

We create
conditions
for success

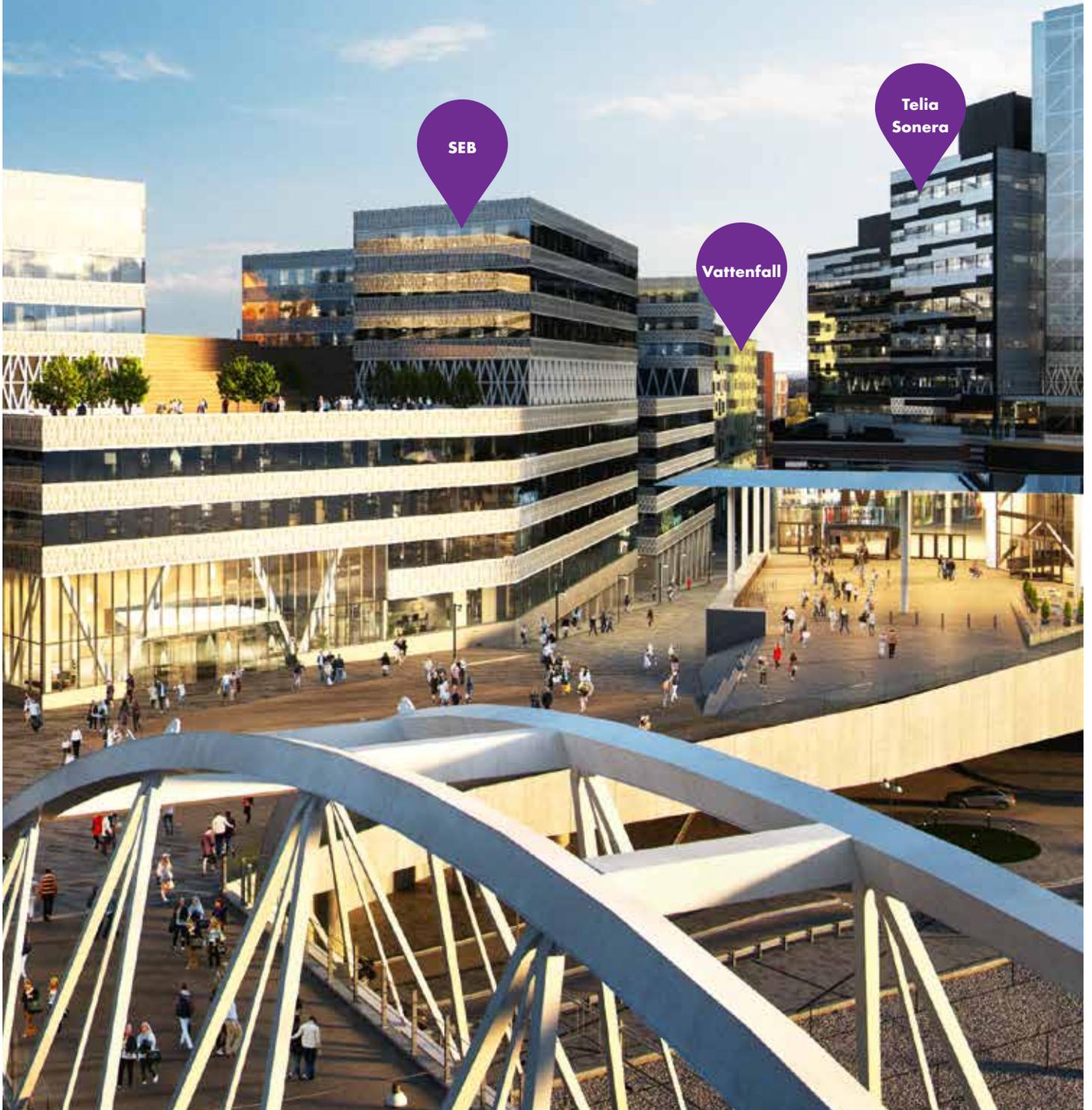
Key
Fabege

Annual Report 2014

SEB

Telia
Sonera

Vattenfall





We are one of Sweden's leading property companies with a principal focus on the development and management of company-owned office premises.

We offer modern premises in prime locations in fast-growing submarkets in the Stockholm region, such as Stockholm inner city, Arenastaden, Solna Business Park and Hammarby Sjöstad.

We continuously pursue the long-term development of attractive and sustainable areas and city districts.

Our core values, known internally as SPEAK, ensure that our operations are characterised by speed, informality, entrepreneurship, a clear business orientation and customer proximity.

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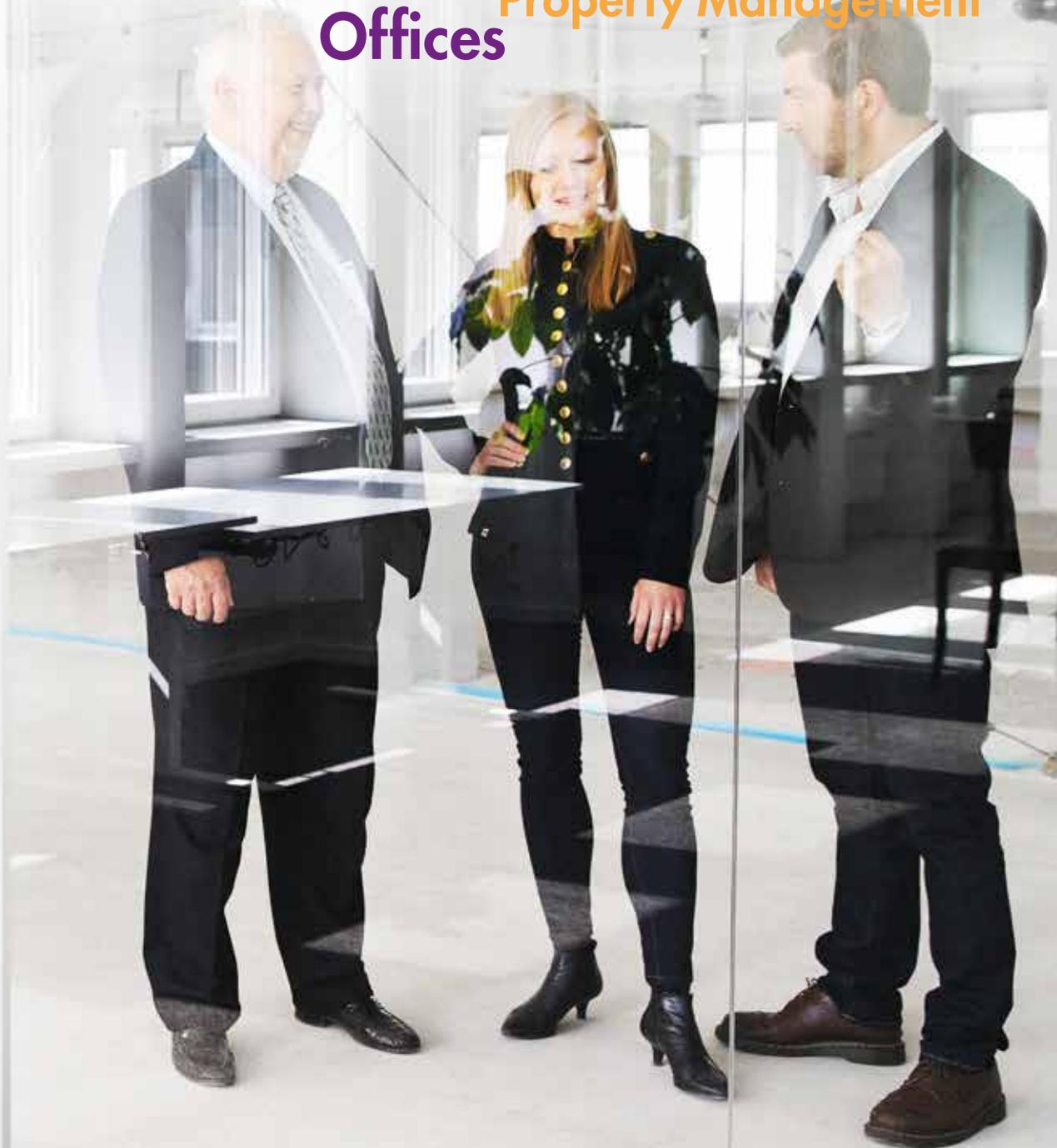
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This document is a translation of the original, published in Swedish. In cases of any discrepancies between the Swedish and English versions, or in any other context, the Swedish original shall have precedence.

Modern properties **Sustainable**
Stockholm Long-term
Growth areas **Customer-focused**
Concentrated portfolio
Informal Project development
Prime locations **Efficient**
Business-minded **Property Management**
Offices



Highlights of the year

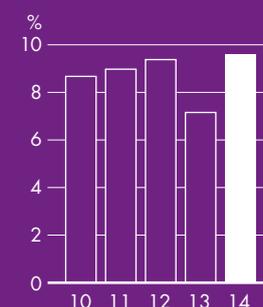
14

- Rental income amounted to SEK 2,087m (2,059). In an identical portfolio, income rose slightly more than 5 per cent.

- Net operating income increased about 5 per cent to SEK 1,485m (1,411). The surplus ratio increased to 71 per cent (69).
- Profit from property management rose about 11 per cent to SEK 682m (614).
- Realised and unrealised changes in value amounted to SEK 1,639m (874) in properties and SEK -473m (408) in interest-rate derivatives.
- Profit before tax for the year amounted to SEK 1,867m (1,992). The decline was due in its entirety to higher deficit value in the portfolio of derivative instruments. Profit after tax for the year was SEK 1,738m (1,530), corresponding to earnings per share of SEK 10.51 (9.26).
- Net lettings for the year totalled SEK 243m (68) after major project lettings to, among others, TeliaSonera and SEB in Arenastaden. The rent levels from all renegotiated leases rose an average of 11 per cent.
- The equity/assets ratio increased to 38 per cent and the loan-to-value ratio was 60 per cent.

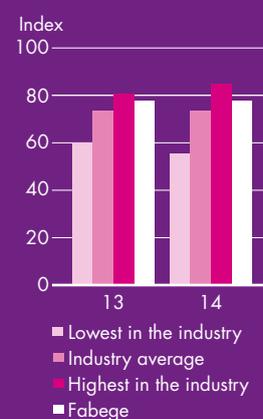
Key figures	2014	2013
Rental income, SEKm	2,087	2,059
Net operating income, SEKm	1,485	1,411
Profit for the year, SEKm	1,738	1,530
Return on equity, %	13.2	12.8
Surplus ratio, %	71	69
Equity/assets ratio, %	38	35
Interest coverage ratio, multiple	2.4	2.0
Earnings per share before and after dilution, SEK	10.51	9.26
Dividend per share, SEK	3.25	3.00

Total return on the property portfolio



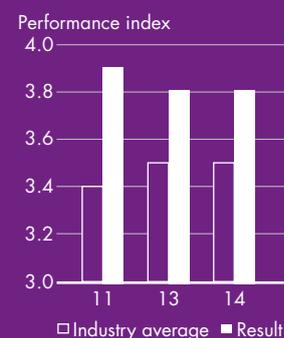
Net operating income plus unrealised and realised changes in the value of properties divided by market value at year-end.

Satisfied customers



In the property industry's SCI survey, Fabege was ranked in line with the upper quartile, meaning among the companies with the most satisfied customers.

Satisfied employees



More than 99 per cent of Fabege's employees participated in the employee-satisfaction survey in 2014. The results show a performance rating of 3.8. The average for the the sector was 3.5.

Key events per quarter



- Several new tenants moved into Fabege's properties, including Pontus Pocket in Solna Business Park.
- Fabege decides to contribute SEK 100m to the City of Solna to co-finance expansion of the underground train service to Arenastaden.
- Housing development rights sold in Hammarby Sjöstad plus the Kolonnen 7 property in Södermalm.



- Production work on SEB's new office building initiated.
- Fabege participated for the first time in Global Real Estate Sustainability Benchmark (GRESB) and received the Green Star rating, which is the highest level.
- Lease signed with Starbucks to open a flagship coffee bar at Stureplan.



- Two record-large lettings, to TeliaSonera and SEB, both in Arenastaden. Net lettings for the quarter were the best in Fabege's history.
- Sale of the Skogskarlen 1 and 3 properties in Bergshamra and two leaseholds in Stockholm inner city.
- Turf-cutting ceremony for what will be Sweden's first wine hotel, The Winery Hotel.
- Fabege's wins the award for best communication activities in the industry survey conducted by Swedish property magazine Fastighetsvärlden.



- Siemens and Sodexo sign leases for the relocation of their Swedish head offices to Arenastaden.
- Lagardère Unlimited signs agreement to take over the operation of Friends Arena.
- Share price exceeds SEK 100.
- By selling six properties, Fabege strengthens its cash balance by nearly SEK 2bn.



Record-large lettings to TeliaSonera and SEB.



On 2 December, the price of the Fabege share passed the SEK 100 mark for the first time.



The year was characterised by several major transactions. Fuelled by our daring targets, a motivated organisation and favourable market conditions, we managed our opportunities well and capitalised on opportunities to execute a number of excellent transactions in both the rental and the transaction market.

MESSAGE FROM THE CEO

“Ambitious targets generated strong earnings”

We operate in the strong property market of Stockholm, one of Europe's fastest growing cities. The number of office employees in Stockholm rose 5 per cent in 2014, an increase of some 400,000 sqm in the requirement for office premises. New offices are being produced at a far lower rate, at about 130,000 sqm per year. After factoring in office buildings that are being converted into hotels and residential units, this figure becomes virtually zero. We also note more companies relocating to high-quality modern offices. Altogether, this is contributing to healthy demand, a decline in vacancies and higher rents for modern offices in good locations.

Excellent trend in stable rental market

We achieved our goal of a surplus ratio of 70 percent in 2014. One key reason for this was that we continued to pursue our structured customer efforts during the year. By maintaining an ongoing dialogue with our customers regarding existing and future requirements, we generate long-term solutions that are adaptable to both present and future conditions. Our high retention rate and CSI figures can be regarded as proof that we are on the right track.

Sustainability efforts continue

As an additional phase of our sustainability work, we have decided to also proceed with the certification of properties in the existing portfolio according to BREEAM In-Use. This is not only important from a financial perspective, but also enables us to meet our existing and potential customers' requirements, while contributing to sustainable business and urban development.

Strong development in Arenastaden

Fabege's operations developed well during the year, particularly in Arenastaden. The large lettings enabled us to increase the pace of development of the project portfolio. Arenastaden is now growing at a fast pace and our vision of the vibrant city district is gradually becoming reality. I am very proud that we have been so successful in attracting a number of Sweden's largest companies to Arenastaden.

Increased pace of efforts to achieve our strategic goals

Record number of square metres in offices under production

With the large lettings to tenants such as SEB and TeliaSonera in Arenastaden during 2014, we have already secured a considerable portion of the future production volume. In Arenastaden, lettable area under production totals about 150,000 sqm, a volume representing

some 50 per cent of office production in the Stockholm region. Our previous objective was to achieve an annual investment volume of SEK 1.5bn in our project operations, with a return of at least 20 per cent on invested capital. With our major projects under production, we will advance to a new level of approximately SEK 2bn per year in the years immediately ahead.

Continued streamlining of the property portfolio

The transactions market was strong in 2014 and we accelerated our efforts to streamline the property portfolio. In line with our strategy, we divested properties located outside our prioritised areas or properties where an alternative return is more attractive. With these measures, we are becoming stronger in our priority areas and creating scope for implementing new acquisitions and new projects.

Favourable financial climate

The financial climate became more favourable during the past year, with lower margins and easier access to capital from both banks and the capital market. The positive conditions in the property market enabled us to achieve our goal of having a maximum loan-to-value ratio of 60 per cent, despite having paid out SEK 2.1bn for our tax cases, which are now finally closed.

A driven and continuously developing organisation

Goals cannot be achieved without an efficiently functioning organisation. Fabege's achievement of its targets for 2014 was largely due to all

our dedicated employees and a corporate culture characterised by continuous development. In 2014, we focused on leadership at several levels and added two individuals to Group management. We strive continuously to improve.

Outlook 2015 and forward

We are proud to have achieved our highly set targets in 2014, but we are not complacent. Our ambitions remain high and, consequently, our goal is for 2015 to be at least as successful as 2014. With our vision of becoming even better at creating the right conditions for our customers, we work continuously to develop not only premises, but also attractive locations that are suited to our customers.

I am pleased for our shareholders that the Fabege share performed well in 2014 and I welcome all shareholders to join us for what continues to be an exciting journey!

CHRISTIAN HERMELIN
Chief Executive Officer

Fabege's achievement of its targets for 2014 was largely due to all our dedicated employees and a corporate culture characterised by continuous development.

Fabege creates conditions for success

Fabege's strategy is to create value by managing and developing the property portfolio and – via transactions – acquiring properties with favourable growth potential and divesting properties located outside the company's prioritised areas.

Attractive locations

Stockholm is a growth market with a population that continues to rise. By 2030, Stockholm County is expected to add 500,000 inhabitants to the current total. The city boundaries are moving outwards, with the inner city growing together with nearby suburbs. Fabege's properties are located in a number of the fastest growing areas and ones that offer excellent transport facilities.

Concentrated portfolio

Fabege's property portfolio is concentrated within a radius of five kilometres of Stockholm inner city. Concentrated portfolios facilitate market awareness and provide the potential to satisfy customer requirements for new premises and services. Through its concentrated portfolio, Fabege also has an opportunity to shape the development of complete city districts and nearby areas in collaboration with city and municipal authorities.

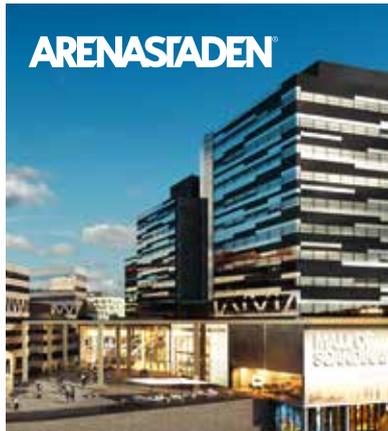
Modern properties

Companies are increasingly demanding modern, sustainable offices in attractive locations in terms of transport links and good surrounding services. Interest in environmentally certified and energy-efficient premises continues to increase. Fabege offers modern, flexible and environmentally efficient premises in attractive locations.

Solna Business Park
 Excellent transport links and a well-established office district are the characteristic features of Solna Business Park. As a major property owner, Fabege participates in the development of both properties and the area.



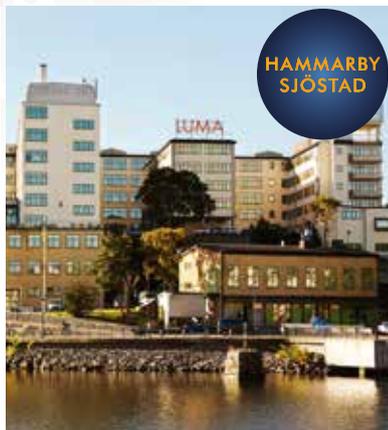
Arenastaden
 At a fast pace, a vibrant city district with an attractive mix of modern offices, shopping, residential units, hotels and an arena is being developed. The area has excellent transport links and is close to green spaces.



Stockholm inner city
 For many companies, a central location is a the key factor when choosing where to locate their offices. This is reflected in the extremely strong demand for offices in Stockholm inner city.



Hammarby Sjöstad
 The waterside location, combined with excellent transport facilities and easy access to the inner city and green areas, makes Hammarby Sjöstad a highly attractive area for both residents and businesses.



Our strategy and our values

Fabege is a customer-oriented company. The core values characterise our internal and external approach to customers and other stakeholders.



Business concept

Fabege's business is focused on commercial properties in the Stockholm region, with a particular emphasis on a limited number of fast-growing market segments. Fabege aims to create value by managing, improving and actively adjusting its property portfolio through sales and acquisitions. Accrued value should be realised at the right time.

Strategy

Fabege's strategy is to create value by managing and developing the property portfolio and – through 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.

Our core values

Shared core values and a strong corporate culture are distinctive features of successful companies. Fabege works on the basis of the shared core values that permeate the entire operation. Training and skills transfer through the core values occur continuously and are a natural feature of every employee's personal development plan.



Fast

We are efficient, we prioritise fast decisions, provide prompt feedback and offer simple solutions. We act with clarity, we make things happen, and make sure deadlines are met.



Informal

We show respect by being open and attentive to our colleagues, customers and suppliers. We are more important than I. We are team players and strive to work together and ensure cohesion in the team. We are humble and show courage by daring to ask for help and sharing our knowledge with others.



Entrepreneurial

We see opportunities and do not get caught up in problems. We are creative, encourage new ideas and dare to try unconventional solutions. We show our commitment by ensuring that adopted decisions are implemented.



Business-minded

We set and gain acceptance for clear goals and we actively follow them up. We act with competence and look for win-win solutions. We make sure we use all accessible resources in the form of knowledge, skills or tools.



Customer-focused

We build trust and long-term customer relationships by arriving in time, doing our homework and providing the best possible service based on the customer's requirements. We get to know customers, employees and suppliers through an open, attentive and personal approach.

Financial targets

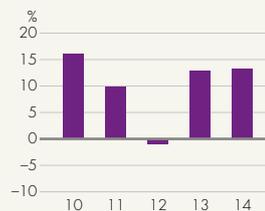
TARGET

RESULTS

Return on equity

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

The return on equity was 13.2 per cent, with contributions made by all parts of the operation, meaning property management, property development and transactions. The negative return for 2012 was due to provisions of SEK 1.9bn for ongoing tax cases.

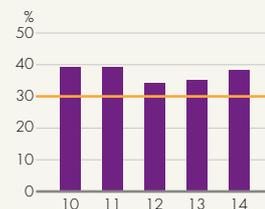


Equity/assets ratio

The target is to maintain an equity/assets ratio of at least 30 per cent.



The equity/assets ratio increased to 38 per cent during 2014 as a result of the strengthening of the balance sheet through strong earnings from operations combined with the sale of selected properties.



Interest coverage ratio

The interest coverage ratio is to be at least 2.0, including realised changes in value.



The interest coverage ratio was in line with the target of 2.0, an effect of strong net operating income in combination with low market interest rates.

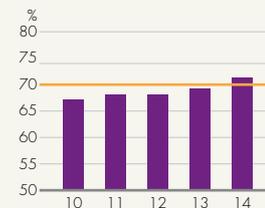


Surplus ratio

A long-term aim is for the surplus ratio to reach 70 per cent.



The surplus ratio has improved steadily, in part as a result of increasing income, a much more modern portfolio and continued cost-effectiveness. The result for 2014 exceeded the target and was 71 per cent.

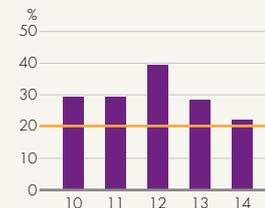


Return on projects

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



During 2014, investments slightly exceeded SEK 1.2bn, generating a yield of 22 per cent. This mainly derived from value growth in major ongoing projects.

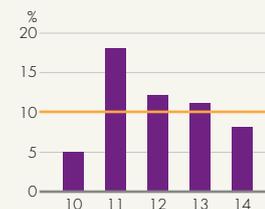


Transaction gains

Fabege aims to increase efficiency in the portfolio through sales. Transactions are to generate a return of at least 10 per cent in relation to the carrying amount.



During 2014, 14 properties were sold for a total purchase consideration of SEK 3.9bn. This generated a return of 8 per cent in relation to the carrying amount. In several cases, on-going business discussions resulted in a write-up of property values during the year, thus generating a higher unrealised gain and thereby lower transaction profit.



Sustainability targets

TARGET

RESULTS

Customer Satisfaction Index

During 2014, the target was to achieve an index rating of 80 in the industry's SCI survey.



Fabege received an SCI index rating of 77, the same as in 2013. The highest ratings in the industry were 84 during 2014 and 80 in 2013. The average for the the sector was 73. While Fabege did not achieve the target, the result was favourable considering the many excellent achievements made by the organisation during the year. Customer satisfaction work continues to be a prioritised goal for property management operations.

Environment

Energy-efficiency enhancements

Fabege's aim was to achieve a minimum reduction in energy consumption levels of 20 per cent by the end of 2014, compared with the level in 2009, based on the same portfolio and with indoor climate conditions remaining unchanged.



During 2014, total energy consumption was 14 per cent lower than in 2009, which means that the target was not achieved. To some extent, the heating and electricity savings were offset by the continuous build-out of cooling in the property portfolio.

Environmental certification

All new builds and major redevelopments are to be environmentally certified according to BREEAM or Miljöbyggnad (a Swedish certification system).



During 2014, about five new builds and major redevelopments were under way. All of these were undergoing a certification process according to BREEAM or Miljöbyggnad, which means that the target was met.

Green Leases

The aim is that Green Leases will account for 50 per cent of total space under newly signed leases.



During 2014, Green Leases accounted for 86 per cent of total space under newly signed leases, as a result of the the year's major new lettings.

Sustainability inspections

Fabege's objective during 2012–2014 was to conduct sustainability inspections of suppliers corresponding to at least 75 per cent of the total purchasing volume.



During 2012 and 2013, 60 suppliers were reviewed in detail regarding sustainability issues and 16 suppliers were inspected in 2014. In total, the inspections corresponded to 76 per cent of the total purchasing volume at the end of 2014.

Employees

Satisfied employees

The performance rating of the personnel is measured regularly and the aim is that the rating among Fabege's employees will be at least 15 per cent higher than the sector average.



More than 99 per cent of Fabege's employees participated in the employee-satisfaction survey in 2014. The results show a performance rating of 3.8. The average for the sector was 3.5. This corresponds to a 9 per cent higher result than the sector average.

Sickness absence remains low

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

Total sickness absence during 2014 was 2.6 per cent.

Code of Conduct

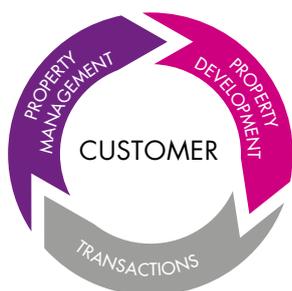
All employees are to be informed on a regular basis of Fabege's Code of Conduct and ethical guidelines, as well as of bribery legislation. Such information is to be provided at conferences, workshops, courses or e-learning programmes, depending on the purpose.

During 2014, a full day was devoted to business ethics and anti-corruption matters. All employees have received a printed version of the Code of Conduct.

For more information on sustainability work, see pages 42–61.

Value creation ...

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



Fabège is working actively to build a sustainable urban environment that satisfies the needs of today without compromising the ability of future generations to meet their own needs.

The company's strategy is to create value by managing and developing the property portfolio and – through transactions – acquiring properties with favourable growth potential, while divesting properties located outside the company's prioritised areas.

Strong relationships are developed and nurtured through active property management conducted by proactive and customer-oriented employees. Fabège strives to attract financially robust companies active in a wide range of industries.

Thanks to interaction and continuous dialogue, Fabège can follow customer progress and offer premises tailored to meet the changing requirements over time. The customer retention rate is high, with customer surveys confirming Fabège's impressive ranking.

PROPERTY MANAGEMENT

Property management is Fabège's main business area. The company manages its properties through efficient in-house operations and a management organisation divided into market areas. Employees are given considerable personal responsibility with a view to ensuring high commitment and high customer-focus. The company's close-to-the-customer property management activities are designed to support a high occupancy rate and encourage customers to remain with Fabège.

PROPERTY DEVELOPMENT

The development of properties with growth potential is a key element of Fabège's business model, with the aim of adding value. Fabège develops and realises the potential inherent of its existing portfolio. Development pertains not only to individual properties but also to entire areas and city districts. The property management portfolio also includes properties with future development potential. The volume of projects is adapted to market demand. New builds and significant conversions must always be environmentally certified.

TRANSACTIONS

Fabège intends to acquire properties with growth potential and divest those located outside the company's prioritised areas, or which offer only limited potential for growth. Location, condition and vacancies are key factors determining the growth potential of a property. As a significant player in a number of select sub-markets, Fabège has acquired in-depth experience and knowledge about the markets, development plans, other players and properties. The company continuously monitors and analyses developments with a view to exploiting opportunities to add value to its property portfolio.

... with the customer in focus

IMPLEMENTED

- Aim of a surplus ratio amounting to 70 per cent achieved.
- Regular quality measurements and systematic development of work to ensure customer satisfaction. In 2014, Fabège was ranked in line with the upper quartile of the property industry's CSI survey.
- During 2014, major lettings included TeliaSonera, SEB and Siemens, all in Arenastaden.
- Continued focus on retaining existing customers in parallel with letting work to attract new customers.
- Proportion of Green Leases increased to 86 per cent of newly signed lettable space.

- All major projects (>SEK 50m) and new builds over the past three years have been environmentally classified.
- Construction continues on new offices for Svenska Spel and TeliaSonera in Arenastaden, and on The Winery Hotel in Solna.
- Construction started on SEB's new offices in Arenastaden, an investment of approximately SEK 2.3bn.
- Total investment of some SEK 1,249m, with a yield of 22 per cent in 2014.

- 14 properties divested with a total value of SEK 3.9bn. The transactions comprised part of the continued strategy of streamlining Fabège's business and focusing on office properties in prioritised areas and strengthening cash flow.

OUTLOOK

- Continued focus on customer care efforts.
- Retain a high share of Green Leases.
- Continued focus on reducing climate impact and green thinking in connection with maintenance, and property management.
- Maintain a high occupancy rate and retention rate.
- Environmentally certify existing portfolio according to BREEAM In-Use.

- Construction continues on the major ongoing project properties.
- Environmentally certify all major projects and new builds.
- Planned investment of about SEK 2bn in 2015.

- Implement transactions (sales and acquisitions) designed to continue the streamlining and development of the potential inherent in the property portfolio.
- Continued analysis of the development potential of existing properties and value creation through property development and new development rights.
- Continue the long-term sustainable development of city districts and on-going cooperation with various stakeholder groups.

Market and driving forces

Fabege's operations are impacted by a number of external factors. Fabege's business model of offering modern offices in attractive locations through a concentrated portfolio provides a solid foundation for leveraging these factors and capitalising on the opportunities that arise.

Sustainable urban development

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

As a major property owner, Fabege can also become involved in and influence the development of entire areas, for example, in terms of transport links and service offering.

Stockholm is growing

The trend towards greater urbanisation continues. The Stockholm region is one of the five metropolitan areas in Western Europe where the population is increasing the most. According to forecasts, Stockholm County will have half a million more inhabitants than today by 2030. The largest growth will also occur among people in the active labour force, thus resulting in higher demand for office premises.

The supply of office premises in Stockholm's inner city is limited, with low vacancy rates and limited potential for new builds. This is leading to the continual geographical expansion of the city and the shifting of the city limits into the surrounding areas.

Changed demand

New technology and new work methods contribute to higher demand for flexible and space-efficient premises in prime locations. An average of 30–40 per cent of working hours are currently spent at individual desks, resulting in many companies realising that all employees do not have to have a fixed workplace.

Excellent peripheral service and good communication links in the form of public transport services are increasingly requested, as is environmental certification.

Economic development

The trend for both the Swedish and global economy has an impact on the property market. Low vacancy rates in Stockholm's inner city and a strengthened economic climate have historically meant moderately rising rents. The Stockholm market remains strong, with low vacancy rates in the areas in which Fabège owns properties.

Fabège's success factors

Concentrated portfolio
Modern properties
Market knowledge
Environmentally certified buildings
Motivated, competent organisation
Attractive locations

A value-adding business

Fabege aims to create value through management, development and transactions. In Fabege's operations, active and customer-oriented management is complemented by continuous improvement and development of the property portfolio, strategic acquisitions and sales.

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

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.

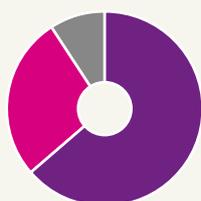
Property Development

Qualified property development is the second cornerstone of our business. Fabege has long-standing expertise in driving extensive property development projects to attract long-term tenants to properties that have not yet been fully developed and which can be redesigned based on the customer's specific requirements.

Transactions

Property transactions are a natural part of Fabege's business model and contribute significantly to consolidated profit. The company continuously analyses its property portfolio to take advantage of opportunities to increase capital growth, through both acquisitions and divestments.

Business areas contributions to earnings 2013



- Property management, 63%
- Property development, 27%
- Transactions, 9%

SEKm	2014	2013	2012	2011	2010
Contribution from Property Management	1,755	944	1,230	1,256	1,347
Contribution from Property Development	266	409	872	401	278
Contribution from Transactions	300	135	167	173	237
Contribution from operations	2,321	1,488	2,269	1,830	1,862
Contribution per share	14	9	14	11	11

Changes in the property portfolio

SALES OF PROPERTIES

Property name	Quarter	Area	Category	Lettable area, sqm
Kolonnen 7	1	Södermalm	Offices	3,771
Luma 3	1	Hammarby Sjöstad	Land	0
Duvan 6	2	Norrmalm	Offices	9,867
Lammet 17	2	Norrmalm	Offices	6,869
Skogskarlen 3	2	Bergshamra	Offices	9,118
Skogskarlen 1	2	Bergshamra	Land	0
Godsfinkan 1	4	Hammarby Sjöstad	Offices	7,845
Grönlandet Södra 13	4	Norrmalm	Offices	8,193
Ladugårdsgårde 1:48	4	Värtahamnen	Offices	38,195
Planen 4	4	Råsunda	Offices	6,404
Rovan 1	4	Huvudsta	Retail	10,689
Rovan 2	4	Huvudsta	Hotels	8,872
Hammarby-Smedby 1:457	4	Upplands-Väsby	Offices	16,700
Hammarby-Smedby 1:458	4	Upplands-Väsby	Land	0
Total sales of properties				126,523

PROPERTY ACQUISITIONS

Property name	Quarter	Area	Category	Lettable area, sqm
Hammarby-Smedby 1:457	4	Upplands-Väsby	Offices	16,700
Hammarby-Smedby 1:458	4	Upplands-Väsby	Land	0
Total property acquisitions				16,700



Fabege's property portfolio

	No. of properties	Lettable area, 000 sqm	Market value, SEKm	Rental value, SEKm	Financial occupancy rate, %
Stockholm inner city	29	402	15,262	1,040	94
Solna	33	509	14,419	923	94
Hammarby Sjöstad	11	118	2,791	223	88
Other markets	7	1	87	0	100
Total	80	1,030	32,559	2,186	94

On-going projects >SEK 50m, 31 December 2014

Property listing	Property type	Area	Completed	Lettable area, sqm	Letting rate, % space ¹⁾	Estimated rental value, SEKm ²⁾	Carrying amount, SEKm	Estimated investment, SEKm	Of which, worked up, SEKm
Järvakrogen 3	Hotels	Solna	Q1-2016	7,460	100	24	146	300	97
Nationalarenan 8	Offices	Arenastaden	Q2-2016	42,000	100	109	611	1,311	502
Uarda 1 (building B)	Offices	Arenastaden	Q4-2017	18,000	58	50	196	511	116
Uarda 1 (building C)	Offices	Arenastaden	Q1-2016	17,641	60	52	388	570	208
Pyramiden 4	Offices	Arenastaden	Q2-2018	67,700	100	175	338	2,350	72
Total				152,801	90	410	1,679	5,042	995
Other land and project properties							1,207		
Other development properties							958		
Total land, projects and development properties							3,844		

1) Operational occupancy rate at 31 December 2014.

2) Rental value including supplements. The annual rent for the largest projects in progress could increase to SEK 410m (fully let) from SEK 0m in annualised current rent as of 31 December 2014.

Focus on customers and business processes

Thanks to the reorganisation that was implemented during the year, the pace of operations was increased and strategies sharpened for both business processes and technical operations. Resources were freed for the continued development of customer relationships and proactive re-negotiations. The organisation for operations was restructured to increase the service level, flexibility and skills transfer.

Property Management is Fabege's largest area of operation. The operation is divided into geographical areas in which independent units have extensive accountability and the ability to make rapid decisions. The aim of the operations is to create long-term relations with both existing and new customers.

Continued development of the organisation

In 2014, work to increase the efficiency of the property-management organisation continued. Group management was expanded through the appointment of a new Director of Technical Operations and a new Property Management Director. A dedicated resource for the income segment Parking was also recruited. Thanks to the reorganisation of property management, resources were made available to increase the focus on customer care, property development and operations issues. The property management organisation is divided into submarkets, each of which is responsible for customer contacts, and for technical operation, performance and the development of properties. All employees in the teams have been assigned the joint aim of increasing customer satisfaction.

Customer Satisfaction Index survey – CSI

In 2014, Fabege participated for the second time in the industry's major CSI survey and scored 77 points on the index. Although the index target of 80 was not achieved, Fabege thus ranks among the companies in the industry with the most satisfied customers. Customer satisfaction is at a consistently high level and the scores in all market areas exceeded the industry average. The market areas showed highly uniform results, indicating a stable and uniform service level throughout the entire company.

Preventive maintenance and Green Leases

During the year, work continued on strategies and the agenda for technical operations with a distinct focus on preventive maintenance and the transfer of skills within the organisation. The number of operations areas was reduced and technicians currently work in a larger service area. This is increasing flexibility and reducing vulnerability to absence.

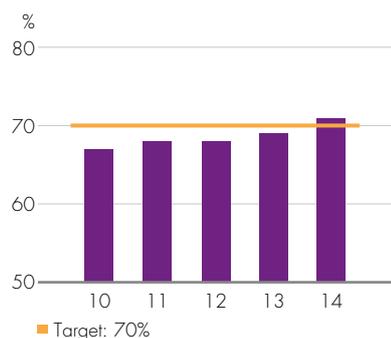
Demand for Green Leases and environmentally compatible premises is on the rise. Fabege has specialist expertise in environmental issues and the energy-efficiency enhancement and works continuously to develop the properties from a sustainability perspective. This work also includes the development of city districts and surrounding areas, where Fabege contributes, for example, to improving the possibilities of parking bicycles and using public transport services.

Focus in 2015

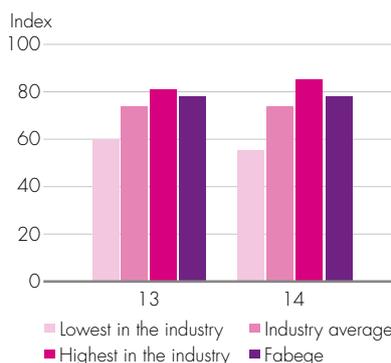
During 2015, the focus will be on continuing to develop the organisation and work methods, in order to become more customer oriented, building long-term relationships and ensure a high retention rate. Fabege's work on purchasing and technical operation is conducted strategically and determinedly with the aim of continuously reducing costs and increasing the efficiency of processes. During 2015, the Purchasing Department will be organised under technical operations in order to increase interdepartmental cooperation.

Sustainability work is an integral part of the company's processes and the focus forthwith will be to continue to raise the level of the property portfolio from a sustainability perspective. During 2015, energy-efficiency efforts will be further developed, in part by breaking down energy-efficiency targets to a property level. During the year, some 20 major energy-efficiency projects will be initiated.

Surplus ratio



Satisfied customers



Green Leases



The aim is that Green Leases will account for at least 50 per cent of total space under newly signed leases.



New parks in the park

Fabege engages in close dialogue with customers and aims to create the best conditions for successful enterprise. At Solna Business Park, Fabege's customers expressed their wishes to have a broader offering of business lunches and chambre séparé. Fabege contacted the established Stockholm restaurateur Pontus Frithiof and, in spring 2014, Pontus In The Park opened its doors in Solna Business Park. The restaurant offers both express lunches and business lunches in secluded and pleasant surroundings.

The restaurant is situated right next to a newly built park, Englundaparken, where the aim is to be able to work, have lunch, have informal meetings or simply take a break.

Having a concentrated property portfolio provides Fabege with good opportunities to influence both the comfort and the service offered in the areas where the company is established and thus to create an attractive, vibrant atmosphere that is appealing for both customers and residents of the area.

Record number of square metres in offices under production

Fabege has high expertise in and extensive experience of developing properties. One objective is to attract long-term tenants to properties that have not yet been fully developed and can be redesigned based on the customer's specific requirements.

Fabege's development work includes not only the development of individual properties but also the development of city districts. This means, for example, infrastructure and public-transport services, as well as outdoor environments and service offering.

Large-scale and small adaptations

Fabege's development operations include all redevelopment and new build. The operation is divided into two departments, one that focuses on major development projects and one that focuses on smaller projects and continuous maintenance. Every year, hundreds of projects of varying sizes are implemented.

Before a new tenant moves into an existing property, adaptations are usually made to the premises according to the customer's requirements. Customers look for premises that strengthen their profiles and brands, particularly where they have the potential to influence both the floor plan and decor. Small adaptations are also often made in connection with lease renegotiations. Tenant adaptations are highly significant to customer satisfaction since the premises, through limited investment, can often become more suited to the customer's requirements.

In larger projects, Fabege is the developer and procures construction contractors for implementing the work. Fabege's employees have solid knowledge of construction and project development and work closely with both customers and contractors in these projects.

Development rights generate opportunities

A basis for the projects is the company's portfolio of development rights, which includes approximately 300,000 sqm of wholly owned development rights. The company analyses the potential in the existing development rights and converts the ideas into completed premises. All projects are characterised by an efficient cost control. Internal transfer of knowledge is vital, and lessons are learned from completed projects. The sustainability perspective is key in all projects.

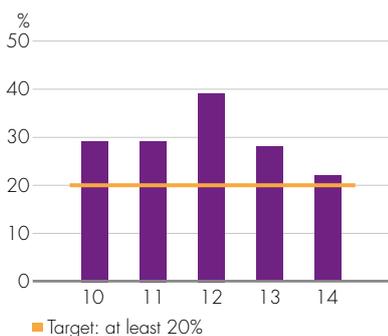
Fabege has successfully increased the energy efficiency of its commercial premises, thanks to internal collaboration between development and operations. All new buildings have to be BREEAM certified and several properties have also been Miljöbyggnad classified. Fabege's framework for offices demands that building materials must be examined according to the Building Material Assessment Criteria or a similar database.

During 2014, major leases were signed with SEB, TeliaSonera and Siemens in Arenastaden. The rate of investment will therefore increase during the years ahead. Fabege currently has slightly more than 150,000 sqm in new production, predominantly in Arenastaden.

Focus in 2015

For 2015, Fabege plans to invest about SEK 2bn in project operations. A major focus will be placed on buildings in Arenastaden. Work on the development of Hammarby Sjöstad and Solna Business Park as city districts will also continue and be intensified during the years ahead. The sustainability perspective will remain a focus in 2014 and Fabege will continue to ensure that all major projects and new builds are environmentally classified.

Return on projects



Fabege aims to annually invest at least SEK 1–1.5bn in the company's own project portfolio. New projects are to generate a return on invested capital of at least 20 per cent through value growth.

Environmental certification

As of 2013, all new production and major redevelopments must fulfill the requirements for certification according to BREEAM or Miljöbyggnad. A total of 15 properties have been certified or have entered a certification process, equal to 100 per cent.

Customised to tenant needs

At the very top of the Islandet property in Hölländargatan in central Stockholm, there are large premises with a high domed roof, which were used as tennis courts.

Forefront was searching for new premises that would reflect the company's image and be conducive to brand-building. The choice was made for these premises and Fabège customised the office in accordance with Forefront's requirements.

The premises are architecturally exciting and the new ventilation system became a modern and tasteful part of the architecture.



Close relations yield successful transactions

Property transactions are a natural part of Fabege's business model and make a significant contribution to profit. The company continuously analyses its property portfolio to take advantage of opportunities to increase value growth, through both acquisitions and divestments.

In line with the strategy for a concentrated portfolio, Fabege divests properties that are outside the company's prioritised areas or where an alternative return is more attractive. The focus is on continuing to streamline the property portfolio and strengthen the company by creating the prerequisites for investments that will generate a higher return.

We aim to have a sound balance between investments and sales, and a maximum loan-to-value ratio of 60 per cent.

Continuous review of the portfolio

The fundamental element for the Transactions operation is analyses of growth potential for income from various properties. Growth potential is determined by location, condition, rent levels and vacancy rates. Analyses result in the acquisition of properties where growth potential is deemed good, and the divestment of properties with limited potential for better net operating income and increase in value.

Faberge's extensive experience and know-how about city districts, properties, development plans and other players in the market provide excellent prerequisites for well-founded assessments of the growth potential in individual properties and entire city districts.

Close relationship with other players in the market will also create conditions for in-depth knowledge about the market. A balanced cash flow is important and the entire portfolio is continuously analysed.

Acquisitions made must have growth potential, but preferably also an existing cash flow.

In connection with divestments, Fabege considers it important to establish and maintain good relations with the buyer and the employees that will work in the property in the future, to ensure that the transaction is successful for the tenants that accompany the transaction.

Continued strong transaction market

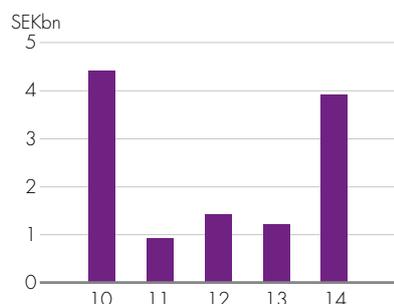
The transactions market remained strong during 2014, mainly as a result of low interest rates. The supply is limited and interest from buyers is substantial.

During the year, Fabege utilised opportunities in the strong property market to divest a number of properties of limited future potential for the company. During the year, a total of 14 properties were divested. Two properties were acquired and subsequently divested.

Focus in 2015

The market outlook remains positive, with low interest rates and moderately rising prices in Stockholm. Fabege continues to work for long-term, sustainable city district development, and continuously develops the property portfolio through acquisitions and divestments in line with the company's strategy.

Transaction volume



Faberge aims to increase efficiency in the portfolio through sales. Transactions are to generate a return of at least 10 per cent in relation to the carrying amount.

Transaction profit



During 2014, 14 properties were sold for a total of SEK 3.9bn. This generated a return of 8 per cent in relation to the carrying amount. In several cases, on-going business discussions have resulted in a write-up of property values, thus resulting in a higher unrealised gain and thereby a lower transaction gain.

A photograph of a waterfront city district. In the foreground, the deck and rigging of a boat are visible, including a wooden structure and various ropes. The middle ground shows a body of water with a small, rectangular, yellowish structure floating on it. In the background, there are several modern buildings, including a prominent one with a blue and green facade. The sky is clear and blue.

Transactions with responsibility for city district development

The development of the areas in which Fabege has its portfolio is of major significance to the company. This necessitates cooperating with other players to help develop entire city districts in the form of the right mix of offices, residential units, services. Consequently, it is important to find the right buyer for properties that Fabege selects for divestment in the prioritised areas.

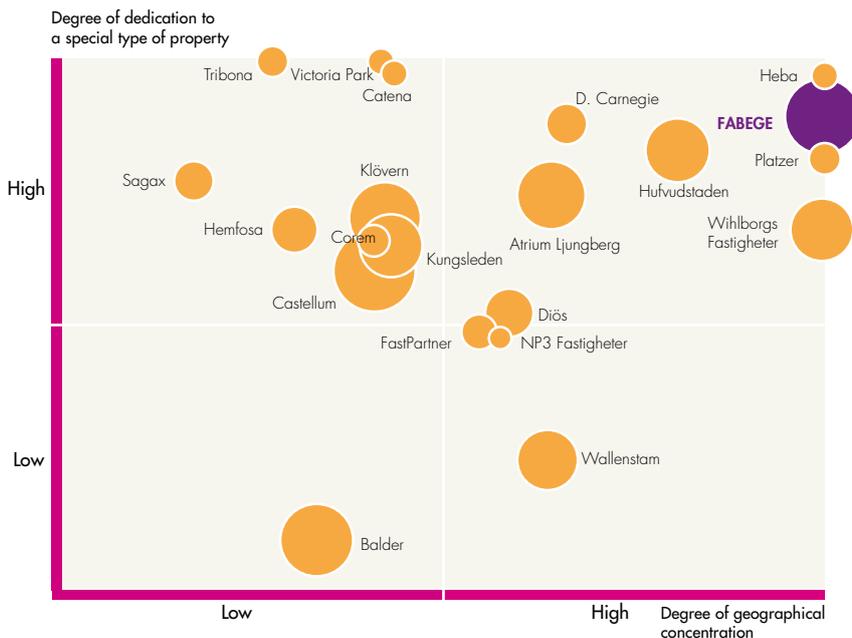
Faberge sold two properties in Hammarby Sjöstad during the year. One property was located in the midst of residential units in Hammarby Sjöstad, which was why Faberge deemed that the City of Stockholm, which aims to develop the property into a school, would be a more suitable owner for that particular property. The other was acquired by another player who will be constructing residential units – something which also falls beyond Faberge's operations, but which promotes the development and attractiveness of the area.

Continued strong office market

Fabege's properties are concentrated in four high-growth focus areas of the Stockholm region: Stockholm inner city, Arenastaden, Solna Business Park and Hammarby Sjöstad.

The Stockholm office market in which Fabege operates is characterised by intense competition. A large number of property companies, institutions and private property owners are focused on types of properties and geographic areas that, to varying degrees, overlap with Fabege's focus. Fabege's high geographic concentration and focus on offices provides excellent knowledge of the submarkets on which the company focuses and enables the development of entire areas and city districts. Close proximity to customers enables Fabege to adapt premises considerably to meet its customers' requests, and to contribute to the development of, for example, service offerings and communications.

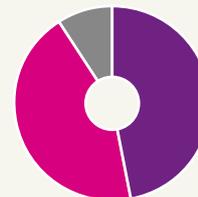
Streamlining and concentration, listed Swedish property companies, 2014



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

Source: Leimdörfer

Fabege's sub-markets



MARKET VALUE, %

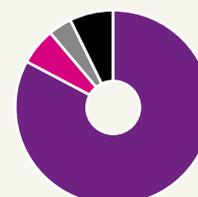
- Stockholm inner city, 47%
- Solna, 44%
- Hammarby Sjöstad, 9%



RENTAL VALUE, %

- Stockholm inner city, 48%
- Solna, 42%
- Hammarby Sjöstad, 10%

Type of premises, breakdown of total rental value



- Offices, 83%
- Retail, 7%
- Industry/warehouse, 3%
- Other, 7%

Greater Stockholm office market: 12 million sqm

Fabege: about 1 million sqm corresponding to approximately 8.3%

Continued recovery of the Swedish economy

Despite weak growth in the global economy, the Swedish economy is expected to expand by an average of 2.9 per cent per year from 2015 to 2017. That is considerably stronger than the average for both the developed economies and Europe as a whole, and nearly in line with the global growth engine, the US. The total return on the property market has considerable covariance with GDP growth.

Newsec anticipates a continued overall recovery of the Swedish economy with gradually stronger GDP growth during 2015 to 2016, which lays the foundation for continued attractive returns in the Swedish property market.

Strong office market in Stockholm

Provided that Swedish growth remains buoyant, real rental growth will perform well in 2015, which, in combination with low interest rates and good access to credit, will hold down yield requirements. Stockholm is the county's growth engine, and although the region constitutes only 30 per cent of GDP, it accounted for nearly two thirds of the country's growth from 2009 to 2013. The production rate of new offices has also been low in the Stockholm region for a protracted period, with new builds averaging under 1 per cent of the annual office stock since 2000. The strong demand for offices combined with a low production rate constitute the foremost reasons for the current low vacancies in the city.

The vacancy rate in the CBD is 4 per cent, but due to a number of major companies having moved or planning to move out of the city in the future, a relatively large amount of space will be vacated. In total, this corresponds to about 120,000 sqm of office space, or slightly more than 6 per cent of the office stock in the

CBD. However, this will occur incrementally and the premises will be upgraded before they return to the market. Consequently, the vacancy rate is expected to increase to 5.5 per cent during 2016.

The market rent in the Stockholm CBD is SEK 4,650 per sqm, and is expected to grow by an average of just under 4 per cent per year during 2015 to 2017. A strong office market in the CBD, with high rents and low vacancies is expected to benefit areas close to the city, which presently have high vacancy rates and a number of planned construction projects.

Tenants are demanding sustainable, modern, flexible and space-efficient premises, thus limiting demand for older properties. Efficient premises generate lower total workplace costs, providing opportunities for higher rent per square metre. The gap between modern and outdated premises is expected to continue widening in the future, in terms of both vacancy rates and rents.

High risk willingness and low interest rates pressing down yield requirements

The transaction volume in the property market for 2014 was SEK 148bn, which approximates with the record years of 2006 to 2008. Market activity accelerated during the autumn and there is intense activity throughout the market, with a distinct focus on properties outside prime locations and project properties. Historically low interest rates are pressing down yield requirements in prime locations, while narrowing the differences between primary and secondary property segments.

Source: Newsec

Competitors, Key figures 2014

Company	Investment orientation	Main geographical market	Owner	Market value, SEKm	No. of properties	Lettable area, '000 sqm	Rental income, SEKm	Occupancy rate, %
Fabege	Offices, retail	Stockholm	Listed	32,559	80	1,030	2,087	94
Vasakronan	Offices, retail	Stockholm, Uppsala, Gothenburg, Malmö, Lund	1-4 AP funds	91,889	185	2,509	5,899	92
Diligentia ¹⁾	Offices, retail, residential	Stockholm, Gothenburg, Malmö	Skandia Liv	32,702	110	1,083	2,126	96
Hufvudstaden ¹⁾	Offices, retail	Stockholm, Gothenburg	Publicly traded	25,869	no data	388	743	96
AMF Fastigheter ¹⁾²⁾	Offices, retail, residential	Stockholm, Gothenburg	AMF Pension	46,000 ²⁾	38 ³⁾	673 ³⁾	2,100 ³⁾	no data
Humlegården ¹⁾	Offices, retail	Stockholm	Länsförsäkringar	12,527	46	396	734	90

1) Data pertains to 2013.

2) Including joint ownership in Rikshem.

3) Excluding joint ownership in Rikshem.

STOCKHOLM INNER CITY

Robust demand in the Nordic region's largest market

Stockholm inner city is the largest office market in the Nordic region, with excellent transport links and a high service level.

For many companies, a central location is the highest priority when choosing where to locate their offices. This is reflected in the extremely strong demand for offices in Stockholm inner city, thus making the vacancy rate very low.

Unique drilling reduces expenses and environmental impact

Fabege has made plans for a project beneath the famous DN skyscraper that will yield cost savings and reduced environmental impact. By drilling 75 holes 300 metres into the ground under the property's garage, the heat generated can be stored in the summer and retrieved in the winter. The activities conducted in the property are unique in that their consumption of heat during the winter matches the amount of cooling used during the summer half of the year. Using this relatively new technology, the property gains a highly energy-efficient performance. The cost-recouping period of the project is some seven years and it is expected to be launched during spring 2015 and completed by the summer.

Fabege enticed Starbucks to Stureplan

The US coffee giant, Starbucks, is continuing its expansion in Stockholm and opened its first café in the city centre in December, at the corner of Kungsgatan and Birger Jarlsgatan at Stureplan. Starbucks' establishment in a Fabege property thoroughly matches the objectives that Fabege, together with the other property owners, have for developing the street into a trendy centre with strong international brands.

City limits expanding

The limited offering of vacant office space is leading to the expansion of the city limits. For example, the development of Hagastaden continues at the border between Stockholm and Solna, which will further link the two municipalities together. The city district is to be a blend of seats of learning, research institutes, hospital, companies, residential units, culture, services and leisure activities. The district will largely focus on Life Sciences facilities. Hagastaden will be further linked to the city centre when the city district is provided with its own underground station in 2020.

Market overview

Stockholm inner city

Fabege is one of the major property owners of commercial properties in Stockholm inner city, with 29 properties comprising 402,000 sqm. The portfolio features modern offices and retail outlets in prime locations. Currently, offices account for 71 per cent of the premises, representing a market share of 5 per cent.

Fabege's portfolio is mainly concentrated in the area around Kungsgatan and Drottninggatan. In the Norrtull/Norra Station area, Fabege owns several properties, of which the Wenner-Gren Centre is best known. In Kungsholmen, Fabege's holding includes the DN skyscraper.

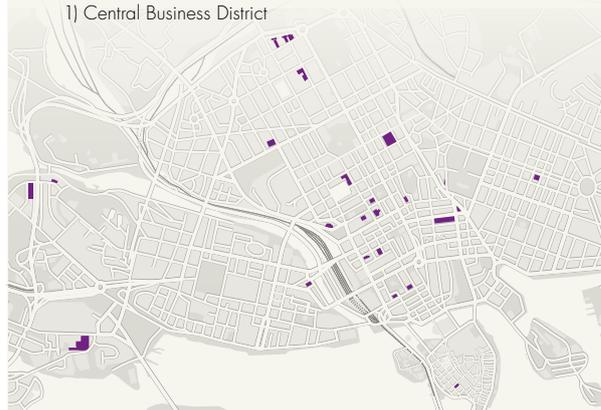
Strong demand and low vacancy rates continued to be hallmarks of the year. The rental value of the portfolio is SEK 1,040m, representing about 48 per cent of the Group's total rental value.

Stockholm inner city

Total office space	6.2 million sqm
Average rent	
Stockholm city (CBD ¹⁾)	SEK 3,800–5,400
Stockholm inner city, excl. CBD	SEK 2,200–3,600
Vacancy rate	
Stockholm city (CBD)	4.0%
Stockholm inner city, excl. CBD	6.5%
Yield requirement	
Stockholm city (CBD)	4.25–5.0%
Stockholm inner city, excl. CBD	4.75–5.25%

Source: Newsec

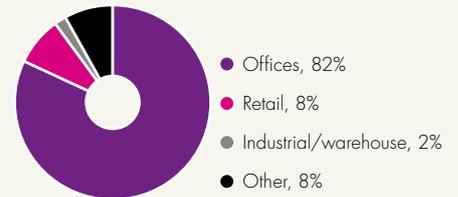
1) Central Business District



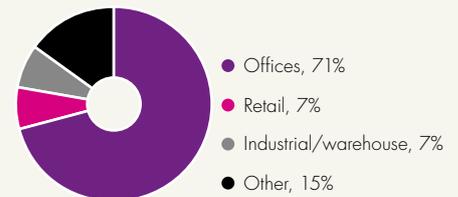


BRIEF FACTS

Rental value per category



Lettable area per category



Key figures	2014
No. of properties	29
Lettable area, 000 sqm	402
Market value, SEKm	15,262
Rental value, SEKm	1,040
Remaining lease term, years	2.7
Financial occupancy rate, %	94

Largest tenants	Sqm
Bonnier Dagstidningar AB	21,000
LRF	12,000
Carnegie Investment Bank AB	10,000
Cybergymnasiet Nacka AB	10,000
Thomas Cook Northern Europe AB	7,000

HAMMARBY SJÖSTAD

From industrial premises to modern offices

The waterside location, combined with excellent transport facilities and easy access to green areas and the inner city, makes Hammarby Sjöstad a very attractive area for both residential and commercial purposes.

Hammarby Sjöstad has developed positively in the past 20 years, and currently has a blend of residential units and commercial premises. Office premises in the area have largely been created by converting old industrial properties. The unique character of both the premises and the area appeals to creative services companies amongst others.

Fabege owns 63 per cent of the office market in Hammarby Sjöstad and cooperates closely with other players to continue the development of the district, and to develop both the environment and services.

Hammarby Sjöstad is an excellent location in terms of transport links, with five kilometres to central Stockholm and both light-railway and bus services. An underground train station is also planned for Hammarby Sjöstad adjacent to one of Fabege's properties, Luma.

Creative office environments in the lamp factory

Fabege's properties in Hammarby Sjöstad include the former lamp factory, Luma, which is one of the largest properties by the waterfront. Renovations of the property were launched several years ago, with Fabege adopting an holistic approach. Today, the property is nearly fully leased, and comprises attractive premises that, in addition to the offices and conference facility, also houses a lunch restaurant, café and gym.

During the year, the Carnegie Brewery also opened a microbrewery with an attached restaurant and beer tasting facilities. The new Carnegie Brewery was nominated for the Stockholm's Association of Building Contractors Repair and Renovation prize in 2014, for the redevelopment of a section of the listed industrial-facility building, Luma Factory. A unique building for a new category of business was created through renovation and refurbishment.

Market overview

Hammarby Sjöstad

Hammarby Sjöstad has been one of the largest development districts in the Greater Stockholm area over the past two decades, and is largely still under development. The trend in rents has been driven by the continuous addition of new, modern office space.

Fabege owns 11 commercial properties with a total floor area of 118,000 sqm and is thus the largest holder of commercial premises in the area. The rental value is SEK 223m, representing approximately 10 per cent of the company's total rental value. Offices account for 67 per cent of Fabege's premises, representing 63 per cent of the office market in Hammarby Sjöstad.

Hammarby Sjöstad

Total office space	125,000 sqm
Average rent	SEK 1,600–2,500
Vacancy rate	9.0%
Yield requirement	5.5–6.25%

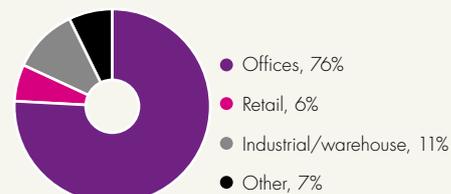
Source: Newsec



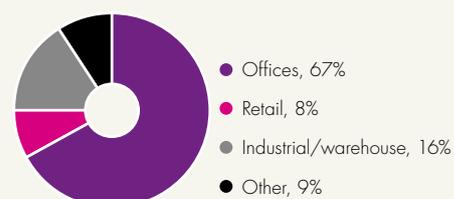


BRIEF FACTS

Rental value per category



Lettable area per category

Key figures 2014

No. of properties	11
Lettable area, '000 sqm	118
Market value, SEKm	2,791
Rental value, SEKm	223
Remaining lease term, years	2.7
Financial occupancy rate, %	88

Largest tenants Sqm

Upplands Motor AB	4,000
Point Transaction Systems AB	4,000
Vitvaruspecialisten Nordin & Ölwing AB	3,000
Riksbyggen Ekonomisk Förening	3,000
Nets Sweden AB	3,000

SOLNA

Excellent transport links near the city

Solna is characterised by a positive business climate and strong population growth. Solna Municipality has an established business culture, an attractive office market and excellent transport facilities.

Arenastaden

One of Sweden's most exciting new districts is emerging in Arenastaden. Ultramodern office solutions and residential units are being built in the district and Arenastaden also features the Friends Arena. Fabege owns essentially all the office space in Arenastaden and thus plays a central role in the development of the district. Arenastaden has excellent transport links thanks to commuter trains that take seven minutes to the city centre, and to Arlanda Airport in the other direction. The district also features light-railway and bus services, proximity to Stockholm Arlanda Airport and the E4 European Motorway, as well as the planned expansion of the City Line and underground services at a later date.

In autumn 2015, Unibail-Rodamco Scandinavia will open its largest shopping centre, the Mall of Scandinavia, with a broad offering of restaurants, retail and services.

Solna Business Park

Solna Business Park is an established office district where a number of major companies, including ICA, Evry and Coop, have their head offices.

As the largest property owner in the district, Fabege has excellent opportunities to influence the development of the city district.

Transport facilities are among the best in the Stockholm region. Solna Business Park is served by inter-city trains, commuter trains, the subway, light rail and buses. The Mälardalen commuter-rail service provides easy access from Västerås and Enköping, and the area is close to Bromma Airport. The area also features a broad range of services.

Other parts of Solna

Fabege also owns a smaller number of properties in other parts of Solna. The conversion of the Råsunda Football Stadium continued during 2014, and a new office and residential district is currently being planned here.

Development of city districts

It is no longer only the shape and design of the office that is important, the surrounding environment is also highly significant to the tenants. This is a factor that Fabege had in mind for Solna Business Park. Several ongoing development projects in the neighbourhood are in progress at the moment, such as the development of Ekparken together with the City of Solna. The road to Sundbyberg Station is being expanded and Fabege is erecting a fence, planting plants and improving the lighting along the road. Another ongoing project is the coordination of transports, which will result in reduced pressure on the roads and a more pleasant street environment.

Market overview

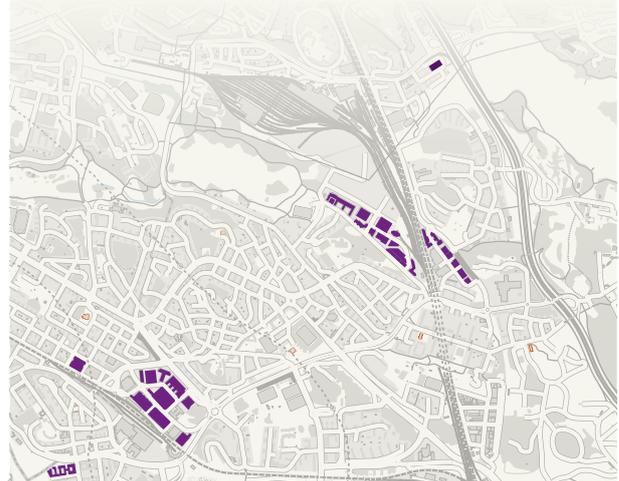
Solna

Fabege is the largest owner of commercial properties in Solna. It owns a total of 33 properties in Solna, covering a total floor area of 509,000 sqm, of which offices account for 74 per cent. This represents a market share of about 27 per cent of the office market. The rental value is about SEK 923m, representing 42 per cent of the company's total rental value. Levels of interest and rents are rising in pace with development of Arenastaden. Nearly 150,000 sqm in Arenastaden is under production.

Solna

Total office space	1.4 million sqm
Average rent	
Solna Business Park	SEK 1,800–2,400
Arenastaden	SEK 1,800–2,600
Vacancy rate	
Solna Business Park	10.0%
Arenastaden	8.0%
Yield requirement	
Solna Business Park	5.5–6.25%
Arenastaden	5.25–6.0%

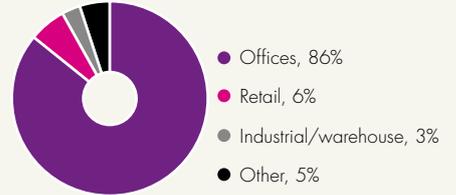
Source: Newsec



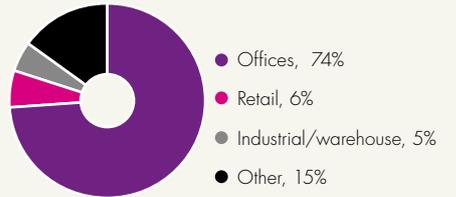


BRIEF FACTS

Rental value per category



Lettable area per category



Key figures 2014

No. of properties	33
Lettable area, '000 sqm	509
Market value, SEKm	14,419
Rental value, SEKm	923
Remaining lease term, years	4.4
Financial occupancy rate, %	94

Largest tenants Sqm

Swedish Tax Agency	51,000
Vattenfall	43,000
ICA Fastigheter Sverige AB	29,000
Svenska Spel AB	19,000
PEAB	17,000
Evry AB	15,000
Coop	12,000
Swedish Migration Board	11,000
Svea Ekonomi	10,000
Sweco	6,000

ARENASTADEN®

Record lettings in Arenastaden

SEB
67,500 sqm

Occupancy 2017/2018

Siemens, Sodexo and Svenska Spel relocating to Evenemangsgatan

Siemens, 10,000 sqm with occupancy in 2017

Sodexo, 3,000 sqm with occupancy in 2016

Svenska Spel, 7,000 sqm with occupancy in 2016

The year 2014 was when Arenastaden's attractiveness made a serious breakthrough. Fabege's vision of several years was now yielding results and a number of Sweden's largest companies decided to relocate all or large numbers of their employees to Arenastaden. In total, just over 130,000 sqm was leased in Arenastaden, which is a very hard-won record in the sector's history. The major lettings resulted in Fabege having nearly 150,000 sqm under production in Arenastaden alone.

TeliaSonera

42,000 sqm

Occupancy 2016



Valuation of the property portfolio

The value of Fabege's property portfolio continued to increase during the year, in part because of continued rising rent levels and low vacancies, combined with declining yield requirements in the property market.

All properties in Fabege's portfolio are valued at least once a year by independent appraisers. Since 2000, property valuations have been conducted in accordance with the guidelines established by the Swedish Property Index. In 2014, the properties were valued by Newsec Analys AB. The properties are valued quarterly throughout the year. Each quarter, internal valuations are also conducted of parts of the portfolio, as well as an internal assessment of the overall value for the entire portfolio. The internal valuation is performed using the same methodology as the external valuations.

Valued properties are divided into the following categories:

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

Valuation of investment and project properties

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

The average discount rate for the portfolio was 7.4 per cent (7.8) and is based on the nominal interest rate on five-year government bonds including a general property-related risk premium and object-specific premiums. The weighted required yield at the end of the calculation period was 5.4 per cent (5.6).

Changes in value during the year

Unrealised changes in value during the year amounted to SEK 1,339m (739). The change in value corresponds to a value increase of approximately 4 per cent. The change in value was attributable to a declining yield requirement, rising rent levels and a decrease in vacancies in the investment-property portfolio, as well as to development gains in project operations. At 31 December 2014, the recognised value of the properties was SEK 32.6bn (33.4).

The residual value is also present valued at the end of the calculation period. All premises are subject to an individual market-based assessment of rents. For leased premises, an estimated market rent is used for the cash-flow calculations after the expiration of the lease.

The assessment of such factors as market rents, future running costs and investments is performed by external appraisers using information obtained from Fabege. Operating and maintenance expenses are based on historical results, and on budget figures and statistics pertaining to similar properties. Cash flow analyses with calculation periods exceeding five years are applied if deemed motivated by long leases.

Valuation of other project properties

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

VALUATION DATA

Each property is valued separately without taking portfolio effects into account. External property valuations are based on the following valuation data:

Quality-assured information from Fabege concerning condition, leases, running and maintenance costs, leaseholds, vacancies and planned investments, as well as an analysis of current tenants.



Current assessments of location, rent trends, vacancy rates and required yields for relevant markets as well as normalised running and maintenance costs.



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



Inspections of the properties are conducted regularly. All properties have been inspected in the past three years. The aim of the inspections is to assess the properties' overall standard, condition and attractiveness. For larger conversions or other major value-impacting events, new inspections are conducted in connection with the external valuation.



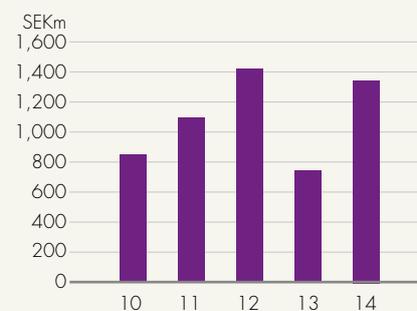
Fabege's ten largest properties by value

Property	Area	Sqm
Uarda 5	Arenastaden	44,269
Trängkåren 7	Marieberg	76,684
Nöten 4	Solna Strand	60,995
Apotekaren 22	Norrmalm	27,580
Bocken 39	Norrmalm	20,263
Fräsaren 11	Solna Business Park	39,282
Bocken 35 & 46	Norrmalm	15,362
Luma 1	Hammarby Sjöstad	38,257
Smeden 1	Solna Business Park	45,586
Fräsaren 12	Solna Business Park	36,522

Market value and yields by submarket

Sub-market	Market value, 31 December 2014		Yield
	SEKm	%	%
Stockholm inner city	15,262	47	5.00
Solna	14,419	44	5.75
Hammarby Sjöstad	2,791	9	5.92
Other markets	87	0	—
Total	32,559	100	5.41

Unrealised value changes



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

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

Financing

Fabege aims to have a strong financial position and a healthy balance between shareholders' equity and borrowed capital. The company values long-term and trusting relations with its creditors.

Since Fabege aims to have a strong financial position the balance between shareholders' equity and borrowed capital is a key issue for the company. Achieving an equity/assets ratio of at least 30 per cent and an interest coverage ratio of at least 2.0 continues to be the objective.

The financial management department, which is a central unit in the Parent Company, is responsible for the Group's borrowing, liquidity management and financial risk exposure. These operations are governed by the company's financial policy, as established by the Board of Directors. Financial management is monitored on a daily basis and reported continuously to the company's management and Board of Directors.

Supply of capital

Fabege's supply of capital largely derives from three sources: shareholders' equity, interest-bearing liabilities and other liabilities.

Equity

Shareholders' equity at year-end amounted to SEK 13.8bn, which, in relation to total assets of about SEK 36.0bn, resulted in an equity/assets ratio of 38 per cent. This is comfortably above the company's target of 30 per cent.

Interest-bearing liabilities

Access to long-term and stable financing is crucial to the pursuit of a sustainable business in the long term. Fabege values long-term and trusting relations with its creditors. The company has decided to sign long-term credit agreements with some of the largest banks in the Nordic region. The credit agreements enable the company to borrow funds as needed within a predetermined framework, giving the terms in the form of, for example, the margins that are to apply in the coming years.

During 2014, new financing of slightly more than SEK 2.5bn was raised. During the second quarter, a new three-year credit facility of SEK 1.0bn was raised for financing the building of Nationalarenan 8, TeliaSonera's new head office in Arenastaden. During the fourth quarter, a new three-year credit facility of SEK 0.2bn and a new four-year revolving line of credit of SEK 1.4bn were raised, whereof the latter for financing the building of SEB's new office in Arenastaden. At 31 December 2014, unutilised credit facilities amounted to SEK 4.6bn. Fabege's loan agreements at 31 December 2014 had an average remaining term of 3.7 years and are renegotiated continuously well in advance of maturity. During 2015, borrowing agreements corresponding to SEK 7.5bn will be renegotiated.

Commercial paper programme

As a supplement to traditional bank financing, Fabege is active in the Swedish commercial paper market, with a commercial paper programme worth SEK 5bn. The company guarantees access to unutilised credit facilities to cover all outstanding commercial paper at any given time. At year-end, SEK 2.9bn of the programme had been utilised.

Bond programme

In February 2013, Fabege issued a three-year covered property bond in an amount of SEK 1.2bn, based on collateral in the Solna Uarda 5 property, where Vattenfall has its head office. Since 2011, Fabege also has a bond programme with a limit of SEK 5bn via the co-owned company Svensk Fastighetsfinansiering AB (SFF). Fabege borrowed a total of SEK 0.7bn in the capital market via the SFF programme. The bonds are secured by property mortgage deeds. SFF is jointly owned by Fabege, Wihlborgs and Peab. Fabege owns 33.3 per cent of the company. Nya Svensk Fastighetsfinansiering AB, a newly formed finance company with a covered MTN programme of SEK 8bn, was launched in January 2015. The company is owned by Catena AB, Diös Fastigheter AB, Fabege AB, Platzer Fastigheter Holding AB and Wihlborgs Fastigheter AB, each owning 20 per cent, and will start its financing activities in February 2015.

Other liabilities

Other liabilities mainly comprise noninterest-bearing liabilities, such as accounts payable, deferred tax liabilities, prepaid expenses and accrued income.

Covenants

Fabege's obligations concerning covenants are similar in the various credit agreements and stipulate, in addition to being listed on a stock market, an equity/assets ratio of at least 25 per cent and an interest coverage ratio of at least 1.5. At property level, the loan-to-value ratio varies between 60 and 75 per cent, depending on the type of property and financing.

Collateral

Fabege's borrowing is largely guaranteed by property mortgage deeds. To a certain extent, shares in property-owning subsidiaries are also deployed as collateral. Some unsecured borrowing is also undertaken. The distribution of collateral is presented in the diagram to the right.

Fixed-rate period

At 31 December 2014, 60 per cent of Fabege's loan portfolio was fixed with an average fixed-rate period of 1.9 years. The fixed-rate period is set utilising interest-rate swaps. The market value of these instruments is measured on an ongoing basis and changes in value recognised in profit and loss account. The change in value is of an accounting nature and has no impact on cash flow. At the due date, the market value is always zero.

Read more about interest-rate derivatives and the valuation thereof in Note 3 on page 76.

Finance policy

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

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

Financial objectives, 31 December 2014

	Target	Results
Return on equity	1)	13.2
Equity/assets ratio, %	at least 30	38
Adjusted equity/assets ratio, % ²⁾		40
Interest coverage ratio, multiple	at least 2	2.4
Loan-to-value ratio, %	at most 60	60
Adjusted loan-to-value ratio ²⁾		56

- 1) The target for the return on equity includes being among the foremost publicly traded property companies.
 2) Key figure adjusted for outstanding purchase considerations for sold properties, and for restricted amounts for loans that are paid off at the beginning of 2015.

Liquidity

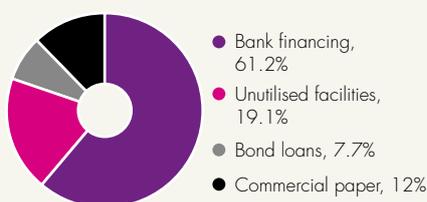
In a property company, liquidity varies significantly over a year, since rent payments are made quarterly while running costs are relatively evenly allocated over time. Since the type of revolving credit facility primarily used by Fabège can be utilised as needed, it is extremely well adapted to the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

Borrowings



The graph shows the borrowing trend during 2014. Thanks to revolving lines of credit, the debt can vary without needing to invest surplus liquidity. The largest borrowing need arose after the dividend of nearly SEK 500m was paid in April.

Financing at 31 December 2014



Access to long-term and stable financing is crucial for the business. At the end of 2014, bank financing accounted for 61.2 per cent of borrowing. Fabège had unutilised credit facilities of SEK 4.6bn. The average capital maturity period was 3.7 years.

Capital Supply



A high equity/assets ratio and low debt/equity ratio create security.

Breakdown of collateral



Most borrowing is secured by mortgage deeds on properties.

Loan maturity structure, 31 December 2014

	Credit agreements, SEKm	Drawn, SEKm
Commercial paper programme	5,000	2,889
< 1 year	8,440	4,182
1–2 years	9,286	7,867
2–3 years	265	110
3–4 years	1,395	190
4–5 years	474	0
> 5 years	4,313	4,313
Total	29,173	19,551

Interest rate maturity structure, 31 December 2014

	Amount, SEKm	Average interest rate, %	Share, %
< 1 year	7,551	3.36	39
1–2 years	2,400	2.68	12
2–3 years	3,100	2.58	16
3–4 years	4,500	3.51	23
4–5 years	1,000	2.13	5
> 5 years	1,000	2.68	5
Total	19,551	3.09	100

Opportunities and risks

Fabege's risk exposure is limited and, to the extent possible, controlled in respect of properties, tenants, lease terms, financing terms and business partners. Risks and uncertainties relating to cash flow from operations relate primarily to changes in rents, vacancies and interest rates. Changes in the value of the property portfolio represent another uncertainty, as does the financial risk.

MARKET AND BUSINESS RISKS

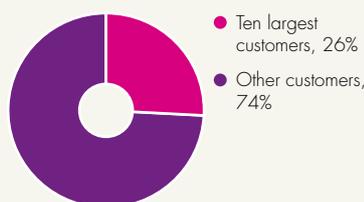
Rental income and property expenses

With modern properties in attractive locations, the risk of increased vacancies is low. Completed projects, positive net lettings and increased rent levels contributed to income growth in 2014. With a strong rental market and low inflation at the beginning of 2015, Fabege is of the opinion that the risk of increased vacancies and increased costs is low.

Sensitivity analysis, cash flow and earnings	Change	Effect, SEKm
Rental income, total	+/-1%	+/-20.9
Rent level, commercial income	+/-1%	+/-19.4
Financial occupancy rate	+/-1 percentage point	+/-21.9
Property expenses	+/-1%	+/-6.0

Risk	Description of risks/opportunities	Impact and management of risk, commentary 2014
Rental income – customer bad debts	Suspension of customer payments. The customers' ability to pay is affected by their stability and the general business climate.	The lease portfolio is spread among many industries and companies of different sizes. The 10 largest tenants are all stable companies and comprise approximately 26 per cent of the total rental value. The tenants are highly solvent and rent losses are negligible. This is due in part to favourable credit ratings and in part to efficient procedures that quickly identify late payers. Over the past five years, total rent losses per year have been less than 0.2 per cent of the rent due.
Rental income – vacancy rate	Changes in vacancy rates in the property portfolio could impact rental income either positively or negatively. New production of office properties and demand for office premises affect rent and the vacancy rate.	The risk of increased vacancies in the investment-property portfolio is deemed minor considering the portfolio's central locations, modern premises and stable customers. The occupancy rate in the overall portfolio, including project properties, increased to 94 per cent (93). In the investment-property portfolio, the occupancy rate was 95 per cent (93). Positive net lettings and completed projects resulted in rental growth of 5 per cent in an identical portfolio during 2014. Fabege's portfolio generates a stable cash flow from property management operations. The premises of development properties are kept vacant during development, which negatively impacts cash flow during the period. This is done consciously to create greater value over the long term. Fabege's vacancies are in modern properties in attractive locations and no vacancies are structural; it is mainly a matter of time before the right customer is found for the right property.
Rental income – rent levels	Market rents prevail in the Stockholm office market. New production of office properties and demand for office premises affect rent levels and the vacancy rate.	Demand for office premises in Stockholm is growing, at the same time the supply of new offices is limited, which is currently leading to increasing rents. Since leases generally have terms of 3–5 years, changes in market rents gradually impact on rental income. During 2014, Fabege renegotiated a volume of SEK 96m, resulting in an average increase of 11 per cent. Fabege is of the opinion that re-negotiations in the coming year will also contribute to an increased rental value.
Geographic concentration	Because the company's property portfolio is concentrated to the Stockholm region, employment figures and developments in the Stockholm office market affect Fabege.	The strategy generates many benefits of scale and contributes to both an increase in net operating income and higher property values. As the single largest property owner in a submarket, opportunities are greater to develop the area optimally by adding supplementary operations. This could involve creating a favourable supply of commercial and public services, but also pleasant green spaces and meeting places with good lighting, thus contributing to keeping an area vibrant around the clock.

Ten largest customers, contractual annual rent



Lease maturity structure

Year of maturity	Number of leases	Annual rent, SEKm	Annual rent, %
2015	446	369,319	18
2016	283	355,937	17
2017	261	369,949	18
2018	113	164,081	8
2019	64	181,701	9
2020 and later	120	499,282	24
Commercial	1,287	1,940,269	94
Residential units	123	11,602	1
Garage and parking	636	98,607	5
Total	2,046	2,050,477	100

Risk	Description of risks/opportunities	Impact and management of risk, commentary 2014
Property expenses	<p>Property tax and ground rent, where the potential to affect the size of the cost is limited, account for a large part of these expenses. Other expenses, including running costs, maintenance and tariff-based expenses such as heating, electricity and water, depend on price levels and consumption.</p> <p><i>Seasonal variations</i> 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.</p>	<p>Fabege pursues structured efforts to reduce its consumption of heating, electricity and water. The company also conducts regular contract negotiations and procurements aimed at reducing costs. The operations organisation continuously focuses on cost effectiveness and capitalising on savings opportunities in order to create a sustainably secure cost base. A large portion of property expenses is paid for by tenants, thus reducing the company's exposure. Since the standard of the property management portfolio is high, maintenance expenses are low.</p> <p>During 2014, the surplus ratio was 71 per cent, due in part to the warm and snowless winter and in part to efficient operation of a more modern property portfolio.</p>

Project portfolio

The assessment is that cost frameworks and schedules in the major projects will be met. Fabege does not envisage any significant risk of increasing construction costs. With the company's experience and the focus on letting the remaining non-leased project space, Fabege is of the opinion that the risk of structural vacancy following completion is low.

Risk	Description of risks/opportunities	Impact and management of risk, commentary 2014
Schedules and costs	<p>Risks in the project portfolio primarily pertain to risks related to scheduling and the cost level for the procurement of construction services. Due to its large project portfolio and annual investments of SEK 1.5–2bn, it is essential that Fabege manages these project risks optimally.</p>	<p>For many years, Fabege has pursued major new build and conversion projects. Each year, Fabege conducts project-procurement processes involving significant amounts. Fabege's Project Managers, who are highly experienced and skilled in project procurement, are responsible for these processes, and for running and following up large-scale and small projects. Procurement work is performed with the support of framework programmes, framework agreements and agreement templates. All investment decisions relating to projects exceeding SEK 25m are made by the Board of Directors.</p> <p>The projects are expected to generate a yield on total capital invested of between 7 and 9 per cent. Fabege's objective is for project investments to generate value growth of at least 20 per cent on invested capital, an aim that has been met over a large number of years.</p>
Unleased project space	<p>In connection with large-scale new builds, there is a risk that newly produced space will not be let.</p>	<p>Currently the volume of on-going new builds slightly exceeds 150,000 sqm, with the total investment amounting to some SEK 5bn. The occupancy rate of the projects is 90 per cent, which entails a low risk of vacancy on completion. The portfolio also includes approximately 300,000 sqm of wholly owned development rights (offices and residential units) with an average carrying amount of between SEK 3,000 and SEK 5,000 per sqm, thus providing excellent potential for future value creation in the project portfolio. Requirements regarding the percentage of customers that have to sign leases prior to the start-up of a project are decided on a case-by-case basis.</p>

Property values

As a result of low initial values for project properties and development rights, substantial potential exists for creating value through project investments. Improved cash flows will contribute to stronger property values moving forward. At the same time, the market's yield requirement is a factor that Fabege cannot influence. Fabege believes that property values in the company's markets will be stable in 2015.

Change in value, %	Impact on after-tax profit, SEKm	Equity/assets ratio, %	Loan-to-value ratio, %	Sensitivity analysis, change in value	Assumption	Impact on value, SEKm
+1	254	38.6	59.5	Rent	+/-10%	3.6
0	0	38.3	60.0	Running cost	+/-50 SEK/sqm	0.9
-1	-254	37.9	60.7	Yield requirement	+/-0.25 %	1.5
				Long-term vacancy rate	+/-2%	0.8

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

Risk	Description of risks/opportunities	Impact and management of risk, commentary 2014
Property values	Changes in rents, vacancies and yield requirements in the market affect the value of the properties. The market price is also impacted by access to and the terms of financing.	<p>The value of the property portfolio is affected by Fabege's leasing and customer structure, by the company's development of the property portfolio and by other external factors that determine demand. Stable customers and modern premises in attractive locations provide a strong foundation for maintaining property values, also during economic downturns. The continued advancement of project and development properties will continue to generate value growth in the portfolio.</p> <p>Properties are recognised at fair value and changes in value are recognised in the statement of comprehensive income. Property value is determined according to generally accepted methods. About 25 per cent of Fabege's portfolio has its value appraised externally at the end of each quarter. The value of the remaining properties is appraised internally based on the external valuations. Accordingly, the entire property portfolio is subjected to external valuation at least once a year.</p> <p>The combined year-end market value was SEK 32.6bn, corresponding to about SEK 32,000 per sqm.</p>

FINANCIAL RISKS

Financing

By interest-hedging about 60 per cent of the loan portfolio, interest-rate changes have a limited impact on Fabege's borrowing costs. Fabege believes that its available facilities are sufficient and that the existing agreements will be refinanced.

Sensitivity analysis, cash flow and earnings	Change	Effect, SEKm
Interest expenses 2015	1 percentage point	66.0
Interest expenses, longer-term perspective	1 percentage point	195.5

Risk	Description of risks/opportunities	Impact and management of risk, commentary 2014
Liquidity and interest rate risk	<p>The property industry is capital intensive and requires a functioning capital market. Accordingly, access to financing via banks and the capital market is of considerable significance for Fabege's operations.</p> <p>The liquidity risk refers to the borrowing requirement that can be covered by refinancing or new borrowing in a strained market scenario.</p> <p>The interest rate risk refers to the risk that changes in market interest rates will impact Fabege's borrowing costs. Interest expenses comprise Fabege's single largest cost item.</p>	<p>Fabege aims to strike a balance between short and long-term borrowing divided among a number of sources of funding. Long-term credit facilities, with fixed terms and conditions, and revolving credit facilities have been signed with lenders to reduce the liquidity risk. Re-negotiations are always initiated well in advance. Any issues that may arise are identified at an early stage through Fabege's long-term relations built on mutual trust with its financial backers.</p> <p>The average fixed-term maturity period at year-end was 3.7 years and available unutilised facilities amounted to SEK 4.6bn. The fixed-rate period is based on the estimated interest rate trend, cash flow and capital structure in accordance with the company's finance policy. Fabege employs financial derivative instruments, mainly in the form of interest rate swaps, in order to limit the interest rate risk, and to flexibly influence the average fixed-rate period of the loan portfolio. Derivatives are recognised at fair value. If agreed interest rates deviate from the market interest rate, a theoretical surplus or deficit value arises which is recognised in profit or loss account. The fixed-rate term of the loan portfolio was about 1.9 years at year-end.</p> <p>More detailed information on Fabege's financing is presented in the Financing section on page 36 and in Note 3 (financial risk management).</p>

ENVIRONMENTAL RISKS
Environment

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

Risk	Description of risks/opportunities	Impact and management of risk, commentary 2014
Contamination and environmental damages	Under the Swedish Environmental Code, commercial businesses are responsible for any contamination or other environmental damage, and for the remediation thereof. The Swedish Environmental Code also stipulates that even if a commercial business is unable to pay for the remediation of a property, the party who owns the property is responsible. Accordingly, Fabège could be subject to such remediation requirements.	Fabège deems this risk to be minor since its property portfolio primarily comprises commercial office premises. The company continuously investigates and identifies potential environmental risks in its property portfolio. Action plans are prepared for such risks arising. During 2014, there were no incidents resulting in material fines and no non-monetary sanctions pursuant to environmental legislation.
Climate changes	In a report from 2007 (SOU 2007:60), the Government established that Sweden is heading for a period of climate change. According to the report, it is assumed that the average temperature in Sweden will increase, as will precipitation during the autumn, winter and spring. However, summers are expected to be drier and the sea level is expected to rise. This results in an increased risk of flooding, avalanches, landslides, erosion and heat waves.	The assessment is that the climate change in itself does not constitute any major physical risk for Fabège at present, in view of the location of the property portfolio. Due to temperature changes, however, the need to control heating and cooling has changed. The use of heat declines somewhat during mild winters, while the use of air conditioning and process cooling in the office premises is increasing. One reason for the growing utilisation of air conditioning is the solar heat gain co-efficient (SHGC) on office buildings, while another is increased tenant demand for thermal and visual comfort.
Lack of environmental certification	Increased requirements from customers and other stakeholders for eco-certified buildings.	Fabège is of the opinion that demand for eco-certified buildings is increasing from both investors and customers. Since 2013, all new builds and major redevelopments are environmentally certified. At the end of 2014, approximately 355,000 sqm of existing floor space, including on-going projects, had been environmentally and energy certified or was undergoing certification.

TAX RISKS
Tax laws

If the proposal from the Swedish Corporate Taxation Committee is enacted, whereby the right to deduct interest expense from taxation is abolished, this would result in increased tax costs for Fabège.

Risk	Description of risks/opportunities	Impact and management of risk, commentary 2014
Tax laws	Changes in tax laws, such as corporate taxation, property taxation or other applicable taxes.	According to the proposal from the Swedish Corporate Taxation Committee, the right to deduct interest expense from taxation is to be abolished, which will result in an increased tax rate for Fabège. Fabège has submitted a response on the Committee's proposal and is continuously monitoring development.

ETHICAL RISKS
Ethics and anti-corruption issues

Through policies and agreements, Fabège requires that suppliers and other business partners undertake to comply with Fabège's Code of Conduct, entailing zero tolerance of unethical behaviour.

Risk	Description of risks/opportunities	Impact and management of risk, commentary 2014
Fraud, bribery, unsound labour practices	Fabège does not accept any form of bribery, threats or unsound employment contracts. Within Fabège's large-scale projects, many players are involved and services/products are procured through sub-suppliers on several levels. Despite making clear requirements in all procurements, the long supply chain is difficult to overview, giving rise to a risk that activities that contravene Fabège's values are conducted.	Cooperation with contractors is evaluated continuously and all major suppliers are sustainability examined by an independent company. All suppliers are also monitored by credit rating agencies, in order to quickly identify potential financial non-conformities and any changes in boards and management. Fabège is of the opinion that control of its first-line suppliers is adequate. Through agreements, suppliers undertake to comply with Fabège's Code of Conduct. If any non-conformities are uncovered, the agreements can be terminated with immediate effect. In turn, Fabège urges its first-line suppliers to monitor compliance by their sub-suppliers and thus ultimately be able to ensure compliance throughout the supply chain.

Sustainability report

Fabege's sustainability highlights 2014



- The Fabege share approved for inclusion in Robur's ethical funds and Nordea's Star funds.

- Highest level in GRESB (Global Real Estate Sustainability Benchmark) survey: Green Star.



- Green Leases accounted for 86 per cent of total space under newly signed leases.

- Decision to proceed with BREEAM In-use environmental certification of the existing property management portfolio.



- Environmental certification of all new builds and major redevelopments, which amounted to five properties in 2014.





CEO message

Active sustainability work is critical to our business and adds value for shareholders

Sustainability issues are becoming increasingly integrated into Fabège's daily operations. One distinct trend is that they have progressed from the environmental department into the entire company. Energy-saving measures have become an integrated part of everyday property management. In the projects department, it has become self-evident to environmentally certify new properties and our property developers work to create city districts that are sustainable and vibrant in the long term, and that make people content. Being at the forefront of sustainability is of critical importance to businesses today, by enabling them to continue to attract customers, employees and investors in the long term. Within a short time, issues such as the environmental certification of offices have moved from being a competitive factor that attracted tenants who were far ahead in their sustainability efforts, to becoming a hygiene factor that most major tenants should be able to take for granted when they switch premises. As a property owner and employer, requirements are being imposed on us by the increasingly distinct and healthy trend we are seeing of companies assuming ever greater responsibility for all the aspects of their operations. Consequently, we will continue to apply ourselves to achieving our highly ambitious sustainability targets, which are presented in detail on page 47. From having environmentally certified all our new builds and major redevelopments, we are now moving on to certifying our existing property portfolio in accordance with BREEAM In-Use.

For more than ten years, reducing energy consumption by systematically enhancing efficiency has been one of Fabège's foremost environmental goals and, up to and including 2009, energy usage was reduced by some 5 per cent per year. Due to increased demands for comfort and cooling, we did not reach our targeted additional 20 per cent reduction by 2014. Nevertheless, I can proudly state that Fabège's energy use is currently about 50 per cent below Statistics Sweden's average for the region and that through our systematic efforts, we have already achieved the EU's energy-efficiency target for heating: a decrease of 50 per cent by 2050.

One challenge is to ensure that the earlier links in the supply chain also act responsibly, so that all components of our properties are produced in a socially and environmentally sustainable manner. Although we have taken some major strides by performing sustainability inspections of our major suppliers, there is a long way to go.

This year, we received the satisfying confirmation that our sustainability efforts maintain a high class, when Fabège participated for the first time in Global Real Estate Sustainability Benchmark (GRESB) and received the Green Star rating, which is the highest level. We have also been analysed and approved for responsible investment by the mutual funds of both Robur and Nordea.

These excellent results and the great sense of pride that I am witnessing at Fabège serve as inspiration for our continued efforts ahead.

CHRISTIAN HERMELIN
Chief Executive Officer



A sustainable business at all levels

Being a responsible enterprise is a must for Fabege. The company pursues the development of attractive and sustainable areas and city districts.

Responsibility is taken for reducing carbon footprint and promoting a good working environment for the approximately 75,000 people who are present each day in the company's buildings.

Fabège also plays an active role in the development of the areas in which its property portfolio is located. City districts need to be vibrant and be the right fit for the people who spend time in them. This is achieved by integrating living, work, leisure activities, neighbourhood services and efficient transport links into the same area. Sustainability work gains its greatest impact when the totality is developed, rather than the individual parts.

All parts of the operation represented in the control model

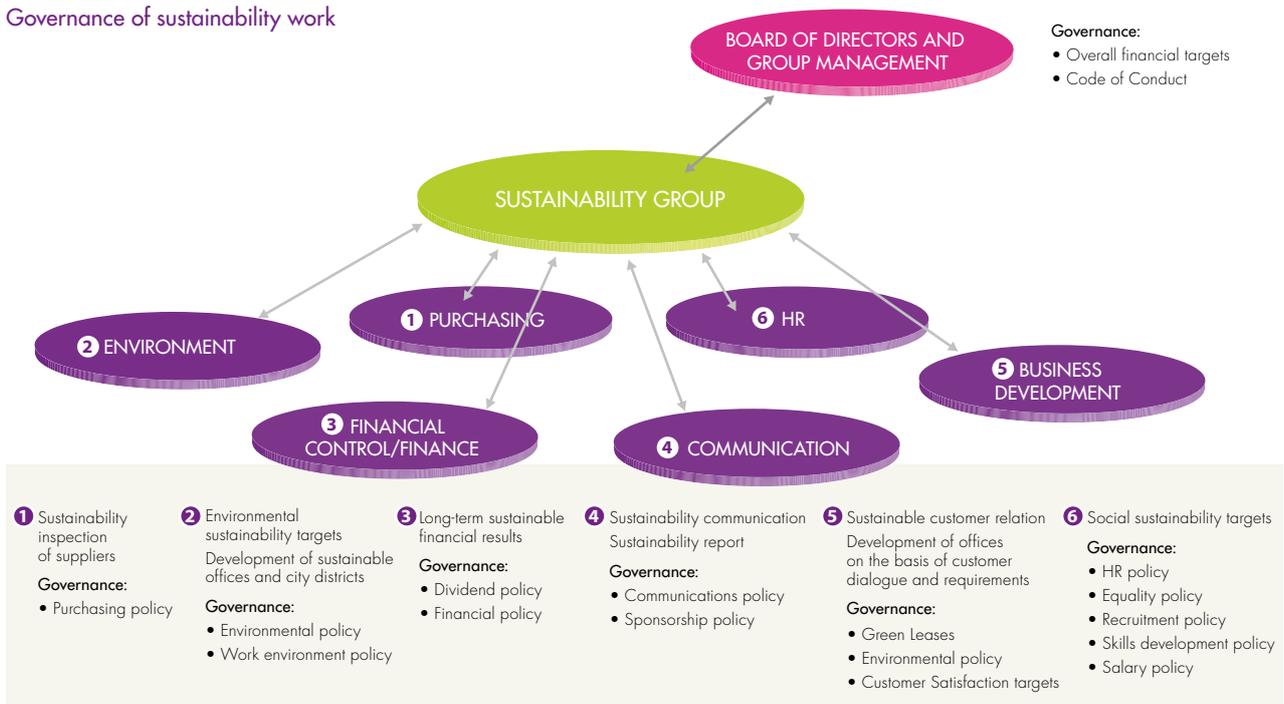
Fabège's sustainability work is conducted in all parts of the organisation. To underscore the importance of this work, the company has a sustainability group, in which representatives of all areas of operation

are gathered in a joint forum for sustainability issues. The sustainability group includes the CFO (representing the Executive Management Team and a spokesperson to the Board), the Environmental Manager (representing property management and projects), the Purchasing Manager, the HR Manager, the Director of Communications, operational developers and the Financial Manager.

The CEO has ultimate responsibility for matters involving sustainability and the environment. The Environmental Manager, who reports to the Executive Management Team, is responsible for environmental certifications and environmental and product safety matters.

Fabège's Ethics Council, which reports to the Executive Management Team, serves as support in day-to-day work. The role of the sustainability group is to direct the work, monitor relevant external issues and pursue specific ethical matters. The Council includes representatives from business development, letting, property management, technical management, projects, HR and finance.

Governance of sustainability work



Areas of responsibility and the policies that govern the business are presented in the illustration. HR, environment, economy/finance, purchasing and operational developers are responsible for implementing the objectives involving their respective business processes. Sustainability targets are monitored on a quarterly basis and through follow-up meetings held continuously. In addition to the targets and policies, more in-depth guidelines and process descriptions are in place that govern the operational targets of Fabège's various departments.

Policies and guidelines that support operations

Fabege's core values and the Code of Conduct form the basis for the actions of all employees. The Code of Conduct highlights Fabege's position on matters concerning human rights, terms of employment, the environment, business ethics and communication.

The Board of Directors and the Executive Management Team have specific responsibility for promoting implementation of the Code of Conduct. The content is revised and monitored annually by the Executive Management Team. The Code of Conduct was updated during 2014.

All managers with personnel responsibility are responsible for ensuring that the Code of Conduct is known and complied with, in their specific department/sphere of responsibility. The full text of the Code of Conduct is available at www.fabege.se/codeofconduct.

A foundation for the Code of Conduct is that Fabege must comply with applicable laws and other regulations and adhere to generally acceptable business customs and practices, while complying with international human rights, labour and environmental standards in accordance with the Global Compact's ten principles and the ILO's fundamental conventions on human rights at the workplace. Fabege has supported the UN's Global Compact since 2011. The company complies with the Worker Codetermination Act and with collective bargaining agreements in which, for example, the minimum period of notice is regulated.

At Fabege, no-one is to be discriminated against on the grounds of ethnic origin, religion, physical or mental disability, age, gender or sexual orientation. During 2014, no cases of discrimination were reported.

Fabege has a whistleblower function to facilitate the reporting of unethical behaviour or improprieties at the workplace. The whistleblower function consists of two in-house employees and one external member. Both internal and external whistleblowers are welcome. During the year, the whistleblower function was utilised once and actions were taken.

Since 2011, work has been under way to raise the organisation's knowledge in respect of business ethics and anti-corruption. Examples of such activities include inviting all employees to lectures and group seminars on anti-corruption and bribery legislation, and ethical discussions held at the company's internal conferences. Employees are continuously provided with information on the matters that have been discussed in the sustainability group and the Ethics Council.

Business ethics as a shared ground

Fabege regards business ethics as an important issue and endeavours to involve the company's suppliers in the questions that arise in this area. Fabege's purchasing policy clarifies the company's positions in this area for suppliers, employees and other stakeholders. The company has never been subject to legal action arising from anti-competitive behaviour.

The Code of Conduct was updated during the year. At an internal conference for all personnel in September, business ethics and moral issues were discussed, including those in relation to suppliers. Fabege has also decided to decline gifts from suppliers to avoid moral dilemmas and discussions about the value of the gifts and potential influence on Fabege's objectivity.



Entrepreneurship should be pursued from a long-term perspective, while caring for customers, employees and the surroundings. To me, sustainability and profitability go hand in hand.

Erik Paulsson, on responsible ownership

Fabege has a strong commitment to sustainability issues

At Nordea Asset Management, we endeavour to fulfil our asset management responsibilities, which ultimately entails the creation of attractive and stable, long-term returns for our customers. To achieve this, we are required to manage the risks and opportunities in the ESG¹⁾ area that concern our portfolios and funds.



Fabege operates in a sector that involves obvious ESG risks. Fabege's creation of a detailed framework document and a Sustainability Council with representatives from various business units is an indicator of its solid commitment to ESG issues. Fabege has adopted a management system that includes social and financial risks throughout the supply chain, which has historically been the area where companies operating within the property sector are most exposed. A systematic method for managing environmental issues in relation to Fabege's products has resulted in an offering of green, environmentally friendly properties, thus allowing for the company to meet demands from a broad spectrum of customers. Fabege is well prepared for future challenges and opportunities in terms of environmental and social aspects, and thus qualifies for the Nordea Star funds, where we deliver sustainable, long-term returns to our customers.

Emir Borovac, ESG Analyst, Nordea Asset Management

1) Environmental Social Governance

On-going dialogues with stakeholders

Fabege's principal stakeholder groups – customers, employees, shareholders and analysts, creditors, suppliers and members of the surrounding society – are identified on the basis of their constituting a prerequisite for the company's long-term success.

Continuous dialogue is maintained with these stakeholders in an effort to identify the issues that the various groups find the most important. The formats of these dialogues vary according to the stakeholder group concerned, as do the issues that are the most important.

The results of the completed stakeholder dialogues are presented in the table.

	DIALOGUE FORMAT	SUSTAINABILITY ISSUES	EARNINGS
CUSTOMERS	<ul style="list-style-type: none"> • Continuous dialogue/customer service • Customer satisfaction surveys • Newsletters • Cooperation on Green Leases 	<ul style="list-style-type: none"> • Environmentally certified properties and energy optimisation • Good access for cyclists • Materials selection and waste management • Indoor climate 	<ul style="list-style-type: none"> • Additional bicycle parks, rental bike pools and expanded public transport services • Additional gyms, food trucks, restaurants and other services in the neighbourhood • Reduced energy consumption in the property portfolio, with improved indoor climate
EMPLOYEES	<ul style="list-style-type: none"> • Employee performance evaluations • Human resources surveys • Café Fabege (meeting forum) • Conferences 	<ul style="list-style-type: none"> • Health, community, balance in life • Personal development • Ethics and anti-corruption issues 	<ul style="list-style-type: none"> • Updated Code of Conduct • Conference for all employees focusing on business ethics • Joint training during working hours
SHAREHOLDERS & ANALYSTS	<ul style="list-style-type: none"> • Annual report • Quarterly reports • Capital market days • Roadshows and one-to-one meetings 	<ul style="list-style-type: none"> • Long-term, stable return based on a sustainable business model 	<ul style="list-style-type: none"> • Sustainability report according to GRI in Annual Report • Participation in various investor surveys such as "Sustainable Value Creation" and GRESB • Approved for inclusion in Robur's ethical funds and Nordea's Star funds
CREDITORS	<ul style="list-style-type: none"> • Presentations, quarterly reports, annual report, web • Meetings, property viewings and seminars • Capital market days 	<ul style="list-style-type: none"> • Long-term, stable return based on a sustainable business model 	<ul style="list-style-type: none"> • Continuous sustainability discussions with creditors
SUPPLIERS	<ul style="list-style-type: none"> • Centralised procurement/framework agreements subjecting suppliers to demands for complying with Fabege's Code of Conduct 	<ul style="list-style-type: none"> • Demands for impeccable business ethics and Code of Conduct • Continuous quality measurements of suppliers • Far-reaching demands in respect of materials selection in connection with new builds and redevelopment 	<ul style="list-style-type: none"> • Requirement that suppliers comply with Fabege's Code of Conduct • Sustainability inspection of suppliers
SOCIETY	<ul style="list-style-type: none"> • Regular meetings with municipal and public authorities • Collaborative meetings together with networks of companies (BELOK, SGBC, Swedish Property Federation, Byggherreforum, Close, etc.) • Cooperation agreements with non-profit organisations 	<ul style="list-style-type: none"> • Jointly work for sustainable property and city district development • Create vibrant neighbourhood environments with a mix of offices, residential units, services and nature areas • Stimulate social sustainability, through measures such as targeted youth activities 	<ul style="list-style-type: none"> • Decision to contribute SEK 100m to finance expansion of underground rail service to Arenastaden • Environment and energy classification of buildings according to Miljöbyggnad, BREEAM and Greenbuilding • Cooperation concerning sustainable urban development • Sponsorship of Ung affärsidé, Friends, Ståda Sverige and sports associations

Sustainability targets

- **Environmental certifications**
All new builds and major redevelopments are to be environmentally certified according to BREEAM or Miljöbyggnad. Initiate certification process of existing portfolio according to BREEAM In-Use.
- **Green Leases**
Green Leases should account for 50 per cent of total space under newly signed leases.
- **Customer Satisfaction Index**
Strategic customer efforts are continuing and an in-house, customised customer survey is being implemented. The purpose is to develop the survey, add area-specific issues and direct questions to a larger number of customers in order to obtain the best possible basis for continued customer-care efforts.
- **Sustainability inspections**
Fabege's objective is to inspect suppliers from a sustainability perspective corresponding to at least 75 per cent of the total purchasing volume.
- **Satisfied employees**
The performance rating of the personnel is measured regularly and the aim is that the rating among Fabege's employees will be at least 15 per cent higher than the sector average.
- **Sickness absence remains low**
Fabege aims to maintain a low level of sickness absence, aided by regular medical check-ups and continued health and fitness programmes.
- **Code of Conduct**
All employees are to be informed on a regular basis of Fabege's Code of Conduct and ethical guidelines, as well as of bribery legislation. This is to be done through conferences, workshops, courses or e-learning programmes, depending on the purpose.

Awards and nominations



Global Compact. Fabege supports the UN's Global Compact and the UN's ten principles for human rights, environment and anti-corruption. Fabege is also supporting the Swedish network "Globalt Ansvar" (Global Responsibility) and, as of 2009, also the Nordic network, Global Compact Nordic Network.
www.unglobalcompact.org

Awards in 2014

Hugin & Munin Prize

For: Best communications in the industry
From: Fastighetsvärlden



Top 10 – Best annual report

For: Ranked the eighth best annual report among listed companies
From: Kanton

Environmental funds



Robur

Swedbank Robur. Fabege remains to be approved as an investment in Swedbank Robur's sustainability funds and also qualified as a "Good example in the industry".

Company index

GES Nordic Sustainability Index
 Comprises the 40 leading companies in the Nordic region in the areas of environment, social responsibility and corporate governance. Fabege has been included in these indices since the beginning of 2010.
www.indexes.nasdaqomx.com



Nominations 2014

Repair and Renovation Award

For: The development of the Carnegie brewery
From: Stockholm Association of Building contractors

Sustainability Award

For: Property owners who have innovatively cooperated with tenants in sustainability issues
From: City of Stockholm and SGBC



Nordea Star funds. Fabege qualified for the Nordea Star funds, which deliver sustainable, long-term returns to customers.
www.nordea.se

The Glass Award

For: The best glass-building project – the Vattenfall Building
From: Swedish Federation of Glazing Contractors

Epi Awards

For: The best B2B website
From: Episerver

Assessments



Green Star rating in GRESB. GRESB is a sustainability reporting system based on the entire property portfolio, which gives a picture of how the company's sustainability efforts are integrated into the company's operations, procedures and systems. The aim of the GRESB Foundation is to stimulate participants to achieve the best practice in sustainable behaviour in the property sector.

This year, Fabege participated for the first time in the Global Real Estate Sustainability Benchmark (GRESB) and received the Green Star rating, which is the highest level. The fine results provide inspiration for continuous sustainability work and systematically improving the future.

Collaborations for sustainable development

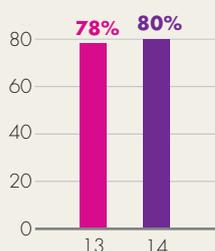
Fabège conducts its development projects in close cooperation with municipalities and other stakeholders. The company also participates in several networks for which the common aim is to reduce the environmental and climate impact caused by properties and city districts.

Examples of these networks:

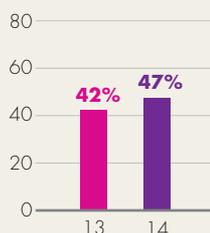
- The Swedish Energy Agency's customer group for properties, BELOK
- The SGBC's BREEAM Committee
- Byggarubedömningen (Building Material Assessment)
- The City of Stockholm's forum for sustainable properties
- The Climate Pact
- The Green Tenant Award jury

Active sustainability work according to customers

During 2014, Fabège participated in an industry-wide Customer Satisfaction Index (SCI). Since sustainability is of vital importance, Fabège chose to add unique questions concerning this parameter in the survey.



To the question "Do you consider that Fabège conducts active work in sustainability issues?", 80 per cent responded yes, compared with 78 per cent in 2013.



To the question "Does Fabège's sustainability work influence your choice of landlord?", 47 per cent responded yes, compared with 42 per cent in 2013.

Fabege's focus areas

Fabege's sustainability work should be pursued with a long-term focus and in a manner that provides benefits for customers, employees and owners, without consuming resources that inhibit the opportunities of future generations to satisfy their dreams and needs. The buildings and places that are created today will be in existence and affect people for generations. This entails that Fabege has a long-term responsibility for resource husbandry, minimised environmental impact and social responsibility that requires continuous thought and care.

Fabege's efforts to create the right conditions in both properties and city districts is based on three perspectives:

The individual

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

The businesses

Fabege aims to be a long-term partner and to create offices that strengthen the customer's brand. The organisation wants to contribute to the customer's sustainability work through cooperation and Green Leases, and to help the customer to adapt his/her need for premises to match the customer's business development.

The city district

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



Long-term environmental work for sustainable urban development

Environmental issues are integrated throughout Fabege's operations. The main focus is on energy-efficiency enhancements, environmentally certified properties and increasing the share of Green Leases.

Demand for sustainable and environmentally certified properties is on the rise. The environment around the property is also becoming increasingly important; for example, in terms of opportunities to travel by public transport, cycle paths, safe and pleasant street environments with an attractive range of services and green oases. For Fabege, long-term environmental work entails both the development of entire city districts and systematic and continuous efforts to reduce the energy consumption and environmental impact of every single property.

Fabège's focus areas

Fabège's environmental work is long-term, goal-oriented and integrated into day-to-day work. The base is Fabège's environmental policy and Code of Conduct. The company also collects inspection reports and test results in a database for self-controls.

The principal environmental issues are:

- Systematic work to increase energy efficiency
- Environmental certification of all new builds and major redevelopments
- Increase the share of Green Leases

1) The use of degree days provides a measurement of how the temperature for a day, month or year has deviated from the normal temperature for a specific location. The use of degree day correction provides energy statistics that take into account and make adjustments for warmer and colder periods at the location, thus facilitating comparison from one year to the next.

Technical advances contribute to increasing energy efficiency

Fabège's objective is to reduce both energy consumption and climate impact. The company works systematically to achieve increased energy efficiency, in terms of both new properties and modifications of existing buildings. Since 2002, Fabège's carbon emissions have been reduced by more than 90 per cent, from about 40,000 tonnes in 2002 to some 3,500 tonnes in 2014.

During 2014, Fabège's heating consumption was at an average of 55 kWh/sqm Atemp temperature corrected¹⁾, and was thus slightly more than 50 per cent below the average reported by the Swedish Energy Agency for the Stockholm County climate zone. With the exception of Fabège's six heat pumps, district heating consumption was at an average of 59 kWh/sqm Atemp temperature corrected.

During recent years, the pace of technological advancement in the property industry has been rapid and, for example, systems for climate control have become more complex and require greater technical expertise. However, climate control systems are generating new opportunities to reduce energy consumption at the same time as follow-up and control of the indoor climate can be improved through visualisation of temperatures, etc.

Energy efficiency enhancements

In the Getingen 13 property, the target of a 20 per cent reduction in energy has been met. Energy efforts here aimed to create an environmentally competitive property, with low energy use and low climate impact. The computer halls in the property had a negative impact on the property's energy profile, because the property consumed large amounts of district cooling. The cooling requirement accounted for 57 per cent of the building's total energy usage.

Through a number of measures to improve heat recycling, such as innovative transformation of fluid-connected power units to rotor recycling, energy consumption to date has been reduced by some 27 per cent. Presence control has been installed for garage lighting, air flows have been balanced and all room control has been automatically regulated. Eventually, the need to purchase district heating will be essentially eliminated, when the heat from the computer halls is recycled. In addition, ten charging posts for electric cars have been installed and three new Green Leases signed in the property.

Target
-20
%



In property management, Fabege works on a systematic and long-term basis to achieve energy optimisation. In-house operations personnel contribute to attaining the targets and to creating long-term commitment to this matter.

Renewable energy

Environmentally certified wind power from Vattenfall's Nordic plants accounts for all electricity supplied to Fabege's properties. Norrenergi supplies "Good Environmental Choice" district heating and district cooling to the properties in Solna and Sundbyberg.

Green Leases reduce climate impact and costs

Green Leases provide a unique platform for the property owner and tenant to reduce the environmental impact of their premises. When signing a Green Lease, both parties agree on a joint environmental agenda for the premises through the efficient use of resources and sustainable property management.

Green Leases cover areas such as actions to reduce environmental impact in terms of energy, indoor environment, choices of materials and waste management. The objective is to focus on and cooperate in environmental matters in order to reduce both the climate impact and costs. While Fabege ensures that the buildings are energy-efficient, the customers focus on reducing their own energy use. Since signing a Green Lease provides support for environmental certification of the building, it means that Fabege's investment in the environment directly generates value. Environmental certification is deemed to attract stable tenants and affect the valuation of the property and its attractiveness to investors.

One of Fabege's sustainability targets is to raise the proportion of Green Leases, which fits in well with the customers' increased demand. During 2014, Green Leases accounted for 86 per cent of total space under newly signed leases.

Other environmental issues in focus

In addition to the focus areas of increased energy efficiency, Green Leases and certification, Fabege is working actively on a number of other environmental issues.

Conscientious materials selection

In projects and developments, Fabege's overriding environmental programme is integrated into Fabege's framework programme involving factors such as environmental certification, selection of material, increased energy efficiency and construction methods. The aim is that Fabege's environmental policy will be expressed through environmental control of the building process.

In new builds and redevelopment projects, only building materials and products with limited environmental impact may be used. When a building is redeveloped or renovated, a demolition plan is drawn up to ensure that waste is recycled to the extent possible. In all projects, a plan for the handling of waste products is prepared together with the building and waste management contractors.

Environmentally compatible transports

The property sector has a major responsibility when it comes to transportation. All of the company's service vehicles are eco-cars. Fabege is

Research into green properties

Together with the Royal Swedish Institute of Technology, the Swedish Property Federation, Vasakronan and other stakeholders, Fabege is participating in a research project into how environmental initiatives involving properties can be used to add value for owners and customers alike.

By looking at environmentally certified properties in Sweden, it is studied how the added value provided by these properties differs among the various types of premises, owners, tenants, geographical location and the selection of environmental classification system. The project is expected to result in recommendations for property owners and tenants of commercial premises, with the ultimate aim of increasing the driving forces in this area and accelerating the development of sustainable properties.

The results to date show that certification is important in efforts to attract and retain major stable tenants. The choices of material are also highlighted as an increasingly important factor for tenants.

also working to reduce environmental impact by creating conditions for more efficient travel in connection with work assignments and commuting. During 2015, Fabege will conduct an internal travel habit survey, aided by CERO, Climate and Economic Research in Organisations.

An important question concerns how the customer's employees will commute to work. Fabege's properties are located centrally in places with an abundant supply of public transport. During 2014, Fabege also decided to contribute SEK 100m to the City of Solna's co-financing of an underground train service to Arenastaden. The payments will be distributed evenly during the construction process, which is scheduled to start in 2016 and be completed in 2022. This will provide customers with excellent possibilities to commute to work smoothly and in a climate-smart manner and further strengthen Arenastaden as a communication hub.

Every year, Fabege increases the number of bicycle parks to enhance accessibility for cyclists. In addition to close proximity to public transport services, Fabege offers pool bicycles to all tenants of Solna Business Park. In total, Fabege has installed charge outlets for electric cars in 13 properties.

Reduced amount of waste and emissions

When acquiring or customising properties, potential space for sorting waste at source is explored in order to optimise waste management in relation, for example, to flows of material and transports. The aim is to reuse and recover wherever possible.

For several years, Fabege has worked with a waste management contractor that maintains direct contact with customers to better satisfy their needs for customised service. Transport needs have also been reduced by lowering the number of haulage contractors. This work has reduced volumes of waste and carbon dioxide emissions and lowered costs.

Environmental certifications provide guidance

Interest in environmental certifications of buildings has grown in recent years. The industry organisation, Sweden Green Building Council (SGBC), which has a large number of Swedish member companies, coordinates the certification systems in Sweden.

For the past several years, Miljöbyggnad certification has been the minimum level for Fabege's new builds and major conversions. Since 2013, new builds of office properties are designed to satisfy the international environmental certification BREEAM-SE. Today, 15 of Fabege's 80 properties have been certified or have entered the certification process.

Interest in a broader spectrum of sustainability issues is increasing in the industry. For example, systems for the choice of materials are currently being developed that also encompass social issues and not solely environmental matters as in the past. There are also initiatives involving the certification of entire city districts from a sustainability perspective.

BREEAM

BRE Environmental Assessment Method (BREEAM) is an environmental certification system that originated in the UK. The system encompasses project management, the building's energy use, indoor climate conditions, water consumption and waste management, as well as land use and the building's impact on the surrounding area.

BREEAM has a Committee in Sweden, whose primary task is to support the Sweden Green Building Council's work on making BREEAM-SE a profitable and sought-after environmental certification system that creates value for the various players in the Swedish property market. Its task also includes examining and monitoring the certification system and providing advice on strategic and operating issues to the operational part of the organisation.

During 2014, Fabege was selected to participate in the BREEAM Committee Sweden due to its involvement in the environmental certification of buildings.

breeam

Miljöbyggnad

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



GreenBuilding

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



Participation and cooperation contribute to good business

With the core values as a solid base, the employees are given considerable opportunities for development. Thanks to a positive and inspiring workplace, all employees become involved in building long-term customer relations.

Fabege attaches great importance to having all employees feel involved in creating the company's success. Good customer relations are created with the help of a high level of service and technical expertise, primarily in the customers' everyday contacts with Fabege employees who work in a specific property or a particular area. Fabege has a flat organisational structure with short decision-making channels and is characterised by an entrepreneurial spirit that encourages personal initiative and innovativeness.

Shared core values as a base

Fabege's core values, known internally as SPEAK, characterise the entire business. These values are Fast, Informal, Entrepreneurial, Business-minded and Customer-focused. The Code of Conduct highlights Fabege's position on matters concerning human rights, terms of employment, the environment, business ethics and communication. Jointly, the core values and Code of Conduct form the basis for the actions of all employees.

Taking responsibility for the industry's future

To safeguard the future recruitment base, Fabege is committed to building relations with students and working to strengthen the company's image as an attractive employer. Fabege makes room for trainees and

students doing their degree thesis, thus providing young people with an insight into the company and the industry.

Fabege also takes a more overall responsibility for the future of the industry by actively participating in the design of new training programmes.

Increased number of women in the sector

Although the property industry has traditionally been viewed as male dominated, it is now attracting a growing number of women. However, in certain job categories, such as building maintenance technicians, the recruitment base is still dominated by men. Fabege is cooperating with industry organisations to increase interest among women. At year-end, women accounted for two out of seven members of Fabege's Executive Management Team, or 30 per cent (20). The total proportion of women working at Fabege was 36 per cent (35).

Continuous skills development

Fabege aims to attract, develop and retain talented employees. The employees should be able to develop and grow professionally through new or diversified work areas and job assignments. By working in project groups, opportunities are created for both the transfer of knowledge and development. Individual career development plans form the



basis of every employee's professional development. At performance evaluations, the manager and the employees establish targets for the employee's development and follow up on earlier plans. The starting points for the targets are the goals for the particular operation and the employee's role in achieving them.

To attain the established objectives, the employees may, for example, participate in training programmes, seminars and networks. If there is a need for joint skills development, training programmes are also arranged for work groups in specific subjects.

Internal recruitment is a way of enhancing skills and developing employees and the organisation. Fabège's employees have considerable opportunities to move between various functions, thus also contributing to a transfer of knowledge.

Health and safety are high on the agenda

Fabège provides a safe and healthy work environment for its employees. An occupational health and safety committee, represented by managers and employees from various parts of the company, and occupational health and safety representatives are jointly responsible for continuously developing the work environment. A total of 12 people are involved in this work. This work continued in 2014 and actions were taken to further improve and develop the work environment and increase the inter-departmental sharing of knowledge regarding these matters.

Offering a sound balance between work and leisure is a key element in Fabège's ambition to be an attractive employer. For several years, Fabège has been committed to promoting health and fitness, and to encourage staff to exercise and stay fit. All employees are invited to train with their colleagues during work hours. By having changing rooms in all offices, employees are able to cycle to work and exercise together.

The most recent medical survey shows that Fabège has clearly better health figures than the average for Sweden, and the company also has

low figures for total sickness absence. A group health insurance policy covering all employees ensures that they rapidly have access to professional care in case of illness.

Information meetings at Group level

Café Fabège is a meeting forum arranged by Fabège about five times a year. All employees are invited to listen to and discuss interesting topics that are of current relevance to the company.

An introductory day for new employees is held every year to address such matters as the core values. Fabège also arranges internal conferences based on the core values, at which the employees discuss their relevance to day-to-day work.

Performance rating exceeds sector average

To create an attractive and inspiring workplace, Fabège encourages employees to engage in an active and open dialogue. Fabège regularly conducts an extensive survey to find out how the company is viewed by the employees. The response rate for the latest survey was 99 per cent. The survey features a method that measures how prevailing working conditions affect the employees, as measured by a performance index. The performance rating in 2014 was 3.8. The rating for the industry as a whole was 3.5. Fabège aims to exceed the sector average by 15 per cent.

Everyone benefits from healthy earnings

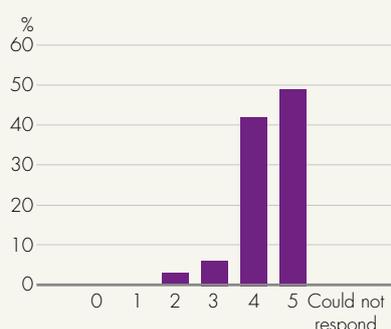
To increase the employees involvement in Fabège's operations and emphasise their importance to the company's earnings, all employees take part in a profit-sharing scheme. Allocations are made in the form of Fabège shares based on the company's profitability and return on equity. Shares are tied up for five years after allocation. The maximum amount allocated per year is one price base amount per employee.

Human resources survey

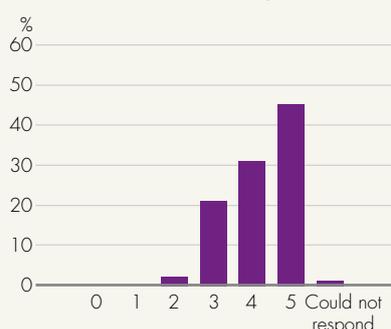
Towards the end of the year, an employee survey was conducted, through which more than 99 per cent of the employees expressed their opinions of Fabège as an employer. The results show that 79 per cent recommended Fabège as an employer, 91 per cent gave the company the best

or second best rating for work environment and 76 per cent value the confidence of the immediate superior, with a rating of 4 or 5 on a scale of five. The performance rating was 3.8, which was higher than the sector average of 3.5.

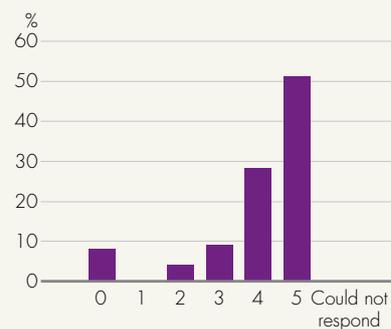
General work environment

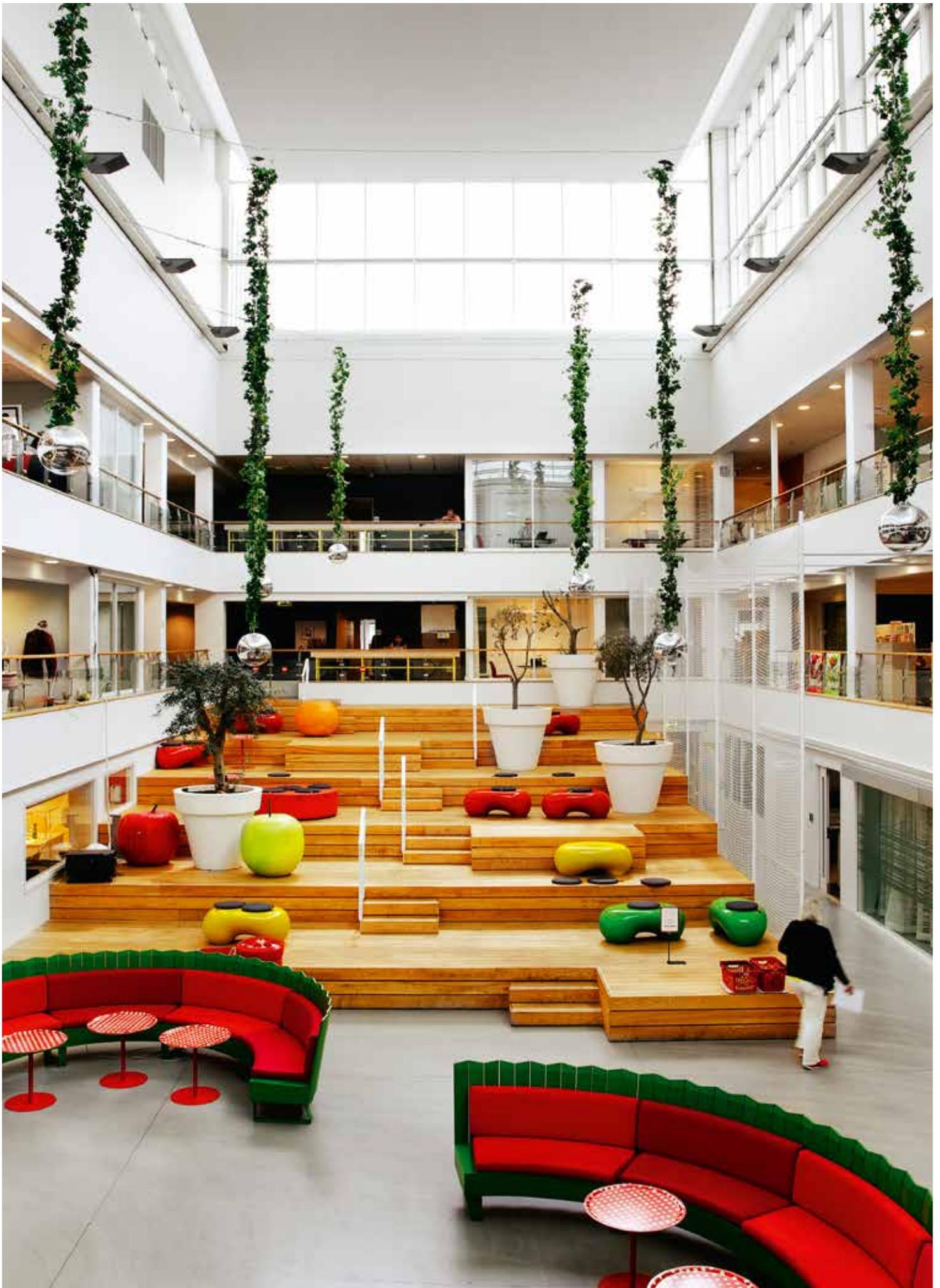


Confidence in immediate superior



Recommend Fabège





A shared view of sustainable business

Monitoring suppliers is an important aspect of Fabege's purchasing work, in order to assure high business ethics, consideration for human rights, entrepreneurship, competition, objectivity and equal treatment.

The company's Code of Conduct and Purchasing Policy form the foundation for purchasing work. Fabege's Code of Conduct encompasses all employees and clarifies the company's positions in respect of human rights, terms of employment, the environment, business ethics and communication. Fabege has never been subject to legal action arising from anti-competitive behaviour. The company also expects its suppliers to comply with Fabege's Code of Conduct.

Continuous inspections of suppliers

To ensure that Fabege's suppliers meet the requirements placed by the company, regular inspections are conducted from both an economic/financial perspective and a sustainability and quality perspective. The objective is to inspect suppliers corresponding to 75 per cent of the purchasing volume. Of the total purchasing volume during the year, 76 per cent was examined from a sustainability perspective.

There are major challenges in this area, particularly in terms of ensuring that earlier links in the supply chain also satisfy the requirements. By urging the suppliers themselves to inspect their suppliers, a significant first step has been taken in these efforts.



Financial inspection

All of Fabege's suppliers are under the supervision of a credit rating company commissioned by the company. The aim is to quickly recognise any financial deviations that could indirectly have an adverse impact on the delivery concerned.

Sustainability inspection

Suppliers are also examined from a sustainability perspective; not only to check the suppliers' operations, but also to inspire them to conduct further work on sustainability issues.

During 2014, an external company inspected in detail 16 selected suppliers in the energy, water, construction and civil engineering areas, as well as consultants and architects. The examination encompassed quality plans, environmental policy, work environment and collective bargaining agreements as well as health and safety, and showed that the selected suppliers work actively with sustainability issues. In the past three years, suppliers corresponding to about 76 per cent of Fabege's purchasing volume have been inspected.

Quality inspection

A quality inspection is conducted quarterly, whereby selected suppliers are assessed by Fabege on the basis of the quality of their deliveries. The results are used in the dialogue with the supplier and function as an important element of the creation of long-term relations.

Contract inspection

The follow-up of concluded agreements is performed continuously and encompasses the delivery level, appearance times, alarm response, work instructions, emergency preparedness, agreed service visits and auditing of invoices.

Focus on high risk work environments

Building sites are high risk environments and Fabege focuses intently on the work environment in order to minimise accidents and incidents at the sites. At all construction sites, all applicable legislation and safety procedures must be complied with. Continuous audits are conducted during the course of all projects. Although the work environment and employer liability at building sites falls upon the contractors, Fabege takes an active role in preventing incidents. Fabege only procures building contractors that meet the company's stringent risk-management demands. Cooperation with contractors is evaluated continuously.

Local involvement

Fabege takes active responsibility for society and is involved in various ways in the local community, such as through support to sports and youth initiatives.

Social involvement is a natural feature of Fabege's social responsibility and a way of contributing to sustainable urban development. An important part of this is contributing to improvements in the local communities where the company is active. This is done, for example, by participating in the development of the service offering, public transport and other factors that facilitate the everyday life of the people who live and work in the area.

By supporting various sports initiatives, Fabege hopes to contribute to increased exercise and active and developmental leisure among young people. The company also supports other projects, such as SOS Children's Villages in Africa, and Friends, an anti-bullying association.

Fabege Basketball Camp

Fabege supports the Solna Vikings basketball team by sponsoring the Fabege Basketball Camp. Every year, up to 300 young people are given an opportunity to attend a camp and play basketball during the summer holiday.

With the help of highly skilled coaches and parents, 250 players got off to a good start to the basketball season with more than ten training sessions, new friends and many other experiences during the week-long camp, which was held in Köping.

Together for a Green Sjöstad

In August, Fabege helped to arrange the Green Sjöstad project. Nearly 400 children and young people congregated to tidy up Hammarby Sjöstad and interview passers-by about their habits concerning sorting waste at source, switching off lights, water consumption, utilisation of public transport services and how they handle food waste.

In addition to making Hammarby Sjöstad clean and tidy, the atmosphere was great the entire day, with everyone helping out, regardless of age, company, organisation or agency.

Two Swedish Championship golds to AIK United

Fabege sponsors AIK United, a football team for the disabled. The team comprises 32 players aged 11–30 years, both boys and girls. The children in the team have disabilities such as Down Syndrome or autism. During the year, AIK United won two Swedish Championship gold medals in football for the disabled.



Environment

Green Leases

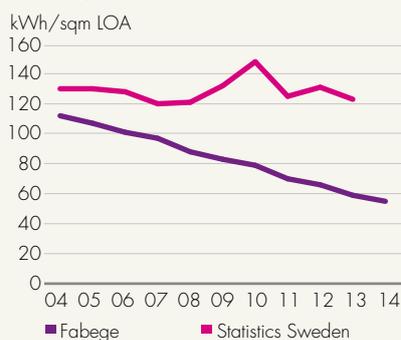


The aim is that Green Leases will account for at least 50 per cent of newly signed lettable space.

Environmental certification

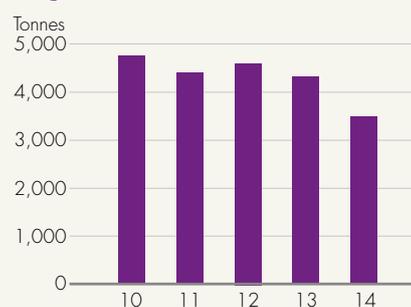
A total of 15 properties have been certified or have entered a certification process, which is equal to 100 per cent of on-going new builds. During 2014, 100 per cent of on-going new builds and major redevelopments (5) were undergoing a certification process according to BREEAM or Miljöbyggnad.

Heating consumption in properties



Over time, Fabege's systematic efforts to optimise running costs have drastically reduced the consumption of heat in our properties. Fabege's heating consumption in 2014 averaged 60 kWh/sqm LOA (64) and 55 kWh/sqm Atemp (59) after degree day correction. Figures from Statistics Sweden for 2014 are not yet available.

CO₂ emissions



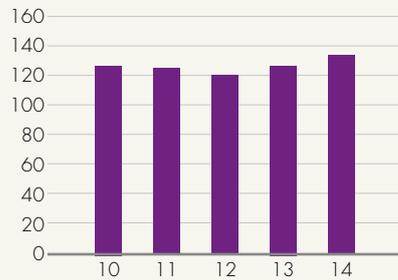
Consumption statistics, total	2014	2013
Environmental certification, total number ¹⁾	15	13
Green Leases, space under newly signed leases, %	86	52
Energy performance, heating, kWh/sqm ²⁾	60	64
Energy performance, cooling, kWh/sqm	22	—
Energy performance, electricity (purchased), kWh/sqm	45	—
Energy performance, electricity (excl. HG electricity)	approx. 27	—
Water consumption, thousand cubic metres	487	550
Water consumption, litres/sqm	474	—
Carbon dioxide emissions, (CO ₂ equivalents), tonnes	3,500	4,300
Recycled waste, tonnes	245	—
Waste sent to landfill, tonnes	4	—
Waste sent for incineration, tonnes	1,099	—

1) Pertains to both completed projects and on-going certifications

2) Degree-day corrected

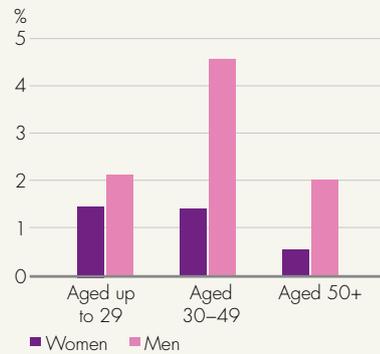
Employees

Number of employees, average

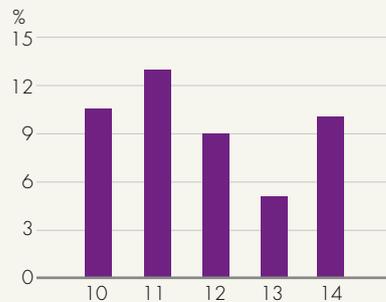


All employees have their employment in Stockholm and are encompassed by the company's collective bargaining agreements.

Sickness absence 2014

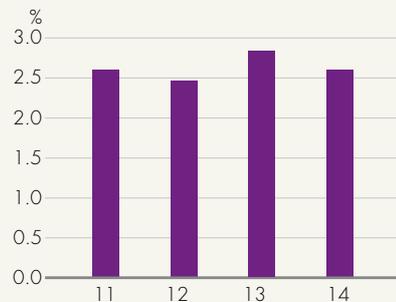


Employee turnover



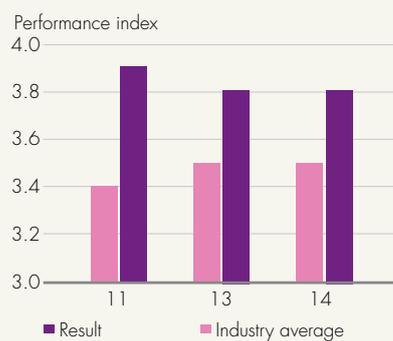
Due to the low number of individuals concerned, employee turnover by gender and age group is not reported separately.

Sickness absence



Fabege aims to maintain a low level of sickness absence, aided by regular medical check-ups and continued health and fitness programmes. During the year, there were no serious accidents or workplace fatalities.

Satisfied employees



The employees' competencies and commitment are decisive in efforts to build long-term relations with satisfied customers. The performance index of the personnel is measured regularly and the aim is that the rating among Fabege's employees will be at least 15 per cent higher than the sector average. The outcome in 2014 was 9 per cent.

Number of employees broken down by segment



Fabege had 136 (129) employees at year-end 2014, of whom 63 per cent (63) were active in property management, 19 per cent (19) in business/project development and 18 per cent (18) in administration/management. All employees are covered by a collective bargaining agreement.

Gender distribution, management positions



About Fabege's 2014 sustainability report

This is Fabege's fourth sustainability report according to the GRI guidelines for voluntary reporting of sustainability information. Fabege reports on its sustainability work annually and the sustainability report is included as part of Fabege's 2014 Annual Report, which pertains to the 2014 financial year. The preceding year's annual report, including the sustainability report, was published in February 2014. No material changes in scope, boundaries or measurement methods occurred between the two reports. Fabege reports in accordance with level B+, GRI version 3.0. The information in the sustainability report has been reviewed by Deloitte, which confirms that it fulfils GRI's information requirements for application level B+. For the Auditor's Review Report on the Sustainability Report, see page 100. The content of the sustainability report has been selected on the basis of Fabege's most significant issues, given its operations and their impact relationship on the environment and society. Fabege's sustainability team, with representatives

from various parts of the organisation, has identified the significant issues. The views presented during the year's stakeholder dialogue have also been taken into account. Fabege aims for the sustainability report and the 2014 Annual Report to satisfy its stakeholders' information requirements and to provide a comprehensive overview of Fabege's economic, environmental and social work and results. The information in the report pertains to the entire Fabege Group. However, associated companies fall outside the parameters for the report. This Index includes the standard information that is mandatory for application level B+, additional standard information that Fabege has decided to report and the supplementary indicators and indicators from the Construction and Real Estate Sector Supplement (CRESS) as reported by Fabege. The Sustainability report comprises page 11 and pages 42–61.

Key

Reference [www/fabege.com](http://www.fabege.com) = complete
GRI index on Fabege's website

● Fully reported ● Partly reported

Standard information/indicators	Reference	
1 Strategy and Analysis		
1.1 Comment by the CEO	4–5, 43	●
1.2 Risks and opportunities	38–41	●
2 The organisation		
2.1 Name of the organisation	62	●
2.2 Primary brands, products and/or services	6–7, 12–13, 16–31	●
2.3 Operational structure	89–91	●
2.4 Location of headquarters	Back cover	●
2.5 Countries where the Group operates	Back cover	●
2.6 Nature of ownership	102–103	●
2.7 Markets served	14–15, 24–31	●
2.8 Scale of the reporting organisation	2	●
2.9 Significant changes during the reporting period	60	●
2.10 Awards received during the reporting period	48	●
3 Report parameters		
Report profile		
3.1 Reporting period	60	●
3.2 Date of most recent report	60	●
3.3 Reporting cycle	60	●
3.4 Contact person for the report	113	●
Scope and boundary of the report		
3.5 Process for defining report content	60	●
3.6 Boundary of the report	60	●
3.7 Specific limitations on the scope of the report	60	●
3.8 Basis for reporting on joint ventures	60, 74–76	●

Standard information/indicators	Reference	
3.10 Explanations of the reasons for and effect of any restatements of information	60	●
3.11 Significant changes in the scope, boundary or measurement methods compared with reports in prior years	60	●
Assurance		
3.12 Table showing where all aspects of GRI can be found	60–61	●
3.13 Policy and current practice regarding external verification	60	●
4 Governance, commitments and relationships		
Governance		
4.1 Governance structure of the organisation	89–97	●
4.2 Chairman's position	96–97	●
4.3 Independent or non-executive Board members	96–97	●
4.4 Mechanisms for shareholders and employees to provide recommendations or directions to the Board or management	90	●
4.8 Internally prepared policies and guidelines	44–45	●
4.12 External charters, principles or other initiatives	48, 51	●
4.13 Membership of associations	48	●
Stakeholder engagement		
4.14 List of stakeholder groups	46	●
4.15 Basis for identification and selection of stakeholders	46	●
4.16 Approach for the stakeholder dialogue	46	●
4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to these	46	●

Standard information/indicators	Reference	
INDICATORS		
Economic performance indicators		
EC1	Directed economic value generated and distributed	68 ●
EC2	Financial implications and other risks and opportunities due to climate change	41 ●
EC3	Coverage of the organisation's defined-benefit plan obligations	80–81, 86 ●
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	3, 46, 51 ●
Environmental performance indicators		
EN4	Indirect energy consumption by primary energy source.	50, 58 ●
EN5	Energy saved due to conservation and efficiency improvements	11, 43–44, 50, 58 ●
EN6	Initiatives to provide energy efficient or renewable energy based products and services	11, 43–44, 50, 58 ●
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	11, 43–44, 50, 58 ●
EN8	Total water withdrawal by source	58 ●
Emissions, effluents and waste		
EN16	Total direct and indirect greenhouse gas emissions by weight	58 ●
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	11, 43–44, 50, 58 ●
EN22	Total weight of waste by type and disposal method	51, 58 ●
Products and services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	11, 46, 52–58 ●
Other provisions		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	41 ●
EN29	Significant environmental impacts of transportation	51 ●
Social indicators		
Labour practices and decent work		
LA1	Total workforce by employment type, employment contract and region	59 ●
LA2	Total number and rate of new employee hires and employee turnover by age group, gender and region	59 ●
Relation between employees and management		
LA4	Percentage of employees covered by collective bargaining agreements	59 ●
LA5	Minimum notice period(s) regarding significant operational changes and whether this is specified in collective bargaining agreements	45 ●
Occupational health and safety		
LA6	Percentage of workforce represented in formal work-environment committees Work environment - Health and safety	54 ●
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender	53–54, 59 ●

Standard information/indicators	Reference	
Education		
LA12	Percentage of employees receiving regular career development reviews	53–54 ●
Diversity and equal opportunity		
LA13	Composition of governance bodies and breakdown of employees per employee category by indicators of diversity	53–54, 59, 80–81, 95–97 ●
Human rights		
HR2	Percentage of significant suppliers that have undergone human-rights screening and actions taken	11, 43, 47, 56 ●
Non-discrimination		
HR4	Total number of incidents of discrimination and corrective actions taken	45 ●
Corruption		
SO3	Percentage of employees trained in anti-corruption procedures	45 ●
SO4	Actions taken in response to incidents of corruption	45 ●
Anti-competitive behaviour		
SO7	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	56 ●
Compliance		
SO8	Monetary value of fines and number of sanctions for non-compliance with laws and regulations	63 ●
Customer health and safety		
PR1	Life-cycle stages in which health and safety impacts of products and services are assessed and the percentage of products and services subject to such procedures	41, 50–54, 56 ●
Product and service labelling		
PR3	Type of product and service information required by procedures, and percentage of products and services subject to such information requirements	20, 50–54, 58 ●
Product development		
PR5	Practices related to customer satisfaction, including results of surveys	2, 9, 11, 18, 46, 48 ●
CRESS		
CRE 8	Type and number of sustainability certification, rating and labelling schemes for new construction, management, occupation and redevelopment	11, 50–51 ●

Directors' Report

The Board of Directors and Chief Executive Officer of Fabege AB (publ), company registration number 556049-1523, hereby present their 2014 report for the Group and Parent Company.

The business

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

The transactions and investments made in 2014 continued to reflect the focus on property holdings in the prioritised sub-markets of Stockholm inner city, Solna and Hammarby Sjöstad. On 31 December 2014, Fabège owned 80 properties with a total rental value of SEK 2.2bn, lettable floor space of 1.0m sqm and a carrying amount of SEK 3.9bn. Commercial premises, primarily offices, represented 95 per cent of the rental value. The financial occupancy rate for the portfolio as a whole was 94 per cent (93). The occupancy rate in Fabège's portfolio of investment properties was 95 per cent (93).

New lettings during the year totalled SEK 428m (211), while net lettings were SEK 243m (68). Lease terminations amounted to SEK 185m (143), with the largest relating to the vacation of the DN-huset building in connection with the expiration of the lease with Bonniers, as well as to Vectura, which terminated the lease on the Fräsaren 10 property, Solna Business Park, after being acquired by Sweco. Major lettings during the year included project lettings to TeliaSonera, SEB and Siemens, all in Arenastaden. In addition, a number of smaller leases were signed pertaining to management lettings.

Efforts to extend and renegotiate leases with existing customers were successful. A lease value of approximately SEK 96m was renegotiated during the year. The rent levels from all renegotiated leases increased 11 per cent on average. The retention rate during the year was 64 per cent (75).

Revenues and earnings

Profit before tax for the year declined to SEK 1,867m (1,992). The decline was due in its entirety to negative value changes in the portfolio of derivative instruments. Net operating income increased to nearly 5 per cent and the profit from property management improved by approximately 11 per cent. The realised and unrealised value changes in the property portfolio also increased compared with the preceding year. Profit after tax for the year was SEK 1,738m (1,530), corresponding to earnings per share of SEK 10.51 (9.26). Rental income amounted to SEK 2,087m (2,059) and net operating income increased to SEK 1,485m (1,411). In an identical portfolio, rental income rose slightly more than 5 per cent and net operating income by about 9 per cent. The surplus ratio increased to 71 per cent (69), primarily as a result of the warm and snowless winter season, but also due to improved rent levels and cost-effectiveness.

Realised changes in the value of properties amounted to SEK 300m (135) and unrealised changes in value to SEK 1,339m (739). The SEK 1,063m (343) unrealised change in the value of the property management portfolio was attributable to properties with higher rent levels and a lower yield requirement, mainly in Stockholm inner city. The average yield requirement declined to 5.4 per cent after rounding off (5.6). The project portfolio contributed to an unrealised change in value of SEK 276m (396), primarily due to development gains in the major project properties.

The share in profit of associated companies was SEK -72m (-30) and mainly pertained to Tornet Fastighets AB (non-recurring effect of sale of properties) and Sweden Arena Management KB. Amended accounting policies regarding SFF led to a slight improvement in the share in results of associated companies, while the Group's administrative costs rose SEK 3m. Due to lower long-term interest rates, the deficit value of the derivative portfolio increased by SEK 473m (compared

Property-related key figures

	2014	2013	2012
No. of properties	80	92	95
Lettable area, '000 sqm	1,030	1,142	1,130
Financial occupancy rate, %	94	93	92
Rental value, SEKm	2,186	2,397	2,260
Surplus ratio, %	71	69	68

Business model's contribution to earnings

SEKm	Jan-Dec 2014	Jan-Dec 2013	Jan-Dec 2013
Profit from Property Management	692	601	605
Changes in value (portfolio of investment properties)	1,063	343	625
Contribution from Property Management	1,755	944	1,230
Profit from Property Management	-10	13	88
Changes in value (profit from Property Development)	276	396	784
Contribution from Property Development	266	409	872
Contribution from Transactions (Realised changes in value)	300	135	167
Total contribution from operations	2,321	1,488	2,269

with a reduced deficit value of SEK 408m in 2013.) Changes in the value of shareholdings, mainly Catena, totalled SEK 19 m (96). In the second quarter, 850,000 Catena shares were sold. Net interest items declined to SEK -664m (-705). Higher borrowing was offset by lower market interest rates.

Tax

Tax on profit for the year amounted to SEK -129m (-462). Tax for the year was charged with SEK 60m for the tax cases that have now been concluded. All tax related to Fabege's tax cases has been paid in full as of August 2014. Operating taxes are calculated at a rate of 22 per cent on taxable earnings. Property sales led to deferred tax income totalling SEK 230m.

Cash flow

Cash flow from operating activities before changes in working capital amounted to SEK -893m (185). The paid income tax line comprises, in its entirety, paid tax of SEK -1,607m pertaining to ongoing tax cases. Change in working capital had an impact of SEK -1,021m (-81) on cash flow. Investing activities had a positive impact of SEK 1,821m (-835) on cash flow, while financing activities had a positive impact of SEK 18m (629) on cash flow. In investing activities, cash flow is affected by projects and in financing activities by loans raised to cover payments resulting from the rulings in the tax cases. Cash and cash equivalents changed by a total of SEK -75m (-102) during the year.

Financing

Fabège employs fixed term long-term lines of credit, which at year-end had an average maturity of 3.7 years. The company's lenders are mainly the major Nordic banks. Interest-bearing liabilities at year-end totalled

SEK 19,551m (19,038), with an average interest rate of 3.09 per cent excluding and 3.21 per cent including commitment fees on the undrawn portion of committed credit facilities. Unutilised committed lines of credit amounted SEK 4,622m.

During 2014, new financing was raised in a total amount of SEK 2,525m. During the second quarter, a new three-year credit facility of SEK 975m was raised for financing the building of Nationalarenan 8, TeliaSonera's new head office in Arenastaden. During the fourth quarter, a new three-year revolving credit facility of SEK 155m and a new four-year line of credit of SEK 1,395m was raised for financing the building of SEB's new offices in Arenastaden.

The loan-to-value ratio at year-end was 60 per cent. Adjusted for outstanding purchase considerations for sold properties, and for restricted amounts for loans to be paid off at the beginning of 2015, in a total amount of SEK 1,422m, the loan-to-value ratio declines to 56 per cent.

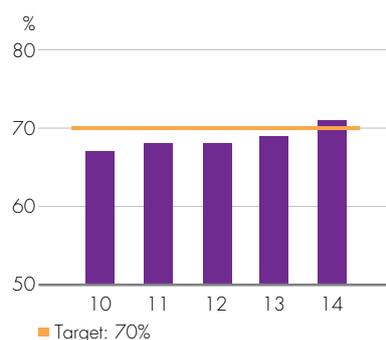
Fabège has a commercial paper programme of SEK 5,000m. At the end of the period, outstanding commercial paper amounted to SEK 2,889m (2,168). Fabège has available long-term credit facilities covering all outstanding commercial paper at any given time. It also has a covered property bond of SEK 1,170m, which will mature in February 2016. At 31 December, Fabège also had outstanding bonds of SEK 690m within the framework of the co-owned company Svensk Fastighetsfinansiering AB. Nya Svensk Fastighetsfinansiering AB, a newly formed finance company with a covered MTN programme of SEK 8,000m, was launched in January 2015. The company is owned by Catena AB, Diös Fastigheter AB, Fabège AB, Platzer Fastigheter Holding AB and Wihlborgs Fastigheter AB, each owning 20 per cent, and will start its financing activities in February 2015.

The average fixed-rate period for Fabège's loan portfolio was 1.9 years, including the effects of derivative instruments. The average fixed interest term for variable-interest loans was 66 days. Fabège's

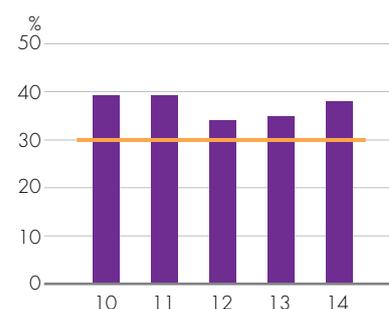
Rental income and net operating income



Surplus ratio



Equity/assets ratio



derivatives portfolio comprised interest-rate swaps totalling SEK 6,000m with terms of maturity extending through 2021 and carrying fixed interest at annual rates of between 1.87 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 maturity between 2016 and 2018. Interest rates on 60 per cent of Fabege's loan portfolio were fixed using fixed-income derivatives. The derivatives portfolio is measured at market value and the change in value is recognised in the profit and loss account. At 31 December 2014, the recognised negative fair value adjustment of the portfolio was SEK 920m (447). 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. In January 2015, additional interest-rate swaps in a total amount of SEK 800m were agreed with maturities of eight to ten years.

Net financial items included other financial expenses of SEK 11m, mainly pertaining to opening charges for borrowing agreements and the running costs for commercial paper programmes.

The total loan volume per quarter included SEK 656m (277) in loans for projects, on which interest of SEK 13m had been capitalised.

Financial position and net asset value

Shareholders' equity amounted to SEK 13,783m (12,551) at the end of the year and the equity/assets ratio was 38 per cent (35). Shareholders' equity per share totalled SEK 83 (76). Excluding deferred tax on fair value adjustments of properties, net asset value per share was SEK 97 (88). EPRA NAV was SEK 95 (84).

Acquisitions and sales

During the year, a total of 14 properties were divested, including two that had been acquired during the fourth quarter. The transaction market was very strong during the year and Fabege accelerated its efforts to streamline the property portfolio, fully in line with the strategy of selling properties located outside prioritised market areas, or where an alternative yield is more attractive.

In total, properties were sold for SEK 3,889m. The transactions generated a profit of SEK 300m before taxes and SEK 530m after taxes.

Investments in existing properties and ongoing projects

During 2014, decisions were made on major project investments of SEK 2,861m (1,061), of which the investment in Pyramiden 4, SEB's new office building in Arenastaden, was the largest. The year's investments of SEK 1,249m (1,410) in existing properties and projects pertained to land, new builds, extensions and conversions. The return on capital invested in the project portfolio was 22 per cent.

During the second quarter of 2014, the new build of the Båtturen 2 property, Hammarby Sjöstad, was completed.

The aggregated project volume of the five major on-going new builds amounts to approximately SEK 5bn, pertaining to lettable area of slightly more than 150,000 sqm. The ongoing major projects, including

the Pyramiden 4, Nationalarenan 8 and Uarda 1 buildings B and C properties, all in Arenastaden, are proceeding as planned.

Parent Company

Sales during the year amounted to SEK 130m (122) and profit before appropriations and tax was SEK 773m (2,238). Net financial items include dividends of SEK 1,700m (1,800) from subsidiaries.

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

Shares and share capital

Fabège's share capital at year-end was SEK 5,097m (5,097), represented by 165,391,572 shares (165,391,572). All shares carry the same voting rights and entitle the holder to the same share of the company's capital. The quotient value was SEK 30.82 per share.

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

Shareholding 31 Dec 2014	Percentage of votes, %
Erik Paulsson with his family, privately and through companies	15.1

Through Fabège's profit-sharing fund and the Wihlborgs & Fabège profit-sharing fund, the employees of Fabège own a total of 470,717 shares, representing a stake of 0.28 per cent in the company.

Acquisition and transfer of treasury shares

The 2014 AGM passed a resolution mandating 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 year.

Asset management

Capital structure

Fabège's asset management activities are designed to generate the best return for shareholders among property companies listed on the Stockholm stock exchange. The company seeks to optimise its equity/debt ratio to ensure that its capital base is sufficient in relation to the nature, scope and risks of the business. Under its adopted targets for capital structure, the company aims to have an equity/assets ratio of at least 30 per cent and an interest coverage ratio of at least 2.0 (including realised changes in value).

Current key figures are shown in the five-year summary on page 101.

Debt management

The main task of Fabège's debt management activities is to ensure that the company maintains a stable, well-balanced and cost-efficient financial structure at all times through borrowing in the bank and capital markets. The company's financial policy defines how financial risks should be managed, which is described in greater detail in Note 3.

Dividends

Under its dividend policy, Fabege aims to pay a dividend to its shareholders comprising the part of the company's profit that is not required for the consolidation or development of the business. Under current market conditions, this means that the dividend is expected to sustainably account for at least 50 per cent of profit from continuous property management and realised gains from the sale of properties after tax.

Risks and uncertainties

Risks and uncertainties relating to cash flow from operations are primarily attributable to changes in rents, vacancies and interest rates. Another source of uncertainty is changes in the value of the property portfolio. A detailed description of the impact of these changes on consolidated cash flow and the company's key figures is given in the sensitivity analyses.

Financial risk, defined as the risk of insufficient access to long-term funding through loans, and Fabege's management of this risk are described in Note 3.

The sensitivity analysis refers to Fabege's property holdings and balance sheet on 31 December 2014. It shows the effects on the Group's cash flow and profit after financial items on an annualised basis after taking account the full effect of each parameter. Earnings are also affected by realised and unrealised changes in the value of properties and derivatives.

Sensitivity analysis – cash flow and earnings

	Change	Effect, SEKm
Rental income, total	1%	20.9
Rent level, commercial income	1%	19.4
Financial occupancy rate	1 percentage point	21.9
Property expenses	1%	6.0
Interest expense 2015 ¹⁾	1 percentage point	66.0
Interest expenses, longer-term perspective ²⁾	1 percentage point	195.5

1) The effect of the change on interest expenses in 2015 is based on the assumption of a change in the yield curve of 1 per cent and an unchanged loan volume and fixed-rate term, with effect from 1 January 2015.

2) Change of 1 per cent in total outstanding loan volume.

Rental income

Fabège's property portfolio is concentrated to sub-markets with favourable growth potential, namely Stockholm inner city, Solna and Hammarby Sjöstad. The operations pertain to commercial premises with an emphasis on office space. Accordingly, employment figures and developments in the Stockholm office market are of considerable significance for Fabège's operations. Since commercial leases have a term of a certain number of years, changes in rents do not achieve full effect during a specific year.

New leases normally have a term of three to five years and are subject to nine months' notice with an index clause linked to inflation.

Rents for the company's lease portfolio are currently deemed to be in line with market levels. Normally, about 20 per cent of the lease portfolio is renegotiated each year. At year-end, Fabège's average remaining term for commercial leases was 3.4 years.

Property expenses

Property expenses include regular operating and maintenance expenses, property tax, ground rent and administration and letting expenses. Operating costs largely consist of tariff-based expenses such as heating, electricity and water. Fabège pursues structured efforts to reduce its consumption of heating, electricity and water. Fabège also conducts lease negotiations and works continuously to optimise operating costs. A large share of the Group's expenses is passed on to the tenants, thus reducing exposure. The standard of the property management portfolio is deemed to be high.

Interest expenses

The strategic focus is to ensure stable, well-balanced and cost-effective financing. Fabège employs financial instruments, mainly in the form of interest-rate swaps, to limit the interest rate risk and flexibly adjust the average fixed-rate term of the loan portfolio. At year-end, the fixed-rate term of the loan portfolio was 1.9 years. Changes in the value of interest-rate swaps are recognised continuously in the profit and loss account.

Property values

Properties are recognised at fair value and changes in value are recognised in the statement of comprehensive income. Fabège's properties are concentrated to Stockholm inner city and the immediate surroundings. As a result of stable customers and modern premises in good locations, Fabège's prospects for maintaining property values even in a weaker economic climate are good. Continued development of project properties generates value growth in the portfolio. The table below shows the effect on earnings, equity/assets ratio and loan-to-value ratio of a 1 per cent change in the value of a property, and how changes in rent levels, rental income and property expenses affect property values.

Sensitivity analysis – property value

Change in value before tax, per cent	Impact on earnings, SEKm	Equity/assets ratio, %	Loan-to-value ratio, properties, %
+1	254	38.6	59.5
0	0	38.3	60.0
-1	-254	37.9	60.7

Sensitivity analysis, change in value	Assumption	Impact on value, SEKm
Rent	+/-10%	3.6
Running cost	+/-50 SEK/sqm	0.9
Yield requirement	+/-0.25%	1.5
Long-term vacancy rate	+/-2%	0.8

Tax situation**Current tax**

Tax-loss carryforwards, which are expected to reduce the tax expense in future years, are estimated at SEK 4.7bn (4.4). Payment of income tax can also be delayed through tax depreciation of the properties. In case of a direct sale of property, profit for tax purposes, defined as the difference between the selling price and the tax residual value of the property, is realised. If the sale is made in the form of a company, this effect can be reduced. It is generally expected that current tax will remain low over the next few years.

Deferred tax liability/tax asset

On 31 December 2014, the difference between the book and tax residual values of Fabege's property portfolio was approximately SEK 14.4bn (13.7).

On 31 December 2014, net deferred tax liabilities were SEK 918m (923), as shown in the following specification, see table.

Deferred tax attributable to	SEKm
– tax-loss carryforwards	–1,043
– difference between book and tax values in respect of properties	2,224
– derivative instruments	–202
– other	–61
Net debt, deferred tax	918

The work of the Board of Directors

A separate description of the work of the Board of Directors is given in the Corporate Governance Report on pages 89–97.

Personnel

The average number of employees in the Group during the year was 132 (125), including 47 (45) women and 85 (80). A total of 31 people were employed in the Parent Company (30). At year-end, the number of employees was 136 (136), including 50 (53) women. See also pages 80–81, Note 6.

Guidelines for remuneration and other employment terms for management

Company management is defined as the Chief Executive Officer and members of the Executive Management. The entire Board of Directors (except the CEO) is responsible for drawing up a draft statement of principles governing remuneration and other terms of employment for management and for preparing decisions on the CEO's remuneration and other terms of employment.

The 2014 AGM resolved to adopt the following guidelines for remuneration and other terms of employment for management: Remuneration is to be on market terms and competitive. Responsibility and performance that coincide with the interests of shareholders are to

be reflected in the remuneration. The fixed salary is to be re-evaluated annually. In addition to fixed salary, remuneration may be paid for target-related performance. Such remuneration shall depend on the extent to which pre-defined targets have been achieved within the framework of the company's activities. The targets encompass both financial and non-financial criteria. Remuneration in addition to fixed salary should be capped and tied to the fixed salary. Payment of variable remuneration may not exceed three (3) months' salary.

Variable remuneration to company management must not exceed a maximum total annual cost for the company of SEK 2.7m (excluding social security fees), calculated on the basis of the number of persons who currently constitute senior executives. Other benefits, where applicable, may only constitute a limited portion of the remuneration.

The company has a profit-sharing fund covering all employees of the company. Allocations to the profit-sharing fund are based on the achieved return on equity and capped at one (1) base amount per year per employee.

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

Information about remuneration paid to senior executives in 2014 is provided in Note 6.

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

The Board proposes unchanged principles governing variable remuneration ahead of the 2015 AGM. A complete version of the Board's proposal will be included in the AGM documents, which will be published on Fabege's website.

Outlook for 2015

At the beginning of the new year, the rental and property markets in Stockholm have remained highly robust, with considerable demand from investors. Fabege's property portfolio favourably matches customer requirements for modern and sustainable offices in good locations. We are looking forward to continued healthy development, in which all parts of the operation contribute to an increase in total earnings.

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

Appropriation of retained earnings:

The following amount is at the disposal of the AGM:

	SEK
Retained earnings	3,231,224,677
Profit for the year	966,277,945
Total	4,197,502,622

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

	SEK
A dividend of SEK 3.25 per share to the shareholders	537,522,609
To be carried forward	3,659,980,013
Total	4,197,502,622

The dividend amount is based on the total number of outstanding shares at 31 January 2015, i.e. 165,391,572 shares. The total dividend amount is subject to alteration up to and including the record date, depending on share buybacks.

Statement of the Board of Directors on the proposed dividend Grounds

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

Nature, scope and risks of the business

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

Consolidation requirements, liquidity and other financial circumstances*Consolidation requirements*

The Board of Directors has made a general assessment of the company's and the Group's financial position and its ability to meet its obligations. The proposed dividend constitutes 4.3 per cent of the Parent Company's equity and 3.9 per cent of consolidated equity. The stated target for the Group's capital structure is a minimum equity/assets ratio of 30 per cent, and it is estimated that the Group will be able to maintain an interest coverage ratio of at least 2.0 also after the proposed dividend. In view of the current situation on the property market, the company and the Group have a good equity/assets ratio. Against this background, the Board considers that the company and the Group are in a good position to take advantage of future business opportunities and withstand any losses that may be incurred. Planned investments have been taken into account in the proposed dividend payment. Nor will the dividend have any significant impact on the company's or the Group's ability to make further commercially motivated investments in accordance with the adopted plans. In the Parent Company, some assets and liabilities have been measured at fair value in accordance with Chapter 4, Section 14 of the Swedish Annual Accounts Act.

The impact of this valuation, which affected equity in the Parent Company by SEK -609m (-263), has been taken into account.

Liquidity

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

Other financial circumstances

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

Stockholm, 23 February 2015

Group

Statement of comprehensive income

SEK millions	Note	2014	2013
Rental income	5, 7	2,087	2,059
Property expenses	8	-602	-648
Net operating income		1,485	1,411
Central administration and marketing	9	-67	-62
Profit from other securities and receivables that are fixed assets	11	23	27
Interest income	12	2	3
Share in profit/loss of associated companies	17	-72	-30
Interest expenses	12	-689	-735
Profit from property management	1-6, 16, 41	682	614
Realised changes in value, investment properties	10, 15	300	135
Unrealised changes in value, investment properties	10, 15	1,339	739
Unrealised changes in value, fixed income derivatives	26	-473	408
Changes in value, equities	13	19	96
Profit before tax		1,867	1,992
Current tax	14	-61	-116
Deferred tax	14	-68	-346
Profit for the year		1,738	1,530
Items that will not be restated in profit or loss			
Revaluation of defined-benefit pensions		-10	13
Total comprehensive income for the year		1,728	1,543
Comprehensive income attributable to Parent Company shareholders		1,728	1,543
Earnings per share before and after dilution, SEK		10.51	9.26
Comprehensive income per share before and after dilution, SEK		10.45	9.34
No. of shares at end of period before dilution, millions		165.4	165.4
No. of shares at end of period after dilution, millions		165.4	165.4
Average no. of shares before dilution, millions		165.4	165.1
Average no. of shares after dilution, millions		165.4	165.1

Group

Statement of financial position

SEK millions	Note	2014	2013
ASSETS			
Investment properties	15	32,559	33,384
Equipment	16	1	1
Interests in associated companies	17	630	778
Receivables from associated companies	18	335	413
Other long-term securities holdings	19	285	353
Other long-term receivables	20	292	39
Total fixed assets		34,102	34,968
Accounts receivables	21	12	16
Other receivables	22	1,791	291
Prepaid expenses and accrued income		56	58
Short-term investments		34	—
Cash and cash equivalents	33	23	98
Total current assets		1,916	463
TOTAL ASSETS		36,018	35,431
EQUITY AND LIABILITIES			
Share capital		5,097	5,097
Other contributed capital		3,017	3,017
Retained earnings incl. comprehensive income for the year		5,669	4,437
Total shareholders' equity	23	13,783	12,551
Liabilities to credit institutions	25	12,480	16,830
Derivative instruments	26	920	447
Deferred tax liabilities	27	918	923
Provisions	28	155	135
Total long-term liabilities		14,473	18,335
Liabilities to credit institutions	24, 25	7,071	2,208
Accounts payable		58	147
Provisions	28	11	25
Tax liabilities	14	5	1,563
Other liabilities		114	76
Accrued expenses and deferred income	29	503	526
Total current liabilities		7,762	4,545
TOTAL EQUITY AND LIABILITIES		36,018	35,431
Assets pledged as security	30	16,196	16,671
Contingent liabilities	30	1,058	1,252

Group

Statement of changes in equity

SEK millions	Attributable to Parent Company shareholders			Total shareholders' equity	
	Share capital	Other contributed capital	Retained earnings incl. profit/loss for the year	Total	
Opening balance, 1 January 2013	5,097	3,017	3,268	11,382	11,382
Profit for the year			1,530	1,530	1,530
Total income and expenses for the period			1,530	1,530	1,530
TRANSACTIONS WITH SHAREHOLDERS					
Cash dividend			-496	-496	-496
Divestment of treasury shares			122	122	122
Total transactions with shareholders			-374	-374	-374
Other comprehensive income			13	13	13
Closing balance, 31 December 2013	5,097	3,017	4,437	12,551	12,551
Opening balance, 1 January 2014	5,097	3,017	4,437	12,551	12,551
Profit for the year			1,738	1,738	1,738
Total income and expenses for the period			1,738	1,738	1,738
TRANSACTIONS WITH SHAREHOLDERS					
Cash dividend			-496	-496	-496
Divestment of treasury shares					
Total transactions with shareholders			-496	-496	-496
Other comprehensive income			-10	-10	-10
Closing balance, 31 December 2014	5,097	3,017	5,669	5,669	13,783

Group

Statement of cash flows

SEK millions	Note	2014	2013
OPERATING ACTIVITIES			
Net operating income		1,485	1,411
Central administration		-67	-62
Reversal of depreciation		1	1
Interest received		19	39
Interest paid	31	-724	-739
Income tax paid		1,607	-465
Cash flow before change in working capital		-893	185
CHANGE IN WORKING CAPITAL			
Change in current receivables		-919	-62
Change in current liabilities		-102	-19
Total change in working capital	32	1,021	-81
Cash flow from operating activities		1,914	104
INVESTING ACTIVITIES			
Investments in new builds, extensions and conversions		1,233	1,738
Acquisition of properties		-105	-298
Divestment of properties		3,259	1,332
Acquisition of interests in associated companies	17	-	-7
Other financial fixed assets		-100	-124
Cash flow from investing activities		1,821	-835
FINANCING ACTIVITIES			
Dividend to shareholders		-496	-496
Transfer of treasury shares		-	122
Change in interest-bearing liabilities		514	1,003
Cash flow from financing activities		18	629
Cash flow for the period		-75	-102
Cash and cash equivalents at beginning of period	33	98	200
Cash and cash equivalents at end of period	33	23	98

Parent Company Profit and loss accounts

SEK millions	Note	2014	2013
Net sales	37	130	122
Operating expenses	38	-212	-194
Operating profit/loss	1-3, 6, 16, 41	-82	-72
Profit from shares and participations in Group companies	39	1,466	1,885
Profit from other securities and receivables that are fixed assets	11, 13	545	729
Unrealised changes in value, fixed income derivatives	26	-473	408
Interest income	12	0	0
Interest expenses	12	-683	-712
Profit before tax		773	2,238
Tax on profit for the year	14	-	-103
Deferred tax	14	193	-90
Profit for the year		966	2,045

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

Parent Company Balance sheets

SEK millions	Note	2014	2013
ASSETS			
FIXED ASSETS			
Tangible fixed assets			
Equipment	16	1	1
Total tangible fixed assets		1	1
Financial fixed assets			
Shares and participations in Group companies	40	12,992	12,992
Receivables from Group companies		39,003	39,967
Other long-term securities holdings	19	286	355
Deferred tax assets	27	344	150
Other long-term receivables	20	254	248
Total financial fixed assets		52,879	53,712
TOTAL FIXED ASSETS		52,880	53,713
CURRENT ASSETS			
Current receivables			
Tax assets		8	-
Other receivables	22	1,027	42
Prepaid expenses and accrued income		55	41
Total current receivables		1,091	84
Cash and cash equivalents	33	21	98
TOTAL CURRENT ASSETS		1,111	181
TOTAL ASSETS		53,991	53,894
EQUITY AND LIABILITIES			
Equity	23		
Restricted shareholders' equity			
Share capital		5,097	5,097
Statutory reserves/Share premium account		3,166	3,166
Unrestricted equity			
Retained earnings		3,232	1,683
Profit for the year		966	2,045
Total shareholders' equity		12,461	11,991
Provisions			
Provisions for pensions	28	68	67
Total provisions		68	67
Long-term liabilities			
Liabilities to credit institutions	24, 25	12,130	15,589
Derivative instruments	26	920	447
Liabilities to subsidiaries		21,658	23,426
Total long-term liabilities		34,708	39,462
Current liabilities			
Liabilities to credit institutions	24, 25	6,651	2,168
Accounts payable		7	6
Tax liabilities		-	103
Other liabilities		2	0
Accrued expenses and deferred income	29	94	97
Total current liabilities		6,754	2,374
TOTAL EQUITY AND LIABILITIES		53,991	53,894
Assets pledged as security	30	16,885	17,904
Contingent liabilities	30	4,482	5,364

Parent Company Statement of changes in equity

SEK millions	Note	Share capital	Statutory reserves	Unrestricted equity	Total shareholders' equity
	23				
Shareholders' equity, 31 December 2012		5,097	3,166	2,057	10,320
Profit for the year				2,045	2,045
Total income and expenses for the period				2,045	2,045
Cash dividend				-496	-496
Divestment of treasury shares				122	122
Shareholders' equity, 31 December 2013		5,097	3,166	3,728	11,991
Profit for the year				966	966
Total income and expenses for the period				966	966
Cash dividend				-496	-496
Shareholders' equity, 31 December 2014		5,097	3,166	4,198	12,461

Parent Company Statement of cash flows

SEK millions	Note	2014	2013
OPERATING ACTIVITIES			
Operating loss excl. depreciation		-82	-72
Interest received		755	627
Interest paid	31	-686	-716
Income tax paid		-111	-6
Cash flow before change in working capital		-124	-167
Change in working capital			
Current receivables		-997	-22
Current liabilities		2	-6
Total change in working capital	32	-995	-28
Cash flow from operating activities		1,119	-195
INVESTING ACTIVITIES			
Acquisition of interests in Group companies		-	-70
Other financial fixed assets		2,516	3,155
Cash flow from investing activities		2,516	3,085
FINANCING ACTIVITIES			
Dividends paid		-496	-496
Group contributions received and paid		-234	155
Repurchase/divestment of treasury shares		-	122
Loans received/repayment of loans		-744	-2,772
Cash flow from financing activities		1,474	-2,991
Change in cash and cash equivalents		-77	-101
Cash and cash equivalents at beginning of period	33	98	199
Cash and cash equivalents at end of period	33	21	98

Notes

Note 1 General Information

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

Note 2 Accounting policies

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, the International Financial Reporting Standards (IFRS), as adopted by the EU, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), at 31 December 2014. The Group also applies Recommendation RFR 1 (Supplementary Accounting Rules for Corporate Groups) of the Swedish Financial Reporting Board, which specifies the supplementary rules that are required in addition to IFRS under provisions contained in the Swedish Annual Accounts Act. The annual accounts of the Parent Company have been prepared in accordance with the Annual Accounts Act, Recommendation RFR 2 Accounting for Legal Entities of the Swedish Financial Reporting Board and statements issued by the Swedish Financial Reporting Board. The Parent Company's accounts comply with the Group's principles, except in respect of what is stated below in the section entitled Differences between the accounting policies of the Group and the Parent Company. Items included in the annual accounts have been stated at cost, except in respect of revaluations of investment properties and in respect of financial instruments measured at fair value. The following is a description of significant accounting policies that have been applied.

Consolidated Financial Statements

Subsidiaries

Subsidiaries are those companies in which the Group directly or indirectly holds more than 50 per cent of the votes or in other ways exercises a controlling influence. Controlling influence is achieved when Parent Company has control over a company, is exposed or entitled to a variable return from the holding in the company and has the ability to exercise control over the company to influence the return. The existence and effect of potential voting rights that can currently be used or converted is taken into account in assessing whether the Group exercises a controlling influence. Subsidiaries are included in the consolidated financial statements as of the time when the controlling influence is transferred to the Group and are excluded from the consolidated financial statements as of the time when the controlling influence ceases. The acquisition of a subsidiary is recognised in accordance with the purchase method. The purchase consideration for the business combination is measured at fair value at the acquisition date, which is calculated as the total of the fair values at the acquisition date for the assets acquired, assumed or acquired liabilities, as well as equity shares issued in exchange for control of the acquired business. Acquisition-related costs are recognised in profit or loss as incurred. For business combinations in which the sum of the purchase consideration, any non-controlling interests and fair value at the acquisition date of prior share holdings exceeds the fair value at the acquisition date of identifiable acquired net assets, the difference is recognised as goodwill in the statement of financial position. If the difference is negative, it is recognised as profit on a bargain purchase directly in profit or loss following retesting of the difference.

Interests in associated companies

A company is recognised as an associated company if Fabege holds at least 20 per cent and no more than 50 per cent of the votes or otherwise exercises a significant influence on the company's operational and financial control. In the consolidated financial statements associated companies are recognised in accordance with the equity method. Interests in associated companies are recognised in the balance sheet at cost after adjusting for changes in the Group's share of the associated company's net assets, less any decrease in the fair value of individual interests. Due to the introduction of IFRS 11, one of the Group's joint arrangements constitutes a joint venture. The Group reports the holding in this joint venture according to the proportionate consolidation method and thus its share of all joint assets, liabilities, income and costs. Previously, the holding was recognised by applying the equity method. The effect of the change of accounting policy is that the Group's promissory note receivables and liabilities with the joint arrangement as a counterparty are no longer recognised in the consolidated condensed statement of financial position. As opposed to the past, however, the Group recognises its share of the joint venture's short-term investments. In transactions among Group companies and associated

companies, that part of unrealised gains and losses which represents the Group's share of the associated company is eliminated, except as regards unrealised losses that are due to impairment of an assigned asset.

Minority interest

For each business combination, the non-controlling interest in the acquired company is either measured at fair value or at the value of the proportional share of the non-controlling interest of the acquired company's identifiable net assets.

Recognition of income

All investment properties are let to tenants under operating leases. Rental income from the company's property management activities is recognised in the period to which it refers. Gains or losses from the sale of properties are recognised at the date of contract unless the purchase contract contains specific provisions which prohibit this. Rental income from investment properties is recognised on a straight-line basis in accordance with the terms and conditions of the applicable leases. In cases where a lease provides for a discounted rent during a certain period that is offset by a higher rent at other times, the resulting deficit or surplus is distributed over the term of the lease. Discounts provided to compensate for limitations in the right of use in connection, for example, with redevelopment with gradual occupancy are recognised in the period to which they refer. Interest income is distributed over the term of the contract. Dividends on shares are recognised when the shareholder's right to receive payment is deemed to be secure.

Leasing – Fabege as lessee

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

Investment properties

All properties in the Group are classified as investment properties, as they are held for the purpose of earning rental income or for capital gains or a combination of the two. The concept of investment property includes buildings, land and land improvements, new builds, extensions or conversions in progress and property fixtures.

Investment properties are recognised at fair value at the balance sheet date. Gains and losses attributable to changes in the fair value of investment properties are recognised in the period in which they arise on the line "Unrealised changes in value, investment properties" in the statement of comprehensive income. Gains or losses from the sale or disposal of investment properties consist of the difference between the selling price and carrying amount based on the most recent revaluation to fair value. Gains or losses from sales or disposals are recognised on the line "Realised changes in value, investment properties" in the statement of comprehensive income. Projects involving conversion/maintenance and adaptations for tenants are recognised as an asset to the extent that the work being undertaken adds value in relation to the latest valuation. Other expenses are charged to expense immediately. Sales and acquisitions of properties are recognised at the time when the risks and benefits associated with ownership are transferred to the buyer or seller, which is normally on the contract date.

Tangible fixed assets

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

Impairment losses

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

Borrowing costs

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

Income tax

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

Cash-flow statement

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

Provisions and contingent liabilities

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

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

Treasury shares

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

Financial instruments

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the commercial terms and conditions of the instrument. A financial asset is removed from the balance sheet when the rights inherent in the agreement are realised or expire or if the company loses control over them. A financial liability is removed from the balance sheet when the obligation arising from the agreement has been met or is extinguished in another way. Transaction date accounting is used for derivatives while settlement date accounting is used for spot purchases and sales of financial assets. In connection with each financial report the company assesses whether there are objective indications of impairment of financial assets or groups of financial assets. Financial instruments are recognised at amortised cost or fair value, depending on the initial categorisation under IAS 39.

Calculation of fair value of financial instruments

Fair value of derivatives and loan liabilities is determined by discounting future cash flows by the quoted market interest rate for each maturity. Future cash flows in the derivatives portfolio are calculated as the difference between the fixed contractual interest under each derivatives contract and the implied Stockholm Interbank Offered Rate (STIBOR) for the period concerned. The present value of future interest flows arising there is calculated using the implied STIBOR curve. For the callable swaps included in the portfolio the option component has not been assigned a value, as the swaps can only be called at par value and thus do not have an impact on earnings. Decisions to call swaps are made by the banks. Shareholdings have been categorised as "Financial assets held for trading". These are measured at fair value and changes in value are recognised in the statement of comprehensive income. Quoted market prices are used in determining the fair value of shareholdings. Where no such prices are available fair value is determined using the company's own valuation technique. For all financial assets and liabilities, unless otherwise stated in the Notes, the carrying amount is considered to be a good approximation of fair value.

Set-off of financial assets and liabilities

Financial assets and liabilities are offset against each other and the net amount is recognised in the balance sheet when there is a legal right of set-off and there is an

intention to settle the items by a net amount or to simultaneously realise the asset and settle the liability.

Cash and cash equivalents

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

Trade receivables

Trade receivables are categorised as "Loans and receivables", which means that the item is recognised at amortised cost. Fabege's trade receivables are recognised at the amount that is expected to be received after deducting for uncertain receivables, which are assessed individually. The expected maturity of a trade receivable is short, and the value is therefore recognised at the nominal amount with no discount. Impairment of trade receivables is recognised in operating expenses.

Long-term receivables and other receivables

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

Derivatives

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

Trade payables

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

Other liabilities

Fabege's liabilities to credit institutions and holders of Fabege commercial paper and other liabilities are categorised as "Other liabilities" and measured at amortised cost. Long-term liabilities have an expected maturity of more than one year while current liabilities have a maturity of less than one year.

Employee benefits

Remuneration to employees in the form of salaries, holiday pay, paid sick leave, etc. as well as pensions are recognised as it is earned. Pensions and other compensation paid after termination of employment are classified as defined contribution or defined benefit pension plans. The Group has both defined contribution and defined benefit pension plans. Pension costs for defined contribution plans are charged to expense as they are incurred. For defined benefit plans the present value of the pension liability is calculated using an actuarial method known as the Projected Unit Credit Method. Actuarial gains and losses are immediately recognised in other comprehensive income. Employees in the former Fabege have defined benefit pension plans. As of 2005, no further accrual of this pension liability has been made.

Segment reporting

Segment information is presented from the perspective of management and that operating segments are identified based on the internal reports submitted to the company's chief operating decision maker. The Group has identified the CEO as the chief operating decision maker, which means that the internal reports used by the CEO for monitoring the business and making decisions on the allocation of resources have been used as a basis for the presented segment information. Based on the company's internal reporting, the following operating segments have been identified: 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 attributed to each segment pursuant to the classification on the balance sheet date.

Note 2, cont.

Differences between the accounting policies of the Group and the Parent Company

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

Group contributions paid from the Parent Company to a subsidiary are recognised as a financial expense in the statement of comprehensive income. The amendment to RFR 2 concerning Group contributions requires the company to now recognise Group contributions as financial income/financial expense. Defined benefit and defined contribution pension plans are recognised in accordance with hitherto applicable Swedish accounting standards, which are based on the provisions of the Swedish Pension Obligations Vesting Act ("Tryggandelagen").

New and revised standards and interpretations for 2014

The following new and amended standards and interpretations have come into effect and affect the 2014 financial year:

IFRS 11 Joint Arrangements replaces IAS 31 Interests in Joint Ventures and SIC-13 Transfers of non-monetary assets from a joint owner to a jointly controlled entity. IFRS 11 classifies joint arrangements as either joint operations or joint ventures. What is decisive for the classification as a joint operation or a joint venture is the parties' contractual rights and obligations. Under IFRS 11, the equity method is to be used for investments in joint ventures. Accordingly, the proportionate consolidation method is no longer permissible for joint ventures.

IFRS 12 Disclosure of Interests in Other Entities is to be applied for companies holding interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 sets out the disclosure objectives and specifies the minimum disclosures that an entity is required to submit to satisfy these objectives. The entity is to disclose information that enables users of its financial statements to assess the nature of and risks associated with its interests in other entities, as well as the impact these holdings have on the company's financial statements.

IFRIC 21 Levies addresses the treatment of fees and taxes (other than income taxes) levied on the company by the state or similar. The interpretation clarifies the point at which a debt for such fees and taxes is to be recognised. The event that triggers the obligation to pay the fee or the tax that represents the event that results in a debt is to be recognised. The interpretation was approved by the EU on 17 June 2014 and is applied in the EU for financial years beginning on 17 June 2014 or later.

Due to the introduction of IFRS 11, one of the Group's joint arrangements constitutes a joint venture. In respect of the holding in this joint venture, the Group's assets, liabilities, income and costs include its share of all assets, liabilities, income and costs on recognition in the accounts. Previously, the holding was recognised by applying the equity method. The effect of the change of accounting policy is that the Group's promissory note receivables and liabilities with the joint arrangement as a counterparty are no longer recognised in the consolidated condensed statement of financial position. As opposed to the past, however, the Group recognises its share of the joint venture's short-term investments. Otherwise, IFRS 11 has not had any material impact on the Group's financial position.

IFRS 12 has resulted in new disclosure requirements for interests in associated companies and joint ventures, which are presented in Note 17.

IFRIC 21 has been applied in the Group since 1 January 2014, which thus applied IFRIC 21 prospectively. From the viewpoint of the Group, IFRIC 21 entails that property tax is expensed in its entirety when the obligation arises. Since the obligation arises annually on 1 January, Fabege recognised the entire year's debt for property tax at 1 January 2014. In addition, a prepaid cost in respect of property tax has been recognised, which was distributed straight-line over the financial year.

Other new and amended standards and interpretations have had no material impact on the Group's 2014 financial statements.

New and amended standards and interpretations that have yet to come into effect:

The new and amended standards and interpretations that have been issued but that do not come into effect until after 1 January 2014 have not yet been applied by the Group. The new and amended standards and interpretations that are expected to

impact the consolidated financial statements are described below in the period in which they are first applied.

Standards	Are to be applied to the financial year commencing:
IFRS 9 Financial instruments	1 January 2013 or later

Interpretations

IFRS 9 Financial instruments was issued on 24 July 2014 and is to replace IAS 39 financial instruments: Recognition and measurement. The standard is being issued in stages, whereby the version issued in July 2014 replaces all previous versions. The standard contains new requirements for classification and measurement of financial instruments and for de-recognition and impairment, as well as general rules for hedge accounting. The standard will become mandatory for periods starting on 1 January 2018 and later and it is not yet adopted by the EU.

Management is of the opinion that the application of IFRS 9 could affect the recognised amounts in the financial statements in terms of the Group's financial assets and liabilities. Management has yet to conduct a detailed analysis of the impact of the application of IFRS 9 and is thus presently unable to quantify the impact.

Management's assessment is that other new and amended standards and interpretations that have not yet come into effect will not have any material impact on the consolidated financial statements when they are applied for the first time.

The Parent Company's accounting policies

Amended accounting policies

The amendments to RFR 2 Accounting for Legal Entities that came into effect and apply to the 2014 financial year had no impact on the Parent Company's financial statements.

Amendments to RFR 2 that have not yet come into effect

The assessment is that the amendments to RFR 2 Accounting for Legal Entities that came into effect on 1 January 2015 did not impact the Parent Company's financial statements.

New statement from the Swedish Financial Reporting Board

It is proposed that UFR 10, Recognition of pension plan ITP 2 financed through insurance in Alecta, replace UFR 3, Classification of ITP plans financed through insurance in Alecta, and UFR 6, Multi-employer pension plans. The proposal is not expected to result in any accounting changes for companies applying RFR 2.

Note 3 Financial instruments and financial risk management

Supply of capital

Because Fabege aims to have a strong financial position, the balance between shareholders' equity and borrowed capital is a key issue for the company. The company's objective is to achieve an equity/assets ratio of at least 30 per cent and an interest coverage ratio of at least 2.0.

Fabège's supply of capital largely derives from three sources: shareholders' equity, interest-bearing liabilities and other liabilities. On the balance sheet date, shareholders' equity amounted to SEK 13,783m (12,551), interest-bearing liabilities to SEK 19,551m (19,038) and other liabilities to SEK 114m (76). Fabège's obligations concerning covenants are similar in the various credit agreements and stipulate, in addition to be listed on a stock market, an equity/assets ratio of at least 25 per cent and an interest coverage ratio of at least 1.5. At property level, the loan-to-value ratio varies between 60 and 75 per cent, depending on the type of property and financing.

Financial objectives	Long-term objectives	Outcome 31 Dec 2014	Outcome 31 Dec 2013
Return on equity	1)	13.2	12.8
Equity/assets ratio, %	at least 30	38	35
Equity/assets ratio after adjustment, % ²⁾		40	—
Interest coverage ratio	at least 2.0	2.4	2.0
Loan-to-value ratio, %	at most 60	60	57
Loan-to-value ratio after adjustment, % ²⁾		56	—

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

2) Key figure adjusted for outstanding purchase considerations for sold properties, and for restricted amounts for loans that were paid off at the beginning of 2015.

Principles for financing and financial risk management

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

Financing and liquidity risk

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

Fabège strives to ensure a balance between short-term and long-term borrowing, distributed among a number of different sources of funding. Fabège's financial policy states that unused credit facilities must be available to ensure good liquidity. Agreements on committed long-term credit lines with defined terms and conditions and revolving credit facilities have been concluded with a number of major lenders. Fabège's main credit providers are the Nordic commercial banks. The Group's borrowing is secured mainly by mortgages on properties. Since autumn 2004, the Group has been active in the Swedish commercial paper market with a commercial paper programme of SEK 5,000m. The company is aiming to be a significant player in this market. At year-end, Fabège had unused credit facilities of SEK 4,622m, excluding the commercial paper programme.

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

Liquidity flows

Year	Calculated at 31 Dec 2014				Calculated at 31 Dec 2013			
	Loan maturity	Interest on loan	Interest on derivative instruments	Total	Loan maturity	Interest on loan	Interest on derivative instruments	Total
2014				0	-2,878	-388	-238	-3,504
2015	-7,071	-216	-308	-7,595	-3,937	-313	-230	-4,480
2016	-7,867	-115	-291	-8,273	-7,611	-186	-218	-8,015
2017	-110	-61	-214	-385	-110	-101	-163	-374
2018	-190	-59	-120	-369	0	-99	-90	-189
2019	0	-58	-36	-94	0	-99	-25	-124
2020	0	-58	-24	-82	0	-99	-18	-117
2021	0	-58	-16	-74	0	-99	-11	-110
after 2021	-4,313	-29	0	-4,342	-4,502	-50	0	-4,550
	-19,551	-654	-1,009	-21,214	-19,038	-1,434	-993	-21,465

To calculate liquidity flows for loans, and for the variable features of interest-rate swaps, the implied Stockholm Interbank Offered Rate (STIBOR) has been used on the balance sheet date. The assumption is that loan liabilities outstanding and credit margins up to maturity of the various loans, at which time it is assumed that final repayment has occurred, are the same as those applying at the balance sheet date.

Committed lines of credit, 31 Dec 2014

Due, year	Loan commitment, amount, SEKm	Drawn amount, SEKm
Commercial paper programme	5,000	2,889
< 1 year	8,440	4,182
1-2 years	9,286	7,867
2-3 years	265	110
3-4 years	1,395	190
4-5 years	474	0
> 5 years	4,313	4,313
Total	29,173	19,551

Interest-rate risk

Interest risk refers to the risk that changes in interest rates will affect the Group's borrowing expense. Interest expenses constitute the Group's single largest expense item. Under its adopted financial policy, the company aims to fix interest rates based on forecast interest rates, cash flows and capital structure. Fabège employs financial instruments, mainly in the form of interest-rate swaps, to limit the interest rate risk and flexibly adjust the average fixed-rate term of the loan portfolio. The sensitivity analysis in the Directors' Report shows how the Group's short-term and long-term earnings are affected by a change in interest rates. Interest-bearing liabilities at 31 December were SEK 19,551m (19,038) with an average interest rate of 3.09 per cent (3.61), excluding the cost of committed lines of credit, or 3.21 per cent (3.70) including this cost. Outstanding commercial paper accounted for SEK 2,889m (2,168) of total liabilities. The total loan volume at 31 December included loans for works in progress of SEK 656m (277), on which interest of SEK 13m (17) has been capitalised. The average fixed-rate term of the loans, including the effects of exercised derivatives, was 23 months (31) at 31 December. The average maturity was 3.7 years (4.8). The average year-end loan-to-value ratio was 60 per cent (57). Adjusted for purchase considerations for sold and de-recognised properties, and for restricted amounts for loans that were paid off at the beginning of 2015, in a total amount of

SEK 1,422m, the loan-to-value ratio declines to 56 per cent. Fabège has a commercial paper programme of SEK 5,000m. At the year-end, outstanding commercial paper amounted to SEK 2,889m (2,168). Fabège has available long-term credit facilities covering all outstanding commercial papers at any given time. It also has a covered property bond of SEK 1,170m, which will mature in February 2016. At 31 December, Fabège also had outstanding bonds of SEK 690m within the framework of the co-owned company Svensk Fastighetsfinansiering AB. Nya Svensk Fastighetsfinansiering AB, a newly formed finance company with a covered MTN programme of SEK 8,000m, was launched in January 2015. The company is owned by Catena AB, Diös Fastigheter AB, Fabège AB, Platzer Fastigheter Holding AB and Wihlborgs Fastigheter AB, each owning 20 per cent, and will start its financing activities in February 2015. The average fixed-rate period for Fabège's loan portfolio was 1.9 years, including the effects of derivative instruments. The average fixed interest term for variable-interest loans was 66 days. Fabège's derivatives portfolio comprised interest-rate swaps totalling SEK 6,000m with terms of maturity extending through 2021 and carrying fixed interest at annual rates of between 1.87 and 2.73 per cent before margins. Fabège also holds callable swaps totalling SEK 5,700m at interest rates of between 2.87 and 3.98 per cent before margins and maturity between 2016 and 2018. Interest rates on 60 per cent of Fabège'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 December 2014, the recognised negative fair value adjustment of the portfolio was SEK 920m (447). The derivatives portfolio is measured at the present value of future cash flows. The change in value is of an accounting nature and has no impact on the company's cash flow. At the due date, the market value of derivative instruments is always zero. Unrealised changes in value in net profit for the year amounted to SEK -473m (408). Changes in market value occur as a result of changes in market interest rates, since the company holds structured derivative products in its portfolio. A market valuation of the loan portfolio (excl. derivative products) shows a value of SEK 0m (0). For all other financial assets and liabilities, unless otherwise stated in the Notes, the carrying amount is considered a solid approximation of fair value. Net financial items included other financial expenses of SEK 11m (19), mainly pertaining to up front fees for borrowing agreements and running costs for the commercial paper programmes. Interest expenses linked to the liabilities are incurred over the course of the remaining maturities. Trade payables and other current liabilities

Note 3, cont.

mature within 365 days of the balance sheet date. Fabege's obligations arising from these financial liabilities are largely met by rent payments from tenants, most of which are payable on a quarterly basis.

Interest rate maturity structure, 31 December 2014

Year, due	SEKm	Average interest rate, %	Share, %
< 1 year	7,551	3.36	39
1-2 years	2,400	2.68	12
2-3 years	3,100	2.58	16
3-4 years	4,500	3.51	23
4-5 years	1,000	2.13	5
> 5 years	1,000	2.68	5
Total	19,551	3.09	100

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

Currency risk

Currency risk refers to the risk that Fabege's profit and loss account and balance sheet will be negatively affected by a change in exchange rates.

Credit risk

Credit risk is the risk of loss as a result of the failure of a counterparty to fulfil its obligations. The risk is limited by the requirement, contained in the company's financial policy, that only creditworthy counterparties be accepted in financial transactions. Credit risk arising from financial counterparties is limited through netting/ISDA agreements and was deemed to be non-existent at year-end. As regards trade receivables, the policy states that customary credit assessments must be made before a new tenant is accepted. The company also assesses creditworthiness in respect of any promissory note receivables arising from the sale of properties and businesses, as well as concerning loans to associated companies. The maximum credit exposure in respect of trade receivables and promissory note receivables is the carrying amount.

Parent Company

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

Financial assets and liabilities by measurement category, Group

Financial instruments measured at fair value in profit or loss	Held for trade		Loans and receivables		Other liabilities	
	2014	2013	2014	2013	2014	2013
Financial assets						
Receivables from associated companies			335	413		
Other long-term securities holdings	285	353				
Other long-term receivables			292	39		
Trade receivables			12	16		
Other receivables			1,791	291		
Accrued income			56	58		
Short-term investments	34	—				
Cash and cash equivalents			23	98		
Total	319	353	2,509	915	0	0
Financial liabilities						
Liabilities to credit institutions					19,551	19,038
Derivatives	920	447				
Trade payables					58	147
Other liabilities					76	24
Accrued expenses	44	39			181	169
Total	964	486	0	0	19,866	19,378

Profit/loss from financial instruments by measurement category, Group

Financial instruments measured at fair value in profit or loss	Held for trade		Loans and receivables		Other liabilities	
	2014	2013	2014	2013	2014	2013
Rental income			-12	-12		
Interest income			25	30		
Interest expenses	-258	-237			-431	-498
Unrealised changes in value, derivative instruments	-473	408				
Changes in value, equities	19	114				
Total	-712	285	13	18	-431	-498

Financial assets and liabilities by measurement category, Parent Company

	Held for trade		Loans and receivables		Other liabilities	
	2014	2013	2014	2013	2014	2013
Financial instruments measured at fair value in profit or loss						
Financial assets						
Receivables from Group companies			39,003	39,967		
Other long-term securities holdings	286	355				
Other long-term receivables			254	248		
Other receivables			1,027	42		
Accrued income			55	41		
Cash and cash equivalents			21	98		
Total	286	355	40,360	40,396	0	0
Financial liabilities						
Liabilities to subsidiaries					21,658	23,426
Liabilities to credit institutions					18,781	17,757
Derivatives	920	447				
Trade payables					7	6
Accrued expenses	44	39			50	58
Total	964	486	0	0	40,496	41,247

Financial instruments measured at fair value in profit or loss

	Held for trade		Loans and receivables		Other liabilities	
	2014	2013	2014	2013	2014	2013
Net sales			-12	-12		
Interest income			571	613		
Interest expenses	-258	-237			-425	-475
Unrealised changes in value, derivative instruments	-473	408				
Changes in value, equities	19	114				
Total	-712	285	559	601	-425	-475

Note 4 Significant estimates and assessments for accounting purposes

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

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

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

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

Note 5 Segment accounting

	Property Management Jan-Dec 2014	Property Development Jan-Dec 2014	Transaction Jan-Dec 2014	Total Jan-Dec 2014	Property Management Jan-Dec 2013	Property Development Jan-Dec 2013	Transaction Jan-Dec 2013	Total Jan-Dec 2013
Rental income	1,988	99	0	2,087	1,918	141	0	2,059
Property expenses	-561	-41	0	-602	-591	-57	0	-648
Net operating income	1,427	58	0	1,485	1,327	84	0	1,411
Surplus ratio, %	72	59	0	71	69	60	0	69
Central administration and marketing	-60	-7	0	-67	-57	-5	0	-62
Net interest expense	-606	-58	0	-664	-641	-64	0	-705
Share in profit/loss of associated companies	-69	-3	0	-72	-28	-2	0	-30
Profit/loss from Property Management	692	-10	0	682	601	13	0	614
Realised changes in value, properties			300	300	0	0	135	135
Unrealised changes in value, properties	1,063	276	0	1,339	343	396	0	739
Profit before tax per segment	1,755	266	300	2,321	944	409	135	1,488
Change in value, fixed income derivatives and equities				-454				504
Profit before tax				1,867				1,992
Properties, market value	28,715	3,844	0	32,559	31,206	2,178	0	33,384
Occupancy rate, %	95	77	0	94	93	87	0	93

In accordance with IFRS 8, segments are presented from the point of view of management, divided into the following segments: Property Management, Property Development and Transactions. Investment properties pertain to properties that are being actively managed on an on-going basis. Development properties pertain to properties in which new builds, extensions or conversions are in progress or planned that have a significant impact on the property's net operating income. Net operating income is affected either directly by the project or by limitations on lettings prior to impending improvement work. Recently acquired properties (within one year) with work in progress to significantly improve the property's net operating income in relation to the date of acquisition are also included. Pure land properties are included in this segment.

Transactions pertain to the properties that were divested during the year. Capital gains from property sales are recognised in this segment.

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

Four properties were reclassified during the year from investment properties to development properties. This pertained partly to Pyramiden 4, where existing buildings were demolished to make way for SEB's new offices at Arenastaden, and three properties on Västra Kungsholmen and in Hammarby sjöstad, which are all to be further developed.

Note 6 Employees and salary costs, etc.

Average no. of employees	2014	Of which, men	2013	Of which, men
Parent Company	31	11	30	10
Subsidiaries	101	74	95	70
Group, total	132	85	125	80
	Salaries and other remuneration 2014	Social security contributions 2013	Salaries and other remuneration 2013	Social security contributions 2013
Parent Company	27	21	25	20
– of which, pension expenses		11		8
Subsidiaries	52	29	50	29
– of which, pension expenses		8		10
Group, total	79	50	75	49
– of which, total pension expenses		19		18

Gender distribution in the Board of Directors and senior executives

	The Board 2014	The Board 2013	Senior executives 2014	Senior executives 2013
Men	5	6	5	4
Women	2	2	2	1
Total	7	8	7	5

Remuneration of senior executives

The term Other senior executives refers to the four individuals who together with the Chief Executive Officer and the two Deputy CEOs made up executive management in 2014. During the year, the Executive Management Team consisted of the CEO, the Deputy CEO and CFO, the Deputy CEO and Director of Business Development, Director of Projects and Development, Director of Technical Operations, Director of Property Management and Director of Lettings. The remuneration paid to senior executives is based on market terms in accordance with the guidelines adopted by the AGM. For the current composition of the Executive Management Team, see page 95.

Faberge has a profit-sharing fund covering all employees of the company. Allocations to the profit-sharing fund are based on the achieved return on equity and capped at one base amount per year per employee. For 2014, provisions of about SEK 6.8m (6.6), which is equivalent to 100 per cent of one base amount per employee including payroll tax, were posted. Other benefits refer to company cars, household-related services and health insurance.

Pension

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

Severance pay

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

Basis of preparation

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

Board of Directors

The Board Members are paid Directors' fees in accordance with AGM resolutions. In 2014, total Directors' fees of SEK 1,920,000 (2,120,000) were paid. Out of this amount, the Chairman of the Board received SEK 800,000 (800,000), and the other Board Members, excluding the CEO, received a total of SEK 1,120,000 (1,320,000). No other fees or benefits were paid to the Board.

Remuneration and other benefits to senior executives, SEK 000s

Executive Management Team 2014	Salary/ Fee	Other benefits	Pension	Total
Chief Executive Officer	4,591	142	1,801	6,534
Deputy CEO	3,995	240	1,145	5,380
Other senior executives	4,673	242	1,678	6,593

Of which, variable remuneration was paid totalling SEK 765,000 to the CEO, SEK 584,000 to two Deputy CEOs and SEK 250,000 to other senior executives. No other remuneration was paid to the Executive Management Team. On the row for remuneration of Deputy CEOs, remuneration throughout the year pertains to the two individuals who were Deputy CEOs at yearend.

Executive Management Team 2013	Salary/ Fee	Other benefits	Pension	Total
Chief Executive Officer	3,963	161	1,271	5,395
Deputy CEO	2,093	106	563	2,762
Other senior executives	4,574	214	1,481	6,269

Board of Directors	2014			2013		
	Fee, Board Member	Fee, Audit Committee	Total	Fee, Board Member	Fee, Audit Committee	Total
Erik Paulsson (Chairman)	800	—	800	800	—	800
Oscar Engelbert	—	—	—	200	—	200
Eva Eriksson	200	30	230	200	30	230
Märtha Josefsson	200	60	260	200	60	260
Pär Nuder	200	30	230	200	30	230
Svante Paulsson	200	—	200	200	—	200
Mats Qviberg	200	—	200	200	—	200
Total	1,800	120	1,920	2,000	120	2,120

Note 7 Rental income**Operating leases – the Group as lessor**

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

	Group	
	2014	2013
Maturity:		
Within 1 year	369	445
1 to 5 years	1,072	1,241
Later than 5 years	499	423
Residential, garage/parking	110	110
Total	2,050	2,219

The difference between total rents at 31 December 2014 and income, as stated in profit or loss for 2014, is due to bought/sold properties, renegotiations and changes in occupancy rates in 2014. Leases relating to residential premises and garage/parking spaces remain in force until further notice. No information was provided about variable rental income since this comprises an insignificant portion of the total rental income.

Note 8 Property expenses

	Group	
	2014	2013
Operating expenses, maintenance and tenant adaptations	-299	-331
Property tax	-145	-152
Ground rent	-28	-35
VAT expense	-11	-13
Property/project adm. and lettings	-119	-117
Total	-602	-648

Note 9 Central administration and marketing

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

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

Note 10 Realised and unrealised changes in value, investment properties

	Group	
	2014	2013
Realised changes in value:		
Sale proceeds	3,889	1,202
Carrying amount and expenses	-3,589	-1,067
	300	135
Unrealised changes in value:		
Changes in value relating to properties owned at 31 Dec 2014	1,303	713
Changes in value relating to properties divested during the year	36	26
	1,339	739
Total realised and unrealised changes in value	1,639	874

Fair value and the resulting unrealised changes in value are determined quarterly based on valuations. If a property is sold in the second to fourth quarters, the sale will give rise, in addition to the unrealised change in value, to a realised change in value based on the selling price in relation to confirmed fair value for the last quarter.

In measuring the results for the full year, the following breakdown is instead obtained, irrespective of revaluations during the year:

	Group	
	2014	2013
Gain from property sales, full year:		
Sale proceeds	3,889	1,202
Carrying amount and expenditure (based on value at beginning of the year) excl. changes in value on sold properties	-3,553	-1,041
	336	161
Unrealised changes in value:		
Changes in value relating to existing properties	1,303	713
	1,303	713
Total realised and unrealised changes in value	1,639	874
Breakdown between positive and negative results		
Positive	1,710	1,102
Negative	-71	-228
Total	1,639	874

Note 11 Profit from other securities and receivables that are fixed assets

	Group		Parent Company	
	2014	2013	2014	2013
Interest income, Group companies	—	—	565	606
Interest income, promissory notes	23	27	103	7
Profit from other securities	—	—	-123	116
Total	23	27	545	729

Note 12 Interest income and interest expenses

	Group		Parent Company	
	2014	2013	2014	2013
Interest income	2	3	0	0
Total	2	3	0	0
Interest expenses	-689	-735	-683	-712
Total	-689	-735	-683	-712

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

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

Note 13 Changes in value, equities

The profit of SEK 19m (96) pertains to the realised loss of SEK 4m from shares in Catena AB, the unrealised changes in value from shares in Catena AB totalling SEK 21m (106), AIK Fotboll AB totalling SEK 2m (-1), a loss of SEK 0m (-18) in Swedish Arena Management AB. The item in the preceding year was also impacted by the realised profit of SEK 9m from shares in Sveland Sakförsäkringar AB.

Note 14 Tax on profit for the year

	Group		Parent Company	
	2014	2013	2014	2013
Current tax	-4	4	0	—
Current tax attributable to tax cases	-57 ²⁾	-120 ¹⁾	—	-103
Total current tax	-61	-116	0	-103
Deferred tax	-68	-346	193	-90
Total tax	-129	-462	193	-193
Nominal tax (22%) on profit after financial items	-411	-438	-170	-492
Tax effects of adjustment items				
- Adjustment for deficits and temporary differences from previous years	81	19	—	—
- Dividends from subsidiaries	—	—	374	396
- Impairment of participations in subsidiaries	—	—	—	-16
- Tax-exempt profit/loss from sale of Group companies/properties	270	73	—	—
- Tax exempt profit/loss from associated companies and other securities holdings	-10	—	-6	26
- Current tax attributable to tax cases	-57	-120	—	-103
- Other	-2	4	-5	-4
Total tax	-129	-462	193	-193

1) Of SEK 120m (2013), SEK 126m pertains to tax and SEK -6m to interest.

2) Of SEK 57m, SEK 41m pertains to tax and SEK 16m to interest.

Note 15 Investment properties

All properties in Fabege's portfolio are externally valued at least once a year by independent external appraisers with recognised qualifications. The properties are valued at fair value, i.e. at their estimated market values without taking into account portfolio effects. Since 2000, property valuations have been conducted in accordance with the guidelines established by the Swedish Property Index. In 2014, the properties were valued by Newsec Analys AB. The properties are valued on an ongoing basis throughout the year. On-site inspections were carried out in all properties on at least one occasion during the period 2012–2014. The properties have also been inspected on site in connection with major investments or other changes that significantly affect the value of a property. Each quarter, internal valuations are also conducted of parts of the portfolio, as well as an internal assessment of the overall value for the entire portfolio. The internal valuation is performed using the same methodology as the external valuations.

Valued properties are divided into the following categories:

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

Valuation of investment and project properties

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

The discount rate used is a nominal required yield on total capital before tax. The required rate of return is based on previous experience from assessments of the market's required yields for similar properties. The discount rate for Fabege's property portfolio is 7.4 per cent (7.8) and is based on the nominal yield on five-year government bonds plus a premium for property-related risk. The risk premium is set individually based on the stability of the tenant and the length of the lease. The weighted required yield at the end of the calculation period was 5.4 per cent (5.6). The residual value is also present valued at the end of the calculation period. The residual value is the market value of the leasehold/property at the end of the period of calculation, which is estimated on the basis of forecast net operating income for the first year after the calculation period.

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

Valuation of other project properties

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

Valuation assumptions	2014	2013
Annual inflation, %	2.0	2.0
Weighted discount rate, %	7.4	7.8
Weighted required yield, residual value, %	5.4	5.6
Average long-term vacancy, %	3.6	4.4
Operations and maintenance:		
Commercial, SEK/sqm	314	328

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

Market value 31 December 2014	SEKm	Weighted yield, %	Change in value, %
Inner city	15,262	5.0	4.7
Solna	14,419	5.8	3.8
Hammarby Sjöstad	2,791	5.9	5.3
Other markets	87	0.0	2.1
Total	32,559	5.41	4.3

Market value 31 December 2013	SEKm	Weighted yield, %	Change in value, %
Stockholm inner city	16,975	5.3	0.6
Solna	13,555	6.0	3.5
Hammarby Sjöstad	2,770	6.2	8.5
Other markets	84	0.0	3.8
Total	33,384	5.6	4.3
Group			
		2014	2013
Opening fair value		33,384	31,636
Property acquisitions		105	298
Investments in new builds, extensions and conversions		1,266	1,738
Changes in value, existing property portfolio		1,303	713
Changes in value relating to properties divested during the year		36	26
Sales and disposals		3,535	1,027
Closing fair value		32,559	33,384

Sensitivity analysis – property value

Change in value before tax, per cent	Impact on earnings, SEKm	Equity/assets ratio, %	Loan-to-value ratio, properties, %
+1	254	38.6	59.5
0	0	38.3	60.0
-1	-254	37.9	60.7

Sensitivity analysis, change in value	Assumption	Impact on value, SEKm
Rent	+/-10%	3.6
Running cost	+/-50 SEK/sqm	0.9
Yield requirement	+/-0.25 %	1.5
Long-term vacancy rate	+/-2%	0.8

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

Fabege has mortgaged certain properties, see also Note 30 "Pledged assets and contingent liabilities".

Note 16 Equipment

	Group		Parent Company	
	2014	2013	2014	2013
Cost at beginning of year	18	20	6	6
Investments	1	0	0	0
Sales and disposals	0	-2	0	0
Closing accumulated cost	19	18	6	6
Opening depreciation	-17	-19	-5	-5
Sales and disposals	0	3	0	0
Depreciation for the year	-1	-1	0	0
Closing accumulated depreciation	-18	-17	-5	-5
Carrying amount	1	1	1	1

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

Note 17 Interests in associated companies¹⁾

	Group		Parent Company	
	2014	2013	2014	2013
Opening carrying amount	778	810	0	243
Acquisitions	—	—	—	—
Divestments	—	—	—	—
Share in profit/loss	-72	-30	—	—
Dividends	-90	—	—	—
Reclassification	15	-2	—	-243
Closing carrying amount	631	778	0	0
Carrying amount	631	778	0	0

During 2014, the holding in Nyckel 0328 AB, which was previously recognised as an associated company, has been reclassified to an amount of SEK -46m and is recognised as a joint venture at 31 December 2014. In addition, promissory notes pertaining to Swedish Arena Management have been converted to contributions corresponding to the year's recognised profit participation of SEK 61m.

During 2013, the holding in Catena AB, SEK 245m, was reclassified from interests in associated companies to other long-term securities holdings, at the same time as the holdings in Swedish Arena Management KB and Arenabolaget i Solna KB, SEK 257m, were reclassified from other long-term securities holdings to interests in associated companies.

Name/Corp. Reg. No.	Registered office	Equity share in % ²⁾	Carrying amount 2014	Carrying amount 2013
Råsta Administration AB 556702-8682	Stockholm	20.0	0	0
Projektbolaget Oscarsborg AB 556786-3419	Stockholm	50.0	2	2
TCL Sarl 19982401227 ³⁾	Luxembourg	50.0	244	352
Värtan Fastigheter KB 969601-0793	Stockholm	50.0	5	5
Global Crossing Conference Ltd 3330786359 ⁴⁾	Stockholm	50.0	131	133
Arenabolaget i Solna KB ⁵⁾ 969733-4580	Stockholm	22.8	237	212
Arenabolaget i Solna AB ⁵⁾ 556742-6811	Stockholm	22.8	0	0
Swedish Arena Management KB 969733-6312	Stockholm	22.8	12	11
Swedish Arena Management AB 556742-6829	Stockholm	22.8	0	0
Nyckeln 0328 AB (publ) 556871-6541	Stockholm	33.3	—	63
			631	778

1) Read more about associated companies in Note 34.

2) Applies also to the share of votes for the total number of shares.

3) Fabege's holding in Fastighets AB Torneet is indirectly owned through TCL Sarl. Property AB Torneet owns and manages properties in Skåne, Gothenburg and Stockholm/Mälardalen.

4) Fabege's holding in Visio is indirectly owned through Global Crossing Conference Ltd. Visio's operations involve owning and managing companies with responsibility for development, including detailed planning and redevelopment matters, implementation and sales of land and associated operations.

5) Arenabolaget owns and manages Friends Arena. The company's income comprises rent from Swedish Arena Management KB. The company is a partner in a number of joint facilities.

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

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

	Group	
	2014	2013
Profit and loss account		
Rental income	457	611
Net operating income	-89	-11
Profit for the year	-239	-122
Balance sheet		
Fixed assets	6,686	7,494
Current assets	952	883
Total assets	7,638	8,377
Equity	1,424	1,801
Minority shares	88	49
Provisions	0	0
Other liabilities	6,126	6,527
Total shareholders' equity and liabilities	7,638	8,377
The Group's share net assets in associated companies	588	746

Joint venture

The Group has one significant joint venture. Fabege conducts financial operations in an associated company. The operation consists of conducting financing operations through the raising of loans in the capital market, and lending operations through the issue of cash loans. Svensk Fastighetsfinansiering AB (SFF) is a wholly owned subsidiary of Nyckeln 0328 AB and is jointly owned by Fabege, Wihlborgs and Peab. Fabege's indirect holding amounts to 33.33 per cent. The aim is to expand the company's financing base with a new source of financing. Since 2011, Fabege has a bond programme with a limit of SEK 5bn via the co-owned SFF. Through the programme, Fabege borrows SEK 690m in the capital market. The bonds are secured by collateral in property mortgage deeds.

Nya Svensk Fastighetsfinansiering AB, a newly formed finance company with a covered MTN programme of SEK 8bn, was launched in January and February 2015. The company is owned by Catena AB, Diös Fastigheter AB, Fabege AB, Platzer Fastigheter Holding AB and Wihlborgs Fastigheter AB, each owning 20 per cent, and will start its financing activities in February 2015. In January 2015, additional interest-rate swaps of SEK 1bn were agreed with maturities of eight to ten years.

Note 18 Receivables from associated companies

Receivables from associated companies pertain to receivables from Visio Exploaterings AB totalling SEK 226m (196), Nyckeln totalling SEK 0m (51), Global Crossing Conferencing Ltd totalling SEK 0m (-1), as well as Arenabolaget i Solna totalling SEK 109m (167). The receivables carry market interest rates.

Note 19 Other long-term securities holdings

	Group		Parent Company	
	2014	2013	2014	2013
Cost at beginning of year	353	183	354	8
Acquisitions/Investments	—	—	—	—
Changes in value	23	103	23	103
Sales	-91	—	-91	—
Reclassification from participations in associated companies	—	243	—	243
Reclassification to participations in associated companies	—	-176	—	—
Cost at end of year	285	353	286	354
Carrying amount	285	353	286	354

Holdings	Carrying amount
AIK Fotboll AB – Fabege's capital share is 18.5 per cent and the number of shares 4,042,649	7
Participations in tenant-owner associations	0
Catena AB (publ)	278
Total	285

Note 20 Other long-term receivables

	Group		Parent Company	
	2014	2013	2014	2013
Maturity:				
1 to 5 years after balance sheet date	292	39	254	248
later than 5 years from balance sheet date	0	0	0	0
Total	292	39	254	248

Carrying amount is a good approximation of the fair value.

Group

Other long-term receivables pertain primarily to promissory note receivables from other co-owned companies.

Note 21 Accounts receivable

Age structure – overdue accounts receivables	Group	
	2014	2013
0–30 days	8	16
31–60 days	0	0
61–90 days	1	1
> 90 days	15	11
Of which, provisions	-12	-12
Total	12	16

Note 22 Other receivables

In the Group, there is a current receivable of SEK 44m (59) from the associated company Oscarsborg and promissory notes that mature within one year totalling SEK 129m (184), of which SEK 104m (101) for the associated company Swedish Arena Management AB. On the balance sheet date, other receivables were affected by unsettled purchase considerations and restricted amounts of SEK 1,422m.

Note 23 Shareholders' equity

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

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

The quotient value of a share is SEK 30.82.

Proposed dividend per share: SEK 3.25.

For other changes in shareholders' equity, see the consolidated and Parent Company statements of changes in equity.

Note 24 Overdraft facilities

	Group		Parent Company	
	2014	2013	2014	2013
Available credit limit	120	120	120	120
Unused share	-108	-120	-108	-120
Used share	12	0	12	0

Note 25 Liabilities distributed by maturity

Interest-bearing liabilities	Group		Parent Company	
	2014	2013	2014	2013
Maturity up to 1 year from balance-sheet date	7,071	2,878	6,651	2,168
Maturity 1 to 5 years from balance sheet date	8,167	11,658	7,817	11,087
Maturity later than 5 years from balance sheet date	4,313	4,502	4,313	4,502
Total	19,551	19,038	18,781	17,757

Carrying amount is a good approximation of the fair value.

Non-interest-bearing liabilities are expected to fall due for payment within one year. For the interest rate maturity structure, see Note 3.

Note 26 Derivatives

	Group		Parent Company	
	2014	2013	2014	2013
Long-term surplus value	—	7	—	7
Total surplus value	—	7	—	7
Short-term deficit	—	-11	—	-11
Long-term deficit	-920	-443	-920	-443
Total deficit	-920	-454	-920	-454
Total	-920	-447	-920	-447

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

IFRS, level 3	Group		Parent Company	
	2014	2013	2014	2013
Cost at beginning of year	-358	-577	-358	-577
Acquisitions/Investments	0	0	0	0
Changes in value	-163	219	-163	219
Matured	0	0	0	0
Cost at end of year	-521	-358	-521	-358
Carrying amount	-521	-358	-521	-358

The change in value of SEK 163m (219) pertains to derivative instruments held by the company at the end of the year, except for two callable swaps in a total nominal amount of SEK 1bn that matured in August and were closed in June, as shown in the statement of comprehensive income. The swaps that were closed during the second quarter had a market value of SEK -8m at 31 December 2013.

Note 27 Deferred tax liability/tax asset

	Group		Parent Company	
	2014	2013	2014	2013
Interest-bearing liabilities				
Deferred tax has been calculated on the basis of:				
- tax-loss carryforwards	1,043	-969	-142	-52
- difference between book and tax values in respect of properties	2,224	1,999	—	—
- deficit, derivatives	-202	-98	-202	-98
- other	-61	-9	—	—
Net deferred tax asset/liability	918	923	-344	-150

Negative amounts above refer to deferred tax assets.

Measured tax loss carryforwards in the Group, which have been taken into account in calculating deferred tax, total approximately SEK 4.7bn (4.4). See also the section on tax in the Directors' Report, pages 63 and 66. Of the changes in deferred tax liabilities for the year, the use of profit from property management accounted for SEK -164m, sales of properties for SEK 231m, derivative instruments for SEK 104m and changes in value of properties for SEK -295m. In addition, a change in accounting policy pertaining to a joint operation (SFF) accounted for SEK -56m and divestment of companies for SEK -15m, with minor items accounting for the remainder.

Note 28 Provisions

Out of total provisions of SEK 166m (160), obligations relating to rental guarantees for divested properties accounted for SEK 19m (25) and provisions for pensions for SEK 113m (100). Other amounts refer to stamp duties on properties that are payable upon the sale of a property, SEK 34m (35).

	Rental-guarantees	Other provisions	Provisions for pensions	Total
At 1 Jan 2014	25	35	100	160
Provisions for the year	6	—	13	19
Used/paid during the year	-12	-1	—	-13
At 31 Dec 2014	19	34	113	166
Provisions comprise				
Long-term component	8	34	113	155
Short-term component	11	0	0	11
Total	19	34	113	166

Rental guarantees

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

Provisions for pensions

Obligations relating to defined contribution pension plans are met through payments to the freestanding agencies or companies administering the plans. A number of Fabege employees have defined benefit pensions under the ITP supplementary pension plan for salaried employees in industry and commerce for which regular payments are made to Alecta. These are classified as multi-employer defined-benefit pension plans. As there is not sufficient information to report these as defined benefit plans, they have been recognised as defined contribution plans. It is unclear how a surplus or deficit in the plan would affect the size of future contributions from each individual company and for the plan as a whole. Alecta is a mutual insurance company that is governed by the Swedish Insurance Business Act as well as by agreements between employers and unions.

Fees for the year for pension insurance policies provided by Alecta were approximately SEK 5m (3). Alecta's surplus can be distributed to the policy owners and/or insured parties. At year-end 2014, Alecta's surplus, as expressed by the "collective funding ratio", was preliminary 144 per cent (146). The collective funding ratio is defined as the market value of Alecta's assets as a percentage of its commitments to policyholders calculated using Alecta's actuarial assumptions, which do not comply with IAS 19.

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

Note 29 Accrued expenses and deferred income

	Group		Parent Company	
	2014	2013	2014	2013
Advance payment of rents	278	318	—	—
Accrued interest expenses	77	80	76	78
Other	148	128	18	19
Total	503	526	94	97

Note 30 Pledged assets and contingent liabilities

	Group		Parent Company	
	2014	2013	2014	2013
Pledged assets				
Property mortgages	12,316	13,225	—	—
Shares in subsidiaries	3,880	3,446	—	—
Promissory notes	—	—	16,885	17,904
Total	16,196	16,671	16,885	17,904
Contingent liabilities				
Guarantees on behalf of subsidiaries	—	—	3,424	4,348
Ongoing tax cases	0	256	—	—
Guarantees and undertakings for the benefit of associated companies	958	958	958	958
Other	100	38	100	58
Total	1,058	1,252	4,482	5,364

The Group has pension commitments of SEK 31m (34), which are secured through a pension fund. The solvency ratio for the pension fund is 146 per cent (129). No provision has been made, as the pension commitment is fully covered by the assets of the fund.

Note 31 Interest paid

During the year, interest paid in the Group amounted to SEK 674 (712), of which SEK 13m (17) was capitalised in investing activities. No interest capitalisation occurred in the Parent Company.

Note 32 Changes in working capital

	Group		Parent Company	
	2014	2013	2014	2013
Change acc. to balance sheet	-3,128	84	-1,111	65
Change in receivables and liabilities pertaining to interest income, dividends and interest expenses, current tax and unregulated purchase considerations pertaining to properties sold	2,107	4	116	-93
Total	-1,021	88	-995	-28

Note 33 Cash and cash equivalents

Cash and cash equivalents consist of cash assets and bank balances. The Group has unused overdraft facilities, which are not included in cash and cash equivalents, of SEK 108m (120).

Note 34 Transactions with related parties

Erik Paulsson, with his family and companies, holds controlling influence in Hansan AB. In 2014, consulting services totalling SEK 2m (2) were procured.

Receivables from Projektbolaget Oscarsborg AB totalled SEK 44m (59) at 31 December 2014. Svensk Fastighetsfinansiering AB (SFF) is jointly owned by Fabege, Wihlborgs and Peab. Fabege owns 33.3 per cent of the company. In December 2011, SFF launched a bond programme with a total limit of SEK 5bn. Through the programme, Fabege borrows SEK 690m and Visio borrows SEK 1,250m in the capital market. The bonds are secured by property mortgage deeds. Fabege has promissory notes totalling SEK 28m (51) issued to SFF.

Promissory notes of SEK 217m (192) were issued to the associated company Visio. Fabege has a promissory note receivable of SEK 109m (167) from Arenabolaget i Solna AB. Fabege also has a promissory note receivable of SEK 104m (101) from Swedish Arena Management AB. Market-based terms and conditions are applied throughout.

Note 35 Dividend per share

The dividends that were adopted at Annual General Meetings and paid out in 2014 and 2013 were SEK 3.00 per share and SEK 3.00 per share, respectively. At the AGM on 26 March 2015, the Board will propose a dividend for 2014 of SEK 3.25 per share, resulting in a total dividend payment of SEK 537,522,609. The dividend amount is based on the total number of outstanding shares at 31 January 2015, i.e. 165,391,572 shares. The total dividend amount is subject to alteration up to and including the record date, depending on share buybacks.

Note 36 Adoption of the annual report

The annual report was adopted by the Board of Directors and approved for publication on 23 February 2015.

The Annual General Meeting will be held on 26 March 2015.

Note 37 Net sales

Parent Company income comprises mainly intra-Group invoicing.

Note 38 Operating expenses

	Parent Company	
	2014	2013
Employee expenses	-58	-56
Administration and running costs	-154	-137
Depreciation of equipment	0	-1
Total	-212	-194

Note 39 Profit from shares and participations in Group companies

	Parent Company	
	2014	2013
Impairment of shares in subsidiaries	-	-70
Group contributions	-234	155
Anticipated dividends on shares	1,700	1,800
Total	1,466	1,885

Note 40 Shares and participations in Group companies

	Parent Company	
	2014	2013
Cost at beginning of year	14,389	14,319
Acquisitions and additions	-	70
Sales	-	-
Closing accumulated cost	14,389	14,389
Opening impairment	-1,397	-1,327
Impairment	-	-70
Closing accumulated impairment losses	1,397	1,397
Carrying amount	12,992	12,992

Directly owned subsidiaries

Name/Corp. Reg. No.	Registered office	Equity share in % ¹⁾	Carrying amount
Hilab Holding Stockholm AB 556670-7120	Stockholm	100	10,126
LRT Holding Company AB 556647-7294	Stockholm	100	2,790
Fabege Holding Solna 556721-5289	Stockholm	100	0
Fabege V12 AB 556747-0561	Stockholm	100	76
Fabege V24 AB 556049-1523	Stockholm	100	0
Fabege V48 AB 556834-3437	Stockholm	100	0
Fabege V47 AB 556834-3429	Stockholm	100	0
Fabege V74 AB 556983-7601	Stockholm	100	0
Total			12,992

¹⁾ Applies also to the share of votes for the total number of shares.

The stated capital share includes shares from other Group companies. The Group comprises a total of 170 (188) companies.

Note 41 Fees and remuneration to auditors

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

Fees and remuneration for expenses, SEK 000s

	Group		Parent Company	
	2014	2013	2014	2013
Deloitte				
- auditing assignments ¹⁾	2,846	2,906	2,846	2,906
- other auditing activities	180	129	180	129
- tax advisory services	0	55	0	55
- other services	30	45	30	45
Total	3,056	3,135	3,056	3,135

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

Note 42 Events after balance sheet date

Nya Svensk Fastighetsfinansiering AB, a newly formed finance company with a covered MTN programme of SEK 8bn, was launched in January and February 2015. The company is owned by Catena AB, Diös Fastigheter AB, Fabege AB, Platzer Fastigheter Holding AB and Wihlborgs Fastigheter AB, each of which hold a 20 per cent, and will commence its financing activities in February 2015. In January 2015, additional interest-rate swaps of SEK 1bn were agreed with maturities of eight to ten years.



Corporate Governance Report

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

A word from Chairman of the Board Erik Paulsson

Property development creates tomorrow's society



Dear shareholder, 2014 was a successful year for Fabege. The Board of Directors decided on a number of major project investments in response to interest from such companies as TeliaSonera and SEB in establishing offices in Arenastaden.

We Board members would very much like you shareholders to share in this success, and we

intend to propose a dividend of SEK 3.25 per share. As a major shareholder in Fabege, I focus intently on building up shareholder value over time, so that those of you who have chosen to invest in Fabege, along with me, will gain a favourable return on your investment.

I have had the benefit of following Fabege over a longer period. First as the Chief Executive Officer and subsequently as a Director for several years and, since 2007, as Chairman of the Board.

During the course of these years, Fabege has developed into a formidable and competitive player in the Stockholm office market.

Entrepreneurship and property development

Fabege has always worked with property development as a significant component in its business model. By means of property development, we participate in creating tomorrow's society. I'm particularly proud of developments in Arenastaden in recent years. In Arenastaden, we are participating in the development of an entire city district with a vibrant city pulse, and which, in addition to offices, includes housing, commercial premises and events and entertainment. This will create a sustainable urban district and a meeting place for

many companies and people. The vision we created a number of years ago is about to be realised as we complete more projects. In just about a year, an additional number of pieces of the puzzle will have fallen into place and this city district, which currently resembles something of a building site, will offer an attractive urban environment with a wide range of services for workers and residents.

As a result of our efficient management and project operations, we have the potential to create value for customers, employees, shareholders and other stakeholders. And it is through healthy and valuecreating operations that we can act as a long-term, sustainable business partner in the Stockholm office market.

Corporate governance

Fabege runs efficient operations on the basis of set strategies. Well-defined frameworks and objectives have proven to be success factors for many years.

The Board members represent a range of expertise and valuable contact networks. We complement each other well and our collective expertise and experience are useful for the company's continuing development. We are close to the decision makers and have continuous contact with the Executive Management Team. I truly enjoy directing the work of the Board. I am also proud of the company's management and all the employees who have made fantastic, committed efforts in continuing to develop Fabege, thereby creating shareholder value. I look forward confidently to a continuing positive trend during the years ahead. One thing is certain: Fabege will continue to conduct profitable business!

Erik Paulsson
Chairman of the Board, Fabege

Governance structure of the organisation



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

1 Shareholders

Fabège's shares are listed on Nasdaq OMX Stockholm. The company's share capital is SEK 5,097m, represented by 165,391,572 shares. At year end, Fabège held no treasury shares. In Fabège all shares carry the same voting rights, which means that opportunities to exercise influence as an owner are consistent with each shareholder's capital share in the company.

The following shareholders, directly or indirectly hold shares that represent one tenth or more of the votes for all shares in the company:

Holdings, %	31 Dec 2014
Percentage of votes, %	
Erik Paulsson with his family, privately and through companies	15.1

Fabège's ownership structure is described on pages 102–103.

2 Annual General Meeting

The AGM is the company's highest decision-making body. Shareholders who would like to participate in the business of the AGM must be registered in the transcript of the entire share register pertaining to the conditions prevailing five days prior to the AGM and notify the company of their intention, and that of no more than two advisors, to attend the Meeting no later than 4:00 pm on the day stipulated in the notice convening the AGM.

3 Nominating Committee

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

4 Board of Directors

Under the Swedish Companies Act, the Board of Directors is responsible for the company's organisation and the administration of the company's affairs. The Board is required to continuously assess the financial situation of the company and the Group. Its main task is to manage the company's assets on behalf of the owners in a way that secures the owners' interest in

obtaining a strong long-term return on capital. Fabège's Board is to consist of at least four and no more than nine directors.

The year-end report is addressed by the Board at a Board meeting held on the date on which the report is released to the market. Other interim reports have been delegated to the CEO and are addressed at the immediate following Board meeting. However, the Members of the Board are always given an opportunity to read and comment on all interim reports prior to their publication.

Each year, the Board adopts rules of procedure, including instructions on division of work and reporting.

Issues relating to management remuneration

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

5 Auditing

Under the Swedish Companies Act, the company's auditor is required to examine the company's Annual Report and accounts as well as the management performed by the Board and the CEO. After the end of each financial year, the auditor is required to submit an audit report to the AGM. The appointment and remuneration of auditors are based on AGM resolutions pursuant to proposals from the Nominating Committee. At the 2014 AGM, the auditing firm Deloitte was appointed the company's auditors with the authorised public accountant Kent Åkerlund as auditor-in-charge for the period up to the 2015 AGM. In addition to Fabège, Kent Åkerlund has audit assignments for the following major companies: Clas Ohlson, Bactiguard, FastPartner, SATS and Tagehus. Kent Åkerlund has no other assignments for companies that are closely related to Fabège's major owners or the CEO. In addition to its assignment as Fabège's appointed auditors, Deloitte has performed audit-related assignments relating primarily to accounting issues.

6 Audit Committee

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

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

7 Management

Chief Executive Officer

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

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

The rules of procedure also contain a separate reporting instruction, which governs the content and timing of reporting to the Board.

Executive Management Team

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

The Executive Management Team must create the conditions for employees to achieve the established objectives by:

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

The Executive Management Team holds operational meetings on a weekly basis. Once a month, minuted decision-making meetings are held, during which strategic and operational matters such as property transactions, letting, market trends, organisation and monthly and quarterly reviews,

are addressed. The CEO's assistant and the HR Manager also participate in these meetings.

8 Operating segments

Faberge's operational activities are conducted in three business areas: Property Management, Property Development and Transactions. During 2014, responsibility in the Property Management business area was divided among three managers: Head of Property Management, Head of Letting and Head of Technical Operation. Each of these heads of operations are members of the Executive Management Team.

Responsibility for operational control and follow-up rests with the particular head of operations. Faberge's activities are goal-oriented at all levels of the organisation. The goals are broken down, developed and established in the different business areas and at co-worker level. Performance measurements and reviews are conducted regularly.

Differences in relation to the Code

The application of the Code is based on the principle of comply or explain, which means that a company is not obliged to follow all rules without exception and that deviations from one or several individual rules do not constitute a breach of the Code if there are reasons for this and explanations are provided for such deviations. Faberge deviates from the Code when it comes to the recommendation that all Board Members have to meet with the company's auditors without the presence of the CEO or another member of the management team. After consulting with the auditors, the Board has not found it necessary to arrange such a meeting, partly because the auditors have, on several occasions, presented reports to the Audit Committee without the presence of the CEO.

Read more

...about Faberge's Corporate Governance, rules of procedure and instructions at www.faberge.se/corporategovernance

- Articles of Association
- Information from previous AGMs
- Prior years' Corporate Governance Reports
- Board's rules of procedure and instructions

Corporate governance 2014

Annual General Meeting

The 2014 AGM was held in Stockholm on 25 March 2014. Erik Paulsson was elected to chair the meeting. The AGM was attended by shareholders holding a total of 86.9 million shares, representing 52.6 per cent of the votes represented. A full set of minutes from the AGM is available at www.faberge.se/agm2014. The following are the principal resolutions adopted at the AGM:

Election of Board Members and resolution on Directors' fees

The AGM resolved that the Board should consist of seven Board Members and approved the re-election of Eva Eriksson, Christian Hermelin, Märtha Josefsson, Pär Nuder, Mats Qviberg, Erik Paulsson and Svante Paulsson to the Board.

Erik Paulsson was elected Chairman. The AGM resolved that a total of SEK 1,920,000 (2,120,000) be paid in Directors' fees in 2014.

Dividends, cash

The dividend was fixed at SEK 3.00 per share and the record date was set at 28 March 2014.

Principles for appointment of the Nomination Committee

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

Remuneration of management

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

Authorisation on share buybacks

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

Auditing

The auditors reported their observations and simultaneously presented their views on the quality of internal controls in Fabège at the Board meeting in February 2015. The auditors participated in and presented reports at three of a total of four meetings of the Audit Committee. Reports were also presented to management during the year. Fees paid to the company's auditors are described in Note 41 on page 87.

Nomination Committee

In accordance with the AGM's resolution, the four largest shareholders were offered one seat each on Fabège's Nominating Committee, and on 25 September 2014, the Nominating Committee was announced. The Nominating Committee consists of the following members:

Bo Forsén (Backahill AB), Eva Gottfridsdotter-Nilsson (Länsförsäkringar Fondförvaltning), Mikael Nordlund (Öresund Investment AB) and Mats Qviberg (the Qviberg family). The Nominating Committee collectively represented 24.5 per cent of the voting rights of Fabège at 31 January 2015.

The Nominating Committee held two minuted meetings and remained in contact during the intervening period. As a basis for its work, the Committee has met with the Board Chairman and listened to his views on the work of the Board. The Committee also contacted other Board Members and the company's Audit Committee to obtain a clear impression of the work of the Board. The Nominating Committee discussed the size and composition of the Board in respect of industry experience, equal opportunities, expertise, and the need for continuity and renewal of the work of the Board. The Committee also discussed and took into account issues relating to the independence of Board Members (see below for a description of the Board).

Composition of the Nominating Committee

Name	Represented	Proportion of votes, 31 Jan 2015, %
Bo Forsén	Backahill AB	14.9
Eva Gottfridsdotter-Nilsson	Länsförsäkringar Fondförvaltning	4.1
Mikael Norbäck	Öresund Investment AB	3.3
Mats Qviberg	The Qviberg family	2.2
Total		24.5

Nominating Committee's proposals 2015

The Nominating Committee proposes re-election of Eva Eriksson, Christian Hermelin, Märtha Josefsson, Pär Nuder, Erik Paulsson, Svante Paulsson and Mats Qviberg. Accordingly, the Nominating Committee proposes seven Board Members; of whom, three Board Members including the Chairman represent the largest shareholders Backahill AB and the Qviberg family, one Board Member is the CEO of Fabège and the three others are elected Board Members. Of these three, two are women. The depend-

ence of the Board Members proposed for election is presented on pages 96–97. Viewed as a whole, the proposed Board fulfils the Code's rules for independent Board Members. The Nominating Committee also proposes the election of Deloitte as the company's auditor, with Kent Åkerlund as Auditor-in-Charge. The Nominating Committee's report on its activities and proposals to the 2015 AGM are available on the company's website. The Committee's proposals are also described in the official notice of the 2015 AGM.

Board of Directors**Composition of the Board, 2014**

Seven Board Members were elected to the Board at the 2014 AGM. The AGM elected Erik Paulsson as Chairman of the Board. Fabège's Chief Financial Officer, Åsa Bergström, acts as the Board's secretary.

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

The work of the Board, 2014

In 2014, the Board held a total of 11 meetings, including six scheduled meetings, one statutory meeting and four meetings held by correspondence. The agenda comprises a number of standing items: Financial and operational reporting, decisions on acquisitions, investments and divestments, current market issues, HR issues and reporting by the Audit Committee. In addition, the Board addressed a number of specific matters (see figure on page 97).

In 2014, the Board made decisions on several major transactions and investments in the company's existing property portfolio. In total during 2014, 14 properties were sold for SEK 3,889m. Two properties were acquired for a total of SEK 105m. Decisions were made on investments of about SEK 2.9bn relating to the development and improvement of properties in the existing portfolio. At the end of the year, an assessment was made of the Board, which showed that the Board was operating in a highly satisfactory manner. The assessment result was discussed at the Board meeting in February 2015.

Fees to the Board of Directors

The Board Members are paid Directors' fees in accordance with an AGM resolution and for 2014, total fees of SEK 1,920,000 were paid, of which the Chairman received SEK 800,000, other Board Members received SEK 200,000 each and SEK 120,000 was paid for work on the Board's Audit Committee, of which the chairman received SEK 60,000 and the other members SEK 30,000.

Remuneration of management

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

Remuneration is to be on market terms and competitive. Responsibility and performance that coincide with the interests of shareholders are to be reflected in the remuneration. The fixed salary is to be re-evaluated annually. In addition to fixed salary, remuneration may be paid for target-related performance. Such remuneration shall depend on the extent to

which pre-defined targets have been achieved within the framework of the company's activities. The targets encompass both financial and non-financial criteria. Remuneration in addition to fixed salary should be capped and tied to the fixed salary. Variable remuneration may not exceed three (3) months' salary. Variable remuneration to company management must not exceed a maximum total annual cost for the company of SEK 2.7m (excluding social security fees), calculated on the basis of the number of persons who currently constitute senior executives. Other benefits, where applicable, may only constitute a limited portion of the remuneration. Remuneration and other benefits and terms of employment for the CEO and management are described in Note 6 on pages 80–81. The company's principles of remuneration and terms of employment will also be presented at the 2015 AGM.

The Audit Committee

During 2014, the Board appointed an Audit Committee from among its own members consisting of Märtha Josefsson (Chairman), Eva Eriksson and Pär Nuder. In 2014, four meetings were held. During the year, considerable emphasis continued to be placed on the company's internal control system. The items addressed by the Audit Committee during 2014 included the annual accounts and reporting process, the company's involvement in associated companies and general discussions and evaluation of the company's risk assessment and risk management. Year-end accounts and valuation matters were addressed, as were operational and auditing risks. At each meeting, the company's auditors submitted a report of their review during the year. The minutes from the Audit Committee's meetings were shared with all Board Members, and the Committee's Chairman submitted regular reports to the Board.

Report on internal control in respect of financial reporting

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

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

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

Control environment

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

Overall responsibility for ensuring good internal control and efficient risk management rests with the Board of Directors. To be able to perform its work in an appropriate and efficient manner, the Board has adopted rules of procedure. The Board's rules of procedure are aimed at ensuring a clear division of responsibility between the Board of Directors (including committees) and the CEO (and the Executive Management Team) with a view to achieving efficient risk management in the company's operations and in financial reporting. The rules of procedure are updated annually. In 2014, the Board performed its annual review and adopted rules of procedure for the Board, rules of procedure for the Audit Committee and the company's Code of Conduct. The Executive Management Team is responsible for designing and documenting, and for maintaining and testing, the systems/processes and internal controls that are required to manage significant risks in the accounts and the company's day-to-day activities. In addition to the company's CEO and Executive Management Team, the operational responsibility for internal control rests with those

individuals who by virtue of their roles in the company are in charge of each defined critical process, function or area.

The company's financial reporting is governed by a set of policies and guidelines. There are defined policies for matters such as funding, environmental issues, equal opportunities, communication, accounting policies and instructions for the closing of the accounts and authorisation of payments. In 2014, a comprehensive evaluation and update of Fabege's policies was implemented. All policies were discussed and decided on by the Executive Management Team. Information concerning resolved policies was also disseminated throughout the organisation. In addition, more detailed guidelines and instructions are reviewed and updated regularly. In May, Fabege issued its annual Communication on Progress Report to the UN Global Compact. Work on developing the company's sustainability reporting is conducted continuously. Sustainability reporting constitutes part of the company's annual report and has been reviewed by the company's auditors since 2012.

Risk assessment

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

- Risk area Property Management: The processes for new letting, renegotiation and rent payments. Customer relations and customer satisfaction and the risk of rent losses.
- Risk area Technical Operation: Technical work environment, physical buildings and environment.
- Risk area Projects: Project implementation and procurement/purchasing.
- Risk area Valuation and Transactions.
- Risk area Financial Control and Finance: Liquidity risk, interest rate risk, financial information and taxes.
- Risk area Communication: Information management, business ethics and IT.

Fabege's Group Management conducts annual reviews and evaluations of risk areas, in consultation the Board and the Audit Committee, for the purpose of identifying and managing risks for examination by the auditors. During 2014, management implemented a structured review and assessment of all risk areas. The review showed that internal processes and procedures provide support for the continuous management of risks.

Control activities

Critical processes, functions and areas are described and documented in respect of division of responsibility, risks and controls. The necessary instructions, procedures and manuals are produced, updated and communicated to the relevant staff to ensure that they have up-to-date knowledge and adequate tools. The measures are aimed at integrating risk management in the company's day-to-day procedures. Compliance with policies, guidelines and instructions is monitored on an ongoing basis. Employees are given frequent training to ensure that they have the required expertise. All critical processes are reviewed regularly and, during 2014, a selection of the company's critical processes was subject to special review. To supplement the external audit, the company also performed an internal assessment of compliance and controls in a selection of significant processes during 2014. A central controller function supports work on the follow-up of the operating units – Property Management and Property Development. The controller department is in charge of operational reporting. Operational reports are prepared monthly and quarterly based on a standardised reporting package and submitted for comments/approval to executives with operational responsibility. Reviews and updates by executives with operational responsibility are made continuously throughout the year. Performance is monitored and assessed against budgets and forecasts, which are updated twice a year. Since 2009, the company has been producing rolling 12-month forecasts.

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

Information and communication

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

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

The aim is to improve knowledge of and build confidence in the company among investors, analysts and other stakeholders. In 2014, work to improve information and access to information on the external website continued. Work to improve and further clarify the dissemination of information to the market continued and will do so during the coming year. During the autumn, a customer survey was conducted in order to better understand and satisfy customer requirements. At the end of the year, an employee survey was also performed. The company received high ratings in both surveys.

Follow-up

The internal control system also needs to change over time. The aim is to ensure that this is monitored and addressed on an ongoing basis through management activities at various levels of the company, both through monitoring of the individuals responsible for each defined critical process, function and area and through ongoing evaluations of the internal control system. In addition to financial reporting to the Board, more detailed reports are prepared, at more frequent intervals, in support of the company's internal governance and control activities. Monthly reports are presented and discussed at meetings of the Executive Management Team.

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

The Audit Committee, which acts as the extended arm of the Board in monitoring the formulation and reliability of financial reports, also reports to the Board. In addition to familiarising itself with the content of and methods used in preparing financial reports, the Audit Committee has studied the way in which the more detailed and frequent internal reporting is used in evaluating and managing various areas of activity, thus providing an indication of the quality of the control environment. The Committee also performs regular reviews and evaluations of internal controls in respect of critical processes and regularly studies the results of the external auditors' examinations of the company's accounts and internal controls. The auditors examine the company's financial reporting in respect of the full-year financial statements and review all quarterly interim reports.

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

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

In the course of its work on examining and evaluating internal control in respect of critical processes in 2014, the Audit Committee found no reason to alert the Board's to any significant issues in respect of internal control or financial reporting.

Internal auditing

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

Executive Management Team



Klaus Hansen-Vikström	Anders Borggren	Åsa Bergström	Urban Sjölund	Charlotta Liljefors Rosell	Christian Hermelin	Klas Holmgren
Deputy CEO, Director of Business Development.	Director of Technical Operations.	Executive Vice President, Chief Financial Officer.	Director of Letting Operations.	Director of Property Management.	Chief Executive Officer.	Director of Projects and Development.
Born 1953. Employed in Fabege since 2006 and in current position since 2014.	Born 1958. Employed in Fabege and in current position since 2014.	Born 1964. Employed in Fabege since 2007 and in current position since 2008.	Born 1962. Employed in Fabege since 1991 and in current position since 2007. Employment ceased on 31 January 2015.	Born 1963. Employed in Fabege and in current position since August 2014.	Born 1964. Employed since 1998 and in current position since 2007.	Born 1970. Employed in Fabege since 2001 and in current position since 2010.
Previous positions:						
Managing Director of Stockholm Mode-center, Managing Director and founder of Brubaker AS.	Executive positions at various companies, including Director of Property Management at ISS Facility Services AB, CEO of Arctella AB, Project leader at Kungsliskaren AB and Contract Engineer at Skanska.	Senior Manager at KPMG, CFO positions at property companies, including Granit & Betong and Oskarsborg.	Property Manager at BPA Fastigheter AB and various executive positions at Bergaliden AB, Storheden AB and Wihlborgs Fastigheter AB.	The Royal Swedish Institute of Technology, AP Fastigheter, various executive positions at Vasakronan, Head of Business Area Office at AMF Fastigheter	Property Management at Nacka Strand Förvaltnings AB, Regional Manager at Oskarsborg, Project Manager at Property AB Storheden.	Platzer Bygg, Site Manager at Peab, Site Manager at Peab Bostad, JM Entreprenad.
Education:						
Diploma in Specialised Business Studies.	Master of Science in Engineering.	Bachelor's degree in Business Administration.	Master of Science in Engineering.	Master of Science in Engineering – Surveying.	Bachelor's degree in Business Administration.	Engineer.
Shareholding:						
40,517	39,516	51,117	32,500	39,516	231,917	39,517

Board of Directors



	Erik Paulsson	Eva Eriksson	Christian Hermelin	Märtha Josefsson
	Born 1942. Chairman of the Board since 2007 and Board Member since 1998.	Born 1959. Board Member since 2011.	Born 1964. Board Member since 2007. CEO of Fabege AB.	Born 1947. Board Member since 2005.
Other assignments:	Chairman of the Board of Backahill AB, SkiStar AB and Wihlborgs Fastigheter AB. Board Member of Catena AB.	Chairman of the Board of Strategic Arkitektur AB. Board Member of DnB NOR Eiendominvest I ASA, Hemsö Fastighets AB and Svea Real AB.		Chairman of the Board of Cityhold Property. Board Member of Skandia Fonder AB and Worldwide Fund for Nature and Investment AB Öresund.
Education:	Lower secondary school. Business manager since 1959.	Master of Science in Engineering.	Bachelor's degree in Business Administration	Bachelor's degree in Economics.
Shareholding:	Privately and through companies 24,782,172	10,000	231,917	108,000
Elected, year	1998	2011	2007	2005
Independent in relation to the company and management	NO	YES	NO	YES
Independent in relation to major shareholders	NO	YES	YES	YES
Fee, SEK 000s ¹⁾	800	230	—	260
Attendance Board Meetings	11	11	11	11
Attendance Audit Committee	2 ¹⁾	4	2 ¹⁾	4

Auditor



Kent Åkerlund

Born: 1974
Co-Auditor of Fabege since 2005, Auditor-in-Charge since 2013.
Authorised Public Accountant at Deloitte AB.

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

**Pär Nuder**

Born 1963.
Board Member since
2010.

Chairman of the Board of Third AP Fund, Sundbybergs Stadshus AB, Öbergs färghus and Hemsö Fastighets AB. Board Member of SkiStar AB, Swedegas AB and Cleanergy. Senior Counselor Albright Stonebridge Group.

LL.M.

10,007

2010

YES

YES

230

11

4

Svante Paulsson

Born 1972.
Board Member since
2007.

Responsible for strategy and projects in Backahill AB. Deputy Chairman of the Board of Backahill AB. Board Member of Biliga AB, Diös Fastigheter AB and AB Cernelle.

High School in the US.

With family and through
companies 162,318

2007

YES

NO

200

11

2)

Mats Qviberg

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

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

Bachelor's degree in
Business Administration.

With family
3,714,244

2001

YES

YES

200

11

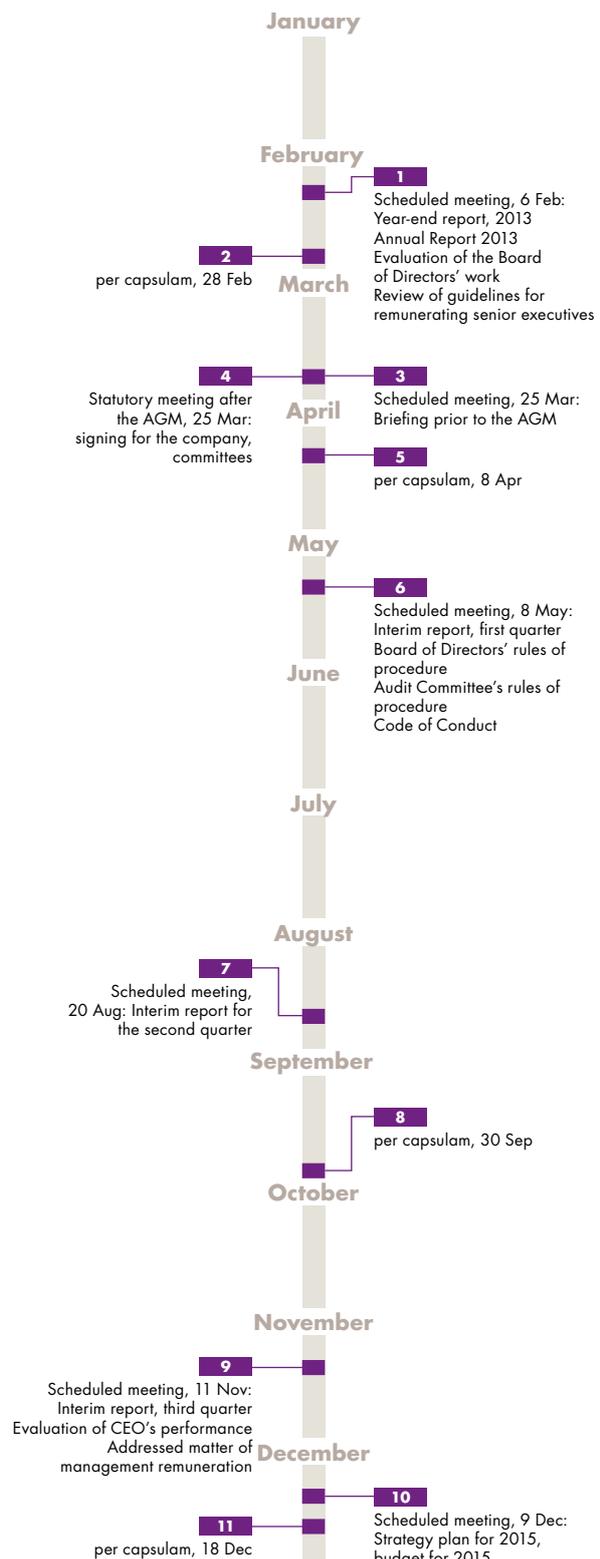
2)

1) Directors' fees are paid in arrears.

2) Not a member of the Audit Committee.

Shareholding at 31 December 2014.

Board year 2014



Signing of the Annual Report

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

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

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

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

Stockholm, 23 February 2015

Erik Paulsson
Chairman

Eva Eriksson
Board Member

Märtha Josefsson
Board Member

Pär Nuder
Board Member

Svante Paulsson
Board Member

Mats Qviberg
Deputy Chairman

Christian Hermelin
Board Member
Chief Executive Officer

Our Auditor's Report was submitted on 23 February 2015
Deloitte AB

Kent Åkerlund
Authorised Public Accountant

Auditor's Report

To the annual general meeting of the shareholders of Fabege AB (publ)
Corporate identity number 556049-1523

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Fabege AB (publ) for the financial year from 1 January 2014 to 31 December 2014 with the exception of the Corporate Governance Report on pages 89–97. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 62–98.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

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

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 89–97. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Fabege AB (publ) for the financial year from 1 January 2014 to 31 December 2014. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on pages 89–97 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and the consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially more limited in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

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

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm, 23 February 2015

Deloitte AB

Signature on Swedish original

Kent Åkerlund

Authorised Public Accountant

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

To Fabege AB (publ)

Introduction

We have been engaged by the Executive Management of Fabege AB (publ) to undertake a limited assurance engagement of the Sustainability Report of Fabege AB (publ) for 2014. The Sustainability Report comprises pages 42–61 of Fabege AB's (publ) annual report.

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

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with applicable criteria, as presented on page 60–61 of the Sustainability Report, and are the parts of the Sustainability Reporting Guidelines G3 (published by The Global Reporting Initiative (GRI)) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal controls relevant to the preparation of a Sustainability Report that is free from material misstatement, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed. We conducted our limited assurance engagement in accordance with RevR 6

Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with the IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

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

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

Conclusion

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

Stockholm, 23 February 2015

Deloitte AB

Signature on Swedish original
Kent Åkerlund
Authorised Public Accountant

Signature on Swedish original
Andreas Drugge
Specialist Member of FAR

Five-year summary¹⁾

	2014	2013	2012	2011	2010
PROFIT AND LOSS ACCOUNTS, SEK M					
Rental income	2,087	2,059	1,869	1,804	2,007
Net operating income	1,485	1,411	1,264	1,227	1,348
Realised changes in value/Gain from property sales	300	135	167	173	237
Unrealised changes in value, properties	1,339	739	1,409	1,093	843
Profit from property management	682	614	693	564	782
Profit/loss before tax	1,867	1,992	2,032	1,417	1,929
Profit after tax	1,738	1,530	-88	1,141	1,697
BALANCE SHEETS, SEK M					
Investment properties	32,559	33,384	31,636	29,150	26,969
Other tangible fixed assets	1	1	1	1	3
Financial fixed assets	1,542	1,583	1,398	1,124	714
Current assets	1,859	365	474	362	1,504
Short-term investments	34	—	—	—	—
Cash and cash equivalents	23	98	200	74	73
Equity	13,783	12,551	11,382	11,890	11,276
Provisions	1,084	1,083	753	585	423
Interest-bearing liabilities	19,551	19,038	18,035	16,755	16,646
Derivatives	920	447	854	664	267
Non-interest-bearing liabilities	680	2,312	2,685	817	651
Total assets	36,018	35,431	33,709	30,711	29,263
KEY RATIOS³⁾					
Surplus ratio, %	71	69	68	68	67
Interest coverage ratio, multiple	2.4	2.0	2.3	2.2	3.0
Capital employed, SEK m	34,255	32,036	30,293	29,309	28,189
Equity/assets ratio, %	38	35	34	39	39
Equity/assets ratio, %, after adjustment	40	—	—	—	—
Debt/equity ratio, multiple	1.4	1.5	1.6	1.4	1.5
Loan-to-value ratio, properties, %	60	57	57	58	62
Loan-to-value ratio properties, %, after adjustment	56	—	—	—	—
Return on equity, %	13.2	12.8	-0.8	9.9	16.0
Return on capital employed, %	7.6	8.7	9.0	7.2	8.7
Average interest rate on interest-bearing liabilities, %	3.09	3.61	3.8	3.72	3.45
Property acquisitions and investments in existing properties, SEK m	1,355	—	2,191	1,986	907
Property sales, selling price, SEK m	3,889	1,202	1,448	936	4,350
Average no. of employees	132	125	119	124	125
DATA PER SHARE, SEK²⁾					
Results	10.51	9.26	-0.54	7.01	10.38
Equity	83	76	70	73	69
Cash flow from operating activities	-11.58	—	—	—	—
Cash flow from operating activities, adjusted	-5.77	—	—	—	—
EPRA NAV (long-term net asset value)	95	—	—	—	—
EPRA EPS	4.09	—	—	—	—
Dividends	3.25 ⁴⁾	3.00 ³⁾	3.00	3.00	3.00
Yield, %	3.2	3.9	4.6	5.6	3.8
Share price at year-end ⁴⁾	100.60	76.80	65.75	53.90	78.55
No. of shares at year-end before dilution, millions	165	165	164	162	163
No. of shares at year-end after dilution, millions	165	165	162	163	163

1) The years 2010–2014 have been prepared and, where appropriate, remeasured in accordance with IFRS.

2) Key ratios based on the average number of shares, shareholders' equity, capital employed, and interest-bearing liabilities have been calculated on a weighted average basis.

3) Cash dividend for 2014 as proposed.

4) Last paid.

The Fabege share

On 2 December, the Fabege share broke a record on the stock market when it passed the SEK 100 mark for the first time. The share performance was stable during the year, which contributed to the proposed dividend of SEK 3.25 per share for 2014.

Turnover and trading

During 2014, the Fabege share was traded in more than ten different trading places, both on regulated marketplaces (stock exchanges) and on other trading platforms.

The five largest trading places during 2014 were Nasdaq OMX Stockholm, BATS, Chi-X Boat, the London Stock Exchange and Turquoise Nasdaq OMX Stockholm, jointly accounting for approximately 96 per cent of share turnover.

	2014	2013
Market capitalisation	SEK 16.6bn	SEK 12.7bn
Net asset value at year-end	SEK 13.8bn	SEK 12.6bn
Long-term net asset value, SEK per share (EPRA NAV)	95	84
Turnover, Fabege shares	140 million	133 million
– Of which, on Nasdaq OMX Stockholm	66.2 which (corresp. to 47%)	65 million (corresp. to 49%)
Total value of share turnover	SEK 12.7bn	SEK 9.3bn
– Of which, Nasdaq OMX Stockholm	SEK 6.0bn	SEK 4.6bn
Turnover per trading day	565,000 shares	535,000 shares
Turnover rate ¹⁾	85%	81%
Average transactions per day	1,260	859

1) Calculated based on total share turnover.

Acquisition and transfer of treasury shares

The 2014 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 and the company holds no treasury shares.

Net asset value per share

Equity per share at 31 December 2014 was SEK 83 (76). Net asset value per share, excluding deferred tax on fair value adjustments of properties, was SEK 97 (88). At year-end, the share price thus represented approximately 121 per cent of net asset value. A margin of error in property valuations of +/- 1 per cent has an impact on net asset

Three good reasons to own Fabege shares

- **Attractive market;** Fabege is active in Europe's fastest growing city, Stockholm. In recent years, the trend in the rental market has been positive.
- **Stable return;** The average direct return per share over the past five years has been 4.1 per cent.
- **Healthy value growth;** Excellent value growth from the Property Development operating segment. Average return of 30 per cent over past five years. Total return on the property portfolio in 2014 was 9.5 per cent. During 2015, the rate of investment will increase to just over SEK 2bn.

value of +/- SEK 254m, or SEK 1.54 per share. See the sensitivity analysis of property values on page 65.

Dividend to shareholders

According to its dividend policy, Fabege aims to pay a dividend to its shareholders comprising the part of the company's profit not required for the consolidation or development of the business. In the current market conditions, this means that the dividend will comprise at least 50 per cent of profit from property management activities and realised gains from the sale of properties after tax.

Distribution between ownership classes at 31 December 2014

Size of shareholding	No. of share-holders	Proportion of share-holders, %	Number of shares	Proportion of capital and votes, %
1–500	29,419	73.25	4,172,269	2.52
501–1,000	4,802	11.96	3,722,496	2.25
1,001–5,000	4,729	11.77	10,289,977	6.22
5,001–10,000	584	1.45	4,234,915	2.56
10,001–100,000	463	1.15	13,003,775	7.86
100,001–1,000,000	135	0.34	43,632,577	26.38
1,000,001–	30	0.08	86,335,563	52.20
Total	40,162	100	165,391,572	100

At 31 December 2014, Fabege had 40,162 shareholders (41,277). The ten largest owners jointly controlled 40.9 per cent of the total number of shares outstanding.

10 largest shareholders¹⁾, 31 December 2014

	Number of shares	Proportion of equity, %	Proportion of votes, %
Erik Paulsson with his family, privately and through companies	25,051,150	15.1	15.1
BlackRock Inc.	8,938,454	5.4	5.4
Länsförsäkringar Fondförvaltning	7,896,983	4.8	4.8
Öresund Investment AB	5,500,000	3.3	3.3
SHB Funds	4,310,739	2.6	2.6
Qviberg Mats with family	3,714,244	2.2	2.2
Norway's Bank Investment Management	3,678,029	2.2	2.2
SEB Funds	3,208,470	1.9	1.9
ENACity AB	2,734,000	1.7	1.7
Nordea Funds	2,663,874	1.6	1.6
Other foreign shareholders	49,893,523	30.3	30.3
Other Swedish shareholders	47,802,106	28.9	28.9
Total number of shares outstanding	165,391,572	100	100
Treasury shares	0	0	0
Total number of registered shares	165,391,572	100	100

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

Source: SIS Ågarservice AB, according to data from Euroclear Sweden AB at 31 December 2014.

Share price performance 2014



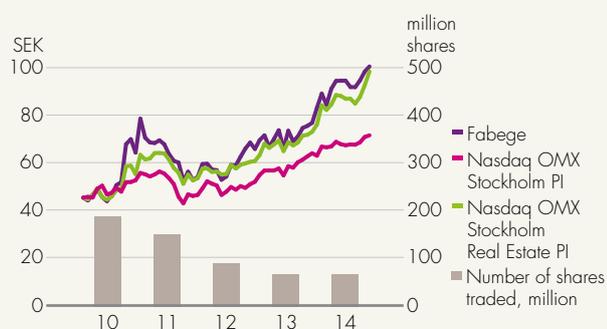
- 1 2 January 2014:
lowest share price, SEK 76.55
- 2 5 December 2014:
highest share price, SEK 103.50

During 2014, the property sector performed somewhat weaker than the stock market as a whole. The Nasdaq OMX Stockholm Real Estate index rose 35.3 per cent, which was significantly better than Nasdaq OMX Stockholm, which rose 12.4 per cent. The Fabège share rose 31.4 per cent, from SEK 76.55 to SEK 100.60*.

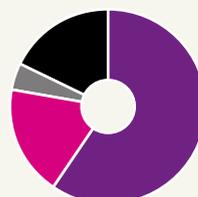
*Closing price

The total return on the Fabège share, i.e. the share price performance including reinvested dividends of SEK 3.00 per share, was 35.7 per cent. At year-end, the company had market capitalisation of about SEK 16.6bn.

Share price performance 2010-2014



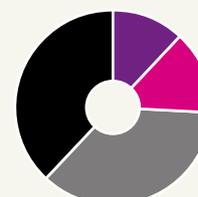
Ownership distribution by country, per cent



- Sweden, 59.7%
- USA, 18.1%
- Netherlands, 4.6%
- Other countries, 17.6%

Source: SIS Ägarservice

Ownership distribution by category, per cent



- Swedish institutions, 12%
- Swedish equity funds, 14%
- Swedish private individuals, 36%
- Foreign owners, 38%

Source: SIS Ägarservice

Key figures

	2014	2013
Financial		
Return on capital employed, %	7.6	8.7
Return on equity, %	13.2	12.8
Interest coverage ratio, multiple	2.4	2.0
Equity/assets ratio, %	38	35
Loan-to-value ratio, properties	60	57
Debt/equity ratio, multiple	1.4	1.5

Key figures

	2014	2013
Share-related		
Earnings per share for the year, SEK	10.51	9.26
Equity per share, SEK	83	76
Cash flow per share, SEK	-11.58	3.89
No. of shares outstanding at end of period, thousands	165,392	165,392
Average number of shares, thousands	165,392	165,162
Dividend, SEK	3.25 ¹⁾	3.00
Yield, %	3.2	3.9

1) Proposed cash dividend for 2014.

Share information

Nasdaq OMX Stockholm Large Cap.
Sector: Real Estate – Nasdaq OMX
Stockholm Real Estate
ISIN number: SE0000950636

	%
Performance of property sector relative index	23.0
Performance of property index	34.9
Performance of Nasdaq OMX Stockholm index	11.9
Performance of Fabège	31.0

Property portfolio

Fabege's properties are concentrated to three sub-markets in the Stockholm region: Stockholm inner city, Solna and Hammarby Sjöstad. A full 99 per cent of the property portfolio is located within a radius of five kilometres of the centre of Stockholm.

The property portfolio mainly comprises commercial premises. Offices account for 72 per cent of the total lettable area. In addition to offices, the portfolio includes retail, industrial/warehouse, residential space, hotel and garage. The largest sub-market, Stockholm inner city accounts for 47 per cent of the total market value and 48 per cent of the rental value.

On 31 December 2014, Fabege's portfolio comprised 80 properties with a total lettable area of 1.0 million sqm. The market value was SEK 32.6bn and the total rental value SEK 2.2bn.

Changes in the property portfolio

During the year, 14 properties were divested. Two properties were acquired; both of these were also sold during the year. The transactions comprised part of the continued strategy of streamlining Fabege's business and focusing on office properties in prioritised areas and a strengthened cash flow. The combined purchase consideration for the sales amounted to SEK 3,889m. The transactions generated a profit of SEK 300m before taxes and SEK 530m after taxes.

Customers

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

Fabege's 15 largest tenants by value

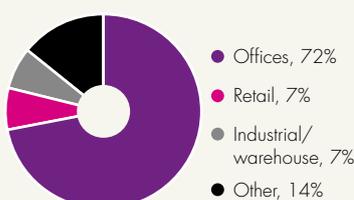
- Vattenfall
- Swedish Tax Agency
- ICA
- Bonnier Dagstidningar
- Carnegie Investment Bank
- Evry
- Coop
- Peab
- Svea Ekonomi
- Svenska Spel
- LRF
- Cybergymnasiet Nacka
- Swedish Migration Board
- Max Mattiessen
- Hotel Kung Carl

On 31 December 2014, the 15 largest tenants by value represented a total lease value of SEK 640m, or 31 per cent of the total contractual rental value.

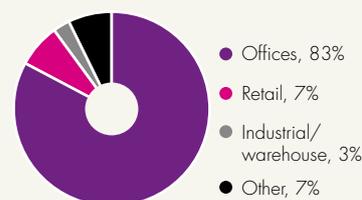
Property-related key figures

	2014	2013	2012	2011
No. of properties	80	92	95	97
Lettable area, 000 sqm	1,030	1,142	1,130	1,107
Financial occupancy rate, %	94	93	92	90
Rental value, SEKm	2,186	2,397	2,260	2,098
Surplus ratio, %	71	69	68	68

Lettable area by category, total of 1,030,000 sqm



Rental value by category, total of SEK 2,186m



Maturity structure of commercial leases, 31 December 2014

Maturity, year	No. of leases	Area, sqm	Contractual annual rent, SEK 000s	Share, %
2015	446	168,999	369,319	19.0
2016	283	163,435	355,937	18.0
2017	261	145,362	369,949	19.0
2018	113	72,585	164,081	9.0
+2019	184	267,826	680,982	35.0
Total	1,287	818,207	1,940,268	100.0

Average remaining lease term by sub-market, 31 December 2014

Area	No. of properties	No. of leases	Lease length
Stockholm inner city	29	747	2.7
Solna	33	391	4.4
Hammarby Sjöstad	11	308	2.7
Other markets	7	0	0.0
Total/average	80	1,446	3.4

Breakdown by lettable area, 31 December 2014

Sqm	Offices	Retail	Industry/warehouse	Hotels	Residential units	Garage	Total
Stockholm inner city	286,242	27,649	27,466	8,639	8,547	43,580	402,123
Solna	376,847	31,213	24,382	1,840	541	74,010	508,833
Hammarby Sjöstad	79,189	9,069	19,332	0	691	9,955	118,235
Other markets	0	0	1,241	0	0	0	1,241
Total	742,278	67,931	72,421	10,479	9,779	127,545	1,030,433

Property listing

Market segment	31 December 2014					1 January–31 December 2014		
	No. of properties	Lettable area, '000 sqm	Market value, SEKm	Rental value ²⁾ , SEKm	Financial occupancy rate, %	Rental income, SEKm ⁴⁾	Property expenses, SEKm	Net operating income, SEKm
Property holdings								
Investment properties ¹⁾	60	936	28,715	2,028	95	1,830	-390	1,440
Development properties ¹⁾	6	70	958	98	77	80	-26	54
Project properties ¹⁾	14	24	2,886	60	96	57	-13	44
Total	80	1,030	32,559	2,186	94	1,967	-429	1,538
Of which, Inner city	29	402	15,262	1,040	94	945	-223	722
Of which, Solna	33	509	14,419	923	94	842	-165	677
Of which, Hammarby Sjöstad	11	118	2,791	223	88	178	-41	137
Of which, other	7	1	87	0	100	2	0	2
Total	80	1,030	32,559	2,186	94	1,967	-429	1,538
Expenses for lettings, project development and property administration								-119
Total net operating income after expenses for lettings, project development and property administration								1,419

1) See definitions on page 112.

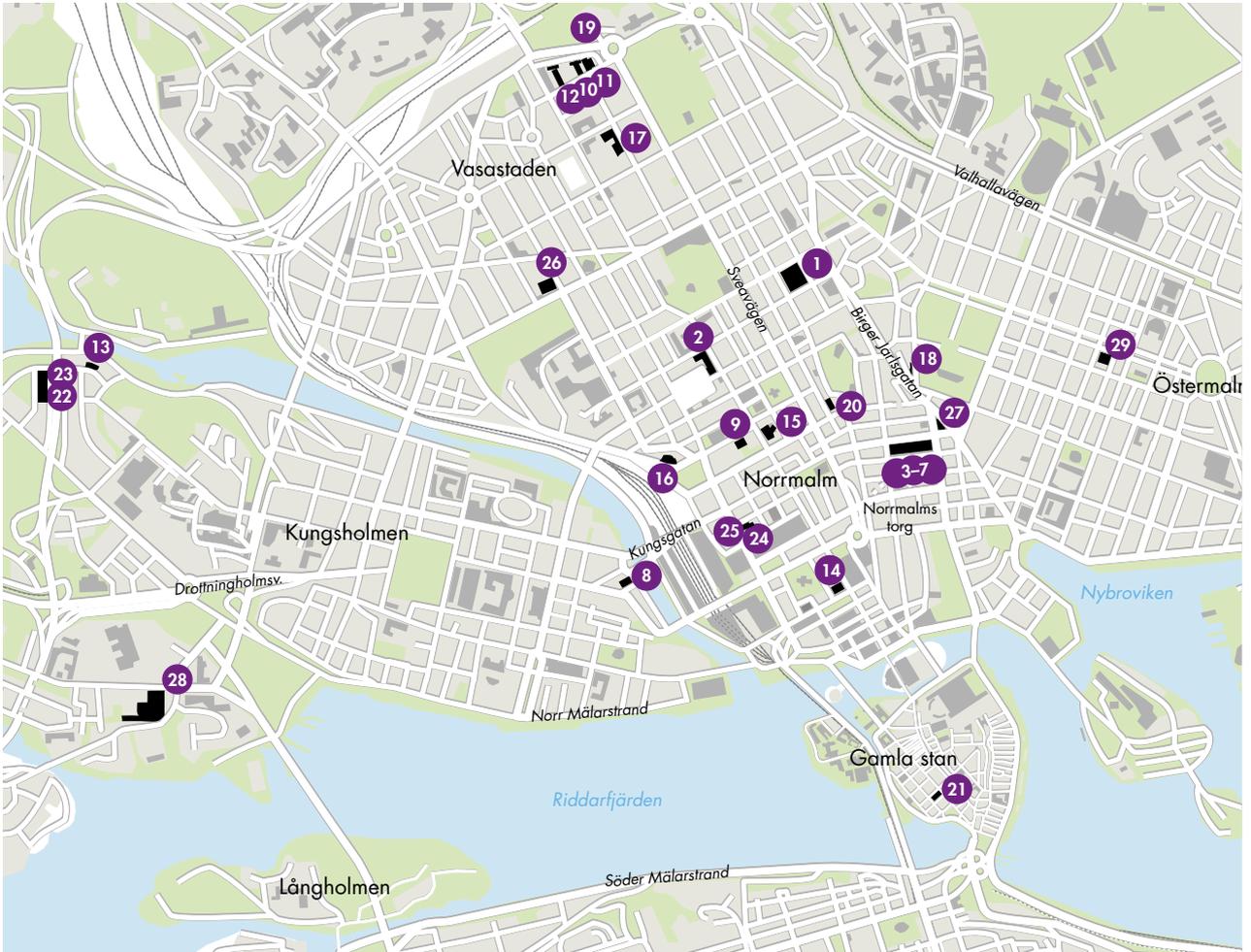
2) In the rental value, time limited deductions of about SEK 90m (in rolling annual rental value at 31 December) have not been deducted.

3) The table refers to Fabeges property portfolio on 31 December 2014. Income and expenses were recognised as if the properties were owned for the entire period. The difference between recognised net operating income above, SEK 1,419m, and net operating income in profit or loss, SEK 1,485m, is due to net operating income from divested properties being excluded, and acquired/completed properties being adjusted upwards as if they were owned/completed during the period of January–December 2014.

4) Rental income has been adjusted to reflect a discount of SEK 33m, which expired during the second quarter of 2014.

Property listing

Stockholm inner city, 31 December 2014



Apotekaren 22



Göttingen 13



Drabanten 3

Property name	Area	Street	Construction year	Office/sqm	Retail/sqm	Industrial + warehouse/sqm	Residential, sqm	Hotel, sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31 December 2014
STOCKHOLM INNER CITY											
1	Apotekaren 22	Norrmalm Döbelnsg 20, 24, Kungstensg 21–23, Rådmansg 40, 42, Tuleg 7 A–B 13	1902/2002	24,825	680	1,882	0	0	193	27,580	693,000
2	Barnhusväderkvarnen 36	Norrmalm Rådmansg 61–65	1963	13,967	1,297	1,827	0	0	8,860	25,951	423,000
3	Bocken 35	Norrmalm Lästmakarg 22–24	1951	14,616	301	445	0	0	0	15,362	753,000
4	Bocken 39	Norrmalm Lästmakarg 20, Kungsg 7–15	1931	15,134	3,077	1,832	0	0	220	20,263	796,500
5	Bocken 46	Norrmalm Regeringsgatan 56	1977	0	0	0	0	0	0	0	0
6	Bocken 47	Norrmalm Lästmakarg 8	1929	531	665	0	0	0	0	1,196	52,704
7	Bocken 52	Norrmalm Lästmakarg 14–16		145	0	0	2,214	0	0	2,359	74,431
8	Drabanten 3	Kungsholmen Kungsbroplan 3, etc.	1907	6,364	0	223	0	0	0	6,587	156,000
9	Fenix 1	Norrmalm Barnhusgatan 3	1929	3,459	48	249	0	0	0	3,756	94,000
10	Geligen 13	Vasastan Sveavägen 149	1963	10,817	610	2,651	0	0	2,415	16,493	246,000
11	Geligen 14	Vasastan Sveavägen 143–147	1953	8,734	2,470	287	0	0	1,183	12,674	175,000
12	Geligen 15	Vasastan Sveavägen 159	1963	12,859	2,775	7,063	0	0	10	22,708	85,600
13	Glädjen 12	Stadshagen Franzég 6, Hornsbergs Strand 17	1949	12,337	0	0	0	0	0	12,337	247,000
14	Hägern Mindre 7	Norrmalm Drottninggatan 27–29	1971	9,044	1,617	438	0	0	2,167	13,266	399,000
15	Islandet 3	Norrmalm Holländargatan 11–13	1904	8,315	0	12	0	0	255	8,582	215,156
16	Läraren 13	Norrmalm Torsgatan 4	1904/29	6,839	0	0	0	0	0	6,839	205,000
17	Mimer 5	Vasastan Hagagatan 25 A–C, Vanadisvägen 9	1957	11,672	0	75	0	0	5	11,752	0
18	Norrtilje 24	Norrmalm Engelbrektsgratan 5–7	1881	6,354	0	173	0	0	526	7,053	244,000
19	Omträsket 10	Vasastan Sveavägen 166–170, 186	1962/1967	13,422	3,491	507	0	0	2,071	19,491	317,000
20	Oxen Mindre 33	Norrmalm Luntmakarg 18, Malmskillnadsg 47 A, B	1979	8,742	0	801	2,823	0	648	13,014	262,000
21	Pan 1	Gamla Stan S Nygatan 40–42, L Nygatan 23	1929	2,326	721	0	102	0	0	3,149	87,457
22	Paradiset 23 ¹⁾	Stadshagen Strandbergsg 53–57	1944	8,802	316	2,536	0	0	1,655	13,309	167,000
23	Paradiset 27 ¹⁾	Stadshagen Strandbergsg 59–65	1959	19,298	4,038	766	0	0	2,229	26,331	387,000
24	Pilen 27	Norrmalm Bryggarg 12A	1907	1,905	0	236	0	0	0	2,141	65,813
25	Pilen 31	Norrmalm Gamla Brog 27–29, Vasag 38	1988	4,497	875	53	0	3,542	571	9,538	348,000
26	Resedan 3	Vasastan Dalagatan 13	1929	2,473	0	0	1,007	0	2	3,482	0
27	Sparven 18	Östermalm Birger Jarlsg 21–23, Kungsg 2	1929	1,916	1,633	30	0	5,097	0	8,676	372,000
28	Trängkåren 7	Marieberg Gjörwellsg 30–34, Rålambsv 7–15	1963	49,630	1,927	5,083	0	0	20,044	76,684	820,950
29	Ynglingen 10	Östermalm Jungfrug 23, 27, Karlav 58–60	1929	7,219	1,108	297	2,401	0	526	11,551	307,600
TOTAL INNER CITY				286,242	27,649	27,466	8,547	8,639	43,580	402,123	7,994,211

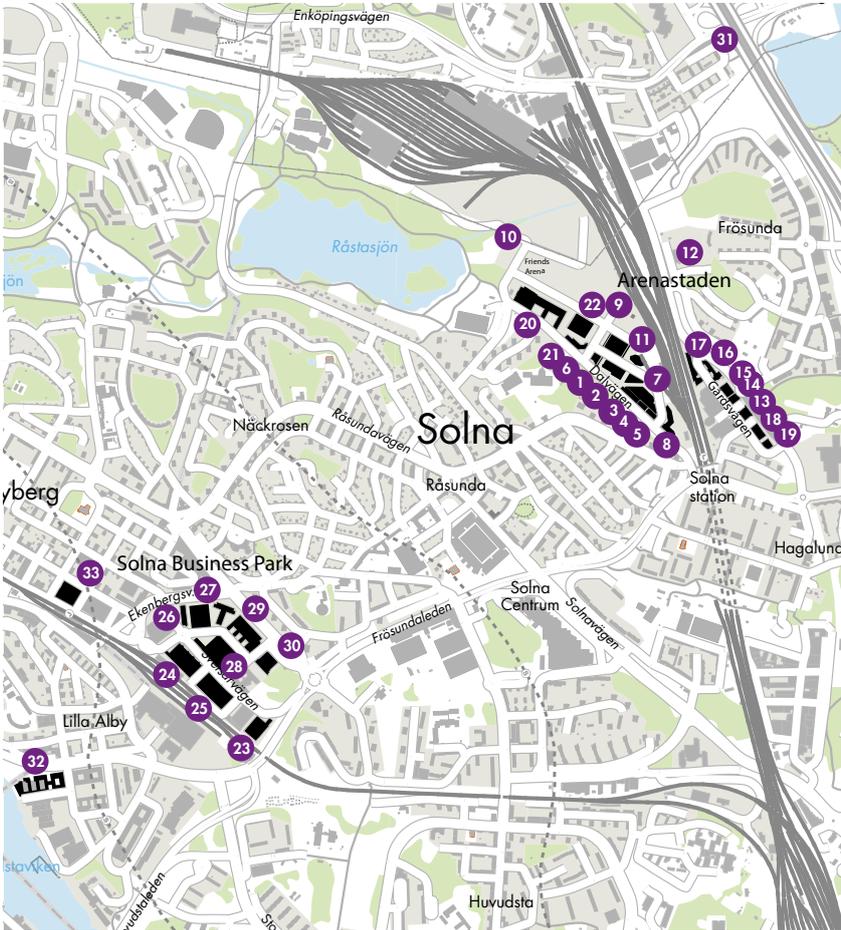
The list of properties contains all properties owned by Fabege at 31 December 2014.

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

1) Development property – Properties in which a conversion or extension is in progress or planned that has a significant impact on the property's net operating income. Net operating income is affected either directly by the project or by limitations on lettings prior to impending improvement work. Recently acquired properties (within one year) with work in progress to significantly improve the property's net operating income in relation to the date of acquisition.

Property listing

Solna, 31 December 2014



Stigbygeln 6



Svetsaren 1



Fräsaren 12



Farao 15

Tax value SEK 000s, 31 December 2014

Property name	Area	Street	Construction year	Office/sqm	Retail/sqm	Industrial + warehouse/sqm	Residential, sqm	Hotel, sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31 December 2014
SOLNA, ARENASTADEN											
1	Farao 8	Arenastaden Dalvägen 12, Pyramidvägen 11	2001	4,814	400	262	0	0	0	5,476	63,798
2	Farao 14 ¹⁾	Arenastaden Dalvägen 10, Pyramidvägen 7, 9	1967	8,446	0	2,149	0	0	1,174	11,769	73,827
3	Farao 15	Arenastaden Dalvägen 8, Pyramidvägen 5	1981	6,427	708	1,016	0	0	1,020	9,171	78,248
4	Farao 16	Arenastaden Dalvägen 4–6, Pyramidvägen 3	1973	2,773	1,617	1,402	0	0	540	6,332	55,800
5	Farao 17	Arenastaden Dalvägen 2, Pyramidvägen	1975	4,665	0	509	0	0	560	5,734	61,000
6	Farao 19 ²⁾	Arenastaden		0	0	0	0	0	0	0	0
7	Farao 20	Arenastaden Pyramidvägen 7	1964	7,260	0	166	0	0	375	7,801	107,600
8	Kairo 1	Arenastaden Pyramidvägen 2	1983	10,741	0	0	0	0	0	10,741	141,000
9	Solna Nationlarenan 8 ²⁾	Arenastaden		0	0	0	0	0	0	0	28,600
10	Solna Nationalarenan 5	Arenastaden	2013	0	0	0	0	0	25,500	25,500	38,000
11	Pyramiden 4 ²⁾	Arenastaden	1960	0	0	0	0	0	0	0	43,200
12	Signalen 3 ²⁾	Arenastaden		0	0	0	0	0	0	0	0
13	Stigbygeln 2	Arenastaden Gårdsvägen 6	1955	8,898	0	0	0	0	0	8,898	103,600
14	Stigbygeln 3	Arenastaden Gårdsvägen 8	1960	5,460	0	454	0	0	0	5,914	47,900
15	Stigbygeln 5	Arenastaden Gårdsvägen 10 A, B	1963	6,806	0	50	0	0	570	7,426	80,200
16	Stigbygeln 6	Arenastaden Gårdsvägen 12–18	2001	9,113	581	332	0	0	6	10,032	145,000
17	Tygeln 3	Arenastaden Gårdsvägen 13–21	2001	4,397	0	0	0	0	5,100	9,497	98,300
18	Tömmen 1	Arenastaden Gårdsvägen 2–4	1952	5,671	0	480	0	0	776	6,927	20,181
19	Tömmen 2	Arenastaden Gårdsvägen 2		0	0	0	0	0	2,610	2,610	0
20	Uarda 1 ²⁾	Arenastaden Dalvägen 22 A–C, 22–30	1987	22,100	1,622	479	0	0	0	24,201	441,866
21	Uarda 4	Arenastaden Dalvägen 14–16	1992	6,372	0	1,588	0	0	0	7,960	88,600
22	Uarda 5	Arenastaden Dalvägen 18, Magasinvägen 1	1978	42,989	1,280	0	0	0	0	44,269	800,000
TOTAL ARENASTADEN				156,932	6,208	8,887	0	0	38,231	210,258	2,516,720
SOLNA, SOLNA BUSINESS PARK											
23	Fräsaren 10	Solna Business Park Svetsarvägen 24	1964	6,987	4,241	285	0	0	56	11,569	109,600
24	Fräsaren 11	Solna Business Park Englundavägen 2–4, Svetsarvägen 4–10	1962	33,017	0	1,815	0	1,840	2,610	39,282	485,000
25	Fräsaren 12	Solna Business Park Svetsarvägen 12–18, 20, 20A	1964	19,400	10,109	173	0	0	6,840	36,522	462,000
26	Sliparen 1 ¹⁾	Solna Business Park Ekensbergsv 115, Svetsarv 1–3	1963	362	0	3,013	0	0	1,388	4,763	18,200
27	Sliparen 2	Solna Business Park Ekensbergsv 113, Svetsarv 3–5	1964	17,238	0	2,205	0	0	3,315	22,758	213,000
28	Smeden 1	Solna Business Park Englundav 6–14, Smidesv 5–7, Svetsarv 5–17	1967	35,036	5,047	1,327	466	0	3,709	45,585	450,347
29	Svetsaren 1	Solna Business Park Englundavägen 7–13,	1964	29,955	1,071	3,035	75	0	6,090	40,226	351,000
30	Yrket 3	Solna Business Park Smidesvägen 2–8	1982	4,864	0	1,076	0	0	1,470	7,410	31,969
TOTAL, SOLNA BUSINESS PARK				146,859	20,468	12,929	541	1,840	25,478	208,115	2,121,116
OTHER PARTS OF SOLNA											
31	Järvakrogen 3 ²⁾	Frösunda Enköpingsvägen 1		0	0	0	0	0	0	0	3,186
32	Nöten 4	Solna Strand Solna strandväg 2–60	1971	50,043	650	2,400	0	0	7,902	60,995	315,000
33	Orgeln 7	Sundbyberg Järnvägs g 12–20, lysgränd 1, Roseng 2, 4, Stureg 11–19	1966	23,013	3,887	166	0	0	2,399	29,465	250,000
TOTAL, OTHER PARTS OF SOLNA				73,056	4,537	2,566	0	0	10,301	90,460	568,186
TOTAL, SOLNA				376,847	31,213	24,382	541	1,840	74,010	508,833	5,206,022

The list of properties contains all properties owned by Fabège at 31 December 2014.

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

Property listing

Hammarby Sjöstad per 31 December 2014

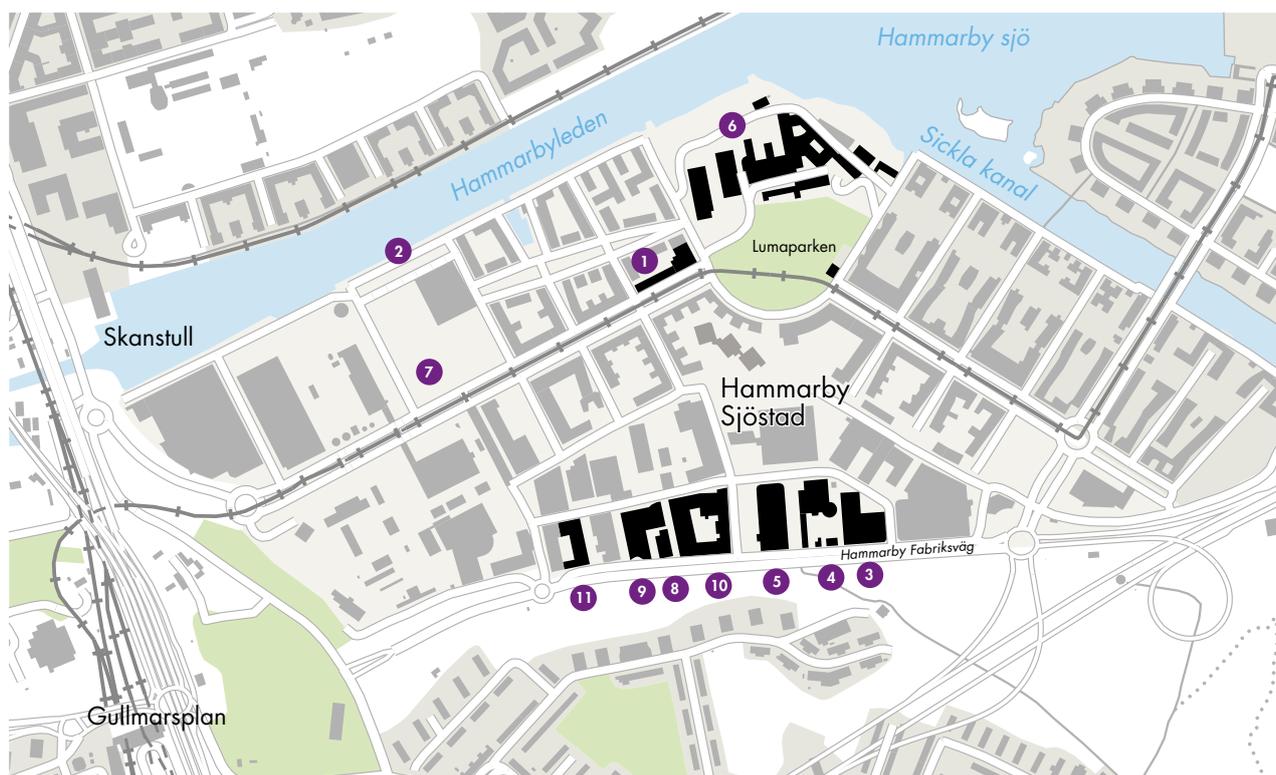
Property name	Area	Street	Construction year	Office/sqm	Retail/sqm	Industrial + warehouse/sqm	Residential, sqm	Hotel, sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31 December 2014	
HAMMARBY SJÖSTAD												
1	Fartygstrafiken 2	Hammarby Sjöstad	Hammarby Allé 91-95	1955	6,887	1,735	139	0	0	9	8,770	115,000
2	Båtturen 2	Hammarby Sjöstad	Hammarby Allé 21, 25, Hammarby Kaj 2-12, Hammarby Kaj 14-18	1937	11,356	276	423	0	0	1,230	13,285	195,200
3	Korhoppet 1	Hammarby Sjöstad	Hammarby Fabriksväg 41-43	1949	6,785	754	5,814	0	0	750	14,103	33,949
4	Korhoppet 5 ²⁾	Hammarby Sjöstad	Hammarby Fabriksväg 37-39	1968	0	0	0	0	0	0	0	3,400
5	Korhoppet 6	Hammarby Sjöstad	Hammarby Fabriksväg 33	1988	0	428	4,254	0	0	0	4,682	57,800
6	Luma 1	Hammarby Sjöstad	Ljusslingan 1-17, 2-36, Glödlampsgränd 1-6, Lumaparksv 2-18, 5-21, Kölnag 3	1930	28,460	1,453	1,675	691	0	5,978	38,257	217,683
7	Skeppshandeln 2 ²⁾	Hammarby Sjöstad			0	0	0	0	0	0	0	0
8	Triåfabriken 12 ¹⁾	Hammarby Sjöstad	Hammarby Fabriksväg 27	1942	742	0	174	0	0	205	1,121	4,679
9	Triåfabriken 4	Hammarby Sjöstad	Hammarby Fabriksväg 25	1991	5,171	3,464	939	0	0	975	10,549	100,000
10	Triåfabriken 8	Hammarby Sjöstad	Hammarby Fabriksväg 29-31	1930	10,075	692	4,269	0	0	12	15,048	60,000
11	Triåfabriken 9 ¹⁾	Hammarby Sjöstad	Hammarby Fabriksväg 19-21	1928	9,713	267	1,645	0	0	796	12,421	41,600
TOTAL, HAMMARBY SJÖSTAD					79,189	9,069	19,332	691	0	9,955	118,236	829,311

The list of properties contains all properties owned by Fabege at 31 December 2014.

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

1) Development property – Properties in which a conversion or extension is in progress or planned that has a significant impact on the property's net operating income. Net operating income is affected either directly by the project or by limitations on lettings prior to impending improvement work. Recently acquired properties (within one year) with work in progress to significantly improve the property's net operating income in relation to the date of acquisition.

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



Property listing

Others, 31 December 2014

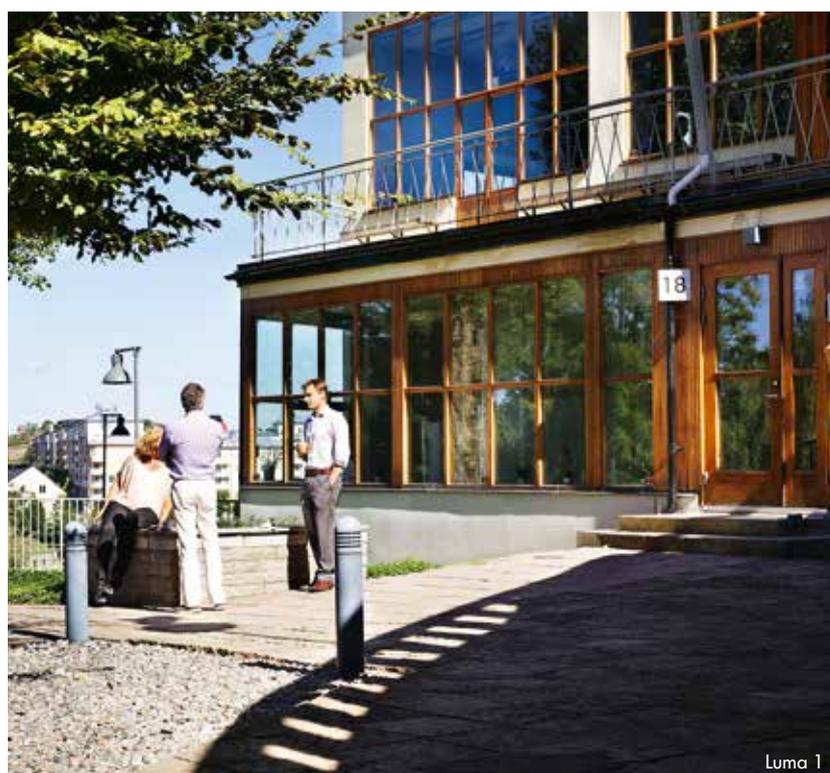
Property name	Area	Street	Construction year	Office/sqm	Retail/sqm	Industrial + warehouse/sqm	Residential, sqm	Hotel, sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31 December 2014	
OTHER, NORTHERN STOCKHOLM												
1	Hammarby Smedby 1:464 ²⁾	Upplands Väsby	Johanneslundsvägen 3-5	0	0	0	0	0	0	0	0	
2	Hammarby Smedby 1:473 ²⁾	Upplands Väsby	Johanneslundsvägen 3-5	0	0	0	0	0	0	0	0	
3	Hammarby Smedby 1:472 ²⁾	Upplands Väsby	Johanneslundsvägen 3-5	0	0	0	0	0	0	0	4,252	
4	Tekniken 1 ²⁾	Sollentuna		0	0	0	0	0	0	0	11,200	
5	Ulvsunda 1:1	Bromma	Flygplansinfarten 27	2004	0	0	1,241	0	0	0	1,241	6,807
6	Vallentuna Rickeby 1:327 ²⁾	Vallentuna		0	0	0	0	0	0	0	366	
TOTAL, NORTHERN STOCKHOLM				0	0	1,241	0	0	0	1,241	22,625	
OTHER, SOUTHERN STOCKHOLM												
7	Pelaren 1 ²⁾	Globen	Pastellvägen 2-6								8,400	
TOTAL, SOUTHERN STOCKHOLM											8,400	
TOTAL, OTHERS						1,241				1,241	31,025	

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1) Development property – Properties in which a conversion or extension is in progress or planned that has a significant impact on the property's net operating income. Net operating income is affected either directly by the project or by limitations on lettings prior to impending improvement work. Recently acquired properties (within one year) with work in progress to significantly improve the property's net operating income in relation to the date of acquisition.

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



Luma 1



Trikafabriken 12



Korphoppet 1

Definitions

Capital employed

Total assets less non-interest bearing liabilities and provisions.

Cash flow per share

Profit before tax plus depreciation, plus/minus unrealised changes in value less current tax, divided by average number of shares.

Debt/equity ratio

Interest-bearing liabilities divided by shareholders' equity.

Development properties

Properties in which a conversion or extension is in progress or planned that has a significant impact on the property's net operating income.

Net operating income is affected either directly by the project or by limitations on lettings prior to impending improvement work.

EPRA EPS

Profit from property management less nominal tax due 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 remodelling.

EPRA NAV (long-term net asset value)

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

Equity/assets ratio

Shareholders' equity (including minority share) divided by total assets.

Equity per share

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

Financial occupancy rate

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

Interest coverage ratio

Profit/loss before tax plus financial expenses and plus/minus unrealised changes in value, divided by financial expenses.

Investment properties

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

Land and Project Properties

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

Lease value

Stated as an annual value. Index-adjusted basic rent under leases plus rent supplements.

Loan-to-value ratio, properties

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

Net lettings

New lettings during the period/year less terminations to vacate.

Profit/earnings per share

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

Rental value

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

Return on capital employed

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

Return on equity

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

Return, share

Dividend for the year divided by the share price at yearend.

Surplus ratio

Net operating income divided by rental income.

Total return

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

Information to shareholders

Fabege publishes its annual report and interim reports in Swedish and English. In addition to the printed versions, all publications are available as PDF files on the company's website, www.fabege.se. All shareholders of Fabege have received an offer to receive financial information from the company. Fabege sends annual reports by post to shareholders that have requested this. All financial reports and press releases are available in Swedish and English on the

company's website. Information is also provided via a subscription service on the company's website. This service also enables anyone with an interest in the company to access press releases, interim reports, annual reports and other information.

In addition, the company's website provides current information about Fabege's share price. Fabege also provides quarterly presentations in connection with each interim report.



The Annual General Meeting and registration

The Annual General Meeting (AGM) will be held at the auditorium in the Wenner-Gren Center, Sveavägen 166, Stockholm, on Thursday, 26 March 2015 at 3 pm CET. Registration for the AGM begins at 2.15 pm CET.

Registration

Shareholders wishing to participate in the AGM must firstly be registered in the share register maintained by Euroclear Sweden AB (formerly VPC AB) on Friday 20 March 2015 and secondly notify the company of their intention to participate, stating the names of any advisors they wish to invite, no later than 4 pm CET on Friday 20 March 2015. Notice of attendance at the AGM may be made in one of the following ways:

- In writing to Fabege AB (publ), "Fabege's Annual General Meeting", Box 7839, SE-103 98 Stockholm
- By telephone: +46 08-402 90 68
- Via Fabege's website www.fabege.se/agm

When registering, shareholders must state their name, personal ID or corporate registration number, address and telephone number, shareholding and any accompanying advisors. Shareholders whose shares are held in the name of a trustee must temporarily re-register the shares in their own name at Euroclear Sweden AB to be entitled to participate in the AGM. Such re-registration must be completed no later than Friday, 20 March 2015. For this to be possible, the shareholder must make such a request from his/her trustee in ample time prior to this date. If participation is to be based on a power of attorney, such a document, together with a registration certificate or another document proving authorisation to vote, must be submitted in connection with registration.

Important dates in 2015

Annual General Meeting	26 March 2015
Interim report Jan–March 2015	23 April 2015
Interim report Jan–June 2015	6 July 2015
Interim report Jan–Sep 2015	20 October 2015

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Fabege

Fabege is a listed property company focusing mainly on property development and the management of company-owned office premises in the Stockholm region. With attractive, modern premises in a concentrated portfolio, we create conditions for success.

Fabege AB (publ)

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