

Q4

2018

Summary, SEKm

	2018	2017	2018	2017
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Rental income	653	592	2,517	2,280
Net operating income	486	450	1,875	1,680
Profit from property management	351	279	1,246	992
Profit before tax	1,850	1,962	9,103	7,351
Profit after tax	1,432	1,430	7,699	5,632
Surplus ratio, %	74	76	74	74
Loan-to-value ratio, properties, %	-	-	39	43
EPRA NAV, SEK per share	-	-	125	101

January – December 2018¹

- Rental income increased to SEK 2,517m (2,280), primarily as a result of completed project properties generating revenue and increased rent levels through renegotiations. In an identical portfolio, income rose by approximately 10 per cent (9.5).
- Net operating income increased to SEK 1,875m (1,680). In an identical portfolio, net operating income rose by approximately 13 per cent (13).
- The surplus ratio was 74 per cent (74).
- Profit from property management rose to SEK 1,246m (992).
- Realised and unrealised changes in value amounted to SEK 7,838m (6,095) in properties and SEK 16m (268) in fixed-income derivatives.
- Profit before tax for the year amounted to SEK 9,103m (7,351).
- Profit after tax for the year was SEK 7,699m (5,632), corresponding to earnings per share of SEK 23.28 (17.03).
- Net lettings during the period totalled SEK 159m (244). The rent levels from renegotiated leases increased by an average of 29 per cent (26).
- The equity/assets ratio was 51 per cent (47) and the loan-to-value ratio 39 per cent (43).
- The Board proposes a dividend of SEK 2.65 per share (2.25)².

¹ The comparison figures for income and expense items relate to values for the January–December 2017 period and for balance sheet items at 31 December 2017.

² Adjustment following 2:1 share split.



Christian Hermelin, CEO

Strong end to a successful year

Growing cash flow, rising rents and continued value-generating project development laid the foundations for yet another year of strong earnings.

Persistently rising rents on Stockholm market

Conditions on the Stockholm office market remain good, with low vacancies, high demand and rising rents as a result, indicating that we will see continued rental growth. During the year we renegotiated a rental volume of just over SEK 200m with an increase of 29 per cent.

Several projects concluded in Q4

No less than four of our major projects were completed at the end of the year, and we welcomed new tenants to a number of project properties, including Orgeln 7 in Sundbyberg and Signalen 3 in Arenastaden. Continued positive renegotiations and completed projects will also generate increased rental income in our portfolio over the next few years.

Net operating income and profit from property management at a high

Net operating income is at the highest level in Fabège's history. The same applies to profit from property management, which rose by just over 25 per cent compared with the previous year. It is pleasing to see that project investments in recent years are now contributing to increasingly strong cash flows.

Flemingsberg – a new district that is improving the regional balance

In August we announced our forthcoming development area Flemingsberg. We are currently in the midst of an intensive stage, working on an overall vision and planning for the district. We have high ambitions – Flemingsberg will be an attractive district that appeals to both residents as well as workers and visitors. The various stakeholders we are in contact with confirm the need for a major investment in urban development in southern Stockholm. An attractive employer needs to provide sustainable workplaces with good services close to public transport and areas with a high residential population. Proximity to the best rail connections in southern Stockholm, the substantial area of available land and Huddinge Municipality's dynamic approach are key factors that confirm our belief that Flemingsberg has every opportunity to be our next major, successful urban development project.

Stable financing

Given the instability that has characterised the bond market since the latter half of December, it feels reassuring to have such solid relationships with the banks. We are also pleased to have initiated what is for us a new source of financing via a nine-year loan with Brunswick, in cooperation with institutional capital on competitive terms. Our objective is to further extend both capital maturities and fixed-interest periods.

Moving on to new challenges

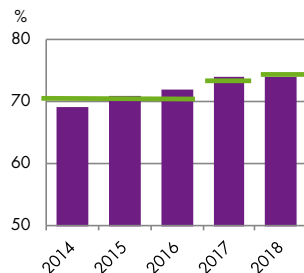
In December, I announced that after 12 years in the position I felt it was time for a new CEO to take up the reins. The recruitment process is under way, and I will remain in post to oversee the transition to a new CEO. I'm glad that Fabège has so many committed and talented employees, who together with a new leader will guarantee continued positive development going forward.

Market outlook

The Stockholm market is robust and Fabège is well equipped to harness the opportunities that exist and to cope with any challenges that lie ahead. Although an economic slowdown is fast approaching, we can see that Stockholm will continue to grow for the foreseeable future. This offers us favourable conditions for sustained growth. Our attractive development rights in prime locations allow us the opportunity for continued successful, value-generating project development. With Flemingsberg in our portfolio, we will be able to offer our customers attractive locations both to the north and to the south of Stockholm – something that I'm convinced will be more in demand in future.

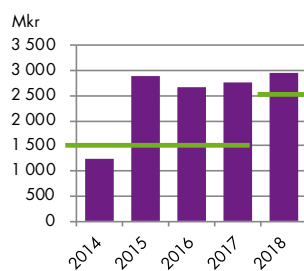
Christian Hermelin, CEO

SURPLUS RATIO



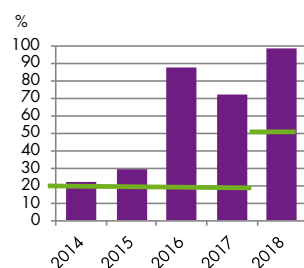
Target 2018: 74%
Long-term target: 75% by 2022

INVESTMENT VOLUME



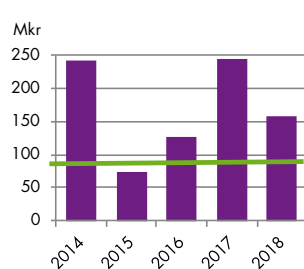
Target: SEK 2,500m per year over a business cycle (new target 2018, previously at least SEK 1,500m per year)

RETURN ON PROJECTS



Target: At least 50%
(from 2018, previously at least 20%)

NET LETTINGS



Target 2018: at least SEK 80m

Earnings Jan–Dec 2018¹

Earnings for the year were characterised by rising rental income, improved profit from property management and continued value growth, primarily via projects and higher rent levels.

Revenues and earnings

Profit after tax for the period was SEK 7,699m (5,632), corresponding to earnings per share of SEK 23.28 (17.03). Profit before tax for the period amounted to SEK 9,103m (7,351). Improved earnings from property management and continued substantial positive changes in value in the property portfolio meant that profit before tax rose in comparison with the previous year.

Rental income increased to SEK 2,517m (2,280) and net operating income increased to SEK 1,875m (1,680). In an identical portfolio, rental income grew by roughly 10 per cent (9.5), of which around 60 per cent related to growth through tenants moving in to completed project properties. The remaining increase was primarily growth due to new lettings and renegotiated rent levels. Net operating income in an identical portfolio rose by approximately 13 per cent (13). The surplus ratio was 74 per cent (74).

Four properties were sold during the year for a combined purchase consideration of SEK 1,697m. As a consequence of new accounting policies, which mean that divested properties are not recognised until they are vacated, realised changes in value rarely arise as any deviation from the most recent valuation is recognised as an unrealised change in value. The transactions generated a recognised unrealised change in value totalling SEK 132m. Realised changes in value amounted to SEK 153m (0) and related mainly to payment of an additional consideration and the reversal of a guarantee provision for a previously sold property.

Total unrealised changes in value amounted to SEK 7,685m (6,095). The unrealised change in the value of the investment property portfolio of SEK 5,252m (3,831) was in the first half of the year equally attributable to increased rent levels for new lettings and renegotiations, and reduced yield requirements. In the third quarter, it was largely attributable to rising rent levels. In the fourth quarter, changes in value were fuelled by both higher rent levels and lower yield requirements. The average yield requirement declined to 4.13 per cent (4.36). Furthermore, unrealised changes in fair value of SEK 132m were recognised relating to properties sold during the year. The project portfolio contributed to an unrealised change in value of SEK 2,301m (2,264), primarily due to development gains in the major project properties.

The share in earnings of associated companies amounted to SEK –64m (–105), of which SEK –4m related to a non-recurring item regarding a previously divested associated company. The remaining portion related primarily to capital contributions to Arenabolaget.

In the latter half of the year, a deficit value of SEK 143m was realised via premature calling of interest rate swaps. All in all, realised and unrealised changes in value in the derivatives portfolio during the year totalled SEK 16m (268). Newly subscribed interest rate swaps and somewhat lower long-term interest rates led to an increase in the deficit value in the fourth quarter. Net interest items declined to SEK –485m (–509). Increased borrowing was offset by lower average interest.

Segment reporting

The Property Management segment generated net operating income of SEK 1,753m (1,537), representing a surplus ratio of 76 per cent (76). The occupancy rate was 95 per cent (94). Earnings from property management totalled SEK 1,218m (974). Unrealised changes in the value of properties amounted to SEK 5,252m (3,831).

The Property Development segment generated net operating income of SEK 122m (143), giving a surplus ratio of 58 per cent (54). Earnings from property management totalled SEK 28m (18). Unrealised changes in the value of properties totalled SEK 2,301m (2,264), corresponding to a yield of 98 per cent on invested capital in the project portfolio. Earnings from Transactions during the period included both realised and unrealised

changes in value, and totalled SEK 285m (0). Realised changes in value of SEK 153m related primarily to payment of an additional consideration and resolution of a provision from previously completed transactions.

Quarter 4 in brief

- Continued healthy demand for office premises in Stockholm and rising rent levels in all our submarkets.
- New lettings totalled SEK 75m (92) and net lettings amounted to SEK 7m (53).
- The surplus ratio was 74 per cent (76).
- Earnings from property management totalled SEK 351m (279).
- The property portfolio showed unrealised value growth of SEK 1,560m (1,643), of which projects accounted for SEK 384m (497).
- Realised changes in property values totalled SEK 65m (0).
- Unrealised changes in value in the derivatives portfolio totalled SEK –125m (41).
- After-tax profit for the quarter amounted to SEK 1,432m (1,430).

BUSINESS MODEL CONTRIBUTIONS TO EARNINGS

SEKm	2018	2017
	Jan-Dec	Jan-Dec
Profit from Property Management activities	1,218	974
Changes in value (portfolio of investment properties)	5,252	3,831
Contribution from Property Management	6,470	4,805
Profit from Property Management activities	28	18
Changes in value (profit from Property Development)	2,301	2,264
Contribution from Property Development	2,329	2,282
Realised changes in value	285	0
Contribution from Transactions	285	0
Total contribution from the operation	9,084	7,087

SEK 159m

Net lettings Jan–Dec

¹ The comparison figures for income and expense items relate to values for the January–December 2017 period and for balance sheet items at 31 December 2017.

Financing

Fabege employs long-term credit facilities subject to fixed terms and conditions. The company's creditors mainly comprise the major Nordic banks and investors on the capital market.

In February, Fabege received an external credit rating from Moody's, which gave an investment grade rating of Baa3, stable outlook. Reactions were extremely positive and produced an immediate price effect on the capital market. Moody's also carried out an evaluation of one of the bonds in the green MTN programme, which obtained the highest rating of GB1 (excellent).

Demand for Fabege's green bonds has remained persistently high. In May, the green MTN programme was increased from SEK 5,000m to SEK 8,000m, and at the beginning of the autumn several issues were carried out with maturities of up to seven years. The company is striving for a balance between different forms of financing on both the capital and banking markets, with long-term relationships with the major financiers having high priority. This approach was further cemented during the period of instability that characterised the bond market at the end of the year.

Fabege is continuing to work hard to increase the proportion of green financing. The company acquired an additional green source of financing in December, with the conclusion of a new green loan agreement of SEK 1.6bn with Brunswick Real Estate. The loan extends for just over nine years and will be paid out during Q1 2019.

The proportion of outstanding commercial paper declined slightly in the fourth quarter as well, as part of our efforts to extend the maturity of the debt portfolio. The company has available credit facilities covering all outstanding commercial paper at any given time.

In the last quarter of the year, fixed-interest periods for a further SEK 1,200bn were agreed in the form of interest rate swaps with maturities of between five and ten years. At year-end, Fabege's derivatives portfolio comprised interest rate swaps totalling SEK 12,400m with terms of maturity extending through 2028 and carrying fixed interest at annual rates of between 0.24 and 2.08 per cent before margins.

Net financial items included other financial expenses of SEK 49m, mainly pertaining to accrued opening charges for credit agreements and costs relating to bond and commercial paper programmes. During the year, interest totalling SEK 43m (58) relating to project properties was capitalised.

FINANCING, 31/12/2018

	31/12/2018	31/12/2017
Interest-bearing liabilities, SEKm	26,275	24,841
of which outstanding MTN, SEKm	6,000	2,700
of which outstanding SFF, SEKm	2,511	3,068
of which outstanding certificates, SEKm	2,510	5,000
Unutilized facilities, SEKm	4,529	2,718
Green financing	60	47
Capital maturity, year	5.0	4.0
Fixed-rate period, year	3.6	2.5
Fixed-rate, share of the portfolio, %	54	54
Derivative market value, SEKm	-132	-291
Average interest, %	1.65	2.20
Loan-to-value, %	39	43

INTEREST RATE MATURITY STRUCTURE, 31/12/2018

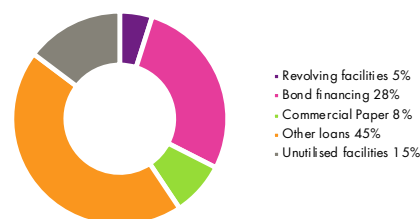
	Amount SEKm	Average interest rate, %	Share, %
< 1 year	12,365	2.23	47
1-2 years	760	0.47	3
2-3 years	0	0.00	0
3-4 years	300	0.47	1
4-5 years	2,150	0.96	8
5-6 years	2,100	0.72	8
6-7 years	2,200	0.92	8
7-8 years	2,200	0.97	8
8-9 years	2,100	1.16	8
9-10 years	2,100	1.22	8
Total	26,275	1.55	100

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

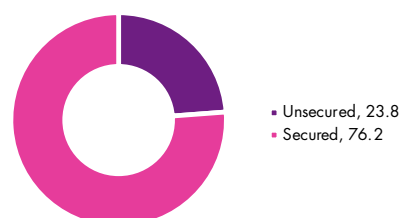
LOAN MATURITY STRUCTURE, 31/12/2018

	Credit agreement SEKm	Drawn, SEKm
Commercial paper programme	5,000	2,510
< 1 year	1,456	843
1-2 years	6,761	4,461
2-3 years	4,400	2,400
3-4 years	6,700	6,200
4-5 years	2,000	2,000
5-10 years	8,234	6,608
10-15 years	0	0
15-20 years	0	0
20-25 years	1,253	1,253
Total	35,804	26,275

BREAKDOWN OF SOURCES OF FUNDING, 31/12/2018



PLEDGED ASSETS, 31/12/2018



Tax

Tax on profit for the year amounted to SEK -1,404m (-1,719). The amount includes resolution of deferred tax in the amount of SEK 164m (0) in connection with property sales. Tax was calculated at a rate of 22 per cent on taxable earnings. As a result of the decision on changes to corporate taxation, the deferred tax liability has been recalculated at the new tax rate of 20.6 per cent. The valuation of the loss carryforwards that are expected to be utilised between 2019 and 2020 has been calculated based on the current tax rate for these years of 21.4 per cent. Overall, there was a positive non-recurring accounting effect of SEK 455m when the deferred tax liability was measured at the new tax rate.

Changes to tax legislation

Changes to corporate taxation

In June, the government decided to approve the proposal on changes to corporate taxation. To summarise, the decision involves limiting the deductibility of net interest expense to 30 per cent of EBITDA. Furthermore, the corporation tax rate will be reduced in two stages from the current level of 22 per cent, to 21.4 per cent as of 2019 and 20.6 per cent as of 2021. When calculating interest deductions, any offsetting against loss carryforwards shall be taken into consideration. The new rules apply as of 1 January 2019. Fabège is of the opinion that the new rules are unlikely to have any material impact on the tax calculation for 2019, provided net interest items can be efficiently distributed across the Group. However, rising market rates will increase the negative effect (assuming cash flow remains generally the same).

Packaging inquiry

No new information has been communicated on this matter since the previously announced proposal on changes to taxation of property transactions, the 'packaging inquiry'. The consultation period for the proposal expired in September 2017.

Financial position and net asset value

Shareholders' equity amounted to SEK 34,964m (28,011) at the end of the period and the equity/assets ratio was 51 per cent (47). Equity per share attributable to Parent Company shareholders totalled SEK 106 (85), based on the number of shares after the split. EPRA NAV was SEK 125 per share (101) and EPRA NNNNAV amounted to SEK 120 per share (97).

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 1,194m (992). Changes in working capital had an impact on cash flow of SEK -271m (-209). Investing activities had an impact of SEK -1,804m (-2,697) on cash flow, while financing activities had a positive impact of SEK 547m (2,201) on cash flow. In investing activities, cash flow was driven by property transactions and projects. Overall, cash and cash equivalents changed by SEK -334m (287) during the period.

Tougher operational targets

In the second quarter, Fabège decided to raise two of its key operational targets:

- The return on projects shall be at least 50 per cent.
- The investment volume shall amount to at least SEK 2,500m per year.

Financial targets

Fabège's Board of Directors has decided on the following financial targets for the business.

- Loan-to-value ratio of max. 50 per cent.
- Interest coverage ratio of at least 2.2.
- The long-term debt ratio will amount to a maximum of 13.0.
- Equity/assets ratio of min. 35 per cent.

SEK 125/share

EPRA NAV 31 Dec 2018

Sweden's first zero-energy hotel

Fabège is building Sweden's first zero-energy hotel in Arenastaden. Some 21 geothermal energy boreholes along with a total of almost 2,500 sqm of solar panels on the facade and roof will produce more energy than the property will consume.

The hotel will be part of Nordic Choice Hotel's Comfort Hotel chain, with 336 rooms and 88 long-stay apartments, and will be home to Nordic Choice Hotel's Swedish headquarters. The project is expected to be completed in the first quarter of 2021.



Operations Jan–Dec 2018¹

Stockholm's office rental market during the year was characterised by low vacancies and rising rent levels. Property values increased, fuelled primarily by project development and higher rent levels for new and renegotiated leases.

Property portfolio and property management

Fabege's Property Management and Property Development activities are concentrated on a few selected submarkets in and around Stockholm: Stockholm inner city, Solna and Hammarby Sjöstad. On 31 December 2018, Fabege owned 89 properties with a total rental value of SEK 3.0bn, lettable floor space of 1.3m sqm and a carrying amount of SEK 67.6bn, of which development and project properties accounted for SEK 7.1bn. The financial occupancy rate for the entire portfolio, including project properties, was 94 per cent (94). The occupancy rate in the investment property portfolio was 95 per cent (94).

During the year, 175 new leases were signed at a total rental value of SEK 350m (389), of which 96 per cent pertained to green leases. Lease terminations totalled SEK 191m (145), while net lettings amounted to SEK 159m (244). Rental contracts totalling just over SEK 200m were renegotiated, with an average rise in rental value of a little over 29 per cent, reflecting the persistently strong trend on the rental market during the year. The retention rate during the period was 77 per cent (84).

Changes in the property portfolio

Four properties were sold during the year for a combined purchase consideration of SEK 1,697m. As a consequence of new accounting policies, which mean that divested properties are not recognised until they are vacated, realised changes in value rarely arise as any deviation from the most recent valuation is recognised as an unrealised change in value. The transactions generated a recognised unrealised change in value totalling SEK 132m. Realised changes in value amounted to SEK 153m (0) and related mainly to payment of an additional consideration and the reversal of a rental guarantee concerning a previously sold property. Three properties were acquired, all in Flemingsberg, for a total purchase consideration of SEK 750m.

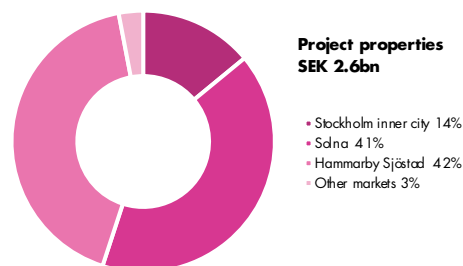
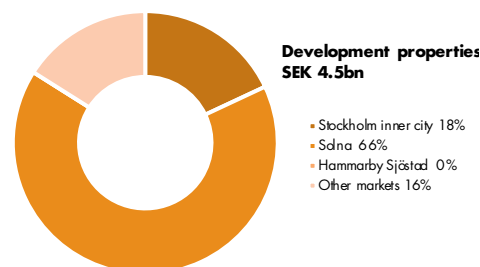
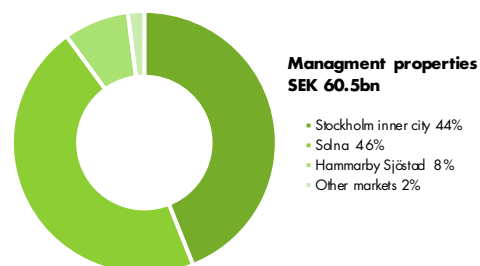
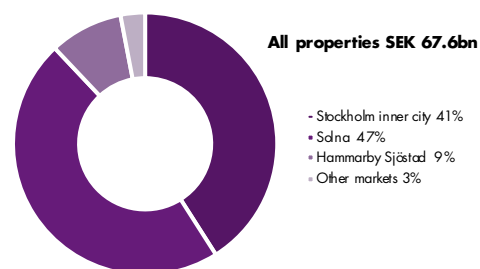
Changes in value of properties

The entire property portfolio is externally valued at least once annually. Roughly 46 per cent of the portfolio was independently valued just before year-end and the rest of the portfolio was internally valued based on the most recent independent valuations. The total market value at the end of the period was SEK 67.6bn (57.9).

Unrealised changes in value totalled SEK 7,685m (6,095). The average yield requirement saw a slight decline to 4.13 per cent (4.36). The change in value in the investment property portfolio of SEK 5,252m (3,831) was principally due to higher rent levels and somewhat lower yield requirements. The project portfolio contributed a change in value of SEK 2,301m (1,569), mainly due to development gains in major project properties. The total figure included SEK 132m relating to unrealised changes in value in divested property.

BREAKDOWN OF MARKET VALUE

31 December 2018



¹ The comparison figures for income and expense items relate to values for the January–December 2017 period and for balance sheet items at 31 December 2017.

Environmental certification of properties

Fabege's objective is for the company's entire property portfolio to be certified to BREEAM-SE/BREEAM In-Use standard. Fabege's new builds are certified in accordance with BREEAM-SE, with the minimum level of Very Good. This year, certification efforts have been stepped up. Of Fabege's 89 properties, 56 were certified by the end of the period or in the process. Overall, this represents 82 per cent of the combined area of Fabege's existing portfolio. The properties that have not yet begun certification relate to land and development properties for future project development.

Green leases

A green lease means that both parties agree on a joint environmental agenda for the premises. Choice of materials, renewable electricity, flexible building design and sorting of waste at source are examples of commitments under this kind of lease. Green leases are an important basis for environmental certification of the building. Fabege's aim is for green leases to account for at least 75 per cent of total newly signed lettable space. During the period, the proportion totalled 90 per cent based on lettable space and 96 per cent based on annual rental value. Green leases account for 71 per cent of the total office space within Fabege.

Green financing

In 2016, Fabege launched the world's first green MTN programme. Green financing offers Fabege better conditions on the capital market and access to more financing alternatives. All Fabege's Swedish bank financiers are providing opportunities for green financing, as are the capital market and European Investment Bank. The aim is for 100 per cent of the company's financing to be green. The proportion of green financing totalled 60 per cent of outstanding credits at the end of the period.

Focus on health

Employees who are fit and well are more committed and have more energy to look after our customers, which is why here at Fabege we have a broad and long-term focus on health. This manifests itself partly in spreading knowledge within a broad spectrum of issues covering everything from diet and exercise to sleep and relationships, and partly via collective physical training sessions paired with time for recovery. We want our employees to have a fantastic work environment and to have time and energy for life outside of work. It leads to good performances.

Energy performance

In 2014, Fabege set the target of reducing energy consumption by a further 20 per cent from an already low level by the year 2020. Our energy strategy includes key areas such as recycling cooling from server rooms, building envelope efficiency measures, improved heat recycling in ventilation and customising energy use to tenants' needs using digitalisation. Despite this, we have seen an increase this year due to the extremely hot summer. The increase is entirely attributable to a greater need for cooling.

SUSTAINABILITY PERFORMANCE MEASURES

	2018	2017
	Jan-Dec	Jan-Dec
Energy performance, KWh/sqm LOA	108	110
Environmental certification, number of properties	56	36
Environmental certification, of total area, %	82	61
Green lease, share of newly signed area, %	90	96
Green lease, share of total office space	71	55
Green financing, %	60	47

Green financing 60 per cent

Heating from 800,000 cubic metres of rock

Tidningshuset, more commonly known as the DN Skyscraper, is heated and cooled using ultramodern geothermal storage with a volume corresponding to 1.3 Globen buildings. In summer, 38-degree Celsius water is pumped down into the bedrock, which is heated up. When colder days arrive, the heat is brought back up.

Fabege has drilled a total of 85 holes with a depth of 300 metres. There are a total of 25 kilometres of hosepipe containing warm liquid underneath the property. The total saving is around 2,000 MWh per year, which corresponds to what is required to heat almost 300 houses.

Fabege aims to be the industry leader in energy efficiency and sustainable office properties. One of many sustainability goals is to further reduce energy consumption and for total energy consumption to be 50 per cent lower than the Swedish national average for premises in 2014 by 2020 at the latest.



Projects and investments

The purpose of Fabege's project investments is to reduce vacancy rates and increase rents in the property portfolio, thereby improving cash flows and adding value. Property development is a key feature of Fabege's business model and should make a significant contribution to consolidated profit. Our new target is to achieve a return on invested capital of at least 50 per cent. Another aim is to have all new builds certified under BREEAM-SE.

During the period, investments in existing properties and projects totalled SEK 2,963m (2,778), of which investments in projects and development properties accounted for SEK 2,359m (2,193). The return on capital invested in the project portfolio was 98 per cent.

The capital invested in the investment property portfolio, which amounted to SEK 604m (585) and encompassed energy investments and tenant customisations, also contributed to the total growth in value.

Completed projects

March saw the completion of the new construction of Pyramiden 4, Arenastaden, and SEB moved in during the final stage in April. The property was transferred to the investment property portfolio at the end of the first quarter. In August, the school and pre-school at Lagern 4 were completed. The property was sold, with transfer of ownership scheduled for December. In the fourth quarter, the projects relating to Hörnan 1, Pelaren 1, Orgeln 7 and Signalen 3 were completed. All of them are fully let, with the exception of Orgeln 7, which has a small shop vacancy. All completed project properties have been transferred to the investment property portfolio.

Major ongoing projects

Work is continuing on the project relating to the conversion and extension of Trikäfabriken 9 in Hammarby Sjöstad. The wood frame is now complete and work is under way on the interior. The investment is estimated at SEK 462m. The occupancy rate is 76 per cent. The property is expected to be ready for occupancy during the spring of 2019.

Construction of the office building at Båtturen 2 in Hammarby Sjöstad is progressing according to schedule. Work is currently being carried out on the interior, including painting, installations, etc. The investment is estimated at SEK 186m. The property is fully let to Goodbye Kansas, with occupancy scheduled for June 2019.

The redevelopment project relating to part of Paradiset 23, Västra Kungsholmen, is continuing. Now that the demolition has been completed, work is under way on installations. The investment is estimated at SEK 239m. The property will be completed ready for occupancy in the first quarter of 2020. The occupancy rate is 39 per cent.

During the summer, a decision was made regarding the redevelopment of Fortet 2. The redevelopment project relates to adaptations for a hotel, long-stay accommodation, co-working hub and restaurant. The investment is estimated at SEK 120m. The property is fully let to KOM Hotell, which is owned by KFUM Central. Project planning work is under way.

Planning and groundwork has begun on the investment concerning Bilias new facility at the Stora Frösunda 2 property in Solna. The turnkey contractor has been procured. The investment is expected to amount to roughly SEK 1,270m and the facility will be ready by the first quarter of 2021. The investment also extends to some costs relating to foundation work for the planned residential areas at the property.

In the second quarter, a decision was made to invest in the construction of a hotel, long-stay accommodation and offices at the Nationalarenan 3 property in Solna. The total investment is estimated to be SEK 700m. The increase in the investment is largely due to an additional acquisition of land. The property is now fully let to Nordic Choice Hotels and is expected to be ready for occupancy in Q1 2021. The project has begun with initial ground and foundation work.

In the fourth quarter of 2017, a decision was made regarding an investment relating to the forthcoming redevelopment of Fräsaren 12 in Solna Business Park for tenant customisation for Skolverket, with occupancy scheduled for Q4 2019. The investment is estimated at SEK 170m. The project will begin once ICA has vacated the premises in January 2019.

CHANGES IN PROPERTY VALUES 2018

Changes in property value	2018
Opening fair value 2018-01-01	57,889
Property acquisitions	751
Investments in new builds, extensions and conversions	2,963
Changes in value	7,685
Sales and disposals	-1,654
Closing fair value 2018-12-31	67,634

TOTAL INVESTMENTS 2018

Changes in property value	2018 Jan-Dec
Opening fair value 2018-01-01	2,359
Property acquisitions	604
Closing fair value 2018-12-31	2,963

AVERAGE YIELD REQUIREMENT

PER AREA 2018

Area	Average yield, %
Stockholm city	3.89
Solna	4.29
Hammarby Sjöstad	4.50
Other	4.00
Average yield	4.13

SALES OF PROPERTIES 2018

Property name	Area	Category	Lettable area, sqm
Quarter 1			
Uarda 6	Arenastaden	Office	17,139
Quarter 2			
Resedan 3	Vasastan	Office	3,480
Quarter 3			
Lagern 4	Råsunda	Office	5,100
Quarter 4			
Skeppshandeln 2	Hammarby Sjöstad	Land	0
Total sales of properties			25,719

PROPERTY ACQUISITIONS JAN-DEC 2018

Property name	Area	Category	Lettable area, sqm
Quarter 4			
Batteriet 3	Flemingsberg	Industry	800
Batteriet 4	Flemingsberg		0
Regulatorn 1	Flemingsberg	Industry/Office	24,709
Total acquisitions of properties			25,509

Housing developments in joint ventures

Via co-owned Selfoss Invest AB, Fabege and Svenska Hyreshus AB are leading a housing development project in Kista. The total investment is estimated to be SEK 450m excluding purchase of the land. Planning work is currently under way on a parking area and residential units as part of stage 1, including 69 apartments. The selling rate in stage 1 amounts to 71 per cent. Stages 2 and 3 include a total of a further 207 apartments. Sales and production start for stage 2 are expected to take place in late autumn. The project is being externally financed with a construction loan. Income recognition will not occur until the end of the project.

In August, a decision was made regarding the development of the Lagern 3 property in Råsunda into tenant-owner apartments. The project will be managed together with TB-gruppen in a 50/50 per cent co-owned company. The property, which is owned by Fabege, will be sold to the co-owned development company in the spring. The investment is estimated to be SEK 240m excluding purchase of the land.

Furthermore, a decision has been taken to develop a housing project in cooperation with Brabo at the Stora Frösunda property in Haga Norra. The project includes 422 apartments that will be produced in a 3D allotment above the facility that Fabege is building for Bilja at the property. The project is currently in the planning phase.

The current JV projects are not being consolidated, but will be recognised as an associated company in accordance with the equity method.

98%

Return Projects

ONGOING PROJECTS >SEK 50M

31 December 2018

Property listing	Property type	Area	Completed	Lettable area, sqm	Occupancy rate, area, % ¹	Carrying amount, SEKm	Estimated investment, SEKm	Net value, worked up, SEKm
Trikåfabriken 9	Offices	Hammarby Sjöstad	Q2-2019	16,300	76%	55	763	462
Båtturen 2 (del av)	Offices	Hammarby Sjöstad	Q2-2019	5,200	100%	18	265	186
Paradiset 23 (del av)	Offices	Stadshagen	Q1-2020	7,200	39%	29	264	239
Fortet 2	Hotell	Arenastaden	Q1-2020	7,533	100%	20	210	120
Stora Frösunda (del av)	Offices	Arenastaden	Q1-2021	44,400	100%	60	35	1,270
Nationalarenan 3	Offices	Arenastaden	Q1-2021	19,100	100%	55	222	700
Total				99,733	92%	237	1,759	2,977
Other land and project properties						915		
Other development properties						4,421		
Total projects, land and development properties						7,095		

¹ Operational occupancy rate 31 december 2018.

² Rental value including additions. The annual rent for the largest projects in progress could increase to SEK 226m (fully let) from SEK 0m in annualised current rent as of 31 December 2018.

³ In leaseable area for the property Stora Frösunda 2 (part of) there are approximately 28,800 sqm garage space

DEVELOPMENT RIGHTS

31 December 2018

Commercial, sqm		Residential, sqm	
Inner city	41,000	Inner city	19,000
Solna	247,000	Solna	251,000
Hammarby Sjöstad	43,000	Hammarby Sjöstad	-
Others	97,000	Others	-
Total	428,000	Total	270,000
Legal binding, %	44	Legal binding, %	44
Booked value, SEK/sqm	3,400	Booked value, SEK/sqm	8,000

Space and carrying amount relates to additional development rights space. Development will in some cases require demolition of existing areas, which will impact the overall calculation. The volumes are not maximised. Ongoing planning work aims to increase the volume of future development rights.

Flemingsberg is not included, as work is under way on the vision and overall plan. The conclusion is that Flemingsberg will bring a substantial volume of development rights at low initial values.

PROPERTY PORTFOLIO

31 December 2018

Property holdings	No. of properties	Lettable area, '000 sqm	Market value SEKm	Rental value ²	Financial occupancy rate %
Investment properties ¹	64	1,112	60,538	2,829	95
Development properties ¹	10	128	4,456	131	83
Land and Project properties ¹	15	12	2,640	0	0
Total	89	1,252	67,634	2,960	94
Of which, Inner city	28	390	27,876	1,196	94
Of which, Solna	45	711	31,889	1,432	95
Of which, Hammarby Sjöstad	10	105	5,838	248	85
Of which, Other	6	46	2,031	84	0
Total	89	1,252	67,634	2,960	94

¹ See definitions on page 21.

² In the rental value, time limited deductions of about SEK 162m (in rolling annual rental value at 30 June) have not been deducted.

SEGMENT REPORTING IN SUMMARY¹

	2018 Jan-Dec	2018 Jan-Dec	2018 Jan-Dec	2018 Jan-Dec	2017 Jan-Dec	2017 Jan-Dec	2017 Jan-Dec	2017 Jan-Dec
SEKm	Property Management	Property Development	Transaction	Total	Property Management	Property Development	Transaction	Total
Rental income	2,306	211		2,517	2,014	266		2,280
Property expenses	-553	-89		-642	-477	-123		-600
Net operating income	1,753	122	0	1,875	1,537	143	0	1,680
Surplus ratio, %	76%	58%		74%	76%	54%		74%
Central administration	-67	-13		-80	-58	-16		-74
Net interest expense	-407	-78		-485	-400	-109		-509
Share in profits of associated companies	-61	-3		-64	-105	0		-105
Profit from property management activities	1,218	28	0	1,246	974	18	0	992
Realised changes in value of properties	0	0	153	153	0	0		0
Unrealised changes in value of properties	5,252	2,301	132	7,685	3,831	2,264		6,095
Profit/loss before tax per segment	6,470	2,329	285	9,084	4,805	2,282	0	7,087
Changes in value, fixed income derivatives and equities				19				264
Profit before tax				9,103				7,351
Properties, market value	60,538	7,096		67,634	44,906	12,983		57,889
Occupancy rate, %	95%	83%		94%	94%	91%		94%

¹ See definitions on page 21

Reclassifications during the period between the Property Management and Property Development segments are stated in the note on Segment Reporting on page 18

In accordance with IFRS 8, segments are presented from the point of view of management, divided into the following segments: Property Management, Property Development and Transactions. 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 are allocated to each segment based on the period of time that the property belonged to each segment. Central administration and items in net financial expense 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). Property assets are directly attributed to each segment and recognised on the balance sheet date.

Fabege invests in Flemingsberg

Fabege has acquired three properties close to the station in Flemingsberg from Vincero Fastigheter AB. The Regulatorn 1, Batteriet 3 and Batteriet 4 properties were taken over on 1 November 2018. Fabege is now working with Huddinge Municipality and other operators to develop a plan for the area and its infrastructure. With its existing and planned infrastructure, the area forms a natural hub in southern Stockholm. The total real estate value of the acquisitions amounts to approximately SEK 750m.

"It is of course extremely exciting that we are up and running with this important project, together with Huddinge Municipality. We need attractive workplaces in south Stockholm, close to where people live, and it makes sense to harness available capacity in existing infrastructure. We hope that the district will create a better balance and boost competitiveness for the entire Stockholm region," says Klaus Hansen Vikström, Vice President and Director of Business Development at Fabege.



Other financial information

SENSITIVITY ANALYSIS – PROPERTY VALUES

Change in value, %	Impact on after		
	tax profit, SEKm	Equity/as-sets ratio, %	Loan-to-value ratio, %
+1	528	51.1%	38.5%
0	0	50.8%	38.8%
-1	-528	50.5%	39.2%

Earnings and key ratios are affected by realised and unrealised changes in the value of properties. The table shows the effect of a 1 percentage point change in value after deferred tax deduction.

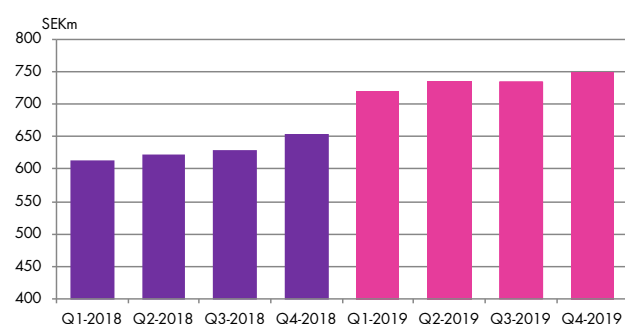
SENSITIVITY ANALYSIS – CASH FLOW AND EARNINGS

	Change Effect, SEKm	
Rental income, total	1%	26.1
Rent level, commercial income	1%	21.0
Financial occupancy rate	1 percentage point	29.7
Property expenses	1%	6.4
Interest expense, rolling 12 months ¹	+/-1 percentage point	69 / 38
Interest expenses, longer term perspective	1 percentage point	262.7

The sensitivity analysis shows the effects on the Group's cash flow and earnings on an annualised basis after taking account of the full effect of each parameter.

¹ In the short term, interest expenses increase regardless of whether the short-term rate rises or falls. Due to interest rate floors in loan agreements, Fabège is not able to fully utilise negative interest rates, whereby a negative outcome arises even when interest rates are reduced.

RENTAL INCOME – GROWTH OVER NEXT FOUR QUARTERS



The graph above shows the development of contracted rental income, including occupancies and vacations that are known about and renegotiations, but excluding letting targets. The graph therefore does not constitute a forecast, but rather aims to demonstrate the rental trend in the existing contract portfolio on the balance sheet date.

Human resources

At the end of the year, 181 people (161) were employed by the Fabège Group.

Parent Company

Sales during the year amounted to SEK 260m (203) and earnings before appropriations and tax were SEK 3,033m (142).

Net investments in property, equipment and shares totalled SEK 0m (2).

LEASE MATURITY STRUCTURE

Maturity, year	No. of leases	Annual value, SEKm	Share, %
2019	716	535 ¹	19%
2020	333	577	26%
2021	242	335	15%
2022	113	233	10%
2023	94	198	9%
2024+	84	759	34%
Commercial	1,582	2,102	93%
Residentials	128	12	1%
Garage and parking	748	135	6%
Total	2,458	2,249	100%

¹ Of which just over SEK 200m has already been renegotiated

LARGEST CUSTOMERS

	Share ¹ , %	Valid to year
SEB	6%	2037
Telia Company	4%	2031
ICA Fastigheter Sverige AB	4%	2030
Skatteverket	4%	2020
Swedbank	2%	2029
Migrationsverket	2%	2028
Hi3G Access AB	2%	2028
Carnegie Investment Bank AB	2%	2019
Telenor AB	1%	2028
Svea Ekonomi AB	1%	2023
Total	28%	

¹Share of contracted rent

Acquisition and transfer of treasury shares

The 2018 AGM renewed the authorisation of the Board to buy back and transfer shares in the company for the period extending up until the next AGM. Share buybacks are subject to a limit of 10 per cent of the total number of shares outstanding at any time. No shares were bought back during the period.

Board of Directors' proposal to the AGM

The Board of Directors will propose the following to the AGM on 2 April 2019:

- Cash dividend of SEK 2.65 per share, a total of SEK 877m.
- To authorise the Board, for the period extending up until the next AGM, to buy back Fabège shares corresponding to a maximum of 10 per cent of the shares outstanding.

Forthcoming changes to Fabège's management

Christian Hermelin, President and CEO since 2007, has informed Fabège's Board of Directors of his decision to leave the company in 2019. In order to ensure a smooth succession, Christian Hermelin has agreed to remain in post as CEO until his successor has joined the company. The Board has initiated the recruitment process. Christian Hermelin has been working for Fabège since 1993.

Events after balance sheet date

The Swedish Tax Agency intends to move to new premises with access at the end of 2021. Fabège's lease agreement with the Tax Agency expires in autumn 2020. The annual rent amounts to just over SEK 100m.

Opportunities and risks

Risks and uncertainties relating to cash flow from operations relate primarily to changes in rents, vacancies and interest rates. The effect of the changes on consolidated profit, including a sensitivity analysis and a more detailed description of risks and opportunities, are presented in the section on Risks and opportunities in the 2017 Annual Report (pages 57–61).

Properties are recognised at fair value and changes in value are recognised in profit or loss. Effects of changes in value on consolidated profit, the equity/assets ratio and the loan-to-value ratio are also presented in the section on Risks and opportunities and the sensitivity analysis in the 2017 Annual Report. Financial risk, defined as the risk of insufficient access to long-term funding through loans, and Fabège's management of this risk are also described in the Risks and opportunities section of the 2017 Annual Report (pages 57–61).

No material changes in the company's assessment of risks have arisen following publication of the 2017 Annual Report. Fabège's aims for the capital structure are to have an equity/assets ratio of at least 35 per cent and an interest coverage ratio of at least 2.2. The target for the loan-to-value ratio is a maximum of 50 per cent. The long-term debt ratio will amount to a maximum of 13.

Seasonal variations

Expenses for the running and maintenance of properties are subject to seasonal variations. For example, cold and snowy winters give rise to higher costs for heating and snow clearance, while hot summers result in higher cooling costs. Activity in the rental market is seasonal. Normally, more business transactions are completed in the second and fourth quarters, whereby net lettings in these quarters are often higher.

Market outlook

The Stockholm market is robust and Fabège is well equipped to harness the opportunities that exist and to cope with any challenges. Although an economic slowdown is fast approaching, we can see that Stockholm will continue to grow for the foreseeable future. Given prevailing market conditions and Fabège's attractive property and project portfolio, circumstances are favourable for a continued positive trend in 2019. More completed projects will increase rental volumes which, combined with continued operational efficiency and low interest expense, is expected to boost profit from property management. Our attractive development rights in prime locations allow us the opportunity for continued successful, value-generating project development.

Accounting policies

Fabège prepares its consolidated financial statements according to International Financial Reporting Standards (IFRS). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

Disclosures in accordance with IAS 34 Interim Financial Reporting are submitted both in the notes and in other sections of the interim report.

The Group applies the same accounting policies and valuation methods as in the latest annual report, with the exception of what is stated below regarding IFRS 9 and IFRS 15. New or revised IFRS standards or other IFRIC -interpretations that came into effect after 1 January 2018 have not had any material impact on consolidated financial statements. The Parent Company prepares its financial statements according to RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act, and applies the same accounting policies and valuation methods as in the latest annual report.

New accounting policies that enter into force from 1 January 2018 onwards

IFRS 15 Revenue from Contracts with Customers

The transition to IFRS 15 will be applied from 2018 and means that recognition of revenue from contracts with customers, i.e. service income such as on-charging of heating, electricity, etc., must be separated from rental income (including on-charging of property tax) and service income, such as on-charging of heating, electricity, etc. Fabège's income consists predominantly of rental income, which means there is no division between rental income and service income.

As a rule, IFRS 15 states that property transactions should be recognised on the date that ownership is transferred. This is different to the procedure under previous accounting policies, in which such transactions were normally recognised on the contract date.

IFRS 9 Financial instruments

IFRS 9 replaces IAS 39 on 1 January 2018. The standard introduces new principles for the classification of financial assets, for hedge accounting and for credit reserves. The single largest item within the framework of IFRS 9 concerns derivatives that continue to be recognised at fair value through profit or loss. IFRS 9 also means that the principles for credit loss provisioning should be based on an estimation of expected losses. Since the credit losses are minimal, the transition has not had any material impact on Fabège's financial reporting.

IFRS 16 Leases

This standard replaces IAS 17 and is applied from 1 January 2019, and it means among other things that lessees must record leases in the balance sheet. Fabège will not apply the standard retroactively. The change is not expected to impact Fabège's reporting as a landlord and lessor. Otherwise, Fabège has concluded that the standard will not have any material impact on the Group's earnings, position and cash flow. Of the Group's leases, management of ground rents is of the greatest significance. At 1 January 2019, the lease liability for ground rents amounts to SEK 942m. A corresponding right-of-use asset is included in the balance sheet. The cost of ground rents will be recognised as a financial expense. Earnings from property management are therefore not affected. The ground rent will be restored as an operating expense in the calculation of the surplus ratio and interest coverage ratio, as with previous accounts. The accounting will have a negligible impact on key ratios such as the equity/assets ratio. The cost of ground rents is expected to amount to SEK 28m for 2019.

No other new and amended standards approved by the EU and interpretative statements from IFRS Interpretations Committee are deemed to impact the Group's financial position to any significant extent.

Stockholm, 5 February 2019



CHRISTIAN HERMELIN
Chief Executive Officer

This year-end report has not been examined by the company's auditors.

The Fabege share

Fabège's shares are listed on the Nasdaq Stockholm and included in the Large-Cap segment.

Owners

Fabège had a total of 38,355 known shareholders at 31 December 2018. The 15 largest owners controlled 45.8 per cent of the total number of shares and votes.

Dividend policy

Fabège will issue as a dividend to its shareholders the portion of the company's profit that is not required to consolidate or develop operations. Under current market conditions, this means that the dividend is expected to sustainably account for at least 50 per cent of profit from continuous property management and realised gains from the sale of properties after tax.

Number of shares

At the AGM on 9 April 2018, a decision was made to carry out a 2:1 share split. The share split meant that the number of shares in Fabège AB (publ) increased from 165,391,572 to 330,783,144. The new shares were registered in the shareholders' accounts on 30 April 2018.

OWNER DISTRIBUTION, 31/12/2018

31/12/2018	Number of shares*	Proportion of equity, %	Proportion of votes, %
Erik Paulsson with family, privately and company	51,021,650	15.4	15.4
BlackRock	14,658,395	4.4	4.4
Fourth AP-fund	12,251,003	3.7	3.7
Länsförsäkringar Funds	12,016,856	3.6	3.6
Vanguard	8,845,684	2.7	2.7
Investment AB Öresund	8,400,000	2.5	2.5
Mats Qviberg with family	7,495,736	2.3	2.3
E.N.A City AB	6,120,000	1.9	1.9
AMF Insurance & Funds	6,033,101	1.8	1.8
Handelsbanken Funds	5,754,962	1.7	1.7
TR Property Investment Trust	3,969,343	1.2	1.2
Norges Bank	3,894,875	1.2	1.2
Pensionskassan SHB Försäkringsförening	3,840,000	1.2	1.2
Swedbank Robur Funds	3,785,064	1.1	1.1
CBRE Clarion Securities	3,774,993	1.1	1.1
Total 15 largest shareholders	151,861,662	45.8	45.8
Other	178,921,482	54.2	54.2
Total no. of shares outstanding	330,783,144	100.0	100.0
Treasury shares	0	0	0
Total no. of registered shares	330,783,144	100.0	100.0

* The verification date may vary for foreign shareholders

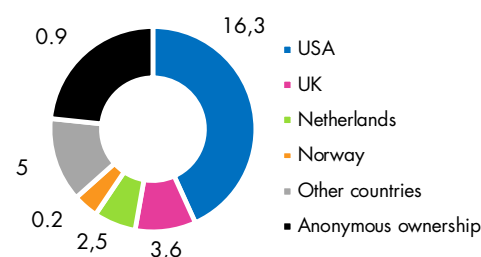
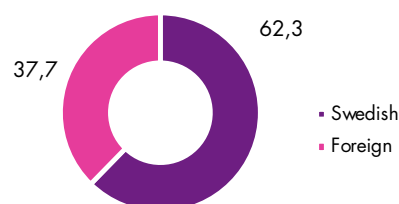
TURNOVER AND TRADING, OCT-DEC 2018

	Fabège	Large Cap Nasdaq Stockholm (average)
Lowest price, SEK	108.60	-
Highest price, SEK	128.70	-
VWAP, SEK	117	-
Average daily turnover, SEK	86,260,686	134,215,859
Number of traded shares, no	737,196	-
Average number of transactions, no	2,484	2,538
Number of transactions, no	154,008	20,035,244
Average value per transaction, SEK	34,727	40,328
Daily turnover relative to market capitalization	0.22	0.27

Source of share statistics: Holdings av Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen).

DISTRIBUTION OF OWNERSHIP, 31 DECEMBER 2018

	Number of shares	Capital & votes, %
Foreign institutional owners	94,541,548	28.6
Swedish institutional owners	86,497,331	26.1
Other owners	72,900,515	22.0
Swedish private individuals	47,776,973	14.4
Anonymous ownership	29,066,777	8.8
Total	330,783,144	100



CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

SEKm	2018 Oct-Dec	2017 Oct-Dec	2018 jan-dec	2017 Jan-Dec
Rental income ¹	653	592	2,517	2,280
Property expenses	-167	-142	-642	-600
Net operating income	486	450	1,875	1,680
Surplus ratio, %	74%	76%	74%	74%
Central administration	-20	-21	-80	-74
Net interest/expense	-114	-126	-485	-509
Share in profits of associated companies	-1	-24	-64	-105
Profit/loss from property management	351	279	1,246	992
Realised changes in value of properties	65	0	153	0
Unrealised changes in value of properties	1,560	1,643	7,685	6,095
Unrealised changes in value, fixed income derivatives ²	-125	41	16	268
Changes in value of shares	-1	0	3	-4
Profit/loss before tax	1,850	1,962	9,103	7,351
Current tax	-6	-1	-5	-1
Deferred tax	-412	-531	-1,399	-1,718
Profit/loss for period/year	1,432	1,430	7,699	5,632
Items that will not be restated in profit or loss				
Revaluation of defined-benefit pensions	-2	-15	-2	-15
Comprehensive income for the period/year	1,430	1,415	7,697	5,617
Total comprehensive income attributable to:				
Parent company shareholders	1,430	1,415	7,697	5,617
Non-controlling interest	-	-	-	-
Earnings per share, SEK ³	4:33	4:33	23:28	17:03
Total earnings per share, SEK ³	4:32	4:33	23:27	16:98
No. of shares at period end, millions	330,783	330,783	330,783	330,783
Average no. of shares, thousands	330,783	330,783	330,783	330,783

¹ Additional payment, service and other income amounts to SEK 181m, corresponding to 5% of total rental income for the period January - December 2018.

² Of which SEK 143m are realised changes in value

³ Conversion per share has been made with regard to split 2: 1, according to the Annual General Meeting of 9 April 2018. No. of shares in previous periods has been recalculated accordingly.

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

SEKm	2018 Dec 31	2017 Dec 31
Assets		
Properties	67,634	57,889
Other tangible fixed assets	3	4
Financial fixed assets	429	342
Current assets	622	647
Short-term investments	127	153
Cash and cash equivalents	15	349
Total assets	68,830	59,384
Equity and liabilities		
Shareholder's equity	34,964	28,011
Deferred tax	6,381	4,988
Other provisions	166	234
Interest-bearing liabilities ¹	26,275	24,841
Derivative instrument	132	291
Non-interest-bearing liabilities	912	1,019
Total equity and liabilities	68,830	59,384

¹ Of which short-term SEK 3,241m (7,817)

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

SEKm	Shareholders' equity	Of which, attributable to Parent Company shareholders	Of which attributable to non-controlling interest
Shareholders' equity, 1 January 2016, according to adopted Statement of financial position	23,001	23,001	-
Cash dividend	-662	-662	-
Acquired minority interest	55		55
Profit for the period	5,632	5,632	0
Other comprehensive income	-15	-15	-
Shareholders' equity, 31 December 2016	28,011	27,956	55
Cash dividend	-744	-744	-
Profit for the period	7,699	7,702	-3
Other comprehensive income	-2	-2	-
Shareholders' equity, 31 December 2018	34,964	34,912	52

CONSOLIDATED STATEMENT OF CASH FLOWS

SEKm	2018 Jan-Dec	2017 Jan-Dec
Operations		
Net operating income	1,875	1,680
Central administration	-80	-74
Reversal of depreciation	0	1
Interest received	12	9
Interest paid	-608	-624
Income tax paid	-5	0
Cash flow before changes in working capital	1,194	992
Change in working capital		
Change in current receivables	-98	40
Change in current liabilities	-173	-249
Total change in working capital	-271	-209
Cash flow from operating activities	923	783
Investing activities		
Investments in new-builds, extensions and conversions	-2,911	-2,676
Acquisition of properties	-751	-1,314
Divestment of properties	1,930	1,439
Other tangible fixed assets	-72	-146
Cash flow from investing activities	-1,804	-2,697
Financing activities		
Dividend to shareholders	-744	-662
Change in interest bearing liabilities	1,434	2,863
Realised changes in value, fixed income derivatives	-143	0
Cash flow from financing activities	547	2,201
Cash flow for the period	-334	287
Cash and cash equivalents at beginning of period	349	62
Cash and cash equivalents at end of period	15	349

CONSOLIDATED KEY FIGURES

Financial ²	2018	2017
	Jan-Dec	Jan-Dec
Return on capital employed, %	16.4	15.8
Return on equity, %	24.5	22.1
Interest coverage ratio, multiple	3.7	3.2
Equity	51	47
Loan-to-value ratio, properties, %	39	43
Debt ratio, multiple	14.6	15.5
Debt/equity ratio, multiple	0.8	0.9
Share related ^{1 2}		
Earnings per share, SEK ³	23:28	17:03
Total earnings per share, SEK	23:27	16:98
Equity per share, SEK	106	85
Cash flow from operating activities per share, SEK	2:95	2:37
Average no. of shares, thousands	330,783	330,783
No. of outstanding shares at end of period, thousands	330,783	330,783
Property related		
No. of properties	89	90
Carrying amount, Properties, SEKm	67,634	57,889
Lettable area, sqm	1,252,000	1,136,000
Financial occupancy rate, %	94	94
Total return on properties, %	16.3	15.0
Surplus ratio, %	74	74

¹ Conversion per share has been made with regard to split 2: 1, according to the Annual General Meeting of 9 April 2018. No. of shares in previous periods has been recalculated accordingly.

² Unless otherwise stated, the key figure is not defined under IFRS. Please see page 21 for definitions

³ Definitions according to IFRS

EPRA KEY RATIOS

	2018	2017
	Jan-Dec	Jan-Dec
EPRA Earnings (income from property mgmt after tax), SEKm	1,130	901
EPRA Earnings (EPS), SEK/share	3.42	2.72
EPRA NAV (long term net asset value, MSEK)	41,477	33,290
EPRA NAV, SEK/share	125	101
EPRA NNNNAV (net asset value), SEKm	39,758	32,046
EPRA NNNNAV, SEK/share	120	97
EPRA Vacancy rate, %	6	6

DERIVATIVES

Derivatives are measured continuously at fair value in compliance with level 2, with the exception of the callable swaps measured in accordance with level 3. All callable swaps expired in 2018. The derivatives portfolio is measured at the present value of future cash flows. Changes in value are recognised in profit or loss. Changes in value are of an accounting nature and have no impact on cash flow. At the due date, the market value of derivative instruments is always zero.

	Group		Parent Company	
	2018	2017	2018	2017
IFRS, level 3, SEKm	Dec 31	Dec 31	Dec 31	Dec 31
Opening value	-66	-218	-66	-218
Acquisitions/Investments	0	0	0	0
Changes in value	66	117	66	117
Matured		35	0	35
Closing value	0	-66	0	-66
Carrying amount	0	-66	0	-66

¹ Is attributable in its entirety to derivative instruments that were held by the company at the beginning of the year and were due during the period.

DEFERRED TAX

Deferred tax attributable to:	2018	2017
	Dec 31	Dec 31
- tax loss carryforwards, SEKm	-908	-1,066
- difference between book value and tax value in respect of properties, SEKm	7,341	6,124
- derivatives, SEKm	-52	-64
- other, SEKm	0	-6
Net debt, deferred tax, SEKm	6,381	4,988

RECONCILIATION OF KEY RATIOS

Details are provided below regarding reconciliation of the financial key ratios that Fabège continually monitors and for which established financial targets are in place. The following financial targets have been adopted by the Board:

- The loan-to-value ratio is not to exceed 50 per cent.
- The equity/assets ratio shall be at least 35 per cent.
- The interest coverage ratio is to be at least 2.2.
- The long-term debt ratio will amount to a maximum of 13.

	2018	2017
Equity/assets ratio	Dec 31	Dec 31
Equity, SEKm	34,964	28,011
Total assets, SEKm	68,830	59,384
Equity/assets ratio	51%	47%

	2018	2017
Loan-to-value ratio, properties	Dec 31	Dec 31
Interest-bearing liabilities, SEKm	26,275	24,841
Booked value properties, SEKm	67,634	57,889
Loan-to-value ratio, properties	39%	43%

	2018	2017
Debt ratio	Dec 31	Dec 31
Operating surplus, SEKm	1,875	1,680
Central administration, SEKm	-80	-74
Total, SEKm	1,795	1,606
Interest-bearing liabilities, SEKm	26,275	24,841
Debt ratio, multiple	14.6	15.5

	2018	2017
Interest coverage ratio, multiple	Dec 31	Dec 31
Net operating income, SEKm	1,875	1,680
Central administration, SEKm	-80	-74
Total, SEKm	1,795	1,606
Net interest/expense, SEKm	-485	-509
Interest coverage ratio, multiple	3.7	3.2

	2018	2017	2018	2017
Return on equity	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Profit for the period, SEKm	1,432	1,430	7,699	5,632
Average shareholders' equity, SEKm	34,248	27,304	31,488	25,507
Return on equity	16.7%	20.9%	24.5%	22.1%

	2018	2017	2018	2017
Total return on properties	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net operating income, SEKm	486	450	1,875	1,680
Unrealized and realized value changes properties, SEKm	1,625	1,643	7,838	6,095
Market value including capital investment during the period, SEKm	65,618	56,248	59,679	51,794
Total return on properties, %	3.2%	3.7%	16.3%	15.0%

	2018	2017
EPRA NAV & EPRA NNAV	Jan-Dec	Jan-Dec
Shareholders' equity, SEKm	34,964	28,011
Reversal of fixed-income derivatives, SEKm	132	291
Reversal of deferred tax according to the balance sheet, SEKm	6,381	4,988
Sum, SEKm	41,477	33,290
Number of shares, millions	330.8	330.8
EPRA NAV, SEK per share	125	101
Deduction of interest rate derivatives	-132	-291
Deduction of actual deferred tax ¹	-1,587	-953
EPRA NNAV (ShortTerm net asset value)	39,758	32,046
EPRA NNAV (ShortTerm net asset value) SEK per share	120	97

¹ Conversion per share has been made with regard to split 2: 1, according to the Annual General Meeting of 9 April 2018. No. of shares in previous periods has been recalculated accordingly.

	2018	2017
EPRA EPS	Jan-Dec	Jan-Dec
Profit from property management, SEKm	1,246	992
Tax-deductable depreciation, SEKm	-721	-580
Sum, SEKm	525	412
Nominal tax (22%), SEKm	116	91
EPRA earnings in total, (Profit from property management minus nominal tax) SEKm	1,131	901
Number of shares, millions	330.8	330.8
EPRA EPS, SEK per share	3:42	2:72

¹ Conversion per share has been made with regard to split 2: 1, according to the Annual General Meeting of 9 April 2018. No. of shares in previous periods has been recalculated accordingly.

	2018	2017
EPRA Vacancy rate	Jan-Dec	Jan-Dec
ERV of vacant space, SEKm	176	153
Rental value, yearly, entire portfolio, SEKm	2,960	2,594
Sum, SEKm	6%	6%

CONTINGENT LIABILITIES

Contingent liabilities comprise the balance sheet date guarantees and commitments in favour of associated companies of SEK 390m (340) and other 0 (0).

SEGMENT REPORTING – CLASSIFICATIONS AND RECLASSIFICATIONS DURING THE PERIOD

The Pyramiden 4 property was reclassified as an investment property at the end of the first quarter. In the second quarter, the Fortet 2 property was reclassified from a development property to a project property. In the fourth quarter, the projects relating to Hörnan 1, Pelaren 1, Orgeln 7 and Signalen 3 were completed. All completed project properties have been transferred to the investment property portfolio.

PARENT COMPANY CONDENSED INCOME STATEMENT

SEKm	2018	2017
	Jan-Dec	Jan-Dec
Income	260	203
Expenses	-346	-257
Net financial items	1,896	-147
Share in profits of associated companies	-4	0
Changes in value, fixed-income derivatives	16	268
Changes in value, equities	3	-4
Group Contribution	1,208	79
Profit before tax	3,033	142
Current tax	0	0
Deferred tax	-237	-32
Profit for the period	2,796	110

PARENT COMPANY CONDENSED BALANCE SHEET

SEKm	2018 Dec 31	2017 Dec 31
Participation in Group companies	12,516	12,516
Other fixed assets	41,092	40,786
<i>of which, receivables from Group companies</i>	40,945	40,402
Current assets	614	84
Cash and cash equivalents	1	347
Total assets	54,223	53,733
Shareholders' equity	12,180	10,129
Provisions	69	68
Long-term liabilities	38,911	36,916
<i>of which, liabilities to Group companies</i>	17,830	21,252
Current liabilities	3,063	6,620
Total equity and liabilities	54,223	53,733

Quarterly overview

CONDENSED INCOME STATEMENT, AMOUNTS IN SEKM

SEKm	2018				2017			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Rental income	653	627	623	614	592	580	562	546
Property expenses	-167	-146	-154	-175	-142	-145	-146	-167
Net operating income	486	481	469	439	450	435	416	379
Surplus ratio	74%	77%	75%	71%	76%	75%	74%	69%
Central administration	-20	-21	-21	-18	-21	-17	-17	-19
Net interest expense	-114	-114	-131	-126	-126	-127	-123	-133
Share in profits of associated companies	-1	-23	-19	-21	-24	-27	-43	-11
Profit/loss from property management	351	323	298	274	279	264	233	216
Realised changes in value of properties	65	0	5	83	0	0	0	0
Unrealised value of properties	1,560	847	2,578	2,700	1,643	2,463	1,156	833
Unrealised changes in value, fixed-income derivatives	-125	103	-2	40	41	71	67	89
Changes in value, equities	-1	4	0	0	-1	0	0	-3
Profit for the period/year	1,850	1,277	2,879	3,097	1,962	2,798	1,456	1,135
Current tax	-6	-1	0	0	0	-1	0	0
Deferred tax	-412	-186	-243	-558	-532	-596	-337	-253
Comprehensive income for the period	1,432	1,090	2,636	2,539	1,430	2,201	1,119	882

CONDENSED FINANCIAL POSITION, AMOUNTS IN SEKM

SEKm	2018				2017			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Assets								
Properties	67,634	65,024	63,391	61,375	57,889	55,509	52,464	50,832
Other tangible fixed assets	3	3	3	3	4	3	2	2
Financial fixed assets	429	409	424	400	342	495	497	360
Current assets	622	549	481	728	647	586	636	647
Short-term investments	127	154	153	153	153	152	142	142
Cash and cash equivalents	15	61	67	0	349	161	19	24
Total assets	68,830	66,200	64,519	62,659	59,384	56,906	53,760	52,007
Equities and liabilities								
Shareholders' equity	34,964	33,532	32,443	30,551	28,012	26,597	24,396	23,277
Deferred tax	6,381	5,991	5,789	5,546	4,988	4,455	3,859	3,521
Other provisions	166	229	229	235	233	216	216	218
Interest-bearing liabilities	26,275	25,435	24,947	25,194	24,841	24,436	23,886	22,548
Derivative instruments	132	39	254	251	291	332	402	470
Non-interest bearing liabilities	912	974	857	882	1,019	870	1,001	1,973
Total equity and liabilities	68,830	66,200	64,519	62,659	59,384	56,906	53,760	52,007

KEY RATIOS

	2018				2017			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Financial¹								
Return on capital employed, %	13.0	9.5	21.3	23.7	16.4	23.1	13.4	11.2
Return on equity, %	16.7	13.2	16.7	34.7	20.9	34.5	18.8	15.2
Interest coverage ratio, multiple ²	4.1	4.0	3.4	3.3	3.4	3.3	3.2	2.7
Equity/assets ratio, %	51	51	50	49	47	47	45	45
Loan-to-value ratio, properties, %	39	39	39	41	43	44	46	44
Debt ratio, multiple	14.6	14.5	14.5	15.1	15.5	15.8	15.8	15.5
Debt/equity ratio, multiple	0.8	0.8	0.8	0.8	0.9	0.9	1.0	1.0
Share-related^{1, 2}								
Earnings per share, SEK ³	4:33	3:29	7:97	7:67	4:32	6:65	3:38	2:67
Total earnings per share, SEK	106	101	98	93	85	80	74	70
Cash flow from operating activities per share, SEK	0:36	1:23	1:62	-0:27	0:45	-3:88	0:12	5:67
No. of shares outstanding at the end of the period, thousands	330,783	330,783	330,783	330,783	330,783	330,783	330,783	330,783
Average no. of shares, thousands	330,783	330,783	330,783	330,783	330,783	330,783	330,783	330,783
Property-related								
Financial occupancy rate, %	94	95	95	94	94	94	94	93
Total return on properties, %	3.2	2.1	4.9	5.5	3.7	5.5	3.1	2.5
Surplus ratio, %	72	77	75	72	76	75	74	69

¹ Conversion per share has been made with regard to split 2: 1, according to the Annual General Meeting of 9 April 2018. No. of shares in previous periods has been recalculated accordingly.

² Unless otherwise stated, the key figure is not defined under IFRS. Please see page 21 for definitions

³ Definitionen according to IFRS.

Definitions

The company presents certain financial performance measures in the interim report that are not defined according to IFRS. The company considers that these measures provide valuable supplementary information for investors and company management, as they enable an assessment and benchmarking of the company's presentation.

Since not all companies calculate financial performance measures in the same way, these are not always comparable to measures used by other companies. These financial performance measures should not therefore be regarded as substitutes for measures defined according to IFRS. The following key ratios are not defined according to IFRS, unless otherwise stated.

RETURN ON EQUITY

Profit for the period/year divided by average shareholders' equity including non-controlling interest. In interim reports, the return is converted into its annualised value without taking account of seasonal variations.

RETURN ON CAPITAL EMPLOYED

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

LOAN-TO-VALUE RATIO, PROPERTIES

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

RETURN, SHARE

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

EQUITY PER SHARE

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

FINANCIAL OCCUPANCY RATE*

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

EPRA EPS

Profit from property management less tax at a nominal rate attributable to profit from property management, divided by average number of shares. Taxable profit from property management is defined as profit from property management less such amounts as tax-deductible depreciation and remodelling.

EPRA NAV

– LONG-TERM NET ASSET VALUE

Shareholders' equity per share following the reversal of fixed-income derivatives and deferred tax according to the balance sheet.

EPRA NNAV

– SHORT-TERM NET ASSET VALUE

Shareholders' equity at the end of the period adjusted for actual deferred tax instead of nominal deferred tax, and the minority's share of the capital divided by the number of shares outstanding at the end of the period.

EPRA VACANCY RATE

Estimated market rent for vacant rents divided by the annual rental value for the entire property portfolio.

INVESTMENT PROPERTIES*

Properties that are being actively managed on an ongoing basis.

DEVELOPMENT PROPERTIES*

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

RENTAL VALUE*

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

CASH FLOW FROM OPERATING ACTIVITIES PER SHARE

Cash flow from operating activities (after changes in working capital) divided by the average number of shares outstanding.

LEASE VALUE*

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

LAND AND PROJECT PROPERTIES*

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

NET LETTINGS*

New lettings during the period less terminations to vacate.

PROFIT/EARNINGS PER SHARE

Parent Company shareholders' share of earnings after tax for the period, divided by average number of shares outstanding during the period. Definition according to IFRS.

INTEREST COVERAGE RATIO

Net operating income less central administration in relation to net interest items (interest expenses less interest income).

DEBT RATIO

Interest-bearing liabilities divided by rolling twelve-month net operating income less central administration.

DEBT/EQUITY RATIO

Interest-bearing liabilities divided by shareholders' equity.

EQUITY/ASSETS RATIO

Shareholders' equity including non-controlling interest divided by total assets.

CAPITAL EMPLOYED

Total assets less non-interest-bearing liabilities, provisions and deferred tax.

TOTAL RETURN PROPERTIES

Net operating income for the period plus unrealised and realised changes in the value of properties, divided by market value at start of period plus investments for the period.

ACTUAL DEFERRED TAX

Estimated actual deferred tax has been calculated at approximately 4 per cent based on a discount rate of 3 per cent. Furthermore, it has been assumed that loss carryforwards are realised over four years with a nominal tax rate of 21.4 per cent, which gives a net present value for deferred tax assets of 19.7 per cent. The calculation is also based on the property portfolio being realised over 50 years, with 10 per cent being sold directly with a nominal tax rate of 20.6 per cent and the remaining 90 per cent being sold indirectly via companies with a nominal tax rate amounting to 6 per cent, which gives a net present value for deferred tax liabilities of 4 per cent.

RETENTION RATE*

Proportion of leases that are extended in relation to the proportion of cancellable leases.

SURPLUS RATIO*

Net operating income divided by rental income.

*This key ratio is operational and is not regarded as an alternative performance measure according to ESMA's guidelines.

This is Fabege

Fabège is one of Sweden's leading property companies, focusing mainly on letting and managing office premises as well as city district development. The company offers modern premises in prime locations in fast-growing submarkets in the Stockholm region: Stockholm inner city, Solna and Hammarby Sjöstad.

Fabège offers attractive and efficient premises, mainly offices but also retail and other premises. The concentration of properties to well-contained clusters leads to greater customer proximity and, coupled with Fabège's extensive local expertise, creates a solid foundation for efficient property management and high occupancy.

At 31 December 2018, Fabège owned 89 properties with a total market value of SEK 67.6bn. The rental value was SEK 3.0bn.

Business concept

Fabège works with sustainable city district development, with a primary focus on commercial properties within a limited number of well located submarkets in the Stockholm area.

Fabège aims to create value by managing, improving and actively adjusting its property portfolio through sales and acquisitions.

Business model

Fabège's operational activities are conducted in three business areas: Property Management, Property Development and Transactions.

Strategy for growth

Fabège's strategy is to create value by managing and developing the property portfolio and through transactions, acquiring and divesting properties with the aim of increasing potential in the property portfolio. Fabège's properties are located in the most liquid market in Sweden.

Attractive locations lead to a low vacancy rate in the investment property portfolio. Modern properties permit flexible solutions and attract customers. With its concentrated portfolio and high-profile local presence, investments aimed at enhancing the attractiveness of an area benefit many of Fabège's customers.

Value-driving factors

A number of external factors affect Fabège's operations and these, together with the transaction volume and the office market trend in Stockholm, represent the prerequisites for the company's success.

Stockholm is growing

Stockholm is one of the five metropolitan areas in Western Europe where the population is rising the most. According to forecasts, Stockholm County will have half a million inhabitants more than today by 2030. People in the active labour force account for the largest growth, which is boosting demand for office premises.

Change in demand

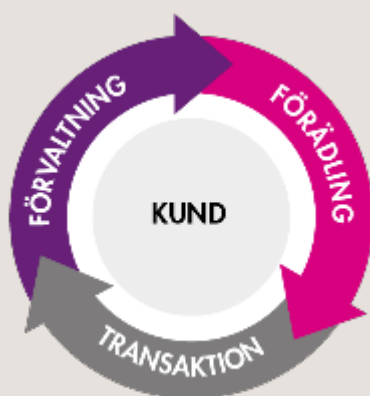
New technology and new working methods are fuelling demand for flexible and space-efficient premises in prime locations. Excellent peripheral service and good communication links in the form of public transport services are in increasing demand, as are environmentally certified offices and green leases.

Economic trend

The trend for both the Swedish and global economy impacts the property market. Lower vacancy rates in Stockholm's inner city and a stronger economic climate have historically meant rising rents.

Sustainable urban development

Sustainability issues are becoming increasingly important, in terms of both individual properties and entire areas. Interest in environmental considerations involving choice of material and energy-saving measures is on the rise. Demand is increasing for premises in areas with a favourable mix of offices, retail, service and residential units, as well as excellent transport links and environmental commitment.



PROPERTY MANAGEMENT

The essence of Fabège's operations is finding the right premises for a customer's specific requirements and ensuring that the customer is content. This is accomplished through long-term work and based on close dialogue with the customer, thus building mutual trust and loyalty.

PROPERTY DEVELOPMENT

High-quality property development is the second key cornerstone of our business. Fabège has long-standing expertise in pursuing extensive property development projects, with the aim of attracting long-term tenants to properties that have not yet been fully developed and can be redesigned based on the customer's specific requirements.

TRANSACTIONS

Property transactions are an integral part of Fabège's business model and make a significant contribution to the company's earnings. The company continuously analyses its property portfolio to take advantage of opportunities to generate capital growth through acquisitions and divestments.

CALENDAR

Year-end report 2018	5 February 2019, 12:00 noon CET
2019 Annual General Meeting	2 April 2019, 15:00 pm CET
Interim report Jan–March 2019	12 April 2019, 8:00 am CET
Interim report Jan–June 2019	5 July 2019, 8:00 am CET
Interim report Jan–Sep 2019	21 October 2019, 8:00 am CET

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There will also be a web presentation on the Group's website on 5 February 2019, at which Christian Hermelin and Åsa Bergström will present the report.



PRESS RELEASES DURING THE FOURTH QUARTER 2018¹

08/10/2018	Well-known 55 year old environmentally certified with high marks
18/10/2018	Interim report January – September 2018
25/10/2018	Fabege sponsors health initiative in Solna's schools
01/11/2018	Fabege increases its investment in Flemingsberg
06/11/2018	800,000 m ³ heated bedrock provides a pleasant climate for employees in Tidningshuset
26/11/2018	Changes in Fabege's Nomination Committee
04/12/2018	Fabege creates Sweden's first zero-energy hotel
16/12/2018	Christian Hermelin resigns as CEO in 2019

¹Including regulatory and non-regulatory press releases during the period.



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