MOODY'S INVESTORS SERVICE

CREDIT OPINION
8 June 2022

Update

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Fabege AB

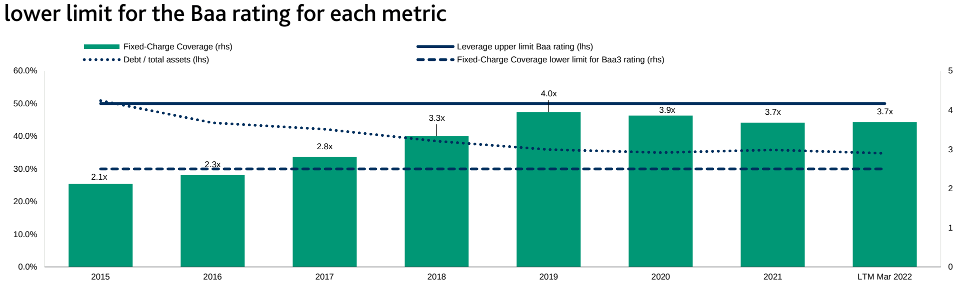
Update to credit analysis

Summary

Fabege AB's (Fabege) Baa2 issuer rating reflects its strong market position as one of Sweden's leading commercial real estate companies in terms of size, attractive locations and asset quality; modern and efficient buildings that attract strong market demand; office property portfolio located in the inner city of Stockholm, with most office complexes in selected areas within a five-kilometre radius of central Stockholm (Flemingsberg 16 km); well-executed business model that focuses on a significant development programme, which will enhance its portfolio quality leading to sustainable long-term growth; moderate leverage, as measured by Moody's-adjusted debt/assets of 34.8% as of 31 March 2022, with a commitment to maintaining this level; and adequate liquidity, whereby cash sources cover uses for at least the next 12 months. The average debt maturity profile is slightly weaker at 4.7 years (down from 4.9 years as of December 2021).

Counterbalancing these strengths are the company's geographical concentration; its significant share of development projects, although with a high pre-let rate of 47%; high net debt/EBITDA of 14.8x as of 31 March 2022, partly because of its high share of project developments; moderate tenant concentration, mitigated by very long contracts with creditworthy tenants; somewhat high secured debt/Moody's-adjusted total assets of 18.7%; a rather low but improving share of unencumbered assets at around 46.4% of total assets; and some reliance on short-dated commercial paper, although significantly reduced to 7% of total reported debt as of 31 March 2022 which weakens liquidity but is fully backed by undrawn credit facilities with remaining tenors mostly more than 15 months.

Exhibit 1
Fabege's debt/gross assets and fixed charge coverage development compared to the upper/lower limit for the Baa rating for each metric



Sources: Company and Moody's Financial Metrics™

RATINGS

Fabege AB

Domicile	Sweden
Long Term Rating	Baa2
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
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EMEA	44-20-7772-5454

Credit strengths

» Fabege's attractive locations in Stockholm

» High-quality portfolio, with a significant degree of environmental certification

» Focus on areas that are merging with the city of Stockholm, which preserves the attractiveness of the company's properties

» Significant but controlled development programme, which includes a strong pipeline with a high share of pre-lettings

» Low leverage and solid EBITDA fixed charge coverage

Credit challenges

» Further downside risks on the macro level driven by the current Ukraine/Russian crisis, potentially leading to reductions in rent levels, occupancy and lower market value

» Evolvement of hybrid workspace models and its effects on demand for office space

» Limited geographical diversification; reliance on the economic prospects of only one, although the most important, city in Sweden

» Some tenant concentration, with the company's 10 largest tenants accounting for 30% of its total rental revenue

» High net debt/EBITDA, reflecting numerous development projects and low yielding assets

» Liquidity management is rather short-dated with reliance on back-up facilities with rather short tenors

» Complexity from participation in Svensk FastighetsFinansiering (SFF) vehicle, however with a declining share of Fabege's overall debt (5%)

Rating outlook

The stable rating outlook reflects our expectation that leverage will remain well below 40% and EBITDA fixed charge within 3x-4x in the next 12-18 months. We positively view Fabege's plan to keep effective leverage well below its financial policy of a maximum loan-to-value (LTV) ratio of 50%, particularly at this late point in the cycle. We also expect continued strong occupier demand for the company's properties and robust investor appetite for Swedish commercial real estate to sustain Fabege's cash flow and asset values.

Factors that could lead to an upgrade

» A track record of a successful execution of the company's business strategy, including project development with a significant pre-let ratio as property market sentiment softens

» Developing more conservative liquidity management to retain good headroom against upcoming cash needs at all times.

» A more conservative financial policy on effective leverage with gross debt/total assets remaining around 35% and fixed charge coverage ratio remaining around 4.0x on a sustained basis

» A substantial unencumbered asset pool above 60% and a reduction in secured debt

» Net debt to EBITDA moving below 13x

Factors that could lead to a downgrade

» A material deterioration in operating and financial performance or a sharp decline in the property market fundamentals

» Failure to maintain diversified funding sources alongside a Moody's-adjusted unencumbered asset ratio of above 40%, supported by a high-quality unencumbered asset pool that provides a substantial asset cover for unsecured creditors

» Leverage, as measured by Moody's-adjusted gross debt/total assets, rising towards 45% (current above 40%) or Moody's-adjusted fixed charge coverage remaining below 3x

» Increased exposure towards SFF meaning a secured property value of above SEK 2.5 bn

Key indicators

Exhibit 2

Key Indicators for Fabege AB[1][2][3]

Fabege AB

USD Billions	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	LTM (Mar-22)	12-18 Month Forward View[1]
Real Estate Gross Assets	$5.5	$7.3	$7.8	$8.2	$9.6	$9.7	$9.8	$10 - $10.3
Debt / Real Estate Gross Assets	44.1%	42.2%	38.5%	35.9%	35.0%	35.8%	34.8%	36.3% - 37.6%
Net Debt / EBITDA	14.8x	15.1x	14.5x	13.5x	13.3x	15.0x	14.8x	15.3x - 15.6x
EBITDA / Fixed Charges	2.3x	2.8x	3.3x	4.1x	3.9x	3.7x	3.7x	3.3x - 3.4x
Amount of Unencumbered Assets	n.a	20.2%	25.1%	28.9%	37.4%	45.4%	46.4%	48.1% - 49.5%
Secured Debt / Real Estate Gross Assets	32.0%	28.8%	25.8%	23.0%	21.1%	19.6%	18.7%	18.1% - 18.6%

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments.
[2]Periods are Financial Year-End unless indicated. LTM = Last Twelve Months.
[3] Moody's Forecasts (f) or Projections (proj.) are Moody's opinion and do not represent the views of the issuer.
Source: Moody's Investors Service

Profile

Fabege AB is a Stockholm-based commercial real estate company that was established in 2005. It is one of the largest property companies in Sweden, with its real estate holdings valued at SEK86 billion as of 31 March 2022. Around 40% of its property portfolio is located in the inner city and central business district (CBD) of Stockholm, with the remainder in the fastest growing areas outside the city, including Arenastaden, Haga Norra, Solna Business Park and Hammarby Sjöstad, which have good transport links and are within a five-kilometre radius from central Stockholm. Fabege has also added another area, Flemingsberg, in the south of Stockholm, which has a significant volume of commercial building rights for the project portfolio. The company's 100 properties span around 1.2 million square metres (sqm) and generated SEK2.9 billion in rental revenue for the 12 months that ended 31 March 2022, with offices accounting for roughly 83% of the total rental value. While the company focuses on the development and management of office properties, its portfolio also includes retail properties, some industrial and warehouse properties, as well as hotels. Fabege is listed on Nasdaq Stockholm AB and had a market capitalisation of SEK41.4 billion as of 30 May 2022.

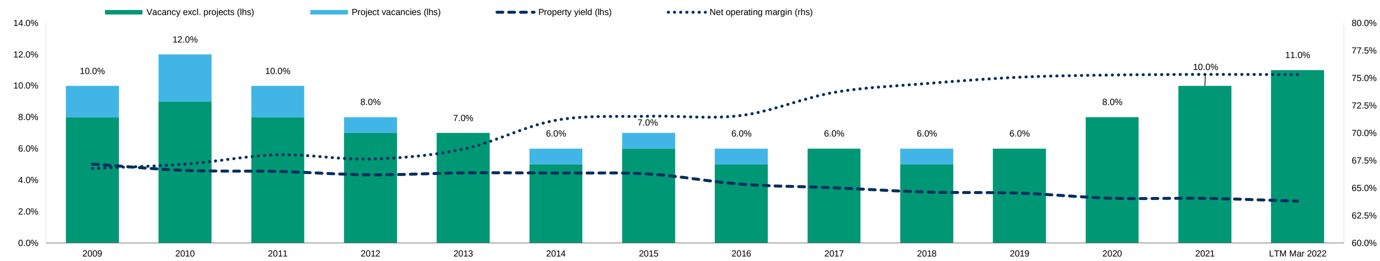
Detailed credit considerations

High-quality, large and focused commercial portfolio positioned for further growth

Fabege focuses on the development of modern, predominantly environmentally friendly, commercial properties in primary, well-connected locations in attractive metropolitan areas, and seeks to provide good services and facilities. The company's portfolio is modern and to a large degree highly efficient because it has invested significant amounts over the years in refurbishing its properties, building new ones and adhering to environmental standards. Making its buildings compliant with the most stringent environmental requirements is necessary to secure and retain its tenants, as well as to preserve the competitiveness and attractiveness of its properties over the long term. The company currently has a high share (83%) of environmentally certified buildings and a stated target to have all new constructions and major refurbishments certified under BREEAM-SE and similar other environmental certifications.

Fabege had a vacancy rate of 11% (including project developments) as of 31 March 2022, up from 9% a year earlier. The increase is attributable to the vacating of the Glädjen 13 property in Västra Kungsholmen, which was announced previously, as well as acquired vacancies. We expect the vacancy rate to decrease again over the next few months based on pre-letting of projects and positive net-lettings.

Exhibit 3
Fabege has maintained a stable vacancy rate with continuous improvement in operating profitability



Sources: Company and Moody's Investors Service estimates

Fabege has a dominating market position (by property value) in several attractive areas, such as in Arenastaden, Hammarby and Solna Business Park. Having the necessary scale to influence the development of an entire city district, and maintaining and ensuring the location's long-term attractiveness are important factors in reducing the risk of a concentrated portfolio. To achieve such a competitive position, the company participates in the urban planning process with municipalities. Arenastaden joins Stockholm via Hagastaden and the newly built Karolinska University Hospital via Solna/Sundbyberg, creating a larger Stockholm area. Additionally, Fabege has added a new area, Flemingsberg, in south of Stockholm, where it will create a new city district over the next 10-20 years. However, this does not insulate the company from Stockholm's local economic cycles, although the city's economic development has been very positive in recent years and we expect this trend to continue.

Moderate growth will be derived organically

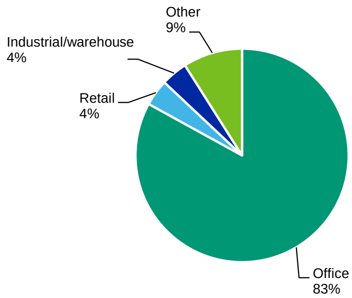
Fabege aims to grow organically and invests at least SEK2.5 billion-SEK2.9 billion per year in its own project portfolio, so as to rely less on acquisitions in a highly competitive and, therefore, expensive investment market. We note however that the recent surge in construction material prices as well as availability of material and labour will pose challenges and could yield to longer development times and/or lower yield on developments. The company will grow by transforming the development rights in its land bank into commercial properties. We estimate that the company's land bank of 551,900 sqm, of which 540,000 sqm represents residential building rights (around 37% with approved zoning plans), will last for at least seven years. The company will develop some of the residential building rights in areas such as Haga Norra but also in Flemingsberg. We would expect the company to dispose a significant part of these rights, and use the sales proceeds to reduce debt and finance commercial project developments. Growth will also come from increasing space in its existing properties through densification. Around 12% of the portfolio's market value is less cash generative because of a higher vacancy rate stemming from shorter contracts as these are turning into development projects.

Concentration in Sweden mitigated by holdings in the most attractive, growth-oriented areas of Stockholm; some tenant concentration, but remaining lease maturity spread evenly

Fabege's focus markets are growing in terms of the number of businesses and residents, which should underpin the demand for office space in those locations. A strong office-based service industry, the low pace of construction in Stockholm's CBD and a shortage of premises have kept the vacancy rates in attractive inner city locations consistently low at around 2.0%. Also, tenants in Fabege's focus areas are driven mostly by factors other than high rents, such as the need for a large amount of space — they often need entire buildings, which are hard to find in Stockholm's CBD. This is a competitive advantage for Fabege, which has access to land that it can develop and thus provide entire office buildings. The long-term contracts that are signed for single-tenant buildings also mitigate the risks associated with tenant concentration.

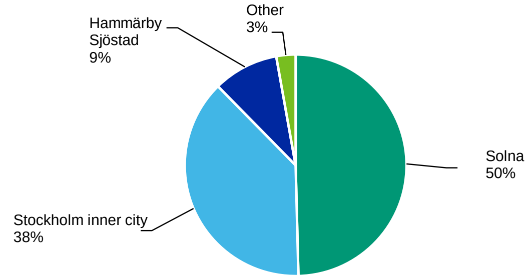
As Exhibit 5 shows, all of Fabege's holdings are located in the Stockholm area. However, as Stockholm, which generates around a third of Sweden's GDP, is reflective of the broader economic development in Sweden, this concentration on Stockholm has to be taken in that context. Moreover, Stockholm is even likely to outperform other Swedish regions in terms of population and economic growth. The city is one of Sweden's strongest property markets, in which the strong corporate demand for office space will continue to drive rental growth.

Exhibit 4
Rental value by property type
As of 31 March 2022



Source: Company data

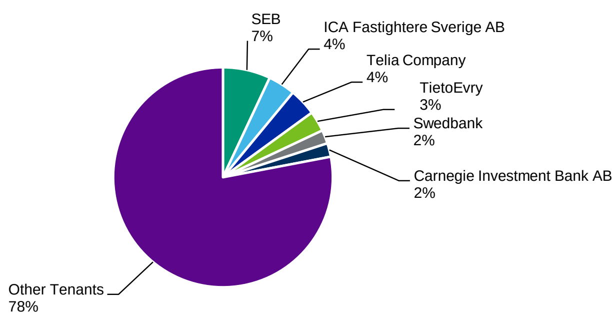
Exhibit 5
Property value by location
As of 31 March 2022



Source: Company data

Fabege has some customer concentration, with its 10 largest tenants representing around 30% of its contracted rental income. However, its largest tenant (SEB AB Aa3 stable) accounts for only 7% with its contract maturing in 2037.

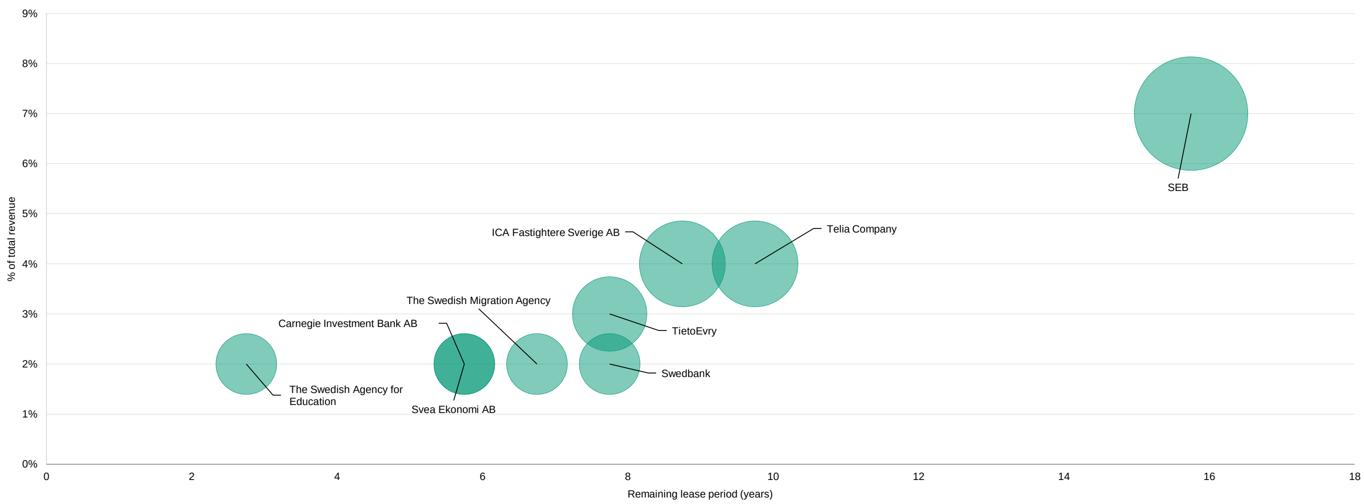
Exhibit 6
Fabege is concentrated in creditworthy tenants operating across several different sectors
Share of annual contracted rent as of 31 March 2022



Sources: Company and Moody's Investors Service estimates

Fabege's average remaining lease period was around 4.8 years as of 31 December 2021 (excluding current project developments with long contracts), similar to the average for the Swedish market. Many of the company's tenants are active in the general services sector. Lease agreements for new developments are significantly longer than the in-place average lease period (10, 12, 15 or 20 years). Fabege has attracted several creditworthy tenants to its projects that have been finalised or are underway, thus helping balance development risks. The weighted-average remaining lease period for the 10 largest contracts is around 10.2 years.

Exhibit 7
Many larger clients of Fabege have remaining lease periods exceeding 10 years
Top 10 tenants as of 31 March 2022

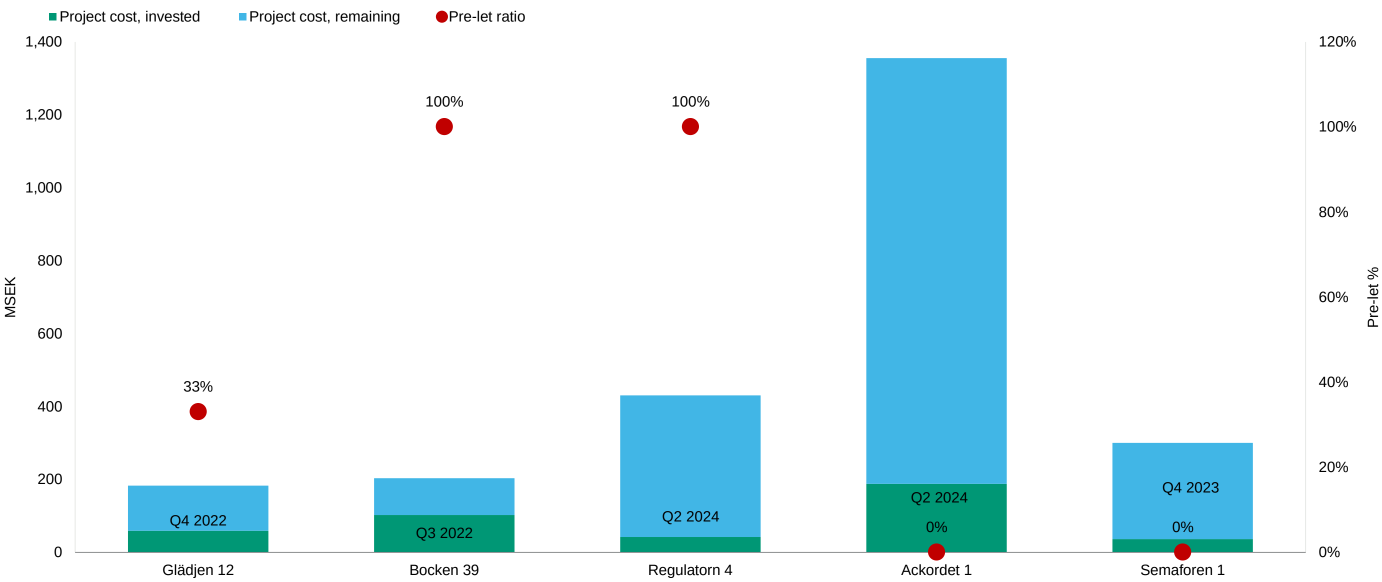


Bubble sizes represents annual contracted rent.
Source: Company data

Moderate development pipeline

Fabege has ongoing development projects representing a total investment of around SEK3.5 billion of which SEK1.4 billion has already been spent as of March 31, 2022. The high pre-let rate of 85% in the project portfolio reduces development risk. The company's commitment to new developments totals around 2.9% of its total assets, lower than historical levels of 12%-15%. The company has a long track record of project development, including the various process stages, such as zoning, procurement and construction. To control the process, the company selects only well-established construction companies and always deploys its employees as lead managers. Fabege has experienced a few cost overruns, which were mainly passed on to tenants in the form of higher rents. During last years also building residential real estate has been an important part in Fabege's strategy to increase the attractiveness in its focus areas. In October 2021 Fabege acquired SHH Bostad for SEK 800 million, a developer within residential and public service properties. This will enable Fabege to increase the control of the development of attractive city districts where people live and work.

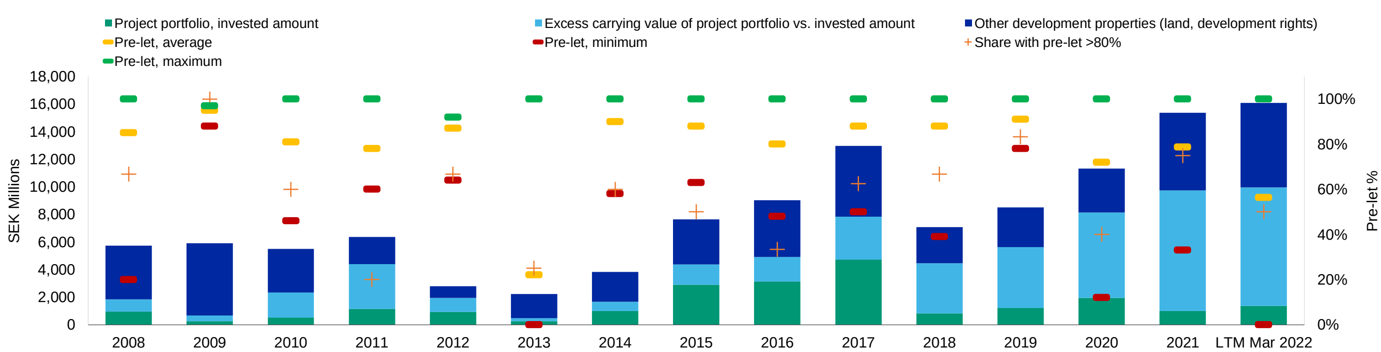
Exhibit 8
Risks associated with development activities mitigated by high pre-let ratios
Size and pre-let profile of ongoing projects as of 31 March 2022



Dates represent expected point of project completion.
Source: Company data

Fabege has a pre-let ratio of at least 50% for development projects in the implementation phase, and an overall rate of 85% in the project portfolio, thus reducing overall development risk. The flexibility to reduce investments is low for ongoing projects but the major part is already rented out, so future cash flow is secured. There is flexibility, however, to postpone or cancel the start of new projects worth SEK1.7 billion in 2022 and beyond by at least SEK2.5 billion per year, which would improve liquidity or alternatively help reduce debt.

Exhibit 9
Fabege has consistently maintained project pre-lets at around 80%
Historical size of project portfolio and level of project pre-lets



Source: Company data

The company is focused on growth, but divestments of properties and building rights will balance its investments in projects, maintaining its balance-sheet strength.

Work from home considerations

The economic recovery in Sweden following the coronavirus pandemic has been swift and most markets have strengthened. So far, the impact of the pandemic on our Nordic real estate companies has barely been visible and their operating and financial performance has been solid. Vacancies have increased for office companies but we expect the vacancy rates will normalise during the next two to three years, with prime central business district (CBD) properties still largely unaffected. The proportion of employees working remotely will increase in the next few years.

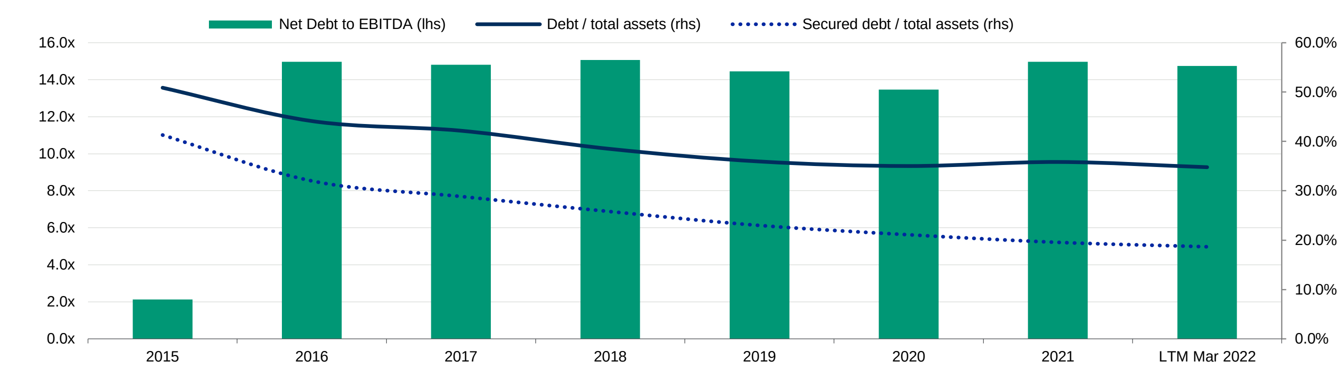
In the longer term, the credit quality of office landlords will depend on how demand for office space changes in response to the increase in remote working during the pandemic. Overall, we believe that demand for space will decline because of a broader adoption of remote working. Office markets in countries such as the Nordics may be more resilient than in other European countries. One reason is that the cities are relatively smaller, leading to shorter commutes that reduce an obstacle to traveling to work. We expect the initially lower demand for shared office space to increase as tenant companies look for more flexible, shorter-term leases while they review their business needs. At the same time, the Nordic countries are better prepared in terms of digital competitiveness, which has enabled a broader adoption of working-from-home practices. On the other hand already before the pandemic the Nordics already had high level of working from home which would speak to a less change in working behavior.

Low effective leverage

Fabege's Moody's-adjusted gross debt/total assets stood at 34.8% as of 31 March 2022, with SEK31.8 billion of adjusted gross debt and total adjusted assets of SEK91.4 billion. The group's financial policy targets to keep its leverage below 50% through the cycle, which is in excess of the requirements for the Baa2 rating, but we understand that this ratio is perceived as a ceiling and Fabege will likely take decisive measures to protect its balance sheet well before the LTV ratio were to move close to or above 50%. The company is prepared to dispose assets and amortise debt, reduce dividends and curtail its development programme, in case of a drop in asset values or a significant increase in debt. For the next 12-18 months, we expect the company's gross debt/total assets to remain below or equal to 40%, because of an increasing asset base and the divestment of building rights or residential assets.

Exhibit 10

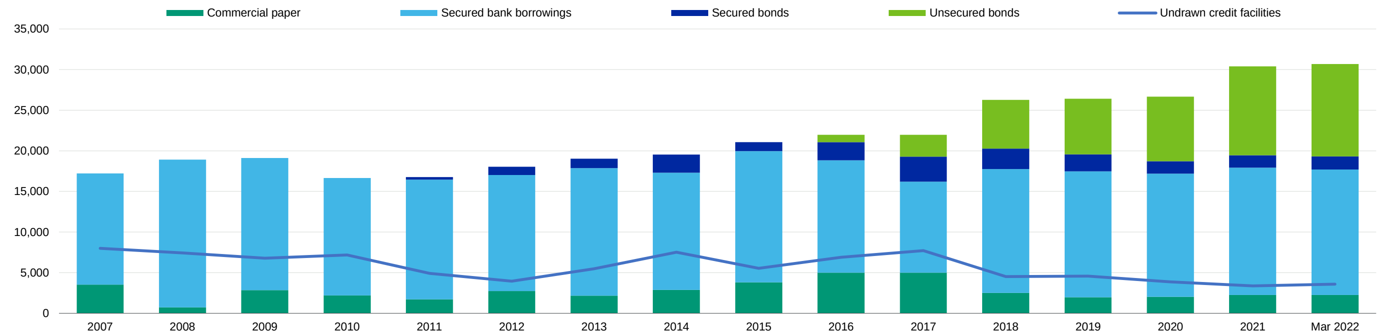
Fabege registers a historic decreasing effective leverage and net debt/EBITDA because of reduced development activities



Source: Company data

Fabege has a diversified funding mix, consisting of commercial paper, senior unsecured and secured bonds, bank loans and a loan from the European Investment Bank. As of 31 March 2022, the company's financing included around SEK15.4 billion of secured loans from Nordic banks; unsecured bonds worth SEK11.4 billion under the medium-term note programme (MTN), maturing in fairly equal amounts over 2022-26; three senior secured bonds via the real estate funding vehicle SFF totalling SEK1.6 billion; and SEK2.3 billion of commercial paper. Under its MTN programme, the company issues green bonds and also has green loans from financial institutions, with all of its banks now offering green financing. In general, the margins for green bonds are around 5 basis points (bps) lower than for regular unsecured bonds, and 5-10 bps lower than for regular bank loans. Fabege's liquidity has significantly improved as a result of lengthening of its debt maturities, as well as higher amounts of revolving credit facilities (RCFs).

Exhibit 11
Fabege has increased its funding diversification by starting the issuance of unsecured green bonds
Total debt split by debt type



Source: Company data

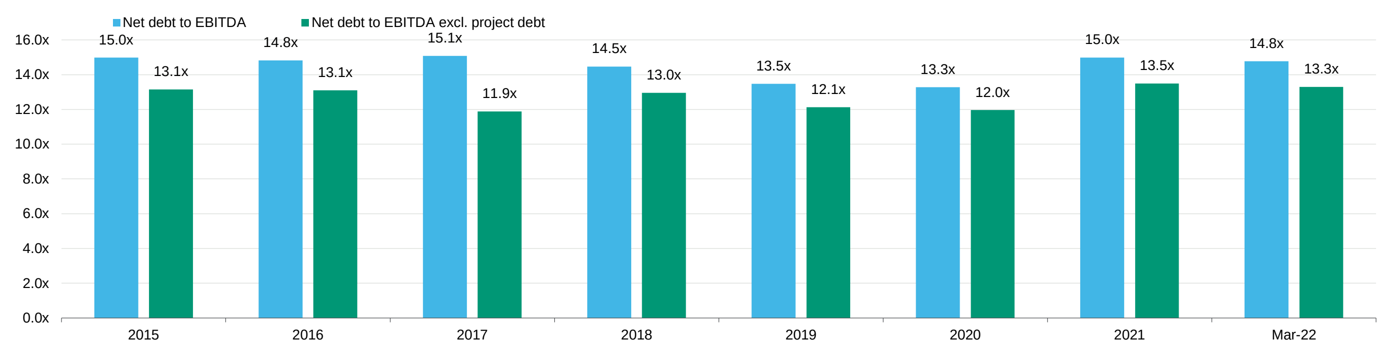
Adequate fixed charge coverage but sensitive to changes in interest rates, given the reliance on short-term debt

Fabege has a policy of keeping its interest coverage above 2.2x, and it is currently well above this level. The company had a Moody's-adjusted EBITDA fixed charge coverage of 3.7x as of 31 March 2022, and we expect this ratio to remain within 3x-4x over the next 12-18 months, mainly driven by rental growth stemming from project developments coming on-stream.

A large proportion of the contracts in the company's portfolio were renegotiated between three and five years earlier, when lease levels were generally lower. The company renegotiates 16%-17% of its leases every year, and its EBITDA will consequently increase gradually because of its ability to renegotiate higher rents. The staggered lease maturity profile reduces the risk of a 100% market effect at any one point in time and helps stabilise net operating income.

Fabege's Moody's-adjusted net debt/EBITDA was a high 14.8x as of 31 March 2022, partly reflecting the company's involvement in project developments. Currently, Fabege is more or less in line with its policy of a maximum debt ratio of 13x. The company has communicated that it is prepared to dispose non-core assets to achieve this level if net debt/EBITDA rises significantly above this threshold. We expect net debt/EBITDA to increase mainly because of an expected new real estate tax hurting NOI margins, as a result of which the metric could increase to 16x in the next 12-18 months.

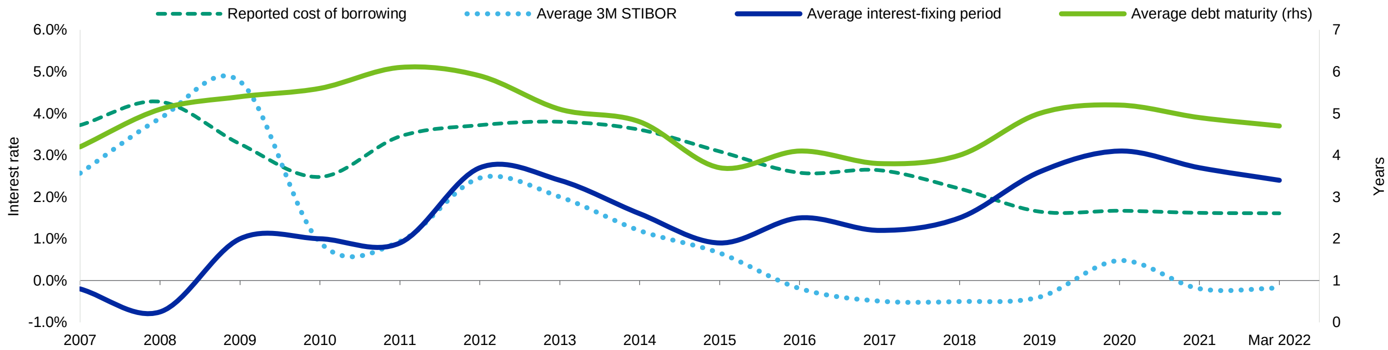
Exhibit 12
Fabege's elevated net debt/EBITDA is largely the result of an extensive development pipeline not yet generating cash flow



Sources: Company and Moody's Investors Service estimates

In line with the general decline in interest rates, the company's average cost of debt was 1.61% as of 31 March 2022 (2.6% as of 31 December 2016). The company use interest rate swaps or had fixed-rate instruments representing 75% of total debt. The interest rate swaps are not stapled to its debt, but instead managed separately. The fixed interest period of 3.4 years as of 31 March 2022 remains below the average debt maturity of 4.7 years. The company's interest fixing period and the use of hedges are lower than those for its European peers, but high for the Swedish real estate sector. It significantly exposes Fabege to the risks of increasing interest rates in light of the current low interest environment, as well as an aggressive financial policy.

Exhibit 13
Fabege's cost of borrowing has been declining steadily, in line with that of other Swedish property companies and in tandem with the falling market rates



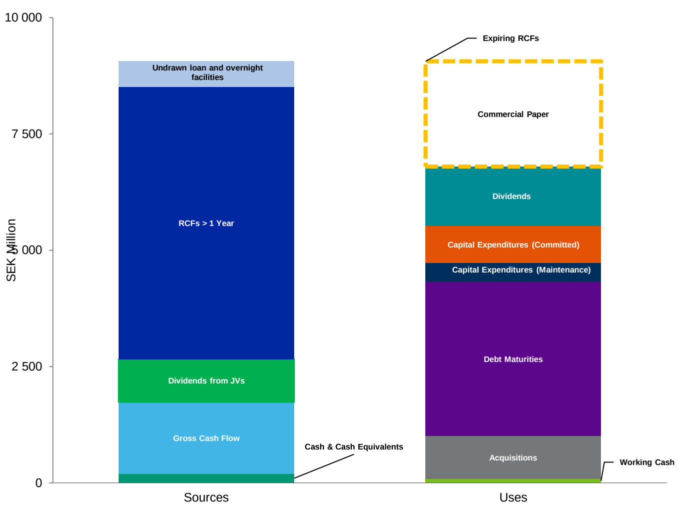
Sources: Company, Sveriges Riksbank and FactSet

High reliance on short-dated debt, significant project development and sizeable dividends

Fabege has somewhat weak liquidity, with internal cash flow, cash on hand and committed RCFs covering near-term debt maturities for the coming 12 months where we prefer 15-18 months, predominantly comprising commercial paper borrowings, capital spending and dividend distributions. Fabege's funding strategy continues to rely on secured lending, which limits its pool of unencumbered assets (46.4% as of 31 March 2022). Through various refinancing activities such as refinancing of bank debt and a reduction of collateral pools connected with these loans in 2021, the proportion of unencumbered assets rose to 46.4%, a level more appropriate for the Baa2 rating. We believe the company will maintain this level over the next 12-18 months. Also, senior unsecured creditors are comfortably positioned, with the ratio of unencumbered assets to unsecured liabilities at 3.1x. We assess Fabege's overall score for liquidity and access to capital at"Baa".

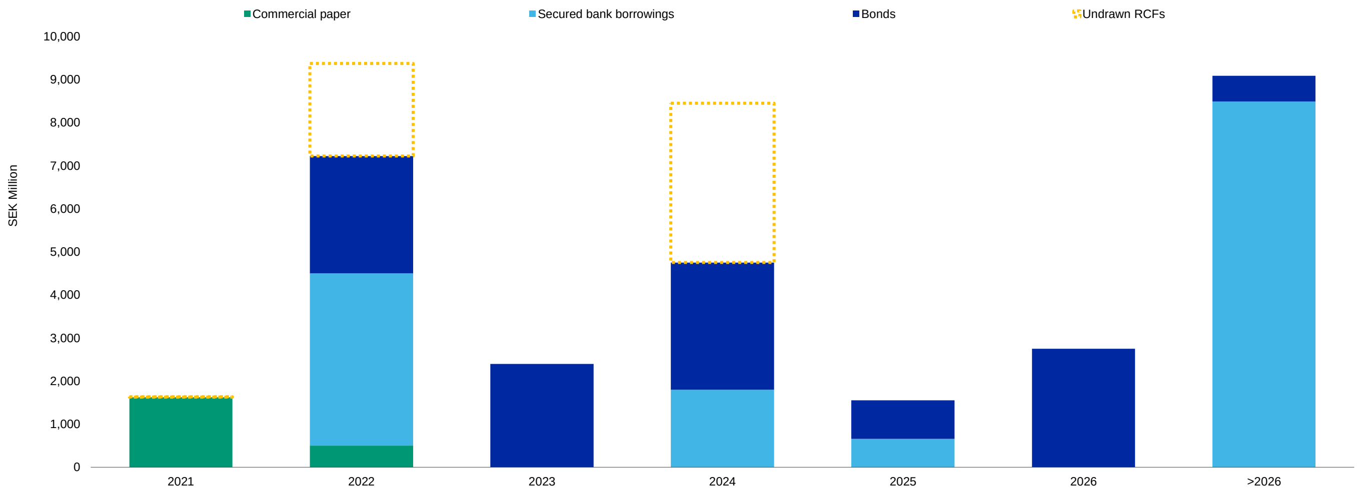
Around 23% of Fabege’s SEK30.7 billion in borrowings mature within two years. The company had a weighted average debt maturity of 4.7 years as of 31 March 2022. We consider the mismatch in the duration of assets and liabilities credit negative because it exposes the company to refinancing risks. Although Fabege’s debt maturity profile is shorter than its European peers, it is in line with the company's Swedish peers.

Exhibit 14
Fabege's sources and uses of liquidity for the next 12 months



Sources: Company and Moody's Investors Service estimates

Exhibit 15
Fabege has significantly lengthened its debt maturities
Maturity profile as of 31 March 2022



Source: Company data

Fabege had RCFs totalling SEK5.9 billion as of 31 March 2022 (of this, SEK2.0 billion is dedicated to act as a backup for the company's commercial paper programme), which could cover cash shortfalls in the short term. This is particularly important in current market circumstances since the commercial paper market has dried out post the start of the Ukraine-Russia conflict. The RCF remains undrawn. The company also has overdraft facilities totalling SEK160 million. The RCF´s are secured by properties. The company has recently renegotiated its RCF so mature that most beyond H1 2023. Historically, most of these RCFs have been extended. It is not unusual in the Swedish market that there is a high share of short-term bank funding but in the European context, liquidity management appears to be more aggessive.

The company also has good access to the local debt market, in particular local SEK-denominated bonds, diversified bank relationships and a highly liquid office portfolio. The properties with long-term contracts in Arenastaden as well as the inner city properties are especially attractive as direct investments for pension funds and for insurance company investors. Stockholm's property market is also considered the most liquid in Sweden and more generally across Scandinavia.

Fabege aims to distribute at least 50% of the profit from its property management and realised gains from sale of properties as dividends. Historically, the payout ratio has been between 70% and 75% of funds from operations, which is on the high side, especially considering the funding needs of the company's development projects. While we believe that shareholders will continue to extract dividends, the company is not a real estate investment trust and can stop paying dividends if needed.

Largest shareholder contributes to stability and access to capital

Fabege's shares are quoted on the Nasdaq Stockholm, and its ownership is relatively diversified. The largest shareholder is Erik Paulsson and his family, who hold Fabege both privately and through companies, totalling 15.75% of shares and votes. Handelsbanken Fonder AB holds a 3.2% stake, Länsförsäkringar Fondförvaltning AB holds 3.1% and Vanguard holds 2.6%. In addition, Paulsson is a minority shareholder in other companies that are part of the SFF financing vehicle. This might expose him to conflicts of interest if one of those companies were to have difficulties in refinancing debt that had been issued under this financing vehicle.

Fabege has successfully issued bonds, both senior secured and unsecured, on the domestic market. Since May 2016, the company has issued SEK10 billion in unsecured bonds under a SEK10 billion MTN programme (increased from SEK5 billion in May 2018 and from SEK8 billion in 2019). The company also has a commercial paper programme totalling SEK5 billion, SEK2.3 billion of which was utilised as of 31 March 2022.

Environmental, social and governance (ESG) considerations

Corporate governance is adequate. Fabege is a publicly listed company on Nasdaq Stockholm AB — it has one influential shareholder but otherwise is fairly widely held by institutional and private investors.

The company's portfolio benefits from 83% of ESG certifications that underpin its occupancy and good quality. Fabege certified properties that already work to much lower limits than the European Commission's Energy Performance of Buildings Directive. As a result many companies are "future proofed" to an extent if tighter regulation is introduced for existing properties at a later date. This means they will not have to make further large investments to retain their competitive position.

The real estate segment was hit by the coronavirus pandemic-driven economic shock because of its sensitivity to changes in GDP, employment prospects, and business and consumer confidence. Against the backdrop of an economic contraction in 2020, the uncertainty around the pace of recovery in 2021 and the expected rise in unemployment rates, we expect knock-on effects on occupier demand for commercial properties and potentially more restrained investment sentiment. Pressure on market rents and valuations could put a greater strain on Fabege's credit metrics. We regard the coronavirus pandemic as a social risk under our ESG framework, given the substantial implications for public health and safety.

Structural considerations

Fabege's borrowing is largely secured by property mortgage deeds. To a certain extent, shares in property-owning subsidiaries are also deployed as collateral. The company also undertakes some unsecured borrowing.

The company issues covered bonds (secured by mortgage deeds) within the framework of its co-owned finance company, SFF. This is a debt-funding platform for five Swedish commercial real estate companies. It issues individual bonds in its own name, secured by a collateral pool. The collateral agreements are structured on an individual basis between Holdcos owned by a real estate group, for example, Fabege AB and SFF. In the event of default by one Holdco in the pool, SFF will solely have recourse to the collateral provided by that particular Holdco. If the collateral provided by the defaulting Holdco cannot cover the loan outstanding, then SFF will have recourse to any guarantees provided by the group owning the Holdco. If in turn these guarantees do not cover the outstanding loan amount, then it is up to the other companies that are part of the pool to come to an agreement whether to cover the defaulting loan amount or not. Although this structure brings some protection for each individual company, if all potential additional support is exhausted, such as springing lien, exchange of property and transfer of cash, and SFF goes into default, any collateral (also from a non-defaulting owner) can then be sold.

This means that other real estate companies have recourse in the event that SFF defaults, although this is unlikely, to Fabege's assets, which could hurt its balance sheet. Also, we assume that Fabege is one of the stronger participants in this structure, with the most liquid assets. SFF's issuance capacity is SEK12 billion and no borrower can account for more than 50%. This implies that SEK6 billion is Fabege's theoretical maximum limit. Fabege's total borrowing via SFF stood at SEK1.6 billion, accounting for 5% of Fabege's overall debt load, as of 31 March 2022.

Rating methodology and scorecard factors

the rating assigned and the grid implied rating reflects the greater emphasis we have placed in our assessment on the company's high quality assets and debt to assets ratio compared to the weights in the grid.

Exhibit 16

Rating factors

Fabege AB

REITs and Other Commercial Real Estate Firms Industry Scorecard [1][2]	Current LTM 3/31/2022		Moody's 12-18 Month Forward View As of 5/25/2022	
Factor 1 : Scale (5%)	**Measure**	**Score**	**Measure**	**Score**
a) Gross Assets (USD Billion)	$9.8	Baa	$10 - $10.3	A
Factor 2 : Business Profile (25%)				
a) Market Positioning and Asset Quality	A	A	A	A
b) Operating Environment	A	A	A	A
Factor 3 : Liquidity and Access To Capital (25%)				
a) Liquidity and Access to Capital	Baa	Baa	Baa	Baa
b) Unencumbered Assets / Gross Assets	46.4%	Ba	48.1% - 49.5%	Ba
Factor 4 : Leverage and Coverage (45%)				
a) Total Debt + Preferred Stock / Gross Assets	34.8%	Baa	36.3% - 37.6%	Baa
b) Net Debt / EBITDA	14.7x	Ca	15.3x - 15.6x	Ca
c) Secured Debt / Gross Assets	18.7%	Baa	18.1% - 18.6%	Baa
d) Fixed Charge Coverage	3.7x	Baa	3.3x - 3.4x	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa3		Baa2
b) Actual Rating Assigned				Baa2

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 3/31/2022(L).
Source: Moody's Financial Metrics™

Ratings

Exhibit 17

Category	Moody's Rating
FABEGE AB	
Outlook	Stable
Issuer Rating -Dom Curr	Baa2

Source: Moody's Investors Service

Appendix

Exhibit 18
Moody's-Adjusted Debt Reconciliation for Fabege AB[1][2]

in SEK millions	FYE Dec-2017	FYE Dec-2018	FYE Dec-2019	FYE Dec-2020	FYE Dec-2021	LTM Mar-2022
As Reported Debt	**24,841.0**	**26,275.0**	**27,356.0**	**27,566.0**	**31,492.0**	**31,761.0**
Pensions	123.0	130.0	146.0	149.0	39.0	39.0
Leases	96.0	104.0	0.0	0.0	0.0	0.0
Moody's-Adjusted Debt	**25,060.0**	**26,509.0**	**27,502.0**	**27,715.0**	**31,531.0**	**31,800.0**

[1] All figures are calculated using Moody's estimates and standard adjustments.
[2] Periods are Financial Year-End unless indicated. LTM = Last Twelve Months.
Source: Moody's Financial Metrics TM

Exhibit 19
Moody's-Adjusted EBITDA Reconciliation for Fabege AB[1][2]

in SEK millions	FYE Dec-2017	FYE Dec-2018	FYE Dec-2019	FYE Dec-2020	FYE Dec-2021	LTM Mar-2022
As Reported EBITDA	**7,869.0**	**9,599.0**	**7,535.0**	**4,519.0**	**7,269.0**	**9,682.0**
Non-Standard Public Adjustments	105.0	64.0	34.0	53.0	0.0	0.0
Unusual Items - Income Stmt	-6,359.0	-7,857.0	-5,502.0	-2,486.0	-5,173.0	-7,539.0
Leases	24.0	26.0	0.0	0.0	0.0	0.0
Moody's-Adjusted EBITDA	**1,639.0**	**1,832.0**	**2,067.0**	**2,086.0**	**2,096.0**	**2,143.0**

[1] All figures are calculated using Moody's estimates and standard adjustments.
[2] Periods are Financial Year-End unless indicated. LTM = Last Twelve Months.
Source: Moody's Financial Metrics TM

Exhibit 20
Peer Comparison[1][2]

	Fabege AB Baa2 /Sta		Vasakronan AB A3(BCA:baa1) / Sta		Gecina SA A3 / Sta		Entra ASA Baa1 / Sta		Atrium Ljungberg AB Baa2 / Sta		Castellum AB Baa2 / Sta	
	LTM Mar-22	Forward View [1]	LTM Mar-22	Forward View [1]	FYE Dec-21	Forward View [1]	LTM Mar-22	Forward View [1]	LTM Mar-22	Forward View [1]	LTM Mar-22	Forward View [1]
Gross Assets (USD Billion)	$9.8	$10 - $10.3	$21.7	$21.2 - $21.7	$23.2	$25 - $26	$9.8	$8.3 - $8.4	$6.1	$6.5 - $6.9	$18.8	$12.5 - $13.5
Amount of Unencumbered Assets	46.4%	48.1% - 49.5%	84.5%	87%	98.8%	98% - 99%	92.8%	91.7% - 91.8%	50.4%	52% - 54%	56.1%	60% - 65%
Total Debt + Preferred Stock /Gross Assets	34.8%	36.3% - 37.6%	39.0%	39% - 40%	33.9%	34% - 35%	45.7%	39.8% - 40.1%	39.9%	40% - 41%	45.5%	41% - 44%
Net Debt / EBITDA	14.7x	15.3x - 15.6x	13.9x	13.2x - 13.8x	13.8x	13.5x - 14.5x	17.8x	11.6x - 12.5x	14.2x	14x - 15x	17.1x	11x - 12x
Secured Debt /Gross Assets	18.7%	18.1% - 18.6%	3.9%	3.8% - 4.0%	0.2%	0% - 1%	N/A	4.4%	13.7%	11% - 12%	12.2%	4% - 5%
Fixed-Charge Coverage	3.7x	3.3x - 3.4x	4.3x	4.2x - 4.3x	5.4x	5x - 5.3x	3.4x	3x - 3.3x	3.7x	3.2x - 3.4x	4.3x	5x - 5.5x

[1] All figures & ratios calculated using Moody's estimates & standard adjustments.
[2] FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.
Source: Moody's Financial Metrics TM

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