Fabege AB (publ)

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Fabege hedges interest in its loan portfolio

On the basis of the current low rates of long-term interest, Fabege has chosen to hedge some of the interest rates of its loan portfolio by entering interest-swap agreements totalling SEK 5 billion. The interest hedging comprises about 30 per cent of the total loan portfolio. The agreements entered have the following terms:

- SEK 1.0 billion at three years
- SEK 1.5 billion at five years
- SEK 1.5 billion at seven years
- SEK 1.0 billion at ten years

The interest-swap agreements mean that Fabege will pay a fixed annual rate of interest for the terms stated above of between 2.18 per cent and 2.73 per cent, excluding margin. Since long-term interest rates are in line with the short three-month STIBOR (Stockholm Interbank Offered Rate), the interest-hedging at the current time will not imply any increased expense for Fabege.

In addition, Fabege has extended its existing closable swaps of SEK 2.7 billion for a further three years. The extensions will result in a reduction in interest expense of approximately 1 per cent in the swaps in question, which means that Fabege's interest expense will decline by about SEK 27m per year through 2013.

"The historically low level of long-term interest rates motivates long-term fixed rates, while at the same time, the cash flow in the liability portfolio is improved," says Åsa Bergström, deputy CEO and CFO Fabege. "The lower level of risk generated by the fixed interest rates creates greater security and flexibility for the future."

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Fabege AB (publ) is one of Sweden's leading property companies focusing on commercial premises. The carrying amount of the company's property portfolio is approximately SEK 28.2bn. The portfolio is concentrated to the Stockholm region and has an annualised rental value of SEK 2.1bn and a lettable area of 1.1m sqm. Fabege's shares are listed on Nasdaq OMX Stockholm, Large Cap segment.