Annual Report 2019

Stockholm: the heart of our business

You can't be the best at everything. Which is why we focus on commercial property and exclusively on the market we know best: Stockholm. It is here that we develop long-term, attractive districts in a select number of submarkets, all with considerable potential and unique conditions. We believe there are several aspects to a long-term approach. We are long-term property owners. We have a long-term approach to our relationships, forged using our own people. We want to know our customers and understand how we can work together to meet changing needs. Social sustainability is a fundamental driving force, in addition to climate and the environment. As one of Sweden's largest urban developers, we need to think big. We have to look at the whole picture. The whole company. The whole area. The whole person. All the time. And that's exactly what we try to do.

Haga Norra
Stockholm's most inviting district is gradually emerging in a fantastic location close to the inner city, with The Royal Park, Hagaparken and Arenastaden just around the corner. With a mix of residential properties, offices and visitors, the area will be alive around the clock, with a focus on quality of life.

Flemingsberg
Our new major project will soon be underway. We have a vision of 50,000 workers, 50,000 residents and 50,000 visitors coming together to create a thriving district and redressing the imbalance between the northern and southern parts of Stockholm.

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Employees
You'll find a flourishing team spirit at Fabege. We're often different, but driven by the same values – towards the same goals. Those who enjoy working for us are real team players who always put the team before their ego. Everything we do each day is guided by our core values.

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● Audited financial information
○ Sustainability information reviewed in brief

This is a translation of the Swedish original. In case of any inconsistency between the Swedish and the English version, the Swedish version shall prevail.

Highlights of the year

NEW PRESIDENT AND CEO OF FABEGE

Stefan Dahlbo joined on 1 September

Stefan Dahlbo was previously on the boards of Fabege, Wihlborgs and Klövern. He has also been CEO of Investment AB Öresund for a number of years.

ICA'S NEW HEADQUARTERS

BREEAM Building of the Year 2019

ICA moved into their new 31,000 sqm headquarters at Signalen 3 in Arenastaden. The property was also named BREEAM Building of the Year 2019 by Sweden Green Building Council.

WAW – a popular alternative. Find out more on page 96.

86%

of our employees would recommend us as an employer according to the 2019 employee survey.

SALES OF PROPERTIES

New owner for DN-huset as of 23 January 2020

In line with our business model, several properties were divested during the year to allow scope for future investments. In the first quarter, the newly-produced Pelaren 1 property at Globen was sold for roughly SEK 1.6bn to KPA Pension. Trängkåren 7, or DN-huset, was sold to Areim in the fourth quarter for approximately SEK 3.5bn. A total of three properties were sold during the year.

100%

of Fabege's investment properties now certified

Fabege is blazing a trail among property companies for certifying the most square metres in 2019 according to sustainability requirements. An impressive 32 properties with a total area of around 500,000 sqm achieved certification to BREEAM standard in 2019.

Fabege received an upgraded credit rating of Baa2, stable outlook from Moody's.

NEW PROJECT LETTING

TietoEVRY to Arenastaden

TietoEVRY has signed a lease of around 22,000 sqm in Fabege's newly-launched project Kvarter Poolen, which will also house the City of Solna's new swimming pool. They will move into their new offices in Q1 2022.

The new building, which is designed by Strategisk Arkitektur, has a total of around 28,000 sqm of lettable office space. TietoEVRY has signed a lease for 22,000 sqm with an option during the construction period to take the remaining 6,000 sqm.

87
PROPERTIES

188
EMPLOYEES

SEK 3.2bn
RENTAL VALUE

SEK 74.3bn
PROPERTY VALUE

100%
ENVIRONMENTALLY CERTIFIED INVESTMENT PROPERTIES

1,255,000
(SQM) LETTABLE AREA

Principles that add value and care for our world

It's now just over six months since I walked through Fabege's doors. It's been an very exciting and intense few months. But whoever I speak to, I almost always get asked the same three questions; questions that I intend to answer now for a slightly larger audience.

Stockholm: the heart of our business

The first question I get is almost always about whether I plan to make changes to Fabege's strategy. I think the company's performance speaks for itself. Our focus is on commercial property and on the Stockholm area, which has proved to be extremely successful. Stockholm is Sweden's growth engine. Although there are some indications that the economy will slow down over the next few years, Stockholm will continue to grow.

Our geographical focus also gives us a considerable practical advantage. Instead of having properties spread out across the whole country, we are close to our customers, and sometimes even in the same block. This doesn't just mean that we are physically close in that we know what their street looks like and who is moving in or out. It also means that we know them, and we understand their businesses and their needs. We are part of their working day, and they are part of ours. It's a unique advantage. So no, there are no major plans to change course.

"I'm a man of simple tastes. I'm always satisfied with the best." – Oscar Wilde

The second question I get asked is whether I'm happy at Fabege. And the answer is a resounding yes. I can't imagine anything better. I've met so many new persons and witnessed the enthusiasm and know-how that exists in the organisation, which is highly experienced in adding value both through its capacity to develop existing properties and businesses, and by consistently taking on new development projects in different districts and areas.

Managing projects such as these takes skill. Fabege's expertise has been gradually built up over time. Many employees were involved back when Wihlborgs developed Klara Zenit, Järla sjö and Marievik here in Stockholm, as well as Västra hamnen in Malmö. Many of Fabege's current employees were also on board working on Drott's various development projects. When Fabege came into being in its current form, we saw the impressive construction of Arenastaden, and work on projects such as the Bocken block in central Stockholm.

For me, these projects are evidence of both expertise and the ability to carry projects through to completion. Fabege's employees are more knowledgeable about urban development, property and the business itself than I am, and they are passionate about their work. So for me it's about creating the right conditions to enable them to do a good job. And in order to continue doing a good job in the years ahead, employees, and the organisation, need to constantly develop, and sometimes change. That goes for all areas, from expertise, internal processes and customer relations, to how we harness the latest technology.

We have a robust corporate culture based on our core values. All activities – whether it's about changes, development or business deals – should always be carried out with respect for the individual, the customer and the wider community. We must never forget that it is people who do the work that needs to be done, who have offices in our properties, or who live in apartments in our areas. People we meet every day.

Flemingsberg – time for southern Stockholm to step forward

The third question I get asked is what are my thoughts on our project in Flemingsberg. My response is that I think it's time for southern Stockholm to grow and come into its own. Our thinking is that the area will be southern Stockholm's answer to what has now emerged in Arenastaden, what we call Stockholm's second central business district, where companies like SEB, ICA, Vattenfall and Telia Company have relocated to our properties. Flemingsberg is already home to institutions such as Södertörn University, Karolinska University Hospital and Polishögskolan. Now we just need to add the missing pieces.

Clearly there is still a great deal to be done in the southern suburbs, particularly to develop and improve the situation for business. Flemingsberg has been neglected for far too long, but we are well on the way and the planning processes are progressing as expected. The Royal Swedish Opera and the Royal Dramatic Theatre have already signed leases to relocate parts of their operations to Flemingsberg. Over the past 15 years we have seen the emergence of the Stockholm city–Arlanda axis. It was a huge investment, but now it's southern Stockholm's turn. For Fabege, this will mean we can offer attractive commercial properties in both southern and northern Stockholm. I am looking forward to seeing this become a reality. We hope to be able to bring more news in 2020 about both the planning process and additional tenants in Flemingsberg.

New day, new opportunities

Flemingsberg is not our only project. We are continuing apace with work on Solna Business park in Arenastaden, where Poolen will be home to the TietoEVRY Group in 2022, and in Haga Norra, where Bilia will be relocating to its new facilities in 2021. We are also converting the prestigious Hagahuset in Solna into a new hotel. And there are several exciting housing projects underway as part of a joint venture in areas such as Haga Norra, with the first 420 apart-

We will contribute towards creating safe and sustainable urban environments, providing effective and inspiring places for the people living, visiting and working in our areas.

Today, our average property is valued at almost one billion Swedish kronor. It is also certified according to sustainability criterias and financed using green funds.

ments in stage 1 up for sale during the year. We have been asked why there are fewer projects on our list compared with previous years, and whether this is due to a decrease in demand. It's true that the list is shorter at the moment than in previous years, but that's not down to a drop in demand but rather the fact that we're in the midst of an implementation phase. It is also due to planning process schedules. When combined, these factors create a bottleneck, which is something to which we have partly contributed. Perhaps we could have initiated more projects to build up the list and increase the pace, but we're not seeing any slowdown on the horizon. Demand for attractive office space is strong, as it has been previously.

Ten incredible years

At the start of a new decade, it can be useful to take stock and look at what we've achieved. Fabege's share price has risen by 567 per cent over the past ten years, while the NASDAQ Stockholm index has increased by 124 per cent. So we and other major companies have contributed significant value. In 2010, we had 103 properties with a combined area of 1,100,000 sqm, valued at SEK 27bn. Today, Fabege has 87 properties with a total area of 1,255,000 sqm, valued at over SEK 74bn. Fewer, but bigger properties. Today, our average property is valued at almost one billion Swedish kronor!

Of course we've had a little help from the market as well. Over the past ten years, the ten-year government borrowing rate has dropped from 3.15 per cent in February 2010 to –0.05 per cent in February 2020, and yield requirements for properties have seen a similar trend. The yield requirement for a property in Stockholm inner city today is approximately 3.20–3.85 per cent; ten years ago it was 4.75–5.00 per cent.

It's clear that in the past, high loan-to-value ratio and greater risk-taking have had greater priority compared with the more cautious strategy we have adopted. I'm happy that we've been able to take advantage of longer capital maturity and fixed-interest periods to further reduce our financial risk. In the autumn we were able to agree long fixed-rate periods at extremely low levels. Our new green framework has also allowed us to issue green commercial paper and green bonds. More than 80 per cent of our outstanding loans now come from green financing. I'm absolutely convinced that a healthy and robust balance sheet is both a strength and success factor over time.

Strength creates opportunities

We are entering the new decade stronger than ever before. All our financial key ratios improved during the year, and we had a long-term net asset value (EPRA NAV) of SEK 145 per share at year-end and a loan-to-value ratio of just 36 per cent, which has further decreased since the divestment of the DN skyscraper.

"We are all the winners...and that's what means the most." – Nick Borgen

Investors and analysts often ask about our sustainability work. Our responses are increasingly important in their assessment of our development opportunities. As an urban planner and property company, we can and will get involved and make a difference. We environmentally certify our properties and work with green financing. For us it feels perfectly natural to always invest in and work on cutting energy and water consumption in our properties, to contribute to more efficient transportation and waste management, to continually identify new and improved ways of reducing our and our customers' environ-

mental impact. We have a responsibility, and we take it seriously. If we fail to do this, we will build up a debt that will have to be paid at some point in the future. And that's what analysts and investors are considering. But sustainability goes beyond environmental issues. We also need to contribute towards creating safe and sustainable urban environments that are inspiring and that function well for the people living and working in our areas. Our concept isn't primarily about constructing buildings. It's about creating the conditions to help people and companies thrive. Social sustainability is a fundamental driving force, in addition to climate and the environment. A small, but specific example of this is our WAW concept, or Work Away from Work. These are offices where our customers' employees can drop in and use a workplace for an hour or two between a meeting and picking up from nursery, or to avoid the Stockholm traffic and achieve a better work-life balance. We now have WAW offices in Arenastaden, on Gamla Brogatan in central Stockholm and in Hammarby Sjöstad. Much of our work in Flemingsberg will be about social sustainability, creating safe and pleasant environments and contributing towards education, work and varied leisure time.

In 2019, we were named Europe's most sustainable listed company in the offices sector, in the global GRESB ranking. It's a title I would very much like to share with all other companies. Being the most sustainable company is not a contest that I feel we have to win. No one else should be better than us; everyone should best. That way we are all winners!

Good service and values support the environment and financial value

So how can we continue to deliver value in the future? There are a number of ways. Staying true to our focus on commercial property and the Stockholm area, thereby retaining knowledge of, and closeness to our customers, is a fundamental factor. Continuing to work with sustainability at all levels is another. Being able to predict and understand how new digital technology and emerging work processes affect employee relations and our collaborative approaches – and what requirements this places on modern offices – is a third. Face-to-face meetings cannot be replaced by digital alternatives, and they won't be, but they could happen in new ways. We believe flexibility in various forms will become a watchword.

2020 brings a lot of significant political and economic issues, including everything from fears of a trade war, the upcoming presidential elections in the US, power shifts in Russia, the Middle East and Brexit, along with developments in China. The list goes on. In the long run it's probably both more enjoyable and more profitable to be optimistic, but a realistic optimist who is always prepared to weather periods of uncertainty. For Fabege's part, once again I believe that a strong balance sheet, well-managed properties and a professional and dedicated organisation are the basis for long-term value creation.

I would like to extend a huge and heartfelt thank-you to all our employees, who have patiently answered my many questions about everything from our projects, to how to get to the coffee machine. And thank-you as well to our customers and shareholders for the confidence you have placed in us to continue creating value for you and the rest of society.

Stefan Dahlbo, President and CEO

Urban development – developing a more sustainable Stockholm

By owning a large proportion of properties within well-defined areas, we have the opportunity to assume greater responsibility for the district as a whole – from public transport and the range of services available, to the individual offices and the position, design and purposes of the properties. In all our districts we are the driving force behind the development of long-term, sustainable and attractive environments.

Approach and experience
Fabege takes responsibility throughout the urban planning process, and to quality assure sustainable development we use the Citylab Action method and BREEAM system of certification. These do not just cover the buildings but also the social and environmental impact on their surroundings, and offers tools for promoting dialogue with the wider community. The development of Arenastaden has been both ambitious and successful. We are now taking the many lessons learned and experiences and applying them to other districts, for example when in 2019 we had the benefit of participating in Huddinge Municipality's work with a new planning programme for Flemingsbergsdalen.

Sustainable travel and energy efficient solutions
Global warming is one of the most significant issues of our time, and here at Fabege we want to do our part to help slow down this development. That's why we are consciously working to increase the number of people travelling sustainably to and from our districts, extending geothermal energy solutions and creating Scandinavia's first zero-energy hotel in Solna. We hope our efforts will inspire others.

Facts

- Our districts are located in attractive growth areas and we have significant development plans for all of them.
- We enjoy effective, long-term partnerships with proactive municipalities.
- All our management properties are certified according to sustainability criteria.


11C

Sweden's engine

Stockholm likes to call itself "the Capital of Scandinavia". When it comes to the office market, it's no exaggeration.

Stockholm inner city is the Nordic region's largest office market and one of the fastest growing in Europe. With attractive locations, excellent public transport and a high level of service, demand for offices in the inner city is higher than ever before and vacancy rates are low.

As far as Fabege is concerned, it is strategically important to have attractive property in central Stockholm to be able to offer premises in the top locations, both centrally and in the suburbs. Customers are increasingly demanding several offices to cut employee travel time. It could be a bigger office in the north or south of the city to complement a smaller one in the centre, or vice versa. Being able to offer several alternatives is a strategic advantage. And for customers who do not themselves provide multiple offices, we can offer our WAW offices (Work Away from Work), where customers' employees can check in as needed and work for all or part of their working day.

Our portfolio in the inner city mostly comprises modern offices and shops in the area around Kungsgatan and Drottninggatan, but we also own older properties such as Wenner-Gren Center in Norrtull, and stunning older buildings in Kungsholmen, Norrmalm and Östermalm.

We are working with other companies in the inner city, planning several exciting development projects such as the transformation of Gamla Brogatan, with a nod to London's Carnaby Street.

Stockholm inner city

We are one of the biggest property owners in the city centre.

Several online retailers have opened physical stores at our properties on Kungsgatan as a complement to their online operations.

Our Hägern Mindre 7 property gained BREEAM In-Use, level Excellent, for its environmental certification, which is a level achieved by only four office properties in Sweden.

"We are seeing persistently strong demand in the inner city. With vacancy rates so low, the challenge is offering the right premises for our customers.

↓ Oskar Sköld, Market Area Manager, Stockholm inner city

Hammarby Sjöstad

- Fabege is planning to continue utilising development rights, improve existing buildings and expand the range of services.
- Hammarby Sjöstad is known around the world for its sustainability profile.
- The blue metro line will have its own station under the Hammarby canal, with an exit in Hammarby Sjöstad and one in Södermalm.

> **"Proximity to the water, nature and the city are what make Hammarby Sjöstad so unique, and we are looking forward to continuing to develop the area.**
>
> ↓ Per Tyrén, Market Area Manager, Hammarby Sjöstad

A district with a sea breeze

Hammarby Sjöstad has a vibrant urban feel, with a wonderful mix of residents, visitors and workers.

Numerous companies that were seeking creative office environments close to Södermalm and the inner city are now established in the area's mix of completely new buildings and redeveloped old industrial buildings.

Hammarby Sjöstad is known globally for its sustainability profile, which attracts customers who care. The proximity to water gives the district its own unique character, combining archipelago and city. From Hammarby Sjöstad you can quickly get to and from the city centre, and are close to recreational areas such as Eriksdalsbadet and Hammarbybacken. There is a wide range of services available in Hammarby Sjöstad. Regardless of whether you need to run errands, work out, enjoy delicious food, hold conferences or stay at a hotel, everything is close at hand.

During the year, we completed both improvements and extension work on Trikåfabriken 9, which got a new wooden extension, and Båtturen 2 with its stunning copper facade and an ultra-modern film studio. We also welcomed a number of exciting new tenants, including Naturvårdsverket, Publicis Groupe (one of the world's largest communication networks), Goodbye Kansas with animation and gaming development, and the digital education company Hyper Island.

Epic every day

Arenastaden is home to Friends Arena, companies such as SEB, Telia Company, Vattenfall and ICA, and Westfield Mall of Scandinavia.

Every year, over 14 million people visit Arenastaden, which is now a sustainable district with housing, offices and hotels, not to mention a well established public transport network.

The companies in Arenastaden have together completed a major travel habits survey, which reveals that an impressive 70 per cent of those who work in the district travel sustainably to and from work. It is a figure that no other district in Sweden even comes close to, yet the companies in Arenastaden remain determined to further increase the proportion of sustainable travel.

It's easy to think that the district is now finished, but the fact is we are only halfway there. Around 250,000 sqm of commercial development rights still remain to be utilised. We are now working alongside the City of Solna to produce a new planning programme for Solna Station and the southern part of Arenastaden. The plan involves decking over part of the track area, extending the little square across the tracks and turning Dalvägen into a pedestrianised promenade. The planning programme is expected to be sent out for comment in autumn 2020. The aim is to create a mixed-use area with plenty of activity outside working hours.

The fact that so many major companies are opting to establish themselves in Arenastaden indicates just how much appeal the area has, and the considerable potential for continued development.

→ Niclas Ternstål, Market Area Manager, Arenastaden

Arenastaden

We have so far developed 250,000 sqm in Arenastaden and plans are underway to develop a similar-sized area.

We are now working with the City of Solna on the construction of Kvarter Poolen, which will be home to both a municipal swimming pool and TietoEVRY's new offices.

The yellow metro line will have its own station at Arenastaden. Completion is scheduled for 2028 at the earliest.

Our vision: Stockholm's most appealing city district

Our vision for Haga Norra is to create a city district with a unique character and a fantastic location near central Stockholm, with Haga-parken and Arenastaden just around the corner.

Haga Norra is the place we have long been missing. The one we've encountered during our travels on the continent. The one that actually once existed in this country, but which has since been lost. The one that will now make a comeback.

Haga Norra is a place to be seen, and you will be. You will easily become a regular here – whether at one of the neighbourhood's cosy restaurants or at the local grocer's, cheese deli or bakery.

Haga Norra will be a mixed-use area full of individuals. You won't find the big chains here, but instead small, personal boutiques, shops, cafés and restaurants. Haga Norra will also be home to Europe's most modern car showroom. A mobility hub is planned for car and bicycle pools here, to make it easier for visitors and residents to get about.

It's estimated that a total of 2,500 people will live in the district, with 5,000 working there. The mix of homes, offices and visitors will make it a vibrant area 24/7, with a focus on quality of life.

Haga Norra

- Plans for 1,000 apartments and a further 55,000 sqm of office space. First tenants scheduled to move in 2021.
- Our ambition is to supply the entire district with geothermal energy.
- The aim is for Haga Norra to be completely developed by 2026/2027, but offices may be ready to move into by 2024.

I'm looking forward to the sales launch of the 420 first apartments in the area in 2020, and the opening of Bilia's new facilities in 2021. A thriving district needs a combination of offices, housing and services.

← Kaan Tektas, Project Manager, Haga Norra

An attractive district in the next phase of development

Solna Business Park boasts one of Stockholm's top locations for companies and their employees, who can easily get to and from work and carry out errands en route.

Work is now underway on transforming the area from a popular business district into a thriving quarter, just seven minutes away from the city centre metro at T-Centralen. Several major companies are already headquartered here, including Unilever, SBAB and Coop. During the year a number of significant customers signed new leases, among them Skolverket and Arbetsmiljöverket. Soon they will also be joined by residents, visitors and a substantially expanded range of services.

Having offices in Solna Business Park should make it easier to achieve a healthy work-life balance. Being able to offer employees practical working options is more important than ever before.

Vision Sliparen 1

"We work with Citylab Action and our tenants are also heavily involved, which provides an excellent basis for continued sustainable development in Solna Business Park.

→ Susanna Elvsén, Market Area Manager, Solna Business Park

Solna Business Park

Our ambition is to quadruple the amount of green space and expand the range of services.

The new station exit from the train and metro will be located here.

Work has begun on a local development plan for the area, which will add roughly 90,000 sqm of office space and 30,000 sqm of housing.

Sweden's biggest urban development project

There is currently an imbalance between the northern and southern parts of Stockholm. The jobs are largely located in the north, while many live south of the city centre.

This creates inefficiency that is evident in the otherwise excellent transport system, with trains running half empty in one direction and overcrowded in the other.

Establishing a centre in the south for business, housing and research will help redress this imbalance. As we work with Huddinge Municipality to create the new Flemingsberg, we are taking great care to consider Flemingsberg as it is today. In our plans, the old and the new will be integrated, not separated.

Flemingsberg will be transformed into a thriving district with an international touch. Our vision is that 50,000 employees, 50,000 residents and 50,000 visitors, together with the vast number of students in the area, will together contribute to a varied, dynamic and multifunctional location that will be a hotbed for innovation. Once the Mälartåg trains are fully operational, travel time to Stockholm Central will be about 10 minutes.

Flemingsberg

The Royal Swedish Opera and the Royal Dramatic Theatre have decided to relocate parts of their operations to Fabege in Flemingsberg.

The area is already home to Karolinska University Hospital, Södertörn University, KTH Royal Institute of Technology, Polishögskolan (National Police Academy), Rättsmedicinalverket (Swedish National Board of Forensic Medicine), Södertörn District Court and Novum Research Park.

The Spårväg Syd tramway project has been brought forward by four years, to start in 2020, and is just one of several major infrastructure projects that will benefit Flemingsberg.

We are excited about the long-awaited construction start of Sweden's biggest urban development project in 2022.

↓ **Therese Friedman,**
Business Developer, Flemingsberg

Work underway for a carbon neutral city

Fabege helps make Stockholm a safer and more pleasant city with a lower climate impact – every day. We want to create conditions for a safe and secure living environment where residents, workers and visitors can spend time on equal terms

We raised our sights during the year in terms of our sustainability work. Our goal is to achieve completely carbon-neutral property management by the year 2030, and to continue to launch strategic initiatives and work persistently in line with the UN's Sustainable Development Goals for 2030. In 2019, Fabege linked up with the Science Based Targets initiative and has thus taken an initial step in efforts to adjust operations to help achieve the 1.5-degree target according to the Paris Agreement. But a successful result is by no means a given. It requires us to continue with active efforts to reduce our carbon footprint, and to work on several levels towards clear goals.

Fabege's vision for the sustainable and carbon neutral district includes work with energy system solutions and sustainable transport. We plan to create a dynamic city for both residents and workers, where squares, lighting, cultural experiences, accessibility and effective planning combine to suit people's needs. We look at how people move around the city and we help change travel habits. In short, we look at the whole picture. And we work with this approach every day.

Since 2002, Fabege's carbon dioxide emissions have decreased by around 95 per cent, from 40,000 tonnes to 2,000 tonnes in 2019. During the year, Fabege achieved an actual reduction in energy consumption for the entire investment property portfolio of 58 per cent compared with 2005, which means we are already exceeding the Swedish energy policy target of a 50-per cent improvement by 2030. All our investment properties are now environmentally certified. They make up 83 per cent of Fabege's total space, with the remaining square metres in project and development properties that will be certified as they are completed.

Top marks for Fabege

GRESB[1] produces an annual ranking of the property sector from a sustainability perspective. In the 2019 evaluation, Fabege climbed eight points to 94 and is now ranked the highest in the 'Listed companies, offices, Northern Europe' category.

→ Find out more about Fabege's sustainability work on pages 78–98.

[1] Global Real Estate Sustainability Benchmark is an annual international evaluation that measures and evaluates sustainability work in property companies from an investor perspective.

"

As an urban developer, we need to look beyond the properties themselves and consider life around the buildings. We are constantly looking to improve quality of life and develop the appeal of our districts. Living and working in the carbon neutral city of the future will be an even better experience.

↓ Mia Häggström, Sustainability Manager

"Fabege knows us really well as a tenant"

"I'll never forget the day we moved in. The route from the train station was lit with outdoor candles and Fabege staff welcomed us to the building. The security passes and Wi-Fi worked perfectly and everyone was ready to get started straight away. There was even a fitness session organised at the new gym!"

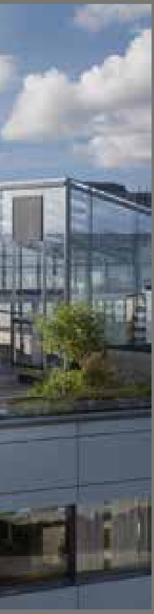
These are the words of Maria Bidegård, Project Manager at ica@work, who was in charge of ICA's move to Signalen 3 in Arenastaden. However, behind the scenes there had been hundreds of meetings and thousands of decisions as part of a complex project that in the end resulted in a well-planned space of 44,000 square metres.

"We had such a good experience of being a tenant of Fabege's before that we chose them for our new office as well, and it proved to be the right decision," says Maria Bidegård.

The building in Arenastaden is the result of a project in which sustainability aspects have been considered down to the tiniest detail. Together, ICA and Fabege achieved the second best level of Excellent in the environmental certification system BREEAM, and the office was named BREEAM Property of the Year 2019. Maria explains that BREEAM-SE was also an effective process management tool for ensuring they maintained a sustainable approach throughout the project. During the move, they were able to reuse 89 per cent of the existing fixtures and fittings, a total of 11,617 articles. The resulting carbon dioxide saving was 200 tonnes.

What is your relationship with Fabege like?

"Open and responsive, with shared goals. I feel that Fabege genuinely listened during the actual planning process, they always took our preferences and suggestions into consideration. And now we're seeing the same approach in their property management; they are always very open-minded, anything is possible. It's also easy to get hold of people; the property technicians are quick to respond and helpful, and they always have a good attitude.



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We have a well-established partnership and a long-standing business relationship with Fabege. We know they deliver on their promises and that we can rely on them.

← Maria Bidegård, Project Manager, ica@work

Onward and upward for Team Fabege

Committed employees who develop professionally and feel fit and healthy are essential if we are to achieve our objectives. We offer all our employees a sustainable work environment, and our culture permeates everything we do. Fabege's core values 'SPEAK' (fast, informal, entrepreneurial, business-minded, custom-focused) have the endorsement of our employees and mean that we all work towards shared goals, with the customer at the centre. Responsive customer service and entrepreneurial and professional solutions to customer needs are key cornerstones, as are a quick response and down-to-earth approach.

We are convinced that each and every one of our talented employees is responsible for the company's success. We recruit people who share our values and our approach, which helps create a strong team spirit. All our employees took part in our latest employee survey. 86 per cent think that Fabege is an excellent workplace, and 89 per cent are proud to tell others where they work.

Broadened health perspective for healthier, more committed employees

Fabege works systematically to improve employees' attitudes to health through health checks, fitness activities and talks on topics such as diet, stress, sleep and relationships. A clear majority of our employees state that they have made positive changes in their lives and improved their health thanks to Fabege's initiatives. During the year we have broadened our perspective on health to include aspects such as art and culture.

"We have worked systematically with our values since 2008 and they have been at the core of everything we do. We review and adapt them on a regular basis. They are ever-present in our operations, in our dialogue with customers and in employee relationships.

→ Gunilla Cornell, Head of HR


Fabege


WORLD


Fabege

Progress towards established targets

Employees	Target	Result
Satisfied employees	Fabege carries out an annual employee satisfaction survey. Since 2018, we have been conducting an annual survey together with Great Place to Work. The aim is to achieve a confidence rating of at least 85 per cent. **85%**	100 per cent of employees participated in this year's employee satisfaction survey. The results indicated an average confidence rating of 74. **74%**
Recommending Fabege as an employer	Fabege's goal is for 90 per cent of its employees to be happy to recommend Fabege as an employer. **90%**	In this year's survey, 87 per cent of employees responded 'yes' to the question: would you recommend Fabege as an employer. **87%**

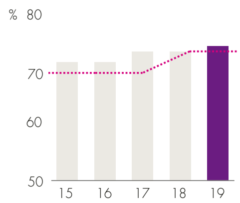
Sustainable relationships	Target	Result
Customer Satisfaction Index	Satisfied customers are important to Fabege. The target is to achieve an index rating of 80 in Fabege's CSI survey. **80**	Fabege carries out a customer survey every three years. The most recent survey was conducted in 2017. The survey had a high response rate and we achieved a rating of 78 on a scale of 100. In 2018 and 2019 we carried out customer dialogues instead, in order to gain an enhanced understanding of customer needs and expectations. The next CSI survey will be carried out in autumn 2020. **78**
Green financing	Fabege's ambition is for 100 per cent of the company's financing to be green or sustainable by 2020. Fabege encourages the financial market to take greater responsibility regarding sustainability issues. **100%**	At year-end, 84 per cent of outstanding financing was green and 77 per cent of the total credit facilities allowed opportunities for green financing. All of Fabege's lenders apart from one now provide green financing alternatives. **84%**
Sustainability inspections of suppliers	100 per cent of Fabege's strategic business partners must be inspected with regard to sustainability by 2020. These partners are estimated to account for roughly 75 per cent of the total purchasing volume. **100%**	In 2019, we inspected a total of 43 of our 44 strategic business partners. (35 have been inspected within our new specified four-year cycle). **98%**

Energy and environment	Target	Result
Energy efficiency enhancements	– New builds, max. 50 kWh/sqm Atemp. – Existing portfolio on average max. 85 kWh/sqm Atemp **Average 77 kWh/sqm Atemp[1] by 2023**	– Total energy, properties, 81 kWh/sqm Atemp – New builds, 51 kWh/sqm Atemp – Existing portfolio, 86 kWh/sqm Atemp **81 kWh/sqm Atemp**
Environmental certifications	All new builds and major redevelopments are to be environmentally certified according to BREEAM-SE. The existing portfolio is certified in accordance with BREEAM In-Use. Overall, the aim is for the entire property portfolio excluding development properties (for future project development) to be certified. **100%**	All project properties and investment properties are now certified. The remaining certifications relate to properties that are to be developed over the next few years. The target of 100 per cent certification of those properties that can be certified was achieved in 2019. **100%**
Green leases[2]	Green leases will account for 100 per cent of newly signed lettable area and at least 90 per cent of total lettable area. **100%**	In 2019, green leases accounted for 95 per cent of space under newly signed and renegotiated leases. At year-end, green leases accounted for 75 per cent of total lettable area. **95%**

1) Atemp is the internal area including floors, loft and basement that is heated to more than 10°C in the building.
2) Lettable area above ground, excluding housing units.

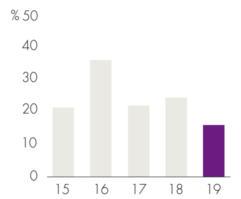
Properties

Properties	Target	Result
Surplus ratio	The target is for the surplus ratio to amount to 75 per cent. **75%**	The surplus ratio has continually improved, owing to growing revenue, an increasingly modern portfolio and persistent efforts to keep costs down. **75%**

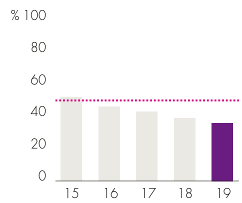


Financial

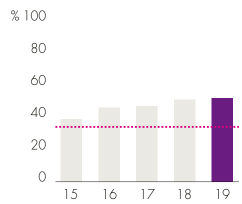
Financial	Target	Result
Return on shareholders' equity	Fabege will consistently be among the foremost publicly traded property companies in terms of return on equity.	The return on shareholders' equity amounted to 16 per cent through contributions from Property Management and Development. **16%**



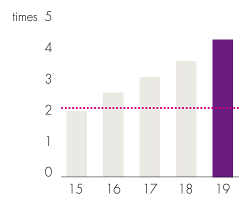
Loan-to-value ratio	The loan-to-value ratio must never exceed 50 per cent. **50%**	The loan-to-value ratio fell to 36 per cent due to rising property values and value-creating investments. **36%**



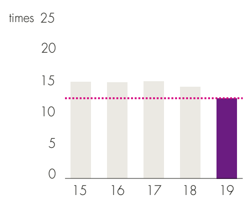
Equity/assets ratio	The target is to maintain an equity/assets ratio of at least 35 per cent. **35%**	The equity/assets ratio was 52 per cent. **52%**



Interest coverage ratio	The interest coverage ratio is to be at least 2.2. **2.2**	The interest coverage ratio is well above the target, an effect of strong net operating income combined with low market interest rates. **4.4**



Debt ratio	The debt ratio will amount to a maximum of 13. **13**	The debt ratio calculated as interest-bearing liabilities divided by net operating income less central administration amounted to 12.8. **12.8**



CONTENTS

● Audited financial information
○ Sustainability information reviewed in brief

The atrium at Uarda 1, Arenastaden →

Directors' Report

The Board of Directors and Chief Executive Officer of Fabege AB (publ), company registration number 556049-1523, hereby present the 2019 Annual Report for the Group and Parent Company.

The business

Fabege is one of Sweden's leading property companies focusing on commercial premises. The business is concentrated in a small number of fast-growing priority submarkets in the Stockholm region. Fabege manages and improves its existing properties while continuously developing its portfolio through sales and acquisitions. Realising value is an integral and key part of the business.

The transactions and investments made in 2019 continued to reflect our focus on the prioritised submarkets of Stockholm inner city, Solna, Hammarby Sjöstad and Flemingsberg. At 31 December 2019, Fabege owned 87 properties with a combined rental value of SEK 3.2bn, a lettable area of 1.3 million sqm and a carrying amount of SEK 74.3bn, of which development and project properties account for SEK 8.3bn. Commercial premises, primarily offices, represented 84 per cent of the rental value. The financial occupancy rate for the portfolio as a whole was 94 per cent (94). The occupancy rate in Fabege's portfolio of investment properties was 94 per cent (95). New lettings during the year totalled SEK 246m (350), while net lettings were SEK –37m (159). Lease terminations totalled SEK –283m (–191), with Skatteverket's termination at the start of the year accounting for the most significant portion at SEK –107m. Excluding Skatteverket's lease termination, net lettings in ongoing management amounted to SEK 9m. In addition, project lettings totalled SEK 61m. Significant lettings during the year included TietoEVRY, 22,000 sqm, and Arbetsmiljöverket, 5,400 sqm. Furthermore, an additional number of smaller project lettings and several smaller leases were signed with respect to management lettings.

Efforts to extend and renegotiate existing customer leases were consistently successful. A lease value of just over SEK 275m was renegotiated during the year (200). The rent levels in renegotiated leases increased by an average of 19 per cent (29). The retention rate during the year was 70 per cent (77).

Business model

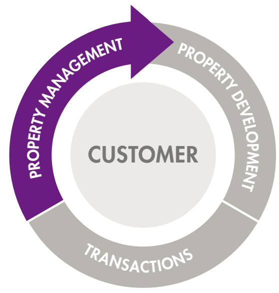
With modern commercial properties in a limited number of submarkets in the Stockholm region, Fabege's objective is to develop sustainable city districts and create the right conditions for satisfying customer requirements.

PROPERTY-RELATED KEY FIGURES

	2019	2018	2017
No. of properties	87	89	90
Lettable area, 000 sqm	1,255	1,252	1,136
Financial occupancy rate, %	94	94	94
Rental value, SEKm	3,195	2,960	2,594
Net lettings	–37	159	244
Surplus ratio, %	75	74	74

BUSINESS MODEL'S CONTRIBUTION TO EARNINGS

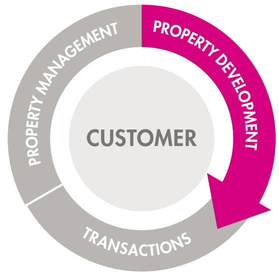
SEKm	Jan–Dec 2019	Jan–Dec 2018	Jan–Dec 2017
Profit/loss from Property Management	1,551	1,218	974
Changes in value (portfolio of investment properties)	4,129	5,252	3,831
Contribution from Property Management	5,680	6,470	4,805
Profit/loss from Property Management	–19	28	18
Changes in value (profit from Property Development)	1,443	2,301	2,264
Contribution from Property Development	1,424	2,329	2,282
Realised and unrealised changes in value	171	285	0
Contribution from Transactions	171	285	0
Total contribution from operations	7,275	9,084	7,087
Contribution, SEK per share	22	27	22



PROPERTY MANAGEMENT

Low risk with stable cash flow

Finding the right premises to match a customer's specific requirements and ensuring that they are happy with both the premises and the surrounding area is a cornerstone of our business model. This is accomplished through long-term work and based on close dialogue with the customer, building mutual trust and loyalty.



PROPERTY DEVELOPMENT

Creating value – increasing quality in the portfolio

Property development and new production is the second key cornerstone of our business. Our objective is to attract long-term tenants to properties that have not yet been fully developed, which are then redesigned based on the customer's specific requirements.

TRANSACTIONS

Financing projects – increasing the potential in the portfolio

Property transactions are also a cornerstone and a natural element of our business model. We continuously analyse the property portfolio to take advantage of opportunities to increase value growth, both through acquisitions and sales.

Corporate responsibility

Fabege has prepared a sustainability report according to the Global Reporting Initiative (GRI). The Sustainability Report has been prepared to satisfy sustainability reporting requirements in accordance with Chapter 6 of the Swedish Annual Accounts Act. The Sustainability Report is published in full on pages 78–103. Fabege's efforts to pursue its operations sustainably and responsibly are a success factor that permeates the business and today involves our employees in various ways. Our focus is on sustainable urban development, energy and the environment, responsible relationships with stakeholders and our operating environment, satisfied customers and a good working situation, health, job satisfaction and professional development opportunities for our employees.

As a developer of entire city districts, it is important for Fabege to take responsibility for ensuring the new areas are created in a way that is sustainable in the long term. Making sure a mix of offices, residential units, services and recreation areas are built close to good public transport connections makes for vibrant and safe environments. A strong environmental focus means, for example, that the properties are environmentally certified, customers are offered green leases and the company has high ambitions as regards further reducing energy use.

Satisfied employees are a key factor for Fabege's success and the company's confidence rating is high. It is essential to uphold a healthy corporate culture and ethically sound conduct, and to respect human rights. Fabege monitors suppliers to ensure they are acting in accordance with the company's Code of Conduct.

Acquisitions and sales

In the second quarter, Pelaren 1, Globen, was sold with transfer of ownership scheduled for 1 July. The purchase price amounted to SEK 1.6bn and generated a profit of SEK 138m, which was recognised as an unrealised change in value in the second quarter. Furthermore, the Lagern 3 property in Råsunda was sold to a co-owned housing development company, with transfer of ownership scheduled for June. The transaction did not have any impact on earnings. In November, an agreement was concluded on the sale of Trängkåren 7 for a purchase price of SEK 3.5bn, with transfer of ownership scheduled for January 2020. The transaction resulted in an unrealised change in value of SEK 33m, which was recognised in the fourth quarter. Overall, unrealised changes in value relating to divested properties totalled SEK 171m (132). Realised changes in value totalled SEK 0m (153).

In July, an agreement was signed on the acquisition of part of Generatorn 2, Flemingsberg, for a purchase price of SEK 60m. The acquired part is currently undeveloped. Transfer of ownership will take place after the local development plan and property reallotment have become legally binding.

Investments in existing properties and ongoing projects

In 2019, decisions were made on major project investments of SEK 1.7bn (3.8), of which the investments in Regulatorn 1 in Flemingsberg and Hagalund 2:2 (Haga Norra) in Arenastaden were the largest. The year's investments of SEK 2,556m (2,963) included SEK 1,544m (2,359) pertaining to investments in project and development properties. The capital invested in the investment property portfolio, which amounted to SEK 1,012m (604) and encompassed energy investments and tenant customisations, also contributed to the total growth in value.

In the second quarter of 2019, the new office building at part of Båtturen 2, Hammarby Sjöstad, was completed. The third quarter saw the completion of the project relating to the conversion and extension of Trikåfabriken 9, Hammarby Sjöstad, and tenants have taken up occupation of their premises. In November, the premises for Skolverket at Fräsaren 12 in Solna Business Park were completed. The properties have been transferred to the investment property portfolio.During the summer, work began on the new construction project Poolen, Arenastaden. Fabege has concluded an agreement to acquire the property once the reallotment process is complete, which is expected to be in the second quarter of 2020. The property includes approximately 28,000 sqm of lettable office space, and will be constructed in a 3D reallotment above the swimming pool to be built by Solna Municipality.

The aggregated project volume of the six remaining major ongoing new builds amounted to approximately SEK 3.5bn at year-end, with a lettable area of 109,000 sqm. All projects are proceeding according to schedule. The occupancy rate in the major project properties was 91 per cent at year-end.

Revenues and earnings

Profit after tax for the year was SEK 6,006m (7,699), corresponding to earnings per share of SEK 18.16 (23.28). Profit for the year before tax amounted to SEK 7,034m (9,103). Earnings from property management improved, but lower unrealised changes in value in comparison with the previous year meant that profit before tax fell. Rental income increased to SEK 2,856m (2,517) and net operating income rose to SEK 2,144m (1,875). In an identical portfolio, rental income rose by around 14 per cent (10), while net operating income increased by roughly 16 per cent (13). The surplus ratio was 75 per cent (74).

Two properties were divested during the year (Pelaren 1 and Lagern 3), with transfer of ownership taking place in 2019. Furthermore, an agreement was reached on the sale of Trängkåren 7, with transfer of ownership scheduled for January 2020. The transactions generated a total profit of SEK 171m, which was recognised under unrealised changes in value in the period. The transactions did not generate any realised profit and realised changes in value therefore amounted to SEK 0m (153).

Unrealised changes in value totalled SEK 5,743m (7,685). The unrealised change in the value of the investment property portfolio of SEK 4,129m (5,252) was largely attributable to increased rent levels for new lettings and renegotiations. The average yield requirement declined to 3.97 per cent (4.13). Furthermore, unrealised changes in value of SEK 171m (132) are recognised relating to properties sold during the year. The project portfolio contributed to an unrealised change in value of SEK 1,443m (2,301). The change in value of the project portfolio was mainly due to development gains in major project properties.

The share in earnings of associated companies was SEK –34m (–64) and mainly related to ongoing capital contributions to Arenabolaget.

Realised and unrealised changes in value in the derivatives portfolio totalled SEK –235m (16). An extended fixed-rate term and lower market rates led to an increase in the deficit value during the period. Net interest items declined somewhat to SEK –465m (–485).

Tax

Tax on profit for the year amounted to SEK –1,028m (–1,404). The figure included resolution of deferred tax in the amount of SEK 541m (164) in connection with property sales. Current tax of SEK 27m related mainly to the reversal of current tax after retesting of prior years' tax assessments. Tax was calculated at a rate of 21.4 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 in 2020 has been calculated based on the current tax rate for the year of 21.4 per cent.

The new regulations relating to restrictions on interest deductions apply as of 1 January 2019. Fabege is of the opinion that the new rules will not have any material impact on tax paid. For 2019, the new rules meant increased utilisation of tax loss carryforwards of just over SEK 300m. This incurred a greater deferred tax cost of SEK 66m for the 2019 full year, which is reflected in the tax calculation for the year.

Tax situation

Current tax

Tax loss carryforwards, which are expected to reduce the tax expense in future years, are estimated at SEK 3.8bn (4.3). Payment of income tax can also be delayed through tax depreciation of the properties. In case of a direct sale of property, profit for tax purposes, defined as the difference between the selling price and the tax residual value of the property, is realised. If the sale is made in the form of a company, this effect can be reduced. It is generally expected that current tax will remain low over the next few years.

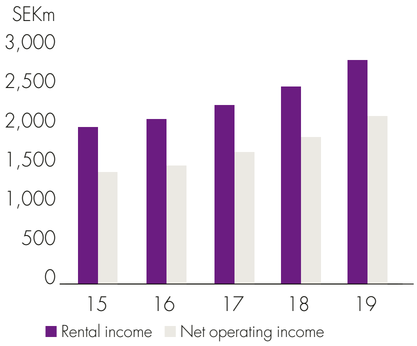
Deferred tax liability/tax asset

On 31 December 2019, the difference between the book and tax residual values of Fabege's property portfolio was approximately SEK 46.3bn (42.1). Net deferred tax liabilities amounted to SEK 7,431m (6,381).

Deferred tax attributable to, SEKm	2019	2018
Tax loss carryforwards	–690	–908
Difference between book and tax values in respect of properties	8,322	7,341
Derivatives	–201	–52
Miscellaneous	0	0
Net debt, deferred tax	7,431	6,381

Tax paid, SEKm	2019	2018
Income tax	–53	1
Property tax	221	165
VAT	35	12
Stamp duty	13	23
Energy tax	20	19
Total	236	220

RENTAL INCOME AND NET OPERATING INCOME



Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 1,539m (1,194). Changes in working capital had an impact on cash flow of SEK 478m (–271). Investing activities had an impact of SEK –1,271m (–1,804) on cash flow, while financing activities had an impact of SEK –738m (547) on cash flow. In investing activities, cash flow was driven by property transactions and projects. Cash and cash equivalents changed by a total of SEK 9m (–334) during the year.

Financial position and net asset value

Shareholders' equity amounted to SEK 40,068m (34,964) at year-end and the equity/assets ratio was 52 per cent (51). Equity per share attributable to Parent Company shareholders totalled SEK 121 (106). EPRA NAV was SEK 145 per share (125) and EPRA NNNAV amounted to SEK 138 per share (120).

Parent Company

Sales during the period amounted to SEK 315m (260) and earnings before tax amounted to SEK 3,348m (3,033). Net investments in property, equipment and shares totalled SEK 0m (0).

The work of the Board of Directors

A separate description of the work of the Board of Directors is given in the Corporate Governance Report on pages 62–74.

Human resources

The average number of employees in the Group during the year was 172 (163), including 57 (53) women and 115 (110) men. All were employed in the Parent Company. At year-end, the number of employees was 188 (181), including 67 (59) women. See Note 6 on page 51 for further details.

Guidelines for remuneration and other employment terms for management

Company management is defined as the Chief Executive Officer and members of the Executive Management Team. The Remuneration Committee is responsible for drawing up a draft statement of principles governing remuneration and other terms of employment for management, and the CEO's remuneration and other terms of employment prior to decisions by the Board.

The 2019 Annual General Meeting resolved to adopt the following guidelines for remuneration and other terms of employment for management:

Remuneration is to be on market terms and competitive. Responsibility and performance that coincide with the interests of shareholders are to be reflected in the remuneration. The fixed salary is to be reviewed annually. In addition to fixed salary, remuneration may be paid for target-related performance. Such remuneration shall depend on the extent to which pre-defined targets have been achieved within the framework of the company's activities. The targets encompass both financial and non-financial criteria. Remuneration in addition to fixed salary should be capped and tied to the fixed salary. Variable remuneration may not exceed nine months' salary. Senior executives who receive variable remuneration undertake to make a long-term investment (for a period of at least three years) of at least two-thirds of this salary component after tax in shares in the company. The aim is to encourage participation and commitment by offering senior executives the opportunity to become shareholders in a more structured manner. Variable remuneration to company management must not exceed a maximum total annual cost for the company of around SEK 10m (excluding social security fees), calculated on the basis of the number of persons who currently constitute senior executives. Other benefits, where applicable, may only constitute a limited portion of the remuneration.

The company has a profit-sharing fund covering all employees of the company. Allocations to the profit-sharing fund are based on the achieved return on equity and capped at two base amounts per year per employee.

The retirement age is 65. Pension benefits are to be equivalent to the ITP supplementary pension plan for salaried employees in industry and commerce, or be contribution-based with a maximum contribution of 35 per cent of pensionable salary. Termination salary and severance pay must not exceed 24 months in total.

Remuneration is to be on market terms and competitive.

Information about remuneration paid to senior executives in 2019 is provided in Note 6.

Each year, the Board reviews compliance with the principles of remuneration for senior executives, as resolved by the Annual General Meeting (AGM). Remuneration levels for the CEO and other senior executives have been compared to the average remuneration paid to CEOs and other senior executives in a number of other property companies. The comparison shows that the salaries, including benefits, paid to the CEO and other senior executives are in line with the market level.

Financing

Asset management and financing

Capital structure

Fabege's asset management activities are designed to generate the best long-term return for shareholders among property companies listed on Nasdaq Stockholm.

FINANCIAL TARGETS AT 31/12/2019

	Target	Result
Return on equity, %	[1]	16.0
Equity/assets ratio, %	at least 35%	52
Interest coverage ratio, multiple	at least 2.2	4.4
Loan-to-value ratio, %	max 50	36
Debt ratio, multiple	max 13	12.8

[1] The target for the return on equity includes is to be consistently in top among the listed real estate companies.

FINANCING AT 31/12/2019

	2019	2018
Interest-bearing liabilities, SEKm	26,414	26,275
of which outstanding MTN, SEKm	6,850	6,000
of which outstanding SFF, SEKm	2,085	2,511
of which outstanding commercial paper, SEKm	1,980	2,510
Undrawn committed credit facilities, SEKm	4,580	4,529
Fixed-term maturity, years	5.8	5.0
Fixed-rate period, years	4.5	3.6
Fixed-rate period, portion of portfolio, %	73	54
Derivatives market value, SEKm	–368	–132
Average interest expenses incl. committed credit facilities, %	1.80	1.65
Average interest expenses excl. committed credit facilities, %	1.72	1.55
Unpledged assets, %	28	28
Loan-to-value ratio, %	36	39

GREEN FINANCING, 31/12/2019

	Credit facilities	Outstanding loans and bonds
Green MTN bonds, SEKm	6,850	6,850
Green bonds via SFF, SEKm	1,660	1,660
Green commercial paper, SEKm	5,000	1,980
Green loans, other, SEKm	14,182	11,632
Total green financing, %	27,692	22,122
Percentage of green financing, %	77	84
Total green available borrowing facility, SEKm	47,598	
– of which unrestricted green available borrowing facility, SEKm	15,546	

Debt management

The main task of Fabege's debt management activities is to ensure that the company continually maintains a stable, well-balanced and cost-efficient financial structure through borrowing from banks and capital markets. 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. At a time when more and more companies are opting to predominantly access financing on the capital market, Fabege has chosen to retain a significant portion of its borrowing in the form of bank financing, and the company is keen to continue nurturing the long-term relationships it has with the Nordic banks.

Dividends

Under its dividend policy, Fabege aims to pay a dividend to its shareholders comprising the part of the company's profit that is not required for the consolidation or development of the business. 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.

Interest-bearing liabilities

Access to long-term and stable financing is crucial to the pursuit of a sustainable business in the long term. Fabege therefore values lasting and trusting relationships with its creditors. The company's lenders include the major Nordic banks and investors on the Swedish capital market.

Credit agreements with the banks to a certain extent enable the company to borrow funds as needed within a predetermined framework and terms. The company's objective is to refinance bank loans well in advance, at least one year prior to maturity. The company also endeavours to attain maturities that are as long as possible, at a reasonable cost.

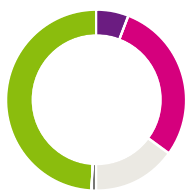
At 31 December, unutilised credit facilities amounted to SEK 4,580m.

Sustainable financing

Fabege wants to ensure it has a responsible approach to business in all aspects. We consider this to be a prerequisite for achieving long-term profitability. This affects our ability to attract customers and also skilled staff, the value of our properties and the level of pride among our employees, our ability to handle future climate change and also the assessment of us by both analysts and equity and bond investors. Green financing is a natural extension of the sustainability efforts that are conducted throughout the organisation. It provides us with more responsible financing, as well as a broader investor base and trusting relationships with our capital providers.

- Access to long-term and stable financing is crucial for the business. At the end of 2019, bank financing accounted for 50 per cent of borrowing. Fabege had unutilised credit facilities of SEK 4.6bn. The average fixed-term maturity period was 5.8 years.
- A high equity/assets ratio and low debt/equity ratio create security.
- Most borrowing is secured by mortgage deeds on properties.

FINANCING AT 31 DEC 2019



Commercial paper	6%
Bond loans	29%
Undrawn facilities	15%
Revolving loans	1%
Other loans	49%

SUPPLY OF CAPITAL

Equity	52%
Interest-bearing liabilities	34%
Other liabilities	14%

BREAKDOWN OF COLLATERAL

Pledged assets	72%
Unpledged assets	28%

Opportunities for various forms of sustainable financing have increased in recent years, a trend that Fabege welcomes and encourages to the greatest possible extent. Of Fabege's eleven sources of financing, ten now have opportunities for green financing. All Swedish banks that finance Fabege's activities offer this facility. In all cases, the financing relates to environmentally certified properties. The company also has previous green financing via the European Investment Bank, as well as green bonds via the green MTN programme and SFF. Green financing thus totals 84 per cent (60) of outstanding loans, or 77 per cent (45) of total loan facilities. The aim is for 100 per cent of financing to be sustainable by 2020. Green financing offers Fabege better conditions both with banks and on the capital market, along with access to more sources of financing.

New green framework for financing, green MTN programme and green commercial paper programme

Fabege launched a new framework for green financing in June 2019. The purpose of the framework is to create a standard for green financing that can be used with a number of Fabege's various sources of funding. It is built on certified properties and ambitious targets regarding energy consumption. The 'green bond principles' and Fabege's ambition to contribute to the targets according to the 2030 Agenda form the basis of the framework. CICERO issued a second opinion with ratings of 'medium green' for the green terms and conditions and 'excellent' for governance.

Fabege's existing green MTN programme, a new green commercial paper programme and a green back-up facility for the commercial paper programme have initially been linked to the new framework. Meanwhile, the MTN programme framework was raised to SEK 10,000m. The framework for the commercial paper programme remains at SEK 5,000m. All Fabege's commercial paper issues have been green since the launch. As previously, the company guarantees access to unutilised credit facilities to cover all outstanding commercial paper at any given time.

Reports are sent to investors each quarter, as well as in a more comprehensive form annually. Find out more and access links to prospectuses, frameworks, second opinions, feedback etc. at https://www.fabege.se/en/greenfinancing.

Collateral

Fabege's borrowings have traditionally been primarily secured via mortgage deeds on properties, and to some extent shares in property-owning subsidiaries as well. As borrowing on the capital market grows, the number of properties that are free from debt also increases. At year-end, the proportion amounts to 28 per cent of the total property value. Some unsecured borrowing is also undertaken.

Covenants

Fabege's obligations concerning covenants are similar in the various credit agreements and stipulate, in addition to being listed on a stock market, an equity/assets ratio of at least 25 per cent and an interest coverage ratio of at least 1.5. At property level, the potential loan-to-value ratios amount to between 50 and 70 per cent, depending on the type of property and financing.

Fixed-rate period

The fixed-rate period is set using interest rate swaps. At year-end, Fabege's portfolio of fixed-income derivatives comprised interest rate swaps totalling SEK 16,750m with terms of maturity extending through 2029 and carrying fixed interest at annual rates of between –0.18 and 1.35 per cent before margins. The derivatives portfolio is measured at market value and the change in value is recognised in profit or loss. At 31 December 2019, the recognised deficit value of the portfolio was SEK 367m (132). The change in value is of an accounting nature and has no impact on the company's cash flow. At the due date, the market value of derivative instruments is always zero. Read more about interest-rate derivatives and the valuation thereof in Note 3 on page 47.

Shares and share capital

Fabege's share capital at year-end was SEK 5,097m (5,097), represented by 330,783,144 shares (330,783,144). All shares carry the same voting rights and entitle the holder to the same share of the company's capital. The quotient value amounts to SEK 15.41 per share.

The following indirect or direct shareholdings in the company represent one tenth or more of the votes for all shares in the company:

Holdings, 31/12/2019	Percentage of votes, %
Erik Paulsson with his family, privately and through companies	15.2

Through Fabege's profit-sharing fund and the Wihlborgs and Fabege profit-sharing fund, the employees of Fabege own a total of 1,070,844 shares, representing a stake of 0.32 per cent in the company.

Acquisition and transfer of treasury shares

The 2019 AGM passed a resolution mandating the Board, for a period extending up until the next AGM, to acquire and transfer shares in the company. 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.

LOAN MATURITY STRUCTURE, 31 DEC 2019

	Credit agreements, SEKm	Drawn, SEKm
Commercial paper programme	5,000	1,980
<1 year	2,995	2,585
1–2 years	6,400	1,150
2–3 years	7,900	7,000
3–4 years	2,400	2,400
4–5 years	1,550	1,550
5–10 years	4,945	4,945
10–15 years	3,550	3,550
15–20 years	1,253	1,253
Total	35,994	26,414

INTEREST RATE MATURITY STRUCTURE (INCL. DERIVATIVES), AT 31 DEC 2019

	Amount, SEKm	Average interest rate, %	Share, %
<1 year	7,888	3.61	30
1–2 years	0	0.00	0
2–3 years	1,000	0.02	4
3–4 years	2,150	0.96	8
4–5 years	2,400	0.61	9
5–6 years	2,200	0.92	8
6–7 years	2,700	0.84	10
7–8 years	2,800	1.00	11
8–9 years	3,276	1.57	12
9–10 years	2,000	0.60	8
Total	26,414	1.72	100

Finance policy

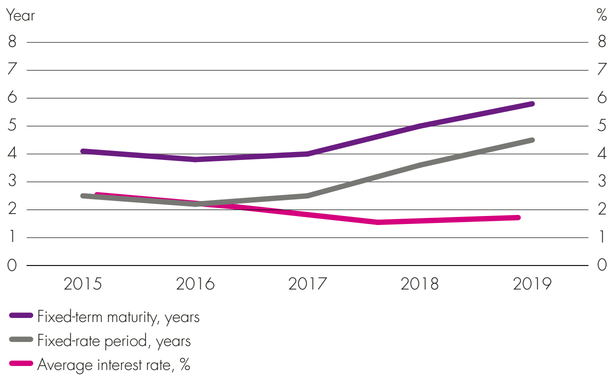
Financing operations are governed by the company's finance policy, which is established by the Board of Directors. The primary task of financial management is to ensure that the company always maintains stable, well-balanced and cost-efficient financing.

The fixed-rate period must take account of the circumstances at any given time. Potential currency exposures must be minimised. The policy also states the counterparties that the company is permitted to deploy while governing the authority and delegation of responsibility for the organisation.

Liquidity

In a property company, liquidity varies significantly over a year, since rent payments are made quarterly while running costs are relatively evenly allocated over time. Since the type of revolving credit facility used by Fabege can be utilised as needed, it is extremely well adapted to operations and enables the avoidance of surplus liquidity.

FINANCING 2019



Risks and opportunities

Fabege's risk exposure is limited and, to the extent possible, controlled in respect of properties, tenants, lease terms, financing terms and business partners. Risks and uncertainties relating to cash flow from operations relate primarily to changes in rents, vacancies and interest rates. Changes in the value of the property portfolio represent another uncertainty, as does the financial risk. Fabege endeavours to be a sustainable and responsible company, which means managing risks associated with such issues as environmental impact, ethical conduct and human rights.

To follow is a description of Fabege's view on, and management of a selection of significant risks that, if properly managed, also represent opportunities.

CATEGORISATION OF RISKS

	Likelihood	Consequence
MARKET AND TRANSACTIONS		
Rental income – customer bad debts	low	low
Rental income – vacancy rate	low	low
Rental income – rent levels	low	low
Geographic concentration	low	low
Property expenses	medium	medium
Projects – schedules and costs	medium	medium
Projects – unleased project space	low	low
Planning processes	high	medium
Property values	medium	high
FINANCIAL		
Liquidity risk	medium	high
Interest rate risk and valuation of fixed-income derivatives	medium	medium
ENVIRONMENT		
Contamination and environmental damage	low	medium
Climate change	medium	medium
Lack of environmental certification	low	medium

	Likelihood	Consequence
TAX		
Tax laws	medium	medium
Sustainable tax management	low	low
ETHICS AND ANTI-CORRUPTION		
Fraud, bribery, unethical conduct	low	high
EMPLOYEES		
Workforce planning	low	low
Dependency on key individuals	medium	low
SOCIAL CONDITIONS AND RESPECT FOR HUMAN RIGHTS		
Unacceptable working conditions, violations	low	low

Likelihood: low medium high
Consequence: low medium high

MARKET AND TRANSACTIONS

Rental income and property expenses

With modern properties in attractive locations, the risk of increased vacancies is low. Positive net lettings, completed projects and increased rent levels for both new and renegotiated leases contributed to income growth in 2019. Rental income for 2020 is expected to decline as a result of property sales. In an identical portfolio, the company expects to see sustained income growth resulting from completed project properties and continued increases in rent during renegotiations.

Sensitivity analysis, cash flow and earnings	Change	Effect, SEKm
Rental income, total	±1%	28.6
Rent level, commercial income	±1%	28.4
Financial occupancy rate	±1 percentage point	31.9
Property expenses	±1%	7.1

Risk	Assessment	Description	Impact and management of risk, commentary 2019
Rental income – customer bad debts	**L: ● C: ●** Low risk resulting from stable customers and efficient procedures.	Suspension of customer payments. The customers' ability to pay is affected by their stability and the general business climate.	The lease portfolio is spread among many industries and companies of different sizes. The 15 largest tenants are all stable companies and comprise approximately 28 per cent of the total rental value. The tenants are highly solvent and rent losses are negligible. This is due in part to favourable credit ratings and in part to efficient procedures that quickly identify late payers. Over the past five years, total rent losses have not exceeded 0.1 per cent of the rent due.
Rental income – vacancy rate	**L: ● C: ●** Low risk of structural vacancies but larger individual terminations can have a limited financial impact in the short term.	Changes in vacancy rates in the property portfolio could impact rental income either positively or negatively. New production of office properties and demand for office premises affect rent levels and the vacancy rate.	The risk of increased vacancies in the investment property portfolio is deemed minor considering the portfolio's central locations, modern premises and stable customers. The occupancy rate in the overall portfolio, including project properties, amounted to 94 per cent (94). In the investment property portfolio, the occupancy rate was 94 per cent (95). Rental growth in identical portfolios totalled around 16 per cent during the year. Fabege's portfolio generates stable cash flow from property management operations. The premises of development properties are kept vacant during development, which negatively impacts cash flow during the period. This is done consciously to create greater value over the long term. Fabege's vacancies are in modern properties in attractive locations and no vacancies are structural; it is mainly a matter of time before the right customer is found for the right property.
Rental income – rent levels	**L: ● C: ●** Low risk in short term. In the longer term there is a medium risk of greater variation in rent levels.	Market rents prevail in the Stockholm office market. New production of office properties and demand for office premises affect rent levels and the vacancy rate.	Demand for office premises in Stockholm is growing, while the supply of new offices is limited, which is currently leading to increasing rents. Since leases generally have terms of 3–5 years, changes in market rents gradually impact on rental income. In 2019, Fabege renegotiated a volume of approximately SEK 275m, resulting in an average increase of 19 per cent. Fabege is of the opinion that renegotiations in the coming year will also contribute to an increased rental value.
Geographic concentration	**L: ● C: ●** Low risk in light of Stockholm's growth and industry structure.	Because the company's property portfolio is concentrated to the Stockholm region, employment figures and developments in the Stockholm office market affect Fabege.	The strategy generates many benefits of scale and contributes to both an increase in net operating income and higher property values. With a focus on urban development in attractive locations, Fabege is able to influence the appeal and supply available in the districts. Stockholm is the growth engine in the Swedish economy, with an expanding population fuelling demand for offices.
Property expenses	**L: ● C: ●** Medium risk. Tax decisions, changes in market prices and seasonal variations affect the cost structure.	Property tax and ground rent, where the potential to affect the size of the cost is limited, account for a large part of these expenses. Other expenses, including running costs, maintenance and tariff-based expenses such as electricity and heating depend on price levels and consumption. 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.	Fabege pursues structured efforts to reduce its consumption of heating, electricity and water. The company also conducts regular contract negotiations and procurements aimed at reducing costs. The operations organisation continuously focuses on cost effectiveness and capitalising on savings opportunities in order to create a sustainably secure cost base. A large portion of property expenses is paid for by tenants, thus reducing the company's exposure. Since the standard of the property management portfolio is high, maintenance expenses are low. The surplus ratio in 2019 was 75 per cent.

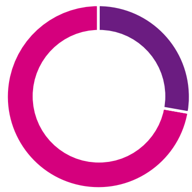
Likelihood: ● low ● medium ● high
Consequence: ● low ● medium ● high

LEASE MATURITY STRUCTURE

Year of maturity	No. of leases	Annual rent, SEKm	%
2020[1]	648	784	26
2021	290	336	11
2022	221	534	18
2023	134	235	8
2024	48	97	3
2025+	91	852	28
Commercial	1,432	2,838	94
Housing contract	130	12	0
Garage and parking	1,035	168	6
Total	2,597	3,018	100

[1] Of which just over SEK 231m has already been renegotiated

TEN LARGEST CUSTOMERS, CONTRACTUAL ANNUAL RENT,



● Ten largest customers 28%
● Other customers 72%

MARKET AND TRANSACTIONS (cont.)

Project portfolio

The company believes that cost frameworks and schedules in the major projects will be met. Increased costs are largely related to tenant customisations, combined with higher rent or more challenging foundation conditions. Fabege does not envisage any significant risk of increasing construction costs. With the company's experience and the focus on letting the remaining non-leased project space, Fabege is of the opinion that the risk of structural vacancy following completion is low.

Risk	Assessment	Description	Impact and management of risk, commentary 2019
Schedules and costs	**L: ● C: ●** Medium risk. Potential delays and increased costs in procurements can have significant consequences depending on the size of the projects.	Risks in the project portfolio primarily pertain to risks related to scheduling and the cost level for the procurement of construction services. Due to its large project portfolio and annual investments of at least SEK 2.5bn, it is essential that Fabege manages these project risks optimally.	For many years, Fabege has pursued major new build and conversion projects. Each year, Fabege conducts project procurement processes involving significant amounts. Fabege's project managers, who are highly experienced and skilled in project procurement, are responsible for these processes, and for running and following up large- and small-scale projects. Procurement work is performed with the support of framework programmes, framework agreements and agreement templates. Decisions regarding investments of SEK 25–50m are made by the CEO and Chairman together. Investment decisions relating to projects exceeding SEK 50m are made by the Board of Directors. The projects are expected to generate a yield on total capital invested of over 5 per cent. Fabege's aim is for project investments to generate significant value growth.
Unleased project space	**L: ● C: ●** Low risk since projects are pursued in attractive locations and there are very few speculative projects.	In connection with large-scale new builds, there is a risk that newly produced space will not be let.	The occupancy rate of the projects is 91 per cent, which entails a low risk of vacancy on completion. Requirements regarding the percentage of customers that have to sign leases prior to the start-up of a project are decided on a case-by-case basis.
Planning processes	**L: ● C: ●** High risk as the planning processes are normally drawn out.	Planning processes are time-consuming and depend on the resources available to municipalities. There is a risk of delays in opportunities to utilise development rights.	Lead times for the planning processes are lengthy. Fabege endeavours to maintain close cooperation with the municipalities concerned. Fabege works with its own personnel, who are highly skilled and have considerable experience of working with planning issues. The portfolio contains just over 375,000 sqm of wholly-owned commercial development rights, of which 43 per cent are scheduled.

Likelihood: ● low ● medium ● high
Consequence: ● low ● medium ● high

Property values

As a result of low initial values for project properties and development rights, there is considerable potential for generating value through project investments. Improved cash flows will contribute to higher property values going forward. At the same time, the market's yield requirement is a factor that Fabege cannot influence. Fabege believes that property values in the company's markets will be stable in 2020.

Change in value, %	Impact on after-tax profit, SEKm	Equity/assets ratio, %	Loan-to-value ratio, %
+1	579	52.6	35.4
0	0	52.4	35.6
–1	–579	52.1	35.7

The table above shows the effect on earnings, equity/assets ratio and loan-to-value ratio of a 1 per cent change in the value of a property.

Sensitivity analysis, change in value	Assumption	Impact on value, SEKbn
Rent level	±10%	6.7
Running cost	±SEK 50/sqm	1.3
Yield requirement	±0.25%	4.7
Long-term vacancy rate	±2%	1.6

Risk	Assessment	Description	Impact and management of risk, commentary 2019
Property values	**L: ● C: ●** High risk as changes in rent levels and yield requirements can have a considerable impact on property valuations.	Changes in rents, vacancies and yield requirements in the market affect the value of the properties. The market price is also impacted by access to and the terms of financing.	The value of the property portfolio is affected by Fabege's leasing and customer structure, by the company's development of the property portfolio and by other external factors that determine demand. Fabege's property portfolio, with stable customers and modern premises in prime locations, is made up of attractive investment objects even when the economy is not performing well. The persistent advancement of project and development properties will continue to generate value growth in the portfolio. Properties are recognised at fair value and changes in value are recognised in the statement of comprehensive income. Property value is determined according to generally accepted methods. At least 25 per cent of Fabege's portfolio has its value appraised externally at the end of each quarter. The value of the remaining properties is appraised internally based on the external valuations. Accordingly, the entire property portfolio is independently valued at least once a year. The combined year-end market value was SEK 74.3bn (67.6), corresponding to about SEK 59,000 per sqm (54,000).

FINANCIAL

Financing

By interest-hedging 73 per cent of the loan portfolio, interest rate changes have a limited impact on Fabege's borrowing costs. Fabege believes that its available facilities are sufficient and that the existing agreements will be refinanced.

Sensitivity analysis, cash flow and earnings[1]	Change	Effect, SEKm
Interest expenses, rolling 12 months	±1 percentage point	41.6
Interest expenses, long-term perspective	1 percentage point	264.1

[1] Due to interest rate floors in loan agreements, Fabege is not able to fully utilise negative interest rates, whereby a negative outcome arises even when interest rates are reduced.

Risk	Assessment	Description	Impact and management of risk, commentary 2019
Liquidity risk	**L: ● C: ●** Medium risk as Fabege works with a number of alternative sources of financing and seeks extended fixed-term maturities.	The property industry is capital-intensive and requires a functioning capital market. Accordingly, access to financing via banks and the capital market is of considerable significance for Fabege's operations. The liquidity risk refers to the borrowing requirement that can be covered by refinancing or new borrowing in a strained market scenario.	Fabege aims to strike a balance between short- and long-term borrowing allocated among a number of sources of funding. Long-term credit facilities, with fixed terms and conditions, and revolving credit facilities have been signed with lenders to reduce the liquidity risk. Renegotiations are always initiated well in advance. The objective is to eliminate maturities within the next 12 months. Any issues that may arise are identified at an early stage through Fabege's long-term relationships with its financial backers, built on mutual trust. The average fixed-term maturity period at year-end was 5.8 years (5.0) and available unutilised facilities amounted to SEK 4.6bn (4.5).
Interest rate risk and valuation of fixed-income derivatives	**L: ● C: ●** Medium high risk as changes in market rates in the long term can have a significant impact on interest expenses.	Interest rate risk refers to the risk that changes in market interest rates will impact Fabege's borrowing costs. Interest expenses comprise Fabege's single largest cost item. Fixed-income derivatives are measured at market value and changes in value impact profit and loss.	The fixed-rate period is based on the estimated interest rate trend, cash flow and capital structure in accordance with the company's finance policy. Fabege uses financial derivatives, primarily in the form of interest rate swaps. The derivatives portfolio is valued based on external input data. The fixed-rate term of the loan portfolio was about 4.5 years (3.6) at year-end.

ENVIRONMENT

Likelihood: ● low ● medium ● high
Consequence: ● low ● medium ● high

Environment

The assessment is that climate change in itself does not constitute any major physical risk for Fabege at present, in view of the location of the property portfolio. Fabege has chosen to gradually adapt accounting of potential physical climate risks and transition risks to the Task Force on Climate-related Financial Disclosures' (TCFD) recommendation.

Risk	Assessment	Description	Impact and management of risk, commentary 2019
Contamination and environmental damage	L: ● (low) C: ● (medium) Low risk in light of the properties' standards and locations.	Under the Swedish Environmental Code, commercial businesses are responsible for any contamination or other environmental damage, and for the remediation thereof. The Swedish Environmental Code also stipulates that even if a commercial business is unable to pay for the remediation of a property, the party who owns the property is responsible. Accordingly, Fabege could be subject to such remediation requirements.	Fabege deems this risk to be minor since its property portfolio primarily comprises commercial office premises. The company continuously investigates and identifies potential environmental risks in its property portfolio. Action plans are prepared for such risks arising. There were no incidents in 2019 resulting in material fines and no non-monetary sanctions pursuant to environmental legislation.
Climate change	L: ● (medium) C: ● (medium) Medium risk. Temperature changes and precipitation may raise costs. Transition risk: Higher price for greenhouse gas emissions/higher energy costs. Cost of changing over to low-carbon building materials.	In a report from 2007 (SOU 2007:60), the government established that Sweden is heading for a period of climate change. According to the report, it is assumed that the average temperature in Sweden will increase, as will precipitation during the autumn, winter and spring. However, summers are expected to be drier and sea levels are expected to rise. This results in an increased risk of flooding, avalanches, landslides, erosion and heat waves.	Climate change is expected to result in physical risks such as temperature changes, rain, wind, flooding and levels of snow that could affect properties. Some of the more severe risks include extreme weather events. Flooding from groundwater can be prevented by changes to land gradients, embankments and pumping water from low areas. Furthermore, there are regulatory risks such as greater requirements concerning the carbon footprint of buildings and increased reporting requirements on carbon footprint. Other risks relate to higher prices for energy, materials, waste management, etc. Further information can be found on pages 80–81 of the Annual Report.
Lack of environmental certification	L: ● (low) C: ● (medium) Low risk as a large portion of the portfolio is environmentally certified.	Increased requirements from customers and other stakeholders for eco-certified buildings.	Fabege is of the opinion that demand for environmentally certified buildings is increasing from both investors and customers. Fabege's objective is for the company's entire property portfolio to be environmentally certified. At the end of 2019, the entire investment property portfolio and all major ongoing new building projects and redevelopments were certified or in the process of being certified, corresponding to 83 per cent of the total lettable area.

TAX

Tax laws

In the event that changes under discussion become law regarding restrictions to interest deductions, levying of stamp duty and packages in connection with property sales, such changes will affect Fabege's income tax.

Risk	Assessment	Description	Impact and management of risk, commentary 2019
Tax laws	L: ● (medium) C: ● (medium) Medium risk as changes in the area of tax can have a relatively significant financial impact.	Changes to tax legislation such as corporate taxation, property tax, tax on property transactions and other relevant taxes. An investigation has proposed taxation of transactions in the event of 'packages'.	Fabege is affected by new property taxation and changes to corporate taxation involving restrictions to the deduction of interest expenses, both of which came into effect as of 1 January 2019. However, in the current low interest climate, the negative effect is negligible. No specific proposals have yet been put forward regarding transaction tax. Fabege is monitoring developments.
Sustainable tax management	L: ● (low) C: ● (low) Low risk in light of clear tax policy. All Fabege's operations are pursued in Sweden and Fabege pays 100 per cent of its tax expense in Sweden.	Brand risk with regard to tax management.	A tax policy was adopted by the Board of Directors in 2016, which provides guidelines regarding Fabege's tax management. The policy states that Fabege will follow all the relevant laws and regulations in the area of taxation, and that where regulations are unclear, Fabege will act transparently and exercise caution. Fabege will engage in tax management based on ethical, legal and professional principles and will abstain entirely from aggressive or advanced tax avoidance.

ETHICS AND ANTI-CORRUPTION

Likelihood: low / medium / high
Consequence: low / medium / high

Ethics and anti-corruption

Fabege's Code of Conduct imposes requirements regarding how employees are expected to conduct themselves in our professional relationships. Policies and guidelines provide more detailed instructions. Through agreements and a specially adapted Code of Conduct for suppliers and business partners, Fabege requires that suppliers and other business partners undertake to comply with Fabege's zero tolerance of unethical behaviour.

Risk	Assessment	Description	Impact and management of risk, commentary 2019
Fraud, bribery, unethical conduct	**L:** ● **C:** ● Low risk in light of clear guidelines in procedures and Code of Conduct.	Fabege does not accept any form of bribery, threats or unethical conduct. Several operators are involved in Fabege's large-scale projects, and services/products are procured through subcontractors on a number of levels. Despite making clear requirements in all procurements, it is difficult to gain an overview of long supply chains, giving rise to a risk of activities that contravene Fabege's values.	Ethical matters are a continual topic of internal discussion at staff meetings and conferences. Fabege established an ethical council several years ago, with specific responsibility for identifying and managing ethical issues internally. Fabege also has a whistleblower function, which can be used by employees and external individuals anonymously to report unethical behaviour. Cooperation with contractors is evaluated continuously and all major suppliers are examined by an independent company to ensure sustainable practices. All suppliers are also monitored by credit rating agencies, in order to quickly identify potential financial non-conformities and any changes in boards and management. Fabege is of the opinion that control of its first-line suppliers is adequate. Through agreements, suppliers undertake to comply with Fabege's Code of Conduct. If any non-conformities are uncovered, agreements can be terminated with immediate effect. In turn, Fabege urges its first-line suppliers to monitor compliance by their subcontractors to ensure compliance throughout the supply chain.

EMPLOYEES

Employees

Fabege has a relatively small workforce in relation to the property values it manages, and the company employs a number of uniquely skilled individuals. This can to a certain extent make the company vulnerable.

Risk	Assessment	Description	Impact and management of risk, commentary 2019
Skills supply	**L:** ● **C:** ● Low risk, however strong competition for certain job categories.	As technical and digital developments progress, Fabege's personnel are required to have greater technical expertise. There is currently a shortage of this type of knowledge on the market. There is strong competition for certain job categories, such as technical personnel and project managers.	Fabege invests time and effort in the company's shared core values, SPEAK, with the aim of being the industry's most attractive employer. One way of recruiting is via cooperation with educational institutions, in order to encourage interest in the company and the sector at an early stage.
Dependency on key individuals	**L:** ● **C:** ● Dependency on key individuals. Medium risk.	Fabege has a relatively small workforce and certain key functions are dependent on individuals.	Fabege always endeavours to ensure that there is backup in the form of staff who can cover for each other in the event of illness, for example. When employees are travelling on business, individuals with similar skills always travel separately. A certain amount of support can also be provided by consultants.

SOCIAL CONDITIONS AND RESPECT FOR HUMAN RIGHTS

Core values and Code of Conduct

Fabege's core values, SPEAK, determine the framework for desirable behaviour. This is supported by Fabege's Code of Conduct, along with more detailed policies and guidelines. Through agreements and a specially adapted Code of Conduct for suppliers and business partners, Fabege requires that suppliers and other business partners undertake to comply with Fabege's zero tolerance of unacceptable working conditions and violations.

Risk	Assessment	Description	Impact and management of risk, commentary 2019
Unacceptable working conditions, violations	**L:** ● **C:** ● Low risk in light of compliance with Swedish legislation and clear guidelines.	Fabege does not accept any form of human rights violation or any other form of discriminatory treatment or unacceptable working conditions, whether internal or at one of our business partners. Several operators are involved in Fabege's large-scale projects, and services/products are procured through subcontractors on a number of levels. Despite making clear requirements in all procurements, it is difficult to gain an overview of long supply chains, giving rise to a risk of activities that contravene Fabege's values.	Fabege conducts an annual employee survey that tells us how our employees are and how well their working conditions support their ability to perform. Fabege's core values, SPEAK, are a recurring theme for evaluation and discussion in connection with recruitment, performance reviews and staff conferences. Cooperation with contractors is evaluated continuously and all major suppliers are examined by an independent company to ensure sustainable practices. Fabege is of the opinion that control of its first-line suppliers is adequate. Through agreements, suppliers undertake to comply with Fabege's Code of Conduct. If any non-conformities are uncovered, agreements can be terminated with immediate effect. In turn, Fabege urges its first-line suppliers to monitor compliance by their subcontractors to ensure compliance throughout the supply chain.

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.

Outlook for 2020

There are several indications that the economy is slowing down. However, in the general economic slowdown, Stockholm appears to be remaining strong with its anticipated long-term growth forecast, in terms of both the rental market and the transaction market. Fabege is well-positioned and can offer office space in attractive, modern and sustainable neighbourhoods in Greater Stockholm. Given prevailing market conditions and Fabege's attractive property and project portfolio, circumstances are favourable for a continued positive trend over the next few years. Completed project properties and continued low interest expenses are expected to yield a stable profit from property management in identical portfolios. Our attractive development rights in prime locations allow us the opportunity for continued successful, value-generating project development.

Fabege transparently reports the expected rental income per quarter based on the lease situation in the portfolio. The target figures for value increases in the project portfolio are also reported. Since unrealised changes in the value of the property portfolio and derivative portfolio are difficult to forecast, no total forecast is presented for the company.

PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The following amount is at the disposal of the AGM:	SEK
Retained earnings	3,040,874,640
Profit for the year	3,408,916,845
Total	6,449,791,485

The Board of Directors and the Chief Executive Officer propose that the amount be allocated as follows:	SEK
A dividend of SEK 3.20 per share to the shareholders	1,058,506,061
To be carried forward	5,391,285,424
Total	6,449,791,485

The dividend amount is based on the total number of shares outstanding at 31 January 2020, i.e. 330,783,144 shares. The total dividend amount is subject to alteration up to and including the record date, depending on share buybacks.

Statement of the Board of Directors on the proposed dividend

Grounds

The Group's equity has been calculated in compliance with IFRS standards as adopted by the EU, the interpretations of these (IFRIC) and Swedish law through the application of Recommendation

RFR 1 Supplementary Accounting Rules for Corporate Groups of the Swedish Financial Reporting Board. The Parent Company's equity has been calculated in accordance with Swedish law, applying recommendation RFR 2 Accounting for Legal Entities of the Swedish Financial Reporting Board. The Board of Directors has established that the company will have full coverage for its restricted equity after the proposed dividend. The Board of Directors considers that the proposed dividend is defensible based on the criteria contained in the second and third paragraphs of Section 3 of Chapter 17 of the Swedish Companies Act (nature, scope and risks of the business, consolidation requirements, liquidity and other financial circumstances). The Board would like to make the following comments pertaining thereto:

Nature, scope and risks of the business

The Board estimates that the company's and the Group's equity after the proposed dividend will be sufficient in view of the nature and scope of the business and the associated risks. In drawing up its proposal, the Board has taken account of the company's and Group's equity/assets ratio, historical and budgeted performance, investment plans and the general economic environment.

Consolidation requirements

The Board of Directors has made a general assessment of the company's and the Group's financial position and ability to meet their obligations. The proposed dividend constitutes 7.2 per cent of the Parent Company's equity and 2.6 per cent of consolidated equity. The stated target for the Group's capital structure is a minimum equity/assets ratio of 35 per cent, and the Group will be able to maintain an interest coverage ratio of at least 2.2 even after the proposed dividend. In view of the current situation on the property market, the company and the Group have a good equity/assets ratio. In light of this, the Board considers that the company and the Group are in a good position to take advantage of future business opportunities and withstand any losses that may be incurred. Planned investments have been taken into account in the proposed dividend payment. Nor will the dividend have any significant impact on the company's or the Group's ability to make further commercially motivated investments in accordance with the adopted plans. In the Parent Company, some assets and liabilities have been measured at fair value in accordance with Chapter 4 Section 14 of the Swedish Annual Accounts Act.

The impact of this valuation, which affected equity in the Parent Company by SEK –304m (–116), has been taken into account.

Liquidity

The proposed dividend will not affect the company's and the Group's ability to meet payment obligations in a timely manner. The company and the Group have good access to liquidity reserves in the form of short- and long-term credit. Agreed credit lines can be drawn at short notice, which means that the company and the Group are well prepared to manage variations in liquidity and any unexpected events.

Other financial circumstances

The Board of Directors has assessed all other known circumstances that may be significant for the company's and the Group's financial position and that have not been addressed in the above. No circumstance has been discovered in the course of the assessment that would cast doubt on the defensibility of the proposed dividend.

GROUP

Statement of comprehensive income

SEK million	Note	2019	2018
Rental income	5, 7	2,856	2,517
Property expenses	8	–712	–642
Net operating income		2,144	1,875
Central administration and marketing	9	–85	–80
Profit from other securities and receivables that are non-current assets	11	3	6
Interest income	12	4	4
Profit from interests in associated companies	17	–34	–64
Interest expenses	12	–472	–495
Ground rent	35	–28	–
Profit/loss from Property Management	1–6, 16, 44	1,532	1,246
Realised changes in value, investment properties	10, 15	–	153
Unrealised changes in value, investment properties	10, 15	5,743	7,685
Unrealised changes in value, fixed-income derivatives	3, 27	–235	16
Changes in value, equities	11, 13	–6	3
Profit/loss before tax		7,034	9,103
Current tax	14	27	–5
Deferred tax	14	–1,055	–1,399
Profit for the year		6,006	7,699
Items that will not be restated in profit or loss			
Revaluation of defined benefit pensions		–16	–2
Total comprehensive income for the year		5,990	7,697
Of which attributable to the minority		–33	–4
Total comprehensive income attributable to Parent Company shareholders		5,957	7,693
Earnings per share for the year before and after dilution, SEK		18, 16	23.28
No. of shares at end of period before dilution, million		330.8	330.8
No. of shares at end of period after dilution, million		330.8	330.8
Average no. of shares before dilution, million		330.8	330.8
Average no. of shares after dilution, million		330.8	330.8

GROUP

Statement of financial position

SEK million	Note	2019	2018
ASSETS			
Investment properties	15	74,250	67,634
Right-of-use asset, leasehold	35	942	–
Equipment	16	6	3
Interests in associated companies and joint ventures	17	133	121
Receivables from associated companies	18	559	195
Other long-term securities holdings	19	8	12
Derivatives	27	58	–
Other non-current receivables	20	110	70
Total non-current assets		**76,066**	**68,035**
Trade receivables	21	41	75
Other receivables	22	52	286
Prepaid expenses and accrued income		225	292
Short-term investments		134	127
Cash and cash equivalents	36	24	15
Total current assets		**476**	**795**
TOTAL ASSETS		**76,542**	**68,830**
EQUITY AND LIABILITIES			
Share capital		5,097	5,097
Other contributed capital		3,017	3,017
Retained earnings incl. comprehensive income for the year		31,879	26,799
Non-controlling interests		75	51
Total shareholders' equity	24	**40,068**	**34,964**
Interest-bearing liabilities	25, 26, 32	21,849	23,034
Lease liability	35	942	–
Derivatives	27	426	132
Deferred tax liabilities	28	7,431	6,381
Provisions	29	180	164
Total non-current liabilities		**30,828**	**29,711**
Interest-bearing liabilities	25, 26, 32	4,565	3,241
Trade payables	30	95	64
Provisions	29	2	2
Tax liabilities	14	41	59
Other liabilities		155	130
Accrued expenses and deferred income	31	788	659
Total current liabilities		**5,646**	**4,155**
TOTAL EQUITY AND LIABILITIES		**76,542**	**68,830**

GROUP

Statement of changes in equity

SEK million	Share capital	Other contributed capital	Retained earnings incl. profit/loss for the year	Total equity attributable to Parent Company shareholders	Non-controlling interests	Total shareholders' equity
Opening balance, 1 January 2018	5,097	3,017	19,843	27,957	55	28,012
Profit for the year			7,702	7,702	–4	7,698
Total income and expenses for the period			**7,702**	**7,702**	**51**	**7,754**
TRANSACTIONS WITH SHAREHOLDERS						
Cash dividend			–744	–744		–744
Total transactions with shareholders			**–744**	**–744**		**–744**
Other comprehensive income			–2	–2		–2
Closing balance, 31 December 2018	5,097	3,017	26,799	34,913	51	34,964
Opening balance, 1 January 2019	5,097	3,017	26,799	34,913	51	34,964
Profit for the year			5,973	5,973	33	6,006
Total income and expenses for the period			**5,973**	**5,973**	**33**	**6,006**
TRANSACTIONS WITH SHAREHOLDERS						
Cash dividend			–876	–876	–10	–886
Total transactions with shareholders			**–876**	**–876**	**–10**	**–886**
Other comprehensive income			–16	–16		–16
Closing balance, 31 December 2019	**5,097**	**3,017**	**31,880**	**39,993**	**74**	**40,068**

GROUP

Statement of cash flows

SEK million	Note	2019	2018
OPERATING ACTIVITIES			
Net operating income		2,143	1,875
Central administration		–85	–80
Reversal of depreciation		1	0
Interest received		9	12
Interest paid	33	–556	–608
Income tax paid		27	–5
Cash flow before change in working capital		1,539	1,194
CHANGE IN WORKING CAPITAL			
Change in current receivables		304	–98
Change in current liabilities		174	–173
Total change in working capital	34	478	–271
Cash flow from operating activities		2,017	923
INVESTING ACTIVITIES			
Investments in new builds, extensions and conversions		–2,518	–2,911
Acquisition of properties		0	–751
Divestment of properties		1,685	1,930
Other non-current financial assets		–437	–72
Cash flow from investing activities		–1,270	–1,804
FINANCING ACTIVITIES	3		
Dividend to shareholders		–877	–744
Raised borrowings		23,376	23,802
Repayment of debts[1)]		–23,237	–22,368
Realised change in value of derivatives		–	–143
Cash flow from financing activities		–738	547
Cash flow for the period		9	–334
Cash and cash equivalents at beginning of period	36	15	349
Cash and cash equivalents at end of period	36	24	15

[1)] As of the 2019 Annual Report, Fabege is presenting repayment and raised borrowings that pertain to other liabilities besides those for which overnight processing is applied. Gross accounting has also been applied in comparative figures for 2018. However, this only affects gross amounts and not the total cash flow from financing activities during each period. The company's daily overnight borrowing is not reported gross, and is always zero at year-end. For information regarding significant changes to the company's financing, please refer to the Directors' Report on page 32.

PARENT COMPANY

Profit and loss accounts

SEK million	Note	2019	2018
Net sales	40	315	260
Operating expenses	41	–356	–346
Operating profit/loss	1–3, 6, 16, 44	**–41**	**–86**
Profit/loss from shares and participations in Group companies	42	0	–4
Profit from other securities and receivables that are non-current assets	11, 13	–6	3
Changes in value, fixed-income derivatives	3, 27	–235	16
Interest income	12	466	402
Interest expenses	12	–481	–516
Appropriation	42	3,645	3,218
Profit/loss before tax		**3,348**	**3,033**
Current tax	14	0	0
Deferred tax	14	60	–237
Profit for the year		**3,408**	**2,796**

No statement of comprehensive income has been prepared because the Parent Company has no transactions that should be included in other comprehensive income.

PARENT COMPANY

Balance sheet

SEK million	Note	2019	2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Equipment	16	2	3
Total property, plant and equipment		2	3
Non-current financial assets			
Shares and participations in Group companies	42	12,516	12,516
Receivables from associated companies		10	–
Receivables from Group companies	23	43,865	40,945
Other long-term securities holdings	19	8	12
Derivatives		58	–
Deferred tax assets	28	193	132
Total non-current financial assets		56,650	53,605
TOTAL NON-CURRENT ASSETS		56,652	53,608
CURRENT ASSETS			
Current receivables			
Tax assets		3	6
Other receivables		540	526
Prepaid expenses and accrued income		99	82
Total current receivables		642	614
Cash and cash equivalents	36	11	1
TOTAL CURRENT ASSETS		653	615
TOTAL ASSETS		57,305	54,223
EQUITY AND LIABILITIES			
Shareholders' equity	24		
Restricted shareholders' equity			
Share capital		5,097	5,097
Statutory reserves/Share premium account		3,166	3,166
Unrestricted equity			
Retained earnings		3,042	1,121
Profit for the year		3,408	2,796
Total shareholders' equity		14,713	12,180
Provisions			
Provisions for pensions	29	70	69
Total provisions		70	69
Non-current liabilities			
Interest-bearing liabilities	25, 26, 32	21,349	20,949
Derivatives	27	426	132
Liabilities to subsidiaries		17,552	17,830
Total non-current liabilities		39,327	38,911
Current liabilities			
Interest-bearing liabilities	25, 26, 32	2,980	2,815
Trade payables		1	3
Other liabilities		85	128
Accrued expenses and deferred income	31	129	117
Total current liabilities		3,195	3,063
TOTAL EQUITY AND LIABILITIES		57,305	54,223

PARENT COMPANY

Statement of changes in equity

SEK million	Note	Share capital	Statutory reserves	Unrestricted equity	Total shareholders' equity
	24				
Shareholders' equity 31 December 2017		5,097	3,166	1,865	10,129
Profit for the year				2,796	2,796
Total income and expenses for the period				2,796	2,796
Cash dividend				–744	–744
Shareholders' equity 31 December 2018		5,097	3,166	3,917	12,180
Profit for the year				3,408	3,408
Total income and expenses for the period				3,408	3,408
Cash dividend				–876	–876
Shareholders' equity 31 December 2019		5,097	3,166	6,449	14,713

PARENT COMPANY

Cash flow statements

SEK million	Note	2019	2018
OPERATING ACTIVITIES			
Operating loss excl. depreciation		–41	–86
Interest received		466	402
Interest paid		–481	–516
Income tax paid		–	–
Cash flow before change in working capital		–56	–200
Change in working capital			
Current receivables		–31	–529
Current liabilities		–33	27
Total change in working capital	34	–64	–502
Cash flow from operating activities		–120	–702
INVESTING ACTIVITIES			
Other non-current financial assets		–3,207	–3,966
Cash flow from investing activities		–3,207	–3,966
FINANCING ACTIVITIES	3		
Dividends paid		–876	–744
Group contributions received and paid		3,648	3,221
Raised borrowings		23,376	23,256
Repayment of debts		22,811	21,411
Cash flow from financing activities		3,337	4,322
Change in cash and cash equivalents		10	–346
Cash and cash equivalents at beginning of period	36	1	347
Cash and cash equivalents at end of period	36	11	1

Notes

NOTE 1 General Information

Fabege AB (publ), company registration number 556049-1523, with registered office in Stockholm, is the Parent Company of a corporate group with subsidiary companies, as stated in Note 40. The company is registered in Sweden and the address of the company's head office in Stockholm is: Fabege AB, Box 730, SE-169 27 Solna. Visiting address: Pyramidvägen 7. Fabege is one of Sweden's leading property companies, with a business that is concentrated to the Stockholm region. The company operates through subsidiaries and its property portfolio consists primarily of commercial premises.

NOTE 2 Accounting policies

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, International Financial Reporting Standards (IFRS), as adopted by the EU, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), at 31 December 2018. The Group also applies Recommendation RFR 1 (Supplementary Accounting Rules for Corporate Groups) of the Swedish Financial Reporting Board, which specifies the additions to IFRS disclosures that are required under provisions contained in the Swedish Annual Accounts Act. The annual accounts of the Parent Company have been prepared in accordance with the Annual Accounts Act, Recommendation RFR 2 Accounting for Legal Entities of the Swedish Financial Reporting Board and statements issued by the Swedish Financial Reporting Board. The Parent Company's accounts comply with the Group's policies, except in respect of what is stated below in the section entitled 'Differences between the accounting policies of the Group and the Parent Company'. Items included in the annual accounts have been stated at cost, except in respect of revaluations of investment properties and in respect of financial instruments measured at fair value. The following is a description of significant accounting policies that have been applied.

Differences between the accounting policies of the Group and the Parent Company
The financial statements of the Parent Company have been prepared in accordance with the Annual Accounts Act, Recommendation RFR 2 Accounting for Legal Entities of the Swedish Financial Reporting Board and statements issued by the Swedish Financial Reporting Board. Tax laws in Sweden allow companies to defer tax payments by making allocations to untaxed reserves in the balance sheet via the income and expense item appropriations. In the consolidated balance sheet these are treated as temporary differences, i.e. a breakdown is made between deferred tax liability and equity. Changes in untaxed reserves are recognised in the consolidated statement of comprehensive income and broken down into deferred tax and profit for the year. Interest during the period of construction that is included in the cost of the building is only recognised in the consolidated financial statements. Group contributions paid and received are recognised in profit or loss as an appropriation.

New and amended standards and interpretations that come into effect from 1 January 2019 onwards
IFRS 16 Leases
This standard replaced IAS 17 on 1 January 2019, and it means that lessees must record leases in the balance sheet. Fabege does not apply the standard retroactively. Given Fabege's status as a landlord and lessor, the change does not affect the company's statements. Of the Group's leases, management of ground rents is the most significant. The lease liability amounts to SEK 942m at 31 December 2019. A corresponding right-of-use asset is included in the balance sheet. The cost of ground rents is recognised as a financial expense. Earnings from property management are therefore not affected. The ground rent is restored as an operating expense in the calculation of the interest coverage ratio, as with previous accounts. The accounting has a negligible impact on key ratios such as the equity/assets ratio. The cost of ground rents at 31 December 2019 amounts to SEK 28m. Besides leaseholds, Fabege is only a lessee to a limited extent, which does not have any material impact on the statement of comprehensive income or statement of financial position.

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

Changes to Swedish regulations
Changes in 2019 have not had any material impact on Fabege's financial statements, except for a slight increase in disclosure requirements.

Parent Company's accounting policies
Amended accounting policies
The amendments to RFR 2 Accounting for Legal Entities that came into effect and apply to the 2019 financial year have not had any material impact on the Parent Company's financial statements for 2019.

Amendments to RFR 2 that have not yet come into effect
Management's assessment is that other changes to RFR 2 that have not yet come into effect, and that apply as of 1 January 2020, will not have any material impact on the Parent Company's financial statements when they are applied for the first time.

NOTE 3 Financial instruments and financial risk management

Supply of capital
Because Fabege aims to have a strong financial position, the balance between shareholders' equity and borrowed capital is a key issue for the company. The company's objective is to achieve an equity/assets ratio of at least 35 per cent and an interest coverage ratio of at least 2.2.

Fabege's supply of capital largely derives from three sources: shareholders' equity, interest-bearing liabilities and other liabilities. On the balance sheet date, shareholders' equity amounted to SEK 40,068m (34,964), interest-bearing liabilities to SEK 26,414m (26,275) and other liabilities to SEK 10,060m (7,591). Fabege's obligations concerning covenants are similar in the various credit agreements and stipulate, in addition to being listed on a stock market, an equity/assets ratio of at least 25 per cent and an interest coverage ratio of at least 1.5. At property level, the loan-to-value ratios from a mortgaging perspective vary between 50 and 70 per cent, depending on the type of property and financing.

Financial targets	Long-term targets	Result 31/12/19	Result 31/12/18
Return on equity, %	[1]	16.0	24.5
Equity/assets ratio, %	minimum 35	52	51
Interest coverage ratio, multiple	at least 2.2	4.4	3.7
Debt ratio, multiple (long term)	max. 13	12.8	14.6
Loan-to-value ratio, %	max. 50	36	39

[1] The target for the return on equity includes being among the foremost publicly traded property companies.

Principles for financing and financial risk management
As a net borrower, Fabege is exposed to financial risks. In particular, Fabege is exposed to financing risk, interest risk and credit risk. Operational responsibility for the Group's borrowing, liquidity management and financial risk exposure rests with the finance function, which is a central unit in the Parent Company. Fabege's finance policy, as adopted by the Board of Directors, specifies how financial risks are to be managed and imposes limits on the activities of the company's finance function. Fabege aims to limit its risk exposure and, as far as possible, control the exposure with regard to choice of investments, tenants and contract terms, financing terms and business partners.

Financing and liquidity risk
Financing and liquidity risk is defined as the borrowing requirement that can be covered in a tight market. The borrowing requirement can refer to refinancing of existing loans or new borrowing.

Fabege strives to ensure a balance between short-term and long-term borrowing, distributed across several different sources of funding. Fabege's finance policy states that unused credit facilities must be available to ensure good liquidity. Agreements on committed long-term credit lines with defined terms and conditions and revolving credit facilities have been concluded with a number of major lenders. Fabege's main credit providers are the Nordic commercial banks. The Group's borrowing is secured mainly by mortgages on properties.

The table on the following page (page 48) shows the Group's maturity structure for financial liabilities. The amounts shown are contractual undiscounted cash flows and include both interest and nominal amounts. Liquidity flows pertaining to derivative instruments are shown in net amounts. Other liabilities are current and mature within one year.

The average year-end loan-to-value ratio was 36 per cent (39). Fabege has a commercial paper programme of SEK 5,000m. At year-end, outstanding commercial paper amounted to SEK 1,980m (2,510). Fabege has available long-term credit facilities covering all outstanding commercial paper at any given time. At year-end, Fabege had unused credit facilities of SEK 4,580m, excluding the commercial paper programme. In 2016, Fabege established an MTN programme of SEK 2bn subject to special conditions with regard to sustainability and the environment. The programme was increased to SEK 5bn, SEK 8bn and SEK 10bn between 2017 and 2019.

Note 3 continued

Loan maturity structure, 31 December 2019

Year, due	Loan commitment amount, SEKm	Amount drawn, SEKm
Commercial paper programme	5,000	1,980
<1 year	2,995	2,585
1–2 years	6,400	1,150
2–3 years	7,900	7,000
3–4 years	2,400	2,400
4–5 years	1,550	1,550
5–10 years	4,945	4,945
10–15 years	3,550	3,550
15–20 years	1,253	1,253
Total	35,994	26,414

Maturity breakdown

The table below gives a maturity breakdown for financial liabilities (excl. derivatives). This information shows that the proportion of extended financing has been gradually increased in 2019 as part of a strategy to extend the company's fixed-term maturities and financial strength. The amounts in these tables are not discounted values and where applicable they also include interest payments, which means that it is not possible to reconcile all these amounts with the amounts recorded in the balance sheets. Interest payments are established based on prevailing conditions on the balance sheet date.

The Group's borrowing agreements do not include any special conditions that could mean that the payment date is significantly earlier than what is stated in the tables.

	Within 3 months	3–12 months	1–5 years	Over 5 years	Total
31/12/2019					
Liabilities to credit institutions	0	0	6,050	9,449	15,499
Liabilities to capital market	2,405	2,160	6,050	300	10,915
Trade payables	95	–	–	–	95
Other current liabilities	72	–	39	44	155
Total	2,572	2,160	12,139	9,793	26,664
31/12/2018					
Liabilities to credit institutions	0	117	8,376	6,761	15,254
Liabilities to capital market	2,510	726	6,685	1,100	11,021
Trade payables	64	–	–	–	64
Other current liabilities	48	–	38	44	130
Total	2,622	843	15,099	7,905	26,469

Interest rate risk

Interest risk refers to the risk that changes in interest rates will affect the Group's borrowing expense. Interest expenses constitute the Group's single largest expense item. Under its adopted finance policy, the Group aims to fix interest rates based on forecast interest rates, cash flows and capital structure. Fabege employs financial instruments, in the form of interest rate swaps, to limit the interest rate risk and flexibly adjust the average fixed-rate term of the loan portfolio. The sensitivity analysis in the Directors' Report shows how the Group's short-term and long-term earnings are affected by a change in interest rates. Interest-bearing liabilities at 31 December were SEK 26,414m (26,275), with an average interest rate of 1.72 per cent (1.55), excluding the cost of committed lines of credit, or 1.80 per cent (1.65) including this cost. Outstanding commercial paper accounted for SEK 1,980m (2,510) of total liabilities. During the year, interest totalling SEK 18m (43) relating to project properties was capitalised.

The average maturity was 5.8 years (5.0). The average fixed-rate period for Fabege's debt portfolio was 4.5 years (3.6), including the effects of derivative instruments. The average fixed-rate period for variable interest loans was 90 days. Fabege's derivatives portfolio comprised interest rate swaps totalling SEK 16,750m with terms of maturity extending through 2029 and carrying fixed interest at annual rates of between –0.18 and 1.35 per cent before margins. Interest rates on 63 per cent of Fabege's loan portfolio were fixed using fixed-income derivatives. The total proportion of loans carrying fixed interest amounted to 73 per cent. The derivatives portfolio is measured at market value and the change in value is recognised in the profit and loss account. At 31 December, the recognised negative fair value adjustment of the portfolio was SEK 367m (132). The derivatives portfolio is measured at the present value of future cash flows. The change in value is of an accounting nature and has no impact on the company's cash flow. At the due date, the market value of derivative instruments is always zero. Unrealised changes in value in net profit for the year amounted to SEK –235m (125). Changes in market value arise as a result of changes in the market rate. For all other financial assets and liabilities, unless otherwise stated in the notes, the carrying amount is deemed to be a good approximation of fair value. Net financial items include other financial expenses of SEK 33m (49), mainly pertaining to accrued opening charges for credit agreements and costs relating to bond and commercial paper programmes. Interest expenses linked to the liabilities are incurred over the course of the remaining fixed-term maturity. Trade payables and other current liabilities mature within 365 days of the balance sheet date. Fabege's obligations arising from these financial liabilities are largely met by rent payments from tenants, most of which are payable on a quarterly basis.

Liquidity flows

	Calculated at 31/12/2019				Calculated at 31/12/2018			
Year SEKm	Loan maturity	Interest on loans	Interest on derivatives	Total	Loan maturity	Interest on loans	Interest on derivatives	Total
2019					–3,353	–278	–133	–3,764
2020	–4,565	–313	–131	–5,009	–4,461	–234	–133	–4,828
2021	–1,150	–276	–131	–1,557	–2,400	–195	–133	–2,728
2022	–7,000	–223	–130	–7,354	–6,200	–146	–132	–6,478
2023	–2,400	–162	–128	–2,690	–2,000	–100	–128	–2,228
2024	–1,550	–137	–117	–1,804	–2,858	–73	–114	–3,045
2025	–1,239	–119	–98	–1,456	–2,234	–44	–91	–2,369
2026	0	–119	–78	–197	0	–44	–69	–112
2027	0	–119	–53	–172	–515	–28	–44	–587
2028	–2,626	–93	–22	–2,742	–1,000	–20	–12	–1,031
2029	–1,080	–69	–4	–1,153	0	–20	0	–20
2030	0	–69	0	–69	0	–20	0	–20
2031	–63	–62	0	–125	0	–20	0	–20
2032	–698	–57	0	–755	0	–20	0	–20
2033	–297	–51	0	–348	0	–20	0	–20
2034	–2,492	–32	0	–2,525	0	–20	0	–20
2035–38	0	–130	0	–130	0	–79	0	–79
2039	–1,253	–8	0	–1,261	–1,253	–7	0	–1,260
	–26,414	–2,040	–893	–29,347	–26,275	–1,367	–987	–28,629

To calculate liquidity flows for loans, and for the variable features of interest rate swaps, the implied Stockholm Interbank Offered Rate (STIBOR) has been used on the balance sheet date. The assumption is that loan liabilities outstanding and credit margins up to maturity of the various loans, at which point it is assumed that final repayment has occurred, are the same as those applying at the balance sheet date. In addition to the above we have ground rents; the outflow currently amounts to SEK 28m.

Note 3 continued

Interest rate maturity structure, 31 December 2019

Year, due	SEKm	Average interest rate, %	Share, %
<1 year[1]	7,888	3.61	30
1–2 years	0	0	0
2–3 years	1,000	0.02	4
3–4 years	2,150	0.96	8
4–5 years	2,400	0.61	9
5–6 years	2,200	0.92	8
6–7 years	2,700	0.84	10
7–8 years	2,800	1.00	11
8–9 years	3,276	1.57	12
9–10 years	2,000	0.60	8
Total	26,414	1.72	100

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

Currency risk
Currency risk refers to the risk that Fabege's profit and loss account and balance sheet will be negatively affected by a change in exchange rates. The only currency risk to which Fabege is exposed concerns purchases from foreign suppliers for certain major projects. The currency risk is deemed to be limited, and it is managed using currency hedging.

Credit risk
Credit risk is the risk of loss as a result of the failure of a counterparty to fulfil its obligations. The risk is mitigated by the requirement, contained in the company's finance policy, that only creditworthy counterparties be accepted in financial transactions. Credit risk arising from financial counterparties is limited through netting/ISDA agreements and was deemed to be satisfactorily managed at year-end. The company also assesses creditworthiness in respect of any promissory note receivables arising from the sale of properties and businesses, as well as concerning loans to associated companies. The maximum credit exposure in respect of all financial assets is the carrying amount.

Credit risk is the risk of loss as a result of the failure of the counterparty to fulfil its obligations. The risk is limited by the requirement, contained in the company's finance policy, that only creditworthy counterparties be accepted in financial transactions. As regards trade receivables, the policy states that customary credit checks must be carried out before a new tenant is accepted. The expected credit losses for trade receivables are calculated with the help of a matrix based on previous events, current conditions and forecasts regarding future financial conditions.

Offsetting note

	Amounts recognised in the balance sheet	Collateral	Financial agreements	Net
Assets				
Derivatives	58	0	–58	0
Liabilities				
Derivatives	–426	0	58	–368
Total	–368	0	0	–368

Parent Company
Responsibility for the Group's external borrowing normally rests with the Parent Company. The company uses the funds raised to finance the subsidiaries on market terms.

Reconciliation of liabilities attributable to financing activities (Group)

	CB 2018	Cash flow from financing activities	Changes not affecting cash flow: Change in fair value	CB 2019
Non-current interest-bearing liabilities	23,034	–1,185		21,849
Current interest-bearing liabilities	3,241	1,324		4,565
Interest rate swaps, fair value hedging	132		235	367
Total liabilities attributable to financing activities	**26,407**	**139**	**235**	**26,781**

Reconciliation of liabilities attributable to financing activities (Parent Company)

	CB 2018	Cash flow from financing activities	Changes not affecting cash flow: Change in fair value	CB 2019
Non-current interest-bearing liabilities	20,949	400		21,349
Current interest-bearing liabilities	2,815	165		2,980
Interest rate swaps, fair value hedging	132		235	367
Total liabilities attributable to financing activities	**23,896**	**565**	**235**	**24,696**

Note 3 continued

SEKm, 31/12/2019	Financial assets measured at amortised cost (hold to collect)		Financial assets measured at fair value in profit or loss (other)		Financial liabilities measured at amortised cost		Carrying amount	
	Group	Parent Company	Group	Parent Company	Group	Parent Company	Group	Parent Company
Financial assets								
Receivables from Group companies		43,865						43,865
Receivables from associated companies	559						559	
Other long-term securities holdings			8	11			8	11
Other non-current receivables	111						111	
Trade receivables	41						41	
Derivatives			58	58			58	58
Other receivables	52	540					52	540
Accrued income	225	99					225	99
Short-term investments			134				134	
Cash and cash equivalents	24	11					24	11
	1,012	44,515	200	69	0	0	1,212	44,584
Financial liabilities								
Liabilities to subsidiaries						17,552		17,552
Interest-bearing liabilities					26,414	24,329	26,414	24,329
Derivatives			426	426			426	426
Trade payables					95	1	95	1
Other current liabilities					155	85	155	85
Accrued expenses			97	95			97	95
	0	0	523	521	26,664	41,967	27,187	42,488

Net profit/losses from financial assets and financial liabilities by measurement category in accordance with IFRS 9 are detailed in the table below

SEKm, 2019	Financial assets measured at amortised cost (hold to collect)		Financial assets measured at fair value in profit or loss (other)		Financial liabilities measured at amortised cost		Carrying amount	
	Group	Parent Company	Group	Parent Company	Group	Parent Company	Group	Parent Company
Operating profit/loss								
Operating income and expenses								
	0	0	0	0	0	0	0	0
Net financial items								
Interest income	7	466					7	466
Interest expenses					–473	–481	–473	–481
Changes in value, derivatives			–235	–235			–235	–235
Changes in value, equities			–6	–6			–6	–6
	7	466	–241	–241	–473	–481	–707	–256

Financial assets and liabilities by measurement category

SEKm, 31/12/2018	Financial assets measured at amortised cost (hold to collect)		Financial assets measured at fair value in profit or loss (other)		Financial liabilities measured at amortised cost		Carrying amount	
	Group	Parent Company	Group	Parent Company	Group	Parent Company	Group	Parent Company
Financial assets								
Receivables from Group companies		40,945						40,945
Receivables from associated companies	195						195	
Other long-term securities holdings			12	12			12	12
Other non-current receivables	70						70	
Trade receivables	75						75	
Other receivables	286	526					286	526
Accrued income	292	82					292	82
Short-term investments			127				127	
Cash and cash equivalents	15	1					15	1
	933	41,554	139	12	0	0	1,072	41,566
Financial liabilities								
Liabilities to subsidiaries						17,830		17,830
Interest-bearing liabilities					26,275	23,764	26,275	23,764
Derivatives			132	132			132	132
Trade payables					64	3	64	3
Other current liabilities					130	128	130	128
Accrued expenses			74	71			74	71
	0	0	206	203	26,469	41,725	26,675	41,928

Note 3 continued

Net profit/losses from financial assets and financial liabilities by measurement category in accordance with IFRS 9 are detailed in the table below

	Financial assets measured at amortised cost (hold to collect)		Financial assets measured at fair value in profit or loss (other)		Financial liabilities measured at amortised cost		Carrying amount	
SEKm, 2018	Group	Parent Company	Group	Parent Company	Group	Parent Company	Group	Parent Company
Operating profit/loss								
Operating income and expenses							0	
	0	0	0	0	0	0	0	0
Net financial items								
Interest income	10	403					10	403
Interest expenses					–498	–516	–498	–516
Changes in value, derivatives			16	16			16	16
Changes in value, equities			3	3			3	3
	10	403	19	19	–498	–516	–469	–94

● Accounting policies

Financial instruments

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the commercial terms and conditions of the instrument. A financial asset is removed from the balance sheet when the rights inherent in the agreement are realised, expire, or if the company loses control over them. A financial liability is removed from the balance sheet when the obligation arising from the agreement has been met or is extinguished in another way. Transaction date accounting is used for derivatives, while settlement date accounting is used for spot purchases and sales of financial assets.

Classification and measurement

Financial assets are classified based on the business model in which the asset is managed and its cash flow characteristics. If the financial asset is held within the framework of a business model that aims to collect contractual cash flows, and the contractual conditions for the financial asset at specific points result in cash flows that consist exclusively of payment of principal and interest on the outstanding principal, the asset is recognised at amortised cost.

If the financial asset is held in a business model, the aims of which can be achieved by both collecting contractual cash flows and selling financial assets, and the contractual conditions for the financial asset at specific points result in cash flows that consist exclusively of payment of principal and interest on the outstanding principal, the asset is recognised at fair value via other comprehensive income.

All other business models where the aim is speculation, the asset is held for trading, or where cash flow characteristics rule out other business models involve recognition at fair value via profit or loss.

The Group applies a business model that aims to collect contractual cash flows for intra-group receivables, trade receivables, cash and cash equivalents, receivables from Group companies, accrued income and other receivables. The Group's financial assets are recognised at amortised cost.

Financial liabilities are measured at fair value via profit or loss if they are a contingent consideration to which IFRS 3 has been applied, held for trading, or if they were initially identified as a liability at fair value via profit or loss. Other financial liabilities are measured at amortised cost.

Trade payables are measured at amortised cost. However, the expected maturity of the trade payables is short, which is why the liability is recognised at the nominal amount with no discount. Interest-bearing bank loans and liabilities to subsidiaries are measured at amortised cost according to the effective interest rate method. Any differences between loan amounts received (net after transaction costs) and repayment or amortisation of loans is recognised over the term of the loan. Contingent considerations are classified and measured at fair value via profit or loss.

Calculation of fair value of financial instruments

The fair value of derivatives is calculated by discounting future cash flows by the quoted market interest rate for each maturity. Future cash flows are calculated as the difference between the fixed contractual interest under each derivatives contract and the implied Stockholm Interbank Offered Rate (STIBOR) for the period concerned. The present value of future interest flows arising there is calculated using the implied STIBOR curve. Fabege does not apply hedge accounting of derivatives. Assets and liabilities in these categories are stated continuously at fair value and changes in value are recognised in the statement of comprehensive income.

Shareholdings have been categorised as 'financial assets held for trading'. These are measured at fair value and changes in value are recognised in the statement of comprehensive income. Quoted market prices are used in determining the fair value of shareholdings. For all financial assets and liabilities, unless otherwise stated in the notes, the carrying amount is considered to be a good approximation of fair value.

Amortised cost and effective interest rate method

The amortised cost of a financial asset is the amount at which the financial asset is measured on initial recognition less principal, plus accumulated amortisation using the effective interest rate method of any difference between the principal and the outstanding principal, adjusted for any impairment losses. The recognised gross value of a financial asset is the amortised cost of the financial asset before adjustments for any loss provision. Financial liabilities are recognised at amortised cost using the effective interest rate method, or at fair value via profit or loss.

The effective rate of interest is the interest that, on discounting all future expected cash flows over the anticipated maturity, results in the initially recognised value of the financial asset or the financial liability.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset against each other and the net amount is recognised in the balance sheet when there is a legal right of set-off and there is an intention to settle the items by a net amount or to simultaneously realise the asset and settle the liability. The Group does not offset any financial assets or liabilities.

Impairment losses

The Group recognises a loss provision for expected credit losses from financial assets measured at amortised cost or fair value via other comprehensive income. The impairment rules do not extend to equity instruments. On each balance sheet date, the Group recognises the change in expected credit losses in profit or loss.

The Group must value the loss provision at an amount corresponding to 12 months of expected credit losses. For financial instruments for which there have been significant increases in the credit risk, a provision is recognised based on credit losses for the entire term of the asset (the general model).

The purpose of the impairment requirements is to recognise expected credit losses for the remaining term for all financial instruments for which significant increases have occurred in the credit risk, either assessed individually or collectively, in view of all reasonable and verifiable data, including forward-looking data. The Group measures expected credit losses from a financial instrument in a way that reflects an objective and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable verifiable data about current conditions and forecasts regarding future economic conditions.

For trade receivables, contract assets and lease receivables there are simplifications that mean that the Group directly recognises expected credit losses for the remaining term of the asset.

The Group's exposure to credit risk is primarily attributable to trade receivables, contract assets (promissory note receivables), other receivables, accrued income and cash and cash equivalents. Cash and cash equivalents, other receivables and accrued income are covered by the general model. For cash and cash equivalents, the exception for low credit risk is applied.

The simplified model is used to calculate credit losses on the Group's trade receivables and contract assets. When calculating the expected credit losses, trade receivables have been grouped based on customers' credit rating. The expected credit losses for trade receivables and contract assets are calculated with the help of a provision matrix based on previous events, current conditions and forecasts regarding future financial conditions and the time value of money, if applicable.

The Group defines a default event as a situation where it is deemed unlikely that the counterparty will fulfil their obligations due to indicators such as financial difficulties and missed payments. Regardless, a default event is considered to occur when payment is 90 days overdue, unless there are particular reasons to believe the amount will be paid. The Group writes off a claim when opportunities for additional cash flows are no longer deemed to exist.

NOTE 4 Significant estimates and assessments for accounting purposes

The valuation at fair value of the company's investment properties involves the use of estimates and assessments that are to be regarded as significant for accounting purposes (see also Note 15). The estimates and assessments made in connection with the sale of investment properties, primarily with respect to rental guarantees and promissory note receivables, are also deemed significant. For rental guarantees, an assessment is made of the probability of payment and of any investment costs for preparing the premises for being let during the remaining term of the guarantee. Rental guarantees etc. are included in the balance sheet item 'Provisions'. When performing property transactions, an assessment of risk transfer is made, which serves as a guideline when the transaction is to be recognised. As regards promissory note claims, an assessment is made of the amount that is expected to be received.

Upon acquisition of a company, the company makes an assessment of whether the acquisition is to be regarded as an asset acquisition or a business combination. Companies containing only properties with no associated property management/administration are normally classified as an asset acquisition.

In measuring loss carryforwards, the company makes an assessment of the probability that the loss can be utilised. Confirmed tax losses can be used as a basis for calculating deferred tax assets if it is highly likely that they can be used to offset future profit.

For such financial assets as interests in associated companies, promissory note receivables from associated companies and other companies, an assessment of the value of each interest is performed and for promissory note receivables an assessment is made of the amounts expected to be received.

NOTE 5 Segment accounting

SEKm	Property Management Jan–Dec 2019	Property Development Jan–Dec 2019	Transactions Jan–Dec 2019	Total Jan–Dec 2019	Property Management Jan–Dec 2018	Property Development Jan–Dec 2018	Transactions Jan–Dec 2018	Total Jan–Dec 2018
Rental income	2,747	109		2,856	2,306	211		2,517
Property expenses	–649	–63		–712	–553	–89		–642
Net operating income	**2,098**	**46**	**0**	**2,144**	**1,753**	**122**	**0**	**1,875**
Surplus ratio, %	76	42		75	76	58		74
Central administration and marketing	–76	–9		–85	–67	–13		–80
Net interest expense	–414	–51		–465	–407	–78		–485
Ground rent	–26	–2		–28				
Share in profit/loss of associated companies	–31	–3		–34	–61	–3		–64
Profit/loss from Property Management	**1,551**	**–19**	**0**	**1,532**	**1,218**	**28**	**0**	**1,246**
Realised changes in value, properties	0	0	0	0	0	0	153	153
Unrealised changes in value, properties	4,129	1,443	171	5,743	5,252	2,301	132	7,685
Profit before tax per segment	**5,680**	**1,424**	**171**	**7,275**	**6,470**	**2,329**	**285**	**9,084**
Change in value, fixed-income derivatives and equities				–241				19
Profit/loss before tax				**7,034**				**9,103**
Properties, market value	65,972	8,278		74,250	60,538	7,096		67,634
Occupancy rate, %	94	89		94	95	83		94

● Accounting policies

Segment reporting

Segment information is presented from the perspective of management and operating segments are identified based on the internal reports submitted to the company's chief operating decision maker. The Group has identified the CEO as the chief operating decision-maker, which means that the internal reports used by the CEO for monitoring the business and making decisions on the allocation of resources have been used as a basis for the presented segment information. 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 the value of properties, are directly attributable to properties in each segment (direct income and expenses). Investment properties pertain to properties that are being actively managed on an ongoing basis. Development properties pertain to properties in which new builds, extensions or conversions are in progress or planned that have 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. Recently acquired properties (within one year) with work in progress to significantly improve the property's net operating income in relation to the date of acquisition are also included. Pure land properties are included in this segment. Transactions pertain to the properties that were divested during the year. Capital gains from property sales are recognised in this segment. Rental income and property expenses, as well as unrealised changes in value are directly attributed to properties in the Property Development and Property Management segments respectively (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.

The Båtturen 2 property was reclassified as an investment property in the second quarter. The Trikåfabriken 9 property was reclassified in the third quarter from a project property to an investment property. In the fourth quarter, two properties in Arenastaden and one property in Solna Business Park, all of which will be undergoing major redevelopment, were reclassified from investment properties to project and development properties.

NOTE 6 Employees and salary costs, etc.

Average no. of employees	2019	Of which, women	2018	Of which, women
Parent Company	172	57	163	53
Subsidiaries	0	0	0	0
Group, total	**172**	**57**	**163**	**53**

	2019	2018
Employee turnover, %	7	6
Total sickness absence, %	2.9	2.2
Average no. of employees	172	163

Sickness absence by age group, %	Women	Men
Age <29	1.4	5.5
Age 30–49	2.3	2.3
Age 50+	2.4	3.6

SEKm	Salaries and other remuneration 2019	Social security contributions 2019	Salaries and other remuneration 2018	Social security contributions 2018
Parent Company	130	80	113	75
– of which pension expenses		29		26
Subsidiaries		2		9
– of which pension expenses		1		8
Group, total	**130**	**82**	**113**	**84**
– of which, total pension expenses		**30**		**34**

Gender distribution, Board of Directors and senior executives

	Board of Directors 2019	Board of Directors 2018	Senior executives 2019	Senior executives 2018
Men	3	4	4	4
Women	3	4	2	2
Total	**6**	**8**	**6**	**6**

Remuneration of senior executives
The term 'Other senior executives' refers to the three individuals who together with the Chief Executive Officer and the two Vice Presidents made up the Executive Management Team in 2019. During the year, the Executive Management Team consisted of the CEO, the Vice President and CFO, the Vice President and Director of Business Development, Director of Projects and Development, Director of Technical Operations and Director of Property Management. The remuneration paid to senior executives is based on market terms in accordance with the guidelines adopted by the AGM. For the current composition of the Executive Management Team, see page 71.

Fabege has a profit-sharing fund covering all employees of the company. Allocations to the profit-sharing fund are based on the achieved return on equity and capped at two price base amounts per year per employee. For 2019, provisions of about SEK 14.5m (18.0), which is equivalent to 1.75 (2) price base amounts per employee including payroll tax, were posted. Other benefits refer to company cars, household-related services and health insurance.

Pension
Pension expenses refer to the expense recognised in profit or loss for the year. The retirement age for the Chief Executive Officer is 65 years. A pension premium of a maximum of 35 per cent of the pensionable salary is paid during the term of employment. For other senior executives the ITP supplementary pension plan for salaried employees in industry and commerce or an equivalent plan applies and the retirement age is 65 years.

Severance pay
The contract between the company and the CEO is subject to six months' notice by either party and the CEO is entitled to 18 months' severance pay. The employment contracts of other senior executives are terminable on three to six months' notice by either party and provide for severance pay of up to 18 months. Severance pay is only paid in case of termination by the company and is offset by other income. This applies to all individuals in senior positions.

Basis of preparation
The Board of Directors is responsible for preparing a proposal for remuneration and other terms of employment for the CEO and a set of principles for remuneration and other terms of employment for other senior executives.

Board of Directors
The Board Members are paid Directors' fees in accordance with AGM resolutions. In 2019, total Directors' fees of SEK 2,100,000 (2,190,000) were paid. Of this amount, the Chairman of the Board received SEK 550,000 (500,000), and the other Board Members received a total of SEK 1,520,000 (1,690,000). No other fees or benefits were paid to the Board.

Remuneration and other benefits to senior executives, SEK 000s

Executive Management Team 2019, SEK 000s	Salary/ Fee	Other benefits	Pension	Total
Chief Executive Officer, incoming	2,110	12	777	2,899
Chief Executive Officer, outgoing	7,125	107	1,757	8,989
Vice President and CFO	4,483	97	688	5,268
Vice President and Director of Business Development	11,041	23	1,094	12,158
Other senior executives	5,978	203	2,043	8,224

Of which, variable remuneration was paid totalling SEK 3,015,000 (975,000) to the outgoing CEO (variable remuneration will not be paid to the incoming CEO until 2020), SEK 3,856,000 (848,000) to two vice presidents and SEK 1,453,000 (590,000) to other senior executives. No other remuneration was paid to the Executive Management Team. On the row for remuneration of vice presidents, remuneration throughout the year pertains to the two individuals who were vice presidents at year-end. In 2019, the Vice President and Director of Business Development changed from an employee to a consultant, but remained as Vice President until further notice. In connection with the move, he renounced his right to severance pay, bonuses, pension etc. and instead an agreement was reached on a fixed monthly payment and commission-based remuneration related to his specific duties and targets.

Executive Management Team 2018, SEK 000s	Salary/ Fee	Other benefits	Pension	Total
Chief Executive Officer	5,108	153	1,805	7,066
Vice President and CFO	2,947	98	665	3,710
Vice President and Director of Business Development	3,216	78	668	3,962
Other senior executives	4,975	234	1,963	7,172

	2019				2018		
Board of Directors, SEK 000s	Fee, Board Member	Audit Committee fees	Remuneration Committee fees	Total	Fee, Board Member	Audit Committee fees	Total
Jan Litborn (Chairman)	550		100	650	500	–	500
Anette Asklin	240	40		280	220	–	220
Anna Engebretsen	–	–		–	220	–	220
Eva Eriksson	240	40		280	220	40	260
Märtha Josefsson	240	70		310	220	70	290
Pär Nuder	–	–		–	220	40	260
Per Ingemar Persson	240		50	290	220	–	220
Mats Qviberg	240		50	290	220	–	220
Total	**1,750**	**150**	**200**	**2,100**	**2,040**	**150**	**2,190**

Accounting policies

Employee benefits
Remuneration to employees in the form of salaries, holiday pay, paid sick leave, etc. as well as pensions is recognised as it is earned. Pensions and other compensation paid after termination of employment are classified as defined contribution or defined benefit pension plans. The Group has both defined contribution and defined benefit pension plans. Pension costs for defined contribution plans are charged to expense as they are incurred. For defined benefit plans, the present value of the pension liability is calculated using an actuarial method known as the Projected Unit Credit Method.

Note 6 continued

Actuarial gains and losses are immediately recognised in other comprehensive income. Employees in the former Fabege have defined benefit pension plans. As of 2005, no further accrual of this pension liability has been made. Fees for the year for pension insurance policies provided by Alecta amount to approximately SEK 9m (8). Expected payments to Alecta Itp for 2020 amount to SEK 10m. Alecta's surplus can be distributed to the policy owners and/or insured parties. At year-end 2019, Alecta's surplus, as expressed by the collective funding ratio, was a preliminary 148 per cent (142). The collective funding ratio is defined as the market value of Alecta's assets as a percentage of its commitments to policyholders calculated using Alecta's actuarial assumptions, which do not comply with IAS 19.

NOTE 7 Rental income

Operating leases – the Group as lessor
All investment properties are let to tenants under operating leases and generate rental income. Future rental income attributable to non-cancellable operating leases is distributed as follows:

	Group	
SEKm	2019	2018
Maturity:		
Within 1 year	784	535
1 to 5 years	1,202	1,343
Later than 5 years	852	759
Residential, garage/parking	180	147
Total	**3,018**	**2,784**

The difference between total rents at 31 December 2019 and income, as stated in profit or loss for 2019, is due to bought/sold properties, renegotiations and changes in occupancy rates in 2019. Leases relating to residential premises and garage/parking spaces remain in force until further notice. No information was provided about variable rental income since this comprises an insignificant portion of the total rental income. On-charging, service and other income total SEK 120m, corresponding to 4 per cent of total rental income for the January–December 2019 period.

● Accounting policies

Revenue recognition
All investment properties are let to tenants under operating leases. Rental income from the company's property management activities is recognised in the period to which it refers. Rental income from investment properties is recognised on a straight-line basis in accordance with the terms and conditions of the applicable leases. In cases where a lease provides for a discounted rent during a certain period that is offset by a higher rent at other times, the resulting deficit or surplus is distributed over the term of the lease. Discounts provided to compensate for limitations in the right of use in connection, for example, with redevelopment or gradual occupancy, are recognised in the period to which they refer.

NOTE 8 Property expenses

	Group	
SEKm	2019	2018
Operating expenses, maintenance and tenant customisations	–332	–306
Property tax	–221	–165
Ground rent	0	–26
VAT expense	–8	–7
Property/project admin. and lettings	–151	–138
Total	**–712**	**–642**

NOTE 9 Central administration and marketing

Refers to expenses for the Executive Management Team, expenses attributable to the public nature of the company and other expenses connected to the company type.

Property- and property management-related administration expenses are not included, as these are treated as property expenses.

NOTE 10 Realised and unrealised changes in value, investment properties

	Group	
SEKm	2019	2018
Realised changes in value:		
Sale proceeds	1,552	1,847
Carrying amount and expenses	–1,552	–1,694
	0	153
Unrealised changes in value:		
Changes in value relating to properties owned at 31/12/2019	5,535	7,553
Changes in value relating to properties divested during the year	208	132
	5,743	**7,685**
Total realised and unrealised changes in value	**5,743**	**7,838**
Breakdown between positive and negative results:		
Positive	6,282	8,273
Negative	–539	–435
Total	**5,743**	**7,838**

Property sales represent income items according to IFRS 15; the amount is recognised in its entirety in the Transactions segment and in accordance with the accounting policy, the entire amount is recognised on the completion date. Gains or losses from the sale of properties are recognised at the date of completion, unless the purchase contract contains specific provisions which prohibit this.

NOTE 11 Profit from other securities and receivables that are non-current assets

	Group		Parent Company	
SEKm	2019	2018	2019	2018
Interest income, Group companies	–	–	466	403
Interest income, promissory notes	3	6	0	0
Profit from other securities	–6	3	–2	3
Total	**–3**	**9**	**464**	**406**

NOTE 12 Interest income and interest expenses

	Group		Parent Company	
SEKm	2019	2018	2019	2018
Interest income	4	4	0	0
Total	**4**	**4**	**0**	**0**
Interest expenses	–472	–495	–481	–516
Total	**–468**	**–491**	**–481**	**–516**

All interest income is attributable to financial assets measured at amortised cost.

Interest expenses are mainly attributable to financial liabilities measured at amortised cost, as well as interest expenses on derivatives measured at fair value.

● Accounting policies

Borrowing costs
In the consolidated financial statements loan expenses have been recognised in profit or loss in the year to which they refer, except to the extent that they have been included in the cost of a building project. Fabege capitalises loan expenses attributable to costs for new production or major redevelopments that add value to the property. The interest rate used to calculate the capitalised borrowing cost is the average interest rate of the loan portfolio. In the accounts of individual companies the main principle – that all loan expenses should be charged to expense in the year to which they refer – has been applied.

NOTE 13 Changes in value, equities

The loss of SEK –6m (3) pertains to unrealised earnings from AIK Fotboll AB.

NOTE 14 Tax on profit for the year

	Group		Parent Company	
SEKm	**2019**	**2018**	**2019**	**2018**
Current tax	27	–5	–	–
Current tax attributable to tax cases	0	0	0	0
Total current tax	**27**	**–5**	**0**	**0**
Deferred tax	–1,055	–1,399	60	–237
Total tax	**–1,028**	**–1,404**	**60**	**–237**
Nominal tax on profit after financial items	–1,505	–2,003	–716	–667
Tax effects of adjustment items:				
Revaluation attributable to change in tax rate	–10	455	–	–
Effect of new regulations re restrictions on interest deductions	–66			
Deficits and temporary differences from previous years	55	–42	–	–
Impairment of participations in subsidiaries and associated companies	–8	–14	–	–
Resolution of deferred tax resulting from sales	514	164	–	–
Non-taxable dividend income	–	–	781	442
Miscellaneous	–8	–36	–5	–12
Total tax	**–1,028**	**–1,404**	**60**	**–237**

● Accounting policies

Income tax

The current tax liability is based on the taxable profit for the year. Taxable profit for the year differs from recognised profit for the year in that it has been adjusted for non-taxable and non-deductible items. The Group's current tax liability is calculated on the basis of tax rates that have been prescribed or announced at the balance sheet date. Deferred tax refers to tax on temporary differences that arises between the carrying amount of assets and the tax value used in calculating the taxable profit. Deferred tax is recognised in accordance with the balance sheet liability method. Deferred tax liabilities are recognised for practically all taxable temporary differences, and deferred tax assets are recognised when it is likely that the amounts can be used to offset future taxable profits. The carrying amount of deferred tax assets is tested for impairment at the end of each financial year and an impairment loss is recognised to the extent that it is no longer probable that sufficient taxable profits will be available against which the deferred tax asset can be fully or partially offset. Utilisation of tax loss carryforwards is dependent upon tax profits. Deferred tax is recognised at the nominal current tax rate with no discount. Deferred tax is recognised as an income or expense in the statement of comprehensive income, except in those cases where it refers to transactions or events that have been recognised directly in equity. In such cases the deferred tax is also recognised directly in equity. Current deferred tax assets and tax liabilities are offset against one another when they refer to income tax payable to the same tax authority and when the Group intends to settle the tax by paying the net amount.

NOTE 15 Investment properties

All properties in Fabege's portfolio are externally valued at least once a year by independent appraisers with recognised qualifications. The properties are valued at fair value, i.e. at their estimated market values without taking portfolio effects into account. Since 2000, property valuations have been conducted in accordance with the guidelines established by the Swedish Property Index. In 2019, the properties were valued by Newsec Analys AB and Cushman & Wakefield. The properties are valued on an ongoing basis throughout the year. All properties have been inspected on site at least once during the 2016–2019 period. The properties have also been inspected on site in connection with major investments or other changes that significantly affect the value of a property. Each quarter, internal valuations are also conducted of parts of the portfolio, as well as an internal assessment of the overall value for the entire portfolio. The internal valuation is performed using the same methodology as the external valuations.

Valued properties are divided into the following categories:

- Investment properties in normal operation are subject to cash-flow valuation.
- Project properties undergoing major redevelopment or new builds with contracted tenants are subject to cash-flow valuation.
- Other project properties and undeveloped land are valued using the location-price method.

Valuation of investment and project properties

For investment properties and project properties, a cash-flow model is used whereby net operating income less the remaining investment is present valued, normally over a five- or ten-year calculation period.

The discount rate used is a nominal required yield on total capital before tax. The required rate of return is based on previous experience from assessments of the market's required yields for similar properties. The discount rate for Fabege's property portfolio is 6.0 per cent (6.4) and is based on the nominal yield on five-year government bonds plus a premium for property-related risk. The risk premium is set individually based on the stability of the tenant and the length of the lease. The weighted required yield at the end of the calculation period was 3.97 per cent (4.13). The residual value is also present valued at the end of the calculation period. The residual value is the market value of the leasehold/property at the end of the period of calculation, which is estimated on the basis of forecast net operating income for the first year after the calculation period.

All premises are subject to an individual market-based assessment of rents and the rental trend. For leased premises, an estimated market rent is used for the cash-flow calculations after the expiration of the lease. The assessment of such factors as market rents, future normal running costs, investments, vacancies etc. is performed by external appraisers using information provided by Fabege. Operating and maintenance expenses are based on historical results, and on budget figures and statistics pertaining to similar properties. Expenses are expected to increase in line with the assumed inflation rate. Ground rents are calculated on the basis of agreements or in reference to market ground rents if the ground rent period expires during the calculation period. Property tax is estimated on the basis of the general property taxation for the most recent taxation year. Cash flow analyses with calculation periods exceeding five years are applied if deemed justified by long leases.

The properties' expected future cash flow during the selected calculation period is measured as follows:

+ Rent payments
– Running costs (including property tax and ground rent)
– Maintenance costs
= Net operating income
– Less investments
= Cash flow

Valuation data

Each property is valued separately without taking portfolio effects into account.

External property valuations are based on the following valuation data:

- Quality-assured information from Fabege concerning condition, leases, running and maintenance costs, leaseholds, vacancies and planned investments, as well as an analysis of current tenants.
- Current assessments of location, rent trends, vacancy rates and required yields for relevant markets, as well as normalised running and maintenance costs.
- Information from public sources concerning the land area of the properties, and local development plans for undeveloped land and development properties.
- The properties undergo regular inspections. All properties have been inspected in the past three years. The aim of these inspections is to assess the properties' overall standard, condition and attractiveness.

Office rental range in property valuations for 2018 and 2019

Market segment	Rental range
Inner city	SEK 3,000–8,000/sqm
Solna	SEK 2,300–4,000/sqm
Hammarby Sjöstad	SEK 2,300–4,000/sqm
Other markets	SEK 900–1,200/sqm

Note 15 continued

Valuation of other project properties
Valuations of other project properties are based on the prevailing planning conditions and listed price levels in connection with the sale of undeveloped land and development rights.

Valuation assumptions	2019	2018
Annual inflation, %	2.0	2.0
Weighted discount rate, %	6.0	6.2
Weighted required yield, residual value, %	4.0	4.1
Average long-term vacancies	4.5	4.2
Operations and maintenance: Commercial, SEK/sqm	285	295

The valuation assumptions do not vary significantly, since the properties are actually very similar (are in all significant respects office properties) and are highly concentrated geographically.

Market values 31 December 2019	SEKm	Weighted yield, %	Change in value, %
Inner city	31,553	3.71	11.3
Solna	35,183	4.11	5.9
Hammarby Sjöstad	6,767	4.28	9.4
Other markets	747	5.74	8.3
Total	74,250	3.97	8.5

Market values 31 December 2018	SEKm	Weighted yield, %	Change in value, %
Inner city	27,876	3.89	14.9
Solna	31,889	4.29	10.7
Hammarby Sjöstad	5,838	4.50	16.0
Other markets	2,031	–	42.0
Total	67,634	4.13	13.3

Changes in value during the year
Unrealised changes in value during the year amounted to SEK 5,743m (7,685). The change in value corresponds to a value increase of approximately 8 per cent. The change in value was attributable to rising rent levels, a decrease in vacancies and declining yield requirements in the investment property portfolio, as well as to development gains in project operations. The recognised value of the properties at 31 December 2019 was SEK 74.3bn (67.6).

	Group	
SEKm	2019	2018
Opening fair value	67,634	57,889
Property acquisitions	0	751
Investments in new builds, extensions and conversions	2,556	2,963
Changes in value, existing property portfolio	5,535	7,553
Changes in value relating to properties divested during the year	208	132
Sales, disposals and other	–1,683	–1,654
Closing fair value	74,250	67,634

Fabege's ten largest properties by value

Property	Area	Sqm
Pyramiden 4	Arenastaden	72,234
Trängkåren 7[1]	Marieberg	77,264
Apotekaren 22	Norrmalm	28,345
Nationalarenan 8	Arenastaden	46,566
Bocken 39	Norrmalm	20,237
Bocken 35 & 46	Norrmalm	15,106
Orgeln 7	Sundbyberg	37,353
Barnhusväderkv. 36	Norrmalm	25,965
Signalen 3	Arenastaden	31,492
Luma 1	Hammarby Sjöstad	38,330

1) Divested, to be vacated 23 January 2020.

Sensitivity analysis – property values

Change in value before tax, %	Effect on earnings, SEKm	Equity/assets ratio, %	Loan-to-value ratio, %
+1	579	52.6	35.4
0	0	52.4	35.6
–1	–579	52.1	35.7

Sensitivity analysis, change in value	Assumption	Impact on value, SEKbn
Rent level	±10%	6.7
Running cost	±SEK 50/sqm	1.3
Yield requirement	±0.25%	4.7
Long-term vacancy rate	±2%	1.6

Investment properties are measured in accordance with Level 3, IFRS 13. The carrying amount/fair value and the resulting unrealised changes in value are determined each quarter based on valuations. If a property is sold in the second to the fourth quarter, the sale will give rise, in addition to the unrealised change in value, to a realised change in value that is based on the selling price in relation to confirmed fair value for the most recent quarter.

Fabege has mortgaged certain properties, see also Note 32 Pledged assets and contingent liabilities.

● Accounting policies

Investment properties
All properties in the Group are classified as investment properties, as they are held for the purpose of earning rental income or for capital gains or a combination of the two. The concept of investment property includes buildings, land and land improvements, new builds, extensions or conversions in progress and property fixtures. Rental income and property expenses, as well as realised and unrealised changes in value including tax, are directly attributable to properties. Investment properties are recognised at fair value at the balance sheet date. Gains and losses attributable to changes in the fair value of investment properties are recognised in the period in which they arise on the line 'Unrealised changes in value, investment properties' in the statement of comprehensive income. Gains or losses from the sale or disposal of investment properties consist of the difference between the selling price and carrying amount based on the most recent revaluation to fair value. Gains or losses from sales or disposals are recognised on the line 'Realised changes in value, investment properties' in the statement of comprehensive income. Projects involving conversion/maintenance and tenant customisations are recognised as an asset to the extent that the work being undertaken adds value in relation to the latest valuation. Other expenses are expensed immediately.

NOTE 16 Equipment

	Group		Parent Company	
SEKm	2019	2018	2019	2018
Cost at beginning of year	10	10	9	8
Investments	4	0	0	1
Sales and disposals	0	0	0	0
Closing accumulated cost	14	10	9	9
Opening depreciation	–7	–6	–6	–6
Sales and disposals	0	0	0	0
Depreciation for the year	–1	–1	–1	0
Closing accumulated depreciation	–8	–7	–7	–6
Carrying amount	**6**	**3**	**2**	**3**

The Group has operating leases to a small extent for cars and other technical equipment. All agreements are subject to standard market terms and conditions.

Property, plant and equipment
Equipment is recognised at cost less accumulated depreciation and any impairment. Depreciation of equipment is expensed by writing off the value of the asset on a straight-line basis over its estimated period of use.

Impairment losses
In case of an indication of a decrease in the value of an asset (excluding investment properties and financial instruments, which are measured at fair value), the recoverable amount of the asset is determined. If the carrying amount of the asset exceeds the recoverable amount, the asset is written down to this value. The recoverable amount is defined as the higher of market value and value in use. Value in use is defined as the present value of estimated future payments generated by the asset.

NOTE 17 Interests in associated companies

	Group		Parent Company	
SEKm	2019	2018	2019	2018
Opening carrying amount	121	122	0	0
Contributions/Acquisitions	49	63	–	–
Impairment losses	–3	–2	–	–
Share in profit/loss	–34	–62	–	–
Dividends	–	–	–	–
Reclassifications	–	–	–	–
Closing carrying amount	133	121	0	0
Carrying amount	**133**	**121**	**0**	**0**

Name/Corp. Reg. No.	Registered office	Capital share, %[1]	Carrying amount 2019, SEKm	Carrying amount 2018, SEKm
Urban Services i Solna 559108-8391	Stockholm	20.0	1	1
Projektbolaget Oscarsborg AB 556786-3419	Stockholm	50.0	0	0
Haga Norra Stadsutveckling Kvarter 6 and 7 AB 556983-7650	Stockholm	50.0	10	0
Accessy AB 559184-9749	Stockholm	50.0	2	0
Selfoss Invest AB	Stockholm	50.0	2	2
Fastighets AB Solna Lagern 3 559122-5759	Stockholm	50.0	0	0
Värtan Fastigheter KB 969601-0793	Stockholm	50.0	6	6
Arenabolaget i Solna KB[1] 969733-4580	Stockholm	66.7	111	111
Arenabolaget i Solna AB 556742-6811	Stockholm	50.0	0	0
Stockholm Syd SBD Utvecklings AB 559090-9734	Stockholm	50.0	1	1
			133	121

[1] Arenabolaget owns and manages Friends Arena. Fabege owns 66.7 per cent in Arenabolaget i Solna KB (ABS KB), which owns the Nationalarenan 1 property (Friends Arena). Fabege also owns 50 per cent in Arenabolaget i Solna AB, which is an unlimited partner in ABS KB. Since Fabege does not have a controlling interest in ABS KB, the holding is recognised as interests in associated companies and profit/loss from the company as earnings from interests in associated companies.

The following table presents financial information concerning associated companies. The information is presented on an aggregate level since, in all significant respects, the holdings pertain to similar property management and development operations.

Condensed statement of profit or loss and balance sheet for associated companies, SEKm (100%)

	Group	
SEKm	2019	2018
Profit and loss account		
Rental income	79	54
Net operating income	4	–15
Profit for the year	–106	–116
Balance sheet		
Non-current assets	3,596	3,480
Current assets	199	248
Total assets	**3,795**	**3,728**
Shareholders' equity	1,902	1,965
Other liabilities	1,893	1,763
Total shareholders' equity and liabilities	**3,795**	**3,728**
The Group's share of net assets in associated companies	1,268	1,310

Joint venture
The Group has one significant joint venture. Fabege conducts financial operations through the co-owned company Svensk Fastighetsfinansiering AB. Operations consist of conducting financing operations through the raising of loans in the capital market, and lending operations through the issue of cash loans. The aim is to expand the company's financing base with a new source of financing. January 2015 saw the launch of Nya Svensk Fastighetsfinansiering AB, a finance company with a covered MTN programme of SEK 12,000m. The company is owned by Catena AB, Diös Fastigheter AB, Fabege AB, Platzer Fastigheter Holding AB and Wihlborgs Fastigheter AB, each owning 20 per cent. The bonds are secured by property mortgage deeds. Nya SFF changed its name in 2016 to SFF (Svensk FastighetsFinansiering AB). At 31 December, Fabege had outstanding bonds totalling SEK 2,085m (2,511) via SFF.

● Accounting policies

Interests in associated companies and joint ventures
A company is recognised as an associated company if Fabege holds at least 20 per cent and no more than 50 per cent of the votes or otherwise exercises a significant influence on the company's operational and financial control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets. In the consolidated financial statements, these holdings are recognised in accordance with the equity method. Interests in associated companies and joint ventures are recognised in the balance sheet at cost after adjusting for changes in the Group's share of the associated company's and joint venture's net assets, less any decrease in the fair value of individual interests.

Holdings in joint operations
A holding in a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and have obligations regarding the liabilities that derive from the business. Joint control is regulated in agreements and only exists when the parties that share the control are required to give their consent to the relevant operations.

For joint operations, Fabege recognises its share of assets, liabilities, revenue and costs, as well as its share of joint assets, liabilities, revenue and costs item by item in the consolidated accounts. Transactions and other dealings with joint operations have been eliminated in the consolidated financial statements.

NOTE 18 Receivables from associated companies

Receivables from associated companies relate to receivables from Selfoss Invest AB of SEK 148m (145), Arenabolaget i Solna AB of SEK 50m, Haga Norra SEK 130m, Fastighets AB Solna Lagern 3 SEK 224m and receivables from Stockholm Syd SBD utveckling AB of SEK 7m. The receivables carry market interest rates.

NOTE 19 Other long-term securities holdings

	Group		Parent Company	
SEKm	2019	2018	2019	2018
Cost at beginning of year	12	10	12	10
Acquisitions/Investments				
Changes in value	–4	2	–4	2
Sales				
Closing amount	8	12	8	12
Carrying amount	8	12	8	12

Holdings	Carrying amount, SEKm
AIK Fotboll AB – Fabege's capital share is 18.5 per cent and the number of shares is 4,042,649	8
Total	8

NOTE 20 Other non-current receivables

	Group		Parent Company	
SEKm	2019	2018	2019	2018
Maturity:				
1 to 5 years after balance sheet date	105	65	0	0
More than 5 years from balance sheet date	6	5	0	0
Total	111	70	0	0

Carrying amount is a good approximation of the fair value.

Group
Other non-current receivables pertain primarily to promissory note receivables.

NOTE 21 Trade receivables

	Group	
Age structure – overdue trade receivables, SEKm	2019	2018
0–30 days	35	54
31–60 days	2	8
61–90 days	0	3
>90 days	11	17
Of which, provisioned	–7	–7
Total	41	75

Changes in reserves for expected credit losses	31/12/2019
Opening balance	7
Provisions	1
Reversals	–3
Write-offs	–
New receivables	3
Settled receivables	–1
Change in risk factors	–
Closing balance	7

● Accounting policies

Trade receivables
A business model is applied for the Group's trade receivables, the aim of which is to collect contractual cash flows, which means recognition at amortised cost, since the cash flows are made up exclusively of payments on principals and interest. Fabege's trade receivables are recognised at the amount that is expected to be received after deducting for uncertain receivables, which are assessed individually. The expected maturity of a trade receivable is short, and the value is therefore recognised at the nominal amount with no discount. Impairment of trade receivables is recognised in operating expenses.

NOTE 22 Other receivables

The Group has current receivables in the form of promissory notes maturing within one year in the amount of SEK 7m (33). On the balance sheet date, other receivables were also affected by an unsettled purchase consideration relating to an additional consideration, SEK 4m (127). VAT receivables amount to SEK 25m. In the previous year the item also included receivables from Arenabolaget i Solna AB of SEK 82m.

● Accounting policies

Non-current and other receivables
Non-current and other (current) receivables primarily consist of promissory note receivables relating to sales proceeds for properties that have been sold but not yet vacated. These items are categorised as 'Loans and receivables', which means that the items are recognised at amortised cost. Receivables are recognised at the amount that is expected to be received after deducting for uncertain receivables, which are assessed individually. Receivables with short maturities are recognised at nominal amounts without discounting.

NOTE 23 Receivables from Group companies

Receivables from Group companies consist of clearing accounts for all the Group's subsidiaries. The subsidiaries do not have their own bank accounts and transactions are carried out via clearing accounts via the Parent Company.

NOTE 24 Shareholders' equity

	Shares outstanding	Registered shares
No. of shares at beginning of year	330,783,149	330,783,149
Total	330,783,149	330,783,149

All shares carry equal voting rights, one vote per share.
The quotient value of a share is SEK 15.41.
Proposed dividend per share: SEK 3.20.
For other changes in shareholders' equity, see the consolidated and Parent Company statements of changes in equity.

● Accounting policies

Treasury shares
Share buybacks are recognised as a deductible item, net after any transaction costs and tax, from retained earnings, until such time as the shares are divested or cancelled. If these ordinary shares are subsequently divested, the amount received for them (net after any transaction costs and tax effects) is recognised in retained earnings.

NOTE 25 Overdraft facilities

	Group		Parent Company	
SEKm	2019	2018	2019	2018
Available credit limit	660	660	660	660
Unused portion	–660	–655	–660	–655
Used portion	0	5	0	5

NOTE 26 Liabilities by maturity

	Group		Parent Company	
Interest-bearing liabilities, SEKm	2019	2018	2019	2018
Maturity up to 1 year from balance sheet date	4,565	3,241	2,980	2,815
Maturity 1 to 5 years from balance sheet date	12,100	15,173	11,600	13,088
Maturity later than 5 years from balance sheet date	9,749	7,861	9,749	7,861
Total	26,414	26,275	24,329	23,764

Carrying amount is a good approximation of the fair value. Non-interest-bearing liabilities are expected to fall due for payment within one year. For the interest rate maturity structure, see Note 3.

Financial liabilities
Fabege's interest-bearing liabilities and other liabilities are categorised as 'financial liabilities' and measured at amortised cost. Non-current liabilities have an expected maturity of more than one year, while current liabilities have a maturity of less than one year.

NOTE 27 Derivatives

	Group		Parent Company	
SEKm	2019	2018	2019	2018
Long-term surplus value	58	5	58	5
Total surplus value	**58**	**5**	**58**	**5**
Short-term deficit	–	–1	–	–1
Long-term deficit	–426	–136	–426	–136
Total deficit	**–426**	**–137**	**–426**	**–137**
Total	–367	–132	–367	–132

The Group does not apply hedge accounting; see 'Financial instruments' in Note 3 Accounting policies. Derivatives are classified as interest-bearing liabilities and assets in the balance sheet and measured at fair value in compliance with Level 2, IFRS 13; see Note 3 for further details. Changes in value are recognised in the statement of comprehensive income on a separate line entitled 'Changes in value, fixed-income derivatives'.

NOTE 28 Deferred tax liability/tax asset

	Group		Parent Company	
SEKm	2019	2018	2019	2018
Deferred tax has been calculated on the basis of:				
Tax loss carryforwards	–690	–908	0	–80
Difference between book and tax values in respect of properties	8,322	7,341	–	–
Derivatives and other	–201	–52	–193	–52
Net deferred tax asset/liability	**7,431**	**6,381**	**–193**	**–132**

Negative amounts above refer to deferred tax assets.

Measured tax loss carryforwards in the Group, which have been taken into account in calculating deferred tax, total approximately SEK 3.8bn (4.3). Of the changes in deferred tax liabilities for the year, the use of profit from property management accounted for SEK –335m and changes in the value of properties for SEK –1,229m. Deferred tax has been calculated at 20.6 per cent.

NOTE 29 Provisions

Out of total provisions of SEK 182m (166), obligations relating to rental guarantees for divested properties accounted for SEK 2m (2) and provisions for pensions for SEK 146m (130). Other amounts refer to stamp duties on properties that are payable upon the sale of a property, SEK 35m (34).

SEKm	Rental guarantees	Miscellaneous	Provisions for pensions	Total
At 01/01/2019	2	34	130	166
Provisions for the year	–	–	–	0
Actuarial assumptions for the year	–	–	16	16
Used/paid during the year	–	–	–	–
At 31/12/2019	**2**	**34**	**146**	**182**
Provisions comprise:				
Long-term component	0	35	146	180
Short-term component	2	–	–	2
Total	2	35	146	182

Rental guarantees

The rental guarantees have remaining maturities of between one and six years. The criteria for assessing the size of provisions are described in Note 4.

Provisions for pensions

Obligations relating to defined contribution pension plans are met through payments to the freestanding agencies or companies administering the plans. A number of Fabege employees have defined benefit pensions under the ITP supplementary pension plan for salaried employees in industry and commerce, for which regular payments are made to Alecta. These are classified as multi-employer defined-benefit pension plans.

As there is not sufficient information to report these as defined benefit plans, they have been recognised as defined contribution plans. It is unclear how a surplus or deficit in the plan would affect the size of future contributions from each individual company and for the plan as a whole. Alecta is a mutual insurance company that is governed by the Swedish Insurance Business Act, as well as by agreements between employers and unions.

Fabege has a PRI (Pensions Registration Institute) liability, which is a defined benefit unfunded pension plan. However, no new payments are being made to PRI. Defined-benefit pension obligations recognised in the balance sheet comprise the present value of defined-benefit pension obligations. The Parent Company's pension provision refers to a PRI liability.

● Accounting policies

Provisions

Provisions are recognised when the company has a commitment and it is likely that an outflow of resources will be required and the amount can be reliably estimated.

NOTE 30 Trade payables

● Accounting policies

Trade payables are categorised as 'financial liabilities', which means that the item is recognised at amortised cost. The expected maturity of a trade payable is short, and the liability is therefore recognised at the nominal amount with no discount.

NOTE 31 Accrued expenses and deferred income

	Group		Parent Company	
SEKm	2019	2018	2019	2018
Advance payment of rents	455	401	–	–
Accrued interest expenses	97	74	95	71
Miscellaneous	236	184	34	46
Total	788	659	129	117

NOTE 32 Pledged assets and contingent liabilities

	Group		Parent Company	
Pledged assets, SEKm	2019	2018	2019	2018
Property mortgages	19,892	18,905		
Shares in subsidiaries	15,789	11,392		
Promissory notes	–	–	14,764	15,067
Total	**35,681**	**30,297**	**14,764**	**15,067**
Contingent liabilities				
Guarantees on behalf of subsidiaries	–	–	261	912
Guarantees and undertakings for the benefit of associated companies	531	390	531	390
Total	**531**	**390**	**792**	**1,302**

The Group has pension commitments of SEK 34m (27), which are secured through a pension fund. The solvency ratio for the pension fund is 177 per cent (146). No provision has been made, as the pension commitment is fully covered by the assets of the fund.

● Accounting policies

Contingent liabilities

Contingent liabilities are recognised if a possible commitment exists that is confirmed only by several uncertain future events and it is not likely that an outflow of resources will be required or that the size of the commitment can be calculated with sufficient accuracy.

NOTE 33 Interest paid

During the year, interest paid in the Group amounted to SEK 556m (608), of which SEK 18m (43) was capitalised in investing activities. No interest capitalisation occurred in the Parent Company.

NOTE 34 Changes in working capital

	Group		Parent Company	
SEKm	2019	2018	2019	2018
Change acc. to balance sheet	306	25	–64	–502
Change in receivables and liabilities pertaining to interest income, dividends and interest expenses, current tax and unsettled purchase considerations pertaining to properties sold	172	–296	–	–
Total	478	–271	–64	–502

NOTE 35 Lease liabilities

Lessees must record leases in the balance sheet. Of the Group's leases, management of ground rents is the most significant. The lease liability amounts to SEK 942m at 31 December 2019. A corresponding right-of-use asset is included in the balance sheet. The cost of ground rents is recognised as a financial expense. The annual cost of ground rents at 31 December 2019 amounts to SEK 28m. Besides leaseholds, Fabege is only a lessee to a limited extent, which does not have any material impact on the statement of comprehensive income or statement of financial position.

NOTE 36 Cash and cash equivalents

Cash and cash equivalents consist of cash assets and bank balances. The Group has unused overdraft facilities, which are not included in cash and cash equivalents, of SEK 660m (655).

● Accounting policies

Cash and cash equivalents
Cash and cash equivalents consist of cash assets held at financial institutions. Cash and cash equivalents also includes short-term investments with maturities of less than three months from the date of acquisition that are exposed to insignificant risk of fluctuations in value. Cash and cash equivalents are recognised at their nominal amounts.

NOTE 37 Transactions with related parties

Erik Paulsson, with his family and companies, holds a controlling influence in Hansan AB. In 2019, consulting services totalling SEK 1m (1) were procured. In 2019, consulting services were also purchased totalling SEK 3m from Glimstedts, in which Fabege's Chairman Jan Litborn is a partner.

Contributions of SEK 33m (57) have been made to ABS. Nya Svensk Fastighets-Finansiering AB, a newly formed finance company with a covered MTN programme, was launched in January 2015. The company is owned by Catena AB, Diös Fastigheter AB, Fabege AB, Platzer Fastigheter Holding AB and Wihlborgs Fastigheter AB, each owning 20 per cent. The bonds are secured by property mortgage deeds and share pledges. Nya SFF changed its name in 2016 to SFF (Svensk Fastighets-Finansiering AB). The MTN framework amounts to SEK 12,000m (12,000). At 31 December, Fabege had outstanding bonds totalling SEK 2,085m (2,511). Market-based terms and conditions are applied throughout.

NOTE 38 Dividend per share

The dividends that were adopted at Annual General Meetings and paid out in 2019 and 2018 were SEK 2.65 per share and SEK 2.25 per share, respectively. To the Annual General Meeting on 2 April 2020 the Board of Directors proposes a dividend for 2019 of SEK 3.20 per share, to be paid in April and October in the amount of SEK 1.60 per share on each occasion. The total proposed dividend sum amounts to SEK 1,058,506,061. The dividend amount is based on the total number of shares outstanding at 31/01/2020, i.e. 330,783,144 shares. The total dividend amount is subject to alteration up to and including the record date, depending on share buybacks.

NOTE 39 Adoption of the Annual Report

The Annual Report was adopted by the Board of Directors and approved for publication on 25 February 2020. The Annual General Meeting will be held on 2 April 2020.

NOTE 40 Net sales

Parent Company income comprises mainly intra-Group invoicing.

NOTE 41 Operating expenses

	Parent Company	
SEKm	2019	2018
Employee expenses	–240	–222
Administration and running costs	–116	–124
Total	–356	–346

NOTE 42 Shares and participations in Group companies

	Parent Company	
SEKm	2019	2018
Impairment of shares in subsidiaries	–5	–
Group contributions	0	1,208
Dividends	3,650	2,010
Total	3,645	3,218

	Parent Company	
SEKm	2019	2018
Cost at beginning of year	15,144	15,144
Acquisitions and additions	5	–
Sales	–	–
Closing accumulated cost	15,149	15,144
Opening impairment	–2,628	–2,628
Impairment	–5	
Closing accumulated impairment losses	–2,633	–2,628
Carrying amount	12,516	12,516

Directly owned subsidiaries

Name/Corp. Reg. No.	Registered office	Capital share, %[1]	Carrying amount, SEKm
Hilab Holding Stockholm AB 556670-7120	Stockholm	100	9,726
LRT Holding Company AB 556647-7294	Stockholm	100	2,790
Fabege Holding Solna 556721-5289	Stockholm	100	0
Fabege V12 AB 556747-0561	Stockholm	100	0
Fabege V24 AB 556785-2636	Stockholm	100	0
Fabege V48 AB 556834-3437	Stockholm	100	0
Fabege V47 AB 556834-3429	Stockholm	100	0
Fabege Finansnyckeln III AB 556983-7601	Stockholm	100	0
Total			12,516

[1]Also applies to the share of votes for the total number of shares.

The stated capital share includes shares from other Group companies. The Group comprises a total of 176 (179) companies, of which 166 (167) are wholly owned and 10 (12) are co-owned.

Note 42 continued

● Accounting policies

Subsidiaries

Subsidiaries are companies in which the Group has a controlling interest. Controlling influence is achieved when the Parent Company has control over a company, is exposed or entitled to a variable return from the holding in the company and has the ability to exercise control over the company to influence the return. The existence and effect of potential voting rights that can currently be used or converted is taken into account in assessing whether the Group exercises a controlling influence.

Subsidiaries are included in the consolidated financial statements as of the time when the controlling influence is transferred to the Group and are excluded from the consolidated financial statements as of the time when the controlling influence ceases. The acquisition of a subsidiary is recognised in accordance with the purchase method. The purchase consideration for the business combination is measured at fair value at the acquisition date, which is calculated as the total of the fair values at the acquisition date for the assets acquired, assumed or acquired liabilities, as well as equity shares issued in exchange for control of the acquired business. Acquisition-related costs are recognised in profit or loss as incurred. For business combinations in which the sum of the purchase consideration, any non-controlling interests and fair value at the acquisition date of prior share holdings exceeds the fair value at the acquisition date of identifiable acquired net assets, the difference is recognised as goodwill in the statement of financial position. If the difference is negative, it is recognised as profit on a bargain purchase directly in profit or loss following retesting of the difference.

NOTE 43 Fees and remuneration to auditors

The following remuneration was paid to the company's auditors:

Fees and remuneration for expenses

	Group		Parent Company	
SEK 000s	2019	2018	2019	2018
Deloitte:				
Auditing assignments[1]	3,195	3,125	3,195	3,125
Other auditing activities	249	240	249	240
Tax advisory services	0	0	0	0
Other services	0	0	0	0
Total	**3,444**	**3,365**	**3,444**	**3,365**

[1] Auditing assignments pertain to the auditing of the Annual Report and financial statements, as well as the administration of the Board and the CEO, other tasks required of the company's auditors and advisory services and representation brought on by observations during such audits or such other tasks.

NOTE 44 Events after balance sheet date

Trängkåren 7 was vacated on 23 January as agreed.

NOTE 45 Proposal for the distribution of profits

The following amount is at the disposal of the AGM:	SEK
Retained earnings	3,040,874,640
Profit for the year	3,408,916,845
Total	**6,449,791,485**

The Board of Directors and the Chief Executive Officer propose that the amount be allocated as follows:	SEK
A dividend of SEK 3.20 per share to the shareholders	1,058,506,061
To be carried forward	5,391,285,424
Total	**6,449,791,485**

Corporate Governance Report

Fabege is a Swedish public limited-liability company with its registered office in Stockholm. The company's corporate governance is based on its Articles of Association, the Swedish Companies Act and other applicable laws and regulations. Fabege applies the Swedish Corporate Governance Code (the 'Code'), the main purpose of which is to improve standards of governance among Swedish businesses.

MESSAGE FROM THE CHAIRMAN

Working in close partnership with management

It is a privilege to be chairman of a property company that creates substantial value for society via the development of long-term, sustainable and attractive districts. Fabege is leading several visionary projects requiring all the parties involved to have a thorough insight into modern urban development. To increase transparency and scrutiny in this work, we further integrated the company's management into board work during the year via closer cooperation and increased presence. We have a well-balanced composition on the Board, with representatives offering various perspectives and areas of expertise, which is an essential element in conducting effective and constructive Board work. We prioritise swift decision-making structures and maintain a continual dialogue.

Sustainability is a key competitive factor that fuels innovation and constant improvement work, and since 2019 it has been included in the Board's procedural rules. During the year, Fabege decided that property management will be carbon neutral by 2030. 2019 also saw the launch of a new framework for green financing, and our green bonds were very well received on the financial markets. Another piece of good news was credit rating firm Moody's decision to upgrade Fabege's rating; an acknowledgement of our financial strength.

In 2019, the company gained a new CEO as part of a successful and seamless process, the result of effective cooperation between management and the Board, and in particular owing to outgoing CEO Christian Hermelin taking considerable responsibility and remaining in post throughout the recruitment process and handover period. Stefan Dahlbo joined us on 1 September. He has been well received by customers, employees and business partners, and my impression is that Stefan has quickly settled in at Fabege.

The vision of a new international business and research district in Flemingsberg was announced in 2019 and the market responded positively. We are working hard to secure a select number of key tenants. An effective working partnership is also in place with Huddinge Municipality, which is committed to, and shares our vision. We initiated the first stage in Haga Norra in 2019, which includes Bilia's new facility and around 400 apartments above the facility.

The next major project in Arenastaden will be the development of the Poolen property in collaboration with the City of Solna, which will be TietoEVRY's new head office. The property is next to ICA's headquarters, which was completed in 2019.

The share price trend was strong in 2019 as well, and the total return on the property portfolio was 11.5 per cent. We are proposing a dividend of SEK 3.20 per share to the AGM, to be paid on two occasions in the amount of SEK 1.60 per share on each occasion, which corresponds to an increase of 21 per cent compared with the previous year. As Chairman of Fabege, I am delighted to be a part of the continued positive trend in the property market for offices in the Stockholm area, and I look forward to yet another year of development and value creation on Fabege's Board of Directors.

Solna, 25 February 2020

Jan Litborn
Chairman, Fabege

"Sustainability is an important competitive factor that fuels innovation and change.

Governance structure of the organisation

Responsibility for the governance, management and control of Fabege's activities is shared among the shareholders at the Annual General Meeting, the Board of Directors and the Chief Executive Officer. Fabege works continuously to achieve more efficient and appropriate governance of the company.

1. Shareholders

Fabege's shares are listed on Nasdaq OMX Stockholm. The company's share capital is SEK 5,097m, represented by 330,783,144 shares. At year-end, Fabege held no treasury shares. In Fabege all shares carry the same voting rights, which means that opportunities to exercise influence as an owner are consistent with each shareholder's capital share in the company. The following shareholders, directly or indirectly hold shares that represent one tenth or more of the votes for all shares in the company:

Holdings, %	31/12/2019
Erik Paulsson with his family, privately and through companies	15.2

Fabege's ownership structure is described on page 116 of the annual accounts.

2. Annual General Meeting

The AGM is the company's highest decision-making body. Shareholders who would like to participate in the business of the AGM must be registered in the transcript of the entire share register pertaining to the conditions prevailing five working days prior to the AGM and notify the company of their intention, and that of no more than two advisors, to attend the Meeting no later than 4.00 pm on the day stipulated in the notice convening the AGM.

3. Nominating Committee

The Nominating Committee is the AGM's body for preparing decisions relating to appointments. The Committee's task is to draw up proposals for the appointment of the AGM chairman, Chairman of the Board and Board Members, Directors' fees, the appointment of auditors, auditors' fees and any amendments to the principles governing the election of the Nominating Committee. Shareholders wishing to submit proposals to the Nominating Committee can do so by emailing ir@fabege.se or by sending a letter to Fabege AB. The proposal concerning Directors' fees must specify a breakdown between the Chairman, other Board Members and representatives of the Audit Committee and Remuneration Committee.

4. Board of Directors

Under the Swedish Companies Act, the Board of Directors is responsible for the company's organisation and the administration of the company's affairs. The Board is required to continuously assess the performance management and financial situation of the company. Its main task is to manage the company's assets on behalf of the owners in a way that secures the owners' interest in obtaining a strong long-term return on capital. Fabege's Board is to consist of at least four and no more than nine directors. Each year, the Board adopts rules of procedure, including instructions on division of work and reporting.

5. Auditing

Under the Swedish Companies Act, the company's auditor is required to examine the company's Annual Report and accounts as well as the management performed by the Board and the CEO. After the end of each financial year, the auditor is required to submit an audit report to the AGM. Auditors are appointed and remunerated based on AGM resolutions pursuant to proposals from the Nominating Committee. At the 2019 AGM, the auditing firm Deloitte was appointed the company's auditors with the authorised public accountant Kent Åkerlund as Auditor-In-Charge for the period up to the 2020 AGM.

In addition to Fabege, Kent Åkerlund has audit assignments for the following major companies: Clas Ohlson and Tagehus. Kent Åkerlund has no other assignments for companies that are closely related to Fabege's major owners or the CEO. In addition to its assignment as Fabege's appointed auditors, Deloitte has performed audit-related assignments relating primarily to other auditing activities. Furthermore, Deloitte conducts a limited assurance review of Fabege's Sustainability Report, which is carried out according to GRI Standards, and a statutory review of the Sustainability Report that also satisfies requirements stipulated in the Swedish Annual Accounts Act.

6. Audit Committee

The Board has appointed an Audit Committee from among its own members. The Audit Committee acts as an extension of the Board for the monitoring of issues relating to accounting, auditing and financial reporting.

Its remit includes addressing issues relating to operational risks and risk management, internal control (environment, design and implementation), accounting policies, financial follow-up and reporting, and the performance of audits. The Committee meets regularly with senior executives to discuss and form an opinion on the state of the company's essential processes from an internal control perspective. Board members review all interim reports. The year-end report, the Corporate Governance Report and the Directors' Report are discussed specifically at the Committee's meeting at the beginning of each year. The Committee meets regularly with the company's auditor to obtain information on the focus, scope and results of audit activities. It operates according to separate rules of procedure, which are reviewed and adopted annually by the Board. Fabege's Audit Committee meets the Code's requirements on composition and members' skills and experience in accounting and in other issues within the Committee's area of responsibility.

7. Remuneration Committee

A remuneration committee was established in 2018 consisting of three Board members, including the Chairman. Prior to this, the entire Board fulfilled the function of a remuneration committee. The Committee prepares information for decisions regarding remuneration matters for the CEO and company management. The Board of Directors makes decisions regarding remuneration based on proposals from the Remuneration Committee.

8. Management

Chief Executive Officer

The Chief Executive Officer (CEO) is responsible for operational governance and for the day-to-day management and leadership of the business, in accordance with the guidelines, instructions and decisions adopted by the Board of Directors. In addition to the general provisions relating to division of responsibility contained in the Swedish Companies Act, the rules of procedure governing the work of the CEO specify:

- The CEO's duty and obligation to supply the Board of Directors with information and the necessary documentation on which to base decisions.
- The CEO's role of presenting reports at Board meetings.
- The CEO's duty and obligation to monitor compliance with the Board's decisions in respect of goals, business concept, strategic plans, the company's Code of Conduct and other guidelines, and, where necessary, request a review of the same by the Board.
- Issues that must always be submitted to the Board, such as decisions regarding major acquisitions and sales or major investments in existing properties.
- The CEO's duty and obligation to ensure that Fabege fulfils its obligations in respect of disclosure, etc. under the company's listing agreement with the Nasdaq Stockholm.

The rules of procedure also contain a separate reporting instruction, which governs the content and timing of reporting to the Board. In December 2018, Fabege's CEO announced his intention to leave the company in 2019. In March 2019, it was announced that Stefan Dahlbo had been appointed as the new CEO. Stefan Dahlbo took up his position on 1 September 2019.

Executive Management Team

The CEO directs the work of the Executive Management Team and reaches decisions in consultation with the other members of management. The Executive Management Team jointly conducts the operational control and manages the business and engages in daily management in accordance with the Board's guidelines, instructions and resolutions. The key to success is having motivated employees. With the aim of creating the best conditions for its employees, Fabege's Executive Management Team is required to establish and gain endorsement for a clear framework and objectives for operations. The Executive Management Team must create the conditions for employees to achieve established objectives by:

- Clearly communicating the company's direction and objectives.
- Establishing an approach based on the company's collective expertise.
- Coaching, inspiring and creating workplace satisfaction and positive energy.
- Regularly reviewing and providing feedback on the established objectives.

Fabege's Executive Management Team consists of six individuals, see page 71. The Executive Management Team holds weekly operational meetings and regular decision-making meetings around eight times a year. The meetings address strategic and operational matters such as property transactions, letting, market trends, organisation and monthly and quarterly reviews. Fabege's entire managers' team meets several times a year for discussions regarding such matters as the company's strategies and management issues.

9. Operating segments

Fabege's operational activities are conducted in three business areas: Property Management, Property Development and Transactions. Responsibility in the Property Management business area is shared between two managers: Director of Property Management and Director of Technical Operations. Each business area manager is a member of the Executive Management Team and has responsibility for operative control and follow-up. Fabege's activities are goal-oriented at all levels of the organisation. The goals are broken down, developed and established in the different business areas and at co-worker level. Performance measurements and reviews are conducted regularly.

Fabege's sustainability work is conducted as an integral part of all areas of the organisation. To underscore the importance of this work, the company has a sustainability group, in which representatives of all areas of operation are gathered in a joint forum for sustainability issues. The group meets regularly to pursue the development and communication of sustainability issues. The Board has overall responsibility for monitoring the company's sustainability work.

Find out more about Fabege's corporate governance, rules of procedure and instructions at www.fabege.se

- Articles of Association
- Information from previous AGMs
- Previous Corporate Governance Reports
- Board's rules of procedure and instructions
- Code of Conduct
- Our core values, SPEAK

Policies and guidelines that support operations

Fabege's core values SPEAK (which stands for fast, informal, entrepreneurial, business-minded and customer-focused) and the Code of Conduct serve as a guiding principle for the actions of all our employees. The Code of Conduct highlights Fabege's position on matters concerning human rights, working conditions, the environment, business ethics and communication.

The Board of Directors and the Executive Management Team have specific responsibility for ensuring compliance with the Code of Conduct. The content is revised and monitored annually by the company's Board of Directors and Executive Management Team.

All managers with personnel responsibility are charged with ensuring that the Code of Conduct is known and followed in their specific department/sphere of responsibility. A foundation for the Code of Conduct is that Fabege must comply with applicable laws and other regulations and adhere to generally acceptable business customs and practices, as well as international human rights, labour and environmental standards in accordance with the Global Compact's ten principles and the ILO's fundamental conventions on human rights at the workplace. Fabege has supported the UN's Global Compact since 2011. The company complies with the Worker Codetermination Act and with collective bargaining agreements which regulate such matters as the minimum period of notice.

Policies and guidelines for communication, personnel and business support are decided on by the Executive Management Team, continually updated and made available to all employees via Fabege's intranet. No-one at Fabege should be discriminated against on the basis of their sex, gender identity or expression, ethnicity, disability, religion or other belief, sexual orientation or age. No cases of discrimination were reported in 2019.

Fabege's Ethics Council, which reports to the Executive Management Team, serves as support in day-to-day work. The role of the Council is to direct the work, monitor relevant external issues and pursue specific ethical matters. The Council includes representatives from business development, letting, property management, technical operation, projects, HR, communication and finance. Work has been underway for a number of years to improve the organisation's knowledge in respect of business ethics and anti-corruption. Examples of activities include information and training on anti-corruption and bribery legislation, as well as ethical discussions in connection with the company's internal conferences.

Employees are continuously provided with information on matters that have been discussed in the sustainability group and the Ethics Council. Fabege wants to act with credibility on ethical issues and is determined to intercept suspicions of any irregularities at an early stage, preferably through dialogue but also via anonymous reporting systems. For those who wish to remain anonymous, Fabege has established a whistleblower service that can be accessed via the company's website, in which both the report and any subsequent dialogue are encrypted and password protected. The whistleblower service has not been used during the year.

Corporate governance 2019

Annual General Meeting

The AGM was held in Stockholm on 2 April 2019. Jan Litborn was elected to chair the meeting. The AGM was attended by shareholders holding a total of 172.3 million shares, corresponding to 52.1 per cent of the votes represented. A full set of minutes from the AGM is available at www.fabege.se/agm2019. The following are the principal resolutions adopted at the AGM:

Election of Board Members and resolution on Directors' fees

The AGM resolved that the Board should consist of six Board Members and approved the re-election of Anette Asklin, Eva Eriksson, Märtha Josefsson, Jan Litborn, Per-Ingemar Persson and Mats Qviberg.

Jan Litborn was elected Chairman. The AGM resolved that a total of SEK 2,100,000 (2,190,000) be paid in Directors' fees in 2019.

Dividends, cash

The dividend was fixed at SEK 2.65 per share and the record date was set at 4 April 2019.

Principles for appointment of the Nominating Committee

The AGM adopted a set of principles for the appointment of the Nominating Committee and the proposals that the Nominating Committee is required to prepare. The Nominating Committee is to be appointed no later than six months prior to the AGM and representatives of the four largest owners are to primarily be offered positions.

Remuneration of management

A change was made to the remuneration guidelines for company management, whereby variable remuneration may be payable at a maximum of nine months' salary. Senior executives who receive variable remuneration undertake to make a long-term investment (for a period of at least three years) of at least two-thirds of this variable salary component after tax in shares in the company. The aim is to encourage participation and commitment by offering senior executives the opportunity to become shareholders in a more structured manner.

Authorisation on share buybacks

The AGM resolved to authorise the Board, for a period ending no later than the next AGM, to acquire and transfer shares. Share buybacks are subject to a limit of 10 per cent of the total number of outstanding shares at any time. Transfers may occur of all treasury shares held by the company at the time of the Board's decision.

Auditing

The auditors reported their observations and simultaneously presented their views on the quality of internal controls in Fabege at the Board meeting in February 2019. The auditors participated in and presented reports at all four meetings of the Audit Committee. Reports were also presented to management during the year. A report was also presented on one occasion to the Board during the year without management being present. Fees paid to the company's auditors are described in Note 43 on page 61.

Nominating Committee

In accordance with the AGM's resolution, the four largest shareholders were offered one seat each on Fabege's Nominating Committee, and on 30 September 2019, the Nominating Committee was announced.

COMPOSITION OF THE NOMINATING COMMITTEE

	Represented	Percentage of votes 31/08/2019, %
Bo Forsén	Backahill AB[1]	15.17
Eva Gottfridsdotter-Nilsson	Länsförsäkringar Fondförvaltning	4.88
Thomas Ehlin	Fourth Swedish National Pension Fund	3.03
Peter Guve	AMF Pension	2.76
Total		**25.84**

[1] Including Erik Paulsson with his family.

Nominating Committee's proposals ahead of the 2020 AGM

The Nominating Committee proposes that the Board shall consist of six ordinary members with no deputies. The Nominating Committee is of the opinion that the expertise and experience of Board members meets the requirements that may be imposed. The Nominating Committee aims to achieve an even gender balance.
The Nominating Committee proposes the re-election of Board members Anette Asklin, Märtha Josefsson, Jan Litborn, Per-Ingemar Persson and Mats Qviberg, and the election of new member Emma Henriksson. Furthermore, it is proposed that Jan Litborn be elected Chairman of the Board.

The Nominating Committee has also discussed the independence of the members of the Board. The proposal for the Board of Directors of Fabege satisfies the relevant requirements regarding members' independence in relation to the company, company management and the company's major shareholders.

Board of Directors

Composition of the Board, 2019

Six Board Members were elected to the Board at the 2019 AGM. Jan Litborn was elected Chairman of the Board. Fabege's Chief Financial Officer, Åsa Bergström, acts as the Board's secretary.

Fabege's Board includes members that have skills and experience of great significance for the support, monitoring and control of the operations of a leading property company in Sweden. The Board aims to retain members with expertise in areas such as property, the property market, funding and business development. Several of the Board Members have significant personal shareholdings in Fabege, directly or indirectly. Fabege's Board meets the requirements for the independence of Board Members provided for in the Code of Conduct.

The work of the Board, 2019

In 2019, the Board held a total of 19 meetings, including six scheduled meetings, three extra meetings, one statutory meeting and nine meetings held by correspondence. There are a number of standing items on the agenda of the scheduled meetings: Financial and operational reporting, decisions on acquisitions, investments and divestments, strategic market and organisational issues and reporting by the Audit Committee and Remuneration Committee. Any significant ongoing projects are followed up at each scheduled meeting. During the year, the Board also examined in particular the housing development projects that Fabege is pursuing in joint ventures. The process of recruiting a new CEO was conducted in the spring. The strategy plan and budget for 2020 were adopted at the December meeting. Fabege's sustainability work was also followed up at the December meeting. The interim reports and year-end report are addressed by the Board at a Board meeting held on the date on which the report is released to the market. In addition, the Board addressed a number of specific matters (see figure on page 68).

In 2019, the Board resolved on several major investments totalling SEK 1.7bn and relating to the development of, and improvements to properties in the existing portfolio. Furthermore, a decision was made on the acquisition of land in Flemingsberg for SEK 60m. During the year, decisions were made on the divestment of three properties. At the end of the year, an assessment was made of the Board, which showed that the Board was operating in a highly satisfactory manner. The assessment result was discussed at the Board meeting in December 2019. The Board of Directors also carried out its annual evaluation of the CEO's performance. Furthermore, the Board decided to make an addition to the Board of Directors' rules of procedure regarding annual follow-up of Fabege's sustainability work. The Board of Directors also conducted its annual review of Fabege's Code of Conduct and finance policy.

The Board of Directors' diversity policy

Overall, Fabege's Board of Directors shall for its work have a suitable range of skills and experience for the operations being pursued, and in order to identify and comprehend the risks to which the business is exposed and the rules that regulate the business being conducted. When appointing new Board Members, the individual member's suitability shall be reviewed with the aim of achieving a Board composition with a range of skills that are sufficient for the purposeful control of the company. The composition of the Board shall be characterised by versatility and breadth with regard to the skills, experience, gender, age, education and professional background of the elected members. It is incumbent upon the Nominating Committee to take account of this policy, with the aim of achieving an appropriate composition of the Board with respect to the company's operations and general conditions.

The composition of the Board constitutes an equal distribution between men and women and is otherwise regarded as being representative of a broad range of knowledge and valuable contact networks within relevant areas.

Fees to the Board of Directors

Fees to the Board of Directors are paid according to a decision made at the AGM, and for 2019 fees totalled SEK 2,100,000, of which the Chairman received SEK 550,000 and other board members SEK 240,000 each. In addition, fees in the amount of SEK 150,000 were paid for work conducted by the Board's Audit Committee, of which the chair of the Committee received SEK 70,000 and two members SEK 40,000 each, as well as SEK 200,000 for work carried out by the Board's Remuneration Committee, of which the chair of the Committee received SEK 100,000 and two members SEK 50,000 each.

Remuneration of management

In accordance with the principles of compensation and other terms of employment for management adopted by the AGM, the Board made a decision on the remuneration and other terms of employment for the CEO.

During the year, the Board reviewed compliance with the principles of remuneration for senior executives. The guidelines for remunerating senior executives are detailed on page 31.

Remuneration and other benefits and terms of employment for the CEO and management are described in Note 6 on page 53. The company's principles of remuneration and terms of employment will also be presented at the 2020 AGM.

The Audit Committee

In 2019, the Board appointed an Audit Committee from among its own members consisting of Märtha Josefsson (chairwoman), Eva Eriksson and Anette Asklin. Four meetings were held in 2019, focusing on the company's system of internal control. During the year the Audit Committee discussed areas such as financing, finance policy, internal control in property management and projects, risk and reporting of associated companies and property valuation. At each meeting, the company's auditors submitted a report of their review during the year. The minutes from the Audit Committee's meetings were shared with all Board Members, and the Committee's chairwoman submitted regular reports to the Board.

Remuneration Committee

In 2019, the Remuneration Committee was made up of Jan Litborn (chairman), Mats Qviberg and Per-Ingemar Persson. Three meetings were held during the year. The minutes from the Remuneration Committee's meetings are shared with all Board Members, and the Committee's chairman submits regular reports to the Board. The Remuneration Committee prepares remuneration matters ahead of decisions by the Board.

Board year 2019

5 February
Scheduled meeting, 2018 year-end report, dividend proposal and follow-up of guidelines for remuneration of senior executives.

25 February
2018 Annual report.

2 April
Scheduled and statutory meeting, appointment of new CEO, Board's rules of procedure, rules of procedure for Audit Committee and Remuneration Committee, finance policy and Code of Conduct.

12 April
Q1 Interim report.

15 May
Scheduled meeting.

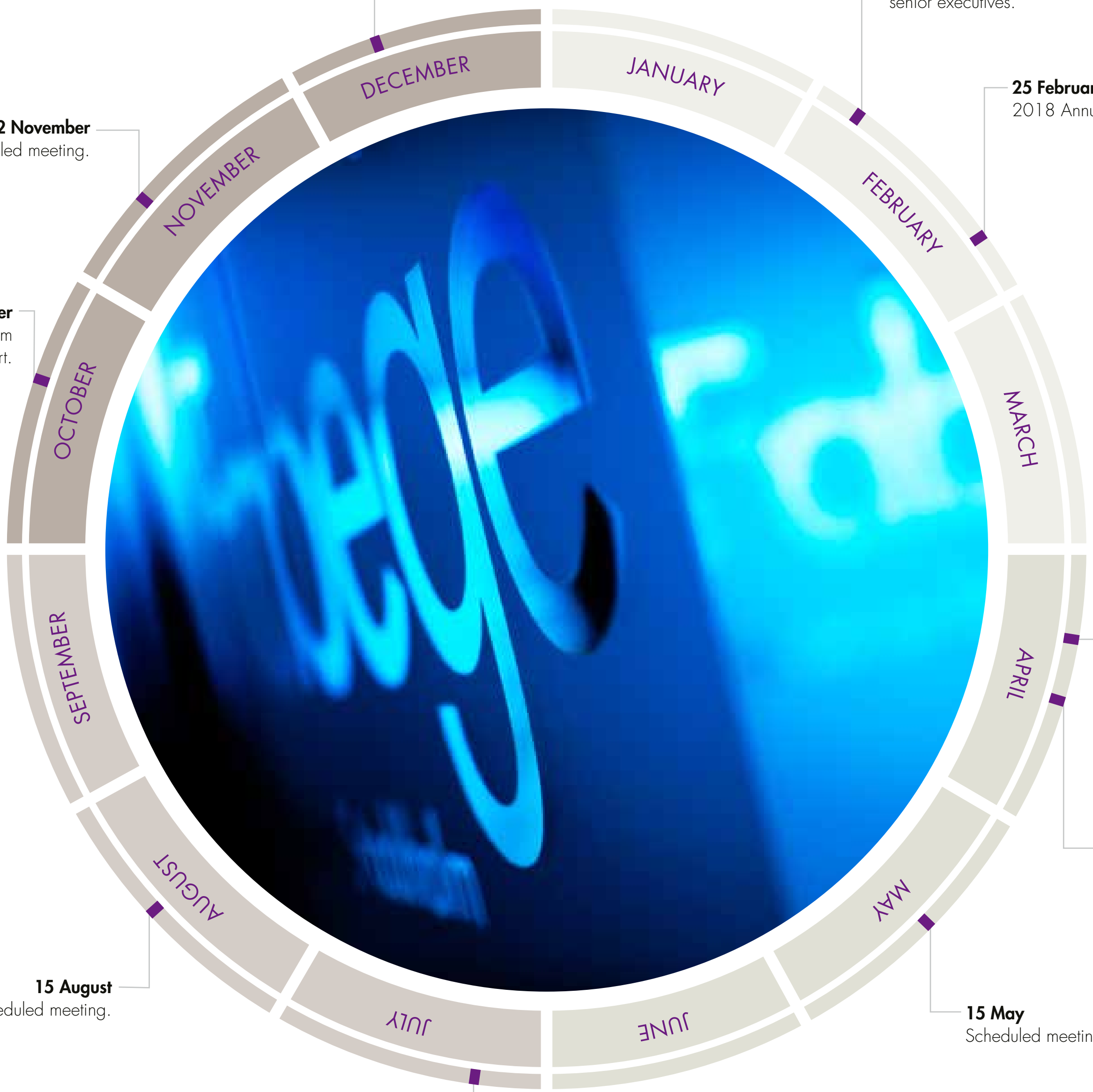
5 July
Q2 Interim Report.

15 August
Scheduled meeting.

21 October
Q3 Interim report.

12 November
Scheduled meeting.

12 December
Scheduled meeting, strategy plan and budget for 2020, and evaluation of the work of the Board.



Report on internal control in respect of financial reporting

Internal control is a process that is influenced by the Board of Directors, the Executive Management Team and the company's employees, and has been designed to provide reasonable assurance that the company's goals are being achieved in the following categories:

- that the company has an appropriate and efficient organisation for its business operations
- that the company produces reliable financial statements
- that the company complies with the relevant laws and regulations.

The company applies the established COSO (Internal Control – Integrated Framework) framework in its work.

Control environment

Fabege has a geographically well contained organisation and homogeneous operational activities, but its legal structure is complex. The business is capital-intensive and characterised by large monetary flows, including rental income, expenditure for project investments, acquisitions/sales of properties and financial expenses.

Ultimate responsibility for ensuring effective internal control and efficient risk management rests with the Board of Directors. To be able to perform its work in an appropriate and efficient manner, the Board has adopted rules of procedure. The Board's rules of procedure are aimed at ensuring a clear division of responsibility between the Board of Directors (including committees) and the CEO (and the Executive Management Team) with a view to achieving efficient risk management in the company's operations and in financial reporting. The rules of procedure are updated annually. In 2019, the Board performed its annual review and adopted rules of procedure for the Board, rules of procedure for the Audit Committee and the company's Code of Conduct. The Executive Management Team is responsible for designing and documenting, and for maintaining and testing, the systems/processes and internal controls that are required to manage significant risks in the accounts and the company's day-to-day activities. The company's CEO and Executive Management Team, along with those individuals who by virtue of their roles in the company are in charge of each defined critical process, function or area, share operational responsibility for internal control.

The company's financial reporting is governed by a set of policies and guidelines. For example, the company has policies regarding finance, the environment, gender equality, communication, insider dealing and tax management. There are also accounting policies and instructions for the closing of accounts, as well as for authorisation of payments and procurement of auditing services. Fabege's policies are continually reviewed and updated as required. All policies have been discussed and adopted by the Executive Management Team. Information concerning adopted policies has also been disseminated throughout the organisation. In addition, more detailed guidelines and instructions are reviewed and updated regularly. In April, Fabege issued its annual Communication on Progress Report to the UN Global Compact. Work on developing the company's sustainability reporting is conducted continuously. The Sustainability Report is presented in a separate section of this Annual Report, see pages 78–103.

Risk assessment

Risks and critical processes, functions and areas are defined on the basis of the control environment, significant results and balance sheet items, as well as significant business processes. The following risk areas have been defined as critical for Fabege:

- Risk area Property Management: The processes for new letting, renegotiation and rent payments. Customer relations and customer satisfaction and the risk of rent losses.
- Risk area Technical Operation: Technical work environment and physical buildings.
- Risk area Property Development and Projects: Planning process and projects, implementation and procurement/purchasing.
- Risk area Valuation and Transactions:
- Risk area Financial Control and Finance: Liquidity risk, interest rate risk, financial information and taxes.
- Risk area Communication: Information management, brand, business ethics and IT.
- Risk area Employees: Lack of resources and dependence on key personnel.
- Risk area Environment.

Fabege's Executive Management Team conducts an annual review and evaluation of risk areas, for the purpose of identifying and managing risks. This is done in consultation with the Board and the Audit Committee, for examination by the auditors. The company's internal processes and procedures provide support for the continuous management of risks.

Control activities

Critical processes, functions and areas are described and documented in respect of division of responsibility, risks and controls. The necessary instructions, procedures and manuals are produced, updated and communicated to the relevant staff to ensure that they have up-to-date knowledge and adequate tools. The measures are aimed at incorporating risk management into the company's day-to-day procedures. Compliance with policies, guidelines and instructions is monitored on an ongoing basis. Employees are given regular training, or as needed, to ensure that they have the required expertise. All critical processes are reviewed regularly and in 2019, a selection of the company's critical processes was subject to special review. To supplement the external audit, the company also performed an internal assessment of compliance and controls in a selection of significant processes during 2019. A central controller function supports work on the follow-up of the operating units – Property Management and Property Development.

The controller department is in charge of operational reporting. Operational reports are prepared monthly and quarterly based on a standardised reporting package and submitted for comments/approval to executives with operational responsibility. Reviews and updates by executives with operational responsibility are made continuously throughout the year. Monitoring of outcomes is assessed against budgets and forecasts, which are updated twice a year.

A central function prepares consolidated financial statements and other financial reports in close collaboration with the controller function, the operating units and the finance function. This work includes integrated control activities in the form of reconciliation with standalone systems/specifications of outcomes for income and expense items and balance sheet items. The company's operational reporting is developed and improved continuously in terms of both content and system support, as well as availability to executives with operational responsibility.

Information and communication

Management is responsible for informing the staff concerned about their responsibility to maintain good internal control. The company intranet and briefing sessions are used to ensure that employees are kept abreast of Fabege's governing policies and guidelines.

Responsibility for external information rests with the Communications Department. Investor Relations activities are based on principles for regular and accurate information in accordance with Nasdaq Stockholm's Rule Book for Issuers.

The aim is to improve knowledge of and build confidence in the company among investors, analysts and other stakeholders. A new and revised web platform was launched at the start of 2019 and work continued during the year on improving information and access to information on the external website. Efforts to improve and further clarify the dissemination of information to the market are ongoing. During the year, an in-depth customer dialogue was conducted in order to better understand and satisfy customer requirements. In November, an employee survey was also carried out. The company received high ratings in both surveys.

Review

The internal control system needs to change over time. The aim is to ensure that this is continually monitored and addressed via management activities at various levels of the company, both through monitoring of the individuals responsible for each defined critical process, function and area and via regular evaluation of the internal control system. In addition to financial reporting to the Board, more detailed reports are prepared, at more frequent intervals, in support of the company's internal governance and control activities. Information is made continually available to those with operational responsibility via the company's BI system.

Management reports regularly to the Board based on the adopted instructions for financial reporting, which are designed to ensure that the information provided is relevant, adequate, up-to-date and appropriate.

The Audit Committee, which acts as the extended arm of the Board in monitoring the formulation and reliability of financial reports, also reports to the Board. In addition to familiarising itself with the content of and methods used in preparing financial reports, the Audit Committee has studied the way in which the more detailed and frequent internal reporting is used in evaluating and managing various areas of activity. The Committee also performs regular reviews and evaluations of internal controls in respect of the company's critical processes.

The Committee regularly studies the results of the external auditors' examinations of the company's accounts and internal controls. The auditors examine the company's financial reporting in respect of the full-year financial statements and carry out a limited review of one quarterly report.

The Board regularly evaluates the information submitted by the Executive Management Team and the Audit Committee. Of particular significance is the Audit Committee's task of monitoring management's work on developing internal controls and of ensuring that measures are taken to address proposals and any shortcomings that have been identified in the course of examinations by the Board, the Audit Committee or the external auditors.

The Board of Directors has informed itself through its members and through the Audit Committee of risk areas, risk management, financial reporting and internal control and has discussed risks of errors in financial reporting with the external auditors.

In the course of its work on examining and evaluating internal control in respect of critical processes in 2019, the Audit Committee found no reason to alert the Board to any significant issues in respect of internal control or financial reporting.

Internal auditing

To supplement the external auditing activities, Fabege is working to facilitate internal evaluations of critical processes. As a result of this work, and in view of the homogeneous and geographically limited nature of the company's activities and its simple organisational structure, the Board has not found reason to set up a separate internal audit unit. The Board believes the monitoring and examination described above, coupled with the external audits, are sufficient to ensure that effective internal control of financial reporting is maintained.

Executive Management Team

1. Stefan Dahlbo
Chief Executive Officer

Born 1959.
Employed by Fabege since 1 September 2019.
Previous positions: President & CEO Byggmästare Anders J Ahlström Holding AB, CEO & Deputy CEO Investment AB Öresund, CEO Hagström & Qviberg AB, acting CEO HQ AB Jun–Dec 2010.
Education: MSc in Economics and Business from Stockholm School of Economics
Shareholding: 3,000

2. Åsa Bergström
Vice President and Chief Financial Officer

Born 1964.
Employed by Fabege since 2007 and in current position since 2008.
Previous positions: Senior Manager at KPMG, CFO positions at several property companies, including Granit & Betong and Oskarsborg.
Education: MSc in Economics and Business
Shareholding: 32,630

3. Anders Borggren
Director of Technical Operations

Born 1958.
Employed by Fabege and in current position since 2014.
Previous positions: Executive positions at various companies, including Director of Property Management at ISS Facility Services AB, CEO of Arctella AB, Project leader at Kungsfiskaren AB and Contract Engineer at Skanska.
Education: MSc in Civil Engineering
Shareholding: 8,645

4. Klas Holmgren
Director of Projects and Development

Born 1970.
Employed by Fabege since 2001 and in current position since 2010.
Previous positions: Platzer Bygg, Site Manager Peab, Site Manager Peab Bostad, JM Entreprenad.
Education: Graduate engineer
Shareholding: 3,000

5. Charlotta Liljefors Rosell
Director of Property Management

Born 1963.
Employed by Fabege and in current position since 2014.
Previous positions: The Royal Swedish Institute of Technology, AP Fastigheter, various executive positions at Vasakronan, Head of Business Area Office at AMF Fastigheter.
Education: MSc in Civil Engineering
Shareholding: 1,000

6. Klaus Hansen-Vikström
Vice President and Director of Business Development (external)

Born 1953.
Employed by Fabege since 2006, consultant since May 2019.
Previous positions: Managing Director of Stockholm Modecenter, Managing Director and founder of Brubaker AS.
Education: Diploma in Specialised Business Studies.
Shareholding: 2,105

Board of Directors

Jan Litborn
Chairman of the Board

Born: 1951
Other assignments: Chairman of the Board of Logistea AB, I.A. Hedin Bil AB, Arenabolaget i Solna AB and Erlandsson Holding AB. Member of the boards of Wihlborgs Fastigheter AB, Consensus Asset Management AB, Profi Förvaltning AB and Anders Hedin Invest AB.
Education: LL. M. (lawyer) from Stockholm University, Stockholm School of Economics. (No degree).
Shareholding: 25,000
Elected, year: 2017, Chairman 2018
Independent in relation to the company and management: Yes
Independent in relation to major shareholders: Yes
Fee, SEK 000s: 650
Attendance Board Meetings: 19 (19)
Attendance Audit Committee: Not a member
Attendance Remuneration Committee: 3 (3)

Anette Asklin
Board Member

Born: 1961
Other assignments: Chair of the Boards of GU Ventures AB and RO Gruppen Förvaltning AB. Board member of Jernhusen AB, Inhouse-Tech Göteborg AB and Fondstyrelsen at the University of Gothenburg.
Education: MSc in Economics and Business
Shareholding: 2,000
Elected, year: 2016
Independent in relation to the company and management: Yes
Independent in relation to major shareholders: Yes
Fee, SEK 000s: 280
Attendance Board Meetings: 19 (19)
Attendance Audit Committee: 3 (4), member since April 2019.
Attendance Remuneration Committee: Not a member

Eva Eriksson
Board Member

Born: 1959
Other assignments: Board Member of OBOS, Norway, and Bilia AB.
Education: Master of Science in Engineering
Shareholding: 20,000
Elected, year: 2011
Independent in relation to the company and management: Yes
Independent in relation to major shareholders: Yes
Fee, SEK 000s: 280
Attendance Board Meetings: 19 (19)
Attendance Audit Committee: 4 (4)
Attendance Remuneration Committee: Not a member

Märtha Josefsson
Board Member

Born: 1947
Other assignments: Member of the boards of Skandia Fonder AB and Investment AB Öresund.
Education: Bachelor's degree in Economics
Shareholding: 241,920
Elected, year: 2005
Independent in relation to the company and management: Yes
Independent in relation to major shareholders: Yes
Fee, SEK 000s: 310
Attendance Board Meetings: 19 (19)
Attendance Audit Committee: 4 (4)
Attendance Remuneration Committee: Not a member

Per-Ingemar Persson
Board Member

Born: 1956
Other assignments: Chairman of Northern Environmental Water Solutions AB and ELU Konsult AB. Board member of Wihlborgs Fastighets AB and Finja Prefab AB. Also a member of internal boards within the Veidekke Group.
Education: Master of Science in Engineering
Shareholding: 2,000
Elected, year 2018
Independent in relation to the company and management: Yes
Independent in relation to major shareholders: Yes
Fee, SEK 000s: 290
Attendance Board Meetings: 19 (19)
Attendance Audit Committee: Not a member
Attendance Remuneration Committee: 3 (3)

Mats Qviberg
Deputy Chairman

Born: 1953
Other assignments: Chairman of the Board of Bilia AB and Investment AB Öresund.
Education: MSc in Economics and Business from Stockholm School of Economics
Shareholding: Own and spouse's holdings 6,300,364
Elected, year: 2001
Independent in relation to the company and management: Yes
Independent in relation to major shareholders: Yes
Fee, SEK 000s: 290
Attendance Board Meetings: 19 (19)
Attendance Audit Committee: Not a member
Attendance Remuneration Committee: 3 (3)

AUDITOR

Kent Åkerlund
Auditor-In-Charge at Fabege since 2013.
Authorised Public Accountant, Deloitte AB.

Born: 1974
Audit assignments for the following major companies:
Clas Ohlson and Tagehus.

Directors' fees are paid in arrears.
Shareholding at 31 December 2019.

Signing of the Annual Report

The Board of Directors and Chief Executive Officer hereby certify that:

- the Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2
- the Annual Report provides a true and fair view of the company's financial position and results, and
- the Directors' Report provides a true and fair overview of the development of the company's business, position and results and
- describes significant risks and uncertainties faced by the company.

Furthermore, the Board of Directors and Chief Executive Officer certify that:

- the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as referred to in Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards
- the consolidated financial statements provide a true and fair view of the Group's financial position and results
- the Directors' Report for the Group gives a true and fair overview of the development of the Group's business, results and position and describes significant risks and uncertainties faced by the companies included in the Group.

Stockholm, 25 February 2020

Jan Litborn
Chairman

Anette Asklin
Board Member

Eva Eriksson
Board Member

Märtha Josefsson
Board Member

Per-Ingemar Persson
Board Member

Mats Qviberg
Deputy Chairman

Stefan Dahlbo
Chief Executive Officer

Our Auditor's Report was submitted on 25 February 2020
Deloitte AB

Kent Åkerlund
Authorised Public Accountant

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF FABEGE AB (PUBL), COMPANY REGISTRATION NUMBER 556049-1523

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual and consolidated accounts of Fabege AB (publ) for the financial year 2019-01-01 – 2019-12-31, except for the corporate governance statement on pages 62–74. The annual accounts and consolidated accounts of the company are included on pages 29–61 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not include the corporate governance statement on pages 62–74. The statutory administration report is consistent with the other parts of the annual and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of investment properties

Description of risk

Fabege recognizes investment properties at fair value and the portfolio as of 31 December 2019 is recorded at SEK 74 250m. During the year the entire portfolio has been valued by independent appraisers. Each quarter, internal valuations are also conducted of parts of the portfolio, as well as an internal assessment of the overall value for the entire portfolio. The valuations are carried out in the form of an individual assessment of each property's future earnings and market yield. Gains and losses attributable to changes in the fair value of investment properties can occur either as a result of macro and micro economic or property-related causes. The valuations are based on estimates and assumptions that can have a significant impact on the Group's income and financial position. For further information please refer to the description of risks and risk management on pages 34–39 and note 4 and 15 in the annual report.

Work performed

Our work included the following procedures but were not limited to these:

- We have reviewed and assessed Fabege's procedures to prepare input to both internal and external valuations, that procedures are consistently applied and that there is integrity in the process.
- We have reviewed the input data and calculations in the internal valuation model as well as in the external valuations of a selection of properties for assessing the completeness and valuation.
- We have assessed the competence and objectivity of the independent appraisers.
- We have examined relevant notes to the financial statements.

Accounting for project properties

Description of risk

During 2019 Fabege has invested SEK 2 556m in new builds, extensions and conversions of properties. Projects involving conversion/maintenance and adaptations for tenants are recognized as an asset to the extent that the work being undertaken adds value in relation to the latest valuation. Other expenses are recognized as an expense immediately. Project properties undergoing major redevelopment or new builds with contracted tenants are subject to cash-flow valuations, other project properties are valued using the location-price method. The valuations are based on estimates and assumptions that can have a significant impact on the Group's income and financial position. For further information, refer to the description of risks and risk management on pages 34–39 and note 15 in the annual report.

Work performed

Our work included the following procedures but were not limited to these:

- We have examined Fabege's routine for the development and improvement of properties, including the decision-making process for investment of properties, authorization instructions and follow-up of project outcomes.
- We have reviewed the recognition of project profits in ongoing projects.
- We have examined a sample of capitalized expenses in projects.

Accounting of income taxes

Description of risk

Fabege's income tax reporting is complex and contains a high degree of judgment. Consideration needs to be given to the presence of tax losses carryforward, tax depreciation on properties, deductible refurbishment, sale of properties and changes in fair value of investment properties and changes in the tax regulations. Erroneous judgments and assumptions could have a significant impact on the Group's income and financial position. For further information, please refer to the description of risks and risk management on pages 34–39 and note 4, 14 and 27 in the annual report.

Work performed

Our work included the following procedures but were not limited to these:

- We have reviewed and assessed Fabege's procedures for calculation of current and deferred tax.
- We have examined the calculations of current and deferred tax and evaluated it against current tax legislation.
- We have examined the treatment of realized and unrealized gains and losses on derivatives and property transactions in the tax calculations.
- We have examined relevant notes to the financial statements.

Other information besides the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–48 and 78–121. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report".

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Fabege AB (publ) for the financial year 2019-01-01 – 2019-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act. A further description of my (our) responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 62–74 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Acts.

Deloitte AB, was appointed auditor of Fabege AB by the general meeting of the shareholders on the April 2, 2019 and has been the company's auditor since April 4, 2002.

Stockholm, 25 February 2020

Deloitte AB

Kent Åkerlund
Authorised Public Accountant

Sustainability Report 2019

Viable cities and communities

Our ambition does not stop at developing sustainable properties. We aim to contribute to a sustainable Stockholm. We work with a holistic perspective to strengthen the city centre as an experience-based meeting place, where convenience and comfort are the main focus. We now need new ways of satisfying increasing demand for quality of life with the minimum carbon footprint.

We know what is needed in order to implement a successful urban development project, and we have the right conditions in which to do so. Our sustainability strategy is an integral part of our business concept, business model and corporate culture.

Our concept isn't primarily about constructing buildings. It's about creating the conditions to help people and companies thrive. Fabege's economic, environmental and social responsibility is based on the UN's Sustainable Development Goals and the Paris Agreement. Each day, in all kinds of ways, our organisation helps ensure that the Stockholm region becomes a more sustainable place.

We are working to promote quality of life in our districts. Experiences, services, learning, culture, equal opportunities and good health are all important aspects of our work. We work actively to build a sustainable urban environment that satisfies the needs of today without compromising the ability of future generations to meet their own needs. We also endeavour to manage the challenges that are of particular significance to our sector: safe neighbourhoods for all, construction sites where there is gender equality, achieving climate goals, as well as reducing corruption and respecting human rights.

We take considerable responsibility and we work based on the following seven subareas:

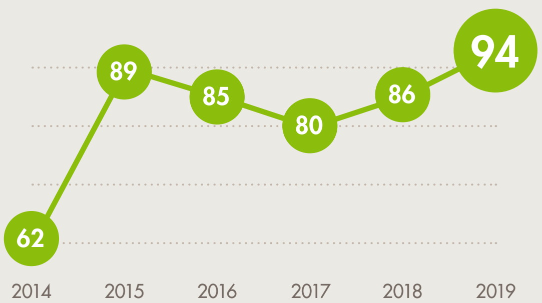
- City districts
- Properties
- Employees
- Supply chain
- Customers
- Green financing
- Business ethics and moral approach

Find out more about these areas in the Sustainability Report on pages 78–103.

GRESB ★★★★★ 2019

Winner in the category

LISTED COMPANIES
OFFICES
NORTHERN EUROPE



In the GRESB (Global Real Estate Sustainability Benchmark) ranking for 2019, we raised our score for the second consecutive year and were the winners of the category 'Listed Companies, Offices, Northern Europe'.

UN AGENDA

The 2030 Agenda and our role in a broader context

The UN's 2030 Agenda for Sustainable Development serves as a guide in efforts to ensure global development is sustainable in the long term. By joining forces in support of the 17 Sustainable Development Goals (SDGs), the countries of the world aim by the year 2030 to have eradicated poverty and hunger, made human rights for everyone a reality, achieved gender equality and established lasting protection for our planet and our natural resources. The business sector has an important role to play here, and rapidly growing awareness that a transition in the use of resources is essential imposes tough requirements on the construction and property sector.

The goals where Fabege believes it has the greatest opportunity to exert an influence are 3, 7, 8, 10, 11, 12 and 13. Our business model and core operations have a direct link to Goal 11: Sustainable Cities and Communities. We also know that our work has an impact on all 17 SDGs.

Targets

We have selected several of the 169 targets that are defined under the goals, and where Fabege has the greatest opportunity to make a difference.

3 Good health and wellbeing

3.4 Reduce mortality from non-communicable diseases and promote mental health

7 Affordable and clean energy

7.2 Increase global percentage of renewable energy

7.3 Double the improvement in energy efficiency

8 Decent work and economic growth

8.7 End modern slavery, trafficking and child labour

8.8 Protect labour rights and promote safe working environments

10 Reduced inequalities

10.3 Ensure equal opportunities and end discrimination

11 Sustainable cities and communities

11.2 Affordable and sustainable transport systems

11.3 Inclusive and sustainable urbanisation

11.6 Reduce environmental impact of cities

11.7 Provide access to safe and inclusive green and public spaces

12 Responsible consumption and production

12.2 Sustainable management and use of natural resources

12.5 Substantially reduce waste generation

13 Climate action

13.3 Build knowledge and capacity to meet climate change

Future-proof urban development

In 2019, Fabege worked on a scenario analysis together with the Stockholm Environment Institute, municipalities and business partners, in order to future-proof operations. Climate change, rapid geopolitical changes, a soaring population, urbanisation and other challenges create uncertainty about the future. Fabege's risks and opportunities have been analysed based on the four future scenarios described below, in order to ensure sustainable urban and regional development in Stockholm going forward.

SCENARIO 1: "THE UN CITY"

Urban development is characterised by the UN ideals, i.e. sustainable development achieved via international treaties, ambitious collaboration and fair trade, which requires society to make major changes.

Effective climate agreements have reduced greenhouse gas emissions despite increasing prosperity across the world. Sweden has invested heavily in infrastructure for renewable energy, public transport and circular materials management, while global demand for sustainable solutions for society has steadily risen.

Effects of future weather events in a future society. The average temperature in Stockholm has risen by 1.5–3 degrees. More, and stronger weather events. Change in precipitation patterns and considerable variations in weather patterns. Rise in sea levels.

Role of urban development:
Contribute towards achieving UN's 17 Sustainable Development Goals.

Risks that affect Fabege

- More stringent demands for carbon reporting
- Cost of changing over to low-carbon building materials
- Higher costs for raw materials and waste handling
- Changes in the valuation of assets (stranded assets)

Opportunities for Fabege

- Higher values for environmentally certified, energy-efficient and energy-positive properties
- Reduced exposure to rising fossil energy prices
- Increased market value via resilience planning (for example infrastructure, land, buildings)
- Increased revenue via demand for products and services with lower carbon dioxide emissions

SCENARIO 2: "THE NETWORK CITY"

Concerns about climate change have led to a decline in global transportation and greater demand for green technology and local products.

Increasing costs for sustainable energy supply hamper the potential for global growth.

The need for supplies of local resources has resulted in new solutions, high capacity utilisation of capital goods, a large element of the sharing economy, new circular business models and networks of cooperating operators.

Effects of future weather events in a future society. The average temperature in Stockholm has risen by 1.5–3 degrees. More, and stronger weather events. Change in precipitation patterns and considerable variations in weather patterns. Rise in sea levels.

Role of urban development:
To create a dynamic local society that is integrated into global value-creating networks.

Risks that affect Fabege

- Stuck with infrastructure designed for other conditions
- Higher costs for local energy supply
- Cost of raw materials increases due to limited access to materials in the local economy
- Insufficient energy supply

Opportunities for Fabege

- Greater resource efficiency
- Higher values for environmentally certified, energy-efficient and energy-positive properties
- Potential to increase exchanging and sharing of resources
- Extend the financial relationship with the customer through maintenance, repairs and new types of service offerings.

SCENARIO 3: "THE TECH CITY"

Market-driven globalisation initially generated substantial productivity gains and a larger global middle class.

The market developed energy-smart systems, production optimisation and customised solutions with the help of robots, sensors and IoT. Meanwhile, total dependency on natural resources increased.

Growth pressure and limited resources led to regional crises and escalating climate effects.

Growing environmental problems have fuelled demand for technical solutions that can radically reduce the environmental and climate impact of the economy.

Effects of future weather events in a future society. The average temperature in Stockholm has risen by 1.8–2.5 degrees. More, and stronger weather events. Change in precipitation patterns and considerable variations in weather patterns. Rise in sea levels.

Role of urban development:
Develop sustainable, eco-friendly, low-carbon solutions for society with efficient use of materials.

Risks that affect Fabege

- Reduced focus on recreational values
- Social ill health and segregation
- Greater dependence on natural resources
- Escalating climate effects

Opportunities for Fabege

- Energy balance/self-sufficiency
- Customised solutions with the help of robots, sensors and IoT
- Higher values for environmentally certified, energy-efficient properties
- Eliminating district boundaries to reduce segregation

SCENARIO 4: "THE CITY REGION"

Conflicts and competition for global resources have led to low global growth, with major differences between countries.

Dense urban populations have caused growing environmental problems and greater inequality between social groups.

Regional and local businesses are the backbone of the economy.

Transport flows are increasingly between cities and the surrounding rural areas.

Effects of future weather events in a future society. The average temperature in Stockholm has risen by 2–4 degrees. More, and stronger weather events. Change in precipitation patterns and considerable variations in weather patterns. Rise in sea levels.

Role of urban development:
To integrate cities with surrounding areas and adjust transport flows

Risks that may affect Fabege

- Access and transport problems
- Limited electrification of transport sector
- Shortage of materials
- Local overpopulation, lack of land and high pressure in city centres, followed by people moving out

Opportunities for Fabege

- Create spaces/premises for reuse/recycling
- Digitalisation and smart technology
- Higher values for environmentally certified, energy-efficient properties
- Urban gardening leads to more attractive and healthier cities

FABEGE'S WORK OVER THE COMING YEARS

The future will be a combination of various elements of these scenarios, and events that at this point we are unable to predict. We are continually monitoring developments to evaluate the need for changes in order to manage the risks we identify. The purpose is to ensure a robust business model that is profitable and successful in the long term, whatever the future holds. Find out more on the following pages about, for example, our goal of carbon neutral property management by the year 2030, and how we are working to create well balanced, sustainable premises, buildings and urban environments that promote people's long-term physical and social needs.

Sustainability targets

Properties	Outcome 2019	Outcome 2018	Short-term goal	Long-term goal
Proportion of renewable energy, %	91[1]	91[1]	100	100 per cent energy from renewable sources
Investment in solar panels, MWh	323	n/a		Solar panel expansion corresponding to 320 MWh per year
Energy produced from solar panels, kWh/sqm Atemp	0.36	0.16		Energy produced from solar panels 2.5 kWh/sqm Atemp by 2030
Energy performance, heating, kWh/sqm LOA	49	56		Target in energy performance, total energy
Energy performance, total energy, kWh/sqm LOA	89	108		
Energy performance, total energy, kWh/sqm Atemp	81	98	max. 77 years 2023	Average max. 77 kWh/sqm Atemp New builds, max. 50 kWh/sqm Atemp Existing portfolio, max. 85 kWh/sqm Atemp
Water consumption, thousand cubic metres	505	475		
Water consumption, litres/sqm Atemp	402	439		Reduce water consumption per sqm
Proportion of electric or hybrid cars – service vehicles and company cars, %	73	n/a	100	100 per cent
Carbon dioxide emissions, tonnes				Carbon neutral property management by 2030 – definition in progress via Science Based Targets
Scope 1	22	22		
Scope 2	1,933	2,519		
Scope 3	561	n/a		
Total	2,516	2,541		
Carbon offset by district heating supplier	–1,726	–2,303		
Net emissions after carbon offset	790	238		
Waste, tonnes				
Recycled waste	2,023	1,816		90 per cent of total quantity of waste
Waste sent to landfill	7	7		Zero
Waste sent for incineration	2,073	1,997		10 per cent of total quantity of waste
Total disposed waste	4,103	3,820		
Environmental certification, number of properties	59	56		
Environmental certification of new builds, proportion of total lettable area, %	100	100	100	All new builds and major redevelopments are to be certified according to BREEAM-SE
Environmental certification existing portfolio, proportion of total lettable area, %	100	100	100	All management properties (excluding future development properties) are to be environmentally certified to BREEAM In-Use standard.

[1] Our supplier has been unable to supply 100 per cent renewable energy. Other energy has been carbon offset.

We have come a long way, but we're not satisfied. This year we have further raised the level of ambition and challenged our targets.

→ **Mia Häggström, Sustainability Manager**

Employees	Outcome 2019	Outcome 2018	Short-term goal	Long-term goal
Satisfied employees, confidence rating, %	74	78	>80	Confidence rating will exceed 85 per cent by 2021
Recommending Fabege as an employer, %	87	88	90	>90 per cent
Low sickness absence, %	2.9	2.20	<3	Maintain low level of sickness absence, aided by regular medical check-ups and continued health and fitness programmes
Gender balance, management team, %	33	33		Aim is to achieve even gender balance
Employee turnover, %	7	6		
Response rate employee survey, %	100	100	100	100 per cent
Overall, Fabege is a great place to work, %	86	85	90	90 per cent

Customers	Outcome 2019	Outcome 2018	Short-term goal	Long-term goal
Customer Satisfaction Index	n/a	n/a	80	CSI rating shall be 80. The survey is carried out every three years, most recently in 2017 with a rating of 78
Customer dialogues, number	129	n/a	n/a	In years when a CSI survey is not carried out, a greater number of customer dialogues will be conducted
Green leases[1], proportion newly-signed lettable area, %	94	96	100	Green leases will account for 100 per cent of newly-signed lettable area
Green leases, proportion of total lettable area, %	75	66	100	Green leases will account for 100 per cent of total lettable area

Suppliers	Outcome 2019	Outcome 2018	Short-term goal	Long-term goal
Screening of strategic suppliers, %	98	98	100	All strategic partners will be sustainability-inspected and approved (corresponds to approx. 75 per cent of total purchasing volume).

Finance	Outcome 2019	Outcome 2018	Short-term goal	Long-term goal
Green financing, %	84	60	100	100 per cent green financing

[1] Lettable area above ground, excluding housing units.

The bigger picture – what it's all about

A thriving, growing district needs to be made up of mixed-use buildings and offer something for everyone who lives in, works in or visits the area. It should be attractive, accessible and safe for everyone.

Fabege's concentrated property portfolio means we have excellent opportunities to influence entire districts. Long-term planning and effective relationships with customers, municipalities and entrepreneurs enable us to take an active role in developing the city.

Creating an attractive district

Modern buildings and good public transport links are now hygiene factors for an office tenant. At the same time, the public perception is that there is a lack of safety, despite the fact that crime figures for many types of crime have continually dropped since the 1990s. As an urban developer, it is therefore vital to consider how to create safe, inclusive spaces with a human presence throughout most of the day.

Analysis firm Evidensgruppen has carried out surveys on Fabege's behalf on the aspects that are important to office tenants. According to them, the following factors are what make a district attractive:

- Restaurants and cafés
- Dynamic feel to the area
- Easy to get around on foot
- Parks and green spaces
- A varied urban environment

Furthermore, the following specific measures make an area feel safe:

- Lighting outside and in parking areas
- Clear lines of sight so the individual can see their surroundings
- Zero tolerance of graffiti
- Inclusive settings and meeting places
- A mix of housing and offices to create a vibrant district and activity outside of office hours
- Cooperation between companies on local security issues

Fabege summarises this in three key areas that permeate our vision for our districts:

- Attractive street environments that are safe, pleasant and feature green spaces
- A thriving district in the evenings and on weekends as well
- A high-quality and varied range of services

Health in the sustainable city

We design our districts to encourage activity levels and movement. Promoting cycling and walking improves public health and creates a more appealing neighbourhood with less traffic. One great example of activities to encourage movement is the Pep Park concept, where we are working together with Generation Pep and the City of Solna to develop activity parks for daily fitness activities for people of all ages. September 2019 saw the opening of the first Pep Park in Huvudsta, which will be followed by a further two parks; one in Arenastaden and one in Hagaparken.

Cultural life between buildings

Our tenants are looking for interesting experiences and variation in an attractive district. Our latest initiative, 'Life between buildings', aims to inject some character into the street life in our areas via public art and culture. The displays will be created by established artists and local school students. For example, during the year a mural painting by artist Elina Metso was erected on one of our properties in Arenastaden. The painting is the first of many artistic projects that are planned in the area.

Travel habits

In order to achieve the 1.5 degree target adopted by the climate meeting in Paris in 2015, society needs to cut greenhouse gas emissions by half every ten years, corresponding to a reduction in emissions of at least seven per cent per year. The property sector has huge potential to influence travel between work and home, which is why Fabege is encouraging the move towards more sustainable travel in our districts.

Project CERO

To reduce the carbon footprint from travel to and from our properties we have launched a partnership with senior lecturer Markus Robèrt, who developed the CERO[1] process tool. Many of the major companies that have moved to our districts have also chosen to work with CERO. An extensive travel habits survey carried out in 2019 with employees in Arenastaden reveals that 52 per cent travel to and from their workplaces using public transport, and that a further 20 per cent cycle or walk. This is the highest measured value for sustainable travel in the ten districts that have so far been analysed by CERO.

Fabege is working with companies in Arenastaden and the municipality, SL (Stockholm Public Transport) and MTR, which runs the metro and commuter trains in Stockholm, on a plan of action to further increase the proportion of sustainable travel. Some of the measures planned include the continued roll-out of charging points for electric vehicles, improved cycle paths, more public transport connections, flexible working alternatives and an extended range of pooling services for cars, electric mopeds and electric bikes.

Transport in the districts

We are continually installing electric car sockets both at properties and in street environments to make it easier for our customers' employees to travel sustainably. Fabege's entire fleet of service vehicles is made up of electric cars. In Arenastaden we are taking part via our co-owned company Urban Services in the Last Mile Logistics project, along with Ragn-Sells, Catena and Servistik. The project aims to jointly transport, fossil-free and quietly, goods and waste into and out of the district. Fabege hopes to reduce the current amount of transportation in Arenastaden by 70 per cent by the year 2021, thus

[1] Climate and Economic Research in Organizations (CERO) is a process tool developed at KTH Royal Institute of Technology that helps organisations find financially sustainable strategies for achieving established climate targets for travel.

↑ Opening of the first Pep Park.

contributing towards a cleaner, safer, quieter and more sustainable district. Central to the initiative is the creation of a co-loading centre where all hauliers drop off and pick up parcels. Parcels destined for shops and offices in the area are then delivered by green vehicle in a coordinated and structured way. The vehicles used for transport in the area should as far as possible be electric.

Governance

The Sustainability Manager, who reports to the Executive Management Team, has strategic responsibility for the districts' sustainability programmes. Operative responsibility lies with business development and the property developers.

Fabege uses the Citylab Action programme to develop sustainability programmes for its districts. Citylab Action's chief purpose is to support urban development projects in formulating sustainability goals, and to ensure these are realised in the urban construction process. In order to quality assure our urban development projects we work with the environmental certification system BREEAM, which covers buildings as well as their social and environmental impact on the surrounding area. 83 per cent of our total lettable area was environmentally certified by the end of 2019.

From planning to letting:

Fabege takes responsibility throughout the entire public construction process

Traditional urban development includes municipalities, construction firms and property companies that each play their part in the process. At Fabege we endeavour to get involved much earlier on in the planning process. We take responsibility throughout the entire process and set the bar high, together with municipalities. Via partnerships with municipalities and construction firms, we ensure that our shared visions become a reality.

Urban planning	Construction process	Property Management
MUNICIPALITY/FABEGE	FABEGE/CONSTRUCTION FIRM	FABEGE

Certified properties aiming to be carbon neutral

Climate change is one of the greatest challenges of our time. We want to contribute towards achieving the global climate commitments outlined in the Paris Agreement, which is why reducing our energy consumption and carbon footprint are high priorities. We are also proactive with our properties as regards certification, materials and health.

We need to manage the physical risks that come with climate change, and make sure that our business model is robust and that we are well equipped to handle the risks and opportunities that are a consequence of the shift in society. Fabege works systematically and purposefully to reduce its negative impact on the environment and climate throughout our properties' life cycle, from the planning, project design and construction phase, via property management, renovation and demolition. We therefore take a long-term, target-based and integrated approach towards creating more sustainable properties. Our ultimate goal is for our property management to be carbon neutral by the year 2030. This requires careful and systematic work to create well balanced and sustainable properties that meet environmental requirements, while promoting people's long-term needs.

In 2019, Fabege linked up with the Science Based Targets initiative and has thus taken an initial step in efforts to adjust operations to contribute to the 1.5-degree target. The Science Based Targets Initiative (SBTi) is a collaboration between the Carbon Disclosure Project (CDP), the UN Global Compact (UNGC), the World Resource Initiative (WRI) and the World Wide Fund for Nature (WWF). This global initiative supports companies in setting climate targets that are in line with the Paris Agreement. According to climate research, the 1.5 degree target is essential in order to mitigate the worst effects of climate change. This standpoint means that we will continue to measure our carbon footprint in relation to what the Earth can cope with, instead of an arbitrary reduction. Having adopted Science Based Targets, Fabege will present a climate target that satisfies SBTi's requirements as part of the next stage. This will be done within two years. Following this, the target will be reviewed and subsequently approved by SBTi. We are understand that we have a huge task ahead of us and the industry as a whole, but we also regard the transition towards a long-term, sustainable and profitable business sector as a major opportunity.

According to the Swedish Environmental Protection Agency, homes and premises account for just over a third of Sweden's total energy consumption. Working to reduce energy consumption and climate impact is therefore one of Fabege's most important environmental issues. In 2019, we already exceeded the target in the Swedish energy policy agreement of 50 per cent more efficient use of energy by 2030 compared with 2005, and efforts are ongoing in a number of areas.

Reduced energy consumption and carbon footprint

The ultimate long-term goal is for Fabege's property management to be carbon neutral by the year 2030. By this we mean that we will have control over all the emissions associated with our operations, and that we will minimise emissions to the greatest possible extent using the tools available.

Our goal from 2020 onwards is to install solar panels every year corresponding to at least 320 MWh in new and existing properties. Today, solar panels are an integral aspect of Fabege's planning process for new properties. By 2030, 2.5 kWh of the annual consumption per square metre of heated area, or 'Atemp' according to Boverket's (Swedish National Board of Housing, Building and Planning) definition, will be covered by solar electricity. Our internal target for new builds is twice that, or 5.0 kWh per year.

Since 2002, Fabege's carbon emissions have fallen by approximately 95 per cent, from about 40,000 tonnes in 2002 to some 2,000 tonnes in 2019. Our decision to replace all our service cars with electric cars also means we have managed to cut emissions of carbon dioxide from urban driving from around 6,500 kg to roughly 141 kg per year. Our company car policy promotes electric and hybrid vehicles.

Energy efficiency improvements in operations

Our positive results in reducing emissions have been achieved in part via systematic energy optimisation by conversion to district heating, and switching from our own cooling systems to district cooling, along with recycling of cooling, improved heat recovery and building envelope measures. We produced a new energy strategy in 2019 that takes a holistic approach to the energy issue for both our properties and our districts. Ambitious environmental requirements when purchasing energy, customising energy use with the help of digitalisation and adjustments to the property portfolio to include a greater proportion of new builds, where systems for solar panels and geothermal energy can be installed during the construction phase. All these things are contributing to the positive trend.

Energy consumption is monitored and analysed hourly to identify any deviations in energy performance early on. This is achieved at a building and company level via an energy follow-up system in which all consumption values recorded are read and processed. In addition, we place great emphasis on ensuring our working methods drive energy efficiency improvements forward. We only use 'Good Environmental Choice' district heating in the properties in Solna and Sundbyberg, and in Stockholm we buy carbon neutral district heating.

We also work with tenants to help reduce their energy consumption, primarily via green leases that our property managers and letting managers endeavour to sign with tenants. The aim is for green leases to account for 100 per cent of the total lettable area above ground.

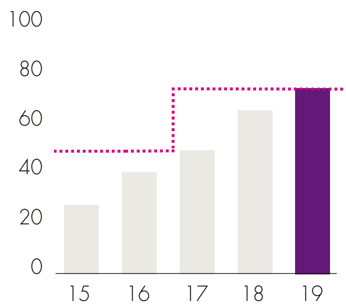
[1] The Greenhouse Gas (GHG) Protocol is the most widely used international calculation and reporting standard. It is used by countries and companies as a tool to help them understand, quantify and manage greenhouse gas emissions.

EPRA SUSTAINABILITY BEST PRACTICE PERFORMANCE MEASURES[1]

IMPACT CATEGORY	EPRA CODE	MEASUREMENT UNIT	INDICATOR		Absolute measures (Abs) 2018	Absolute measures (Abs) 2019	Like-for-like (LfL) 2018	Like-for-like (LfL) 2019
ENERGY	Elec-Abs,Elec-LfL	MWh	Electricity	for landlord shared services	32,193	32,544	31,953	30,024
				(sub)metered exclusively to tenants	22,401	22,996	22,401	22,921
				Total landlord-obtained electricity	54,594	55,540	54,354	52,945
				% from renewable sources	100	100		
	No. of applicable properties			Electricity disclosure coverage	62	65		
	%			Proportion of electricity estimated	0	0		
	DH&C-Abs, DH&C-LfL	MWh	District heating & cooling	for landlord shared services	73,727	68,825	73,290	62,017
				(sub)metered exclusively to tenants	5,355	7,506	5,355	5,224
				Total landlord-obtained heating & cooling	79,083	76,331	78,646	67,241
				% from renewable sources	91	91		
	No. of applicable properties			Heating & cooling disclosure coverage	62	65		
	%			Proportion of heating & cooling estimated	0	0	0	0
	Energy-Int	MWh/m²/year	Energy Intensity		98	81	98	86
GHG EMISSIONS	GHG-Dir-Abs	Tonnes CO_2e	Direct	Total Scope 1	22	22[2]		
	GHG-Indir-Abs		Indirect	Total Scope 2	2,519	1,933		
			Indirect	Total Scope 3	n/a	561		
	No. of applicable properties			GHG disclosure coverage	78	78		
	%			Proportion of GHG estimated	0	0	0%	0%
	GHG-Int	t CO2/m²/year	GHG Intensity	(Scope 1+ scope 2)/m²	2	2		
WATER	Water-Abs, Water-LfL	m³	Water	Total water consumption	475,809	505,260	474,538	438,668
	No. of applicable properties			Water disclosure coverage	62	65		
	%			Proportion of water estimated	0	0	0	0
	Water-Int	m³/m²/year	Water Intensity					
WASTE	Waste-Abs	Tonnes	Waste	Total hazardous	61	40		
		Tonnes		Total non-hazardous	3,759	4,063		
		Tonnes		Recycled	1,816	2,023		
		Tonnes		Incineration	1,997	2,073		
		Tonnes		Landfill	7	7		
	No. of applicable properties			Waste disclosure coverage	69	60		
	%			Proportion of water estimated	0	0		
CERTIFIED ASSETS	Cert-Tot	Total number	Building certification	Number of certified assets		59		
		m²		Certified area m²		1,043,919		
		%		% of portfolio certified by floor area		83		

[1] Further information is available at fabege.se/EPRA
[2] Based on refrigerants 2018.

PROPORTION GREEN LEASES OF TOTAL LETTABLE AREA, %

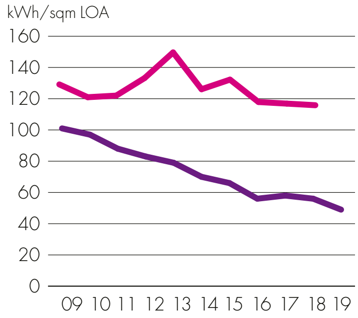


Target: 100%

The aim is for green leases to account for 100 per cent of total lettable area.

HEATING CONSUMPTION IN PROPERTIES

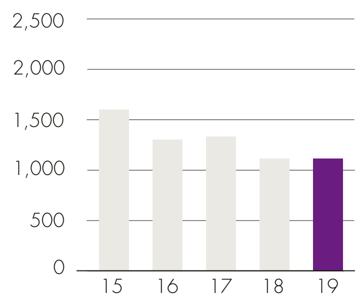
kWh/sqm LOA



Fabege Statistics Sweden

Over time, Fabege's systematic efforts to optimise running costs have drastically reduced the consumption of heat in our properties. Fabege's heating consumption in 2019 averaged 49 kWh/sqm LOA and 44 kWh/sqm Atemp (51). Figures from Statistics Sweden for 2019 are not yet available.

CARBON DIOXIDE EMISSIONS, TONNES



Since 2002, Fabege's carbon dioxide emissions have fallen by more than 95 per cent. There are more emissions sources included in the result for 2019, see page 89.

↑ Stonecrop roof and solar panels at Hammarbyterrassen – Goodbye Kansas' new office in Hammarby Sjöstad.

Reporting of emissions

Fabege reports emissions of greenhouse gases in accordance with the GHG Protocol[1]. Direct emissions, Scope 1, comprise emissions from journeys using the company's vehicles, and refrigerant leakage. These emissions are relatively limited compared with indirect emissions from purchased energy, Scope 2, which constitutes the largest proportion of the emissions currently reported by Fabege.

Significant indirect emissions, Scope 3, are however generated in the construction of new builds via, for example, life-cycle emissions from materials and via waste management and transportation. Fabege is in the process of analysing opportunities to produce more comprehensive reporting of these indirect Scope 3 emissions, which we believe are significant. For example, we are looking at the possibility of reporting carbon dioxide emissions for building production by working with contracts to manage our contractors, and by developing internal reporting systems.

Conscientious materials selection

Environmentally sustainable buildings need environmentally sustainable building materials, which also includes the materials being made and transported in a long-term sustainable way. We maintain a firm focus on the issue of materials, and it is also covered within the framework of our supplier screening process. Although indirect emissions are beyond Fabege's control, we are able to exert an influence via choice of materials in our purchasing. Fabege endeavours to be clear when ordering materials and the aim is for environmentally safe materials to be the natural choice in day-to-day operations. By using the right materials and the right methods from the start, and also making use of any materials that can be reused, we reduce our environmental impact in both the short and long term.

Circular material flows

Large quantities of building products and decorating material are thrown out unnecessarily. An important part of our effort to make considered material choices is about creating good opportunities for dismantling, reuse and recycling via what are called circular material flows. By using the right materials and assembly methods from the outset and making use of materials from our redevelopment projects, we can help reduce our environmental impact in both the short and long term. We want to increase levels of recycling and minimise the amount of waste being sent to landfill and for incineration. We work alongside recycling companies and try to be proactive, together with our customers, in encouraging greater sorting of recyclables.

Waste management – calculation methods and results

Construction waste is handled by each contractor, and we do not currently have access to their respective statistics. However, we have specific requirements in our contracts regarding sorting of waste. Properties that are certified to BREEAM standard are also subject to special rules regarding areas such as recycling and waste management. The latest digital tools are vital in order to be able to trace and standardise, name and follow up construction components and products used in the building process, and the vast quantities of information that need to be managed require dedicated system support and established working methods and processes.

The basis of calculation for waste from existing managed properties consists of data from the company's lead contractors for waste, reported by amount, type and weight. We currently receive statistics from around 62 per cent of our tenants. The fact that we do not receive data from 100 per cent is because tenants are able to choose other waste contractors for operational waste than the contractor recommended by Fabege. However, we endeavour to work with our customers and suppliers to reduce the amount of waste through being economical with resources, such as by encouraging all customers to sort their waste at source into at least five fractions.

CERTIFICATION

System	No. of	Sqm, LOA	Proportion of total space, %
BREEAM In-Use	45	678,458	53
BREEAM-SE	10	248,493	20
BREEAM Bespoke	1	7,460	1
Miljöbyggnad	3	109,508	9
Total environmentally certified properties	59	1,043,919	83

Fabege's environmental certifications for quality assurance

BREEAM

The British environmental certification system BREEAM is the most widely used of the international systems in Europe. The system encompasses project management, the building's energy use, indoor climate conditions, water consumption and waste management, as well as land use and the building's impact on the surrounding area. BREEAM-SE has been developed to allow buildings to be certified according to Swedish regulations and BREEAM In-Use is used for existing buildings.

Citylab Action

Citylab Action is an advisory forum for sharing knowledge of sustainable urban development, organised by Sweden Green Building Council (SGBC). Commitments and effect targets are established by SGBC, while project goals and measures are specific to each individual project. Those who want to certify their sustainability work must also satisfy a set of certification requirements.

Environmental certification of entire portfolio

Thanks to a systematic focus on environmental certification, all Fabege's investment properties with a total area of just over a million sqm have now been certified. This corresponds to 83 per cent of the company's total lettable area, which means that in 2019 we came a step closer to our target of certifying 100 per cent of our total lettable area. The remaining square metres are in project properties that will be certified as improvements to the buildings are completed.

The process of gaining environmental certification imposes requirements on a property in terms of energy consumption and efficient installation techniques, which helps reduce running costs. Certified properties also support our customers' own sustainability efforts and are currently a requirement from many companies.

Environmental certification is in addition a prerequisite for green financing, which means better lending terms. (Find out more about green financing on page 97.) It also has a positive impact on the value of the property, which in turn encourages interest from investors. Overall, environmental certification helps boost the appeal of a property and reduce costs, generating value for the entire business. BREEAM In-Use is used for existing buildings and the aim is to achieve the level 'Very Good'. All new builds are environmentally certified according to BREEAM-SE standard, with the aim of achieving 'Excellent'.

Health in our buildings

A healthy and sustainable work environment is largely about the lighting, sound, ventilation and furnishings of a building, but equally about psychosocial aspects. Once these requirements have been satisfied it improves conditions for employees to feel good and perform at their best. Our contribution is mostly about making it easy for our customers to make the right choices. For example, by positioning attractive stairwells next to the lifts, we are encouraging people to take the stairs. Another example is our work with customers to develop offices that are health certified. We also offer our customers tips on how to encourage their employees to keep active around the office through anything from using height adjustable desks, to positioning coffee machines in such a way as to boost activity levels.

During the year we also launched a strategic initiative to enable our properties to be Fitwel-certified. Fitwel is a certification standard that differs from others in that its primary focus is people's health and wellbeing in the building.

Connected buildings

Connected buildings with access to data in real time allow opportunities to create the digital solutions of the future. The properties can then be integrated with the smart city, and contribute to a sustainable and efficient use of resources. Over the past few years we have linked all our properties up to a digital fibre network. This gives us a better understanding of how the buildings are used, and enables us to optimise the use of resources, offer more proactive property management and address any faults. The network will be fully operational in summer 2020, allowing us to begin processing all the data.

Governance

Our sustainability work is an integral part of operations. Our CEO has ultimate responsibility for work on sustainable urban development, focusing mainly on commercial property. We have a corporate function with responsibility for sustainability under the leadership of a sustainability manager. The Board's rules of procedure include regular monitoring of sustainability issues. Reports are submitted to the Audit Committee and Board of Directors. Proposals for sustainability targets are prepared in close cooperation with the business areas and then approved by the Executive Management Team.

Sustainability work is pursued by the Sustainability Manager via the specialist Environment & Technology department and a cross-functional sustainability team. These functions harmonise work within the company and look at areas such as environmental impact, social responsibility, sustainable property and urban development, sustainable supply chain and compliance matters. Responsibility for implementation rests with the line organisation.

Details on the amount of fuel used in the company's own vehicles is not reported separately under energy use, as it is not seen to be significant in relation to the company's overall energy use.

Energy work is managed by Fabege's energy strategist, who reports to the Sustainability Manager. Fabege's energy strategy and environmental policy form the basis of this work. The energy strategist supports the technical managers, who together with the operating organisation have chief responsibility for all buildings under management, while the project managers are responsible for energy issues relating to new construction.

Our energy efficiency targets

Fabege's new energy efficiency targets are divided into phases. In 2019, we exceeded the target in the Swedish energy policy agreement of 50 per cent more efficient use of energy by 2030 compared with 2005. Work is progressing and our next milestone is to achieve average energy consumption of 77 kWh/sqm in the entire investment property portfolio by 2023, which corresponds to a reduction of over 60 per cent compared with 2005. The portfolio is divided into two parts: newer properties that have received planning permission since 2012 and have a target of 50 kWh/sqm, and older properties that have a target of 85 kWh/sqm. In 2019, Fabege's average energy consumption was 81 kWh/sqm for the entire investment property portfolio. Furthermore, we are examining opportunities to report indirect emissions as well (scope 3).

Calculation of GHG emissions

To be able to compare emissions of different gases, they are recalculated as carbon dioxide equivalents (CO_2e). Fabege uses conversion factors from our suppliers to calculate the volume of emissions. The reported emissions total from the business includes a reduction in CO_2e as a result of Guarantee of Origin (GO-labelled) electricity and GO-labelled renewable district heating and district cooling. Fabege has opted for the 'financial approach' because as owner, Fabege controls the property's energy performance and energy sources, while tenants can only influence consumption within a limited framework. According to the GHG Protocol, the 'control approach' should be consistently applied to other calculations.

Emissions (tonnes CO_2e)	Emission source	2019
Scope 1	Total	22
	Refrigerant leakage	22
	Service vehicles	0
Scope 2	Total	1,933
	Heating	1,920
	Cooling	13
	Electricity	0
Scope 3	Total	561
	Waste management	110
	Leased vehicles and staff vehicles used for work	6
	Air travel	446
Total		2,516
Carbon offset by district heating supplier		–1,726
Net emissions after carbon offset		790

Strong corporate culture creates success

Fabege offers its employees a work environment in which the company's culture, based on an entrepreneurial spirit and a customer focus, is a natural element of the working day. We work actively with our core values, and are convinced that motivated employees are the key to success.

Shared core values

Our core values, known internally as SPEAK, characterise the entire business. These values are Fast, Informal, Entrepreneurial, Business-minded and Customer-focused. These core values prioritise inspiration over control, and put people first. We have worked continually with our core values for over ten years now, and they are being constantly evolving, although the fundamental principles remain the same. Together with our Code of Conduct, our core values should function as a guide for our employees' actions.

Our views on equal value

The fundamental view of Fabege is that all people are of equal value and all employees are to have the same opportunities, rights and obligations. No-one at Fabege should be discriminated against on the basis of sex, gender identity or expression, ethnicity, religion or other belief, disability, sexual orientation or age. Any reports can be submitted to an employee's immediate superior, HR or anonymously to our whistleblower service.

Sustainable employees

Fabege takes a comprehensive approach to the sustainable employee, considering the whole individual, both from a physical and psychosocial perspective. We want to encourage people to make long-term healthy choices through training and talks on themes such as diet, rest, managing stress, relationships and physical activity. We offer our employees regular health checks, which focus on the physical and psychosocial aspects of health and the work environment as a whole.

We design the working environment and our premises to provide conditions for both recovery and physical activity. All our offices have changing rooms and all employees have the opportunity to take exercise with their colleagues once a week during working hours. Besides physical activity, exercising also helps bring employees together as a team.

A key parameter for health and well-being is the balance between work and leisure, with the immediate superior and employee engaging in ongoing dialogue and ensuring that the employee's workload allows for active leisure time.

Great Place to Work

We want to be the natural choice for talented, motivated and committed individuals working in the property industry. We therefore work continually to reinforce our brand as an employer, and we aim to be one of Sweden's most popular workplaces.

Through cooperation with the company Great Place to Work, we develop and evaluate Fabege's workplace culture. In 2019, we carried out Great Place to Work's employee survey for the second time to measure how we are perceived as an employer, and 86 per cent of our employees feel that overall, Fabege is a very good place to work.

Individual career plans form the basis of each employee's professional development. At performance reviews, managers and employees establish targets and follow up on previous plans. The starting points for the targets that are established are the goals for the particular operation and the employee's role in achieving them. Performance reviews were carried out with around 98 per cent of employees in 2019.

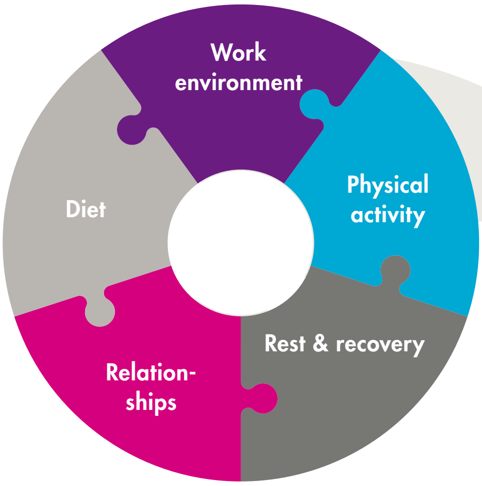
Gender equality

The property sector is Sweden's first gender-equal industry, with 40 per cent female managers according to the 2019 report from the foundation Allbright. European Women on Board's ranking for 2019 also features companies from our sector among the best performers in terms of gender equality. However, the construction industry has traditionally been male dominated and has sometimes been accused of encouraging a macho culture in many regards. Fabege has therefore been working systematically for many years on encouraging female project managers, and our efforts have proved effective. In the organisation for both redevelopments and for new build projects, over 40 per cent of the project managers are women. We are also seeing a substantial increase in the number of women working for our contractors. We are witnessing a clear, positive shift in the industry, which is having a positive effect on the working atmosphere. Looking ahead, the challenge will be working equally systematically to attract more women to the operational organisation, a task that has only just begun.

At year-end, Fabege's Board of Directors had an even gender balance. Two of the six members of the Executive Management Team were women, or 33 per cent. The total proportion of women working at the company was 33 per cent. An increasing number of men at Fabege are taking extended parental leave, and we see this as a positive from a gender equality perspective.

In 2019, European Women on Boards (EWOB) conducted its first gender equality study among 600 listed companies. Fabege stood out among the companies that are ranked in the top 15 in Europe as regards gender-equal corporate governance.

Sustainable and motivated employees create a positive corporate culture



Good Health and Wellbeing
We want to increase our employees' knowledge within a broad spectrum of health issues to promote long-term wellbeing and motivation, which creates commitment and a sense of belonging.

Committed and motivated employees

Good performances
Committed employees who have a healthy work-life balance and contribute to long-term good performances.

Corporate culture
At Fabege, the contribution of each and every employee is important for the company as a whole. We are a team operating according to shared guidelines and clear frameworks for success. We call this SPEAK and we invest joint time and effort in our professional development and our core values.

Gender balance in project management

Fabege is creating Bilia's new offices at the heart of the emerging district of Haga Norra. The project is being managed by employees from Fabege and building contractor Zengun, and the team is made up of 50 per cent women and 50 per cent men.

Emilie Larsson is responsible for the project from Fabege's side. She has two female project manager colleagues who help her manage day-to-day issues on site.

– My experience of construction projects is that the atmosphere is often better when you have a mix of genders, ages and backgrounds. It improves harmony and respect within in the group. But it doesn't just happen automatically, you have to be proactive about these issues. That's why it's important to have female managers and leaders, because that way it's easier to attract other women to work on the projects.

Emilie feels the trend is definitely moving in the right direction, but perhaps not at the kind of pace she would like to see.

– So it's important for construction companies to work with these issues too, and to encourage them to recruit women to managerial roles. Fabege could also be more proactive on these matters when we're taking on contractors.

Emilie Larsson works for Fabege as a project manager for new builds.

We share our success

Fabege has few employees in relation to the market and stock exchange value of the company, making each individual crucial to the business and its success. One way of showing our appreciation of our employees' contribution to the company's success is through our profit-sharing scheme, which is open to all employees and in which the amounts set aside are the same for all. Allocations are made in the form of Fabege shares based on our profitability and return on equity. The shares are tied up for a period of five years after allocation, which amounts to a maximum of two price base amounts per employee and year. The Board decided that the allocation for 2019 would amount to 1.75 price base amounts per full-time employee, which corresponds to a value of SEK 82,775.

Low-carbon, efficient travel

Fabege is constantly endeavouring to make business travel more environmentally sustainable. Our guidelines for business trips give all employees access to instructions on choosing mode of transport and planning journeys. Our company car policy completely excludes vehicles that run on fossil fuel, and we encourage the use of eco-cars. Fabege also provides travelcards on public transportation for employees, which can be borrowed for business trips.

Continual improvements to work environment

Fabege provides a safe and healthy work environment for its employees. An occupational health and safety committee, represented by managers or employees from all departments and local offices, and occupational health and safety representatives are jointly responsible for continuously developing the work environment. The group is made up of eleven individuals who come up with ideas for measures to improve and develop the work environment.

Governance and contracts

The HR manager reports to the Executive Management Team and is responsible for strategic HR work and for ensuring compliance with laws and regulations in the area of labour law and collective bargaining agreements. The starting point is Fabege's various policy documents within the area of HR, such as the personnel, gender equality and salary policies, as well as the company's Code of Conduct. Policies and guidelines are determined by the Executive Management Team, continually updated and made available to all employees via our intranet. Follow-up is carried out quarterly and annually based on established targets.

All employees are covered by collective bargaining agreements. Policies and guidelines for communication, personnel and business support are decided on by the Executive Management Team, continually updated and made available to all employees via Fabege's intranet.

EQUALITY[1)]

	2019					2018				
	Women	Men	<30 years	30–50 years	>50 years	Women	Men	<30 years	30–50 years	>50 years
Board of Directors, number	3	3	0	0	6	4	4	0	1	7
Executive management, number	2	4	0	1	5	2	4	0	1	5
Main management team (excluding Executive management team)	10	14	0	17	7	9	13	1	18	3
All employees	66	122	18	103	67	59	122	19	107	55

1) Summary of the company by gender and age for various levels within the company. Fabege does not record employees' ethnicity.

NUMBER OF EMPLOYEES BY FORM OF EMPLOYMENT, GENDER AND IN OUR BUSINESS AREAS

By age, %	0–19	20–29	30–39	40–49	50–59	60–69	Average age
Women	0	4.5	37.3	26.9	26.9	4.5	43 years
Men	0	12.3	17.2	32	31.1	7.4	44 years
Total	**0**	**9.5**	**24.3**	**30.2**	**29.6**	**6.3**	**44 years**

Percentage of women within each area, %	
Property Management incl. operations	20
Projects & Business Development	50
Business support	70

Percentage of entire company employees within each area, %	
Property Management incl. operations	60
Projects & Business Development	26
Business support	14

EPRA SUSTAINABILITY BEST PRACTICE PERFORMANCE MEASURES

Social & Corporate Governance impacts	EPRA code	Measurement unit	Indicator		2018	2019	% change
Health and safety	H&S-Emp	Days per employee	Absentee rate	Direct employees	2.2%	2.9%	27%
Diversity	Diversity-Emp	% of female employees	Diversity Employees	Board of Directors members	50%	50%	0%
				Executive Management	33%	33%	0%
				Managers	45%	45%	0%
				All employees	32%	33%	3%
Employees	Emp-Turnover	Total number and rate	New hires	Total number new employees	30	20	–33%
				Proportion new employees	17.5%	11%	–37%
			Departures – Turnover	Total number of departed employees	10	13	30%
				Proportion of departed employees	8%	7%	17%
			Total employees number		181	188	4%
Corporate Governance	Gov-Board	Total number	Composition of the highest governance body		8	8	0%
			Executive		28	30	7%
			Non executive		153	158	3%

SICKNESS ABSENCE

Total sickness absence in relation to ordinary working hours, %	Women	Men	Total sickness absence
Age 0–29	1.4	5.52	4.69
Age 30–49	2.29	2.32	2.31
Age 50+	2.4	3.63	3.29
Total			**2.88**

188[2)]

number of employees at year-end, of which

- 66 women and 122 men
- 184 permanent employees and 4 fixed-term contract employees
- 185 full-time employees and 3 part-time employees
- The proportion of employees with collective agreements was 100 per cent

2) All employee statistics are taken from Fabege's salary or personnel system.

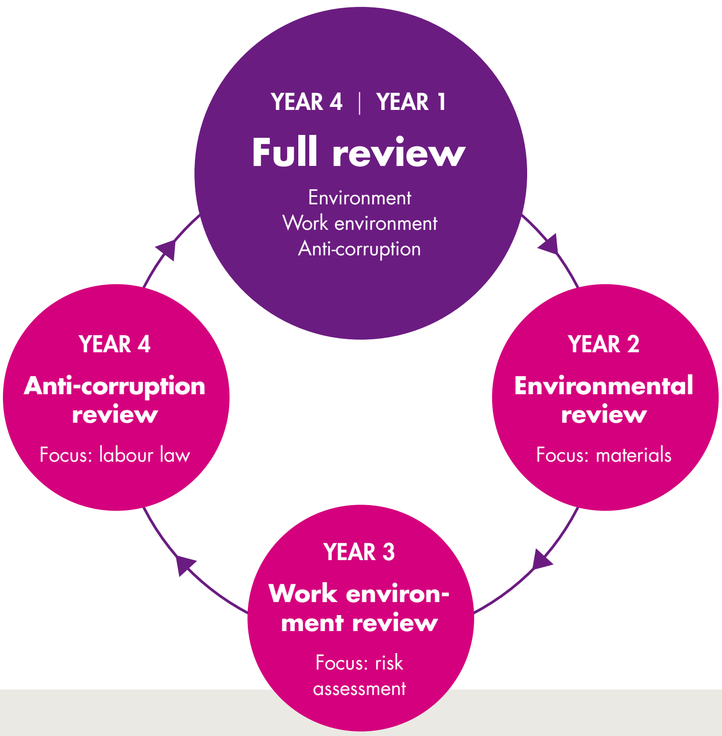
Sustainability screening of supply chain

Working with suppliers who help us achieve our sustainability targets is a given as far as Fabege is concerned, but nevertheless still challenging. Maintaining a sustainable supply chain is the responsibility of all parts of the business, including suppliers and business partners. It is also directly linked to limiting risk for the organisation's brand, security and reputation.

Construction industry faces numerous significant challenges

There are a number of key challenges that we manage within the framework of our supply chain.

- Limiting emissions related to materials, transportation, construction energy and waste, or Scope 3, is a major issue for the property sector. These emissions are mainly generated by Fabege's suppliers or their subcontractors, and there is still a great deal to do in order to reduce our carbon footprint.
- Issues around the use of jargon and the macho culture are hampering the industry's success, and it is up to everyone involved to work to ensure a safer and more equal construction industry. There are major hurdles as regards gender equality.
- The construction industry is overrepresented when it comes to bribery convictions. The 2019 construction managers barometer reveals that companies in the public construction sector are proactive about tackling corruption, but that there are still significant shortcomings in these efforts.



Review cycle

Fabege has a supplier review cycle that extends over four years. The majority of Fabege's strategic business partners have undergone a sustainability screening process within the established review cycle. Of our current 44 strategic suppliers, 80 per cent have been screened according to sustainability criteria within the stated four-year period.

In all three areas, Fabege has a considerable responsibility as a developer and buyer.

Positive workplaces

A positive and safe work environment, free from corruption and inequality, is an individual right and a significant challenge for the entire construction industry. Although the work environment and employer liability at building sites are the responsibility of the contractors, Fabege takes an active role in preventing incidents. Tax legislation for staff ledgers allows us access to statistics regarding employment terms for everyone working on major projects.

Regular reviews of financial management, quality and sustainability parameters

Fabege has a huge number of suppliers of various sizes, from small-scale suppliers for everyday operations, to contractors for entire office blocks. For ongoing operations we have categorised all suppliers and chosen to prioritise strategically important business partners for sustainability screening. These partners include just over 40 major suppliers, which corresponds to roughly 75 per cent of Fabege's annual purchasing volume under framework agreements. Our ambition is for them to undergo regular inspections to guarantee that they are satisfying the requirements imposed in these agreements. Every year, the screening process focuses on a specific area. All Fabege's framework agreement suppliers are also monitored by a credit rating firm engaged by the company. The aim is to quickly recognise any financial deviations that could have an adverse impact on the cooperation concerned. The inspections are carried out both internally and externally. Sustainability screenings are carried out by an independent third party.

Sustainability screening

Sustainability screening is partly carried out to check that our suppliers satisfy Fabege's requirements, but also to inspire suppli-

ers to continue working with sustainability issues. Fabege enjoys a positive dialogue with its suppliers and supports their efforts to improve their procedures. Any deficiencies revealed will lead to the companies producing a joint action plan. If there is no improvement, Fabege may decide to discontinue the relationship.

Subcontractors

Fabege hires many suppliers who in turn have several subcontractors. Environmental impact can arise primarily in the second line of suppliers, which is one of the reasons why Fabege has stringent requirements from first-line suppliers to check that their subcontractors comply with Fabege's requirements.

100 per cent target

The aim is for all of Fabege's strategic business partners to be regularly screened with regard to sustainability. Partners that were screened more than four years ago undergo a new inspection. Selected contractors of significant projects (SEK >50m) undergo sustainability screening before the project's production phase begins.

Activities in 2019

Fabege produced a new, more clearly defined Code of Conduct for suppliers in 2019, which is included in all newly signed agreements. The changes impose tougher requirements in relation to business ethics, health and safety, working conditions, privacy, the environment, human rights and compliance and follow-up. In 2019, 14 inspections were carried out with a focus on anti-corruption and human rights. Issues related to such areas as policies and procedures, for example work regarding bribery and working conditions. Of the suppliers inspected, nine were approved while five inspections led to action plans being drawn up. Three suppliers joined our current 44 strategic suppliers in 2019. Two of these were screened according to social sustainability criteria and one according to environmental criteria prior to signing agreements.

The review revealed active work regarding these issues and willingness on the part of our suppliers to continue making internal improvement. Fabege plans to conduct a comprehensive review of selected suppliers in 2020.

Governance

The purchasing manager, who reports to the Executive Management Team, is responsible for the company's purchasing policy, signing agreements with all strategic partners and sustainability screening of suppliers. The purchasing organisation is responsible for signing all framework and service contracts and ensuring that new contracts adhere to Fabege's general terms and conditions, environmental policy and Code of Conduct.

We have compiled general requirements in our framework agreements under General Terms and Conditions. For new construction and redevelopment projects we have general requirements in administrative regulations, which are supplemented by environmental programmes and specific terms for each project. General terms and conditions, or administrative terms, together with the environmental policy and Code of Conduct are included in the appendices of all contracts signed with suppliers. Through these terms, our suppliers undertake to comply with Fabege's requirements, including with regard to working conditions and human rights.

All the relevant legislation and safety procedures must be complied with at all construction sites. Regular audits of construction sites are continuously conducted during the course of a project. Although the work environment and employer liability at the building sites are the responsibility of the contractors, we take an active role in preventing incidents.

Fabege's success is built on the success of our customers

Fabege is landlord to over 900 companies, and more than 100,000 people spend time in our buildings every day. Our approach is long-term, purposeful and systematic, and we aim to be a cooperative partner to our customers to establish mutual loyalty and develop sustainable concepts for our customers and their employees.

Close relationships enable effective management

Fabege's property management is divided up into geographical areas for organisational purposes, and each area has considerable responsibility and is able to make swift decisions. We have local offices in each area to enable us to work closely with customers as regards both decisions and service, and we have a sound knowledge of our customers, properties and areas. All management is carried out by our own staff, both in operations and property management. We handle all issues arising with a professional and constructive approach, whether it is a customer who has outgrown their premises, or who needs a quick response due to an unexpected incident.

Work Away from Work – WAW

Fabege has developed its own concept to make it easier for our customers' employees to achieve a healthy work-life balance. Fabege's office hubs under the brand WAW can be found in Arenastaden, City and Hammarby Sjöstad. In these locations we offer spaces where our customers' employees can check in as needed and work in a professional office environment.

Surveys and dialogue promote stronger relationships

Satisfied customers are central to our business. In order to understand and meet the needs and requests of our customers in the best possible way, we have several tools for dialogue, follow-up and evaluation. Feedback from our various customer dialogues is used to develop sustainable concepts and implement quality improvements in areas that our tenants feel are important. To complement this, we also carry out Customer Satisfaction surveys every three years, in which our aim is to achieve a rating of 80. The next CSI survey will take place in autumn 2020. Insights from the various customer dialogues and customer meetings create more points of contact, strengthen relationships and boost understanding of each other's businesses and proactive improvement efforts.

Swift response to fault reports

We receive prompt feedback about how well we have done our job via the feedback function 'Moment of truth'. When reporting faults, customers can give an immediate response as to how well we have managed the incident, by choosing one of three symbols: highly satisfied, satisfied or dissatisfied. 98 per cent of our customers currently say they are satisfied or highly satisfied, and we are working towards the goal of 100 per cent satisfaction. In addition, we continuously follow up on customer satisfaction linked to each service or fault case registered.

Governance and responsibility

Overall responsibility for customer satisfaction and measurements is shared by the two most senior managers of the property management department, both of whom are members of the Executive Management Team. The property managers are responsible for customer relationships at company and organisational level. They feed back the results from the surveys to the customers and are responsible for improvements being made at customer level based on service, cases and the CSI survey.

In an evaluation of WAW carried out by Fabege's tenant Upphandlingsmyndigheten, the concept was without exception awarded 10 of a possible 10 points. Of the advantages stated, employees mention that it cuts a great deal of travel time, enables them to work temporarily in the city where their contact networks are, and gives them a base in attractive premises that encourage creativity and enable them to concentrate, and that it offers a change of scene and variation. Upphandlingsmyndigheten concludes its report by noting that the WAW concept is highly consistent with the agency's way of working, that it is a popular alternative for employees and that being able to offer potential employees a flexible way of working makes a positive contribution to their employer brand.

Green financing – a rapidly growing area

Green financing is a natural extension of the sustainability work that is conducted throughout the organisation. It gives us a broad investor base, trusting relationships with our financers and proud, committed employees.

The proportion of green financing is growing steadily as our properties achieve environmental certification, and during the year rose from 60 to 84 per cent. The aim is for 100 per cent of the company's financing to be green by 2020.

Green financing is to be used exclusively for investments to promote the transition to low-carbon, climate resistant and sustainable properties. This means that they must be approved based on a list of categories and criteria in areas such as energy consumption and general environmental performance. The investments must also conform to the UN's 2030 Agenda and 17 Sustainable Development Goals. The SDGs aim to achieve long-term sustainable economic, social and environmental development to eradicate extreme poverty, reduce inequality and injustice in the world and tackle climate change.

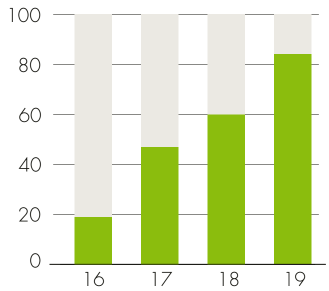
Green financing generates value at all levels

Besides favourable terms on both the capital market and for green bank loans, green financing also brings other benefits. Commitments to maintain properties at a high level of certification keep us constantly on our toes in relation to all of the company's work with sustainability. In the longer term, our environmental and sustainability efforts also raise the value of our properties, which benefits us, our lenders and other external stakeholders. The work also boosts internal pride as all our employees are able to feel that they are contributing to the company's long-term vision and creating value throughout the business.

Green framework

Fabege's framework for green financing sets a standard that can be used for all our sources of financing. Our medium-term note programme (MTN), which Fabege established in 2016, is linked to the framework. This includes special terms regarding sustainability and the environment. Fabege's green commercial paper programme is also part of the framework. It means that we issue green commercial paper, intended to be used to finance assets that are approved according to the framework. The backup facility for the commercial paper programme is also linked to the framework, and therefore green.

PROPORTION OF GREEN FINANCING, %



Governance

Fabege has a green business council that compiles data on ongoing and planned environmental certifications, and examines whether projects and assets satisfy the green requirements. A special report on how the company allocates its green funds and how well it fulfills the terms imposed by the framework is prepared each quarter and published at https://www.fabege.se/en/greenfinancing/. The report is more detailed at year-end and is also examined by the company's auditors at this point.

Responsible work for a sustainable business

Good business ethics that promote fair competition and avoid all forms of corruption are the foundation of our relationships with customers, suppliers, partners and lenders. A responsible approach in this area contributes to sustainable societal development and is a prerequisite for creating long-term profitability.

Anti-corruption and sound business ethics

Fabege's core values (SPEAK) and our Code of Conduct form the basis for the actions of all employees. The Code of Conduct highlights Fabege's position on matters concerning human rights, working conditions, the environment, business ethics and communication. Fabege complies with the relevant laws and other regulations, generally acceptable business practice and international human rights, labour and environmental standards in accordance with the Global Compact and the ILO's fundamental conventions on human rights at the workplace. We continually develop our Code of Conduct to ensure that it remains relevant and responds to current dilemmas and challenges.

Fabege's Ethics Council

Fabege's Ethics Council, which reports to the Executive Management Team, serves as support in day-to-day work. The role of the Council is to direct the work, monitor relevant external issues and pursue specific ethical matters. The Council is made up of representatives from different departments. The Ethics Council met four times in 2019. The CEO and Chairman took part in discussions at one of these meetings.

Whistleblower service for added security

We are keen for both our employees and external stakeholders to feel safe in the knowledge that we intercept potential irregularities in the organisation at an early stage, preferably through dialogue but also via anonymous reporting systems. Our whistleblower service is available both internally and externally, and enables people to report any potential incidents. The report itself and any subsequent dialogue are anonymised if the person so wishes. All reports are immediately followed up by a working group consisting of the Head of Treasury, Head of HR and General Counsel. The group makes sure appropriate action is taken. A report was received from an anonymous external source in 2019, which after further investigation did not lead to any action. The report did not relate to corruption or any senior executive.

Transparency around tax payments

We want to take responsibility for sustainable societal development, and this includes contributing to society by paying taxes. Fabege conducts all its business in Sweden and all staff are employed by Swedish companies. We produce transparent and open accounts of the Group's total tax burden. We pursue operations in a professional manner in order to generate a return for our owners, which means that we aim to achieve cost effective tax management. We comply with all tax legislation and regulations. For areas where the regulations are unclear, we act transparently and exercise caution. We abstain entirely from aggressive and advanced tax avoidance. Fabege's tax policy is published on the company's website in full.

Partnerships

Fabege helps support positive development in society via a number of partnerships that benefit both employees and customers in various ways. Partners include schools in the local community, but also organisations such as Generation Pep, with which Fabege works to build activity parks for young people, Childhood Foundation, which combats the sexual exploitation of children, the Arne Ljungqvist Anti-Doping Foundation, which promotes good health and pure sport, and the sports associations AIK and Djurgården, with a focus on young people.

Governance

All managers with personnel responsibility are charged with ensuring that the Code of Conduct is known and complied with in their respective department or sphere of responsibility. The Board of Directors and Executive Management Team are specifically responsible for promoting the implementation of the Code of Conduct. The content is revised and monitored annually.

Involvement in organisations

Fabege has board or committee assignments in the following organisations:

- Chair BREEAM council, Sweden Green Building Council
- Board member, Byggherrarna Sverige AB (Swedish Construction Clients)
- Samling för sol

About this report

This is Fabege's ninth Sustainability Report according to the GRI guidelines for voluntary reporting of sustainability information. Fabege reports on its sustainability work annually and the Sustainability Report is included as part of Fabege's 2019 Annual Report, which pertains to the 2019 financial year. The report has been prepared in accordance with GRI Standards, level Core. The preceding year's Annual Report, including the Sustainability Report, was published in February 2019. The information contained in the Sustainability Report has been subject to a limited review by Deloitte, see Assurance Report on page 103.

The content of the Sustainability Report has been selected on the basis of Fabege's most significant issues, given its operations and their impact relationship on the environment and society; see also section on stakeholder dialogue and materiality analysis on the following page. Fabege's intention is for the sustainability section together with other information contained in the 2019 Annual Report to satisfy stakeholder information requirements, and to provide a comprehensive overview of Fabege's economic, environmental and social work and results. The information in the report pertains to the entire Fabege Group. However, associated companies fall outside the parameters for the report, as Fabege has limited access to the relevant data. Influence is exercised through Board representation.

Fabege's GRI index on pages 101–102 contains references to the disclosures that are compulsory for GRI Standards (GRI 102), as well as disclosures related to Fabege's material sustainability topics (GRI 200–400) and governance of these topics (GRI 103).

Fabege follows the Precautionary Principle, which means that if we discover that there is a threat or risk of serious or irreversible environmental damage occurring, then lack of scientific evidence will not prevent us from taking cost-effective action.

This year, Fabege is reporting the company's sustainability performance measures based on EPRA's (European Public Real Estate Associaton) latest recommendations: Best Practices Recommendations on Sustainability Reporting, sBPR, third version September 2017. Performance measures are reported for energy, greenhouse gas emissions, water, waste, environmentally certified buildings and corporate governance and social aspects.

Fabege uses actual consumption when calculating emissions according to the Greenhouse Gas Protocol, page 87. Emissions factors for electricity this year include the direct emissions resulting from electricity production and emissions factors for district heating are reported without the effect of carbon offsetting. We instead report carbon offsetting as a negative emissions item separately from Scope 1 and Scope 2.

Stakeholder dialogue

Fabege's principal stakeholders are customers, employees, creditors, shareholders and analysts, suppliers and the other parts of society in which the company operates. The company enjoys a continuous dialogue with all stakeholder groups, and in 2019 we conducted more in-depth dialogues with customers, creditors and shareholders. See summary of Stakeholder dialogue on page 100.

A more in-depth customer dialogue was carried out in 2018 via a survey sent out to 652 office employees in 13 districts, along with interviews with 20 decision-makers. The purpose was to compile information to assess Fabege's impact on stakeholders and on sustainable urban development.

Significant issues

The basis of the materiality analysis was established in 2015, when Fabege organised internal workshops and carried out an anonymous survey about the company's sustainability work with some fifty representatives of the company's key stakeholder groups. Based on the survey, work was carried out to prioritise key sustainability aspects for the purposes of developing the company's sustainability work and further improving the relevance of sustainability reporting.

The foundations that were laid in 2015 define the issues that stakeholders regard as the most important, and where Fabege has the greatest opportunity to influence. The results of the analysis and ongoing evaluation show that the following areas are the most significant for Fabege:

- Collaboration with other players for sustainable urban development
- Environmental risks and soil remediation
- Energy efficiency enhancements
- Choice of materials and safe products
- Emissions and waste management
- Skills development
- Health and safety
- Employment terms and human rights
- Supply chain sustainability screening
- Anti-corruption and sound business ethics

Fabege established a new framework for green financing in 2019. The purpose of the framework is to create a standard for green financing that can be used with a number of Fabege's various sources of funding. The framework establishes the terms and conditions for the management of funds and for follow-up and reporting to lenders and investors. Reporting will take place quarterly, as well as in a more comprehensive form annually.

FABEGE'S STAKEHOLDERS AND IMPACT

AREA	DIALOGUE FORMAT	IMPACT ON STAKEHOLDERS	IMPACT ON SUSTAINABLE DEVELOPMENT
Customers	• Sustainability network together with companies in Arenastaden and City • Travel habit survey of around 22,000 employees whose workplaces are in Arenastaden • Regular customer dialogue • Customer satisfaction surveys • Newsletters • Cooperation on green leases	• Facilitating sustainable mobility and offering low-carbon logistics services in the districts • Design of premises via choice of materials, renewable electricity, flexibility, energy efficiency improvements and sorting waste for recycling (examples of commitments included in the green lease) • Creating attractive, secure and safe public spaces with services, convenience stores and experience-based meeting places • Increasing the green space factor for public areas by creating parks, squares and thoroughfares that provide ecosystem services and pleasant environments	• Health and environmentally certified premises, buildings and districts that offer customers good opportunities to make sustainable choices • Continued development of public transport and services to reduce carbon footprint • Contributing to a sustainable lifestyle • Involvement in learning and participation in sustainable urban development • Developing zero-energy buildings • Reduced energy consumption and renewable energy • Strengthening capacity for low-carbon adjustments, boosting biodiversity, public health and quality of life, and helping create an attractive district
Employees	• Performance reviews • Human resources surveys • Café Fabege (meeting forum) • Conferences	• Facilitating work-life balance • Code of Conduct • Great Place to Work • Core values SPEAK • Skills development • Fitness promotion • Terms of employment • Human rights	• Healthy and committed employees • Skills development helps employees progress within the company and also strengthens their position in the labour market as a whole • Ensuring equal rights for all regardless of gender, ethnicity, religion, disability, age and other factors • Combating discrimination • Involvement in learning and participation in sustainable urban development
Shareholders and analysts	• Annual report • Quarterly reports • Capital market days • Roadshows and one-to-one meetings • Audit Committee and Board of Directors reporting	• Initiated discussions with analysts about value-adding sustainability work • Prioritised SDGs based on materiality analysis • The Board's rules of procedure include regular monitoring of sustainability issues	• Transparency promotes long-term sustainable investment • Reporting of climate-related risks and opportunities speeds up the transition to a low-carbon society
Creditors	• Cooperation with creditors and bond investors on sustainability reporting • Presentations, quarterly reports, annual report, web • Meetings, property viewings and seminars • Capital market days	• Participated in the development of banks' green loan products and new sustainable products on the capital market • Continuous sustainability discussions with creditors	• Can speed up the transition to a more sustainable economy • Increasing the proportion of sustainable investments that reduce climate risk in assets • Disseminating sustainability knowledge
Suppliers	• Centralised procurement/framework agreements subjecting suppliers to demands for complying with Fabege's Code of Conduct	• Demands for impeccable business ethics and Code of Conduct • Continuous quality measurements of suppliers • Far-reaching requirements regarding areas such as energy efficiency, resource management and choice of materials • Must follow health and environmental certification systems	• Ensure labour law is complied with in areas such as salaries and overtime • Combat inadequate business ethics and corruption • Prevent child labour and forced labour • Guarantee fire safety and work environment • Combat negative impact on environment in local community resulting from emissions of hazardous substances to water, air and/or soil
Society	• Regular meetings with municipality and agencies • Collaborative meetings together with networks of companies (BELOK, SGBC, Swedish Property Federation, Byggherreforum, etc.) • Cooperation agreements with nonprofit organisations	• Via planning process, property management and development work to achieve sustainable property and urban development • Stimulating social sustainability through measures such as art projects and targeted youth activities • Decision to contribute SEK 180m to finance expansion of underground rail service to Arenastaden	• Contributing towards keeping global warming under two degrees • Creating experience-based, vibrant neighbourhood environments with a mix of offices, residential units, services, culture, meeting places and nature areas • Working for sustainable mobility by creating infrastructure for electric vehicles, cooperating with public transport and improving conditions for cyclists • Creating conditions for a safe and secure living environment where residents, workers and visitors can spend time on equal terms

GRI index

GENERAL DISCLOSURES

GRI STANDARDS/AREAS	DISCLOSURE	DESCRIPTION	REFERENCE	COMMENTS/OMISSIONS
Organisational profile				
GRI 102: General disclosures (2016)	102-1	Name of the organisation	29	
	102-2	The most important brands, products and/or services	Inside cover, 29	
	102-3	Location of headquarters	47	
	102-4	Countries where the Group operates	29	
	102-5	Ownership structure and corporate structure	116, 29	
	102-6	Markets in which the organisation operates	29, 105	
	102-7	Size of the organisation	3, 41, 42	
	102-8	Workforce	93	
	102-9	The organisation's supply chain	94	
	102-10	Significant changes	99	
	102-11	Description of, and how the organisation follows the Precautionary Principle	99	
	102-12	Membership of sustainability initiatives	20, 65	
	102-13	Involvement in organisations	98	
Strategy and Analysis				
	102-14	Message from the CEO	4–7	
Ethics and integrity				
	102-16	The company's values, principles, standards and norms for conduct	39, 65, 90–91	
Governance				
	102-18	Statement of corporate governance	64–65, 67, 89	
Stakeholder dialogue				
	102-40	Stakeholder groups engaged in the company	99–100	
	102-41	Percentage of employees covered by collective bargaining agreements	93	All employees are covered by a collective bargaining agreement. Fabege is a member of the employer organisation Almega.
	102-42	Basis for identification and selection of stakeholder groups	99	
	102-43	Approach to stakeholder engagement	99–100	
	102-44	Key areas highlighted via communication with stakeholders	99–100	
Report profile				
	102-45	Entities included in the consolidated financial statements	60–61, 99	
	102-46	Defining report content and topic boundaries	99	
	102-47	Identified material aspects	99	
	102-48	Restatements of information	99	
	102-49	Significant changes that have been made since the previous reporting period with regard to boundaries and scope	99	
	102-50	Reporting period		2019 calendar year
	102-51	Date of most recent report		2018 Sustainability Report, published February 2019
	102-52	Reporting cycle		Calendar year
	102-53	Contact for the report	121	
	102-54	Claims of reporting in accordance with the GRI Standards	99	
	102-55	GRI index	101–102	
	102-56	External assurance	103	

SPECIFIC DISCLOSURES

GRI STANDARDS/AREAS	DISCLOSURE	DESCRIPTION	REFERENCE	COMMENTS/OMISSIONS
Environment				
Energy				
Boundary: Material internally/externally through the carbon dioxide emissions produced by energy consumption.				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	69, 87–89, 101	
	302-1	Energy consumption within the organisation	87–89	
GRI 302: Energy (2016)	302-3	Reduction of energy consumption	86, 87, 89	
Emissions				
Boundary: Material internally/externally through the carbon dioxide emissions produced by energy consumption.				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	69, 86, 88–89, 101	
	305-1	Direct (Scope 1) GHG emissions	20, 82, 86, 87, 88 and 89	
	305-2	Energy indirect (Scope 2) GHG emissions	20, 82, 86, 87, 88 and 89	
GRI 305: Emissions (2016)	305-4	Reduction of GHG emissions	86–87	
Effluents and waste				
Boundary: Relevant internally through the waste generated at our own offices. Relevant externally through the waste generated by our tenants.				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	69, 88–89, 102	
GRI 306: Effluents and waste (2016)	306-2	Waste by type and disposal method	87	
Customer relations				
Boundary: Relevant internally and externally as good customer relations affect both retention rate and new lettings.				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	69, 89, 96, 102	
CRE: Environmentally-certified buildings	CRE8	Environmentally-certified buildings	88, 89	
Occupational health and safety				
Boundary: Relevant internally in that Fabege offers its employees a stimulating, safe and healthy working environment, and relevant externally in that this makes Fabege an attractive employer for potential employees.				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	65, 69, 89, 90–92, 102	
GRI 401: Employment (2016)	401-1	New employees and staff turnover	53, 93	Fabege does not report in full according to GRI standards. Only a proportion of total number of employees is reported.
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	65, 69, 89, 90–92, 102	
GRI 403: Occupational health and safety (2016)	403-1	Percentage of workforce represented in formal health and safety committees	92	
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	65, 69, 89, 90–92, 102	
GRI 404: Training and education (2016)	404-3	Percentage of employees receiving regular career development reviews	90	Fabege does not report in full according to GRI standards. Only a proportion of total number of employees is reported.
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	65, 69, 89, 90–92, 102	
GRI 405: Diversity and equal opportunity (2016)	405-1	Breakdown of employees, Board of Directors and management composition by indicators of diversity	53, 93	
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	65, 69, 89, 90–92, 102	
GRI 406: Non-discrimination (2016)	406-1	Total number of incidents of discrimination and how they are addressed	65	
Business ethics				
Boundary: Relevant internally and externally as Fabege's Code of Conduct imposes stringent requirements on both employees and business partners.				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	39, 65, 69, 89, 98, 102	
GRI 205: Anti-corruption (2016)	205-3	Confirmed incidents of corruption and action taken	98	
Suppliers				
Boundary: Relevant externally as Fabege imposes stringent requirements on its suppliers, and internally as this work generates awareness and pride among employees.				
GRI 103: Management approach (2016)	103-1, 103-2, 103-3	Management approach	39, 89, 94–95, 102	
GRI 414: Supplier social assessment (2016)	414-1	New suppliers that were screened using social criteria	94–95	
GRI 308: Supplier environmental assessment (2016)	308-1	New suppliers that were screened using environmental criteria	94–95	

Auditor's limited assurance review of Fabege AB's (publ) sustainability reporting and statement regarding the statutory Sustainability Report

TO FABEGE AB (PUBL), CORP. REG. NO 556049-1523

Introduction

We have been engaged by the Board of Directors and the President of Fabege AB to undertake a limited assurance engagement of the Fabege AB's Sustainability Report for the year 2019. The Company has defined the scope of the Sustainability Report on pages 78–102 and the Statutory Sustainability Report on pages 101–102

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with the applicable criteria and the Annual Accounts Act respectively. The criteria are defined on pages 101–102 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR 12 The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Fabege AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm, 25 February 2020
Deloitte AB

Kent Åkerlund
Authorised Public Accountant

Property portfolio

Fabege's properties are concentrated to four submarkets in the Stockholm region: Stockholm inner city, Solna and Hammarby Sjöstad, and Flemingsberg.

The property portfolio mainly comprises commercial premises. Offices account for 84 per cent of the total lettable area, 1,255,000 sqm. In addition to offices, the portfolio includes retail, industrial/warehouse, residential space, hotel and garage properties. The largest submarket, Solna, accounts for 47 per cent of the total market value and 48 per cent of the rental value. At the end of 2019/start of 2020, Fabege's portfolio comprised 87 properties with a total lettable area of 1.3 million sqm. The market value was SEK 74.3bn and the total rental value SEK 3.2bn.

Changes to the property portfolio in 2019

In the second quarter, Pelaren 1, Globen, was sold with transfer of ownership scheduled for 1 July. The purchase price amounted to SEK 1.6bn and generated a profit of SEK 138m, which was recognised as an unrealised change in value in the second quarter. Furthermore, the Lagern 3 property in Råsunda was sold to a co-owned housing development company, with transfer of ownership scheduled for June. The transaction did not have any impact on earnings. In November, an agreement was concluded on the sale of Trängkåren 7 for a purchase price of SEK 3.5bn, with transfer of ownership scheduled for January 2020. The transaction resulted in an unrealised change in value of SEK 33m, which was recognised in the fourth quarter. Overall, unrealised changes in value relating to divested properties totalled SEK 171m (132). Realised changes in value totalled SEK 0m (153).

In July, an agreement was signed on the acquisition of part of Generatorn 2, Flemingsberg, for a purchase price of SEK 60m. The acquired part is currently undeveloped. Transfer of ownership will take place after the local development plan and property reallotment have become legally binding. No properties were acquired in 2019.

Changes in value of properties

At least 25 per cent of Fabege's portfolio has its value appraised externally at the end of each quarter. The value of the remaining properties is appraised internally based on the external valuations as required. Accordingly, the entire property portfolio is independently valued at least once a year. The external valuation was carried out by Cushman & Wakefield and Newsec.

Customers

The customer portfolio is well diversified with over 900 customers from a wide range of industries, representing a mix of private businesses and public sector organisations.

PROPERTY-RELATED KEY FIGURES

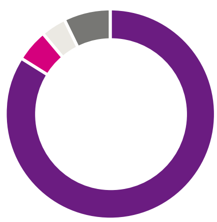
Year	2019	2018	2017	2016
No. of properties	87	89	90	82
Lettable area, 000 sqm	1,255	1,252	1,136	1,062
Financial occupancy rate, %	94	94	94	94
Rental value, SEKm	3,195	2,960	2,594	2,335
Surplus ratio, %	75	74	74	72

SALES OF PROPERTIES

Property name	Area	Category	Lettable area
Lagern 3	Råsunda	Offices	7,524
Pelaren 1	Globen	Offices	21,489
Trängkåren 7[1]	Marieberg	Offices	77,268
Total property sales			**114,861**

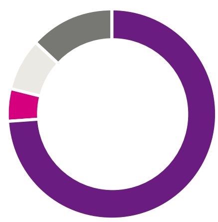
[1]Divested, to be vacated 23 January 2020.

RENTAL VALUE BY CATEGORY, TOTAL OF SEK 3,195M



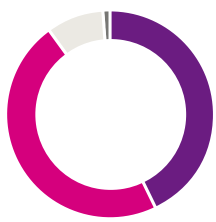
Offices	84%
Retail	5%
Industrial/warehouse	4%
Other	7%

LETTABLE AREA BY CATEGORY, TOTAL 1,255,000 SQM



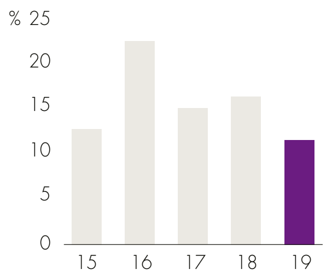
Offices	74%
Retail	5%
Industrial/warehouse	8%
Other	13%

PROPERTY VALUE BY AREA TOTAL SEK 74.3BN



Solna	43%
Inner city	47%
Hammarby Sjöstad	9%
Other markets	1%

TOTAL RETURN ON THE PROPERTY PORTFOLIO



BIGGEST CUSTOMERS

Customer	Percentage[1]	Year of expiry
SEB	6%	2037
Telia Company	4%	2031
ICA Fastigheter Sverige AB	4%	2030
Swedish Tax Agency	4%	2022
Bonnier News	2%	2026
Swedbank	2%	2029
Migrationsverket	2%	2028
Carnegie Investment Bank AB	2%	2022
Statens Skolverk	1%	2024
Telenor	1%	2028
Total	**28%**	

1) Percentage of contractual rent

15 HIGHEST VALUED PROPERTIES

Name	Area	Category	Lettable area, 000 sqm
Pyramiden 4	Arenastaden	Offices	72,234
Trängkåren 7[1)]	Marieberg	Offices	77,264
Apotekaren 22	Norrmalm	Offices	28,345
Bocken 39	Norrmalm	Offices	20,237
Nationalarenan 8	Arenastaden	Offices	46,566
Bocken 35 & 46	Norrmalm	Offices	15,106
Orgeln 7	Sundbyberg	Offices	37,353
Barnhusvärderkvarnen 36	Norrmalm	Offices	25,965
Luma 1	Hammarby Sjöstad	Offices	38,330
Signalen 3	Arenastaden	Offices	31,492
Smeden 1	Solna Business Park	Offices	45,022
Fräsaren 11	Solna Business Park	Offices	39,253
Nöten 4	Solna Strand	Offices	60,995
Fräsaren 12	Solna Business Park	Offices	36,986
Hägern Mindre 7	Norrmalm	Offices	13,596

1)Divested, to be vacated 23 January 2020.

AVERAGE REMAINING LEASE TERM BY SUBMARKET, 31 DECEMBER 2019

Area	No. of properties	No. of leases	Lease length
Stockholm inner city	28	815	2.5
Solna	44	439	6,1
Hammarby Sjöstad	10	267	2.8
Other markets	5	35	2.8
Total/average	**87**	**1,521**	**4.2**

LEASE MATURITY STRUCTURE

Year of maturity	No. of leases	Annual rent, SEKm	%
2020[1)]	648	784	26
2021	290	336	11
2022	221	534	18
2023	134	235	8
2024	48	97	3
2025+	91	852	28
Commercial	1,432	2,838	94
Housing contract	130	12	0
Garage and parking	1,035	168	6
Total	**2,597**	**3,018**	**100**

1)Of which just over SEK 231m has already been renegotiated

CHANGES IN THE PROPERTY PORTFOLIO

	Market value, SEKm	No. of properties
Property portfolio, 01/01/2019	67,634	89
+ Acquisitions	0	0
+ Property reallotments		
+ New builds, extensions and conversions	2,556	
– Sales	–1,683	–2
+/– Unrealised changes in value	5,743	
Property portfolio 31/12/2019	**74,250**	**87**

BREAKDOWN BY LETTABLE AREA, 31 DECEMBER 2019

SQM	Offices	Retail	Industrial/ warehouse	Hotel	Residential	Garage	Total
Stockholm inner city	271,809	24,754	27,902	8,942	7,436	49,952	390,795
Solna	555,664	30,247	36,021	11,791	903	79,462	714,088
Hammarby Sjöstad	93,614	7,069	15,480	0	691	7,318	124,172
Other markets	7,542	528	15,815	1,624	0	0	25,509
Total	**928,629**	**62,598**	**95,218**	**22,357**	**9,030**	**136,732**	**1,254,564**

PROPERTY LISTING

	31 December 2019				
SQM	No. of properties	Lettable area, 000 sqm	Market value, SEKm	Rental value, SEKm	Financial occupancy rate, %
PROPERTY HOLDINGS					
Investment properties[1]	61	1,096	65,972	3,082	94
Development properties[1]	12	145	5,397	107	93
Project properties[1]	14	14	2,881	6	85
Total	**87**	**1,255**	**74,250**	**3,195**	**94**
Of which, Inner city	28	391	31,553	1,322	96
Of which, Solna	44	714	35,183	1,523	92
Of which, Hammarby Sjöstad	10	124	6,767	328	89
Of which, other	5	26	747	22	100
Total	**87**	**1,255**	**74,250**	**3,195**	**94**

[1]See definitions on page120.

Planning process in Sweden

A local development plan is a map featuring regulations that state what the land may be used for and how the buildings should look within the planning area. The average planning process takes between two and three years.

1 Planning decision
If a change to a planning area requires a new plan or an adjustment to the existing detailed plan, an application must be made for a planning decision. The municipality decides whether or not the planning work may begin.

2 Potential programme
Before the planning work is initiated, the municipality decides whether a programme might potentially be required to describe appropriate use of land, infrastructure needs and consequences of a new local development plan. An initial consultation takes place at the programme stage. Any comments that are submitted then form the basis of the formal plan proposal that is drawn up ahead of the next consultation.

3 Consultation for local development plan
The formal plan proposal is drawn up by the municipality's planning administrators in cooperation with Fabege. An initial plan proposal is sent out for consultation to the relevant parties and authorities for their views. Following the consultation period, the proposal is adjusted and all comments received are recorded in a consultation report. The relevant board makes a decision regarding the final plan proposal.

4 Review of local development plan
Once the consultation has been concluded, the proposal is released and the relevant parties have at least three weeks in which to examine and submit comments regarding the plan. Once again, potential adjustments are made to the proposal in response to comments received. Any views and comments received are compiled in a review report. Once this process is complete, the local development plan is approved by the relevant board.

5 Adoption
Following approval, the plan then goes on to the local government council (or delegated political authority) for adoption.

6 Appeal
The municipality's decision regarding the local development plan can be appealed at the Land and Environment Court within three weeks, provided the party launching the appeal is directly affected by the proposal and submitted comments in writing during the review period.

7 Legal approval
If the local development plan is not appealed, or if the appeal is rejected, the plan gains legal approval and can be implemented.

8 Construction start
Once the local development plan has gained legal approval, and planning permission and a decision regarding a start date have been obtained from the municipality, construction can begin.

Projects

FRÄSAREN 12 (PART OF)

Completed: Q4 2020
Lettable area: 7,100 sqm
Estimated investment: SEK 96m
Largest tenants: Skolverket and Arbetsmiljöverket
Environmental classification: BREEAM In-Use, Very Good

SOLNA

Flexible and activity-based

In 2020, the property will undergo refurbishments to customise it according to the preferences of our new tenant Arbetsmiljöverket, which favours a flexible and activity-based approach.

STADSHAGEN

Complete makeover Paradiset 23

We are working actively to develop our premises, and in 2019 the property underwent a complete renovation and transformation. The office building will feature modern premises with an industrial feel, with open installations and appropriate choice of materials, and it will retain a high office standard.

PARADISET 23 (PART OF)

Completed: Q1 2020
Lettable area: 7,200 sqm
Estimated investment: SEK 239m
Largest tenant: Reitan Convenience
Environmental classification: BREEAM In-Use, Very Good

FORTET 2

Completed: Q1 2020
Lettable area: 7,533 sqm
Estimated investment: SEK 136m
Tenant: Kom Hotel
Environmental classification: BREEAM In-Use, Excellent

HAGA NORRA

Hotel between city and park

In the 1950s Hagahuset building, we're working with Kom Hotel to create a hotel and long-stay accommodation with an Italian feel. A four-star, modern and sustainable hotel that offers attractive hotel rooms and smaller apartments with kitchenette where great emphasis has been placed on design, personality, sustainability and smart digital solutions.

NATIONALARENAN 3

Completed: Q1 2021
Lettable area: 19,100 sqm
Estimated investment: SEK 756m
Tenant: Nordic Choice Hotels
Environmental classification: BREEAM-SE, Excellent

ARENASTADEN

Scandinavia's first zero-energy hotel

Fabege is building Sweden's first zero-energy hotel in Arenastaden in Solna. 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.

HAGA NORRA

New premises for Bilia

Bilia's new offices and full-service facilities mean they will stay in a location that has gained increasing appeal over the years, owing to its proximity to Arenastaden, Hagaparken and extended public transport at Solna Station.

HAGALUND 2:2 (PART OF)

Completed: Q1 2021
Lettable area: 40,300 sqm
Estimated investment: SEK 1,129m
Tenant: Bilia
Environmental classification: BREEAM-SE, Very Good

POOLEN

Completed: Q1 2022
Lettable area: 28,000 sqm
Estimated investment: SEK 1,103m
Largest tenants: TietoEVRY
Environmental classification: BREEAM-SE, Very Good

ARENASTADEN

Kvarter Poolen – a new landmark

The property's innovative design makes it a landmark that can be seen from a considerable distance. The swimming pool on the ground floor offers opportunities for training and recreation, and contributes to the continued development of Arenastaden. The spacious terraces boast views of the entire area. 2022 will see consulting giant TietoEVRY moving into the property, our first and biggest tenant there.

ONGOING PROJECTS > SEK 50M

Deed name	Category	Area	Completion	Lettable area, sqm	Occupancy rate[1], %	Rental value[2], SEKm	Carrying amount, SEKm	Estimated investment, SEKm	Of which used, SEKm
Paradiset 23 (part of)	Offices	Stadshagen	Q1 2020	7,200	85%	29	564	239	198
Fortet 2	Hotel	Arenastaden	Q1 2020	7,533	100%	20	358	136	90
Fräsaren 12 (part of)	Offices	Solna	Q4 2020	7,100	83%	23	246	96	1
Hagalund 2:2 (part of)[3]	Shops/Offices	Arenastaden	Q1 2021	40,300	100%	51	306	1,129	458
Nationalarenan 3	Hotel	Arenastaden	Q1 2021	19,100	100%	55	573	756	337
Poolen	Offices	Arenastaden	Q1 2022	28,000	78%	97	128	1,103	128
Total				109,233	91%	275	2,175	3,459	1,212
Other land and project properties							1,258		
Other development properties							5,091		
Total Projects, Land and Development properties							8,524		

[1] Operational occupancy rate at 31 December 2019.

[2] Rental value including supplements. The annual rent for the largest projects in progress could increase to SEK 275m (fully let) from SEK 0m in annualised current rent at 31 December 2019.

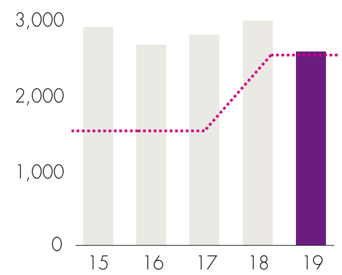
[3] Approx. 25,400 sqm of the lettable area for the Hagalund 2:2 (formerly Stora Frösunda 2) property relates to a parking area.

DEVELOPMENT RIGHTS 31/12/2019[4]

Commercial, sqm		Residential, sqm	
Inner city	29,800	Inner city	–
Solna	204,500	Solna	249,500
Hammarby Sjöstad	42,800	Hammarby Sjöstad	–
Other	97,400	Other	–
Total	374,500	Total	249,500
Legal approval, %	43	Legal approval, %	44
Carrying amount, SEK/sqm	3,900	Carrying amount, SEK/sqm	7,800

[4] Area and carrying amount relate to additional development rights space. Development will in some cases require demolition of existing areas, which will impact the project 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 underway on the vision and overall plan. The conclusion is that Flemingsberg will bring a substantial volume of development rights at low initial values.

INVESTMENTS, SEKm[5]



[5] Target: at least SEK 2,500m per year over a business cycle

Property listing

Stockholm inner city, 31 December 2019

		Property name	Area	Street address	Construction year	Office/sqm	Retail/sqm	Industrial + warehouse/ sqm	Residential/ sqm	Hotel/sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31/12/2019
		STOCKHOLM INNER CITY											
■	1	Apotekaren 22	Norrmalm	Döbelnsgatan 20, 24, Kungstensgatan 21–23, Rådmansgatan 40, 42, Tulegatan 7 A–B 13	1902 /2002	25,191	680	1,656	0	0	818	28,345	955,000
■	2	Barnhusväderkvarnen 36	Norrmalm	Rådmansgatan 61–65	1963	13,930	974	2,240	0	0	8,821	25,965	559,000
■	3	Bocken 35	Norrmalm	Lästmakargatan 22–24	1951	14,340	127	639	0	0	0	15,106	862,000
■	4	Bocken 39	Norrmalm	Lästmakargatan 20, Kungsgatan 7–15	1931	16,066	2,579	1,372	0	0	220	20,237	1,021,000
■	5	Bocken 46	Norrmalm	Regeringsgatan 56	1977	0	0	0	0	0	0	0	0
■	6	Bocken 47	Norrmalm	Lästmakargatan 8	1929	531	665	0	0	0	0	1,196	49,000
	7	Bocken 52	Norrmalm	Lästmakargatan 14–16		145	0	0	2,214	0	0	2,359	126,106
■	8	Drabanten 3	Kungsholmen	Kungsbroplan 3, etc.	1907	6,370	0	216	0	0	0	6,586	187,500
■	9	Fenix 1	Norrmalm	Barnhusgatan 3	1929	3,510	48	198	0	0	0	3,756	137,500
■	10	Getingen 13	Vasastan	Sveavägen 149	1963	11,180	659	2,702	0	0	2,415	16,956	330,000
■	11	Getingen 14	Vasastan	Sveavägen 143–147	1953	8,461	2,470	766	0	0	1,123	12,820	233,500
■	12	Getingen 15	Vasastan	Sveavägen 159	1963	13,473	2,502	4,993	0	0	5,001	25,969	322,000
■	13	Glädjen 12	Stadshagen	Franzéngatan 6, Hornsbergs Strand 17	1949	12,487	0	0	0	0	0	12,487	313,000
■	14	Hägern Mindre 7	Normalm	Drottninggatan 27–29	1971	8,329	2,312	788	0	0	2,167	13,596	549,004
■	15	Islandet 3	Normalm	Holländargatan 11–13	1904	8,315	0	12	0	0	255	8,582	289,000
■	16	Läraren 13	Normalm	Torsgatan 4	1904/1929	6,839	0	0	0	0	0	6,839	250,000
■	17	Mimer 5	Vasastan	Hagagatan 25 A–C, Vanadisvägen 9	1957	11,692	0	75	0	0	5	11,772	0
■	18	Norrtälje 24	Normalm	Engelbrektsgatan 5–7	1881	6,369	0	172	0	0	526	7,067	340,000
■	19	Ormträsket 10	Vasastan	Sveavägen 166–170, 186	1962/1967	13,685	3,409	764	0	0	2,071	19,929	409,000
■	20	Oxen Mindre 33	Normalm	Luntmakargatan 18	1979	8,118	0	1,393	0	0	698	10,209	239,000
	21	Oxen Mindre 38	Normalm	Malmskillnadsgatan 47 A, B	1979	122	0	0	2,822	0	3	2,947	114,894
■	22	Paradiset 23[1)]	Stadshagen	Strandbergsgatan 53–57	1944	675	0	0	0	0	1,655	2,330	145,500
	23	Paradiset 27[1)]	Stadshagen	Strandbergsgatan 59–65	1959	19,690	3,546	875	0	0	2,229	26,340	496,000
■	24	Pilen 27	Normalm	Bryggargatan 12 A	1907	1,847	0	233	0	0	0	2,080	95,000
■	25	Pilen 31	Normalm	Gamla Brogatan 27–29, Vasagatan 38	1988	4,610	598	232	0	3,542	571	9,553	488,000
■	26	Sparven 18	Östermalm	Birger Jarlsgatan 21–23, Kungsgatan 2	1929	1,624	1,605	48	0	5,400	0	8,677	456,029
■	27	Trängkåren 7	Marieberg	Gjörwellsgatan 30–34, Rålambsvägen 7–15	1963	46,974	1,329	8,113	0	0	20,848	77,264	1,124,509
■	28	Ynglingen 10	Östermalm	Jungfrugatan 23, 27, Karlavägen 58–60	1929	7,236	1,252	415	2,400	0	526	11,829	362,000
		Total Inner city				**271,809**	**24,754**	**27,902**	**7,436**	**8,942**	**49,952**	**390,795**	**10,453,542**

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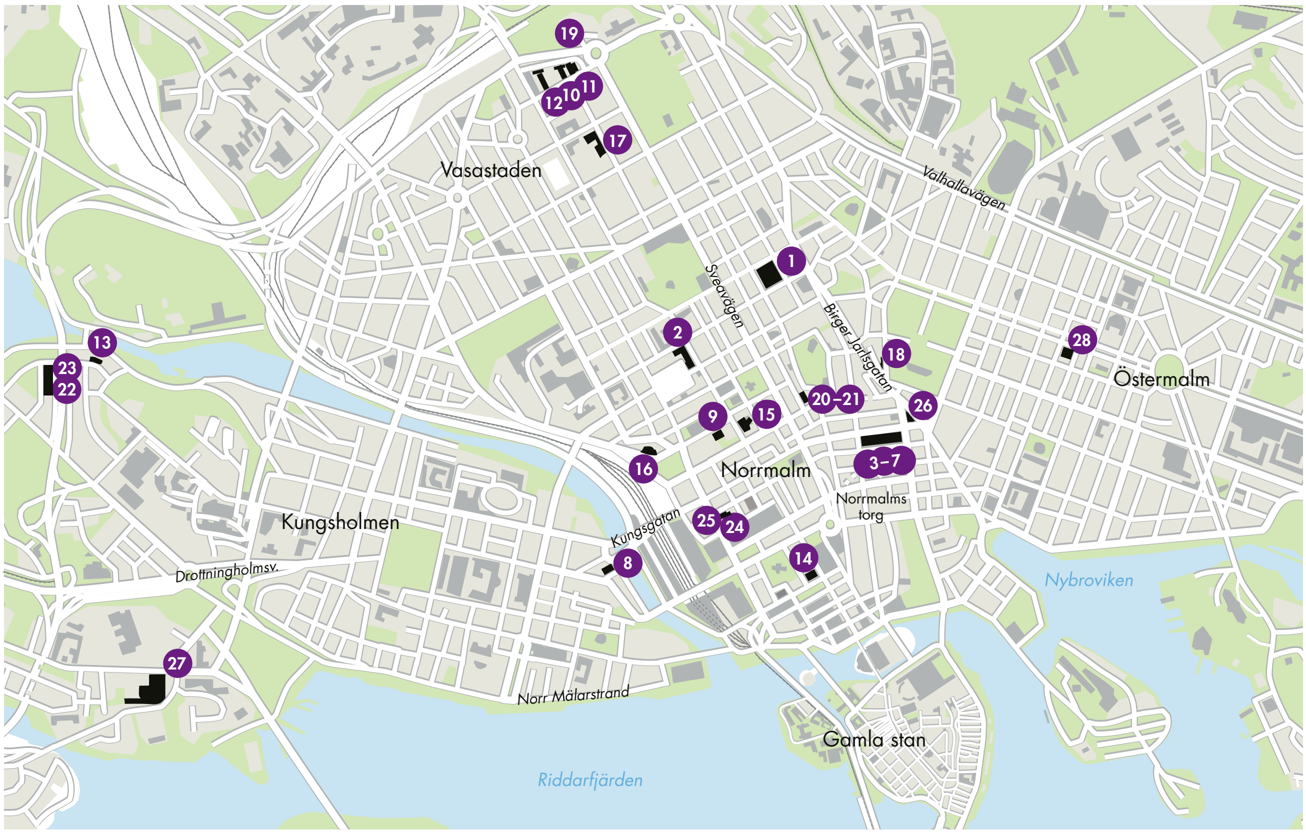
■ Certified/Registered for certification



19
12
10
11
17
Vasastaden
Valhallavägen
1
Sveavägen
Birger Jarlsgatan
2
18
28
Östermalm
13
23
22
20–21
26
9
15
16
Norrmalm
3–7
Norrmalms torg
Kungsholmen
Kungsgatan
25
24
14
8
Drottningholmsv.
Nybroviken
27
Norr Mälarstrand
Gamla stan
Riddarfjärden

4 Bocken 39

1 Apotekaren 22

Tulegatan 7A-13
kv. Apotekaren
Kungstensgatan 21A-23B
kv. Apotekaren
KV. APOTEKAREN TULEGATAN
KV. APOTEKAREN KUNGSTENSGATAN

Solna, 31 December 2019

		Property name	Area	Street address	Construction year	Office/sqm	Retail/sqm	Industrial + warehouse/ sqm	Residential/ sqm	Hotel/sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31/12/2019
		SOLNA, ARENASTADEN											
	1	Farao 14[1]	Arenastaden	Dalvägen 10, Pyramidvägen 7, 9	1967	0	0	0	0	0	0	0	107,000
	2	Farao 15[1]	Arenastaden	Dalvägen 8, Pyramidvägen 5	1981	6,427	723	815	0	0	1,020	8,985	76,995
	3	Farao 16[1]	Arenastaden	Dalvägen 4–6, Pyramidvägen 3	1973	2,792	1,617	1,402	0	0	540	6,351	48,402
	4	Farao 17[1]	Arenastaden	Dalvägen 2, Pyramidvägen	1975	3,180	0	2,091	0	0	560	5,831	49,003
	5	Farao 19[2]	Arenastaden			0	0	0	0	0	0	0	0
■	6	Farao 20	Arenastaden	Pyramidvägen 7	1964	6,215	1,045	166	0	0	375	7,801	194,000
■	7	Farao 8	Arenastaden	Dalvägen 12, Pyramidvägen 11	2001	5,839	0	325	0	0	0	6,164	92,000
■	8	Fortet 2[3]	Arenastaden	Råsundavägen 1–3, Hagavägen 1	1958	1,181	0	0	0	0	17	1,198	48,352
	9	Järva 4:17[3]	Arenastaden			0	0	0	0	0	0	0	0
	10	Kairo 1	Arenastaden	Pyramidvägen 2	1983	10,741	0	0	0	0	0	10,741	100,000
■	11	Poolen 1	Arenastaden			0	0	0	0	0	0	0	0
■	12	Pyramiden 4[2]	Arenastaden	Stjärntorget 3–5, Pyramidvägen 4–22, Magasinsvägen 6–12, Råsta strandväg 5–9	2018	72,234	0	0	0	0	0	72,234	1,750,000
■	13	Signalen 3[2]	Arenastaden	Kolonnvägen 22		31,116	0	376	0	0	0	31,492	560,000
■	14	Nationalarenan 3	Arenastaden			0	0	0	0	0	0	0	126,000
	15	Nationlarenan 5	Arenastaden	Evenemangsgatan 32	2013	0	0	0	0	0	25,500	25,500	58,000
■	16	Nationlarenan 8	Arenastaden	Stjärntorget 1, Råsta strandväg 15 C, Evenemangsgatan 2 C		46,566	0	0	0	0	0	46,566	983,000
	17	Stigbygeln 2	Arenastaden	Gårdsvägen 6	1955	8,898	0	0	0	0	0	8,898	120,633
■	18	Stigbygeln 3	Arenastaden	Gårdsvägen 8	1960	5,144	262	454	0	0	0	5,860	94,976
■	19	Stigbygeln 5	Arenastaden	Gårdsvägen 10 A, B	1963	6,791	0	50	0	0	570	7,411	144,000
■	20	Stigbygeln 6	Arenastaden	Gårdsvägen 12–18	2001	8,978	581	338	0	0	0	9,897	222,000
	21	Tygeln 3	Arenastaden	Gårdsvägen 13–21	2001	4,397	0	0	0	0	5,100	9,497	190,000
	22	Tömmen 1	Arenastaden	Gårdsvägen 2–4	1952	5,659	0	1,236	0		229	7,124	27,543
	23	Tömmen 2	Arenastaden	Gårdsvägen 2		0	0	0	0	0	2,610	2,610	0
■	24	Uarda 1	Arenastaden	Dalvägen 30, Evenemangsgatan 27–31, Vintervägen 33	1987	22,242	1,603	480	0	0	30	24,355	603,000
	25	Uarda 4	Arenastaden	Dalvägen 14–16	1992	6,496	0	1,482	0	0	0	7,978	149,000
		Total Solna, Arenastaden				**254,896**	**5,831**	**9,215**	**0**	**0**	**36,551**	**306,492**	**5,743,904**

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[2] Land & project property – Land and development properties and properties in which a new build/complete redevelopment is in progress.

[3] Located outside the map image.

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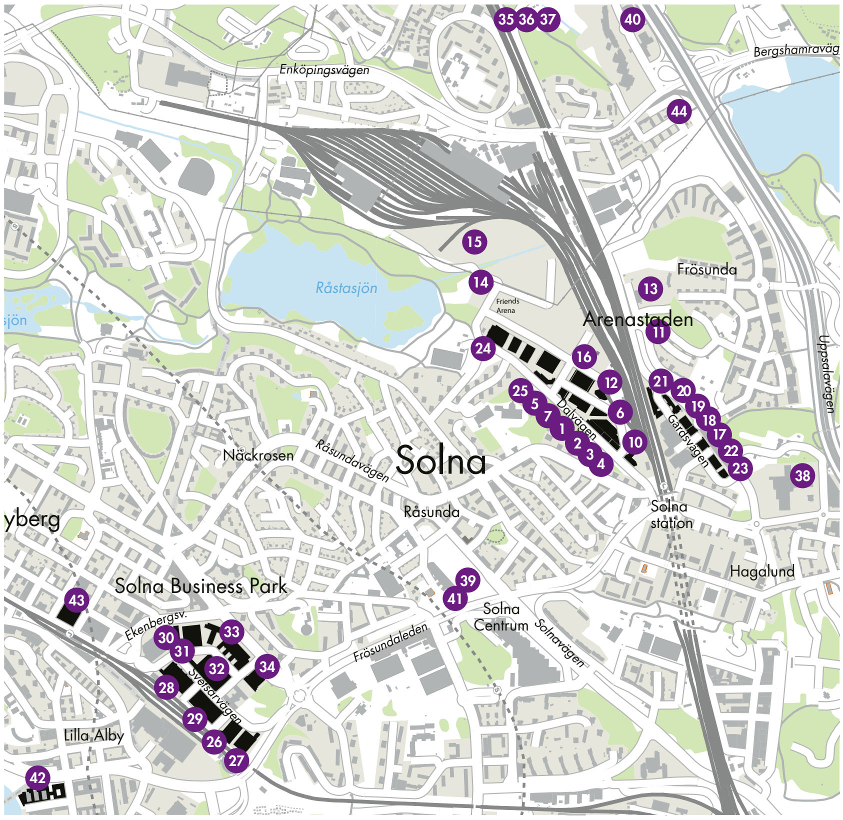

		Property name	Area	Street address	Construction year	Office/sqm	Retail/sqm	Industrial + warehouse/ sqm	Residential/ sqm	Hotel/sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31/12/2019
		SOLNA, SOLNA BUSINESS PARK											
	26	Fräsaren 9[1]	Solna Business Park	Svetsarvägen 22	1962	1,097	0	8,442	0	0	0	9,539	20,449
■	27	Fräsaren 10	Solna Business Park	Svetsarvägen 24	1964	7,235	4,241	138	0	0	9	11,623	172,000
■	28	Fräsaren 11	Solna Business Park	Englundavägen 2–4, Svetsarvägen 4–10	1962	32,819	593	1,391	0	1,840	2,610	39,253	575,000
■	29	Fräsaren 12	Solna Business Park	Svetsarvägen 12–18, 20, 20 A	1964	19,014	10,163	969	0	0	6,840	36,986	434,000
	30	Sliparen 1[1]	Solna Business Park	Ekensbergsvägen 115, Svetsarvägen 1–3	1963	362	0	3,032	0	0	1,388	4,782	23,000
■	31	Sliparen 2	Solna Business Park	Ekensbergsvägen 113, Svetsarvägen 3–5	1964	16,063	0	3,242	0	0	3,315	22,620	276,000
■	32	Smeden 1	Solna Business Park	Englundavägen 6–14, Smidesvägen 5–7, Svetsarvägen 5–17	1967	34,623	4,593	1,638	467	0	3,701	45,022	585,317
■	33	Svetsaren 1	Solna Business Park	Englundavägen 7–13	1964	27,644	1,071	2,407	436	2,491	6,090	40,139	459,135
	34	Yrket 3	Solna Business Park	Smidesvägen 2–8	1982	4,864	0	1,076	0	0	1,470	7,410	39,000
		Total Solna Business Park				**143,721**	**20,661**	**22,335**	**903**	**4,331**	**25,423**	**217,374**	**2,583,901**
		OTHER PARTS OF SOLNA											
	35	Distansen 4[2]	Ulriksdal		2016	0	0	0	0	0	0	0	21,600
■	36	Distansen 6	Ulriksdal	Kolonnvägen 43–55	2016	10,513	539	0	0	0	0	11,052	158,000
■	37	Distansen 7	Ulriksdal	Kolonnvägen 57–59	2016	0	0	0	0	0	9,810	9,810	31,506
	38	Hagalund 2:2[1,2]	Arenastaden	Frösundaleden 4	1973	40,720	0	0	0	0	3	40,723	185,821
■	39	Hörnan 1[2]	Råsunda	Solnavägen 31–35, Garvis Carlssons gata 1–9		15,698	730	32	0	0	0	16,460	440,000
■	40	Järvakrogen 3	Frösunda	Enköpingsvägen 1	2015	0	0	0	0	7,460	0	7,460	214,000
	41	Lagern 2	Råsunda	Solnavägen 37, Idrottsgatan 7	1985	0	0	0	0	0	0	0	0
■	42	Nöten 4	Solna Strand	Solna strandväg 2–60	1971	50,043	956	2,400	0	0	7,596	60,995	873,000
■	43	Orgeln 7[2]	Sundbyberg	Järnvägsgatan 12–20, Lysgränd 1, Rosengatan 2,4, Sturegatan 11–19	1966	33,710	1,530	2,039	0	0	74	37,353	336,000
	44	Sadelplatsen 1	Frösunda	Vallgatan 11		6,363					5	6,368	111,000
		Total, other parts of Solna				**157,047**	**3,755**	**4,471**	**0**	**7,460**	**17,488**	**190,221**	**2,370,927**
		Total, Solna				**555,664**	**30,247**	**36,021**	**903**	**11,791**	**79,462**	**714,087**	**10,698,732**

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[2] Land & project property – Land and development properties and properties in which a new build/complete redevelopment is in progress.

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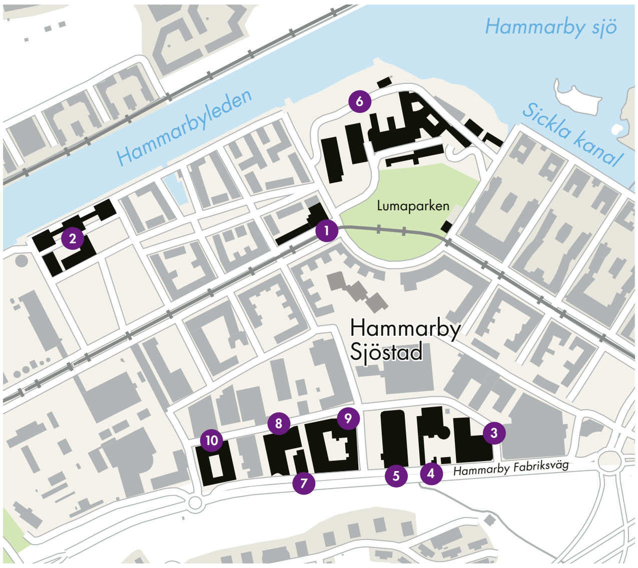
Hammarby Sjöstad, 31 December 2019



6 Luma 1


10 Trikåfabriken 9

		Property name	Area	Street address	Construction year	Office/sqm	Retail/sqm	Industrial + warehouse/ sqm	Residential/ sqm	Hotel/sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31/12/2019
		HAMMARBY SJÖSTAD											
■	1	Fartygstrafiken 2	Hammarby Sjöstad	Hammarby Allé 93	1955	6,729	1,840	165	0	0	9	8,743	155,000
■	2	Båtturen 2	Hammarby Sjöstad	Hammarby Kajväg 12, Hammarby Kaj 14–18	1937	16,543	276	457	0	0	1,230	18,506	334,000
■	3	Korphoppet 1	Hammarby Sjöstad	Virkesvägen 24–26	1949	8,399	575	4,224	0	0	974	14,172	211,500
	4	Korphoppet 5[2]	Hammarby Sjöstad	Hammarby Fabriksväg 37–39	1968	0	0	0	0	0	0	0	8,400
■	5	Korphoppet 6	Hammarby Sjöstad	Hammarby Fabriksväg 33	1988	0	428	4,254	0	0	0	4,682	83,000
■	6	Luma 1	Hammarby Sjöstad	Ljusslingan 1–17, 2–26, Glödlampsgränd 1–6, Lumaparksvägen 2–18, 5–15, Kölnagatan 3	1930	29,815	2,538	1,438	691	0	3,848	38,330	442,448
	7	Trikåfabriken 12[1]	Hammarby Sjöstad	Hammarby Fabriksväg 27	1942	0	0	0	0	0	0	0	1,620
■	8	Trikåfabriken 4	Hammarby Sjöstad	Virkesvägen 8–10	1991	6,736	0	2,904	0	0	975	10,615	142,341
■	9	Trikåfabriken 8	Hammarby Sjöstad	Virkesvägen 12, Heliosgatan 1–3	1930	12,647	1,037	1,668	0	0	12	15,364	238,000
■	10	Trikåfabriken 9[2]	Hammarby Sjöstad	Virkesvägen 2–4	1928	12,745	375	370	0	0	271	13,761	276,000
		Total, Hammarby Sjöstad				**93,614**	**7,069**	**15,480**	**691**	**0**	**7,319**	**124,173**	**1,892,309**

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[2] Land & project property – Land and development properties and properties in which a new build/complete redevelopment is in progress.

■ Certified/Registered for certification

Flemingsberg, 31 December 2019

	Property name	Area	Street address	Construction year	Office/sqm	Retail/sqm	Industrial + warehouse/ sqm	Residential/ sqm	Hotel/sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31/12/2019
FLEMINGSBERG												
1	Batteriet 3	Flemingsberg	Regulatorvägen 15	1981	800	0	0	0	0	0	800	5,728
2	Batteriet 4[2)]	Flemingsberg	Regulatorvägen 17		0	0	0	0	0	0	0	3,604
3	Regulatorn 1	Flemingsberg	Jonvägen 1, 3; Elektronvägen 2, 4, 6; Regulatorvägen 6, 8	1963	6,742	528	15,815	0	1,624	0	24,709	179,672
Total, Flemingsberg					7,542	528	15,815	0	1,624	0	25,509	189,004

Other, 31 December 2019

	Property name	Area	Street address	Construction year	Office/sqm	Retail/sqm	Industrial + warehouse/ sqm	Residential/ sqm	Hotel/sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31/12/2019
OTHER, NORTHERN STOCKHOLM												
1	Tekniken 1[2)]	Sollentuna			0	0	0	0	0	0	0	103
2	Vallentuna Rickeby 1:327[2)]	Vallentuna			0	0	0	0	0	0	0	237
Total, Northern Stockholm					0	0	0	0	0	0	0	340

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2) Land & project property – Land and development properties and properties in which a new build/complete redevelopment is in progress.

Certified/Registered for certification

Share information

Fabege's share rose by 32.9 per cent in 2019 and at year-end the share price was SEK 159.18 per share. At the end of the year, Fabege had 40,360 shareholders. Swedish ownership totalled 62.0 per cent.

Turnover and trading

In 2019, Fabege's share was traded in a large number of different trading places, both on regulated marketplaces (stock exchanges) and on other trading platforms. The largest trading places in 2019 were Cobe Europe, Nasdaq Stockholm, LSE Group and Aquis, which together accounted for approximately 97 per cent of share turnover.

Dividend policy

Fabege aims to pay a dividend to its shareholders comprising the part of the company's profit that is not required for the consolidation or development of the business. 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. The Board of Directors' proposes a dividend of SEK 3.20 per share for 2019 to the Annual General Meeting, to be paid on two occasions in April and October in the amount of SEK 1.60 per share on each occasion. The total proposed dividend amount is SEK 1,059m, which corresponds to an increase of 21 per cent.

Acquisition and transfer of treasury shares

The 2019 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 and the company holds no treasury shares.

Shares and share capital

Fabege's share capital at year-end was SEK 5,097m (5,097), represented by 330,783,144 shares (330,783,144). All shares carry the same voting rights and entitle the holder to the same share of the company's capital. The quotient value amounts to SEK 15.41 per share.

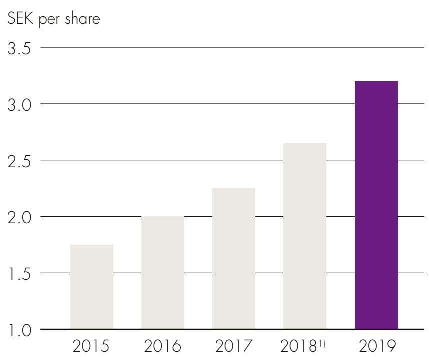
Owners

At 31 December 2019, Fabege had 40,360 known (38,355) shareholders. The 15 largest owners jointly controlled 47.3 per cent of the total number of shares outstanding.

	Number of shares[1]	Proportion of capital and votes, %
Erik Paulsson and companies	50,186,718	15.2
Länsförsäkringar Fonder	18,774,524	5.7
BlackRock	14,658,395	4.4
AMF Försäkringar & Fonder	9,806,212	3.0
Fourth Swedish National Pension Fund	9,447,569	2.9
Vanguard	9,330,266	2.8
Mats Qviberg and family	7,495,736	2.3
ENA City AB	6,240,000	1.9
Norges Bank	4,951,099	1.5
BMO Global Asset Management	4,935,445	1.5
SEB Fonder	4,710,630	1.4
Investment AB Öresund	4,500,000	1.4
Handelsbanken Fonder	3,859,962	1.2
Pensionskassan SHB Försäkringsförening	3,840,000	1.2
Folksam	3,821,922	1.2
Total 15 largest shareholders	**156,558,478**	**47.3**
Other	174,224,666	52.7
Total number of shares outstanding	**330,783,144**	**100.0**
Treasury shares	0	0
Total number of registered shares	**330,783,144**	**100.0**

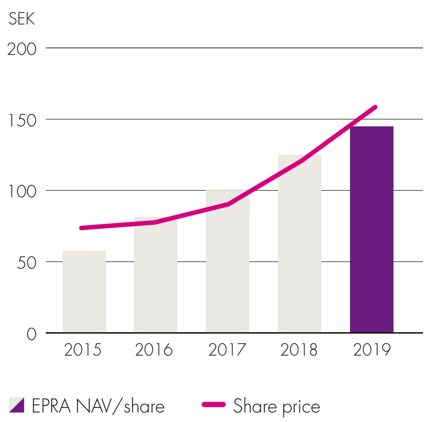
[1] Monitor av Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar, Finansinspektionen and Nasdaq.

DIVIDEND[1, 2]

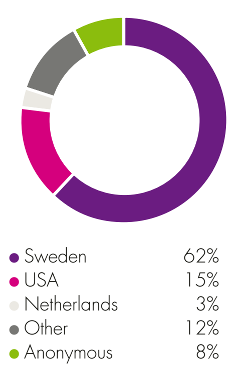


[1]Adjustment following 2:1 share split.
[2]Dividend proposed by Board.

SHARE PRICE AND EPRA NAV/SHARE[1]



OWNERSHIP DISTRIBUTION BY COUNTRY

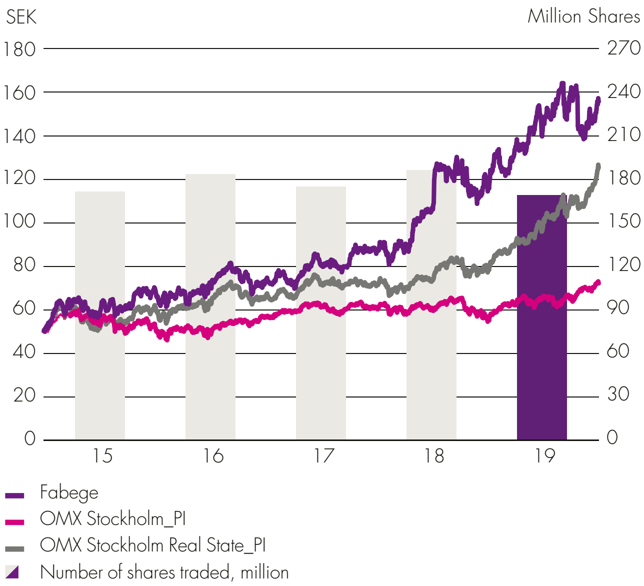


Data at 31 December 2019.

Source: Monitor av Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar, Finansinspektionen and Nasdaq.

Further share information is available at fabege.com

SHARE PRICE PERFORMANCE 2015–2019



Source: Web Financial Group

ANALYSTS FOLLOWING FABEGE, 31/12/2019

Legal name of the Issuer	Analyst
ABG Sundal Collier	Tobias Kaj
Barclays	Paul May
Carnegie Investment	Erik Granström & Fredric Cyon
Danske Bank	Philip Hallberg
DnB NOR	Niklas Wetterling
Goldman Sachs International	Jonathan Kownator
Green Street Advisors	Peter Papadakos
Handelsbanken	Johan Edberg & David Flemmich
Kempen	Robert Woerdeman
Kepler Cheuvreux	Jan Ihrfelt & Albin Sandberg
Morgan Stanley	Bart Gysens
Nordea Bank	Niclas Höglund
Pareto Securities	Markus Henriksson
SEB Enskilda	Stefan Andersson
UBS	Charles Boissier

SHARE HISTORY

Year		Change in number of shares	Total number of shares	Share capital, SEK	Quotient value
2018	Split 2:1	165, 391, 572	330,783,144	5,097,368,249	15.41
2011–2017			165,391,572	5,097,368,249	30.82
2010	Cancellation of repurchased shares	–3,929,400	165,391,572	5,097,368,249	30.82
2009	Conversion of debenture loan	9,418	169,320,972	5,096,558,087	30.1
2008	Conversion of debenture loan	3,306	169,311,554	5,096,274,606	30.1
	Cancellation of repurchased shares	–9,150,673	169,308,248		
2007	Split 2:1	89,223,081	178,458,921	5,086,079,249	28.5
	Conversion of debenture loan	25,763			
	Klövern AB redemption offer	–5,948,205			
	Cancellation of repurchased shares	–5,441,100			
2006	Conversion of debenture loan	62,435	100,599,382	5,029,969,100	50
	New share issue in connection with purchase of Tornet AB	4,381,376			
2005	Conversion of debenture loan	3,176	96,155,571	4,807,778,550	50

Five-year summary

	2019	2018	2017	2016	2015
PROFIT AND LOSS ACCOUNTS, SEKm					
Rental income	2,856	2,517	2,280	2,105	1,998
Net operating income	2,144	1,875	1,680	1,507	1,429
Realised changes in value/Gain from property sales	0	153	0	491	21
Unrealised changes in value, properties	5,743	7,685	6,095	7,614	3,252
Profit/loss from Property Management	1,532	1,246	992	471	688
Profit/loss before tax	7,034	9,103	7,351	8,680	4,233
Profit/loss after tax	6,006	7,699	5,632	7,107	3,232
BALANCE SHEET, SEKm					
Properties	74,250	67,634	57,889	47,842	40,279
Right-of-use asset, leasehold	942	–	–	–	–
Other property, plant and equipment	6	3	4	2	1
Derivatives	58	–	–	–	–
Non-current financial assets	810	429	342	516	925
Current assets	318	622	647	1,687	444
Short-term investments	134	127	153	114	70
Cash and cash equivalents	24	15	349	62	32
Shareholders' equity	40,068	34,964	28,012	23,002	16,479
Provisions	7,613	6,547	5,221	3,486	1,935
Interest-bearing liabilities	26,414	26,275	24,841	21,978	21,068
Lease liability	942	–	–	–	–
Derivatives	426	132	291	559	658
Non-interest-bearing liabilities	1,079	912	1,019	1,198	992
Other non-current liabilities	–	–	–	–	619
Total assets	76,542	68,830	59,384	50,223	41,751
KEY RATIOS[1]					
Surplus ratio, %	75	74	74	72	72
Interest coverage ratio, multiple	4.4	3.7	3.2	2.7	2.1
Capital employed, SEKm	67,850	61,371	53,144	45,839	38,824
Equity/assets ratio, %	52	51	47	46	39
Debt ratio, multiple	12.8	14.6	15.5	15.3	15.4
Debt/equity ratio, multiple	0.7	0.8	0.9	1	1.3
Loan-to-value ratio, properties, %	36	39	43	46	52
Return on equity, %	16.0	24.5	22.1	36.1	21.4
Return on capital employed, %	11.4	16.4	15.8	29.5	13.2
Average interest rate on interest-bearing liabilities, %	1.72	1.55	2.2	2.64	2.58
Property acquisitions and investments in existing properties, SEKm	2,556	3,714	4,092	3,133	4,479
Property sales, selling price, SEKm	1,701	1,847	140	3,656	26
Average no. of employees	172	163	149	143	138
DATA PER SHARE, SEK[1]					
Earnings	18, 16	23.28	17.03	21.49	9.77
Shareholders' equity	121	106	85	70	50
Cash flow from operating activities	6.10	2.95	2.37	2.35	5.27
EPRA NAV (long-term net asset value)	145	125	101	82	58
EPRA EPS	4.01	3.42	2.73	1.51	1.97
Dividend[2]	3.20	2.65	2.25	2.00	1.75
Yield, %	2.0	2.2	2.6	2.7	2.5
Share price at year-end[3]	159.18	118.2	87.3	74.5	70.1
No. of shares at year-end before dilution, million	330.8	330.8	165.4	165.4	165.4
No. of shares at year-end after dilution, million	330.8	330.8	165.4	165.4	165.4

[1] Key ratios based on the average number of shares, shareholders' equity, capital employed and interest-bearing liabilities have been calculated on a weighted average basis. Adjustment following 2:1 share split.

[2] Cash dividend for 2019 as proposed.

[3] Last paid.

Reconciliation of key ratios

	2019	2018
RETURN ON EQUITY		
Profit/loss for the period, SEKm	6,006	7,699
Average capital, SEKm	37,516	31,488
Return on equity, %	**16.0**	**24.5**
EQUITY/ASSETS RATIO		
Shareholders' equity, SEKm	40,068	34,964
Total assets, SEKm	76,542	68,830
Equity/assets ratio, %	**52**	**51**
LOAN-TO-VALUE RATIO, PROPERTIES		
Interest-bearing liabilities, SEKm	26,414	26,275
Carrying amount, properties, SEKm	74,250	67,634
Loan-to-value ratio, properties, %	**36**	**39**
DEBT RATIO		
Net operating income, SEKm	2,144	1,875
Central administration, SEKm	–85	–80
Total, SEKm	**2,095**	**1,795**
Interest-bearing liabilities, SEKm	26,414	26,275
Debt ratio, multiple	**12.8**	**14.6**
INTEREST COVERAGE RATIO		
Net operating income, SEKm	2,144	1,875
Ground rent, SEKm	–28	–
Central administration, SEKm	–85	–80
Total, SEKm	**2,031**	**1,795**
Net interest expense, SEKm	–465	–485
Interest coverage ratio, multiple	**4.4**	**3.7**
DEBT/EQUITY RATIO		
Interest-bearing liabilities, SEKm	26,414	26,275
Shareholders' equity, SEKm	40,068	34,964
Debt/equity ratio, multiple	**0.7**	**0.8**
TOTAL RETURN ON PROPERTIES		
Net operating income, SEKm	2,144	1,875
Realised and unrealised changes in value, properties, SEKm	5,743	7,838
Market value incl. investments for the period, SEKm	68,678	59,679
Total return on properties, %	**11.5**	**16.3**

EPRA KEY RATIOS	2019	2018
EPRA Earnings (prof. from prop. man. after tax paid), SEKm	1,325	1,131
EPRA Earnings (EPS), SEK/share	4.01	3.42
EPRA NAV (long-term net asset value), SEKm	47,868	41,477
EPRA NAV, SEK/share	145	125
EPRA NNNAV (current net asset value), SEKm	45,699	39,758
EPRA NNNAV, SEK/share	138	120
EPRA Vacancy rate, %	6	6
EPRA EPS		
Profit/loss from Property Management, SEKm	1,532	12
Deduction for tax depreciations, SEKm	–567	–721
Total, SEKm	**965**	**525**
Nominal tax, SEKm	207	166
Total EPRA profit/loss (earnings from property management less nominal tax), SEKm	**1,325**	**1,131**
Number of shares, million	330.8	330.8
EPRA EPS, SEK/share	**4.01**	**3.42**
EPRA NAV & EPRA NNAV		
Shareholders' equity, SEKm	40,068	34,964
Reversal of fixed-income derivatives, SEKm	367	132
Reversal of deferred tax according to balance sheet, SEKm	7,431	6,381
Total, SEKm	**47,866**	**41,477**
Number of shares, million	330.8	330.8
EPRA NAV (long-term net asset value), SEK/share	**145**	**125**
Deduction, fixed-income derivatives	–367	–132
Deduction of actual deferred tax, SEKm	–1,800	–1,587
ERRA NNAV (short-term net asset value), SEKm	**45,699**	**39,758**
EPRA NNNAV (short-term net asset value), SEK/share	**138**	**120**
EPRA VACANCY RATE		
Estimated market value for vacant rents, SEKm	202	176
Annual rental value, entire portfolio	3,195	2,960
EPRA Vacancy rate, %	**6**	**6**
EPRA INVESTMENTS[1]		
Acquisitions, SEKm	0	751
Investment in development and project properties, SEKm	1,544	2,359
Investment in investment properties, SEKm	1,012	604
Miscellaneous, SEKm	–	–
Total EPRA Investments, SEKm	**2,556**	**3,714**

[1] No direct investments have occurred in joint ventures.

The following financial targets have been established by the Board of Directors:

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

Definitions

The company presents certain financial performance measures in the Annual 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 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.

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.

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

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

Debt/equity ratio Interest-bearing liabilities divided by shareholders' equity.

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

Development properties[1)] 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.

Earnings/profit per share Parent Company shareholders' share of profit after tax for the period divided by average number of shares outstanding during the period. Definition according to IFRS.

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 NNNAV (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.

Equity/assets ratio Shareholders' equity divided by total assets.

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

Financial occupancy rate[1)]Lease value divided by rental value at the end of the period.

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

Investment properties[1)] Properties that are being actively managed on an ongoing basis.

Land and project properties[1)] Land and developable properties and properties in which a new build/complete redevelopment is in progress.

Lease value[1)] Stated as an annual value. Index-adjusted basic rent under leases plus rent supplements.

Loan-to-value ratio, properties Interest-bearing liabilities divided by the carrying amount of the properties at the end of the period.

Net lettings[1)] New lettings during the period less terminations to vacate.

Rental value[1)] Lease value plus estimated annual rent for vacant premises after a reasonable general renovation.

Retention rate[1)] The proportion of leases that are extended in relation to the proportion of cancellable leases.

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

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

Segment reporting 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 and indirect 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 (direct and indirect expenses). Property assets are directly attributed to each segment and recognised on the balance sheet date.

Surplus ratio[1)] Net operating income divided by rental income.

Total return on 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.

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

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

AGM and registration

The Annual General Meeting will be held at Filmstaden Scandinavia, Mall of Scandinavia, Råsta Strandväg 19 A Solna, on Thursday 2 April 2020 at 3 pm CET. Registration for the AGM begins at 2.15 pm CET.

Registration

Shareholders wishing to participate in the AGM must firstly be registered in the share register maintained by Euroclear Sweden AB (formerly VPC AB) on Friday 27 March 2020, and secondly notify the company of their intention to participate, stating the names of any advisors they wish to invite, no later than 4 pm CET on Friday 27 March 2020.

Notice of attendance at the AGM is given in one of the following ways:

- In writing to Fabege AB (publ), 'Fabege's Annual General Meeting', c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm
- By telephone: +46 (0)8-402 90 68
- Via Fabege's website www.fabege.com/agm

When registering, shareholders must state their name, personal ID or corporate registration number, address and telephone number, shareholding and the names of any accompanying advisors. Shareholders whose shares are held in the name of a trustee must temporarily reregister the shares in their own name at Euroclear Sweden AB to be entitled to participate in the AGM. Such re-registration must be completed no later than Friday 27 March 2020. For this to be possible, the shareholder must make such a request from his/her trustee well in advance of this date.
If participation is to be based on a power of attorney, such a document, together with a registration certificate or another document proving authorisation to vote, must be submitted in connection with registration.

Important dates in 2020	
Annual General Meeting	2 April 2020
Record date for first dividend[1]	6 April 2020
Payment date for first share dividend[1]	9 April 2020
Record date for second dividend[1]	6 October 2020
Payment date for second share dividend[1]	9 October 2020
Interim report Jan–March 2020	21 April 2020
Interim report Jan–June 2020	6 July 2020
Interim report Jan–Sep 2020	20 October 2020

[1] Board of Directors' proposal to the 2020 AGM.

Information to shareholders

Fabege publishes its Annual Report and interim reports in Swedish and English. All publications are available as PDF files on the company's website, www.fabege.com. Fabege sends annual reports by post to shareholders that have requested this. All financial reports and press releases are available in Swedish and English on the company's website. Information is also provided via a subscription service on the company's website. In addition, the company's website provides current information about Fabege's share price. Fabege also provides quarterly presentations in connection with each interim report.

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Fabege

Creating the right conditions

Architectural rendering of Solna Business Park