

**WE CREATE  
CONDITIONS  
FOR **SUCCESS****

**0**  
**Fabege**

ANNUAL REPORT **2015**



# FABEGE CREATES CONDITIONS FOR SUCCESS

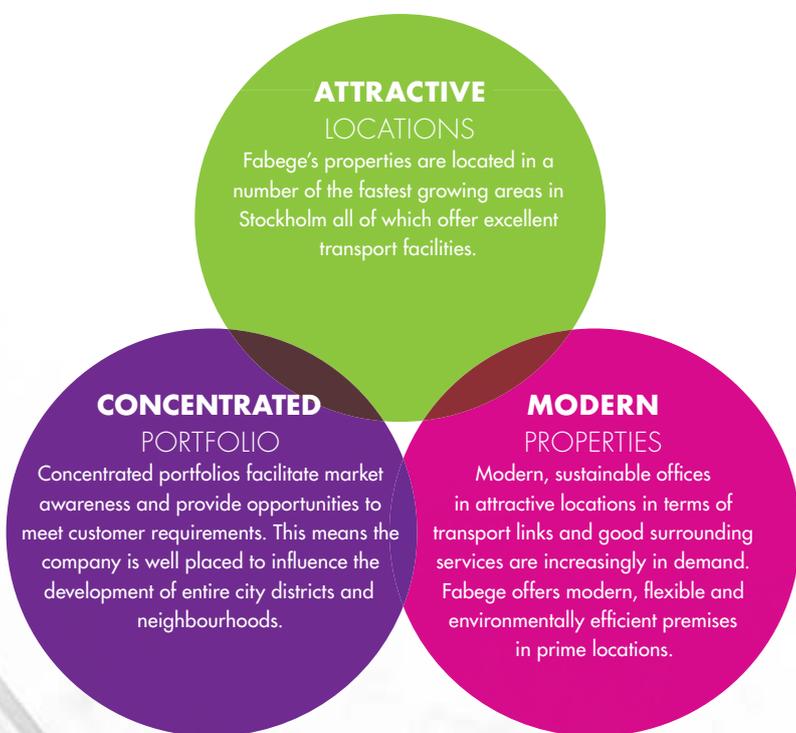
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● Audited financial information  
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Since sustainability issues are an integral part of Faberge's current operations, information in this year's Annual Report has been allocated differently. Information about the company's environmental work is detailed under each operating segment and management of sustainability issues is described in the Corporate Governance Report. For further information about Faberge's sustainability work, please visit [www.faberge.se](http://www.faberge.se). Sustainability information that has been subject to a brief review by the auditors is available on pages 1, 2, 4, 6-9, 11-36, 38-40, 42-46, 49, 56-59, 75-76, 84-90, 93-95, 98-99, 102-103, 113, back page.

Fabeges strategy is to create value by managing and developing the property portfolio and, through transactions, acquiring and divesting properties with the aim of increasing potential in the property portfolio.

### 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.

**SOLNA  
BUSINESS  
PARK:**

### Arenastaden

A vibrant city district is fast emerging, featuring an attractive mix of modern offices, shopping, residential units, hotels and the Swedish national arena. The area has excellent transport links and is close to green spaces.

**ARENASTADEN**

### Stockholm inner city

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

### Hammarby Sjöstad

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

**HAMMARBY  
SJÖSTAD**

*100% of the lettable area  
is located within 5 km  
of central Stockholm*

# HIGHLIGHTS OF THE YEAR

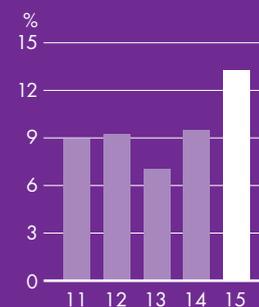
# 15

- 2015 was an excellent year for Fabege, with record strong earnings and improved key ratios.
- The Fabege share performed well in 2015 and rose 39.3 per cent, from SEK 100.60<sup>1)</sup> to SEK 140.10<sup>1)</sup>.
- The strong market contributed to major changes in value. Unrealised changes in the value of properties amounted to approximately 10 per cent, corresponding to SEK 3,252m.
- At the end of the year, Fabege decided to reduce its loan-to-value ratio target (from max 60 per cent to max 55 per cent) while increasing the surplus ratio target (from 70 per cent to 75 per cent).

1) Closing price

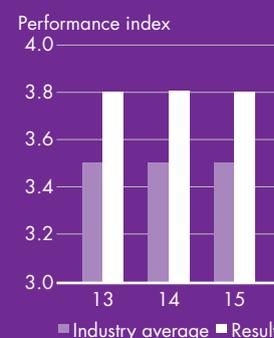
Key figures	2015	2014
Rental income, SEKm	1,998	2,087
Net operating income, SEKm	1,429	1,485
Profit/loss for the year, SEKm	3,232	1,738
Return on equity, %	21.4	13.2
Surplus ratio, %	72	71
Equity/assets ratio, %	39	38
Interest coverage ratio, multiple	2.1	2.4
Earnings per share before and after dilution, SEK	19.54	10.51
Dividend per share, SEK	3.50	3.25

## Total return on the property portfolio



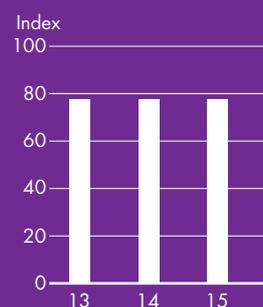
Net operating income plus unrealised and realised changes in the value of properties, divided by market value at year-end.

## Satisfied employees



100 per cent of Fabege's employees participated in the employee satisfaction survey in 2015. The results show a performance rating of 3.8. The average for the sector was 3.5.

## Satisfied customers



Faberge's client survey resulted in a satisfied customer index of 77, which shows that our clients continue to be satisfied.<sup>1)</sup>

1) Result is not entirely comparable due to changes to data collection methods.

## KEY EVENTS PER QUARTER

- SBAB signs lease for relocation to Solna Business Park.
- A surplus ratio of 70 percent is achieved, which is a Q1-record for Fabege.
- A joint MTN programme of SEK 8,000m is launched together with Wihlborgs, Platzer, Diös and Catena via the newly established finance company Nya Svensk Fastighetsfinansiering AB (Nya SFF).



- The development rights portfolio is considerably expanded with the acquisitions of the project property Fräsaren 9 in Solna Business Park and Stora Frösunda 2 and Hagalund 2:2, adjacent to Arenastaden.
- Fabege is awarded Best Interim Report from Kanton and Aktiespararna.
- KPMG signs lease for relocation of parts of its business to Arenastaden.



- Fabege's sustainability work is ranked highest in Europe within the office sector by GRESB<sup>1)</sup>.
- ICA Gruppen signs lease for relocation to new premises in Arenastaden.
- Telenor signs lease for relocation of its Swedish head offices to Råsunda.
- Pontus Frithiof occupies Tidningshuset with Atelier 23, a unique restaurant and events concept.
- Fabege signs a new long-term credit with the European Investment bank concerning investments in environmentally certified property projects.



- Fabege named CERO Challenger of the Year<sup>2)</sup>.
- Fabege extends contract with Evry at Solna Business Park.
- New build of The Winery Hotel at Järvakrogen 3 is completed.
- A milestone is passed in Arenastaden's development with the opening of Unibail-Rodamco's Mall of Scandinavia, adding a much sought after service for Fabege's customers.
- Fabege acquires the Lagern 2 property, including the commercial development rights from co-owned Visio, in connection with Fabege and Peab splitting ownership of Gamla Råsunda.
- Solna Business Park joins the sustainability-focused urban development initiative Citylab Action.



1) The report from GRESB (Global Real Estate Sustainability Benchmark) is based on an assessment of a total of 707 companies and property funds representing 61,000 property assets, at a value of USD 2,300 billion. The entire report is available for reading at [www.gresb.com](http://www.gresb.com).

2) CERO: Climate and Economic Research in Organizations



Fabège's sustainability work is ranked highest in Europe within the office sector for listed companies.



ICA Gruppen is relocating its head office to Arenastaden in 2018.



# STRONG MARKET AND THE RIGHT STRATEGY CREATE VALUE

After 2014, we said that we were seeing a unique situation on the property market. As we sum up 2015, we can see that market conditions have improved even further. Stockholm's growth has contributed towards stronger demand, with rising rents in all our areas, while interest rates continue to fall.

## Exemplary sustainability work creates value

We have continued to be proactive in our work with sustainability issues, in line with our strategy. The fact that our work with corporate responsibility and environmental issues is at the forefront was acknowledged in particular by the awards we received during the year. In the third quarter, GRESB ranked Fabege's sustainability work highest in the office sector in Europe, recognition of which we should be proud.

During the year, we were the first commercial property owner to secure Green financing with the European Investment Bank, EIB, which supports the development of near-zero-energy buildings. This is further proof of our value-adding and responsible approach to running a business.

Sustainability has become an increasingly integral part of our business, which provides an extra boost to our continued efforts, such as taking the next step in following up our supplier chain, environmental certification of properties and vital energy-saving work. One particular challenge is achieving the global climate goal of a maximum increase in the global temperature of 2 degrees, and Fabege endeavours to be part of the solution. Environmental certification of our properties and long-running sustainability work also help us win more customers, cut energy consumption, make more accurate property valuations and therefore improve the price in the event of a sale. This enables us to generate higher profitability with limited environmental impact.

## Employees who make a difference

The year's high earnings are hardly the result of favourable market conditions alone. It is primarily the efforts of our employees that have been the key factor. Our lettings organisation has been highly effective in the competition for new customers. The fact that our existing customers are increasingly opting to remain at our properties is proof of sound and customer-focused management. Our systematic improvement initiatives contributed to a record-high surplus ratio and we are now honing our objectives for the coming year.

## A strong market and profitable projects contribute towards positive financial development

The property market remains extremely favourable. Although it is harder to judge the state of the economy now than a year ago, we are not seeing any impact on our market from global uncertainty. Stockholm's growth and Sweden's solid economy mean that we are continuing to experience strong demand for modern, sustainable offices in attractive, accessible locations, along with rising rent levels. 2015 was an extremely successful year, with strong key ratios and high value growth in both the project and investment property portfolios. We have entered an intense project phase, with around 200,000 sqm under production; profitable projects that create value. The strong value increase on the market has also meant that our property portfolio has displayed strong growth in value. If and when the market recedes, we want to make sure we are well prepared and equipped. This has led to our decision to tighten our loan-to-value ratio target, so that in the long term it amounts to a maximum of 55 per cent, compared to the previous 60 per cent.

## Outlook

We are delivering record earnings for 2015, with net lettings above target and project operations that are more extensive and more profitable than ever before. However, we have no intention of sitting back and relaxing. Instead we will be establishing new, ambitious objectives for 2016 and going forward.

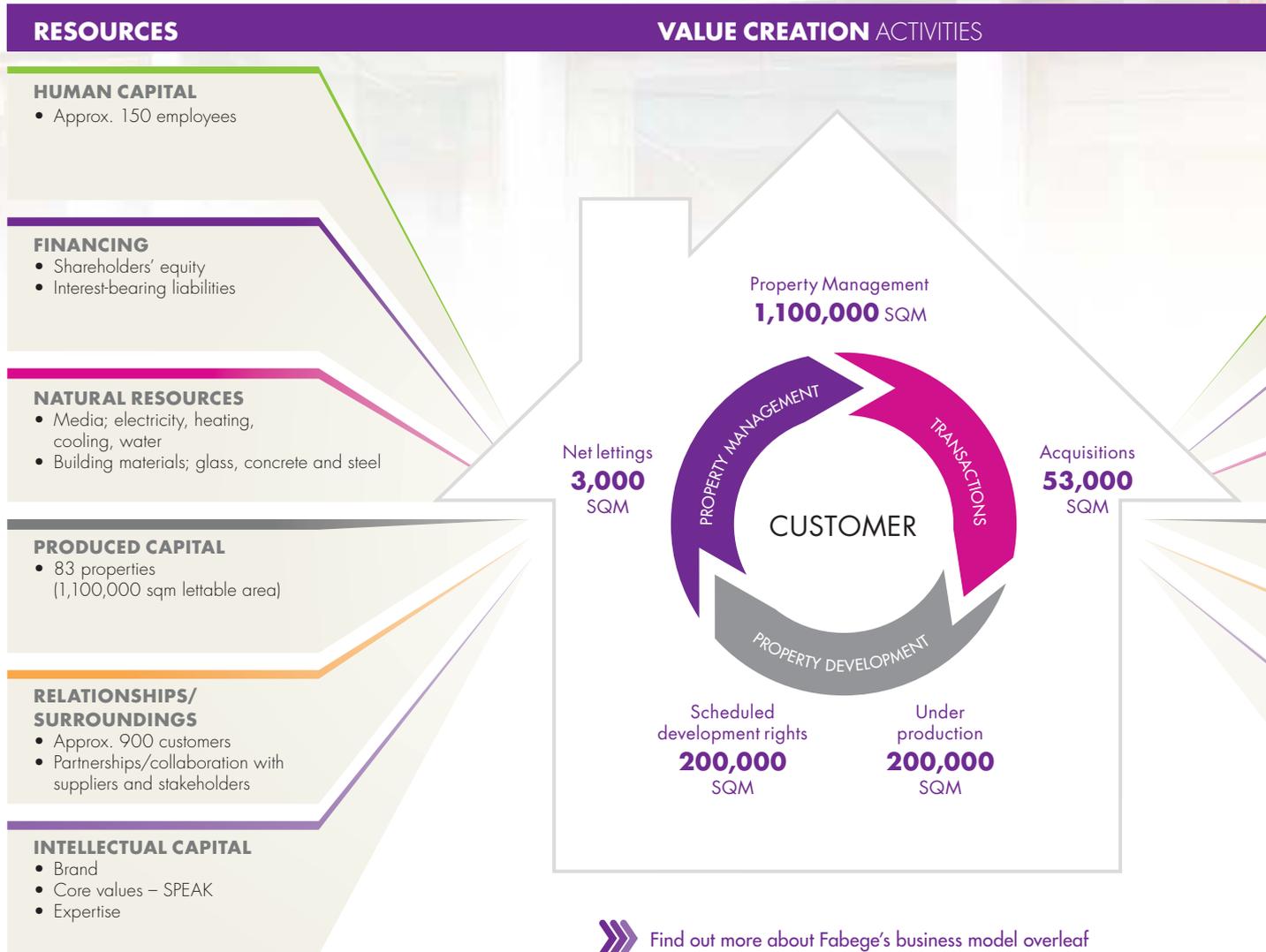
During the year we acquired three properties, with the aim of boosting potential in the property portfolio. The ambition for 2016 is to see a higher level of activity both through acquisitions and sales. At the beginning of 2016 we sold Vattenfall's head office, Uarda 5 in Arenastaden, creating scope for investments that add value. We also plan to bring about greater expansion through investments in our project portfolio. We will continue to enhance and create development rights, identify the right customers and create the best solutions at the right price. This is how we intend to lay the ground for continued value and dividend growth. We have an attractive property and project portfolio and an organisation that continues to make a difference. This guarantees good conditions going forward and I hope existing and future shareholders will want to join us and continue on this exciting and productive journey.

CHRISTIAN HERMELIN  
Chief Executive Officer

"We have an attractive property and project portfolio and an organisation that continues to make a difference"



# HOW FABEGE CREATES VALUE ON STOCKHOLM'S OFFICE MARKET



Find out more about Fabege's business model overleaf

## OUR CONTRIBUTION

### HUMAN CAPITAL

- Satisfied employees, 86 per cent give the highest or second highest score for working environment

### FINANCING

- Total shareholder return
- Salaries and profit sharing to employees
- Payments to suppliers and financiers
- Paid taxes and fees to society

### NATURAL RESOURCES

- Environmental impact
- Consumption
- Emissions

### PRODUCED CAPITAL

- Office premises/workplaces for companies
- Investments in urban development
- Total return on the property portfolio

### RELATIONSHIPS/SURROUNDINGS

- Workplaces and meeting venues for 80,000 people
- Direct and indirect jobs
- Vibrant districts with strong cooperation between various organisations

### INTELLECTUAL CAPITAL

- Brand
- Green Leases
- Environmentally-certified properties
- Accumulated expertise concerning sustainable city district development
- Professional development for all employees

## STRATEGY FOR GROWTH

Fabege's strategy is to create value by managing and developing the property portfolio and through transactions, acquiring and divesting properties with the aim of increasing potential in the property portfolio. Fabege's properties are located in the most liquid market in Sweden.

## BUSINESS CONCEPT

Fabege works with sustainable city district development, with a primary focus on commercial properties within a limited number of well located submarkets in the Stockholm area. Fabege aims to create value by managing, improving and actively adjusting its property portfolio through sales and acquisitions.

## CORPORATE CULTURE

Shared core values and a strong corporate culture are distinctive features of successful companies. Fabege works on the basis of the shared core values, 'SPEAK', that permeate the entire operation. The values encompassed by SPEAK are Fast, Informal, Entrepreneurial, Business-minded and Customer-focused.

## BUSINESS MODEL WITH THE **CUSTOMER IN FOCUS**

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 creates value for customers, employees, owners and the surrounding area, without compromising resources that reduce the ability of future generations to realise their dreams and meet their needs. 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 their changing needs 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 customer-focused property management activities 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 creating value. Fabège develops and realises the potential in its existing portfolio. Development pertains not only to individual properties but also to entire areas and city districts. Properties with future development potential is also included in the property management portfolio. The volume of projects is adapted to market demand. New builds and significant conversions are environmentally certified.

### TRANSACTIONS

Fabège acquires and divests properties with the aim of increasing the potential in the property portfolio. A property's location, condition and vacancy levels are key factors determining the growth potential of a property. As a significant player in a number of select submarkets, Fabège has acquired in-depth experience and knowledge about the markets, development plans, other players and properties. The company continuously monitors and analyses developments on the property market, with a view to exploiting opportunities to add value to its property portfolio.



#### IMPLEMENTED

- The surplus ratio target of 70 per cent was achieved.
- High response rate and positive results from the year's online, broader customer survey.
- Lettings to major customers including ICA Gruppen, Telenor Sverige and KPMG.
- Continued focus on customer care and new lettings. The retention rate during the year was 73 per cent.
- Green Leases accounted for 74 per cent of total newly signed lettable space.

#### OUTLOOK

- Decision to raise the surplus ratio target to 75 per cent within five years.
- Continued focus on customer care efforts and high retention rate.
- Active efforts to increase Green Leases.
- Energy consumption will be reduced by a further 20 per cent by 2020.
- Attract new customers by continuing to showcase and develop areas, making Fabège the natural choice.
- Environmentally certify existing portfolio according to BREEAM In-Use.

- All major projects (>SEK 50m) and new builds over the past three years have been environmentally certified.
- Completion of Järvakrogen 3, (The Winery Hotel) and Uarda 7.
- Construction begins on Telenor's new offices in Råsunda and ICA Gruppen's new offices in Arenastaden.
- Total investment of some SEK 2,269m in project and development properties, with a yield of 29 per cent in 2015.

- Construction continues on the major ongoing project properties, with a volume of 200,000 sqm.
- Completion for occupancy of TeliaSonera's new offices in Arenastaden during Q1 2016.
- Environmentally certify all major projects and new builds.
- Planned investment of about SEK 2.5bn in 2016.
- Continued work to increase recycling of material during tenant adaptations.

- Two properties were divested at a total value of SEK 26m. 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.
- Acquired the project property Fräsaren 9 in Solna Business Park and Stora Frösunda 2 and Hagalund 2:2, adjacent to Arenastaden.
- Acquired the previously co-owned property Lagern 2, Råsunda.

- Implement transactions (sales and acquisitions) to increase efficiency and total return 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 ongoing cooperation with various stakeholder groups.

# FINANCIAL TARGETS

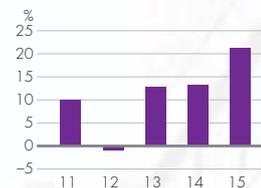
## TARGETS

## 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 21.4 per cent, with contributions made by all parts of the operation, i.e. Property Management, Property Development and Transactions. The negative return for 2012 was due to provisions of SEK 1.9bn for ongoing tax cases.

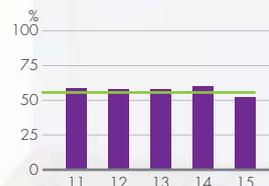


### Loan-to-value ratio

Fabege has tightened its loan-to-value ratio target from the previous figure of max. 60 per cent, to no more than 55 per cent.



The loan-to-value ratio dropped to 52 per cent as a result of rising property values and Fabege's active efforts to achieve a ratio of max. 55 per cent.



### Equity/assets ratio

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



The equity/assets ratio increased to 39 per cent in 2015 as a result of the strengthening of the balance sheet through strong earnings from operations and rising property values.



### Interest coverage ratio

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



The interest coverage ratio is above the target of 2.0, an effect of strong net operating income combined with low market interest rates.



### Surplus ratio

Surplus ratio target of 70 percent. In 2015, it was decided that the surplus ratio should amount to 75 per cent within five years.



The surplus ratio has improved steadily, partly owing to growing revenue, an increasingly modern portfolio and continued cost efficiency. The result for 2015 exceeded the target and was 72 per cent.

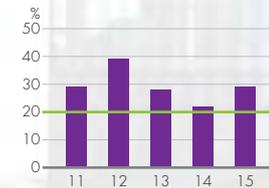


### Return on projects

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.



In 2015, investments in projects and development properties slightly exceeded SEK 2bn, generating a yield of 29 per cent. This mainly derived from value growth in major ongoing projects.

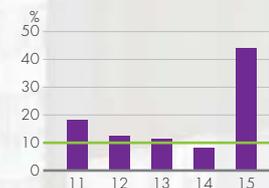


### Transaction profit

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.



In 2015, two properties were sold for a total purchase consideration of SEK 26m. This generated a return of 44 per cent in relation to the carrying amount.



# SUSTAINABILITY TARGETS

## TARGETS

## RESULTS

### Customer Satisfaction Index

Satisfied customers are important to Fabege. The target is to achieve an index rating of 80 in Fabege's CSI survey.



Fabège conducted an online and broader customer survey in 2015, which had a high response rate and good results. In the 2015 survey, Fabège achieved an index rating of 77 on a scale of 100. Customer satisfaction is at a consistently high level, which is reflected in the fact that 91 per cent of customers would recommend Fabège as a landlord.

### Environment

#### Energy-efficiency enhancements

Energy consumption will be reduced by a further 20 per cent by 2020, which corresponds to average energy consumption of 87 kWh/sqm and year. By 2020, total energy consumption will be 50 per cent lower than the national average for premises in 2014.



Total energy consumption was around 3 per cent lower in 2015, as the specific total energy decreased from 109 to 106 kWh/sqm, which means that the target was not achieved. To some extent, the heating and electricity savings were offset by the continuous development of cooling in the property portfolio.

#### Environmental certifications

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



In 2015, 7 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. Work to certify the existing portfolio was initiated during the year. 

#### Green Leases

The aim is for Green Leases to account for at least 50 per cent of total space under newly signed leases. As of 2016, the target is being raised to 75 per cent of total newly signed lettable space.



During 2015, Green Leases accounted for 74 per cent of total space under newly signed leases, as a result of the year's major new lettings. 

#### Sustainability inspections of suppliers

100 per cent of Fabège's strategic business partners must be inspected with regard to sustainability by 2020. These partners are estimated to account for 85 per cent of the total purchasing volume.



In total, sustainability inspections of suppliers between 2012 and 2015 corresponded to 81 per cent of the total purchasing volume at the end of 2015.

### Employees

#### Satisfied employees

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



All Fabège's employees participated in the 2015 employee satisfaction survey. 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

Fabège 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 2015 was 2.7 per cent. 

#### Code of Conduct

All employees are to be informed on a regular basis of Fabège's Code of Conduct and ethical guidelines, as well as of bribery legislation. This is implemented via conferences, workshops, courses or e-learning programmes, depending on the purpose. All agreements with Fabège's strategic business partners and contractual partners must include Fabège's Code of Conduct as an appendix. 

Board focus on bribery legislation and customer focus on business ethics. Furthermore, all new agreements signed with Fabège's business partners and contractual partners in 2015 included Fabège's Code of Conduct. 

# 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 as well as strategic acquisitions and sales.

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

## 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, building mutual trust and loyalty.

## Property Development

Qualified property development is the second cornerstone of the 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 make a significant contribution to the company's earnings. The company continuously analyses its property portfolio to take advantage of opportunities to increase value growth, through both acquisitions and sales.

## Fabege's property portfolio

	No. of properties	Lettable area, 000 sqm	Market value, SEKm	Rental value, SEKm	Financial occupancy rate, %
Stockholm inner city	29	403	17,064	1,048	94
Solna	38	570	19,918	1,022	93
Hammarby Sjöstad	11	118	3,200	229	85
Other markets	5	1	97	1	100
<b>Total</b>	<b>83</b>	<b>1,092</b>	<b>40,279</b>	<b>2,300</b>	<b>93</b>

## FABEGE'S SUBMARKETS



### Market value, %

- Stockholm inner city, 42%
- Solna, 50%
- Hammarby Sjöstad, 8%



### Rental value, %

- Stockholm inner city, 46%
- Solna, 44%
- Hammarby Sjöstad, 10%

## FABEGE'S PROPERTY CATEGORIES

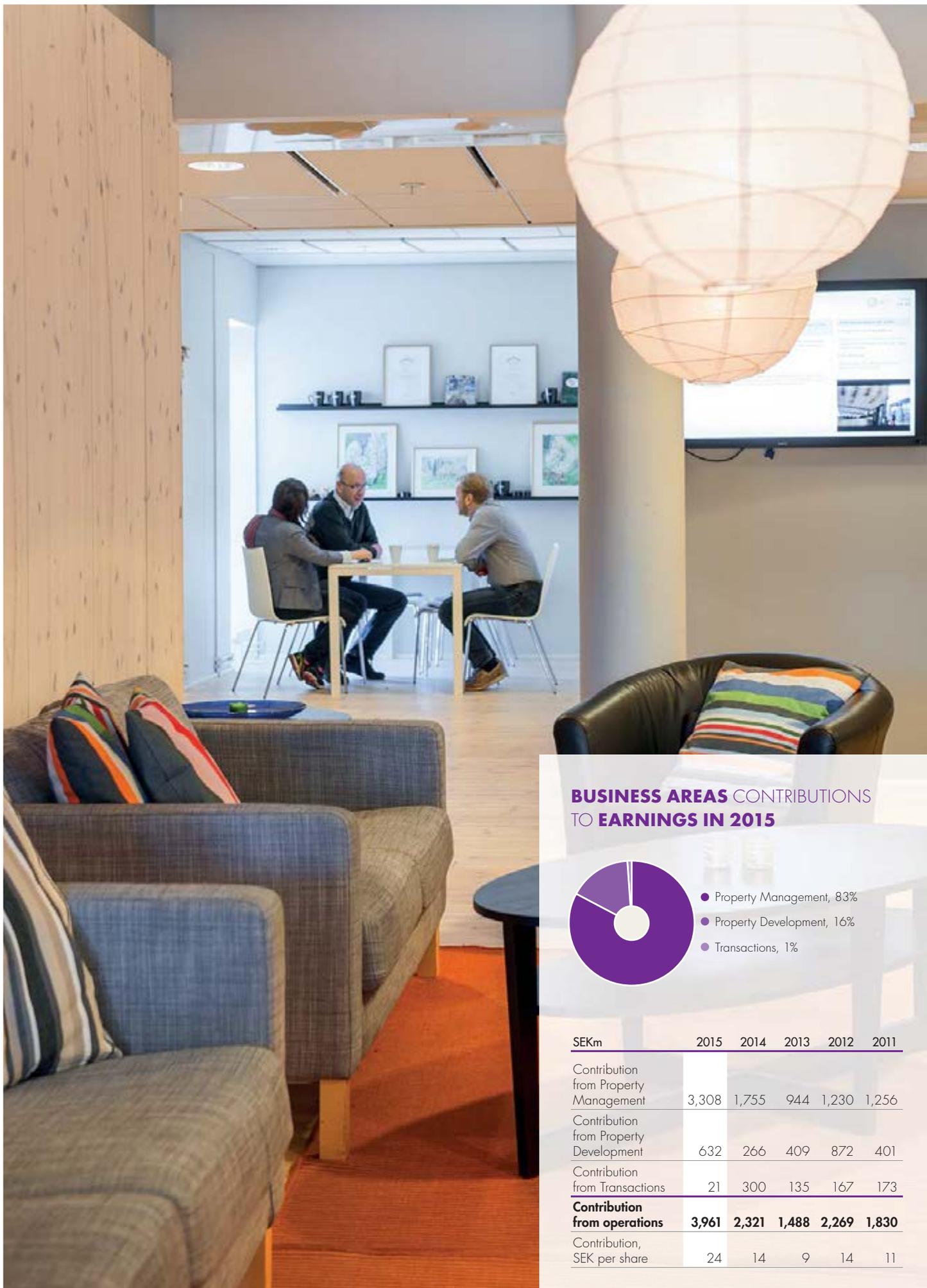


### Rental value, %

- Offices, 81%
- Retail, 7%
- Industry/warehouse, 3%
- Other, 9%

**Greater Stockholm office market:**  
12 million sqm

**Fabege:** just over 1 million sqm, corresponding to 9%



**BUSINESS AREAS CONTRIBUTIONS TO EARNINGS IN 2015**



SEKm	2015	2014	2013	2012	2011
Contribution from Property Management	3,308	1,755	944	1,230	1,256
Contribution from Property Development	632	266	409	872	401
Contribution from Transactions	21	300	135	167	173
<b>Contribution from operations</b>	<b>3,961</b>	<b>2,321</b>	<b>1,488</b>	<b>2,269</b>	<b>1,830</b>
Contribution, SEK per share	24	14	9	14	11

# CLOSE RELATIONSHIPS CONTRIBUTE TO STRONGER RESULTS

**A persistent focus on customers and business processes during the year has contributed towards a positive development in both the retention rate and surplus ratio.**

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 swift decisions. The aim of customer-care efforts is to create and develop long-term relationships with both existing and new customers.

### Effective management

The reorganisation that was carried out over the past few years has resulted in an organisation with improved conditions, owing to more focused resources for both business processes and technical operations. The surplus ratio increased to 72 per cent in 2015, primarily as a result of low vacancies, increased rents and a persistent focus on efficiency and costs.

The retention rate among Fabege's customers is high, and many choose to remain with Fabege even when they need to relocate. The company's size and market share in the priority areas means that Fabege is well-placed to come up with new solutions for existing customers as their needs change.

### Satisfied customers

Faberge conducts an annual customer satisfaction survey to help the company improve its offering. The SCI (Satisfied Customer Index) measures overall levels of customer satisfaction and identifies ways in which the company can work with quality improvements and customer loyalty. In the 2015 survey, Faberge achieved an index rating of 77 on a scale

of 100. Customer satisfaction is at a consistently high level, which is reflected in the fact that 91 per cent of customers would recommend Faberge as a landlord.

The market areas showed highly uniform results, indicating a stable and consistent service level throughout the entire company. One new aspect for 2015 was a number of tailored questions to encourage dialogue and gain relevant views on Faberge's improvement initiatives. Work to further improve customer satisfaction continues, and the long-term goal is to achieve an SCI rating of 80.

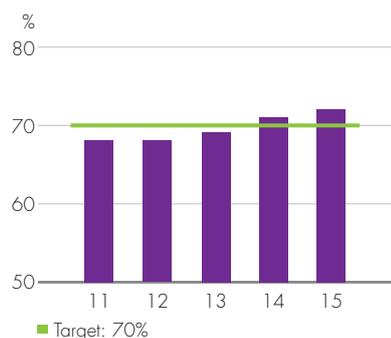
### Energy-efficiency enhancements and environmental certification

Faberge endeavours to reduce energy consumption and its impact on climate. The company works systematically to achieve increased energy efficiency, in terms of both new properties and modifications to existing buildings. Primary responsibility for the work of making more efficient use of energy rests with each operations manager, assisted by the energy coordinator.

In property management, Faberge works on a systematic and long-term basis to achieve energy optimisation, and in 2015, work began on the environmental certification of the existing property portfolio. For certification in accordance with BREEAM In-Use, an inspection of the building is carried out, during which areas such as ecology, transport, water, air quality, noise levels, lighting, fire protection, waste and energy are documented and assessed. The knowledge and long-term commitment of in-house operations personnel are essential and a key success factor in the energy optimisation work.

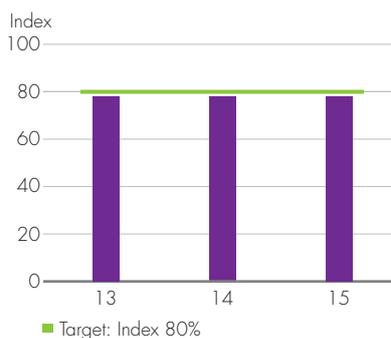
Since 2002, Faberge's carbon dioxide emissions have been reduced by more than 95 per cent, from about 40,000 tonnes in 2002 to some 1,600 tonnes in 2015. This has been achieved through systematic energy optimisation, conversion from oil to district heating and conversion from own cooling systems to renewable electricity. Climate-neutral

### Surplus ratio



In 2015, it was decided that the surplus ratio target will exceed 75 per cent within five years.

### Satisfied customers



In 2015, the survey methodology was changed, which means that comparative figures are not entirely relevant.

### Green leases



In 2015, a decision was taken to raise the target for Green Leases, so that they account for at least 75 per cent of total newly signed lettable space.



### ABILITY TO **SATISFY THE NEEDS OF MAJOR COMPANIES**

During the year, Evry renewed its lease with Fabège in Solna Business Park and signed a 12-year lease for around 12,000 sqm. This means that operations will remain at the same address as before, but that the premises will be converted to match new needs and requirements for a more flexible working arrangement.

Before making the decision, Evry conducted an extensive external search process, covering the whole of Stockholm as a potential site. After well-balanced analyses and surveys of employees' home addresses, the decision rested with Solna Business Park. It was primarily the creative and flexible solutions presented for the new office, and the excellent communications that led to the decision to stay.

district heating and a change to the property portfolio have also contributed to the development.

In 2015, Fabege's heating consumption was at an average of 54 kWh/sqm Atemp degree days<sup>1)</sup>, and was thus slightly more than 54 per cent below the average reported by the Swedish Energy Agency for the Stockholm County climate zone. With the exception of Fabege's six heat pumps, district heating consumption was at an average of 58 kWh/sqm Atemp temperature corrected. With a focus on energy optimisation, the ambition is to be an industry leader within the area of energy efficiency.

In 2015, energy-efficiency efforts were further developed, in part by breaking down energy-efficiency targets to property level. Some 20 major energy-efficiency projects were initiated during the year, which are expected to contribute towards further reductions in energy use.

In 2016, around ten new energy-efficiency projects will be launched.

**Green Leases reduce climate impact**

Green Leases provide a good platform for the property owner and tenant to work together 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, choice of materials and sorting at source.

The objective of Green Leases 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 personal energy consumption. 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 large, 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 customers' increased demand. In 2015, Green Leases accounted for 74 per cent of total space under newly signed leases.

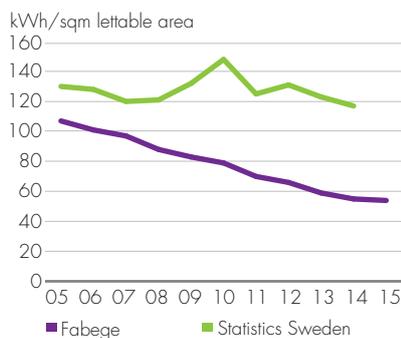
**Renewable energy and monitoring of water consumption**

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, and in Stockholm Fabege buys climate-neutral district heating from Fortum.

All water used at Fabege's properties is supplied by municipal waterworks. The basis of calculation for total water consumption per source comprises reading off actual consumption per property, which is then totalled at company level in a media monitoring system.

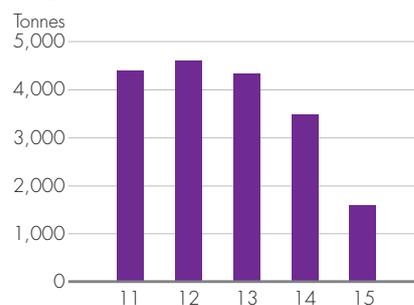
1) The use of degree days provides a measurement of how the temperature for a day, month or year has deviated from the normal temperature for a specific location. The use of degree day correction provides energy statistics that take into account and make adjustments for warmer and colder periods at the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

**Heating consumption in properties**



Over time, Fabege's systematic efforts to optimise running costs have drastically reduced the consumption of heat in the properties. Fabege's heating consumption in 2015 averaged 58 kWh/sqm lettable area (60) and 54 kWh/sqm Atemp (55) after degree day correction. Figures from Statistics Sweden for 2015 are not yet available.

**CO<sub>2</sub> emissions**



Fabège's CO<sub>2</sub> emissions have decreased by more than 95 per cent since 2002. During 2015, 97 per cent of the energy needed for the properties came from renewable sources.

### Reduced waste and emissions

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

For new builds and conversions, potential space for sorting waste at source is explored in order to optimise waste management in relation, for example, to flows of material and transportation. The aim is to reuse and recover wherever possible.

### Focus in 2016

In 2016, work will intensify on further improving customer satisfaction, partly through a more proactive approach in all forms of customer contact, and a greater focus on implementing measures and plans. The overall target is to increase the surplus ratio to 75 per cent within five years. Loyal customers with a high retention rate is one of the key tools for achieving this goal, and the newly developed SCI survey is an instrument for following up initiatives.

Fabège's environmental ambitions remain high, and the company is working towards certification of the existing property portfolio in accordance with BREEAM In-Use, with a target of 50 per cent by the end of the year.

### Consumption statistics, total

	2015	2014
Environmental certification, total number <sup>1)</sup>	18	15
Green Leases, space under newly signed leases, %	74	86
Energy performance, heating, kWh/sqm lettable area <sup>2) 3)</sup>	58	60
Energy performance, cooling, kWh/sqm lettable area <sup>4)</sup>	17	22
Energy performance, electricity (purchased), kWh/sqm lettable area	45	45
Energy performance, electricity, kWh/sqm (excl. HG electricity) <sup>5)</sup>	approx. 31	approx. 27
Energy performance, total energy, kWh/sqm lettable area	106 <sup>6)</sup>	109
Water consumption, thousand cubic metres	504	487
Water consumption, litres/sqm	491	474
Carbon dioxide emissions, (CO <sub>2</sub> equivalents), tonnes	1,600	3,500
Recycled waste, tonnes	1,644	245
Waste sent to landfill, tonnes	8.5	4
Waste sent for incineration, tonnes	1,730	1,099

1) Concerns both completed projects and ongoing certifications

2) Degree day adjusted

3) Energy consumption, heating, 59.5 GWh total

4) Energy consumption, cooling, 17.7 GWh total

5) Energy consumption, electricity, approx. 31.5 GWh total

6) Total energy consumption 108.7 GWh



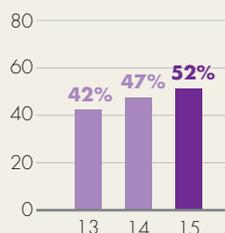
### FABEGE'S 15 LARGEST TENANTS BY VALUE

- Vattenfall
- Swedish Tax Agency
- ICA Fastigheter Sverige
- Carnegie Investment Bank
- Evry
- Coop
- Svea Ekonomi
- PEAB
- Bilia
- Svenska Spel
- LRF
- Cybergymnasiet Nacka
- Swedish Migration Board
- Max Mattiessen
- Hotel Kung Carl

The 15 largest tenants by value on 31 December 2015 represented a total lease value of SEK 634m, or 28 per cent of the total contractual rental value.



### ACTIVE SUSTAINABILITY WORK ACCORDING TO CUSTOMERS



According to Fabège's annual customer survey, sustainability work is an increasingly important factor when choosing a landlord.

To the question "Does Fabège's sustainability work influence your choice of landlord?", 52 per cent responded "yes", compared with 47 per cent in 2014.

# ACTIVE ROLE IN CITY DISTRICT DEVELOPMENT

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 adapted to the customer’s specific requirements.

Demand for sustainable and environmentally certified properties is on the rise. Fabege has specialist expertise in environmental issues and 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 opportunities for travel using public transport, cycle paths and safe and pleasant street environments with an attractive range of services and green oases.

### Large-scale and small adaptations

Fabege’s development operations encompass all types of redevelopment and new builds. The operation is divided into two departments; one that focuses on major development projects and one that focuses on smaller projects and ongoing maintenance. Every year, hundreds of projects of varying sizes are implemented.

Before a new tenant moves into an existing property, adaptations are often 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.

Minor 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 changing needs.

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

Projects are based on the company’s portfolio of development rights, which includes just over 350,000 sqm of wholly owned office development rights. Fabege analyses the potential in the existing development rights and converts the ideas into completed premises. All projects are characterised by efficient cost control. Internal transfer of knowledge is vital, and lessons are learned from completed projects. The sustainability perspective is key in all projects.

### Certification increases value

Fabege has successfully increased the energy efficiency of its commercial premises, largely owing to internal collaboration. All new production has to be BREEAM-SE certified and several properties have also been certified in accordance with Miljöbyggnad or Green Building.

Environmental certification of properties has gained increasing significance in recent years, and is now a requirement of many of Fabege’s customers. Besides the fact that certification helps cut running costs in the form of, for example, reduced energy consumption, it is also a third-party certification of total environmental performance, which also supports customers’ sustainability work.

Return on projects



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

Investments



Fabege aims to annually invest at least SEK 1.5–2bn in the company’s own project portfolio.



### TELENOR SVERIGE RELOCATES TO NEWLY BUILT OFFICES IN RÅSUNDA

Right in the heart of Solna, near the shopping centre and the genuine atmosphere of the old Gamla Råsunda quarter, a new thriving district is being built. A new, contemporary office building is being created as the entrance to the district. This is where Telenor Sverige will be moving during the latter half of 2018. The office will be environmentally certified in accordance with BREEAM-SE, Very Good. The new premises will be designed to create a modern and flexible office environment that promotes collaboration, creativity and efficiency. With just a short walk to Solna Centrum, transport connections are excellent. Transport alternatives include a light railway, underground, buses and cycle paths in all directions.

#### Properties certified or registered for certification

Property listing <sup>1)</sup>	Place	Area, sqm	Type of certification	Status
Farao 8	Solna	5,476	GreenBuilding	Certified
Fräsaren 10	Solna	11,602	GreenBuilding	Certified
Fräsaren 10	Solna	11,602	BREEAM In-Use	Registered 2015
Fräsaren 11	Solna	39,266	Miljöbyggnad SILVER	Registered 2013
Fräsaren 11	Solna	39,266	BREEAM In-Use	Registered 2015
Fräsaren 12	Solna	36,522	BREEAM In-Use	Registered 2015
Järvakrogen 3	Solna	7,460	BREEAM Very Good	Registered 2014
Nationalarenan 8	Solna	42,000	BREEAM Excellent	Registered 2013
Nöten 4	Solna	60,995	Miljöbyggnad SILVER	Certified
Pyramiden 4	Solna	72,200	BREEAM Excellent	Registered 2015
Svetsaren 1	Solna	15,981	Miljöbyggnad SILVER	Certified
Uarda 1	Solna	24,202	Miljöbyggnad SILVER	Certified
Uarda 5	Solna	44,269	Miljöbyggnad GOLD/Green Building	Certified
Uarda 6	Solna	18,000	Miljöbyggnad GOLD	Registered 2014
Uarda 7	Solna	17,641	BREEAM Very Good	Registered 2014
Barnhusväderkvarnen 36	Stockholm	26,048	BREEAM In-Use	Registered 2015
Getingen 13	Stockholm	16,593	GreenBuilding	Certified
Getingen 14	Stockholm	12,749	GreenBuilding	Certified
Hägern Mindre 7	Stockholm	13,422	GreenBuilding	Certified
Hägern Mindre 7	Stockholm	13,422	BREEAM In-Use	Registered 2015
Kanalhuset (Båtturen 2)	Stockholm	13,267	Miljöbyggnad GOLD	Certified

1) A building that is to be certified must first be registered. At this stage it is decided which regulations the building will be compared with for inspections and certification.

### Organised environmental efforts as part of daily operations

Fabege's environmental work is long-term, goal-oriented and an integral part of day-to-day work. The principal environmental issues are:

- Systematic work to increase energy efficiency and reduce climate impact
- Creating a healthy indoor climate alongside optimal use of energy
- More efficient waste management and choosing sustainable materials and chemicals to reduce environmental impact
- Environmental certification of all new builds and major redevelopments
- Cooperation with customers

The Head of Sustainability, who reports to the Executive Management Team, is responsible for environmental certifications and environmental and product safety matters. Fabege's environmental policy and Code of Conduct form the basis of the company's environmental work. The company also collects inspection reports and test results in a database for self-controls. Follow-up is important and is carried out quarterly and annually based on established targets.

### Conscientious materials selection

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.

In projects and developments, Fabege's overriding environmental programme is integrated into the company's framework programme involving factors such as environmental certification, choice of material, recycling of material, increased energy efficiency and construction methods. The aim is for Fabege's environmental policy to be expressed through environmental control of the building process. Building materials must be examined

according to the Building Material Assessment Criteria or a similar database. 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.

The project tool BREEAM-SE helps identify opportunities and features that may raise performance at properties, for example by improving accessibility or the decontamination of substances and materials with a negative impact on people and the environment.

### Large areas under production

In 2015, major leases were signed with ICA Gruppen in Arenastaden, Telenor Sverige in Råsunda, SBAB in Solna Business Park and KPMG in Arenastaden. The rate of investment will therefore increase during the years ahead. Fabege currently has around 200,000 sqm in new production, predominantly in Arenastaden.

### Focus in 2016

For 2016, Fabege plans to invest about SEK 2.5bn in project operations. There will be a major focus on construction works and the completion of several projects in Arenastaden. Work on the development of Hammarby Sjöstad and Solna Business Park as city districts will also continue and be intensified over the coming years. The sustainability perspective will remain a focus in 2016 and Fabege will ensure that all major projects and new builds are environmentally classified. Fabege will also be working to raise the rate of recycling during conversions, to help reduce environmental impact and increase sustainability.

### Ongoing projects >SEK 50m, 31 December 2015

Property listing	Property type	Area	Completed	Lettable area, sqm	Occupancy rate, % <sup>1)</sup>	Estimated rental value, SEKm <sup>2)</sup>	Carrying amount, SEKm	Estimated investment, SEKm	Of which, worked up, SEKm
Hörnan (part of Lagern 2)	Offices	Solna	Q2-2018	15,930	63	44	116	503	6
Nationalarenan 8	Offices	Arenastaden	Q2-2016	42,000	100	109	1,684	1,311	1,228
Pyramiden 4	Offices	Arenastaden	Q2-2018	72,200	100	182	1,139	2,350	852
Signalen 3	Offices	Arenastaden	Q3-2018	30,500	75	87	235	1,080	9
Uarda 6	Offices	Arenastaden	Q4-2017	18,000	70	50	432	511	284
Uarda 7	Offices	Arenastaden	Q1-2016	17,641	89	52	777	570	525
<b>Total</b>				<b>196,271</b>	<b>88</b>	<b>524</b>	<b>4,383</b>	<b>6,325</b>	<b>2,904</b>
Other land and project properties							269		
Other development properties							3,001		
<b>Total Projects, Land and Development properties</b>							<b>7,653</b>		

1) Operational occupancy rate at 31 December 2015.

2) Rental value including supplements. The annual rent for the largest projects in progress could increase to SEK 524m (fully let) from SEK 0m in annualised current rent as of 31 December 2015.



## ENVIRONMENTAL CERTIFICATIONS PROVIDE GUIDANCE

Interest in environmental certifications of properties 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 system BREEAM-SE. Today, 478 sqm of Fabege's 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.

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

**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.



### Citylab Action

Citylab Action is a forum for sharing knowledge of sustainable urban development, organised by Sweden Green Building Council (SGBC). Involvement in Citylab Action is based on urban development projects participating in a programme that offers support in achieving sustainable development targets. Commitments and effect targets (with associated principles) are predetermined, decided on by SGBC, while project goals and measures are specific to each individual project. Those who want to certify their sustainability work must also satisfy a set of certification requirements.

# TRANSACTIONS THAT DEVELOP THE PORTFOLIO

Property transactions are a natural part of Fabege's business model and the aim over time is to 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 sales.

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 to strengthen the company by creating the prerequisites for investments that will generate a higher return. The aim is to have a sound balance between investments and sales, and a maximum loan-to-value ratio of 55 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.

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

A close relationship with other players in the market will also create conditions for in-depth knowledge about the market and generate opportunities for transactions. 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, Fabège 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 also successful for the tenants that accompany the transaction.

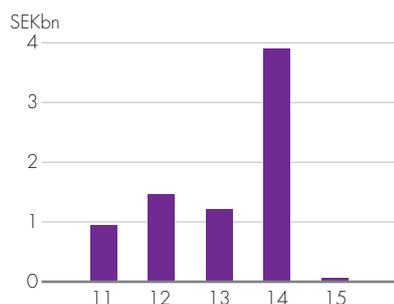
## Continued strong transaction market

The transactions market remained strong during 2015, largely as a result of low interest rates. The supply is limited and interest from both Swedish and foreign buyers is substantial. Fabège sold two properties with limited future potential for the company during the year. Three properties were acquired, all of them with potential for creating value in the future.

## Focus in 2016

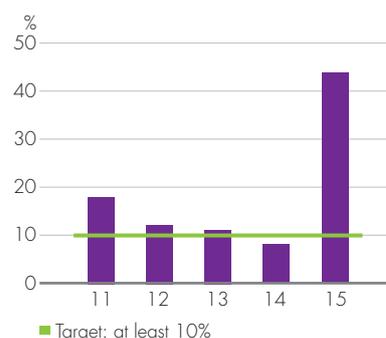
The market outlook remains positive, with low interest rates and moderately rising prices in Stockholm. Fabège continues to work for long-term, sustainable city district development, to increase business potential and customer satisfaction. The company also continuously develops the property portfolio through acquisitions and divestments in line with its strategy.

## Transaction volume



Fabège aims to increase efficiency in the portfolio through sales. Two properties were sold in 2015 for a combined purchase consideration of SEK 26m.

## Transaction profit



The transactions in 2015 generated a return of 44 per cent in relation to the carrying amount.



## MORE DEVELOPMENT RIGHTS IMPROVE ARENASTADEN

In 2015, Faberge acquired an additional two properties close to Arenastaden, expanding the company's development rights portfolio. The Stora Frösunda 2 and Hagalund 2:2 project properties are adjacent to Frösundaleden in Solna, Haga Norra. The properties have a plot area of around 51,000 sqm and according to the new detailed plan include approximately 225,000 sqm of development rights for housing and commercial use.

Roughly 90,000 sqm of the total development rights volume comprises housing, which may be divested. The remainder relates to commercial development rights, which provide a good complement to Faberge's existing portfolio.

### Changes in the property portfolio

#### SALES OF PROPERTIES

Property name	Area	Category	Lettable area, sqm
Hammarby-Smedby 1:464	Upplands-Väsby	Land	0
Hammarby-Smedby 1:473	Upplands-Väsby	Land	0
<b>Total sales of properties</b>			<b>0</b>

#### PROPERTY ACQUISITIONS

Property name	Area	Category	Lettable area, sqm
Stora Frösunda 2	Solna	Industry/offices	40,723
Hagalund 2:2	Solna	Land	—
lagern 2	Solna	Offices	12,617
<b>Total property purchases</b>			<b>53,340</b>

# VALUATION OF THE PROPERTY PORTFOLIO

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

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, which are under review by RICS. In 2015, the properties were valued by Newsec Analys AB or Cushman & Wakefield. The properties are valued quarterly throughout the year, according to a rolling schedule. Each quarter, internal valuations are also conducted of parts of the portfolio, as well as an internal assessment of the overall value for the entire portfolio. The internal valuation is performed using the same methodology as the external valuations.

Valued properties are divided into the following categories:

- 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 protracted calculation period.

The average discount rate amounted to 7.0 per cent (7.4) and was based on risk-free real interest rate plus compensation for inflation



#### CHANGES IN VALUE DURING THE YEAR

Unrealised changes in value during the year amounted to SEK 3,252m (1,339). The change in value corresponds to a value increase of approximately 10 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. The recognised value of the properties at 31 December 2015 was SEK 40.3bn (32.6).

expectations and object-specific property-related risk. The weighted required yield at the end of the calculation period was 4.9 per cent (5.4). 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.



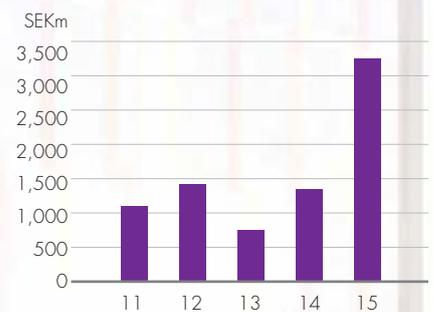
### Market value and yields by submarket

Submarket	Market value, 31 December 2015		Yield
	SEKm	%	%
Stockholm inner city	17,064	42	4.64
Solna	19,918	50	5.12
Hammarby Sjöstad	3,200	8	5.45
Other markets	97	0	—
<b>Total</b>	<b>40,279</b>	<b>100</b>	<b>4.94</b>

### Fabegé's ten largest properties by value

Property	Area	Sqm
Uarda 5	Arenastaden	44,269
Trängkåren 7	Marieberg	75,802
Nöten 4	Solna Strand	60,995
Nationalarenan 8	Arenastaden	42,000
Apotekaren 22	Norrholm	28,370
Bocken 39	Norrholm	20,282
Stora Frösunda 2	Arenastaden	40,723
Bocken 35 & 46	Norrholm	15,362
Fräsaren 11	Solna Business Park	39,266
Luma 1	Hammarby Sjöstad	38,381

### Unrealised value changes



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

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

# CONTINUED **GROWTH** ON STOCKHOLM'S **OFFICE MARKET**

Fabege's property portfolio is concentrated to four high-growth focus areas of the Stockholm region: Stockholm inner city, Arenastaden, Solna Business Park and Hammarby Sjöstad.

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 Stockholm office market is characterised by intense competition. A large number of property companies, institutions and private property owners are concentrating on types of properties and geographic areas that, to varying degrees, overlap with Fabege's focus.

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.

Fabege's high geographic concentration and focus on offices provides excellent knowledge of the submarkets targeted by the company and enables the development of entire areas and city districts. Close proximity to customers enables Fabege to identify requirements and contribute to the development of, for example, service offerings and communications.

## THREE TRENDS ON STOCKHOLM'S OFFICE MARKET

Customers are primarily demanding offices with good transport links, often including rail connections. It is also important for the offices to be modern and sustainable. Location is also a key factor alongside transport links and modern offices, with the greatest demand found in vibrant districts that can offer a high level of service.



LOCATIONS WITH  
**RAIL CONNECTIONS**



**MODERN, SUSTAINABLE**  
OFFICES



**VIBRANT**  
URBAN ENVIRONMENT

## INCREASED DEMAND AND STRONG GROWTH

Growth for 2015 reached almost 4 per cent and similar growth is anticipated in both 2016 and 2017. It is primarily increased consumption, both private and public, that is fuelling domestic demand and therefore growth in the Swedish economy. Since growth has now gained momentum, Newsec believes the Riksbank will begin cautiously raising the repo rate during the second half of 2016.

### Strong office market in Stockholm

The vacancy situation in Stockholm CBD is very similar to the one that existed at the end of the 1990s, when there was considerable upward pressure on the rental market. It is chiefly the strong, office-based service sector in Stockholm, coupled with the shortage of new construction of office space in CBD, that has contributed to current low vacancy levels.

Newsec estimates that total office stock in Greater Stockholm amounts to just over 12 million sqm. Stockholm CBD is regarded as being the most attractive office submarket in Stockholm. CBD's office stock comprises just over 1.9 million sqm.

### Continued falling yield requirement

Healthy economic growth for Sweden as a whole, mainly for the Stockholm region, is the basis of a persistently attractive return on the Swedish property market. Newsec has observed significant pressure on yield requirements for well-located properties since the turn of the year. Investors and property owners are increasingly seeking new production and conversion projects as a complement to pure management acquisitions.

Source: Newsec

## COMPETITORS, KEY FIGURES 2015

Company	Investment orientation	Main geographical market	Owner	Market value, SEKm	No. of properties	Lettable area, 000 sqm	Rental income, SEKm	Occupancy rate, %
<b>Fabege</b>	<b>Offices, retail</b>	<b>Stockholm</b>	<b>Listed</b>	<b>40,279</b>	<b>83</b>	<b>1,100</b>	<b>2,043</b>	<b>93</b>
Vasakronan	Offices, retail	Stockholm, Uppsala, Gothenburg, Malmö, Lund	First-Fourth AP Funds	103,894	180	2,509	6,009	93
Diligentia <sup>1)</sup>	Offices, retail, residential	Stockholm, Gothenburg, Malmö	Skandia Liv	35,819	112	1,089	2,236	95
Hufvudstaden <sup>1)</sup>	Offices, retail	Stockholm, Gothenburg	Listed	27,817	28	387	1,645	92
Humlegården <sup>1)</sup>	Offices, retail	Stockholm	Länsförsäkringar	13,247	45	413	854	95

1) Data pertains to 2014.

## STREAMLINING AND CONCENTRATION, LISTED SWEDISH PROPERTY COMPANIES, 2015

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

# STRONG DEMAND FOR **CENTRAL** **LOCATIONS**

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

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, which means the vacancy rate is very low. The thriving economy and high demand are also contributing towards a persistent upswing in rent levels.

Fabege's portfolio is mainly concentrated in the area around Kungsgatan and Drottninggatan. At Stureplan, Fabege owns the prestigious property Sparven, which was given a completely new facade during the year. The building houses the Hotel Kung Carl and Starbucks. In Hagastaden/Norrull, Fabege owns several properties, of which the Wenner-Gren Centre is best known. In Kungsholmen, Fabege's holding includes Tidningshuset, with the DN skyscraper, in Marieberg.

#### Continued transformation of Tidningshuset

Fabege continued to make improvements to Tidningshuset in 2015 in order to make the property more attractive and raise the level of service. For example, the entrances have been made lighter and more accessible. Tidningshuset also boasts a co-working lounge and a conference venue, which is managed by Summit, featuring venues from small meeting rooms for six people to an entire cinema that can be booked. Pontus Frithiof has opened a restaurant and event concept, Atelier 23, on the 23rd floor, along with a lunch restaurant, deli and bakery on the ground floor.

#### Geothermal storage reduces expenses and environmental impact

During the year, Fabege completed a geothermal storage project beneath Tidningshuset, aiming to save energy, reduce environmental impact and cut costs. By drilling over 80 holes several hundred metres into the ground under the property's garage, the heat generated can be stored in the summer and retrieved in the winter, and vice versa. Using this relatively new technology, the property gains a highly energy-efficient performance and saves 3.5 MWh a year, the equivalent of heating 300 homes.



#### Market overview

### STOCKHOLM INNER CITY

Fabege is one of the major owners of commercial properties in Stockholm inner city, with 29 properties comprising 403,000 sqm. The portfolio features modern offices and retail outlets in prime locations. Currently, offices account for 70 per cent of the premises, representing a market share of 5 per cent.

Strong demand and low vacancy rates continued to be hallmarks of the year. The rental value of the portfolio is SEK 1,048m, representing about 46 per cent of Fabege's total rental value.

#### Stockholm inner city

Total office space	6.2 million sqm
Average rent <sup>2)</sup>	
Stockholm city (CBD <sup>1)</sup> )	SEK 3,700–5,600
Stockholm inner city, excl. CBD	SEK 2,400–3,800
Vacancy rate	
Stockholm city (CBD)	4.0%
Stockholm inner city, excl. CBD	5.5%
Yield requirement	
Stockholm city (CBD)	3.75–4.5%
Stockholm inner city, excl. CBD	4.25–5.0%

Source table: Newsec

1) Central Business District.

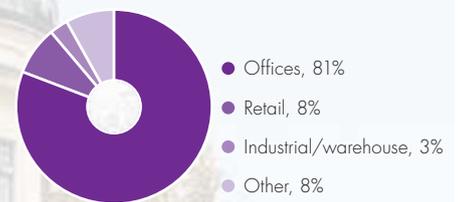
2) The market rent reflects a rent excluding initial rental discounts and investment grants, and is stated exclusive of supplements for heating and cooling.



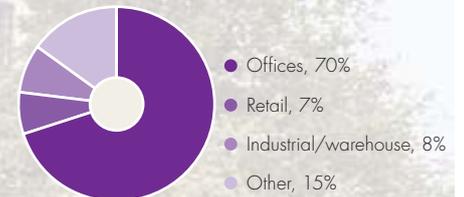


## BRIEF FACTS

### Rental value per category



### Lettable area per category



Key figures	2015
No. of properties	29
Lettable area, 000 sqm	403
Market value, SEKm	17,064
Rental value, SEKm	1,048
Remaining lease term, years	2.9
Financial occupancy rate, %	93

Largest tenants	sqm
IRF	12,000
Carnegie Investment Bank AB	10,000
Cybergymnasiet Nacka AB	10,000
Thomas Cook Northern Europe AB	7,000
Dagens Nyheter	7,000

# CREATIVE OFFICE ENVIRONMENTS IN GROWING DISTRICT

Hammarby Sjöstad is a district where industrial buildings meet modern architecture. Here the Trikafabriken and Luma buildings are testament to a thriving entrepreneurial spirit that stretches right back to the 1930s. Easy access to the inner city makes the district a highly attractive area for both residents and businesses.

Hammarby Sjöstad is an excellent location in terms of transport links, with four kilometres to central Stockholm and both light-railway and bus services. The City of Stockholm is also planning to further extend the underground system.

Hammarby Sjöstad is an area that is experiencing rapid development. Several players are in the process of developing both residential and new office properties in the area. The district continues to attract creative companies, and in 2015 a lease was signed with Toca Boca, a developer of computer games for children.

Fabege owns 65 per cent of the office market in Hammarby Sjöstad and cooperates closely with other players to continue the development of the district, and to improve both the environment and services.

## Continued development of industrial properties

Fabege's properties in Hammarby Sjöstad include the former lamp factory, Luma, which has undergone extensive refurbishment and been transformed from an industrial to a modern office property, while retaining its unique industrial heritage. Luma is now almost completely let, and attracts both small and large companies seeking a creative and inspiring environment on the shores of Lake Hammarby. The broad range of services, including restaurants, conference facilities and gym, combined with other local services in the area also help make life a little easier for tenants.

Over the next few years, Fabege will continue developing the area, mainly around Virkesvägen, where the company owns almost all the office properties. Plans encompass both the exploitation of development rights, as well as improvements to existing properties, such as adaptations to the premises at street level on the new high street that is emerging, offering shops and services. The development is an important contribution in the ongoing establishment of Hammarby Sjöstad as Stockholm's most attractive office district for creative companies.



## 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 owner of commercial premises in the area. The rental value is SEK 229m, representing approximately 10 per cent of the company's total rental value. Offices account for 69 per cent of Fabege's premises, representing 65 per cent of the office market.

#### Hammarby Sjöstad

Total office space	125,000 sqm
Average rent <sup>1)</sup>	SEK 1,700–2,900
Vacancy rate	7.5%
Yield requirement	5.0–6.0%

Source table: Newsec

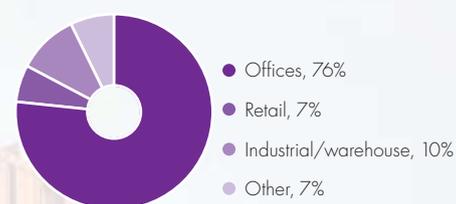
1) The market rent reflects a rent excluding initial rental discounts and investment grants, and is stated exclusive of supplements for heating and cooling.





## BRIEF FACTS

### Rental value per category



### Lettable area per category



Key figures	2015
No. of properties	11
Lettable area, 000 sqm	118
Market value, SEKm	3,200
Rental value, SEKm	229
Remaining lease term, years	2.6
Financial occupancy rate, %	85

Largest tenants	sqm
Upplands Motor AB	4,000
Verifone Sweden AB	4,000
Vitvaruspecialisten Nordin & Ölwing AB	3,000
Riksbyggen Ekonomisk Förening	3,000
Nets Sweden AB	3,000

# A DISTRICT EXPERIENCING STRONG DEVELOPMENT

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 links.

Fabege is making strategic investments in Solna and is the largest owner of commercial property, with 30 per cent of the market and rental income approaching half of Fabege's total revenue. Fabege is also an active player in city district development.

## Solna Business Park

Solna Business Park is an expansive area right in the heart of Solna, with excellent transport links and close proximity to Stockholm inner city. The area boasts a vast range of services aimed at both companies and employees, and many major companies including Unilever, Coop and Evry have chosen to establish their head offices here. As the largest property owner in the area, Fabege has excellent opportunities to influence the district's development.

During the year, the focus has been on the local environment and public spaces. Measures include initiatives to make the area more green and create spaces for outdoor leisure activities. The goal is for companies' employees to regard Solna Business Park as a modern, safe and green district, where it is easy to find a work-life balance.

During the year, Fabege signed leases with companies such as SBAB, ICA IT and Candy King. SBAB chose Solna Business Park for a number of reasons, including the design of the premises, the excellent transport links and the area's focus on sustainability. The companies began moving in towards the end of the year, adding some 600 employees to the area.

In 2016, Solna Business Park will be participating in the Swedish Citylab Action initiative. The initiative is being run by Sweden Green Building Council and various national development projects will be taking part in the work, which aims to provide process support for sustainable urban development.

## Råsunda

December saw the acquisition of the previously partly owned Lagern 2 property, which includes the commercial buildings and the development rights to Gamla Råsunda football stadium. The transformation is now entering a new phase, since Fabege signed a lease with Telenor Sverige and is starting production of a new office building, with occupancy planned for the second half of 2018.



## Market overview

### SOLNA

Fabege is the largest owner of commercial properties in Solna. It owns a total of 38 properties in Solna, covering a total floor area of 570,000 sqm, of which offices account for 75 per cent. This represents a market share of about 30 per cent of the office market.

The rental value is about SEK 1,022m, representing 44 per cent of the company's total rental value. Levels of interest and rents are rising in pace with the development of Arenastaden. Nearly 180,000 sqm in Arenastaden is under production.

## Solna

Total office space	1.4 million sqm
Average rent <sup>1)</sup>	
Solna Business Park	SEK 1,900–2,450
Arenastaden	SEK 1,900–2,750
Vacancy rate	
Solna Business Park	10.0%
Arenastaden	6.0%
Yield requirement	
Solna Business Park	5.0–5.75%
Arenastaden	4.75–5.75%

Source table: Newsec

1) The market rent reflects a rent excluding initial rental discounts and investment grants, and is stated exclusive of supplements for heating and cooling.





## BRIEF FACTS

### Rental value per category



### Lettable area per category



Key figures	2015
No. of properties	38
Lettable area, 000 sqm	570
Market value, SEKm	19,918
Rental value, SEKm	1,022
Remaining lease term, years	4.5
Financial occupancy rate, %	93

Largest tenants	sqm
Swedish Tax Agency	51,000
Vattenfall	43,000
Bilia AB	40,000
ICA Fastigheter Sverige AB	33,000
Svenska Spel AB	18,000

## ARENASTADEN®

# THE NEW HUB FOR MAJOR COMPANIES

One of Sweden's most exciting new districts is emerging in Arenastaden. Fabege owns essentially all the office space in Arenastaden and is at the forefront of office development in the area.

2015 was the year when Arenastaden really began to take shape and a number of different aspects fell into place. One important aspect is the opening of Unibail-Rodamco's Mall of Scandinavia, with its wide range of restaurants, shops and services. The increased number of residents who have moved in has also helped create a vibrant district. Furthermore, new pedestrian paths and road approaches to the area were completed during the year. Arenastaden has excellent transport links to both Stockholm inner city and Arlanda and Bromma airports. State of the art offices and housing are being built in the area. The district is also home to the Friends Arena and Quality Hotel Friends.

Fabege is continuing to expand in the area and in 2015 the company acquired the Stora Frösunda 2 and Hagalund 2:2 properties, creating new development rights and opportunities for continued city district development in close proximity to Arenastaden.

Demand for office premises remains high in the area. During the year, KPMG and ICA Gruppen signed leases with Fabege on relocation to Arenastaden. The leases are Green Leases and the buildings will be environmentally certified in accordance with BREEAM-SE.

#### New 'pocket park' and artwork in Arenastaden

A new mini-park featuring seating, plants and flowers was completed in Arenastaden in 2015. This type of park is called a 'pocket park', and it aims to provide a small, green haven for a moment of relaxation in the heart of the district. The pocket park also encourages spontaneous meetings and provides an alternative to meeting rooms in the offices.

Fabege and the City of Solna commissioned pupils in year 7 at Ulriksdal School to create a piece of art on the theme of sustainability on one of the hoardings in the area. Based on specific words and phrases such as 'a vibrant district', 'sustainable development' and 'meeting place of the future', the pupils created a 35-metre-long mural on the hoarding that adorns Evenemangsgatan.

#### 2012 10,700 WORKING IN ARENASTADEN

- Vattenfall moves into Sweden's greenest building.
- Arenastaden is already home to Nike, Adidas, Olympus, the Swedish Migration Board, Egmont, Esprit, Peab, Danone and many more.
- Grand opening of Friends Arena, with Zlatan's legendary overhead kick goal.

#### 2013 13,000 WORKING IN ARENASTADEN

- New tenants include Apoteket's head offices, the Swedish Football Association, Carlsberg Sweden, Svea Ekonomi, AIK Football and Jetpak, to name a few.
- Quality Hotel Friends opens.
- Final of the UEFA Women's EURO Sweden 2013.

#### 2014 13,000 WORKING IN ARENASTADEN

- Light rail route Alvik-Solna station completed.
- First residents move into townhouses above Mall of Scandinavia.
- Sweden International Horse Show attracts 84,854 horse fanatics.

**10,000 SQM**



**SIEMENS**

**43,000 SQM**



**VATTENFALL**

**25,000 SQM**



**ICA**

**SVENSKA SPEL**



**7,000 SQM**

**SEB**



**72,000 SQM**

**TELIA SONERA**



**42,000 SQM**

**2015**  
15,000 WORKING IN ARENASTADEN

- All roads and bridges to Arenastaden are complete.
- Mall of Scandinavia opens its doors, with over 230 stores and restaurants.
- A real heroic tale creates magic during the final of Melodifestivalen, Sweden's Eurovision competition.

**2016**  
20,000 WORKING IN ARENASTADEN

- TeliaSonera, Svenska Spel, KPMG and Sodexo move in.
- 429 apartments and 52 townhouses are occupied.
- 25,000 industrious bees enjoy their second season in leafy Arenastaden.

**2017**  
23,000 WORKING IN ARENASTADEN

- The commuter train has its own track under Stockholm; travel time 6 minutes from T-Centralen (central underground station), 4 minutes from Odenplan.
- The first SEB employees are settled in and Siemens moves in.
- Final of the UEFA Europa League.

**2018**  
27,000 WORKING IN ARENASTADEN

- SEB's move is complete.
- ICA moves into its new head offices.

# FABEGE'S SUSTAINABILITY WORK

Fabege's sustainability work is pursued using a long-term approach that creates value for customers, employees, owners and the surrounding neighbourhood, without compromising resources that reduce the ability of future generations to realise their dreams and meet their needs.

The buildings and places that are being created today will endure and affect people for generations to come. This means that Fabege's

responsibility for resource management, reduced environmental impact and social issues is far-reaching and demands constant consideration and care.

Fabege plays an active role in the development of the areas in which its property portfolio is located. City districts need to be vibrant and perceived as attractive and safe for the people who spend time in them. This is achieved by integrating living, work, leisure activities, neighbourhood services and efficient transport links. Sustainability work has the greatest impact when it is approached in a holistic way, rather than just developing individual parts.

## THE INDIVIDUAL

Social sustainability for both the company's employees and for all the people who use Fabege's premises and city districts on a daily basis. Fabege aims to create environments that make it easier for people to achieve the right work-life balance and to promote good 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 and help reduce environmental impact. The organisation wants to contribute to the customer's sustainability work through cooperation and Green Leases, and to help customers adapt their need for premises to match their 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 community relations, Fabege can participate in developing the city.

## DID YOU KNOW...

- Fabege's city district development is based on people's demand for a high level of service that is also sustainable.
- All new builds and major redevelopments are environmentally certified.
- Environmental certification in accordance with BREEAM also extends to the building's impact on the local environment.
- Fabege's offices have excellent public transport connections.
- Fabege has cut its carbon dioxide emissions by over 95 per cent in ten years.
- In 2015, 74 per cent of new leases were Green Leases.
- Fabege achieved the highest level in the Global Real Estate Sustainability Benchmark: Green Star.
- The Fabege share is approved for inclusion in both Robur's ethical funds and Nordea's Star funds.
- Fabege's sustainability-inspected suppliers accounted for 81 per cent of the purchasing volume.



# STAKEHOLDER DIALOGUE

Fabege's principal stakeholders are customers, employees, creditors, shareholders and analysts, suppliers and the other parts of society in which the company operates. The company enjoys a continuous dialogue with all stakeholder groups, and in 2015 a more in-depth

dialogue with customers, creditors and employees was conducted. This was done in the form of a survey, which aimed to compile information to assess Fabege's material sustainability aspects.

	DIALOGUE FORMAT	SUSTAINABILITY ISSUES	RESULTS
<b>CUSTOMERS</b>	<ul style="list-style-type: none"> <li>• Continuous dialogue/customer service</li> <li>• Customer satisfaction surveys</li> <li>• Newsletters</li> <li>• Cooperation on Green Leases</li> </ul>	<ul style="list-style-type: none"> <li>• Tenants' health and safety</li> <li>• Environmental risks and soil remediation</li> <li>• Good business ethics</li> <li>• Energy-efficiency enhancements</li> </ul>	<ul style="list-style-type: none"> <li>• Additional bicycle parks, rental bike pools and expanded public transport services</li> <li>• Environmentally-certified properties</li> <li>• Additional gyms, food trucks, restaurants and other services in the neighbourhood</li> <li>• Reduced energy consumption in the property portfolio, with improved indoor climate</li> </ul>
<b>EMPLOYEES</b>	<ul style="list-style-type: none"> <li>• Employee performance evaluations</li> <li>• Employee surveys</li> <li>• Café Fabege (meeting forum)</li> <li>• Conferences</li> </ul>	<ul style="list-style-type: none"> <li>• Employee health and safety</li> <li>• Energy-efficiency enhancements</li> <li>• Good business ethics</li> <li>• Employment terms and skills development</li> </ul>	<ul style="list-style-type: none"> <li>• Updated Code of Conduct</li> <li>• Conference for all employees focusing on business ethics</li> <li>• Joint training during working hours</li> <li>• More eco-cars</li> <li>• Performance reviews</li> </ul>
<b>SHAREHOLDERS &amp; ANALYSTS</b>	<ul style="list-style-type: none"> <li>• Annual Report</li> <li>• Quarterly reports</li> <li>• Capital market days</li> <li>• Roadshows and one-to-one meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term, stable return based on a sustainable business model</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability Report according to GRI in Annual Report</li> <li>• Participation in various investor surveys such as 'Sustainable Value Creation' and GRESB</li> <li>• Approved for inclusion in Robur's ethical funds, Nordea's Star funds and the OMX Sustainability Index</li> </ul>
<b>CREDITORS</b>	<ul style="list-style-type: none"> <li>• Presentations, quarterly reports, Annual Report, online info</li> <li>• Meetings, property viewings and seminars</li> <li>• Capital market days</li> </ul>	<ul style="list-style-type: none"> <li>• Energy-efficiency enhancements</li> <li>• Environmental risks and decontamination</li> <li>• Stable finances</li> <li>• Good business ethics</li> <li>• Employee health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous sustainability discussions with creditors</li> <li>• Green financing</li> </ul>
<b>SUPPLIERS</b>	<ul style="list-style-type: none"> <li>• Central procurement/framework agreements with a requirement that suppliers comply with Fabege's Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Demands for impeccable business ethics and Code of Conduct</li> <li>• Continuous quality measurements of suppliers</li> <li>• Far-reaching demands in respect of materials selection in connection with new builds and redevelopment</li> </ul>	<ul style="list-style-type: none"> <li>• Requirement that suppliers comply with Fabege's Code of Conduct</li> <li>• Sustainability inspections of suppliers</li> </ul>
<b>SOCIETY</b>	<ul style="list-style-type: none"> <li>• Regular meetings with municipal and public authorities</li> <li>• Collaborative meetings together with networks of companies (BELOK, SGBC, Swedish Property Federation, Byggherreforum, Close, etc.)</li> <li>• Cooperation agreements with non-profit organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Work together for sustainable property and city district development</li> <li>• Create vibrant neighbourhood environments with a mix of offices, residential units, services and nature areas</li> <li>• Stimulate social sustainability, through measures such as targeted youth activities</li> </ul>	<ul style="list-style-type: none"> <li>• Decision to contribute SEK 100m to finance expansion of underground rail service to Arenastaden</li> <li>• Environment and energy classification of buildings in accordance with Miljöbyggnad, BREEAM and Green Building</li> <li>• Cooperation concerning sustainable urban development</li> <li>• Sponsorship of Ung affärsidé, Friends, Städa Sverige, the Childhood Foundation and sports associations</li> <li>• Cooperation concerning sustainable urban development such as Citylab Action</li> </ul>

# MATERIAL ISSUES

In spring 2015, Faberge carried out a materiality analysis in which some fifty representatives of the company's key stakeholder groups were asked to participate in an anonymous survey about Faberge's sustainability work. The principal stakeholder groups were defined as customers, employees, creditors, shareholders and analysts, suppliers and the other parts of society in which the company operates. The purpose of the

survey was to develop the company's sustainability work and improve the relevance of sustainability reporting. The stakeholder dialogues, combined with internal analyses, have resulted in an updated materiality analysis that defines the issues where Faberge has the greatest impact and potential to influence. The results of the analysis show that the following areas are the most significant for Faberge:

HEALTH AND WELLBEING			CLIMATE ISSUES				TOGETHER WITH OTHERS		
Health and safety	Skills development	Employment terms and human rights	Energy-efficiency enhancements	Choice of materials and safe products	Environmental risks and soil remediation	Emissions and waste management	Sustainability-inspected supply chain	Collaboration with other players for sustainable development of city districts	Anti-corruption and sound business ethics



# A WORKPLACE IN BALANCE WITH THE CUSTOMER IN FOCUS

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

Fabege places great importance on ensuring all employees feel that they are contributing towards the success of the company. Good customer relationships are established with the help of a high level of service and technical expertise, primarily in the customers' everyday contact with Fabege employees working with properties and areas. 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, SPEAK, are reflected throughout 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 relationships with students and working to strengthen the company's image as an attractive employer. Fabege wants to provide young people with an insight into the company and the industry by taking on trainees and students doing their degree thesis. In 2015, Fabege began collaborating outside the industry to create opportunities to recruit technical expertise in the long term.

#### 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 would like to see more female building maintenance technicians than the three recruited in recent years. At year-end, women accounted for two out of six members of Fabege's Executive Management Team, or 33 per cent (29). The total proportion of women working at Fabege was 37 per cent (36).

#### Continuous skills development

Fabege aims to attract, develop and retain talented employees. Employees should be able to grow professionally by taking on new or diversified work areas and assignments. Working in project teams creates opportunities for both the transfer of knowledge and development. Individual career plans form the basis of each employee's professional development. At performance evaluations, the manager and the employees establish targets for the employee's development and follow up on previous 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, employees may, for example, participate in training programmes, seminars and networks. If there is a need for collective skills development, training programmes on specific subjects are also arranged for teams.

Internal recruitment is a way of enhancing skills and developing employees and the organisation.

Fabege'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

Fabege 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. The group is made up of 12 individuals, who in 2015 continued with measures to further improve and develop the work environment and increase the interdepartmental sharing of knowledge regarding work environment issues.

Offering a sound balance between work and leisure is a key element of Fabege's ambition to be an attractive employer. For several years, Fabege has been committed to promoting health and fitness and encouraging staff to take exercise. All employees are invited to exercise with their colleagues during work hours. Changing rooms are available in all offices to allow employees to cycle to work and exercise together.

The most recent medical survey shows that Fabege 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 rapid access to professional care in case of illness.

"We don't have many employees in relation to our size, which makes each individual very important."

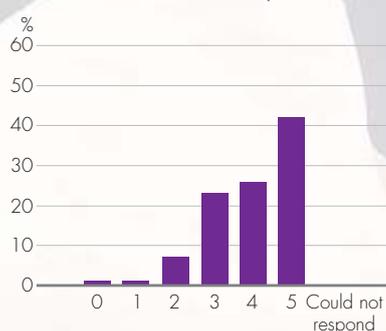
Christian Hermelin, CEO



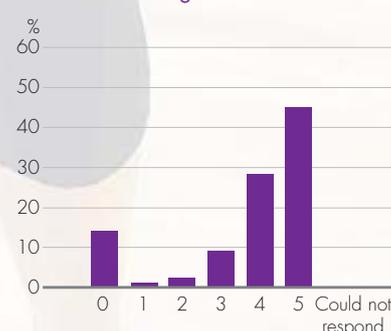
## EMPLOYEE SURVEY

Towards the end of the year, an employee survey was conducted, in which employees expressed their opinions of Fabège as an employer. The results show that 73 per cent recommended Fabège as an employer, 86 per cent gave the company the best or second best rating for work environment and 68 per cent rate confidence in their line manager at 4 or 5 on a scale of five. The performance rating was 3.8, which was higher than the sector average of 3.5.

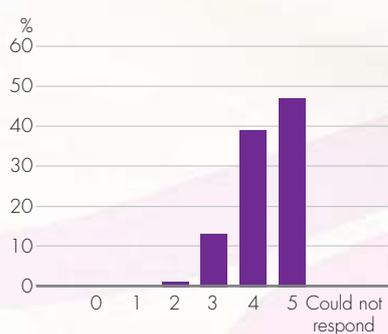
### Confidence in immediate superior



### Recommend Fabège



### General work environment



### Satisfied employees



Employees' skills and commitment are key to efforts to build long-term relationships with satisfied customers. The performance index of the personnel is measured regularly and the aim is for the rating among Fabège's employees to be at least 15 per cent higher than the sector average. Result for 2015: 9 per cent 2015 above sector average.



**SHARED CORE VALUES – SPEAK**

Shared core values and a strong corporate culture are distinctive features of successful companies. Fabege works on the basis of the shared core values, 'SPEAK', that permeate the entire operation. Training and skills transfer through the core values, occur continuously and are a natural feature of each 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 we keep to deadlines.

**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 not too proud to ask for help and we share our knowledge with others.

**Entrepreneurial**

We see opportunities and do not get caught up in problems. We are creative, encourage new ideas and are bold about trying out unconventional solutions. We show commitment by ensuring that adopted decisions are implemented.

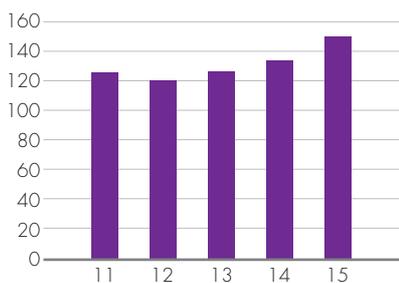
**Business-minded**

We set and gain endorsement 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 available resources in the form of knowledge, skills or tools.

**Customer-focused**

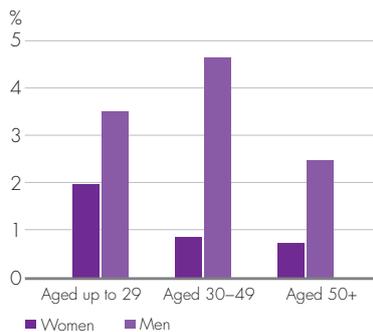
We build trust and long-term customer relationships by arriving on time, doing our homework and providing the best possible service based on the customer's requirements. We get to know customers, employees and suppliers through an open, attentive and personal approach.

Number of employees, average

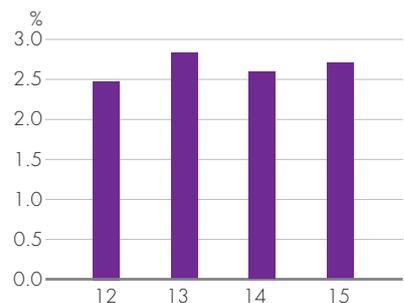


All employees are based in Stockholm and are covered by the company's collective bargaining agreements.

Sickness absence by age group 2015



Sickness absence



Fabège aims to maintain a low level of sickness absence, aided by regular medical check-ups and continued health and fitness programmes. There were no serious accidents in 2015.

**Information briefings for the whole company**

Café Fabege is a meeting forum arranged by Fabege 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 twice a year to address such matters as the core values and the Code of Conduct. Fabege also arranges internal conferences at which employees discuss issues of relevance to day-to-day work, based on the core values.

**Performance rating exceeds sector average**

To create an attractive and inspiring workplace, Fabege encourages employees to engage in an active and open dialogue. Fabege regularly conducts an extensive survey to find out how the company is viewed by its employees. The response rate for the latest survey was 100 per cent. The survey features a method that measures how prevailing working conditions affect employees, as measured by a performance index. The performance rating in 2015 was 3.8. The rating for the industry as a whole was 3.5. Fabege aims to exceed the industry average by 15 per cent. The result for 2015 was 9 per cent better than the industry average.

**Everyone benefits from healthy earnings**

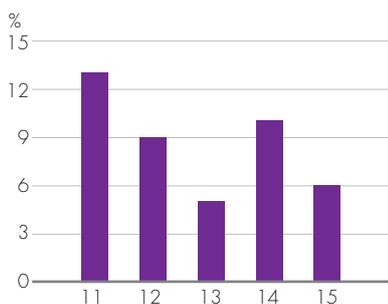
To increase employee involvement in Fabege’s operations and emphasise their importance to the company’s earnings, all employees take part in a profit-sharing scheme. Allocations are made in the form of Fabege shares based on the company’s profitability and return on equity. Shares are tied up for five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

**Sustainable travel**

Fabège aims to create conditions for sustainable behaviour and travel patterns. Climate and Economic Research in Organizations (CERO) is a concept developed at KTH Royal Institute of Technology to help organisations find financially sustainable strategies for achieving established climate targets for business travel. The concept analyses and models employees’ travel behaviour and acceptance of alternatives in order to achieve maximum support within the organisation. In spring 2015, Fabège’s employees carried out the CERO travel habits survey and work is now under way to design a plan of action to increase employees’ wellbeing, while reducing the total impact on climate by adopting new travel patterns. Several of the major companies that will be moving to Arenastaden over the next few years have chosen to carry out travel habit surveys and so raise awareness of the issue of sustainable travel.

Fabège was named ‘CERO Challenger of the Year’ for its commitment as a leading player in the transition to a sustainable transport system via collaboration with local businesses in Arenastaden.

**Employee turnover**



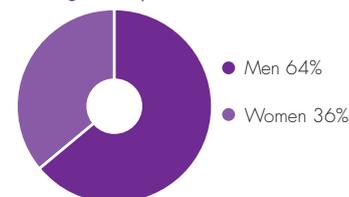
Due to the low number of individuals concerned, employee turnover by gender and age group is not reported separately.

**Number of employees broken down by segment**



Fabège had 148 (136) employees at year-end 2015, of whom 63 per cent (64) were active in property management, 17 per cent (18) in business/project development and 20 per cent (18) in administration/management. All employees are covered by collective bargaining agreements.

**Gender distribution, management position**



# ETHICS AS A BASIS FOR SUSTAINABLE BUSINESS

High ethics and moral standards are essential in maintaining long-term sustainable business relationships. Fabege aims to involve the company's employees, customers, business partners and suppliers in this work.

Fabège'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. Fabège's Code of Conduct is adopted by the Board of Directors and all Board members and members of the Executive Management Team demand high business ethics and distance themselves from all anti-competitive activity. In 2015, the focus of the Board's ethical work has been on bribery legislation and customers' increasingly exacting demands with regard to business ethics. 86 per cent of Fabège's employees have completed an all-day training session on the company's Code of Conduct, bribery legislation and ethical discussions with the Executive Management Team. The introduction programme for new members of staff has provided a further eight per cent of employees with information about Fabège's Code of Conduct and position with regard to business ethics. Divided among the subgroups Property Management, Project/Business Development and Management/Administration, the percentage that has participated in training sessions on the Code of Conduct corresponds to 86 per cent, 83 per cent and 88 per cent respectively. Fabège has never been subject to legal action arising from anticompetitive activities or corruption.

All employees have been invited to lectures on anti-corruption and bribery legislation, and ethical discussions have been held at the company's internal conferences. Fabège's employees are continuously provided with information on the matters that have been discussed in the sustainability group and the Ethics Council. The newsfeed on Fabège's intranet is one of several important channels for sharing information and explaining guidelines.

#### Corporate social responsibility in customer relations

One trend that has recently emerged is for responsible business undertakings to be an increasingly integral part of leases. This is one way of raising the level of commitment between the landlord and the tenant regarding ethical and moral issues, and comprises a natural continuation in the form of Green Leases.

#### Structured deviation reporting system

Fabège has a whistleblower function to facilitate the reporting of unethical behaviour or irregularities at the workplace. The whistleblower function consists of two in-house employees and one external member. Both internal and external whistleblowers are welcome. The whistleblower function was not utilised during the year.

#### Common Code of Conduct for suppliers

During the year, Fabège has participated in a project together with Fastighetsägarna (Swedish Property Federation) and a few major property companies, to develop a common Code of Conduct for suppliers. The purpose of the project is to make it easier for companies operating in the property sector to ensure that suppliers to the sector are acting responsibly for both people and the environment. As part of the project, a reporting system for both suppliers and clients was drawn up.

#### Continuous inspections of suppliers

Fabège's Code of Conduct and purchasing policy clarifies the company's positions for suppliers. Monitoring suppliers is an important aspect of Fabège's purchasing work, in order to assure high business ethics, consideration for human rights, entrepreneurship, competition, objectivity and equal treatment.

To ensure that Fabège's suppliers meet the requirements placed by the company, regular inspections are conducted from both a financial perspective and a sustainability and quality perspective. The objective is that 100 per cent of Fabège's strategic business partners will have undergone a sustainability inspection by 2020. These partners are estimated to correspond to 85 per cent of the total purchasing volume. 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. The focus for the continued inspections is now on a more in-depth analysis of the biggest suppliers, as well as of those suppliers that are deemed to be particularly high risk.

#### Suppliers are inspected based on a number of perspectives:

##### Financial inspection

All of Fabège'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 have an adverse impact on the delivery concerned.

##### Sustainability inspections

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. Fabège's goal is for 100 per cent of the company's strategic business partners and contractual partners to be inspected with regard to sustainability by 2020. Fabège has just over 20 strategic partners and around 200 contractual suppliers. Around 100 of these have already signed Fabège's Code of Conduct. This figure will rise as contracts are renegotiated, with the ultimate aim being for all contractual suppliers to have signed the Code of Conduct once renegotiations are complete. Suppliers corresponding to 81 per cent of the year's total purchasing volume have so far been inspected from a sustainability perspective.



## A SUSTAINABLE SUPPLY CHAIN

Veidekke is a key business partner that was the main contractor for The Winery Hotel and is the main contractor for SEB's new offices. They have expertise in working with all the established certification standards, measurable quality and environmental management systems and have signed up to the EU's two-degree target. Veidekke imposes the following requirements for sustainable construction:

- Veidekke and all employees shall contribute towards combating undeclared work and social dumping.
- In international agreements, Veidekke shall ensure that suppliers satisfy the ILO Declaration on Fundamental Principles and Rights at Work, the UN's Universal Declaration of Human Rights, as well as

Veidekke's agreements with the Norwegian trade union Fellesförbundet, the Norwegian Union of General Workers and the International Federation of Building and Wood Workers. A supplier-adapted audit is carried out on all foreign suppliers before purchase.

- Requirements to satisfy conditions for Nordic Ecolabel certification. Using the services of SundaHus, Veidekke works with choice and documentation of chemicals/materials.
- Customer- and project-specific requirements are managed in the purchasing templates.
- Ethics agreements are signed with all suppliers.

Any deficiencies revealed in connection with the inspections may lead to the companies drawing up a joint action plan. In the worst case scenario, the partnership may be discontinued.

### 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 in the establishment of long-term relationships.

### Contract inspection

The follow-up of concluded agreements is performed continuously and encompasses, for example, 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. All applicable legislation and safety procedures must be complied with at all construction sites. Continuous audits are conducted during the course of all projects. Although the work environment and employer liability at building sites are the responsibility of 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.

# ACTIVE DEVELOPMENT OF LOCAL COMMUNITY

## Fabege wants to make a positive contribution to the community in which the company operates.

An important part of operations 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 help encourage young people to take exercise and enjoy active and stimulating leisure time. This is partly achieved by funding sports camps for children and young people in various different sports. Fabege also has projects with a number of schools and works with the organisation Friends, which works to prevent bullying and offensive behaviour. In 2015, a sustainability project was carried out, Schysst Sjöstad, with the schools in Hammarby Sjöstad, as well as an art project in Arenastaden in collaboration with Ulriksdal School and the City of Solna. The art project resulted in 32 paintings, all of which can be viewed on a hoarding in Arenastaden up until 2017.

### Environmentally compatible transportation

The property sector has a major responsibility when it comes to transportation. Fabege is working to reduce environmental impact by creating conditions for more efficient travel in connection with work assignments, and installing charging points for electric cars in both properties and street environments.

### Financing of underground system

Fabege has decided to contribute SEK 100m to help finance the expansion of the 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. The underground expansion will offer customers additional public transport alternatives and Arenastaden will consolidate its position as a communication hub.

### Improved conditions for cyclists

The number of cyclists in Stockholm has doubled over the past decade, and Fabege is working to make the figure even higher. Every year, the company increases the amount of bicycle parkings to enhance accessibility for cyclists, and offers pool bicycles to all customers in Solna Business Park. In Hammarby Sjöstad, Solna Business Park and Arenastaden, bicycle consultants assist by offering servicing, and all areas have changing rooms for cyclists.



## COOPERATION FOR SUSTAINABLE DEVELOPMENT

Fabege 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
- Byggarbedömningen (Building Material Assessment)
- The City of Stockholm's forum for sustainable properties
- The Climate Pact
- The Green Tenant Award jury
- Citylab Action
- Fastighetsägarna (Swedish Property Federation)

**Global Compact.** Fabege supports the UN Global Compact and the UN's ten principles for human rights, environment and anti-corruption.  
[www.unglobalcompact.org](http://www.unglobalcompact.org)



**Green Star i GRESB.** Fabege participated for the second time in the Global Real Estate Sustainability Benchmark (GRESB) and received the Green Star rating, which is the highest level. Fabege's sustainability work is also ranked highest in Europe within the office sector.



# AWARDS AND NOMINATIONS

## AWARDS IN 2015

### GRESB

*For:* Most sustainable listed property company in Europe within the office sector  
*From:* Global Real Estate Sustainability Benchmark

### CERO Challenger of the Year

*For:* The greatest impact on other organisations in society with regard to promoting sustainable travel  
*From:* CERO

### Second place, Hugin & Munin Prize

*For:* Best communication in the industry  
*From:* Fastighetsvärlden

### Best Interim Report

*For:* Best interim report Nasdaq Stockholm  
*From:* Kanton

### Fourth place, Årets börsbolag (Listed Company of the Year)

*For:* Best financial communication of a total of 146 companies  
*From:* Kanton

## NOMINATIONS IN 2015

### Building Project of the Year

*For:* The Winery Hotel – A unique concept, classic design with a modern twist  
*From:* Svensk Byggtjänst

### Best reporting on value creation 2015

*For:* Fabege's Annual Report  
*From:* PwC

### Property Owner of the Year

*For:* Awarded to a property owner who in 2015 demonstrated a sound business concept, commercial success, good customer relations and successful sustainability work  
*From:* Fastighetstidningen

## COMPANY INDEX

### GES Nordic Sustainability Index

Fabège has been included in the GES Nordic Sustainability Index since the start of 2010.  
[www.indexes.nasdaqomx.com](http://www.indexes.nasdaqomx.com)



## RESPONSIBLE FUNDS



**Nordea Star Funds.** Fabège qualified for the Nordea Star funds, which deliver sustainable, long-term returns to customers.  
[www.nordea.se](http://www.nordea.se)



**Swedbank Robur.** Fabège is still approved as an investment in Swedbank Robur's sustainability funds and has also qualified as a "Good example in the industry".



# DIRECTORS' REPORT

The Board of Directors and Chief Executive Officer of Fabege AB (publ), company registration number 556049-1523, hereby present the 2015 Annual 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 submarkets 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 2015 continued to reflect the focus on property holdings in the prioritised submarkets of Stockholm inner city, Solna and Hammarby Sjöstad. On 31 December 2015, Fabège owned 83 properties with a total rental value of SEK 2.3bn, lettable floor space of 1.1m sqm and a carrying amount of SEK 40.3bn, of which development and project properties accounted for SEK 7.7bn. Commercial premises, primarily offices, represented 95 per cent of the rental value. The financial occupancy rate for the portfolio as a whole was 93 per cent (94). The occupancy rate in Fabège's portfolio of investment properties was 94 per cent (95). New lettings during the year totalled SEK 278m (428), while net lettings were SEK 74m (243). Lease terminations amounted to SEK 204m (185), with the largest

relating to Peab at Stigbygelin 6, Arenastaden and ICA at the Fräsaren 12 property, Solna Business Park. At the same time ICA signed a new lease in Arenastaden. The new contract meant positive net lettings of SEK 23m. Other major lettings during the year related to Telenor Sverige at Lagern 2, Råsunda and SBAB and KPMG, both in Solna. 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 280m was renegotiated during the year. The rent levels from all renegotiated leases increased by an average of 12 per cent. The retention rate during the year was 73 per cent (64).

## ACQUISITIONS AND SALES

In the second quarter, three properties were acquired as part of two transactions. The Stora Frösunda 2 and Hagalund 2:2 properties were acquired from Catena and taken over on 23 June. An agreement was also signed regarding the acquisition of the Fräsaren 9 property in Solna Business Park, for occupancy in Q1 2016. The property Grönlandet, Södra 13, which was divested at the end of 2014, was vacated in June. In December, the Lagern 2 property was acquired, including the commercial development rights from co-owned Visio, in connection with Fabège and Peab splitting ownership of Gamla Råsunda. Two small land properties in Upplands Väsby were also divested.

### Property-related key figures

	2015	2014	2013
No. of properties	83	80	92
Lettable area, 000 sqm	1,092	1,030	1,142
Financial occupancy rate, %	93	94	93
Rental value, SEKm	2,300	2,186	2,397
Surplus ratio, %	72	71	69

### Business model's contribution to earnings

SEKm	Jan-Dec 2015	Jan-Dec 2014	Jan-Dec 2013
Profit/loss from Property Management	705	692	601
Changes in value (portfolio of investment properties)	2,603	1,063	343
<b>Contribution from Property Management</b>	<b>3,308</b>	<b>1,755</b>	<b>944</b>
Profit/loss from Property Management	-17	-10	13
Changes in value (profit from Property Development)	649	276	396
<b>Contribution from Property Development</b>	<b>632</b>	<b>266</b>	<b>409</b>
<b>Contribution from Transactions</b>			
Realised changes in value	21	300	135
<b>Total contribution from operations</b>	<b>3,961</b>	<b>2,321</b>	<b>1,488</b>

## INVESTMENTS IN EXISTING PROPERTIES AND ONGOING PROJECTS

During 2015, decisions were made on major project investments of SEK 2,042m (2,621), of which the investment in Signalen 3, ICA's new office building in Arenastaden, was the largest. The year's investments of SEK 2,879m (1,249) included SEK 2,269m pertaining to investments in project and development properties. The return on capital invested in the project portfolio was 29 per cent (22). Capital invested in the investment property portfolio totalling SEK 610m, including energy investments and tenant adaptations, also contributed to the total value growth.

Q4 2015 saw the completion of the Järvakrogen 3 property, where The Winery Hotel started up in January 2016.

The aggregated project volume of the six major ongoing new builds amounts to approximately SEK 6.3bn, with a lettable area of almost 200,000 sqm. The major ongoing projects, including the Pyramiden 4, Nationalarenan 8 and Uarda 6 properties, all in Arenastaden, are proceeding as planned.

## REVENUES AND EARNINGS

Profit after tax for the year rose to SEK 3,232m (1,738), corresponding to earnings per share of SEK 19.54 (10.51). Profit before tax for the year increased to SEK 4,233m (1,867). Unrealised value changes in the property portfolio increased as a result of the strong trend on the rental and property markets, and a lower yield requirement.

Rental income amounted to SEK 1,998m (2,087) and net operating income totalled SEK 1,429m (1,485). The reduction was entirely attrib-

utable to a smaller portfolio due to property sales during the previous year. In an identical portfolio both rental income and net operating income rose by just over 3 per cent as a result of reduced rental discounts at the start of the year and improved rent levels. The surplus ratio increased by slightly less than half a percentage point, totalling a round 72 per cent (71). A more modern portfolio with more efficient operations coupled with the mild winter helped to keep running costs down.

Realised changes in the value of properties amounted to SEK 21m (300) and related to the profit from two smaller property sales in Q4, as well as delayed payments from previously completed transactions. Unrealised changes in value amounted to SEK 3,252m (1,339). The SEK 2,603m (1,063) unrealised change in the value of the property management portfolio was attributable to properties with higher rent levels and a lower yield requirement on all Fabege's submarkets. The average yield requirement declined to 4.9 per cent after rounding off (5.4). The project portfolio contributed to an unrealised change in value of SEK 649m (276), primarily due to development gains in the major project properties.

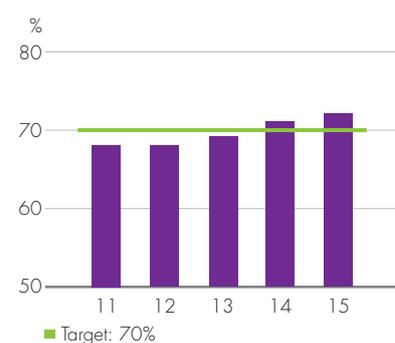
The share in profit of associated companies was SEK -94m (-72) and mainly pertained to Arenabolaget i Solna KB.

Unrealised changes in value in the derivative portfolio totalled SEK 262m (-473) due to higher long-term interest rates. Changes in the value of shareholdings totalled SEK 10m (19) and mainly pertained to the Catena holding, which was divested at the end of the year. Net interest items declined to SEK -582m (-664) as a result of lower market interest rates.

Rental income and net operating income



Surplus ratio



Equity/assets ratio





## TAX

Tax on profit for the year amounted to SEK –1,001m (–129). Operating taxes are calculated at a rate of 22 per cent on taxable earnings.

## CASH FLOW

Cash flow from operating activities before changes in working capital amounted to SEK 700m (–893). Change in working capital had an impact of SEK 1,042m (–1,021) on cash flow. The positive cash flow from working capital is due to purchase considerations received for previously sold properties, along with restricted amounts settled in Q2. Investing activities had an impact of SEK –2,711m (1,821) on cash flow, while financing activities had an impact of SEK 978m (18) on cash flow. Cash flow in investing activities was driven by property acquisitions and projects. Cash and cash equivalents changed by a total of SEK 9m (–75) during the year.

## FINANCIAL POSITION AND NET ASSET VALUE

Shareholders' equity amounted to SEK 16,479m (13,783) at the end of the year and the equity/assets ratio was 39 per cent (38). Shareholders' equity per share totalled SEK 100 (83). Excluding deferred tax on fair value adjustments of properties, net asset value per share was SEK 118 (97). EPRA NAV was SEK 115 (95).

## PARENT COMPANY

Sales during the year amounted to SEK 146m (130) and profit before appropriations and tax was SEK 370m (773).

Net financial items include dividends of SEK 800m (1,700). Net investments in property, equipment and shares totalled SEK 0m (0).

## ASSET MANAGEMENT AND FINANCING

### Capital structure

Fabege's asset management activities are designed to generate the best long-term return for shareholders among property companies listed on 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). The loan-to-value ratio shall be less than 55 per cent. Fabege's supply of capital largely derives from three sources: shareholders' equity, interest-bearing liabilities and other liabilities.

### Debt management

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

### Dividends

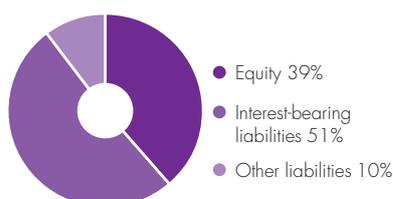
Under its dividend policy, Fabege aims to pay a dividend to its shareholders comprising the part of the company's profit that is not required for the consolidation or development of the business. Under current market conditions, this means that the dividend is expected to sustainably account for at least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

### Financing at 31 December 2015



Access to long-term and stable financing is crucial for the business. At the end of 2015, bank financing accounted for 63 per cent of borrowing. Fabege had unutilised credit facilities of SEK 1.7bn. The average capital maturity period was 4.1 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.

### Shareholders' equity

Shareholders' equity at year-end amounted to SEK 16,479m, which, in relation to total assets of SEK 41,751m, resulted in an equity/assets ratio of 39 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. Fabège values long-term and trusting relations with its creditors. The company's lenders are mainly the major Nordic banks, supplemented by borrowing on the Swedish capital market.

The credit agreements with the banks 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 the year, existing credit agreements were refinanced total SEK 11,400m, with maturities of one to three years. Fabège has also taken out a ten-year green credit of just over SEK 900m with the European Investment Bank. At the end of December, unutilised credit facilities amounted to SEK 1,739m. Fabège's loan agreements at 31 December 2015 had an average remaining term of 4.1 years and are renegotiated continuously well in advance of maturity. Borrowing agreements corresponding to SEK 3,600m will be renegotiated in 2016. Other short-term loans will be extended continuously.

### Commercial paper programme

As a supplement to traditional bank financing, Fabège is active in the Swedish commercial paper market, with a commercial paper programme worth SEK 5,000m. The company guarantees access to unutilised credit

facilities to cover all outstanding commercial paper at any given time. At year-end, SEK 3,805m of the programme had been utilised.

### Bond programme

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. During the year, the MTN programme was supplemented with a Green Framework. Via Nya SFF, Fabège is borrowing SEK 1,273m, of which SEK 406m is under the Green Framework. The bonds are secured by mortgage deeds.

In November, Fabège's secured bond based on collateral in the Uarda 5 property was redeemed early. In addition, redemption was initiated of outstanding bonds in Svensk Fastighetsfinansiering (SFF).

### Other liabilities

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

### Covenants

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

### Loan maturity structure, 31 December 2015

	Credit agreements, SEKm	Drawn, SEKm
Commercial paper programme	5,000	3,805
< 1 year	6,138	3,254
1–2 years	4,346	3,441
2–3 years	6,652	4,897
3–4 years	–	–
4–5 years	425	425
5–10 years	3,993	3,993
10–15 years	–	–
15–20 years	–	–
20–25 years	1,253	1,253
<b>Total</b>	<b>27,807</b>	<b>21,068</b>

### Interest rate maturity structure, 31 December 2015

	Amount, SEKm	Average interest rate, %	Share, %
< 1 year	8,033	2.79	38
1–2 years	3,285	2.46	16
2–3 years	4,750	3.37	22
3–4 years	1,000	2.13	5
4–5 years	–	–	–
5–6 years	1,000	2.68	5
6–7 years	800	0.99	4
7–8 years	700	1.00	3
8–9 years	700	1.04	3
9–10 years	800	1.01	4
<b>Total</b>	<b>21,068</b>	<b>2.58</b>	<b>100</b>



## 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 from 2014–2015. Owing to revolving lines of credit, the debt can vary without needing to invest surplus liquidity. The borrowing requirement always increases in the spring, in connection with dividends. Otherwise, the borrowing requirement varies due to, for example, transactions and project investments.

### 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. See distribution in the diagram on page 52.

### Fixed-rate period

At 31 December 2015, 70 per cent of Fabege's loan portfolio was fixed with an average fixed-rate period of 2.5 years. The fixed-rate period is set utilising interest-rate swaps. The average fixed interest term for variable-interest loans was 89 days. Fabege's derivatives portfolio comprised interest-rate swaps totalling SEK 9,000m with terms of maturity extending through 2025 and carrying fixed interest at annual rates of between 0.85 and 2.73 per cent before margins. Fabege also holds callable swaps totalling SEK 5,700m at interest rates of between 2.87 and 3.98 per cent before margins and maturity between 2016 and 2018. The derivatives portfolio is measured at market value and the change in value is recognised in the profit and loss account. At 31 December 2015, the recognised negative fair value adjustment of the portfolio was SEK 658m (920). 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 cash flow. At the due date, the market value of derivative instruments is always zero. Read more about interest-rate derivatives and the valuation thereof in Note 3 on pages 71–74.

## SHARES AND SHARE CAPITAL

Fabege'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 2015	Percentage of votes, %
Erik Paulsson with his family, privately and through companies	15.4

Through Fabege's profit-sharing fund and the Wihlborgs & Fabege profit-sharing fund, the employees of Fabege own a total of 481,206 shares, representing a stake of 0.29 per cent in the company.



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

### Financial targets, at 31 Dec 2015

	Target	Result
Return on equity, %	1)	21.4
Equity/assets ratio, %	at least 30	39
Interest coverage ratio, multiple	at least 2.0	2.1
Loan-to-value ratio, %	max. 55	52

1) The target for the return on equity is to persistently be among the foremost publicly traded property companies.

## ACQUISITION AND TRANSFER OF TREASURY SHARES

The 2015 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.

## RISKS AND OPPORTUNITIES

Fabege's risk exposure is limited and, to the extent possible, controlled in respect of properties, tenants, lease terms, financing terms and business partners. Risks and uncertainties relating to cash flow from operations

relate primarily to changes in rents, vacancies and interest rates. Changes in the value of the property portfolio represent another uncertainty, as does the financial risk.

### Market and business risks

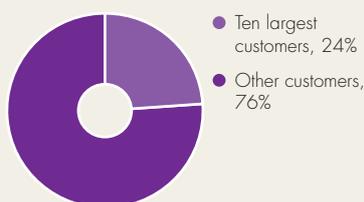
#### Rental income and property expenses

With modern properties in attractive locations, the risk of increased vacancies is low. Positive net lettings and increased rents for both new and renegotiated leases combined with completed project properties will contribute to increased rental income in 2016.

Sensitivity analysis, cash flow and earnings	Change	Effect, SEKm
Rental income, total	+/-1%	+/-20.0
Rent level, commercial income	+/-1%	+/-19.8
Financial occupancy rate	+/-1 percentage point	+/-22.9
Property expenses	+/-1%	+/-5.7

Risk	Description of risks/opportunities	Impact and management of risk, commentary 2015
<b>Rental income – customer bad debts</b>	Suspension of customer payments. The customers' ability to pay is affected by their stability and the general business climate.	The lease portfolio is spread among many industries and companies of different sizes. The 15 largest tenants are all stable companies and comprise approximately 28 per cent of the total rental value. The tenants are highly solvent and rent losses are negligible. This is due 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.
<b>Rental income – vacancy rate</b>	Changes in vacancy rates in the property portfolio could impact rental income either positively or negatively. New production of office properties and demand for office premises affect rent levels and the vacancy rate.	The risk of increased vacancies in the investment property portfolio is deemed minor considering the portfolio's central locations, modern premises and stable customers. The occupancy rate in the overall portfolio, including project properties, fell to 93 per cent (94). In the investment property portfolio, the occupancy rate was 94 per cent (95). Rental growth in identical portfolios totalled just over 3 per cent during the year. Fabege's portfolio generates a stable cash flow from property management operations. The premises of development properties are kept vacant during development, which negatively impacts cash flow during the period. This is done consciously to create greater value over the long term. Fabege's vacancies are in modern properties in attractive locations and no vacancies are structural; it is mainly a matter of time before the right customer is found for the right property.
<b>Rental income – rent levels</b>	Market rents prevail in the Stockholm office market. New production of office properties and demand for office premises affect rent levels and the vacancy rate.	Demand for office premises in Stockholm is growing, while the supply of new offices is limited, which is currently leading to increasing rents. Since leases generally have terms of 3–5 years, changes in market rents gradually impact on rental income. In 2015, Fabege renegotiated a volume of approximately SEK 280m, resulting in an average increase of 12 per cent. Fabege is of the opinion that renegotiations in the coming year will also contribute to an increased rental value.
<b>Geographic concentration</b>	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	No. of leases	Annual rent, SEKm	Annual rent, %
2016	414	316,517	15
2017	324	320,618	15
2018	252	345,001	16
2019	138	302,686	14
2020	55	254,732	12
2021 and beyond	111	464,981	22
<b>Commercial</b>	<b>1,294</b>	<b>2,004,535</b>	<b>94</b>
Housing contract	137	13,154	1
Garage and parking	654	118,065	6
<b>Total</b>	<b>2,085</b>	<b>2,135,754</b>	<b>100</b>

Risk	Description of risks/opportunities	Impact and management of risk, commentary 2015
<b>Property expenses</b>	<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>In 2015, the surplus ratio totalled 72 per cent, which was partly due to a mild winter and partly 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 2015
<b>Schedules and costs</b>	Risks in the project portfolio primarily pertain to risks related to scheduling and the cost level for the procurement of construction services. Due to its large project portfolio and annual investments of at least SEK 1.5–2bn, it is essential that Fabege manages these project risks optimally.	<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>
<b>Unleased project space</b>	In connection with large-scale new builds, there is a risk that newly produced space will not be let.	Currently the volume of ongoing new builds slightly exceeds 200,000 sqm, with the total investment amounting to some SEK 6.3bn. The occupancy rate of the projects is 88 per cent, which entails a low risk of vacancy on completion. The portfolio also includes approximately 490,000 sqm of wholly owned development rights (offices and residential units) with an average carrying amount of around SEK 4,000 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.

### 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 higher property values going 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 or will rise in 2016.

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	314	39.8	51.8	Rent	+/-10%	3.8
0	0	39.5	52.3	Running cost	+/-50 SEK/sqm	1.0
-1	-314	39.1	52.8	Yield requirement	+/-0.25%	2.0
				Long-term vacancy rate	+/-2%	0.9

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 2015
<b>Property values</b>	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 40.3bn (32.6), corresponding to about SEK 37,000 per sqm (32,000).</p>

### Financial risks

#### Financing

By interest-hedging about 70 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 <sup>1)</sup>	Change	Effect, SEKm
Interest expenses 2015	+/-1 percentage point	-18/-69
Interest expenses, long-term perspective	1 percentage point	210.7

1) Due to the interest rate floor in credit agreements, Fabege is unable to take full advantage of negative interest rates, which is why the result is negative even in the event of a fall in the interest rate.

Risk	Description of risks/opportunities	Impact and management of risk, commentary 2015
<b>Liquidity and interest rate risk</b>	<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 strives to ensure a balance between short-term and long-term borrowing, distributed across several different sources of funding. Long-term credit facilities, with fixed terms and conditions, and revolving credit facilities have been signed with lenders to reduce the liquidity risk. Renegotiations are always initiated well in advance. Any issues that may arise are identified at an early stage through 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 4.1 years and available unutilised facilities amounted to SEK 1.7bn. The decision regarding 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 2.5 years at year-end. More detailed information on Fabege's financing is presented in the Financing section and in Note 3 (Financial instruments and financial risk management) on page 71-74.</p>

## Environmental risks

### Environment

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

Risk	Description of risks/opportunities	Impact and management of risk, commentary 2015
<b>Contamination and environmental damages</b>	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, Fabege 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 2015, there were no incidents resulting in material fines and no non-monetary sanctions pursuant to environmental legislation.
<b>Climate change</b>	In a report from 2007 (SOU 2007:60), the government established that Sweden is heading for a period of climate change. According to the report, it is assumed that the average temperature in Sweden will increase, as will precipitation during the autumn, winter and spring. However, summers are expected to be drier and the sea level is expected to rise. This results in an increased risk of flooding, avalanches, landslides, erosion and heat waves.	The assessment is that climate change in itself does not constitute any major physical risk for Fabège at present, in view of the location of the property portfolio. Due to temperature changes, however, the need to control heating and cooling has changed. The use of heat declines somewhat during mild winters, while use of air conditioning and process cooling in the office premises is increasing. One reason for the growing utilisation of air conditioning is the solar heat gain co-efficient (SHGC) on office buildings, while another is increased tenant demand for thermal and visual comfort.
<b>Lack of environmental certification</b>	Increased requirements from customers and other stakeholders for environmentally certified buildings.	Fabège is of the opinion that demand for environmentally certified buildings is increasing from both investors and customers. Since 2013, all new builds and major redevelopments are environmentally certified. At the end of 2015, approximately 478,000 sqm of existing floor space, including ongoing projects, had been environmentally and energy certified or was undergoing certification.

## Tax risks

### Tax laws

In the event that changes under discussion become law regarding restrictions to interest deductions, levying of stamp duty and taxation in connection with property sales, such changes will affect Fabège's income tax expense.

Risk	Description of risks/opportunities	Impact and management of risk, commentary 2015
<b>Tax laws</b>	Changes in tax laws, such as corporate taxation, property taxation or other applicable taxes.	Several investigations are under way regarding changes to tax regulations, however there are no concrete proposals as yet. Fabège is continually monitoring developments.

## 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 2015
<b>Fraud, bribery, unsound labour practices</b>	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 subject to a sustainability inspection 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.

## TAX SITUATION

### Current tax

Tax loss carryforwards, which are expected to reduce the tax expense in future years, are estimated at SEK 5.0bn (4.7). 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 2015, the difference between the book and tax residual values of Fabeges property portfolio was approximately SEK 19.7bn (14.4).

On 31 December 2015, net deferred tax liabilities were SEK 1,786m (918), as shown in the following specification, see table.

Deferred tax attributable to	SEKm
– tax loss carryforwards	–1,092
– difference between book and tax values in respect of properties	3,077
– derivatives	–144
– other	–55
<b>Net debt, deferred tax</b>	<b>1,786</b>

## 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 84–95.

## PERSONNEL

The average number of employees in the Group during the year was 141 (132), including 53 (47) women and 88 (85) men. A total of 37 people were employed in the Parent Company (31). At year-end, the number of employees was 148 (136), including 55 (50) women. See also pages 75–76, Note 6. 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.

## GUIDELINES FOR REMUNERATION AND OTHER EMPLOYMENT TERMS FOR COMPANY MANAGEMENT

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

The 2015 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. 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.

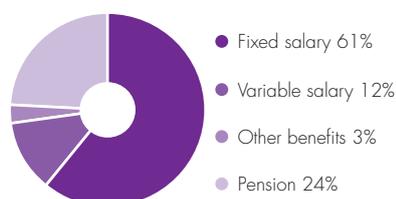
The company has a profit-sharing fund covering all employees of the company. Allocations to the profit-sharing fund are based on the achieved return on equity and capped at one (1) base amount per year per employee.

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 2015 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.

### Remuneration of Executive Management Team



## OUTLOOK FOR 2016

At the beginning of 2016, both the property and rental markets remain very strong. Prevailing market conditions and Fabege's attractive property and project portfolio mean the company stands well-equipped for producing a strong result for 2016 as well. As projects are completed, rental volumes will increase, which when combined with continued efficient operations and low interest expenses will boost earnings from property management.

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	3,659,980,014
Profit for the year	378,146,438
<b>Total</b>	<b>4,038,126,452</b>

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

	SEK
A dividend of SEK 3.50 per share to the shareholders	578,870,502
To be carried forward	3,459,255,950
<b>Total</b>	<b>4,038,126,452</b>

The dividend amount is based on the total number of outstanding shares at 31 January 2016, i.e. 165,391,572 shares. The total dividend amount is subject to alteration up to and including the record date, depending on share buybacks.

## STATEMENT OF THE BOARD OF DIRECTORS ON THE PROPOSED DIVIDEND

### Grounds

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

### Nature, scope and risks of the business

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

## CONSOLIDATION REQUIREMENTS, 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 4.7 per cent of the Parent Company's equity and 3.5 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 -368m (-609), 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, 29 February 2016



# FINANCIAL STATEMENTS AND NOTES

## GROUP STATEMENT OF COMPREHENSIVE INCOME

SEK millions	Note	2015	2014
Rental income	5, 7	1,998	2,087
Property expenses	8	-569	-602
<b>Net operating income</b>		<b>1,429</b>	<b>1,485</b>
Central administration and marketing	9	-65	-67
Profit from other securities and receivables that are non-current assets	11	30	23
Interest income	12	1	2
Share in profit/loss of associated companies	17	-94	-72
Interest expenses	12	-613	-689
<b>Profit from Property Management</b>	1-6, 16, 41	<b>688</b>	<b>682</b>
Realised changes in value, investment properties	10, 15	21	300
Unrealised changes in value, investment properties	10, 15	3,252	1,339
Unrealised changes in value, fixed income derivatives	26	262	-473
Changes in value, equities	13	10	19
<b>Profit before tax</b>		<b>4,233</b>	<b>1,867</b>
Current tax	14	-2	-61
Deferred tax	14	-999	-68
<b>Profit for the year</b>		<b>3,232</b>	<b>1,738</b>
Items that will not be restated in profit or loss			
Revaluation of defined-benefit pensions		2	-10
<b>Total comprehensive income for the year</b>		<b>3,234</b>	<b>1,728</b>
<b>Comprehensive income attributable to Parent Company shareholders</b>		<b>3,234</b>	<b>1,728</b>
Earnings per share for the year before and after dilution, SEK		19.54	10.51
Comprehensive income per share before and after dilution, SEK		19.55	10.45
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	165.4
Average no. of shares after dilution, millions		165.4	165.4

# GROUP

## STATEMENT OF FINANCIAL POSITION

SEK millions	Note	2015	2014
<b>ASSETS</b>			
Investment properties	15	40,279	32,559
Equipment	16	1	1
Interests in associated companies	17	217	630
Receivables from associated companies	18	421	335
Other long-term securities holdings	19	7	285
Other non-current receivables	20	280	292
<b>Total non-current assets</b>		<b>41,205</b>	<b>34,102</b>
Trade receivables	21	13	12
Other receivables	22	365	1,791
Prepaid expenses and accrued income		66	56
Short-term investments		70	34
Cash and cash equivalents	33	32	23
<b>Total current assets</b>		<b>546</b>	<b>1,916</b>
<b>TOTAL ASSETS</b>		<b>41,751</b>	<b>36,018</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		5,097	5,097
Other contributed capital		3,017	3,017
Retained earnings incl. comprehensive income for the year		8,366	5,669
<b>Total shareholders' equity</b>	23	<b>16,479</b>	<b>13,783</b>
Liabilities to credit institutions	25	14,009	12,480
Derivatives	26	658	920
Deferred tax liabilities	27	1,786	918
Provisions	28	144	155
Other non-current liabilities		619	–
<b>Total non-current liabilities</b>		<b>17,216</b>	<b>14,473</b>
Liabilities to credit institutions	24, 25	7,059	7,071
Trade payables		328	58
Provisions	28	5	11
Tax liabilities	14	3	5
Other liabilities		160	114
Accrued expenses and deferred income	29	501	503
<b>Total current liabilities</b>		<b>8,056</b>	<b>7,762</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>41,751</b>	<b>36,018</b>
Pledged assets	30	21,505	16,196
Contingent liabilities	30	433	1,058

# GROUP

## STATEMENT OF CHANGES IN EQUITY

SEK millions	Attributable to Parent Company shareholders			Total shareholders' equity <sup>1)</sup>
	Share capital	Other contributed capital	Retained earnings incl. profit/loss for the year	
Opening balance, 1 January 2014	5,097	3,017	4,437	12,551
Profit for the year			1,738	1,738
<b>Total income and expenses for the period</b>			<b>1,738</b>	<b>1,738</b>
TRANSACTIONS WITH SHAREHOLDERS				
Cash dividend			-496	-496
Divestment of treasury shares				
<b>Total transactions with shareholders</b>			<b>-496</b>	<b>-496</b>
Other comprehensive income			-10	-10
<b>Closing balance, 31 December 2014</b>	<b>5,097</b>	<b>3,017</b>	<b>5,669</b>	<b>13,783</b>
Opening balance, 1 January 2015	5,097	3,017	5,669	13,783
Profit for the year			3,232	3,232
<b>Total income and expenses for the period</b>			<b>3,232</b>	<b>3,232</b>
TRANSACTIONS WITH SHAREHOLDERS				
Cash dividend			-538	-538
Divestment of treasury shares				
<b>Total transactions with shareholders</b>			<b>-538</b>	<b>-538</b>
Other comprehensive income			2	2
Rounding difference			1	
<b>Closing balance, 31 December 2015</b>	<b>5,097</b>	<b>3,017</b>	<b>8,366</b>	<b>16,479</b>

1) Entirely attributable to Parent Company shareholders

## GROUP STATEMENT OF CASH FLOWS<sup>1)</sup>

SEK millions	Note	2015	2014
<b>OPERATING ACTIVITIES</b>			
Net operating income		1,429	1,485
Central administration		-65	-67
Reversal of depreciation		0	1
Interest received		25	19
Interest paid	31	-689	-724
Income tax paid		0	-1,607
<b>Cash flow before change in working capital</b>		<b>700</b>	<b>-893</b>
<b>CHANGE IN WORKING CAPITAL</b>			
Change in current receivables		831	-919
Change in current liabilities		211	-102
<b>Total change in working capital</b>	32	<b>1,042</b>	<b>-1,021</b>
<b>Cash flow from operating activities</b>		<b>1,742</b>	<b>-1,914</b>
<b>INVESTING ACTIVITIES</b>			
Investments in new builds, extensions and conversions		-2,770	-1,233
Acquisition of properties		-985	-105
Divestment of properties		604	3,259
Other non-current financial assets		440	-100
<b>Cash flow from investing activities</b>		<b>-2,711</b>	<b>1,821</b>
<b>FINANCING ACTIVITIES</b>			
Dividend to shareholders		-538	-496
Transfer of treasury shares		-	-
Change in interest-bearing liabilities		1,516	514
<b>Cash flow from financing activities</b>		<b>978</b>	<b>18</b>
Cash flow for the period		9	-75
Cash and cash equivalents at beginning of period	33	23	98
<b>Cash and cash equivalents at end of period</b>	33	<b>32</b>	<b>23</b>

1) In the statement of cash flows, borrowings and loan repayments are recognised as a net amount. This is because the Group uses overnight processing, in which transactions are settled on a daily basis. For information regarding significant changes to the company's financing, please refer to page 53 in the Directors' Report.

## PARENT COMPANY PROFIT AND LOSS ACCOUNTS

SEK millions	Note	2015	2014
Net sales	37	146	130
Operating expenses	38	-225	-212
<b>Operating profit/loss</b>	1-3, 6, 16, 41	<b>-79</b>	<b>-82</b>
Profit from shares and participations in Group companies	39	333	1,466
Profit from other securities and receivables that are non-current assets	11, 13	559	545
Unrealised changes in value, fixed income derivatives	26	262	-473
Interest income	12	0	0
Interest expenses	12	-705	-683
<b>Profit/loss before tax</b>		<b>370</b>	<b>773</b>
Tax on profit for the year	14	-	-
Deferred tax	14	8	193
<b>Profit for the year</b>		<b>378</b>	<b>966</b>

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	2015	2014
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Property, plant and equipment</b>			
Equipment	16	1	1
<b>Total property, plant and equipment</b>		<b>1</b>	<b>1</b>
<b>Non-current financial assets</b>			
Shares and participations in Group companies	40	12,592	12,992
Receivables from Group companies		41,103	39,003
Other long-term securities holdings	19	8	286
Deferred tax assets	27	352	344
Other non-current receivables	20	428	254
<b>Total non-current financial assets</b>		<b>54,483</b>	<b>52,879</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>54,484</b>	<b>52,880</b>
<b>CURRENT ASSETS</b>			
<b>Current receivables</b>			
Tax assets		5	8
Other receivables		59	1,027
Prepaid expenses and accrued income		65	55
<b>Total current receivables</b>		<b>129</b>	<b>1,091</b>
<b>Cash and cash equivalents</b>	33	<b>30</b>	<b>21</b>
<b>TOTAL CURRENT ASSETS</b>		<b>159</b>	<b>1,111</b>
<b>TOTAL ASSETS</b>		<b>54,643</b>	<b>53,991</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	23		
Restricted shareholders' equity			
Share capital		5,097	5,097
Statutory reserves/Share premium account		3,166	3,166
<b>Unrestricted equity</b>			
Retained earnings		3,660	3,232
Profit for the year		378	966
<b>Total shareholders' equity</b>		<b>12,301</b>	<b>12,461</b>
<b>Provisions</b>			
Provisions for pensions	28	68	68
<b>Total provisions</b>		<b>68</b>	<b>68</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	24, 25	12,736	12,130
Derivatives	26	658	920
Liabilities to subsidiaries		21,724	21,658
<b>Total non-current liabilities</b>		<b>35,118</b>	<b>34,708</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	24, 25	7,012	6,651
Trade payables		8	7
Tax liabilities		-	-
Other liabilities		19	2
Accrued expenses and deferred income	29	117	94
<b>Total current liabilities</b>		<b>7,156</b>	<b>6,754</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>54,643</b>	<b>53,991</b>
<b>Pledged assets</b>	30	<b>20,197</b>	<b>16,885</b>
<b>Contingent liabilities</b>	30	<b>1,926</b>	<b>4,482</b>

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK millions	Note	Share capital	Statutory reserves	Unrestricted equity	Total shareholders' equity
	23				
<b>Shareholders' equity 31 December 2013</b>		5,097	3,166	3,728	11,991
Profit for the year				966	966
<b>Total income and expenses for the period</b>				966	966
Cash dividend				-496	-496
<b>Shareholders' equity 31 December 2014</b>		5,097	3,166	4,198	12,461
Profit for the year				378	378
<b>Total income and expenses for the period</b>				378	378
Cash dividend				-538	-538
<b>Shareholders' equity 31 December 2015</b>		5,097	3,166	4,038	12,301

## PARENT COMPANY STATEMENT OF CASH FLOWS

SEK millions	Note	2015	2014
<b>OPERATING ACTIVITIES</b>			
Operating loss excl. depreciation		-80	-82
Interest received		838	755
Interest paid	31	-705	-686
Income tax paid		3	-111
<b>Cash flow before change in working capital</b>		56	-124
<b>Change in working capital</b>			
Current receivables		958	-997
Current liabilities		41	2
<b>Total change in working capital</b>	32	999	-995
<b>Cash flow from operating activities</b>		1,055	-1,119
<b>INVESTING ACTIVITIES</b>			
Acquisition of interests in Group companies		-	-
Other non-current financial assets		-1,474	2,516
<b>Cash flow from investing activities</b>		-1,474	2,516
<b>FINANCING ACTIVITIES</b>			
Dividends paid		-538	-496
Group contributions received and paid		-67	-234
Repurchase/divestment of treasury shares		0	0
Loans received/repayment of loans		1,033	-744
<b>Cash flow from financing activities</b>		428	-1,474
Change in cash and cash equivalents		9	-77
Cash and cash equivalents at beginning of period	33	21	98
<b>Cash and cash equivalents at end of period</b>	33	30	21

# 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 2015. The Group also applies Recommendation RFR 1 (Supplementary Accounting Rules for Corporate Groups) of the Swedish Financial Reporting Board, which specifies the additions to IFRS disclosures that are required under provisions contained in the Swedish Annual Accounts Act. The annual accounts of the Parent Company have been prepared in accordance with the Annual Accounts Act, Recommendation RFR 2 Accounting for Legal Entities of the Swedish Financial Reporting Board and statements issued by the Swedish Financial Reporting Board. The Parent Company's accounts comply with the Group's policies, except in respect of what is stated below in the section entitled Differences between the accounting policies of the Group and the Parent Company. Items included in the annual accounts have been stated at cost, except in respect of revaluations of investment properties and in respect of financial instruments measured at fair value. The following is a description of significant accounting policies that have been applied.

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

#### Interests in associated companies and joint ventures

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. A joint venture is a joint arrangement (see below) whereby the parties that have joint control of the arrangement have rights to the net assets. In the consolidated financial statements, these holdings are recognised in accordance with the equity method. Interests in associated companies and joint ventures are recognised in the balance sheet at cost after adjusting for changes in the Group's share of the associated company's and joint venture's net assets, less any decrease in the fair value of individual interests.

#### Holdings in joint operations

A holding in a joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and have obligations regard-

ing the liabilities that derive from the business. Joint control is regulated in agreements and only exists when the parties that share the control are required to give their consent to the relevant operations.

For joint operations, Fabege recognises its share of assets, liabilities, revenue and costs, as well as its share of joint assets, liabilities, revenue and costs item by item in the consolidated accounts. Transactions and other dealings with joint operations have been eliminated in the consolidated financial statements.

#### 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.

#### Revenue recognition

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

#### Property, plant and equipment

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

#### Impairment losses

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

Note 2 cont.

#### 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 arises between the carrying amount of assets and the tax value used in calculating the taxable profit. Deferred tax is recognised in accordance with the balance sheet liability method. Deferred tax liabilities are recognised for practically all taxable temporary differences, and deferred tax assets are recognised when it is likely that the amounts can be used to offset future taxable profits. The carrying amount of deferred tax assets is tested for impairment at the end of each financial year and an impairment loss is recognised to the extent that it is no longer probable that sufficient taxable profits will be available against which the deferred tax asset can be fully or partially offset. 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

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

#### 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.

#### Offsetting of financial assets and liabilities

Financial assets and liabilities are offset against each other and the net amount is recognised in the balance sheet when there is a legal right of set-off and there is an intention to settle the items by a net amount or to simultaneously realise the asset and settle the liability.

#### 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. Fabège's trade receivables are recognised at the amount that is expected to be received after deducting for uncertain receivables, which are assessed individually. The expected maturity of a trade receivable is short, and the value is therefore recognised at the nominal amount with no discount. Impairment of trade receivables is recognised in operating expenses.

#### Non-current and other receivables

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

#### Derivatives

Fabège 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

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

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

### 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 2015

Other new and amended standards and interpretations that entered into force as of 1 January 2015 have had no material impact on the Group's 2015 financial statements.

### New or amended IFRS standards and new interpretations that have yet to come into effect:

The new or amended standards and new interpretations that have been issued by the International Accounting Standards Board (IASB) and IFRS Interpretation Committee (IFRIC), but that do not come into effect until after 1 January 2016 have not yet been applied by the Group. Those that are expected to impact the consolidated financial statements in the period in which they are first applied are described below.

Standards	To be applied to the financial year commencing:
IFRS 9 Financial Instruments	1 January 2018 or later
IFRS 16 Leases	1 January 2019 or later

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. IFRS 9 contains new principles regarding the classification and measurement of financial assets. The measurement category into which a financial asset is placed will be determined partly by the company's objective as regards the asset holding (i.e. the company's business model), and partly by the financial asset's contractual cash flows. The new standard also contains new rules for impairment testing of financial assets, which mean that the previous incurred loss method is being replaced by a new 'expected loss' method. IFRS 9 is applicable for the financial year commencing on 1 January 2018 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.

IFRS 16 Leases was issued on 13 January 2016 and is to replace IAS 17 Leases. IFRS 16 introduces a right of use model and for the lessee it generally means that all leases are to be recognised in the balance sheet. Leases do not therefore need to be classified as operating or financial leases. Exceptions include leases with a lease period of 12 months or less, as well as leases of minimal value. Depreciation of the asset and interest expenses on the debt are recognised in the income statement. IFRS 16 does not entail any actual differences compared with IAS 17 for Fabège as a lessor. IFRS 16 is applicable for the financial year commencing on 1 January 2019, with earlier application permitted provided that IFRS 15 is applied at the same time. The standard has not yet been adopted by the EU.

Management has yet to conduct a detailed analysis of the impact of the application of IFRS 9 and IFRS 16 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.

### 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 2015 financial year have not had any material impact on the Parent Company's financial statements.

#### Amendments to RFR 2 that have not yet come into effect

Management's assessment is that other changes to RFR 2 that have not yet come into effect, and that apply as of 1 January 2016, will not have any material impact on the Parent Company's financial statements when they are applied for the first time.

## NOTE 3 Financial instruments and financial risk management

### Supply of capital

Because Fabège 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 16,479m (13,783), interest-bearing liabilities to SEK 21,068m (19,551) and other liabilities to SEK 4,204m (114). Fabège's obligations concerning covenants are similar in the various credit agreements and stipulate, in addition to being listed on a stock market, an equity/assets ratio of at least 25 per cent and an interest coverage ratio of at least 1.5. At property level, the loan-to-value ratios from a mortgaging perspective vary between 60 and 75 per cent, depending on the type of property and financing.

Financial targets	Long-term targets	Result 31/12/15	Result 31/12/14
Return on equity, %	<sup>1)</sup>	21.4	13.2
Equity/assets ratio, %	minimum 30	39	38
Equity/assets ratio after adjustment, % <sup>2)</sup>		39	40
Interest coverage ratio, multiple	at least 2.0	2.1	2.4
Loan-to-value ratio, %	maximum 60	52	60
Loan-to-value ratio after adjustment, % <sup>2)</sup>		52	56

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

<sup>2)</sup> 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, Fabège is exposed to financial risks. In particular, Fabège 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. Fabège's finance policy, as adopted by the Board of Directors, specifies how financial risks are to be

Note 3 cont.

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 across several different sources of funding. Fabège's finance policy states that unused credit facilities must be available to ensure good liquidity. Agreements on committed long-term credit lines with defined terms and conditions and revolving credit facilities have been concluded with the 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 1,739m, 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.

The average year-end loan-to-value ratio was 52 per cent (60). The comparable loan-to-value ratio for the previous year, adjusted for purchase considerations for sold and derecognised properties, and for restricted amounts for loans that were paid off at the beginning of 2015, totalling SEK 1,422m, was 56 per cent. Fabège has a commercial paper programme of SEK 5,000m. At year-end, outstanding commercial paper amounted to SEK 3,805m (2,889). Fabège has available long-term credit facilities covering all outstanding commercial papers at any given time.

#### Liquidity flows

Year	Calculated at 31 Dec 2015				Calculated at 31 Dec 2014			
	Loan maturity	Interest on loan	Interest on derivative instruments	Total	Loan maturity	Interest on loan	Interest on derivative instruments	Total
2015					-7,071	-216	-308	-7,595
2016	-7,059	-156	-391	-7,606	-7,867	-115	-291	-8,273
2017	-3,441	-109	-296	-3,847	-110	-61	-214	-385
2018	-4,897	-72	-184	-5,153	-190	-59	-120	-369
2019	0	-50	-85	-135	0	-58	-36	-94
2020	0	-50	-69	-119	0	-58	-24	-82
2021	-425	-49	-58	-532	0	-58	-16	-74
2022	0	-49	-36	-85	0	-58	0	-58
2023	0	-49	-25	-74	0	-58	0	-58
2024	-2,059	-38	-14	-2,110	-2,062	-44	0	-2,107
2025	-1,934	-20	-2	-1,956	-997	-24	0	-1,021
2026-2038	0	-73	0	-73	0	-110	0	-110
2039	-1,253	-6	0	-1,259	-1,253	-8	0	-1,262
	<b>-21,068</b>	<b>-720</b>	<b>-1,160</b>	<b>-22,948</b>	<b>-19,551</b>	<b>-927</b>	<b>-1,009</b>	<b>-21,488</b>

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 December 2015

Year, due	Loan commitment, amount, SEKm	Drawn amount, SEKm
Commercial paper programme	5,000	3,805
< 1 year	6,138	3,254
1-2 years	4,346	3,441
2-3 years	6,652	4,897
3-4 years	—	—
4-5 years	425	425
5-10 years	3,993	3,993
10-15 years	—	—
15-20 years	—	—
20-25 years	1,253	1,253
<b>Total</b>	<b>27,807</b>	<b>21,068</b>

#### Interest-rate risk

Interest risk refers to the risk that changes in interest rates will affect the Group's borrowing expense. Interest expenses constitute the Group's single largest expense item.

Under its adopted finance policy, the 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 a change in interest rates affects the Group's short-term and long-term earnings. Interest-bearing liabilities at 31 December were SEK 21,068m (19,551) with an average interest rate of 2.58 per cent (3.09), excluding the cost of committed lines of credit, or 2.67 per cent (3.21) including this cost. Outstanding commercial paper accounted for SEK 3,805m (2,889) of total liabilities. The total loan volume at 31 December included loans for works in progress of SEK 2,592m (656), on which interest of SEK 46m (13) has been capitalised. The average fixed-rate term of the loans, including the effects of exercised derivatives, was 2.5 years (1.9) at 31 December. The average maturity was 4.1 years (3.7).

The average fixed-rate period for Fabège's loan portfolio was 2.5 years, including the effects of derivative instruments. The average fixed interest term for variable-interest loans was 89 days. Fabège's derivatives portfolio comprised interest-rate swaps totalling SEK 9,000m with terms of maturity extending through 2025 and carrying fixed interest at annual rates of between 0.85 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 70 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 the profit and loss account. At 31 December, the recognised negative fair value adjustment of the portfolio was SEK 658m (920). 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 262m (-473). 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. derivatives products) shows a surplus value of SEK 0m (0). For all other financial assets and liabilities, unless otherwise stated in the Notes, the carrying amount is considered a solid approximation of fair value. Net financial items included other financial expenses of SEK 24m (11), mainly pertaining to up front fees for borrowing agreements and running costs for the commercial paper programme. Interest expenses linked to the liabilities are incurred over the course of the remaining maturities. Trade payables and other current liabilities mature within 365 days of the balance sheet date. Fabege's obligations arising from these financial liabilities are largely met by rent payments from tenants, most of which are payable on a quarterly basis.

#### Interest rate maturity structure, 31 December 2015

Year, due	SEKm	Average interest rate, %	Share, %
< 1 year	8,033	2.79	38
1-2 years	3,285	2.46	16
2-3 years	4,750	3.37	22
3-4 years	1,000	2.13	5
4-5 years	—	—	—
5-6 years	1,000	2.68	5
6-7 years	800	0.99	4
7-8 years	700	1.00	3
8-9 years	700	1.04	3
9-10 years	800	1.01	4
<b>Total</b>	<b>21,068</b>	<b>2.58</b>	<b>100</b>

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.

#### Financial assets and liabilities by measurement category, Group

	Financial assets measured at fair value in profit or loss		Loans and receivables		Other liabilities	
	2015	2014	2015	2014	2015	2014
<b>Financial assets</b>						
Receivables from associated companies			421	335		
Other long-term securities holdings	7	285				
Other non-current receivables			280	292		
Trade receivables			13	12		
Other receivables			365	1,791		
Accrued income			66	56		
Short-term investments	70	34				
Cash and cash equivalents			32	23		
<b>Total</b>	<b>77</b>	<b>319</b>	<b>1,177</b>	<b>2,509</b>	<b>0</b>	<b>0</b>
<b>Financial liabilities</b>						
Liabilities to credit institutions					21,068	19,551
Derivatives	658	920				
Trade payables					328	58
Other liabilities					108	76
Accrued expenses	73	44			115	181
<b>Total</b>	<b>731</b>	<b>964</b>	<b>0</b>	<b>0</b>	<b>21,619</b>	<b>19,866</b>

#### 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 finance policy, that only creditworthy counterparties be accepted in financial transactions. Credit risk arising from financial counterparties is limited through netting/ISDA agreements and was deemed to be non-existent at year-end. As regards trade receivables, the policy states that customary credit 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.

Note 3 cont.

Profit/loss from financial instruments by measurement category, Group

	Financial assets measured at fair value in profit or loss		Loans and receivables		Other liabilities	
	2015	2014	2015	2014	2015	2014
Rental income			-9	-12		
Interest income			31	25		
Interest expenses	-373	-258			-240	-431
Unrealised changes in value, derivative instruments	262	-473				
Changes in value, equities	10	19				
<b>Total</b>	<b>-101</b>	<b>-712</b>	<b>22</b>	<b>13</b>	<b>-240</b>	<b>-431</b>

Financial assets and liabilities by measurement category, Parent Company

	Financial assets measured at fair value in profit or loss		Loans and receivables		Other liabilities	
	2015	2014	2015	2014	2015	2014
<b>Financial assets</b>						
Receivables from Group companies			41,103	39,003		
Other long-term securities holdings	8	286				
Other non-current receivables			428	254		
Other receivables			59	1,027		
Accrued income			65	55		
Cash and cash equivalents			30	21		
<b>Total</b>	<b>8</b>	<b>286</b>	<b>41,685</b>	<b>40,360</b>	<b>0</b>	<b>0</b>
<b>Financial liabilities</b>						
Liabilities to subsidiaries					21,724	21,658
Liabilities to credit institutions					19,748	18,781
Derivatives	658	920				
Trade payables					8	7
Accrued expenses	73	44			44	50
<b>Total</b>	<b>731</b>	<b>964</b>	<b>0</b>	<b>0</b>	<b>41,524</b>	<b>40,496</b>

	Financial assets measured at fair value in profit or loss		Loans and receivables		Other liabilities	
	2015	2014	2015	2014	2015	2014
Net sales			-9	-12		
Interest income			549	571		
Interest expenses	-373	-258			-332	-425
Unrealised changes in value, derivative instruments	262	-473				
Changes in value, equities	10	19				
<b>Total</b>	<b>-101</b>	<b>-712</b>	<b>540</b>	<b>559</b>	<b>-332</b>	<b>-425</b>

**NOTE 4** Significant estimates and assessments for accounting purposes

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

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

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

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

**NOTE 5** Segment accounting

	Property Management Jan–Dec 2015	Property Development Jan–Dec 2015	Transactions Jan–Dec 2015	Total Jan–Dec 2015	Property Management Jan–Dec 2014	Property Development Jan–Dec 2014	Transactions Jan–Dec 2014	Total Jan–Dec 2014
Rental income	1,888	110		1,998	1,988	99		2,087
Property expenses	-517	-52		-569	-561	-41		-602
<b>Net operating income</b>	<b>1,371</b>	<b>58</b>		<b>1,429</b>	<b>1,427</b>	<b>58</b>	<b>0</b>	<b>1,485</b>
Surplus ratio, %	73	53		72	72	59	0	71
Central administration and marketing	-57	-8		-65	-60	-7		-67
Net interest expense	-515	-67		-582	-606	-58		-664
Share in profit/loss of associated companies	-94			-94	-69	-3		-72
<b>Profit/loss from Property Management</b>	<b>705</b>	<b>-17</b>	<b>0</b>	<b>688</b>	<b>692</b>	<b>-10</b>	<b>0</b>	<b>682</b>
Realised changes in value, properties			21	21			300	300
Unrealised changes in value, properties	2,603	649		3,252	1,063	276		1,339
<b>Profit before tax per segment</b>	<b>3,308</b>	<b>632</b>	<b>21</b>	<b>3,961</b>	<b>1,755</b>	<b>266</b>	<b>300</b>	<b>2,321</b>
Change in value, fixed income derivatives and equities				272				-454
<b>Profit/loss before tax</b>				<b>4,233</b>				<b>1,867</b>
Properties, market value	32,626	7,653		40,279	28,715	3,844		32,559
Occupancy rate, %	94	79		93	95	77		94

In accordance with IFRS 8, segments are presented from the point of view of management, divided into the following segments: Property Management, Property Development and Transactions. Investment properties pertain to properties that are being actively managed on an ongoing basis. Development properties pertain to properties in which new builds, extensions or conversions are in progress or planned that have a significant impact on the property's net operating income. Net operating income is affected either directly by the project or by limitations on lettings prior to impending improvement work. Recently acquired properties (within one year) with work in progress to significantly improve the property's net operating income in relation to the date of acquisition are also included. Pure land properties are included in this segment. Transactions pertain to the properties that were divested during the year. Capital gains from property sales are recognised in this segment. Rental income and property expenses, as well as unrealised changes in value are directly attributed to properties in the 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. The Uarda 1 property has been split up into three properties via reallocation. In the first quarter, Uarda 1 was reclassified from a project property to an investment property. Uarda 6 and Uarda 7 were created via reallocation. The latter two are still classed as project properties. The newly acquired properties Stora Frösunda 2, Hagalund 2:2, Solna and Lagern 2, Råsunda, are all classified as project properties and are included in the Property Development segment. The Järvakrogen 3 property was transferred to the Property Management segment in connection with its completion. One additional property was reclassified from Property Management to Property Development during the fourth quarter.

**NOTE 6** Employees and salary costs, etc.

Average no. of employees	2015	Of which, men	2014	Of which, men
Parent Company	37	13	31	11
Subsidiaries	104	75	101	74
<b>Group, total</b>	<b>141</b>	<b>88</b>	<b>132</b>	<b>85</b>
	Salaries and other remuneration 2015	Social security contributions 2015	Salaries and other remuneration 2014	Social security contributions 2014
Parent Company	29	23	27	21
– of which, pension expenses		10		11
Subsidiaries	58	33	52	29
– of which, pension expenses		10		8
<b>Group, total</b>	<b>87</b>	<b>56</b>	<b>79</b>	<b>50</b>
<b>– of which, total pension expenses</b>		<b>20</b>		<b>19</b>

## Gender distribution in the Board of Directors and senior executives

	The Board 2015	The Board 2014	Senior executives 2015	Senior executives 2014
Men	5	5	4	5
Women	2	2	2	2
<b>Total</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>7</b>

## Remuneration of senior executives

The term 'Other senior executives' refers to the three individuals who together with the Chief Executive Officer and the two Deputy CEOs made up the Executive Management Team in 2015. During the year, the Executive Management Team consisted of the CEO, the Deputy CEO and CFO, the Deputy CEO and Director of Business Development, Director of Projects and Development, Director of Technical Operations and Director of Property Management. The remuneration paid to senior executives is based on market terms in accordance with the guidelines adopted by the AGM. For the current composition of the Executive Management Team, see page 93.

Fabege has a profit-sharing fund covering all employees of the company. Allocations to the profit-sharing fund are based on the achieved return on equity and capped at one base amount per year per employee. For 2015, provisions of about SEK 7.1m (6.8), 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.

Note 6 cont.

#### Pension

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

#### Severance pay

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

#### Basis of preparation

The Board of Directors 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 2015, total Directors' fees of SEK 1,950,000 (1,920,000) 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 1,150,000 (1,120,000). No other fees or benefits were paid to the Board.

#### Remuneration and other benefits to senior executives, SEK 000s

Executive Management Team 2015	Salary/ Fee	Other benefits	Pension	Total	Group	
					2015	2014
Chief Executive Officer	4,573	139	1,666	6,378		
Deputy CEO	4,324	245	1,204	5,773		
Other senior executives	4,694	193	1,617	6,504		

Of which, variable remuneration was paid totalling SEK 900,000 (765,000) to the CEO, SEK 835,000 (584,000) to two Deputy CEOs and SEK 506,000 (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 year-end.

Executive Management Team 2014	Salary/ Fee	Other benefits	Pension	Total	Group	
					2015	2014
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		

Board of Directors	2015			2014		
	Fee, Board Member	Fee, Audit Committee	Total	Fee, Board Member	Fee, Audit Committee	Total
Erik Paulsson (Chairman)	800	—	800	800	—	800
Eva Eriksson	200	40	240	200	30	230
Märtha Josefsson	200	70	270	200	60	260
Pär Nuder	200	40	240	200	30	230
Svanie Paulsson	200	—	200	200	—	200
Mats Qviberg	200	—	200	200	—	200
<b>Total</b>	<b>1,800</b>	<b>150</b>	<b>1,950</b>	<b>1,800</b>	<b>120</b>	<b>1,920</b>

## 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	
	2015	2014
<b>Maturity:</b>		
Within 1 year	317	369
1 to 5 years	1,223	1,072
Later than 5 years	465	499
Residential, garage/parking	131	110
<b>Total</b>	<b>2,136</b>	<b>2,050</b>

The difference between total rents at 31 December 2015 and income, as stated in profit or loss for 2015, is due to bought/sold properties, renegotiations and changes in occupancy rates in 2015. 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	
	2015	2014
Operating expenses, maintenance and tenant adaptations	-269	-299
Property tax	-142	-145
Ground rent	-23	-28
VAT expense	-8	-11
Property/project admin and lettings	-127	-119
<b>Total</b>	<b>-569</b>	<b>-602</b>

## 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	
	2015	2014
<b>Realised changes in value:</b>		
Sale proceeds	26	3,889
Carrying amount and expenses	-5	-3,589
	21	300
<b>Unrealised changes in value:</b>		
Changes in value relating to properties owned at 31 Dec 2015	3,249	1,303
Changes in value relating to properties divested during the year	3	36
	3,252	1,339
<b>Total realised and unrealised changes in value</b>	<b>3,273</b>	<b>1,639</b>

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

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

	Group	
	2015	2014
<b>Gain from property sales, full year:</b>		
Sale proceeds	26	3,889
Carrying amount and expenditure (based on value at beginning of the year) excl. changes in value on sold properties	-2	-3,553
	24	336
<b>Unrealised changes in value:</b>		
Changes in value relating to existing properties	3,249	1,303
	3,249	1,303
<b>Total realised and unrealised changes in value</b>	<b>3,273</b>	<b>1,639</b>
<b>Breakdown between positive and negative results:</b>		
Positive	3,372	1,710
Negative	-99	-71
<b>Total</b>	<b>3,273</b>	<b>1,639</b>

### NOTE 11 Profit from other securities and receivables that are non-current assets

	Group		Parent Company	
	2015	2014	2015	2014
Interest income, Group companies	—	—	538	565
Interest income, promissory notes	30	23	11	103
Profit from other securities	10	—	10	-123
<b>Total</b>	<b>40</b>	<b>23</b>	<b>559</b>	<b>545</b>

### NOTE 12 Interest income and interest expenses

	Group		Parent Company	
	2015	2014	2015	2014
Interest income	1	2	0	0
<b>Total</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>
Interest expenses	-613	-689	-705	-683
<b>Total</b>	<b>-613</b>	<b>-689</b>	<b>-705</b>	<b>-683</b>

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 10m (19) pertains to the realised and unrealised profit from shares in Catena AB of SEK 11m (17) and loss of SEK -1m (2) from shares in AIK Fotboll AB.

### NOTE 14 Tax on profit for the year

	Group		Parent Company	
	2015	2014	2015	2014
Current tax	-2	-4	0	0
Current tax attributable to tax cases	0	-57 <sup>1)</sup>	—	—
<b>Total current tax</b>	<b>-2</b>	<b>-61</b>	<b>0</b>	<b>0</b>
Deferred tax	-999	-68	8	193
<b>Total tax</b>	<b>-1,001</b>	<b>-129</b>	<b>8</b>	<b>193</b>
Nominal tax (22%) on profit after financial items	-931	-411	-81	-170
<b>Tax effects of adjustment items:</b>				
Adjustment for deficits and temporary differences from previous years	-35	81	—	—
Dividends from subsidiaries	—	—	176	374
Impairment of participations in subsidiaries	—	—	-88	—
Tax-exempt profit/loss from sale of Group companies/properties	7	270	—	—
Tax exempt profit/loss from associated companies and other securities holdings	-17	-10	4	-6
Current tax attributable to tax cases	—	-57	—	—
Other	-25	-2	-3	-5
<b>Total tax</b>	<b>-1,001</b>	<b>-129</b>	<b>8</b>	<b>193</b>

1) 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 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 2015, the properties were valued by Newsec Analys AB and Cushman & Wakefield. The properties are valued on an ongoing basis throughout the year. On-site inspections were carried out in all properties on at least one occasion during the period 2013–2015. 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 7.0 per cent (7.4) and is based on the nominal yield on five-year government bonds plus a premium for property-related risk. The risk premium is set individually based on the stability of the tenant and the length of the lease. The weighted required yield at the end of the calculation period was 4.9 per cent (5.4). The residual value is also present valued at the end of the calculation period. The residual value is the market value of the leasehold/property at the end of the period of calculation, which is estimated on the basis of forecast net operating income for the first year after the calculation period.

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

### Valuation of other project properties

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

Valuation assumptions	2015	2014
Annual inflation, %	2.0	2.0
Weighted discount rate, %	7.0	7.4
Weighted required yield, residual value, %	4.9	5.4
Average long-term vacancy, %	4.4	3.6
Operations and maintenance:		
Commercial, SEK/sqm	296	314

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

Market values 31 December 2015	SEKm	Weighted yield, %	Change in value, %
Inner city	17,064	4.64	9.0
Solna	19,918	5.12	8.6
Hammarby Sjöstad	3,200	5.45	10.6
Other markets	97	–	10.3
<b>Total</b>	<b>40,279</b>	<b>4.94</b>	<b>10.0</b>

Market values 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
<b>Total</b>	<b>32,559</b>	<b>5.41</b>	<b>4.3</b>

	Group	
	2015	2014
Opening fair value	32,559	33,384
Property acquisitions	1,600	105
Investments in new builds, extensions and conversions	2,879	1,266
Changes in value, existing property portfolio	3,249	1,303
Changes in value relating to properties properties	3	36
Sales and disposals	–11	3,535
<b>Closing fair value</b>	<b>40,279</b>	<b>32,559</b>

### Sensitivity analysis – property value

Change in value before tax, per cent	Impact on earnings, SEKm	Equity/assets ratio, %	Loan-to-value ratio, %
+1	314	39.8	51.8
0	0	39.5	52.3
–1	–314	39.1	52.8

Sensitivity analysis, change in value	Assumption	Impact on value, SEKbn
Rent	+/-10%	3.8
Running cost	+/-50 SEK/sqm	1.0
Yield requirement	+/-0.25%	2.0
Long-term vacancy rate	+/-2%	0.9

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.

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

**NOTE 16** Equipment

	Group		Parent Company	
	2015	2014	2015	2014
Cost at beginning of year	19	18	6	6
Investments	0	1	0	0
Sales and disposals	0	0	0	0
Closing accumulated cost	19	19	6	6
Opening depreciation	-18	-17	-5	-5
Sales and disposals	0	0	0	0
Depreciation for the year	0	-1	0	0
Closing accumulated depreciation	-18	-18	-5	-5
<b>Carrying amount</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

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 companies<sup>1)</sup>

	Group		Parent Company	
	2015	2014	2015	2014
Opening carrying amount	631	778	0	0
Acquisitions	52	—	—	—
Divestments	—	—	—	—
Impairment losses	—	—	—	—
Share in profit/loss	-94	-72	—	—
Dividends	-427	-90	—	—
Reclassification	55	15	—	—
Closing carrying amount	217	631	0	0
<b>Carrying amount</b>	<b>217</b>	<b>631</b>	<b>0</b>	<b>0</b>

In 2015, promissory notes pertaining to Swedish Arena Management have been converted to contributions corresponding to the year's recognised profit participation of SEK 60m.

Name/Corp. Reg. No.	Registered office	Equity share in % <sup>2)</sup>	Carrying amount 2015	Carrying amount 2014
Råsta Administration AB 556702-8682	Stockholm	20.0	0	0
Projektbolaget Oscarsborg AB 556786-3419	Stockholm	50.0	2	2
TCL Sarl <sup>4)</sup> 19982401227	Luxembourg	50.0	35	244
Värtan Fastigheter KB 969601-0793	Stockholm	50.0	6	5
Global Crossing Conference Ltd 3330786359 <sup>4)</sup>	Stockholm	50.0	0	131
Visio Utveckling AB 556848-9032	Stockholm	50.0	52	0
Arenabolaget i Solna KB <sup>3)</sup> 969733-4580	Stockholm	22.8	111	237

Name/Corp. Reg. No.	Registered office	Equity share in % <sup>2)</sup>	Carrying amount 2015	Carrying amount 2014
Arenabolaget i Solna AB 556742-6811	Stockholm	22.8	0	0
Swedish Arena Management KB 969733-6312	Stockholm	22.8	11	12
Swedish Arena Management AB 556742-6829	Stockholm	22.8	0	0
			<b>217</b>	<b>631</b>

- 1) Read more about associated companies in Note 34.
- 2) Also applies to the share of votes for the total number of shares.
- 3) Arenabolaget will own and manage Friends Arena. The company's income comprises rent from Swedish Arena Management KB. The company is a partner in a number of joint facilities.
- 4) In connection with restructuring, the subsidiaries of TCL Sarl, Tornet Bostad AB and Tornet Holding AB, have been acquired and are wholly owned by Fabège. A 50% stake has been acquired in Global Crossing Ltd.'s subsidiary Visio Utveckling AB; the remaining share is owned by Peab AB.

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	
	2015	2014
<b>Profit and loss account</b>		
Rental income	72	457
Net operating income	-135	-89
Profit for the year	-339	-239
<b>Balance sheet</b>		
Non-current assets	3,906	6,686
Current assets	576	952
<b>Total assets</b>	<b>4,482</b>	<b>7,638</b>
Shareholders' equity	756	1,424
Minority shares	53	88
Provisions	0	0
Other liabilities	3,673	6,126
<b>Total shareholders' equity and liabilities</b>	<b>4,482</b>	<b>7,638</b>
<b>The Group's share of net assets in associated companies</b>	<b>266</b>	<b>588</b>

**Joint venture**

The Group has one significant joint venture. Fabège conducts financial operations in an associated company. Operations consist of conducting financing operations through the raising of loans in the capital market, and lending operations through the issue of cash loans. The aim is to expand the company's financing base with a new source of financing. In January 2015, Nya Svensk Fastighetsfinansiering AB was launched, a newly formed finance company with a covered MTN programme of SEK 8,000m. The company is owned by Catena AB, Diös Fastigheter AB, Fabège AB, Platzer Fastigheter Holding AB and Wihlborgs Fastigheter AB, each owning 20 per cent. The bonds are secured by property mortgage deeds. Nya SFF has issued covered bonds totalling SEK 3,528m, of which SEK 706m relates to green bonds. Within the framework of this programme, in 2015 Fabège issued covered property bonds totalling SEK 1,273m, of which SEK 406m relates to green bonds.

**NOTE 18** Receivables from associated companies

Receivables from associated companies pertain in their entirety to receivables from Visio Utveckling AB totalling SEK 421m. Last year the item was also affected by receivables from Visio Explorering AB of SEK 226m, as well as Arenabolaget i Solna totalling SEK 109m. The receivables carry market interest rates.

**NOTE 19** Other long-term securities holdings

	Group		Parent Company	
	2015	2014	2015	2014
Cost at beginning of year	285	353	286	354
Acquisitions/Investments	—	—	—	—
Changes in value	36	23	36	23
Sales	-315	-91	-315	-91
Reclassification from participations in associated companies	—	—	—	—
Reclassification to participations in associated companies	—	—	—	—
Cost at end of year	7	285	8	286
<b>Carrying amount</b>	<b>7</b>	<b>285</b>	<b>8</b>	<b>286</b>

Holdings	Carrying amount
AIK Fotboll AB – Fabege's capital share is 18.5 per cent and the number of shares 4,042,649	7
<b>Total</b>	<b>7</b>

**NOTE 20** Other non-current receivables

	Group		Parent Company	
	2015	2014	2015	2014
<b>Maturity:</b>				
1 to 5 years after balance sheet date	280	292	428	254
Later than 5 years from balance sheet date	0	0	0	0
<b>Total</b>	<b>280</b>	<b>292</b>	<b>428</b>	<b>254</b>

Carrying amount is a good approximation of the fair value.

**Group**  
Other non-current receivables pertain primarily to promissory note receivables.

**NOTE 21** Accounts receivable

Age structure – overdue accounts receivable	Group	
	2015	2014
0–30 days	12	8
31–60 days	0	0
61–90 days	1	1
> 90 days	9	15
Of which, provisions	-9	-12
<b>Total</b>	<b>13</b>	<b>12</b>

**NOTE 22** Other receivables

In the Group, there is a current receivable of SEK 46m (44) from the associated company Oscarsborg and promissory notes that mature within one year totalling SEK 174m (129), of which SEK 85m (104) for the associated company Swedish Arena Management AB and SEK 23m (0) for Arenabolaget i Solna KB. On the balance sheet date, other receivables were affected by unsettled purchase considerations and restricted amounts of SEK 53m (1,422).

**NOTE 23** Shareholders' equity

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

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 3.50.

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

**NOTE 24** Overdraft facilities

	Group		Parent Company	
	2015	2014	2015	2014
Available credit limit	610	120	610	120
Unused share	-610	-108	-610	-108
<b>Used share</b>	<b>0</b>	<b>12</b>	<b>0</b>	<b>12</b>

**NOTE 25** Liabilities distributed by maturity

Interest-bearing liabilities	Group		Parent Company	
	2015	2014	2015	2014
Maturity up to 1 year from balance sheet date	7,059	7,071	7,012	6,651
Maturity 1 to 5 years from balance sheet date	8,763	8,167	8,429	7,817
Maturity later than 5 years from balance sheet date	5,246	4,313	4,307	4,313
<b>Total</b>	<b>21,068</b>	<b>19,551</b>	<b>19,748</b>	<b>18,781</b>

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	
	2015	2014	2015	2014
Long-term surplus value	65	—	65	—
<b>Total surplus value</b>	<b>65</b>	<b>—</b>	<b>65</b>	<b>—</b>
Short-term deficit	-39	—	-39	—
Long-term deficit	-684	-920	-684	-920
<b>Total deficit</b>	<b>-723</b>	<b>-920</b>	<b>-723</b>	<b>-920</b>
<b>Total</b>	<b>-658</b>	<b>-920</b>	<b>-658</b>	<b>-920</b>

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 the statement of comprehensive income 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	
	2015	2014	2015	2014
Cost at beginning of year	-521	-358	-521	-358
Acquisitions/Investments	—	—	—	—
Changes in value	125	-163	125	-163
Matured	—	—	—	—
Cost at end of year	-396	-521	-396	-521
Carrying amount	-396	-521	-396	-521

The change in value of SEK 125m (-163) pertains to derivative instruments held by the company at the end of the year, as shown in the statement of comprehensive income.

## NOTE 27 Deferred tax liability/tax asset

Deferred tax has been calculated on the basis of:	Group		Parent Company	
	2015	2014	2015	2014
Tax loss carryforwards	-1,092	-1,043	-208	-142
Difference between book and tax values in respect of properties	3,077	2,224	—	—
Derivatives	-144	-202	-144	-202
Other	-55	-61	—	—
Net deferred tax asset/liability	1,786	918	-352	-344

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 5.0bn (4.7). See also the section on tax in the Directors' Report, pages 52 and 60. Of the changes in deferred tax liabilities for the year, the use of profit from property management accounted for SEK -172m, sales of properties for SEK 2m, derivative instruments for SEK -58m and changes in value of properties for SEK -715m. In addition, SEK 132m is attributable to the acquisition of Tornet Bostad AB, SEK -44m is attributable to revaluation of loss, SEK -6m is attributable to (SFF), SEK -6m to divestment of companies, with minor items accounting for the remainder.

## NOTE 28 Provisions

Out of total provisions of SEK 149m (166), obligations relating to rental guarantees for divested properties accounted for SEK 8m (19), and SEK 107m (113) related to pension provisions. Other amounts refer to stamp duties on properties that are payable upon the sale of a property, SEK 34m (34).

	Rental guarantees	Other	Provisions for pensions	Total
At 1 Jan 2015	19	34	113	166
Provisions for the year	—	—	-2	-2
Used/paid during the year	-11	—	-4	-15
At 31 Dec 2015	8	34	107	149
Provisions comprise				
Long-term component	3	34	107	144
Short-term component	5	—	—	5
Total	8	34	107	149

### Rental guarantees

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

### Provisions for pensions

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

Fees for the year for pension insurance policies provided by Alecta were approximately SEK 5m (5). Alecta's surplus can be distributed to the policy owners and/or insured parties. At year-end 2015, Alecta's surplus, as expressed by the collective funding ratio, was preliminary 153 per cent (144). 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.

Fabega 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	
	2015	2014	2015	2014
Advance payment of rents	313	278	—	—
Accrued interest expenses	90	77	89	76
Other	98	148	28	18
Total	501	503	117	94

**NOTE 30** Pledged assets and contingent liabilities

Pledged assets	Group		Parent Company	
	2015	2014	2015	2014
Property mortgages	16,271	12,316	—	—
Shares in subsidiaries	5,234	3,880	—	—
Promissory notes	—	—	20,197	16,885
<b>Total</b>	<b>21,505</b>	<b>16,196</b>	<b>20,197</b>	<b>16,885</b>
<b>Contingent liabilities</b>				
Guarantees on behalf of subsidiaries	—	—	1,493	3,424
Guarantees and undertakings for the benefit of associated companies	333	958	333	958
Other	100	100	100	100
<b>Total</b>	<b>433</b>	<b>1,058</b>	<b>1,926</b>	<b>4,482</b>

The Group has pension commitments of SEK 31m (31), which are secured through a pension fund. The solvency ratio for the pension fund is 142 per cent (146). 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 634 (674), of which SEK 46m (13) was capitalised in investing activities. No interest capitalisation occurred in the Parent Company.

**NOTE 32** Changes in working capital

	Group		Parent Company	
	2015	2014	2015	2014
Change acc. to balance sheet	1,728	-3,128	1,002	-1,111
Change in receivables and liabilities pertaining to interest income, dividends and interest expenses, current tax and unregulated purchase considerations pertaining to properties sold	-686	2,107	-3	116
<b>Total</b>	<b>1,042</b>	<b>-1,021</b>	<b>999</b>	<b>-995</b>

**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 610m (108).

**NOTE 34** Transactions with related parties

Erik Paulsson, with his family and companies, holds a controlling influence in Hansan AB. In 2015, consulting services totalling SEK 2m (2) were procured.

Receivables from Projektbolaget Oscarsborg AB totalled SEK 46m (44) at 31 December 2015. 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 6m in the capital market. Promissory notes of SEK 428m (217) were issued to the associated company Visio. Fabege also has a promissory note receivable of SEK 85m (104) from Swedish Arena Management AB. The item was affected last year by promissory notes issued to SFF of SEK 28m and promissory note receivables of SEK 109m from Arenabolaget i Solna KB. 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, Fabege AB, Platzer Fastigheter Holding AB and Wihlborgs Fastigheter AB, each owning 20 per cent. The bonds are secured by property mortgage deeds. Nya SFF has issued covered bonds totalling SEK 3,528m, of which SEK 706m relates to green bonds. Within the framework of this programme, in 2015 Fabege issued covered property bonds totalling SEK 1,273m, of which SEK 406m relates to green bonds. 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 2015 and 2014 were SEK 3.50 per share and SEK 3.25 per share, respectively. At the AGM on 11 April 2016, the Board will propose a dividend for 2015 of SEK 3.50 per share, resulting in a total dividend payment of SEK 578,870,502. The dividend amount is based on the total number of outstanding shares at 31 January 2016, 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 29 February 2016.

The Annual General Meeting will be held on 11 April 2016.

**NOTE 37** Net sales

Parent Company income comprises mainly intra-Group invoicing.

**NOTE 38** Operating expenses

	Parent Company	
	2015	2014
Employee expenses	-64	-58
Administration and running costs	-161	-154
Depreciation of equipment	0	0
<b>Total</b>	<b>-225</b>	<b>-212</b>

### NOTE 39 Profit from shares and participations in Group companies

	Parent Company	
	2015	2014
Impairment of shares in subsidiaries	-400	—
Group contributions	-67	-234
Anticipated dividends on shares	800	1,700
<b>Total</b>	<b>333</b>	<b>1,466</b>

### NOTE 40 Shares and participations in Group companies

	Parent Company	
	2015	2014
Cost at beginning of year	14,389	14,389
Acquisitions and additions	—	—
Sales	—	—
<b>Closing accumulated cost</b>	<b>14,389</b>	<b>14,389</b>
Opening impairment	-1,397	-1,397
Impairment	-400	—
<b>Closing accumulated impairment losses</b>	<b>-1,797</b>	<b>-1,397</b>
<b>Carrying amount</b>	<b>12,592</b>	<b>12,992</b>

#### Directly owned subsidiaries

Name/Corp. Reg. No.	Registered office	Equity share in % <sup>1)</sup>	Carrying amount
Hilab Holding Stockholm AB 556670-7120	Stockholm	100	9,726
LRT Holding Company AB 556647-294	Stockholm	100	2,790
Fabege Holding Solna 556721-5289	Stockholm	100	0
Fabege V12 AB 556747-0561	Stockholm	100	76
Fabege V24 AB 556785-2636	Stockholm	100	0
Fabege V48 AB 556834-3437	Stockholm	100	0
Fabege V47 AB 556834-3429	Stockholm	100	0
Fabege Finansnyckeln III AB 556983-7601	Stockholm	100	0
<b>Total</b>			<b>12,592</b>

1) Also applies to the share of votes for the total number of shares.

The stated capital share includes shares from other Group companies. The Group comprises a total of 156 (170) companies.

### NOTE 41 Fees and remuneration to auditors

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

	Group		Parent Company	
	2015	2014	2015	2014
<b>Fees and remuneration for expenses, SEK 000s</b>				
<b>Deloitte:</b>				
Auditing assignments <sup>1)</sup>	2,800	2,846	2,800	2,846
Other auditing activities	200	180	200	180
Tax advisory services	0	0	0	0
Other services	0	30	0	30
<b>Total</b>	<b>3,000</b>	<b>3,056</b>	<b>3,000</b>	<b>3,056</b>

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

An agreement has been signed regarding the sale of the Uarda 5 property to Union Investment Real Estate GmbH. The sale is occurring in the form of a company with an underlying property value of SEK 2,257m. The transaction is generating a gain of SEK 159m before tax and SEK 420m after tax, which will be recognised in the first quarter of 2016. The transfer of ownership will occur on 1 March 2016.

# 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,

I have had the benefit of following Fabege over a long period of time, 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. 2015 was yet another fantastic year for the company. Rising rents on the Stockholm office market and a robust property market, combined with persistently low interest expenses provided favourable conditions for property companies. However, achieving success requires the strength and skill to grasp opportunities along the way. Fabege has entered an extremely exciting phase of development, in which value is created both through active, customer-focused management and several major ongoing projects, in particular the development of Arenastaden.

We Board members intend to propose a dividend of SEK 3.50 per share.

### Urban development and sustainability

Fabege works according to a value creation business model. A modern property portfolio in prime locations is the backbone and foun-

ation of exciting urban development. Of the company's areas, Arenastaden is perhaps the one that has enjoyed the most positive development in recent years. Arenastaden is the site of an entirely new district, featuring offices and housing, shops and experiences. A thriving district. This development took a few major steps forward in 2015, as much of the infrastructure fell into place and Unibail-Rodamco's shopping centre, Mall of Scandinavia, opened its doors. Fabege's office development in the area is taking off and during the year new leases were signed with high-profile customers such as Siemens, KPMG and ICA. But it is not only in Arenastaden that Fabege has been successful. The company is also creating value in Stockholm inner city and the other submarkets in Hammarby Sjöstad and Solna Business Park by taking advantage of business opportunities.

Meeting future demands for sustainable enterprise is also a prerequisite for continued positive development. That is why I am delighted that Fabege has been recognised as one of Europe's most sustainable property companies, according to the GRESB survey. This fantastic award encourages continued efforts, particularly in order to meet custom-

ers' demands for sustainable environments and workplaces.

### Corporate governance

Fabege runs efficient operations on the basis of set strategies with clear frameworks and targets. There is a clear and effective division of responsibility between the Board and company management.

The Board members represent a broad 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 decisions and have continuous contact with the Executive Management Team. Directing the work of the Board is extremely energising. I am proud of the company and all our employees, who devote so much effort to creating success and thus increased shareholder value. I'm convinced that our prosperous journey will continue over the coming years. Fabege has high capacity and is well-prepared for identifying future opportunities.

Erik Paulsson

*Chairman of the Board, Fabege*

# GOVERNANCE STRUCTURE OF THE ORGANISATION

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



## 1 SHAREHOLDERS

Fabège's shares are listed on Nasdaq Stockholm. The company's share capital is SEK 5,097m, represented by 165,391,572 shares. At yearend, 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 2015
Erik Paulsson with his family, privately and through companies	15.4

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](mailto: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 performance management and financial situation of the company. Its main task is to manage the company's assets on behalf of the owners in a way that secures the owners' interest in obtaining a strong long-term return on capital. Fabège's Board is to consist of at least four and no more than nine directors.

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

### Issues relating to management remuneration

Fabège's Board has no separate remuneration committee. All Board Members 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 2015 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 2016 AGM. In addition to Fabege, Kent Åkerlund has audit assignments for the following major companies: Clas Ohlson, Bactiguard, FasiPartner, SATS and Tagehus. Kent Åkerlund has no other assignments for companies that are closely related to Fabege's major owners or the CEO. In addition to its assignment as Fabege's appointed auditors, Deloitte has performed audit-related assignments relating primarily to accounting issues. Furthermore, Deloitte conducts a limited review of Fabege's sustainability reporting, which is carried out in accordance with GRI 4 Core.



## 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. Fabege'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 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 Fabege's listing agreement with the Nasdaq Stockholm.

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

### Executive Management Team

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

Faberge's Executive Management Team consists of six individuals, see page 93. The Executive Management Team holds weekly operational meetings and regular decision-making meetings around eight times a year. During the meetings, 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 decision-making meetings. Faberge's managers' team meets several times a year for discussions regarding, for example, the company's strategies and management issues.

## 8 OPERATING SEGMENTS

Fabege's operational activities are conducted in three business areas: Property Management, Property Development and Transactions. Responsibility in the Property Management business area is shared between two managers: Head of Property Management and Head of Technical Operation. Each 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. Fabege'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.

Fabege's sustainability work is conducted as an integral part of all areas of the organisation. To underscore the importance of this work, the company has a sustainability group, in which representatives of all areas of operation are gathered in a joint forum for sustainability issues. The group meets regularly to pursue the development and communication of sustainability issues.

## 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.

All managers with personnel responsibility are charged with ensuring that the Code of Conduct is known and complied with, in their specific department/sphere of responsibility. A foundation for the Code of Conduct is that Fabege must comply with applicable laws and other regulations and adhere to generally acceptable business customs and practices, while complying with international human rights, labour and environmental standards in accordance with the Global Compact's ten principles and the ILO's fundamental conventions on human rights at the workplace. Fabege has supported the UN Global Compact since 2011. The company complies with the Worker Codetermination Act and with collective bargaining agreements.

Policies and guidelines for communication, personnel and business support are decided on by the Executive Management Team, continually updated and made available to all employees via Fabege's intranet.

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. No cases of discrimination were reported in 2015.

Fabege's Ethics Council, which reports to the Executive Management Team, serves as support in day-to-day work. The role of the Council is to direct the work, monitor relevant external issues and pursue specific ethical matters. The Council includes representatives from business development, letting, property management, technical management, projects, HR and finance. Work has been under way for a number of years to improve the organisation's knowledge in respect of business ethics and anti-corruption. Examples of 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. 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. The whistleblower function was not utilised during the year.



### READ MORE

...about Fabege's Corporate Governance, rules of procedure and instructions at [www.fabege.se](http://www.fabege.se)

- Articles of Association
- Information from previous AGMs
- Prior years' Corporate Governance Reports
- Board's rules of procedure and instructions
- Code of Conduct
- Core values, SPEAK



# CORPORATE GOVERNANCE

## 2015

### Annual General Meeting

The 2015 AGM was held in Stockholm on 26 March 2015. Erik Paulsson was elected to chair the meeting. The AGM was attended by shareholders holding a total of 78.9 million shares, representing 47.7 per cent of the votes represented. A full set of minutes from the AGM is available at [www.fabege.se/agm2015](http://www.fabege.se/agm2015). 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 1,950,000 (1,920,000) be paid in Directors' fees in 2015.

### Dividends, cash

The dividend was fixed at SEK 3.25 per share and the record date was set at 30 March 2015.

### Principles for appointment of the Nominating Committee

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

### Remuneration of management

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

### Authorisation on share buybacks

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

### Auditing

The auditors reported their observations and simultaneously presented their views on the quality of internal controls in Fabege at the Board meeting in February 2016. The auditors participated in and presented reports at all four meetings of the Audit Committee. Reports were also presented to management during the year. Fees paid to the company's auditors are described in Note 41 on page 83.

### Nominating Committee

In accordance with the AGM's resolution, the four largest shareholders were offered one seat each on Fabege's Nominating Committee, and on 23 September 2015, the Nominating Committee was announced. The Nominating Committee consists of the following members:

Bo Forsén (Backahill AB), Eva Gottfridsdotter-Nilsson (Länsförsäkringar Fondförvaltning), Gustav Lindner (Investment AB Öresund) and Mats Qviberg (the Qviberg family). The Nominating Committee collectively represented 23.16 per cent of the voting rights of Fabege at 31 January 2016.

The Nominating Committee held two minuted meetings and remained in regular 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 2016, %
Bo Forsén	Backahill AB	15.17
Eva Gottfridsdotter-Nilsson	Länsförsäkringar fondförvaltning	2.39
Gustav Lindner	Investment AB Öresund	3.33
Mats Qviberg	Familjen Qviberg	2.27
<b>Total</b>		<b>23.16</b>

### Nominating Committee's proposals ahead of the 2016 AGM

The Nominating Committee proposes re-election of Eva Eriksson, Märtha Josefsson, Pär Nuder, Erik Paulsson, Svante Paulsson and Mats Qviberg, as well as the election of new members Anna Engebretsen and Anette Asklin. Accordingly, the Nominating Committee proposes eight Board Members; of whom, four Board Members including the Chairman represent the largest shareholders Backahill AB and the Qviberg family, and the four others are elected Board Members. Three of these four members are women. For details of the Committee's other proposals, please refer to the notice of the AGM, which was published on 8 March 2016.

### Board of Directors

#### Composition of the Board, 2015

Seven Board Members were elected to the Board at the 2015 AGM. The AGM elected Erik Paulsson as Chairman of the Board. Fabege's Chief Financial Officer, Åsa Bergström, acts as the Board's secretary.

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



### *The work of the Board, 2015*

In 2015, the Board held a total of nine meetings, including six scheduled meetings, one statutory meeting and two 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. 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, Board members are always given an opportunity to read and comment on all reports prior to their publication. In addition, the Board addressed a number of specific matters (see figure on page 90).

In 2015, the Board made decisions on several major transactions and investments in the company's existing property portfolio. A total of two properties were sold in 2015 for SEK 26m. Three properties were acquired for a total of SEK 1,600m. Decisions were made on investments of about SEK 2bn 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 December 2015.

In addition, the Board of Directors made a decision with regard to the annual review of Fabege's Code of Conduct and finance policy.

### *Fees to the Board of Directors*

The Board Members are paid Directors' fees in accordance with an AGM resolution and for 2015, total fees of SEK 1,950,000 were paid, of which the Chairman received SEK 800,000, other Board Members, except the CEO, received SEK 200,000 each and SEK 150,000 was paid for work on the Board's Audit Committee, of which the chairman received SEK 70,000 and the other members SEK 40,000.

### *Remuneration of management*

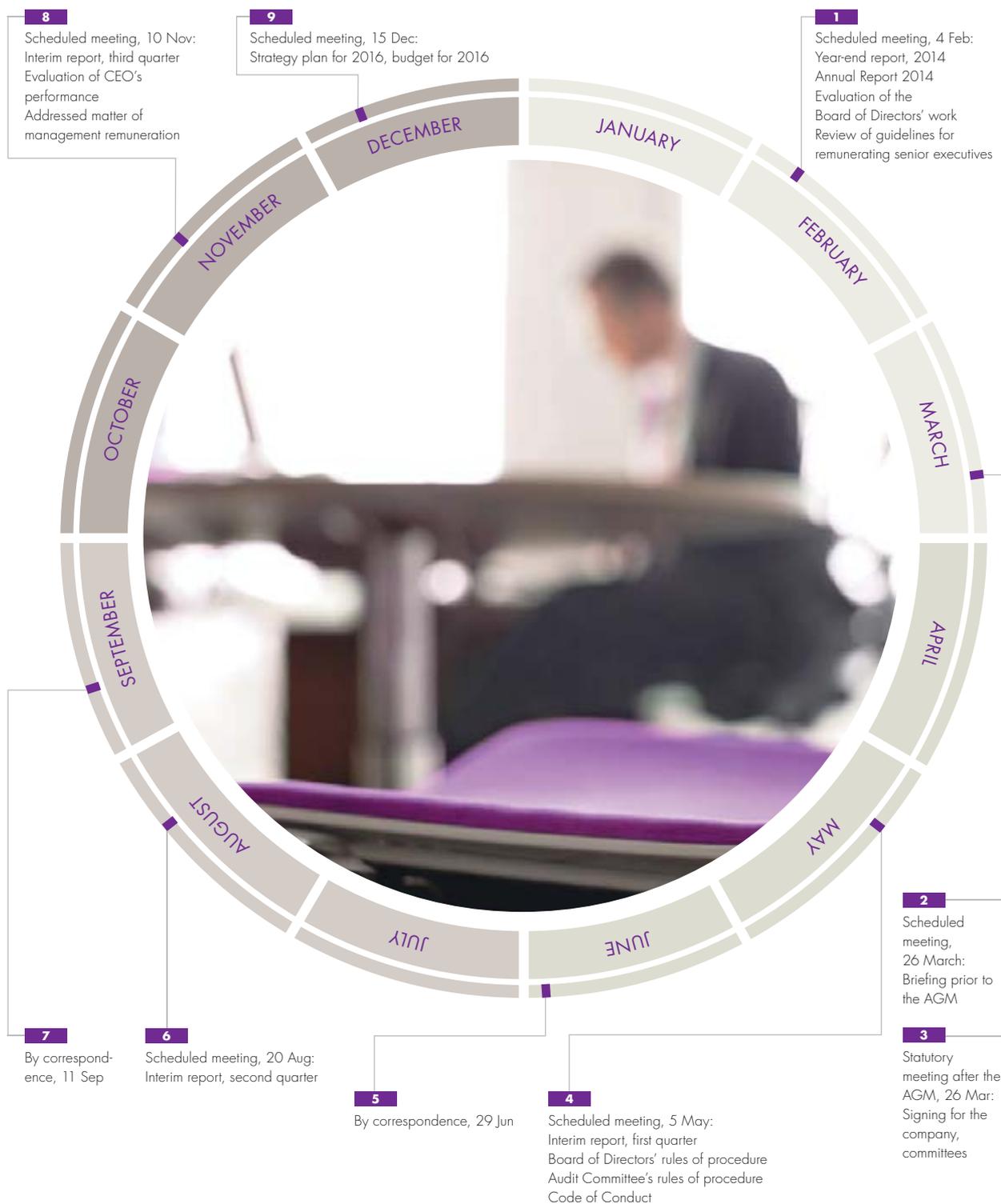
In accordance with the principles of compensation and other terms of employment for management adopted by the AGM, the Board made a decision on the remuneration and other terms of employment for the CEO. During the year, the Board reviewed compliance with the principles of remuneration for senior executives. Details of the remuneration policy are provided on page 60.

Remuneration and other benefits and terms of employment for the CEO and management are described in Note 6 on pages 75–76. The company's principles of remuneration and terms of employment will also be presented at the 2016 AGM.

### *The Audit Committee*

During 2015, the Board appointed an Audit Committee from among its own members consisting of Märtha Josefsson (Chairman), Eva Eriksson and Pär Nuder. Four meetings were held in 2015. During the year, considerable emphasis continued to be placed on the company's internal control system. The Audit Committee addressed areas such as the property valuation process and the company's organisation and ongoing control of technical operations. In addition, a review was conducted of the company's sponsorships and IT security. The Committee also monitored one of the company's major property development projects. 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.

# BOARD YEAR 2015



# 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 reasonable assurance that the company's goals are achieved in the following categories:

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

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

## Control environment

Fabege has a geographically well contained organisation and homogeneous operational activities but its legal structure is complex. The business is capital-intensive and characterised by large monetary flows, including rental income, 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 2015, 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 operations and 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 2015, 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. As of 2015, integrated reporting is applied, whereby sustainability reporting is an integral part of financial reporting.

A limited review of the sections that relate to sustainability reporting is conducted by the company's auditors.

## 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 Executive Management Team conducts annual reviews and evaluations of risk areas, for the purpose of identifying and managing risks. This is done in consultation with the Board and the Audit Committee, for examination by the auditors. The company's internal processes and procedures provide support for the continuous management of risks.

## Control activities

Critical processes, functions and areas are described and documented in respect of division of responsibility, risks and controls. The necessary instructions, procedures and manuals are produced, updated and communicated to the relevant staff to ensure that they have up-to-date knowledge and adequate tools. The measures are aimed at 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 in 2015, 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 2015. 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. For several years now the company has been producing rolling 12-month forecasts.

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

#### Information and communication

Management is responsible for informing the staff concerned about their responsibility to maintain good internal control. The company intranet and briefing sessions are used to ensure that employees are kept abreast of 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 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 2015, 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 is ongoing and will continue during the coming year. In 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.

#### Review

The internal control system 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 carry out a limited review of one quarterly interim report.

The Board regularly evaluates the information submitted by the Executive Management Team and the Audit Committee. Of particular significance is the Audit Committee's task of monitoring management's work on developing 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 of errors in financial reporting with the external auditors.

In the course of its work on examining and evaluating internal control in respect of critical processes in 2015, the Audit Committee found no reason to alert the Board to any significant issues in respect of internal control or financial reporting.

#### Internal auditing

To supplement the external auditing activities, 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



<b>Klaus Hansen Vikström</b> Vice President and Director of Business Development.	<b>Åsa Bergström</b> Vice President and Chief Financial Officer.	<b>Klas Holmgren</b> Director of Projects and Development.	<b>Anders Borggren</b> Director of Technical Operations.	<b>Charlotta Liljefors Rosell</b> Director of Property Management.	<b>Christian Hermelin</b> Chief Executive Officer.
Born 1953. Employed in Fabege since 2006 and in current position since 2014.	Born 1964. Employed in Fabege since 2007 and in current position since 2008.	Born 1970. Employed in Fabege since 2001 and in current position since 2010.	Born 1958. Employed in Fabege and in current position since 2014.	Born 1963. Employed in Fabege and in current position since 2014.	Born 1964. Employed in Fabege since 1998 and in current position since 2007.
<b>Previous positions:</b> Managing Director of Stockholm Modecenter, Managing Director and founder of Brubaker AS.	Senior Manager at KPMG, CFO positions at property companies, including Granit & Betong and Oskarsborg.	Platzer Bygg, Site Manager at Peab, Site Manager at Peab Bostad, JM Entreprenad.	Executive positions at various companies, including Director of Property Management at ISS Facility Services AB, CEO of Arctella AB, Project leader at Kungsfiskaren AB and Contract Engineer at Skanska.	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.
<b>Education:</b> Diploma in Specialised Business Studies.	Bachelor's degree in Business Administration.	Engineer.	Master of Science in Engineering.	Master of Science in Engineering.	Bachelor's degree in Business Administration.
<b>Shareholding:</b> 40,517	51,117	39,517	39,516	39,516	231,917

# BOARD OF DIRECTORS



## Erik Paulsson

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

## Eva Eriksson

Born 1959.  
Board Member since 2011.

## Christian Hermelin

Born 1964.  
Board Member since 2007.  
CEO of Fabège AB.

### Other assignments:

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

Board Member of Hemsö Fastighets AB.

Education:	Lower secondary school. Business manager since 1959.	Master of Science in Engineering.	Bachelor's degree in Business Administration.
Shareholding:	Privately and through companies 25,184,285	10,000	231,917
Elected, year	1998	2011	2007
Independent in relation to the company and management	NO	YES	NO
Independent in relation to major shareholders	NO	YES	YES
Fee, SEK 000s <sup>1)</sup>	800	240	—
Attendance Board Meetings	9	9	9
Attendance Audit Committee	2 <sup>1)</sup>	4	2 <sup>1)</sup>



## AUDITOR

### Kent Åkerlund

Born: 1974  
Co-Auditor of Fabège 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.

**Märtha Josefsson**

Born 1947.  
Board Member since 2005.

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

Bachelor's degree in Economics.

120,960

2005

YES

YES

270

9

4

**Pär Nuder**

Born 1963.  
Board Member since 2010.

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

LL. M.

10,007

2010

YES

YES

240

8

4

**Svante Paulsson**

Born 1972.  
Board Member since 2007.

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

High School in the US.

With family and through companies  
164,068

2007

YES

NO

200

8

2)

**Mats Qviberg**

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

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

Bachelor's degree in Business  
Administration.

With family 3,747,868

2001

YES

YES

200

9

2)

1) Directors' fees are paid in arrears.

2) Not a member of the Audit Committee.

Shareholding at 31 December 2015.

# 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.

Furthermore, the Board of Directors and Chief Executive Officer certify that:

- the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as referred to in Regulation (EC) No 1606/2002 of 19 July 2002 on the application of international accounting standards
- the consolidated financial statements provide a true and fair view of the Group's financial position and results
- 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, 29<sup>th</sup> of February 2016

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 29<sup>th</sup> of February 2016  
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 2015 to 31 December 2015 with the exception of the corporate governance statement on pages 84–95. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 49–83.

## 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 2015 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 2015 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 84–95. The statutory adminis-

tration 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 2015 to 31 December 2015. 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 84–95 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 opinions.

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 less 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, 29<sup>th</sup> of February 2016  
Deloitte AB  
Signature on Swedish original

Kent Åkerlund  
Authorized Public Accountant

## ABOUT FABEGE'S 2015 SUSTAINABILITY REPORT

This is Fabege's fifth 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 2015 Annual Report, which pertains to the 2015 financial year. The preceding year's annual report, including the Sustainability Report, was published in February 2015. This year's report is the first in which Fabege is applying integrated reporting with the Annual Report and in accordance with GRI G4 Core. The information contained in the Sustainability Report has been subject to a limited review by Deloitte, see Assurance Report on page 100. The content of the Sustainability Report has been selected on the basis of Fabege's most material issues, given its operations and their impact relationship on the environment and society. During the year, Fabege carried out an online materiality analysis in which investors,

analysts, customers and employees identified the company's most important sustainability issues. Fabege aims for the Sustainability Report and the 2015 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, as Fabege has limited access to the relevant data. This table includes the standard information that is mandatory for GRI G4 Core, additional standard information that Fabege has decided to report and the supplementary indicators and indicators from the Construction and Real Estate Sector Supplement (CRESS) as reported by Fabege. The Sustainability Report is an integral part of the 2015 Annual Report.

Disclosure	Description	Reading reference	Comments/omissions
<b>Strategy and Analysis</b>			
G4-1	CEO message	4	
<b>Organisational profile</b>			
G4-3	Name of the organisation	49	
G4-4	The most important brands, products and/or services	Inside cover-1, 6-9, 12-35	
G4-5	Location of headquarters	Back cover	
G4-6	Countries in which the organisation operates	Inside cover-1	
G4-7	Ownership structure and corporate structure	102-103	
G4-8	Markets in which the organisation operates	1, 12-13, 28-35	
G4-9	Size of the organisation	2	
G4-10	Total workforce by employment type, employment contract and gender	43	All employees are covered by a collective bargaining agreement. Fabege is a member of the employer organisation Almega.
G4-11	Percentage of employees covered by collective bargaining agreements	43	
G4-12	The organisation's supply chain	6-7, 44-45	
G4-13	Significant changes	98	
G4-14	Description of, and how the organisation follows the Precautionary Principle	36, 56-59	The company's identified risks are selected based on their potential environmental impact
G4-15	Membership of sustainability initiatives	36, 46	
G4-16	Involvement in organisations	46	
<b>Identified material aspects and boundaries</b>			
G4-17	Operational structure	85-87	
G4-18	Process for definition of contents of report	38-39	
G4-19	Identified material aspects	38-39	
G4-20	Aspect boundary within the organisation	99	
G4-21	Aspect boundary outside the organisation	99	
G4-22	Explanation of the effect of restatements of information in previous reports and the reasons for restatement	98	From GRI 3 to GRI 4 Core, no significant changes during the year in terms of content
G4-23	Significant changes that have been made since the previous reporting period with regard to boundaries and scope	98	
<b>Stakeholder dialogue</b>			
G4-24	Stakeholder groups engaged in the company	38-39	
G4-25	Principle for identification and selection of stakeholders	38	
G4-26	Approach to communication with stakeholders	38	
G4-27	Key areas highlighted via communication with stakeholders	38-39	

Disclosure	Description	Reading reference	Comments/omissions
<b>Information about the report</b>			
G4-28	Reporting period	98–99	2015 calendar year
G4-29	Last published report	98–99	Sustainability Report 2014, published February 2015
G4-30	Reporting cycle	98–99	Calendar year
G4-31	Contact for the report	113	
G4-32	GRI table of contents	98–99	
G4-33	Policy for external assurance of the report	98	A limited review of the report is carried out by the auditor
<b>Governance</b>			
G4-34	Statement of corporate governance	84–95	
<b>Ethics and integrity</b>			
G4-56	The company's values, principles, standards and norms for conduct	42, 44–45	

GRI aspect	Boundary	Indicator	Reading reference	Comments/omissions
<b>Environment</b>				
<i>Energy</i>				
	Material internally/externally through the carbon dioxide emissions produced by energy consumption.	G4-EN3 – Energy consumption within the organisation	11, 14, 16–17	online/DMA <sup>11</sup>
		G4-EN6 – Reduction of energy consumption	11, 14, 16–17, 28	
		G4-CRE1 – Energy performance in buildings	11, 14, 16–17	
<i>Emissions</i>				
	Material internally/externally through the carbon dioxide emissions produced by energy consumption.	G4-EN16 – Indirect greenhouse gas emissions	14, 16–17	Pertains to scope 2
		G4-EN19 – Reduction of greenhouse gas emissions	14, 16–17	online
		G4-CRE3 – Greenhouse gas intensity in buildings	14, 16–17	online
<i>Effluents and waste</i>				
	Relevant internally through the waste generated at our own offices. Relevant externally through the waste generated by our tenants.	G4-EN23 – Total weight of waste by type and disposal method	17	The basis of calculation for waste by amount, type and weight consists of information from the company's main waste contractors. We are not currently able to attain complete statistics, as our tenants are able to choose other waste contractors for operational waste than the contractor advised by the landlord. The increase in the amount of waste in 2015 is because Solna Business Park is the last area to begin using the company's main waste contractor.
<b>Customer relations</b>				
	Relevant internally and externally as good customer relations affect both retention rate and new lettings.	G4-PR5 – Customer satisfaction	11, 14, 17	online/DMA
		G4-CRE8 – Percentage environmentally certified buildings	17, 19, 21	
<b>Occupational health and safety</b>				
	Relevant internally in that Fabège wants to offer its employees a stimulating, safe and healthy working environment, and relevant externally in that this makes Fabège an attractive employer for potential employees.	G4-LA1 – Employee turnover	43	online/DMA
		G4-LA5 – Percentage of workforce represented in formal committees for health and safety	40	
		G4-LA11 – Percentage of employees receiving regular performance reviews	40	
		G4-LA12 – Breakdown of employees, Board of Directors and management composition by indicators of diversity	40, 43, 75–76, 93–95	
		G4-HR3 – Total number of incidents of discrimination and actions taken	87	No reported incidents of discrimination
<b>Business ethics</b>				
	Relevant internally and externally as Fabège's Code of Conduct imposes stringent requirements on both employees and business partners.	G4-SO4 – Communication and training on anti-corruption policies and guidelines	44, 87	online/DMA
		G4-SO5 – Confirmed incidents of corruption and corrective actions taken	44	No reported incidents of corruption
<b>Suppliers</b>				
	Relevant externally as Fabège imposes stringent requirements on its suppliers, and internally as this work raises awareness and encourages pride among employees.	G4-LA14 – Percentage of new suppliers that were screened using labour practices criteria	44–45	online/DMA
		G4-HR10 – Percentage of new suppliers that were screened using human rights criteria	44–45	Fabège is of the opinion that it is more relevant to report the percentage of total suppliers.
		G4-EN32 – Percentage of new suppliers that were screened using environmental criteria	44–45	Fabège is of the opinion that it is more relevant to report the percentage of total suppliers.

Acronyms: DMA=Disclosure on Management Approach

For online see [www.fabège.se/dmaeng](http://www.fabège.se/dmaeng)

# AUDITOR'S LIMITED ASSURANCE REPORT

## ON FABEGE AB'S (PUBL) SUSTAINABILITY REPORT

To Fabege AB (publ)

### Introduction

We have been engaged by the Executive Management of Fabege AB (publ) to undertake a limited assurance engagement of Fabege AB's (publ) Sustainability Report for the year 2015. Fabege has defined the scope of the Sustainability Report in the GRI index on pages 98–99 of the annual report.

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

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with applicable criteria, as explained on pages 98–99 in the annual report, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative, GRI) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material 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 other generally accepted auditing standards in Sweden. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. 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, 29<sup>th</sup> of February 2016

Deloitte AB

Kent Åkerlund  
Authorized Public Accountant

Andreas Drugge  
Specialist Member of FAR

# FIVE-YEAR SUMMARY<sup>1)</sup>

	2015	2014	2013	2012	2011
<b>PROFIT AND LOSS ACCOUNTS, SEK M</b>					
Rental income	1,998	2,087	2,059	1,869	1,804
Net operating income	1,429	1,485	1,411	1,264	1,227
Realised changes in value/Gain from property sales	21	300	135	167	173
Unrealised changes in value, properties	3,252	1,339	739	1,409	1,093
Profit/loss from Property Management	688	682	614	693	564
Profit/loss before tax	4,233	1,867	1,992	2,032	1,417
Profit/loss after tax	3,232	1,738	1,530	-88	1,141
<b>BALANCE SHEETS, SEK M</b>					
Investment properties	40,279	32,559	33,384	31,636	29,150
Other property, plant and equipment	1	1	1	1	1
Non-current financial assets	925	1,542	1,583	1,398	1,124
Current assets	444	1,859	365	474	362
Short-term investments	70	34	-	-	-
Cash and cash equivalents	32	23	98	200	74
Shareholders' equity	16,479	13,783	12,551	11,382	11,890
Provisions	1,935	1,084	1,083	753	585
Interest-bearing liabilities	21,068	19,551	19,038	18,035	16,755
Derivatives	658	920	447	854	664
Non-interest-bearing liabilities	992	680	2,312	2,685	817
Other non-current liabilities	619	-	-	-	-
Total assets	41,751	36,018	35,431	33,709	30,711
<b>KEY RATIOS<sup>2)</sup></b>					
Surplus ratio, %	72	71	69	68	68
Interest coverage ratio, multiple	2.1	2.4	2.0	2.3	2.2
Capital employed, SEK m	38,824	34,255	32,036	30,293	29,309
Equity/assets ratio, %	39	38	35	34	39
Equity/assets ratio, %, after adjustment	39	40	-	-	-
Debt/equity ratio, multiple	1.3	1.4	1.5	1.6	1.4
Loan-to-value ratio, properties, %	52	60	57	57	58
Loan-to-value ratio properties, %, after adjustment	52	56	-	-	-
Return on equity, %	21.4	13.2	12.8	-0.8	9.9
Return on capital employed, %	13.2	7.6	8.7	9.0	7.2
Average interest rate on interest-bearing liabilities, %	2.58	3.09	3.61	3.8	3.72
Property acquisitions and investments in existing properties, SEK m	4,479	1,355	-	2,191	1,986
Property sales, selling price, SEK m	26	3,889	1,202	1,448	936
Average no. of employees	138	132	125	119	124
<b>DATA PER SHARE, SEK<sup>1)</sup></b>					
Results	19.54	10.51	9.26	-0.54	7.01
Shareholders' equity	100	83	76	70	73
Cash flow from operating activities	10.53	-11.58	-	-	-
Cash flow from operating activities, adjusted	-	-5.77	-	-	-
EPRA NAV (long-term net asset value)	115	95	-	-	-
EPRA EPS	3.94	4.09	-	-	-
Dividends	3.50	3.25	3.00	3.00	3.00
Yield, %	2.5	3.2	3.9	4.6	5.6
Share price at year-end <sup>3)</sup>	140.10	100.60	76.80	65.75	53.90
No. of shares at year-end before dilution, millions	165	165	165	164	162
No. of shares at year-end after dilution, millions	165	165	165	162	163

1) Key ratios based on the average number of shares, shareholders' equity, capital employed, and interest-bearing liabilities have been calculated on a weighted average basis.

2) Cash dividend for 2015 as proposed.

3) Last paid.

# THE FABEGE SHARE

The share performance was stable during the year, which contributed to the proposed dividend of SEK 3.50 per share for 2015.

## Turnover and trading

During 2015, the Fabege share was traded in more than ten different trading places, both on regulated marketplaces (stock exchanges) and on other trading platforms.

The largest trading places in 2015 were Nasdaq Stockholm, BATS, ChiX and Turquoise, jointly accounting for approximately 97 per cent of share turnover.

	2015	2014
Market capitalisation, SEKbn	23.2	16.6
Net asset value at yearend, SEKbn	16.5	13.8
Long-term net asset value, SEK per share (EPRA NAV)	115	95
Turnover, Fabege shares, millions	123	140
– Of which, on Nasdaq Stockholm, millions	85 (equiv. 69%)	66.2 (equiv. 47%)
Total value of share turnover, SEKbn	14.3	12.7
– Of which, Nasdaq Stockholm, SEKbn	9.5	6.0
Turnover per trading day, shares	491,000	565,000
Turnover rate <sup>1)</sup> , %	74	85
Average no. transactions per day	1,072	1,260

1) Calculated based on total share turnover.

## Acquisition and transfer of treasury shares

The 2015 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 2015 was SEK 100 (83). Excluding deferred tax on fair value adjustments of properties, net asset value per share was SEK 118 (97). At year-end, the share price thus represented approximately 119 per cent of net asset value. A margin of error in property valuations of +/- 1 per cent has an impact on net asset value of +/- SEK 314m, or SEK 1.90 per share. See the sensitivity analysis of property values on page 58.

## 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. 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.

At 31 December 2015, Fabege had 39,341 shareholders (40,162).

The 15 largest owners jointly controlled 46.1 per cent of the total number of shares outstanding.

## 15 largest shareholders<sup>1)</sup>, 31 December 2015

	Number of shares	Proportion of capital and votes, %
Erik Paulsson with family, privately and through companies	25,455,013	15.4
BlackRock Inc. <sup>2)</sup>	8,924,247	5.4
Investment AB Öresund	5,500,000	3.3
FIM Fonder	4,913,748	3.0
Länsförsäkringar Fonder	4,076,506	2.5
Mats Qviberg with family	3,747,868	2.3
SHB Funds	3,421,546	2.1
Norway's Bank Investment Management	3,362,398	2.0
Stichting Pensioenfonds ABP	2,889,063	1.7
ENA City AB	2,735,300	1.7
ING Funds	2,640,000	1.6
Principal Funds	2,484,255	1.5
SHB pensionskassa	2,420,000	1.4
Folketrygdfondet	1,910,292	1.1
iShares Europe ETF	1,814,797	1.1
<b>Total 15 largest shareholders</b>	<b>76,024,305</b>	<b>46.1</b>
Other foreign shareholders	42,786,899	25.9
Other Swedish shareholders	46,309,640	28.0
<b>Total number of shares outstanding</b>	<b>165,391,572</b>	<b>100.0</b>
Treasury shares	0	
<b>Total number of registered shares</b>	<b>165,391,572</b>	<b>100.0</b>

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

2) Shares owned entirely or partly via trustee accounts. Ownership has been confirmed via flagging notifications to the Swedish Financial Supervisory Authority (Finansinspektionen) and at 31 December 2015 amounts to 5–10% of the share capital/votes.

Source: Modular Finance AB, in accordance with data from Euroclear Sweden AB.



### 3 GOOD REASONS TO OWN SHARES IN FABEGE

- 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 3.6 per cent.
- Healthy value growth;** Excellent value growth from the Property Development operating segment. Average return of 9.6 per cent over past five years. Total return on the property portfolio in 2015 was 13.3 per cent. In 2016, the rate of investment will increase to just over SEK 2.5bn.

Share price performance 2011–2015



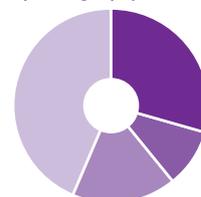
Source: SIX

#### Share information

Nasdaq Large Cap.  
Sector: Real Estate – OMX  
Stockholm Real Estate  
ISIN number: SE0000950636

	%
Performance of property sector relative index	17.06
Performance of property index	23.65
Performance of Nasdaq OMX Stockholm index	6.59
Performance of Fabege	39.76

Ownership distribution by category, per cent



- Swedish institutions, 29.6%
- Swedish equity funds, 9.6%
- Swedish private individuals, 17.2%
- Foreign owners, 43.6%

Source: Modular Finance AB, in accordance with data from Euroclear Sweden AB

Ownership distribution by country, per cent



- Sweden, 56.4%
- USA, 14.8%
- Great Britain, 7.4%
- Netherlands, 6.6%
- Other countries, 14.8%

Source: Modular Finance AB, in accordance with data from Euroclear Sweden AB

# PROPERTY PORTFOLIO

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

The property portfolio mainly comprises commercial premises. Offices account for 72 per cent of the total lettable area. In addition to offices, the portfolio includes retail, industrial/warehouse, residential space, hotel and garage properties. The largest submarket, Stockholm inner city, accounts for 42 per cent of the total market value and 46 per cent of the rental value.

At the end of 2015/start of 2016, Fabege's portfolio comprised 83 properties with a total lettable area of 1.1 million sqm. The market value was SEK 40.3bn and the total rental value SEK 2.3bn.

#### Changes in the property portfolio

Two properties were divested during the year and three were acquired. The transactions comprised part of the continued strategy of streamlining Fabege's business and focusing on office properties in prioritised areas and strengthening cash flow. The combined purchase consideration for the sales amounted to SEK 26m. The transactions generated earnings of SEK 21m before tax.

#### Customers

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

#### Maturity structure of commercial leases, 31 December 2015

Maturity, year	No. of leases	Area, sqm	Contractual annual rent, SEK 000s	Share, %
2016	414	152,106	316,517	15
2017	324	129,731	320,618	15
2018	252	138,659	345,001	16
2019	138	104,998	302,686	14
2020	55	109,642	254,732	12
2021 and beyond	111	214,756	464,981	22
<b>Commercial</b>	<b>1,294</b>	<b>849,892</b>	<b>2,004,535</b>	<b>94</b>
Housing contract	137	9,561	13,154	1
Garage and parking	654	127,251	118,065	6
<b>Total</b>	<b>2,085</b>	<b>986,704</b>	<b>2,135,754</b>	<b>100</b>

#### Property-related key figures

	2015	2014	2013	2012
No. of properties	83	80	92	95
Lettable area, 000 sqm	1,092	1,030	1,142	1,130
Financial occupancy rate, %	93	94	93	92
Rental value, SEKm	2,300	2,186	2,397	2,260
Surplus ratio, %	72	71	69	68

#### Lettable area by category, total 1,092,000 sqm



#### Rental value per category, total SEK 2,300m



## Average remaining lease term by submarket, 31 December 2015

Area	No. of properties	No. of leases	Lease length
Stockholm inner city	29	821	2.9
Solna	38	383	4.5
Hammarby Sjöstad	11	280	2.6
Other markets	5	0	0
<b>Total/average</b>	<b>83</b>	<b>1,484</b>	<b>3.6</b>

## Changes in the property portfolio

	Fair value, SEKm	No.
Property portfolio, 1 Jan 2015	32,559	80
+ Acquisitions	1,600	3
+ Property reallocations	–	2
+ New builds, extensions and conversions	2,879	
– Sales	–11	–2
+/- Unrealised changes in value	3,252	–
<b>Property portfolio, 31 Dec 2015</b>	<b>40,279</b>	<b>83</b>

## Breakdown by lettable area, 31 December 2015

Sqm	Offices	Retail	Industry/ warehouse	Hotels	Residential	Garage	Total
Stockholm inner city	280,642	28,770	30,675	8,547	8,639	45,530	402,803
Solna	425,210	32,828	25,668	903	11,791	73,663	570,063
Hammarby Sjöstad	81,051	10,154	15,854	693	0	9,749	117,501
Other markets	0	0	1,241	0	0	0	1,241
<b>Total</b>	<b>786,903</b>	<b>71,752</b>	<b>73,438</b>	<b>10,143</b>	<b>20,430</b>	<b>128,942</b>	<b>1,091,608</b>

## Property listing

Market segment	31 December 2015					1 January–31 December 2015		
	No. properties	Lettable area, 000 sqm	Market value, SEKm	Rental value <sup>2)</sup> , SEKm	Financial occupancy rate, %	Rental income, SEKm	Property expenses, SEKm	Net operating income, SEKm
Property holdings								
Investment properties <sup>1)</sup>	61	946	32,626	2,131	94	1,903	–397	1,506
Development properties <sup>1)</sup>	6	110	3,001	111	80	97	–27	70
Project properties <sup>1)</sup>	16	36	4,652	58	78	43	–18	25
<b>Total</b>	<b>83</b>	<b>1,092</b>	<b>40,279</b>	<b>2,300</b>	<b>93</b>	<b>2,043</b>	<b>–442</b>	<b>1,601</b>
Of which, Inner city	29	403	17,064	1,048	94	950	–224	726
Of which, Solna	38	570	19,918	1,022	93	909	–180	729
Of which, Hammarby Sjöstad	11	118	3,200	229	85	182	–38	144
Of which, other	5	1	97	1	100	2	0	2
<b>Total</b>	<b>83</b>	<b>1,092</b>	<b>40,279</b>	<b>2,300</b>	<b>93</b>	<b>2,043</b>	<b>–442</b>	<b>1,601</b>
Expenses for lettings, project development and property administration								–127
<b>Total net operating income after expenses for lettings, project development and property administration</b>								<b>1,474</b>

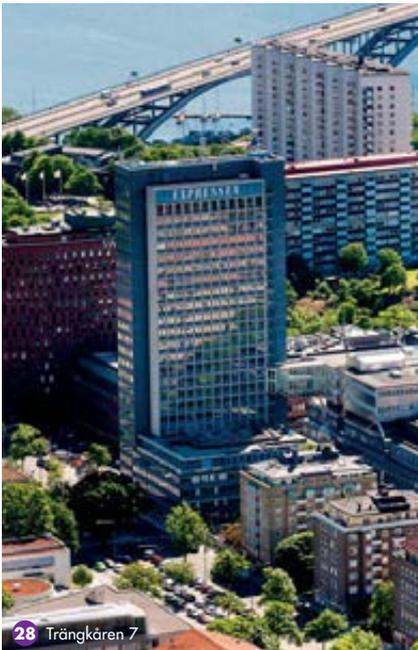
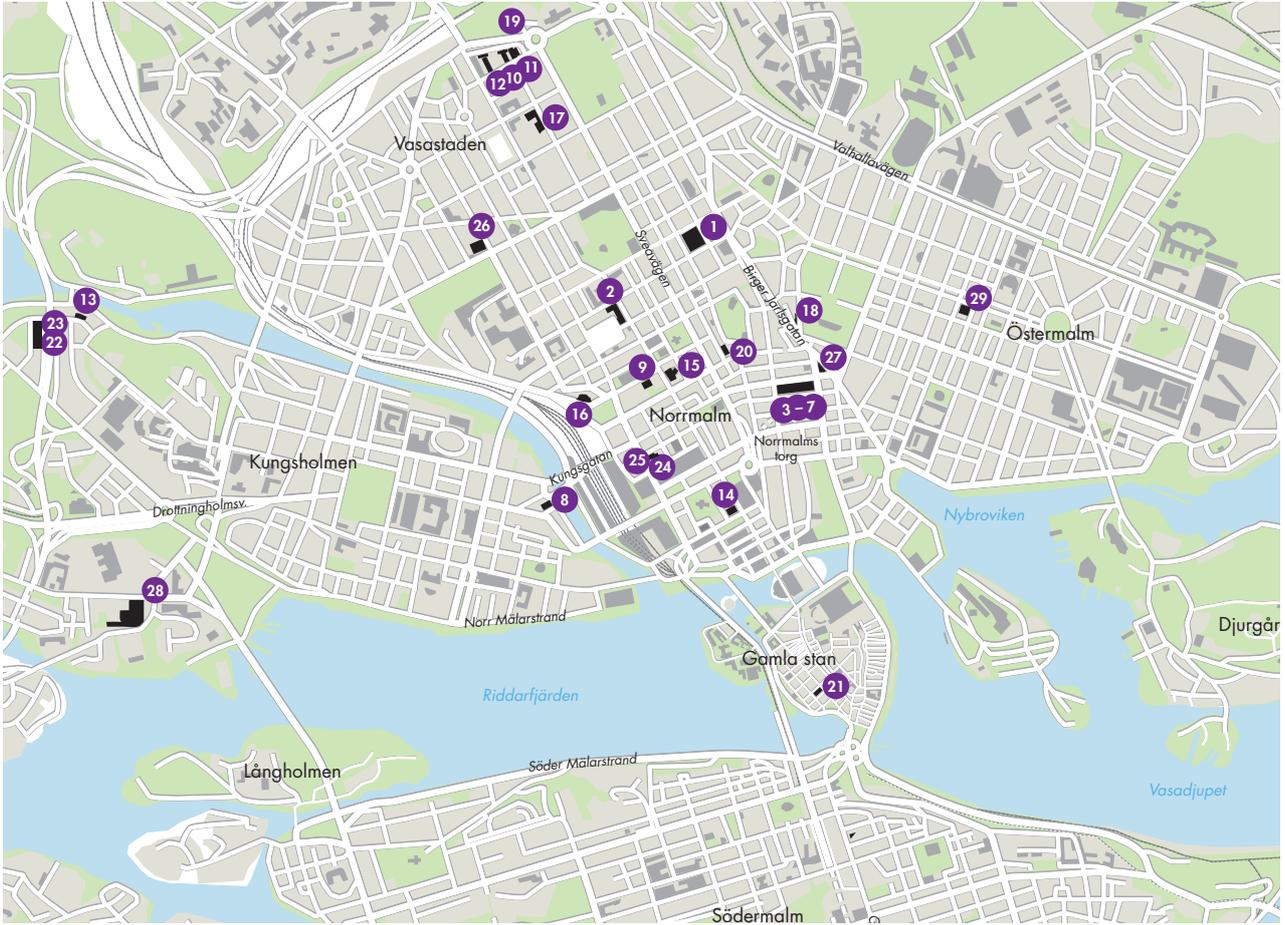
1) See definitions on page 112.

2) In the rental value, time limited deductions of about SEK 109m (in rolling annual rental value at 31 December) have not been deducted.

3) The table refers to Fabegas property portfolio on 31 December 2015. Income and expenses were recognised as if the properties were owned for the entire period. The difference between recognised net operating income above, SEK 1,474m, and net operating income in profit or loss, SEK 1,429m, 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 2015. Intra-Group rental income has been included in the table.

# PROPERTY LISTING

## STOCKHOLM INNER CITY, 31 DECEMBER 2015



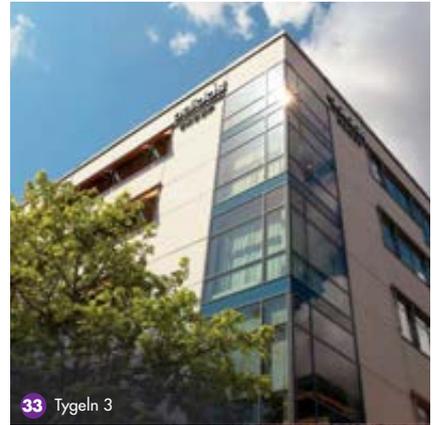
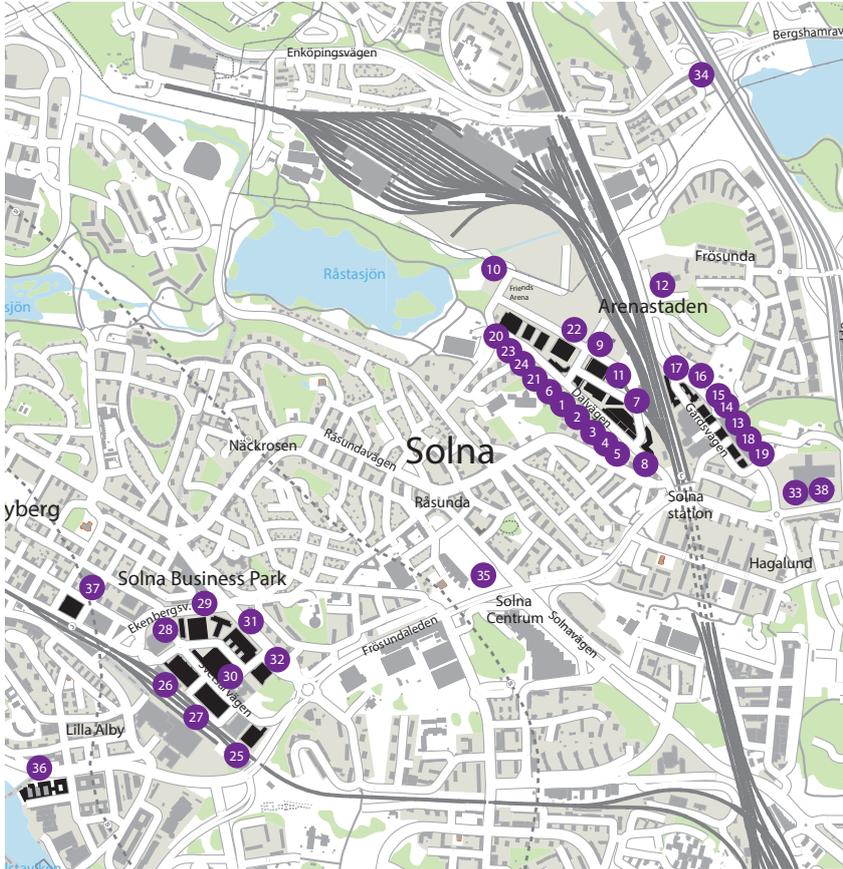
Property name	Area	Street	Construction year	Office/sqm	Retail/sqm	Industrial + warehouse/sqm	Residential/sqm	Hotel/sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31 December 2015
<b>STOCKHOLM INNER CITY</b>											
1	Apotekaren 22	Norrmalm Döbelnsg 20, 24, Kungstensg 21–23, Rådmansg 40, 42, Tuleg 7 A–B 13	1902/2002	24,825	680	1,907	0	0	958	28,370	691,000
2	Barnhusväderkvamen 36	Norrmalm Rådmansg 61–65	1963	13,226	1,847	2,154	0	0	8,821	26,048	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	15,598	2,508	1,956	0	0	220	20,282	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	72,801
8	Drabanten 3	Kungsholmen Kungsbroplan 3 etc.	1907	6,339	0	216	0	0	0	6,555	156,000
9	Fenix 1	Norrmalm Barnhusgatan 3	1929	3,510	48	198	0	0	0	3,756	94,000
10	Getingen 13	Vasastan Sveavägen 149	1963	10,817	659	2,703	0	0	2,415	16,593	246,000
11	Getingen 14	Vasastan Sveavägen 143–147	1953	8,830	2,470	266	0	0	1,183	12,749	175,000
12	Getingen 15	Vasastan Sveavägen 159	1963	12,799	2,775	7,124	0	0	11	22,709	85,600
13	Glädjen 12	Stadshagen Franzéng 6, Hornsbergs Strand 17	1949	12,487	0	0	0	0	0	12,487	247,000
14	Hägern Mindre 7	Norrmalm Drottninggatan 27–29	1971	8,974	1,617	664	0	0	2,167	13,422	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	Norrtälje 24	Norrmalm Engelbrektsgratan 5–7	1881	6,354	0	173	0	0	526	7,053	244,000
19	Ormräsket 10	Vasastan Sveavägen 166–170, 186	1962/1967	13,433	3,491	562	0	0	2,071	19,557	317,000
20	Oxen Mindre 33	Norrmalm Luntmakarg 18, Malmskillnadsg 47 A, B	1979	8,239	0	227	2,822	0	1,872	13,160	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 <sup>1)</sup>	Stadshagen Strandbergsg 53–57	1944	8,802	316	2,536	0	0	1,655	13,309	167,000
23	Paradiset 27 <sup>1)</sup>	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	233	0	0	0	2,138	65,813
25	Pilen 31	Norrmalm Gamla Brog 27–29, Vasag 38	1988	4,495	835	119	0	3,542	572	9,563	348,000
26	Resedan 3	Vasastan Dalagatan 13	1929	2,473	0	0	1,007	0	0	3,480	0
27	Sparven 18	Östermalm Birger Jarlsg 21–23, Kungsg 2	1929	1,920	1,613	40	0	5,097	0	8,670	372,000
28	Trängskären 7	Marieberg Gjörwellsg 30–34, Rålambsv 7–15	1963	44,488	3,267	8,003	0	0	20,044	75,802	820,950
29	Ynglingen 10	Östermalm Jungfrug 23, 27, Karlav 58–60	1929	7,386	920	297	2,401	0	526	11,530	307,600
<b>TOTAL INNER CITY</b>				<b>280,642</b>	<b>28,770</b>	<b>30,675</b>	<b>8,546</b>	<b>8,639</b>	<b>45,530</b>	<b>402,801</b>	<b>7,990,581</b>

The list of properties contains all properties owned by Fabege at 31 December 2015.

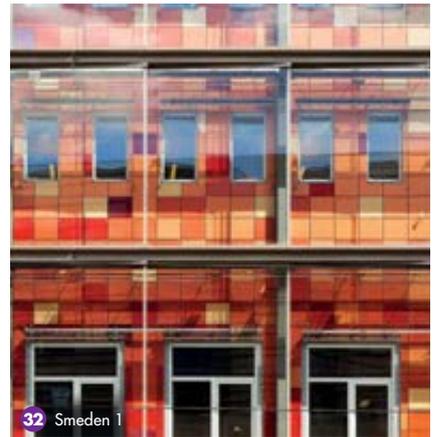
Unless otherwise stated, the property is classified as an investment property, meaning a property under regular and active management.

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.

# SOLNA, 31 DECEMBER 2015



33 Tygel 3



32 Smeden 1



28 Fräsaren 11



29 Fräsaren 12

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 2015	
<b>SOLNA, ARENASTADEN</b>												
1	Farao 8	Arenastaden	Dalvägen 12, Pyramidvägen 11	2001	4,814	400	262	0	0	0	5,476	63,798
2	Farao 14 <sup>1)</sup>	Arenastaden	Dalvägen 10, Pyramidvägen 7, 9	1967	8,620	0	2,291	0	1,174	12,085	73,827	
3	Farao 15	Arenastaden	Dalvägen 8, Pyramidvägen 5	1981	6,427	708	1,016	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	4,038	0	1,233	0	0	560	5,831	61,000
6	Farao 19 <sup>2)</sup>	Arenastaden			0	0	0	0	0	0	0	0
7	Farao 20	Arenastaden	Pyramidvägen 7	1964	6,215	1,047	193	0	0	375	7,830	107,600
8	Kairo 1	Arenastaden	Pyramidvägen 2	1983	10,741	0	0	0	0	0	10,741	141,000
9	Solna Nationalarenan 5	Arenastaden		2013	0	0	0	0	25,500	25,500	38,000	
10	Solna Nationalarenan 8 <sup>2)</sup>	Arenastaden			0	0	0	0	0	0	315,600	
11	Pyramiden 4 <sup>2)</sup>	Arenastaden		1960	0	0	0	0	0	0	6,861	
12	Signalen 3 <sup>2)</sup>	Arenastaden			0	0	0	0	0	0	0	
13	Stigbygeln 2	Arenastaden	Gårdsvägen 6	1955	8,898	0	0	0	0	8,898	103,600	
14	Stigbygeln 3	Arenastaden	Gårdsvägen 8	1960	5,157	262	454	0	0	5,873	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	9,109	581	332	0	0	6	10,028	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	5,554	0	769	0	0	780	7,102	20,181
19	Tömmen 2	Arenastaden	Gårdsvägen 2		0	0	0	0	0	2,610	2,610	0
20	Uarda 1	Arenastaden	Dalvägen 30, Evenemangsgatan 27-31, Vintervägen 33	1987	22,100	1,622	480	0	0	0	24,202	579,225
21	Uarda 4	Arenastaden	Dalvägen 14-16	1992	6,501	0	1,480	0	0	0	7,981	88,600
22	Uarda 5	Arenastaden	Dalvägen 18, Magasinvägen 1	1978	43,058	1,280	0	0	0	0	44,338	800,000
23	Uarda 6 <sup>2)</sup>	Arenastaden	Dalvägen 24-28, Evenemangsgatan 21-25		0	0	0	0	0	0	0	0
24	Uarda 7 <sup>2)</sup>	Arenastaden	Dalvägen 20-22, Evenemangsgatan 15-19		0	0	0	0	0	0	0	0
<b>TOTAL SOLNA, ARENASTADEN</b>					<b>155,208</b>	<b>7,517</b>	<b>9,962</b>	<b>0</b>	<b>0</b>	<b>38,235</b>	<b>210,921</b>	<b>2,904,740</b>
<b>SOLNA, SOLNA BUSINESS PARK</b>												
25	Fräsaren 10	Solna Business Park	Svetsarvägen 24	1964	7,230	4,241	122	0	0	9	11,602	109,600
26	Fräsaren 11	Solna Business Park	Englundavägen 2-4, Svetsarvägen 4-10	1962	33,001	0	1,815	0	1,840	2,610	39,266	485,000
27	Fräsaren 12	Solna Business Park	Svetsarvägen 12-18, 20, 20A	1964	19,400	10,109	173	0	0	6,840	36,522	462,000
28	Sliparen 1 <sup>1)</sup>	Solna Business Park	Ekensbergsv 115, Svetsarv 1-3	1963	362	0	3,032	0	0	1,388	4,782	18,200
29	Sliparen 2	Solna Business Park	Ekensbergsv 113, Svetsarv 3-5	1964	16,918	0	2,525	0	0	3,315	22,758	213,000
30	Smeden 1	Solna Business Park	Englundav 6-14, Smidesv 5-7, Svetsarv 5-17	1967	34,844	5,047	1,263	467	0	3,709	45,330	450,347
31	Svetsaren 1	Solna Business Park	Englundavägen 7-13	1964	27,091	1,071	3,035	436	2,491	6,090	40,214	351,000
32	Yrket 3	Solna Business Park	Smidesvägen 2-8	1982	4,864	0	1,076	0	0	1,470	7,410	31,969
<b>TOTAL, SOLNA BUSINESS PARK</b>					<b>143,710</b>	<b>20,468</b>	<b>13,040</b>	<b>903</b>	<b>4,331</b>	<b>25,431</b>	<b>207,883</b>	<b>2,121,116</b>
<b>OTHER PARTS OF SOLNA</b>												
33	Hagalund 2:2 <sup>2)</sup>	Arenastaden	Frösundaleden 4		0	0	0	0	0	0	0	0
34	Järvakrogen 3	Frösunda	Enköpingsvägen 1		0	0	0	0	7,460	0	7,460	65,000
35	Iagern 2 <sup>2)</sup>	Råsunda	Parkvägen 2-4, Solnavägen 31-51, Idrottsgatan 7	1985	12,516	0	101	0	0	0	12,617	80,972
36	Nöten 4	Solna Strand	Solna strandväg 2-60	1971	50,043	956	2,400	0	0	7,596	60,995	660,000
37	Orgeln 7	Sundbyberg	Järnvägs 12-20, lysgränd 1, Roseng 2.4, Stureg 11-19	1966	23,013	3,887	166	0	0	2,399	29,465	250,000
38	Stora Frösunda 2 <sup>1)</sup>	Arenastaden	Frösundaleden 4	1973	40,720	0	0	0	0	3	40,723	141,929
<b>TOTAL, OTHER PARTS OF SOLNA</b>					<b>126,292</b>	<b>4,843</b>	<b>2,667</b>	<b>0</b>	<b>7,460</b>	<b>9,998</b>	<b>151,260</b>	<b>1,197,901</b>
<b>TOTAL, SOLNA</b>					<b>425,210</b>	<b>32,828</b>	<b>25,669</b>	<b>903</b>	<b>11,791</b>	<b>73,664</b>	<b>570,064</b>	<b>6,223,757</b>

The list of properties contains all properties owned by Fabege at 31 December 2015.

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

1) Development property – Properties in which a conversion or extension is in progress or planned that has a significant impact on the property's net operating income. Net operating income is affected either directly by the project or by limitations on lettings prior to impending improvement work. Recently acquired properties (within one year) with work in progress to significantly improve the property's net operating income in relation to the date of acquisition.

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

# HAMMARBY SJÖSTAD, 31 DECEMBER 2015

Tax value SEK 000s, 31 December 2015

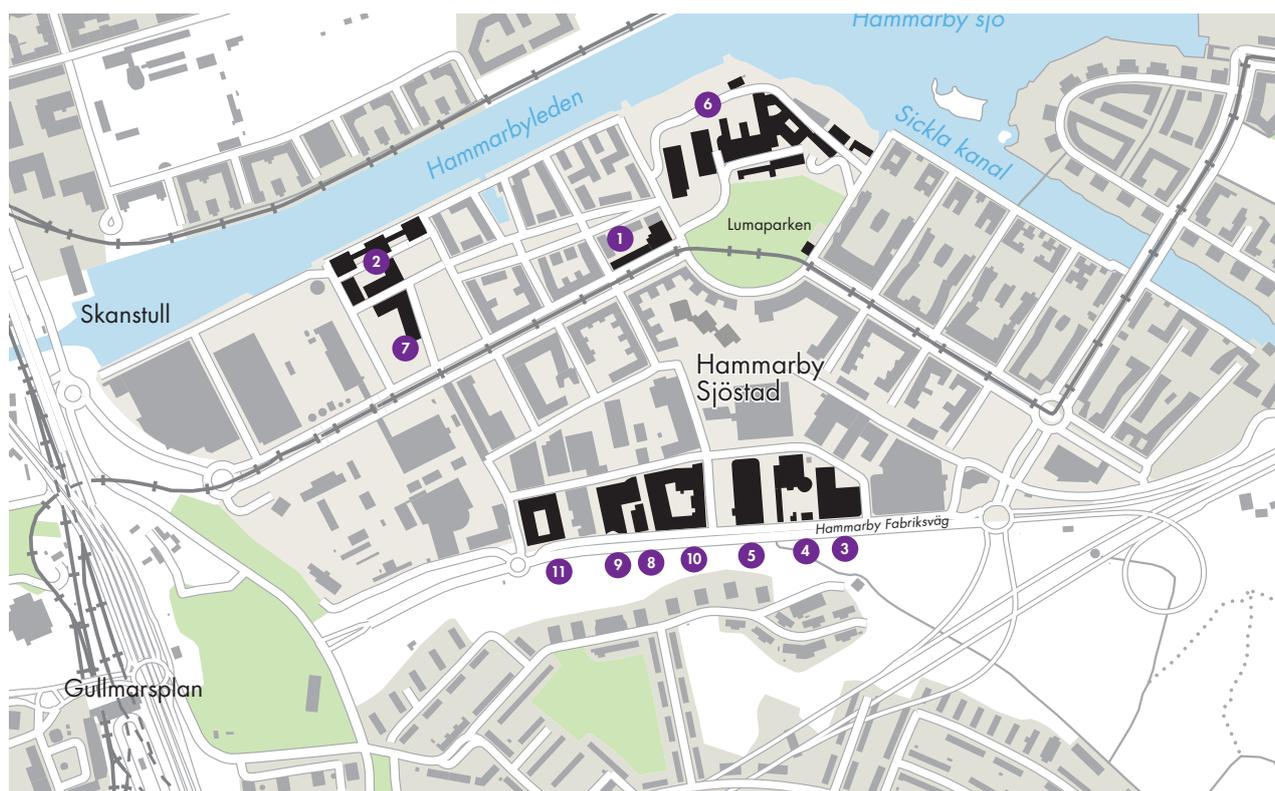
Property name	Area	Street	Construction year	Office/sqm	Retail/sqm	Industrial + warehouse/sqm	Residential/sqm	Hotel/sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31 December 2015	
<b>HAMMARBY SJÖSTAD</b>												
1	Fartygstrafiken 2	Hammarby Sjöstad	Hammarby Allé 91-93	1955	6,846	1,735	169	0	0	9	8,759	115,000
2	Båtturen 2	Hammarby Sjöstad	Hammarby Kajg 12, Hammarby Kaj 14-18	1937	11,338	276	423	0	0	1,230	13,267	185,200
3	Korhoppet 1	Hammarby Sjöstad	Hammarby Fabriksväg 41-43, Virkesv 24-26	1949	7,574	754	5,067	0	0	750	14,145	33,949
4	Korhoppet 5 <sup>2)</sup>	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, 2-26, Glödlampsgård 1-6, Lumaparksv 2-18, 5-15, Kölnag 3	1930	27,497	2,538	1,711	691	0	5,978	38,415	217,683
7	Skeppshandeln 2 <sup>2)</sup>	Hammarby Sjöstad			0	0	0	0	0	0	0	32,000
8	Triåfabriken 12 <sup>1)</sup>	Hammarby Sjöstad	Hammarby Fabriksväg 27	1942	0	0	0	0	0	0	0	4,679
9	Triåfabriken 4	Hammarby Sjöstad	Hammarby Fabriksväg 25, Virkesv 8-10	1991	5,211	3,464	940	0	0	975	10,590	100,000
10	Triåfabriken 8	Hammarby Sjöstad	Hammarby Fabriksväg 29-31, Virkesv 12, Heliosg 1-3	1930	12,872	692	1,645	0	0	12	15,221	60,000
11	Triåfabriken 9 <sup>1)</sup>	Hammarby Sjöstad	Hammarby Fabriksväg 19-21, Virkesv 2-4	1928	9,713	267	1,645	0	0	795	12,420	41,600
<b>TOTAL, HAMMARBY SJÖSTAD</b>					<b>81,051</b>	<b>10,154</b>	<b>15,854</b>	<b>691</b>	<b>0</b>	<b>9,749</b>	<b>117,499</b>	<b>851,311</b>

The list of properties contains all properties owned by Fabege at 31 December 2015.

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

1) Development property – Properties in which a conversion or extension is in progress or planned that has a significant impact on the property's net operating income. Net operating income is affected either directly by the project or by limitations on lettings prior to impending improvement work. Recently acquired properties (within one year) with work in progress to significantly improve the property's net operating income in relation to the date of acquisition.

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



# OTHERS, 31 DECEMBER 2015

Tax value SEK 000s, 31 December 2015

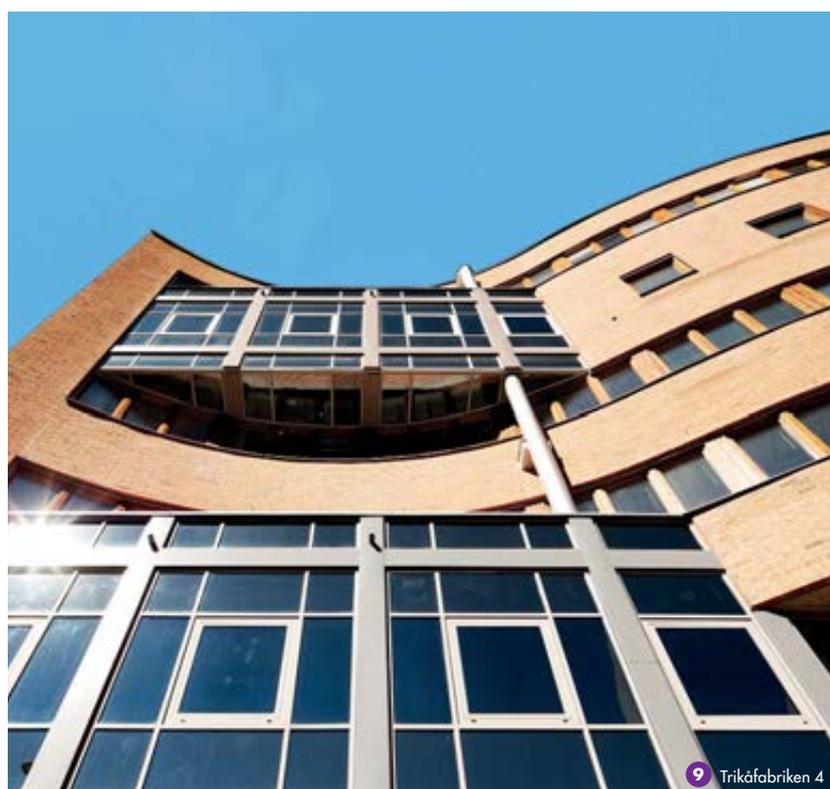
Property name	Area	Street	Construction year	Office/sqm	Retail/sqm	Industrial + warehouse/sqm	Residential/sqm	Hotel/sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31 December 2015
<b>OTHER, NORTHERN STOCKHOLM</b>											
1	Hammarby Smedby 1:472 <sup>2)</sup>	Upplands Väsby	Johanneslundsvägen 3-5	0	0	0	0	0	0	0	4,252
2	Tekniken 1 <sup>2)</sup>	Sollentuna		0	0	0	0	0	0	0	4,691
3	Ulvsunda 1:1	Bromma	Flygplansinfarten 27	2004	0	0	1,241	0	0	0	6,807
4	Vallentuna Rickeby 1:327 <sup>2)</sup>	Vallentuna		0	0	0	0	0	0	0	227
<b>TOTAL, NORTHERN STOCKHOLM</b>				<b>0</b>	<b>0</b>	<b>1,241</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,977</b>
<b>OTHER, SOUTHERN STOCKHOLM</b>											
5	Pelaren 1 <sup>2)</sup>	Globen	Pastellvägen 2-6	0	0	0	0	0	0	0	8,400
<b>TOTAL, SOUTHERN STOCKHOLM</b>				<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,400</b>
<b>TOTAL, OTHERS</b>				<b>0</b>	<b>0</b>	<b>1,241</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,377</b>

The list of properties contains all properties owned by Fabège at 31 December 2015.

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.



9 Triåfabriken 4



6 Luma 1



2 Bätturen 2

# DEFINITIONS

## Capital employed

Total assets less non-interest-bearing liabilities and provisions.

## Cash flow from operating activities per share

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

## Debt/equity ratio

Interest-bearing liabilities divided by shareholders' equity

## 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 ongoing 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 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.

## Retention rate

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

## Return on capital employed

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

## Return on equity

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

## Return, share

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

## Segment reporting

In accordance with IFRS 8, segments are presented from the point of view of management, divided into the following segments: Property Management, Property Development and Transactions. Rental income and property expenses, as well as realised and unrealised changes in value including tax, are directly attributable to properties in each segment (direct and indirect expenses). In cases where a property changes character during the year, earnings attributable to the property are allocated to each segment based on the period of time that the property belonged to each segment. Central administration and items in net financial expense have been allocated to the segments in a standardised manner based on each segment's share of the total property value (direct and indirect expenses). Property assets are directly attributed to each segment and recognised on the balance sheet date.

## Surplus ratio

Net operating income divided by rental income.

## Total return

Net operating income for the period plus unrealised and realised changes in the value of properties, divided by market value at period 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](http://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 will be held at Filmstaden Scandinavia, auditorium 3, at Mall Of Scandinavia, Råsta Strandväg 19A, Solna, on Monday 11 April, 2016, at 3 pm CET. Registration for the AGM begins at 2.15 pm CET.

### Registration

Shareholders wishing to participate in the AGM must firstly be registered in the share register maintained by Euroclear Sweden AB (formerly VPC AB) on Tuesday 5 April 2016, and secondly notify the company of their intention to participate, stating the names of any advisors they wish to invite, no later than 4 pm CET on Tuesday 5 April 2016. Registration 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 (0)8-402 90 68
- Via Fabege's website [www.fabege.se/agm](http://www.fabege.se/agm)

When registering, shareholders must state their name, personal ID or corporate registration number, address and telephone number, shareholding and the names of any accompanying advisors. Shareholders whose shares are held in the name of a trustee must temporarily 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 Tuesday, 5 April 2016. 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 2016

Annual General Meeting	11 April 2016
Interim report Jan–March 2016	26 April 2016
Interim report Jan–June 2016	8 July 2016
Interim report Jan–Sep 2016	20 October 2016

### CONTACT INFORMATION



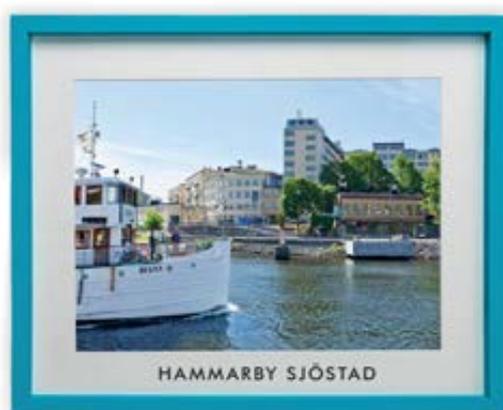
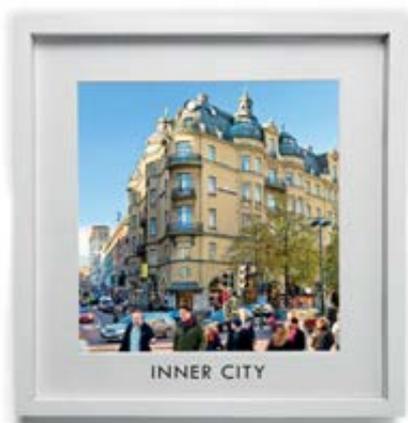
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*– Modern offices  
in prime locations*

**Fabege** 

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