

**WE CREATE
CONDITIONS
FOR SUCCESS**

Fabege

ANNUAL REPORT 2017



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● Audited financial information ○ Sustainability information subjected to limited assurance review

Information about Fabège's sustainability work is detailed under each operating segment and management of sustainability issues is described in the Corporate Governance Report. For further information about Fabège's sustainability work, visit www.fabege.com. Sustainability information that has been subjected to a limited assurance review by the auditors is provided in the GRI index on pages 98–99.

Information about Fabège's sustainability governance (DMA) can be found at www.fabege.se/DMA.

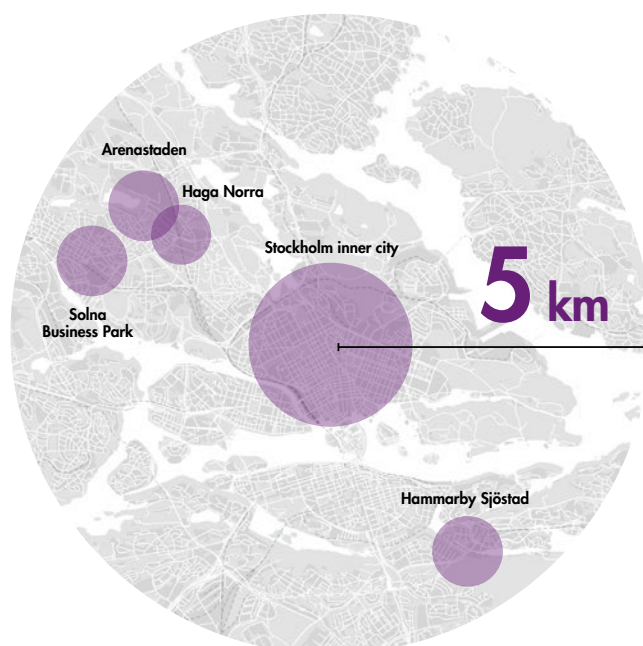
Cover photo: Vision image of the Farao 15–17 property in Arenastaden.

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.



Welcome to Fabege!

Fabège is a property company focusing on urban development and commercial properties. We work with strategic partners to develop attractive and sustainable city districts with modern offices, residential units and a wide range of services. We adopt a long-term perspective and approach to ownership, and we are passionate about creating the right conditions for everyone who lives, works and spends time in our areas. We can be found in attractive, well located and fast-growing submarkets in the Stockholm area.



"Fabège's concentrated property portfolio provides us with good opportunities to influence the development of entire city districts."

SEK 57.9 billion
MARKET VALUE

SEK 2.6 billion
RENTAL VALUE

90
PROPERTIES



- ATTRACTIVE LOCATIONS
- CONCENTRATED PORTFOLIO
- MODERN PROPERTIES

1,136,000 sqm
LETTABLE AREA

...WHICH IS ROUGHLY ONE IN

10 sqm
OF OFFICE SPACE IN STOCKHOLM



47%
PERCENTAGE OF GREEN
FINANCING



161
EMPLOYEES

Events in 2017

2017 was an extremely successful year, with several newly-started projects and major new lettings. Over 50 per cent of ongoing new office construction in Stockholm is being carried out by Fabège. That makes us the largest office developer in Sweden. We continued to build on our sustainability work and create favourable conditions to enable our employees to perform to the best of their ability.



HAGA NORRA

■ In Haga Norra, right by the leafy Wijnblad Park, we started development on a new, attractive and sustainable district, including modern offices, housing and a wide range of services. Haga Norra boasts the perfect location, with proximity to services at Mall of Scandinavia, the stunning natural environment of Haga Park with areas for recreation, fantastic public transport links at Solna Station and a substantial number of job opportunities at Arenastaden, Karolinska Hospital and KI. Overall, the district will consist of 900 residential units, 70,000 sqm of offices and 7,000 sqm of services. The objective is for the entire area to be completed by 2025. For further information, visit www.haganorra.se.

SEB RELOCATED TO ARENASTADEN

■ In May 2017, around 3,000 SEB employees moved into their new offices in Arenastaden. The building is Sweden's biggest newly built office premises, with a lettable area of 72,200 sqm, and it will be the workplace of around 4,500 SEB employees. The office is environmentally certified according to the rating BREEAM-SE Excellent, and was named Sweden's most attractive office space in 2017 by the property journals Lokalnyt and Fastighetssverige.



NEW LETTINGS

■ According to the journal Fastighetsvärlden, Fabège carried out the two largest new office lettings in Stockholm in 2017. The largest was the letting of 16,500 sqm to Swedbank in our Grand Central Sundbyberg project. The second largest was the letting to Skolverket of 13,800 sqm in Solna Business Park. Other significant new lettings completed during the year were to Naturvårdsverket, 7,700 sqm, and Goodbye Kansas, 5,200 sqm, both in Hammarby Sjöstad. We also concluded several major and successful renegotiations and our retention rate in 2017 was 84 per cent.



"More new projects!"

LARGE PROJECT VOLUME

■ We launched two projects in Hammarby Sjöstad during the year. Triåfabriken 9 is being extended upwards, which means that the property will double in size to 16,000 sqm. The extension will have a wood frame. Naturvårdsverket has signed a green lease on 7,700 sqm in the property. The building will be ready for occupancy by spring 2019.

At the Båtturen 2 property, an office is being created with a floor space of 5,200 sqm for Goodbye Kansas.

At Lagern 4, Solna, work began on a 5,100 sqm council property for Solna Stad, which is scheduled for completion in Q3 2018. The property will include a school, several preschool departments and supported housing for people with physical or mental disabilities.

At the end of the year, our project portfolio included 206,000 sqm and the occupancy rate was 88 per cent. For further information about our projects, see pages 28–33.



FABEGE'S MAJOR HEALTH DRIVE



■ We take a comprehensive approach to employee health, considering the wellbeing of the whole individual, both physical and mental. During the year we have been proactive about boosting our employees' knowledge within a broad spectrum of health issues, to encourage long-term healthy lifestyles and motivated individuals. One initiative is a series of information sessions featuring compulsory talks within four key aspects of health: Physical Activity, Diet, Rest/Recovery and Relationships. All employees also have the opportunity to train with their colleagues during working hours once a week. Besides the physical benefits, these training sessions also help bring employees together as a team. All our offices have changing rooms to make it easier for personnel to combine work with keeping fit. These initiatives are based on the premise that if your employees feel good, then the company feels good too and its performance is enhanced as a result.

"Significant positive effects are already being appreciated by our employees."

GREEN LEASES

■ A green lease means that both parties agree on a shared environmental agenda for the building. Materials selection, renewable electricity, flexible design and recycling are just few examples of commitments that can be covered by such leases. Green leases are an important basis for environmental certification of the building.

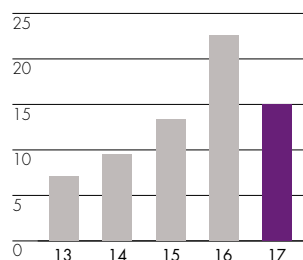


PERCENTAGE
GREEN LEASES
OF TOTAL NEWLY
LET SPACE

94%

FINANCIAL OVERVIEW

TOTAL RETURN ON THE PROPERTY PORTFOLIO, %



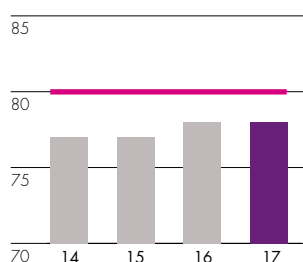
Net operating income plus realised and unrealised changes in the value of properties, divided by market value at the start of the year.

SATISFIED EMPLOYEES, PERFORMANCE RATING



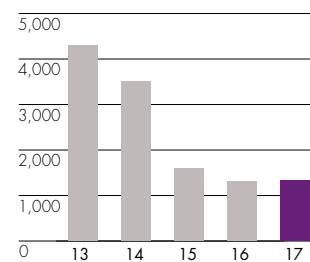
99 per cent of Fabege's employees participated in the employee survey in 2017. The results for employees show a performance rating of 3.8. The average for the sector is 3.5. The performance rating for managers is 4.1.

CUSTOMER SATISFACTION INDEX



Faberge's customer survey resulted in a CSI of 78, which shows that our customers continue to be satisfied.

CARBON DIOXIDE EMISSIONS, TONNES



Since 2002, Faberge's carbon dioxide emissions have fallen by more than 95 per cent.

KEY RATIOS	2017	2016	Change, %
Rental income, SEKm	2,280	2,105	8
Net operating income, SEKm	1,680	1,507	11
Profit/loss after tax for the year, SEKm	5,632	7,107	-21
Return on equity, %	22.1	36.1	-39
Surplus ratio, %	74	72	3
Equity/assets ratio, %	47	46	2
Interest coverage ratio, multiple	3.2	2.7	19
Earnings per share before and after dilution, SEK	34.05	42.97	-21
Dividend per share ¹⁾ , SEK	4.50	4.00	12.5
Percentage of green financing, %	47	19	147

1) Relates to proposed dividend.

We are proud, but not surprised

Our decision dates back to 2008. We would be a success, and we would achieve this success by turning the organisation into a strong team. Our tool for this was to work according to a set of core values, SPEAK, which define our conduct. A clear cultural inheritance from Erik Paulsson's time as Fabeg's CEO. Our watchwords Entrepreneurial, Business-minded and Customer-focused enable us to create the right conditions and develop products that satisfy customers' needs, both current and potential. Our efforts have borne fruit. Over the past five years we have maintained the highest average total return in the property portfolio of all commercial property companies in Sweden, a position we intend to hold onto.

Strong 2017

2017 was characterised by favourable market conditions for the property sector, with rising rent levels, increasing property values and persistently low interest rates. Naturally we have benefitted from this business environment, but we are enjoying a level of profitability that outshines the success of the market. During the year, we were responsible for over 50 per cent of all new office production in Stockholm, which is a significant volume. However, it is not just our project volume that is impressive – we also have a high profit margin.

The combined effect is very high profitability. Our healthy profitability is, in other words, down to two factors. Teamwork – the fact that all Fabeg's employees are members of a team that operates according to shared guidelines and clear frameworks for success – and our long-term city district development strategy. In short, we give our customers what they want.

Increased profitability via city district development

There is not a single building we cannot build for a customer. However, every location is unique. That was one of our founding principles when



Our employees roll out the 'purple carpet' for SEB at Arenastaden.

10 years ago we decided to create the right conditions for our customers and be the natural choice when it comes to property companies. This also led to the realisation that we would work with city district development instead of just focusing on individual buildings.

In a nutshell, our city district development philosophy is based on us establishing our own development rights by actively working with new planning processes in our existing portfolio. We acquire the original land at low cost by purchasing large, under-developed areas. We work according to our business model to improve the attractiveness of our areas by creating a thriving district with both residents and workers, and by adding a substantial range of services in locations with good rail connections. This all helps boost the attractiveness and value of the area, and therefore our properties.

Our approach of working with long-term, structured improvements to industrial areas and the development of sought-after districts is something we can repeat over and over again, using the same model. Stockholm is expected to be one of the fastest growing cities in the whole of Europe over the next few years, with the population doubling in size within 35 years. This means that as the city continues to expand outwards for many years to come, there will be a considerable need for areas to develop. Areas that are not currently considered to be attractive.

Attractiveness, sustainability and profitability closely linked

Our customers are primarily looking for modern offices in attractive locations with good public transport communications. Sustainability is a natural basic condition in all these aspects. Through our sustainable districts we create opportunities to boost profitability, while reducing our carbon footprint. Our aim is to environmentally certify all our properties, and alongside this goal we also aim for all our financing to be green.

We want to continue evolving as a company and as a city district developer, and we have identified some areas for improvement to make our districts even more profitable, sustainable and attractive going forward:

- **More pleasant**

With enhanced ground-floor architecture, lively street environments, more shops and green areas and architecture with a more unique character, our districts can be even more pleasant places to live and work.

- **Improved logistics**

With numerous companies having relocated and the development of e-commerce, the number of goods shipments is continually rising in our districts. In the future, standard transportation will involve centralised solutions using environmental, shared transportation of goods and waste for a cleaner, safer, quieter and more sustainable district.

- **Better public transport**

We already have efficient public transport connections to all our areas, but there is scope for further improvement. For example, we are working towards getting the Arlanda rail connection to Arenastaden, we are part-financing the Stockholm underground's yellow line, we are working to cover over tracks at Solna Business Park and further increase bus connections to and from Hammarby Sjöstad and Solna Business Park.

- **Balance between residents and workers**

Only when there are as many residents as workers in an area do we achieve optimal conditions for an efficient and thriving district. Public transport, parking spaces and the entire range of services can be doubly utilised and both create synergies for one another.



Outlook for 2018

The office market in Stockholm is robust, with extremely low vacancies and high demand. At the same time, interest rates are set to remain low for an extended period of time, although gradual interest rate hikes are anticipated in 2018. Unless there is a sharp economic downturn, this will mean a persistently favourable development for Fabeges properties.

On the risk side, in addition to a potential economic downturn, there are proposals regarding changes to taxation, which if they are implemented will have a negative impact on the property sector. However, there are no concrete bills on the table as yet, and we are awaiting further developments and monitoring the situation.

In 2018 we will see rising rental income via renegotiations and new projects, while we maintain the ambition of increasing cost effectiveness and continuing to improve profitability in property management. Fabega is an organisation that is capable of exploiting opportunities to create value. With our stable cash flow in property management and our well located project portfolio, I look forward to our positive trend continuing into 2018.

Our long-term business model not only generates value for our shareholders, but also for society as a whole as a consequence of our structured district development. Our customers get a workplace in which their employees can thrive and be productive. The municipality gets an attractive district offering more services and jobs, and our progress boosts motivation among our employees.

We are hugely proud of our achievements to date, but we are still not satisfied. We intend to persevere with our future plans for developing existing and potential districts. We are convinced that our successful journey will continue, thanks to our ambition, our long-term approach and our business model. But most of all because of our team. On that note, we would like to thank our shareholders and partners for this past year, and we look forward to an exciting journey in 2018.

Christian Hermelin, CEO

Investment in core values and health – our recipe for success

Fabege is a good example of what many surveys show, that value-based companies are more profitable and have higher growth¹. As a rule, such organisations have a higher level of customer satisfaction, enjoy better cooperation and are more open to change.

83%

OF EMPLOYEES
GIVE FABEGE A 4 OR 5
ON A SCALE OF
1 TO 5



■ Companies with strong values are more attractive and successful employers. We offer our employees a work environment in which our culture, based on wellbeing and participation, comprises a natural element of our day-to-day operations.

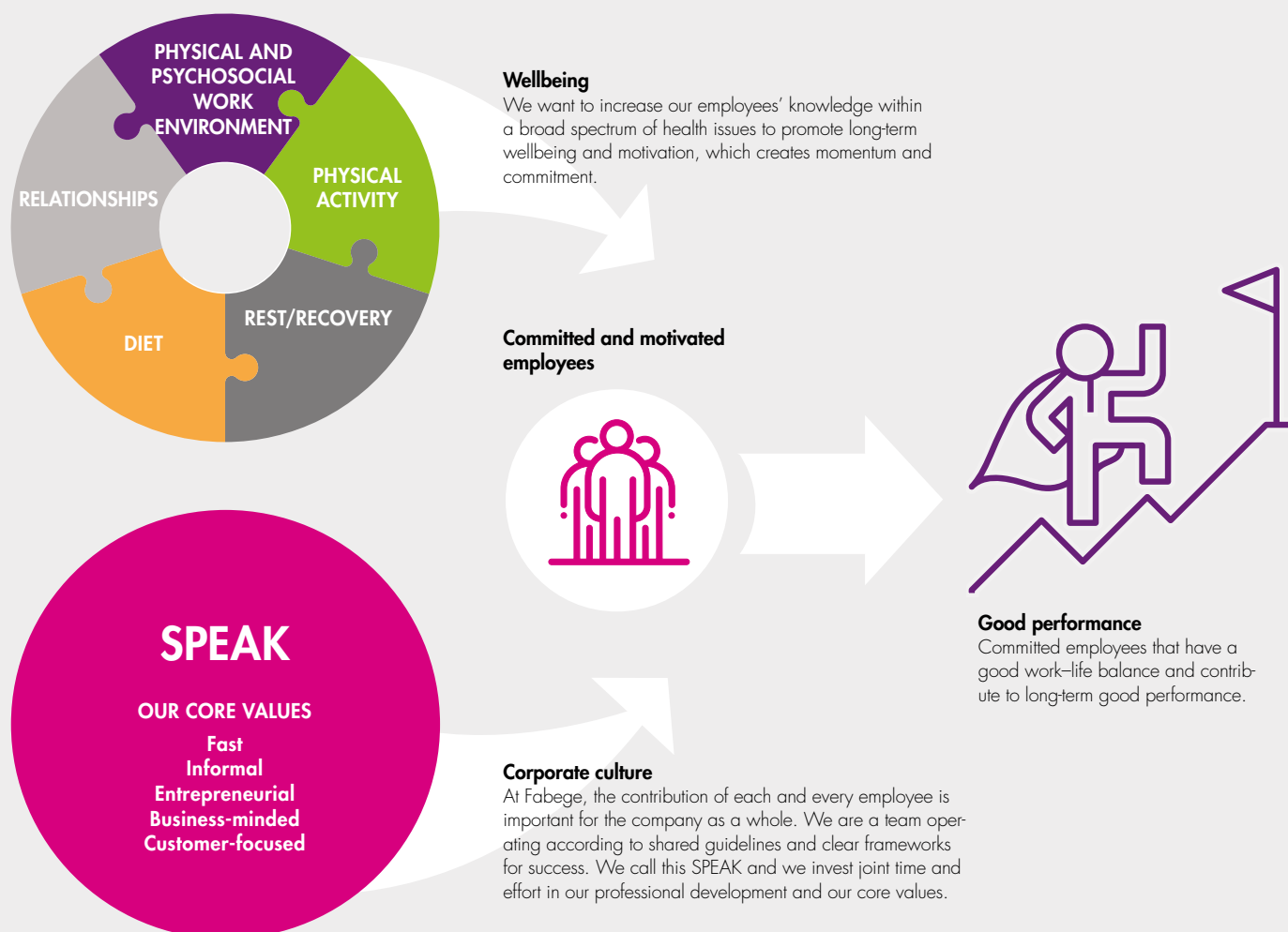
Strong set of core values

We have worked actively with our core values for over ten years now, and they are being continually envolved, although the fundamental principles remain the same. Fabege's core values prioritise frameworks and inspiration over control, and put people first. We are convinced that our creative and capable team players are each responsible for con-

tributing to Fabege's success. Our core values are built on five pillars: Fast, Informal, Entrepreneurial, Business-minded, Customer-focused. Each aspect makes up the framework that we call 'SPEAK'.

Fast means we are efficient, we prioritise fast decisions, provide prompt feedback and offer simple solutions. **Informal** means We are more important than I. We show respect and are attentive to our colleagues, customers and suppliers. Our **entrepreneurial spirit** has generated many new opportunities – each project is a challenge and we always see opportunities, adopt a creative approach and identify solutions. **Business-minded** means we show professionalism, keep our promises and seek win-win solutions for all parties. We take a holistic

HEALTHY, MOTIVATED EMPLOYEES CREATE A PERFORMANCE CULTURE



1) Manifesto – A Swedish study of 600 companies globally about how organisations work with values to boost attraction and performance, conducted by the company Wildfire in collaboration with researchers from Stockholm University's Department of Psychology.

"Faberge offers its employees a long-term sustainable working environment, combined with excellent conditions for performing well."

Gert Ohlin, Senior Partner, Sustainable Performance, who carried out Faberge's survey over seven years.

view and identify the best solution for our customers, employees and society in the long term. By adopting a **customer-focused** approach, we create confidence and long-term customer relationships. We are open, attentive and friendly when it comes to our customer relationships, which is confirmed by the results of our annual customer satisfaction surveys.

Investment in employee wellbeing

Faberge takes a comprehensive approach to employee health, considering the wellbeing of the whole individual, both physical and mental. During the year we have been proactive about boosting our employees' knowledge within a broad spectrum of health issues, to encourage

long-term healthy lifestyles and motivated individuals. One initiative is a series of information sessions featuring compulsory talks within four key aspects of health: Physical Activity, Diet, Rest/Recovery and Relationships.

Physical Activity

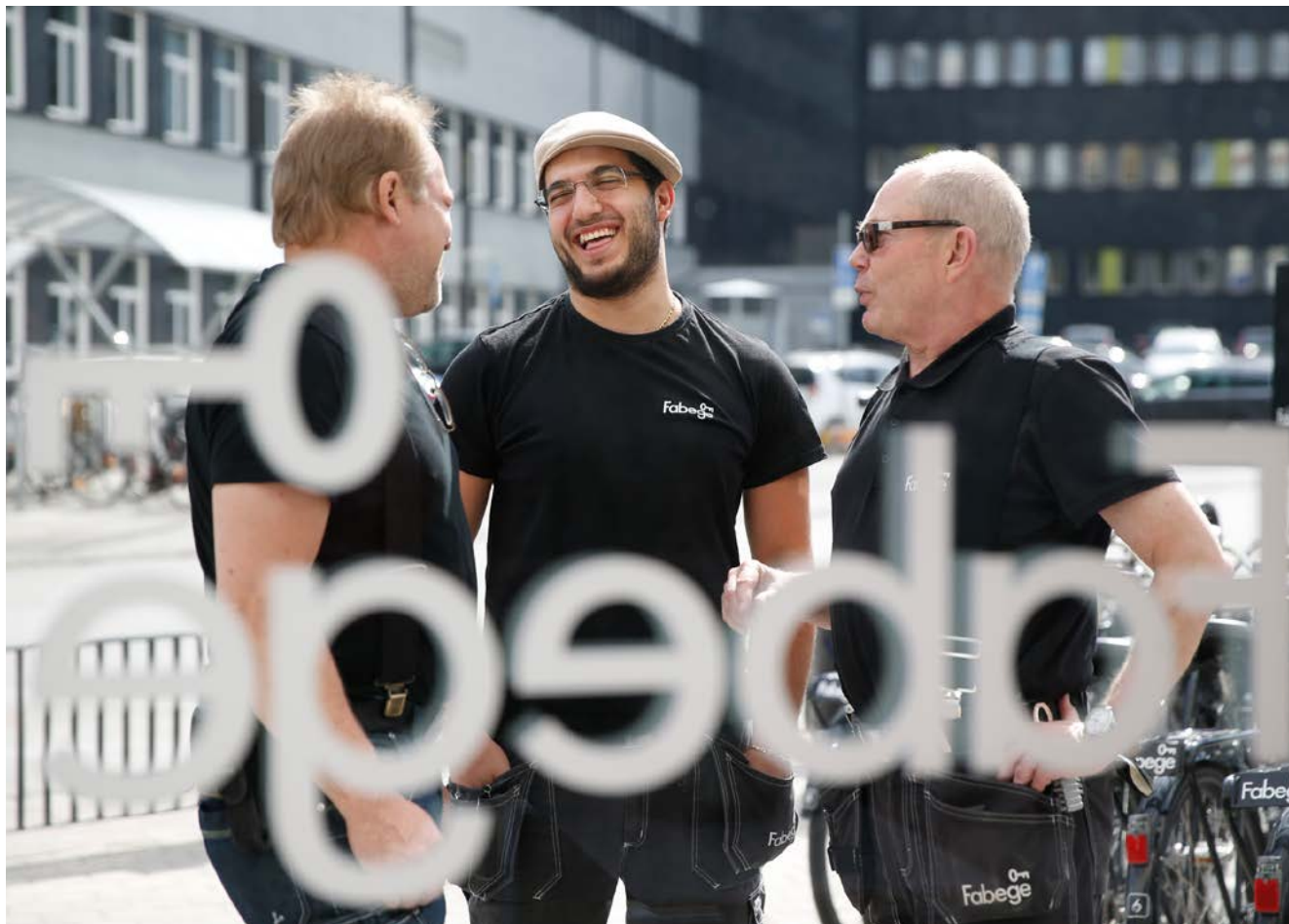
Swedes are among the most sedentary in Europe and lack of movement is a growing public health issue. Research indicates that even short breaks for physical activity make a difference, and by increasing knowledge we hope to boost our wellbeing. All employees have the opportunity to exercise with their colleagues during working hours once a week. Besides the physical benefits, these sessions also help bring employees together as a team. All our offices have changing rooms to make it easier for personnel to combine work with keeping fit.

Diet

In order to feel good, we need to eat well too. By improving employees' knowledge of the subject, Faberge hopes to encourage healthy choices.

Rest/Recovery

Taking regular time out for recovery and reflection is important in order to boost performance and avoid stress-related problems. We encourage our employees to maintain a healthy balance between time for work and time for leisure activities and rest. Increased awareness of the importance of recovery will benefit Faberge as a workplace over time.



Relationships

To achieve equilibrium in life and perform well, every aspect needs to function, both at home and at work. That's why one of the talks is about the importance of nurturing all your relationships.

Good performances and rewards

Fabege carries out a regular employee survey to find out how our employees are feeling and what they think of Fabege as an employer. The results provide an accurate picture of how employees feel about their working conditions from a performance perspective. Fabege's performance rating is 3.8 on a scale of 5. This can be compared to the sector average, which is 3.5. Our goal is to reach 4.0 and to continually improve. The survey also shows that the degree of commitment among our employees is almost double that of the average for Swedish companies. One area for improvement that has been identified is to increase employee participation and opportunities to have a say.

Work environment

A healthy work environment based on ergonomic design is essential for employees' wellbeing, and the psychosocial working environment is equally important. With plenty of shared activities, an active and open dialogue and a clear set of core values, we offer a healthy working environment on all levels.

We share our success

All employees are covered by the company's profit-sharing fund and the amount that is distributed is the same for everyone. 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 of Directors makes decisions regarding the allocation to the profit-sharing scheme.

The Board decided that the allocation for 2017 would amount to two price base amounts per full-time employee, which corresponds to a value of SEK 91,000.

WE ARE FABEGE

Everyone who works at Fabege is different, yet we all have one thing in common. Our values unite us and create a shared set of principles that permeates everything we do, both internally and externally. We recognise and nurture each individual's unique qualities and abilities, so that together we are able to create a strong, cohesive organisation. We always strive to create the right conditions for our customers, and it starts with us as a company. We have built Fabege with a strong team spirit, and that's how we intend to continue.

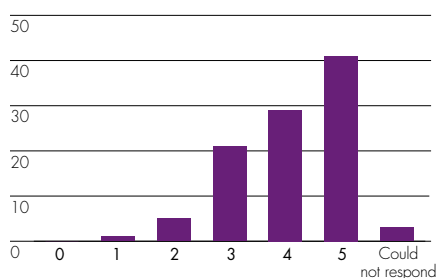
PERFORMANCE RATING OUTPERFORMS AVERAGE

The results for employees show a performance rating of 3.8. The average for the sector is 3.5. The performance rating for managers is 4.1.

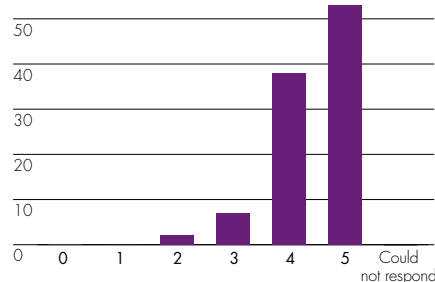
PERFORMANCE RATING

3.8

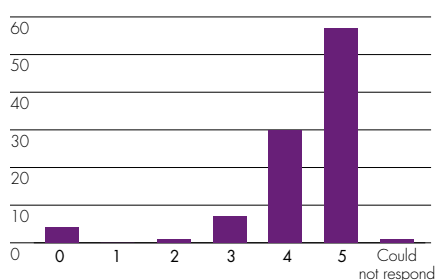
CONFIDENCE IN IMMEDIATE SUPERIOR, %



GENERAL WORK ENVIRONMENT, %



RECOMMEND FABEGE, %



SATISFIED EMPLOYEES, PERFORMANCE RATING



How Faberge creates value in Stockholm's office market

Faberge plays an active role in the development of Stockholm's districts. Through working with others and the efficient use of resources, we create thriving districts and value for our owners, customers and employees.

RESOURCES WE DEVELOP

Employees

- 161 employees
- Property Management: 60%
- Business Development and Projects: 23%
- Administration: 17%



Sustainable relationships

- 900 customers
- Approx. 1,500 suppliers
- Relationships with municipalities and decision-makers



Energy and environment

- 113.4 G Wh Energy
- 479,000 m³ Water
- Materials



Properties

- 90 properties
- 676,000 sqm development rights

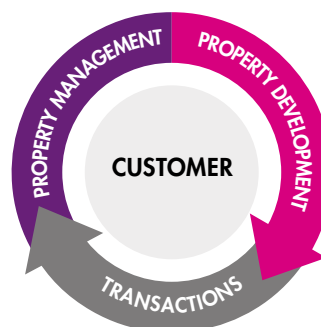


Financial

- Shareholders' equity
- Interest-bearing liabilities



OUR OPERATIONS



Business concept

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

Strategy

Faberge'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. Faberge's properties are located in the most liquid market in Sweden.

Corporate culture

Faberge works on the basis of the shared core values, 'SPEAK', that permeate the entire operation. The values encompassed by SPEAK are Fast, Informal, Entrepreneurial, Business-minded and Customer-focused. Training and skills transfer through the core values occur continuously and are a natural element of each employee's personal development plan.

"Faberge's concentrated property portfolio provides good opportunities to influence the development of entire city districts."

RESULTS OF OUR WORK

Employees

- 87% of our employees would recommend us as an employer
- Salaries and other remuneration: SEK 103m
- Skills development



Sustainable relationships

- 89% of our customers would recommend us
- 75% sustainability-inspected strategic business partners
- 94% green leases (newly signed space)
- Expertise concerning sustainable urban development



Energy and environment

- 1,344 tonnes of carbon dioxide emissions (3% higher than previous year)
- 4,297 tonnes waste (50% to recycling)



Properties

- 71,000 sqm newly produced lettable space during the year, total 1,136,000 sqm lettable space at year-end
- 13 properties were environmentally certified during the year; a total of 36 were environmentally certified/registered for certification by the end of the year



Financial

- Profit/loss for the year after tax: SEK 5,632M
- Total return on the property portfolio: 15.0%
- Return on equity: 22.1%
- Proposed dividend 2017: SEK 744M
- Percentage of green financing: 47%



VALUE FOR SOCIETY



The individual

Social sustainability for both the company's employees and for all the people who use Faberge's premises and city districts on a daily basis. Faberge aims to create environments that make it easier for people to find the right balance in life and to promote sound work environments where there are high demands for comfort, social interaction and health.

The businesses

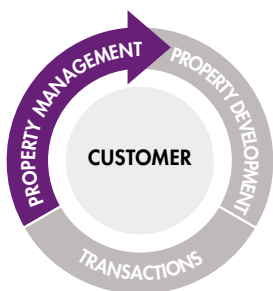
Faberge aims to be a long-term partner and to create offices that strengthen the customer's brand and help reduce environmental impact. We want to contribute to customers' sustainability work through cooperation and green leases, and to help them adapt their need for premises to match their business development.

The districts

Faberge's concentrated property portfolio provides good opportunities to influence the development of entire city districts. This applies to everything from contributing to financing the development of underground train services, to creating a flourishing range of services. As a result of long-term planning and good community relations, Faberge is involved in developing the city.

With the customer in focus

With modern commercial properties in Stockholm inner city, Hammarby Sjöstad, Arenastaden and Solna Business Park, Fabege's objective is to develop sustainable city districts and create the right conditions for satisfying customer requirements.



Achieved in 2017

PROPERTY MANAGEMENT: Low risk with stable cash flow

Finding the right premises for a customer's specific requirements and ensuring that the customer is 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, thus building mutual trust and loyalty.

In 2017 we signed major new rental agreements with organisations such as Swedbank, Skolverket and Naturvårdsverket, which produced net lettings of SEK 244m. Efforts were stepped up in 2017 on environmental certification, and 13 properties were certified according to BREEAM In-Use. At year-end, a total of 61 per cent of the combined area of Fabege's existing portfolio was certified. In the 2017 Customer Satisfaction survey (CSI), Fabege retained a rating of 78 at company level and displayed either increasing or stable ratings within the quality areas that we measure.

SURPLUS RATIO

74%

CUSTOMER SATISFACTION INDEX

78

GREEN LEASES*

94%

RETENTION RATE

84%

Focus in 2018

Several significant relocations are scheduled to take place in 2018, primarily in Hammarby Sjöstad, Solna Business Park and Arenastaden. In 2017 we have therefore further consolidated our organisation to enable us to assist our tenants in completing a successful move. An overall target is to increase the surplus ratio to 75 per cent by 2020. Loyal customers with a high retention rate are key to achieving this goal, and our CSI survey is an important tool for following up our initiatives. In 2018, work will continue on further improving customer satisfaction, partly through a more proactive approach in all forms of customer contact, and a persistent focus on implementing measures and plans.

*Applies to newly signed space.



PROPERTY DEVELOPMENT: Creating value – increasing quality in the portfolio

Property development and new production is the second key cornerstone of our business. One 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.

Achieved in 2017

We completed the Uarda 6 project in Arenastaden with an area of 18,000 sqm, where Siemens and Ambea are now major tenants. A total of around 200 small projects and tenant customisations were carried out to improve the quality of the property portfolio. We started four major projects during the year, including Trikäfabriken 9 of 16,000 sqm which will be home to Naturvårdsverket's new head office, Goodbye Kansas' new head office of 5,200 sqm in Hammarby Sjöstad, Bilia's new facility of roughly 15,600 sqm in Haga Norra and a council property of 5,100 sqm for Solna Stad.

RETURN ON PROJECTS

72%

ENVIRONMENTAL CERTIFICATION
OF ONGOING PRODUCTION

100%

TOTAL INVESTMENT

SEK **2.8 bn**

OCCUPANCY RATE
MAJOR PROJECTS

88%

Focus in 2018

In 2018, we plan to invest about SEK 3.0bn in project operations. Six of our major projects will be completed for occupancy in 2018. The goal is to start a number of new big projects in 2018. The sustainability perspective remains a focus and all major redevelopment projects and new buildings will be environmentally certified.



TRANSACTIONS: Finances projects – increases potential in the portfolio

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

Achieved in 2017

During the year we acquired two investment properties and four land/project properties, all in Solna. This allows us opportunities for continued value creation and project development in close proximity to our other portfolios. A land property was divested in the second quarter to a co-owned company. No other properties were divested during the year. We experienced a sustained high level of interest in our properties from investors.

SALES

SEK **0 bn**

TRANSACTION PROFIT

SEK **0 m**

ACQUISITIONS

SEK **1.3 bn**

VOLUME OF ACQUISITIONS

27,000 sqm

Focus in 2018

The focus will continue to be on improving the quality of our portfolio via property acquisitions and divestments, and creating scope for new investments and value growth. We will therefore be constantly evaluating and analysing potential business opportunities.

Targets and results

Employees



TARGET

Satisfied employees

The performance rating of employees and managers is measured regularly and the aim is for Fabège to achieve a rating of 4.0.

At least

4.0

Sickness absence remains low

Fabège aims to maintain a low level of sickness absence, aided by regular medical check-ups and continued health and fitness programmes.

RESULT

99 per cent of Fabège's employees participated in the employee satisfaction survey in 2017. The results show a performance rating of 3.8. The average for the sector was 3.5. All managers also completed a survey which gave a performance rating of 4.1.

3.8/4.1

Total sickness absence during 2017 was 2.5 per cent. 

2.5%

Sustainable relationships



TARGET

Customer Satisfaction Index

Satisfied customers are important to Fabège.

The target is to achieve an index rating of 80 in Fabège's CSI survey.

80

Sustainability inspections of suppliers

100 per cent of Fabège's strategic business partners must be inspected with regard to sustainability by 2020. These partners are estimated to account for roughly 73 per cent of the total purchasing volume.

100%

RESULT

Fabège conducted a customer survey in 2017, which had a high response rate and good results. In the 2017 survey, Fabège achieved an index rating of 78 on a scale of 100, which is the same result as for 2016. Customer satisfaction is at a consistently high level, which is reflected in the fact that 89 per cent of customers would recommend Fabège as a landlord.

89

Cumulative in 2017 we inspected a total of 75 per cent of our strategic business partners from a sustainability perspective.

75%

Energy and the environment



TARGET

Energy efficiency enhancements

Energy consumption will be reduced by a further 20 per cent by 2020, which corresponds to average energy consumption of 94 kWh/sqm and year. By 2020, total energy consumption will be around 50 per cent lower than the national average for premises in 2014.

-20%

Environmental certifications

All new builds and major redevelopments are to be environmentally certified according to BREEAM-SE. 100 per cent of the existing property portfolio is to be environmentally certified by 2018.

100%

Green leases

The aim is for green leases to account for at least 75 per cent of total newly signed lettable space.


At least

75%

RESULT

Total energy consumption was around 6.6 per cent lower in 2017 overall. Energy efficiency improvements have taken longer than anticipated. Additional resources were contributed in 2017, and new calculations indicate a reduction of 17 per cent by 2020.

-6.6%

In 2017, one of the seven major new production projects was certified with the expected result. In 2017, 13 BREEAM In-Use certifications were completed. The process has begun to take shape and a number of lessons and important insights were learned during the year. 

100%

In 2017, green leases accounted for 94 per cent of total space under newly signed leases, as a result of the year's major new lettings. 

94%

Properties



TARGET

Surplus ratio

The surplus ratio target for 2017 was 74 per cent. The aim is to increase the surplus ratio to 75 per cent by 2020.

73%

Return on projects

Fabege aims to annually invest at least SEK 1.5bn in the company's own project portfolio. In the years immediately ahead, annual investments are estimated to amount to at least SEK 2bn. New projects are to generate a return on invested capital of at least 20 per cent through value growth.

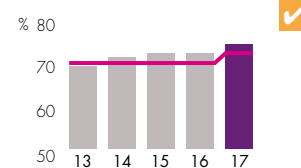
At least

20%

RESULT

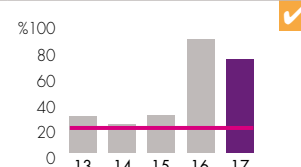
The surplus ratio has improved steadily, owing to growing revenue, an increasingly modern portfolio and continued efforts to boost cost efficiency. The outcome for 2017 exceeded the target.

74%



In 2017, investments in projects and development properties slightly exceeded SEK 2.8bn, generating a yield of 72 per cent. This mainly derived from value growth in major ongoing projects.

72%



Financial

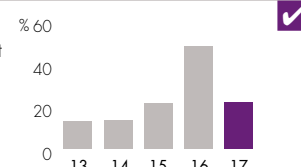


TARGET

Return on equity

Fabege aims to consistently be one of the most prominent listed property companies in terms of return on equity.

22%



Loan-to-value ratio

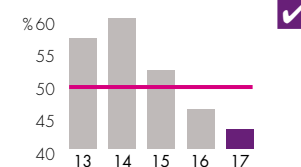
In 2017, the Board decided to reduce the target from max. 55 per cent to max. 50 per cent.

Max.

50%

The loan-to-value ratio dropped to 43 per cent as a result of rising property values and value-generating investments.

43%



Equity/assets ratio

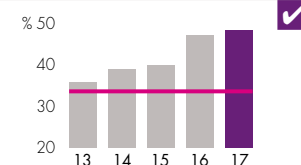
The equity/assets ratio shall be at least 35 per cent.

At least

35%

The equity/assets ratio increased to 47 per cent in 2017 as a result of the strengthening of the balance sheet through strong earnings from operations and rising property values.

47%



Interest coverage ratio

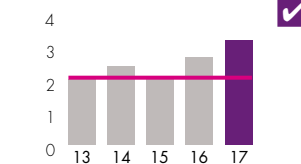
In 2017, the Board decided to raise the target from a minimum of 2.0, to 2.2.

At least

2.2 multiple

The interest coverage ratio is well above the target of 2.2, an effect of strong net operating income combined with low market interest rates.

3.2 multiple



Debt ratio

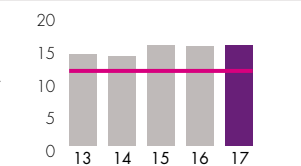
In 2017, the Board took the decision to introduce debt ratio as a new financial target. The long-term debt ratio will amount to a maximum of 13.

Max.

13 in long term

The debt ratio calculated as interest-bearing liabilities divided by net operating income less central administration amounted to 15.5.

15.5 multiple



Megatrends in Stockholm's office world

Megatrends are major shifts in society that affect people and businesses in a number of different ways. Attempting to identify these trends and interpret the drivers gives us improved opportunities to develop our business faster and with greater accuracy, in a way that better corresponds to customers' needs.

1. URBANISATION

■ Stockholm is expected to be the fastest-growing market in the whole of Europe over the next few years. According to forecasts, Stockholm County will have half a million inhabitants more than today by 2030. The number of office workers is growing at roughly the same pace as the population in Stockholm, which means greater demand for office premises. At the same time, there is a limited supply of office space in Stockholm's inner city, due to low vacancies and very little opportunity for new construction projects. The city is therefore continuing to grow geographically and the city limits are shifting into the surrounding areas, with the result that the outer parts of the city are also seeing a stable rental trend and low vacancies.

Fabege's response:

Efforts over the past few years to streamline and concentrate the property portfolio have made Fabege one of the most specialised operators in the Swedish property market today. Our high geographical concentration and our focus on offices puts us in a good position in the submarkets that we target: Stockholm inner city, Hammarby Sjöstad, Solna Business Park, Haga Norra and Arenastaden.



2. SUSTAINABLE OFFICES AND CITY DISTRICTS

■ Over the past few decades, greater attention has been aimed at issues relating to climate change, pollution and overuse of natural resources. Sweden's position is clear: By 2050 we will no longer contribute to the greenhouse effect. The vision is for net greenhouse gas emissions to be zero. This goal requires new construction techniques and smarter cities. New technology creates opportunities for construction using more energy-efficient materials, while environmentally certified buildings will become an increasingly key competitive advantage in reducing costs, attracting tenants and increasing profitability. Customers are also setting high standards when it comes to the surrounding environment and associated services. That's why demand is greatest in thriving districts that are able to offer an extensive range of services and modern offices.

Fabege's response:

Our role as a city district developer involves taking responsibility for the community around us, and we have high ambitions for our environmental work. We aim to build well balanced, attractive and sustainable premises, buildings and urban environments that meet the long-term needs of people and our planet. We use tools such as environmental certifications, energy optimisation, green leases and energy-efficient redevelopment in central locations close to sustainable communications. Specific examples include our contribution to the Last Mile Logistics project and our aim for all our investment properties to be environmentally certified by the end of 2018.



"Digitalisation is likely the fastest and most powerful megatrend human beings have ever experienced."

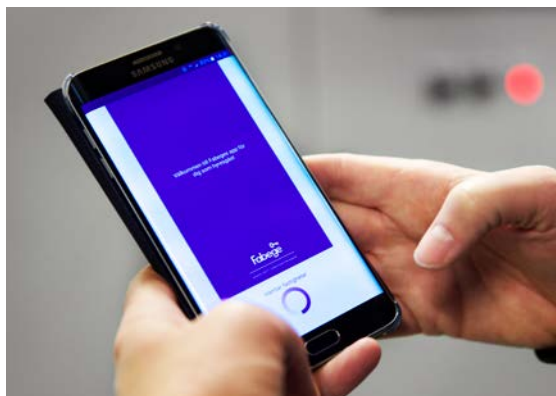
3. DIGITALISATION

■ Digitalisation is likely the fastest and most powerful megatrend human beings have ever experienced. It will impact every community, individual, company and service, and fuel change within most areas. New digital technology means functions are becoming automated, completely new services created and our behaviour is changing. It also means that customers and employees are imposing entirely new demands on us as a property owner. Digital solutions can, for example, help streamline property management for the benefit of both tenants and the environment, while boosting profitability in the form of lower expenses.

Fabege's response:

Over the past few years we have linked all our properties up to a digital fibre network. This allows us to compile and analyse information about each property in real time, and to optimise our use of resources with regard to consumption of electricity, water, cooling and heating. Working with digital tools to manage our climate impact is an important issue for us.

We are also looking at opportunities to facilitate and speed up communication with our customers, using digital services. One example is the Fabege app, which enables tenants to report faults and receive information about current incidents in the property they are in. We are using our cluster approach to build open fibre networks throughout the district, which creates added value for everyone spending time in our districts.



4. INCREASED DEMANDS FOR LOCATIONS WITH RAIL CONNECTIONS

■ There is no doubt that the car-based traffic situation in Stockholm will deteriorate as the population continues to grow. Road traffic has a negative impact on the urban environment in the form of noise, pollution, barriers and an increased carbon footprint. The transportation situation in a district is very closely linked to the area's attractiveness. It means that companies' dependence on offices in locations with rail connections is rising, which will further increase their attractiveness going forward. Proximity to rail communications allows for a smooth commute for both residents and employees, while companies are more easily accessible for their customers. This means that offices located further away from a railway station will be less appealing to new customers in the future.

Fabege's response:

Fabege's property portfolio is mainly concentrated to Stockholm's inner city and a selected number of attractive, well located submarkets that already have good rail connections. Effective public transport is an important factor when making acquisitions. We are also proactive about improving conditions for commuting opportunities for our customers' employees. For example, Fabege is contributing SEK 100m towards financing the underground to Arenastaden, and letting land for the construction of an underground connection in Hammarby Sjöstad.





Sweden's strongest property market

Rental growth accelerated further in 2017, both in Stockholm inner city and in attractive areas outside the centre. Despite a somewhat faltering housing market towards the end of the year, we are seeing a persistently solid office market with higher rents and continued low interest rates.



Stockholm is one of the top five fastest growing regions in Europe. The pace of growth is increasing, and by 2020 Stockholm is set to have over a million inhabitants. There is much to indicate that Stockholm will be a growth market of considerable interest over the coming year. The city has a young population, the economy is robust and unemployment levels are low. Stockholm is the most enterprising city in Sweden, and the city is home to Sweden's largest and most interesting labour market within both the private and public sectors.

Skype, King, Mojang, Klarna and Spotify are all unicorns – tech companies valued at over a billion kronor – that were founded in Stockholm. The only other place that has more tech giants per capita than here is Silicon Valley. In 2016, Stockholm was named the world's second best ecosystem for startups by private equity company Spark-Labs. In 2017, property consulting firm JLL ranked Stockholm the third best market for investors after London and Paris, owing to strong GDP growth prospects and substantial human capital.

Rent levels indicate continued positive trend

Stockholm's office market comprises a stock located primarily in the municipalities of Stockholm, Solna, Sundbyberg, Nacka, Sollentuna, Järfälla and Upplands Väsby. The total office stock in Greater Stockholm is estimated at around 12.4 million square metres. Stockholm inner city is estimated to have an office stock corresponding to 4.4 million square metres.

Demand for modern, effective office premises in Stockholm remains extremely high, and rents are continuing to rise and vacancies remain low as a result of the limited supply and the fact that many companies in the Stockholm region are performing well. New, space-efficient offices combined with flexible approaches have become

increasingly common, which means that the costs per employee for our customers have not risen at the same pace, despite higher rents per square metre. Many companies have gone from 20–30 sqm per employee at the start of the 2000s, to approximately 10–15 sqm per employee. Even areas close to the city with higher vacancy rates, relatively speaking, are benefitting from persistently rising rent levels and falling vacancies in the inner city, principally thriving districts with rail connections.

Strong market continues to appeal to investors

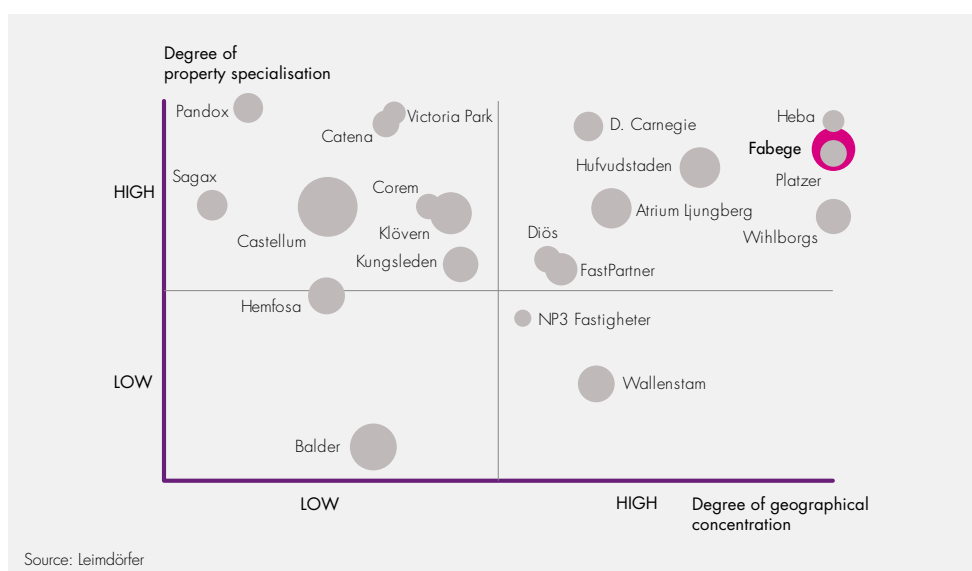
Growth in the property market has resulted in interest in properties as an investment alternative remaining high. Stockholm's office market is exposed to tough competition and there are few properties up for sale. Property ownership in Stockholm largely comprises institutions, mainly insurance companies and pension companies, and there are only a few major developers that are active on the office side.

Good access to capital both in Sweden and in Europe and historically low interest rates mean demand for attractive property investments is on the rise. Alongside lower yield requirements among investors, interest in both central locations and locations in surrounding areas with good transport links has increased.

Fabege's high geographical concentration and focus on offices in thriving districts gives us a solid position via the submarkets we focus on: Stockholm inner city, Hammarby Sjöstad and Solna with Arenastaden, Haga Norra and Solna Business Park. In our capacity as a property owner that is both a city district developer and property manager, our role on the Swedish office rental market is verging on unique, and something that has made us one of the most specialised operators in the Swedish property market.

STREAMLINING AND CONCENTRATION, LISTED SWEDISH PROPERTY COMPANIES, 2017

Efforts in the past few years to streamline and concentrate the property portfolio have made Fabege one of the most specialised operators in the Swedish property market today.



COMPETITORS

We have competitors within both lettings and new office production. On the lettings side, our competitors are the major property companies in the Stockholm area, including Vasakronan, Humlegården, Hufvudstaden and Skandia fastigheter.

There are currently few active new office production companies in the Stockholm market. This is very different from the housing sector, where there is a great deal of speculative building going on. Companies we encounter within new office production include Skanska, NCC, Vasakronan and Humlegården.



City district development strategy

Our long-term perspective and a concentrated property portfolio allow us to contribute towards making investments in the entire urban environment. This could involve greater opportunities for using public transport, improving the situation for cyclists and creating safe street environments with an attractive range of services and pleasant green spaces for people to enjoy. In short, we look at the whole picture.

■ 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.

- Significant volumes of contiguous, undeveloped land
- Locations with rail connections
- Good working relationship with a proactive municipality and a shared vision

These are the three basic foundations for creating both attractive districts and profitability.

Diversification for a thriving city

Mixed-use buildings in a city is one of the most important aspects of a thriving district. If an area is predominantly made up of offices, it tends to become deserted in the evenings at the end of the working day. With residential districts integrated into the area, it transforms into a vibrant scene, 24 hours a day. At the same time, offices provide a broader basis for restaurants and other service businesses to get established and develop. Fabège takes an active role in the development of public transport and services such as restaurants, shops, conference and training facilities and green spaces. Our efforts help make it easier for everyone in our areas to achieve a balance in life, while boosting our profitability.

Sustainable travel

The property industry has considerable potential to influence travel between work and the home. In our efforts to achieve greater sustainability, we place considerable emphasis on promoting sustainable travel behaviour. For many years now we have enjoyed a close partnership with KTH Royal Institute of Technology, which has developed the process tool CERO¹ in order to come up with economically sustainable strategies for reducing the carbon footprint during journeys to and from our properties. Several of the major companies that are due to relocate to our properties over the next few years have also opted to work with CERO.

1) Climate and Economic Research in Organizations (CERO) is a process tool developed by KTH Royal Institute of Technology. It helps organisations find financially sustainable strategies for achieving established climate targets for business travel. Employees' travel behaviour and preferences are analysed and used as a basis for decisions that aim to reduce total climate impact in the long term.

Financing of underground system

Fabège is contributing SEK 100m towards the financing of the underground train service to Arenastaden. An initial payment of SEK 25m was made in 2017. With the underground scheduled for completion in 2024 at the earliest, our customers' employees will get additional public transport alternatives and Arenastaden will consolidate its position as a communication hub. We are granting use of land during construction on the underground to Hammarby Sjöstad for a working tunnel and establishment.

Improved conditions for cyclists

The number of cyclists in Stockholm has doubled over the past decade, and we want the figure to be even higher. Every year, Fabège increases the number of bicycle parking areas to improve accessibility and help boost the number of cyclists. Pool bicycles are available for all our customers at Solna Business Park. We offer bike servicing and changing rooms for customers in all our areas. At SEB's new offices in Arenastaden we have built a bicycle garage for 1,250 bikes.

Fossil-free transportation

One important sustainability aspect in a district is transportation. 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. During the year, Fabège also invested in a new fleet of service vehicles, all of which run on electricity. In Arenastaden we are participating in the Last Mile Logistics project, which aims to jointly transport, fossil-free and quietly, goods and waste into and out of the area.

BREEAM is our process tool

By adopting a holistic approach when it comes to people, the environment and economy, we are able to make a positive contribution in the areas in which we operate, with the aim of creating thriving, attractive and safe districts for residents and our customers' employees. In order to quality assure our city district 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.

FABEGE TAKES RESPONSIBILITY THROUGHOUT THE SOCIAL CONSTRUCTION PROCESS, FROM PLANNING TO LETTING.

Traditional urban development includes municipalities, construction firms and property companies that each play their part in the process. At Fabège 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.





INNER CITY

Persistent high pressure in the capital

Stockholm is one of Europe's fastest growing cities and demand for offices in the inner city is greater than ever. Attractive locations, the best public transport connections and a vast range of services and leisure opportunities have led to high rent levels and extremely low vacancies.

■ Stockholm inner city is the Nordic region's largest office market and one of the fastest growing in Europe. With the best communication links, a high service level and modern offices in prestigious districts, demand for offices in the inner city is greater than ever. At the same time there is a substantial shortage of large, contiguous office premises on the market, which has few newly constructed spaces on offer. Together with a healthy economy, this contributed to making 2017 a year in which rents increased to record levels in Stockholm's inner city, with extremely low vacancies.

A significant inner city property owner

Fabege is one of the major owners of commercial properties in Stockholm inner city, with 29 properties comprising a total of

400,000 sqm. The rental value of the portfolio is SEK 1,144m, representing about 44 per cent of the Group's total rental value.

Our inner city portfolio is characterised by modern offices and shops in prime locations around Kungsgatan and Drottninggatan. At the northern approach to Stockholm we own the Wenner-Gren Center, a familiar building of high architectural value, just like our Tidningshuset property at the western approach, which is home to Swedish daily newspapers DN and Expressen.

Long-term improvements

During the year we continued to advance our position as a city district developer in central Stockholm, albeit via smaller projects. In the Hägern Mindre property at Drottninggatan 27–29, improvements are being made to revitalise the retail units on the ground floor and boost their appeal. At the same time the property will be certified in accordance with BREEAM In-Use. As part of continued efforts to restore Kungsgatan to its former glory, we have made improvements to the Bocken 39 property. New tenants are moving in and we have converted an old nightclub and two shops into a spacious, modern office building where Adlibris will open its flagship Stockholm store in 2018.

"The Swedish capital region is the hub for Swedish economic development and the inner city represents the largest office market in the Nordic region."



HAMMARBY SJÖSTAD

Growth and creativity in waterside location

Hammarby Sjöstad has long been home to innovative businesses. With its location by the port entrance to Lake Hammarby, and with a host of innovative office buildings that are now home to creative companies, the pioneering spirit in this district is stronger than ever.

■ The former industrial area of Hammarby Sjöstad presented a unique opportunity to extend Stockholm's central inner city, while transforming an old port into a modern residential area. Hammarby Sjöstad has now developed into a natural hub for companies seeking a dynamic inner-city location with creative office environments, a high level of service, access to stunning green spaces and well established public transport connections, including a commuter boat.

A growing district with creative office environments

Demand for both offices and homes is high and Hammarby Sjöstad is still experiencing phenomenal growth. Several companies are in the process of developing an additional 1,300 new homes and 150,000 sqm of office space, in the form of both new construction and improvements to existing buildings. A total of 10,000 office workplaces will be added to the area. Fabège will continue to develop the area over the coming years. Our plans include both exploitation of development rights and improvements to existing properties, as well as the development of shops and an appealing range of services.

Zombies in Sjöstad

Fabège is the largest holder of commercial premises in the area. One of our properties is the former hosiery factory, which was built in the 1920s. The buildings have undergone extensive improvements, transforming them from functional industrial premises into a modern office block with a wood frame. Tenants scheduled to move in during 2019 include Naturvårdsverket (Swedish Environmental Protection Agency).

Another exciting tenant moving to the area is Goodbye Kansas, one of Sweden's fastest growing animation companies that produces special effects for TV, including the Walking Dead series. They required a building with room for all their employees, along with a motion capture studio with a ceiling height of seven metres. The company found what it was looking for in Fabège's ongoing Båtturen 2 project, and will have the entire 5,200 sqm building at its disposal after it takes up occupancy in 2019.

LETTABLE AREA

105,000 sqm



LETTABLE AREA

346,000 sqm

"Arenastaden is one of Stockholm's strongest brands when it comes to expansive districts for business establishments."

LAST MILE MAKES ALL THE DIFFERENCE

Fabege is taking part in the Last Mile Logistics pilot project in Arenastaden together with Catena, Ragn-Sells and Servitix. The project involves the establishment of a logistics terminal for transshipment of incoming and outgoing shipments in Arenastaden. Without this initiative, a fully developed Arenastaden will generate more than 1,000 transportation journeys a week. Fabege hopes to reduce the current amount of transportation in Arenastaden by 70 per cent by the year 2021, thus contributing towards a cleaner, safer, quieter and more sustainable district.

ARENASTADEN

A district in a class of its own

Despite the fact that Arenastaden is already a flourishing district where roughly 30,000 people live and work, it is not finished yet. New homes are planned, office properties will be built and several major companies are set to relocate here over the coming years.

In the space of just a few years, Arenastaden has established itself as one of Stockholm's most exciting neighbourhoods for companies, thanks to architecture of international class, an unrivalled range of shops and a clear focus on sustainability. The district combines aesthetics with comfort and function to create an effective overall experience. Proximity to Mall of Scandinavia, with its vast range of shops, services and restaurants, is a major attraction for companies' employees.

Good communications in a sought-after area

Arenastaden offers excellent public transport connections that will be further improved during the year with the opening of the City Line. Commuter trains are now more regular and faster, with the journey to Stockholm City taking around seven minutes. There is very strong demand for office premises in the area, and rent levels are higher than in other Stockholm suburbs. The district now has approximately 350,000 sqm of offices and just over 25,000 workplaces, while a further 50,000 sqm of office space is under production.

Fabege owns the majority of all office properties in Arenastaden, which means that we have substantial opportunities to pursue successful development for a sustainable and thriving district.

Many leading companies have already chosen to establish their operations here. In 2017, just under 3,000 SEB employees moved into Sweden's biggest newly built office with a sustainability focus. The Uarda 6 property was also completed during the year and was already fully let to tenants including Siemens and H&M. Other tenants in Arenastaden include KPMG, Svea Ekonomi, Nike, Adidas, Svenska Spel and Telia Company.

But Arenastaden is not yet completely finished. Fabege is continuing to expand and we are making improvements to existing properties, creating new development rights and in so doing facilitating continued city district development. The next stage will be to increase the number of residential units in the area, thus making the district even more vibrant. The new yellow underground line will have an entrance along Dalvägen following completion, which is scheduled for 2024 at the earliest. A number of residential buildings are planned here, along with extended services.

25,000

WORKING IN ARENASTADEN IN 2018

HAGA NORRA

New district in unique location

Between green parks in a location with good connections, a new, attractive and sustainable district is emerging. With a large proportion of housing, modern offices and a broad range of services, Haga Norra will form another thriving, expansive district on the border between Solna and Stockholm.

The area north of Stockholm has become increasingly attractive over the years, largely owing to the establishment of Arenastaden, Nya Råsunda and improvements to public transport.

The large area west of Frösundavik, which for many years was Bilia's facility and showroom, will be the heart of Fabege's newest district, Haga Norra. Once Bilia has relocated to its new full-service facility in the western section of the plot in 2021, work will begin on developing the new district, and the area will be transformed over the years that follow. The whole Haga Norra district is expected to be completed in 2026–2027. The district will then offer an exceptionally good location right in the heart of an exciting environment, close to all the services in Arenastaden, beautiful Haga Park and Karolinska Hospital and KI, with a vast number of workplaces. The first stage is expected to be completed by 2021.

The development of Haga Norra is ambitious and includes six residential blocks of different character and with a wide selection of service and retail outlets on the ground floors. Fabege is working with housing developers and together we will develop the area for just over 2,000 residents as part of an initial stage.

Two environmentally certified office buildings will welcome both large and small companies to just over 70,000 square metres of commercial space. The office buildings form a barrier from the road for the residential areas, which are naturally integrated. Planning work on housing and offices has begun, and further plans will be presented in 2018.

Communications under development

Haga Norra is just a stone's throw away from Solna Station, from which Stockholm City can be reached in seven minutes, Odenplan in four minutes and Arlanda Airport in 30 minutes using the new City Line commuter rail. The light rail will be extended from Solna Station to Hagastaden, several bus routes already traffic the area and the district has easy access to the E4 motorway. It is also close to both Arlanda and Bromma airports. When the underground comes to Arenastaden, an exit is planned close to Haga Norra, which will further improve accessibility.

70,000 sqm

LETTABLE SPACE WE ARE CREATING

"The office buildings form a barrier from the road for the residential areas."



SOLNA BUSINESS PARK

Dynamic and green

A modern office in the right location is an increasingly important aspect to consider for today's employees. It can even be the deciding factor in a choice between two comparable employers. People are looking for urban, thriving districts with an appealing and broad range of services. That's our vision of Solna Business Park.

Solna stad is the best in Sweden at attracting Swedish business – according to an annual survey commissioned by the Confederation of Swedish Enterprise, Solna stad has been named Sweden's most business-friendly municipality for ten years in a row. It goes without saying that many companies feel particularly welcome here.

Solna Business Park is an established office area where a number of well-known companies have decided to locate their head offices. Today, Coop, EVRY, Unilever and SBAB, along with several medium-sized and small companies together comprise a vital and healthy mix. We want to build on this mix, because our vision has yet to be realised.

New vision for Solna Business Park

Fabege is the largest owner of commercial property in Solna Business Park. Our vision is to develop a cohesive, urban environment in Solna Business Park for 36,000 workers, 5,000 residents and 60,000 sqm of services and shops. With services, restaurants, outdoor cafés, gyms,

schools, parks and a vibrant street scene, we are creating the most compact district outside of Stockholm's inner city, and one of the most appealing areas in Greater Stockholm.

Some buildings are being demolished to provide space for completely new ones over the next five years. Others will be redeveloped and transformed into flexible, modern offices, in collaboration with some of the most innovative architects in Sweden. We also want to develop 2,000 residential units.

Best public transport location after T-Centralen

Sundbyberg Station, a hub for commuter rail connections, the underground, light rail and buses, is walking distance from Solna Business Park, making the area highly accessible. The Mälardalen commuter rail service provides easy access from Västerås and Enköping, and with Bromma Airport just around the corner, the rest of Sweden is never far away. There will be further improvements to public transport over the next few years. We also offer our customers' employees pool bicycles, a bicycle garage, changing rooms and professional bike servicing.

LETTABLE AREA

233,000 sqm



SUSTAINABLE URBAN DEVELOPMENT

Solna Business Park is already in all aspects a green district. Environmentally certified wind power from Vattenfall's Nordic plants accounts for all electricity supplied to our properties. District heating and cooling is certified according to the 'Good Environmental Choice' label. And the plan is to continue developing the district to be more sustainable. We are in the process of drawing up a programme based on CityLab Action, a forum for sustainable urban development, which will be used in the development of Solna Business Park.

A BUILDING WITH HISTORY AND AN INDUSTRIAL SPIRIT



TRIKÅFABRIKEN 9

Completed: Q2 2019

Lettable area: 16,700 sqm

Estimated investment: SEK 450m

Largest tenant: Naturvårdsverket

Environmental classification:
BREEAM-SE, Very Good

16,700 sqm

■ Hammarby Sjöstad is the site of one of Fabege's most recent development projects, the old hosiery factory Trikäfabriken. The building, with more than a hundred years of history and memories, will now be transformed into a dynamic office block.

"Trikäfabriken is a unique industrial property that is being redeveloped to create a vibrant, modern and environmentally sustainable office building."



COPPER BUILDING IN WESTERN SJÖSTAD

HAMMARBY- TERRASSEN – BÅTTUREN 2

Completed: Q2 2019

Lettable area: 5,200 sqm

Estimated investment: SEK 170m

Tenant: Goodbye Kansas

Environmental classification:
BREEAM-SE, Very Good

5,200 sqm

■ Båtturen 2 is located in the western part of Hammarby Sjöstad right next to Hammarby Canal, Hammarby Allé and Fortum's heating plant. This free-standing office building will be a central point in the oval-shaped park area that stretches from Hammarbyterrassen to Lumafabriken.



NEW SÖDER- STADEN'S EYE-CATCHER

PELAREN 1

Completed: Q4 2018

Lettable area: 21,300 sqm

Estimated investment: SEK 780m

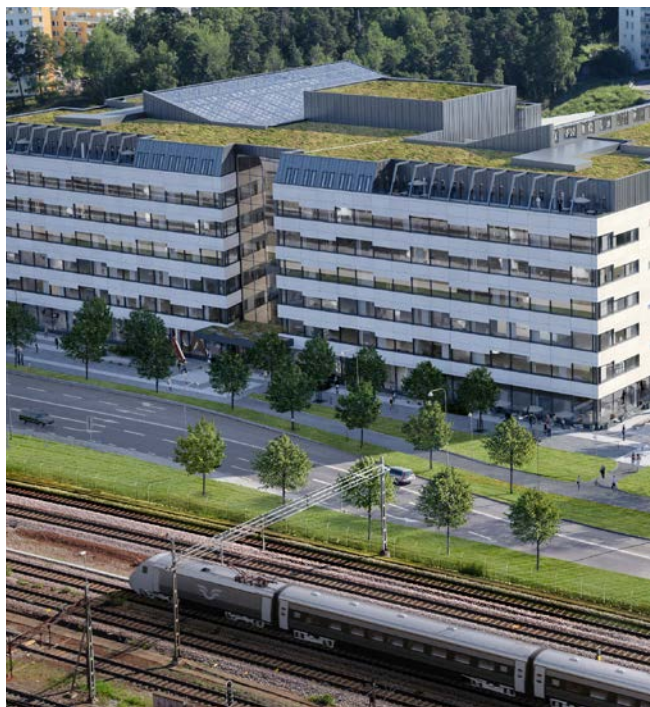
Largest tenant: 3 (Hi3G Access)

Environmental classification:
BREEAM-SE, Very Good

21,300 sqm

■ A building that really stands out and truly represents the tenants' brands – right in the heart of the new Söderstaden. 50,000 car commuters pass the building every day and it also catches the eye when global performers are visiting the area.





BUILT AROUND SUSTAINABILITY

SIGNALEN 3

Completed: Q4 2018

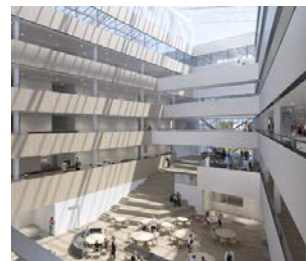
Lettable area: 31,100 sqm

Estimated investment: SEK 1,130m

Largest tenant: ICA

Environmental classification:
BREEAM-SE Excellent

31,100 sqm



■ Our Signalen project is a typical example of a construction project founded on sustainable principles. Modern architecture, open and flexible work areas and environmental consideration are the hallmarks of this project. ICA is our first tenant at Signalen and the company is leasing roughly 80 per cent of the property.

SCANDINAVIAN MODERNISM

UARDA 6

Completed: Q4 2017

Lettable area: 17,800 sqm

Estimated investment: SEK 600m

Largest tenant: Siemens

Environmental classification:
Miljöbyggnad Gold

17,800 sqm

■ With an emphasis on natural materials such as stone and light wood, the Uarda 6 project in Arenastaden was completed in autumn 2017. The interior features elements of Scandinavian modernism and the building's technology is at the absolute forefront. This is an extremely special building for exacting tenants with high standards.





4,500 EMPLOYEES IN SWEDEN'S MOST ATTRAC- TIVE OFFICE

PYRAMIDEN 4

Completed: Q2 2018

Lettable area: 72,200 sqm

Estimated investment: SEK 2,600m

Tenant: SEB

Environmental classification:
BREEAM-SE Excellent

72,200 sqm

■ At the beginning of May 2017, around 3,000 SEB employees moved into two of the three connected office buildings in Arenastaden that have been specially created for SEB. A further 1,500 people will join them in 2018. With an environmental perspective that focuses in on the tiniest detail, this is one of Sweden's biggest office projects for the foreseeable future.

"SEB's new offices have been named 2017's most attractive offices by Lokaltidning and Fastighetssverige, based on criteria such as style, work environment and innovation."





MODERN AND FLEXIBLE IN THE HEART OF SUNDBYBERG

ORGELN 7 – GRAND CENTRAL SUNDBYBERG

Completed: Q4 2018

Lettable area: 38,500 sqm

Estimated investment: SEK 1,070 m

Largest tenants: Migrationsverket
and Swedbank

Environmental classification:
BREEAM-SE, Very Good

38,500 sqm

■ In vibrant Sundbyberg Centrum, a modern office property is being created with underground, commuter rail connections, cross rail, buses and intercity trains right by the entrance. The property is fully let.



HISTORICAL LAND IN RÅSUNDA UNDER DEVELOPMENT

HÖRNAN 1

Completed: Q2 2018

Lettable area: 16,300 sqm

Estimated investment: SEK 530m

Largest tenant: Telenor

Environmental classification:
BREEAM-SE, Very Good

16,300 sqm



■ The offices we are developing in Råsunda boast a fantastic, if not unique location. Authentic, old Råsunda on the one side and the modern Solna Centrum with all its amenities on the other. The cross rail, underground and buses are all on the doorstep.



LAGERN 4

Completed: Q3 2018

Lettable area: 5,100 sqm

Estimated investment: SEK 140m

Tenant: Solna stad

Environmental classification:
BREEAM In-Use

5,100 sqm

■ We are working closely with Solna stad to develop the district of Råsunda. The idea is to condense the area to form a clear urban environment. We are now in the process of developing a school, several preschool classes and supported housing for people with physical or learning disabilities.

ONGOING PROJECTS >SEK 50M, 31 DECEMBER 2017

Property listing	Property type	Area	Completed	Lettable area, sqm	Occupancy rate, % ¹⁾	Estimated rental value, SEKm ²⁾	Carrying amount, SEKm	Estimated investment, SEKm	Of which used, SEKm
Orgeln 7	Offices/Retail	Sundbyberg	Q4 2018	38,500	90	120	1,416	1,070	617
Hörnan 1	Offices	Solna	Q2 2018	16,300	69	51	779	530	432
Pyramiden 4 ³⁾	Offices	Arenastaden	Q2 2018	72,200	100	182	3,409	2,600	2,492
Pelaren 1	Offices	Globen	Q4 2018	21,300	94	69	684	780	456
Lager 4	School	Solna	Q3 2018	5,100	100	14	127	140	32
Signalen 3	Offices	Arenastaden	Q4 2018	31,100	78	92	1,015	1,130	543
Triåfabriken 9	Offices	Hammarby Sjöstad	Q2 2019	16,700	50	54	359	450	132
Båtturen 2 (part of)	Offices	Hammarby Sjöstad	Q2 2019	5,200	100	18	60	170	15
Total				206,400	88	600	7,849	6,870	4,719
Other land and project properties							861		
Other development properties							4,273		
Total Projects, Land and Development properties							12,983		

1) Operational occupancy rate at 31 December 2017.

2) Rental value including supplements. The annual rent for the largest projects in progress could increase to SEK 547m (fully let) from SEK 50m in annualised current rent at 31 December 2017.

3) Just over 70% of the project has been completed, with occupancy taking place in May 2017.

DEVELOPMENT RIGHTS PORTFOLIO 2017¹⁾

Type	Sqm	Approved detailed development plan
Commercial development rights	412,000	44%
– Of which in Arenastaden	177,000	49%
Housing development rights	264,000	34%
Total	676,000	40%

¹⁾ Including acquisitions of Distansen and Råsta, which were taken over in January 2017.

Our value-adding business

Our business model combines city district development with proactive and customer-oriented management, along with continuous improvement of the property portfolio. We invest in strategic acquisitions where we can create value for the future.

OUR THREE BUSINESS AREAS

Property Management

Property Development

Transactions

Business area earnings

All our business areas are to contribute to the business and to earnings. The contribution from Property Management comprises net operating income from property management and changes in value during the year. The latter have been substantial, owing to the fact that we have modern, attractive properties in a market that has experienced extremely high value growth over the past few years.

The objective is for Property Development and Transactions to make a significant combined contribution to earnings each year. The focus is primarily on generating good business that is consistent with our strategy. No sales were carried out in 2017.

BUSINESS AREAS' CONTRIBUTIONS TO EARNINGS 2017



SEKM	2017	2016	2015	2014	2013
Contribution from Property Management	4,805	6,209	3,308	1,755	944
Contribution from Property Development	2,282	1,876	632	266	409
Contribution from Transactions	0	491	21	300	135
Contribution from operations	7,087	8,576	3,961	2,321	1,488
Contribution, SEK per share	43	52	24	14	9

LONG-TERM SUSTAINABILITY WORK

The aim of our sustainability work is to create long-term, sustainable value for our customers, employees, owners and the surrounding area, without compromising on resources that reduce the ability of future generations to realise their dreams and meet their needs.

Sustainability work can be categorised based on five focus areas, but initiatives are pursued as an integral aspect of daily operations. Reporting of sustainability work is integrated into the Annual Report, with more detailed information provided in separate chapters on the subjects of Employees, Energy and the environment and Sustainable relationships. Detailed information and key figures are also available in our DMA and GRI notes, including information about our stakeholder dialogue, materiality analysis, GRI index, and in the Sustainability Report in accordance with the Swedish Annual accounts Act on pages 98–100.

Employees

- Health and safety
- Skills development
- Terms of employment



Sustainable relationships

- Customer health and safety
- Sustainability-inspected supplier chain
- Collaborations for sustainable development of city districts
- Anti-corruption and sound business ethics



Energy and environment

- Energy efficiency enhancements and carbon footprint
- Materials selection and safe products
- Environmental risks and soil remediation
- Emissions and waste management



Properties

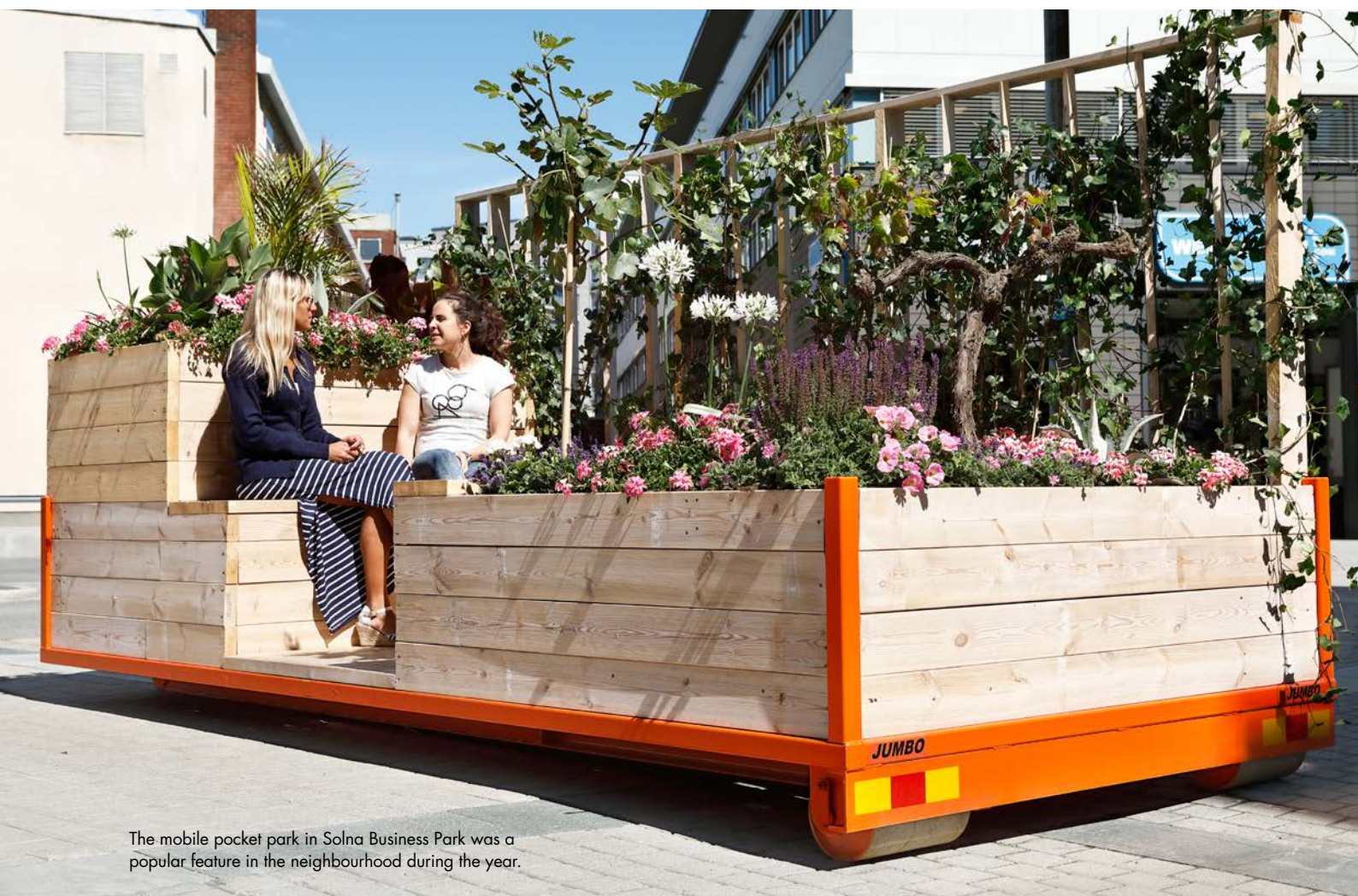
- Modern and sustainable premises
- Environmentally certified properties
- Green leases



Financial

- Stable finances
- Green financing





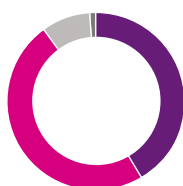
The mobile pocket park in Solna Business Park was a popular feature in the neighbourhood during the year.

FABEGE'S PROPERTY PORTFOLIO

	No. of properties	Lettable area, 000 sqm	Market value, SEKm	Rental value, SEKm	Financial occupancy rate, %
Stockholm inner city	29	400	24,127	1,144	94
Hammarby Sjöstad	11	105	4,704	227	95
Solna	47	631	28,341	1,223	94
Other markets	3	0	717	0	0
Total	90	1,136	57,889	2,594	94

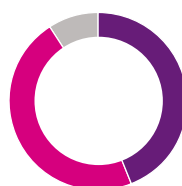
VALUE DISTRIBUTION

MARKET VALUE, PERCENTAGE



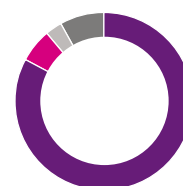
- Stockholm inner city, 42%
- Solna, 49%
- Hammarby Sjöstad, 8%
- Other, 1%

RENTAL VALUE, PERCENTAGE



- Stockholm inner city, 44%
- Solna, 47%
- Hammarby Sjöstad, 9%

RENTAL VALUE TYPE OF PREMISES, PERCENTAGE



- Offices, 83%
- Retail, 6%
- Industrial/warehouse, 3%
- Other, 8%

Close relationships enable effective management

Fabege's property management is founded on correctly designed premises, flexible solutions, daily service and close relationships with our customers. With a methodical and systematic approach, continual follow up and committed employees who take responsibility, we always base our conduct on the needs of our tenants.

■ Fabege is landlord to over 900 companies, and more than 80,000 people visit our premises every day. We meet all our customers based on their unique needs through our biggest division, Property Management, and we engage in long-term, purposeful and systematic efforts every day, at each property.

Customer-focused letting strategy

Our letting strategy is simple, but clear: The customer is at the centre. By analysing customers' specific needs, we are able to offer a tailored solution that matches their requirements and operations perfectly. We also have an explicit strategy of attracting major companies to our core areas, as they help boost the appeal of the district.

Companies and operations can change very rapidly these days, and there can be a sudden need to move offices. Thanks to our broad offering of attractive premises in prime locations, we have good opportunities to meet the needs of both existing and potential tenants.

Our own staff are always at hand

We always work within reach of our customers when it comes to both decisions and service. The Property Management division is separated into four geographical areas where the majority of our properties are located: Stockholm inner city, Hammarby Sjöstad, Arenastaden and Solna Business Park. Each unit works autonomously with a high level of responsibility and good opportunities to make swift decisions.

Having local offices in all our areas means we can offer swift and personal service. Property management is carried out by our own staff. We have a good knowledge of our customers, the properties and the area, and are available to handle issues quickly and solve problems. We deal with matters that arise in a professional and constructive way, whether it is about arranging more bike parking spaces or helping growing companies find larger premises that satisfy new needs and requirements.

Relocations

There were several major relocations in our areas in 2017. SEB completed phase one of Sweden's biggest ever office move when almost 3,000 employees relocated to Arenastaden. Several significant relocations are scheduled to take place in 2018, primarily in Hammarby Sjöstad, Solna Business Park and Arenastaden.

Good preparation, clearly communicated areas of responsibility and a customer-centred approach are all essential elements in setting up offices in a new premises so that everything works from day one. We help prepare the customer's office organisation, something that in principle starts with the signing of the lease. Over the past year we have further consolidated our organisation to enable us to assist our tenants in completing a successful move.

Persistently high customer satisfaction rating

Fabege conducts an annual Customer Satisfaction Survey (CSI) to measure the overall level of customer satisfaction. The survey also provides us with a basis for carrying out quality improvements within areas that are important to our customers.

In the 2017 survey, Fabege retained a rating of 78 at company level and displayed either increasing or stable ratings within the quality areas that we measure. In 2017, considerable emphasis was placed on working proactively and retaining a high and consistent level of service. This is reflected in the survey, in which customers confirm that we are both committed and responsive. We are easy to contact and the fault reporting procedure is simple via an app or our website.

Loyalty remains at a consistently high level, with 9 out of 10 customers saying they would recommend Fabege as a landlord. This is also illustrated in the retention rate, which has risen and is at a high level, 84 per cent.

Our size and market share in attractive areas mean we have good opportunities to come up with new solutions for existing customers when their needs change, and many customers opt to remain with us even when they need to move offices.

Our various market areas show a uniform result, which indicates a stable and consistent service level throughout the entire property management organisation.

Green leases for greater cooperation

Green leases offer us a good platform for working with our tenants to further reduce the building's environmental impact. A green lease means that both parties agree on a joint environmental agenda for the premises through the efficient use of resources and sustainable property management. Materials selection, renewable electricity, flexible building design, energy efficiency enhancements and sorting of waste at source are examples of commitments that may be included in such a lease. Green leases are an important basis for environmental certification of the building. Our aim to increase the proportion of green leases is a reflection of greater demand among our customers. In 2017, Green Leases accounted for 89 per cent of total space under newly signed leases and 94 per cent of newly signed annual rent.

Focused management based on customer needs

Local, accessible and responsive management is fundamental to retaining satisfied customers in property operations. Our customer-oriented management is the result of methodical efforts to systematise processes for managing, measuring, following up and streamlining our procedures at every stage. The surplus ratio increased during the year by one percentage point to 74 per cent. The high surplus ratio is partly attributable to low vacancies in 2017 and increasing rent levels, but is also the result of our continual focus on efficiency improvements and cost monitoring in property management.



Digitalised property management

Digitalisation of the property sector has really taken off in recent years. We see huge potential in managing and monitoring properties using smart systems and connected technologies. This also allows us new opportunities to offer our tenants a simpler way of doing things, which further strengthens our customer relationships.

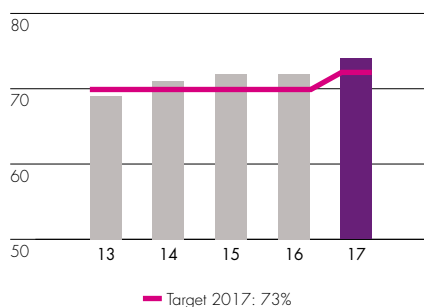
All the properties in our portfolio are now connected to a digital fibre network. This enables us to compile information on the use of lifts, see which alarms have been activated and measure the property's consumption of electricity, water, cooling and heating via digital measuring points. When we read off and analyse information in real time, we can respond immediately to any deviations. Working with our

climate impact by reducing energy consumption is an important issue for us. Digital control means we are able to even out small fluctuations in consumption in order to further reduce our climate footprint.

Greater security and improved communication

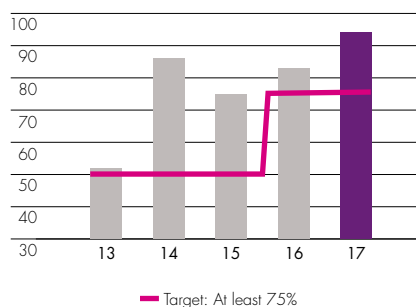
Security has become an increasingly significant area over the past few years. We are working to further improve physical security by introducing increased control of entry and exit areas in our properties and at construction sites using digital technology. Digital services also help us facilitate and speed up communication with our customers. In our Fabege app, for example, tenants can easily report faults and receive information about current incidents in the property.

SURPLUS RATIO, %



The surplus ratio target for 2017 of 73 percent was achieved. Our ambition is to increase the surplus ratio to 75 per cent by 2020.

PERCENTAGE GREEN LEASES, %



The aim is for green leases to account for at least 75 per cent of total newly signed lettable space.

Green investments



We are continually implementing various types of green investments in our properties, such as replacing the windows to create a better indoor climate and cut energy usage. In 2017, we installed several heat pumps for base load, which recycle surplus heat in the property. In the long term we are looking to build balanced districts in which heating and cooling is distributed evenly between buildings.

Active role in city district development

Fabege holds a unique position as a city district developer in Stockholm's property market. With a substantial development rights portfolio that can be adapted to each customer and refined based on their specific needs, along with a large choice of attractive areas, we can offer our customers plenty of alternatives.

■ In the space of just a few decades, Fabege has moved from building and managing individual properties to developing entire districts, with public transport, cycle paths, safe and pleasant street environments and an easily accessible and broad range of services. Our existing property portfolio matches our customers' demands, and new production and the creation of new development rights will ensure that this continues to be the case going forward.

New production and redevelopments

Fabege is Stockholm's largest developer of office properties and in 2017 accounted for over 50 per cent of all new production in the Stockholm region. We therefore have considerable experience of developing and improving properties to transform them into attractive offices, while maintaining good cost control throughout the process. One of our objectives is to attract tenants to properties that are not yet finished, so that we can improve the building together based on the customer's specific needs.

Fabege's redevelopment division is divided into two units; one for major development projects and one for small projects and ongoing maintenance. In larger projects, Fabege is the developer and procures construction contractors to carry out the work. We use a meticulous procurement process to ensure that contractors live up to our stringent requirements as regards quality and expertise, and that they adhere to our Code of Conduct for suppliers. The purpose of Fabege's redevelopment projects is to produce more attractive premises and generate higher rents in the property portfolio, thereby improving cash flows and adding value. The work could relate to customisations ahead of a relocation, or adaptations to meet the changing needs of an existing customer. Minor adaptations are often made in connection with lease renegotiations. The knowledge that we are able to adapt premises to changing needs reassures our customers and helps ensure a high retention rate. In 2017, we carried out roughly 200 small projects to satisfy customer needs and individual requirements.

Long-term business development produces results

Effective and long-term business development has played a major role for Fabege in acquiring its position as Stockholm's largest developer of new offices. One fundamental component of our business is that we create our own development rights. Development rights created on our own land have an extremely low initial value compared with rights acquired on the property market.

Our long-term approach, healthy balance sheet and our strategic position in development areas give us good opportunities for completing the process of transforming low-yielding industrial land into high-yielding areas for offices, shops and housing.

Our development rights allow for many different types of development projects and property types. We analyse potential and transform ideas into reality to create the perfect workplace, often in collaboration

with our customers. We also work to bring about improvements to the infrastructure in our areas. Expanded public transport services such as the cross rail stop in Solna Business Park and new underground line to Arenastaden are projects that we have been actively promoting for many years. The Stora Frösunda property in Solna, which was acquired in 2015, is a prime example of our long-term approach. The Bilia letting during the year releases development rights on the property for the exploitation of office buildings and sales. The value of the development rights was revised upwards by SEK 695m in 2017 as a result.

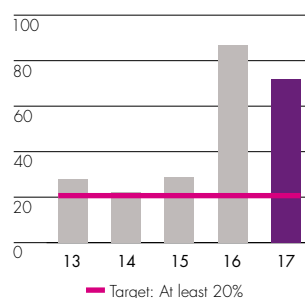
Future development opportunities

At the end of the year, Fabege had just over 200,000 square metres of offices under production. In addition, we have a considerable number of development rights at our disposal in our core geographical areas. At year-end, office development rights totalled approximately 412,000 square metres. With ongoing production and the development rights portfolio at our disposal, we will be able to continue producing offices in our core areas over the coming decade. We are also constantly identifying new opportunities in and outside our portfolio to create entirely new development rights for housing or offices, thus further increasing the future potential of the company's portfolio.

Efficient development process

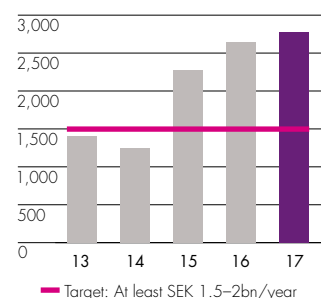
Productivity and quality in the construction industry have improved in recent years, and Fabege is constantly working to identify ways of making the process more efficient. We look at things like how a more industrialised construction process creates benefits in terms of quality, environmental impact and in particular, cost effectiveness. Streamlin-

RETURN ON PROJECTS, %



Project investments are to generate a return on invested capital of at least 20 per cent through value growth.

INVESTMENTS, SEK M



Fabege aims to annually invest at least SEK 1.5-2bn in the company's own project portfolio. New projects are to generate a return on invested capital of at least 20 per cent through value growth.

"One fundamental component of our business is that we create our own development rights."

ing our use of resources and hired machinery enables us to reduce the total number of working days for a project, thereby cutting costs.

For new production we use prefabricated elements that are then assembled on site. Manufacturing components in a more controlled setting is positive from a work environment perspective. It also shortens the building time and reduces the amount of construction waste in the workplace.

High risk work environments

We maintain a strong focus on work environment issues in order to keep the number of incidents and accidents at our workplaces to a minimum. Construction sites are high risk environments and naturally all relevant legislation and all safety procedures must be followed here. Although the work environment and employer liability at building sites are the responsibility of the contractors, we take an active role in setting requirements.



Greater potential via transactions

Property transactions are a natural and central part of our operations. Purchasing and selling enables us to improve the quality of our portfolio and create scope for new investments. We continuously analyse the property portfolio to take advantage of opportunities to increase value growth.

■ Our focus on strengthening the company by creating the prerequisites for investments that will generate a high return is consistent with our ambition to continue growing and developing our districts. By divesting and acquiring properties, we can boost the potential in the property portfolio. Acquisitions made must be in prime locations and have good growth potential, but preferably also an existing cash flow.

Continuous review of the portfolio

We continuously value and analyse properties to take advantage of opportunities to increase value growth, through both acquisitions and sales. Factors such as location, condition, opportunities to create development rights, rent levels and vacancies determine the growth potential of a property.

Analyses result in the acquisition of properties where growth potential is deemed good, and the divestment of properties with limited potential for increased net operating income and value. Our extensive experience of property and city district development and our awareness of operators in the market provide excellent prerequisites for well-founded assessments of the growth potential in individual properties and entire city districts. Our close relationship with other players in the market will also create conditions for in-depth knowledge about the market and generate opportunities for transactions.

Transactions during the year

We see considerable potential in transforming inefficient and unsustainable office properties into modern settings. Several of our

acquisitions in recent years share high volumes and high vacancy rates, which many may regard as high risk investments. However, with our experience and expertise we see them rather as having considerable potential for improvement and value creation.

In 2017, five properties were acquired, all in Solna, where we see considerable potential for continued development in close proximity to the rest of our portfolio. No major divestments were carried out during the year.

Sustained interest in modern offices

The Stockholm transactions market has remained consistently robust during the year as a result of low interest rates, and this strong trend looks set to continue for the foreseeable future. Offices in attractive locations are regarded as constituting a low risk, and they continue to account for a large proportion of the total transaction volume. The lack of objects in the most attractive locations has meant that investors have begun to consider properties outside Stockholm inner city, where transaction activity has risen during the year.

Swedish investors were behind the majority of property acquisitions in 2017. Foreign investors include US and German pension fund managers, since in an international context the Swedish market is regarded as relatively stable in political terms. The strong transactions market puts Fabège in a solid position owing to our attractive property portfolio, which allows us good opportunities to divest properties to finance future development.

CHANGES IN THE PROPERTY PORTFOLIO

SALES OF PROPERTIES

Property name	Area	Category	Lettable area, sqm
Selfoss 1	Kista	Land	0
Total sales of properties			0

PROPERTY ACQUISITIONS

Property name	Area	Category	Lettable area, sqm
Distansen 4	Solna	Land	0
Distansen 6	Solna	Offices	11,052
Distansen 7	Solna	Garage	9,810
Fortet 2	Solna	Offices	6,400
Järva 4:17	Solna	Land	0
Nationalarenan 3	Solna	Land	0
Total property purchases			27,262

Distansen 6 in Solna is roughly 100 metres from the commuter railway station.



We have replaced our entire fleet of cars with electric cars, which has cut emissions of carbon dioxide from urban driving from around 6,500 kg to roughly 141kg per year. That corresponds to a car journey 1.3 times round the globe.



Fabege's environmental responsibility

Fabege has high ambitions when it comes to environmental work. We want to create well balanced and attractive premises, buildings and urban environments that promote people's long-term needs, both physical and social. We create sustainable offices and districts using a systematic approach.

■ Fabege's environmental work is essential to our future operations and an integral part of day-to-day work in all our business areas.

The most significant environmental issues we face include:

- Reducing our energy consumption and carbon footprint
- Optimising indoor climate
- Increasing the amount of recycling
- Opting for eco-friendly materials and chemicals
- Creating conditions for walking, cycling and using public transport
- Creating conditions for green urban spaces and surface water management
- Using environmental certification as a property development tool.

Energy efficiency enhancements

Our ambition is to be an industry leader within the area of energy efficiency and sustainable office properties. For many years now we have been working systematically to make energy consumption in our properties more efficient and to reduce our carbon footprint, with good results. Our employees' knowledge and long-term commitment are important factors in ensuring the success of energy optimisation efforts.

The current target for existing properties is to reduce energy requirements by 20 per cent by 2020 compared with the base year 2014. Achieving such an ambitious target often demands major effort and extensive investments in older buildings, particularly when, as with Fabege, a company has been working systematically with energy efficiency for over 15 years. Our energy strategy includes key areas such as recycling cooling from server rooms, building envelope efficiency measures, improved heat recycling in ventilation and customising energy use to tenants' needs using digitalisation.

Measures during the year

In 2017, we installed base-load heat pumps to make more effective use of available energy in the property. We have developed overarching control and monitoring systems that flag up any deviations and allow us to prioritise and respond more quickly. Sensors detect where people are in the building and the systems can adapt the indoor climate to local requirements. The systems are also more user-friendly, with visualisation enabling us to monitor temperature intervals in a specific building. We have been working with building envelope measures in several existing office properties during the year.

2018 will see the launch of some 15 major energy efficiency projects that are expected to help reduce energy use.

Greenhouse gas emissions

Since 2002, Fabege's carbon emissions have been reduced by more than 95 per cent, from about 40,000 tonnes in 2002 to some 1,344 tonnes in 2017. This has been achieved through systematic energy optimisation, including conversion from oil to district heating and conversion from proprietary cooling systems to district cooling.

Climate-neutral district heating and a change to the property portfolio with a predominance of newly-built properties have also

contributed to the development. All electricity that is supplied to our properties is certified wind power electricity. We only use district heating and district cooling for the properties in Solna and Sundbyberg that carries the 'Good Environmental Choice' label, and in Stockholm we buy carbon-neutral district heating. During the year we converted our entire fleet of cars to electric cars, which has cut emissions of carbon dioxide from urban driving from around 6,500kg to roughly 141kg per year.

We are not yet able to report our carbon footprint from building production. However, we aim to be able to report carbon dioxide emissions for production as well going forward by working with contracts to manage our contractors, and by developing internal reporting systems.

Environmental certification boosts property values

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, currently our most significant cost. Overall, environmental certification helps boost the appeal of a property and reduce costs. It also has a positive impact on the value of the property, which in turn encourages interest from investors.

Efforts to gain environmental certification of our properties were stepped up in 2017 and 13 properties were certified in accordance with BREEAM In-Use. At year-end, a total of 61 per cent of the combined area of Fabege's existing portfolio was certified. The aim is for the whole of the existing portfolio to be certified in accordance with BREEAM In-Use by 2018, and in the long term achieve the level Very Good.

All Fabege's new production is BREEAM-SE certified at a minimum level of Very Good, and several existing properties have also been certified in accordance with Miljöbyggnad. Find out more about our environmental certifications in the information panel on page 45.

Reduced waste and improved resource management

Our ambition is to increase levels of recycling and minimise the amount of waste being sent to landfill and for incineration. Research shows that recycling should be done as close to the source as possible, and preferably in a transparent way to achieve the best result. It is for that reason that we have decided to work with our customers and recycling companies to come up with a bespoke service and effective resource management. Customers are encouraged to sort their own waste for recycling. One important aspect of this is to use communication to improve understanding and commitment, something that will be in the spotlight in 2018 as more major relocations take place in our office properties.

For new builds and extensions, potential space for sorting waste at source is always explored in order to optimise waste management in relation, for example, to flows of material and transportation.



The atrium in Uarda 6, Arenastaden.
Attractive and healthy workplaces
inspire and stimulate creative processes
and appeal to employers.

Conscientious materials selection

In just a few years, environmentally sustainable building materials have gone from being a competitive issue to a hygiene factor in the Swedish construction and property industry. The issue has gained ground as a result of the environmental certification of buildings, but also through heightened awareness of the chemicals we are exposed to in our environment. Our goal is to make environmentally sustainable materials selection a simple and natural part of our daily work. For example, the new Trikäfabriken property in Hammarby Sjöstad is being built with a wood frame, which contributes to lower greenhouse gas emissions. As part of our supplier review work during the year we have focused in particular on materials selection. Based on this we note that we must be clear when engaging contractors and help them by providing information and education about conscientious materials selection, and that we need to be even better at monitoring compliance with our requirements.

Reuse

An important component for extensions and tenant customisations is sustainable design in order to encourage the reuse of materials. Large quantities of building products and decorating material are thrown out unnecessarily. Fabège is taking part in a project together with IVL Swedish Environmental Research Institute and other organisations to examine business opportunities and method development around the reuse of building products. By starting with the right materials and assembly methods for doors, glass partitions, ceiling tiles, walls and floor tiles, we can create good opportunities for reusing them, thereby contributing towards reducing our environmental impact in both the short and long term.

Health in the sustainable district

A sustainable workplace has beneficial effects not only for the environment but also for people and businesses. A sustainable work environment is about the physical surroundings, taking in factors such as lighting, sound, ventilation and furnishings, however psychosocial aspects are equally important. Once these requirements have been met, employees feel good and perform well.

From our perspective, it is also about making it easy to do the right thing. By positioning attractive stairwells next to the lifts, we are en-

couraging people to take the stairs. We offer our customers tips on how to encourage their employees to get mobile in the office environment. Such tips include using adjustable desks that are raised in the evening so that everyone arrives to start work the next morning at a standing desk. The positioning of coffee machines and printers can also help get people moving more. Health is also an issue for city district development. Proximity to services and public transport encourages employees and residents to walk instead of travelling by car.

Environmental certifications provide guidance



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.

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.

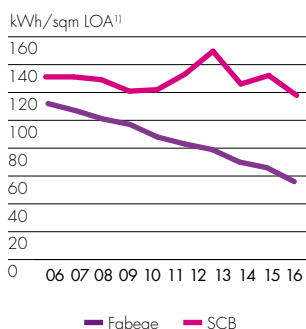
Miljöbyggnad

Miljöbyggnad is a certification system based on regulations from the Swedish construction industry and public agencies, as well as Swedish construction practices. Certification provides a guarantee of a building's critical qualities in terms of energy, the indoor environment and materials.

GreenBuilding

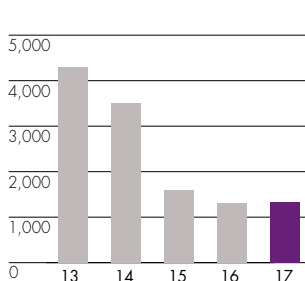
GreenBuilding is an EU initiative to promote reduced energy consumption. To gain certification, the building must use 25 per cent less energy than previously, or compared with the requirements of the National Board of Housing, Building and Planning.

HEATING CONSUMPTION IN PROPERTIES



Over time, Fabège's systematic efforts to optimise running costs have drastically reduced the consumption of heat in our properties. Fabège's heating consumption in 2017 averaged 58 kWh/sqm LOA (59) and 53 kWh/sqm Atemp (55). SCB (Statistics Sweden) values for 2017 are not yet available.

CARBON DIOXIDE EMISSIONS, TONNES



Since 2002, Fabège's carbon dioxide emissions have fallen by more than 95 per cent.

Consumption statistics, total	2017	2016
Environmental certification, total number ¹⁾	36	24
Green leases, space under newly signed leases, %	94	83
Energy performance, heating, kWh/sqm LOA ^{2) 3)}	58	59
Energy performance, cooling, kWh/sqm LOA ³⁾	21	22
Energy performance, electricity (purchased), kWh/sqm LOA	57	56
Energy performance, electricity, kWh/sqm (excl. HG electricity) ⁴⁾	37	35
Energy performance, total energy, kWh/sqm LOA	110	113
Water consumption, thousand cubic metres	479	470
Water consumption, litres/sqm	464	504
Carbon dioxide emissions (CO ₂ -equivalents), tonnes	1,344	1,300
Recycled waste, tonnes	2,149	1,849
Waste sent to landfill, tonnes	9	7.4
Waste sent for incineration, tonnes	2,140	1,968

¹⁾ Concerns both completed projects and ongoing certifications

²⁾ Energy consumption, heating, 59.3 GWh total

³⁾ Energy consumption, cooling, 16.8 GWh total

⁴⁾ Energy consumption, electricity, approx. 37.3 GWh total

⁵⁾ Total energy consumption 113.4 GWh

A credible counterparty on all levels

High ethical and moral standards are a fundamental prerequisite in helping us to create long-term, sustainable business relationships and be a credible counterparty for all our stakeholders. By involving and communicating with both employees as well as customers and suppliers, we facilitate ethical conduct in all situations.

■ Our activities affect the communities in which we operate. It goes without saying that our brand should stand for safety, reliability and solid values with everyone who comes into contact with us in our districts. One essential condition in order for us to be able to pursue operations profitably and sustainably in the long term is that we always act ethically and in a way that is morally defensible.

Code of Conduct

In 2017 we updated our Code of Conduct, which covers all employees and is communicated via our introduction programme. We also have a Code of Conduct that is specifically aimed at suppliers, which is now included in all new supplier agreements. The supplier Code of Conduct regulates respect for human rights, working conditions, environmental issues and business ethics.

Management imposes high standards when it comes to business ethics, and there are continual discussions within the company at a number of different levels. We have an ethical agenda that includes zero tolerance of all forms of discrimination, harassment and assault. A small number of incidents have come to the attention of management over the past ten years, and in each case we have taken decisive action. It is of the utmost importance to us that all employees feel safe at work and we have several channels in place for reporting incidents.

Ethics and anti-corruption

Here at Fabège we are keen to keep the ethical and moral discussion alive. We therefore continually try to identify different angles of approach. At staff conferences, for example, we have raised ethical dilemmas for discussion, and at Café Fabège we have recently shared information about updates to bribery legislation and about our improved whistleblower service. In connection with such discussions, certain areas have been identified as being particularly vulnerable and one outcome has been our decision that employees should not have private dealings with Fabège's suppliers if it constitutes a commercial risk.

We also prefer not to receive Christmas presents or gifts unless they are given to all the staff. Any gifts that are received despite this are put into a staff raffle. One further example is the group working with project development, which has identified itself as particularly vulnerable from a corruption perspective and has introduced a specific code of conduct for its department. To ensure we feel as confident as possible that we are effectively identifying and managing the risks that exist in our operations, a thorough risk analysis was conducted in 2014 which has subsequently been regularly followed up.

Whistleblower service

We are determined to intercept suspicions of any irregularities at an early stage, preferably through dialogue but also via anonymous reporting systems. In order to improve opportunities to convey information about possible irregularities, we have established a new whistleblower service in which the report and subsequent dialogue are password protected and anonymised for those who wish. A working group ensures that the reports that come in are investigated immediately and that suitable action is taken.

Transparency around tax payments

Fabège conducts all its business in Sweden and all staff are employed by Swedish companies. We are a committed city district developer that takes responsibility for sustainable social development, and this includes contributing to society by paying taxes. 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. In areas where the regulations are unclear, we act transparently and exercise caution. We abstain entirely from aggressive and advanced tax avoidance.

#MeToo

In response to the wave of MeToo accounts that has emerged in Sweden, Fabège carried out an anonymous employee questionnaire to look into any cases of harassment in our own organisation. In connection with the questionnaire, Fabège also took the opportunity to clarify its zero tolerance policy against all forms of harassment, and to inform employees about the channels they can use to report any irregularities. Both the questionnaire and the clarification provided by management were appreciated. 80 per cent of our employees responded to the questionnaire. The results indicated that sexual harassment is not an issue in the company, but that on a smaller scale there had been incidents involving undesirable behaviour and jargon. 39 per cent would like the company to keep MeToo issues on the agenda. We will now devise a plan for continued dialogue.

**47% OF
ALL OUR LOANS
ARE GREEN**

A green loan is a loan that finance some form of environmental measure, for example energy efficiency enhancements or an environmentally certified property.

FABEGE'S SUPPLIERS

The procurement process for suppliers/contractors fulfils an important function to ensure high standards of business ethics, respect for human rights, professionalism, competition, objectivity and equal treatment in the supplier chain. Our Code of Conduct and purchasing policy aim to provide clarification regarding our ethical stance.

Fabege has a considerable number of suppliers, which vary in size and in terms of the length of the relationship. It could be a turnkey contract covering an entire office district, or a small supplier for daily operations. Fabege has categorised all its suppliers and chosen to prioritise strategically important business partners for sustainability inspections. These too can vary from year to year, but the number of major suppliers is usually around 40, accounting for approximately 75 per cent of Fabege's annual purchasing volume. The aim for 2020 is for all our 40 strategic business partners to be inspected with regard to sustainability. By 2017, a total of 30 had undergone an inspection.

REVIEW CYCLE



Fabege has a supplier review cycle that extends over four years.

To guarantee that Fabege's suppliers/contractors satisfy the requirements stipulated in contracts, regular reviews are conducted with regard to finances, quality and sustainability parameters. All strategic business partners undergo a complete sustainability review every four years. In the interim periods, investigations are carried out into specific issues.

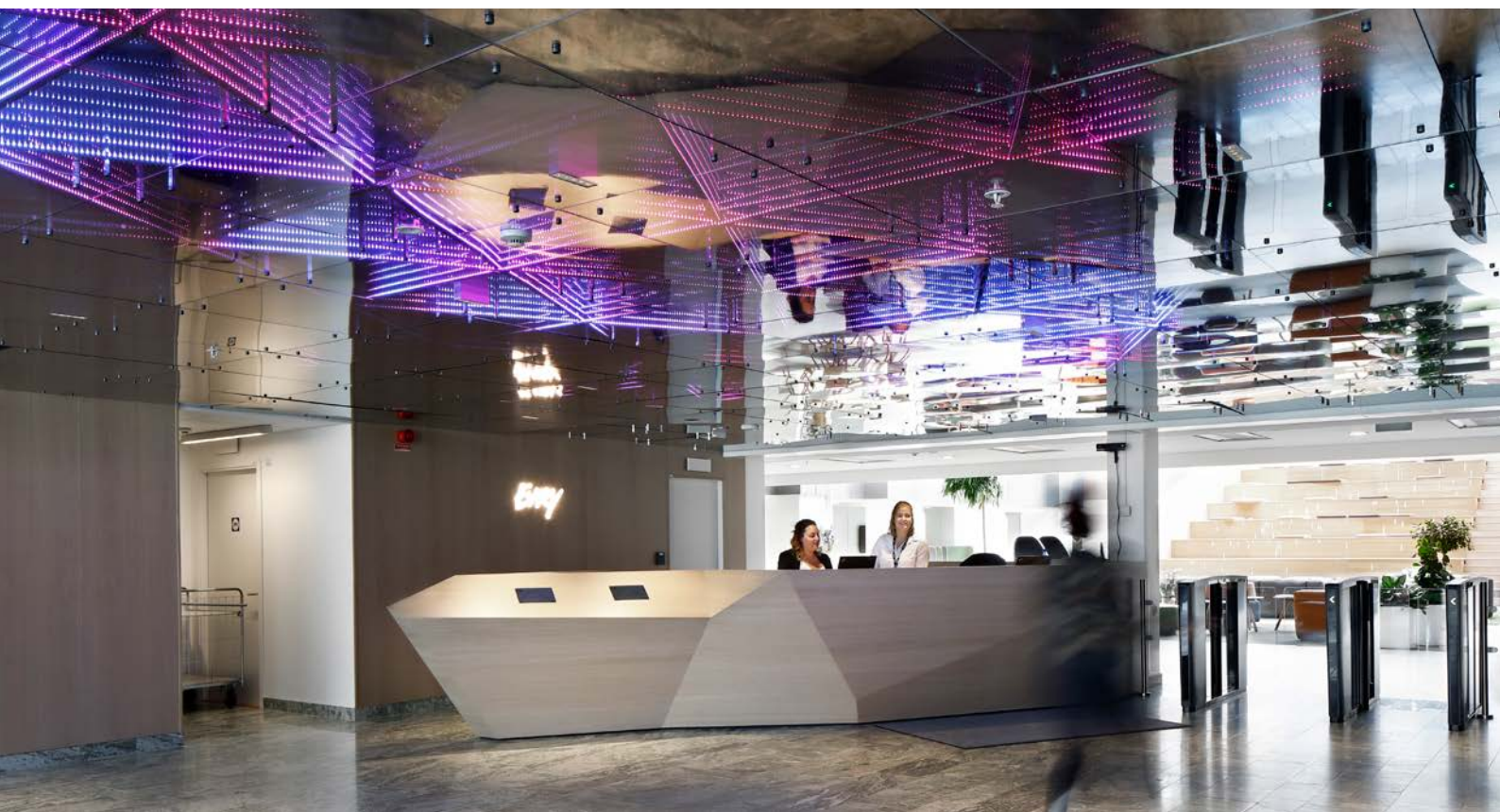
Cumulative in 2017, a review was conducted of contractors that had been engaged for tenant customisations and that accounted for approximately SEK 800m of Fabege's purchase volume. The purpose of the review was to check compliance with Fabege's requirement that all material that is being used in the buildings has been approved by Byggsvarubedömningen¹. Issues

related to systematic approaches to purchasing environmentally certified material, procedures and work processes linked to materials selection.

The review identified a number of challenging areas with regard to follow-up work and procedures. Fabege is improving its knowledge of the building material assessment process in order to be more specific in its requirements as regards contractors' know-how, collection methods and procedures within our tenant customisations. The review has led to a positive dialogue with our suppliers, who have undertaken to make improvements to their procedures.

Fabege is planning to carry out a review of work environment and human rights in 2018.

¹) Byggsvarubedömningen [Building Material Assessment] is a non-profit economic association that provides information about, and assesses sustainability evaluated goods, and also promotes product development to encourage a nontoxic and healthy built environment.



Valuation of the property portfolio

The value of Fabege's property portfolio continued to increase during the year, mainly owing to rising rent levels and falling yield requirements.

■ All properties in Fabege's portfolio are valued at least once a year by independent appraisers. Since 2000, property valuations have been conducted in accordance with the guidelines established by the Swedish Property Index. In 2017, the properties were valued by Newsec Analys AB or Cushman & Wakefield. The properties are valued quarterly according to a rolling schedule. 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:

1. Investment properties in normal operation are subject to cash-flow valuation.
2. Project properties undergoing major redevelopment or new builds with contracted tenants are subject to cash-flow valuation.
3. 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 calculation period of ten years. The average discount rate amounted to 6.35 per cent (6.5) and was based on risk-free real interest rate plus compensation for inflation expectations and object-specific property-related risk. The weighted required yield at the end of the calculation period was 4.36 per cent (4.5). The residual value is also present valued at the end of the calculation period. All premises are subject to an individual market-based assessment of rents. 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 running costs and investments is performed by external appraisers using information obtained from Fabege. Operating and maintenance expenses are based on historical results, and on budget figures and statistics pertaining to similar properties. Cash flow analyses with calculation periods exceeding ten years are applied if deemed motivated by long leases.

Valuation of other project properties

For other project properties, the value is estimated based on planning conditions and listed price levels in connection with the sale of undeveloped land and development rights.

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 Fabège 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.

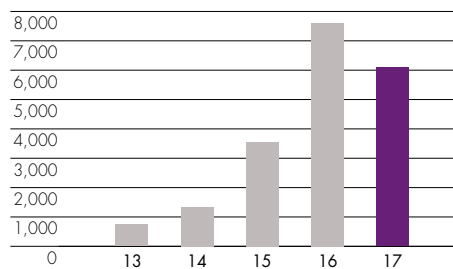


Information from public sources concerning the land area of the properties, and detailed development plans for undeveloped land and development properties.



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.

UNREALISED VALUE CHANGES, SEK M



CHANGES IN VALUE DURING THE YEAR

Unrealised changes in value during the year amounted to SEK 6,095m (7,641). The change in value corresponds to a value increase of approximately 13 per cent. The change in value was attributable to rising rent levels, a decrease in vacancies and declining yield requirements in the property management portfolio, as well as to development gains in project operations. The recognised value of the properties at 31 December 2017 was SEK 57.9bn (47.8).

MARKET VALUES AND YIELDS BY SUBMARKET, 31 DEC 2017

Submarket	Market value SEKm	Share %	Yield %
Stockholm inner city	24,127	42	4.05
Solna	28,341	49	4.58
Hammarby Sjöstad	4,704	8	4.77
Other markets	717	1	–
Total	57,889	100	4.36

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

FABEGE'S TEN LARGEST PROPERTIES BY VALUE

Property	Area	Sqm
Pyramiden 4	Arenastaden	74,200
Trängskären 7	Marieberg	76,184
Apotekaren 22	Norrmalm	28,325
Nationalarenan 8	Arenastaden	45,774
Stora Frösunda 2	Frösunda	40,723
Bocken 35 & 46	Norrmalm	15,362
Bocken 39	Norrmalm	20,441
Nöten 4	Solna Strand	60,995
Fräsaren 11	Solna Business Park	39,264
Luma 1	Hammarby Sjöstad	38,322



Pyramiden 4, SEB's new office in Arenastaden.

Financial reporting

Directors' Report

The Board of Directors and Chief Executive Officer of Fabege AB (publ), company registration number 556049-1523, hereby present the 2017 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 2017 continued to reflect our focus on the prioritised submarkets of Stockholm inner city, Solna and Hammarby Sjöstad. On 31 December 2017, Fabege owned 90 properties with a total rental value of SEK 2.6bn, lettable floor space of 1.1m sqm and a carrying amount of SEK 57.9bn, of which development and project properties accounted for SEK 13.0bn. Commercial premises, primarily offices, represented 94 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 389m (262), while net lettings were SEK 244m (127). Lease terminations amounted to SEK 145m (135). The three largest lettings in 2017 related to project lettings to Swedbank in Orgeln 7, Sundbyberg, Bilia in Stora Frösunda 2, Arenastaden, and Skolverket in Fräsaren 12, Solna Business Park. Furthermore, an additional number of substantial project lettings and several smaller leases were signed with respect to management lettings.

Work to extend and renegotiate existing customer leases was successful. A lease value of approximately SEK 211m was renegotiated during the year (194). The rent levels from all renegotiated leases increased by an average of 26 per cent (23). The retention rate during the year was 84 per cent (81).

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 contents of the Sustainability Report are shown in the GRI index and Sustainability Report presented on pages 98–100. Since Fabege's sustainability work is an integral part of operating activities, the results of this work are also integrated into the operating activity reports. 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 environment, health, job satisfaction and professional development opportunities for our employees.

As a developer of entire city districts, it is important for the company 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 performance index shows extremely high results. 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.

Thanks to our ambitious sustainability efforts and the financial market's growing interest in responsible investment, the proportion of green financing has continued to rise during the year.

PROPERTY-RELATED KEY FIGURES

	2017	2016	2015
No. of properties	90	82	83
Lettable area, 000 sqm	1,136	1,062	1,092
Financial occupancy rate, %	94	94	93
Rental value, SEKm	2,594	2,335	2,300
Surplus ratio, %	74	72	72

BUSINESS MODEL'S CONTRIBUTION TO EARNINGS

SEKm	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2015
Profit/loss from Property Management	974	478	705
Changes in value (portfolio of investment properties)	3,831	5,731	2,603
Contribution from Property Management	4,805	6,209	3,308
Profit/loss from Property Management	18	-7	-17
Changes in value (profit from Property Development)	2,264	1,883	649
Contribution from Property Development	2,282	1,876	632
Realised changes in value	0	491	21
Contribution from Transactions	0	491	21
Total contribution from operations	7,087	8,576	3,961

Acquisitions and sales

In the first quarter, the previously agreed transactions pertaining to the Distansen 4, 6 and 7 and Fortet 2 properties, all in Solna, were taken over. Uarda 7 in Arenastaden was vacated. In addition, Peab's share of Visio, which owns development rights in Solna, was taken over. In the second quarter, the housing development right Selfoss 1, Kista, was sold to the 50 per cent co-owned company Selfoss Invest AB. The transaction did not generate any recognised realised profit.

As no other transactions were carried out during the year, realised changes in value totalled SEK 0m (491).

Three new properties – Hörnan 1, Lagern 3 and Lagern 4 – have been separated from Lagern 2 via property reallocation.

Investments in existing properties and ongoing projects

In 2017, decisions were made on major project investments of SEK 2,447m (1,946), of which the investments in Stora Frösunda 2 in Arenastaden and Orgeln 7 in Sundbyberg were the largest. The year's investments of SEK 2,778m (2,649) included SEK 2,193m (2,159) pertaining to investments in project and development properties. The return on capital invested in the project portfolio was 72 per cent (87). The capital invested in the investment property portfolio, which amounted to SEK 585m (490) and encompassed energy investments and tenant customisations, also contributed to the total growth in value.

May saw the completion of around 70 per cent of Pyramiden 4 and the completed space was occupied by SEB. However, the property will continue to be classed as a project property pending completion of the entire building in May 2018. Uarda 6 was completed in November in connection with Siemens' relocation to the building.

The aggregated project volume of the eight major ongoing new builds amounted to approximately SEK 6.9bn at year-end, with a lettable area of 206,400 sqm. All projects are proceeding according to schedule. The occupancy rate in the major project properties was 88 per cent.

Revenues and earnings

Profit after tax for the year was SEK 5,632m (7,107), corresponding to earnings per share of SEK 34.05 (42.97). Profit before tax for the year amounted to SEK 7,351m (8,680). Earnings from property management increased, but lower unrealised changes in value in the property portfolio meant that profit before tax fell in comparison with the previous year.

Rental income amounted to SEK 2,280m (2,105) and net operating income increased to SEK 1,680m (1,507). In an identical portfolio, rental income rose by around 10 per cent (10), while net operating income increased by roughly 13 per cent (12). The surplus ratio was 74 per cent (72).

The Selfoss 1 land property was sold in the second quarter to co-owned Selfoss Invest AB. The transaction did not have any impact on earnings. No further transactions were carried out during the year, and realised changes in the value of properties were consequently SEK 0m (491).

Unrealised changes in value totalled SEK 6,095m (7,614). The unrealised change in the value of the investment property portfolio of SEK 3,831m (5,731) was largely attributable to increased rent levels for new lettings and renegotiations. The average yield requirement declined to 4.36 per cent (4.53). The project portfolio contributed to an unrealised change in value of SEK 1,569m (1,883), primarily due to development gains in the major project properties. Following the signing of an agreement with Bilja regarding vacation and construction of a new facility at the Stora Frösunda 2 property in Solna, the value of the remaining development rights was adjusted upwards by SEK 695m in the third quarter.

The share in profit of associated companies was SEK –105m (–425) and related to a capital contribution to Arenabolaget during the year. The amount includes non-recurring items in connection with the change of operator.

Unrealised changes in value in the derivatives portfolio totalled SEK 268m (99), primarily due to higher long-term interest rates and the fact that some of the older, more expensive swaps have expired. Net interest items declined to SEK –509m (–542). Increased borrowing was offset by lower average interest.

Tax

Tax on profit for the year amounted to SEK –1,719m (–1,573). The amount for the previous year includes the resolution of a deferred tax liability of SEK 368m relating to property sales. Tax was calculated at a rate of 22 per cent on taxable earnings.

Tax situation

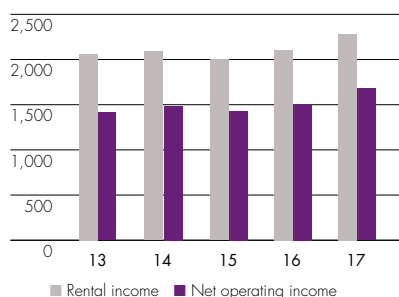
Current tax

Tax loss carryforwards, which are expected to reduce the tax expense in future years, are estimated at SEK 4.8bn (5.1). 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.

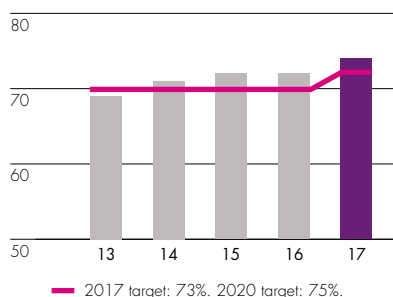
Deferred tax liability/tax asset

On 31 December 2017, the difference between the book and tax residual values of Faberge's property portfolio was approximately SEK 33.7bn (26.2). Net deferred tax liabilities amounted to SEK 4,988m (3,271), as shown in the table on page 53.

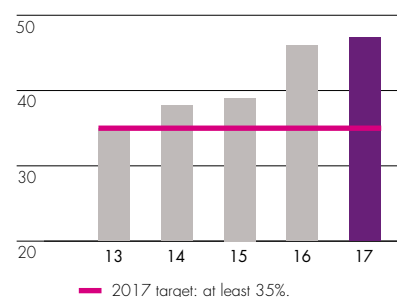
RENTAL INCOME AND NET OPERATING INCOME



SURPLUS RATIO



EQUITY/ASSETS RATIO



Deferred tax attributable to, SEKm	2017	2016
– tax loss carryforwards	–1,066	–1,129
– difference between book and tax values in respect of properties	6,124	4,516
– derivatives	–64	–123
– other	–6	7
Net debt, deferred tax	4,988	3,271

Tax paid 2017, SEKm	2017	2016
Income tax	1	4
Property tax	168	161
VAT	39	61
Stamp duty	54	26
Energy tax	18	17
Total	279	269

The new tax proposals

The Swedish Ministry of Finance's proposal regarding changes to corporate taxation and the previously announced proposal on changes to taxation for property transactions both have a negative impact on the property sector's ability to pursue operations.

For Fabège, the tax rate cut to 20 per cent combined with restrictions on interest deductions will initially have a positive effect due to current low market rates. However, rising market rates will increase the negative effect (assuming cash flow remains generally the same). The proposal to halve deductions against loss carryforwards will impact liquidity as Fabège will pay a certain amount of income tax. Furthermore, there will be a positive non-recurring accounting effect when the deferred tax liability is measured at the new tax rate.

The packaging inquiry proposal and effect on Fabège are entirely dependent on future property sales. There is a provision in the balance sheet for deferred tax on properties, which amounted to roughly SEK 6.1bn at year-end. Full application would increase the deferred tax liability by an additional SEK 1.3bn, based on the current tax rate of 22 per cent. However, in accounting terms this liability would not be activated until the properties to which it relates are divested.

The proposal regarding changes to the charging of transaction tax (stamp duty) means that the deferred stamp duty of 2 per cent will most likely have a directly negative impact on property valuations. For Fabège, this effect corresponds to 2 per cent of the current property value, just short of SEK 1.2bn.

The consultation period for both proposals ended in September 2017. Fabège has submitted its views on the proposals to the Ministry of Finance.

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 992m (805). Changes in working capital had an impact on cash flow of SEK –209m (–28). Investing activities had an impact of SEK –2,697m (–1,076) on cash flow, while financing activities had a positive impact of SEK 2,201m (329) on cash flow. In investing activities, cash flow was driven by property transactions and projects. Overall, cash and cash equivalents changed by SEK 287m (30) during the period.

Financial position and net asset value

Shareholders' equity amounted to SEK 28,012m (23,002) at year-end and the equity/assets ratio was 47 per cent (46). Equity per share attributable to Parent Company shareholders totalled SEK 169 (139). Excluding deferred tax on fair value adjustments for properties, net asset value per share was SEK 206 (166). EPRA NAV was SEK 201 per share (163).

Parent Company

Sales during the period amounted to SEK 203m (221) and earnings before appropriations and tax amounted to SEK 142m (–1,073). Net investments in property, equipment and shares totalled SEK 2m (1).

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 82–93.

Human resources

The average number of employees in the Group during the year was 149 (143), including 48 (50) women and 101 (93) men. A total of 38 people were employed in the Parent Company (37). At year-end, the number of employees was 161 (158), including (54) women. See Note 6 on page 74 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. The entire Board of Directors is responsible for drawing up a draft statement of principles governing remuneration and other terms of employment for management and for preparing decisions on the CEO's remuneration and other terms of employment.

The 2017 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 three months' salary.

Variable remuneration to company management must not exceed a maximum total annual cost for the company of SEK 3.3m (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 price 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.

Information about remuneration paid to senior executives in 2017 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. The company seeks to optimise its equity/debt ratio to ensure that its capital base is sufficient in relation to the nature, scope and risks of the business. Under its adopted targets for capital structure, the company aims to have an equity/assets ratio of at least 35 per cent and an interest coverage ratio of at least 2.2. The loan-to-value ratio must be less than 50 per cent and the debt ratio will amount to a maximum of 13 in the long term. Fabege's supply of capital largely derives from three sources: shareholders' equity, interest-bearing liabilities and other liabilities.

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 in the bank and capital markets. The company's finance policy defines how financial risks should be managed, which is described in greater detail in Note 3.

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.

Shareholders' equity

Shareholders' equity at year-end amounted to SEK 28,012m, which, in relation to total assets of SEK 59,384m, resulted in an equity/assets ratio of 47 per cent. This is comfortably above the company's target of 35 per cent.

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 provide some opportunities

47%
PROPORTION OF
GREEN FINANCING



to borrow money as needed, within predefined limits and conditions. During the year, existing credit agreements totalling SEK 4,095m were refinanced at maturities of between three and five years. New loan agreements of SEK 2,170m were concluded with maturities of between three and ten years, while credit facilities totalling SEK 1,550m were cancelled and paid off. New borrowings on the capital market were concluded in the amount of SEK 3,026m. Fabege has also taken out green loan facilities with all its Swedish banks.

At the end of December, unutilised credit facilities amounted to SEK 2,718m.

Commercial paper programme

As a supplement to traditional bank financing, Fabege is active in the Swedish commercial paper market, with a commercial paper programme worth SEK 5,000m. The company guarantees access to unutilised credit facilities to cover all outstanding commercial paper at any given time. At year-end, the programme had been fully utilised.

Bond programme

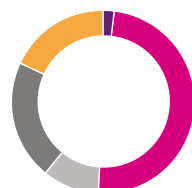
Through the establishment of an MTN programme subject to special conditions with regard to sustainability and the environment, Fabege launched a new green financing opportunity in April 2016. At year-end, Fabege had borrowed SEK 2,700 m via the programme.

Svensk FastighetsFinansiering AB (SFF), which is co-owned by Catena AB, Diös Fastigheter AB, Fabege AB, Platzer Fastigheter Holding AB and Wihlborgs Fastigheter AB, issues bonds on the Swedish capital market secured by property mortgage deeds. Via SFF, Fabege borrowed a total of SEK 3,068m at year-end, of which SEK 2,386m is under the green framework.

- Access to long-term and stable financing is crucial for the business. At the end of 2017, bank financing accounted for 51 per cent of borrowing. Fabege had unutilised credit facilities of SEK 2.7bn. The average capital maturity period was 4.0 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 DECEMBER 2017



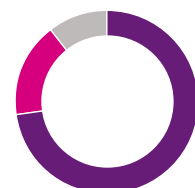
● Revolving loans, 2%
● Other loans, 49%
● Undrawn facilities, 10%
● Bond loans, 21%
● Commercial paper, 18%

SUPPLY OF CAPITAL



● Shareholders' equity, 47%
● Interest-bearing liabilities, 42%
● Other liabilities, 11%

BREAKDOWN OF COLLATERAL



● Mortgage deeds on properties, 72.8%
● Shares in subsidiaries, 16.9%
● Unsecured credits, 10.3%

Sustainable financing

Opportunities for various forms of sustainable financing have increased in recent years, a trend that Fabège welcomes and encourages to the greatest possible extent. Of Fabège's eleven different types of financing, eight now have opportunities for green financing. During the year, the company has taken out three new green bank loans. All Swedish banks that finance Fabège's activities thus 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 SFF and the MTN programme. Green financing thus totals 47 per cent (19) of outstanding loans, or 45 per cent (21) of total loan facilities.

As the company's properties gain environmental certification, the objective is for financing to be sustainable as well. Green financing is now also impacting pricing via lower margins.

Other liabilities

Other liabilities mainly comprise non-interest-bearing liabilities, such as trade payables, deferred tax liabilities, prepaid expenses and accrued income.

Covenants

Fabège'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 from a mortgaging perspective amount to between 60 and 75 per cent, depending on the type of property and financing.

Collateral

Fabège'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. During the year, the proportion has risen from 10 to 19 per cent of the total property value. Some unsecured borrowing is also undertaken. See distribution in the diagram on page 54.

Fixed-rate period

At 31 December 2017, 54 per cent of Fabège's loan portfolio was fixed with an average fixed-rate period of 2.5 years. The fixed-rate period is set using interest rate swaps. The average fixed-interest term for variable interest loans was 90 days. Fabège's derivatives portfolio comprised interest rate swaps totalling SEK 13,500m with terms of maturity extending through 2027 and carrying fixed interest at annual rates of between 0.24 and 2.73 per cent before margins. Fabège also holds callable swaps totalling SEK 3,000m at interest rates of between 3.95 and 3.98 per cent before margins maturing in June 2018. The derivatives portfolio is measured at market value and the change in value is recognised in profit or loss. At 31 December 2017, the recognised deficit value of the portfolio was SEK 291m (559). 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. Find out more about interest rate derivatives and the valuation thereof in Note 3 on pages 69–70.

Shares and share capital

Fabège's share capital at year-end was SEK 5,097m (5,097), represented by 165,391,572 shares (165,391,572). All shares carry the same voting rights and entitle the holder to the same share of the company's capital. The quotient value was SEK 30.82 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 December 2017	Percentage of votes, %
Erik Paulsson with his family, privately and through companies	15.3

Employees own via Fabège's profit-sharing fund and the Wihlborgs & Fabège profit-sharing fund a total of 510,901 shares, representing a stake of 0.31 per cent in the company.

Acquisition and transfer of treasury shares

The 2017 passed a resolution mandating the Board, not longer than up to 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 outstanding shares at any time. No shares were bought back during the period.

LOAN MATURITY STRUCTURE, 31 DECEMBER 2017

	Credit agreements, SEKm	Drawn, SEKm
Commercial paper programme	5,000	5,000
< 1 year	6,827	2,817
1–2 years	3,046	2,338
2–3 years	6,925	5,425
3–4 years	1,800	300
4–5 years	3,200	3,200
5–10 years	4,508	4,508
10–15 years	0	0
15–20 years	0	0
20–25 years	1,253	1,253
Total	32,559	24,841

INTEREST RATE MATURITY STRUCTURE, 31 DECEMBER 2017

	Amount, SEKm	Average interest, %	Share, %
< 1 year	15,571	2.58	63
1–2 years	1,270	1.76	5
2–3 years	0	0.00	0
3–4 years	1,000	2.68	4
4–5 years	1,000	0.84	4
5–6 years	1,000	0.85	4
6–7 years	1,000	0.93	4
7–8 years	1,000	0.96	4
8–9 years	1,000	1.02	4
9–10 years	2,000	1.19	8
Total	24,841	2.10	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 maintains stable, well-balanced and cost-efficient financing at all times.

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.

New financial targets

During the year, the Board made decisions regarding a number of key financial targets. The loan-to-value ratio target was reduced from max. 55 per cent to max. 50 per cent. The interest coverage ratio target was raised from 2.0 to 2.2. Furthermore, a new financial target was introduced: debt ratio, which will amount to a maximum of 13 in the long term. The purpose is to strengthen the company's financial profile.

FINANCIAL TARGETS AT 31 DEC 2017

	Target	Result
Return on equity, %	¹⁾	22.1
Equity/assets ratio, %	at least 35%	47
Interest coverage ratio, multiple	at least 2.2	3.2
Loan-to-value ratio, %	max 50	43
Debt ratio, multiple	13 in long term	15.5

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

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 Faberge can be utilised as needed, it is extremely well adapted to operations and enables the avoidance of surplus liquidity.

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 en-

deavours 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.

MARKET AND TRANSACTIONS

Rental income and property expenses

Owning modern properties in prime locations means 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 2017. In 2018, 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%	±23.7
Rent level, commercial income	±1%	±22.9
Financial occupancy rate	±1 percentage point	±26.0
Property expenses	±1%	±6.0

RISK	DESCRIPTION OF RISKS/OPPORTUNITIES	IMPACT AND MANAGEMENT OF RISK, COMMENTARY 2017
Rental income – customer bad debts	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 partly to favourable credit ratings and partly to efficient procedures that quickly identify late payers. Over the past five years, total rent losses have amounted to 0.1 per cent of the rent due.
Rental income – vacancy rate	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 just over 9.5 per cent during the year. Fabege's portfolio generates a 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	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 2017, Fabege renegotiated a volume of approximately SEK 211 m, resulting in an average increase of 26 per cent. Fabege is of the opinion that renegotiations in the coming year will also contribute to an increased rental value.
Geographic concentration	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. As the single largest property owner, Fabege has greater opportunities to develop the submarket optimally by adding supplementary operations. This could involve creating a favourable supply of commercial and public services, but also pleasant green spaces and meeting places with good lighting, thus contributing to keeping an area vibrant around the clock.

TEN LARGEST CUSTOMERS, CONTRACTUAL ANNUAL RENT



● Ten largest customers 26%
● Other customers 74%

LEASE MATURITY STRUCTURE

Year of maturity	No. of leases	Annual rent, SEK 000s	%
2018	580	361,067	15
2019	325	430,760	18
2020	210	468,843	19
2021	89	203,304	8
2022	48	173,473	7
2023 and beyond	133	652,811	27
Commercial	1,385	2,290,258	94
Housing contract	128	12,128	0
Garage and parking	893	138,724	6
Total	2,406	2,441,110	100

MARKET AND TRANSACTIONS

RISK

Property expenses

DESCRIPTION OF RISKS/OPPORTUNITIES

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.

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.

IMPACT AND MANAGEMENT OF RISK, COMMENTARY 2017

Fabege works systematically 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 2017 was 74 per cent. Fabege's objective is to increase the surplus ratio to 75 per cent by 2020.

Project portfolio

The company believes that cost frameworks and schedules in the major projects will be met. 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

Schedules and costs

DESCRIPTION OF RISKS/OPPORTUNITIES

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 1.5–2bn, it is essential that Fabege manages these project risks optimally.

IMPACT AND MANAGEMENT OF RISK, COMMENTARY 2017

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-scale and small projects. Procurement work is performed with the support of framework programmes, framework agreements and agreement templates. All investment decisions relating to projects exceeding SEK 25m are made by the Board of Directors.

The projects are expected to generate a yield on total capital invested of over 7 per cent. Fabege's objective is for project investments to generate value growth of at least 20 per cent on invested capital, an aim that has been met over a large number of years.

Unleased project space

In connection with large-scale new builds, there is a risk that newly produced space will not be let.

Currently the volume of ongoing new builds slightly exceeds 200,000 sqm, with the total investment amounting to some SEK 6.9bn. The occupancy rate of the projects is 88 per cent, which entails a low risk of vacancy on completion. The portfolio also includes just over 675,000 sqm of wholly owned development rights (offices and residential units) with an average carrying amount of just over SEK 5,000 per sqm, thus providing excellent potential for future value creation in the project portfolio. 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

Planning processes are time-consuming and depend on the resources available to municipalities. There is a risk of delays in opportunities to exploit 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.

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 Fabège cannot influence. Fabège believes that property values in the company's markets will be stable in 2018.

Change in value, %	Impact on after-tax profit, SEKm	Equity/assets ratio, %	Loan-to-value ratio, %
+1	452	47.5	42.5
0	0	47.2	42.9
-1	-452	46.9	43.3

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%	4.9
Running cost	±SEK 50/sqm	1.1
Yield requirement	±0.25%	2.7
Long-term vacancy rate	±2%	1.2

RISK

Property values

DESCRIPTION OF RISKS/OPPORTUNITIES

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.

IMPACT AND MANAGEMENT OF RISK, COMMENTARY 2017

The value of the property portfolio is affected by Fabège's leasing and customer structure, by the company's development of the property portfolio and by other external factors that determine demand. Fabège'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. About 25 per cent of Fabège'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 subjected to external valuation at least once a year.

The combined year-end market value was SEK 57.9bn (47.8), corresponding to about SEK 52,000 per sqm (45,000).

FINANCIAL

Financing

By interest-hedging about 54 per cent of the loan portfolio, interest rate changes have a limited impact on Fabège's borrowing costs. Fabège 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 2017	±1 percentage point	52/68
Interest expenses, long-term perspective	1 percentage point	248.4

¹⁾ 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.

RISK

Liquidity and interest rate risk

DESCRIPTION OF RISKS/OPPORTUNITIES

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 Fabège's operations.

Liquidity risk refers to the borrowing requirement that can be covered by refinancing or new borrowing in a strained market scenario.

Interest rate risk refers to the risk that changes in market interest rates will impact Fabège's borrowing costs. Interest expenses comprise Fabège's single largest cost item.

IMPACT AND MANAGEMENT OF RISK, COMMENTARY 2017

Fabège aims to strike a balance between short- and long-term borrowing divided 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. Any issues that may arise are identified at an early stage through Fabège's long-term relationships built on mutual trust with its financial backers.

The average fixed-term maturity period at year-end was 4.0 years (3.8) and available unutilised facilities amounted to SEK 2.7bn (1.9). 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. Fabège employs financial derivative instruments, mainly in the form of interest rate swaps, in order to limit the interest rate risk, and to flexibly influence the average fixed-rate period of the loan portfolio. Derivatives are recognised at fair value. If agreed interest rates deviate from the market interest rate, a theoretical surplus or deficit value arises which is recognised in profit or loss account. The fixed-rate term of the loan portfolio was about 2.5 years (2.2) at year-end. More detailed information on Fabège's financing is presented in the Financing section on page 54 and in Note 3 Financial risk management on page 69.

ENVIRONMENT

Environment

The assessment is that climate change in itself does not constitute any major physical risk for Fabège at present, in view of the location of the property portfolio.

RISK	DESCRIPTION OF RISKS/OPPORTUNITIES	IMPACT AND MANAGEMENT OF RISK, COMMENTARY 2017
Contamination and environmental damages	Under the Swedish Environmental Code, commercial businesses are held 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, Fabège could be subject to such remediation requirements.	Fabège 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 2017 resulting in material fines and no non-monetary sanctions pursuant to environmental legislation.
Climate change	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 the sea level is expected to rise. This results in an increased risk of flooding, avalanches, landslides, erosion and heat waves.	The assessment is that climate change in itself does not constitute any major physical risk for Fabège at present, in view of the location of the property portfolio. Due to temperature changes, however, the need to control heating and cooling has changed. The use of heat declines somewhat during mild winters, while use of air conditioning and process cooling in the office premises is increasing. One reason for the growing utilisation of air conditioning is the solar heat gain co-efficient (SHGC) on office buildings, while another is increased tenant demands. Flooding from groundwater can be prevented by changes to land gradients, embankments and pumping water from low areas.
Lack of environmental certification	Increased requirements from customers and other stakeholders for environmentally certified buildings.	Fabège is of the opinion that demand for environmentally certified buildings is increasing from both investors and customers. Since 2013, all new builds and major redevelopments are environmentally certified. At the end of 2017, approximately 61 per cent of existing floor space, including ongoing projects, had been environmentally and energy certified or was undergoing certification.

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 Fabège's income tax.

RISK	DESCRIPTION OF RISKS/OPPORTUNITIES	IMPACT AND MANAGEMENT OF RISK, COMMENTARY 2017
Tax legislation	Changes in tax laws, such as corporate taxation, property taxation or other applicable taxes.	Several investigations are under way regarding changes to tax regulations. Potential changes concern restrictions to interest deductions and taxation of transactions in connection with packages. There are no concrete proposals as yet. Fabège is continually monitoring developments. A tax policy was adopted by the Board of Directors in 2016, which provides guidelines regarding Fabège's tax management. The policy states that Fabège will follow all the relevant laws and regulations in the area of taxation, and that where regulations are unclear, Fabège will act transparently and exercise caution. Fabège 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

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.

RISK	DESCRIPTION OF RISKS/OPPORTUNITIES	IMPACT AND MANAGEMENT OF RISK, COMMENTARY 2017
Fraud, bribery, unsound labour practices	Fabege does not accept any form of bribery, threats or unsound employment contracts. 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, the long supply chain is difficult to overview, giving rise to a risk that activities that contravene Fabege's values are conducted.	<p>Ethical matters are a continual topic of internal discussion at staff meetings and conferences. Fabege's ethical council, which was established seven years ago, has a 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.</p> <p>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.</p> <p>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.</p> <p>In turn, Fabege urges its first-line suppliers to monitor compliance by their subcontractors to ensure compliance throughout the supply chain.</p>

EMPLOYEES

Employees

In relation to the values it manages, Fabege has a relatively small

workforce, including several uniquely skilled individuals. This can to a certain extent make the company vulnerable.

RISK	DESCRIPTION OF RISKS/OPPORTUNITIES	IMPACT AND MANAGEMENT OF RISK, COMMENTARY 2017
Skills supply	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.	Fabege is exploring new opportunities, for example via the Swedish Employment Service and newly arrived immigrants. Another route 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	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 individuals 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 backup 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	DESCRIPTION OF RISKS/OPPORTUNITIES	IMPACT AND MANAGEMENT OF RISK, COMMENTARY 2017
Unacceptable working conditions, violations	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, the long supply chain is difficult to overview, giving rise to a risk that activities that contravene Fabege's values are conducted.	<p>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. An anonymous employee survey was also conducted in response to the #MeToo campaign in order to investigate possible cases of harassment within the company. Cooperation with contractors is evaluated continuously and all major suppliers are examined by an independent company to ensure sustainable practices.</p> <p>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.</p> <p>In turn, Fabege urges its first-line suppliers to monitor compliance by their subcontractors to ensure compliance throughout the supply chain.</p>

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 2018

Both the property and rental markets remain strong. Given prevailing market conditions and Fabège's attractive property and project portfolio, circumstances are favourable for a continued positive trend in 2018. More completed projects will increase rental volumes which, combined with sustained operational efficiency and low interest expense, is expected to boost profit from property management, while project operations continue to generate value. Fabège is well positioned to capitalise on the business opportunities that lie ahead.

Fabège 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	1,755,382,467
Profit for the year	110,371,091
Total	1,865,753,558

The Board of Directors and the Chief Executive Officer propose that the amount be allocated as follows:

	SEK
A dividend of SEK 4:50 per share to the shareholders	744,262,074
To be carried forward	1,121,491,484
Total	1,865,753,558

The dividend amount is based on the total number of outstanding shares at 31 January 2018, i.e. 165,391,572 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 of Directors 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 7.3 per cent of the Parent Company's equity and 2.7 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 -235 m (-449), 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.

Stockholm, 26 February 2018

Group

Statement of comprehensive income

SEK million	Note	2017	2016
Rental income	5, 7	2,280	2,105
Property expenses	8	-600	-598
Net operating income		1,680	1,507
Central administration and marketing	9	-74	-70
Profit from other securities and receivables that are non-current assets	11	41	26
Interest income	12	-	1
Profit from interests in associated companies	17	-105	-425
Interest expenses	12	-550	-574
Profit/loss from Property Management	1-6, 16, 42	992	471
Realised changes in value, investment properties	10, 15	0	491
Unrealised changes in value, investment properties	10, 15	6,095	7,614
Unrealised changes in value, fixed income derivatives	3, 26	268	99
Changes in value, equities	13	-4	5
Profit/loss before tax		7,351	8,680
Current tax	14	-1	-88
Deferred tax	14	-1,718	-1,485
Profit for the year		5,632	7,107
Items that will not be restated in profit or loss			
Revaluation of defined benefit pensions		-15	-5
Total comprehensive income for the year		5,617	7,102
Comprehensive income attributable to Parent Company shareholders		5,617	7,102
Earnings per share for the year before and after dilution, SEK		34.05	42.97
Comprehensive income per share before and after dilution, SEK		33.96	42.97
No. of shares at end of period before dilution, million		165.4	165.4
No. of shares at end of period after dilution, million		165.4	165.4
Average no. of shares before dilution, million		165.4	165.4
Average no. of shares after dilution, million		165.4	165.4

Group

Statement of financial position

SEK million	Note	2017	2016
ASSETS			
Investment properties	15	57,889	47,842
Equipment	16	4	2
Interests in associated companies	17	122	106
Receivables from associated companies	18	138	138
Other long-term securities holdings	19	10	12
Other non-current receivables	20	72	260
Total non-current assets		58,235	48,360
Trade receivables	21	32	14
Other receivables	22	367	1,537
Prepaid expenses and accrued income		248	136
Short-term investments		153	114
Cash and cash equivalents	34	349	62
Total current assets		1,149	1,863
TOTAL ASSETS		59,384	50,223
EQUITY AND LIABILITIES			
Share capital		5,097	5,097
Other contributed capital		3,017	3,017
Retained earnings incl. comprehensive income for the year		19,843	14,888
Non-controlling interests		55	–
Total shareholders' equity	23	28,012	23,002
Liabilities to credit institutions	25, 31	17,024	14,520
Derivatives	26	291	559
Deferred tax liabilities	27	4,988	3,271
Provisions	28	233	214
Total non-current liabilities		22,536	18,564
Liabilities to credit institutions	24, 25, 31	7,817	7,458
Trade payables	29	98	104
Provisions	28	1	1
Tax liabilities	14	32	86
Other liabilities		105	436
Accrued expenses and deferred income	30	783	572
Total current liabilities		8,836	8,657
TOTAL EQUITY AND LIABILITIES		59,384	50,223

Group

Statement of changes in equity

SEK million	Share capital	Other contributed capital	Retained earnings incl. profit/loss for the year	Non-controlling interests	Total shareholders' equity ¹⁾
Opening balance, 1 January 2016	5,097	3,017	8,366		16,479
Profit for the year			7,107		7,107
Total income and expenses for the period			7,107		7,107
TRANSACTIONS WITH SHAREHOLDERS					
Cash dividend			-579		-579
Total transactions with shareholders			-579		-579
Other comprehensive income			-5		-5
Closing balance, 31 December 2016	5,097	3,017	14,888	0	23,002
Opening balance, 1 January 2017	5,097	3,017	14,888		23,002
Profit for the year			5,632		5,632
Total income and expenses for the period			5,632	0	5,632
TRANSACTIONS WITH SHAREHOLDERS					
Cash dividend			-662		-662
Acquired minority interests				55	55
Total transactions with shareholders			-662		-662
Other comprehensive income			-15		-15
Closing balance, 31 December 2017	5,097	3,017	19,843	55	28,012

¹⁾ Entirely attributable to Parent Company shareholders.

Group

Statement of cash flows

SEK million	Note	2017	2016
OPERATING ACTIVITIES			
Net operating income		1,680	1,507
Central administration		-74	-70
Reversal of depreciation		1	0
Interest received		9	11
Interest paid	32	-624	-647
Income tax paid		-	4
Cash flow before change in working capital		992	805
CHANGE IN WORKING CAPITAL			
Change in current receivables		40	84
Change in current liabilities		-249	-112
Total change in working capital	33	-209	-28
Cash flow from operating activities		783	777
INVESTING ACTIVITIES			
Investments in new builds, extensions and conversions		-2,676	-2,600
Acquisition of properties		-1,314	-460
Divestment of properties		1,439	2,315
Other non-current financial assets		-146	-332
Cash flow from investing activities		-2,697	-1,076
FINANCING ACTIVITIES			
	3		
Dividend to shareholders		-662	-579
Change in interest-bearing liabilities, ¹⁾		2,863	908
Cash flow from financing activities		2,201	329
Cash flow for the period		287	30
Cash and cash equivalents at beginning of period	34	62	32
Cash and cash equivalents at end of period	34	349	62

¹⁾ In the statement of cash flows, borrowings and loan repayments are recognised as a net amount. This is because the Group uses overnight processing, in which transactions are settled on a daily basis. For information regarding significant changes to the company's financing, please refer to the Directors' Report on page 54.

Parent Company

Profit and loss accounts

SEK million	Note	2017	2016
Net sales	38	203	221
Operating expenses	39	-257	-263
Operating profit/loss	1-3, 6, 16, 42	-54	-42
Profit/loss from shares and participations in Group companies	40	-	-831
Profit from other securities and receivables that are non-current assets	11, 13	-4	532
Changes in value, fixed income derivatives	3, 26	268	99
Interest income	12	450	0
Interest expenses	12	-597	-627
Appropriation	40	79	-204
Profit/loss before tax		142	-1,073
Current tax	14	0	-19
Deferred tax	14	-32	50
Profit for the year		110	-1,042

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	2017	2016
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Equipment	16	3	1
Total property, plant and equipment		3	1
Non-current financial assets			
Shares and participations in Group companies	40	12,516	12,516
Receivables from Group companies		40,402	42,671
Other long-term securities holdings	19	10	12
Deferred tax assets	27	370	402
Other non-current receivables	20	-	140
Total non-current financial assets		53,298	55,741
TOTAL NON-CURRENT ASSETS		53,301	55,742
CURRENT ASSETS			
Current receivables			
Tax assets		-	7
Other receivables		2	57
Prepaid expenses and accrued income		83	120
Total current receivables		85	184
Cash and cash equivalents	34	347	53
TOTAL CURRENT ASSETS		432	237
TOTAL ASSETS		53,733	55,979
EQUITY AND LIABILITIES			
Shareholders' equity	23		
Restricted shareholders' equity			
Share capital		5,097	5,097
Statutory reserves/Share premium account		3,166	3,166
Unrestricted equity			
Retained earnings		1,756	3,460
Profit for the year		110	-1,042
Total shareholders' equity		10,129	10,681
Provisions			
Provisions for pensions	28	68	68
Total provisions		68	68
Non-current liabilities			
Liabilities to credit institutions	25, 31	15,373	13,138
Derivatives	26	291	559
Liabilities to subsidiaries		21,252	24,783
Total non-current liabilities		36,916	38,480
Current liabilities			
Liabilities to credit institutions	24, 25, 31	6,400	6,592
Trade payables		1	3
Other liabilities		108	33
Accrued expenses and deferred income	30	111	122
Total current liabilities		6,620	6,750
TOTAL EQUITY AND LIABILITIES		53,733	55,979

Parent Company

Statement of changes in equity

SEK million	Note	Share capital	Statutory reserves	Unrestricted equity	Total shareholders' equity
	23				
Shareholders' equity 31 December 2015		5,097	3,166	4,038	12,301
Profit for the year				-1,042	-1,042
Total income and expenses for the period				-1,042	-1,042
Cash dividend				-579	
Shareholders' equity 31 December 2016		5,097	3,166	2,417	10,681
Profit for the year				110	110
Total income and expenses for the period				110	110
Cash dividend				-662	-662
Shareholders' equity 31 December 2017		5,097	3,166	1,865	10,129

Parent Company

Cash flow statements

SEK million	Note	2017	2016
OPERATING ACTIVITIES			
Operating loss excl. depreciation		-54	-42
Interest received		450	527
Interest paid		-597	-584
Income tax paid		-	-2
Cash flow before change in working capital		-201	-101
Change in working capital			
Current receivables		92	-55
Current liabilities		69	14
Total change in working capital	33	161	-41
Cash flow from operating activities		-40	-142
INVESTING ACTIVITIES			
Other non-current financial assets		-1,126	-2,111
Cash flow from investing activities		-1,126	-2,111
FINANCING ACTIVITIES	3		
Dividends paid		-662	-579
Group contributions received and paid		79	-204
Loans received/repayment of loans		2,043	3,059
Cash flow from financing activities		1,460	2,276
Change in cash and cash equivalents		294	23
Cash and cash equivalents at beginning of period	34	53	30
Cash and cash equivalents at end of period	34	347	53

Notes

Note 1 GENERAL INFORMATION

Fabege AB (publ), corporate 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 2017. 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.

Cash flow statement

Fabege reports cash flows from the company's main sources of income: net operating income from the property management business and gains or losses from sales of properties in the company's day-to-day activities.

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. A Group contribution that the Parent Company receives from a subsidiary is recognised under the same principles as traditional dividends from subsidiaries and recognised as financial income.

Group contributions paid from the Parent Company to a subsidiary are recognised as an appropriation in the statement of comprehensive income.

New and revised standards and interpretations for 2017

New standards that entered into force as of 1 January 2017 have had no material impact on the Group's 2017 financial statements.

New or revised IFRS standards and new interpretations that have not yet come into effect:

IFRS 15 Revenue from Contracts with Customers

The transition to IFRS 15 will be applied from 2018 and relates to recognition of revenue from contracts with customers, with revenue being separated into rental income (including on-charging of property tax) and service income, such as on-charging of heating, electricity, etc. Fabege's income largely comprises rental income and the change is not expected to have any material impact on Fabege's financial reporting.

As a rule, IFRS 15 states that property transactions should be recognised on the date that ownership is transferred. This is different to the procedure under current accounting policies, in which such transactions are normally recognised on the contract date. Fabege does not believe this change would have had any material impact on the profit and loss statement for 2017, but that the balance sheet at 1 January 2017 would have changed with respect to the Uarda 7 property, which was divested in 2016 with transfer of ownership taking place in 2017. Under the new standard, the property would have continued to be treated as an investment property in the balance sheet in the 2016 year-end accounts, and there would not have been any claim from the sale. The financial report at 31 December 2017 does not include any such transactions.

It is therefore concluded that the transition to IFRS 15 will not have any material impact on total income or recognised earnings.

IFRS 9 Financial instruments

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

IFRS 16 Leases

This standard replaces IAS 17 and is applied from 2018, and it means among other things that lessees must record leases in the balance sheet. Given Fabege's status as a landlord and lessor, the change is not expected to affect the company's statements. The standard also covers reporting of leaseholds, which will involve a change to Fabege's accounts, however, it is not expected to have any material impact on financial reporting.

Changes to Swedish regulations

Changes in 2017 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 2017 financial year have not had any material impact on the Parent Company's financial statements for 2017.

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 2018, 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 28,012m (23,002), interest-bearing liabilities to SEK 24,841m (21,978) and other liabilities to SEK 6,531m (5,243). 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 60 and 75 per cent, depending on the type of property and financing.

Financial targets	Long-term targets	Result 31/12/17	Result 31/12/16
Return on equity, %	1)	22.1	36.1
Equity/assets ratio, %	minimum 35	47	46
Interest coverage ratio, multiple	at least 2.2	3.2	2.7
Debt ratio, multiple (long term)	max 13	15.5	15.3
Loan-to-value ratio, %	maximum 50	43	46

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.

Note 3 continued

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 below 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 43 per cent (46). Fabege has a commercial paper programme of SEK 5,000m. At year-end, outstanding commercial paper amounted to SEK 5,000m (4,992). 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 2,718m, 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 in 2017.

Committed lines of credit, 31 Dec 2017

Year, due	Loan commitment, amount, SEKm	Drawn amount, SEKm
Commercial paper programme	5,000	5,000
< 1 year	6,827	2,817
1–2 years	3,046	2,338
2–3 years	6,925	5,425
3–4 years	1,800	300
4–5 years	3,200	3,200
5–10 years	4,508	4,508
10–15 years	0	0
15–20 years	0	0
20–25 years	1,253	1,253
Total	32,559	24,841

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, mainly 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 24,841m (21,978), with an average interest rate of 2.10 per cent (2.54), excluding the cost of committed lines of credit, or 2.20 per cent (2.64) including this cost. Outstanding commercial paper accounted for SEK 5,000m (4,992) of total liabilities. The total loan volume at 31 December included loans for works in progress of SEK 5,229m (2,553), on which interest of SEK 58m (55) has been capitalised.

For capitalisation of interest, the quarterly average external loan interest for the Group is used. The average maturity was 4.0 years (3.8).

The average fixed-interest term for Fabege's loan portfolio was 2.5 years, including the effects of derivative instruments. The average fixed-interest term for variable interest loans was 90 days. Fabege's derivatives portfolio comprised interest rate swaps totalling SEK 13,500m with terms of maturity extending through 2027 and carrying fixed interest at annual rates of between 0.24 and 2.73 per cent before margins. Fabege also holds callable swaps totalling SEK 3,000m at interest rates of between 2.95 and 3.98 per cent before margins and maturing in June 2018. Interest rates on 54 per cent of Fabege's loan portfolio were fixed using fixed-income derivatives. 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 291m (559). 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 268m (99). Changes in market value arise as a result of changes in the market rate. A market valuation of the loan portfolio (excl. derivatives products) shows a surplus value of SEK 0m (0). 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 25m (44), 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 maturities. 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

Year	Calculated at 31 Dec 2017					Calculated at 31 Dec 2016				
	SEKm	Loan maturity	Interest on loans	Interest on derivative instruments	Total	Loan maturity	Interest on loans	Interest on derivative instruments	Total	
2017						-6,998	-164	-347	-7,509	
2018		-7,817	-222	-225	-8,294	-6,697	-103	-225	-7,025	
2019		-2,338	-168	-151	-2,657	-1,612	-67	-118	-1,797	
2020		-5,425	-127	-134	-5,686	-1,425	-53	-100	-1,578	
2021		-300	-97	-123	-520	0	-47	-88	-135	
2022		-3,200	-78	-99	-3,377	0	-47	-64	-111	
2023		0	-78	-84	-162	0	-47	-49	-96	
2024		-2,058	-50	-69	-2,177	-2,058	-37	-35	-2,130	
2025		-1,934	-29	-52	-2,015	-1,934	-20	-19	-1,973	
2026–2038		-515	-221	-57	-793	0	-145	-6	-151	
2039		-1,253	-7	0	-1,260	-1,253	-6	0	-1,259	
		-24,841	-1,076	-1,023	-26,941	-21,977	-736	-1,051	-23,764	

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.

Note 3 continued

Interest rate maturity structure, 31 December 2017

Year, due	SEKm	Average interest rate, %	Share, %
< 1 year	15,571	2.58	63
1–2 years	1,270	1.76	5
2–3 years	0	0.00	0
3–4 years	1,000	2.68	4
4–5 years	1,000	0.84	4
5–6 years	1,000	0.85	4
6–7 years	1,000	0.93	4
7–8 years	1,000	0.96	4
8–9 years	1,000	1.02	4
9–10 years	2,000	1.19	8
Total	24,841	2.10	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 established using interest rate swaps, which are traded without margins.

Currency risk

Currency risk refers to the risk that Faberge's profit and loss account and balance sheet will be negatively affected by a change in exchange rates. The only currency risk to which Faberge is exposed concerns purchases from foreign suppliers for certain major projects. This risk 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 limited 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 non-existent at year-end. As regards trade receivables, the policy states that customary credit checks must be carried out before a new tenant is accepted. 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.

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.

Financial assets and liabilities by measurement category, Group

SEKm	Financial assets measured at fair value in profit or loss		Loans and receivables		Other liabilities	
	2017	2016	2017	2016	2017	2016
Financial assets						
Receivables from associated companies			138	138		
Other long-term securities holdings	10	12				
Other non-current receivables			72	260		
Trade receivables			32	14		
Other receivables			367	1,537		
Accrued income			248	136		
Short-term investments	153	114				
Cash and cash equivalents			349	62		
Total	163	126	1,206	2,147	0	0
Financial liabilities						
Liabilities to credit institutions					24,841	21,978
Derivatives	291	559				
Trade payables					98	104
Other liabilities					105	369
Accrued expenses	82	69			25	15
Total	373	628	0	0	25,069	22,466

Reconciliation of liabilities attributable to financing activities (Group)

	CB 2016	Cash flow from financing activities	Changes not affecting cash flow	
			Change in fair value	CB 2017
Liabilities to credit institutions, non-current	14,520	2,504		17,024
Liabilities to credit institutions, current	7,458	359		7,817
Interest rate swaps, fair value hedging	559		268	291
Total liabilities attributable to financing activities	22,537	2,863	268	25,132

Reconciliation of liabilities attributable to financing activities (Parent Company)

	CB 2016	Cash flow from financing activities	Changes not affecting cash flow	
			Change in fair value	CB 2017
Liabilities to credit institutions, non-current	13,138	2,235		15,373
Liabilities to credit institutions, current	6,592	-192		6,400
Interest rate swaps, fair value hedging	559		268	291
Total liabilities attributable to financing activities	20,289	2,043	268	22,064

Note 3 continued

Profit/loss from financial instruments by measurement category, Group

SEKm	Financial assets measured at fair value in profit or loss		Loans and receivables		Other liabilities	
	2017	2016	2017	2016	2017	2016
Operating income and expenses			-1	-7		
Interest income			10	23		
Interest expenses	-550	-430			-63	-173
Unrealised changes in value, derivative instruments	268	99				
Changes in value, equities	-4	5				
Total	-286	-326	9	16	-63	-173

Financial assets and liabilities by measurement category, Parent Company

SEKm	Financial assets measured at fair value in profit or loss		Loans and receivables		Other liabilities	
	2017	2016	2017	2016	2017	2016
Financial assets						
Receivables from Group companies			40,402	42,671		
Other long-term securities holdings	10	12				
Other non-current receivables				140		
Other receivables			2	57		
Accrued income			83	120		
Cash and cash equivalents			347	53		
Total	10	12	40,834	43,041	0	0
Financial liabilities						
Liabilities to subsidiaries					21,252	24,783
Liabilities to credit institutions					21,773	19,730
Derivatives	291	559				
Trade payables					1	3
Accrued expenses	80	69			12	44
Total	371	628	0	0	43,038	44,560

Profit/loss from financial instruments by measurement category, Parent Company

SEKm	Financial assets measured at fair value in profit or loss		Loans and receivables		Other liabilities	
	2017	2016	2017	2016	2017	2016
Operating income and expenses				-7		
Interest income			450	527		
Interest expenses	-534	-430			-63	-197
Unrealised changes in value, derivative instruments	268	99				
Changes in value, equities	-4	5				
Total	-270	-326	450	520	-63	-197

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 or 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. In connection with each financial report the company assesses whether there are objective indications of impairment of financial assets or groups of financial assets. Financial instruments are recognised at amortised cost or fair value, depending on the initial categorisation under IAS 39.

Calculation of fair value of financial instruments

Fair value of derivatives and loan liabilities is determined by discounting future cash flows by the quoted market interest rate for each maturity. Future cash flows in the derivatives portfolio 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. For the callable swaps included in the portfolio the option component has not been assigned a value, as the swaps can only be

called at par value and thus do not have an impact on earnings. Decisions to call swaps are made by the banks. 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. Where no such prices are available, fair value is determined using the company's own valuation technique. 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.

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.

Derivatives

Fabege does not apply hedge accounting of derivatives and therefore categorises derivatives as 'financial assets or financial liabilities held for trading purposes'. Assets and liabilities in these categories are stated at fair value and changes in value are recognised in the statement of comprehensive income.

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 2017	Property Development Jan-Dec 2017	Transactions Jan-Dec 2017	Total Jan-Dec 2017	Property Management Jan-Dec 2016	Property Development Jan-Dec 2016	Transactions Jan-Dec 2016	Total Jan-Dec 2016
Rental income	2,014	266		2,280	1,833	272		2,105
Property expenses	-477	-123		-600	-464	-134		-598
Net operating income	1,573	143	0	1,680	1,369	138	0	1,507
Surplus ratio, %	76	54		74	75	51	0	72
Central administration and marketing	-58	-16		-74	-55	-15		-70
Net interest expense	-400	-109		-509	-425	-117		-542
Share in profit/loss of associated companies	-105	0		-105	-411	-13		-424
Profit/loss from Property Management	974	18	0	992	478	-7	0	471
Realised changes in value, properties	0	0	0	0	0	0	491	491
Unrealised changes in value, properties	3,831	2,264		6,095	5,731	1,883		7,614
Profit before tax per segment	4,805	2,282	0	7,087	6,209	1,876	491	8,576
Change in value, fixed income derivatives and equities				264				104
Profit/loss before tax	4,805	2,282	0	7,351	6,208	1,876	491	8,680
Properties, market value	44,906	12,983		57,889	38,803	9,039		47,842
Occupancy rate, %	94	91		94	95	84		94

● Accounting policies

Segment reporting

Segment information is presented from the perspective of management and that 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. 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 respec-

tively (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 Distansen 6 and 7 properties in Solna were taken over in the first quarter and classified as investment properties. Fortet 2 was classified as a development property. Distansen 4 (land) and the land properties and development rights (not reallocated), which were acquired through Råsta, were classified as land and project properties. In the second quarter, the project property Hörnan 1 was established via separation from the Lager 2 project property. Sliparen 2 was reclassified from a development property to an investment property. In the third quarter, the project properties Lager 3 and Lager 4 were created via separation from Lager 2. The Uarda 6 project property was completed in Q4 and reclassified as an investment property. Three properties in Arenastaden, Farao 15, Farao 16 and Farao 17, were reclassified from investment to development properties. The three properties were prepared for forthcoming project development.

Note 6 EMPLOYEES AND SALARY COSTS, ETC.

Average no. of employees	2017	Of which, men	2016	Of which, men
Parent Company	38	16	37	15
Subsidiaries	111	85	106	78
Group, total	149	99	143	93

	2017	2016
Employee turnover, %	9	8
Total sickness absence, %	2.5	2.8
Average no. of employees	149	143

Sickness absence by age group, %	Women	Men
Age <29	1.4	2.0
Age 30–49	2.5	3.7
Age 50+	1.2	2.2

SEKm	Salaries and other remuneration 2017	Social security contributions 2017	Salaries and other remuneration 2016	Social security contributions 2016
Parent Company	36	29	35	28
– of which pension expenses		12		11
Subsidiaries	67	38	63	38
– of which pension expenses		12		13
Group, total	103	67	98	66
– of which, total pension expenses		24		24

Gender distribution in the Board of Directors and senior executives

	Board of Directors 2017	Board of Directors 2016	Senior executives 2017	Senior executives 2016
Men	4	4	4	4
Women	4	4	2	2
Total	8	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 Deputy CEOs made up the Executive Management Team in 2017. During the year, the Executive Management Team consisted of the CEO, the Deputy CEO and CFO, the Deputy CEO 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 91.

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 2017, provisions of about SEK 16.7m (12.8), which is equivalent to two 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 35 per cent of the 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 2017, total Directors' fees of SEK 2,350,000 (2,350,000) were paid. Out of this amount, the Chairman of the Board received SEK 800,000 (800,000), and the other Board Members received a total of SEK 1,550,000 (1,550,000). No other fees or benefits were paid to the Board.

Remuneration and other benefits to senior executives, SEK 000s

Executive Management Team 2017, SEK 000s	Salary/Fee	Other benefits	Pension	Total
Chief Executive Officer	4,732	152	1,771	6,855
Deputy CEO	5,990	209	1,462	7,661
Other senior executives	5,043	222	1,975	7,240

Of which, variable remuneration was paid totalling SEK 975,000 (922,000) to the CEO, SEK 819,000 (856,000) to two Deputy CEOs and SEK 590,000 (553,000) to other senior executives. No other remuneration was paid to the Executive Management Team. On the row for remuneration of Deputy CEOs, remuneration throughout the year pertains to the two individuals who were Deputy CEOs at year-end.

Executive Management Team 2016, SEK 000s	Salary/Fee	Other benefits	Pension	Total
Chief Executive Officer	4,745	133	1,599	6,477
Deputy CEO	5,971	205	1,283	7,459
Other senior executives	4,925	204	1,831	6,960

	2017			2016		
Board of Directors, SEK 000s	Fee, Board Member	Audit Committee fees	Total	Fee, Board Member	Audit Committee fees	Total
Erik Paulsson (Chairman)	800	–	800	800	–	800
Anette Asklin	200	–	200	200	–	200
Anna Engebretsen	200	–	200	200	–	200
Eva Eriksson	200	40	240	200	40	240
Märtha Josefsson	200	70	270	200	70	270
Pär Nuder	200	40	240	200	40	240
Svante Paulsson	–	–	–	200	–	200
Mats Qviberg	200	–	200	200	–	200
Jan Litborn	200	–	200	–	–	–
Total	2,200	150	2,350	2,200	150	2,350

● Accounting policies

Employee benefits

Remuneration 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. 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.

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:

Note 7 continued

SEKm	Group	
	2017	2016
Maturity:		
Within 1 year	361	344
1 to 5 years	1,276	1,217
Later than 5 years	653	493
Residential, garage/parking	151	140
Total	2,441	2,194

The difference between total rents at 31 December 2017 and income, as stated in profit or loss for 2017, is due to bought/sold properties, renegotiations and changes in occupancy rates in 2017. 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.

● 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. Gains or losses from the sale of properties are recognised at the date of contract unless the purchase contract contains specific provisions which prohibit this. 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.

Leasing – Fabège as lessee

Leasing agreements in which the risks and benefits associated with ownership of the assets are in all material respects borne by the lessor are classified as operating leases. All of the Group's leases are classified as operating leases. Lease payments are recognised as an expense in profit or loss and distributed over the term of the lease on a straight-line basis.

Note 8 PROPERTY EXPENSES

SEKm	Group	
	2017	2016
Operating expenses, maintenance and tenant customisations	-270	-258
Property tax	-168	-161
Ground rent	-24	-23
VAT expense	-7	-9
Property/project admin and lettings	-131	-147
Total	-600	-598

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

SEKm	Group	
	2017	2016
Realised changes in value:		
Sale proceeds	127	3,656
Carrying amount and expenses	-127	-3,165
	0	491
Unrealised changes in value:		
Changes in value relating to properties owned at 31 Dec 2017	6,095	7,381
Changes in value relating to properties divested during the year	-	233
	6,095	7,614
Total realised and unrealised changes in value	6,095	8,105

The carrying amount/fair value and the resulting unrealised changes in value are determined quarterly based on valuations. If a property is sold in the second to fourth quarters, the sale will give rise, in addition to the unrealised change in value, to a realised change in value based on the selling price in relation to confirmed fair value for the last quarter. In measuring the results for the full year, the following breakdown is instead obtained, irrespective of revaluations during the year:

SEKm	Group	
	2017	2016
Gain from property sales, full year:		
Sale proceeds	127	3,656
Carrying amount and expenditure (based on value at beginning of the year) excl. changes in value on sold properties	-127	-2,932
	0	724
Unrealised changes in value:		
Changes in value relating to existing properties	6,095	7,381
	6,095	7,381
Total realised and unrealised changes in value	6,095	8,105
Breakdown between positive and negative results:		
Positive	6,215	8,122
Negative	-120	-17
Total	6,095	8,105

Note 11 PROFIT FROM OTHER SECURITIES AND RECEIVABLES THAT ARE NON-CURRENT ASSETS

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Interest income, Group companies	-	-	450	505
Interest income, promissory notes	45	22	45	22
Profit from other securities	-4	5	-4	5
Total	41	26	491	532

Note 12 INTEREST INCOME AND INTEREST EXPENSES

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Interest income	0	1	450	527
Total	0	1	0	0
Interest expenses	-550	-574	-597	-1,154
Total	-550	-573	-147	-627

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

Interest expenses are mainly attributable to financial liabilities measured at amortised cost.

● 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. Fabège 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 -4m (5) pertains to realised and unrealised earnings from AIK Fotboll AB.

Note 14 TAX ON PROFIT FOR THE YEAR

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Current tax	-1	-5	-	-
Current tax attributable to tax cases	0	-83	0	-19
Total current tax	-1	-88	0	-19
Deferred tax	-1,718	-1,485	-32	50
Total tax	-1,719	-1,573	-32	31
Nominal tax (22%) on profit after financial items	-1,617	-1,910	-31	236
Tax effects of adjustment items:				
Deficits and temporary differences from previous years	-47	-	-	-
Impairment of participations in subsidiaries and associated companies	-24	-	-	-183
Resolution of deferred tax resulting from sales	-	368	-	-
Current tax attributable to tax cases	-	-83	-	-19
Other	-25	52	-1	-3
Total tax	-1,719	-1,573	-32	31

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 2017, the properties were valued by Newsec Analys AB and Cushman & Wakefield. The properties are valued on an ongoing basis throughout the year. On-site inspections were carried out in all properties on at least one occasion during the 2015–2017 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.

Note 15 continued

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 6.4 per cent (6.5) 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 4.4 per cent (4.5). 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 motivated by long leases.

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	2017	2016
Annual inflation, %	2.0	2.0
Weighted discount rate, %	6.4	6.5
Weighted required yield, residual value, %	4.4	4.5
Average long-term vacancy, %	4.6	4.9
Operations and maintenance:		
Commercial, SEK/sqm	260	272

The valuation assumptions for Fabege's various properties 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 2017	SEKm	Weighted yield, %	Change in value, %
Inner city	24,127	4.05	10.9
Solna	28,341	4.58	13.9
Hammarby Sjöstad	4,704	4.77	14.8
Other markets	717	-	-
Total	57,889	4.36	21.0

Market values 31 December 2016	SEKm	Weighted yield, %	Change in value, %
Inner city	21,513	4.17	25.6
Solna	22,014	4.83	12.7
Hammarby Sjöstad	3,938	4.99	19.1
Other markets	377	-	-
Total	47,842	4.53	18.9

SEKm	Group	
	2017	2016
Opening fair value	47,842	40,279
Property acquisitions	1,314	460
Investments in new builds, extensions and conversions	2,778	2,673
Changes in value, existing property portfolio	6,095	7,381
Changes in value relating to properties divested during the year	0	233
Sales and disposals	-140	-3,184
Closing fair value	57,889	47,842

Note 15 continued

Sensitivity analysis – property values

Change in value before tax, %	Effect on earnings, SEKm	Equity/assets ratio, %	Loan-to-value ratio, %
+1	452	47.5	42.5
0	0	47.2	42.9
-1	-452	46.9	43.3

Sensitivity analysis, change in value	Assumption	Impact on value, SEKbn
Rent level	±10%	4.9
Running cost	±SEK 50/sqm	1.1
Yield requirement	±0.25%	2.7
Long-term vacancy rate	±2%	1.2

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 quarterly 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 31 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.

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 adaptations for tenants are recognised as an asset to the extent that the work being undertaken adds value in relation to the latest valuation. Other expenses are charged to expense immediately. Sales and acquisitions of properties are recognised at the time when the risks and benefits associated with ownership are transferred to the buyer or seller, which is normally on the contract date.

Note 16 EQUIPMENT

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Cost at beginning of year	8	19	6	6
Investments	2	1	2	0
Sales and disposals	0	-12	0	0
Closing accumulated cost	10	8	8	6
Opening depreciation	-6	-18	-5	-6
Sales and disposals	0	12	0	0
Depreciation for the year	0	0	0	0
Closing accumulated depreciation	-6	-6	-6	-5
Carrying amount	4	2	3	1

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 COMPANIES¹⁾

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Opening carrying amount	106	217	0	0
Contributions/Acquisitions	169	256	-	-
Impairment losses	-	-266	-	-
Share in profit/loss	-105	-66	-	-
Dividends	-	-35	-	-
Reclassifications	-48	-	-	-
Closing carrying amount	122	106	0	0
Carrying amount	122	106	0	0

Name/Corp. Reg. No.	Registered office	Capital share, % ²⁾	Carrying amount 2017, SEKm	Carrying amount 2016, SEKm
Urban Services i Solna 559108-8391	Stockholm	50.0	1	0
Projekbolaget Oscarsborg AB 556786-3419	Stockholm	50.0	2	2
TCL Sarl 19982401227	Luxembourg	50.0	0	0
Selfoss Invest AB	Stockholm	50.0	2	0
Värtan Fastigheter KB 969601-0793	Stockholm	50.0	6	6
Arenabolaget i Solna KB ²⁾ 969733-4580	Stockholm	66.7	111	50
Arenabolaget i Solna AB 556742-6811	Stockholm	50.0	0	0
Visio Utveckling AB 556848-9032	Stockholm	0	0	48
			122	106

¹⁾ See Note 35 for further information about associated companies.

²⁾ 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%)

SEKm	Group	
	2017	2016
Profit and loss account		
Rental income	13	44
Net operating income	-60	-144
Profit for the year	-212	-270
Balance sheet		
Non-current assets	3,596	3,717
Current assets	253	472
Total assets	3,849	4,189
Shareholders' equity	2,197	1,353
Share without controlling interest	55	55
Provisions	-	17
Other liabilities	1,597	2,764
Total shareholders' equity and liabilities	3,849	4,189
The Group's share of net assets in associated companies	1,442	664

Note 17 continued

Joint venture

The Group has one significant joint venture. Fabège conducts financial operations in an associated company. 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 newly formed finance company with a covered MTN programme of SEK 12,000m. The company is owned by Catena AB, Diös Fastigheter AB, Fabège 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). In 2017, the company issued covered bonds totalling SEK 4,038m (3,992), of which SEK 2,324m (2,540) relates to green bonds. Within the framework of this programme, Fabège issued covered property bonds during the year totalling SEK 1,226m (2,248). All of them relate to green bonds. Market-based terms and conditions are applied throughout.

● **Accounting policies****Interests in associated companies and joint ventures**

A company is recognised as an associated company if Fabège 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 (see below) 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. See also ABS, page 77, footnote 2.

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, Fabège 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. A 50 per cent capital share in this note is associated companies and not joint arrangements.

Note 18 RECEIVABLES FROM ASSOCIATED COMPANIES

Receivables from associated companies pertain in their entirety to receivables from Selfoss Invest AB totalling SEK 138m (Visio utveckling AB 138). The receivables carry market interest rates.

Note 19 OTHER LONG-TERM SECURITIES HOLDINGS

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Cost at beginning of year	14	7	14	8
Acquisitions/Investments		–		–
Changes in value	–4	5	–4	4
Sales		–		–
Closing amount	10	12	10	12
Carrying amount	10	12	10	12

Holdings	Carrying amount, SEKm
AIK Fotboll AB – Fabège's capital share is 18.5 per cent and the number of shares is 4,042,649	10
Total	10

Note 20 OTHER NON-CURRENT RECEIVABLES

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Maturity:				
1 to 5 years after balance sheet date	38	260	0	140
More than 5 years from balance sheet date	34	0	0	0
Total	72	260	0	140

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

Age structure – overdue trade receivables, SEKm	Group	
	2017	2016
0–30 days	23	17
31–60 days	3	0
61–90 days	2	1
> 90 days	5	3
Of which, provisions	–1	–7
Total	32	14

● **Accounting policies****Trade receivables**

Trade receivables are categorised as 'Loans and receivables', which means that the item is recognised at amortised cost. Fabège'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 201m (174). On the balance sheet date, other receivables were also affected by unsettled purchase considerations relating to an additional consideration in the amount of SEK 127m. The SEK 127m was settled in January 2018. Last year's figures also include a receivable from the sale of Uarda 7, see accounting policies Note 2, IFRS 15.

● **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 SHAREHOLDERS' EQUITY

	Shares outstanding	Registered shares
No. of shares at beginning of year	165,391,572	165,391,572
Cancellation of repurchased shares		
Divestment of treasury shares		
Total	165,391,572	165,391,572

All shares carry equal voting rights, one vote per share.

The quotient value of a share is SEK 30.82.

Proposed dividend per share: SEK 4.50.

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 common shares are subsequently divested, the amount received for them (net after any transaction costs and tax effects) is recognised in retained earnings.

Note 24 OVERDRAFT FACILITIES

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Available credit limit	660	610	660	610
Unused portion	-660	-610	-660	-610
Used portion	0	0	0	0

Note 25 LIABILITIES BY MATURITY

Interest-bearing liabilities, SEKm	Group		Parent Company	
	2017	2016	2017	2016
Maturity up to 1 year from balance sheet date	7,817	7,458	6,400	6,592
Maturity 1 to 5 years from balance sheet date	11,263	9,274	9,612	7,892
Maturity later than 5 years from balance sheet date	5,761	5,246	5,761	5,246
Total	24,841	21,978	21,773	19,730

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.

Other liabilities

Fabege's liabilities to credit institutions and holders of Fabege commercial paper and other liabilities are categorised as 'Other 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 26 DERIVATIVES

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Long-term surplus value	15	14	15	14
Total surplus value	15	14	15	14
Short-term deficit	-95	-35	-95	-35
Long-term deficit	-211	-538	-211	-538
Total deficit	-306	-573	-306	-573
Total	-291	-559	-291	-559

The Group does not apply hedge accounting; see 'Financial instruments' in Note 3 Accounting policies. Derivatives are classified as interest-bearing liabilities in the balance sheet and measured at fair value in compliance with Level 2, IFRS 13, with the exception of the callable swaps measured in accordance with Level 3, IFRS 13. The foundation of Level 3 is that the options feature has not been assigned a value and, for that reason, material non-observable input data cannot be identified. See also Note 3. Changes in value are recognised in the statement of comprehensive income on a separate line entitled 'Changes in value, fixed income derivatives'. IAS 39 has been applied in the Parent Company as well since 2006.

IFRS, Level 3, SEKm	Group		Parent Company	
	2017	2016	2017	2016
Opening amount	-218	-396	-218	-396
Acquisitions/Investments	-	-	-	-
Changes in value	117	178	117	178
Matured	35	-	35	-
Closing amount	-66	-218	-66	-218
Carrying amount	-66	-218	-66	-218

The change in value of SEK 117m (178) pertains to derivative instruments held by the company at the end of the year, as shown in the statement of comprehensive income.

Note 27 DEFERRED TAX LIABILITY/TAX ASSET

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Deferred tax has been calculated on the basis of:				
Tax loss carryforwards	-1,066	-1,129	-306	-279
Difference between book and tax values in respect of properties	6,124	4,516	-	-
Derivatives	-64	-123	-64	-123
Other	-6	7	-	-
Net deferred tax asset/liability	4,988	3,271	-370	-402

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 4.8bn (5.1). Of the changes in deferred tax liabilities for the year, the use of profit from property management accounted for SEK -241m and changes in the value of properties for SEK -1,341m.

Note 28 PROVISIONS

Out of total provisions of SEK 234m (215), obligations relating to rental guarantees for divested properties accounted for SEK 70m (70) and provisions for pensions for SEK 123m (110). Other amounts refer to stamp duties on properties that are payable upon the sale of a property, SEK 41m (35).

SEKm	Rental guarantees	Provisions for pensions		Total
		Other		
At 1 Jan 2017	70	35	110	215
Provisions for the year	-	8	-	8
Actuarial assumptions for the year	-	-	15	15
Used/paid during the year	0	-2	-2	-4
At 31 Dec 2017	70	41	123	234
Provisions comprise				
Long-term component	69	41	123	233
Short-term component	1	-	-	1
Total	70	41	123	234

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.

Fees for the year for pension insurance policies provided by Alecta were approximately SEK 8m (7). Alecta's surplus can be distributed to the policy owners and/or insured parties. At year-end 2017, Alecta's surplus, as expressed by the collective funding ratio, was a preliminary 154 per cent (148). 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.

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 29 TRADE PAYABLES

● Accounting policies

Trade payables are categorised as 'Other 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 30 ACCRUED EXPENSES AND DEFERRED INCOME

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Advance payment of rents	388	317	–	–
Accrued interest expenses	80	84	80	84
Other	315	171	31	38
Total	783	572	111	122

Note 31 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets, SEKm	Group		Parent Company	
	2017	2016	2017	2016
Property mortgages	18,102	17,272		
Shares in subsidiaries	5,774	10,988		
Promissory notes	–	–	15,740	16,267
Total	23,876	28,260	15,740	16,267
Contingent liabilities				
Guarantees on behalf of subsidiaries		–	933	929
Guarantees and undertakings for the benefit of associated companies	340	202	340	202
Other	0	0	0	0
Total	340	202	1,273	1,131

The Group has pension commitments of SEK 34m (35), which are secured through a pension fund. The solvency ratio for the pension fund is 139 per cent (132). 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 32 INTEREST PAID

During the year, interest paid in the Group amounted to SEK 624m (647), of which SEK 58m (55) was capitalised in investing activities. No interest capitalisation occurred in the Parent Company.

Note 33 CHANGES IN WORKING CAPITAL

SEKm	Group		Parent Company	
	2017	2016	2017	2016
Change acc. to balance sheet	1,088	–1,330	164	–41
Change in receivables and liabilities pertaining to interest income, dividends and interest expenses, current tax and unregulated purchase considerations pertaining to properties sold	–1,297	1,302	–	–
Total	–209	–28	164	–41

Note 34 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 (610).

● 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 35 TRANSACTIONS WITH RELATED PARTIES

Erik Paulsson, with his family and companies, holds a controlling influence in Hansan AB. In 2017, consulting services totalling SEK 1m (1) were procured.

Contributions of SEK 105m have been made to ABS. Nya Svensk FastighetsFinansiering 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, Fabège 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 FastighetsFinansiering AB). During the year the MTN framework was increased to SEK 12,000m (8,000). In 2017, the company issued covered bonds totalling SEK 4,038m (3,992), of which SEK 2,324m (2,540) relates to green bonds. Within the framework of this programme, Fabège issued covered property bonds during the year totalling SEK 1,226m (2,248). All of them relate to green bonds. Market-based terms and conditions are applied throughout.

Note 36 DIVIDEND PER SHARE

The dividends that were adopted at Annual General Meetings and paid out in 2017 and 2016 were SEK 4 per share and SEK 3.50 per share, respectively. At the AGM on 9 April 2018, the Board will propose a dividend for 2017 of SEK 4.50 per share, resulting in a total dividend payment of SEK 744,262,074. The dividend amount is based on the total number of outstanding shares at 31 January 2018, i.e. 165,391,572 shares. The total dividend amount is subject to alteration up to and including the record date, depending on share buybacks.

Note 37 ADOPTION OF THE ANNUAL REPORT

The Annual Report was adopted by the Board of Directors and approved for publication on 26 February 2018. The Annual General Meeting will be held on 9 April 2018.

Note 38 NET SALES

Parent Company income comprises mainly intra-Group invoicing.

Note 39 OPERATING EXPENSES

SEKm	Parent Company	
	2017	2016
Employee expenses	–85	–82
Administration and running costs	–172	–181
Total	–257	–263

Note 40 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

SEKm	Parent Company	
	2017	2016
Impairment of shares in subsidiaries	–	–831
Group contributions	79	–204
Total	79	–1,035

SEKm	Parent Company	
	2017	2016
Cost at beginning of year	15,144	14,389
Acquisitions and additions	–	755
Sales	–	–
Closing accumulated cost	15,144	15,144
Opening impairment	–2,628	–1,797
Impairment	–	–831
Closing accumulated impairment losses	–2,628	–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 179 (166) companies, of which 167 (156) are wholly owned and 12 (10) are co-owned.

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 41 FEES AND REMUNERATION TO AUDITORS

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

Fees and remuneration for expenses

SEK 000s	Group		Parent Company	
	2017	2016	2017	2016
Deloitte:				
Auditing assignments ¹⁾	3,176	2,916	3,176	2,916
Other auditing activities	181	210	181	210
Tax advisory services	0	0	0	0
Other services	0	0	0	0
Total	3,357	3,126	3,357	3,126

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 42 EVENTS AFTER BALANCE SHEET DATE

In 2010, Fabege divested a property portfolio to Profi Fastigheter. The parties agreed on an additional consideration which, since the detailed plan for the property in question has become legally binding, can now be established. The additional consideration amounts to a realised gain of just over SEK 80m in addition to previously recognised profit. The amount will be recognised under realised changes in value in Q1 2018.

Note 43 APPROPRIATION OF RETAINED EARNINGS

The following amount is at the disposal of the AGM:	SEK
Retained earnings	1,755,382,467
Profit for the year	110,371,091
Total	1,865,753,558

The Board of Directors and the Chief Executive Officer propose that the amount be allocated as follows:	SEK
A dividend of SEK 4:50 per share to the shareholders	744,262,074
To be carried forward	1,121,491,484
Total	1,865,753,558

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

City district development generates success

Dear shareholder,

We can now put yet another successful year for Fabege to bed. Fabege has continued to perform well, with a strong property management portfolio and a number of exciting projects attracting new customers. The company has successfully taken advantage of favourable market conditions and the property portfolio's total return is up there with the best in the sector. The property market for city district development and commercial premises in growth areas remains persistently robust and our investment decisions over the past year pave the way for continued value creation.

It is pleasing to see that this year we are also able to propose to the AGM a dividend of SEK 4.50 per share, an increase of SEK 0.50. According to our dividend policy, at least 50 per cent of profit from continuous property management and realised gains from the sale of properties will be paid out as a dividend.

Here at Fabege we aim to achieve effective corporate governance that generates confidence from the equities market and other stakeholders. One essential condition for sound corporate governance is having broad expertise and experience on the Board. Fabege's Board members have knowledge from various areas including property management, property development, financing and the equities market.

After 11 exciting and intensive years as Chairman, it is now time for me to step down and pass the baton on to younger hands. I am proud to have been a part of the value that Fabege

has created over the years, and of the position that the company has achieved via its knowledge of Stockholm's property market. I would like in particular to convey my deepest thanks to all the company's employees, who with their considerable commitment and knowledge have made Fabege's success possible.

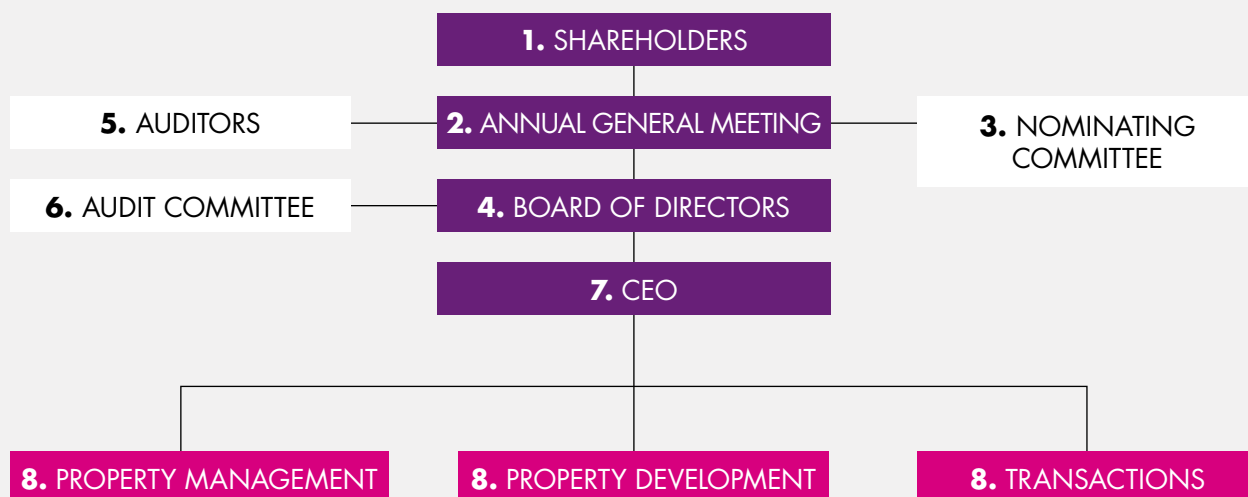
I will continue to follow Fabege's new, exciting projects in a different role, albeit not as closely as before. Hopefully as shareholders you will take pleasure, as I do, in sharing and watching Fabege continue to grow and create value. In conclusion, I would like to thank all of you who have made it possible for Fabege to build a strong position on the Swedish property market.

Erik Paulsson
*Chairman of the Board,
Fabege*



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

Fabège's shares are listed on Nasdaq Stockholm. The company's share capital is SEK 5,097m, represented by 165,391,572 shares. At year-end, Fabège held no treasury shares. In Fabège 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 Dec 2017
Erik Paulsson with his family, privately and through companies	15.3

Fabège's ownership structure is described on pages 105–106 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 e-mailing ir@fabege.se or by sending a letter to Fabège AB. The proposal concerning Directors' fees must specify a breakdown between the Chairman, other Board Members and representatives of the Audit 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. Fabège'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.

Issues relating to management remuneration

Fabège's Board has no separate remuneration committee. All Board Members perform the tasks incumbent on a remuneration committee and thus participate in the process of drafting and making decisions on remuneration issues.

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 2017 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 2018 AGM.

In addition to Fabege, Kent Åkerlund has audit assignments for the following major companies: Clas Ohlson, Bactiguard, FastPartner, Saminvest 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 4 Core, 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. 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.

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 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.

Fabège's Executive Management Team consists of six individuals, see page 91. The Executive Management Team holds weekly operational meetings and regular decision-making meetings around eight times a year. These meetings address strategic and operational matters such as property transactions, letting, market trends, organisation and monthly and quarterly reviews. Fabège's entire managers' team meets several times a year for discussions regarding, for example, the company's strategies and management issues.

8. Operating segments

Fabège'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: Head of Property Management and Head of Technical Operation. Each business area manager is a member of the Executive Management Team and has responsibility for operative control and follow-up. Fabège'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.

Fabège'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 come together in a joint forum for sustainability issues. The group meets regularly to pursue the development and communication of sustainability issues.

FIND OUT MORE

...about Fabège's corporate governance, rules of procedure and instructions at www.fabeg.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



The restaurant on the ground floor of Uarda 7 Arenastaden is open to the public and a popular lunch venue.

POLICIES AND GUIDELINES THAT SUPPORT OPERATIONS

Fabege's core values (SPEAK) and the 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, terms of employment, 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, while complying with 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 2017.

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 under way 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 was used once during the year. The case in question has been dealt with, and at year-end there are no outstanding cases.

CORPORATE GOVERNANCE 2017

Annual General Meeting

The 2017 AGM was held in Stockholm on 29 March 2017. Erik Paulsson was elected to chair the meeting. The AGM was attended by shareholders holding a total of 76.0 million shares, representing 46.1 per cent of the votes represented. A full set of minutes from the AGM is available at www.fabege.se/agm2017. 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 eight Board Members and approved the re-election of Anette Asklin, Anna Engebretsen, Eva Eriksson, Märtha Josefsson, Pär Nuder, Erik Paulsson and Mats Qviberg, and appointed Jan Litborn to the Board.

Erik Paulsson was elected Chairman. The AGM resolved that a total of SEK 2,350,000 (2,350,000) be paid in Directors' fees in 2017.

Dividends, cash

The dividend was fixed at SEK 4.00 per share and the record date was set at 31 March 2017.

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

The AGM resolved on unchanged guidelines for the remuneration of management.

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 2017. The auditors participated in and presented reports at all four meetings of the Audit Committee. Reports were also presented to management during the year. Fees paid to the company's auditors are described in Note 41 on page 81.

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 5 October 2017, the Nominating Committee was announced.

COMPOSITION OF THE NOMINATING COMMITTEE

Name	Represented	Percentage of votes 31 Jan 2018, %
Bo Forsén	Backahill AB ¹⁾	15.3
Thomas Ehlin	Fourth Swedish National Pension Fund	4.5
Mats Qviberg	Investment AB Öresund	3.3
Eva Gottfridsdotter-Nilsson	Länsförsäkringar Fondförvaltning	2.3
Total		25.4

¹⁾ Including Erik Paulsson with his family.

Nominating Committee's proposals ahead of the 2018 AGM

Following discussions regarding the size and composition of the Board of Directors, the Nominating Committee proposes that the Board should consist of eight ordinary members and 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 equal gender balance and the proposal includes four women and four men.

The Nominating Committee proposes the re-election of Board members Anette Asklin, Anna Engebretsen, Eva Eriksson, Märtha Josefsson, Jan Litborn, Pär Nuder and Mats Qviberg, and the appointment of Per-Ingemar Persson as a new member of the Board. Erik Paulsson is not standing for re-election. 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, 2017

Eight Board Members were elected to the Board at the 2017 AGM. Erik Paulsson 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 properties, 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, 2017

In 2017, the Board held a total of 12 meetings, including six scheduled meetings, one extra meeting, one statutory meeting and four meetings held by correspondence. The agenda comprises a number of standing items: Financial and operational reporting, decisions on acquisitions, investments and divestments, strategic market and organisational issues and reporting by the Audit Committee. 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. The strategy plan and budget for 2018 were adopted at the December meeting. In addition, the Board addressed a number of specific matters (see diagram on page 88).

In 2017 the Board resolved on several major investments in the existing property portfolio totalling SEK 2.4bn and relating to development of and improvements to properties. During the year a land property was divested to a co-owned housing development company. Ownership of a number of properties was transferred at the beginning of the year pertaining to transactions that had been concluded the previous year. 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 2017. The Board of Directors also carried out its annual evaluation of the CEO's performance. Furthermore, the Board resolved to adjust some of the company's financial

targets. The interest coverage ratio target was raised from a minimum of 2.0 to a minimum of 2.2. The loan-to-value ratio target was reduced from max. 55 to max. 50 per cent. The Board also decided to introduce a new financial target: debt ratio (see definition on page 116), which in the long term will amount to a maximum of 13.0. The Board of Directors also conducted its annual review of Fabège's Code of Conduct and finance policy.

The Board of Directors' diversity policy

Overall, Fabège'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

The Board Members are paid Directors' fees in accordance with an AGM resolution and for 2017, total fees of SEK 2,350,000 were paid, of which the Chairman received SEK 800,000, other Board Members

received SEK 200,000 each and SEK 150,000 was paid for work on the Board's Audit Committee, of which the chairman received SEK 70,000 and the other members SEK 40,000.

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 53.

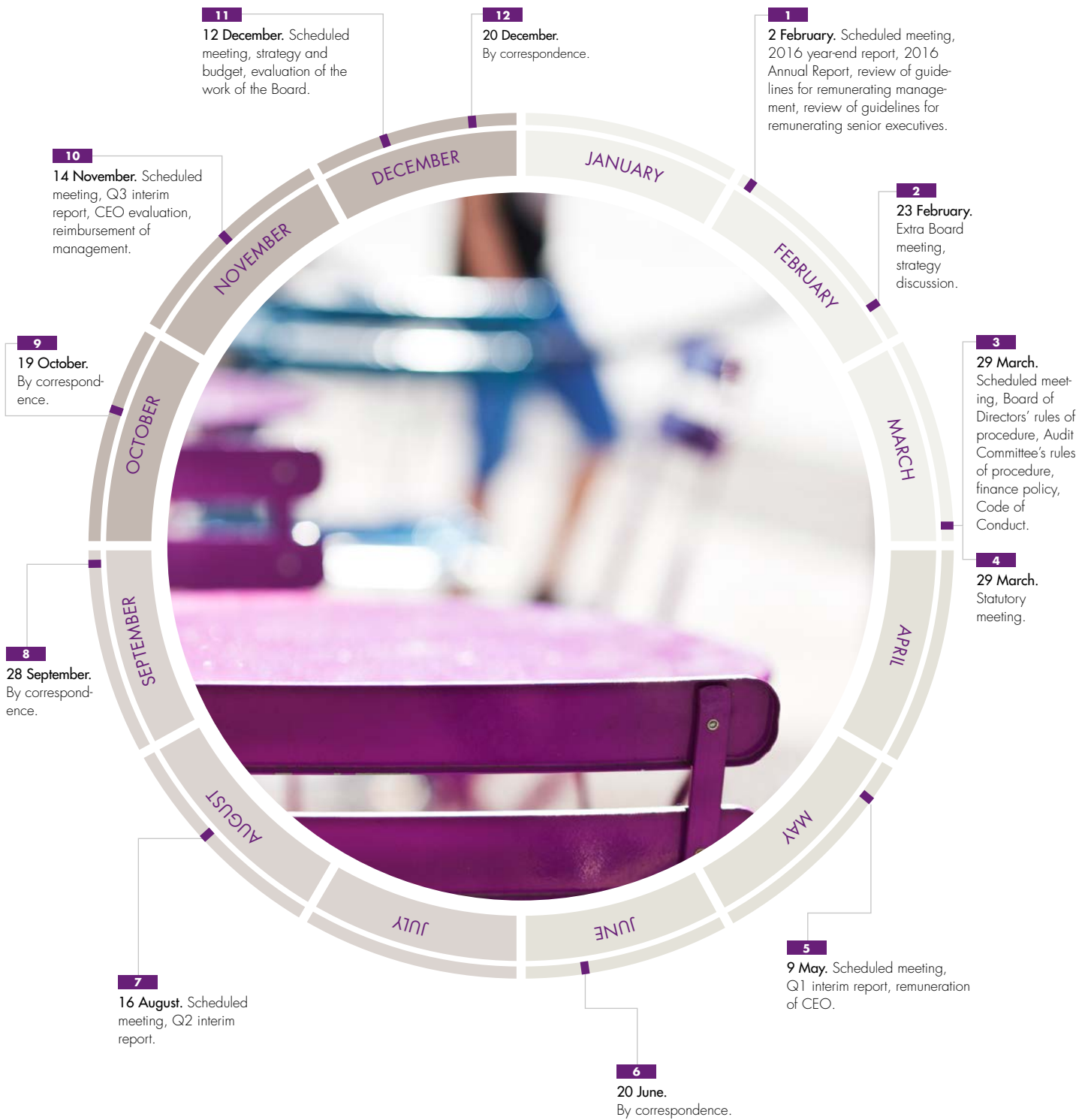
Remuneration and other benefits and terms of employment for the CEO and management are described in Note 6 on page 74. The company's principles of remuneration and terms of employment will also be presented at the 2018 AGM.

The Audit Committee

In 2017, the Board appointed an Audit Committee from among its own members consisting of Märtha Josefsson (Chair), Eva Eriksson and Pär Nuder. Four meetings were held in 2017, focusing on the company's system of internal control. During the year, the Audit Committee addressed matters such as business ethics and the Code of Conduct, a review of the property valuation process, cyber security and the IT environment and a more comprehensive review of internal control from a financial perspective. In addition, a review was conducted of Fabège's commitment and risk in the Friends Arena investment. 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 Chairman submitted regular reports to the Board.



BOARD YEAR 2017



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 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 applicable 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 2017, 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 and operations are 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 and authorisation of payments. A new policy for procurement of auditing services was adopted in 2017. Furthermore, a review and update of Fabege's policies was implemented. All policies were discussed and decided on by the Executive Management Team. Information concerning adopted policies was also 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. Integrated reporting has been applied since 2015, which means sustainability reporting is an integral part of financial reporting.

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, physical buildings and environment.
- Risk area Property Development and Projects: Planning process and project, 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.

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 2017, 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 2017. 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. For several years now the company has been producing rolling 12-month forecasts.

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 Fabegé'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. In 2017, work continued 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. In the autumn, a customer survey 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, current and fit for purpose.

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 and 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 2017, 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, Fabegé 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



**Klaus Hansen
Vikström**
Vice President, Director
of Business Development

Born 1953.
Employed in Fabège
since 2006 and in current
position since 2014.

**Åsa
Bergström**
Vice President, Chief
Financial Officer

Born 1964.
Employed in Fabège
since 2007 and in current
position since 2008.

**Klas
Holmgren**
Director of Projects
and Development

Born 1970.
Employed in Fabège
since 2001 and in current
position since 2010.

**Anders
Borggren**
Director of Technical
Operations

Born 1958.
Employed in Fabège and
in current position since
2014.

**Charlotta
Liljefors Rosell**
Director of Property
Management

Born 1963.
Employed in Fabège and
in current position since
2014.

**Christian
Hermelin**
Chief Executive Officer

Born 1964.
Employed in Fabège
since 1998 and in current
position since 2007.

Previous positions:

Managing Director of
Stockholm Modecenter,
Managing Director and
founder of Brubaker AS.

Senior Manager at
KPMG, CFO positions
at property companies,
including Granit & Betong
and Oskarsborg.

Platzer Bygg, Site
Manager at Peab, Site
Manager at Peab Bostad,
JM Entreprenad.

Executive positions at vari-
ous companies, including
Director of Property
Management at ISS
Facility Services AB, CEO
of Arcella AB, Project
leader at Kungsfiskaren
AB and Contract Engineer
at Skanska.

The Royal Swedish Insti-
tute of Technology, AP
Fastigheter, various execu-
tive positions at Vasa-
kronan, Head of Business
Area Office at AMF
Fastigheter.

Property Management
at Nacka Strand Förvalt-
nings AB, Regional
Manager at Oskarsborg,
Project Manager at
Fastighets AB Storheden.

Education:

Diploma in Specialised
Business Studies.

Bachelor's degree in
Business Administration.

Engineer.

Master of Science in
Engineering.

Master of Science in
Engineering.

Bachelor's degree in
Business Administration.

Shareholding:

40,517

51,117

39,517

39,516

39,516

231,917

Board of Directors



Erik Paulsson¹⁾
Born 1942.
Chairman of the Board
since 2007 and Board
Member since 1998.



Anette Asklin
Born 1961.
Board Member
since 2016.



Anna Engebretsen
Born 1982.
Board Member since 2016.



Eva Eriksson
Born 1959.
Board Member
since 2011.

Other assignments:

Chairman of the Board of Backahill AB and Wihlborgs Fastigheter AB. Board Member of Brinova Fastigheter AB and Catena AB.

Chairman of the Board of GU Ventures AB and RO Gruppen Förvaltning AB. Board Member of Jenrhusen AB and Fondstyrelsen at University of Gothenburg.

Board Member of Investment AB Öresund, Bilja AB and MQ Holding AB.

Board Member of OBOS, Norway.

Education:

Lower secondary school.
Business manager since 1959.

Bachelor's degree in
Business Administration.

Bachelor's degree in
Business Administration.

Master of Science in
Engineering.

Shareholding:*

Privately and through
companies 25,184,285

1,000

200,000

10,000

Elected, year

1998

2016

2016

2011

Independent in relation to the company and management:

NO

YES

YES

YES

Independent in relation to major shareholders:

NO

YES

YES

YES

Fee, SEK 000s²⁾

800

200

200

240

Attendance Board Meetings:

12 (12)

12 (12)

12 (12)

12 (12)

Attendance Audit Committee:

³⁾

³⁾

³⁾

4 (4)



AUDITOR

Kent Åkerlund
Born 1974.

Auditor-in-Charge at Fabege since 2013. Authorised Public Accountant at Deloitte AB.

Audit assignments for the following major companies:
Clas Ohlson, Bactiguard, FastPartner, Saminvest and Tagehus.

**Märtha Josefsson**

Born 1947.
Board Member
since 2005.

Board Member of Skandia Fonder AB, Worldwide Fund for Nature and Investment AB Öresund.

**Jan Litborn**

Born 1951.
Board Member
since 2017.

Chairman of the Board of Arenabolaget i Solna AB, Råsta Holding AB, Erlandsson Holding AB, Board Member of A City Media AB, Profi Förvaltning AB, Consensus Asset Management AB and Anders Hedin Invest AB.

**Pär Nuder**

Born 1963.
Board Member
since 2010.

Chairman of the Board of SkiStar AB, AMF Pension AB, Third AP Fund, Öbergs färghus and Hemsö Fastighets AB. Board Member of Beijerinvest AB, IP Only and Cleanergy. Senior Counselor Albright Stonebridge Group.

**Mats Qviberg**

Born 1953.
Deputy Chairman since
2012, Board Member since
2001.

Chairman of the Board of Bilia AB and Investment AB Öresund.

Bachelor's degree in Economics.	LL. M. (lawyer) from Stockholm University, Stockholm School of Economics (no degree).	LL. M.	Bachelor's degree in Business Administration.
120,960	3,400	10,007	Own and spouse's holdings 3,150,182
2005	2017	2010	2001
YES	YES	YES	YES
YES	YES	YES	YES
270	200	240	200
12 (12)	9 (9)	11 (12)	11 (12)
4 (4)	³⁾	3 (4)	³⁾

¹⁾ Erik Paulsson did not stand for re-election to the Board of Directors for 2018.

²⁾ Directors' fees are paid in arrears.

³⁾ Not a member of the Audit Committee.

*Shareholding at 31 December 2017.

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, and
- 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, February 26, 2018

Erik Paulsson
Chairman

Anette Asklin
Board Member

Anna Engebretsen
Board Member

Eva Eriksson
Board Member

Märtha Josefsson
Board Member

Pär Nuder
Board Member

Jan Litborn
Board Member

Mats Qviberg
Deputy Chairman

Christian Hermelin
Chief Executive Officer

Our Auditor's Report was submitted on 26 February 2018
Deloitte AB

Kent Åkerlund
Authorised Public Accountant

Auditor's Report

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF FABEGE AB (PUBL) CORPORATE IDENTITY NUMBER 556049-1523

Report on the annual accounts and consolidated accounts Opinions

We have audited the annual accounts and consolidated accounts of Fabege AB (publ) for the financial year 1 January 2017 – 31 December 2017, except for the corporate governance statement on pages 82–93 and the information regarding the statutory sustainability report on pages 60–61. The annual accounts and consolidated accounts of the company are included on pages 51–94 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 2017 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 2017 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. The statutory administration report is consistent with the other parts of the annual accounts 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 2017 is recorded at SEK 57,889m. 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 page 59 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 2017 Fabege has invested SEK 2,778m 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 page 59 and note 15 in the annual report.

Work performed

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

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

Accounting for income taxes

Description of risk

Fabège'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 derivatives. 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 page 60 and note 4 and 14 in the annual report.

Our audit procedures

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

- We have reviewed and assessed Fabège'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 than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–50 and 98–117. 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 Fabège AB (publ) for the financial year 1 January 2017 – 31 December 2017 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 82-93 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, second paragraph, points 2-6 of the Annual Accounts Act and chapter 7, section 31, second paragraph of the same Act are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Acts.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 7-13, 43-47, 60-61 and Webb DMA (fabega.com/G4DMA), and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report 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 opinion.

A statutory sustainability report has been prepared.

Deloitte AB, was appointed auditor of Fabega AB (publ) by the general meeting of the shareholders on the March 29, 2017 and has been the company's auditor since April 4, 2002.

Stockholm, February 26, 2018
Deloitte AB

Kent Åkerlund
Authorized public accountant

2017 Sustainability Report

This is Fabege's seventh 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 2017 Annual Report, which pertains to the 2017 financial year. Sustainability governance (DMA) is reported on the website, www.fabege.se/DMA. The preceding year's Annual Report, including the Sustainability Report, was published in February 2017. The information contained in the Sustainability Report has been subject to a limited review by Deloitte, see Assurance Report on page 101. 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. Fabege aims for the Sustainability

Report, sustainability governance information (DMA) and the 2017 Annual Report to satisfy its stakeholders' information requirements and to provide a comprehensive overview of Fabege's economic, environmental and social efforts 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. This table includes the standard information that is mandatory for GRI G4 Core, as well as additional standard information that Fabege has decided to report and the supplementary indicators and indicators from the Construction and Real Estate Sector Supplement (CRESS) as reported by Fabege. The Sustainability Report is an integral part of the 2017 Annual Report.

Disclosure	Description	Reading reference	Comments/omissions
Strategy and Analysis			
G4-1	CEO message	4	
Organisational profile			
G4-3	Name of the organisation	51	
G4-4	The most important brands, products and/or services	1, 10–11, 16–41	
G4-5	Location of headquarters	117	
G4-6	Countries where the Group operates	1	
G4-7	Ownership structure and corporate structure	104–107	
G4-8	Markets in which the organisation operates	1, 16–35	
G4-9	Size of the organisation	1	
G4-10	Total workforce by employment type, employment contract and gender	10, 53	All employees are covered by a collective bargaining agreement. Fabege is a member of the employer organisation Almega.
G4-11	Percentage of employees covered by collective bargaining agreements	10, 53	
G4-12	The organisation's supply chain	47	
G4-13	Significant changes	98	
G4-14	Description of, and how the organisation follows the Precautionary Principle	57–62	The company's identified risks are selected based on their potential environmental impact
G4-15	Membership of sustainability initiatives	45	
G4-16	Involvement in organisations	45	
Identified material aspects and boundaries			
G4-17	Operational structure	82–87	
G4-18	Process for definition of contents of report	online/DMA	
G4-19	Identified material aspects	online/DMA	
G4-20	Aspect boundary within the organisation	99	
G4-21	Aspect boundary outside the organisation	99	
G4-22	Explanation of the effect of restatements of information in previous reports and the reasons for restatement	98	
G4-23	Significant changes that have been made since the previous reporting period with regard to boundaries and scope	98	
Stakeholder dialogue			
G4-24	Stakeholder groups engaged in the company	online/DMA	
G4-25	Principle for identification and selection of stakeholders	online/DMA	
G4-26	Approach to communication with stakeholders	online/DMA	
G4-27	Key areas highlighted via communication with stakeholders	online/DMA	

Disclosure	Description	Reading reference	Comments/omissions
Information about the report			
G4-28	Reporting period	98–99	2017 calendar year
G4-29	Last published report	98–99	Sustainability Report 2016, published February 2017
G4-30	Reporting cycle	98–99	Calendar year
G4-31	Contact for the report	117	
G4-32	GRI table of contents	98–99	
G4-33	Policy for external assurance of the report	98	A limited review of the report is carried out by the auditor
Governance			
G4-34	Statement of corporate governance	82–94	
Ethics and integrity			
G4-56	The company's values, principles, standards and norms for conduct	7–9, 46–47	

GRI aspect	Boundary	Indicator	Reading reference	Comments/omissions
Environment				
Energy				
	Material internally/externally through the carbon dioxide emissions produced by energy consumption.	G4-EN3 – Energy consumption within the organisation	10–11, 15, 42–45	See website/DMA for further info ¹⁾
		G4-EN6 – Reduction of energy consumption	10–11, 15, 42–45	Deviation: The report includes the accumulated outcome of energy optimisation and energy projects.
		G4-CRE1 – Energy performance in buildings	10–11, 15	
Emissions				
	Material internally/externally through the carbon dioxide emissions produced by energy consumption.	G4-EN16 – Indirect greenhouse gas emissions	11, 42–45	Pertains to scope 2. See website/DMA for further info
		G4-EN19 – Reduction of greenhouse gas emissions	42–45	See website/DMA for further info
		G4-CRE3 – Greenhouse gas intensity in buildings	11, 42–45	See website/DMA for further info
Effluents and waste				
	Relevant internally through the waste generated at our own offices. Relevant externally through the waste generated by our tenants.	G4-EN23 – Total weight of waste by type and disposal method	45	The basis of calculation for waste by amount, type and weight consists of information from the company's main waste contractors. VWe are not currently able to attain complete statistics, as our tenants are able to choose other waste contractors for operational waste than the contractor advised by the landlord. Deviation: Division hazardous and non-hazardous waste.
Customer relations				
	Relevant internally and externally as good customer relations affect both retention rate and new lettings.	G4-PR5 – Customer satisfaction	3, 15, 36–37	See website/DMA for further info
		G4-CRE8 – Percentage environmentally certified buildings	15, 109	
Occupational health and safety				
	Relevant internally in that Fabège wants to offer its employees a stimulating, safe and healthy working environment, and relevant externally in that this makes Fabège an attractive employer for potential employees.	G4-LA1 – Employee turnover	9, 74–75	See website/DMA for further info
		G4-LA5 – Percentage of workforce represented in formal health and safety committees	7–9	
		G4-LA11 – Percentage of employees receiving regular performance reviews	7–9	
		G4-LA12 – Breakdown of employees, Board of Directors and management composition by indicators of diversity	7–9, 74, 91–93	
		G4-HR3 – Total number of incidents of discrimination and actions taken	85	No reported incidents of discrimination
Business ethics				
	Relevant internally and externally as Fabège's Code of Conduct imposes stringent requirements on both employees and business partners.	G4-SO5 – Confirmed incidents of corruption and actions taken	46–47	No reported incidents of corruption
Suppliers				
	Relevant externally as Fabège imposes stringent requirements on its suppliers, and internally as this work generates awareness and pride among employees.	G4-LA14 – Percentage of new suppliers that were screened using labour practices criteria	46–47	Deviation: Fabège is of the opinion that it is highly relevant to report the percentage of total suppliers.
		G4-HR10 – Percentage of new suppliers that were screened using human rights criteria	46–47	Deviation: Fabège is of the opinion that it is highly relevant to report the percentage of total suppliers.
		G4-EN32 – Percentage of new suppliers that were screened using environmental criteria	46–47	Deviation: Fabège is of the opinion that it is highly relevant to report the percentage of total suppliers.

Acronyms: DMA = Disclosure on Management Approach

1) For website see www.fabège.se/dma

Sustainability Report in accordance with Swedish Annual Accounts Act

The table below contains references to Fabege's Sustainability Report, which was prepared in accordance with the Swedish Annual Accounts Act. Unless otherwise stated, such references relate to this Annual Report. 'Website/DMA' refers to fabege.se/dma.

Area	Disclosure requirement	Environment	Human resources	Social conditions	Human rights	Anti-corruption
Business model	The Sustainability Report must provide a description of the company's business model	How we create value and business model, pp. 10–13				
Policy	The Sustainability Report must describe the policy that the company applies on issues, including the review procedure that has been carried out	Energy & environment, pp. 43–45 Website/DMA: Energy & environment	Employees, pp. 7–9 Website/DMA: Employees	Sustainable relationships, pp. 46–47, and Risks and opportunities, Social conditions and respect for human rights, p. 61 Website/DMA: Sustainable relationships	Sustainable relationships, pp. 46–47, and Risks and opportunities, Social conditions and respect for human rights, p. 61 Website/DMA: Sustainable relationships	Sustainable relationships, pp. 46–47, and Risks and opportunities, Ethics and anti-corruption, p. 61 Website/DMA: Sustainable relationships
Result of the policy	The Sustainability Report must provide a description of the result of the policy	Energy & environment, pp. 43–45 Website/DMA: Energy & environment	Employees, pp. 7–9 Website/DMA: Employees	Sustainable relationships, pp. 46–47, and Risks and opportunities, Social conditions and respect for human rights, p. 61 Website/DMA: Sustainable relationships	Sustainable relationships, pp. 46–47, and Risks and opportunities, Social conditions and respect for human rights, p. 61 Website/DMA: Sustainable relationships	Sustainable relationships, pp. 46–47, and Risks and opportunities, Ethics and anti-corruption, p. 61 Website/DMA: Sustainable relationships
Significant risks	The Sustainability Report must provide a description of the significant risks that relate to the issues and are linked to the company's operations, including, where relevant, the company's business relationships, products or services that may have negative consequences	Risks and opportunities, Environment, p. 60	Risks and opportunities, Employees, p. 61	Risks and opportunities, Social conditions and respect for human rights, p. 61	Risks and opportunities, Social conditions and respect for human rights, p. 61	Risks and opportunities, Ethics and anti-corruption, p. 61
Management of risks	The Sustainability Report must provide a description of how the company manages risks	Risks and opportunities, Environment, p. 60	Risks and opportunities, Employees, p. 61	Risks and opportunities, Social conditions and respect for human rights, p. 61	Risks and opportunities, Social conditions and respect for human rights, p. 61	Risks and opportunities, Ethics and anti-corruption, p. 61
Results indicators	The Sustainability Report must provide a description of central results indicators that are relevant to operations	Energy & environment, pp. 43–45 Website/DMA: Energy & environment	Employees, pp. 7–9 Website/DMA: Employees	Sustainable relationships, pp. 46–47 Website/DMA: Sustainable relationships	Sustainable relationships, pp. 46–47 Website/DMA: Sustainable relationships	Sustainable relationships, pp. 46–47 Website/DMA: Sustainable relationships

Auditor's Limited Assurance Report on Fabege AB (publ)'s Sustainability Report

To Fabege AB (publ)

Introduction

We have been engaged by the Executive Management of Fabege AB (publ) to undertake a limited assurance engagement of Fabege AB (publ)'s Sustainability Report for the year 2017. The Company has defined the scope of the Sustainability Report in the GRI-index on pages 98-99 in the annual report.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained in the GRI-index on pages 98-99 in the annual report, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative, GRI) 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. 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. The procedures performed

in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other 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 (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, the conclusion of the procedures performed do not express a reasonable assurance conclusion.

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.

Stockholm 26th of February 2018
Deloitte AB

Kent Åkerlund
Authorised Public Accountant

Five-year summary

	2017	2016	2015	2014	2013
PROFIT AND LOSS ACCOUNTS, SEKm					
Rental income	2,280	2,105	1,998	2,087	2,059
Net operating income	1,608	1,507	1,429	1,485	1,411
Realised changes in value/Gain from property sales	0	491	21	300	135
Unrealised changes in value, properties	6,095	7,614	3,252	1,339	739
Profit/loss from Property Management	992	471	688	682	614
Profit/loss before tax	7,351	8,680	4,233	1,867	1,992
Profit/loss after tax	5,632	7,107	3,232	1,738	1,530
BALANCE SHEETS, SEKm					
Investment properties	57,889	47,842	40,279	32,559	33,384
Other property, plant and equipment	4	2	1	1	1
Non-current financial assets	342	516	925	1,542	1,583
Current assets	647	1,687	444	1,859	365
Short-term investments	153	114	70	34	—
Cash and cash equivalents	349	62	32	23	98
Shareholders' equity	28,012	23,002	16,479	13,783	12,551
Provisions	5,221	3,486	1,935	1,084	1,083
Interest-bearing liabilities	24,841	21,978	21,068	19,551	19,038
Derivatives	291	559	658	920	447
Non-interest-bearing liabilities	1,019	1,198	992	680	2,312
Other non-current liabilities	—	—	619	—	—
Total assets	59,384	50,223	41,751	36,018	35,431
KEY RATIOS ¹⁾					
Surplus ratio, %	74	72	72	71	69
Interest coverage ratio, multiple	3.2	2.7	2.1	2.4	2.0
Capital employed, SEKm	53,144	45,839	38,824	34,255	32,036
Equity/assets ratio, %	47	46	39	38	35
Debt ratio, multiple	15.5	15.3	15.4	13.8	14.1
Debt/equity ratio, multiple	0.9	1.0	1.3	1.4	1.5
Loan-to-value ratio, properties, %	43	46	52	60	57
Return on equity, %	22.1	36.1	21.4	13.2	12.8
Return on capital employed, %	21.1	29.5	13.2	7.6	8.7
Average interest rate on interest-bearing liabilities, %	2.20	2.64	2.58	3.09	3.61
Property acquisitions and investments in existing properties, SEKm	4,092	3,133	4,479	1,355	—
Property sales, selling price, SEKm	140	3,656	26	3,889	1,202
Average no. of employees	149	143	138	132	125
DATA PER SHARE, SEK ¹⁾					
Results	34.05	42.97	19.54	10.51	9.26
Shareholders' equity	169	139	100	83	76
Cash flow from operating activities	4.73	4.70	10.53	-11.58	—
EPRA NAV (long-term net asset value)	201	163	115	95	—
EPRA EPS	5.45	3.01	3.94	4.09	—
Dividend ²⁾	4.50	4.00	3.50	3.25	3.00
Yield, %	2.6	2.7	2.5	3.2	3.9
Share price at year-end ³⁾	174.60	148.90	140.10	100.60	76.80
No. of shares at year-end before dilution, million	165.4	165.4	165.4	165.4	165.4
No. of shares at year-end after dilution, million	165.4	165.4	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.

²⁾ Cash dividend for 2017 as proposed.

³⁾ Last paid.

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 established by the Board of Directors:

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

	2017	2016
Equity/assets ratio		
Shareholders' equity, SEKm	28,012	23,002
Total assets, SEKm	59,384	50,223
Equity/assets ratio, %	47	46
Loan-to-value ratio, properties		
Interest-bearing liabilities, SEKm	24,841	21,978
Carrying amount, properties, SEKm	57,889	47,842
Loan-to-value ratio, properties, %	43	46
Debt ratio		
Net operating income, SEKm	1,680	1,507
Central administration, SEKm	-74	-70
Total, SEKm	1,606	1,437
Interest-bearing liabilities, SEKm	24,841	21,978
Debt ratio, multiple	15.5	15.3
Interest coverage ratio		
Net operating income, SEKm	1,680	1,507
Central administration, SEKm	-74	-70
Total, SEKm	1,606	1,437
Net interest expense, SEKm	-509	-541
Interest coverage ratio, multiple	3.2	2.7
Debt/equity ratio		
Interest-bearing liabilities, SEKm	24,841	21,978
Shareholders' equity, SEKm	28,012	23,002
Debt/equity ratio, multiple	0.9	1.0

	2017	2016
EPRA EPS		
Profit/loss from Property Management, SEKm	992	471
Deduction for tax depreciations, SEKm	-580	-590
Total, SEKm	412	-199
Nominal tax (22%), SEKm	-91	-26
Total EPRA profit/loss (earnings from property management less nominal tax), SEKm	901	497
Number of shares, million	165.4	165.4
EPRA EPS, SEK per share	5.45	3.01
EPRA NAV		
Shareholders' equity, SEKm	28,012	23,002
Reversal of fixed income derivatives, SEKm	291	559
Reversal of deferred tax according to balance sheet, SEKm	4,988	3,271
Total, SEKm	33,291	26,832
Number of shares, million	165.4	165.4
EPRA NAV, SEK per share	201	163
Return on equity		
Profit/loss for the period, SEKm	5,632	7,107
Average capital, SEKm	25,507	19,741
Return on equity, %	22.1	36.0
Total return on properties		
Net operating income, SEKm	1,680	1,507
Realised and unrealised changes in value, properties, SEKm	6,095	8,105
Market value including investments for the period, SEKm	51,794	42,927
Total return on properties, %	15.0	22.4



Three good reasons to own Fabege shares

1

FOCUS ON CITY DISTRICT DEVELOPMENT AND COMMERCIAL PROPERTIES

We focus on city district development and office properties in Stockholm. As a result of recent years' efforts to concentrate our property portfolio to selected geographical areas and our focus on the office market, we are now one of the most specialised property companies in the Swedish property market. The fact that we have a presence in a select number of fast-growing submarkets in the Stockholm area creates many advantages. It gives us a good knowledge of the market, efficient property management and opportunities to provide a host of services in our areas that help our customers' employees achieve a good work-life balance.

2

CLEAR GEOGRAPHIC CONCENTRATION

All our properties are now roughly within a 5-km radius of Stockholm inner city. Stockholm is one of the top five fastest growing regions in Europe. The pace of growth is increasing, and by 2020 Stockholm is set to have over a million inhabitants. There is a clear link between the number of inhabitants in Stockholm and the number of office workers. This means that there will be a considerable need for areas with development potential as the city continues to expand for many years to come. Areas that are not currently considered to be attractive.

3

SIGNIFICANT POTENTIAL IN PROJECT PORTFOLIO

Fabege is Stockholm's largest developer of office properties and in 2017 accounted for over 50 per cent of all new office production in the Stockholm region. At the end of the year, Fabege had just over 200,000 square metres of offices under production. In addition, we have a considerable number of development rights at our disposal in our areas. We often create development rights by working actively with new planning processes in our existing portfolio. We acquire the original land at low cost by purchasing large, under-developed areas. This means that we achieve a high return in our projects.

The Fabege share

Fabège's share rose by 16.7 per cent in 2017 and the share price at year-end was SEK 174.60 per share. At the end of the year, Fabège had 38,424 shareholders. Swedish ownership totalled 60.3 per cent.

Turnover and trading

In 2017, the Fabège 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 2017 were Cobe Europe, Nasdaq Stockholm, LSE Group and BOAT, which together accounted for approximately 96 per cent of share turnover.

	2017	2016
Market value, SEKbn	28.9	24.6
Earnings per share ¹⁾ , SEK	34.05	42.97
Long-term net asset value, SEK per share (EPRA NAV)	201	163
Turnover, Fabège shares, million	241	229
– Of which on Nasdaq Stockholm, million	87 (equiv. 36%)	94 (equiv. 41%)
Total value of share turnover, SEKbn	38.2	32.0
– Of which, Nasdaq Stockholm, SEKbn	13.93	13.31
Turnover per trading day, shares	959,203	1,146,000
Turnover rate ²⁾ , %	146	138
Average no. transactions per day	3,302	2,965

¹⁾ Definition according to IFRS.

²⁾ Calculated based on total share turnover.

Acquisition and transfer of treasury shares

The 2017 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 outstanding shares at any time. No shares were bought back during the period and the company holds no treasury shares.

Net asset value per share

Equity per share at 31 December 2017 was SEK 169 (139). Excluding deferred tax on fair value adjustments of properties, net asset value per share was SEK 206 (166). EPRA NAV was SEK 201 per share (163).

Dividend policy

Fabège 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 proposes to the AGM a dividend for 2017 of SEK 4.50 per share.

Shares and share capital

Fabège's share capital at year-end was SEK 5,097m (5,097), represented by 165,391,572 shares (165,391,572). 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 30.82 per share.

Owners

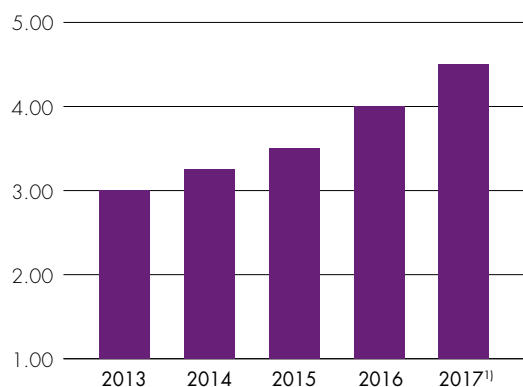
At 31 December 2017, Fabège had 38,424 shareholders (40,302). The 15 largest owners jointly controlled 45.0 per cent of the total number of shares outstanding.

	Number of shares	Proportion of capital and votes, %
Erik Paulsson with his family, privately and through companies	25,310,825	15.3
Fourth Swedish National Pension Fund	7,488,323	4.4
BlackRock Inc.	6,397,201	3.9
Investment AB Öresund	5,500,000	3.3
Vanguard	4,054,574	2.5
Mats Qviberg with family	3,747,868	2.3
Länsförsäkringar Fonder	3,631,100	2.2
ENA City AB	2,867,200	1.7
Handelsbanken fonder	2,785,873	1.7
Principal Global Investors	2,429,504	1.5
Swedbank Robur Funds	2,810,000	1.4
TR Property Investment Trust	2,133,221	1.3
Stichting Pensioenfond ABP	1,960,997	1.2
Pensionskassan SHB försäkringsförening	1,920,000	1.2
Lannebo Fonder	1,823,376	1.1
Total 15 largest shareholders	74,400,612	45.0
Other	90,990,960	55.0
Total number of shares outstanding	165,391,572	100.0
Treasury shares	0	
Total number of registered shares	165,391,572	100.0

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

DIVIDEND

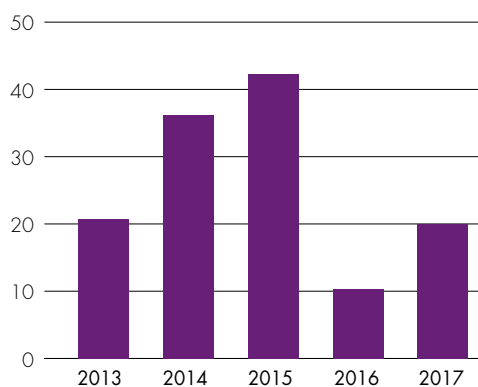
SEK per share



1) Dividend proposed by Board.

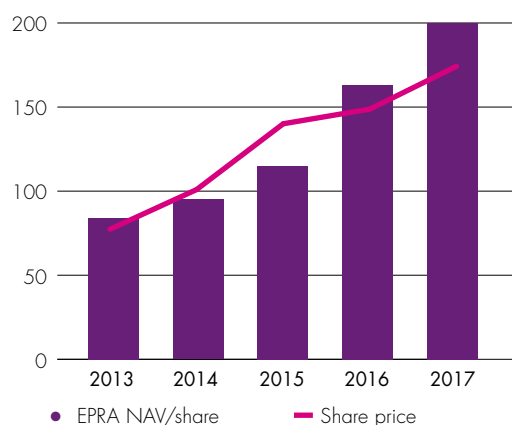
STOCK RETURNS, %

Total return



SHARE PRICE AND EPRA NAV/SHARE

SEK

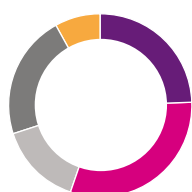


SHARE INFORMATION

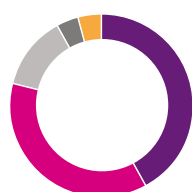
Segment:	Nasdaq Stockholm – Large Cap
Sector:	Property company – OMX Stockholm Real Estate
ISIN number:	SE0000950636
LEI code:	549300JNPI46XNH0PM97
Ticker Bloomberg:	FABG:SS
Ticker Reuters:	FABG.ST

DATA AT 31 DECEMBER 2017

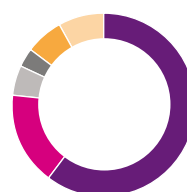
OWNERSHIP DISTRIBUTION BY CATEGORY



TRADING FACILITIES



OWNERSHIP DISTRIBUTION BY COUNTRY



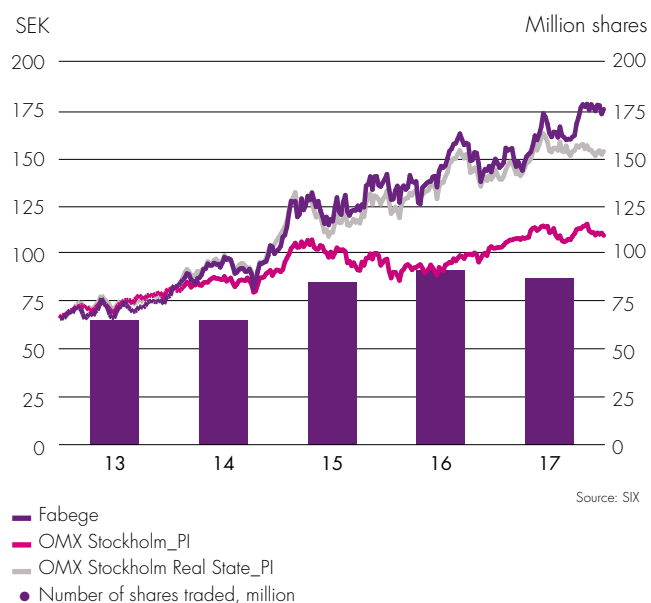
- Swedish institutions, 24.5%
- Foreign institutions, 31.0%
- Swedish private individuals, 14.7%
- Other owners, 21.8%
- Anonymous ownership, 8.0%

- Cboe Europé, 42%
- Nasdaq Stockholm, 37%
- LSE Europé, 13%
- BOAT, 4%
- Other, 4%

- Sweden 60.3%
- USA 16.6%
- UK 5.2%
- Netherlands 3.4%
- Other 5.3%
- Anonymous 8.0%

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

SHARE PRICE PERFORMANCE 2013–2017

ANALYSTS FOLLOWING FABEGE,
31 DEC 2017

Firm	Analyst
ABG Sundal Collier	Tobias Kaj
Carnegie Investment	Erik Granström
Danske Bank	Henrik Dahlgren
DnB NOR	Simen R. Mortensen
Goldman Sachs International	Julian Livingston-Booth
Green Street Advisors	Peter Papadakos
Handelsbanken	Albin Sandberg
Kemper	Robert Woerdeman
Kepler Cheuvreux	Jan Ihrfelt
Morgan Stanley	Bart Gysens
Nordea Bank	Niclas Häglund
Pareto Securities	Johan Edberg
SEB Enskilda	Svante Krokfors
UBS	Charles Boissier

SHARE HISTORY

Year		Change in number of shares	Total number of shares	Share capital, SEK	Quotient value
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			
	Inlösenerbjudande Klövern AB	–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

Property portfolio

Fabege's properties are concentrated to three submarkets in the Stockholm region: Stockholm inner city, Solna and Hammarby Sjöstad. 100 per cent of the lettable area is located within a radius of five kilometres of the centre of Stockholm.

The property portfolio mainly comprises commercial premises. Offices account for 74 per cent of the total lettable area. In addition to offices, the portfolio includes retail, industrial/warehouse, residential space, hotel and garage properties. The largest submarket, Solna, accounts for 49 per cent of the total market value and 47 per cent of the rental value.

At the end of 2017/start of 2018, Fabege's portfolio comprised 90 properties with a total lettable area of 1.1 million sqm. The market value was SEK 57.9bn and the total rental value SEK 2.6bn.

Changes in the property portfolio

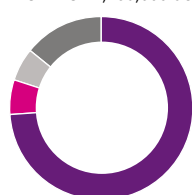
Three new properties – Hörnan 1, Lagern 3 and Lagern 4 – have been separated from Lagern 2 via property reallocation.

In the first quarter, the previously agreed transactions pertaining to the Distansen 4, 6 and 7 and Fortet 2 properties, all in Solna, were taken over. Uarda 7 in Arenastaden was vacated. In addition, Peab's share of Visio, which owns development rights in Solna, was taken over. In the second quarter, the housing development right Selfoss 1, Kista, was sold to the co-owned company Selfoss Invest AB. The transaction did not generate any recognised realised profit. As no other transactions were carried out during the year, realised changes in value totalled SEK 0m.

PROPERTY-RELATED KEY FIGURES

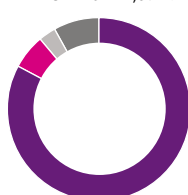
	2017	2016	2015	2014
No. of properties	90	82	83	80
Lettable area, 000 sqm	1,136	1,062	1,092	1,030
Financial occupancy rate, %	94	94	93	94
Rental value, SEKm	2,594	2,335	2,300	2,186
Surplus ratio, %	74	72	72	71

LETTABLE AREA BY CATEGORY, TOTAL OF 1,136,000 SQM



- Offices, 74%
- Retail, 6%
- Industrial/warehouse, 6%
- Other, 14%

RENTAL VALUE PER CATEGORY, TOTAL SEK 2,594M



- Offices, 83%
- Retail, 6%
- Industrial/warehouse, 3%
- Other, 8%

Customers

The customer portfolio is well diversified with a large number of tenants from a wide range of industries, representing a mix of private businesses and public sector organisations.

MATURITY STRUCTURE OF COMMERCIAL LEASES, 31 DECEMBER 2017

Maturity, year	No. of leases	Area, sqm	Contractual annual rent, SEK 000s	Share, %
2018	580	154,151	361,067	15
2019	325	155,139	430,760	18
2020	210	204,071	468,843	19
2021	89	69,144	203,304	8
2022	48	59,063	173,473	7
2023+	133	259,817	652,811	27
Commercial	1,385	901,385	2,290,258	94
Housing contract	128	8,771	12,128	0
Garage and parking	893	121,858	138,724	6
Total	2,406	1,032,014	2,441,110	100

AVERAGE REMAINING LEASE TERM BY SUBMARKET, 31 DECEMBER, 2017

Area	No. of properties	No. of leases	Lease length
Stockholm inner city	29	823	2.8
Solna	47	464	6.4
Hammarby Sjöstad	11	278	2.5
Other markets	3	0	0
Total/average	90	1,565	4.4

CHANGES IN THE PROPERTY PORTFOLIO

	Fair value, SEKm	No. of
Property portfolio, 1 Jan 2017	47,842	82
+ Acquisitions	1,314	6
+ Property reallocations	–	3
+ New builds, extensions and conversions	2,778	–
– Sales	–140	–1
+/- Unrealised changes in value	6,095	–
Property portfolio, 31 Dec 2017	57,889	90

BREAKDOWN BY LETTABLE AREA, 31 DECEMBER 2017

SQM	Offices	Retail	Industrial/warehouse	Hotels	Residential	Garage	Total
Stockholm inner city	279,419	26,755	31,135	8,942	8,444	45,539	400,234
Solna	485,983	28,546	34,325	11,791	903	80,642	642,190
Hammarby Sjöstad	73,499	10,068	14,043	0	691	6,822	105,123
Other markets	0	0	0	0	0	0	0
Total	838,901	65,369	79,503	20,733	10,038	133,003	1,147,547

PROPERTY LISTING

Market segment	31 DECEMBER 2017					1 JANUARY–31 DECEMBER 2017		
	No. of properties	Lettable area, 000 sqm	Market value, SEKm	Rental value ²⁾ , SEKm	Financial occupancy rate, %	Rental income, SEKm	Property expenses, SEKm	Net operating income, SEKm
Property holdings								
Investment properties ¹⁾	61	959	44,906	2,334	94	1,956	–362	1,564
Development properties ¹⁾	10	119	4,274	127	81	116	–27	85
Project properties ¹⁾	19	58	8,709	133	100	11	–13	–6
Total	90	1,136	57,889	2,594	94	2,083	–440	1,643
Of which, Inner city	29	400	24,127	1,144	95	989	–221	768
Of which, Solna	47	631	28,341	1,223	94	900	–143	719
Of which, Hammarby Sjöstad	11	105	4,704	227	92	193	–38	155
Of which, other	3	0	717	0	0	1	0	1
Total	90	1,136	57,889	2,594	94	2,083	–402	1,643
Expenses for lettings, project development and property administration								–147
Total net operating income after expenses for lettings, project development and property administration								1,496

1) See definitions on page 116.

2) In the rental value, time limited deductions of about SEK 61m (in rolling annual rental value at 31 December) have not been deducted.

PROPERTIES CERTIFIED OR REGISTERED FOR CERTIFICATION

Property name	Area	Type of certification	Level/status	Property name	Area	Type of certification	Level/status
Barnhusväderkv. 36	Inner city	BREEAM In-Use	Very Good	Hägern Mindre 7	Inner city	GreenBuilding	Method 1 & 2
Bocken 35 & 46	Inner city	BREEAM In-Use	Very Good	Hörnån 1	Solna	BREEAM-SE	Very Good
Båtturen 2 Kajhusen	Hammarby Sjöstad	BREEAM In-Use	Good	Järvakrogen 3	Solna	BREEAM Bespoke	Very Good
Båtturen 2 Kanallhuset	Hammarby Sjöstad	BREEAM In-Use	Very Good	Korhoppet 1	Hammarby Sjöstad	BREEAM In-Use	Pass
Distansen 6	Solna	BREEAM-SE	Excellent	Läraren 13	Inner city	BREEAM In-Use	Good
Distansen 7	Solna	BREEAM-SE	Excellent	Nationalarenan 8	Solna	BREEAM-SE	Excellent
Farao 20	Solna	BREEAM In-Use	Good	Norrtälje 24	Inner city	BREEAM In-Use	Good
Farao 8	Solna	GreenBuilding	Method 1	Nöten 4	Solna	Miljöbyggnad	Silver
Fartygstrafiken 2	Hammarby Sjöstad	BREEAM In-Use	Good	Orgeln 7 Offices	Sundbyberg	BREEAM-SE	Very Good
Fenix 1	Inner city	BREEAM In-Use	Pass	Orgeln 7 Retail	Sundbyberg	BREEAM-SE	Very Good
Fräsaren 10	Solna	BREEAM In-Use	Good	Oxen Mindre 33	Inner city	BREEAM In-Use	Good
Fräsaren 10	Solna	GreenBuilding	Method 3	Pelaren 1	Globen	BREEAM-SE	Very Good
Fräsaren 11	Solna	BREEAM In-Use	Very Good	Pyramiden 4	Solna	BREEAM-SE	Excellent
Fräsaren 12	Solna	BREEAM In-Use	Very Good	Signalen 3	Solna	BREEAM-SE	Excellent
Getingen 13	Inner city	BREEAM In-Use	Very Good	Stigbygel 6	Solna	BREEAM In-Use	Pass
Getingen 13	Inner city	GreenBuilding	Method 1	Svetsaren 2	Solna	Miljöbyggnad	Silver
Getingen 14	Inner city	BREEAM In-Use	Good	Triåfabriken 9	Hammarby Sjöstad	BREEAM-SE	Very Good
Getingen 14	Inner city	GreenBuilding	Method 1	Uarda 1	Solna	Miljöbyggnad	Silver
Getingen 15	Inner city	BREEAM In-Use	Good	Uarda 6	Solna	Miljöbyggnad	Gold
Hägern Mindre 7	Inner city	BREEAM In-Use	Very Good	Ynglingen 10	Inner city	BREEAM In-Use	Good

Property listing

STOCKHOLM INNER CITY, 31 DECEMBER 2017

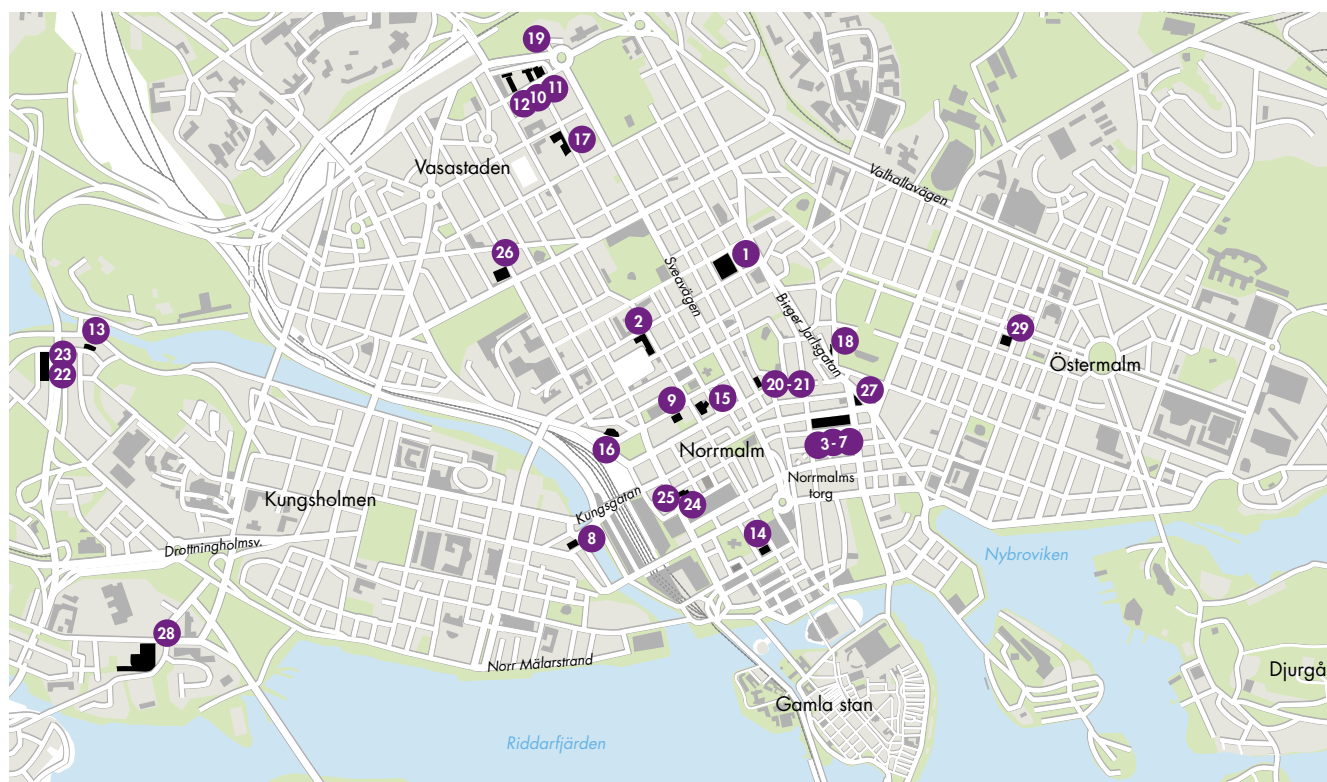
Property name	Area	Street	Construction year	Office/sqm	Retail/sqm	Industrial + warehouse/sqm	Residential/sqm	Hotel/sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31 December 2017
STOCKHOLM INNER CITY											
1 Apotekaren 22	Normalm	Döbelnsg 20, 24, Kungstensg 21–23, Rådmanng 40, 42, Tuleg 7 A–B 13	1902/2002	24,833	680	1,854	0	0	958	28,325	755,000
2 Barnhusväderkvarnen 36	Normalm	Rådmanng 61–65	1963	13,123	1,786	2,240	0	0	8,821	25,970	423,000
3 Bocken 35	Normalm	Lästmakarg 22–24	1951	14,790	127	445	0	0	0	15,362	753,000
4 Bocken 39	Normalm	Lästmakarg 20, Kungsg 7–15	1931	15,683	2,508	2,030	0	0	220	20,441	796,500
5 Bocken 46	Normalm	Regeringsgatan 56	1977	0	0	0	0	0	0	0	0
6 Bocken 47	Normalm	Lästmakarg 8	1929	531	665	0	0	0	0	1,196	52,704
7 Bocken 52	Normalm	Lästmakarg 14–16		145	0	0	2,214	0	0	2,359	72,801
8 Drabanten 3	Kungsholmen	Kungsbröplan 3, etc.	1907	6,647	0	216	0	0	0	6,863	156,000
9 Fenix 1	Normalm	Barnhusgatan 3	1929	3,510	48	198	0	0	0	3,756	94,000
10 Gefingen 13	Vasastan	Sveavägen 149	1963	11,138	659	2,702	0	0	2,415	16,914	246,000
11 Gefingen 14	Vasastan	Sveavägen 143–147	1953	8,830	2,470	266	0	0	1,183	12,749	175,000
12 Gefingen 15	Vasastan	Sveavägen 159	1963	12,762	3,139	5,284	0	0	11	21,196	85,600
13 Glädjen 12	Stadshagen	Franzénsg 6, Hornsbergs Strand 17	1949	12,487	0	0	0	0	0	12,487	247,000
14 Högern Mindre 7	Normalm	Drottninggatan 27–29	1971	8,684	1,579	894	0	0	2,167	13,324	399,000
15 Islandet 3	Normalm	Holländargatan 11–13	1904	8,315	0	12	0	0	255	8,582	215,156
16 Läraren 13	Normalm	Torsgatan 4	1904/29	6,839	0	0	0	0	0	6,839	205,000
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	6,363	0	173	0	0	526	7,062	244,000
19 Ormråsket 10	Vasastan	Sveavägen 166–170, 186	1962/1967	13,472	3,409	706	0	0	2,071	19,658	317,000
20 Oxen Mindre 33	Normalm	Luttmakarg 18	1979	8,117	0	166	0	0	1,875	10,158	262,000
21 Oxen Mindre 38	Normalm	Malmkillnadsg 47 A, B	1979	122	0	0	2,822	0	0	2,944	0
22 Paradiset 23 ¹⁾	Stadshagen	Strandbergsg 53–57	1944	8,802	316	2,536	0	0	1,655	13,309	167,000
23 Paradiset 27 ¹⁾	Stadshagen	Strandbergsg 59–65	1959	19,690	3,546	866	0	0	2,229	26,331	387,000
24 Pilen 27	Normalm	Bryggarg 12A	1907	1,847	0	233	0	0	0	2,080	65,813
25 Pilen 31	Normalm	Gamla Brog 27–29, Vasag 38	1988	4,422	826	202	0	3,542	572	9,564	348,000
26 Resedan 3	Vasastan	Dalagatan 13	1929	2,473	0	0	1,007	0	0	3,480	0
27 Sparven 18	Östermalm	Birger Jarlsg 21–23, Kungsg 2	1929	1,617	1,605	48	0	5,400	0	8,670	372,000
28 Trängskåren 7	Marieberg	Gjörwellsg 30–34, Rålambsv 7–15	1963	45,866	1,711	8,557	0	0	20,050	76,184	820,950
29 Ynglingen 10	Östermalm	Jungfrug 23, 27, Karlav 58–60	1929	7,075	1,252	406	2,400	0	526	11,659	307,600
TOTAL INNER CITY				279,875	26,325	30,109	8,443	8,942	45,539	399,233	7,967,124

The list of properties contains all properties owned by Fabege at 31 December 2017.

Unless otherwise stated, the property is classified as an investment property, meaning a property under regular and active management.

¹⁾ Development property – 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. 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.

■ Certified/Registered for certification



8 Drabanten 3

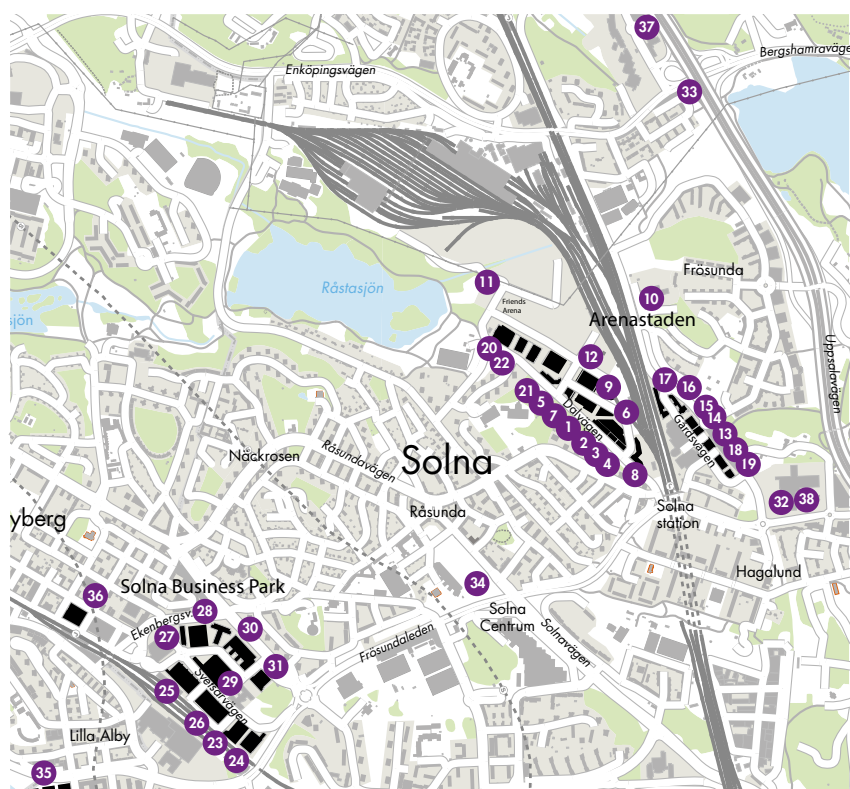


SOLNA, 31 DECEMBER 2017



Property name	Area	Street	Con- struc- tion year	Office/sqm	Retail/sqm	Industrial + warehouse/ sqm	Residential/ sqm	Hotel/sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31 December 2017
SOLNA, ARENASTADEN											
1 Farao 14 ¹⁾	Arenastaden	Dalvägen 10, Pyramidvägen 7, 9	1967	0	0	0	0	0	1,174	1,174	73,827
2 Farao 15	Arenastaden	Dalvägen 8, Pyramidvägen 5	1981	6,427	708	830	0	0	1,020	8,985	78,248
3 Farao 16	Arenastaden	Dalvägen 4-6, Pyramidvägen 3	1973	2,792	1,617	1,402	0	0	540	6,351	55,800
4 Farao 17	Arenastaden	Dalvägen 2, Pyramidvägen	1975	4,038	0	1,233	0	0	560	5,831	61,000
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	107,600
7 Farao 8	Arenastaden	Dalvägen 12, Pyramidvägen 1	2001	4,939	400	100	0	0	0	5,439	63,798
8 Fortet 2	Arenastaden	Råsandavägen 1-3, Hagavä- gen 1	1958	1,181	380	0	0	0	17	1,578	0
9 Järva 4:17	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	141,000
11 Pyramiden 4 ²⁾	Arenastaden		1960	50,564	0	0	0	0	0	50,564	6,861
12 Signalen 3 ²⁾	Arenastaden			0	0	0	0	0	0	0	0
13 Nationalarenan 3	Arenastaden			0	0	0	0	0	0	0	0
14 Solna Nationlarenan 5	Arenastaden	Evenemangsgatan 32	2013	0	0	0	0	0	25,500	25,500	38,000
15 Solna Nationlarenan 8	Arenastaden	Stjärnforget 1, Råsta strandväg 15 C, Evenemangsgatan 2 C		45,774	0	0	0	0	0	45,774	315,600
16 Stigbygel 2	Arenastaden	Gårdsvägen 6	1955	8,898	0	0	0	0	0	8,898	103,600
17 Stigbygel 3	Arenastaden	Gårdsvägen 8	1960	5,144	262	454	0	0	0	5,860	47,900
18 Stigbygel 5	Arenastaden	Gårdsvägen 10 A, B	1963	6,806	0	50	0	0	570	7,426	80,200
19 Stigbygel 6	Arenastaden	Gårdsvägen 12-18	2001	8,931	581	330	0	0	6	9,848	145,000
20 Tygeln 3	Arenastaden	Gårdsvägen 13-21	2001	4,397	0	0	0	0	5,100	9,497	98,300
21 Tömmen 1	Arenastaden	Gårdsvägen 2-4	1952	5,659	0	1,236	0	0	229	7,124	20,181
22 Tömmen 2	Arenastaden	Gårdsvägen 2		0	0	0	0	0	2,610	2,610	0
23 Uarda 1	Arenastaden	Dalvägen 30, Evenemangsgatan 27-31, Vintervägen 33	1987	22,206	1,603	480	0	0	30	24,319	579,225
24 Uarda 4	Arenastaden	Dalvägen 14-16	1992	6,496	0	1,482	0	0	0	7,978	88,600
25 Uarda 6 ²⁾	Arenastaden	Dalvägen 24-28, Evenemangsgatan 21-25		16,899	0	240	0	0	0	17,139	0
TOTAL SOLNA, ARENASTADEN				218,107	6,596	8,003	0	0	37,731	270,437	2,104,740

■ Certified/Registered for certification



Property name	Area	Street	Con- struction year	Office/sqm	Retail/sqm	Industrial + warehouse/ sqm	Residential/ sqm	Hotel/sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31 December 2016
SOLNA, SOLNA BUSINESS PARK											
26 Fräsaren 9 ¹⁾	Solna Business Park	Svetsarvägen 22	1962	1,097	0	8442	0	0	0	9,539	0
27 Fräsaren 10	Solna Business Park	Svetsarvägen 24	1964	7,235	4,241	128	0	0	9	11,613	109,600
28 Fräsaren 11	Solna Business Park	Englundavägen 2-4, Svetsarvägen 4-10	1962	33,157	0	1,657	0	1,840	2,610	39,264	485,000
29 Fräsaren 12	Solna Business Park	Svetsarvägen 12-18, 20, 20A	1964	19,400	10,163	202	0	0	6,840	36,605	462,000
30 Sliparen 1 ¹⁾	Solna Business Park	Ekenbergsvägen 115, Svetsarv 1-3	1963	362	0	3,032	0	0	1,388	4,782	18,200
31 Sliparen 2	Solna Business Park	Ekenbergsvägen 113, Svetsarv 3-5	1964	15,934	0	3,500	0	0	3,315	22,749	213,000
32 Smeden 1	Solna Business Park	Englundavägen 6-14, Smidesv 5-7, Svetsarv 5-17	1967	34,624	4,980	1,251	467	0	3,701	45,023	450,347
33 Svetsaren 1	Solna Business Park	Englundavägen 7-13	1964	27,644	1,071	2,407	436	2,491	6,090	40,139	351,000
34 Yrket 3	Solna Business Park	Smidesvägen 2-8	1982	4,864	0	1,076	0	0	1,470	7,410	31,969
TOTAL SOLNA BUSINESS PARK				144,317	20,455	21,694	903	4,331	25,423	217,123	2,121,116
OTHER PARTS OF SOLNA											
35 Distansen 4 ²⁾	Ulriksdal		2016	0	0	0	0	0	0	0	0
36 Distansen 6	Ulriksdal	Kolonnvägen 43-55	2016	10,513	539	0	0	0	0	11,052	0
37 Distansen 7	Ulriksdal	Kolonnvägen 57-59	2016	0	0	0	0	0	9,810	9,810	0
38 Hagalund 2:2 ²⁾	Arenastaden	Frösundaleden 4		0	0	0	0	0	0	0	0
39 Hönan 1 ²⁾				0	0	0	0	0	0	0	0
40 Järvakrogen 3	Frösunda	Enköpingsvägen 1	2015	0	0	0	0	7,460	0	7,460	65,000
Lagern 3 ²⁾	Råsunda			7,377	0	147	0	0	0	7,524	80,972
41 Lagern 2	Råsunda	Parkvägen 2-4, Solnavägen 31-51, Idrottsgatan 7	1985	0	0	0	0	0	0	0	0
42 Lagern 4	Råsunda			0	0	0	0	0	0	0	0
43 Nöten 4	Solna Strand	Solna strandväg 2-60	1971	50,043	956	2,400	0	0	7,596	60,995	660,000
44 Orgeln 7 ²⁾	Sundbyberg	Järnvägsgränd 12-20, Lysgränd 1, Roseng 2,4, Stureg 11-19	1966	0	0	0	0	0	74	74	250,000
45 Sadelplatsen 1	Frösunda	Vallgatan 11		6,363					5	6,368	
46 Stora Frösunda 2 ¹⁾	Arenastaden	Frösundaleden 4	1973	40,720	0	0	0	0	3	40,723	141,929
TOTAL, OTHER PARTS OF SOLNA				115,016	1,495	2,547	0	7,460	17,488	144,006	1,197,901
TOTAL, SOLNA				477,440	28,546	32,244	903	11,791	80,642	631,566	5,423,757

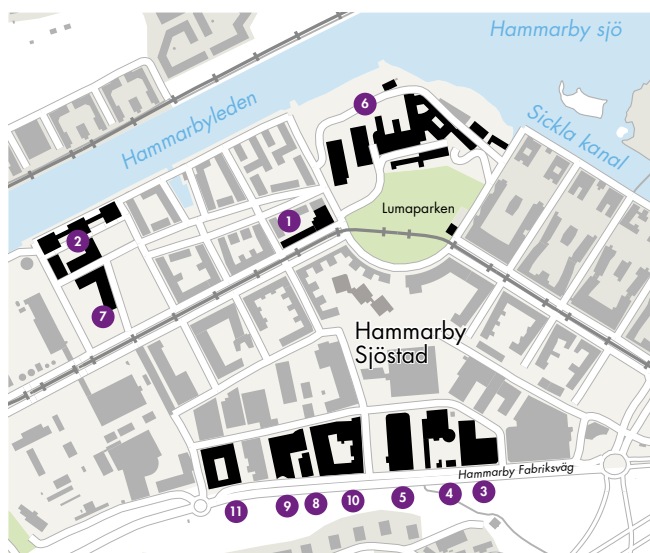
The list of properties contains all properties owned by Faberge at 31 December 2017.

Unless otherwise stated, the property is classified as an investment property, meaning a property under regular and active management.

¹⁾ Development property – 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. 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.

²⁾ Land & project property – Land and development properties and properties in which a new build/complete redevelopment is in progress.

HAMMARBY SJÖSTAD, 31 DECEMBER 2017



Property name	Area	Street	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 December 2017
HAMMARBY SJÖSTAD											
1 Fartygsstrafiken 2	Hammarby Sjöstad	Hammarby Allé 93	1955	6,843	1,735	173	0	0	9	8,760	115,000
2 Båtturen 2	Hammarby Sjöstad	Hammarby Kajv 12, Hammarby Kaj 14-18	1937	11,348	276	444	0	0	1,230	13,298	185,200
3 Korphoppet 1	Hammarby Sjöstad	Virkesvägen 24-26	1949	8,255	590	4,557	0	0	750	14,152	33,949
4 Korphoppet 5 ²⁾	Hammarby Sjöstad	Hammarby Fabriksväg 37-39	1968	0	0	0	0	0	0	0	3,400
5 Korphoppet 6	Hammarby Sjöstad	Hammarby Fabriksväg 33	1988	0	428	4,254	0	0	0	4,682	57,800
6 Luma 1	Hammarby Sjöstad	Ljusslingan 1-17, 2-26, Glöd-lampsgård 1-6, Lumaparksv 2-18, 5-15, Kölnag 3	1930	29,802	2,538	1,443	691	0	3,848	38,322	217,683
7 Skeppshandeln 2 ²⁾	Hammarby Sjöstad			0	0	0	0	0	0	0	32,000
8 Trikäfabriken 12 ¹⁾	Hammarby Sjöstad	Hammarby Fabriksväg 27	1942	0	0	0	0	0	0	0	4,679
9 Trikäfabriken 4	Hammarby Sjöstad	Virkesvägen 8-10	1991	4,683	3,464	1,454	0	0	975	10,576	100,000
10 Trikäfabriken 8	Hammarby Sjöstad	Virkesvägen 12, Heliosgatan 1-3	1930	12,666	1,037	1,668	0	0	12	15,383	60,000
11 Trikäfabriken 9 ²⁾	Hammarby Sjöstad	Virkesvägen 2-4	1928	0	0	0	0	0	0	0	41,600
TOTAL, HAMMARBY SJÖSTAD				73,597	10,068	13,993	691	0	6,824	105,173	851,311

The list of properties contains all properties owned by Fabege at 31 December 2017.

Unless otherwise stated, the property is classified as an investment property, meaning a property under regular and active management.

¹⁾ Development property – 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. 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.

²⁾ Land & project property – Land and development properties and properties in which a new build/complete redevelopment is in progress.

OTHERS, 31 DECEMBER 2017



Property name	Area	Street	Con- struction year	Office/sqm	Retail/sqm	Industrial + warehouse/ sqm	Residential/ sqm	Hotel/sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31 December 2017
OTHER, NORTHERN STOCKHOLM											
1 Tekniken 1 ²⁾	Sollentuna			0	0	0	0	0	0	0	4,691
2 Vallentuna Rieckeby 1:327 ²⁾	Vallentuna			0	0	0	0	0	0	0	227
TOTAL, NORTHERN STOCKHOLM				0	0	0	0	0	0	0	4,918
OTHER, SOUTHERN STOCKHOLM											
3 Pelaren 1 ²⁾	Globen	Pastellvägen 2-6		0	0	0	0	0	0	0	8,400
TOTAL, SOUTHERN STOCKHOLM				0	0	0	0	0	0	0	8,400
TOTAL, OTHER PARTS OF SOLNA				0	0	0	0	0	0		13,318

The list of properties contains all properties owned by Fabege at 31 December 2017.

Unless otherwise stated, the property is classified as an investment property, meaning a property under regular and active management.

¹⁾ Development property – 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. 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.

²⁾ Land & project property – Land and development properties and properties in which a new build/complete redevelopment is in progress.

■ Certified/Registered for certification

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.

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 12-month net operating income less central administration.

Development properties¹⁾

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.

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 rate¹⁾

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 properties¹⁾

Properties that are being actively managed on an ongoing basis.

Land and project properties¹⁾

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

Lease value¹⁾

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 lettings¹⁾

New lettings during the period less terminations to vacate.

Profit/earnings per share

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

Rental value¹⁾

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

Retention rate¹⁾

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 to 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 ratio¹⁾

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 yearend.

¹⁾ This key ratio is operational and is not regarded as an alternative performance measure according to ESMA's guidelines.

The Annual General Meeting and registration



The Annual General Meeting will be held at Filmstaden Scandinavia, Mall of Scandinavia, Råsta Strandväg 19 A Solna, on Monday April 9, 2018 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 Tuesday 3 April 2018, 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 Tuesday 3 April 2018.

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.se/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 Tuesday, 3 April 2018. For this to be possible, the shareholder must make such a request from his/her trustee in ample time prior to 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 2018

Annual General Meeting	9 April 2018
Record date for dividend	11 April 2018
Payment date for share dividend	16 April 2017
Interim report Jan–March 2018	24 April 2018
Interim report Jan–June 2018	6 July 2018
Interim report Jan–Sep 2018	18 October 2018

CONTACT INFORMATION



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INFORMATION TO SHAREHOLDERS

Fabege publishes its annual report and interim reports in Swedish and English. In addition to the printed versions, all publications are available as PDF files on the company's website, www.fabege.se. All shareholders of Fabege have received an offer to receive financial information from the company. 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. This service also enables anyone with an interest in the company to access press releases, interim reports, annual reports and other information.

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.

Fabege AB (publ)

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Email: info@fabege.se | Website: www.fabege.se
Corporate registration number: 556049-1523 | Registered office of the Board of Directors: Stockholm

Design and production: Narva
Print: Pipeline Nordic, Stockholm, 2018



*We work actively with
sustainable urban
development to create
attractive environments
for our customers.*