

2014

## Q4

## Summary SEKm

	2014 Oct-Dec	2013 Oct-Dec	2014 Jan-Dec	2013 Jan-Dec
Rental income	522	514	2,087	2,059
Net operating income	365	340	1,485	1,411
Profit from property management	174	152	682	614
Profit before tax	835	242	1,867	1,992
Profit after tax	910	79	1,738	1,530
Surplus ratio, %	70	66	71	69
Equity ratio, %	-	-	38	35
Equity per share, SEK	-	-	83	76

## January – December 2014:

- Rental income amounted to SEK 2,087m (2,059). In an identical portfolio, income rose slightly more than 5 per cent.
- Net operating income increased about 5 per cent to SEK 1,485m (1,411). The surplus ratio rose to 71 per cent (69).
- Profit from property management rose 11 per cent to SEK 682m (614).
- Realised and unrealised changes in value amounted to a positive SEK 1,639m (874) for properties and a negative SEK 473m (pos: 408) for interest-rate derivatives.
- Profit before tax for the year was SEK 1,867m (1,992), with the decline due entirely to higher deficit value in the portfolio of derivative instruments. Profit after tax for the year was SEK 1,738m (1,530), equal to earnings per share of SEK 10.51 (9.26).
- Net lettings for the year totalled SEK 243m (68) after major project lettings to, among others, TeliaSonera and SEB in Arenastaden. The rent levels from all renegotiated leases rose an average of 11 per cent.
- Adjusted for purchase considerations outstanding, the equity/assets ratio was 40 per cent and the loan-to-value ratio 56 per cent.
- The Board proposes a dividend of SEK 3.25 per share (3.00).



Christian Hermelin, CEO

Comments by Christian Hermelin, CEO

## High business tempo

The transaction market has returned to volumes that have not been seen since before the financial crisis. The large demand for properties in prime locations, combined with rising rents and low financing costs, is exerting pressure on the required yield.

### Strong development in Arenastaden

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

### Many transactions in a strong market

In Stockholm, growth remains favourable and the supply of new offices is low, thus additionally adding to market value. We have capitalised on the opportunities arising in the strong market by selling a number of properties in cases where the properties do not offer notable development potential for Fabège. This resulted in a high pace of transactions during the year, with 14 properties sold at a value of nearly SEK 4bn, while making a healthy contribution to Fabège's total profit. As a result of these transactions, we also strengthened the balance sheet in preparation for forthcoming value-generating investments in the years ahead.

### Record profit for the year

The rate of business was high throughout the year, not only on the transaction side but also in property management and project operations. When we now sum up the year's lettings, they go down in Fabège's history as a record, with net lettings of SEK 243m. The activity in the rental market is somewhat seasonal. After a strong finish to the first six months of the year and reduced activity in the third quarter, lease negotiations and business deals regained momentum during the fourth quarter.

Our target of achieving a surplus ratio of 70 per cent was surpassed. To some extent, this was explained by a mild winter, although structured efforts to achieve cost-effectiveness and an improved occupancy rate also contributed to the excellent earnings.

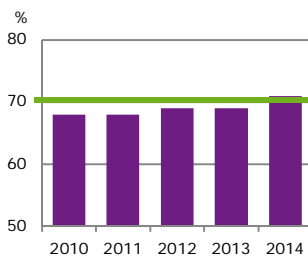
I am also delighted that we continued to pursue our important sustainability efforts, which included energy-efficiency enhancements, more green leases and environmental certification of properties. These are factors that increasingly translate into competitive advantages in business negotiations. We received solid proof that our sustainability work maintains a high class when we reached Green Star level by GRESB and were approved as a responsible investment by the mutual funds of both Robur and Nordea.

Overall, I am very pleased by our fine performance during the year, whereby all parts of the company's business, in accordance with our strategy, made significant contributions to Fabège's total profit. I am also pleased on behalf of our shareholder, who have experienced new record levels of share price, now that the SEK 100 mark has been passed.

### Outlook for 2015

At the beginning of the new year, the rental and property markets in Stockholm have remained highly robust, with considerable demand from investors. Fabège's property portfolio favourably matches customer requirements for modern and sustainable offices in good locations. Both the Board of Directors and the employees display great drive and commitment with the aim of continuing to do good business. We are looking forward to continued healthy development, in which all parts of the operation contribute to an increase in total earnings.

#### SURPLUS RATIO<sup>1</sup>



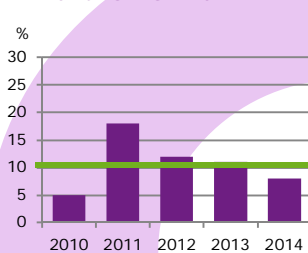
Target: 70 per cent

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



Target: 20 per cent

#### TRANSACTION GAINS<sup>1</sup>



Target: 10 per cent



# Profit Jan–Dec 2014<sup>1</sup>

During the year, net operating income improved and the surplus ratio rose to a record-high 71 per cent. Transaction gains and value growth in both the property management portfolio and the project portfolio continued to contribute to Fabege's total profit.

## Revenues and earnings

Profit after tax for the year increased to SEK 1,738m (1,530), corresponding to earnings per share of SEK 10.51 (9.26). Profit before tax for the year was SEK 1,867m (1,992). The decline was due in its entirety to negative value changes in the portfolio of derivative instruments. Net operating income increased nearly 5 per cent and profit from property management improved by some 11 per cent. Realised and unrealised value changes in the property portfolio were also higher than in the year-earlier period.

Rental income amounted to SEK 2,087m (2,059) and net operating income increased to SEK 1,485m (1,411). In an identical portfolio, rental income rose slightly more than 5 per cent and net operating income by about 9 per cent. The surplus ratio increased to 71 per cent (69), primarily as a result of the warm and snowless winter season, but also due to improved rent levels and cost-effectiveness.

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

The share in the results of associated companies was a loss of SEK 72m (loss: 30), mainly due to Tornet Fastighets AB (non-recurring effect of sale of properties) and Sweden Arena Management KB. The change of accounting policy regarding SFF to proportional consolidation led to a slight improvement in the share in results of associated companies, while administrative costs rose SEK 3m. Due to lower long-term interest rates, the deficit value of the derivative portfolio increased by SEK 473m (reduced deficit value of SEK 408m in 2013.) Changes in the value of shareholdings, mainly Catena, totalled SEK 19 m (96). In the second quarter, 850,000 Catena shares were sold. Net interest expense declined to SEK 664m (705). Higher borrowing was offset by lower market interest rates.

## Segment reporting

During the second half of the year, four properties were reclassified from investment properties to development or project properties. This pertained to Pyramiden 4, where existing buildings were demolished to make way for SEB's new offices at Arenastaden, and three properties on Västra Kungsholmen and in Hammarby sjöstad, which are to be further developed.

The Property Management segment generated net operating income of SEK 1,427m (1,327), corresponding to a surplus ratio of 72 per cent (69). The occupancy rate was 95 per cent (93). Profit from property management was SEK 692m (601). Unrealised changes in property values amounted to SEK 1,063m (343).

The Property Development segment generated net operating income of SEK 58m (84), making a surplus ratio of 59 per cent (60). Property management generated a loss of SEK 10m (profit: 13). Unrealised changes in property values were SEK 276m (396).

The Transaction segment sold 14 properties, realising changes in value of SEK 300m (135).

## Financial position and net asset value

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

<sup>1</sup> The comparison figures for income and expense items relate to values for the period January–December 2013 and for balance sheet items as at 31 December 2013.

## Quarter 4 in brief<sup>1</sup>

- Continued healthy demand was noted for office premises in Stockholm.
- New lettings totalled SEK 77m (52), while net lettings amounted to a negative SEK 3m (pos: 36), following two major lease terminations.
- The surplus ratio rose to 70 per cent (66).
- Profit from property management rose to SEK 174m (152).
- The property portfolio showed unrealised value growth of SEK 570m (147), of which projects accounted for SEK 75m (82).
- As part of five transactions, eight properties were divested for a combined price of SEK 2.6bn. Two properties were acquired.
- The deficit value in the derivative portfolio rose SEK 96m (55) due to lower long-term interest rates.
- After-tax profit for the quarter was SEK 910m (79).

## BUSINESS MODEL CONTRIBUTIONS TO EARNINGS

SEKm	2014 Jan-Dec	2013 Jan-Dec
Profit from Property Management activities	692	601
Changes in value (portfolio of investment properties)	1,063	343
Contribution from Property Management	1,755	944
Profit from Property Management activities	-10	13
Changes in value (profit from Property Development)	276	396
Contribution from Property Development	266	409
Contribution from Transactions		
Realised changes in value	300	135
Total contribution from the operation	2,321	1,488

# 71%

## surplus ratio

During 2014, the target for the surplus ratio of 70 per cent was surpassed.

## Financing

Fabege employs fixed rate long-term lines of credit, which at year-end had an average maturity of 3.7 years. The company's lenders are primarily the major Nordic banks.

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

During the fourth quarter, a new three-year revolving line of credit of SEK 155m was raised. In addition, a new four-year credit facility of SEK 1,395m was raised for financing the building of SEB's new offices in the Pyramiden 4 property at Arenastaden.

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

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

The average fixed-rate term for Fabege's loan portfolio was 1.9 years, including the effects of derivative instruments. The average fixed-rate term for variable-interest loans was 66 days. Fabege's derivatives portfolio comprised interest-rate swaps totalling SEK 6,000m with terms of maturity extending through 2021 and carrying fixed interest at annual rates of between 1.87 and 2.73 per cent before margins. Fabege also holds callable swaps totalling SEK 5,700m at interest rates of between 2.87 and 3.98 per cent before margins and maturity between 2016 and 2018. Interest rates on 60 per cent of Fabege's loan portfolio were fixed using fixed-income derivatives. The derivatives portfolio is measured at market value and the change in value is recognised in profit or loss. At 31 December 2014, the recognised negative fair value adjustment of the portfolio was SEK 920m (447). The derivatives portfolio is measured at the present value of future cash flows. The change in value is of an accounting nature and has no impact on the company's cash flow. At the due date, the market value of derivative instruments is always zero. In January 2015, additional interest-rate swaps in a total amount of SEK 800m were agreed with maturities of eight to ten years.

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

The total loan volume at the end of the quarter included SEK 656m (277) in loan amounts for projects, on which interest of SEK 13m was capitalised.

## Tax

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

## Cash flow

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

## INTEREST RATE MATURITY STRUCTURE, 31 DECEMBER 2014

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

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

## LOAN MATURITY STRUCTURE, 31 DECEMBER 2014

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

# Business, Jan-Dec 2014

Net lettings ended up at the highest level in Fabège's history after the signing of a number of major leases, primarily in Arenastaden. During the year, a total of 14 properties were sold, which contributed to the healthy earnings and to strengthening the balance sheet. Investments and a continued strong property market provided conditions for value growth in both the project and the property management portfolios.

## Fabège's property portfolio and management

Fabège's Property Management and Property Development activities are concentrated to a few selected submarkets in and around Stockholm. Stockholm's inner city, Solna and Hammarby Sjöstad are the company's principal markets. On 31 December 2014, Fabège owned 80 properties with a total rental value of SEK 2.2bn, lettable floor space of 1.0m sqm and a carrying amount of SEK 32.6bn, of which development and project properties accounted for SEK 3.9bn. The financial occupancy rate for the entire portfolio, including project properties, was 94 per cent (93). The occupancy rate in the property management portfolio was nearly 95 per cent (93). The positive trend was mainly attributable to successful lettings by property management and to the sale of two properties with significant vacancies towards the end of the year.

New lettings during the year totalled SEK 428m (211), while net lettings were SEK 243m (68). Lease terminations amounted to SEK 185m (143), with the largest relating to the vacation of the DN-huset building in connection with the expiration of the lease with Bonniers, as well as to Vectura, which terminated the lease on the Fräsaren 10 property, Solna Business Park, after being acquired by Sweco. Major lettings during the year included project lettings to TeliaSonera, SEB and Siemens, all in Arenastaden. In addition, a number of smaller leases were signed pertaining to management lettings. Activity was high in the fourth quarter, with 80 leases signed for a volume of SEK 77m.

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

## Changes in the property portfolio

During the year, a total of 14 properties were divested following intense business activity during the fourth quarter. The transaction market was very strong during the year and Fabège accelerated its efforts to streamline the property portfolio, fully in line with the strategy of selling properties located outside prioritised market areas, or where an alternative yield is more attractive.

In total, properties were sold for SEK 3,889m. The transactions generated a profit of SEK 300m before taxes and SEK 530m after taxes. In several cases, on-going business discussions have resulted in a write-up of the property value, thus resulting in a higher unrealised gain and thereby a lower transaction gain.

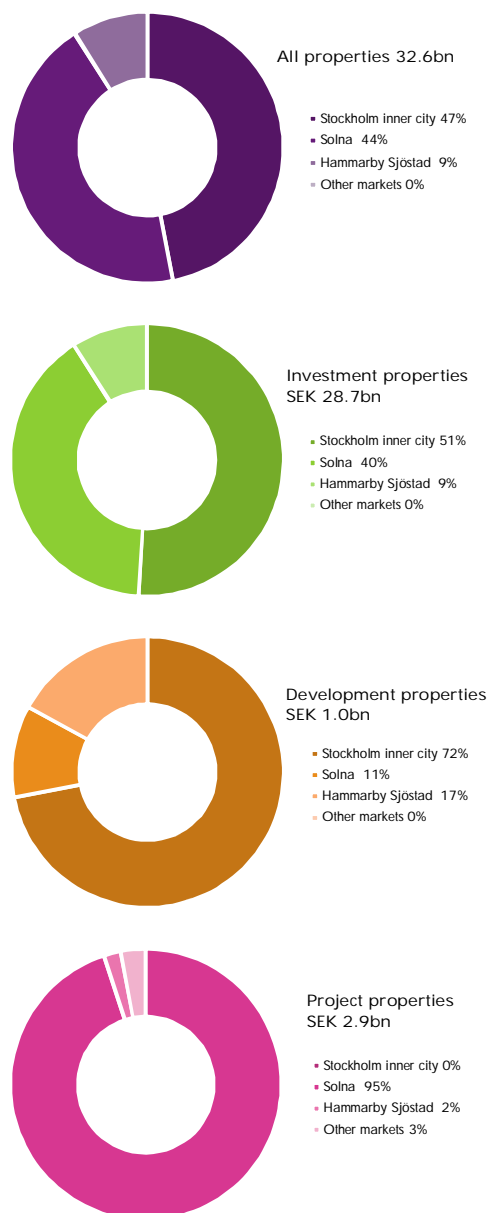
## Changes in value of properties

The entire property portfolio is externally valued at least once annually. Approximately 33 per cent of the properties were externally valued at 31 December 2014 and the remainder were internally valued based on the most recent valuations. The combined market value was SEK 32.6bn (33.4).

Unrealised changes in value amounted to SEK 1,339m (739). The average yield requirement declined during the year, amounting to a rounded off figure of 5.4 per cent (5.6). The SEK 1,063m (343) increase in the value of the property management portfolio was primarily attributable to the lower yield requirement in the market as well as to rising rents and lower vacancies. The project portfolio contributed to a change in value of SEK 276m (396), primarily due to development gains in the major project properties.

## DISTRIBUTION OF MARKET VALUE

31 December 2014



## Projects and investments

The purpose of Fabege's project investments is to reduce vacancy rates and increase rents in the property portfolio, thereby improving cash flows and adding value. The development of properties is a key feature of Fabege's business model and is intended to make a significant contribution to consolidated profit. The aim is to achieve a return of at least 20 per cent on invested capital.

In 2014, the ambition was to maintain a high rate of development in the project portfolio, with an investment volume of about SEK 1.6bn. The actual level was lower, due to a slight time lag pertaining to both implementation and invoicing from suppliers. Investments in existing properties and projects during the year totalled SEK 1,249m (1,410). The investments pertained to new builds, extensions and conversions. The return on capital invested in the project portfolio was 22 per cent. The capital invested in the property management portfolio contributed to the total growth in value. The investment rate is expected to rise during coming years as a result of the new project lettings.

### Completed projects

During the second quarter of 2014, the new build of the Båtturen 2 property, Hammarby Sjöstad, was completed. The property was transferred to the property management portfolio as of the third quarter.

### Major on-going projects

The project involving the new build of Nationalarenan 8 property (TeliaSonera's offices) is proceeding as planned. A turnkey contract has been signed with Peab concerning the entire project. The work currently under way pertains to the raising of structures and facade assembly, as well as certain initiated installation work. The investment, including acquisition of development rights, totals approximately SEK 1.3bn. The property is fully let to TeliaSonera, with occupancy scheduled for spring 2016.

The new build of the Winery Hotel on the Järvakrogen 3 property continues. Construction of the framework is currently under way. Veidekke/Arcona have been procured as turnkey contractors. The investment has increased, due to difficult ground conditions, and is now estimated at about SEK 300m. The property is fully let to The Winery Hotel, with occupancy scheduled for no later than the first quarter of 2016.

The Uarda 1 (building C) project at Arenastaden is also proceeding as planned. The investment amounts to about SEK 570m. Earthworks and foundation engineering have been completed and work on framework assembly is under way. A turnkey contract has been signed with Peab. The occupancy rate is 60 per cent, after a number of new leases were signed in the fourth quarter.

During the fourth quarter, an investment slightly exceeding SEK 500m was decided regarding construction of Building B at Uarda 1, after Siemens signed a lease. Project design work and earthworks are in progress. The occupancy rate is 58 per cent.

The project involving construction of SEB's offices in the Pyramiden 4 property in Arenastaden is proceeding. Earthworks are currently ongoing. The investment amounts to some SEK 2.3bn and the new office is scheduled for completion in two phases, spring 2017 and 2018, respectively. The property is fully let to SEB.

## SALES OF PROPERTIES JAN-DEC 2014

Property name	Area	Category	Lettable area, sqm
Quarter 1			
Kolonnen 7	Södermalm	Office	3,771
Luma 3	Hammarby Sjöstad	Land	0
Quarter 2			
Duvan 6	Norrmalm	Office	9,867
Lammet 17	Norrmalm	Office	6,869
Skogskarlen 3	Bergshamra	Office	9,118
Skogskarlen 1	Bergshamra	Land	0
Quarter 3			
No divestments			
Quarter 4			
Godsfinkan 1	Hammarby Sjöstad	Office	7,845
Grönlandet Södra 13	Norrmalm	Office	8,193
Ladugårdsgårde 1:48	Värtahamnen	Office	38,195
Planen 4	Råsunda	Office	6,404
Rovan 1	Huvudsta	Retail	10,689
Rovan 2	Huvudsta	Hotel	8,872
Hammarby-Smedby 1:457			
	Upplands-Väsby	Office	16,700
Hammarby-Smedby 1:458			
	Upplands-Väsby	Land	0
Total sales of properties			126,523

## PROPERTY ACQUISITIONS JAN-DEC 2014

Property name	Area	Category	Lettable area, sqm
Quarter 1-3			
No acquisitions			
Quarter 4			
Hammarby-Smedby 1:457			
	Upplands-Väsby	Office	16,700
Hammarby-Smedby 1:458			
	Upplands-Väsby	Land	0
Total purchases of properties			16,700

## FABEGE'S SUSTAINABILITY EFFORTS

Fabège works actively for a sustainable urban environment that satisfies the needs of today without compromising the ability of future generations to meet their own needs. Reducing the carbon footprint and promoting a good working environment for the people who are present each day in the company's buildings are central to Fabège's sustainability effort.

### HIGHLIGHTS 2014

- All new builds and major redevelopments environmentally certified
- Decision to proceed with BREEAM In-use environmental certification of the property management portfolio
- Green Star rating in GRESB
- The Fabège share approved for inclusion in Robur's ethical funds and Nordea's Star funds
- Green leases included in 86 per cent of newly let floor space (target: >50 per cent; outcome 2013: 52 per cent)

## ON-GOING PROJECTS >SEK 50M

31 December 2014

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

<sup>1</sup> Operational occupancy rate 31 December 2014.

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

## PROPERTY PORTFOLIO

31 December 2014

	31 Dec 2014					Jan - Dec 2014		
	No. of properties	Lettable area, '000 sqm	Market value SEKm	Rental value <sup>2</sup>	Financial occupancy rate %	Rental income <sup>4</sup> SEKm	Property expenses SEKm	Net operating income SEKm
Property holdings								
Investment properties <sup>1</sup>	60	936	28,715	2,028	95	1,830	-390	1,440
Development properties <sup>1</sup>	6	70	958	98	77	80	-26	54
Land and Project properties <sup>1</sup>	14	24	2,886	60	96	57	-13	44
Total	80	1,030	32,559	2,186	94	1,967	-429	1,538
Of which, Inner city	29	402	15,262	1,040	94	945	-223	722
Of which, Solna	33	509	14,419	923	94	842	-165	677
Of which, Hammarby Sjöstad	11	118	2,791	223	88	178	-41	137
Of which, Other	7	1	87	0	100	2	0	2
Total	80	1,030	32,559	2,186	94	1,967	-429	1,538
Expenses for lettings, project development and property administration								-119
Total net operating income after expenses for lettings, project development and property administration								1,419 <sup>3</sup>

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

<sup>2</sup> In the rental value, time limited deductions of about SEK 90m (in rolling annual rental value at 31 December 2014) have not been deducted.

<sup>3</sup> The table refers to Fabeges property portfolio on 31 December 2014. Income and expenses were recognised as if the properties were owned for the entire period. The difference between recognised net operating income above, SEK 1.419m, and net operating income in profit or loss, SEK 1,485m, is due to net operating income from divested properties being excluded, and acquired properties being adjusted upwards as if they had been owned/completed during the period of January–December 2014.

<sup>4</sup> Rental income has been adjusted for a discount of SEK 33m that expired during the second quarter of 2014.

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

SEKm	2014 Jan-Dec	2014 Jan-Dec	2014 Jan-Dec	2014 Jan-Dec	2013 Jan-Dec	2013 Jan-Dec	2013 Jan-Dec	2013 Jan-Dec
	Property Management	Property Development	Transaction	Total	Property Management	Property Development	Transaction	Total
Rental income	1,988	99		2,087	1,918	141		2,059
Property expenses	-561	-41		-602	-591	-57		-648
Net operating income	1,427	58	0	1,485	1,327	84	0	1,411
Surplus ratio, %	72%	59%	0%	71%	69%	60%	0%	69%
Central administration	-60	-7		-67	-57	-5		-62
Net interest expense	-606	-58		-664	-641	-64		-705
Share in profits of associated companies	-69	-3		-72	-28	-2		-30
Profit from property management activities	692	-10	0	682	601	13	0	614
Realised changes in value of properties			300	300			135	135
Unrealised changes in value of properties	1,063	276		1,339	343	396		739
Profit/loss before tax per segment	1,755	266	300	2,321	944	409	135	1,488
equities				-454				504
Profit before tax				1,867				1,992
Properties, market value	28,715	3,844		32,599	31,206	2,178		33,384
Occupancy rate, %	95%	77%		94%	93%	87%		93%

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

# Other financial information

## Human resources

At year-end, 136 people (136) were employed in the Fabège Group.

## Parent Company

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

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

## Acquisition and transfer of treasury shares

The 2014 Annual General Meeting (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 year.

# SEK 243m

Net lettings during the year were the highest ever reported in the history of Fabège.

## BOARD OF DIRECTORS MOTION TO THE 2015 AGM

The Board of Directors will propose to the AGM on 26 March 2015 to resolve on the following:

- Cash dividend of SEK 3.25 per share, a total of SEK 538m.
- To authorise the Board, no longer than up to the next AGM, to buy back Fabège shares corresponding to a maximum of 10 per cent of the shares outstanding.

## Tax cases

As previously announced, the Swedish Tax Agency has decided to increase taxation on the Fabège Group concerning a number of property sales through limited partnerships (also refer to Fabège's Annual Report for 2013, pages 61–62).

The total tax demand, including miscellaneous charges and fees, amounted to SEK 2,075m and has been paid in full since August 2014.

Cases corresponding to about SEK 400m are being pursued further in the Administrative Court of Appeal with the aim of recovering part of the paid amount.

## Opportunities and risks

Risks and uncertainties relating to cash flow from operations are primarily attributable to changes in rents, vacancies and interest rates. A more detailed description is presented in the risk section of the 2013 Annual Report (pages 39–41). The effect of the changes on consolidated profit is shown in the risk analysis and in the sensitivity analysis in the 2013 Directors' Report (page 58–63).

Properties are recognised at fair value and changes in value are recognised in profit or loss. The effects of changes in value on consolidated profit, the equity/assets ratio and the loan-to-value ratio are also presented in the risk analysis and the sensitivity analysis in the 2013 annual report. Financial risk, defined as the risk of insufficient access to long-

term funding through loans, and Fabège's management of this risk are described in the 2013 annual report (pages 40–41 and 73–74).

No material changes in the company's assessment of risks have arisen following publication of the 2013 annual report. Fabège's aims for the capital structure are 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).

## SENSITIVITY ANALYSIS – CASH FLOW AND EARNINGS

	Change	Effect, SEKm
Rental income, total	1%	20.9
Rent level, commercial income	1%	19.4
Financial occupancy rate	1 percentage point	21.9
Property expenses	1%	6.0
Interest expense, rolling 12 months	1 percentage point	66.0
Interest expenses, longer term perspective	1 percentage point	195.5

## SENSITIVITY ANALYSIS – PROPERTY VALUE

Change in value, %	Impact on after-tax profit, SEKm	Equity/assets ratio, %	Loan-to-value ratio, %
+1	254	38.6%	59.5%
0	0	38.3%	60.0%
-1	-254	37.9%	60.7%

The sensitivity analysis shows the effects on the Group's cash flow and profit after financial items on an annualised basis after taking account of the full effect of each parameter. Earnings are also affected by realised and unrealised changes in the value of properties and derivatives.

## Events after balance sheet date

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 of which owns 20 per cent, and will commence its financing activities in February 2015.

In January 2015, additional interest-rate swaps in a total amount of SEK 800m were agreed with maturities of eight to ten years.



### Seasonal variations

Expenses for the running and maintenance of properties are subject to seasonal variations. For example, cold and snowy winters give rise to higher costs for heating and snow clearance, while hot summers result in higher cooling costs. During the first quarter, the warm and snowless winter season contributed to lower running costs and a strong surplus ratio. Activity in the rental market is seasonal. Normally, more business transactions are completed during the second and fourth quarters, entailing that net lettings during these quarters are usually higher.

### Outlook for full-year 2015

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

earnings.

### Accounting policies

Fabège prepares its consolidated financial statements according to International Financial Reporting Standards (IFRS). The year-end report has been prepared in accordance with IAS 34 Interim Financial Reporting.

The Group applies the same accounting policies and valuation methods as in the latest annual report, with the exception of the updated IFRS 11 and IFRIC 21 Levies.

The Parent Company prepares its financial statements according to according to RFR 2, Accounting for Legal Entities, and the Swedish

Annual Accounts Act and applies the same accounting policies and valuation methods as in the latest annual report.

As of 2014, Fabège applies IFRIC 21 Levies and the amended IFRS 11. IFRIC 21 Levies specifies that state fees, for Fabège property tax, have to be recognised entirely as a debt when the obligation arises.

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

Stockholm, 4 February 2015



CHRISTIAN HERMELIN  
Chief Executive Officer

This year-end report has not been examined by the company's auditors.



Fräsaren 11, Solna Business Park

# Share information

Fabege's share is listed on the NASDAQ Stockholm Nordic Exchange and included in the Large-Cap segment.

## SHARE INFORMATION

### THE 15 LARGEST SHAREHOLDERS AS OF 31 DEC 2014<sup>1</sup>

	Number of shares	Proportion of equity, %	Proportion of votes, %
Erik Paulsson with family, privately and company	25 051 150	15,1	15,1
BlackRock Inc.	8 938 454	5,4	5,4
Länsförsäkringar fond management	7 896 983	4,8	4,8
Öresund Investment AB	5 500 736	3,3	3,3
SHB funds	4 310 739	2,6	2,6
Mats Qviberg with family	3 714 244	2,2	2,2
Norges Bank Investment Management	3 678 029	2,2	2,2
SEB funds	3 208 470	1,9	1,9
ENA City AB	2 734 000	1,7	1,7
Nordea funds	2 663 874	1,6	1,6
SHB pension fund	2 420 000	1,5	1,5
Blue Sky Group Stichting	2 130 671	1,3	1,3
Principal funds	2 049 758	1,2	1,2
Fourth AP-fund	1 604 512	1,0	1,0
TR Property Investment Trust	1 290 558	0,8	0,8
Total 15 largest shareholders	77 192 178	46,6	46,6
Other foreign shareholders	44 422 536	26,9	26,9
Other Swedish shareholders	43 776 858	26,5	26,5
Total no. of shares outstanding	165 391 572	100,0	100,0
Treasury shares	0	0	0
Total no. of registered shares	165 391 572	100,0	100,0

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

Source: SIS Ägarservice AB, according to data from Euroclear Sweden AB at 31 December 2014.

The Fabege share is traded on Nasdaq Stockholm, BATS Chi-X and London Stock Exchange.

Number of shareholders at 31 December 2014: 40,162



Smeden 1, Solna Business Park

## CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

SEKm	2014 Oct-Dec	2013 Oct-Dec	2014 Jan-Dec	2013 Jan-Dec
Rental income	522	514	2,087	2,059
Property expenses	-157	-174	-602	-648
Net operating income	365	340	1,485	1,411
Surplus ratio, %	70%	66%	71%	69%
Central administration	-21	-16	-67	-62
Net interest/expense	-155	-174	-664	-705
Share in profits of associated companies	-15	2	-72	-30
Profit/loss from property management	174	152	682	614
Realised changes in value of properties	165	10	300	135
Unrealised changes in value of properties	570	147	1,339	739
Unrealised changes in value, fixed income derivatives	-96	-55	-473	408
Changes in value of shares	22	-12	19	96
Profit/loss before tax	835	242	1,867	1,992
Current tax	0	-118	-61	-116
Deferred tax	75	-45	-68	-346
Profit/loss for period/year	910	79	1,738	1,530
Items that will not be restated in profit or loss				
Revaluation of defined-benefit pensions	-10	13	-10	13
Comprehensive income for the period/year	900	92	1,728	1,543
Earnings per share, SEK	5.51	0.48	10.51	9.26
Total earnings per share, SEK	5.44	0.56	10.45	9.34
No. of shares at period end, millions	165.4	165.4	165.4	165.4
Average no. of shares, million	165.4	165.1	165.4	165.1

## CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

SEKm	2014 31 Dec	2013 31 Dec
Assets		
Properties	32,559	33,384
Other tangible fixed assets	1	0
Financial fixed assets	1,542	1,584
Current assets	1,859	365
Short-term investments	34	-
Cash and cash equivalents	23	98
Total assets	36,018	35,431
Equity and liabilities		
Shareholder's equity	13,783	12,551
Provisions	1,084	1,083
Interest-bearing liabilities <sup>1</sup>	19,551	19,038
Derivative instrument	920	447
Non-interest-bearing liabilities	680	2,312
Total equity and liabilities	36,018	35,431
Equity/assets ratio, %	38	35
Contingent liabilities	1,058	1,252

<sup>1</sup> Of which short-term SEK 7,071m (2,208)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	Shareholders' equity	Of which, attributable to Parent Company shareholders
Shareholders' equity, 1 January 2013, according to adopted Statement of financial position	11,382	11,382
Divestment of treasury shares	122	122
Cash dividend	-496	-496
Profit for the period	1,530	1,530
Other comprehensive income	13	13
Shareholders' equity, 31 December 2013	12,551	12,551
Cash dividend	-496	-496
Profit for the period	1,738	1,738
Other comprehensive income	-10	-10
Shareholders' equity, 31 December 2014	13,783	13,783

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

SEKm	2014 Jan-Dec	2013 Jan-Dec
<b>Operations</b>		
Net operating income	1,485	1,411
Central administration	-67	-62
Reversal of depreciation	1	1
Interest received	19	39
Interest paid	-724	-739
Income tax paid <sup>2</sup>	-1,607	-465
Cash flow before changes in working capital	-893	185
<b>Change in working capital</b>		
Change in current receivables	-919	-62
Change in current liabilities	-102	-19
Total change in working capital	-1,021	-81
Cash flow from operating activities	-1,914	104
<b>Investing activities</b>		
Investments in new-builds, extensions and conversions	-1,233	-1,738
Acquisition of properties	-105	-298
Divestment of properties	3,259	1,332
Acquisition of shares in associated companies	-	-7
Other tangible fixed assets	-100	-124
Cash flow from investing activities	1,821	-835
<b>Financing activities</b>		
Dividend to shareholders	-496	-496
Transfer of treasury shares	-	122
Change in interest bearing liabilities	514	1,003
Cash flow from financing activities	18	629
Cash flow for the period	-75	-102
Cash and cash equivalents at beginning of period	98	200
Cash and cash equivalents at end of period	23	98

<sup>1</sup> To better reflect the Group's operations the format of the cash flow statement has been changed from 1 January 2014, the comparative figures have also been changed.

<sup>2</sup> The amount of SEK -1 607m income tax paid is composed entirely of tax payments as a result of convictions in the ongoing tax matters relating to previous real estate transactions. The corresponding figures for the full year 2013 amounts to SEK -465m.

## CONSOLIDATED KEY FIGURES

	2014 Jan-Dec	2013 Jan-Dec
<b>Financial</b>		
Return on capital employed, %	7,6	8,7
Return on equity, %	13,2	12,8
Interest coverage ratio, multiple	2,4	2,0
Equity/assets ratio	38	35
Equity ratio, % after adjustment <sup>3</sup>	40	-
Loan-to-value ratio, properties	60	57
Equity ratio, properties, % after adjustment <sup>3</sup>	56	-
Debt/equity ratio, multiple	1,4	1,5
<b>Share related<sup>1</sup></b>		
Earnings per share, SEK	10:51	9:26
Total earnings per share, SEK	10:45	9:34
Equity per share, SEK	83	76
Cash flow per share, SEK <sup>2</sup>	-11,58	3,89
Cash flow per share, SEK adjusted <sup>2 3</sup>	-5,77	-
EPRA NAV, SEK per share	95	84
EPRA, EPS	4,09	3,48
No. of outstanding shares at end of period, thousands	165 392	165 392
Average number of shares, thousands	165 392	165 162
<b>Property-related</b>		
No. of properties	80	92
Carrying amount, Properties, SEKm	32 559	33 384
Lettable area, sqm	1 030 000	1 142 000
Financial occupancy rate, %	94	93
Surplus ratio, %	71	69

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

<sup>2</sup> The key figure changed from 1 January 2014. Performance measure is affected during 2014 of tax payments of SSEK -1 607m and fourth quarter of 2013, about SEK -465m as a result of convictions in the ongoing tax matters relating to previous real estate transactions.

<sup>3</sup> Key figures adjusted for non-received purchase prices for properties sold and restricted funds for loans to be paid off at the beginning of 2015.



## DERIVATIVE INSTRUMENTS

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

IFRS, level 3	Group		Parent Company	
	2014 31 Dec	2013 31 Dec	2014 31 Dec	2013 31 Dec
Opening value	-358	-577	-358	-577
Acquisitions/Investments	0	0	0	0
Changes in value	-163	219	-163	219
Matured	0	0	0	0
Closing value	-521	-358	-521	-358
Carrying amount	-521	-358	-521	-358

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

## PARENT COMPANY CONDENSED INCOME STATEMENT

SEKm	2014 Jan-Dec	2013 Jan-Dec
Income	130	122
Expenses	-212	-194
Net financial items	1,309	1,856
Share in profits of associated companies	0	4
Changes in value, fixed-income derivatives	-473	408
Changes in value, equities	19	42
Profit before tax	773	2,238
Current Tax	-	-103
Deferred	193	-90
Profit for the period/year	966	2,045

## PARENT COMPANY CONDENSED BALANCE SHEET

SEKm	2014 31 Dec	2013 31 Dec
Participation in Group companies	12,992	12,992
Other fixed assets	39,888	40,721
<i>of which, receivables from Group companies</i>	39,003	39,967
Current assets	1,090	83
Cash and cash equivalents	21	98
Total assets	53,991	53,894
Shareholders' equity	12,461	11,991
Provisions	68	67
Long-term liabilities	34,708	39,462
<i>of which, liabilities to Group companies</i>	21,658	23,426
Current liabilities	6,754	2,374
Total equity and liabilities	53,991	53,894

## Quarterly overview

### CONDENSED INCOME STATEMENT, AMOUNTS IN SEK M

	2014				2013			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Rental income	522	526	526	513	514	513	519	513
Property expenses	-157	-144	-137	-164	-174	-146	-145	-183
Net operating income	365	382	389	349	340	367	374	330
Surplus ratio, %	70%	73%	74%	68%	66%	72%	72%	64%
Central administration	-21	-16	-15	-15	-16	-16	-16	-14
Net interest expense	-155	-158	-180	-171	-174	-178	-176	-177
Share in profits of associated companies	-15	-17	-27	-13	2	-11	-17	-4
Profit/loss from property management	174	191	167	150	152	162	165	135
Realised changes in value of properties	165	-	52	83	10	30	15	80
Unrealised value of properties	570	258	299	212	147	162	211	219
Unrealised changes in value, fixed-income derivatives	-96	-90	-146	-141	-55	46	229	188
Changes in value, equities	22	-13	-16	26	-12	111	-1	-2
Profit for the period/year	835	346	356	330	242	511	619	620
Current tax	-	-3	16	-74	-118	2	-	-
Deferred tax	75	-78	-49	-16	-45	-93	-104	-104
Comprehensive income for the period/year	910	265	323	240	79	420	515	516

### CONDENSED FINANCIAL POSITION, AMOUNTS IN SEK M

	2014				2013			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Assets								
Properties	32,559	33,868	33,257	33,640	33,384	32,773	32,172	32,098
Other tangible fixed assets	1	1	1	1	0	0	1	1
Financial fixed assets	1,542	1,475	1,492	1,610	1,584	1,567	1,434	1,372
Current assets	1,859	318	856	744	365	954	988	682
	34	-	-	-	-	-	-	-
Cash and cash equivalents	23	198	263	148	98	29	13	124
Total assets	36,018	35,860	35,869	36,143	35,431	35,323	34,608	34,277
Equities and liabilities								
Shareholders' equity	13,783	12,883	12,618	12,295	12,551	12,459	12,039	11,524
Provisions	1,084	1,218	1,142	1,097	1,083	1,051	959	847
Interest-bearing liabilities	19,551	20,136	20,402	20,073	19,038	18,780	18,631	18,021
Derivative instruments	920	824	734	588	447	392	438	667
Non-interest bearing liabilities	680	799	973	2,090	2,312	2,641	2,541	3,218
Total equity and liabilities	36,018	35,860	35,869	36,143	35,431	35,323	34,608	34,277

### KEY FIGURES

	2014				2013			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Financial								
Return on capital employed, %	11,7	6,1	6,4	6,2	5,3	8,9	10,4	10,5
Return on equity, %	27,3	8,3	10,3	7,7	2,5	13,7	17,6	18,0
Interest coverage ratio, multiple	3,1	2,1	2,2	2,3	1,9	2,1	2,0	2,2
Equity/assets ratio, %	38	36	35	34	35	35	35	34
equity ratio, % after adjustment	40	-	-	-	-	-	-	-
Loan-to-value ratio, properties, %	60	59	61	60	57	57	58	56
Equity ratio, properties, % after adjustment <sup>2</sup>	56	-	-	-	-	-	-	-
Debt/equity ratio, multiple	1,4	1,6	1,6	1,6	1,5	1,5	1,5	1,6
Share-related								
Earnings per share, SEK	5:50	1:60	1:95	1:45	0:48	2:54	3:11	3:14
Total earnings per share, SEK	83	78	76	74	76	75	73	70
Cash flow from operating activities per share, SEK <sup>1</sup>	-5:27	0:26	-2:07	-4:50	-1:84	2:04	0:07	0:36
Cash flow from operating activities per share, SEK adjusted <sup>1&amp;2</sup>	0,54	-	-	-	-	-	-	-
EPRA NAV	95	89	87	84	84	83	80	78
EPRA EPS	1,04	1,12	1,01	0,93	0,86	0,91	0,92	0,79
No. Of shares outstanding at the end of the period, thousands	165 392	165 392	165 392	165 392	165 392	165 392	165 392	165 392
Average number of shares, thousands	165 392	165 392	165 392	165 392	165 162	165 086	164 933	164 474
Property-related								
Financial occupancy rate, %	94	92	92	92	93	92	93	92
Surplus ratio, %	70	73	74	68	66	72	72	64

<sup>1</sup> The key figure is affected during 2014 of tax payments of SEK -1 607m and fourth quarter of 2013, about SEK -465 m as a result of convictions in the ongoing tax matters relating to previous real estate transactions.

<sup>2</sup> The key figure is adjusted for purchase considerations outstanding for sold properties and for restricted amounts for loans to be paid off at the beginning of 2015.

## Definitions

### RETURN ON EQUITY

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

### RETURN ON CAPITAL EMPLOYED

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

### LOAN-TO-VALUE RATIO, PROPERTIES

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

### RETURN, SHARE

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

### EQUITY PER SHARE

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

### FINANCIAL OCCUPANCY RATE

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

### EPRA EPS

Profit from property management less 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 such amounts as tax-deductible depreciation and redevelopment.

### EPRA NAV (LONG-TERM NET ASSET VALUE)

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

### INVESTMENT PROPERTIES

Properties that are being actively managed on an on-going basis.

### DEVELOPMENT PROPERTIES

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

### RENTAL VALUE

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

### CASH FLOW FROM OPERATING ACTIVITIES PER SHARE

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

### LEASE VALUE

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

### LAND AND PROJECT PROPERTIES

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

### NET LETTINGS

New lettings during the period less terminations to vacate.

### PROFIT/EARNINGS PER SHARE

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

### INTEREST COVERAGE RATIO

Profit/loss before tax plus financial expenses and plus/minus unrealised changes in value, divided by financial expenses.

### SEGMENT REPORTING

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

### DEBT/EQUITY RATIO

Interest-bearing liabilities divided by shareholders' equity.

### EQUITY/ASSETS RATIO

Shareholders' equity divided by total assets.

### CAPITAL EMPLOYED

Total assets less non-interest bearing liabilities and provisions.

### TOTAL YIELD

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

### RETENTION RATE

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

### SURPLUS RATIO

Net operating income divided by rental income.

# This is Fabege

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

Fabège offers attractive and efficient premises, mainly offices but also retail and other premises. The concentration of properties to well-contained clusters brings the company closer to its customers, which, coupled with Fabège's extensive local expertise, creates a solid foundation for efficient property management and high occupancy. As of 31 December 2014, Fabège owned 80 properties with a total market value of SEK 32.6bn. The rental value was SEK 2.2bn.

## Business concept

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

## Business model

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

## Strategy

Fabège's strategy is to create value by managing and developing the property portfolio and – via transactions – acquiring properties with favourable growth potential while divesting properties located outside the company's prioritised areas. Fabège's properties are located in the most liquid market in Sweden.

Attractive locations lead to a low vacancy rate in the property management portfolio. Modern properties permit flexible solutions and attract customers. With its concentrated portfolio and high-profile local presence, investments aimed at raising the attractiveness of an area benefit many of Fabège's customers.

## Value-driving factors

Fabège's operations are impacted by a number of external factors, which together with the transaction volume and the trend in the office market in Stockholm, represent the prerequisites for the company's success.

### Stockholm is growing

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 inhabitants more 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.

### Changed demand

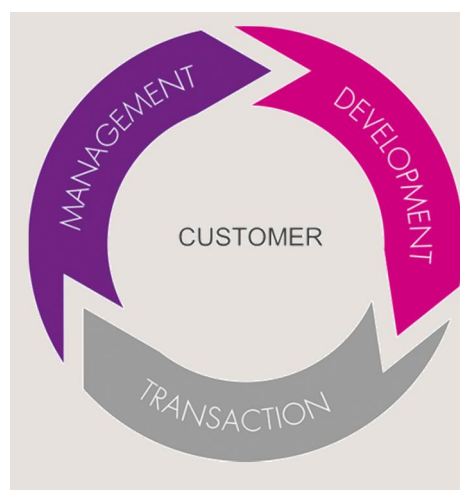
New technology and new work methods contribute to boosting demand for flexible and space-efficient premises in prime locations. Excellent peripheral service and good communication links in the form of public transport services are increasingly requested, as is environmental certification.

### Financial trend

The trend for both the Swedish and global economy has an impact on the property market. Low vacancy rates in Stockholm's inner city and a strengthened economic climate have historically meant rising rents.

### Sustainable urban development

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



#### PROPERTY MANAGEMENT

The essence of Fabège'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 based on close dialogue with the customer, thus building mutual trust and loyalty.

#### PROPERTY DEVELOPMENT

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

#### TRANSACTIONS

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



## Financial calendar

Annual Report 2014 .....	March 2015
Annual General Meeting 2014 .....	26 March 2015
Interim report January–March 2015 .....	23 April 2015
Interim report January–June 2015 .....	6 July 2015
Interim report January–September 2015 .....	20 October 2015

## Press releases during the fourth quarter

2014-12-12	Fabege strengthens its cash position by nearly SEK 2bn
2014-12-08	Lagardère Unlimited to take over operation of Friends Arena
2014-11-27	Fabege sells Planen 4, Solna
2014-11-12	Fabege divests Huvudsta Centrum
2014-10-16	Siemens' Swedish head office moves to Arenastaden
2014-10-10	Fabege sells leasehold in Hammarby Sjöstad

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



Visit the Group's website for more information about Fabege and its operations. There will also be a web presentation on 4 February 2015, at which Christian Hermelin and Åsa Bergström will present the year-end report.



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The information in this report is of the type that Fabege is required to disclose according to the Securities Market Act. The information was released for publication on 4 February 2015.

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**Fabege**