

Q2

Fabege

Key figures, SEKm

	2013 April–June	2012 April–June	2013 Jan–Jun	2012 Jan–Jun
Rental income	519	467	1,032	920
Net operating income	374	327	704	617
Profit from property management activities	165	157	300	282
Profit before tax	619	574	1,239	1,327
Profit/loss after tax	515	–1,387	1,031	–826
Surplus ratio, %	72	70	68	67
Equity/assets ratio, %	–	–	35	33
Equity per share, SEK	–	–	73	65

INTERIM REPORT

2013

JANUARY
JUNE

- Rental income increased to SEK 1,032m (920). The year-on-year change was due to growth through positive net lettings and completed projects.
- Realised and unrealised value changes amounted to SEK 525m (955) for properties and SEK 417m (100) for fixed-income derivatives.
- Profit from property management increased with 6 per cent to SEK 300m (282).
- The profit before tax for the period amounted to SEK 1,239m (1,327). Profit after tax for the period amounted to SEK 1,031m (–826), corresponding to earnings per share of SEK 6.25 (–5.09). The prior year's profit was charged with a provision of SEK 1,900m pertaining to on-going tax cases.
- Net lettings amounted to SEK 23m (131).

Chief executive's review

Operations performed well in the first half of the year. The last few years' positive trend in net lettings and the positive trend in completed projects at the end of last year contributed to strong growth in income and profit from property management. All areas of activity made significant contributions to overall earnings.

We have high goals for our operations. The past few years' project investments are now generating growth in rental income and cash flow. This in combination with the continued potential of development rights and vacancies in prime locations means that we see excellent opportunities for continued growth. The rental market is stable in Stockholm, but the processes tend to be prolonged. Fabège is currently involved in a number of important and extremely interesting discussions about more noteworthy lettings in the future. Tenants have stringent requirements regarding the location and design of premises. The migration toward quality continues. In a stable market with low production levels of new office space, vacancies in attractive locations are declining. This favours Fabège and our property portfolio, which mainly comprises modern, flexible offices of which the majority are located in prime locations. Fabège has a portfolio and an organisation that can meet these customer requirements.

Project operations are proceeding as planned in our major projects. The project at Nöten 4, Solna Strand will be completed in the late autumn and the Swedish

Tax Agency will assume occupancy of its new office premises in stages. Production of the Scandinavian Office Building has started in a small scale with the foundations and planning. This property will be in an absolutely prime location in Arenastaden and represents an investment in a concept providing a high degree of service to tenants. It is a future-oriented project that will further consolidate Arenastaden as the most dynamic city district in the Stockholm area.

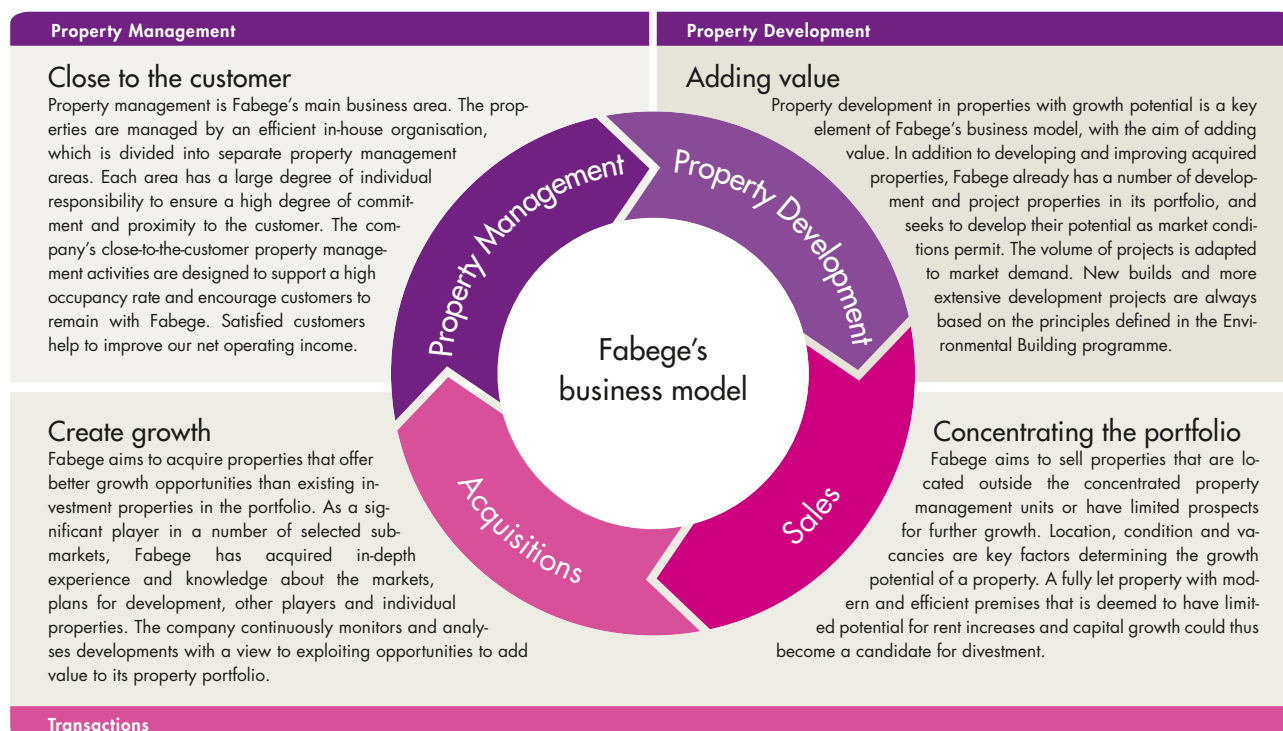
However, it is not only projects that contribute to value growth. Improved occupancy rates and, generally, slightly higher rents on re-negotiation mean that the property management portfolio has also increased in value. During the quarter, we have completed several important re-negotiations that have contributed to a higher retention rate and stability in the rental property portfolio.

The transactions announced in the first half of the year were all in line with our strategy of divesting properties in non-priority markets and those with low development potential for Fabège. All of the transactions have contributed to strengthening

Fabège's cash flow in parallel with the company realising value. We are continuing to invest in expansion, primarily in sub-markets where we have favourable prerequisites for continuing to create value and cash-flow growth. The investments we make in our own project portfolio create value and the risks and opportunities are in our own hands as opposed to investing in fully developed properties where one is at the mercy of the economy. Focus will still remain on a high level of net lettings which creates the conditions for continued project development and provides us with the means to realise the potential existing in our project portfolio. The balance sheet has been strengthened through sales and value growth.

In conclusion, I am satisfied that all of our business areas contribute to overall earnings. I look forward to an autumn of high activity in which we continue to create value by attracting customers to our attractive properties and projects.

CHRISTIAN HERMELIN
Chief Executive Officer



Results¹⁾

As a result of the strong net lettings in the prior year and the completion of projects, rental income increased and net operating income improved. Development operations and realised changes in value also contributed to the positive earnings.

REVENUES AND EARNINGS

Profit before tax for the period amounted SEK 1,239m (1,327). Despite the increase in net operating income, pre-tax profit declined in relation to the year-earlier period, due to lower unrealised changes in value in the property portfolio and in the portfolio of derivative instruments. Profit after tax for the period amounted SEK 1,031m (-826) corresponding to SEK 6.25 per share (-5.09). The prior year's tax expense included a provision of SEK 1,900m for on-going tax cases.

Rental income increased to SEK 1,032m (920) and net operating income increased to SEK 704m (617). The increase in rental income was attributable to positive net lettings and completed project properties. The surplus ratio increased to 68 per cent (67) although operating profit had been charged with higher costs resulting from the cold and snowy winter. In a comparable portfolio, rental income increased with approximately 14 per cent and operating income increased with approximately 15 per cent.

Realised changes in the value of properties amounted to SEK 95m (146), and unrealised changes in value amounted to SEK 430m (809). The SEK 206m (294) 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 224m (515), which was primarily attributable to contributions of profit from property development in the major project properties.

Shares in the profit of associated companies were negative amounting to SEK 21m (-1), mainly due to high initial costs for Sweden Arena Management, which runs Friends Arena. Changes in value of interest-rate derivatives and shares totalled SEK 414m (90). Higher long-term interest rates resulted in a sharp decline in the deficit value of the derivative portfolio during the period, and net interest expense increased to SEK -353m (-308) mainly due to an increase in indebtedness and a somewhat higher average interest rate.

TAX

The tax for the period amounted to SEK -208m (-2,153). The prior year's tax expense included a provision of SEK 1,900m for on-going tax cases. Operating taxes are calculated at a rate of 22 per cent on taxable earnings. Property sales resulted in combined deferred tax revenue of SEK 52m.

Business model's contribution to earnings

SEKm	Jan-Jun 2013	Jan-Jun 2012
Profit from Property Management	312	294
Changes in value (portfolio of investment properties)	206	294
Contribution from Property Management	518	588
Profit from Property Management	-12	-12
Changes in value (profit from Property Development)	224	515
Contribution from Property Development	212	503
Contribution from Transactions (Realised changes in value)	95	146
Total contribution from the operation	825	1,237

CASH FLOW

Profit contributed SEK 498m (473) to liquidity. After an increase of SEK 722m (340) 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 -224m (133). Investments in properties exceeded sales by SEK 186m (712). Accordingly, the total change in liquidity resulting from operating activities was SEK -187 (12). After the increase in debt, consolidated cash and cash equivalents totalled SEK 13m (86).

¹⁾ The comparison figures for income and expense items relate to values for the period January-June 2012 and for balance sheet items as at 31 December 2012.

Quarter 2 in brief²⁾

APRIL-JUNE 2013

- The rental market remained strong with healthy demand for office premises in Stockholm.
- New lettings amounted to SEK 32m (76) and net lettings amounted to SEK 18m (43).
- Profit from property management increased to SEK 165m (157), as result of increased rental income from strong net lettings and completed projects.
- The surplus ratio amounted to 72 per cent (70).
- The property portfolio showed continued unrealised value growth of SEK 211m (403), of which projects accounted for SEK 112m (293).
- Due to increasing long-term interest rates the negative fair value of the derivative portfolio decreased by SEK 229m (120).
- Profit after tax for the quarter amounted to SEK 515m (-1,387).

²⁾ The comparison figures for income and expense items relate to values for the period April-June 2012 and for balance sheet items as at 31 December 2012.

FINANCING

Fabege employs long-term credit lines with fixed terms and conditions. At 30 June 2013, these had an average maturity of 5.2 years. The company's lenders are the major Nordic banks.

Interest-bearing liabilities at the end of the period amounted to SEK 18,631m (18,035) and the average interest rate was 3.93 per cent excluding and 4.03 per cent including commitment fees on the undrawn portion of committed credit facilities. The average fixed-rate period was 3.0 years, taking the effect of derivative instruments into account, while the average fixed-rate period for variable-rate loans was 70 days. Fabege's portfolio of derivative instruments remained unchanged compared with year-end and 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 78 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 30 June 2013, the recognised negative fair value adjustment of the portfolio amounted to SEK 438m (854). 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 30 June 2013, outstanding commercial

paper amounted to SEK 2,515m (2,740).

Fabege has available long-term credit facilities covering all outstanding commercial paper at any given time. At 30 June 2013, the company had unutilised committed lines of credit of SEK 2,841m, and 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. Fabege also has a three-year secured property bond of SEK 1,170m, which was issued in February.

During the second quarter, Fabege extended borrowing agreements totalling SEK 4,900m with durations of between one and three years. In conjunction with this, the total facilities were reduced by SEK 600m.

Net financial items included other financial expenses of SEK 11m, mainly pertaining to costs for the issue of new property mortgages and opening charges for new borrowing agreements and bond programmes. Opening charges for credit lines are distributed over the duration of the agreements. The total loan volume at the end of the half year includes SEK 548m in loans for projects, on which interest of SEK 9m is capitalised.

FINANCIAL POSITION AND NET ASSET VALUE

Shareholders' equity amounted to SEK 12,039m (11,382) at the end of the period and the equity/assets ratio was 35 per cent (34). Shareholders' equity per share totalled SEK 73 (70). Excluding deferred

Interest rate maturity structure

30 June 2013

	Amount SEKm	Average interest rate %	Share %
< 1 year	5,425	6.51*	29
1–2 years	1,206	2.48	6
2–3 years	300	3.70	2
3–4 years	4,200	2.71	23
4–5 years	4,000	3.46	21
> 5 years	3,500	2.48	19
Total	18,631	3.93	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

30 June 2013

	Credit agreement SEKm	Drawn SEKm
Certificate programme	5,000	2,515
< 1 year	3,760	711
1–2 years	6,210	4,477
2–3 years	6,375	6,275
3–4 years	41	41
4–5 years	110	110
> 5 years	4,976	4,502
Total	26,472	18,631

Property sales

Jan–Jun 2013

Properties	Area	Category	Lettable area, sqm
Quarter 1			
Masugnen 7	Bromma	Office	11,427
Quarter 2			
Fiskaren Större 3	Södermalm	Residential	2,603
Murmästaren 7	Kungsholmen	Office	3,070
Skeppshandeln 1	Hammarby Sjöstad	Office	0
Söderbymalm 3:405 (part of)	Haninge	Office	3,000
Total property sales			20,100

Property acquisitions

Jan–Jun 2013

Properties	Area	Category	Lettable area, sqm
Quarter 1 and 2			
No acquisitions			
Total property acquisitions			0

tax on fair value adjustments of properties, net asset value per share was SEK 84 (81).

Operations

The rental market in Stockholm remained stable at the beginning of the year. The rate of investment was high and there was value growth in the property portfolio, both through projects and cash flow in the investment property portfolio. Sales of property during the period also contributed to the overall result.

FABEGE'S PROPERTY PORTFOLIO AND PROPERTY MANAGEMENT

Fabege's activities in Property Management and Property Development are concentrated to a few selected submarkets in and around Stockholm. Stockholm's inner city, Solna and Hammarby Sjöstad are the company's principal markets. At 30 June 2013,

Fabege owned 92 properties with a total rental value of SEK 2.3bn, a lettable floor area of 1.1m sqm and a carrying amount of SEK 32.2bn, including development and project properties totalling SEK 3.2bn 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 93 per cent (90). The occupancy rate in the portfolio of investment properties was 93 per cent (93).

New lettings during the period totalled SEK 79m (185), while net lettings amounted to SEK 23m (131). The healthy net lettings in the year-earlier period

included SEK 60m for the letting to the Swedish Tax Agency. Efforts to extend and renegotiate leases with existing customers were successful. Rents in negotiated contracts increased an average of 7 per cent. A relatively large proportion of contracts were renegotiated in the period.

Notable lettings during the period included an expanded letting to the Tax Agency through an expansion of the Nöten 4 property, Solna Strand, and lease with SATS in Luma 1, Hammarby Sjöstad. Net lettings were subject to a major lease termination.

CHANGES IN THE PROPERTY PORTFOLIO

During the first quarter, the property Masugnen 7, Bromma, was divested to JM. During the second quarter, three properties were divested in a transaction with Balder, of which the largest property was Skeppshandeln 1, which is under construction in Hammarby Sjöstad. In addition, part of a property in Haninge was divested. The combined purchase consideration amounted to SEK 1,055m. The transactions generated a profit of SEK 95m before tax and SEK 147m after tax.

CHANGES IN THE VALUE OF PROPERTIES

The entire property portfolio is externally valued at least once a year. A total of 35 per cent of Fabège's properties were externally valued at 30 June 2013 and the remaining properties were internally valued based on the latest valuations. The total market value amounted to SEK 32.2bn (31.6).

Unrealised changes in the value of properties amounted to SEK 430m (809). The average required yield declined slightly during the period, and amounted to 5.6 per cent.

The SEK 206m (294) 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 224m (515) which was primarily attributable to earnings from property development in the major project properties.

PROJECTS AND INVESTMENTS

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

In 2013, the ambition is to keep a high rate of development in the project portfolio. Investments in existing properties and projects during the period totalled SEK 709m (868). The investments involved new builds, extensions and conversions. The return on capital invested in the project portfolio was 31 per cent.

Completed projects

During the first quarter of 2013, the project in the Uarda 1 property, Sjöstad, was completed and the tenants moved in. This project was the first of three phases in the property. No decisions have yet been made concerning the forthcoming phases.

Major ongoing projects

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. The property is fully occupied.

In addition, the project involving the construction of the Skeppshandeln 1 property at Hammarby Sjöstad is proceeding as planned. The property was sold during the second quarter to Balder, which has assumed ownership, but Fabège is responsible for the completion of the project.

The previously approved office property newbuild on part of the Båtturen 2 property in Hammarby Sjöstad is in progress. The building comprises part of the screen required between the heat plant and the residential site divested earlier. Work on assembling the framework is currently on-going. Leasing work is in progress and the building is scheduled to be ready for occupancy in May 2014.

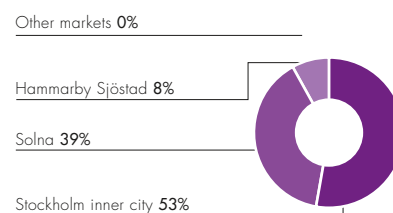
During the second quarter, investment commenced in Nationalarenan 8 (Scandinavian Office Building). The total investment, including acquisition of development rights, will amount to approximately SEK 1.3 billion. Work on the foundations and project engineering is in progress. The start of construction, including the uprisings of the framework, is planned for the autumn of 2013. At the same time, work on profiling and leasing the property is on-going.

SEGMENT REPORTING

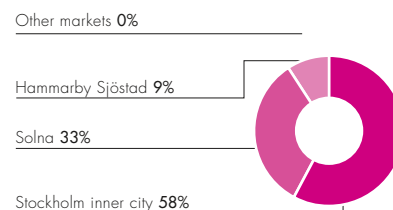
During the second quarter, one property was returned from development to management. Another property was reclassified from management to development.

Distribution of market value 30 June 2013

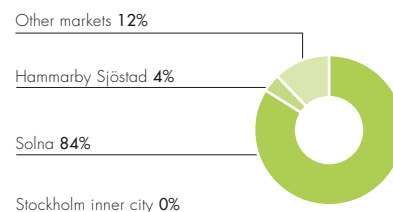
All properties, SEK 32.2bn



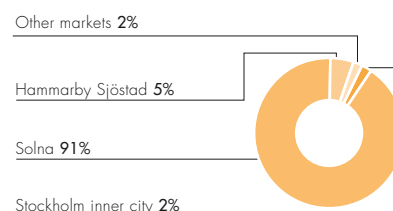
Investment properties, SEK 29.0bn



Development properties, SEK 0.2bn



Project properties, SEK 3.0bn



The segment Property Management generated net operating income of SEK 674m (555), corresponding to a surplus ratio of 69 per cent (68). The occupancy rate was 93 per cent (93). Profit from Property Management amounted to SEK 312m (294). Realised and unrealised changes in value totalled SEK 301m (328).

The segment Property Development generated net operating income of SEK 30m (62), corresponding to a surplus ratio of 61 per cent (61). Profit from Property Management totalled SEK -12m (-12). Realised and unrealised changes in value amounted to SEK 224m (627).

Projects in progress >SEK 50m

30 June 2013

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	53,237	100	101	1,157	750	539
Nationalarenan 8	Office	Arenastaden	Q1-2016	40,000	0	104	100	1,311	75
Båtturen 2 (part of)	Office	Hammarby Sjöstad	Q1-2014	2,823	27	7	46	76	24
Total				96,060	56%	212	1,303	2,137	638
Other Land and Project properties							1,702		
Other Development properties							214		
Total Project, Land and Development properties							3,219		

¹⁾ Operational occupancy rate at 30 June 2013.

²⁾ The annual rent for the largest projects in progress could increase to SEK 212m (fully let) from SEK 30m in annualised current rent as of 30 June 2013.

Property portfolio

30 June 2013

	30 June 2013					1 January – 30 June 2013		
	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⁾	71	999	28,999	2,187	93	977	-248	729
Development properties ¹⁾	5	36	214	24	82	9	-6	3
Land and Project properties ¹⁾	16	90	2,959	116	81	41	-12	29
Total	92	1,125	32,172	2,327	93	1,027	-266	761
of which, inner city	35	470	16,865	1,218	93	547	-151	396
of which, Solna	37	518	12,560	887	92	391	-84	307
of which, Hammarby Sjöstad	13	123	2,645	217	88	86	-29	57
of which, Other	7	14	102	5	86	3	-2	1
Total	92	1,125	32,172	2,327	93	1,027	-266	761
Expenses for lettings, project development and property administration								-55
Total net operating income after expenses for lettings, project development and property administration								706³⁾

¹⁾ See definitions on page 9.

²⁾ Time-limited deductions of approximately SEK 115m (in rolling annual rental value at 30 June 2013) have not been recognised in the rental value.

³⁾ The table refers to Fabege's property portfolio at 30 June 2013. Income and expenses are recognised as if the properties had been held during the entire period. The difference between recognised net operating income, SEK 706m, and net operating income in the profit and loss account, SEK 704m, 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 2013 period.

Segment report (summary)¹⁾

SEKm	Property Management Jan–Jun 2013	Property Development Jan–Jun 2013	Total Jan–Jun 2013	Property Management Jan–Jun 2012	Property Development Jan–Jun 2012	Total Jan–Jun 2012
Rental income	983	49	1,032	818	102	920
Property expenses	-309	-19	-328	-263	-40	-303
Net operating income	674	30	704	555	62	617
Surplus ratio, %	69	61	68	68	61	67
Central administration and marketing	-27	-3	-30	-20	-6	-26
Net interest expense	-319	-34	-353	-240	-68	-308
Share in profit/loss of associated companies	-16	-5	-21	-1	0	-1
Operating profit/loss	312	-12	300	294	-12	282
Realised changes in value, properties	95	0	95	34	112	146
Unrealised changes in value, properties	206	224	430	294	515	809
Profit/loss before tax per segment	613	212	825	622	615	1,237
Changes in value, fixed income derivatives and equities			414			90
Profit/loss before tax			1,239			1,327
Properties, market value	28,999	3,173	32,172	23,818	6,976	30,794
Occupancy rate, %	93	81	93	93	73	90

¹⁾ See definitions on page 9.

Other financial information

STAFF

At the end of the period, the Fabège Group had 132 employees (122).

PARENT COMPANY

Sales during the period amounted to SEK 71m (54) and the result before appropriations and tax was SEK 361m (–28). Net investments in property, equipment and shares totalled SEK 0m (0).

ACQUISITION AND TRANSFER OF TREASURY SHARES

The 2013 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. Following a decision by the Board of Directors, the remaining holding of treasury shares, a total of 1,836,114 shares, was sold on the Stockholm Stock Exchange early during the year. Subsequently, the company holds no treasury shares. No shares were bought back during the period.

ONGOING TAX CASES

As previously announced, the Swedish Tax Agency has decided to increase taxation on the Fabège Group concerning a number of property sales through limited partnerships (see Fabège Annual Report 2012, pages 63–64). The transactions derive from Tor-net, the old Fabège and Wihlborgs during the years 2003–2005. As a result of the Tax Agency accepting Fabège's submitted residual tax value for a number of transactions, the total increase in taxable income was reduced by SEK 605m to SEK 7,763m. Following this adjustment, the decisions have

resulted in a combined tax demand, including charges and fees, totalling SEK 2,484m.

On 30 May 2012, 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, Fabège 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 600m, will be recognised as a contingent liability, as in previous financial statements.

In conclusion, Fabège strongly contests the tax demand decided on by the Swedish Tax Agency and the Swedish Administrative Court and the decisions have been appealed. Fabège's belief remains unchanged that the divestments were recognized and declared in accordance with the prevailing regulatory framework. Fabège believes that the Swedish Tax Agency and the Swedish Administrative Court have disregarded several key aspects and that the verdicts are therefore incorrect. Fabège also contends that SAC's verdict in the Cyprus case is not immediately applicable to Fabège'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 anal-

ysed the divestments, the STA's argumentation and the relevant verdicts.

The processes are now being advanced in the Administrative Court of Appeal. The Administrative Court of Appeal has stated that judgments will not be issued before 30 September 2013. Backed by a strong balance sheet and available credit facilities, Fabège 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 2012 Annual Report (pages 38–41), 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 2012 Annual Report (pages 62–63).

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 2012 Annual Report. A description of financial risk, which is the risk that the company will have insufficient access to long-term loan funding, and Fabège's management of this risk is presented in the 2012 Annual Report (pages 42–43 and 75).

No material changes in the company's assessment of risks have been made after publication of the 2012 Annual Report. Under its adopted targets for capital structure, Fabège aims to have an equity/assets ratio of at least 30 per cent and an interest coverage ratio of at least 2 (including realised changes in value).



EVENTS AFTER THE END OF THE REPORTING PERIOD

Fabege has signed a new agreement with Svenska Spel regarding the letting of premises at the Uarda1 property in Arenastaden. The letting means that Fabege will be investing SEK 569m in the next phase of Uarda 1. The annual rental value amounts to about SEK 25m including VAT compensation and occupancy is scheduled for February 2016. Svenska Spel is an existing tenant of Fabege and, accordingly, net lettings is not impacted.

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.

Fair value of derivatives and loan liabilities is determined by discounting future cash flows by the quoted market interest rate for each maturity. Future cash flows in the derivative portfolio are calculated as the difference between the fixed contractual interest under each derivatives contract and the implied Stockholm Interbank Offered Rate (STIBOR) for the period concerned. The present value of future interest flows arising there from is calculated using the implied STIBOR curve. For the callable swaps included in the portfolio the option component has not been assigned a value, as the swaps can only be called at par value and thus do not have an

impact on earnings. Decisions to call swaps are made by the banks. Shareholdings have been categorised as "Financial assets held for trading". These are measured at fair value and changes in value are recognised in profit or loss. Quoted market prices are used in determining the fair value of shareholdings. Where no such prices are available fair value is determined using the company's own valuation technique.

As of 2013, Fabege applies 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.

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, 5 July 2013

Erik Paulsson
Chairman of the Board

Eva Eriksson
Board Director

Gustaf Hermelin
Board Director

Märtha Josefsson
Board Director

Pär Nuder
Board Director

Svante Paulsson
Board Director

Mats Qviberg
Board Director

Christian Hermelin
Board Director and 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

Interim report July–September	16 October 2013
Year-end report for 2013	6 February 2014
Annual report for 2013	March 2014

Fabege share

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

Share price performance



Largest shareholders¹⁾ 31 May 2013

Shareholder	No. of shares	Share of capital, %	Share of votes, %
Brinova Inter AB	24,691,092	14.9	14.9
BlackRock funds	8,938,454	5.4	5.4
SEB Funds	8,568,654	5.2	5.2
Länsförsäkringar fondförvaltning	7,290,817	4.4	4.4
Öresund Investment AB	7,000,736	4.2	4.2
SHB funds	5,304,874	3.2	3.2
Norges Bank Investment Management	5,011,116	3.0	3.0
Mats Qviberg and family	3,709,244	2.2	2.2
Fourth AP-fund	2,996,812	1.8	1.8
Henderson funds	2,752,616	1.7	1.7
ENA City AB	2,711,000	1.6	1.6
Swedbank Robur funds	2,629,921	1.6	1.6
Nordea funds	2,458,505	1.5	1.5
Principal funds	1,635,304	1.0	1.0
Second AP-fund	1,611,576	1.0	1.0
Other foreign shareholders	38,962,783	23.6	23.6
Other Swedish shareholders	39,118,068	23.7	23.7
Total	165,391,572	100.0	100.0
Treasury shares	0	0.0	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.

An updated owner list as per 30 June 2013, will be published on Fabege's website in mid-July.

Source: SIS Ägarservice AB, data derived from Euroclear Sweden AB, as of 31 May 2013.

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 yearend.

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	2013 Apr-Jun	2012 Apr-Jun	2013 Jan-Jun	2012 Jan-Jun	2012 Jan-Dec	Rolling 12 m Jul 12 – Jun 13
Rental income	519	467	1,032	920	1,869	1,981
Property expenses	-145	-140	-328	-303	-605	-630
Net operating income	374	327	704	617	1,264	1,351
Surplus ratio, %	72%	70%	68%	67%	68%	68%
Central administration and marketing	-16	-13	-30	-26	-64	-68
Net interest expense	-176	-156	-353	-308	-644	-689
Share in profit/loss of associated companies	-17	-1	-21	-1	137	117
Profit/loss from property management activities	165	157	300	282	693	711
Realised changes in value of properties	15	145	95	146	167	116
Unrealised changes in value of properties	211	403	430	809	1,409	1,030
Unrealised change in value of fixed income derivatives	229	-120	417	100	-190	127
Change in value of equities	-1	-11	-3	-10	-47	-40
Profit/loss before tax	619	574	1,239	1,327	2,032	1,944
Current tax	0	-1,900	0	-1,900	-1,900	0
Deferred tax	-104	-61	-208	-253	-220	-175
Profit/loss for period/year	515	-1,387	1,031	-826	-88	1,769
Items that will not be restated in profit or loss						
Revaluation of defined-benefit pensions	-	-	-	0	-6	-6
Total profit/loss for period/year	515	-1,387	1,031	-826	-94	1,763
Earnings per share, SEK	3.11	-8.55	6.25	-5.09	-0.54	10.77
No. of shares available at end of period, millions	165.4	162.2	165.4	162.2	163.6	163.7
Average no. of shares, millions	164.9	162.2	164.9	162.2	162.4	163.7

Consolidated statement of financial position (summary)

SEKm	30 Jun 2013	30 Jun 2012	31 Dec 2012
Assets			
Properties	32,172	30,794	31,636
Other tangible fixed assets	1	1	1
Financial fixed assets	1,434	989	1,398
Current assets	988	469	474
Cash and cash equivalents	13	86	200
Total assets	34,608	32,339	33,709
Equity and liabilities			
Equity	12,039	10,577	11,382
Provisions	959	797	753
Interest-bearing liabilities ¹⁾	18,631	17,833	18,035
Derivatives	438	564	854
Non-interest-bearing liabilities	2,541	2,568	2,685
Total equity and liabilities	34,608	32,339	33,709
Equity/assets ratio, %	35	33	34
Contingent liabilities	1,774	1,559	2,124

¹⁾ Of which short-term SEK 3,227m (3,975).

Statement of changes in equity

SEKm	Equity	Of which, attributable to parent company shareholders	Of which, attributable to minority
Equity as of 1 Jan 2012, according to the adopted statement of financial position	11,890	11,890	-
Effect of a change in accounting policy	-16	-16	-
Equity as of 1 Jan 2012, adjusted in accordance with the new accounting policy	11,874	11,874	-
Divestment of treasury shares	89	89	-
Cash dividend	-487	-487	-
Profit/loss for the period	-88	-88	-
Other comprehensive income	-6	-6	-
Equity, 31 Dec 2012	11,382	11,382	-
Divestment of treasury shares	122	122	-
Cash dividend	-496	-496	-
Profit/loss for the period	1,031	1,031	-
Other comprehensive income	-	-	-
Equity, 30 June 2013	12,039	12,039	-

Derivatives

Derivatives are classified as interest-bearing liabilities in the balance sheet and measured at fair value in compliance with level 2, IFRS 7, Section 27a, with the exception of the closable swaps and performance swaps, measured in accordance with level 3, IFRS 7. Changes in value are recognised in profit or loss under a separate item, Changes in value, fixed income derivatives. IAS 39 has been applied also in the Parent Company since 2006.

	Group		Parent Company	
IFRS, level 3	30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
Value at beginning of year	-577	-532	-577	-532
Acquisitions/Investments	0	0	0	0
Changes in value	213	-45	213	-45
Matured	0	0	0	0
Value at end of year	-364	-577	-364	-577
Carrying amount	-364	-577	-364	-577

The change in value of SEK 213m (-45) was attributable in its entirety to derivative instruments held by the company at the end of the quarter as shown in the statement of comprehensive income.

Statement of cash flows

SEKm	2013 Jan-Jun	2012 Jan-Jun	2012 Jan-Dec
Net operating income and realised changes in the value of existing property portfolio excluding depreciation	819	764	1,431
Central administration	-30	-26	-64
Net financial items paid	-291	-265	-615
Income tax paid	0	0	0
Change in other working capital	-722	-340	-247
Cash flow from operations	-224	133	505
Investments and acquisition of properties	-1,036	-1,019	-2,191
Sale of properties, carrying amount of divested properties	910	306	1,236
Other investments (net)	-60	1	-306
Cash flow from investing activities	-186	-712	-1,261
Dividend to shareholders	-496	-487	-487
Divestment of treasury shares	122	-	89
Change in interest-bearing liabilities	597	1,078	1,280
Cash flow from financing activities	223	591	882
Change in cash and cash equivalents	-187	12	126
Cash and cash equivalents at beginning of period	200	74	74
Cash and cash equivalents at end of period	13	86	200

Key ratios

SEKm	2013 Jan-Jun	2012 Jan-Jun	2012 Jan-Dec
Financial			
Return on capital employed, %	5.8	11.2	9.0
Return on equity, %	17.6	-14.7	-0.9
Interest coverage ratio, times	2.1	2.4	2.3
Equity/assets ratio, %	35	33	34
Loan-to-value ratio, properties, %	58	58	57
Debt/equity ratio, times	1.5	1.7	1.6
Share-related ¹⁾			
Earnings per share for the period, SEK	6.25	-5.09	-0.54
Equity per share, SEK	73	65	70
Cash flow per share, SEK	2.57	2.65	4.52
No. of outstanding shares at end of period, '000	165,392	162,225	163,555
Average no. of shares, '000	164,933	162,225	162,391
Property-related			
No. of properties	92	96	95
Carrying amount, properties, SEKm	32,172	30,794	31,636
Lettable area, sqm	1,125,000	1,109,000	1,130,000
Financial occupancy rate, %	93	90	92
Surplus ratio, %	68	67	68

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

Parent Company profit and loss account (summary)

SEKm	2013 Jan-Jun	2012 Jan-Jun	2012 Jan-Dec
Income	71	54	100
Expenses	-101	-85	-180
Net financial items	-31	-98	627
Share in profit/loss of associated companies	4	-	-
Change in value, fixed income derivatives	417	100	-190
Change in value, equities	1	1	0
Profit/loss before tax	361	-28	357
Tax	-80	6	-21
Profit/loss for period/year	281	-22	336

Parent Company balance sheet (summary)

SEKm	30 Jun 2013	30 Jun 2012	31 Dec 2012
Interests in Group companies	12,992	13,328	12,992
Other fixed assets	38,467	40,218	42,061
<i>of which, receivables from Group companies</i>	<i>37,780</i>	<i>39,913</i>	<i>41,311</i>
Other current assets	130	152	58
Cash and cash equivalents	11	85	199
Total assets	51,600	53,783	55,310
Equity	10,227	9,873	10,320
Provisions	67	67	67
Long-term liabilities	37,954	37,909	38,200
<i>of which, liabilities to Group companies</i>	<i>23,074</i>	<i>25,919</i>	<i>27,126</i>
Short-term liabilities	3,352	5,934	6,723
Total equity and liabilities	51,600	53,783	55,310



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 30 June 2013, Fabege owned 92 properties with a combined market value of SEK 32.2bn. The rental income amounted to SEK 2.3bn.

Questions concerning the report will be answered by:

CHRISTIAN HERMELIN

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Deputy CEO and Chief Financial Officer

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www.fabege.se

More information about Fabege and its operations is available on the Group's website. The website also includes a webcast presentation from 9 July 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 5 July 2013.

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**Fabege**