

2019

Q4

Summary, SEKm

	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Rental income	724	653	2,856	2,517
Net operating income	539	486	2,144	1,875
Profit from property management	394	351	1,532	1,246
Profit before tax	2,755	1,850	7,034	9,103
Profit after tax	2,502	1,432	6,006	7,699
Net lettings	55	7	-37	159
Surplus ratio, %	74	74	75	74
Loan-to-value ratio, properties, %	-	-	36	39
EPRA NAV, SEK per share	-	-	145	125

January – December 2019¹

- Rental income increased to SEK 2,856m (2,517), primarily as a result of completed project properties generating revenue and increased rent levels through renegotiations. In an identical portfolio, income rose by approximately 14 per cent (10).
- Net operating income increased to SEK 2,144m (1,875). In an identical portfolio, net operating income rose by approximately 16 per cent (13).
- The surplus ratio was 75 per cent (74).
- Profit from property management rose by 23 per cent to SEK 1,532m (1,246).
- Realised and unrealised changes in value amounted to SEK 5,743m (7,838) in properties and SEK -235m (16) in fixed-income derivatives.
- Profit before tax for the year amounted to SEK 7,034m (9,103).
- After-tax profit for the year amounted to SEK 6,006m (7,699), corresponding to SEK 18.16 per share (23.28).
- Net lettings in the fourth quarter totalled SEK 55m (7). Net lettings for the full year totalled SEK -37m (159).
- Rent levels in renegotiated leases increased by an average of 19 per cent (29).
- The equity/assets ratio was 52 per cent (51) and the loan-to-value ratio 36 per cent (39).
- The Board proposes a dividend of SEK 3.20 per share (SEK 2.65 per share) to be paid on two occasions in April and October respectively, each of SEK 1.60 per share.

¹ The comparison figures for income and expense items relate to values for the January–December 2018 period and for balance sheet items at 31 December 2018.

Fabege

CREATING THE RIGHT CONDITIONS



Stefan Dahlbo, CEO

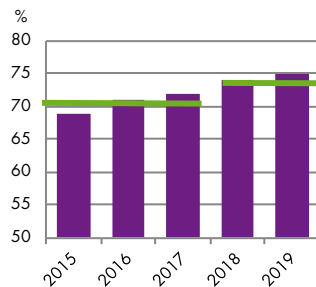
Fabège leaves the 2010s and enters the 2020s bigger and stronger.

2019 was a year of sustained rental growth, improved property management earnings, lower yield requirements and higher property values. In short, yet another excellent year for the Swedish property sector, companies and Fabège.

During the 2010s we built up significant value via the development of various properties and areas. I am thinking in particular of Arenastaden. Low interest rates have also clearly contributed to our success over the past decade.

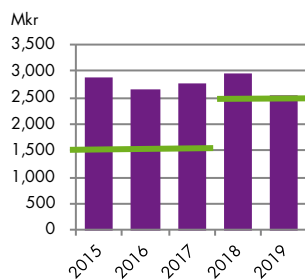
Fabège's net asset value (EPRA NAV) per share grew in 2019 from SEK 125 to SEK 145. During the year the share price rose by 33 per cent (excl. dividend), which was, however, lower than the Stockholm stock exchange property index which increased with 59 per cent. This was partly due to us having had slightly lower loan to value on our properties than many other companies. Over the 2010s, Fabège shares averaged a total annual return of 25.1 per cent.

SURPLUS RATIO



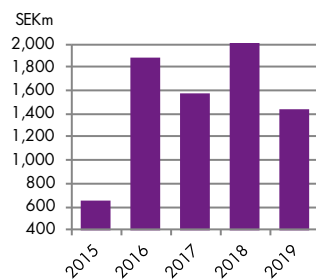
Target 2019: 73%
Target as of 2020: 75%

INVESTMENT VOLUME

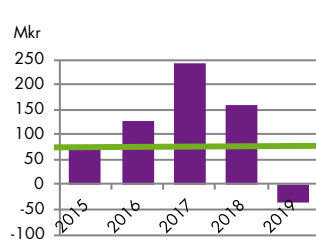


Target: SEK 2,500m per year over a business-cycle

RETURN ON PROJECTS



NET LETTINGS



Target: SEK 80m per year

Continuing to grow

In order to continue creating value via development, we are now focusing on plans and projects in Solna Business Park, Arenastaden, Haga Norra and Flemingsberg. There are plenty of exciting opportunities in these areas and in our existing portfolio. Project investments in 2019 totalled just over SEK 2.5bn. In addition to ongoing projects, the investment in Kv Poolen in Arenastaden has gained momentum. We have also carried out several major redevelopments in our existing portfolio, including at Apotekaren 22 in Stovkholm, where premises were completed for a number of new tenants. 2020 will be a transitional year in terms of growth. Tenants will be moving into completed project properties, while the sale of DN-huset will be concluded and properties vacated for new projects. This includes the Stigbygel 2 property in Arenastaden, which was vacated by Peab. We will be relocating our headquarters here and investing for new tenants. However, with all our potential urban development projects I anticipate strong growth over the next few years.

Strong net lettings in fourth quarter

Following Skatteverket's lease termination in January 2019 and a weak third quarter, I am extremely satisfied with the strong end to the year as we concluded two major project lettings. Excluding Skatteverket's lease termination, net lettings for the full year in ongoing management amounted to SEK 9m. In addition, project lettings totalled SEK 61m.

Rents in renegotiated leases rose by around 19 per cent during the year. The rate of increase is expected to slow in 2020, as forthcoming renegotiations relate to contracts signed in recent years, and thus higher rents that are to be renegotiated. However, we expect to see a net increase of at least 10 per cent in 2020.

Transaction market

We completed a couple of significant sales during the year. Once the proceeds for DN-huset have been received, these sales will amount to over SEK 5bn. Both Pelaren 1 at Globen and DN-huset are located outside our focal areas, and we do not feel we can add further significant value there.

I believe firmly that we should continue to maintain our focus on our priority areas in Greater Stockholm, and on commercial premises, primarily offices. Yield requirements continued to decline in the fourth quarter, and forthcoming transactions on the Stockholm market are expected to take place at even lower levels.

Always sustainable

Climate change is one of the greatest challenges of our time. We have ambitious objectives covering issues such as energy efficiency improvements, environmental certification of properties, choice of materials, green financing, and much more. In the long term, our business will be carbon neutral and we are already working hard to understand how we can achieve this goal.

Future prospects

We are seeing a persistently strong rental market and believe that average rents in Stockholm will continue to rise. Demand for acquisitions of properties in Stockholm also remains strong in both Sweden and internationally. I am confident that we will see transactions at new, record levels for individual areas.

We have a robust balance sheet, which is important for implementing and leveraging opportunities in our existing portfolio and in the projects we work with and, given the right conditions, considering bolt-on acquisitions and withstanding potential fluctuations in the market.

Fabège is welcoming the new decade with a solid property portfolio, a good range of projects, a strong balance sheet, a committed and professional organisation and a considerate approach. Every day we try to make life easier for our customers, to build value for our shareholders and contribute to the society in which we operate.

Stefan Dahlbo, CEO

Earnings Jan-Dec 2019¹

During the year Fabege reported growth in net operating income and earnings from property management, along with continued growth in the value of the property portfolio.

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 changes in value meant that profit before tax fell in comparison with the previous year.

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 grew by roughly 14 per cent (10), of which just over two-thirds related to growth through tenants moving into completed project properties. The remaining increase was primarily growth due to new lettings and renegotiated rent levels. Net operating income in an identical portfolio rose by approximately 16 per cent (13). New accounting policies for ground rent, which is no longer included in net operating income as of 2019, had a positive impact on the surplus ratio. As a result of new tax assessment values the property tax rose substantially, as expected, compared with the previous year, which had a negative impact on the surplus ratio. However, overall, the surplus ratio still amounted to 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 Trångskåren 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 mainly attributable to increased rent levels for new lettings and renegotiations and lower yield requirements. The average yield requirement declined to 3.97 per cent (4.13). Furthermore, unrealised changes in fair value of SEK 171m (132) were recognised relating to properties sold during the year. The project portfolio contributed to an unrealised change in value of SEK 1,443m (2,301), of which SEK -136m related to impairment of housing development rights in the third quarter. The change in value of the project portfolio in general 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 a capital contribution to Arenabolaget. No further contributions were made in the fourth quarter.

Unrealised changes in value in the derivatives portfolio totalled SEK -235m (16). The extension of the fixed-rate term and lower long-term interest rates led to an increase in the deficit value during the period. Net interest items declined somewhat to SEK -465m (-485).

Segment reporting

The Property Management segment generated net operating income of SEK 2,098m (1,753), representing a surplus ratio of 76 per cent (76). The occupancy rate was 94 per cent (95). Earnings from property management totalled SEK 1,551m (1,218). Unrealised changes in the value of properties amounted to SEK 4,129m (5,252).

The Property Development segment generated net operating income of SEK 46m (122), giving a surplus ratio of 42 per cent (58). Earnings from property management totalled SEK -19m (28). Unrealised changes in the value of properties totalled SEK 1,443m (2,301).

Earnings from transactions totalled SEK 171m (285).

Quarter 4 in brief

- Continued healthy demand for office premises in Stockholm and rising rent levels in all our submarkets.
- New lettings totalled SEK 129m (75) and net lettings amounted to SEK 55m (7).
- The surplus ratio was 74 per cent (74).
- Earnings from property management totalled SEK 394m (351).
- The property portfolio showed unrealised value growth of SEK 1,878m (1,560), of which projects accounted for SEK 217m (384).
- Realised changes in property values totalled SEK 0m (65).
- Unrealised changes in value in the derivatives portfolio totalled SEK 483m (-125).
- After-tax profit for the quarter amounted to SEK 2,502m (1,432).

BUSINESS MODEL CONTRIBUTIONS TO EARNINGS

	2019	2018
SEKm	Jan-Dec	Jan-Dec
Profit from Property Management activities	1,551	1,218
Changes in value (portfolio of investment properties)	4,129	5,252
Contribution from Property Management	5,680	6,470
Profit from Property Management activities	-19	28
Changes in value (profit from Property Development)	1,443	2,301
Contribution from Property Development	1,424	2,329
Realised changes in value	171	285
Contribution from Transactions	171	285
Total contribution from the operation	7,275	9,084

23%
Growth in profit/loss
from Property
Management

¹ The comparison figures for income and expense items relate to values for the January–December 2018 period and for balance sheet items at 31 December 2018.

Financing

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

Fabege wants to play an active part in the transition of the financial market towards greater accountability, and the company is continuing with its efforts to achieve the goal of all financing being sustainable. In line with this goal, a new green framework was launched in June, which also enabled issues of green commercial paper. At year-end, the company had green bonds of SEK 6,850m and green commercial paper totalling SEK 1,980m outstanding within the green framework. In the fourth quarter, green bank financing increased by a further SEK 450m in connection with the refinancing of a loan. Find out more about Fabege's green financing at www.fabege.se/gronfinansiering.

At year-end, 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. At 31 December, the average fixed-rate period was 4.5 years.

Net financial items included other financial expenses of SEK 33m, mainly pertaining to accrued opening charges for credit agreements and costs relating to bond and commercial paper programmes. During the year, interest totalling SEK 18m (43) relating to project properties was capitalised.

In October, Fabege received an upgraded credit rating from Moody's of Baa2, stable outlook, which is confirmation of the company's financial stability.

FINANCING, 31/12/2019

	2019-12-31	2018-12-31
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
Unutilized facilities, SEKm	4,580	4,529
Capital maturity, year	5.8	5.0
Fixed-rate period, year	4.5	3.6
Fixed-rate, share of the portfolio, %	73	54
Derivative market value, SEKm	-367	-132
Average interest, incl. facilities, %	1.80	1.65
Average interest excl. facilities, %	1.72	1.55
Unsecured assets, %	28	28
Loan-to-value, %	36	39

GREEN FINANCING, 31/12/2019

	Credit lines	Outstanding loans and bonds
Green MTN-bonds, SEKm	6,850	6,850
Green bonds vis 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, SEKm	27,692	22,122
Share of green financing, %	77	84
Total green facilities, SEKm	47,598	
of which free green facilities, SEKm	15,546	

INTEREST RATE MATURITY STRUCTURE, 31/12/2019

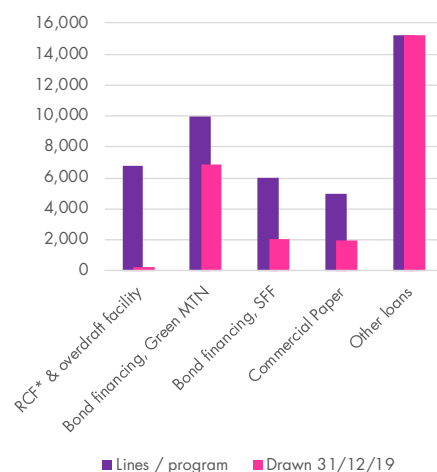
	Amount SEKm	Average interest rate, %	Share, %
< 1 year	7,888	3.61	30
1-2 years	0	0.00	0
2-3 years	1,000	0.02	4
3-4 years	2,150	0.96	8
4-5 years	2,400	0.61	9
5-6 years	2,200	0.92	8
6-7 years	2,700	0.84	10
7-8 years	2,800	1.00	11
8-9 years	3,276	1.57	12
9-10 years	2,000	0.60	8
Total	26,414	1.72	100

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

LOAN MATURITY STRUCTURE, 31/12/2019

	Credit agreement 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

BREAKDOWN OF SOURCES OF FUNDING, SEKm 31/12/2019



* RCF=Revolving credit facilities

Tax

Tax on profit for the year amounted to -SEK 1,028m (-1,404). The amount included resolution of deferred tax in the amount of SEK 514m (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. In accordance with the new corporate taxation method, 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. Fabège 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 cost of SEK 66m for the 2019 full year, which is reflected in the tax calculation for 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 NNNNAV amounted to SEK 138 per share (120).

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 -1,270m (-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 targets

Fabège's Board of Directors has adopted the following

financial targets for the business.

- Loan-to-value ratio of max. 50 per cent.
- Interest coverage ratio of at least 2.2.
- Debt ratio of max. 13.0.
- Equity/assets ratio of min. 35 per cent.

Operational targets

- Investment volume of approximately SEK 2,500m per year
- Net lettings at least SEK 80m per year.
- Surplus ratio 75 per cent.

SEK 145/share

EPRA NAV

31 December 2019

FABEGE SIGNS LEASE WITH TIETOEVRY IN NEW PROJECT IN ARENASTADEN

At Kv Poolen, where work began in September, Fabège has signed a lease for approximately 22,000 sqm with TietoEVRY, with an option during the construction period to take an additional 6,000 sqm. The building will be certified according to BREEAM-SE level Excellent, in line with Fabège's policy, and the lease is a green lease in which both parties agree on shared ambitions to reduce climate impact. The lease runs for seven years and the company will move in during the first quarter of 2022.

The building is a 3D property with the City of Solna's new swimming pool on the ground floor, which is both owned and will be managed by the municipality. The swimming pool will include a flexible multipurpose pool, 10 swimming lanes and a pool with an adjustable floor.



Operations Jan–Dec 2019¹

Value growth in the property portfolio continued to be fuelled by project development and higher rent levels for new negotiations and renegotiations, as well as by lower yield requirements on the market.

Property portfolio and property management

Fabege's property management and urban and property development activities are concentrated on a few selected submarkets in and around Stockholm: Stockholm inner city, Solna, Hammarby Sjöstad and Flemingsberg. At 31 December 2019, Fabege owned 87 properties with a combined rental value of SEK 3.1bn, 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. The financial occupancy rate for the entire portfolio, including project properties, was 94 per cent (94). The occupancy rate in the property management portfolio was 94 per cent (95).

During the year, 165 new leases were signed at a total rental value of SEK 246m (350), of which 94 per cent pertained to green leases. Lease terminations amounted to SEK –283m (191) including Skatteverket's lease termination of SEK 107m in the first quarter. Thus accumulated net lettings totalled SEK –37m (159). Net lettings amounted to SEK 55m in the fourth quarter, following the signing of two significant leases with TietoEvy and Arbetsmiljöverket. Rental contracts totalling SEK 275m were renegotiated, with an average rise in rental value of 19 per cent, reflecting the persistently strong trend on the rental market during the year. The retention rate during the period was 70 per cent (77).

Changes in the property portfolio

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 Trängskåren 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 Generatoren 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 real-otment have become legally binding.

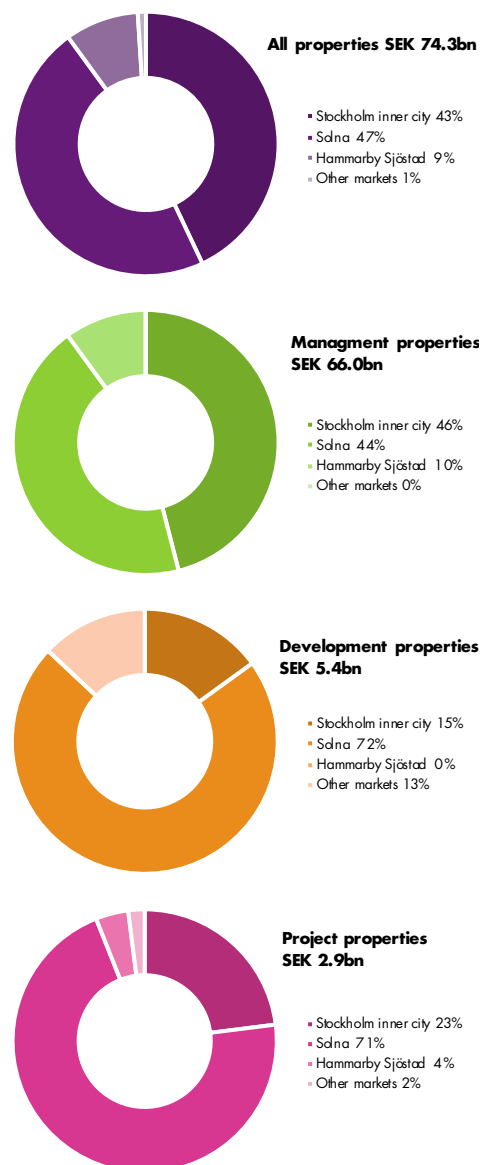
Changes in value of properties

The entire property portfolio is externally valued at least once annually. Just over 35 per cent of the properties were externally valued in the fourth quarter and the remainder were internally valued based on the most recent external valuations. The total market value at the end of the period was SEK 74.3bn (67.6).

Unrealised changes in value totalled SEK 5,743m (7,685). The average yield requirement declined to 3.97 per cent (4.13). The change in value in the investment property portfolio of SEK 4,129m (5,252) was principally due to higher rent levels and lower yield requirements. In addition, unrealised changes in value of SEK 171m (132) were recognised relating to properties sold during the period. The project portfolio contributed to an unrealised change in value of SEK 1,443m (2,301), of which SEK –136m related to impairment of housing development rights in the third quarter. The change in value of the project portfolio was in general mainly due to development gains in major project properties.

BREAKDOWN OF MARKET VALUE

31/12/2019



¹ The comparison figures for income and expense items relate to values for the January–December 2018 period and for balance sheet items at 31 December 2018.

Environmental certification of properties

Fabege's objective is for the company's entire property portfolio to be certified to BREEAM-SE/BREEAM In-Use standard. Fabege's new builds are certified in accordance with BREEAM-SE, with the minimum level of Very Good. Of Fabege's 87 properties, 56 were certified, or in the process of certification, at the end of the period. Overall, this represents 82 per cent of the total combined area of Fabege's existing portfolio. The properties that have not yet begun certification relate to land and development property for future project development.

Green leases

A green lease means that both parties agree on a joint environmental agenda for the premises. Choice of materials, renewable electricity, flexible building design and sorting of waste at source are examples of commitments under this kind of lease. Green leases are an important basis for environmental certification of the building. Fabege's goal is for 100 per cent of newly signed and renegotiated leases to be green. In the long term, green leases will constitute 100 per cent of the total lettable area (excluding storage and parking areas). At year-end, the proportion was 75 per cent. In 2019, the proportion of newly signed green leases was 94 per cent based on lettable area.

Green financing

In 2016, Fabege launched the world's first green MTN programme. Our recently launched green framework allows us to issue green commercial paper now as well, and to link other loans to the framework. Green financing offers Fabege better conditions both with banks and on the capital market, and access to more financing alternatives. The new green framework increases the proportion of green financing sources. All Fabege's creditors bar one can now offer green financing. The aim is for 100 per cent of the company's financing to be green. The proportion of green financing totalled 84 per cent of outstanding credits at the end of the period.

Health, equal opportunities and commitment

Fabege wants to help create the best conditions for its employees. The company's efforts aim to improve quality of life for our employees and help boost commitment, enjoyment and team spirit. People who feel good perform better. Regular health checks are showing positive results in the form of significant health gains for many employees. During the year, Fabege was named Best Practice Leader 2019 in EWOB's (European Women on Boards) gender diversity index, which was based on a review of 600 listed companies in Europe, and in our employee survey for 2019, 86 per cent responded that Fabege is an excellent workplace and 89 per cent are proud to tell others where they work. This is an acknowledgement of the strong level of commitment and job satisfaction among our employees.

Top ranking in GRESB sustainability index

GRESB (Global Real Estate Sustainability Benchmark) produces an annual ranking of the property sector from a sustainability perspective. In the evaluation for 2019, Fabege climbed eight points and with its overall result of 94 points is now ranked highest in the office category among listed companies in northern Europe.

Fabege's 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 an average energy consumption of 77 kWh/sqm in the entire investment property portfolio for 2023, which is a reduction of over 60 per cent compared with 2005. The portfolio is divided into two parts: newer properties that have received planning permission after 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).

Climate neutral management by 2030

Fabege has a long-term, target-based and integrated approach towards creating more sustainable properties. Our overriding long-term goal is to have zero net emissions from property management 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. We will compensate for emissions over which we have no control via carbon offsetting, for example investments in carbon sinks such as forest, or wind and solar parks.

SUSTAINABILITY PERFORMANCE MEASURES

	2019 Jan-Dec	2018 jan-dec
Energy performance, kWh/sqm Atemp	81	98
Environmental certification, number of properties	56	56
Environmental certification, of total area, %	83	82
Green lease, share of newly signed area, %	94	90
Green lease, share of total office space	75	71
Green financing, %	84	60

FABEGE SELLS TRÄNGKÅREN 7 TO AREIM

The property is a Stockholm landmark, often referred to as the Newspaper Building or Dagens Nyheter Tower. The property transaction was completed as a corporate sale with an underlying property value of SEK 3,545m after deductions for deferred tax. Handover will take place on 23 January 2020.

- "Trängkåren has added considerable value to Fabege during the period of ownership, but its potential for us is limited, going forward. In the short term, the transaction will boost our balance sheet and KPIs. In the longer term, it allows scope for future planned and value-creating project development in our prioritised areas", comments Stefan Dahlbo, Fabege's CEO.



Projects and investments

The purpose of Fabège's project investments in the investment property portfolio is to reduce vacancy rates and increase rents in the property portfolio, thereby improving cash flows and adding value. Investments in urban development projects and new builds are a key feature of Fabège's business model and should make a significant contribution to consolidated profit. All new builds and all major redevelopments are certified to BREEAM-SE standard.

During the period, investments in existing properties and projects totalled SEK 2,556m (2,963), of which investments in projects and development properties accounted for SEK 1,544m (2,359).

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. The amount includes investments for several more substantial tenant customisations during the year.

Completed projects

In the second quarter of 2019, the new office building at part of Bätturen 2, Hammarby Sjöstad, was completed. The third quarter saw the completion of the project relating to the conversion and extension of Trikäfabriken 9, Hammarby Sjöstad, and tenants have taken up occupation of their premises. In addition, the premises for Skolverket were completed in part of Fräsaren 12 for the agency to take up occupancy in November. The properties have been transferred to the investment property portfolio.

Major ongoing projects

The redevelopment project relating to part of Paradiset 23, Västra Kungsholmen, is continuing. The investment in the basic building has been completed and undergone final inspection, and tenant customisations are now underway. The property will be completed ready for occupancy in the first quarter of 2020. The occupancy rate is 85 per cent.

The redevelopment of Fortet 2, Solna, for a hotel, long-stay accommodation, co-working hub and restaurant is progressing and will be completed as scheduled in readiness for occupancy in March 2020. The property is fully let to KOM Hotell, which is owned by KFUM Central.

The development of the Haga Norra area at the Hagalund 2:2 (formerly Stora Frösunda 2) property in Solna is proceeding with the construction of Bilias new facility. Alongside this, work is continuing on division of the property into a number of separate units. The investment is expected to amount to roughly SEK 1,129m and the facility will be ready by the first quarter of 2021. Work is currently continuing on assembly and completion of the frame.

The project for construction of a hotel, long-stay accommodation and offices at the Nationalarenan 3 property in Solna is proceeding according to plan. The building is designed to be a zero-energy structure and will be certified to BREEAM-SE standard, Excellent. The total investment is estimated to be SEK 756m. The property is now fully let to Nordic Choice Hotels and is expected to be ready for occupancy in Q1 2021. Work is underway on assembly of the frame and facade.

During the summer, work began on the new construction project Kv Poolen, Arenastaden. Fabège has concluded an agreement to acquire development rights once the reallocation process is complete, which is expected to be in the first half of 2020. The property includes approx. 28,000 sqm of lettable office space, and will be constructed in a 3D reallocation above the swimming pool to be built by Solna Municipality. Groundwork and project design work are currently underway. The occupancy rate is 75 per cent since TietoEvy signed a lease to rent approx. 22,000 sqm. However, TietoEvy also has an option to rent the remaining office space at the property. The amount invested in 2019 is recognised within the property value, despite the fact that Fabège has not yet officially taken over ownership of the property.

In December, a decision was made on an additional project at Fräsaren 12 regarding a tenant customisation for Arbetsmiljöverket, with occupancy scheduled for November 2020. The investment is estimated at SEK 96m.

CHANGES IN PROPERTY VALUES 2019

Changes in property value	2019
Opening fair value 2019-01-01	67,634
Property acquisitions	0
Investments in new builds, extensions and conversions	2,556
Changes in value	5,743
Sales and disposals	-1,683
Closing fair value 2019-12-31	74,250

TOTAL INVESTMENTS, JAN-DEC 2019

Total investments	2019 Jan-Dec
Investments in project- and development properties	1,544
Investments in management properties	1,012
Total investments	2,556

AVERAGE YIELD REQUIREMENT PER AREA, 31/12/2019

Area	Average yield, %
Stockholm city	3.71
Solna	4.11
Hammarby Sjöstad	4.28
Other	5.74
Average yield	3.97

SALES OF PROPERTIES 2019

Property name	Area	Category	Lettable area.sqm
Quarter 2			
Lager 3	Råsunda	Office	7,524
Quarter 3			
Pelaren 1	Globen	Office	21,489
Quarter 3			
Trängskären 7 ¹	Marieberg	Office	77,268
Total sales of properties			106,281

¹Avyttat med tillräde 23 januari 2020

Housing developments in joint ventures

Via co-owned Selfoss Invest AB, Fabège and Svenska Hyreshus AB are leading a housing development project in Kista. The total investment is estimated to be SEK 570m excluding purchase of the land. The project includes a total of 276 apartments, which is more than initially planned. All 69 apartments in stage 1 have been sold and occupancy is scheduled for March 2020. Stage 2, including 77 apartments, has opened for booking agreements and 31 agreements have so far been signed. Stage 2 is expected to be ready for occupancy in autumn 2020. Stages 2 and 3 are being built with the flexibility to change the leasing form from tenant-owned apartments to rental or company apartments. The project is being externally financed with a construction loan. Income recognition will not occur until the end of the project.

Development of the Lagern 3 property in Råsunda into tenant-owner apartments has begun. The project is being managed together with the TB Group in a 50/50 per cent co-owned company. The property was sold in the second quarter to the co-owned development company. The investment is estimated to total SEK 240m excluding purchase of the land. Work is currently underway on demolition of the interior and preparations for the forthcoming redevelopment.

Work is continuing on developing the housing project in cooperation with Brabo at the Hagalund 2:2 (formerly Stora Frösunda 2) property in Haga Norra. The project includes 418 apartments that will be produced in a 3D reallocation above the facility that Fabège is building for Bilia at the property. The estimated investment totals SEK 1.1bn. Project planning has entered the final phase and since November work has been underway on erecting the frame. Alongside this, work is continuing on reallocation of the property.

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

84%
Gren financing

ONGOING PROJECTS > SEK 50M

31/12/2019

Property listing	Property type	Area	Completed	Lettable area, sqm	Occupancy rate, area, % ¹	Rental value ²	Booked value, SEKm	Estimated investment, SEKm	of which, worked up, SEKm
Paradisat 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) ³¹	Retail/Office	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 31 December 2019.

² Rental value including additions. The annual rent for the largest projects in progress could increase to SEK 275m (fully let) from SEK 0m in annualised current rent as of 31 December 2019.

³ In leaseable area for the property Hagalund 2:2 (former Stora Frösunda 2) there are approximately 25,400 sqm garage space

DEVELOPMENT RIGHTS

31/12/2019

Commercial, sqm		Residential, sqm	
Inner city	29,800	Inner city	-
Solna	204,500	Solna	249,500
Hammarby Sjöstad	42,800	Hammarby Sjöstad	-
Others	97,400	Others	-
Total	374,500	Total	249,500
Legal binding, %	43	Legal binding, %	44
Booked value, SEK/sqm	3,900	Booked value, SEK/sqm	7,800

Space and carrying amount relates 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.

PROPERTY PORTFOLIO

31/12/2019

Property holdings	No. of properties	Lettable area, '000 sqm	Market value SEKm	Rental value ²	Financial occupancy rate %
Investment properties ¹	61	1,096	65,972	3,082	94
Development properties ¹	12	145	5,397	107	93
Land and 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 page 19.

² In the rental value, time limited deductions of about SEK 114m (in rolling annual rental value at 31 Dec 2019) have not been deducted.

SEGMENT REPORTING IN SUMMARY¹

	2019 Jan-Dec	2019 Jan-Dec	2019 Jan-Dec	2019 Jan-Dec	2018 Jan-Dec	2018 Jan-Dec	2018 Jan-Dec	2018 Jan-Dec
SEKm	Property Management	Property Development	Transaction	Total	Property Management	Property Development	Transaction	Total
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	-76	-9		-85	-67	-13		-80
Net interest expense	-414	-51		-465	-407	-78		-485
Ground rents	-26	-2		-28				
Share in profits of associated companies	-31	-3		-34	-61	-3		-64
Profit from property management activities	1,551	-19	0	1,532	1,218	28	0	1,246
Realised changes in value of properties	0	0	0	0	0	0	153	153
Unrealised changes in value of properties	4,129	1,443	171	5,743	5,252	2,301	132	7,685
Profit/loss before tax per segment	5,680	1,424	171	7,275	6,470	2,329	285	9,084
Changes in value, fixed income derivatives and equities				-241				19
Profit 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%

¹ See definitions on page 19.

Reclassifications during the period between the Property Management and Property Development segments are stated in the note on Segment Reporting on page 17.

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). 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.

Other financial information

SENSITIVITY ANALYSIS – PROPERTY VALUES

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%

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

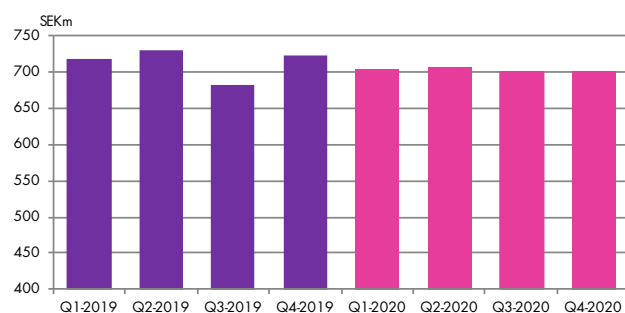
SENSITIVITY ANALYSIS – CASH FLOW AND EARNINGS

	Change in 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
Interest expense, rolling 12 months ¹	+/-1 percentage point 41 / 6
Interest expenses, longer term perspective	1 percentage point 264.1

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

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

Rental income – growth over next four quarters



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

The change between the fourth quarter of 2019 and first quarter of 2020 is largely due to the sale of Trångskären 7.

Human resources

At the end of the period, 191 people (181) were employed by the Fabège Group.

Parent Company

Sales during the period amounted to SEK 315m (260) and earnings before appropriations and tax amounted to SEK 3,352m (3,033).

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

LEASE MATURITY STRUCTURE

Maturity, year	No. of leases	Annual value, SEKm	Share, %
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%
Residential	130	12	0%
Garage and parking	1,035	168	6%
Total	2,597	3,018	100%

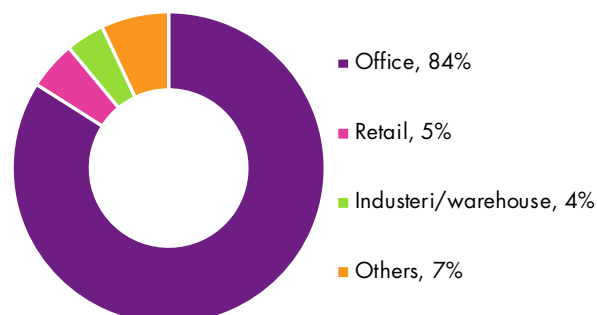
¹ Of which just over SEK 231m has already been renegotiated

LARGEST CUSTOMERS

	Share ¹ , %	Valid to year
SEB	6%	2037
Telia Company	4%	2031
ICA Fastigheter Sverige AB	4%	2030
Skatteverket	4%	2022
Bonnier News	2%	2026
Swedbank	2%	2029
Migrationsverket	2%	2028
Hi3G Access AB	2%	2022
Statens Skolverk	1%	2024
Telenor	1%	2028
Total	28%	

¹Share of contracted rent

RENTAL VALUE PER CATEGORY



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 Fabège does not own any treasury shares.

Board of Directors' proposal to the AGM

The Board of Directors will propose the following to the AGM on 2 April 2020:

- Cash dividend of SEK 3.20 per share, to be paid on two occasions in April and October respectively each of SEK 1.60 per share with a total of SEK 1 059m.
- To authorise the Board, for the period extending up until the next AGM, to buy back Fabège shares corresponding to a maximum of 10 per cent of the shares outstanding.

Events after balance sheet date

Trångskären 7 was vacated on 23 January as agreed.

Opportunities and risks

Risks and uncertainties relating to cash flow from operations relate primarily to changes in rents, vacancies and interest rates. The effect of the changes on consolidated profit, including a sensitivity analysis and a more detailed description of risks and opportunities, are presented in the section on Risks and opportunities in the 2018 Annual Report (pages 54–59).

Properties are recognised at fair value and changes in value are recognised in profit or loss. Effects of changes in value on consolidated profit, the equity/assets ratio and the loan-to-value ratio are also presented in the section on Risks and opportunities and the sensitivity analysis in the 2018 Annual Report. Financial risk, defined as the risk of insufficient access to long-term funding through loans, and Fabege's management of this risk are also described in the Risks and opportunities section of the 2018 Annual Report (pages 54–59).

No material changes in the company's assessment of risks have arisen following publication of the 2018 Annual Report. Fabege's aims for the capital structure are to have an equity/assets ratio of at least 35 per cent and an interest coverage ratio of at least 2.2. The target for the loan-to-value ratio is a maximum of 50 per cent. The debt ratio will amount to a maximum of 13.

Seasonal variations

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

Market outlook

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 an improved profit from property management. Our attractive development rights in prime locations allow us the opportunity for continued successful, value-generating project development.

Accounting policies

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

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

The Group applies the same accounting policies and valuation methods as in the latest annual report, with the exception of what is stated below regarding IFRS 16. Other new or revised IFRS standards or other IFRIC -interpretations that came into effect after 1 January 2019 have not had any material impact on consolidated financial statements. The Parent Company prepares its financial statements according to RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act, and applies the same accounting policies and valuation methods as in the latest annual report.

New accounting policies that enter into force from 1 January 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. Fabège does not apply the standard retroactively. Given Fabège'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. At 31 December 2019, the lease liability for ground rents amounts to SEK 942m. A corresponding right-of-use asset is included in the balance sheet. The cost of ground rents 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.

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

Stockholm, 5 February 2020

STEFAN DAHLBO
Chief Executive Officer

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

The Fabege share

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

Owners

Fabège had a total of 40,360 known shareholders at 31 December 2019, including 62.0 per cent Swedish ownership. The 15 largest owners controlled 47.6 per cent of the total number of shares and votes.

Dividend policy

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

Number of shares

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

OWNER DISTRIBUTION*, 31/12/2019

	Number of shares*	Proportion of equity, %	Proportion of votes, %
Erik Paulsson and company	50,186,718	15.2	15.2
Länsförsäkringar Funds	18,774,524	5.7	5.7
BlackRock	14,658,395	4.4	4.4
AMF Insurance & Funds	9,806,212	3.0	3.0
Fourth AP-fund	9,447,569	2.9	2.9
Vanguard	9,330,266	2.8	2.8
Mats Qviberg with family	7,495,736	2.3	2.3
E.N.A City AB	6,240,000	1.9	1.9
Norges Bank	4,951,099	1.5	1.5
BMO Global Asset Management	4,935,445	1.5	1.5
SEB Funds	4,710,630	1.4	1.4
Investment AB Öresund	4,500,000	1.4	1.4
Handelsbanken Funds	3,859,962	1.2	1.2
Pensionskassan SHB Försäkringsförening	3,840,000	1.2	1.2
Folksam	3,821,922	1.2	1.2
Total 15 largest shareholders	156,558,478	47.6	47.6
Other	174,224,666	52.4	52.4
Total no. of shares outstanding	330,783,144	100.0	100.0
Treasury shares	0	0	0
Total no. of registered shares	330,783,144	100.0	100.0

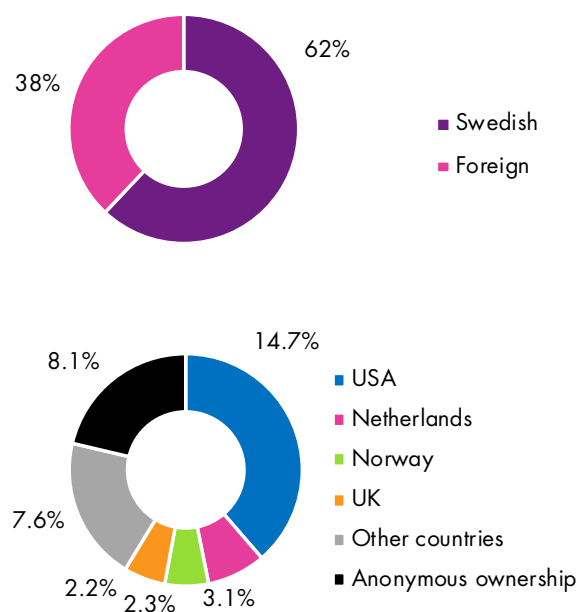
* The verification date may vary for foreign shareholders.

TURNOVER AND TRADING* OCT-DEC 2019

	Fabège
Lowest price, SEK	138.30
Highest price, SEK	164.25
VWAP, SEK	148.66
Average daily turnover, SEK	108,976,561
Number of traded shares, no	45,449,329
Average number of transactions, no	2,757
Number of transactions, no	170,905
Average value per transaction, SEK	39,534
Daily turnover relative to market capitalization	0.22

DISTRIBUTION OF OWNERSHIP*, 31/12/2019

	Number of shares	Capital & votes, %
Foreign institutional owners	88,116,618	26.6
Swedish institutional owners	97,791,046	29.6
Other owners	71,781,778	21.7
Swedish private individuals	46,273,261	14.0
Anonymous ownership	26,820,441	8.1
Total	330,783,144	100



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

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

SEKm	2019 Oct-Dec	2018 Oct-Dec	2019 jan-dec	2018 jan-dec
Rental income ¹	724	653	2,856	2,517
Property expenses	-185	-167	-712	-642
Net operating income	539	486	2,144	1,875
Surplus ratio, %	74%	74%	75%	74%
Central administration	-21	-20	-85	-80
Net interest/expense	-115	-114	-465	-485
Ground rent	-7	-	-28	-
Share in profits of associated companies	-2	-1	-34	-64
Profit/loss from property management	394	351	1,532	1,246
Realised changes in value of properties	0	65	0	153
Unrealised changes in value of properties	1,878	1,560	5,743	7,685
Unrealised changes in value, fixed income derivatives	483	-125	-235	16
Changes in value of shares	0	-1	-6	3
Profit/loss before tax	2,755	1,850	7,034	9,103
Current tax	21	-6	27	-5
Deferred tax	-274	-412	-1,055	-1,399
Profit/loss for period/year	2,502	1,432	6,006	7,699
<i>Items that will not be restated in profit or loss</i>				
Revaluation of defined-benefit pensions	-16	-2	-16	-2
Comprehensive income for the period/year	2,486	1,430	5,990	7,697
Off which attributable to the minority	-10	-	-33	3
Total comprehensive income attributable to Parent Company shareholders	2,476	1,430	5,957	7,700
Earnings per share, SEK	7:56	4:33	18:16	23:28
Total earnings per share, SEK	7:51	4:32	18:11	23:27
No. of shares at period end, millions	330,783	330,783	330,783	330,783
Average no. of shares, thousands	330,783	330,783	330,783	330,783

¹ Additional payment, service and other income amounts to SEK 120m for the period January - December 2019.

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

SEKm	2019 Dec 31	2018 Dec 31
Assets		
Properties	74,250	67,634
Right of ground use	942	-
Other tangible fixed assets	6	3
Derivative instrument	58	-
Financial fixed assets	810	429
Current assets	318	622
Short-term investments	134	127
Cash and cash equivalents	24	15
Total assets	76,542	68,830
Equity and liabilities		
Shareholder's equity	40,068	34,964
Deferred tax	7,431	6,381
Other provisions	182	166
Interest-bearing liabilities ¹	26,414	26,275
Lease liability	942	-
Derivative instrument	426	132
Non-interest-bearing liabilities	1,079	912
Total equity and liabilities	76,542	68,830

¹ Of which short-term SEK 4,565m (3,241).

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

SEKm	Share capital	Other contributed capital	Retained earnings incl. Profit/loss for the period	Total equity attributable to Parent Company shareholders	Non-controlling interests	total shareholders' equity
Shareholders' equity, 1 January 2018, according to adopted Statement of financial position	5,097	3,017	19,843	27,956	55	28,012
Profit for the period			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
Shareholders' equity, 31 December 2018	5,097	3,017	26,799	34,912	51	34,964
Profit for the period			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
Shareholders' equity, 31 Dec 2019	5,097	3,017	31,880	39,993	74	40,068

CONSOLIDATED STATEMENT OF CASH FLOWS

SEKm	2019 Jan-Dec	2018 Jan-Dec
Operations		
Net operating income	2,143	1,875
Central administration	-85	-80
Reversal of depreciation	1	0
Interest received	9	12
Interest paid	-556	-608
Income tax paid	27	-5
Cash flow before changes 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	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 tangible fixed assets	-437	-72
Cash flow from investing activities	-1,270	-1,804
Financing activities		
Dividend to shareholders	-877	-774
	23,376	24,841
	-23,237	-26,275
Realised changes in value, fixed income derivatives	0	-143
Cash flow from financing activities	-738	547
Cash flow for the period	9	-334
Cash and cash equivalents at beginning of period	15	349
Cash and cash equivalents at end of period	24	15

CONSOLIDATED KEY RATIOS

Financial ¹	2019 Jan-Dec	2018 Jan-Dec
Return on capital employed, %	11.4	16.4
Return on equity, %	16.0	24.5
Interest coverage ratio, multiple	4.4	3.7
Equity	52	51
Loan-to-value ratio, properties, %	36	39
Debt ratio, multiple	12.8	14.6
Debt/equity ratio, multiple	0.7	0.8
Share related ¹		
Earnings per share, SEK ²	18.16	23.28
Equity per share, SEK	121	106
Cash flow from operating activities per share, SEK	6.10	2.95
Average no. of shares, thousands	330,783	330,783
No. of outstanding shares at end of period, thousands	330,783	330,783
Property-related		
No. of properties	87	89
Carrying amount, Properties, SEKm	74,250	67,634
Lettable area, sqm	1,255,000	1,252,000
Financial occupancy rate, %	94	94
Total return on properties, %	11.5	16.3
Surplus ratio, %	75	74

¹ Unless otherwise stated, the key figure is not defined under IFRS. Please see page 19 for definitions.

² Definitions according to IFRS.

EPRA KEY RATIOS

	2019 Jan-Dec	2018 Jan-Dec
EPRA Earnings (income from property mgmt after tax), SEKm	1,325	1,131
EPRA Earnings (EPS), SEK/share	4.01	3.42
EPRA NAV (long term net asset value, MSEK)	47,866	41,477
EPRA NAV, SEK/share	145	125
EPRA NNNNAV (net asset value), SEKm	45,699	39,758
EPRA NNNNAV, SEK/share	138	120
EPRA Vacancy rate, %	6	6

DERIVATIVES

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

DEFERRED TAX

	2019 Dec 31	2018 Dec 31
Deferred tax attributable to:		
- tax loss carryforwards, SEKm	-690	-908
- difference between book value and tax value in respect of properties, SEKm	8,322	7,341
- derivatives, SEKm	-201	-52
- other, SEKm	0	0
Net debt, deferred tax, SEKm	7,431	6,381

RECONCILIATION OF KEY RATIOS

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

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

	2019 Dec 31	2018 Dec 31
Equity/assets ratio		
Equity, SEKm	40,068	34,964
Total assets, SEKm	76,542	68,830
Equity/assets ratio	52%	51%

	2019 Dec 31	2018 Dec 31
Loan-to-value ratio, properties		
Interest-bearing liabilities, SEKm	26,414	26,275
Booked value properties, SEKm	74,250	67,634
Loan-to-value ratio, properties	36%	39%

	2019 Dec 31	2018 Dec 31
Debt ratio		
Operating surplus, SEKm	2,144	1,875
Central administration, SEKm	-85	-80
Total, SEKm	2,059	1,795
Interest-bearing liabilities, SEKm	26,414	26,275
Debt ratio, multiple	12.8	14.6

	2019 Dec 31	2018 Dec 31
Interest coverage ratio, multiple		
Net operating income, SEKm	2,144	1,875
Ground rent	-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

	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Return on equity				
Profit for the period, SEKm	2,502	1,432	6,006	7,699
Average shareholders' equity, SEKm	38,825	34,248	37,516	31,488
Return on equity	25.8%	16.7%	16.0%	24.5%

	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Total return on properties				
Net operating income, SEKm	539	486	2,144	1,875
Unrealized and realized value changes properties, SEKm	1,878	1,625	5,743	7,838
Market value including capital investment during the period, SEKm	72,372	65,618	68,678	59,679
Total return on properties	3.3%	3.2%	11.5%	16.3%

	2019	2018
EPRA NAV & EPRA NNNNAV	Jan-Dec	Jan-Dec
Shareholders' equity, SEKm	40,068	34,964
Reversal of fixed-income derivatives, SEKm	367	132
Reversal of deferred tax according to the balance sheet, SEKm	7,431	6,381
Sum, SEKm	47,866	41,477
Number of shares, millions	330.8	330.8
EPRA NAV, SEK per share	145	125
Deduction of interest rate derivatives	-367	-132
Deduction of actual deferred tax	-1,800	-1,587
EPRA NNNNAV (Short-term net asset value)	45,699	39,758
EPRA NNNNAV (Short-term net asset value) SEK per share	138	120

	2019	2018
EPRA EPS	Jan-Dec	Jan-Dec
Profit from property management, SEKm	1,532	1,246
Tax-deductible depreciation, SEKm	-567	-721
Sum, SEKm	965	525
Nominal tax (21.4%), SEKm	207	116
EPRA earnings in total, (Profit from property management minus nominal tax) SEKm	1,325	1,131
Number of shares, millions	330.8	330.8
EPRA EPS, SEK per share	4:01	3:42

	2019	2018
EPRA Vacancy rate	Jan-Dec	Jan-Dec
ERV of vacant space, SEKm	202	176
Rental value, yearly, entire portfolio, SEKm	3,195	2,960
Sum, SEKm	6%	6%

CONTINGENT LIABILITIES

Contingent liabilities comprise the balance sheet date guarantees and commitments in favour of associated companies of SEK 531m (390) and other 0 (0).

SEGMENT REPORTING – CLASSIFICATIONS AND RECLASSIFICATIONS DURING THE PERIOD

No reclassifications were carried out in the first quarter. During the second quarter, the Bätturen 2 project in Hammarby Sjostad was completed. In the third quarter, the Trikäfabriken 9 project in Hammarby Sjostad was completed. Both properties were reclassified in connection with each completion from project properties to investment properties. 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.

PARENT COMPANY CONDENSED INCOME STATEMENT

SEKm	2019	2018
	Jan-Dec	Jan-Dec
Income	315	260
Expenses	-356	-346
Net financial items	3,630	1,896
Share in profits of associated companies	0	-4
Changes in value, fixed-income derivatives	-235	16
Changes in value, equities	-2	3
Group Contribution	0	1,208
Profit before tax	3,352	3,033
Current tax	0	0
Deferred tax	60	-237
Profit for the period	3,412	2,796

PARENT COMPANY CONDENSED BALANCE SHEET

SEKm	2019	2018
	Dec 31	Dec 31
Participation in Group companies	12,516	12,516
Other fixed assets	44,139	41,092
of which, receivables from Group companies	43,865	40,945
Current assets	642	614
Cash and cash equivalents	11	1
Total assets	57,308	54,223
Shareholders' equity	14,717	12,180
Provisions	70	69
Long-term liabilities	39,326	38,911
of which, liabilities to Group companies	17,552	17,830
Current liabilities	3,195	3,063
Total equity and liabilities	57,308	54,223

Quarterly overview

CONDENSED INCOME STATEMENT, SEKM

SEKm	2019				2018			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Rental income	724	683	731	718	653	627	623	614
Property expenses	-185	-141	-177	-209	-167	-146	-154	-175
Net operating income	539	542	554	509	486	481	469	439
Surplus ratio	74%	79%	76%	70%	74%	77%	75%	71%
Central administration	-21	-21	-22	-21	-20	-21	-21	-18
Net interest expense	-115	-117	-125	-108	-114	-114	-131	-126
Ground rents	-7	-7	-7	-7	-	-	-	-
Share in profits of associated companies	-2	0	-25	-7	-1	-23	-19	-21
Profit/loss from property management	394	397	375	366	351	323	298	274
Realised changes in value of properties	0	0	0	0	65	0	5	83
Unrealised value of properties	1,878	743	1,798	1,324	1,560	847	2,578	2,700
Unrealised changes in value, fixed-income derivatives	483	-215	-265	-238	-125	103	-2	40
Changes in value, equities	0	-4	1	-3	-1	4	0	0
Profit for the period/year	2,755	921	1,909	1,449	1,850	1,277	2,879	3,097
Current tax	21	0	-3	9	-6	-1	0	0
Deferred tax	-274	-207	-264	-310	-412	-186	-243	-558
Comprehensive income for the period	2,502	714	1,642	1,148	1,432	1,090	2,636	2,539

CONDENSED FINANCIAL POSITION, SEKM

SEKm	2019				2018			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Assets								
Properties	74,250	71,591	71,821	69,616	67,634	65,024	63,391	61,375
Right of ground use	942	942	942	942	-	-	-	-
Other tangible fixed assets	6	6	6	3	3	3	3	3
Derivative instruments	58							
Financial fixed assets	813	758	690	424	429	409	424	400
Current assets	315	559	652	735	622	549	481	728
Short-term investments	134	126	126	128	127	154	153	153
Cash and cash equivalents	24	16	15	66	15	61	67	0
Total assets	76,542	73,998	74,252	71,914	68,830	66,200	64,519	62,659
Equities and liabilities								
Shareholders' equity	40,068	37,582	36,868	36,102	34,964	33,532	32,443	30,551
Deferred tax	7,431	7,162	6,956	6,691	6,381	5,991	5,789	5,546
Other provisions	182	167	167	167	166	229	229	235
Interest-bearing liabilities	26,414	26,001	27,544	26,518	26,275	25,435	24,947	25,194
Leasing Debt	942	942	942	942	-	-	-	-
Derivative instruments	426	851	636	371	132	39	254	251
Non-interest bearing liabilities	1,079	1,293	1,139	1,123	912	974	857	882
Total equity and liabilities	76,542	73,998	74,252	71,914	68,830	66,200	64,519	62,659

KEY RATIOS

	2019				2018			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Financial¹								
Return on capital employed, %	17.2	6.3	12.5	9.9	13.0	9.5	21.3	23.7
Return on equity, %	25.8	7.7	18.0	12.9	16.7	13.2	16.7	34.7
Interest coverage ratio, multiple ²	4.4	4.4	4.2	4.5	4.1	4.0	3.4	3.3
Equity/assets ratio, %	52	51	50	50	51	51	50	49
Loan-to-value ratio, properties, %	36	36	38	38	39	39	39	41
Debt ratio, multiple	12.8	13	14.2	14.2	14.6	14.5	14.5	15.1
Debt/equity ratio, multiple	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8
Share-related¹								
Earnings per share, SEK ²	7.56	2.16	4.97	3.47	4.33	3.29	7.97	7.67
Total earnings per share, SEK	121	114	111	109	106	101	98	92
Cash flow from operating activities per share, SEK	1.34	0.56	1.40	1.40	0.36	1.23	1.62	-0.26
No. of shares outstanding at the end of the period, thousands	330,783	330,783	330,783	330,783	330,783	330,783	330,783	330,783
Average no. of shares, thousands	330,783	330,783	330,783	330,783	330,783	330,783	330,783	330,783
Property-related								
Financial occupancy rate, %	94	94	94	94	94	95	95	94
Total return on properties, %	3.3	1.8	3.5	2.7	3.2	2.1	4.9	5.5
Surplus ratio, %	74	79	76	71	74	77	75	72

¹ Unless otherwise stated, the key figure is not defined under IFRS. Please see page 19 for definitions.

² Definitionen according to IFRS.

Definitions

The company presents certain financial performance measures in the interim report that are not defined according to IFRS. The company considers that these measures provide valuable supplementary information for investors and company management, as they enable an assessment and benchmarking of the company's presentation. Since not all companies calculate financial performance measures in the same way, these are not always comparable to measures used by other companies. These financial performance measures should not therefore be regarded as substitutes for measures defined according to IFRS. The following key ratios are not defined according to IFRS, unless otherwise stated.

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 changes 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*

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.

EPRA EPS

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

EPRA NAV

– LONG-TERM NET ASSET VALUE

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

EPRA NNAV

– SHORT-TERM NET ASSET VALUE

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

EPRA VACANCY RATE

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

EQUITY/ASSETS RATIO

Shareholders' equity including non-controlling interest 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*

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

INVESTMENT PROPERTIES*

Properties that are being actively managed on an on-going basis.

INTEREST COVERAGE RATIO

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

LAND AND PROJECT PROPERTIES*

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

LEASE VALUE*

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

New lettings during the period less terminations to vacate.

PROFIT/EARNINGS PER SHARE

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

RENTAL VALUE*

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

RETENTION RATE*

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 into its annualised value without taking account of seasonal variations.

RETURN ON INVESTED CAPITAL IN THE PROJECT PORTFOLIO*

Change in value of project and development properties, divided by invested capital (excluding initial value) in project and development properties during the period.

RETURN ON EQUITY

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

RETURN, SHARE

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

SURPLUS RATIO*

Net operating income divided by rental income.

TOTAL RETURN PROPERTIES

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

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

This is Fabege

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

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

At 31 December 2019, Fabège owned 87 properties with a total market value of SEK 74.3bn. The rental value was SEK 3.1bn.

Business concept

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

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

Business model

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

Strategy for growth

Fabège's strategy is to create value by managing and developing the property portfolio and through transactions, acquiring and divesting properties with the aim of increasing potential in the property portfolio. Fabège's properties are located in the most liquid market in Sweden. Attractive locations lead to a low vacancy rate in the investment property portfolio. Modern properties permit flexible solutions and attract customers. With its concentrated portfolio and high-profile local presence, investments aimed at enhancing the appeal of an area benefit many of Fabège's customers.

Value-driving factors

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

Stockholm is growing

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

Change in demand

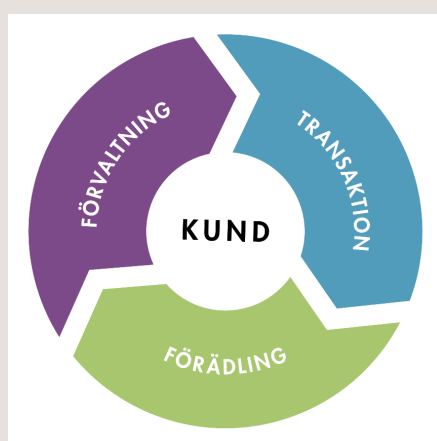
New technology and new working methods are fuelling demand for flexible and space-efficient premises in prime locations. Excellent peripheral service and good communication links in the form of public transport services are in increasing demand, as are environmentally certified offices and green leases.

Economic trend

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

Sustainable urban development

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



PROPERTY MANAGEMENT

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

PROPERTY DEVELOPMENT

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

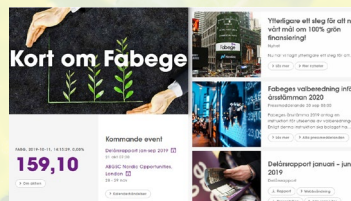
TRANSACTIONS

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

Calendar

2020 Annual General Meeting	2 April 2020, 3:00 pm CET
Interim report Jan–March 2020	21 April 2020, 7:30 am CET
Interim report Jan–June 2020	6 July 2020, 7:30 am CET
Interim report Jan–Sep 2020	20 October 2020, 7:30 am CET

FOLLOW US ONLINE: WWW.FABEGE.SE



There will also be a web presentation on the Group's website on 5 February 2020, at which Stefan Dahlbo, CEO and Åsa Bergström, CFO will present the report.



Press releases during the fourth quarter 2019¹

17/10/2019	Moody's upgrades Fabege to Baa2, stable outlook
21/10/2019	Interim report January – September 2019
29/10/2019	Elin Mesto adds colour to Arenastaden
27/11/2019	100% of Fabege's investment properties now certified
29/11/2019	Fabège sells Trängskåren 7, Marieberg, to Areim
12/12/2019	Arbetsmiljöverket chooses Solna Business Park and Fabège
20/12/2019	Fabège signs lease with TietoEVRY regarding new Stockholm office in Arenastaden

¹ Including regulatory and non-regulatory press releases.



STEFAN DAHLBO, President and CEO

Contact: +46 (0) 8 555 148 10, stefan.dahlbo@fabege.se



ÅSA BERGSTRÖM, Vice President and CFO

Contact: +46 (0) 8 555 148 29, asa.bergstrom@fabege.se

Fabège AB (publ)
 Box 730, SE 169 27 Solna, Sweden
 Visitors: Pyramidvägen 7, SE 169 56 Solna, Sweden
 Telephone: +46 (0) 8 555 148 00
 Email: info@fabege.se
www.fabege.se
 Corporate registration number: 556049-1523
 Registered office of the Board of Directors: Stockholm

Fabège