Fabege

2012
Year-end Report

- Rental income increased to SEK 1,869m (1,804). The year-on-year change was due to growth through positive net lettings and completed projects.
- Realised and unrealised value changes amounted to SEK 1,576m (1,266) for properties and SEK –190m (–397) for fixed-income derivatives.
- The profit for the year before tax increased to SEK 2,032m (1,417). After-tax profit for the year amounted to SEK –88m (1,141), corresponding to earnings per share of SEK –0.54 (7.01), following a provision of SEK 1,900m for ongoing tax matters.
- Net lettings amounted to SEK 141m (130).
- The Board proposes a dividend of SEK 3.00 per share (3.00).

Key figures, SEKm	2012 Oct–Dec	2011 Oct–Dec	2012 Jan–Dec	2011 Jan–Dec
Rental income	480	458	1,869	1,804
Net operating income	311	318	1,264	1,227
Profit from property management activities	257	161	693	564
Profit before tax	540	430	2,032	1,417
Profit/loss after tax	620	413	–88	1,141
Surplus ratio, %	65	69	68	68
Equity/assets ratio, %	–	–	34	39
Equity per share, SEK	–	–	70	73

Chief executive's review

Overall, 2012 was a successful year for all of Fabege's areas of operation. Profit from property management improved and both the management portfolio and development portfolio contributed to favourable value growth.

Strong net lettings in recent years and the completion of project properties contributed to revenue growth during the year. Somewhat higher expenses, primarily concerning maintenance, resulted in the surplus ratio remaining on a par with the preceding year. Both net operating income and profit from property management rose during the year. Fabege will experience a major increase in revenue when Vattenfall begins paying rent in the first quarter of 2013 and we also expect to achieve the surplus-ratio target of 70 per cent during the coming year.

We invested slightly more than SEK 2bn in the Property Development business during the year. Of the five major ongoing projects, four were completed during 2012 with highly favourable results. The development and sale of the Klamparen 10 property (Fleminggatan) is an excellent example of how Fabege's business model generates value growth that can be realised. We also approved and initiated work on two new projects in Solna Strand and Hammarby Sjöstad. Arenastaden continues to grow with the completion of Friends Arena during the year, the hotel is under construction and work was initiated on the Mall of Scandinavia. Our vision of Arenastaden as the best city district in Scandinavia and a strong alternative beyond the city centre is about to be realised. We have noted an increasing interest from companies in establishing a presence in Arenastaden. In November, 29.9 per cent of Catena AB was acquired. Catena's development rights favourably complement Fabege's development portfolio in Solna.

I am pleased with our net lettings during the year, which were in line with our best ever. All of Fabege's submarkets in Stockholm experienced a positive trend during 2012, hallmarked by declining vacancies and rising rents. Although the highest rents in the central business district may decline somewhat according to certain analysts, average rents in Fabege's portfolio will continue to stable. If anything, the rents in our portfolio remain under, not over, the market average.

In late May, the Supreme Administrative Court issued its verdict in the so-called Cyprus case. While Fabege and its advisors believe that the company's position in the on-going tax cases is right in factual terms, we have decided, in view of the uncertain legal situation, to post a provision of SEK 1.9bn. The processes are now being pursued in the Administrative Court of Appeal. A verdict is expected in the first half of 2013. Backed by a strong balance sheet and available credit facilities, Fabege has the capacity to cope with any forthcoming tax payments.

For the past couple of years, we have been conducting regular internal customer surveys aimed at listening to our customers and offering an even more competitive and attractive product. We now have proof that our focus on becoming a more customer-centric organisation is paying dividends. I am convinced that, in addition to building a strong brand, this will be one of most important success factors moving forward. We have improved but still have the potential to become even better.

Fabege is financial well positioned with a property portfolio in good locations with favourable development potential. Despite weaker economic conditions and greater economic uncertainty, we look forward to continued strong results in 2013, including:

- stronger cash flow from the portfolio of investment properties
- positive net lettings
- continued high development rate in the portfolio
- value growth through projects and attractive properties in good locations.

CHRISTIAN HERMELIN
Chief Executive Officer

PROPERTY MANAGEMENT

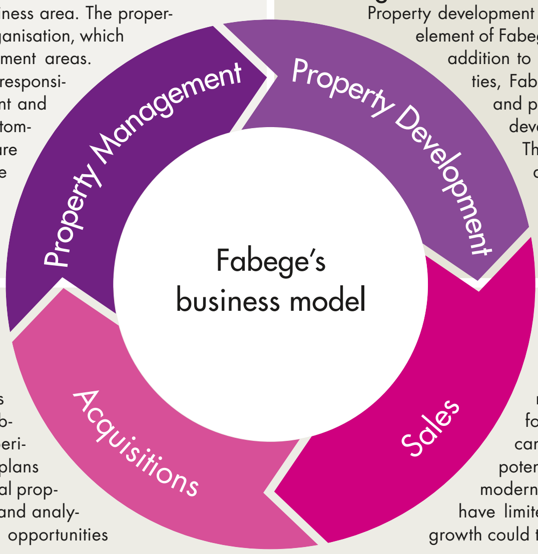
PROPERTY DEVELOPMENT

Close to the customer

Property management is Fabege's main business area. The properties are managed by an efficient in-house organisation, which is divided into separate property management areas. Each area has a large degree of individual responsibility to ensure a high degree of commitment and proximity to the customer. The company's customer-facing property management activities are designed to support a high occupancy rate and encourage customers to remain with Fabege. Satisfied customers help to improve our net operating income.

Adding value

Property development in properties with growth potential is a key element of Fabege's business model, helping to add value. In addition to developing and improving acquired properties, Fabege already has a number of development and project properties in its portfolio, and seeks to develop its potential as market conditions permit. The volume of projects is adapted to market demand. New builds and more extensive development projects are always based on the principles defined in the EU GreenBuilding programme.



Create growth

Fabege aims to acquire properties that offer better growth opportunities than existing investment properties in its portfolio. As a significant player in a number of select submarkets, Fabege has acquired in-depth experience and knowledge about the markets, plans for development, other players and individual properties. The company continuously monitors and analyses developments with a view to exploiting opportunities to develop its property portfolio.

Concentrating the portfolio

Fabege aims to sell properties that are located outside its concentrated property management units or have limited prospects for further growth. Location, condition and vacancies are key factors determining the growth potential of a property. A fully let property with modern and efficient premises that is deemed to have limited potential for rent increases and capital growth could thus become a candidate for divestment.

TRANSACTIONS

The quarter in brief[1)]

QUARTER 4
OCTOBER–DECEMBER 2012

- The rental market remained strong with healthy demand for office premises in Stockholm.
- New lettings amounted to SEK 56m (80). After Praktikertjänst's temporary lease was terminated as expected, net lettings amounted to SEK –5m (19).
- Profit from property management amounted to SEK 257m (161). 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. Share in profit of associated companies totalled SEK 137m (8), most of which was attributable to nonrecurring items.
- Increased costs of the quarter resulted in a surplus ratio of 65 per cent (69).
- The property portfolio showed continued unrealised value growth of SEK 345m (321), of which projects accounted for SEK 167m (218).
- Due to decreasing long-term interest rates the negative fair value of the derivative portfolio increased by SEK 57m.
- After-tax profit for the quarter amounted to SEK 620m (413).

1) The comparison figures for income and expense items relate to values for the period October–December 2011 and for balance sheet items as at 31 December 2011.

Results[2)]

During the the year, property management made a significant contribution to Fabege's total profit, as did property development and transaction activities. 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 the profit in the second quarter.

REVENUES AND EARNINGS

Profit for the year before tax amounted SEK 2,032m (1,417). Profit for the year after tax amounted SEK –88m (1,141) 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 contributed to a year-on-year improvement in profit before tax. Earnings per share after tax amounted to SEK –0.54 (7.01).

Rental income rose to SEK 1,869m (1,804) and net operating income increased to SEK 1,264m (1,227). The increase in rental income was attributable to positive net lettings and completed project properties. The surplus ratio amounted to 68 per cent (68). In a comparable portfolio, rental income increased with approximately 3.5 per cent and operating income increased with approximately 2.2 per cent. Positive net lettings will continue to generate gradual growth in rental income in 2013 and 2014.

Realised changes in the value of properties amounted to SEK 167m (173), and unrealised changes in value totalled SEK 1,409m (1,093). The SEK 625m (675) 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 784m (418), which was primarily attributable to contributions of profit from property development in the major project properties.

Share in profit of associated companies amounted to SEK 137m (9) most of which was attributable to nonrecurring items. Changes in the value of interest-rate derivatives and equities amounted to SEK –237m (–413), and net interest expense increased to SEK –644m (–609) mainly due to an increase in indebtedness and a somewhat rising average interest rate.

Business model's contribution to earnings

SEKm	Jan–Dec 2012	Jan–Dec 2011
Profit from Property Management	605	581
Changes in value (portfolio of investment properties)	625	675
Contribution from Property Management	**1,230**	**1,256**
Profit from Property Management	88	–17
Changes in value (profit from Property Development)	784	418
Contribution from Property Development	**872**	**401**
Contribution from Transactions (Realised changes in value)	**167**	**173**
Total contribution from the operation	**2,269**	**1,830**

TAX

The expenses for the year amounted to SEK –2,120m (–276), 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 70m. The adjustment of the tax rate to 22 per cent resulted in deferred tax revenue of SEK 134m, which was recognised in the fourth quarter.

CASH FLOW

Profit contributed SEK 752m (748) to liquidity. After a change of SEK –247m (1,198) in working capital, which varies primarily as a result of the impact of occupancy/final settlement for acquired and sold properties, the liquidity of operating activities changed by SEK 505m (1,946). Acquisitions of and investments in properties exceeded sales by SEK 1,261m (1,527). Accordingly, the total change in liquidity resulting from operating activities was SEK –756 (419). 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 200m (74).

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

FINANCING

Fabege employs long-term credit lines with fixed terms and conditions. At 31 December 2012, these had an average maturity of 5.1 years. The company's lenders are the major Nordic banks.

Interest-bearing liabilities at the end of the period totalled SEK 18,035m (16,755) and the average interest rate was 3.80 per cent excluding and 3.93 per cent including commitment fees on the undrawn portion of committed credit facilities.

The average fixed-rate period was 3.4 years, taking the effect of derivative instruments into account, while the average fixed-rate period for variable-rate loans was 64 days. After the third quarter's interest-fixing agreements, Fabege's derivative portfolio comprises interest-rate swaps totalling SEK 7,000m with terms of maturity extending through 2021 and carrying fixed interest at annual rates of between 1.87 and 2.73 per cent before margins. Fabege also holds cancellable swaps totalling SEK 7,550m at interest rates ranging from 2.87 to 3.98 per cent before margins that mature between 2013 and 2018. Accordingly, interest rates on 81 per cent of Fabege's loan portfolio have been fixed using fixed-income derivatives.

The derivatives portfolio is measured at market value and the change in value is recognised in the profit and loss account. At 31December 2012, the recognised negative fair value adjustment of the portfolio amounted to SEK 854m (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.

Fabege has a commercial paper programme in an amount of SEK 5,000m. At the end of the year, outstanding commercial paper amounted to SEK 2,740m, compared with SEK 1,719m at the beginning of the year. Fabege has available long-term credit facilities covering all outstanding commercial paper at any given time. At 31 December 2012, the company had unutilised committed lines of credit of SEK 3,955m. At 31 December 2012, Fabege had a total of SEK 1,045m 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 (SFF). The bonds are secured by collateral in property mortgage deeds. SFF is jointly owned by Fabege, Wihlborgs and Peab . Fabege owns 33,3 per cent of the company. The aim is to expand the company's financing base with a new source of financing.

In December, Fabege's co-owned company, Visio Exploatering AB, issued a secured bond in the amount of SEK 1,250m via SvenskFastighetsFinansiering II AB.

Net financial items included nonrecurring expenses totalling SEK 15m, primarily pertaining to mortgage deeds.

The total loan volume at the end of the year includes SEK 765m in loans for projects. The loan volume for the project averaged SEK 1,142m during the year, on which interest of SEK 35m is capitalised.

FINANCIAL POSITION AND NET ASSET VALUE

Shareholders' equity amounted to SEK 11,404m (11,890) at the end of the period and the equity/assets ratio was 34 per cent (39). Shareholders' equity per share totalled SEK 70 (73). Excluding deferred tax on fair value adjustments of properties, net asset value per share was SEK 80 (84).

Interest rate maturity structure

31 December 2012

	Amount SEKm	Average interest rate %	Share %
< 1 year	5,129	6.16*	28
1–2 years	1,206	2.48	7
2–3 years	0	0.00	0
3–4 years	2,100	2.53	12
4–5 years	6,100	3.26	34
> 5 years	3,500	2.48	19
Total	**18,035**	**3.80**	**100**

* 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

31 December 2012

	Credit agreement SEKm	Drawn SEKm
Certificate programme	5,000	2,740
< 1 year	8,348	3,910
1–2 years	710	710
2–3 years	5,805	4,022
3–4 years	2,041	2,041
4–5 years	110	110
> 5 years	4,976	4,502
Total	**26,990**	**18,035**

Property sales

Jan–Dec 2012

Properties	Area	Category	Lettable area, sqm
Quarter 2			
Läraren 5	Norrmalm	Office	4,300
Båtturen 1	Hammarby Sjöstad	Land	0
Linjefarten 1	Hammarby Sjöstad	Land	0
Quarter 4			
Klamparen 10	Kungsholmen	Office	22,530
Berga 6:558	Åkersberga	Land	0
Total property sales Jan–Dec 2012			**26,830**

Property acquisitions

Jan–Dec 2012

Properties	Area	Category	Lettable area, sqm
Quarter 2			
Islandet 3	Norrmalm	Office	4,327
Total property acquisitions Jan–Dec 2012			**4,327**

Operations

The rental market in Stockholm performed well during the year, hallmarked by declining vacancies and rising rents for modern properties in prime locations. Fabege reported 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

Fabege's activities in Property Management and Property Development are concentrated to a few selected submarkets in and around Stockholm. Stockholm's inner city, Solna and Hammarby Sjöstad are the company's principal markets. At 31 December 2012, Fabege owned 95 properties with a total rental value of SEK 2,3bn, a lettable floor area of 1,1m sqm and a carrying amount of SEK 31.6bn, including development and project properties totalling SEK 2.8bn following the completion and transfer of several major project properties to the management portfolio. The financial occupancy rate for the entire property portfolio, including project properties, was 92 per cent (90). The occupancy rate in the portfolio of investment properties was 93 per cent (92). New lettings during the period totalled SEK 289m (241), while net lettings amounted to SEK 141m (130). Rents in negotiated contracts increased an average of 7 per cent. Efforts to extend and renegotiate leases with existing customers were successful. During the year, several large leases were signed for premises in our project properties, the largest of which pertained to Skatteverket (net SEK 60m).

Several major leases were signed during the fourth quarter, including ones with Gant and Veidekke Entreprenad. Several minor leases were also signed in the portfolio of investment properties. The termination as expected of Praktikertjänst's temporary lease in the Grönlandet Södra 13 had an impact of SEK –27m on net lettings during the fourth quarter.

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. During the fourth quarter, the Klamparen 10 property on Kungsholmen was sold to KLP. Another minor plot of land in Åkersberga was divested. During the year a total of five properties was divested for SEK 1,448m and the remaining 50 per cent of an already co-owned property was acquired for SEK 150m. The transactions generated a profit of SEK 167m before taxes and SEK 237 after taxes.

CHANGES IN THE VALUE OF PROPERTIES

The entire property portfolio is externally valued at least once a year. A total of 32 per cent of Fabege's properties were externally valued at 31 December 2012 and the remaining properties were internally valued based on the latest valuations. The total market value amounted to SEK 31.6bn (29.2).

Unrealised changes in the value of properties amounted to SEK 1,409m (1,093). The average required yield declined slightly during the year, although amounted to an unchanged 5.7 per cent.

The SEK 625m (675) 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 784m (418) which was primarily attributable to earnings from property development in the major project properties.

PROJECTS AND INVESTMENTS

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

In 2012, the ambition was to increase the rate of development in the project portfolio. Investments in existing properties and projects during the period totalled SEK 2,034m (1,457). The investments involved new builds, extensions and conversions. The return on capital invested in the project portfolio was 39 per cent.

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. During the fourth quarter, the projects in the Uarda 5 property in Arenastaden, Apotekaren 22 in Norrmalm och Klamparen 10 on Kungsholmen, were completed.

Major ongoing projects

The office project in Uarda 1 (Sjökvarteret) in Arenastaden is proceeding as planned. Several of the tenants have assumed occupancy and the remaining tenant customisations are under way to facilitate occupancy during the first quarter of 2013. The occupancy rate in the project is now 90 per cent. Sjökvarteret comprises part of the overall property. Planning of the forthcoming two phases is under way. To date, no decisions have been taken on investments in these phases.

The project in the Nöten 4 property, Solna Strand, is proceeding as planned. Phase 1 was completed as scheduled in November and the Swedish Tax Agency has assumed occupancy. The conversion and customisation of the remaining phases is currently under way, with occupancy scheduled for late 2013 and early 2014.

In addition, the project involving the construction of the Skeppshandeln 1 property at Hammarby Sjöstad is proceeding as planned . Work is currently under way on excavation and foundation work. The property will be completed during second quarter 2014. The occupancy rate is 83 per cent.

SEGMENTREPORTING

During the year, four major projects were completed. The Bocken 39, Apotekaren 22 and Uarda 5 properties were transferred from Property Development to Property Management. The Klamparen 10 property was completed and sold during the fourth quarter. Two properties (Nöten 4, Solna strand and Fenix 1, Norrmalm) were transferred from Property Management to Property Development following decisions concerning major investments and conversions.

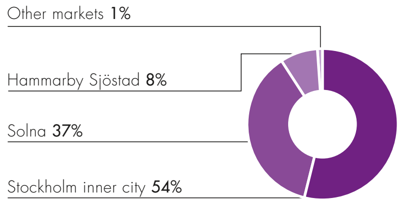
In the third quarter, the Luma 1 property at Hammarby Sjöstad, which has undergone successive development over a period of several years, was transferred to Property Management. Another two properties that had undergone gradual development were transferred from Property Development to Property Management during the fourth quarter.

The segment Property Management generated net operating income of SEK 1,161m (1,111), corresponding to a surplus ratio of 68 per cent (69). The occupancy rate was 93 per cent (92). Profit from Property Management amounted to SEK 605m (581). Realised and unrealised changes in value totalled SEK 678m (763).

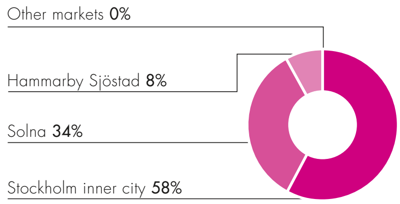
The segment Property Development generated net operating income of SEK 103m (89), corresponding to a surplus ratio of 60 per cent (116). Profit from Property Management totalled SEK 88m (–17). Realised and unrealised changes in value amounted to SEK 898m (503).

Distribution of market value
31 December 2012

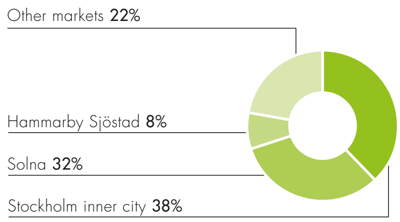
All properties, SEK 31.6bn



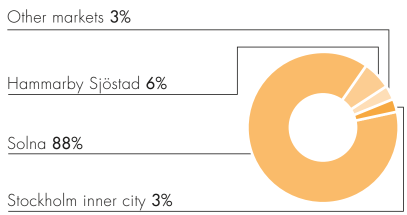
Investment properties, SEK 28.8bn



Development properties, SEK 0.3bn



Project properties, SEK 2.5bn



Projects in progress >SEK 50m
31 December 2012

Property name	Property type	Area	Completed	Lettable area, sqm	Occupancy rate, area, %[1]	Estimated rental value, SEKm[2]	Carrying amount, SEKm	Estimated investment, SEKm	Of which, accrued, SEKm
Nöten 4	Office	Solna Strand	Q1-2014	51,026	92	96	880	690	328
Skeppshandeln 1	Hotel	Hammarby Sjöstad	Q2-2014	13,710	83	41	154	549	103
Uarda 1[3]	Office	Arenastaden	Q4-2012	41,079	64	83	920	542	495
Total				**105,815**	**87**	**220**	**1,954**	**1,781**	**926**
Other Land and Project properties							538		
Other Development properties							302		
Total Project, Land and Development properties							**2,794**		

1) Operational occupancy rate at 31 December 2012.
2) The annual rent for the largest projects in progress could increase to SEK 220m (fully let) from SEK 55m in annualised current rent as of 31 December 2012.
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.

Property portfolio
31 December 2012

	31 December 2012					1 January – 31 December 2012		
	No. of properties	Lettable area, '000 sqm	Market value, SEKm	Rental value[2], SEKm	Financial occupancy rate, %	Rental income, SEKm	Property expenses, SEKm	Net operating income, SEKm
Property holdings								
Investment properties[1]	74	1,018	28,842	2,152	93	1,956	–484	1,472
Development properties[1]	6	37	302	29	62	19	–13	6
Land and Project properties[1]	15	75	2,492	79	65	34	–12	22
Total	**95**	**1,130**	**31,636**	**2,260**	**92**	**2,009**	**–509**	**1,500**
of which, inner city	37	475	16,950	1,197	93	1,089	–277	812
of which, Solna	37	503	11,904	840	90	736	–170	566
of which, Hammarby Sjöstad	13	126	2,515	205	88	168	–55	113
of which, Other	8	26	267	18	85	16	–7	9
Total	**95**	**1,130**	**31,636**	**2,260**	**92**	**2,009**	**–509**	**1,500**
Expenses for lettings, project development and property administration								–115
Total net operating income after expenses for lettings, project development and property administration								**1,385**[3]

1) See definitions on page 9.
2) Time-limited deductions of approximately SEK 210m (in rolling annual rental value at 31 December 2012) have not been recognised in the rental value.
3) The table refers to Fabege's property portfolio at 31 December 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 1,385m, and net operating income in the profit and loss account, SEK 1,264m, 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–December 2012 period.

Segment report (summary)[1]

SEKm	Management properties Jan–Dec 2012	Development properties Jan–Dec 2012	Total Jan–Dec 2012	Management properties Jan–Dec 2011	Development properties Jan–Dec 2011	Total Jan–Dec 2011
Rental income	1,698	171	1,869	1,618	186	1,804
Property expenses	–537	–68	–605	–507	–70	–577
Net operating income	**1,161**	**103**	**1,264**	**1,111**	**116**	**1,227**
Surplus ratio, %	*68*	*60*	*68*	*69*	*62*	*68*
Central administration and marketing	–53	–11	–64	–51	–12	–63
Net interest expense	–526	–118	–644	–486	–123	–609
Share in profit/loss of associated companies	23	114	137	7	2	9
Operating profit/loss	**605**	**88**	**693**	**581**	**–17**	**564**
Realised changes in value, properties	53	114	167	88	85	173
Unrealised changes in value, properties	625	784	1,409	675	418	1,093
Profit/loss before tax per segment	**1,283**	**986**	**2,269**	**1,344**	**486**	**1,830**
Changes in value, fixed income derivatives and equities			–237			–413
Profit/loss before tax			**2,032**			**1,417**
Properties, market value	28,842	2,794	31,636	22,773	6,377	29,150
Occupancy rate, %	93	68	92	92	75	90

1) See definitions on page 9.

Other financial information

STAFF

At the end of the year, the Fabege Group had 129 employees (122).

PARENT COMPANY

Sales during the period amounted to SEK 100m (102) and the result before appropriations and tax was SEK 357m (1,389). Net financial items include SEK 800m (2,000) for dividends to the Parent Company. Net investments in property, equipment and shares totalled SEK –336m (5).

ACQUISITION AND TRANSFER OF TREASURY SHARES

The 2012 Annual General Meeting (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 year, no shares were bought back. Following a decision by the Board, 1,330,374 treasury shares were sold on the Stockholm Stock Exchange at the end of the year. At 31 December 2012, the company held 1,836,114 treasury shares, representing 1.1 per cent of the total number of registered shares. In early January 2013, an additional 1,253,000 treasury shares were divested. After this, the Company held 583,114 treasury shares, or 0.4 per cent of the number of registered shares.

THE BOARD'S PROPOSALS TO THE AGM

The board of Directors will propose that the Annual General Meeting on 21 March 2013 authorise:

- the payment of a cash dividend of SEK 3.00 per share, worth a total of SEK 491m.
- the Board to buy back Fabege shares representing no more than 10 per cent of the total number of outstanding shares during the period up to the next Annual General Meeting.

ONGOING TAX CASES

As 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 2,704m.

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. In view of the verdict by the Supreme Administrative Court (SAC) and the uncertain legal position that has arisen, Fabege has decided to post a provision of SEK 1,900m. This assessment is based on a review and evaluation of each individual case. The difference between the demands made by the Swedish Tax Agency (STA) is based on matters that are evidently unrelated to SAC's verdict and erroneous reasoning in the STA's argumentation. The remaining amount pursuant to the STA's total requirements, i.e. approximately SEK 800m, will be recognised as a contingent liability, as in previous financial statements.

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. Fabege also contends that SAC's verdict in the Cyprus case is not immediately applicable to Fabege's cases, since there are both organisational and commercial reasons for the transactions under review. This belief is shared by external legal experts and tax advisors who have analysed the divestments, the STA's argumentation and the relevant verdicts.

The processes are now being advanced in the Administrative Court of Appeal. A verdict is expected in first half of 2013. Backed by a strong balance sheet and available credit facilities, Fabege is capable of coping with potential forthcoming tax payments.

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 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/

Environmental classification of Fabege's office properties

An environmental classification system can be used to objectively assess a building's environmental sustainability. The buildings' environmental performance is assessed on the basis of a variety of factors. Fabege conducts all major remodelling of its office properties according to the GreenBuilding principles and aims to achieve at least the silver level of the Sweden Green Building Council. We are now refining our sustainability efforts with an international environmental classification system. Accordingly, all new production of office properties must be constructed to meet the BREEAM requirements, the level of which will be specific for each project. The system gives marks for project management, the building's energy consumption, indoor climate including ventilation and lighting, water conservation, waste management, land use and impact on the immediate surroundings.

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 January 2013, an additional 1,253,000 treasury shares were divested. After this, the Company held 583,114 treasury shares, or 0.4 per cent of the number of registered shares.

In January, Jernhusen exercised its option to sell part of its holding of Arenabolaget i Solna KB and Swedish Arena Management KB to Fabege. The option entailed an increase of 6.1 per cent in Fabege's shareholding in each company. The transfer of ownership will be completed in April 2013. Following this acquisition, Fabege's shareholding in the above companies will be 22.8 per cent.

OUTLOOK FOR 2013

Both the rental market and transaction market strengthened during 2012. The development of the portfolio and the favourable net lettings trend enable Fabege to continue to generate and deliver contribution to profit from all parts of its business model, meaning property management, property development and property transactions. Fabege is well positioned with a strong balance sheet and a property portfolio in good locations with favourable development potential. Despite weaker economic conditions and greater economic uncertainty, we look forward to continued strong results in 2013, including:

- A stronger cash flow from the portfolio of investment properties
- Positive net lettings
- A continued high development rate in the portfolio
- Value growth through projects and attractive properties in good locations.

ACCOUNTING PRINCIPLES

Fabege prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. 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. As of 2013, Fabege will apply the amended IAS 19, whereby the principal change for Fabege is the elimination of the corridor rule. This entails that all actuarial gains and losses will be recognized in other comprehensive income as they are incurred. Another change is that a single interest rate will be applied and calculated on the basis of the net of the pension liability and plan assets, instead of different interest rates for the liability and the assets. The elimination of the corridor entails that the recognized pension liability, including payroll tax, per 1 Jan 2013, increases by SEK 23m (SEK 17m, 1 Jan 2012).

Stockholm, 4 February 2013

CHRISTIAN HERMELIN
Chief Executive Officer

This Interim Report is unaudited.

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.

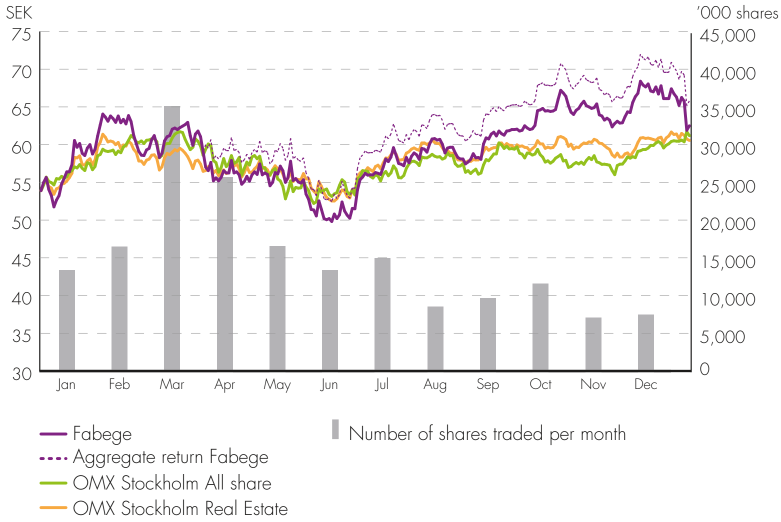
Financial calendar

Annual report for 2012	28 February 2013
Annual General Meeting 2013	21 March 2013
Interim report for January–March	23 April 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[1]
31 December 2012

Shareholder	No. of shares	Share of capital, %	Share of votes, %
Brinova Inter AB	24,691,092	14.9	15.1
BlackRock funds (USA)	8,938,454	5.4	5.4
SEB Funds	8,509,637	5.1	5.2
Öresund Investment AB	7,000,736	4.2	4.3
Länsförsäkringar fondförvaltning	6,006,827	3.6	3.6
Norges Bank Investment Management	4,568,958	2.8	2.8
SHB funds	3,788,355	2.3	2.3
Mats Qviberg and family	3,576,596	2.2	2.2
ENA City AB	2,710,000	1.6	1.6
Swedbank Robur funds	2,600,738	1.6	1.6
Henderson funds	2,430,000	1.5	1.5
Fourth AP-fund	2,257,342	1.4	1.4
Second AP-fund	1,780,994	1.1	1.1
Principal funds	1,560,654	0.9	1.0
Nordea funds	1,434,872	0.9	0.9
Other foreign shareholders	40,691,554	24.6	24.9
Other Swedish shareholders	41,008,649	24.8	25.1
Total	**163,555,458**	**98.9**	**100.0**
Treasury shares	1,836,114	1.1	0.0
Total no. of registered shares	**165,391,572**	**100.0**	**100.0**

[1] Certain shareholders may, through custodial accounts, have had different holdings than are apparent from the shareholder's register.

Source: SIS Ägarservice AB, data derived from Euroclear Sweden AB, as of 31 December, 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 Oct–Dec	2011 Oct–Dec	2012 Jan–Dec	2011 Jan–Dec
Rental income	480	458	1,869	1,804
Property expenses	–169	–140	–605	–577
Net operating income	**311**	**318**	**1,264**	**1,227**
Surplus ratio, %	*65%*	*69%*	*68%*	*68%*
Central administration and marketing	–23	–16	–64	–63
Net interest expense	–168	–149	–644	–609
Share in profit/loss of associated companies	137	8	137	9
Profit/loss from property management activities	**257**	**161**	**396**	**564**
Realised changes in value of properties	21	90	167	173
Unrealised changes in value of properties	345	321	1,409	1,093
Unrealised change in value of fixed income derivatives	–57	–134	–190	–397
Change in value of equities	–26	–8	–47	–16
Profit/loss before tax	**540**	**430**	**2,032**	**1,417**
Current tax	0	–1	–1,900	–1
Deferred tax	80	–16	–220	–275
Profit/loss for year	**620**	**413**	**–88**	**1,141**
Comprehensive income attributable to parent company shareholders	**620**	**413**	**–88**	**1,141**
Earnings per share, SEK	3.81	2.55	–0.54	7.01
No. of shares at end of period, millions	163.6	162.2	163.6	162.2
Average no. of shares, millions	162.9	162.2	162.4	162.7

Consolidated statement of financial position (summary)

SEKm	31 Dec 2012	31 Dec 2011
Assets		
Properties	31,636	29,150
Other tangible fixed assets	1	1
Financial fixed assets	1,398	1,124
Current assets	474	362
Cash and cash equivalents	200	74
Total assets	**33,709**	**30,711**
Equity and liabilities		
Equity	11,404	11,890
Provisions	731	585
Interest-bearing liabilities [1]	18,035	16,755
Derivatives	854	664
Non-interest-bearing liabilities	2,685	817
Total equity and liabilities	**33,709**	**30,711**
Equity/assets ratio, %	34	39
Contingent liabilities	2,124	3,376

[1] Of which short-term SEK 6,650m (3 219).

Statement of changes in equity

SEKm	Equity	Of which, attributable to parent company shareholders	Of which, attributable to minority
Equity, 1 Jan 2011	**11,276**	**11,276**	**–**
Share buybacks	–38	–38	–
Cash dividend	–489	–489	–
Profit/loss for the year	1,141	1,141	–
Equity, 31 Dec 2011	**11,890**	**11,890**	**–**
Transfer of treasury shares	89	89	–
Cash dividend	–487	–487	–
Profit/loss for the year	–88	–88	–
Equity, 31 Dec 2012	**11,404**	**11,404**	**–**

Statement of cash flows

SEKm	2012 Jan–Dec	2011 Jan–Dec
Net operating income and realised changes in the value of existing property portfolio excluding depreciation	**1,431**	**1,407**
Central administration	–64	–63
Net financial items paid	–615	–595
Income tax paid	0	–1
Change in other working capital	–247	1,198
Cash flow from operations	**505**	**1,946**
Investments and acquisition of properties	–2,191	–1,986
Sale of properties, carrying amount of divested properties	1,236	756
Other investments (net)	–306	–297
Cash flow from investing activities	**–1,261**	**–1,527**
Dividend to shareholders	–487	–489
Transfer of treasury shares	89	–
Share buybacks	–	–38
Change in interest-bearing liabilities	1,280	109
Cash flow from financing activities	**882**	**–418**
Change in cash and cash equivalents	126	1
Cash and cash equivalents at beginning of period	74	73
Cash and cash equivalents at end of period	**200**	**74**

Key ratios

	2012 Jan–Dec	2011 Jan–Dec
Financial		
Return on capital employed, %	9.0	7.2
Return on equity, %	–0.8	9.9
Interest coverage ratio, times	2.3	2.2
Equity/assets ratio, %	3.4	39
Loan-to-value ratio, properties, %	57	57
Debt/equity ratio, times	1.6	1.4
Share-related [1]		
Earnings per share for the year, SEK	–0.54	7.01
Equity per share, SEK	70	73
Cash flow per share, SEK	4.52	4.49
No. of outstanding shares at end of period, '000	163,555	162,225
Average no. of shares, '000	162,391	162,719
Property-related		
No. of properties	95	97
Carrying amount, properties, SEKm	31,636	29,150
Lettable area, sqm	1,130,000	1,107,000
Financial occupancy rate, %	92	90
Surplus ratio, %	68	68

[1] No dilution effect arises, since there are no potential shares (such as convertibles).

Parent Company profit and loss account (summary)

SEKm	2012 Jan–Dec	2011 Jan–Dec
Income	100	102
Expenses	–180	–193
Net financial items	627	1,877
Change in value, fixed income derivatives	–190	–397
Change in value, equities	0	0
Profit/loss before tax	**357**	**1,389**
Tax	–21	158
Profit/loss for year	**336**	**1,547**

Parent Company balance sheet (summary)

SEKm	31 Dec 2012	31 Dec 2011
Interests in Group companies	12,992	13,328
Other fixed assets	42,061	39,090
of which, receivables from Group companies	*41,311*	*38,815*
Other current assets	58	161
Cash and cash equivalents	199	69
Total assets	**55,310**	**52,648**
Equity	10,320	10,382
Provisions	67	68
Long-term liabilities	38,200	38,892
of which, liabilities to Group companies	*27,126*	*25,156*
Short-term liabilities	6,723	3,306
Total equity and liabilities	**55,310**	**52,648**




This is Fabege

Fabege, 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. Fabege offers attractive and efficient premises, principally for offices but also for retail and other operations.

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

At 31 December 2012, Fabege owned 95 properties with a combined market value of SEK 31.6bn. The rental income amounted to SEK 2.3bn.

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More information about Fabege and its operations is available on the Group's website. The website also includes a webcast presentation from 4 February 2013, 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 disclose under the Securities Market Act and/or the Financial Instruments Trading Act. The information was released for publication on 4 February 2013.

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Fabege