

2018

Q2

1

Summary, SEKm

	2018 Apr-Jun	2017 Apr-Jun	2018 Jan-Jun	2017 Jan-Jun
Rental income	623	562	1,237	1,108
Net operating income	469	416	908	795
Profit from property management	298	233	572	449
Profit before tax	2,879	1,456	5,976	2,591
Profit after tax	2,636	1,119	5,175	2,001
Surplus ratio, %	75	74	73	72
Loan-to-value ratio, properties, %	-	-	39	46
EPRA NAV, SEK per share	-	-	116	87

January – June 2018¹

- Rental income increased to SEK 1,237m (1,108), primarily as a result of completed project properties generating revenue. In an identical portfolio, income rose by approximately 10 per cent (8).
- Net operating income increased to SEK 908m (795). In an identical portfolio, net operating income rose by approximately 11 per cent (13). The surplus ratio was 73 per cent (72).
- Profit from property management rose to SEK 572m (449).
- Realised and unrealised changes in value amounted to SEK 5,366m (1,989) in properties and SEK 38m (156) in fixed-income derivatives.

- Profit before tax for the period amounted to SEK 5,976m (2,591).
- After-tax profit for the period amounted to SEK 5,175m (2,001), corresponding to SEK 15:64 per share (6:05).
- Net lettings during the: period totalled SEK 123m (86). The rent levels from renegotiated leases increased by an average of 29 per cent (27).
- The equity/assets ratio was 50 per cent (47) and the loan-to-value ratio was 39 per cent (43).

¹The comparison figures for income and expense items relate to values for the January–June 2017 period and for balance sheet items at 31 December 2017.



Christian Hermelin, CEO

Stockholm – the place to be! Yesterday, today and tomorrow!

Growing cash flow and profitable project performance enable us to deliver persistently strong value growth and record-high earnings for H1

Stockholm market delivers

Stockholm's robust office market is continuing to generate rental growth in new lettings and renegotiations. Vacancies in modern office premises in attractive locations are almost non-existent and fueling the rental trend. Property values are rising, both via higher rent levels and falling yield requirements. With an organisation ready to harness every opportunity, we are once again able to deliver record-high earnings.

Growth in revenue and profit from property management

Despite the sales during the first half of the year, rental income is growing. Completed projects that are generating income, and new lettings and renegotiations at higher levels are creating growth. Operations continue to be efficient and the surplus ratio of 73 per cent for H1 was consistent with our target. Profit from property management increased by over 27 per cent compared with the previous year.

Projects: a key element of our business model

Our project operations are currently extremely profitable. Over the past five years, project operations have created an average return on invested capital of over fifty per cent. We currently have nine major ongoing projects, which together comprise production of 205,000 sqm of lettable area. No less than five of these projects will be completed during the second half of this year. We are in the process of preparing to welcome our new tenants in Råsunda, Sundbyberg and Globen.

I'm delighted that several major new lettings have now enabled us to launch two new projects. The letting to Nordic Choice Hotels will bring additional hotel rooms as well as long-stay accommodation and offices to Arenastaden. We are also very excited about the letting to KFUM in Solna, where we plan to create long-stay accommodation and a co-working hub; a welcome addition for our tenants in Solna.

More development rights and tougher targets create conditions for future value-adding projects

The detailed plans we are pursuing in Solna are helping create the conditions for more development rights and the exciting continued development of Arenastaden. The opportunities are largely in our own hands. With our low initial values and our focus on building attractive districts, we can see that project development will continue to contribute to our value-adding operations. It therefore feels appropriate to announce that our objective remains to achieve a return on invested capital of at least fifty per cent over a business cycle, i.e. for each 1 SEK invested to generate value growth of SEK 0.50. We are also raising our investment ambitions, aiming to invest at least SEK 2.5bn per year over the next few years.

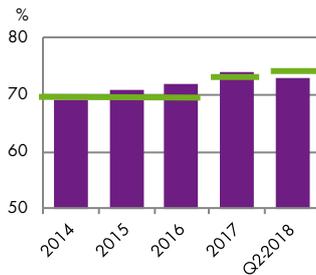
Competitive financing

Our investment grade rating from Moody's has given our financial brand a boost. We have extended the capital maturity period and taken out new fixed-income derivatives to replace the old, costly swaps that have now expired. Accordingly, we are also seeing a significant improvement in the average interest rate, from 2.27 per cent to 1.83 per cent during the quarter. Our ambition is to increase the proportion of capital market financing primarily via our green bond programme.

Market outlook

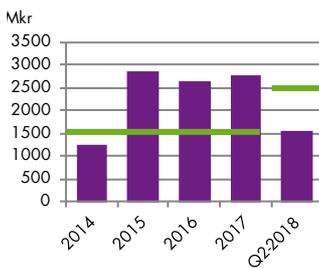
We are able to note that our focus on Stockholm and projects, and with our committed employees, we are entirely in tune with the times. Rents that are being renegotiated at increasingly higher levels and persistently declining yield requirements indicate that the positive trend will continue. The biggest threat is from the economy, but with the economic forecasts we're seeing today, I believe Fabege will continue to give a strong performance. And even in a weaker economic climate, many of our positive conditions will persist. There is no lack of business opportunities, and with our high ambitions and well located project portfolio, we're ready to take advantage of them.

SURPLUS RATIO



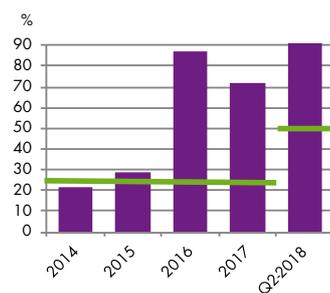
Target 2018 73% acc. Q2/74% for full year
Long-term target 2020: 75%

INVESTMENT VOLUME



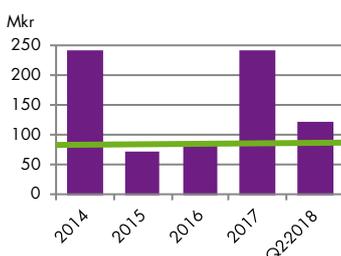
Target: At least SEK 2,500m per year as of 2018 (previously at least SEK 1,500m)

RETURN ON PROJECTS



Target: At least 50% as of 2018,
Q2 2018 121%

NET LETTINGS



Target: At least SEK 80m per year.

Christian Hermelin, CEO

Earnings Jan – Jun 2018¹

The first quarter of the year indicated rising rental income, increased net operating income and higher earnings from property management. The quarter also reported continued changes in value attributable to both the investment property portfolio, as well as projects and transactions.

Revenues and earnings

Profit after tax for the year was SEK 5,175m (2,001), corresponding to earnings per share of SEK 15:64 (6:05). Profit before tax for the period amounted to SEK 5,976m (2,591). Improved earnings from property management and continued substantial positive changes in value in the property portfolio meant that profit before tax rose in comparison with the previous year.

Rental income increased to SEK 1,237m (1,108) and net operating income increased to SEK 908m (795). In an identical portfolio, rental income grew by just over 10 per cent (8), of which just over half related to growth through tenants moving in to completed project properties. The remaining increase was primarily due to new lettings and renegotiated rent levels. Net operating income in an identical portfolio rose by approximately 12 per cent (13). The surplus ratio was 73 per cent (72).

Realised changes in value totalled SEK 88m (0) and primarily concerned payment of an additional consideration relating to a sale concluded in 2010.

Uarda 6 was divested during the first quarter, with transfer of ownership scheduled for May 2018. An agreement on the sale of Resedan 3 was signed in the second quarter. Both properties were taken over in Q2. The agreed sales generated a total profit of SEK 132m compared with the year-end valuation, which was included in the recognised unrealised change in value for the first quarter. Unrealised changes in value during the period totalled SEK 5,278m (1,989). The unrealised change in the value of the investment property portfolio of SEK 3,561m (1,335) was roughly equally attributable to increased rent levels for new lettings and renegotiations, and reduced yield requirements. The average yield requirement declined to 4.18 per cent (4.36 at year-end). Furthermore, unrealised changes in value of SEK 132m were recognised relating to the two properties that were sold in February and April. The project portfolio contributed to an unrealised change in value of SEK 1,585m (654), primarily due to development gains in the major project properties.

The share in profit of associated companies was SEK –40m (–54) and related to a capital contribution to Arenablaget during the period.

Unrealised changes in value in the derivatives portfolio totalled SEK 38m (156), primarily due to rising long-term interest rates. Net interest items increased to SEK –257m (–256). Increased borrowing was largely offset by lower average interest.

Segment reporting

The Property Management segment generated net operating income of SEK 865m (760), representing a surplus ratio of 75 per cent (75). The occupancy rate was 95 per cent (95). Earnings from property management totalled SEK 581m (476). Unrealised changes in the value of properties amounted to SEK 3,561m (1,335).

The Property Development segment generated net operating income of SEK 43m (35), giving a surplus ratio of 55 per cent (39). Earnings from property management totalled SEK –9m (–27). Unrealised changes in the value of properties totalled SEK 1,585m (654), corresponding to a yield of 121 per cent on invested capital in the project portfolio.

Earnings from Transactions during the period included both realised and unrealised changes in value, and totalled SEK 220m (0). Realised changes in value of SEK 88m mainly related to payment of an additional consideration.

Reclassifications during the period between the Property Management and Property Development segments are stated in the note on Segment Reporting on page 15.

Quarter 2 in brief

- Continued healthy demand for office premises in Stockholm and rising rent levels in all our submarkets.
- New lettings totalled SEK 155m (88) and net lettings amounted to SEK 113m (65).
- The surplus ratio was 75 per cent (74).
- Earnings from property management totalled SEK 298m (233).
- The property portfolio exhibited unrealised value growth of SEK 2,578m (1,156), of which SEK 447m (316) related to projects.
- Realised changes in property values totalled SEK 5m (0).
- Due to new long-term interest-rate swaps being taken out, the deficit value of the derivatives portfolio rose by SEK 2m (decrease: 67).
- After-tax profit for the quarter amounted to SEK 2,636m (1,119).
- Two new project start-ups were announced.

BUSINESS MODEL CONTRIBUTIONS TO EARNINGS

SEKm	2018 Jan-Jun	2017 Jan-Jun
Profit from Property Management activities (properties)	581	476
Contribution from Property Management	4,142	1,811
Profit from Property Management activities	-9	-27
Changes in value (profit from Property Development)	1,585	654
Contribution from Property Development	1,576	627
Realised changes in value	220	0
Contribution from Transactions	220	0
Total contribution from the operation	5,938	2,438

121%

Return Projects

¹The comparison figures for income and expense items relate to values for the January June 2017 period and for balance sheet items at 31 December 2017.

Financing

Fabege employs long-term credit facilities subject to fixed terms and conditions. The company's creditors mainly comprise the major Nordic banks and investors on the capital market. The company regards the capital market as an excellent complement to bank financing and at the end of the quarter, the proportion of capital market financing amounted to 42 per cent of total debt, including commercial paper.

Interest-bearing liabilities at the end of the period totalled SEK 24,947m (24,841), with an average interest rate of 1.74 per cent excluding, and 1.83 per cent including commitment fees on the undrawn portion of committed credit facilities. Undrawn committed credit facilities amounted to SEK 3,542m.

In February, Fabege received an external credit rating from Moody's, which gave an investment grade rating of Baa3, stable outlook. Reactions were extremely positive and produced an immediate price effect on the capital market. Moody's also carried out an evaluation of one of the bonds in the green MTN programme, which obtained the highest rating of GB1 (excellent).

Demand for Fabege's green bonds has remained high, and in May the green MTN programme was increased from SEK 5,000m to SEK 8,000m. During the second quarter, Fabege issued green bonds totalling SEK 1,300m with maturities of two and six years. At the end of June, outstanding bonds totalled SEK 4,400m. The green MTN programme allows the company opportunities to issue non-covered green bonds. Interest on bond loans is calculated without a Stockholm Interbank Offered Rate (STIBOR) floor, which with the current negative STIBOR rate means the financing cost at present will be extremely advantageous compared with some bank loans. In addition to the green bonds, Fabege also had outstanding covered bonds of SEK 2,811m on the capital market via the co-owned company Svensk Fastighetsfinansiering AB (SFF), of which SEK 2,386m related to green bonds.

The proportion of green financing totalled 53 per cent of outstanding loans at the end of the period. As the company's properties gain environmental certification, the objective is for financing to be sustainable as well, and Fabege welcomes and encourages the new responsible financing opportunities that are being established on the market. All Fabege's Swedish bank financiers are providing opportunities for green financing, as are the capital market and European Investment Bank.

Fabege also has a commercial paper programme of SEK 5,000m. As part of our endeavor to extend the maturity of the debt portfolio, the proportion of outstanding corporate certificates has been gradually reduced and at the end of the quarter, outstanding amounts amounted to SEK 3,160m.

The company has available credit facilities covering all outstanding commercial paper at any given time.

At 30 June, the average maturity was 4.7 years and the loan-to-value ratio was 39 per cent (43). The level of capital tied up in certificate loans is calculated on the basis of underlying loan commitments.

The average fixed-interest term for Fabege's debt portfolio was 3.1 years, including the effects of derivative instruments. In the second quarter, new interest-rate swaps were taken out totalling SEK 1,700m with maturities of seven, eight and ten years. Furthermore, callable swaps totalling SEK 3,000m with interest rates of 3.95 and 3.98 per cent expired at the end of June. At 30 June, Fabege's derivatives portfolio subsequently comprised interest-rate swaps totalling SEK 12,700m, maturing in 2028 and with fixed annual interest of between 0.24 and 2.73 per cent before margins. Interest rates on 51 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 30 June, the recognised deficit value of the portfolio was SEK 254m (291). 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 18m, mainly pertaining to accrued opening charges for credit agreements and costs relating to bond and commercial paper programmes. In the second quarter, interest totalling SEK 16m (19) relating to project properties was capitalised.

INTEREST RATE MATURITY STRUCTURE, 30 JUNE 2018

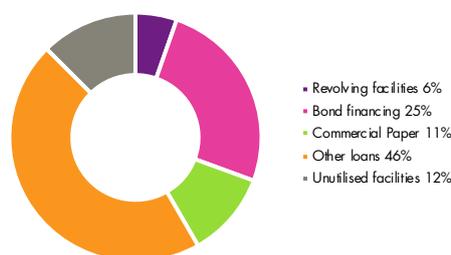
	Amount SEKm	Average interest rate,%	Share,%
< 1 year	12,678	2.22	51
1-2 years	1,570	1.49	6
2-3 years	0	0.00	0
3-4 years	1,200	2.27	5
4-5 years	1,600	1.17	6
5-6 years	1,200	0.89	5
6-7 years	1,700	0.95	7
7-8 years	1,300	1.00	5
8-9 years	1,300	1.07	5
9-10 years	2,400	1.24	10
Total	24,948	1.74	100

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

LOAN MATURITY STRUCTURE, 30 JUNE 2018

	Credit agreement SEKm	Drawn, SEKm
Commercial paper programme	5,000	3,160
< 1 year	3,970	1,576
1-2 years	4,271	3,663
2-3 years	4,188	2,488
3-4 years	3,800	1,800
4-5 years	5,700	5,700
5-10 years	5,308	5,308
10-15 years	0	0
15-20 years	0	0
20-25 years	1,253	1,253
Total	33,490	24,948

BREAKDOWN OF SOURCES OF FUNDING



53%
green financing

Tax

Tax expense for the period amounted to SEK 801m (590). The amount includes the resolution of deferred tax in the amount of SEK 131m (0) in connection with property sales. Tax was calculated at a rate of 22 per cent on taxable earnings. As a result of the decision on changes to corporate taxation, the deferred tax liability has been recalculated at the new tax rate of 20.6 per cent. The valuation of the loss carryforwards that are expected to be utilised between 2018 and 2020 has been calculated based on the current tax rates for each year. Overall, there was a positive non-recurring accounting effect of SEK 387m when the deferred tax liability was measured at the new tax rate.

Changes to tax legislation

Changes to corporate taxation

In June, the government decided to approve the proposal on changes to corporate taxation. To summarise, the decision involves limiting the deductibility of net interest expense to 30 per cent of EBITDA. Furthermore, the corporation tax rate will be reduced in two stages from the current level of 22 per cent, to 21.4 per cent as of 2019 and 20.6 per cent as of 2021. When calculating interest deductions, any offsetting against loss carryforwards must be taken into consideration. The new rules apply as of 1 January 2019. For Fabège, the decision means taxable earnings will increase and that offsetting against loss carryforwards will happen at a faster pace. Calculated based on the outcome budgeted for the year, the change would have meant an increased deferred tax expense of around SEK 50m. However, rising market rates will increase the negative effect (assuming cash flow remains generally the same).

Packaging inquiry

No new information has been communicated on this matter since the previously announced proposal on changes to taxation of property transactions, the 'packaging inquiry'. The 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 6.8bn at mid-year. Full application would increase the deferred tax liability by an additional SEK 1.2bn, based on the current tax rate of 20.6 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 total property value, or just under SEK 1.3bn. The consultation period for the proposal expired in September 2017.

Financial position and net asset value

Shareholders' equity amounted to SEK 32,443m (28,012) at the end of the period and the equity/assets ratio was 50 per cent (47). Equity per share attributable to Parent Company shareholders totalled SEK 98 (85). Excluding deferred tax on fair value adjustments of properties, net asset value per share was SEK 118(103). EPRA NAV was SEK 116 per share (101).

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK 613m (472). Change in working capital had an impact of SEK -162m (1,443) on cash flow. Investing activities had an impact of SEK -96m (-2,906) on cash flow, while financing activities had an impact of SEK -637m (948) on cash flow. In investing activities, cash flow was driven by property transactions and projects. Overall, cash and cash equivalents changed by SEK 282m (43) during the period.

NEW HOTEL COMING TO ARENASTADEN

The 11-storey high building with a total area of 19,000 sqm was designed by White Arkitekter and will consist of three sections: a hotel section with 336 hotel rooms, a section with 88 rooms for long-stay accommodation and an office section which will be home to Nordic Choice Hotels' Swedish headquarters. The property will be certified according to BREEAM-SE very good.

The transaction is based on three separate leases extending over between 10 and 20 years. The total rental value is roughly SEK 52m a year, and Fabège's total investment is estimated at around SEK 640m.



SEK 116/share

EPRA NAV 30 June 2018

Tougher operational targets

Fabège has decided to raise two key operational targets:

- The return on projects shall be at least 50 per cent.
- The investment volume shall amount to at least SEK 2,500m per year.

Financial targets

Fabège's Board of Directors has decided on the following financial targets for the business.

- Loan-to-value ratio of max. 50 per cent.
- Interest coverage ratio of at least 2.2.
- The long-term debt ratio will amount to max. 13.0.
- Equity/assets ratio of min. 35 per cent.

Moody's investment grade

Baa3, stable outlook

Operations Jan–Jun 2018¹

The trend of rising rent levels and declining yield requirements persisted on Stockholm’s office market during the first half of the year. Combined with the continued high pace of investment in profitable project development, this has generated value growth of around 9 per cent since the start of the year.

Property portfolio and property management

Fabege’s Property Management and Property Development activities are concentrated on a few selected submarkets in and around Stockholm: Stockholm inner city, Solna and Hammarby Sjöstad. On 30 June 2018, Fabege owned 88 properties with a total rental value of SEK 2.7bn, lettable floor space of 1.1m sqm and a carrying amount of SEK 63.4bn, of which development and project properties accounted for SEK 11.4bn. The financial occupancy rate for the entire portfolio, including project properties, was 95 per cent (94). The occupancy rate in the investment property portfolio was 95 per cent (95).

During the period, 82 new leases were signed at a total rental value of SEK 210m (156), of which 96 per cent pertained to green leases. Lease terminations totalled SEK 87m (70), while net lettings amounted to SEK 123m (86). Rental contracts totalling SEK 109m were renegotiated, with an average rise in rental value of 29 per cent, reflecting the persistently strong trend on the rental market during the year. The retention rate during the period was 79 per cent (82).

Changes in the property portfolio

In 2010, Fabege sold a property portfolio to Profi Fastigheter. The parties agreed on an additional consideration, which was established once the detailed plan for the property in question had become legally binding. The additional consideration of SEK 211m was paid at the beginning of the year, SEK 83m of which was recognised in Q1 as a realised change in value. Realised changes in value in the second quarter were attributable to previously completed transactions.

The Uarda 6 and Resedan 3 properties were divested in the first half of the year. Compared with the valuation at the beginning of the year, the sales gave a realised profit of SEK 132m, which was recognised as an unrealised change in value in the first quarter. Both properties were taken over in Q2. The transactions generated a total realised change in value of SEK 88m (0) and unrealised changes in value of SEK 132m (0).

Changes in value of properties

The entire property portfolio is externally valued at least once annually. Roughly 57 per cent of the properties were externally valued in the second quarter and the remainder were internally valued based on the most recent external valuations. The total market value at the end of the period was SEK 63.4bn (57.9).

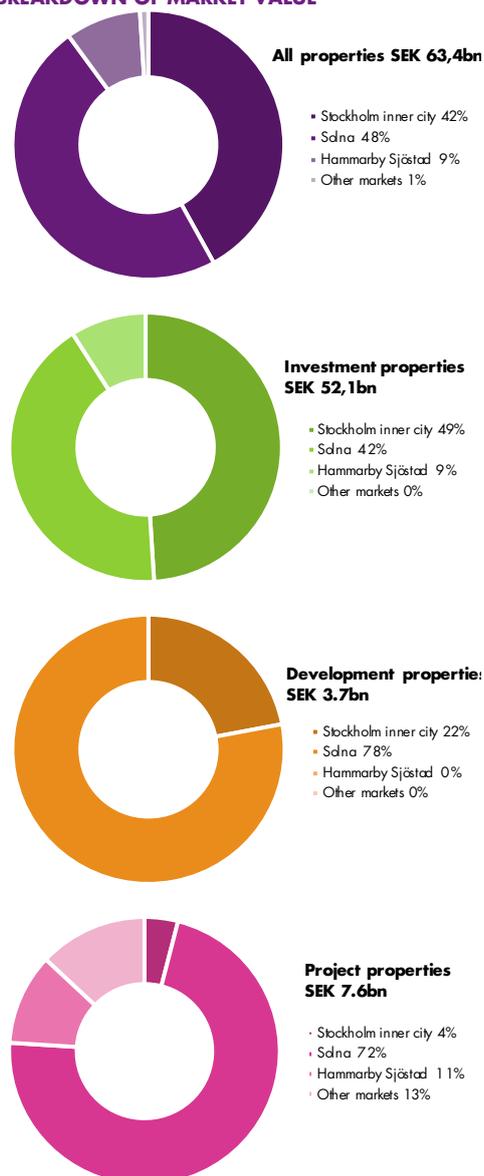
Unrealised changes in value totalled SEK 5,278m (1,989). The average yield requirement saw a slight decline to 4.18 per cent (4.36 at year-end). The change in value in the investment property portfolio of SEK 3,693m (1,335) was principally due to higher rent levels and somewhat lower yield requirements. The amount included SEK 132m relating to unrealised changes in value in the two divested properties. The project portfolio contributed to a change in value of SEK 1,585m (654), mainly due to development gains in major project properties.

Environmental certification of properties

Fabege’s objective is for the company’s entire property portfolio to be certified in accordance with BREEAM-SE/BREEAM In-Use. At the end of the period, a total of 61 per cent of the combined area of Fabege’s existing portfolio was certified.

30 June 2018

BREAKDOWN OF MARKET VALUE



¹The comparison figures for income and expense items relate to values for the January–June 2017 period and for balance sheet items at 31 December 2017.

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. Our new target is to achieve a return on invested capital of at least 50 per cent. Another aim is to have all new builds certified under BREEAM-SE.

During the period, investments in existing properties and projects totalled SEK 1,568m (1,459), of which investments in projects and development properties accounted for SEK 1,311m (1,204). The return on capital invested in the project portfolio was 121 per cent.

The capital invested in the investment property portfolio, which amounted to SEK 257m (254) and encompassed energy investments and tenant customisations, also contributed to the total growth in value.

Completed projects

March saw the completion of the new construction of Pyramiden 4, Arenastaden. SEB will be moving in during the final stage in April. The property was transferred to the investment property portfolio at the end of the first quarter.

Major ongoing projects

Investment forecasts for projects were updated to reflect the results of the valuation at the end of the quarter. The forecasts were revised upwards for several of the projects, primarily as a result of the quality improvement and in some cases due to higher production costs and an intensified schedule as well. At the same time, estimated market values on completion have increased. Five of the major projects are due to be completed in the current year: Hörnan 1, Lagern 4, Orgeln 7, Pelaren 1 and Signalen 3. Production in all of these project properties has now entered the final phase, involving ongoing tenant customisations. The first tenants will be moving in over the summer and then gradually during the autumn up until the end of the year. The remaining vacancies at 30/06/2018 totalled 3,400 sqm and related to Orgeln 7 and Hörnan 1. In the second quarter, ICA signed a supplementary agreement regarding the remaining space in Signalen 3, which means the building is now fully let. Further details concerning each project are provided in the project table on page 8.

Work is continuing on the project relating to the conversion and extension of Triåfabriken 9, Hammarby Sjöstad. The wood frame will be fully assembled in August and installation work has begun. The investment is estimated at SEK 460m. The occupancy rate is 50 per cent. The property is expected to be ready for occupancy during the spring of 2019.

Construction of the office building at Båtturen 2, Hammarby Sjöstad, is progressing. The frame has now been completed and work has begun on the facade. The investment is estimated at SEK 184m. The property is fully let to Goodbye Kansas, with occupancy scheduled for June 2019.

Demolition and planning work has begun on the conversion project at Paradiset 23, Västra Kungsholmen. The investment is estimated at SEK 200m. The property, which will be ready for occupancy at the end of 2019, is currently unleased.

Planning and groundwork has begun on the investment concerning Bilia's new facility at the Stora Frösunda 2 property in Solna. Zengun has been engaged as the turnkey contractor. The investment is expected to amount to roughly SEK 1.1bn and the facility will be ready by the first quarter of 2021.

In the second quarter, a decision was made to invest in the construction of a hotel, long-stay accommodation and offices at the Nationalarenan 3 property in Solna. The total investment is estimated to be SEK 640m. The property is now fully let to Nordic Choice Hotels and is expected to be ready for occupancy in Q1 2021. Construction is scheduled to start in autumn 2018.

In the fourth quarter of 2017, a decision was made regarding an investment relating to the forthcoming redevelopment of Fräsaren 12 in Solna Business Park for tenant customisation for Skolverket, with occupancy scheduled for Q4 2019. The investment is estimated at SEK 170m. Work will start on the project once ICA has vacated the premises in December 2018.

Via co-owned Selfoss Invest AB, Fabege and Svenska Hyreshus AB are leading a housing development project in Kista. The total investment is estimated to be SEK 450m excluding purchase of the land. Planning work is currently under way on a parking area and residential units as part of stage 1, including 69 apartments. Selfoss Invest will not be consolidated but will instead be reported as an associated company.

CHANGES IN PROPERTY VALUES 2018

Changes in property value	2018
Opening fair value 2018-01-01	57,889
Property acquisitions	0
Investments in new builds, extensions and conversions	1,568
Changes in value	5,278
Sales and disposals	-1,345
Closing fair value 2018-06-30	63,390

AVERAGE YIELD REQUIREMENT PER AREA JAN-JUN 2018

Area	Average yield, %
Stockolm city	3.94
Solna	4.34
Hammarby Sjöstad	4.60
Average yield	4.18

SALES OF PROPERTIES JAN-JUN 2018

Property name	Area	Category	Lettable area, sqm
Quarter 1			
Uarda 6	Arenastaden	Office	17,139
Quarter 2			
Resedan 3	Vasastan	Office	3,480
Quarter 3			
Quarter 4			
Total sales of properties			20,619

¹ The property Uarda 1 and Resedan 3 will be vacated during Q2-2018.

PROPERTY ACQUISITIONS JAN-JUN 2018

Property name	Area	Category	Lettable area, sqm
Quarter 1			
Quarter 2			
Quarter 3			
Quarter 4			
Total acquisitions of properties			0

ONGOING PROJECTS > SEK 50M

30 June 2018

Property listing	Property type	Area	Completed	Lettable area, sqm	Occupancy rate, area, % ¹	Estimated rental value, SEKm ²	Carrying amount SEKm	Estimated investment, SEKm	of which, worked up, SEKm
Hörnan 1	Offices	Solna	Q3-2018	16,400	91%	51	968	530	511
Lagern 4	School	Solna	Q3-2018	5,100	100%	14	202	150	102
Orgeln 7	Offices/retail	Sundbyberg	Q4-2018	38,500	95%	120	1,984	1,070	955
Pelaren 1	Offices	Globen	Q4-2018	21,300	99%	69	985	784	623
Signalen 3	Offices	Arenastaden	Q4-2018	31,300	100%	95	1,406	1,130	797
Trikåfabriken 9	Offices	Hammarby Sjöstad	Q2-2019	16,700	50%	54	530	460	226
Båtturen 2 (part of)	Offices	Hammarby Sjöstad	Q2-2019	5,200	100%	18	158	184	72
Paradiset 23 (part of)	Offices	Stadshagen	Q4-2019	6,900	0%	24	173	200	18
Stora Frösunda 2 (part of) ³	Offices	Arenastaden	Q1-2021	44,400	100%	60	35	1,100	28
Nationalarenan 3	Offices	Arenastaden	Q1-2021	19,100	100%	52	165	640	4
Total				204,900	91%	557	6,606	6,248	3,336
Other land and project properties							1,061		
Other development properties							3,697		
Total projects, land and development properties							11,364		

¹ Operational occupancy rate 31 June 2018.

² Rental value including additions. The annual rent for the largest projects in progress could increase to SEK 557m (fully let) from SEK 32m in annualised current rent as of 30 June 2018.

³ In leaseable area for the property Stora Frösunda 2 (part of) there are approximately 28,800 sqm garage space

PROPERTY PORTFOLIO

30 June 2018

Property holdings	No. of properties	Lettable area, '000 sqm	Market value SEKm	Rental value ²	Financial occupancy rate %
Investment properties ¹	60	1,016	52,027	2,537	95
Development properties ¹	8	103	3,732	116	89
Land and Project properties ¹	20	24	7,632	35	96
Total	88	1,143	63,391	2,688	95
Of which, Inner city	28	391	26,584	1,160	95
Of which, Solna	46	647	30,513	1,293	95
Of which, Hammarby Sjöstad	11	105	5,275	235	89
Of which, Other	3	0	1,019	0	0
Total	88	1,143	63,391	2,688	95

¹ See definitions on page 17.

² In the rental value, time limited deductions of about SEK 101m (in rolling annual rental value at 30 June) have not been deducted.

SEGMENT REPORTING IN SUMMARY¹

SEKm	2018		2018		2017		2017	
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun
	Property Management	Property Development	Transaction	Total	Property Management	Property Development	Transaction	Total
Rental income	1,159	78		1,237	1,018	90		1,108
Property expenses	-294	-35		-329	-258	-55		-313
Net operating income	865	43	0	908	760	35	0	795
Surplus ratio, %	75%	55%		73%	75%	39%		72%
Central administration	-33	-6		-39	-28	-8		-36
Net interest expense	-212	-45		-257	-202	-54		-256
Share in profits of associated companies	-39	-1		-40	-54	0		-54
Profit from property management activities	581	-9	0	572	476	-27	0	449
Realised changes in value of properties	0	0	88	88	0	0	0	0
Unrealised changes in value of properties	3,561	1,585	132	5,278	1,335	654		1,989
Profit/loss before tax per segment	4,142	1,576	220	5,938	1,811	627	0	2,438
equities				38				153
Profit before tax				5,976				2,591
Properties, market value	52,027	11,364		63,391	41,615	10,849		52,464
Occupancy rate, %	95%	90%		95%	95%	86%		94%

¹ See definitions on page 17

Other financial information

SENSITIVITY ANALYSIS – PROPERTY VALUES

Change in value, %	Impact on after-tax profit, SEKm	Equity/assets ratio, %	Loan-to-value ratio, %
+1	494	50.6%	39.0%
0	0	50.3%	39.4%
-1	-494	50.0%	39.8%

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

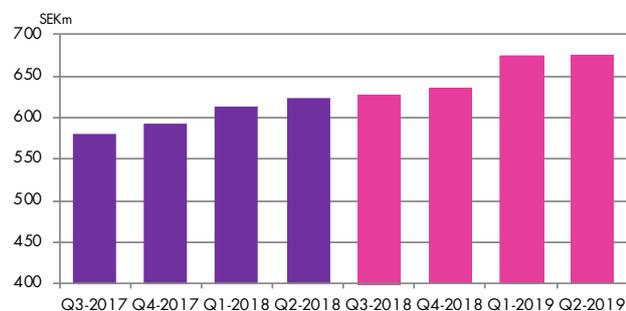
SENSITIVITY ANALYSIS – CASH FLOW AND EARNINGS

	Change	Effect, SEKm
Rental income, total	1%	24.9
Rent level, commercial income	1%	24.2
Financial occupancy rate	1 percentage point	27.0
Property expenses	1%	6.2
Interest expense, rolling 12 months ¹	+/-1 percentage point	78 / 40
Interest expenses, longer term perspective	1 percentage point	249.5

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

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

RENTAL INCOME – GROWTH OVER NEXT FOUR QUARTERS



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

Human resources

At the end of the period, 176 people (165) were employed by the Fabège Group.

Parent Company

Sales during the period amounted to SEK 140m (112) and earnings before appropriations and tax amounted to SEK 1,877m (49).

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

Acquisition and transfer of treasury shares

The 2018 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.

Events after balance sheet date

No significant events occurred after the balance sheet date.

SEK
123m
Net lettings
Jan–June 2018

Opportunities and risks

Risks and uncertainties relating to cash flow from operations relate primarily to changes in rents, vacancies and interest rates. The effect of the changes on consolidated profit, including a sensitivity analysis and a more detailed description of risks and opportunities, are presented in the section on Risks and opportunities in the 2017 Annual Report (pages 57–61).

Properties are recognised at fair value and changes in value are recognised in profit or loss. Effects of changes in value on consolidated profit, the equity/assets ratio and the loan-to-value ratio are also presented in the section on Risks and opportunities and the sensitivity analysis in the 2017 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 also described in the Risks and opportunities section of the 2017 Annual Report (pages 57–61).

No material changes in the company's assessment of risks have arisen following publication of the 2017 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 2.2. The target for the loan-to-value ratio is a maximum of 50 per cent. The long-term debt ratio will amount to a maximum of 13.

Seasonal variations

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

Market outlook

Both the property and rental markets remain strong. Given prevailing market conditions and Fabege'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. Fabege is well positioned to capitalise on the business opportunities that lie 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 2018 have not had any material impact on consolidated financial statements. The Parent Company prepares its financial statements according to RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act, and applies the same accounting policies and valuation methods as in the latest annual report.

New accounting policies as of 1 January 2018

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 previous accounting policies, in which such transactions were normally recognised on the contract date.

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 has not had 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, and the effect on Fabege's accounts is currently being investigated, but it is not expected to have any material impact on financial reporting.

Stockholm, 6 July 2018



CHRISTIAN HERMELIN
Chief Executive Officer.

Signing of the report

The Board of Directors and Chief Executive Officer hereby certify that this half-year report provides a true and fair overview of the development of the Parent Company and Group's operations, position and earnings and describes significant risks and uncertainties faced by the company and Group companies.

Stockholm, 6 July 2018

Jan Litborn
Chairman of the Board

Anette Asklin
Board Member

Anna Engebretsen
Board Member

Eva Eriksson
Board Member

Märtha Josefsson
Board Member

Pär Nuder
Board Member

Per-Ingemar Persson
Board Member

Mats Qviberg
Board Member

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

The Fabege share

Fabege's shares are listed on Nasdaq Stockholm and are included in the Large Cap segment.

OWNERS

On 31 May 2018, Fabege had a total of 38,737 known shareholders. The 15 largest owners controlled 46.8 per cent of the total number of shares and votes.

NUMBER OF SHARES

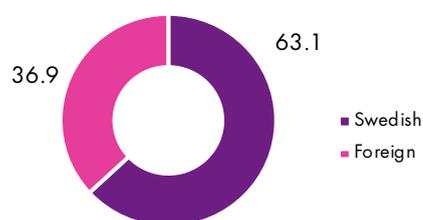
At the AGM on 9 April 2018, a decision was made to carry out a 2:1 share split. The share split meant that the number of shares in Fabege AB (publ) increased from 165,391,572 to 330,783,144. The new shares were registered in the shareholders' accounts on 30 April 2018.

OWNER DISTRIBUTION, 31 MAY 2018

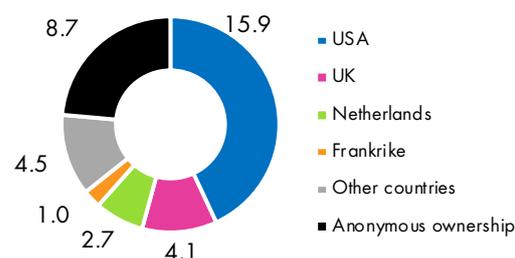
2018-05-31	Number of shares*	Proportion of equity, %	Proportion of votes, %
Erik Paulsson with family, privately and company	51,021,650	15.4	15.4
Fourth AP-fund	13,947,070	4.2	4.2
BlackRock	12,794,402	3.9	3.9
Länsförsäkringar Funds	12,314,028	3.7	3.7
Investment AB Öresund	11,520,392	3.5	3.5
Vanguard	8,404,019	2.5	2.5
Mats Qviberg with family	7,495,736	2.3	2.3
E.N.A City AB	6,068,600	1.8	1.8
Handelsbanken Funds	4,949,962	1.5	1.5
Principal Global Investors	4,908,692	1.5	1.5
Swedbank Robur Funds	4,848,865	1.5	1.5
SEB Funds	4,062,712	1.3	1.3
AFA Försäkringar	4,256,494	1.3	1.3
TR Property Investment Trust	3,946,330	1.2	1.2
Pensionskassan SHB Försäkringsförening	3,840,000	1.2	1.2
Total 15 largest shareholders	154,378,952	46.8	46.8
Other	176,404,192	53.2	53.2
Total no. of shares outstanding	330,783,144	100.0	100.0
Treasury shares	0	0	0
Total no. of registered shares	330,783,144	100.0	100.0

*The verification date may vary for foreign shareholders.

DISTRIBUTION OF OWNERSHIP, 31 MAY 2018



DISTRIBUTION OF FOREIGN OWNERSHIP, 31 MAY 2018



TURNOVER AND TRADING, JAN-JUN 2018

Turnover and trading, Jan-Jun 2018	Fabege	Large Cap Nasdaq Stockholm (average)
Lowest price, SEK	79.00	-
Highest price, SEK	107.28	-
VWAP, SEK	92.66	-
Average daily turnover, SEK	75,309,255	140,279,397
Number of traded shares, no	99,964,533	-
Number of transactions, no	812,720	-
Average transactions per day, no	1,914	2,584
Average value per transaction, SEK	39,351	38,162
Daily turnover relative to market capitalization	0.24	0.28

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

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

SEKm	2018	2017	2018	2017	2017	Rolling 12 m
	Apr-Jun	Apr-Jun	jan-jun	jan-jun	Jan-Dec	Jul-Jun
Rental income ¹	623	562	1,237	1,108	2,280	2,409
Property expenses	-154	-146	-329	-313	-600	-616
Net operating income	469	416	908	795	1,680	1,793
Surplus ratio, %	75%	74%	73%	72%	74%	74%
Central administration	-21	-17	-39	-36	-74	-77
Net interest/expense	-131	-123	-257	-256	-509	-510
Share in profits of associated companies	-19	-43	-40	-54	-105	-91
Profit/loss from property management	298	233	572	449	992	1,115
Realised changes in value of properties	5	0	88	0	0	88
Unrealised changes in value of properties	2,578	1,156	5,278	1,989	6,095	9,384
Unrealised changes in value, fixed income derivatives	-2	67	38	156	268	150
Changes in value of shares	0	0	0	-3	-4	-1
Profit/loss before tax	2,879	1,456	5,976	2,591	7,351	10,736
Current tax	-	-	0	-	-1	-1
Deferred tax	-243	-337	-801	-590	-1,718	-1,929
Profit/loss for period/year	2,636	1,119	5,175	2,001	5,632	8,806
Items that will not be restated in profit or loss	-	-	0	-	-15	-15
Revaluation of defined-benefit pensions	-	-	0	-	-15	-15
Comprehensive income for the period/year	2,636	1,119	5,175	2,001	5,617	8,791
Total comprehensive income attributable to:						
Parent company shareholders	2,636	1,119	5,175	2,001	5,617	8,791
Non-controlling interest	-	-	-	-	-	-
Earnings per share, SEK ²	7.97	3.38	15.64	6.05	17.03	26.62
Total earnings per share, SEK ²	7.97	3.38	15.64	6.05	16.98	26.57
No. of shares at period end, millions	330,783	330,783	330,783	330,783	330,783	330,783
Average no. of shares, thousands	330,783	165,392	248,087	165,392	165,392	227,414

¹ Additional payment, service and other income amounts to SEK 62m, corresponding to 5% of total rental income for the period January - June 2018.

² Conversion per share has been made with regard to split 2: 1, according to the Annual General Meeting of 9 April 2018. No. of shares in previous periods has been recalculated accordingly.

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

SEKm	2018	2017	2017
	Jun 30	Jun 30	Dec 31
Assets			
Properties	63,391	52,464	57,889
Other tangible fixed assets	3	2	4
Financial fixed assets	424	497	342
Current assets	481	636	647
Short-term investments	153	142	153
Cash and cash equivalents	67	19	349
Total assets	64,519	53,760	59,384
Equity and liabilities			
Shareholder's equity	32,443	24,396	28,012
Deferred tax	5,789	3,859	4,988
Other provisions	229	216	233
Interest-bearing liabilities ¹	24,947	23,886	24,841
Derivative instrument	254	402	291
Non-interest-bearing liabilities	857	1,001	1,019
Total equity and liabilities	64,519	53,760	59,384

¹ Of which short-term SEK 4,736m (7,817)

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

SEKm	Shareholders' equity	Of which,	
		attributable to Parent Company shareholders	attributable to non-controlling interest
Shareholders' equity, 1 January 2016, according to adopted Statement of financial position	23,002	23,002	-
Cash dividend	-662	-662	-
Acquired minority interest	55	-	55
Profit for the period	5,632	5,632	-
Other comprehensive income	-15	-15	-
Shareholders' equity, 31 December 2016	28,012	27,957	55
Cash dividend	-744	-744	-
Acquired minority interest	-	-	-
Profit for the period	5,175	5,175	-
Other comprehensive income	-	-	-
Shareholders' equity, 30 June 2018	32,443	32,388	55

CONSOLIDATED STATEMENT OF CASH FLOWS

SEKm	2018	2017	2017
	Jan-Jun	Jan-Jun	Jan-Dec
Operations			
Net operating income	908	795	1,680
Central administration	-39	-36	-74
Reversal of depreciation	0	0	1
Interest received	6	5	9
Interest paid	-262	-263	-624
Income tax paid	0	-29	0
Cash flow before changes in working capital	613	472	992
Change in working capital			
Change in current receivables	44	1,350	40
Change in current liabilities	-206	93	-249
Total change in working capital	-162	1,443	-209
Cash flow from operating activities	451	1,915	783
Investing activities			
Investments in new-builds, extensions and conversions	-1,568	-1,421	-2,676
Acquisition of properties	0	-1,314	-1,314
Divestment of properties	1,563	140	1,439
Other tangible fixed assets	-91	-311	-146
Cash flow from investing activities	-96	-2,906	-2,697
Financing activities			
Dividend to shareholders	-744	-662	-622
Change in interest bearing liabilities	107	1,610	2,863
Cash flow from financing activities	-637	948	2,201
Cash flow for the period	-282	-43	287
Cash and cash equivalents at beginning of period	349	62	62
Cash and cash equivalents at end of period	67	19	349

CONSOLIDATED KEY RATIOS

Financial ²	2018	2017	2017
	Jan-Jun	Jan-Jun	Jan-Dec
Return on capital employed, %	21.5	12.1	21.1
Return on equity, %	17.1	8.4	22.1
Interest coverage ratio, multiple	3.4	3.0	3.2
Equity	50	45	47
Loan-to-value ratio, properties, %	39	46	43
Debt ratio, multiple	14.5	15.8	15.5
Debt/equity ratio, multiple	0.8	1.0	0.9
Share related ^{1 2}			
Earnings per share, SEK ³	15:64	6:05	17:02
Total earnings per share, SEK	15:64	6:05	16:98
Equity per share, SEK	98	74	85
Cash flow from operating activities per share, SEK	1:36	5:79	2:37
EPRA NAV, SEK per share	116	87	101
EPRA, EPS	1:53	1:25	2:72
Average no. of shares, thousands	248,087	165,392	165,392
No. of outstanding shares at end of period, thousands	330,783	330,783	330,783
Property-related			
No. of properties	88	88	90
Carrying amount, Properties, SEKm	63,391	52,464	57,889
Lettable area, sqm	1,143,000	1,139,000	1,136,000
Financial occupancy rate, %	95	94	94
Total return on properties, %	10.8	5.6	15.0
Surplus ratio, %	73	72	74

¹ Conversion per share has been made with regard to split 2: 1, according to the Annual General Meeting of 9 April 2018. No. of shares in previous periods has been recalculated accordingly.

³ Unless otherwise stated, the key figure is not defined under IFRS. Please see page 21 for definitions

⁴ Definitions according to IFRS

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. No changes have been made to the measurement model.

	Group		Parent Company	
	2018 Jun 30	2017 Dec 31	2018 Jun 30	2017 Dec 31
IFRS, level 3, SEKm				
Opening value	-66	-218	-66	-218
Acquisitions/Investments	0	0	0	0
Changes in value	0	117	0	117
Matured	66	35	66	35
Closing value	0	-66	0	-66
Carrying amount	0	-66	0	-66

¹ Is attributable in its entirety to derivative instruments that were held by the company at the beginning of the year and were due during the period.

DEFERRED TAX

	2018 Jun 30	2017 Jun 30	2017 Dec 31
Deferred tax attributable to:			
- tax loss carryforwards, SEKm	-959	-1,019	-1,066
- difference between book value and tax value in respect of properties, SEKm	6,810	4,954	6,124
- derivatives, SEKm	-62	-89	-64
- other, SEKm	0	13	-6
Net debt, deferred tax, SEKm	5,789	3,859	4,988

RECONCILIATION OF KEY RATIOS

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

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

	2018 Jun 30	2017 Jun 30	2017 Dec 31
Equity/assets ratio			
Equity, SEKm	32,443	24,396	28,012
Total assets, SEKm	64,519	53,760	59,384
Equity/assets ratio	50%	45%	47%

	2018 Jun 30	2017 Jun 30	2017 Dec 31
Loan-to-value ratio, properties			
Interest-bearing liabilities, SEKm	24,947	23,887	24,841
Booked value properties, SEKm	63,391	52,464	57,889
Loan-to-value ratio, properties	39%	46%	43%

	2018 Jun 30	2017 Jun 30	2017 Dec 31
Debt ratio			
Operating surplus, SEKm	1,793	1,578	1,680
Central administration, SEKm	-77	-70	-74
Total, SEKm	1,716	1,508	1,606
Interest-bearing liabilities, SEKm	24,947	23,886	24,841
Debt ratio, multiple	14.5	15.8	15.5

	2018 Jun 30	2017 Jun 30	2017 Dec 31
Interest coverage ratio, multiple			
Net operating income, SEKm	908	795	1,680
Central administration, SEKm	-39	-36	-74
Total, SEKm	869	759	1,606
Net interest/expense, SEKm	-256	-256	-509
Interest coverage ratio, multiple	3.4	3.0	3.2

	2018 Apr-Jun	2017 Apr-Jun	2018 Jan-Jun	2017 Jan-Jun	2017 Jan-Dec
EPRA EPS					
Profit from property management, SEKm	298	233	572	449	992
Tax-deductible depreciation, SEKm	-137	-148	-274	-295	-580
Sum, SEKm	161	85	298	154	412
Nominal tax (22%), SEKm	35	19	66	34	91
EPRA earnings in total, (Profit from property management minus nominal tax) SEKm	263	214	506	415	901
Number of shares, millions	330.8	330.8	330.8	330.8	330.8
EPRA EPS, SEK per share	0:79	0:65	1:53	1:25	2:72

¹ Conversion per share has been made with regard to split 2: 1, according to the Annual General Meeting of 9 April 2018. No. of shares in previous periods has been recalculated accordingly.

	2018	2017	2017
	Jan-Jun	Jan-Jun	Jan-Dec
EPRA NAV			
Shareholders' equity, SEKm	32,443	24,396	28,012
Reversal of fixed-income derivatives, SEKm	254	402	291
Reversal of deferred tax according to the balance sheet, SEKm	5,789	3,859	4,988
Sum, SEKm	38,486	28,657	33,291
Number of shares, millions	330.8	330.8	330.8
EPRA NAV, SEK per share	116	87	101

been recalculated accordingly.

	2018	2017	2018	2017	2017
	Apr-Jun	Apr-Jun	Jan-Jun	jan-jun	Jan-Dec
Return on equity					
Profit for the period, SEKm	2,636	1,119	5,175	2,001	5,632
Average shareholders' equity, SEKm	31,497	23,835	30,228	23,698	25,507
Return on equity	8.4%	18.8%	17.1%	8.4%	22.1%

	2018	2017	2018	2017	2017
	Apr-Jun	Apr-Jun	Jan-Jun	jan-jun	Jan-Dec
Total return on properties					
Net operating income, SEKm	469	416	908	795	1,680
Unrealized and realized value changes properties, SEKm	2,583	1,156	5,366	1,989	6,095
Market value including capital investment during the period, SEKm	62,158	51,448	58,112	49,301	51,794
Total return on properties, %	4.9%	3.1%	10.8%	5.6%	15.0%

CONTINGENT LIABILITIES

Contingent liabilities comprise the balance sheet date guarantees and commitments in favour of associated companies of SEK 363m (340) and other 0 (0).

SEGMENT REPORTING – CLASSIFICATIONS AND RECLASSIFICATIONS DURING THE PERIOD

The Pyramiden 4 property was reclassified as an investment property at the end of the first quarter. In the second quarter, the Fortet 2 property was reclassified from a development property to a project property.

PARENT COMPANY CONDENSED INCOME STATEMENT

	2018	2017	2017
	Jan-Jun	Jan-Jun	Jan-Dec
SEKm			
Income	140	112	203
Expenses	-244	-139	-257
Net financial items	-67	-44	-147
Changes in value, fixed-income derivatives	38	123	268
Changes in value, equities	0	-3	-4
Group Contribution	2,010	0	79
Profit before tax	1,877	49	142
Current tax	-	-	0
Deferred tax	-8	-27	-32
Profit for the period	1,869	22	110

PARENT COMPANY CONDENSED BALANCE SHEET

	2018	2017	2017
	Jun 30	Jun 30	Dec 31
SEKm			
Participation in Group companies	12,516	12,516	12,516
Other fixed assets	39,568	39,430	40,721
<i>of which, receivables from Group companies</i>	<i>38,757</i>	<i>39,087</i>	<i>40,402</i>
Current assets	137	83	85
Cash and cash equivalents	1	36	347
Total assets	52,222	52,065	53,669
Shareholders' equity	11,254	10,041	10,129
Provisions	13	-27	4
Long-term liabilities	37,145	31,344	36,724
<i>of which, liabilities to Group companies</i>	<i>18,220</i>	<i>20,286</i>	<i>21,252</i>
Current liabilities	3,810	10,707	6,812
Total equity and liabilities	52,222	52,065	53,669

Quarterly overview

CONDENSED INCOME STATEMENT, AMOUNTS IN SEKM

SEKm	2018			2017			2016		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	
Rental income	623	614	592	580	562	546	532	534	
Property expenses	-154	-175	-142	-145	-146	-167	-150	-133	
Net operating income	469	439	450	435	416	379	382	401	
Surplus ratio	75%	72%	76%	75%	74%	69%	72%	75%	
Central administration	-21	-18	-21	-17	-17	-19	-17	-17	
Net interest expense	-131	-126	-126	-127	-123	-133	-129	-139	
Share in profits of associated companies	-19	-21	-24	-27	-43	-11	-402	-16	
Profit/loss from property management	298	274	279	264	233	216	-166	229	
Realised changes in value of properties	5	83	0	0	0	0	309	20	
Unrealised value of properties	2,578	2,700	1,643	2,463	1,156	833	3,136	1,760	
Unrealised changes in value, fixed-income derivatives	-2	40	41	71	67	89	230	42	
Changes in value, equities	0	0	-1	0	0	-3	5	0	
Profit for the period/year	2,879	3,097	1,962	2,798	1,456	1,135	3,514	2,051	
Current tax	0	0	0	-1	0	-	-89	2	
Deferred tax	-243	-558	-532	-596	-337	-253	-664	-437	
Comprehensive income for the period	2,636	2,539	1,430	2,201	1,119	882	2,761	1,616	

CONDENSED FINANCIAL POSITION, AMOUNTS IN SEKM

SEKm	2018			2017			2016		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	
Assets									
Properties	63,391	61,375	57,889	55,509	52,464	50,832	47,842	44,659	
Other tangible fixed assets	3	3	4	3	2	2	2	2	
Financial fixed assets	424	400	342	495	497	360	516	916	
Current assets	481	728	647	586	636	647	1,687	500	
Short-term investments	153	153	153	152	142	142	114	89	
Cash and cash equivalents	67	0	349	161	19	24	62	36	
Total assets	64,519	62,659	59,384	56,906	53,760	52,007	50,223	46,202	
Equities and liabilities									
Shareholders' equity	32,443	30,551	28,012	26,597	24,396	23,277	23,002	20,246	
Deferred tax	5,789	5,546	4,988	4,455	3,859	3,521	3,271	2,648	
Other provisions	229	235	233	216	216	218	215	142	
Interest-bearing liabilities	24,947	25,194	24,841	24,436	23,886	22,548	21,978	20,818	
Other long-term liabilities	-	-	-	-	-	-	-	625	
Derivative instruments	254	251	291	332	402	470	559	789	
Non-interest bearing liabilities	857	882	1,019	870	1,001	1,973	1,198	934	
Total equity and liabilities	64,519	62,659	59,384	56,906	53,760	52,007	50,223	46,202	

KEY RATIOS

	2018			2017			2016		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	
Financial²									
Return on capital employed, %	20.5	23.6	16.1	23.4	13.4	11.7	33.2	21.2	
Return on equity, %	8.4	8.7	5.2	8.5	4.7	3.7	12.8	8.3	
Interest coverage ratio, multiple ²	3.4	3.3	3.4	3.3	3.2	2.7	2.8	2.8	
Equity/assets ratio, %	50	49	47	47	45	45	46	44	
Loan-to-value ratio, properties, %	39	41	43	44	46	44	46	47	
Debt ratio, multiple	14.5	15.1	15.5	14.6	16.1	15.5	15.3	14.8	
Debt/equity ratio, multiple	0.8	0.8	0.9	0.9	1.0	1.0	1.0	1.0	
Share-related^{1 2}									
Earnings per share, SEK ³	7:97	7:68	4:59	6:65	3:39	2:67	8:35	4:89	
Total earnings per share, SEK	98	93	85	81	74	71	70	61	
Cash flow from operating activities per share, SEK	1:62	-0:27	0:46	-3:88	0:13	5:67	0:88	0:26	
EPRA NAV, SEK per share	116	110	101	95	87	83	82	72	
EPRA EPS	0:79	0:74	0:75	0:72	0:65	0:61	-0:26	0:63	
No. of shares outstanding at the end of the period, thousands	330,783	330,783	330,783	330,783	330,783	330,783	330,783	330,783	
Average no. of shares, thousands	248,088	165,392	165,392	165,392	165,392	165,392	165,392	165,392	
Property-related									
Financial occupancy rate, %	95	94	94	94	94	93	94	94	
Total return on properties, %	4.9	5.5	3.7	5.5	3.1	2.5	8.6	5.1	
Surplus ratio, %	75	72	76	75	74	69	72	75	

¹ Conversion per share has been made with regard to split 2: 1, according to the Annual General Meeting of 9 April 2018. No. of shares in previous periods has been recalculated accordingly.

² Unless otherwise stated, the key figure is not defined under IFRS. Please see page 21 for definitions

³ Definitionen according to IFRS.

Definitions

The company presents certain financial performance measures in the interim report that are not defined according to IFRS. The company considers that these measures provide valuable supplementary information for investors and company management, as they enable an assessment and benchmarking of the company's presentation.

Since not all companies calculate financial performance measures in the same way, these are not always comparable to measures used by other companies. These financial performance measures should not therefore be regarded as substitutes for measures defined according to IFRS. The following key ratios are not defined according to IFRS, unless otherwise stated.

RETURN ON EQUITY

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

RETURN ON CAPITAL EMPLOYED

Profit before tax plus interest expenses, divided by average capital employed. In interim reports, the return is converted into its annualised value without taking account of seasonal variations.

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 amounts such as tax-deductible depreciation and re-modelling.

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.

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

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 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 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 RATIO

Interest-bearing liabilities divided by rolling twelve-month net operating income less central administration.

DEBT/EQUITY RATIO

Interest-bearing liabilities divided by shareholders' equity.

EQUITY/ASSETS RATIO

Equity, including non-controlling interests, divided by balance sheet total.

CAPITAL EMPLOYED

Total assets less non-interest-bearing liabilities, provisions and deferred tax.

TOTAL RETURN PROPERTIES

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

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

This is Fabege

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

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.

At 30 June 2018, Fabege owned 88 properties with a total market value of SEK 63.4bn. The rental value was SEK 2.7bn.

Business concept

Fabege 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.

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 Transactions.

Strategy for growth

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

Attractive locations lead to a low vacancy rate in the investment property portfolio. Modern properties permit flexible solutions and attract customers. With its concentrated portfolio and high-profile local presence, investments aimed at enhancing the 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 account for the largest growth, which is boosting demand for office premises.

Change in demand

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

Economic trend

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

Sustainable urban development

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



PROPERTY MANAGEMENT

The essence of 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.

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.

TRANSACTIONS

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

CALENDAR

Interim report Jan–June 2018	6 July 2018, 8:00 am CET
Interim report Jan–Sep 2018	18 October 2018, 8:00 am CET
Year-end report 2018	5 February 2019, 12:00 noon CET

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On the Group's website you can find further information about Fabege and the company's operations. There will also be a web presentation at which Christian Hermelin and Åsa Bergström will present the report on 6 July 2018.



PRESS RELEASES DURING THE SECOND QUARTER 2018*

9 April	Resolution by Fabege's Annual General Meeting on 9 April 2018
10 April	Correction: Resolution by Fabege's Annual General Meeting on 9 April 2018
12 April	Fabege sells property in Vasastan
18 April	Fabege AB (publ) executes share split
24 April	Interim report January – March 2018
14 May	Fabege signs new supplementary agreement with ICA Group
23 May	Fabege increases green MTN programme from SEK 5bn to SEK 8bn
23 May	Change in management's holding of shares in Fabege AB
8 June	New hotel and long-stay accommodation for Arenastaden
19 June	Increased accessibility and more development rights in Arenastaden
19 June	Three new activity parks to be constructed in Solna at initiative of Generation Pep
29 June	Fabege leases Hagahuset to Kom Hotel

*Including regulatory and non-regulatory press releases during the period.



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This information is of the type that Fabege AB is required to disclose under the EU Market Abuse Regulation and the Swedish Securities Market Act.

This information was released, through the provision of the above-mentioned contact person, for publication on 6 July 2018, at 8:00 am CET.

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