

2016

# Q1

## Summary, SEKm

	2016 Jan-Mar	2015 Jan-Mar	2015 Jan-Dec
Rental income	519	502	1 998
Net operating income	355	350	1 429
Profit from property management	195	168	688
Profit before tax	1,756	886	4,233
Profit after tax	1,665	705	3,232
Surplus ratio,%	68	70	72
Loan-to-value ratio, properties, %	48	58	52
EPRA NAV, SEK per share	126	97	115

### January - March 2016<sup>1</sup>

- Rental income increased to SEK 519m (502) as a result of completed project properties generating revenue. In an identical portfolio, income rose by 4 per cent.
- Net operating income rose to SEK 355m (350). In an identical portfolio, net operating income increased by slightly more than 2 per cent. The surplus ratio was 68 per cent (70) following a colder winter compared with the previous year.
- Profit from property management rose by 16 per cent to SEK 195m (168).
- Realised and unrealised changes in value amounted to SEK 1,679m (708) in properties and SEK -118m (-57) in interest-rate derivatives.
- In February, Uarda 5 was divested at a purchase price of SEK 2.2bn. The transaction produced a realised gain of SEK 159m before tax and SEK 420m after tax.
- Profit before tax for the period amounted to SEK 1,756m (886). Profit after tax for the period was SEK 1,665m (705), corresponding to earnings per share of SEK 10.07 (4.26).
- Net lettings during the period totalled SEK 12m (12). The rent levels from renegotiated leases were an average of 23 per cent higher, although based on a relatively low volume.
- The equity/assets ratio was 43 per cent (39) and the loan-to-value ratio 48 per cent (52). After adjustment for unrecorded dividends adopted after the balance sheet date, the equity/assets ratio amounted to 42 per cent and the loan-to-value ratio was 49 per cent.

<sup>1</sup>The comparison figures for income and expense items relate to values for the period January–March 2015 and for balance sheet items as at 31 December 2015.

Fabege

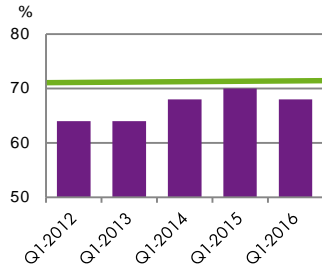


Comments by Christian Hermelin, CEO

# Accelerating rental growth on Stockholm market

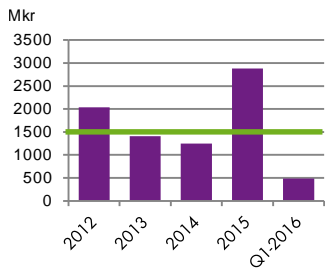
Christian Hermelin, CEO

## SURPLUS RATIO



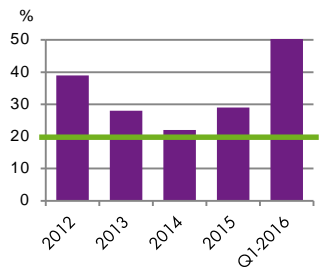
New long-term target as of 2016: 75 per cent

## INVESTMENT VOLUME



Target: At least SEK 1,500m per year

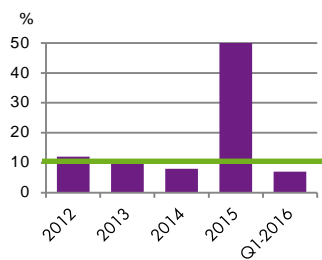
## RETURN ON PROJECTS<sup>1</sup>



Target: At least 20 per cent

1) The return for projects in Q1, 2016, totalled 145 per cent.

## TRANSACTION GAIN<sup>2</sup>



2) The transaction gain for 2015 amounted to 84%

## **High demand and low vacancies resulted in healthy rental growth over the past year. In the first quarter, there was an acceleration in rental growth, which contributed to a strong increase in value.**

### **Positive market conditions persist**

At the start of the year, positive market conditions with high demand on the rental market, low market interest rates and rising rent levels were prevailing. Our work to extend and renegotiate leases with our customers has been successful, with rising rent levels for both renegotiated and new leases. Our surplus ratio for the quarter amounted to 68 per cent, which is slightly below that of the year-earlier period, largely due to more normal winter conditions. The strong rental growth combined with lower yield requirements contributed to the quarter's increase in value, which totalled just over SEK 1.5bn. The increase in value has also been positively affected by the fact that we have now completed, or are near completion on several of our major projects.

### **Effective business model creates value**

Our three-pronged business model has continued to work well and in the first quarter made a strong contribution to the positive result. The core of our operations is property management, which generates good cash flow. The combination of this and our active work with property development and transactions means we are continually increasing both quality and potential in the portfolio, while creating significant value.

In February, Uarda 5, Vattenfall's head office in Arenastaden, was divested. I am extremely satisfied with the transaction, which establishes a new level for the yield requirement in Arenastaden. The investment was a highly profitable deal for Fabege and creates opportunities for further sound investments going forward.

### **Green financing**

In April, we were the first company in the sector to establish an MTN programme with integrated sustainability and environmental conditions. The new green financing opportunity is consistent with our ambitions within the area of sustainability, which include all parts of the business. We are delighted that we in this way are able to continue to access green financing, while remaining at the fore in terms of developing the market for sustainable financing.

### **Market outlook**

In early 2016, performance in both the property and rental markets remains very strong. Given the prevailing market conditions and Fabege's attractive property and project portfolio, the prerequisites are favourable for strong earnings in 2016 as well. More completed projects will increase rental volumes which, combined with continued operational efficiency and low interest expense, will generate better profit from property management. Fabege is well positioned to capitalise on the opportunities ahead. Our ambition is for 2016 to be Fabege's most exciting year yet.

# Earnings Jan-Mar 2016<sup>1</sup>

**Increased rental income and lower interest expenses led to a 16 per cent rise in profit from property management. Persistently declining yield requirements on the property market and value-adding projects paved the way for continued robust value growth in the property portfolio.**

## Revenues and earnings

Profit after tax for the period rose to SEK 1,665m (705), corresponding to earnings per share of SEK 10.07 (4.26). Profit before tax for the period increased to SEK 1,756m (886). Unrealised value changes in the property portfolio increased due to the strong trend in the rental and property market.

Rental income amounted to SEK 519m (502) and net operating income was SEK 355m (350). Completed projects contributed to income growth, which was to some extent offset by the divestment of Uarda 5. In an identical portfolio, rental income rose by 4 per cent and net operating income increased by just over 2 per cent. The surplus ratio fell to just over 68 per cent following a more normal winter.

Realised changes in property values totalled SEK 160m (1) and related to profit from the sale of Uarda 5 in Arenastaden. The property was sold at a yield level of 4.25 per cent before deductions for deferred tax and transaction costs. Unrealised changes in value totalled SEK 1,519m (707). The SEK 974m (620) unrealised rise in the value of the property management portfolio resulted from properties with higher rent levels and a lower yield requirement in all Fabeges' submarkets. The average yield requirement declined to 4.8 per cent after rounding off (4.9 at year-end). The project portfolio contributed to an unrealised change in value of SEK 545m (87), primarily due to development gains in the major project properties.

The share in profit of associated companies amounted to SEK -13m (-13), and pertained primarily to Arenabolaget i Solna KB.

Unrealised value changes in the derivative portfolio amounted to SEK -118m (-57) mainly as a result of lower long-term interest rates. Net interest expense declined to SEK -131m (-153), due to lower market interest rates.

## Segment reporting

The Property Management segment generated net operating income of SEK 335m (329), corresponding to a surplus ratio of 69 per cent (70). The occupancy rate was 94 per cent (94). Profit from property management was SEK 203m (167). Unrealised changes in property values totalled SEK 974m (620).

The Property Development segment reported net operating income of SEK 20m (21), making a surplus ratio of 61 per cent (62). The result from property management was SEK -8m (1). Unrealised changes in property values totalled SEK 545m (87).

The Transaction segment realised changes in value of SEK 160m (1) through the divestment of the Uarda 5 property.

Reclassifications during the period between the Property Management and Property Development segments are stated in the Note on Segment reporting on page 13.

<sup>1</sup>The comparison figures for income and expense items relate to values for the period January-March 2015 and for balance sheet items as at 31 December 2015.

## Quarter 1 in brief<sup>1</sup>

- Continued healthy demand for office premises in Stockholm and rising rent levels in all our submarkets.
- New lettings totalled SEK 42m (44) and net lettings amounted to SEK 12m (12).
- The surplus ratio was 68 per cent (70). Compared with previous years, seasonal costs for heating, electricity and snow clearance were more consistent with that of a normal winter.
- Profit from property management was SEK 195m (168).
- The property portfolio showed unrealised value growth of SEK 1,519m (707), of which projects accounted for SEK 545m (87).
- Due to lower long-term interest rates, the negative fair value of the derivative portfolio once again rose by SEK 118m (increase: 57).
- After-tax profit for the quarter amounted to SEK 1,665m (705).

## BUSINESS MODEL CONTRIBUTIONS TO EARNINGS

SEKm	2016	2015
	Jan-Mar	Jan-Mar
Profit from Property Management activities	203	167
Changes in value (portfolio of investment properties)	974	620
<b>Contribution from Property Management</b>	<b>1,177</b>	<b>787</b>
Profit from Property Management activities	-8	1
Changes in value (profit from Property Development)	545	87
<b>Contribution from Property Development</b>	<b>537</b>	<b>88</b>
Realised changes in value	160	1
<b>Contribution from Transactions</b>	<b>160</b>	<b>1</b>
<b>Total contribution from the operation</b>	<b>1,874</b>	<b>876</b>

# 3.8%

## Value growth

## Financing

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

Interest-bearing liabilities at the end of the quarter totalled SEK 19,269m (21,068), with an average interest rate of 2.83 per cent excluding and 2.95 per cent including commitment fees on the undrawn portion of committed credit facilities. Unutilised committed lines of credit amounted to SEK 3,532m.

During the first quarter, existing credit agreements totalling SEK 700m were extended for a period of four years.

On 31 March, Fabege had outstanding bonds of SEK 1,273m via Nya Svensk FastighetsFinansiering AB (Nya SFF), of which SEK 406m were green bonds.

Fabege has a commercial paper programme of SEK 5,000m. At the end of the quarter, outstanding commercial paper totalled SEK 3,438m (3,805). Fabege has available credit facilities covering all outstanding commercial paper at any given time.

At 31 March, the average maturity was 4.3 years and the loan-to-value ratio was 48 per cent.

The average fixed-rate period for Fabege's loan portfolio was 2.4 years, including the effects of derivative instruments. The average fixed interest term for variable-interest loans was 81 days. During the period, additional fixed interest terms over ten years were set for SEK 100m. Fabege's derivatives portfolio then comprised interest-rate swaps totalling SEK 9,100m with terms of maturity extending through 2026 and carrying fixed interest at annual rates of between 0.85 and 2.73 per cent before margins. Fabege also holds callable swaps totalling SEK 5,700m at interest rates of between 2.87 and 3.98 per cent before margins and with maturity between 2016 and 2018. Interest rates on 77 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 profit or loss. At 31 March 2016, the recognised deficit value of the portfolio was SEK 777m (658). 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.

Net financial items included other financial expenses of SEK 6m, mainly pertaining to accrued opening charges for borrowing agreements and bond programmes. The total loan volume per quarter included SEK 2,254m (1,006) in loans for projects, on which interest of SEK 14m (7) had been capitalised.

## Tax

Tax on profit for the period amounted to SEK -91m (-181). The figure includes the resolution of a deferred tax liability in the amount of SEK 261m in connection with property sales. Operating taxes are calculated at a rate of 22 per cent on taxable earnings.

## Financial position and net asset value

Shareholders' equity amounted to SEK 18,144m (16,479) at year-end and the equity/assets ratio was 43 per cent (39). Shareholders' equity per share was SEK 110 (100). Excluding deferred tax on fair value adjustments of properties, net asset value per share was SEK 129 (118). EPRA NAV was SEK 126 (115). The dividend totalling SEK 579m that was adopted by the AGM on 11 April 2016 will reduce shareholders' equity in the second quarter.

## Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 211m (197). Change in working capital had an impact on cash flow of SEK 67m (27). The positive cash flow from working capital resulted from purchase considerations received for previously sold properties. Investing activities had a positive impact of SEK 1,522m (-366) on cash flow, while financing activities had a negative impact of SEK -1,799m (182) on cash flow. In investing activities, cash flow was driven by property acquisitions and by projects. Cash and cash equivalents changed by a total of SEK 1m (39) during the period.

## INTEREST RATE MATURITY STRUCTURE, 31 MARCH 2016

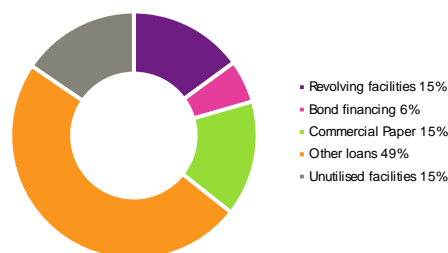
	Amount SEKm	Average interest rate,%	Share,%
< 1 year	7,819	3.43	41
1-2 years	1,850	2.10	10
2-3 years	4,500	3.51	22
3-4 years	1,000	2.13	5
4-5 years	-	-	-
5-6 years	1,000	2.68	5
6-7 years	800	1.00	4
7-8 years	900	1.02	5
8-9 years	900	1.05	5
9-10 years	500	1.00	3
Total	19,269	2.83	100

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.

## LOAN MATURITY STRUCTURE AT 31 MARCH 2016

	Credit agreement SEKm	Drawn, SEKm
Commercial paper programme	5,000	3,438
< 1 year	5,617	2,397
1-2 years	4,418	3,063
2-3 years	6,395	4,000
3-4 years	1,125	1,125
4-5 years	-	-
5-10 years	3,993	3,993
10-15 years	-	-
15-20 years	-	-
20-25 years	1,253	1,253
Total	27,801	19,269

## BREAKDOWN OF SOURCES OF FUNDING



**Green MTN  
programme  
of SEK 2bn  
launched in April**

# Operations Jan-Mar 2016<sup>1</sup>

The strong rental market meant rising rent levels for new and renegotiated leases at the start of the year. Higher rent levels and lower yield requirements on the property market also resulted in persistently rising property values. The lower yield requirements were confirmed by the sale of Uarda 5, Arenastaden, in the first quarter.

## Property portfolio and property management

Fabege's Property Management and Property Development activities are concentrated to a few selected submarkets in and around Stockholm, Stockholm inner city, Solna and Hammarby Sjöstad. On 31 March 2016, Fabege owned 84 properties with a total rental value of SEK 2.2bn, lettable floor space of 1.1m sqm and a carrying amount of SEK 40.5bn, of which development and project properties accounted for SEK 7.8bn. The financial occupancy rate for the entire portfolio, including project properties, was 93 per cent (93). The occupancy rate in the property management portfolio was 94 per cent (94).

In the first quarter, 40 new leases were signed at a combined rental value of SEK 42m (44), of which 58 per cent concerned Green Leases. Lease terminations totalled SEK 30m (32), while net lettings amounted to SEK 12m (12). The new lettings primarily pertained to management lettings. The largest termination related to Åhléns in the Orgeln 7 property in Sundbyberg, which is now being vacated for conversion after Svenska Spel moved to Arenastaden at the beginning of the year. Work to extend and renegotiate existing customer leases continued to be successful. A lease value of just over SEK 34m was renegotiated during the quarter, with an average rise in the rental value of 23 per cent. However, the renegotiation volume was low, which is normal for Q1. The volume of terminations is expected to rise in the second quarter. The retention rate during the period was 81 per cent (81).

## Changes in the property portfolio

The Fräsaren 9 property in Solna Business Park was taken over in the first quarter. The purchase price was SEK 152m. The property is classified as a development property. Furthermore, the Uarda 5 property was sold to Union Investment for a purchase price of just over SEK 2.2bn. The sale generated a capital gain of SEK 159m before taxes and SEK 420m after taxes (including resolution of a deferred tax liability). Through reallocation, the Oxen Mindre 33, City, property was divided into two properties, in which the residential part was partitioned into a separate 3D property above.

## Changes in value of properties

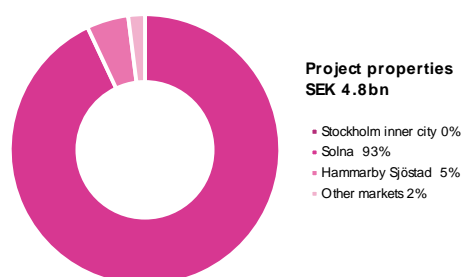
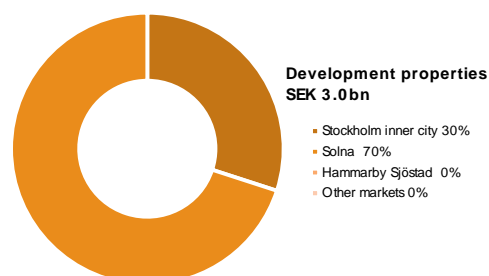
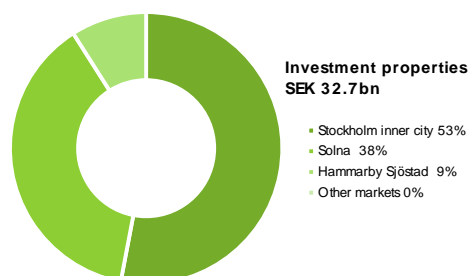
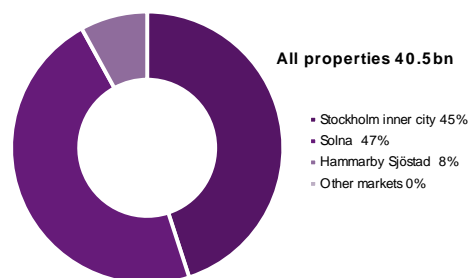
The entire property portfolio is externally valued at least once annually. Just over 25 per cent of the properties were externally valued in the first quarter and the remainder were internally valued based on the most recent external valuations. The total market value was SEK 40.5bn (40.3).

Unrealised changes in value totalled SEK 1,519m (707). The average yield requirement declined during the period to a rounded off figure of 4.8 per cent (4.9). The SEK 974m (620) change in the value of the property management portfolio primarily resulted from lower yield requirements in the market, and to properties with rising rent levels. The project portfolio contributed to a change in value of SEK 545m (87), mainly due to development gains in major project properties.

<sup>1</sup>The comparison figures for income and expense items relate to values for the period January–March 2015 and for balance sheet items as at 31 December 2015.

## BREAKDOWN OF MARKET VALUE

31 March 2016



## Projects and investments

The purpose of Fabege's project investments is to reduce vacancy rates and increase rents in the property portfolio, thereby improving cash flows and adding value. Property development is a key feature of Fabege's business model and should make a significant contribution to consolidated profit. The aim is to achieve a return of at least 20 per cent on invested capital. Another aim is to have all new builds certified under BREEAM-SE.

During the period, investments in existing properties and projects totalled SEK 486m (496), of which investments in projects and development properties accounted for SEK 377m (423). The return on capital invested in the project portfolio was 145 per cent. Revaluations of three project properties that are either completed or near completion contributed to the strong change in the value of the project portfolio.

The capital invested in the property management portfolio, which amounted to SEK 109m and encompassed energy investments and tenant customisations, also contributed to the total growth in value.

## Completed projects

February saw the completion of Uarda 7, Arenastaden, and Svenska Spel and Handelsbanken have now moved in. Companies will gradually continue to move in during the second quarter. The property is 91 per cent leased. In conjunction with the completion, the property was transferred from projects to property management.

## Major ongoing projects

The new build of Nationalarenan 8 has been completed and has undergone its final inspection. The project was extremely successful. TeliaSonera took over the property at the beginning of the second quarter and will move in by the summer. The property will be transferred to property management in the second quarter.

The construction of the office building on the Uarda 6 property is continuing. The frame and façade are now largely complete. Work is progressing on completing the frame and installations. The investment totals just over SEK 500m. The property is let to H&M and Siemens with occupancy scheduled for April and November 2017, respectively. The occupancy rate is 70 per cent.

The construction of SEB's offices in the Pyramiden 4 property in Arenastaden is proceeding. The entire frame and the first office floors are due to be completed by the summer. Work is currently continuing on completing the frame, installations and furnishings. Through a supplementary agreement with SEB, the office space was expanded to about 72,200 sqm, with a total annual rental value of SEK 182m. The investment amounts to some SEK 2.3bn and the office is scheduled for completion in two phases, spring 2017 and spring 2018, respectively. The property is fully let to SEB.

In August 2015, a decision was made to build an office building on the Signalen 3 property in Arenastaden. The investment totals SEK 1,080m. ICA has signed a lease on about 75 per cent of the lettable space. The groundwork has begun and the office is scheduled for completion during the third quarter of 2018.

In December 2015, the Lagern 2 property was acquired in its entirety. A new office building with a total area of around 10,000 sqm is to be constructed on the property. The investment amounts to just over SEK 500m. Foundation work

started in January 2016. The property is partly let to Telenor Sweden, with occupancy starting in the latter half of 2018. The occupancy rate is 67 per cent.

## CHANGE IN PROPERTY VALUE 2016

Changes in property value	2016
Opening fair value 2016-01-01	40,279
Property acquisitions	152
conversions	486
Changes in value	1,519
Sales and disposals	-1,969
Closing fair value 2016-03-31	40,467

## SALES OF PROPERTIES JAN-MAR 2016

Property name	Area	Cat-egory	Lettable area.sqm
<b>Quarter 1</b>			
Uarda 5	Arenastaden	Office	44,269
<b>Quarter 2</b>			
<b>Quarter 3</b>			
<b>Quarter 4</b>			
<b>Total sales of properties</b>			<b>44,269</b>

## PROPERTY ACQUISITIONS JAN-MAR 2016

Property name	Area	Category	Lettable area, sqm
<b>Quarter 1</b>			
Fräsaren 9	Solna	Office	9,541
<b>Quarter 2</b>			
<b>Quarter 3</b>			
<b>Quarter 4</b>			
<b>Total acquisitions of properties</b>			<b>9,541</b>

## FABEGE'S FIRST BREEAM IN-USE CERTIFICATIONS READY IN Q1

Fabege's aim is for its entire property portfolio to be environmentally certified. Six properties gained BREEAM In-Use certification during the first quarter.

Photo: Hägern mindre 7, Drottninggatan 27-29, BREEAM In-Use, level: Very Good



ONGOING PROJECTS > SEK 50M

31 March 2016

Property listing	Property type	Area	Completed	Lettable area, sqm	Occupancy rate, area, % <sup>1</sup>	Estimated rental value, SEKm <sup>2</sup>	Carrying amount SEKm	Estimated investment, SEKm	of which, worked up, SEKm
Hörmán (Part of Lagern 2)	Offices	Solna	Q2-2018	16,300	67%	44	148	529	31
Nationalarenan 8	Offices	Arenastaden	Q2-2016	42,000	100%	109	2,046	1,311	1,292
Pyramiden 4	Offices	Arenastaden	Q2-2018	72,200	100%	182	1,365	2,350	852
Signalen 3	Offices	Arenastaden	Q3-2018	30,500	75%	87	256	1,080	29
Uarda 6	Offices	Arenastaden	Q4-2017	18,000	70%	50	512	570	349
<b>Total</b>				<b>179,000</b>	<b>90%</b>	<b>472</b>	<b>4,327</b>	<b>5,840</b>	<b>2,553</b>
Other land and project properties							475		
Other development properties							3,029		
<b>Total projects, land and development properties</b>							<b>7,831</b>		

<sup>1</sup> Operational occupancy rate 31 March 2016.

<sup>2</sup> Rental value including additions. The annual rent for the largest projects in progress could increase to SEK 472m (fully let) from SEK 0m in annualised current rent as of 31 March 2016.

PROPERTY PORTFOLIO

31 March 2016

	Mar 31 2016					Jan-Mar 2016		
	No. of properties	Lettable area, '000 sqm	Market value SEKm	Rental value <sup>2</sup>	Financial occupancy rate %	Rental income SEKm	Property expenses SEKm	Net operating income SEKm
<b>Property holdings</b>								
Investment properties <sup>1</sup>	62	915	32,636	2,046	94	474	-110	364
Development properties <sup>1</sup>	7	130	3,029	144	89	31	-9	22
Land and Project properties <sup>1</sup>	15	25	4,802	17	29	2	-3	-1
<b>Total</b>	<b>84</b>	<b>1,070</b>	<b>40,467</b>	<b>2,207</b>	<b>93</b>	<b>507</b>	<b>-122</b>	<b>385</b>
Of which, Inner city	30	403	17,910	1,061	94	251	-62	189
Of which, Solna	38	549	19,107	924	92	208	-49	159
Of which, Hammarby Sjöstad	11	117	3,313	221	89	48	-11	37
Of which, Other	5	1	137	1	100	0	0	0
<b>Total</b>	<b>84</b>	<b>1,070</b>	<b>40,467</b>	<b>2,207</b>	<b>93</b>	<b>507</b>	<b>-122</b>	<b>385</b>
Expenses for lettings, project development and property administration								-40
<b>Total net operating income after expenses for lettings, project development and property administration</b>								<b>345</b> <sup>3</sup>

<sup>1</sup> See definitions on page 15.

<sup>2</sup> In the rental value, time limited deductions of about SEK 102m (in rolling annual rental value at 31 March 2015) have not been deducted.

<sup>3</sup> The table refers to Fabege's property portfolio on 31 March 2016. Income and expenses were recognised as if the properties were owned for the entire period. The difference between recognised net operating income above, SEK345m, and net operating income in profit or loss, SEK 355m, is due to net operating income from divested properties being excluded, and acquired properties being adjusted upwards as if they had been owned/ completed during the period of January–March 2016. Intercompany rentals have been included in the table.

SEGMENT REPORTING IN SUMMARY<sup>1</sup>

SEKm	2016		2016		2015		2015	
	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar	Jan-Mar
	Property Management	Property Development	Transaction	Total	Property Management	Property Development	Transaction	Total
Rental income	486	33		519	468	34		502
Property expenses	-151	-13		-164	-139	-13		-152
<b>Net operating income</b>	<b>335</b>	<b>20</b>	<b>0</b>	<b>355</b>	<b>329</b>	<b>21</b>	<b>0</b>	<b>350</b>
Surplus ratio, %	69%	61%	0%	68%	70%	62%	0%	70%
Central administration	-13	-3		-16	-14	-2		-16
Net interest expense	-106	-25		-131	-137	-16		-153
Share in profits of associated companies	-13	0		-13	-11	-2		-13
<b>Profit from property management activities</b>	<b>203</b>	<b>-8</b>	<b>0</b>	<b>195</b>	<b>167</b>	<b>1</b>	<b>0</b>	<b>168</b>
Realised changes in value of properties			160	160	0	0	1	1
Unrealised changes in value of properties	974	545		1,519	620	87		707
<b>Profit/ loss before tax per segment</b>	<b>1,177</b>	<b>537</b>	<b>160</b>	<b>1,874</b>	<b>787</b>	<b>88</b>	<b>1</b>	<b>876</b>
Changes in value, fixed income derivatives and equities				-118				10
<b>Profit before tax</b>				<b>1,756</b>				<b>886</b>
Properties, market value	32,636	7,831		40,467	30,282	3,481		33,763
Occupancy rate, %	94%	83%		93%	94%	76%		93%

<sup>1</sup> See definitions on page 15



# Other financial information

## Human resources

At the end of the quarter, 149 people (141) were employed in the Fabege Group.

## Parent Company

Sales during the period amounted to SEK 36m (38) and the loss before appropriations and tax was SEK -521m (37).

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

## Annual General Meeting, 11 April 2016

Fabège's Annual General Meeting on 11 April adopted the Board of Directors' proposal for a dividend for 2015 of SEK 3.50 per share. For other decisions, see press release and AGM documents on Fabège's website.

## Acquisition and transfer of treasury shares

The 2016 AGM renewed the authorisation of the Board, not longer than up to the next AGM, to buy back 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.

# ≥35 %

New equity/assets ratio target

## Opportunities and risks

Risks and uncertainties relating to cash flow from operations relate primarily to changes in rents, vacancies and interest rates. A more detailed description is presented in the risk section of the 2015 Annual Report (pages 56–59). The effect of the changes on consolidated profit is shown in the risk analysis and in the sensitivity analysis in the 2015 Directors' Report (pages 49–61).

Properties are recognised at fair value and changes in value are recognised in profit or loss. The effects of changes in value on consolidated profit, the equity/assets ratio and the loan-to-value ratio are also presented in the risk section and the sensitivity analysis in the 2015 Annual Report. Financial risk, defined as the risk of insufficient access to long-term funding through loans, and Fabège's management of this risk are described in the 2015 Annual Report (pages 58–59 and 71–74).

No material changes in the company's assessment of risks have arisen following publication of the 2015 Annual Report. Fabège's aims for the capital structure are to have an equity/assets ratio of at least 35 per cent and an interest coverage ratio of at least 2.0. The aim for the loan-to-value ratio is a maximum of 55 per cent.

## SENSITIVITY ANALYSIS - CASH FLOW AND EARNINGS

	Change	Effect, SEKm
Rental income, total	1%	20.8
Rent level, commercial income	1%	19.2
Financial occupancy rate	1 percentage point	22.1
Property expenses	1%	6.6
Interest expense, rolling 12 months <sup>1</sup>	+/- 1 percentage point	25 / 77
Interest expenses, longer term perspective	1 percentage point	192.7

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

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

## SENSITIVITY ANALYSIS - PROPERTY VALUE

Change in value, %	Impact on after-tax profit, SEKm	Equity/ assets ratio, %	Loan-to-value ratio, %
+1	316	43.5%	47.1%
0	0	43.2%	47.6%
-1	-316	42.9%	48.1%

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

## Events after balance sheet date

Fabège's Annual General Meeting on 11 April resolved on a dividend of SEK 3.50 per share. The dividend was paid out on 18 April.

On 22 April, Fabège launched an MTN programme of SEK 2,000m with special sustainability and environmental conditions attached. Demand for green bonds to finance eco-friendly and sustainable assets are on the increase. Developing and integrating equivalent conditions into its MTN programme allows Fabège to offer investors the opportunity to participate in financing selected sustainable properties via bonds. All bonds in the programme will be green bonds. The independent analysis institute, Sustainalytics, has examined the green conditions in the MTN programme to ensure that the programme satisfies the stringent sustainability requirements. The intention is to list bonds issued under the programme on the Nasdaq Stockholm Sustainable Bonds List. The distributors of the programme are Handelsbanken and Swedbank.

**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 usually higher.

**Market outlook**

In early 2016, performance in both the property and rental markets remains very strong. Given the prevailing market conditions and Faberge's attractive property and project portfolio, the prerequisites are favourable for strong earnings in 2016 as well. More completed projects will increase rental volumes which, combined with continued operational efficiency and low interest expense, will generate better profit from property management. Faberge is well positioned to capitalise on the opportunities ahead.

**Accounting policies**

Faberge prepares its consolidated financial statements according to International Financial Reporting Standards (IFRS). This interim report

has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. Disclosures in accordance with IAS 34 Interim Financial Reporting are submitted both in the notes and in other sections of the interim report.

The Group applies the same accounting policies and valuation methods as in the latest annual report. New or revised IFRS standards or other IFRIC interpretations that came into effect after 1 January 2016 have not had any material impact on consolidated financial statements.

The Parent Company prepares its financial statements according to RFR 2, Accounting for Legal Entities and the Swedish Annual Accounts Act, and applies the same accounting policies and valuation methods as in the latest annual report.

Stockholm, 26 April 2016



CHRISTIAN HERMELIN  
Chief Executive Officer

*This interim report has not been reviewed by the company's auditors.*

# Share information

The Fabege share is listed on the Nasdaq Stockholm Nordic Exchange and included in the Large-Cap segment.

## THE 15 LARGEST SHAREHOLDERS AS OF 31 MARCH 2016<sup>1</sup>

	Number of shares	Proportion of equity, %	Proportion of votes, %
Erik Paulsson with family, privately and company	25,051,150	15.1	15.1
BlackRock Inc. **	5,897,993	3.6	3.6
Investment AB Öresund	5,500,000	3.3	3.3
Handelsbanken Funds	4,319,727	2.6	2.6
Länsförsäkringar Funds	4,091,006	2.5	2.5
Qviberg Mats with family	3,747,868	2.3	2.3
Norges Bank Investment Management	2,980,965	1.8	1.8
Principal Funds	2,899,244	1.8	1.8
ENA City AB	2,740,300	1.7	1.7
SHB pension fund	2,420,000	1.5	1.5
Folketrygdfondet	2,170,292	1.3	1.3
Carnegie Funds	2,162,000	1.3	1.3
Stichting Pensioenfonds ABP	2,012,690	1.2	1.2
ING Funds	1,955,995	1.2	1.2
Blue Sky Group Pensioenfonds	1,440,207	0.9	0.9
<b>Total 15 largest shareholders</b>	<b>69,389,437</b>	<b>42.0</b>	<b>42.0</b>
Other foreign shareholders	51,602,170	31.2	31.2
Other Swedish shareholders	44,399,965	26.8	26.8
<b>Total no. of shares outstanding</b>	<b>165,391,572</b>	<b>100.0</b>	<b>100.0</b>
Treasury shares	0	0	0
<b>Total no. of registered shares</b>	<b>165,391,572</b>	<b>100.0</b>	<b>100.0</b>

1) The shareholdings of certain shareholders whose shares are managed by trustees may differ from what is stated in the share register.

\*\*=The shares are wholly or partly owned by trustee-managed accounts. Ownership has been confirmed via a disclosure press release to the Swedish Financial Supervisory Authority and verified on 23 February 2016.

Source: Modular Finance AB, according to data from Euroclear Sweden AB.

The Fabege share is traded on Nasdaq Stockholm, BOAT, BATS Chi-X and the London Stock Exchange.  
No. of shareholders as of 31 March 2016: 39,190

## SHARE INFORMATION



## CONSTRUCTION OF UARDA 7 ON EVENEMANGSGATAN/DALVÄGEN IN ARENASTADEN COMPLETE

The Uarda 7 property in Arenastaden has now been completed and in January, our tenant Le Velo Bistro & Rendez Vous opened its doors to the public. Sodexo and Svenska Spel also moved into their premises in January and February, respectively. During the quarter two bank branches also opened in the building and KPMG will be moving into its premises on 1 July. The current occupancy rate is 91 per cent. The property is environmentally certified in accordance with BREEAM-SE, Very Good.



## CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

SEKm	2016	2015	2015	Rolling 12 m
	Jan-Mar	Jan-Mar	Jan-Dec	Apr 15 - Mar 16
Rental income	519	502	1,998	2,015
Property expenses	-164	-152	-569	-581
<b>Net operating income</b>	<b>355</b>	<b>350</b>	<b>1,429</b>	<b>1,434</b>
Surplus ratio, %	68	70	72	70
Central administration	-16	-16	-65	-65
Net interest/ expense	-131	-153	-582	-560
Share in profits of associated companies	-13	-13	-94	-94
<b>Profit/ loss from property management</b>	<b>195</b>	<b>168</b>	<b>688</b>	<b>715</b>
Realised changes in value of properties	160	1	21	180
Unrealised changes in value of properties	1,519	707	3,252	4,064
Unrealised changes in value, fixed income derivatives	-118	-57	262	201
Changes in value of shares	0	67	10	-57
<b>Profit/ loss before tax</b>	<b>1,756</b>	<b>886</b>	<b>4,233</b>	<b>5,103</b>
Current tax	-1	0	-2	-3
Deferred tax	-90	-181	-999	-908
<b>Profit/ loss for period/ year</b>	<b>1,665</b>	<b>705</b>	<b>3,232</b>	<b>4,192</b>
Items that will not be restated in profit or loss				0
Revaluation of defined-benefit pensions	-	-	2	2
<b>Comprehensive income for the period/ year</b>	<b>1,665</b>	<b>705</b>	<b>3,234</b>	<b>4,194</b>
Earnings per share, SEK	10:07	4:26	19:54	25:35
Total earnings per share, SEK	10:07	4:26	19:55	25:36
No. of shares at period end, millions	165.4	165.4	165.4	165.4
Average no. of shares, million	165.4	165.4	165.4	165.4

## CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

SEKm	2016	2015	2015
	Mar 31	Mar 31	Dec 31
<b>Assets</b>			
Properties	40,467	33,763	40,279
Other tangible fixed assets	1	1	1
Financial fixed assets	906	1,634	923
Current assets	533	1,933	446
Short-term investments	66	38	70
Cash and cash equivalents	33	62	32
<b>Total assets</b>	<b>42,006</b>	<b>37,431</b>	<b>41,751</b>
<b>Equity and liabilities</b>			
Shareholder's equity	18,144	13,951	16,479
Deferred tax	1,876	1,099	1,786
Other provisions	148	166	150
Interest-bearing liabilities <sup>1</sup>	19,269	19,733	21,068
Other long-term liabilities	621	-	619
Derivative instrument	777	977	658
Non-interest-bearing liabilities	1,171	1,505	991
<b>Total equity and liabilities</b>	<b>42,006</b>	<b>37,431</b>	<b>41,751</b>
Equity/ assets ratio, %	43	37	39
Contingent liabilities	433	1,058	433

<sup>1</sup> Of which short-term SEK 5 835m (7,058)

## CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

SEKm	Of which, attributable to	
	Shareholders' equity	Parent Company shareholders
<b>Shareholders' equity, 1 January 2015, according to adopted Statement of financial position</b>	<b>13,783</b>	<b>13,783</b>
Cash dividend	-538	-538
Profit for the period	3,232	3,232
Other comprehensive income	2	2
<b>Shareholders' equity, 31 December 2015</b>	<b>16,479</b>	<b>16,479</b>
Cash dividend	0	0
Profit for the period	1,665	1,665
Other comprehensive income	0	0
<b>Shareholders' equity, 31 March 2016</b>	<b>18,144</b>	<b>18,144</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS<sup>1</sup>

SEKm	2016 Jan-Mar	2015 Jan-Mar	2015 Jan-Dec
<b>Operations</b>			
Net operating income	355	350	1,429
Central administration	-16	-16	-65
Reversal of depreciation	0	0	0
Interest received	2	3	25
Interest paid	-130	-140	-689
Income tax paid	0	0	0
<b>Cash flow before changes in working capital</b>	<b>211</b>	<b>197</b>	<b>700</b>
<b>Change in working capital</b>			
Change in current receivables	35	-133	831
Change in current liabilities	32	160	211
<b>Total change in working capital</b>	<b>67</b>	<b>27</b>	<b>1,042</b>
<b>Cash flow from operating activities</b>	<b>278</b>	<b>224</b>	<b>1,742</b>
<b>Investing activities</b>			
Investments in new-builds, extensions and conversions	-472	-490	-2,770
Acquisition of properties	-152	-	-985
Divestment of properties	2,143	163	604
Other tangible fixed assets	3	-39	440
<b>Cash flow from investing activities</b>	<b>1,522</b>	<b>-366</b>	<b>-2,711</b>
<b>Financing activities</b>			
Dividend to shareholders	-	-	-538
Change in interest bearing liabilities	-1,799	182	1,516
<b>Cash flow from investing activities</b>	<b>-1,799</b>	<b>182</b>	<b>978</b>
Cash flow for the period	1	39	9
Cash and cash equivalents at beginning of period	32	23	23
<b>Cash and cash equivalents at end of period</b>	<b>33</b>	<b>62</b>	<b>32</b>

## CONSOLIDATED KEY FIGURES

Financial	2016 Jan-Mar	2015 Jan-Mar	2015 Jan-Dec
Return on capital employed, %	19.6	12.2	13.2
Return on equity, %	38.5	20.3	21.4
Interest coverage ratio, multiple <sup>2</sup>	2.6	2.2	2.3
Equity	43	37	39
Loan-to-value ratio, properties, %	48	58	52
Debt/ equity ratio, multiple	1.1	1.4	1.3
<b>Share related<sup>1</sup></b>			
Earnings per share, SEK	10:07	4:26	19:54
Total earnings per share, SEK	10:07	4:26	19:55
Equity per share, SEK	110	84	100
Cash flow from operating activities per share, SEK		1:36	14:27
EPRA NAV, SEK per share	126	97	115
EPRA, EPS	1.09	1.01	3.94
No. of outstanding shares at end of period, thousands	165,392	165,392	165,392
Average number of shares, thousands	165,392	165,392	165,392
<b>Property-related</b>			
No. of properties	84	82	83
Carrying amount, Properties, SEKm	40,467	33,763	40,279
Lettable area, sqm	1,070,000	1,030,000	1,092,000
Financial occupancy rate, %	93	93	93
Surplus ratio, %	68	70	72

<sup>1</sup> No dilution is possible because no potential dilution shares (such as convertible debentures) exist.

<sup>2</sup> The interest coverage ratio definition has been changed from 1 January 2016. The comparative figures have been restated according to the new definition.

## DERIVATIVES

Derivatives are measured continuously at fair value in compliance with level 2, with the exception of the callable swaps measured in accordance with level 3. Changes in value are recognised in profit or loss. IAS 39 has been applied in the Parent Company as well since 2006. No changes in the measurement model have occurred.

	Group		Parent Company	
	2016 Mar 31	2015 Dec 31	2016 Mar 31	2015 Dec 31
<b>IFRS, level 3</b>				
Opening value	-396	-521	-396	-521
Acquisitions/ Investments	-	-	-	-
Changes in value	-26	125	-26	125
Matured	-	-	-	-
<b>Closing value</b>	<b>-370</b>	<b>-396</b>	<b>-370</b>	<b>-396</b>
Carrying amount	-370	-396	-370	-396

<sup>1</sup> Is attributable in its entirety to derivative instruments held by the company at the end of the quarter and shown in the statement of comprehensive income.

## SEGMENT REPORTING - RECLASSIFICATION DURING THE PERIOD

Following completion in February, the Uarda 7 property was reclassified from a project property to an investment property. The newly acquired Fräsaren 9 property in Solna Business Park was classified as a development property.

## PARENT COMPANY CONDENSED INCOME STATEMENT

SEKm	2016	2015	2015
	Jan-Mar	Jan-Mar	Jan-Dec
Income	36	38	146
Expenses	-65	-60	-226
Net financial items	-374	-25	152
Income from other financial assets	-	-	0
Changes in value, fixed-income derivatives	-118	-57	262
Changes in value, equities	0	67	36
<b>Profit before tax</b>	<b>-521</b>	<b>-37</b>	<b>370</b>
Current Tax	-	-	-
Deferred	114	22	8
<b>Profit for the period/ year</b>	<b>-407</b>	<b>-15</b>	<b>378</b>

## PARENT COMPANY CONDENSED BALANCE SHEET

SEKm	2016	2015	2015
	Mar 31	Mar 31	Dec 31
Participation in Group companies	12,516	12,992	12,592
Other fixed assets	41,957	40,000	41,892
<i>of which, receivables from Group companies</i>	<i>41,195</i>	<i>39,029</i>	<i>41,103</i>
Current assets	98	1,060	129
Cash and cash equivalents	32	59	30
<b>Total assets</b>	<b>54,603</b>	<b>54,111</b>	<b>54,643</b>
Shareholders' equity	11,894	12,409	12,301
Provisions	-103	68	68
Long-term liabilities	36,869	32,778	35,118
<i>of which, liabilities to Group companies</i>	<i>23,589</i>	<i>21,383</i>	<i>21,724</i>
Current liabilities	5,943	8,856	7,156
<b>Total equity and liabilities</b>	<b>54,603</b>	<b>54,111</b>	<b>54,643</b>

## Quarterly overview

### CONDENSED INCOME STATEMENT, AMOUNTS IN SEK M

	2016		2015		2014			
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Rental income	519	505	495	496	502	522	526	526
Property expenses	-164	-156	-130	-131	-152	-157	-144	-137
<b>Net operating income</b>	<b>355</b>	<b>349</b>	<b>365</b>	<b>365</b>	<b>350</b>	<b>365</b>	<b>382</b>	<b>389</b>
Surplus ratio, %	68%	69%	74%	74%	70%	70%	73%	74%
Central administration	-16	-17	-16	-16	-16	-21	-16	-15
Net interest expense	-131	-146	-143	-140	-153	-155	-158	-180
Share in profits of associated companies	-13	-14	-59	-8	-13	-15	-17	-27
<b>Profit/ loss from property management</b>	<b>195</b>	<b>172</b>	<b>147</b>	<b>201</b>	<b>168</b>	<b>174</b>	<b>191</b>	<b>167</b>
Realised changes in value of properties	160	17	3	0	1	165	-	52
Unrealised value of properties	1519	1282	590	673	707	570	258	299
Unrealised changes in value, fixed-income derivatives	-118	151	-26	194	-57	-96	-90	-146
Changes in value, equities	0	-26	-28	-3	67	22	-13	-16
<b>Profit for the period/ year</b>	<b>1756</b>	<b>1596</b>	<b>686</b>	<b>1065</b>	<b>886</b>	<b>835</b>	<b>346</b>	<b>356</b>
Current tax	-1	-2	0	0	0	-	-3	16
Deferred tax	-90	-416	-167	-235	-181	75	-78	-49
<b>Comprehensive income for the period/ year</b>	<b>1665</b>	<b>1178</b>	<b>519</b>	<b>830</b>	<b>705</b>	<b>910</b>	<b>265</b>	<b>323</b>

### CONDENSED FINANCIAL POSITION, AMOUNTS IN SEK M

	2016		2015		2014			
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
<b>Assets</b>								
Properties	40,467	40,279	37,630	36,361	33,763	32,559	33,868	33,257
Other tangible fixed assets	1	1	1	1	1	1	1	1
Financial fixed assets	906	923	1,562	1,644	1,634	1,542	1,475	1,492
Current assets	533	446	438	506	1,933	1,859	318	856
Short-term investments	66	70	50	48	38	34	-	-
Cash and cash equivalents	33	32	37	411	62	23	198	263
<b>Total assets</b>	<b>42,006</b>	<b>41,751</b>	<b>39,718</b>	<b>38,971</b>	<b>37,431</b>	<b>36,018</b>	<b>35,860</b>	<b>35,869</b>
<b>Equities and liabilities</b>								
Shareholders' equity	18,144	16,479	15,299	14,780	13,951	13,783	12,883	12,618
Deferred tax	1,876	1,786	1,502	1,335	1,099	918	1,060	984
Other provisions	148	150	159	159	166	166	158	158
Interest-bearing liabilities	19,269	21,068	20,513	20,436	19,733	19,551	20,136	20,402
Other long-term liabilities	621	619	617	615	-	-	-	-
Derivative instruments	777	658	809	783	977	920	824	734
Non-interest bearing liabilities	1,171	991	819	863	1,505	680	799	973
<b>Total equity and liabilities</b>	<b>42,006</b>	<b>41,751</b>	<b>39,718</b>	<b>38,971</b>	<b>37,431</b>	<b>36,018</b>	<b>35,860</b>	<b>35,869</b>

### KEY FIGURES

	2016		2015		2014			
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
<b>Financial</b>								
Return on capital employed, %	19.6	18.4	9.2	13.7	12.2	11.7	6.1	6.4
Return on equity, %	38.5	29.7	13.8	23.2	20.3	27.3	8.3	10.3
Interest coverage ratio, multiple <sup>2</sup>	2.6	2.3	2.4	2.5	2.2	2.2	2.3	2.1
Equity/ assets ratio, %	43	39	39	38	37	38	36	35
Loan-to-value ratio, properties, %	48	52	55	56	58	60	59	61
Debt/ equity ratio, multiple	1.1	1.3	1.3	1.4	1.4	1.4	1.6	1.6
<b>Share-related</b>								
Earnings per share, SEK	10:07	7:12	3:14	5:02	4:26	5:50	1:60	1:95
Total earnings per share, SEK	110	100	93	89	84	83	78	76
Cash flow from operating activities per share, SEK <sup>1</sup>	1:75	4:82	1:10	6:99	1:36	5:27	0:26	2:07
EPRA NAV, SEK per share	126	115	107	102	97	94	89	87
EPRA EPS	1:09	0:99	0:91	1:17	1:01	1:04	1:12	1:01
No. Of shares outstanding at the end of the period, thousands	165,392	165,392	165,392	165,392	165,392	165,392	165,392	165,392
Average number of shares, thousands	165,392	165,392	165,392	165,392	165,392	165,392	165,392	165,392
<b>Property-related</b>								
Financial occupancy rate, %		93	92	92	93	94	92	92
Surplus ratio, %	68	69	74	74	70	70	73	74

<sup>1</sup> The key figure is affected during 2014 of tax payments of SEK -1 607m as a result of convictions in the tax matters relating to previous real estate transactions.

<sup>2</sup> The interest coverage ratio definition has been changed from 1 January 2016. The comparative figures have been restated according to the new definition.

## Definitions

### 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.

### 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.

### LOAN-TO-VALUE RATIO, PROPERTIES

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

### RETURN, SHARE

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

### EQUITY PER SHARE

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

### FINANCIAL OCCUPANCY RATE

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

### EPRA EPS

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

### EPRA NAV

#### - LONG-TERM NET ASSET VALUE

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

### INVESTMENT PROPERTIES

Properties that are being actively managed on an ongoing basis.

### DEVELOPMENT PROPERTIES

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

### RENTAL VALUE

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

### CASH FLOW FROM OPERATING ACTIVITIES PER SHARE

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

### LEASE VALUE

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

### LAND AND PROJECT PROPERTIES

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

### NET LETTINGS

New lettings during the period less terminations to vacate.

### PROFIT/EARNINGS PER SHARE

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

### INTEREST COVERAGE RATIO

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

### 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 Transaction. Rental income and property expenses, as well as realised and unrealised changes in value including tax, are directly attributable to properties in each segment (direct income and expenses). In cases where a property changes character during the year, earnings attributable to the property are allocated to each segment based on the period of time that the property belonged to each segment. Central administration and items in net financial expense have been allocated to the segments in a standardised manner based on each segment's share of the total property value (indirect income and expenses). Property assets are directly attributed to each segment and recognised on the balance sheet date.

### DEBT/EQUITY RATIO

Interest-bearing liabilities divided by shareholders' equity.

### EQUITY RATIO

Shareholders' equity divided by total assets.

### CAPITAL EMPLOYED

Total assets less non-interest bearing liabilities and provisions.

### TOTAL YIELD

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

### RETENTION RATE

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

### SURPLUS RATIO

Net operating income divided by rental income.



# This is Fabege

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

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

As at 31 March 2016, Fabege owned 84 properties with a total market value of SEK 40.5bn. The rental value was SEK 1.1bn.

## Business concept

Fabege is to focus on city-district development with a particular emphasis on commercial properties in a limited number of well-located submarkets in the Stockholm area.

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

## Business model

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

## Strategy

Fabege's strategy is to create value by managing and developing the property portfolio and – via transactions – acquiring properties with favourable growth potential while divesting properties located outside the company's prioritised areas. Fabege's properties are located in the most liquid market in Sweden. Attractive locations lead to a low vacancy rate in the property management portfolio. Modern properties permit flexible solutions and attract customers. With its concentrated

portfolio and high-profile local presence, investments aimed at raising the attractiveness of an area benefit many of Fabege's customers.

## Value-driving factors

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

### Stockholm is growing

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

### Changed demand

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

### Financial trend

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

### Sustainable urban development

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



### PROPERTY MANAGEMENT

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

### TRANSACTIONS

Property transactions are an integral part of Fabege's business model and make a significant contribution to the company's profit. The company continuously analyses its property portfolio to utilise opportunities to increase capital growth, through both acquisitions and divestments.

### PROPERTY DEVELOPMENT

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

## CALENDAR

Interim report Jan–Jun	8 July 2016
Interim report Jan–Sep	20 October 2016
Year–end report 2016	2 February 2017

## PRESS RELEASES DURING THE FIRST QUARTER

3 March 2016	Notice of Annual General Meeting in Fabege AB (publ)
29 February 2016	Fabege's Annual Report is available on the website
22 February 2016	Mia Häggström new Head of Sustainability at Fabege
4 February 2016	Fabege sells Uarda 5, Arenastaden
4 February 2016	Strong value growth yielded record earnings
4 February 2016	Year–end report January – December 2015
27 January 2016	Nominating Committee's proposal to 2016 AGM concerning Board of Directors and Chairman of Fabege

## Follow us on the internet, [www.fabege.se](http://www.fabege.se)



Visit the Group's website for more information about Fabege and its operations. There will also be a web presentation on 26 April 2016, at which Christian Hermelin and Åsa Bergström will present the interim report.



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*The information in this report is of the type that Fabege is required to disclose according to the Securities Market Act. The information was released for publication on 26 April 2016.*

*This document is a translation of the original, published in Swedish. In cases of any discrepancies between the Swedish and English version, or in any other context, the Swedish original shall have precedence.*

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**Fabege**