loss before tax</b>			<b>1,327</b>			<b>893</b>
Properties, market value	23,818	6,976	30,794	22,561	5,622	28,183
Occupancy rate, %	93%	73%	90%	92%	67%	89%

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



# Other financial information

## STAFF

At the end of the period, the Fabege Group had 122 employees (118).

## PARENT COMPANY

Sales during the period amounted to SEK 54m (53) and the result before appropriations and tax was SEK -28m (-99). Net investments in property, equipment and shares totalled SEK 0m (2).

The parent company applies Recommendation RFR 2, Accounting for Legal Entities, and the Swedish Annual Accounts Act (see also the profit and loss account and the balance sheet on page 11).

## SHARE BUYBACK PROGRAMME

The 2012 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, no shares were bought back. At 30 June 2012, the company held 3,166,488 treasury shares, representing 1.9 per cent of the total number of registered shares.

## ONGOING TAX CASES

As previously announced, the Swedish Tax Agency has decided to increase taxation on the Fabege Group concerning a number of property sales through limited partnerships (see Fabege Annual Report 2011, page 61). The transactions derive from Tornet, the old Fabege and Wihlborgs during the years 2003–2005. The combined increase taxation amounts unchanged to

SEK 8,368m. The decisions have resulted in total tax demands including penalty and fees of SEK 2,692m.

On 30 May, the Supreme Administrative Court (SAC) announced a verdict in what is known as the Cyprus case. SAC's ruling entails that the Swedish Tax Evasion Act was deemed applicable in the Cyprus case and that the transaction will be taxed. The processes in Fabege's cases that were issued with a stay of proceedings were subsequently resumed in the Administrative Court of Appeal and the Swedish Administrative Court.

SAC's verdict pertains to the hearings on an appealed preliminary verdict in which certain schematically described transactions were ruled on. None of the transactions that the Fabege companies have completed were undertaken in that manner. Accordingly, it is impossible to claim that the verdict is immediately applicable to the transactions conducted by Fabege's companies.

SAC has stated that the Cyprus case was a matter of elaborate procedure that "evidently" was unrelated to the organisation of a commercial operation. In Fabege's case, there are both organisational and commercial reasons for the current transaction formats.

In conclusion, Fabege strongly contests the tax demand decided on by the Swedish Tax Agency and the Swedish Administrative Court and the decisions have been appealed. Fabege's belief remains unchanged that the divestments were recognized and declared in accordance with the prevailing regulatory framework. Fabege believes

that the Swedish Tax Agency and the Swedish Administrative Court have disregarded several key aspects and that the verdicts are therefore incorrect. This belief is shared by external legal experts and tax advisors who have analysed the divestments, the Swedish Tax Agency's arguments and the Swedish Administrative Court's verdicts.

In view of SAC's verdict and the uncertain legal scenario that has arisen, Fabege has resolved to provision SEK 1,900m. This assessment is based on a review and evaluation of each individual case. The difference between the Swedish Tax Agency's demands is based on matters that are evidently unrelated to SAC's verdict and erroneous reasoning in the Swedish Tax Agency's argument.

The processes are now being advanced in the Administrative Court of Appeal. A verdict is expected in autumn 2012. Backed by a strong balance sheet and available credit facilities, Fabege is capable of coping with potential forthcoming tax payments.

In the six-month accounts for 2012, a provision of SEK 1,900m will be made in Fabege's balance sheet. The remaining amount pursuant to the Swedish Tax Agency's total requirements, i.e. approximately SEK 800m, the amount will be 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, vacan-



## Fabege's energy efforts are world class



### TEN YEARS OF SYSTEMATIC ENERGY EFFICIENCY ENHANCEMENT

Since 2002, Fabege has systematically and successfully worked on measures to enhance the energy efficiency of our properties. During this ten-year period, we have reduced overall energy consumption in the portfolio by more than 40 per cent, among other achievements. Fabege is also the industry leader in the efficient use of heating – in 2011, Fabege's district-heating consumption was 50 per cent below the industry average.

### EFFICIENCY MEASURES AND INNOVATIVE SOLUTIONS

The major advances in Fabege's energy efforts during this ten-year period have been the result of thorough and well-planned work in our properties. When constructing new buildings, we have deployed new and innovative recycling and energy-conservation solutions, and throughout our portfolio we use efficient procedures and actions, which regularly help us achieve reduced energy consumption. Intensified cooperation with tenants on energy matters also generates new opportunities for additional savings. ■

cies and interest rates. A more detailed description is presented in the risk section of the 2011 Annual Report (pages 9–11), and a description of the effect of these changes on consolidated earnings is presented in the risk analysis and in the sensitivity analysis in the 2011 Annual Report (page 60).

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 also shown in the sensitivity analysis in the 2011 Annual Report.

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 2011 Annual Report (pages 12–13 and 73).

Except for the decision to make a provision for ongoing tax matters as described above, no material changes in the company’s assessment of risks have been made after publication of the 2011 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).

**EVENTS AFTER THE END OF THE REPORTING PERIOD**

In early July, Fabege signed another agreement for SEK 1.1bn in financing for a specific property.

**ACCOUNTING PRINCIPLES**

Fabège prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The Group has applied the same accounting policies and valuation methods as in the most recent annual report. The parent company prepares its accounts in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act and has applied the same accounting policies and valuation methods as in the most recent annual report.

**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, 6 July 2012

Erik Paulsson <i>Chairman of the Board</i>	Oscar Engelbert <i>Board Director</i>	Eva Eriksson <i>Board Director</i>
Märtha Josefsson <i>Board Director</i>	Pär Nuder <i>Board Director</i>	Svante Paulsson <i>Board Director</i>
Mats Qviberg <i>Board Director</i>	Christian Hermelin <i>Chief Executive Officer</i>	

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

## Monitor developments at Fabege’s website!

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

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



## Financial calendar

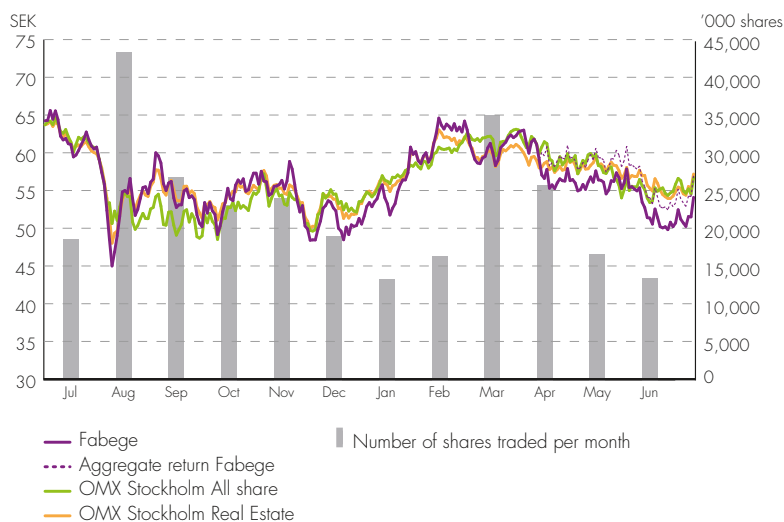
Interim report July–September .....	16 October 2012
Year-end report for 2012 .....	4 February 2013
Annual report for 2012 .....	March 2013



# Fabege share

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

## Share price performance



## Largest shareholders<sup>1)</sup> 31 May 2012<sup>2)</sup>

Shareholder	No. of shares	Share of capital, %	Share of votes, %
Brinova Inter AB	24,691,092	14.9	15.2
BlackRock funds (USA)	8,938,454	5.4	5.5
Öresund Investment AB	7,867,028	4.8	4.9
Länsförsäkringar fondförvaltning	6,044,199	3.7	3.7
Government of Norway	4,288,255	2.6	2.7
SEB Funds	3,872,742	2.3	2.4
ENA City AB	3,250,000	2.0	2.0
Mats Qviberg and family	3,111,558	1.9	1.9
Swedbank Robur funds	2,970,470	1.8	1.8
SHB funds	2,587,787	1.6	1.6
Fourth AP-fund	2,562,520	1.5	1.6
Second AP-fund	2,264,393	1.4	1.4
AMF Försäkring & Fonder	1,330,000	0.8	0.8
Third AP-fund	1,308,110	0.7	0.8
Avanza pension Försäkring AB	962,218	0.6	0.6
Other Swedish shareholders	41,197,546	24.9	25.4
Other foreign shareholders	44,978,712	27.2	27.7
<b>Total no. of outstanding shares</b>	<b>162,225,084</b>	<b>98.1</b>	<b>100</b>
Treasury shares	3,166,488	1.9	0
<b>Total no. of shares</b>	<b>165,391,572</b>	<b>100</b>	<b>100</b>

<sup>1)</sup> Certain shareholders may, through custodial accounts, have had different holdings than are apparent from the shareholder's register.

<sup>2)</sup> An updated owner list as per 30 June 2012, will be published on Fabege's website in mid-July.

Source: SIS Ågarservice AB, data derived from Euroclear Sweden AB, as of May 31, 2012.

## Definitions

### CASH FLOW PER SHARE

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

### CAPITAL EMPLOYED

Total assets less non-interest bearing liabilities and provisions.

### CONTRACT VALUE

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

### DEBT/EQUITY RATIO

Interest-bearing liabilities divided by shareholders' equity.

### DEVELOPMENT PROPERTIES

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

### DIVIDEND YIELD

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

### EQUITY/ASSETS RATIO

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

### EQUITY PER SHARE

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

### FINANCIAL OCCUPANCY RATE

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

### INTEREST COVERAGE RATIO

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

### INVESTMENT PROPERTIES

Properties that are being actively managed on an ongoing basis.

### LAND & PROJECT PROPERTIES

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

### LEVERAGE, PROPERTIES

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

### NET LETTINGS

New lettings during the period less terminations to vacate.

### PROFIT/EARNINGS PER SHARE

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

### RENTAL VALUE

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

### RETURN ON CAPITAL EMPLOYED

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

### RETURN ON EQUITY

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

### SEGMENT REPORT

In accordance with IFRS 8, segments are reported as viewed by management, i.e. broken down into two segments: Investment Properties and Development Properties. Rental income and property expenses as well as realised and unrealised changes in value including tax are directly attributable to properties in each segment (direct income and expenses). In cases where a property changes character during the year, earnings attributable to the property will be allocated to either segment based on the period of time that the property belonged to the segment. Central administration and items in net financial items have been allocated to the segments in a standardised manner based on each segment's share of the total property value (indirect income and expenses).

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

### SURPLUS RATIO

Net operating income divided by rental income.

### Consolidated statement of comprehensive income (summary)

SEKm	2012 Apr-Jun	2011 Apr-Jun	2012 Jan-Jun	2011 Jan-Jun	2011 Jan-Dec	Rolling 12 m Jul 11-Jun 12
Rental income	467	448	920	894	1,804	1,830
Property expenses	-140	-124	-303	-295	-577	-585
<b>Net operating income</b>	<b>327</b>	<b>324</b>	<b>617</b>	<b>599</b>	<b>1,227</b>	<b>1,245</b>
Surplus ratio, %	70%	72%	67%	67%	68%	68%
Central administration and marketing	-13	-15	-26	-30	-63	-59
Net interest expense	-156	-151	-308	-298	-609	-619
Share in profit/loss of associated companies	-1	-1	-1	-1	9	9
<b>Profit/loss from property management activities</b>	<b>157</b>	<b>157</b>	<b>282</b>	<b>270</b>	<b>564</b>	<b>576</b>
Realised changes in value of properties	145	50	146	50	173	269
Unrealised changes in value of properties	403	250	809	541	1,093	1,361
Unrealised change in value of fixed income derivatives	-120	-71	100	38	-397	-335
Change in value of equities	-11	-4	-10	-6	-16	-20
<b>Profit/loss before tax</b>	<b>574</b>	<b>382</b>	<b>1,327</b>	<b>893</b>	<b>1,417</b>	<b>1,851</b>
Current tax	-1,900	0	-1,900	0	-1	-1,901
Deferred tax	-61	-104	-253	-237	-275	-291
<b>Profit/loss for period/year</b>	<b>-1,387</b>	<b>278</b>	<b>-826</b>	<b>656</b>	<b>1,141</b>	<b>-341</b>
<b>Comprehensive income attributable to parent company shareholders</b>	<b>-1,387</b>	<b>278</b>	<b>-826</b>	<b>656</b>	<b>1,141</b>	<b>-341</b>
Earnings per share, SEK	-8.55	1.71	-5.09	4.03	7.01	-2.10
No. of shares at end of period, millions	162.2	163.0	162.2	163.0	162	162.3
Average no. of shares, millions	162.2	163.0	162.2	163.0	162.7	162.3

### Consolidated statement of financial position (summary)

SEKm	30 Jun 2012	30 Jun 2011	31 Dec 2011
<b>Assets</b>			
Properties	30,794	28,183	29,150
Other tangible fixed assets	1	3	1
Financial fixed assets	989	935	1,124
Current assets	469	365	362
Cash and cash equivalents	86	201	74
<b>Total assets</b>	<b>32,339</b>	<b>29,687</b>	<b>30,711</b>
<b>Equity and liabilities</b>			
Equity	10,577	11,443	11,890
Provisions	797	647	585
Interest-bearing liabilities <sup>1)</sup>	17,833	16,636	16,755
Derivatives	564	229	664
Non-interest-bearing liabilities	2,568	732	817
<b>Total equity and liabilities</b>	<b>32,339</b>	<b>29,687</b>	<b>30,711</b>
Equity/assets ratio, %	33	39	39
Contingent liabilities	1,559	2,689	3,376

<sup>1)</sup> Of which short-term SEK 3,975m (4,415).

### Statement of changes in equity

SEKm	Equity	Of which, attributable to parent company shareholders	Of which, attributable to minority
<b>Equity, 1 Jan 2011</b>	<b>11,276</b>	<b>11,276</b>	<b>-</b>
Share buybacks	-38	-38	-
Cash dividend	-489	-489	-
Profit/loss for the year	1,141	1,141	-
<b>Equity, 31 Dec 2011</b>	<b>11,890</b>	<b>11,890</b>	<b>-</b>
Cash dividend	-487	-487	-
Profit/loss for the period	-826	-826	-
<b>Equity, 30 June 2012</b>	<b>10,577</b>	<b>10,577</b>	<b>-</b>

## Statement of cash flows

SEKm	2012 Jan-Jun	2011 Jan-Jun	2011 Jan-Dec
<b>Net operating income and realised changes in the value of existing property portfolio excluding depreciation</b>	<b>764</b>	<b>650</b>	<b>1,407</b>
Central administration	-26	-30	-63
Net financial items paid	-265	-301	-595
Income tax paid	0	0	-1
Change in other working capital	-340	1,210	1,198
<b>Cash flow from operations</b>	<b>133</b>	<b>1,529</b>	<b>1,946</b>
Investments and acquisition of properties	-1,019	-916	-1,986
Sale of properties, carrying amount of divested properties	306	243	756
Other investments (net)	1	-229	-297
<b>Cash flow from investing activities</b>	<b>-712</b>	<b>-902</b>	<b>-1,527</b>
Dividend to shareholders	-487	-489	-489
Share buybacks	-	-	-38
Change in interest-bearing liabilities	1,078	-10	109
<b>Cash flow from financing activities</b>	<b>591</b>	<b>-499</b>	<b>-418</b>
Change in cash and cash equivalents	12	128	1
Cash and cash equivalents at beginning of period	74	73	73
<b>Cash and cash equivalents at end of period</b>	<b>86</b>	<b>201</b>	<b>74</b>

## Key ratios

SEKm	2012 Jan-Jun	2011 Jan-Jun	2011 Jan-Dec
<b>Financial</b>			
Return on capital employed, %	11.2	8.6	7.2
Return on equity, %	-14.7	11.5	9.9
Interest coverage ratio, times	2.4	2.1	2.2
Equity/assets ratio, %	33	39	39
Loan-to-value ratio, properties, %	58	59	57
Debt/equity ratio, times	1.7	1.5	1.4
<b>Share-related<sup>1)</sup></b>			
Earnings per share for the period, SEK	-5.09	4.03	7.01
Equity per share, SEK	65	70	73
Cash flow per share, SEK	2.65	1.97	4.49
No. of outstanding shares at end of period, '000	162,225	162,980	162,225
Average no. of shares, '000	162,225	162,980	162,719
<b>Property-related</b>			
No. of properties	96	101	97
Carrying amount, properties, SEKm	30,794	28,183	29,150
Lettable area, sqm	1,109,000	1,110 000	1,107,000
Financial occupancy rate, %	90	89	90
Surplus ratio, %	67	67	68

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

## Parent Company profit and loss account (summary)

SEKm	2012 Jan-Jun	2011 Jan-Jun	2011 Jan-Dec
Income	54	53	102
Expenses	-85	-93	-193
Net financial items	-98	-96	1,877
Change in value, fixed income derivatives	100	38	-397
Change in value, equities	1	-1	0
<b>Profit/loss before tax</b>	<b>-28</b>	<b>-99</b>	<b>1,389</b>
Tax	6	24	158
<b>Profit/loss for period/year</b>	<b>-22</b>	<b>-75</b>	<b>1,547</b>

## Parent Company balance sheet (summary)

SEKm	30 Jun 2012	30 Jun 2011	31 Dec 2011
Interests in Group companies	13,328	13,328	13,328
Other fixed assets	40,218	37,372	39,090
<i>of which, receivables from Group companies</i>	<i>39,913</i>	<i>37,230</i>	<i>38,815</i>
Other current assets	152	9	161
Cash and cash equivalents	85	198	69
<b>Total assets</b>	<b>53,783</b>	<b>50,907</b>	<b>52,648</b>
Equity	9,873	8,799	10,382
Provisions	67	64	68
Long-term liabilities	37,909	39,048	38,892
<i>of which, liabilities to Group companies</i>	<i>25,919</i>	<i>25,293</i>	<i>25,156</i>
Short-term liabilities	5,934	2,996	3,306
<b>Total equity and liabilities</b>	<b>53,783</b>	<b>50,907</b>	<b>52,648</b>





# This is Fabege

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

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

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 2012, Fabège owned 96 properties with a combined market value of SEK 30.8bn. The rental income amounted to SEK 2.2bn.

## Questions concerning the report will be answered by:

CHRISTIAN HERMELIN  
Chief Executive Officer  
Phone: +46 (0)8-555 148 25,  
+46 (0)733-87 18 25

ÅSA BERGSTRÖM  
Deputy CEO and Chief Financial Officer  
Phone: +46 (0)8-555 148 29,  
+46 (0)706-66 13 80

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## [www.fabège.se](http://www.fabège.se)

More information about Fabège and its operations is available on the Group's website. The website also includes a webcast presentation from 10 July 2012, in which Christian Hermelin and Åsa Bergström present earnings for the quarter.

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The information contained in this report is such that Fabège is legally obliged to disclose under the Securities Market Act and/or the Financial Instruments Trading Act. The information was released for publication on 6 July 2012.

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Fabège AB (publ)  
Box 730, SE-169 27 Solna,  
Visit address: Pyramidvägen 7,  
SE-169 56 Solna, Sweden  
Phone: +46 (0)8-555 148 00  
Fax: +46 (0)8-555 148 01  
E-mail: [info@fabège.se](mailto:info@fabège.se)  
Internet: [www.fabège.se](http://www.fabège.se)  
Company registration no: 556049-1523  
Registered office of the Board: Stockholm