Fabege

Annual Report 2013

We create conditions for success

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

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

We are one of Sweden's leading property companies, focusing mainly on letting and managing office premises as well as property development.

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

Our ongoing objective is to pursue the long-term development of attractive areas and city districts.

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

2013 at a glance

13 Rental income increased to SEK 2,059m (1,869). For an identical portfolio, rental income increased 13 per cent. The year-on-year change derived mainly from growth through positive net lettings and completed projects.

Realised and unrealised value changes amounted to SEK 874m (1,576) for properties and SEK 408m (–190) for fixed-income derivatives.

Profit from property management, excluding shares in the profit of associated companies, rose 16 per cent to SEK 644m (556).

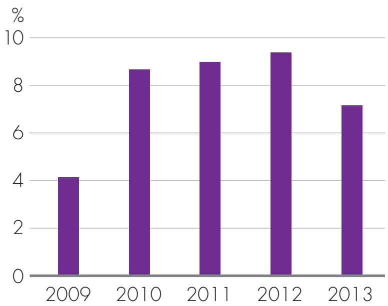
Profit for the year before tax amounted to SEK 1,992m (2,032). Profit after tax for the year was SEK 1,530m (–88), corresponding to earnings per share of SEK 9.26 (–0.54). Tax on profit for the year includes SEK 120m for an increase in the provision for ongoing tax cases. Profit in the preceding year was charged with a provision of SEK 1,900m pertaining to ongoing tax cases.

Net lettings amounted to SEK 68m (141). Rent levels in renegotiated leases rose by an average of 10 per cent.

The Board proposes a dividend of SEK 3.00 per share (3.00).

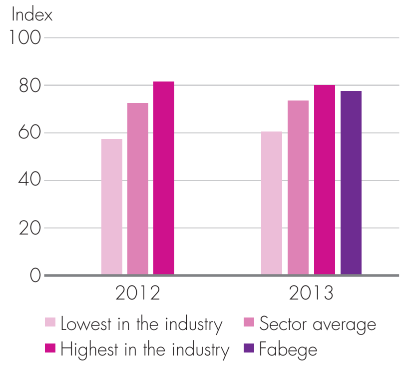
Key figures	2013	2012
Rental income, SEKm	2,059	1,869
Net operating income, SEKm	1,411	1,264
Profit for the year, SEKm	1,530	–88
Return on equity, %	12.8	–0.8
Surplus ratio, %	69	68
Equity/assets ratio, %	35	34
Interest coverage ratio, multiple	2.0	2.3
Earnings per share before and after dilution, SEK	9.26	–0.54
Dividend per share, SEK	3.00	3.00

Total return on the property portfolio



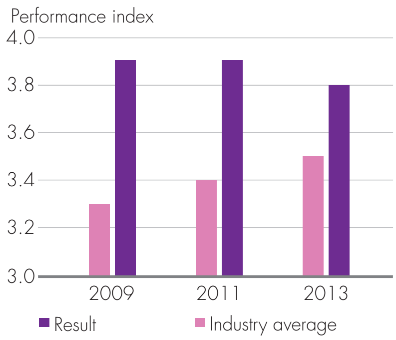
Net operating income plus realised and unrealised changes in the value of properties divided by market value at the beginning of the year.

Satisfied customers



In the sector's CSI survey, Fabege was ranked in the upper quartile, meaning among the companies with the most satisfied customers. The target for 2014 is index 80.

Satisfied employees



More than 98 per cent of Fabege's employees participated in the employee-satisfaction survey in 2013. The results show a performance rating of 3.8. The average for the industry was 3.5.

Key events per quarter

Q1

- Tenants assumed occupancy of several major completed project properties at the beginning of the year, resulting in strong revenue growth and an improvement in net operating income.
- The first phase of Uarda 1, Arenastaden, was completed and all tenants have assumed occupancy. A total of more than 1,000 office employees moved into Arenastaden.
- Sale of the property Masugnen 7, Bromma. A change was made to the zoning plan prior to the sale, enabling a conversion to residential units, thus creating significant realisable value.

Q2

- Decision to invest SEK 1.3bn in the construction of Scandinavian Office Building in Arenastaden, a modern office property in a prime location with an outstanding environmental-profile and a major focus on surrounding services.
- Sale of three properties mainly comprising hotel, retail and residential units, which are considered to be outside Fabege's core business.

Q3

- The two largest lettings of the year were completed when Svenska Spel signed a lease to move into Arenastaden and a 20-year lease was signed with The Winery Hotel. Each of these leases will generate more than SEK 20m in annual rent.
- Agreement signed with Peab concerning a three-part transaction. Fabege acquired parking spaces in Arenastaden and divested part of a property in Haninge and a leasehold in Stadshagen.
- Fabege participated in the Real Estate Barometer's CSI (Customer Satisfaction Index) and received an index rating of 77.
- The Administrative Court of Appeal delivered initial verdicts on a number of Fabege's tax cases. The verdicts entail that the transactions in question are to be taxed, although Fabege prevailed to some extent in terms of how this taxable profit is to be calculated.

Q4

- The level of activity in the rental market was high and Fabege signed numerous leases, resulting in highly favourable net lettings.
- To summarise the year, project development combined with new and extended leases with favourable rents resulted in strong value growth of SEK 739m in the property portfolio, corresponding to 2.3 per cent.

Q2 Scandinavian Office Building will be constructed on top of Mall of Scandinavia, making it one of the tallest buildings in Arenastaden. The building will be certified to the Excellent standard under the BREEAM Commercial environmental classification system.

Q4 Swedish celebrity chef Pontus Frithiof signed a lease to open a new restaurant in Solna Business Park named Pontus in the Park as part of his Pocket bistro chain. The restaurant will open in April 2014 and will also offer summer outdoor seating in the newly built park located along the Englundavägen road.

Satisfied customers in modern offices

Five years ago, the city district we are now creating – Arenastaden – consisted of little more than old, underutilised industrial land. Following land remediation and further development of the area, new office space and residential units, a new arena and a new retail centre are now being created – in large part without encroaching on the natural landscape in the area. This is an excellent example of what can be achieved with vision and drive. With new exciting projects on the horizon and the ambitious goal of creating the best conditions for our customers' success, Fabege is taking another step towards becoming the property company of the future.

It is with delight that I summarise 2013 as yet another year of strong earnings, thanks to a well-functioning business model. All three operational segments – property management, development and transaction – contributed to our earnings. We also noted an increased trend among our customers to prefer being tenants in modern offices in the right location, thus convincing us that our property portfolio with modern buildings in attractive locations is the right way to go.

Increasing income, high retention rate and satisfied customers

Our property management operations reported increasing income, a high retention rate and many satisfied customers. Over the course of the year, we continued our work with customer processes. Being receptive to customer requirements and then being able to complete the requisite changes quickly and efficiently is the key to proactive property management. Over a three-year period, we have worked systematically to improve our customer processes.

The Real Estate Barometer's CSI survey this year confirmed our success in this area and that we are at the cutting edge in terms of customer satisfaction. Fabege achieved an index of 77 and was thus ranked in the upper quartile representing the most satisfied customers. We work consistently to ensure that our employees and customers are satisfied under the banner of Fabege. Together, we create the conditions for our joint success.

> Our vast project portfolio offers us the potential to remain at the forefront of efforts to create modern properties in attractive locations...

Project portfolio offers great potential

Our vast project portfolio offers us the potential to remain at the forefront of efforts to create modern properties in attractive locations with solutions that optimally match customer requirements. Our objective is to achieve a return of at least 20 per cent on investments in the existing portfolio and in projects. We comfortably surpassed our target this year in the form of a 28 per cent return. The project portfolio contributes through excellent value creation, and we have many exciting current and future projects ahead of us. We consistently endeavour to capitalise on our experience from previous projects, while continuing to enhance our technical platform. This year, we started our largest project ever, the Scandinavian Office Building in Arenastaden, which is a top-modern building with a high environmental profile based on cutting-edge technology. The Scandinavian Office Building will be constructed on top of the Mall of Scandinavia, making it one of the tallest buildings in Arenastaden in a prime location in terms of transport links. Office space in the building will total 42,000 sqm, corresponding to the combined office space in all five of the landmark Hötorget skyscrapers in central Stockholm.

Consistent enhancement of the portfolio

During 2013, Fabege sold six properties and acquired two. The transactions are part of our focus on continuously increasing the potential in our property portfolio. The properties that were sold were located mainly outside our prioritised areas and their sale increased our operating return.

Improved financial climate

A large portion of the loan portfolio was renegotiated during the year and we feel confident in our relations with our financiers. During the year, the financial climate in the form of access to capital improved.

Vibrant city districts with a sustainability perspective

Fabege does not only develop properties; it is also involved in developing entire city districts. Because this is a major responsibility, shaping our work with a sustainable perspective is natural. Sustainable work is currently an integral part of our endeavours to develop vibrant areas featuring a favourable mix of offices, stores and residential units, as well as excellent communication links and environmental consideration.

During 2013, we established the objective that all new builds and significant conversions will be given an environmental certification in line with the Miljöbyggnad (a Swedish certification system) or BREEAM systems. We are pleased to note a rising interest in Green Leases, which in 2013 accounted for 52 per cent of newly signed lettable space. We will continue working proactively on our sustainability

objectives and hope to inspire more community players to pursue solutions that are sustainable long-term. This year, we have implemented additional supplier controls from a sustainable perspective and, during 2013, we reviewed suppliers representing 37 per cent of our total purchase volume. In our work on the Vattenfall building, Uarda 5, which is probably the most energy-efficient office building in Sweden, we have learnt a great deal, which we will use in future projects.

Outlook 2014

Our property portfolio of high quality buildings and the substantial potential inherent in the project portfolio create favourable conditions for meeting our prospective customers' meticulous demand for high-quality modern offices in the right locations. I am pleased and proud to state that Fabege's organisation can boast of having a committed and competent workforce, thus offering an excellent base for meeting our customers' requirements. Having a presence in Stockholm – one of Europe's foremost property markets, with annual population growth rate of two per cent – creates many business opportunities on which we intend to capitalise. We aim to continue to develop and, in so doing, we will continue to raise our goals. I look forward to joining my colleagues and customers in meeting the future challenges and opportunities.

CHRISTIAN HERMELIN
Chief Executive Officer

Fabege creates conditions for success

Attractive locations

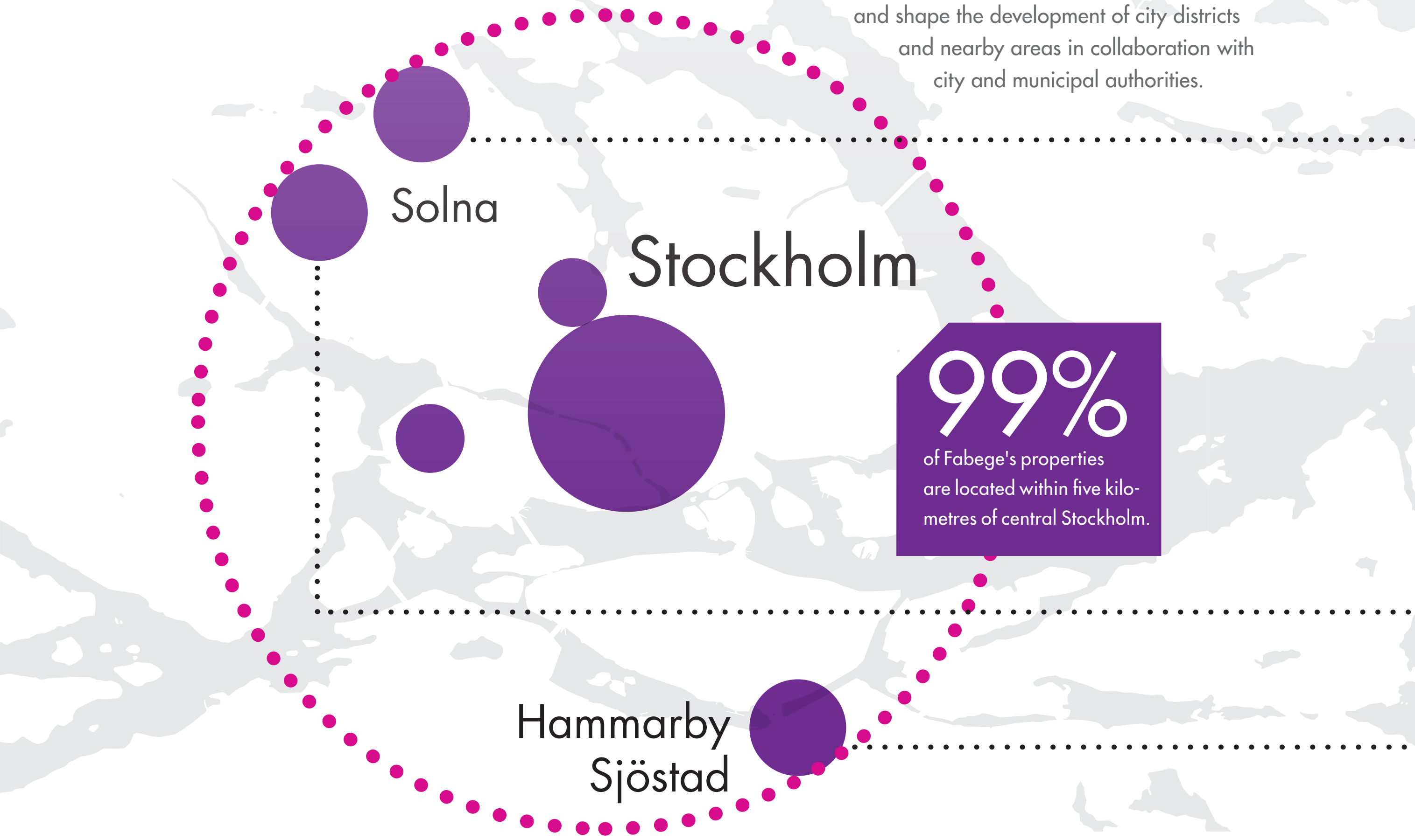
Stockholm is a growth market with a population that continues to rise. By 2030, Stockholm County is expected to add 500,000 inhabitants to the current total. The city boundaries are moving outwards, with the inner city growing together with nearby suburbs. Fabege's properties are located in a number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

Modern properties

Companies want offices in appropriate locations and ones that reflect their business and corporate profile, with facilities that can readily be adapted to suit the company's current circumstances. Fabege offers modern, flexible and environmentally efficient premises in attractive locations.

Concentrated portfolio

Fabege's property portfolio is concentrated within a radius of five kilometres of Stockholm inner city. Concentrated portfolios facilitate market awareness and provide the potential to match customer requirements for new premises and services in these locations. Thanks to its concentrated portfolio, Fabege has the scope to participate in and shape the development of city districts and nearby areas in collaboration with city and municipal authorities.



Business concept

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

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

Fabege is working actively to build sustainable urban environments that satisfy the needs of today without compromising the ability of future generations to meet their own needs.

Strategy

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

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

Strong brands

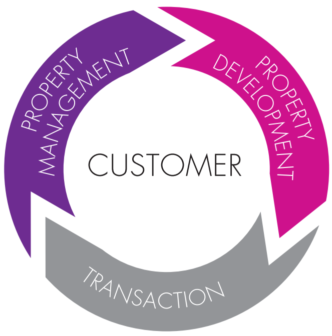
ARENASTADEN®

SOLNA BUSINESS PARK:

HAMMARBY SJÖSTAD

Value creation focused on the customer

Fabege's strategy is based on a business model designed to create value through property management, development and transactions. With modern commercial properties concentrated around Stockholm inner city, Solna and Hammarby Sjöstad, Fabege's objective is to develop sustainable city districts and create the right conditions for satisfying customer requirements.



Fabege seeks to establish close cooperation with its customers. The company's core values permeate all activity at Fabege, internal and customer contacts alike. Thanks to interaction and continuous dialogue, Fabege can track customer progress and offer premises tailored to meet the customers' changing requirements over time. The customer retention rate is high, with customer surveys confirming Fabege's high ranking.

Staying abreast of customer demands also requires a property portfolio that matches customer requirements. Fabege works continuously on the development of its property portfolio by means of active property management, development and transactions.

PROPERTY MANAGEMENT

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

PROPERTY DEVELOPMENT

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

TRANSACTION

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

IMPLEMENTED	OUTLOOK
• Regular quality measurements and systematically developed work to improve customer satisfaction. In 2013, Fabege was ranked in the upper quartile of the property industry's CSI survey. • Sustainability inspections of suppliers introduced. • A technical organisation introduced to increase the focus on optimising property operation and to make time available for account managers to engage in dialogue with customers. • Increased focus on retaining existing customers in parallel with work to sign new contracts with new customers.	• Increase the pace of customer care efforts. New action plans and targets set for the CSI in 2014. • Increase the proportion of Green Leases. • Continue to market Arenastaden as one of Stockholm's best locations in terms of transport links. • Continued focus on reducing climate impact and green thinking in connection with maintenance, management and operation. • Improve the occupancy and retention rates.
• High level of project development in respect of completed projects such as Uarda 5, Arenastaden (Vattenfall's new head office), Nöten 4, Solna Strand (Swedish Tax Agency). • All major projects (>SEK 50m) and new builds over the past two years have been environmentally certified. • Construction started on the Scandinavian Office Building in Arenastaden, an investment of approximately SEK 1.3bn. • Completed about ten major new builds and conversion projects. Total investment of some SEK 1.4bn, with a yield of 28 per cent in 2013.	• Construction of three major projects: Scandinavian Office Building and Uarda 1, Building C, both in Arenastaden, and The Winery Hotel in Solna. • Continued efforts to ensure that all major projects and new buildings are environmentally certified. • Planned investment of about SEK 1.6bn in 2014.
• Properties divested outside prioritised areas, in locations such as Danderyd, Brommaplan, Nacka, Näsbypark, Ulvsunda and Vallentuna. • Housing development rights sold (including Masugnen 7 in Bromma). • Properties acquired in strategically prioritised areas, such as Signalen 3, Farao 8, and Tömmen 1 in Arenastaden. • Value created through development of detailed development plans and development rights, such as for the creation of The Winery Hotel at Järvakrogen 3.	• Implement transactions (sales and acquisitions) designed to continue the streamlining of the property portfolio and the development of its inherent potential. • Continued analysis of the development potential of existing properties and value creation through property development and new development rights. • Continue the long-term sustainable development of city districts and on-going cooperation with various stakeholder groups.

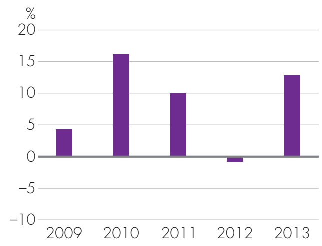
Financial objectives

TARGET | RESULT

Return on equity

Fabege aims to be one of the most profitable listed property companies long-term.

The return on equity was 12.8 per cent. The negative return for 2012 was due to provisions of SEK 1.9bn for ongoing tax cases.

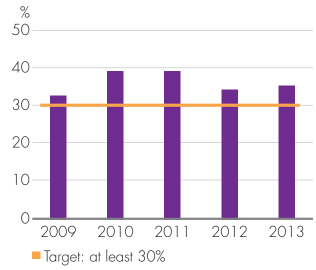


Equity/assets ratio

The equity/assets ratio is to be at least 30 per cent.

≥30%

The equity/assets ratio rose to 35 per cent during 2013 and remains comfortably above the target of 30 per cent.

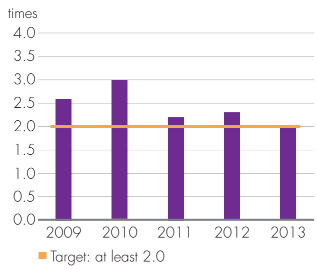


Interest coverage ratio

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

≥2.0

The interest coverage ratio is in line with the target of 2.0.

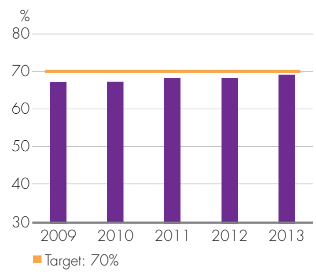


Surplus ratio

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

70%

The surplus ratio has continuously improved and Fabege estimates that the target of 70 per cent will be achieved during 2014. The outcome for 2013 was 69 per cent.

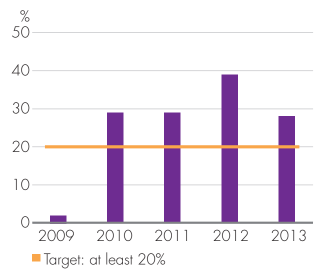


Return on projects

Fabege aims to annually invest at least SEK 1,000–1,500m in the company's own project portfolio. New projects are to generate a return on invested capital of at least 20 per cent through value growth.

≥20%

With a return on investments of 28 per cent value growth during 2013, Fabege comfortably reached this target.

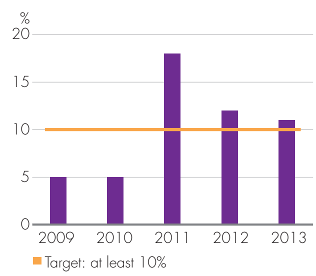


Transaction profit

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.

≥10%

During 2013, six properties were sold for a total purchase consideration of SEK 1,202m, generating a return of 11 per cent in relation to the carrying amount.



Sustainability targets

TARGET	RESULT

Customer Satisfaction Index

Fabege's aim is to achieve an index of 80 in the industry's CSI survey for 2014.

80

Fabege achieved an index ranking of 77 in the industry's CSI survey for 2013. The highest index ranking in the industry was 80 in 2013 and 81 in 2012 (Fabege did not participate in the survey in 2012).

Environment

Reduce energy consumption

Fabege aims to achieve a minimum reduction in energy consumption of 20 per cent by the end of 2014, compared with the level in 2009, based on identical portfolio with indoor climate conditions remaining unchanged.

–20%

Total energy consumption in 2013 was 12 per cent lower than the 2009 level for the same portfolio.

Environmental certification of buildings

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

100%

During 2013, seven new builds and major redevelopments were under way that were certified according to BREEAM or Miljöbyggnad.

Green Leases

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

≥50%

During 2013, Green Leases accounted for 52 per cent of total space for newly signed lettable space.

Sustainability inspections

Fabege's objective during 2012–2014 is that suppliers corresponding to at least 75 per cent of total purchasing volume will be inspected from a sustainability perspective.

≥75%

In 2012, 20 suppliers were reviewed in detail regarding sustainability issues and a further 40 suppliers were evaluated in 2013.
In total, the inspections corresponded to 60 per cent of the total purchasing volume at the end of 2013.

Employees

Satisfied employees

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

≥15%

More than 98 per cent of the employees took part in the customer satisfaction survey in 2013. Fabege received a performance rating of 3.8. The industry average was 3.5. Accordingly, Fabege's rating was 9 per cent above the industry average.

Sickness absence remains low

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

During 2013, sickness absence corresponded to 2.8 per cent.

Code of Conduct

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

During 2013, an update of bribery legislation was provided at Café Fabege, a forum to which all of the company's employees are invited in order to continuously be provided with information.

More information about sustainability targets is available on pages 42–54.

Our core values – SPEAK

Speed

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

Informality

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

Entrepreneurship

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

Business orientation

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

Customer proximity

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

Shared core values and a strong corporate culture are distinctive for successful companies. Fabege's work is based on the shared core values known as SPEAK that permeate the entire operation. Training and skills transfer through SPEAK occur continuously and are a natural part of the development plans of every employee.

The core values characterise our internal and external approach to customers and other stakeholders, and consist of the five key words: Speed, Informality, Entrepreneurship, Business orientation and Customer proximity. The five catchwords have been carefully selected based on generated customer benefit requirements.

When recruiting new employees, understanding of the core values, SPEAK, is both a criteria for selection and a competitive advantage. By clearly signalling Fabege's values, candidates who support them will be attracted and the culture will be strengthened. During 2013, a number of new recruitments were implemented and many candidates said that they had applied to Fabege because they clearly agreed with its core values.

All employees utilise the core values to work in a similar fashion, with the aim of creating customer satisfaction. This generates success, which in turn fosters motivation among employees. Since many services to customers are delivered by cooperation partners and sub-contractors, it is extremely important that they are also very familiar with SPEAK and the level of service that Fabege demands for its customers. To ensure high quality, the company implements quarterly measurements of the customers' perceived level of service.

SPEAK in the entire project process

Ali Ranji is a Project Manager at Fabege and utilises the core values, SPEAK, a great deal in project processes. In each project, the objective is to create a team, where all parties – Fabege, suppliers and the customer – work towards the same goal. To achieve this, SPEAK is utilised in all phases of a project.

"We work actively with these matters all the time," says Ali. "The core values are of importance in all phases. They are not only fine words on a wall."

Understanding the customer's situation is a prerequisite for a functioning project and also contributes to a more pleasant work situation. A functioning information flow often facilitates understanding and provides scope and tolerance. It is important to be sensitive and flexible, while being clear about the consequences that changes may have on the project. Respecting the schedule and the customer's requirements is fundamental in all projects. The focus is on finding solutions, rather than seeing problems.

Market and driving forces

Fabege'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, create the prerequisites for the company's success.

Stockholm is growing

Stockholm continues to dominate the Swedish business community, which contributes to an attractive office rental market.

The Stockholm region is one of the five metropolitan areas in Western Europe where the population is growing the most. According to forecasts, Stockholm County will have increased by half a million inhabitants by 2030 compared with today. The largest growth will also occur among people in the active labour force, thus resulting in an increasing demand for office premises.

The supply of office premises in Stockholm inner city is limited, with low vacancy rates and low potential for new-build projects. As a result, the city is growing geographically and the city limits will gravitate to the surrounding areas.

In recent years, many major companies and government authorities have relocated to new premises in the office areas established in, for example, Solna and Kista.

Economic trend

The trend for both the Swedish and global economies has an impact on the property market. Lower vacancy rates in Stockholm inner city and a stronger economic climate have historically led to rising rents.

Changed demand pattern

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

Excellent peripheral services and good communication links in the form of public transport services are an increasing demand, as is environmental classification.

Sustainable urban development

Sustainability issues are becoming increasingly important, with respect to both individual properties and entire city districts. Interest in environmental considerations is increasing in terms of choices of material and energy-saving measures. Demand is rising for premises in areas offering a favourable mix of office, retail, service and residential units, combined with excellent transport links and environmental commitment.

Fabege's success factors

Concentrated portfolio
Modern properties
Market familiarity
Environmentally certified buildings
Driven, competent organisation
Attractive locations

A value-adding business

Fabege aims to create value through property management, development and transactions. In Fabege's operations, active and customer-oriented management is supplemented with continuous development, strategic acquisitions and sales.

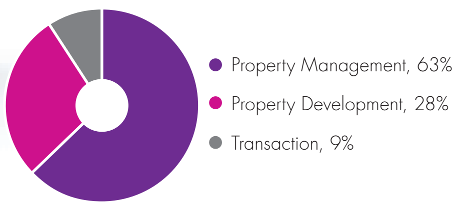
Fabege's operational activities are conducted in three business areas: Property Management, Property Development and Transaction.

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

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

Transaction
Property transactions are an integral part of Fabege'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 capital growth, through both acquisitions and divestments.

Business area contributions to earnings 2013



Business area contributions to earnings 2013

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

Fabeges property portfolio

	31 December 2013				
	No. of properties	Lettable area, '000 sqm	Market value, SEKm	Rental value[1], SEKm	Financial occupancy rate, %
Stockholm inner city	34	470	16,975	1,211	92
Solna	39	547	13,555	966	94
Hammarby Sjöstad	13	124	2,770	219	90
Other markets	6	1	84	1	100
Total	**92**	**1,142**	**33,384**	**2,397**	**93**

On-going projects >SEK 50m, 31 December 2013

Property listing	Property type	Area	Completed	Lettable area, sqm	Occupancy rate, % space[1]	Estimated rental value[2], SEKm	Carrying amount, SEKm	Estimated investments, SEKm	Of which, worked up, SEKm
Järvakrogen 3	Hotels	Solna	Q3-2016	7,460	100	22	61	260	13
Nationalarenan 8	Offices	Arenastaden	Q1-2016	42,000	0	104	194	1,311	173
Båtturen 2 (part of)[3]	Offices	Hammarby Sjöstad	Q1-2014	2,823	34	7	62	76	62
Uarda 1 (building C)	Offices	Arenastaden	Q1-2016	17,641	40	52	157	570	20
Total				**69,924**	**22**	**185**	**474**	**2,217**	**268**
Other land and project properties							1,577		
Other development properties							189		
Total projects, land and development properties							**2,240**		

1) Operational occupancy rate at 31 December 2013.
2) The annual rent for the largest projects in progress could increase to SEK 185m (fully let) from SEK 0m in annualised current rent as of 31 December 2013.
3) Båtturen 2 is recognised as an investment property according to the principle of principality.

Changes in the property portfolio

PROPERTY DIVESTMENTS

Property name	Quarter	Area	Category	Lettable area, sqm
Masugnen 7	1	Bromma	Offices	11,427
Fiskaren Större 3	2	Södermalm	Residential units	2,603
Murmästaren 7	2	Kungsholmen	Offices	3,070
Skeppshandeln 1	2	Hammarby Sjöstad	Projects	0
Söderbymalm 3:405 (part of)	2	Haninge	Offices	3,000
Glädjen 13	3	Stadshagen	Land	0
Söderbymalm 3:405 (part of)	3	Haninge	Offices	10,016
Total sales of properties				**30,116**

PROPERTY ACQUISITIONS

Property name	Quarter	Area	Category	Lettable area, sqm
Solna Nationalarenan 5	3	Arenastaden	Garage	25,482
Tömmen 1	4	Arenastaden	Offices	7,257
Total property acquisitions				**32,739**

Property Management business area

Focus on long-term customer relations

For Fabege's property management work, the central focus is on customers. Fabege aims to be a partner to its customers and participate when their business changes. This is accomplished through long-term work and based on close dialogue with the customer.

Property Management is Fabege's largest area of operation. The operation is divided into geographical areas in which independent units have extensive accountability and the ability to make rapid decisions. Each sub-market is responsible for the operation and development of the properties, as well as customer contacts. Each team includes operations managers and building maintenance technicians with solid technical expertise, as well as letting specialists.

The aim of this operation is to engender long-term trust among existing and new customers. The retention rate of existing customers is continuously rising, thanks largely to the customer-oriented organisation.

Customer surveys result in improvement proposals

Fabege regularly conducts internal customer surveys, which show a steady improvement and provide suggestions for areas of improvement. During 2013, the company participated in a major CSI survey in the industry and received an index ranking of 77. Lowest in the industry was an index ranking of 60 and the highest was 80.

In recent years, extensive work has been conducted to review internal processes and implement improvement measures, all based on the results of the customer surveys. This essentially involves creating clear processes and contact networks and having a close dialogue with customers. An important element is the strengthening of the proactive effort, meaning recognising requests at an early stage, mainly through customer contacts.

One example of implemented measures is the introduction of a new structured fault-registration system that ensures feedback on all fault registrations. Fabege also conducts regular rounds in the areas and properties, to check, for example, that lighting and entrances function and that the property surroundings are clean and tidy.

Personal relations, combined with structured work, lead to satisfied customers. Clear objectives and processes also result in committed employees, who understand the importance of their individual input.

Continued development of properties and offering

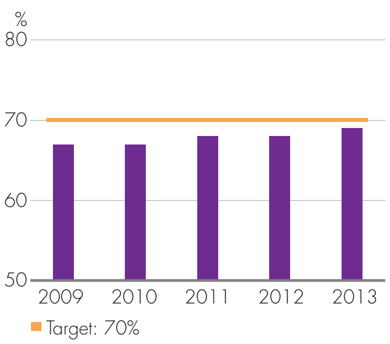
During 2013, Fabege continued to develop properties and areas. Several projects in Stockholm inner city were completed during the year and a number of projects in other areas have instead been started. Many government authorities and major companies are leaving Stockholm inner city, and demand is increasing for modern and flexible premises in the inner suburbs.

Demand for Green Leases and buildings with a high environmental performance is also increasing. Fabege has specialist expertise in environmental issues and increased energy efficiency 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's contribution includes improving the possibility to park bicycles and use the public transport service.

Focus in 2014

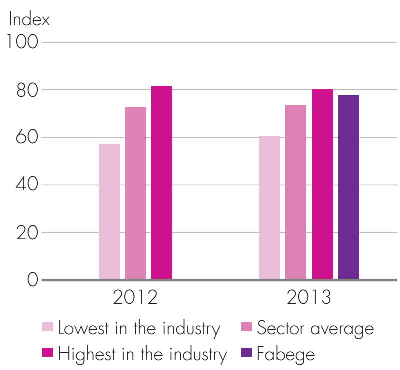
Another result of customer-focused efforts is that the operation is in a reorganisation in early 2014. As of January 2013, The Executive Management Team has been expanded with a new position of Director of Technical Operations, who is responsible for technology and operations. Thanks to this addition to the property management

Surplus ratio



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

Satisfied customers



Fabege's aim is to achieve index 80 in the industry's CSI for 2014.

business area, resources are being made available to sharpen the focus on customer care, property development and operations issues. This will lead to greater participation and increased confidence knowing that the selected solution will function in the long-term, and that Fabege is able to increase its customer satisfaction.

During 2014, work to increase the proportion of Green Leases will also continue. Furthermore, Fabege will continue to focus on reducing the climate impact and on the other products/services that support the customers' own sustainability efforts.

Another objective on which Fabege will focus in 2014 is the continued marketing of Arenastaden as one of Stockholm's best locations in terms of transport links, with commuter trains to and from Solna, the forthcoming light railway and several bus lines, as well as immediate proximity to larger traffic routes.

Farao 8

Apoteket/Arenastaden
A building with health at its core

During spring 2013, Apoteket moved into its new head office in Arenastaden. The newly renovated premises have five stories, with activity-based office space, as well as a conference floor.

Apoteket's head office was previously located in Södermalm in central Stockholm. The new head office is a step in creating a modern and flexible operation that supports the company's business objectives and vision.

Fabege already owned the property, which was basically vacant. Together with Apoteket, plans were designed for the head office. The objective was to create premises characterised by creativity, simplicity and cost effectiveness.

One challenge was to reduce energy consumption in the building and, for this, adaptations and redevelopment were necessary.

Apoteket has introduced an activity-based way of working, which entailed designing the office with landscapes containing flexible workplaces and spaces offering considerable scope for working together. A complete floor has been furnished for conferences and meetings.

Apoteket moved into the new head office in March 2013.

Property Development business area

Development of properties and city districts

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

Fabege's development work includes not only individual properties but also the development of city districts, including infrastructure and public-transport services and outdoor environments and service offerings.

Large-scale and minor adaptations

Fabege's development operations include all redevelopments and new builds. The operation is divided into two units, of which one works with major development projects and the other with smaller projects and regular maintenance. Every year, about 100 projects of varying sizes are implemented.

Before a new tenant moves into an existing property, adaptations are usually made to the premises to meet the customer's requirements. Customers search for premises that strengthen their profiles and brands, meaning premises that give them the potential to influence both the design and decor. In most cases, minor adaptations are also made in connection with lease renegotiation. Tenant adaptations are highly significant to customer satisfaction since the premises, through limited investment, can often become more suited to the customer's requirements.

In larger projects, Fabege is the developer and procures construction contractors to implement 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 provide development opportunities

A basis for projects is the company's portfolio of development rights, comprising slightly more than 480,000 sqm of wholly owned development rights, of which approximately 200,000 sqm pertains to office premises in Arenastaden. The project organisation analyses the potential offered by the existing development rights and converts the ideas into completed premises. All projects are characterised by efficient cost control. Internal transfer of knowledge is key and lessons are learnt from completed projects, both internal and external.

The sustainability perspective is of importance to all projects. Fabege has been successful in achieving energy efficiency in commercial premises, thanks to the internal collaboration between development and operations. All new buildings will be certified according to BREEAM or Miljöbyggnad (a Swedish certification system), and several properties have also been certified as Green Buildings. Fabege's framework for offices demands that building materials must be examined according to the Building Material Assessment Criteria or similar database.

During 2013, work on the Nöten 4 project in Solna Strand was completed, while Skeppshandeln 1 in Hammarby Sjöstad was divested.

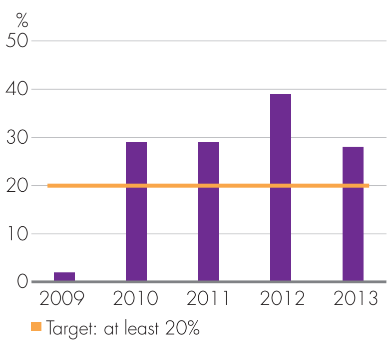
During the year, construction commenced on the Scandinavian Office Building, which will comprise 42,000 sqm of space, corresponding to all five Hötorget skyscrapers in central Stockholm.

Focus in 2014

The aim is for the project volume to remain high. The focus is on Arenastaden, but large projects will also be implemented in Hammarby Sjöstad and Solna Business Park. For 2014, Fabege has planned to invest about SEK 1.6bn in project operations.

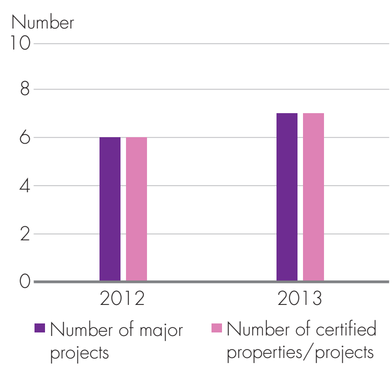
The sustainability perspective will remain a focus in 2014 and Fabege will continue to ensure that all major projects and new buildings are environmentally certified.

Return on projects



Fabege aims to annually invest at least SEK 1,000–1,500m in the company's own project portfolio. New projects are required to generate a return on invested capital of at least 20 per cent through value growth.

Environmental certification



As of January 2013, all new production and major redevelopments must fulfil the criteria for certification according to BREEAM or Miljöbyggnad.

Carnegie brewery/ Hammarby Sjöstad

New operations in premises with tradition

In February 2014, the doors to the New Carnegie Brewery opened in Hammarby Sjöstad. In the former light-bulb plant, a micro-brewery, a restaurant and premises for beer testing are now housed.

Carlsberg and Brooklyn Brewery are players behind the New Carnegie brewery. Together, they had planned for many years to establish a beer brewery in Stockholm and, after searching for suitable premises, they decided on the former light-bulb plant Luma in Hammarby Sjöstad.

The buildings, which were previously gas storage facilities, are well suited to the brewery operations since this requires considerable ceiling height. The largest tank is nearly six metres high. Fabege redeveloped and renovated the buildings and, in autumn 2013, installation of the brewery equipment commenced. Much of the old features have been preserved in the buildings, such as the existing chimneys, which have been used for ventilation.

In addition to the building design, the location was also important because the plan was to also create a meeting place adjacent to the brewery with a restaurant and for tours of the operations. The brewery will have a production capacity of 1.2 million litres per year and will primarily deliver directly to restaurants.

Transaction business area

Property portfolio with growth potential

Acquisitions and sales are a natural feature in Fabege's operations. The property portfolio is continuously analysed to identify opportunities to generate value growth.

Land and properties are acquired, developed and then transferred to the Group's property management or divested. The long-term development of city districts often occurs in collaboration with individual municipalities. Together, visions are created for how to best develop the area.

Analyses of properties and areas

The fundamental element for the Transaction operations is analyses of growth potential for income from various properties. Growth potential is determined by means of location, condition, rent level and vacancy rate. Analyses result in the acquisition of properties where growth potential is deemed good, and the sale of properties with limited potential for generating improved net operating income and value growth.

Fabege's portfolio is concentrated. Thanks to its strong local presence and good relations with customers and other stakeholders, the company is able to contribute to the development of areas and city districts.

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

Relationships and knowledge create opportunities

Close relations with other players in the market also creates conditions for in-depth knowledge of the market.

A balanced cash flow is important and the entire portfolio is continuously analysed. Acquisitions made must have growth potential, but preferably also an existing cash flow.

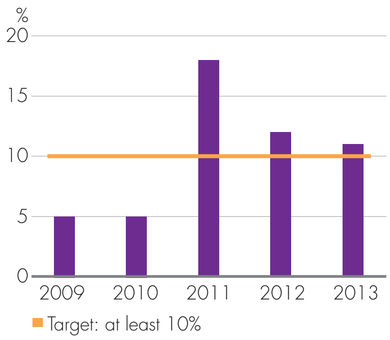
During 2013, a total of six properties were divested, including Masugnen 7 in Bromma, Skeppshandeln 1 in Hammarby Sjöstad and Fiskaren Större 3 on Götgatan, as well as Murmästaren 7 on Kungsholmen. All divestments were in line with Fabege's strategy to streamline the property portfolio and to increase yield.

Two properties were acquired during the year, both in Arenastaden. The acquisitions are an excellent complement to the existing portfolio and provide Fabege with the opportunity to meet the customers' increasing demand for offices and parking in Arenastaden.

Focus in 2014

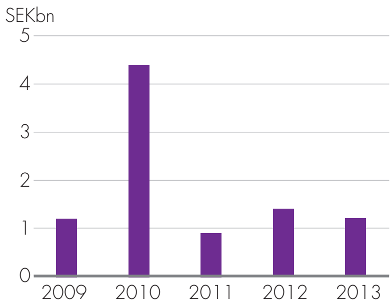
The current focus is on continuing to build on the strong position in the prioritised sub-markets: Stockholm inner city, Hammarby Sjöstad and Solna. Possible acquisitions will occur in these markets. During 2014, Fabege will continue to focus on analysing the development potential of existing properties and value creation through property development and new development rights. Long-term sustainability in the development of city districts will also permeate day-to-day activity.

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.

Transaction volume



Six properties were divested for a combined purchase consideration of SEK 1.2bn, generating a return of 11 per cent in relation to the carrying amount.

The Winery Hotel / Solna
Meeting place with a focus on wine

On a previously unused piece of land in Solna, where the E4 and E18 highways meet at Järva krog, the development of a completely new concept hotel, The Winery Hotel, is in progress.

The theme of the hotel is wine, and the building will house its own wine distillery and Sweden's largest wine cellar. The lobby is designed for gatherings and will include both the Farmers Market and wine casks. An open-air restaurant with a covered walk and vines will also be built, as well as a banquet floor, which will also be used for conferences. A number of wine-related activities will be held on the premises, including product presentations from producers and importers in a special display room, and guests will be able to participate in exclusive wine-tasting gatherings.

The Winery Hotel is the first of its kind and offers a unique meeting place with a focus on wine. Star Management is the player behind The Winery Hotel and will operate the hotel together with HKC Hotels. Fabege owns the land and is building the property. The total investment is SEK 260m for Fabege and some SEK 60m for the operating company.

Stable position in strong market

Fabege's primary focus is on letting, property management and the development of office premises in the Stockholm region. The properties are concentrated in four focus areas in the Stockholm region: Stockholm inner city, Arenastaden, Solna Business Park and Hammarby Sjöstad.

The office market remained strong in 2013 and demand continues to rise for modern, flexible offices in prime locations. The Greater Stockholm office market comprises a floor area of approximately 12.0 million sqm, of which 6.2 million sqm is located in the inner city.

The global outlook in 2013 was somewhat marked by continued financial turbulence in Europe. However, after several years of weak growth, there were noticeable signs of recovery and GDP rose weakly following an extended recession. The Swedish economy remained stable compared to several other European countries.

Transaction activity in the Swedish property market was stable during 2010–2013. Office properties remained the second-largest segment and accounted for about one quarter of transaction volumes. In the cities, activity for offices in inner-city and inner-suburban locations was intense. According to Newsec's market reports, this trend will probably increase during 2014–2015.

The clearest impact of the historically low interest rates was on office and residential properties in prime locations, where yield requirements are at historically low levels. According to Newsec's market reports, the yield requirements for attractive locations are expected to be stable in the next few years.

Stable rental market

Activity in the rental market was stable, despite protracted economic turmoil among the market players. The supply of attractive premises in inner city and CBD (Central Business District) locations is low, and these premises are rapidly disappearing from the market.

Rents for office properties in the Stockholm CBD remained at stable levels of SEK 4,500 per sqm.

The growth of the office-bound sector in Stockholm, combined with the lack of construction of new offices, is the main reason for the low vacancy rate, currently at about 4 per cent. A strong office market in the CBD, with high rents and low vacancies, is expected to benefit areas close to the city, which presently have higher vacancy rates and a number of ongoing construction projects.

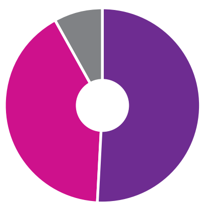
Several major banks and government agencies have decided to review their office premises. As a result, they will either sharply reduce the office space they rent in the Stockholm CBD or leave the area and relocate to the inner suburbs. According to Newsec's market reports for the period beginning in 2014 and for several years, approximately 125,000 sqm of office space will be vacant, corresponding to 6–7 per cent of the volume in the CBD.

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

Limited new production

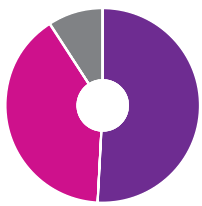
In the past decade, the new construction of office properties in Stockholm has been limited. On average, the volume has increased by 1 per cent per year. In 2013, approximately 80,000 sqm of office space was completed. Essentially all of the newly produced office space was leased by the end of the year.

Fabege's sub-markets



MARKET VALUE, %

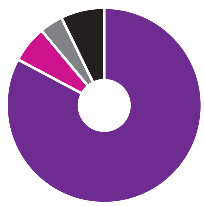
- Stockholm inner city, 51%
- Solna, 41%
- Hammarby Sjöstad, 8%
- Other, 0%



RENTAL VALUE, %

- Stockholms inner city, 51%
- Solna, 40%
- Hammarby Sjöstad, 9%
- Other, 0%

Types of premises, breakdown of total rental value



- Offices, 83%
- Retail, 6%
- Industry/warehouse, 4%
- Other, 7%

Low vacancy rate

The vacancy rate for offices in Stockholm inner city, excluding the CBD, was 6 per cent and the vacancy rate for the CBD was 4 per cent.

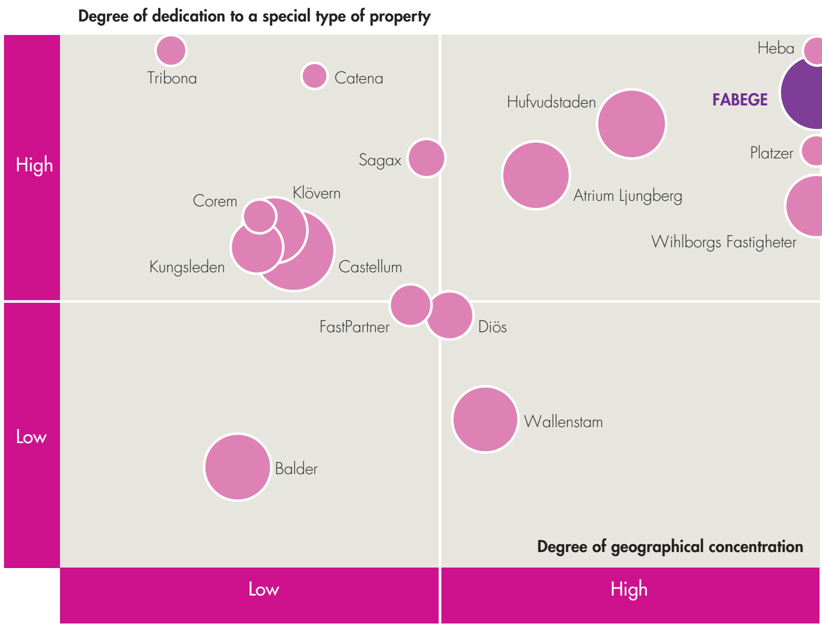
Competitive situation

Fabege operates in markets characterised by intense competition. A large number of property companies, institutions and private property owners are focused on types of properties and geographic areas that, to varying degrees, overlap with Fabege's focus.

In the rental market, the location and condition of properties are key competitive advantages. Customers are demanding modern, flexible and sustainable premises in attractive locations which, to a high degree, match Fabege's property portfolio. Companies wish to have offices located in the right context, which reflect their operations and profile.

Fabege's high geographic concentration and a focus on offices results in excellent knowledge of the sub-markets on which the company focuses and enables development of entire city districts. Thanks to its proximity to customers, Fabege can to a great extent adapt premises to suit customer requests and assist in the development of, for example, service offerings and communications.

Streamlining and concentration, Swedish property companies, 2013



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

Competitors, key figures, 2013

Company	Investment focus	Main geographical market	Owner	Market value, SEKm	No. of properties	Lettable area, 000 sqm	Rental income, SEKm	Occupancy rate, %
Fabege	**Offices, stores**	**Stockholm**	**Listed**	**33,384**	**92**	**1,142**	**2,059**	**93**
Vasakronan	Offices, stores	Stockholm, Uppsala, Gothenburg, Malmö, Lund	1–4 AP-Funds	87,145	192	2,562	6,032	93
Diligentia[1]	Offices, stores, residential units	Stockholm, Gothenburg, Malmö	Skandia Liv	30,073	109	1,079	2,095	96
Hufvudstaden	Offices, stores	Stockholm, Gothenburg	Listed	25,900	n.a.	387	1,640	96
AMF Properties[1]	Offices, stores, residential units	Stockholm, Gothenburg	AMF Pension	47,000[2]	34	636	2,000	97
Humlegården[1]	Offices, stores	Stockholm	Länsförsäkringar	11,731	45	428	639	n.a.

1) Information pertains to 2012.
2) Including joint ownership in Rikshem.

Stockholm inner city

Vacancy rates remain low in Stockholm inner city

The demand for offices in Stockholm inner city remains high. However, the next few years will be characterised by a restructuring of the market, when several major companies relocate from the area.

Stockholm inner city is the largest office market in the Nordic region and has excellent transport links and a high service level. Stockholm's high population growth is generating continued robust demand for offices.

Relocation to suburbs but inner city remains strong

Several banks and government agencies have announced their intention to relocate from their current inner-city premises, thus resulting in a relatively large amount of office space becoming vacant in the next few years.

Several large companies have also relocated from office properties in outlying suburbs to more established business parks in an inner suburb or the inner city. The number of conversion projects has grown in pace with this trend.

Space efficiency and modernity are some of the most crucial factors underlying demand and are frequently the reason for relocations. The office properties in Stockholm inner city are mainly older properties, with limited opportunities for redevelopment.

For many companies, a central location for their offices is the highest priority when choosing a location. A central location is also important to employees, particularly in terms of proximity to, for example, services and cultural life. This is reflected in the extremely strong demand for offices in Stockholm inner city. Tenants are predominantly finance companies, law firms and consultancies.

Stockholm is growing

Stockholm's boundaries are also expanding and, by 2025, Hagastaden will be developed on the border between Stockholm and Solna. The city district will be a blend of seats of learning, research institutes, hospital, companies, residential units, culture, services and leisure activities. The district will largely focus on facilities within the field of Life Sciences. Fabege currently has four properties in Norrtull, including the Wenner-Gren Center, which is part of the growing city district. Hagastaden will come even closer to the city in 2020 when a new underground station is completed.

Market overview

Stockholm inner city

Fabege is the second largest property owner in Stockholm inner city, with 34 properties comprising 470,000 sqm of floor area. The portfolio features modern offices and retail in prime locations. Currently, offices account for 75 per cent of the premises and represent a market share of 6 per cent.

Fabege's portfolio is mainly concentrated in the area around Kungsgatan (five properties) and Drottninggatan (eight properties). In the Norrtull/Norra Station area, Fabege owns four properties, of which the Wenner-Gren Center is best known. On Kungsholmen, Fabege's holding includes the DN skyscrape.

The year was hallmarked by continued strong demand and low vacancy rates. The rental value of the portfolio is SEK 1,211, representing about 51 per cent of the Group's total rental value.

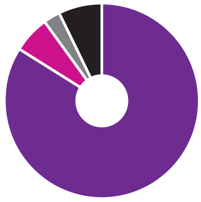
Stockholm inner city

Total office area	6.2m sqm
Average rent	
Stockholm city (CBD[1])	SEK 3,800–5,300
Inner city, excl. CBD	SEK 2,000–3,400
Vacancy rate	
Stockholm city (CBD)	4.0%
Inner city, excl. CBD	6%
Yield requirement	
Stockholm city (CBD)	4.5%
Inner city, excl. CBD	4.75–5.25%

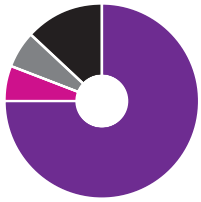
Source: Newsec

1) Central Business District

Rental value per category



Lettable area per category



Key figures	2013
No. of properties	34
Lettable area, '000 sqm	470
Market value, SEKm	16,975
Rental value, SEKm	1,211
Remaining lease term, years	3.1
Financial occupancy rate, %	92

Largest tenants	sqm
NASDAQ OMX AB	28,000
Bonnier Dagstidningar AB	26,000
Lantbrukarnas Ekonomi AB	12,000
Carnegie Investment Bank AB	10,000
Cybergymnasiet Nacka AB	10,000

Hammarby Sjöstad

New glow from light-bulb factory

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

Office premises in Hammarby Sjöstad have largely been created through the conversion of old industrial properties. During the year, efforts to further develop Hammarby Sjöstad into an attractive office market continued. A key component of this effort was the continued development of the old, centrally located light-bulb factory, Luma. The environment is of cultural-historical value and Luma is considered one of the most important buildings from the functionalism era in Stockholm.

A city district with a focus on the environment

The entire district has its own ecocycle model whereby energy and waste and water treatment are integrated. The aim is to create an environment based on sustainable resource usage. Energy use and waste are to be minimised while economisation and recycling are to be maximised.

Creative environment

In 2013, Fabege opened a podcast studio in the building, which was available to both amateurs and professional podcasters. The ambition was to increase the awareness of Hammarby Sjöstad as a workplace and contribute to the dissemination of good ideas. During the year, Fabege also offered companies the opportunity to try out working within a creative office located in the same building as the podcast studio.

The attractiveness of Luma as a meeting place will increase considerably when the New Carnegie brewery begins to operate in April 2014, comprising a restaurant and beer school, as well as the brewery.

Market overview

Hammarby Sjöstad

Hammarby Sjöstad has been one of the largest development areas in Greater Stockholm over the past decade and is largely still under development. The rent trend has been driven by the continuous addition of new, modern office spaces.

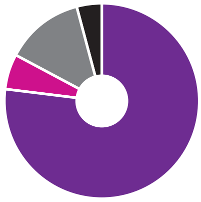
Fabege owns 13 commercial properties in Hammarby Sjöstad, comprising a surface area of 124,000 sqm, and is thus the largest holder of commercial premises in the area. The rental value is SEK 219m, representing 9 per cent of the company's total rental value. Offices account for 68 per cent of Fabege's premises, representing 67 per cent of the office market in Hammarby Sjöstad.

In 2013, a new office project comprising 2,800 sqm was started on the property, Båtturen 2.

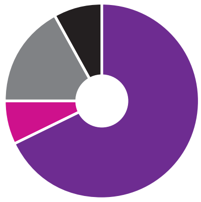
Hammarby Sjöstad	
Total office area	125t sqm
Average rent	SEK 1,500–2,500
Vacancy rate	10%
Yield requirement	6.0–6.5%

Source: Newsec

Rental value per category



Lettable area per category



Key figures	2013
No. of properties	13
Lettable area, '000 sqm	124
Market value, SEKm	2,770
Rental value, SEKm	219
Remaining lease term, years	2.6
Financial occupancy rate, %	90

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


Båtturen 2

Solna

Solna is edging ever closer to Stockholm city

Stockholm is growing and Solna is edging ever closer to the inner city. Fabege is the largest owner of commercial properties in the area and has a strong market position.

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

Arenastaden – a future city district

Fabege owns nearly 100 per cent of the office space in Arenastaden and is thus playing a key role in the development of an attractive mix of offices, retail stores, housing and green areas. In 2012, the Friends Arena was inaugurated and, during 2013, construction commenced on Scandinavia's largest shopping centre, the Mall of Scandinavia, which is owned by Unibail-Rodamco and scheduled to be completed in autumn 2015.

Geographically, Arenastaden is ideally located in terms of excellent transport links. Commuter trains, the forthcoming Tvärbanan light railway and several bus routes run to and from Solna Station. The city district is located close to the E4 and E18 highways, providing easy access to Stockholm Arlanda and Bromma airports. There is also an abundance of bicycle paths running in all directions.

Strong presence in Solna Business Park

Solna Business Park is an established business park where a number of major food-store chains, including ICA, Unilever and Coop, have their head offices. As a major property owner, Fabege can influence the development of properties and the district, and offer excellent opportunities for tenants to expand within the district.

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

Other parts of Solna

Fabege also owns a smaller number of properties in other parts of Solna. In 2013, work commenced on the conversion of Råsunda Football Stadium into an office and residential area, where Fabege will have opportunities to develop 20,000 sqm of office space.

Market overview

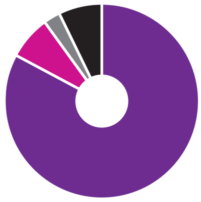
Solna

Fabege is the largest owner of commercial properties in Solna. The company owns a total of 39 properties in Solna, with floor space totalling 547,000 sqm, of which offices account for 72 per cent. This represents a share of 39 per cent of the office market. The rental value is about SEK 966m, representing 40 per cent of the company's total rental value. Levels of interest and rents are rising in pace with development of Arenastaden.

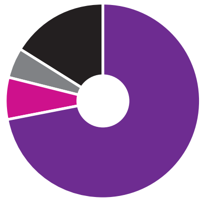
Solna	
Total office area	1m sqm
Average rent	
Solna Business Park	SEK 1,800–2,400 kr
Arenastaden	SEK 1,600–2,500 kr
Vacancy rate	
Solna Business Park	9%
Arenastaden	9%
Yield requirement	
Solna Business Park	5.5–6.5%
Arenastaden	5.5–6.25%

Source: Newsec

Rental value per category



Lettable area per category



Key figures	2013
No. of properties	39
Lettable area, '000 sqm	547
Market value, SEKm	13,555
Rental value, SEKm	966
Remaining lease term, years	4.4
Financial occupancy rate, %	94

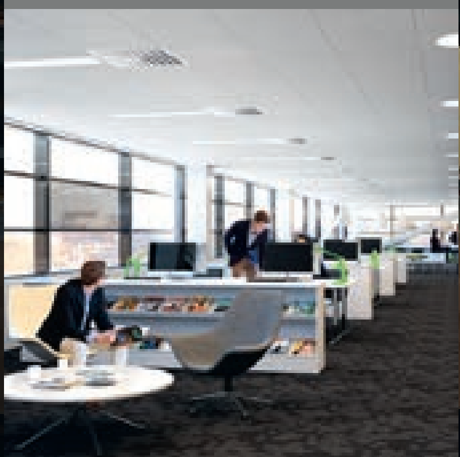
Largest tenants	sqm
Swedish Tax Agency	51,000
Vattenfall	43,000
ICA properties Sweden AB	27,000
Peab Sverige AB	20,000
Svenska Spel AB	18,000

ARENASTADEN®

6 elements create a city district of the future

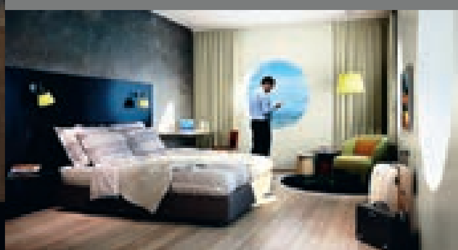
Offices

The city district will have more than 450,000 sqm of office space, providing some 30,000 workplaces. Fabege owns nearly 100 per cent of the office space in Arenastaden.



Quality Hotel Friends

The hotel is located adjacent to Friends Arena and has 400 rooms, a sky bar and conference rooms for 1,800 participants, as well as a spa and relaxation section at the top floor.



Mall of Scandinavia

The Mall of Scandinavia is under construction and will accommodate approximately 250 retail stores, restaurants and so forth, as well as about 4,000 parking spaces. In addition, residential units and offices will be built on the roof of the Mall of Scandinavia. The inauguration of the shopping centre is scheduled for autumn 2015, when the offices on the roof will also be ready for occupancy.

Fabege's offices are a part of the emerging Arenastaden

Scandinavian Office Building is being constructed on top of Mall of Scandinavia, making it one of the tallest buildings in Arenastaden. Office space will total 42,000 sqm, corresponding to the combined area of all five Hötorget skyscrapers in central Stockholm.

The tenants in Scandinavian Office Building will be offered a service concept over and above the usual. A service organisation is planned, which will offer everything from assistance with bringing in a car for service to taking care of dry cleaning and making purchases. The idea is to provide services that make day-to-day life easier for people working in the building. There will also be gyms, conference facilities and restaurants.

Modern workplaces

The building's framework and installation system allows for a flexible floor plan, thus enabling the creation of space-efficient office environments. The tenants will have a modern, energy-efficient workplace with a high-quality inner climate. By means of a well-insulated climate-smart shell, which both subdues the heat in summertime and the cold in wintertime, the temperature will be natural and comfortable and the need for energy-intensive installations will be reduced.

The large window surfaces will allow daylight to reach far into the building. A central atrium will facilitate both light and visual communication. Daylight will be complemented by lighting provided through modern technology. Major sections of the lighting will be presence-triggered, which will contribute to an energy-efficient system.

Sustainable building materials

All materials are being selected with consideration to service lifespan, maintenance requirements and the general impact on the environment. The facilities for waste sorting will be highly efficient.

The building will be certified to the Excellent standard of the BREEAM Commercial environmental classification system and its high environmental ambitions will also enable the fulfilment of GreenBuilding requirements.

Green Leases will be signed for Scandinavian Office Building, thus providing opportunities for in-depth cooperation on environmental issues. The combined environmental strategies will contribute to both reduced environmental impact and lower maintenance costs for the tenants.

Friends Arena

Scandinavia's largest and most modern multifunctional arena, Friends Arena, was inaugurated in October 2012. The arena's guests have included the Swedish national football team, AIK, well-known artists and unique shows. For sporting events, the arena can accommodate 50,000 spectators, and for concerts, up to 65,000 spectators.

Residential units

The city district will have approximately 3,000 residential units, corresponding to about 7,500 residents. New housing units will help the city district to fulfil its role as a complete city district.

Public transport

Geographically, Arenastaden is ideally located in terms of excellent transport links. Commuter trains, the forthcoming Tvärbanan light railway and several bus routes run to and from Solna Station. The city district is close to the E4 and E18 highways, providing easy access to Stockholm Arlanda and Bromma airports. There is also an abundance of bicycle paths running in all directions.

Photo: AB SL

Valuation of the property portfolio

Rising rent levels, reduced vacancy rates and development gains from project operations contributed to a positive trend in the value of Fabege's property portfolio during the year. At 31 December 2013, the recognised value of the properties was SEK 33.4bn (31.6).

Changes in value during the year

Unrealised changes in value during the year amounted to SEK 739m (1,409). The value changes correspond to a value increase of approximately 2.3 per cent, and were attributable to rising rent levels and a decrease in vacancies in the investment-property portfolio, as well as to development gains in projects.

Valuation policies

All properties are subject to valuation at least once a year by independent appraisers. Since 2000, property valuations have been conducted in accordance with the guidelines established by the Swedish Property Index. In 2013, the properties were valued by Newsec Analys AB. The properties are valued on an ongoing basis throughout the year. Each quarter, internal valuations are also conducted of parts of the portfolio, as well as an internal assessment of the overall value for the entire portfolio. The internal valuation is performed using the same methodology as the external valuations.

Fabege's property categories

The appraised properties are divided into categories as follows:

- Investment Properties in normal operation are subject to cash-flow valuation.
- Project Properties undergoing major redevelopment with tenants under leases, for which a cash-flow valuation is performed.
- Other Project Properties and undeveloped land are valued according to the location-price method.

Investment and Project Properties

For Investment Properties and Project Properties, a cash-flow model is normally used, whereby net operating income less the remaining investment is present valued, over a five or ten-year calculation period. The average discount rate for the portfolio was 7.8 per cent (7.8) and is based on the nominal yield on five-year government bonds including a general property-related risk premium and object-specific premiums. The weighted required yield at the end of the calculation period was 5.6 per cent (5.7).

The present value of the residual value at the end of the period is also calculated. 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.

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, location, leases, running and maintenance costs, vacancies, lease duration and planned investments, as well as an analysis of current tenants.
- Current assessments of trends in rents, 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, leaseholds and detailed development plans for undeveloped land and developable properties.
- Inspections of the properties are conducted regularely. 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.

The assessment of such factors as market rents, future running costs and investments was performed by external appraisers using information obtained from Fabege. Operating and maintenance costs were 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 due to long leases.

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. The value of ongoing new builds is generally deemed to match the property's market value plus an amount for project expenses incurred.

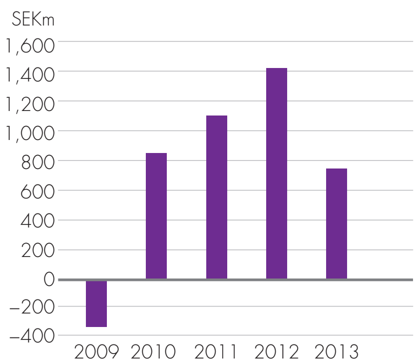
Fabege's ten largest properties by value

Property	Area	Sqm
Uarda 5	Arenastaden	44,269
Trängkåren 7	Marieberg	76,731
Nöten 4	Solna Strand	61,160
Apotekaren 22	Norrmalm	27,514
Ladugårdsgärdet 1:48	Värtahamnen	37,877
Bocken 39	Norrmalm	19,982
Fräsaren 11	Solna Business Park	39,383
Bocken 35 & 46	Norrmalm	15,362
Luma 1	Hammarby Sjöstad	38,781
Fräsaren 12	Solna Business Park	36,526

Market value and yield by submarket

	Market value 31 December 2013		Yield
Sub-market	SEKm	%	%
Stockholm inner city	16,975	51	5.25
Solna	13,555	41	5.95
Hammarby Sjöstad	2,770	8	6.15
Other markets	84	0	–
Total	**33,384**	**100**	**5.60**

Unrealised value changes



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

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

Financing

Long-term credit facilities provide secure and flexible financial management and the fixed interest-rate period provides additional stability to cash flow. Fabege values long-term relations based on mutual trust with its creditors.

Fabege's properties represent significant values. Accordingly, the loan-to-value ratio, the choice of capital structure and financing policy are therefore of the utmost importance. Fabege's financing operations are governed by the company's financial policy, which is established by the Board of Directors.

Fabege aims to have a strong financial position and, accordingly 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.

The financial management department, which is a central unit in the Parent Company, is responsible for the Group's borrowing, liquidity management and financial risk exposure.

Supply of capital

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

Shareholders' equity

Shareholders' equity slightly exceeded SEK 12.5bn, which, in relation to total assets of about SEK 35.4bn, corresponded to an equity/assets ratio of 35 per cent at year-end. This is well above the company's target of 30 per cent.

Interest-bearing liabilities

Access to long-term and stable financing is crucial to the pursuit of a sustainable business in the long term. Fabege values long-term relations based on mutual trust with its creditors. The company has decided to sign long-term credit agreements with some of the major banks in the Nordic region. The largest lenders are Swedbank, Handelsbanken, Nordea, SEB, Nykredit and Realkredit Danmark. The credit agreements enable the company to borrow funds as needed within a predetermined framework, and govern the terms in the form of, for example, the margins that are to apply in the coming years.

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. The type of revolving credit facility primarily used by Fabege can be used as needed and, therefore, is extremely well adapted to the operations and enables the avoidance of surplus liquidity.

During the year, borrowing agreements totalling SEK 6.1bn were extended. New facilities of SEK 2.1bn were raised, of which SEK 1.3bn was through the bond market. At 31 December 2013, unutilised credit facilities amounted to SEK 3.3bn. Fabege's loan agreements at 31 December 2013 had an average remaining term of 4.8 years and are renegotiated continuously well in advance of maturity. During 2014, borrowing agreement corresponding to SEK 2.7bn will be renegotiated.

Finance policy

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

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

Financial objectives, 31 December 2013

	Target	Results
Return on equity	1)	12.8
Equity/assets ratio, %	at least 30	35
Interest coverage ratio, multiple	at least 2	2.0

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

Commercial paper programme

As a supplement to traditional bank financing, Fabege is active in the Swedish commercial paper market, with commercial paper worth SEK 5bn. The company guarantees access to unutilised credit facilities to cover all commercial paper outstanding at any given time. At year-end, SEK 2.2bn of the programme had been utilised.

Bond programme

In February, Fabege issued a three-year covered property bond in an amount of SEK 1.2bn, secured by collateral in the Solna Uarda 5 property, where Vattenfall has its head office. Since 2011, Fabege also has a bond programme with a limit of SEK 5bn via the co-owned company Svensk Fastighetsfinansiering AB (SFF). Fabege borrows a total of SEK 1.2bn in the capital market under this programme. The bonds are secured by collateral in property mortgage deeds. SFF is jointly owned by Fabege, Wihlborgs and Peab. Fabege owns 33.3 per cent of the company.

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

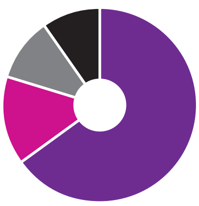
Covenants
Fabege's obligations concerning covenants are similar in the various credit agreements and stipulate, in addition to the company remaining publicly traded, an equity/assets ratio of at least 25 per cent and an interest coverage ratio of at least 1.5. At property level, the loan-to-value ratio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

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

Fixed-rate period
At 31 December 2013, 67 per cent of Fabege's loan portfolio was fixed with an average fixed-rate period of 2.6 years. The fixed-rate period is set utilising interest-rate swaps. The market value of these instruments is measured on an ongoing basis and changes in value recognised in profit and loss. The change in value is of an accounting nature and has no impact on the cash flow. At due date, the market value is always zero.

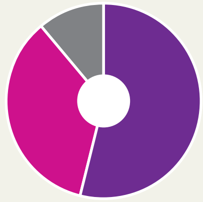
Read more about interest-rate derivatives and the valuation thereof in Note 3 on page 73.

Financing at 31 December 2013



Fabege aims to have a strong financial position and a healthy balance between shareholders' equity and borrowed capital. Access to long-term and stable financing is crucial for the business. At the end of 2013, bank financing accounted for 76 per cent of borrowing. Fabege had unutilised credit facilities of SEK 3.3bn. The average capital maturity period was 4.8 years.

Capital Supply



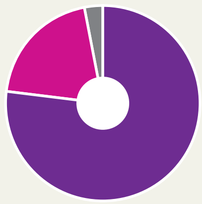
A high equity/assets ratio and low debt/equity ratio create security.

Loan maturity structure at 31 December 2013

	Credit agreements, SEKm	Drawn, SEKm
Commercial paper programme	5,000	2,168
< 1 year	3,230	710
1–2 years	5,920	3,937
2–3 years	8,111	7,611
3–4 years	110	110
4–5 years	0	0
> 5 years	4,976	4,502
Total	**27,347**	**19,038**

Unutilised credit lines totalled SEK 3,309m and the average maturity period was 4.8 years.

Breakdown of collateral



Most of the borrowing is secured through mortgage deeds in properties.

Interest rate maturity structure at 31 December 2013

	Amount, SEKm	Average interest rate, %	Share, %
< 1 year	7,038	4.78[1)]	37
1–2 years	0	0	0
2–3 years	2,400	2.68	13
3–4 years	3,100	2.58	16
4–5 years	4,500	3.51	24
> 5 years	2,000	2.41	10
Total	**19,038**	**3.61**	**100**

1) The average interest rate for the period < 1 year includes the margin for the entire debt portfolio, since the company's interest-rate fixing is achieved with the help of interest-rate swaps, which are traded without a margin.

Opportunities and risks

All business activities are associated with a certain measure of risk, which also generates opportunities. Fabege is subject to limited risk exposure and, to the extent possible, it is controlled in connection with choosing investment objects, tenants, lease terms, financing terms and business partners. Risks and uncertainties relating to cash flow from operations are primarily attributable to changes in rents, vacancies and interest rates. Changes in the value of the property portfolio represent another uncertainty, as does the financial risk.

1 Rental income

Because Fabege's property portfolio is concentrated to the Stockholm region, employment figures and developments in the Stockholm office market are of considerable significance for Fabege's operations. New production of office properties and demand for office premises affect rent and the vacancy rate.

As the company's commercial leases have a term of several years, the full impact of changes in rents is not felt in any single year. New leases normally have a term of three to five years and are subject to nine months' notice with an index clause linked to inflation. Normally, about 20 per cent of the lease portfolio is renegotiated each year.

The rents in Fabege's lease portfolio are currently deemed to be in line with market levels, with an average remaining term of 3.6 years. During 2014, 21 per cent of the leases, corresponding to a rental value of about SEK 445m, will fall due for either cancellation or re-negotiation.

The lease portfolio is spread among many sectors and companies of different sizes. The largest tenants are all stable companies and comprise a limited portion of the total number of tenants. 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.

The risk of increased vacancies in the investment-property portfolio is deemed minor considering the portfolio's central locations and stable customers. The occupancy rate in the overall portfolio, including project properties, increased to 93 per cent (92). In the investment-property portfolio, the occupancy rate was 93 per cent (93). Positive net lettings and the completion of projects will enable rental growth in 2014.

Fabege's portfolio of modern office premises in central locations generates a stable cash flow from management operations. The premises of development properties are kept vacant during the development period; while this practice negatively impacts cash flow during that time, the development leads, in parallel, to increased value.

Property expenses

Property expenses include running and maintenance costs, property tax, ground rent and expenses for administration and lettings. Regular running costs largely comprise tariff-based expenses such as heating, electricity and water.

Fabege is pursuing a structured effort to reduce its consumption of heating, electricity and water, with a target of achieving 20 per cent lower consumption over a five-year period as of 2010. The company also conducts regular lease negotiations and procurements aimed at reducing costs. A large portion of property expenses is paid for by tenants, thus reducing the company's exposure. The standard of the property management portfolio is high.

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.

2 Project portfolio

Risks in the project portfolio primarily pertain to risks related to scheduling and the cost level in the procurement process for construction services. In connection with large-scale new builds, there is a risk that newly produced space will not be let. Due to its large project portfolio and annual investments of at least SEK 1.5bn, it is essential that Fabege is able to manage these project risks optimally.

For many years, Fabege has had major new build and conversion projects under way. Each year, Fabege conducts project-procurement processes involving significant amounts. The responsibility for these projects rests with Fabege's project managers, who have long-standing experience and knowledge of procurement processes and operating and monitoring large-scale and small projects. The procurement processes are conducted 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. Decisions concerning the volume of customers required in order to start up a project are made on a case-by-case basis. The remaining income potential of the major projects slightly exceeds SEK 185m, of which nearly SEK 50m is backed by leases. The financial occupancy rate was 27 per cent and occupancy rate in terms of floor area in the project portfolio was 22 per cent at year-end.

The projects are expected to generate a direct yield on total capital invested of approximately 7–9 per cent. Fabege's objective is for its project investments to generate value growth of at least 20 per cent on invested capital. The portfolio includes approximately 480,000 sqm of wholly owned development rights (offices and residential units) with an average carrying amount of between SEK 3,000 and 5,000/sqm, thus providing excellent potential for future value creation in the project portfolio.

3 Property values

Changes in rents, vacancies and yield requirements in the market have an impact on the value of the properties. The market price is also impacted by access to and the terms of financing. The value of the property portfolio is in part a result of how Fabege develops its property portfolio through its leasing and customer structure and through property improvements, and in part the result of external factors that impact demand. Properties are recognised at fair value and changes in value are recognised in the statement of comprehensive income. The 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. Stable customers and modern premises in prime locations provide a strong foundation for maintaining property values, even during economic downturns. The continued advancement of project and development properties will continue to generate value growth in the portfolio. The combined market value was SEK 33.4bn at year-end, corresponding to about SEK 29,400 per sqm.

4 Financial risk and interest-bearing liabilities

The property sector 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. The liquidity risk refers to the borrowing requirement that can be covered by refinancing or new borrowing in a strained market scenario. 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.

Fabege aims to strike a balance between short and long-term borrowing divided among a number of sources of funding. Long-term credit facilities, with fixed terms and conditions, and revolving credit facilities have been signed with lenders to reduce the liquidity risk. Re-negotiations are always initiated well in advance. Any issues that may arise are identified at an early stage through Fabege's long-term relations built on mutual trust with its financiers. The average fixed-term maturity period at year-end was 4.8 years and available unutilised facilities amounted to SEK 3.3bn.

The fixed-rate period is based on the estimated interest rate trend, cash flow and capital structure in accordance with the company's finance policy. Fabege employs financial derivatives, mainly in the form of interest rate swaps, to limit the interest rate risk and to enable flexibility in its efforts to influence the loan portfolio's average fixed-rate period. Derivatives are recognised at fair value. Should agreed interest rates deviate from the market interest rate, a theoretical surplus or deficit value arises which is recognised in profit or loss. At year-end, the fixed-rate term of the loan portfolio was about 2.6 years.

More detailed information on Fabege's financing is presented in the Financing section on page 36 and in Note 3 (financial risk management).

5 Environment

Under the Swedish Environmental Code, commercial businesses are responsible for any contamination or other environmental damages, 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. However, Fabege deems this risk to be minor since its property portfolio primarily comprises commercial office premises.

Fabege continuously investigates and identifies potential environmental risks in its property portfolio. Action plans are prepared for such risks arising. During 2013, no incidents occurred that resulted in significant fines or non-monetary sanctions pursuant to environmental legislation.

In a report from 2007 (SOU 2007:60), the Government establishes that Sweden is heading for a period of climate change. According to the report, it is assumed that the average temperature in Sweden will increase, as will precipitation during the autumn, winter and spring. However, summers are expected to be drier and the sea level is expected to rise. This results in an increased risk of flooding, avalanches, landslides, erosion and heat waves.

The assessment is that the climate change in itself does not constitute any major physical risk for Fabege at present, in view of the location of the property portfolio. Due to temperature changes, however, the need to control heating and cooling has changed.

The use of heat declines somewhat during mild winters, while the use of air conditioning and process cooling is increasing constantly in the office premises. 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.

6 Deferred tax and tax cases

Fabege recognises deferred tax liabilities attributable to the difference between market value and the taxable residual value of properties. However, sales are normally conducted through packaging property into a limited liability company, thus resulting in a lower effective tax rate.

Fabege is pursuing several tax cases in the Administrative Court and the Administrative Court of Appeal involving property sales through limited partnerships. The combined year-end exposure amounted to SEK 2.3bn, for which a provision of SEK 2.0bn has been made. On-going tax cases are described in further detail in the Directors' Report on pages 61–62.

Sensitivity analysis – cash flow and earnings

	Change	Effect, SEKm
Rental income, total	1%	20.6
Rent level, commercial income	1%	21.1
Financial occupancy rate	1 percentage point	24.0
Property expenses	1%	6.5
Interest expense 2013	1 percentage point	61.0
Interest expenses, longer-term perspective	1 percentage point	190.4

Sensitivity analysis – property value

Change in value, %	Impact on after-tax profit, SEKm	Equity/assets ratio, %	Loan-to-value ratio, %
+1	260	35.7	56.5
0	0	35.3	57.0
–1	–260	34.9	57.6

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.

Sensitivity analysis

FACTOR	FABEGE'S ASSESSMENT
RENTAL INCOME AND PROPERTY EXPENSES 1	With modern properties in prime locations, the risk of increased vacancies is low. Completed projects and positive net lettings will contribute to income growth in 2014. With a strong rental market and low inflation in early 2014, Fabege assesses the risk of increased vacancy rates and higher costs as minor.
PROJECT PORTFOLIO 2	Cost frameworks and schedules will be adhered to in major projects. Fabege does not currently envisage any major risk of increasing construction costs. With Fabege's experience and keen focus on letting the remaining unleased project area, Fabege assesses the risk of structural vacancies following completion as minor.
PROPERTY VALUES 3	As a result of low initial values for project properties and development rights, substantial potential exists for creating value through project investments. Improved cash flows will contribute to stronger property values moving forward. Meanwhile, there is considerable uncertainty concerning the market's yield requirements. Fabege believes that property values in the company's markets will be stable in 2014.
FINANCING 4	By interest-hedging about 67 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.
ENVIRONMENT 5	The assessment is that climate changes will not constitute a significant physical risk for Fabege at present, given the location of the property portfolio.
TAX 6	Fabege's assessment is that the total reserve of SEK 2.0bn for on-going tax cases is sufficient.

Sustainability Report

50 % heating consumption below the industry average

96 % renewable energy

90 % reduction in carbon dioxide emissions since 2002

Fabege's sustainability highlights 2013

- Average energy use for heating 50 per cent below the industry average
- Suppliers corresponding to 37 per cent of the total purchasing volume have been evaluated from a sustainability perspective
- Environmental certification of all new builds and major redevelopments
- 78 per cent of customers believe that Fabege conducts active sustainability work
- In relation to total newly signed lettable area, the proportion of Green Leases accounted for 52 per cent
- Focus on development of vibrant, sustainable city districts

Pro-active environmental work is a success factor for Fabege. Our key environmental measures are directly linked to the company's core business.

Brief note from the CEO

Sustainable city development as the basis for operations

The responsible management of sustainability issues contributes to our long-term profitability. It is also a precondition for recruiting the skilled labour we require, attracting tenants and ensuring that our suppliers also work in a responsible fashion. That sustainability issues are also important for our customers is clearly apparent from the continuing rise in Green Leases. By environmentally classifying buildings and offering Green Leases, we can support tenants in their own sustainability programmes.

The development of Arenastaden is a good example of how we work on sustainability issues in the city districts where we are active. Here, we have the possibility to assume major responsibility for reducing climate impact. The new builds and the renovations of existing properties that we commission are at the cutting edge in terms both of low energy consumption and an environmentally compatible selection of materials, while also contributing to a healthy work environment for our tenants. We are involved in shaping the city environment to ensure it becomes vibrant, secure and inviting. We are working to make it easy for people to commute to the city district by bicycle and public transportation, while encouraging car owners to use eco-vehicles by providing car-charging points. We make it possible for all those who reside, work in or visit Arenastaden to gain access to services, exercise facilities, restaurants and shops within walking distance. Thanks to our significant presence in this city district and our cooperation with other stakeholders, we have from an early stage participated in creating visions and driving the development of a vibrant and long-term sustainable community.

Over the past two years, suppliers corresponding to nearly 60 per cent of Fabege's total purchasing volume have undergone sustainability inspections. This means that all our major suppliers have been examined. Expanding these efforts, combined with working to disseminate the message to earlier parts of the supplier chain, represents a challenge to the entire industry and one that we at Fabege look forward to pursuing further in the years ahead.

Since 2011, Fabege has been affiliated to the UN Global Compact and we continue to support it through our efforts on behalf of human rights, labour law, environment and anti-corruption programmes.

My vision is that Fabege will continue to play a responsible role in the everyday management of individual properties and in the development of new, exciting city districts, where a given factor is due consideration for a long-term sustainable society for all of us and for future generations.

CHRISTIAN HERMELIN
Chief Executive Officer

Collaborations and dialogue for sustainable development

Collaborations for sustainable development

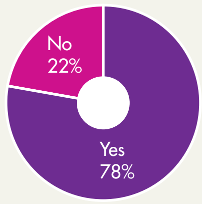
Fabege conducts its development projects in close cooperation with municipalities and other stakeholders. The company also participates in several networks for which the common aim is to reduce the environmental and climate impact caused by properties and city districts.

Examples of these networks include:

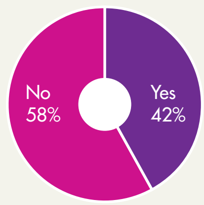
- BELOK
- Sweden Green Building Council (SGBC)
- The Climate Pact
- Swedish Property Owners
- Byggherreforum

Active sustainability work according to the customer

During 2013, Fabege participated in an industry-wide Customer Satisfaction Index (CSI). Since sustainability is of vital importance, Fabege chose to add the following unique questions concerning this parameter to the survey.



Are you as a tenant of the opinion that Fabege conducts active sustainability work?



Does Fabege's sustainability work affect you as a tenant in your choice of landlord?

On-going stakeholder dialogues

Fabege's principal stakeholder groups – customers, employees, shareholders and analysts, creditors, suppliers and members of the surrounding society – are identified on the basis of their ultimately constituting a prerequisite for the company's long-term success. Based on the dialogue with stakeholders and by monitoring key issues in the world at large, the principal sustainability issues have become apparent. These issues guide Fabege in its sustainability work.

Fabege engages in continuous dialogue with the company's stakeholders in an effort to capture the issues that the various groups find the most important. The formats of these dialogues vary according to the stakeholder group concerned, as do the issues that are the most important. The results of the completed stakeholder dialogues are presented in the table.

	CUSTOMERS	EMPLOYEES
DIALOGUE FORMAT	• Continuous dialogue/ customer service • Customer satisfaction surveys • Breakfast meetings • Newsletters • Meetings about Green Leases • Continuous property management	• Employee performance evaluations • Human resources surveys • Café Fabege (meeting forum) • Conference (work on core values) • Recruitment ads/interviews
SUSTAINABILITY ISSUES	• Energy-optimisation issues • Bike paths, transport routes • Prerequisites for electric cars • Green Leases • Materials selection • Waste management • Ventilation	• Fabege's core values and ethical issues • Environment, energy and materiality issues • Health, community, balance in life • Personal development • Resource efficiency at the office • Ethics and anti-corruption issues
RESULTS	• The number of Green Leases rose from 36 per cent of newly signed leases in 2011 to 52 per cent during 2013 • New CSI objective for 2014: To endeavour to achieve a top ranking • More bike paths and expanded public transport services as well as bike pools for bicycles that can be borrowed • Power outlets for electric cars • Continuous reduction in energy consumption resulting in improved indoor climate • More gyms, restaurants and other services in the neighbourhood • Reduction in energy use in the property portfolio	• Activity-based offices as of autumn 2013 (increased space efficiency, increased energy efficiency, recycling of materials, far-reaching environmental requirements for suppliers of furniture, new photocopiers, etc.) • Environment, energy and CSI targets • Reduction in carbon dioxide emissions, increase in in-house knowledge of environmentally safe buildings, sustainable property development focusing on the customer • Conference in 2013 with a focus on core values • Joint training during working hours once a week • Human resources surveys and medical check-up • Ethics council, Code of Conduct for each department, training in anti-corruption/bribery

Fabege's ambition is to create sustainable conditions for tenants, employees and society at large. Environmental responsibility is to be integrated into the company's operations and we continuously strive to achieve improvements.

Fabege regards being a responsible enterprise as something essential. The company pursues the long-term development of attractive and sustainable areas and city districts. Fabege takes responsibility for reducing its carbon footprint and promoting a good working environment for the multitudes of people who are present each day in the company's buildings.

Sustainable urban development also requires social sustainability. City districts need to be vibrant and be the right fit for the people who spend their time in them. This is achieved by integrating living, work, leisure activities, neighbourhood services and efficient transport links into the same area. Sustainability work gains its greatest impact when the totality is developed, rather than the individual parts.

Fabege complies with the Global Compact's ten principles and with ILO's fundamental conventions on human rights at the workplace.

SHAREHOLDERS AND ANALYSTS	CREDITORS	SUPPLIERS	SOCIETY
• Annual report • Quarterly reports • Capital market days • Roadshows • One-to-one meetings	• Meetings • Presentations, quarterly reports, annual report, web • Property viewings • Capital market days • Seminars	• Centralised procurement/framework agreements subjecting suppliers to demands for complying with Fabege's Code of Conduct • Regular quality surveys/appraisals • Control of the company's finances, shareholders and Board	• Regular meetings with municipality and public authorities • Collaborative meetings together with networks of companies (BELOK, SGBC, Swedish Property Federation, Byggherreforum, Close, etc.) • Cooperation agreements with non-profit organisations
• Long-term, stable return based on a sustainable business model • Dialogue on expectations concerning continued development of sustainability work	• Long-term, stable return based on a sustainable business model • Creditors asked to sign Fabege's Code of Conduct	• Demands for solid business ethics and Code of Conduct • Continuous quality measurements of suppliers • Far-reaching demands in respect of materials selection in connection with new builds and redevelopment	• Joint approach to creating sustainable buildings and city districts • Traffic issues • Create vibrant neighbourhood environments with a mix of offices, residential units, services and nature areas
• Dialogue on Fabege's sustainability work in the Audit Committee • Sustainability report according to GRI in Annual Report • Participation in the survey on Sustainable Value Creation, which is supported by the 14 largest investors in Sweden • Membership of UN Global Compact – Communication on Progress (COP)	• Continuous sustainability discussions with financiers • During the year, credit agreements amounting to SEK 6.1bn were renegotiated and agreements of SEK 2.1bn were expanded, of which 1.3bn in the bond market	• 40 suppliers evaluated from a sustainability perspective in 2013; 20 were appraised during 2012 • Overall, the 60 evaluated suppliers account for some 60 per cent of the total purchasing volume • The number of suppliers reduced from 4,500 to 1,500	• Public transport services and bike paths expanded • Environment and energy classification of buildings according to Miljöbyggnad (a Swedish certification system), BREEAM and Green-Building • "The Green Line" – food waste converted to biogas in Solna Business Park • Intermediate storage station for waste at Arenastaden – results in reduced flow of lorries in the area • Joint initiative to promote young contractors – Young Business concept • Supporting Friends in the organisation's anti-bullying work in schools

Environmental work that generates results

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 in every single property.

The demand for sustainable and environmentally compatible properties is increasing. The environment around the property is also becoming increasingly important; for example, in terms of opportunities to travel with public transport services, recycling and so forth. Fabege focuses on the development of entire districts in an effort to create environments that are sustainable over time.

Structured environmental work in daily operations

Fabege's environmental work is long-term, goal-oriented and integrated into day-to-day work. The principal environmental issues are:

- Systematic work to increase energy efficiency
- Creating a healthy indoor climate in parallel with optimised energy use
- Selecting sustainable materials and chemicals to reduce their environmental impact
- Environmental certification of new builds and major redevelopments
- Cooperation with customers

The Environmental Manager, who reports to the Executive Management Team, is responsible for environmental certifications and environmental and product safety matters. The point of departure for environmental work is Fabege's environmental policy and Code of Conduct. The company also collects inspection reports and test results in a database for self-controls. Follow-up is important, and is done quarterly and annually on the basis of pre-defined targets. Read more about the sustainability targets on page 11.

Energy efficiency and improved indoor climate

The energy consumption of buildings accounts for approximately 40 per cent of total energy consumption in Sweden. Office, commercial and public premises account for about 26 per cent of Sweden's total energy use for heating and hot water.

Fabege conducts systematic work in respect of environmental issues and energy efficiency, in terms of both new builds and modifications of existing buildings. Since 2012, Fabege's carbon dioxide emissions had been reduced by approximately 90 per cent, from some 40,000 tonnes in 2002 to about 4,300 tonnes (3,300) 2013. Including climate compensation from Fortum due to problems involving its plant in Birsta, the level in 2013 was 3,800 tonnes. During 2013, the Birsta plant was replaced with production whose performance is inferior in respect of the KPI pertaining to CO_2 system effect. During recent years, the pace of technological advancement in the property sector has been rapid and, as a result, systems for climate control, for example, have become more complex and require greater technical expertise. Climate-control systems are resulting in opportunities to reduce consumption while improving the indoor climate. They are also providing greater potential for follow-up and control.

In 2013, the work to reduce total energy consumption continued as part of the efforts to attain the target of a 20 per cent decrease from 2009 to 2014. Total energy consumption in 2013 was 12 per cent lower than in 2009 for the same portfolio. Over time, Fabege's systematic efforts to optimise running costs have also sharply reduced the use of heat. Fabege's heating consumption in 2013 averaged 64 kWh/sqm LOA (66) and 59 kWh/sqm Atemp (63) degree day corrected[1], for an identical portfolio, which is slightly more than 50 percent below the average reported by the Swedish Energy Agency for the Stockholm County climate zone. The use of district heating, excluding Fabege's six heat pumps, was an average of 64 kWh/sqm Atemp degree day corrected, for an identical portfolio.

EU target achieved

Due to its systematic efforts, Fabege has already reached the EU's energy efficiency target for heating: a decrease of 50 per cent by 2050. However, Fabege is noting a tendency towards increased use of air conditioning and process cooling in office premises. The underlying explanation is an increase in solar heat gain co-efficients (SHGC) in pace with glass facades becoming more commonplace, as well as increased customer requirements regarding comfort. Fabege works continuously together with the customers to satisfy their comfort requirements, user needs, such as for process cooling, architectural desires and demands for favourable energy performance. The aim is that the energy consumption in all properties will be reduced by at least 25 per cent, matching the level required for GreenBuilding certification. To date, Fabege has certified five properties in accordance with the GreenBuilding standard, the latest of which was Hägern Mindre 7, Drottninggatan 27–29.

Renewable energy

Environmentally certified hydroelectric power from Vattenfall's Nordic plants accounts for all electricity supplied to Fabege's properties[2].

Environmental gains

Environmental gains generated by activity-based offices

During 2013, Fabege's head office was remodelled to what is known as an activity-based office. The activity-based office is more resource-efficient and thus results in savings in terms of money and the environment.

Among other consequences, the remodelling led to increased space efficiency, greater energy efficiency, resulting from better lighting, and the installation of new photocopiers, thus reducing both paper and energy consumption. Materials for all purchases were performed actively, in part in relation to chemical contents. Wherever appropriate, materials and furniture were recycled.

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.

2) This does not apply to empty premises (vacant premises), which are automatically supplied with electricity from Fortum.

Unilever/Solna Business Park
Green partnership

Fabege addresses environmental matters in a goal-oriented and systematic manner in order to reduce and prevent any negative impact on the environment. As part of this work, Fabege offers its customers the possibility of signing Green Leases.

This entails that the property owner and the tenant jointly work and take responsibility for maintaining or improving the environmental performance of the premises and reducing the climate impact. The cooperation between Fabege and Unilever is an example of a Green Lease. Like Fabege, Unilever takes a systematic approach to environmental challenges and endeavours to contribute to sustainable development.

"Our cooperation with Fabege has been excellent since day one and the company was able to offer efficient solutions that satisfied the requirements we had for the premises in Solna Business Park. One key demand that we had was a focus on the environment and, in this context, we were able, in dialogue with the property owner, to have new energy-saving lighting installed, for example," says Karin Alrenius, Nordic Workplace Manager at Unilever.

Among other benefits, the Green Lease will result in 20 per cent lower energy consumption in the building. To achieve this, Fabege has invested in a control system for the indoor climate and has divided ventilation into zones. Fabege and Unilever are also cooperating to minimise the premises' energy consumption.

"Both Fabege and Unilever are responsible companies that want to generate long-term success while simultaneously reducing the environmental impact," Karin Alrenius adds. "We appreciate Fabege's broad sustainability efforts, which include Green Leases, systematic energy optimisation and the follow-up of suppliers."

Norrenergi supplies "Good Environmental Choice" district heating and district cooling to the properties in Solna and Sundbyberg.

Conscientious materials selection

In projects and developments, Fabege's overriding environmental programme is integrated into Fabege's framework programme to address factors such as environmental certification, the selection of material, waste management and construction methods. The aim is that Fabege's environmental policy will be translated into environmental control of the building process.

In new builds and redevelopment projects, requirements are in place that only permit the use of building materials and products with limited environmental impact. When a building is redeveloped or renovated, a demolition plan is drawn up. In all projects, a plan for the handling of waste products is prepared together with the building and waste management contractors.

Environmental classifications provide guidance

Interest in environmental classifications and the certification of buildings has grown in recent years. The industry organisation, Sweden Green Building Council (SGBC), which has 221 Swedish member companies, coordinates the certification systems in Sweden. To date, approximately 80 Swedish buildings have been certified according to Miljöbyggnad (a Swedish certification system), about 320 according to GreenBuilding and some 37 according to BREEAM.

For the past several years, classification in accordance with the Miljöbyggnad principles has been the minimum level for Fabege's new builds and major conversions. Since 2013, new builds of office buildings are to be constructed so that they conform to the standards of the BREEAM environmental classification system. Today, 14 of Fabege's 92 properties have been certified or have entered the certification process.

Interest in broadening the spectrum of sustainability issues is increasing in the industry, and several of the classification systems are being modified so, for example, that they also take into account social issues and not only environmental issues as in the past. There are also initiatives involving the certification of entire city districts from a sustainability perspective.

Ecocycle

Ecocycle approach and intermediate storage stations reduce waste and transport needs

At Arenastaden, a large intermediate storage station for waste has been installed, which reduces transport needs. There is also a similar station at Solna Business Park. The ambition of creating a green city district also includes ambitious public transport initiatives.

Fabege and the City of Solna are cooperating in a project called Gröna linjen (the Green Line), whereby food waste is converted into biogas. The refuse vehicles that collect the waste are fuelled by biogas, which results in a closed system.

The ecocycle solution at Hammarby Sjöstad has been named the Hammarby Model. The entire city district is being developed on an ecocycle basis whereby energy, wastewater and water treatment are integrated. Rainwater from streets is treated locally and thus does not burden the wastewater treatment plant. Food waste is converted to biogas, which is used to fuel vehicles, and the residue becomes a rich fertiliser. All material that can be recycled is sent for recycling, such as newspaper, cartonboard, glass and metals.

Green Leases reduce climate impact and costs

The property sector plays a key role in supporting the sustainability work of its customers. Fabege's energy experts offer energy-saving information and Fabege's customers are free to choose Green Leases and Green Electricity Contracts.

Green Leases encompass energy matters, sorting at source, sustainable travel and the choice of building materials. The objective is to focus on and cooperate in environmental matters in order to reduce both the climate impact and costs. While Fabege ensures that the buildings are energy-efficient, the customers focus on reducing their own energy use.

One of Fabege's sustainability targets is to raise the proportion of Green Leases, which fits in well with the customers' increased demand in this area. During 2013, Green Leases accounted for 52 per cent of total space under newly signed leases. Vattenfall offers Green Electricity Contracts to all of its customers of Fabege, which include kilowatt-based discounts and personal counselling to reduce the company's electricity costs.

Research into green properties

Together with the Royal Swedish Institute of Technology, the Swedish Property Federation, Vasakronan and other stakeholders, Fabege is participating in a research project into how environmental initiatives involving properties can be used to create added value for owners and customers alike. By looking at environmentally certified properties in Sweden, what is studied is how the added value provided by these properties differs among the various types of premises, owners, tenants, geographical location and the selection of environmental classification system. The project is expected to result in recommendations for property owners and tenants of commercial premises, with the ultimate aim of increasing the driving forces in this area and accelerating the development of sustainable properties.

Environmentally compatible transport a challenge for the sector

The construction and property sector has a major responsibility when it comes to transporting materials to building sites and conducting property service operations. Fabege works continuously to reduce the environmental impact of transport in service assignments and goods deliveries. All of the company's service vehicles are eco-cars.

Another important transport issue involves the location of the customer's place of work. Fabege's properties are located centrally in places with an abundant supply of public transport services, thus providing the customers with excellent possibilities to travel to work smoothly and in a climate-smart manner to their work.

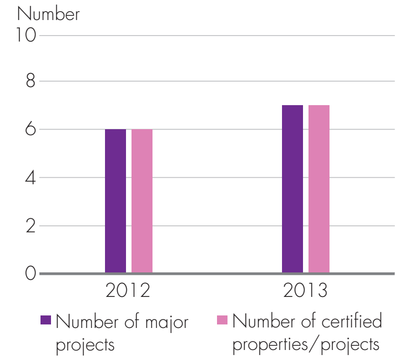
In addition to close proximity to public transport services, Fabege offers pool bicycles to all tenants in the Solna Business Park. In total, Fabege has installed power outlets for electric cars in eight properties.

Reduced amount of waste and emissions

Fabege offers effective waste management. In connection with acquisitions or property customisations, Fabege explores the existence of space for sorting waste at source in order to optimise waste management in relation, for example, to flows of materials and transports. An average of 13 types of waste are sorted for recycling in Fabege's properties and the company strives to recycle and recover wherever possible.

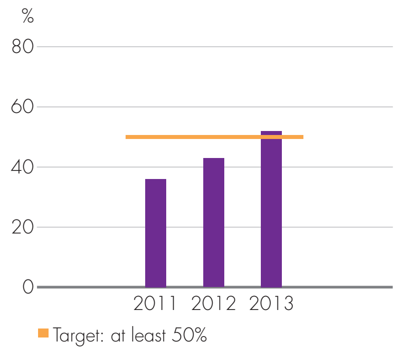
For the past five years, Fabege has worked with waste management contractors that maintain direct contact with customers to better satisfy their needs for customised service. Transport needs have also been cut by reducing the number of haulage contractors. This work has resulted in reduced volumes of waste, lowered carbon dioxide emissions and reduced costs.

Environmental certification



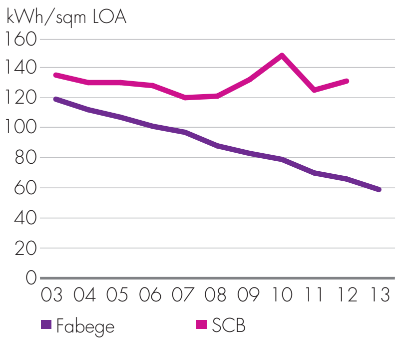
All on-going new builds and major redevelopments (7) are undergoing a certification process according to BREEAM or Miljöbyggnad.

Green Leases



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

Heating consumption in properties



Over time, Fabege's systematic efforts to optimise running costs have reduced energy use in the properties drastically. Fabege's heating consumption in 2013 averaged 64 kWh/sqm LOA (66) and 59 kWh/sqm Atemp (63) after degree day correction. The SCB value for 2013 is not yet available.

Consumption statistics, total	2013
Water consumption, cbm	550,216
Total energy consumption, MWh[1]	153,845
of which	
District heating	72,000
Cooling	25,378
Electricity	56,467
Renewable energy, MWh (96%)	147,077
CO_2 emissions, tonnes (heating, cooling, electricity)	4,303

District heating consumption	62 kWh/sqm LOA[1] not corrected
	59 kWh/sqm Atemp[2] Degree day corrected
	64 kWh/sqm LOA[3] Degree day corrected

Certification and classification systems

Miljöbyggnad

Miljöbyggnad is a Swedish 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.

MILJÖ BYGGNAD

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.

GREENBUILDING

BREEAM

BRE Environmental Assessment Method (BREEAM) is an environmental classification 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 impact on the surrounding area.

breeam

1) Holdings during energy follow-up in 2013: 81 properties, 1,155,024 sqm.
2) Identical portfolio 2013: 73 properties, 1,170,333 sqm.
3) Identical portfolio 2013: 73 properties, 1,080,394 sqm.

Fabege's heating consumption per sqm is estimated using LOA and Atemp respectively. Atemp is used in energy declarations and comprises areas intended to be heated to a temperature of at least 10°C. LOA is defined as premises aimed for purposes other than residential, space for operation/maintenance of buildings and general communication.

Dedicated employees build long-term relations

Personal responsibility and participation in the operations contribute to creating an attractive and inspiring workplace. With the core values as a solid base, the employees are given considerable opportunities for advancement.

By combining the resources of a major corporation with close proximity to customers, Fabege strives to ensure that all employees feel that they are participating in the company's development and result. Fabege has a flat organisational structure with short decision-making channels, and is characterised by an entrepreneurial spirit that encourages personal initiative and new schools of thought. The Human Resources Manager, who is responsible for all personnel and labour law matters and policies, reports to the Executive Management Team.

With the customer in focus

The company attaches great importance to ensuring that all employees feel involved in creating Fabege's customer offering and have a role to play in relation to the customer. Aided by a high level of service and technical expertise, good customer relations are created primarily in the everyday contact between customers and property technicians and others working with the operation of a property.

The core values are the foundation for all operations

Fabege's core values, SPEAK, and Code of Conduct form the basis for the actions of all employees.

These values, which characterise the entire business, are Speed, Informality, Entrepreneurship, Business Orientation and Customer Proximity. The Code of Conduct highlights Fabege's position on matters concerning human rights, terms of employment, the environment, business ethics and communication.

Continuous skills development

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

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

In order to attain the established objectives, the employees may, for example, have to participate in suitable training programmes, seminars and networks according to the agreement with their immediate manager. If there is a need for joint skills development, training programmes are also arranged for work groups in specific subjects.

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

Workplace shaped by activity

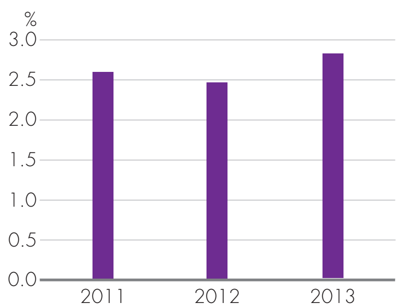
During the year, Fabege's head office in Solna was remodelled as what is known as an activity-based office. The office consists of various types of work stations, including places in office landscapes, quiet rooms and groups of sofas and armchairs, as well as larger desks for project work and similar assignments. The employees choose a work station that suits what they are doing at the particular time. The aim is to build creative work environments where teamwork and internal transfer of knowledge become a natural feature.

Fabege also offers flexible working hours based on trust. Offering a sound balance between work and leisure is a key element in Fabege's ambition to be an attractive employer. The company encourages both women and men to take parental leave.

Scheduled training

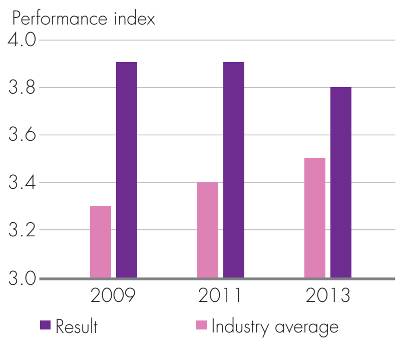
For several years, Fabege has been committed to promoting health and fitness, and to encourage staff to exercise and stay fit.

Sickness absence



Fabege aims to maintain a low level of sickness absence, aided by regular medical check-ups and continued health and fitness programmes. No serious workplace accidents or fatalities occurred during 2013.

Satisfied employees



The employees' competencies and commitment are decisive in efforts to build long-term relations with satisfied customers. The performance rating of the personnel is measured regularly and the aim is that the rating among Fabege's employees will be at least 15 per cent higher than the sector average. The outcome in 2013 was 9 per cent.

All employees are offered the opportunity to train with their colleagues during work hours.

During the year, Fabege entered into an agreement with a new collaboration partner for medical check-ups, and all employees have been offered such a check-up. Slightly more than 90 per cent of the employees underwent medical check-ups, with the results showing 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 ensures that all employees gain fast access to professional care in case of illness.

Fabege provides a safe and healthy work environment for its employees. A safety committee, represented by managers and employees from various parts of the company, is responsible for continuously developing the work environment. Fabege works actively to promote physical and mental well-being at work. Procedures are regularly reviewed and documentation is available for all employees.

Performance rating exceeds industry 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 measure how the company is viewed by the employees. The response rate for the latest survey was 98 per cent. The survey features a method that gauges how the prevailing working conditions affect the employees, as measured by a performance index. The performance rating in 2013 was 3.8. The rating for the industry as a whole was 3.5. Fabege's aims to exceed the industry average by 15 per cent.

Interesting topics at Café Fabege

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. Fabege also has an innovation group in which representatives from the various parts of the business meet regularly to raise new ideas, question and discuss future solutions. All employees can propose topics for the innovation group to address.

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

Increased number of women in male-dominated sector

The starting point for all recruitment is the person and his/her qualification. Although the property industry has traditionally been viewed as male dominated, a growing number of women are currently being attracted to the industry. In certain job categories, however, such as building maintenance technicians, the recruitment base is still dominated by men. Fabege is working together with industry organisations to boost interest in the industry generally.

At year-end, one out of five members of Fabege's Executive Management Team team was a woman, or 20 per cent (20). The total proportion of women working at Fabege was 35 per cent (35).

Organisation focused on function

Fabege's organisation is flexible and adaptable. The focus is on function, not position, which means that a vacant position is not always filled by a new person; the duties may be shared among other employees, whereby recruitment may instead be considered in another part of the organisation.

Because the industry as a whole is preparing itself for a wave of retirements in the next few years, recruitment needs will increase in the future.

To safeguard future recruitment needs, Fabege is committed to building relations with students by, for example, taking part in labour market days and working to strengthen the company's image as an attractive employer. Fabege continuously makes room for trainees and students doing their degree thesis, thus providing young people with an insight into the company and the sector.

Nominations and distinctions

2013
The Uarda 5 property in Arenastaden was nominated for "The Environmental Award of the Year" by the periodical Betong.

2012
The Uarda 5 property was named "Winner of the Green Building Annual Award" in the new buildings category by the Director-General of the European Commission's Joint Research Centre and received the distinction "Sweden Green Building Award" in the category EU GreenBuilding, new buildings.

Fabege is also taking more overall responsibility for the future of the industry by being actively involved in Fastighetsbranschens Marknadsråd (the Property Sector's Market Council), a forward-looking initiative to raise awareness of the property sector's potential among the youth of today. The council is striving to develop a professional training curriculum for building technicians, since the market foresees a forthcoming shortage in this field, due to the large number of retiring building technicians.

Everyone benefits from healthy earnings

To increase the employees' involvement in Fabege's operations and emphasise their importance to the company's earnings, there is 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 being allotted. For 2013, provision has been made with about SEK 6.6m, equivalent to 100 per cent of a base amount per employee, including payroll taxes.

Policies and guidelines that support operations

Fabege regards business ethics as an important issue. 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. A self-evident foundation for the Code of Conduct is that Fabege must respect applicable laws and other regulations and adhere to generally acceptable business customs and practices, while complying with international standards for human rights, labour and the environment in accordance with the Global Compact's ten principles and the ILO's fundamental conventions on human rights at the workplace. Fabege has been affiliated with the UN Global Compact since 2011. Fabege complies with the Swedish Co-Determination at Work Act and collective bargaining agreements, which regulate such matters as terms of notice.

The Board of Directors and Executive Management Team have a special responsibility to promote the application of the Code of Conduct. The content is revised and monitored annually by the Executive Management Team.

All managers with personnel responsibility have been tasked with ensuring that the Code of Conduct is known and complied with in his/her department/sphere of responsibility. The full text of the Code of Conduct is available at www.fabege.se/codeofconduct.

Fabege also has a fraud policy and 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. Since no cases of corruption or discrimination were reported during the year, no actions have been taken.

Fabege's Ethics Council, which reports to the Executive Management Team, is available as support in day-to-day work. The role of the Council is to direct the work, monitor relevant external issues and establish the direction in specific ethical matters. The Council includes representatives from Business Development, Property Management, Technical Management, Projects, HR and Finance.

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

Organisation and sustainability work

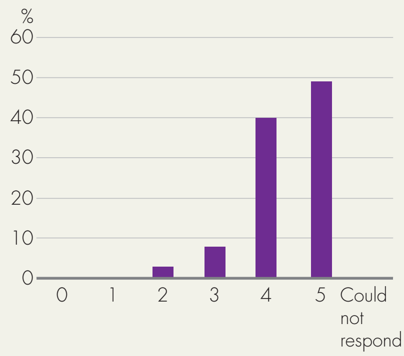
The Chief Executive Officer has ultimate responsibility for matters involving sustainability and, during 2013, the Audit Committee followed up and discussed sustainability issues. This follow-up has since been forwarded to the entire Board of Directors.

The operational activities are supported by experts in environment, energy, work environment and fire and safety and these experts function as a resource and skills pool for the company's other departments. Fabege also has a sustainability group that supports, drives, develops and communicates sustainability issues internally and externally. This group includes representatives of the Executive Management Team and the Communications, Environmental, Purchasing, Accounting and HR departments.

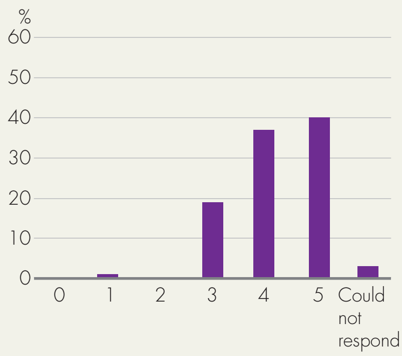
Human resources survey

Towards the end of the year, an employee-satisfaction survey was conducted, through which more than 98 per cent of the employees expressed their opinions of Fabege as an employer. The results show that 89 per cent recommended Fabege as an employer, 89 per cent gave the company the best or second best rating for work environment and 77 per cent have confidence in the immediate superior, with a rating of 4 or 5 on a scale of five. The performance rating was 3.8, which is significantly higher than the sector average of 3.5.

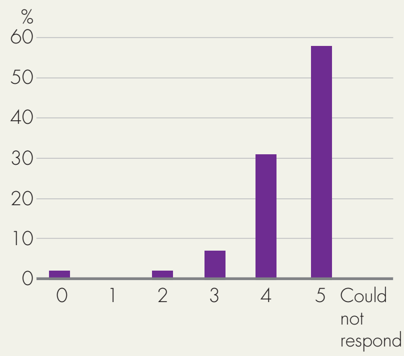
General work environment



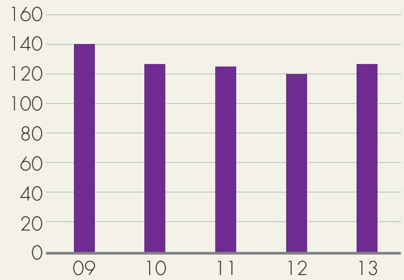
Confidence in immediate superior



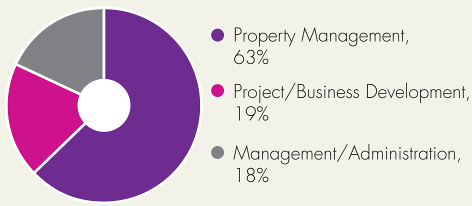
Recommend Fabege



Number of employees, average

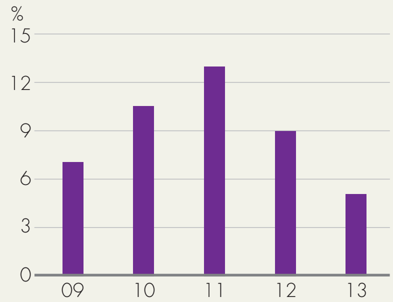


Number of employees broken down by segment



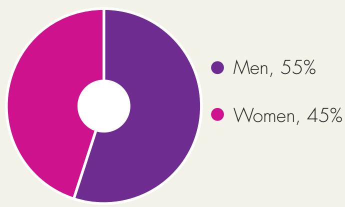
Fabege had 136 (129) employees at year-end 2013, of whom about 63 per cent (63) were active in property management, 19 per cent in business/project development and 18 per cent (18) in administration/management. All employees are covered by a collective bargaining agreement.

Employee turnover

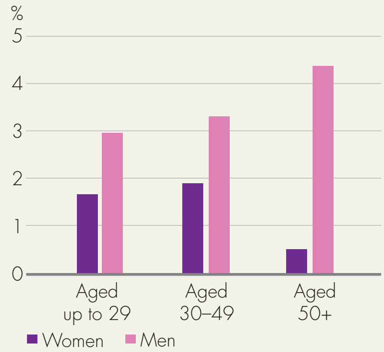


Because of the limited number of individuals, employee turnover is not broken down into gender or age category.

Gender distribution, management positions



Sickness absence 2013



Business ethics – the foundation of purchasing work

Fabege's purchasing work endeavours to represent high business ethics, consideration for human rights, entrepreneurship, competition, objectivity and equal treatment. Of the total purchasing volume during the year, 37 per cent was examined from a sustainability perspective.

Fabege regards business ethics as an important issue, and Fabege endeavours to involve the company's suppliers in the issues that arise in this area. In Fabege's purchasing policy, the company's positions are clarified for suppliers, employees and other stakeholders.

Fabege's Code of Conduct encompasses all employees and clarifies the company's positions in respect of human rights, terms of employment, the environment, business ethics and communication. Fabege has never been subject to legal proceedings due to anti-competitive activities. The company's suppliers are also expected to comply with Fabege's Code of Conduct.

Fabege currently has approximately 1,500 suppliers. During 2013, about 30 supplier agreements were renegotiated.

Inspections from several perspectives

To ensure that Fabege's suppliers satisfy the requirements placed by the company, regular inspections are conducted from both an economic/financial perspective and a sustainability and quality perspective.

Economic/financial inspection

All of Fabege's suppliers are under the supervision of a credit rating company commissioned by the company. The aim is to quickly recognise any economic/financial deviations that could indirectly 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 assist and inspire them to conduct further work on sustainability issues.

During 2013, approximately 40 selected suppliers active in the construction, guard services, lifts, parking and valuation segments, as well as consultants in other areas, were examined in detail by an external company. The examination encompassed quality plans, environmental policy, work environment and collective bargaining agreements as well as health and safety, and showed that the selected suppliers work actively with respect to sustainability issues. During 2012 and 2013, suppliers corresponding to about 60 per cent of Fabege's purchasing volume were examined.

Quality inspection

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

Contract inspection

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

Focus on the work environment of suppliers

Building sites are risky environments and Fabege focuses intently on the work environment in order to minimise accidents and incidents at the sites. At all construction sites, all applicable legislation and safety procedures must be complied with.

Continuous audits are conducted during the course of all projects. Although the work environment and employer liability at building sites falls upon the contractors, Fabege takes an active role in preventing incidents. Fabege only procures building contractors that meet the company's stringent risk-management demands. Cooperation with contractors is evaluated continuously.

Fabege is a member of society

Social involvement is a natural feature of Fabege's social responsibility and a way of contributing to sustainable urban development. Fabege is involved in the local community in several ways, and is also involved in projects that change and affect the surrounding world in a larger perspective.

An important part of Fabege's social involvement entails 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.

Local and global involvement

Friends

Fabege is a national sponsor of Friends, a non-profit anti-bullying organisation with the vision of creating a society in which children and young people can grow up in a secure and equal manner. The organisation educates and supports schools, preschools and sports associations throughout Sweden and provides advice and shapes opinion with a view to increasing knowledge and commitment among adults and children.

Friends recently moved to new premises at Arenastaden, where it is building the first anti-bullying research centre in the whole of Europe. The sports arena and hotel at Arenastaden were also named after Friends.

Hej

A small word makes a big difference

The word "hello" symbolises friendship and community. It is the first step away from bullying. A greeting in the corridor, sitting next to someone in the dining room. Saying "hello" makes a big difference.

Solna Vikings

Fabege is a partner and sponsor of the Solna Vikings basketball club. Solna Vikings is in the premiere division and has reached the Swedish Championship Final 13 times during the 2000s and its home matches at Solnahallen usually attract a massive attendance.

Fabege supports the club financially through the "Fabege Basketball Camp", at which 300 young people are provided with an opportunity to go to a camp and play basketball during the summer holidays.

SOS Children's Villages

Fabege has financed the building of a family house at SOS Children's Villages Cibitoke in Burundi, Africa, and continues to account for the running costs of the building and its family. The family consists of an SOS mother and ten children aged four to twelve years. The village provides approximately 150 children with a new home, a new family, education and a chance for a better life. It also includes schools and a medical clinic accessible to children living in the village and the surrounding area.

Photo: Magnus Neck

About Fabege's 2013 sustainability report

This is Fabege's third 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 2013 Annual Report, which pertains to the 2013 financial year. The preceding Annual Report, including the Sustainability Report, was published in February 2012. No major changes in scope, limitation or measurement methods have occurred between the two reports. Fabege reports in accordance with level B+, GRI version 3.0. The information in the sustainability report has been reviewed by Deloitte, who confirms that it fulfils GRI's information requirements for application level B+. The auditor's review of the Sustainability Report is presented on page 92.

The content of the sustainability report has been selected on the basis of Fabege's most significant issues, given its operations and their impact relationship on the environment and society. Fabege's sustainability team, with representatives from various parts of the organisation, has identified the significant issues. The views presented during the year's stakeholder dialogue have also been taken into account. Fabege aims for the sustainability report and the 2013 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 pertains to the entire Fabege Group. However, associated companies fall outside the limits of the report.

This Index includes the standard information that is mandatory for application level B+, additional standard information that Fabege has decided to report on and the indicators from the Construction and Real Estate Sector Supplement (CRESS) upon which Fabege reports. The Sustainability Report encompasses pages 42–57.

Key
Reference www/GRI index = complete GRI index on Fabege's website

● Fully reported ● Partly reported

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1.2	Risks and opportunities	38–41, 54	●
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2.8	Scale of the reporting organisation	2	●
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3.6	Boundary of the report	56	●
3.7	Specific limitations on the scope of the report	56	●
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4.2	Chairman's position	88–89	●
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4.12	External charters, principles or other initiatives	44–45, 48–49	●
4.13	Memberships in associations	44	●
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4.14	List of stakeholder groups	44–45	●
4.15	Basis for identification and selection of stakeholders	44–45	●
4.16	Approach for the stakeholder dialogue	44–45	●
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Directors' Report

The Board of Directors and Chief Executive Officer of Fabege AB (publ), company registration number 556049-1523, hereby present their 2013 report for the Group and the Parent Company.

The business

Fabege is one of Sweden's leading property companies focusing on commercial premises. The business is concentrated to a small number of fast-growing priority sub-markets in the Stockholm region. Fabege manages and improves its existing properties, at the same time as the property portfolio is subject to continuous development through sales and acquisitions. Realising value is an integral and key part of the business.

The transactions and investments made in 2013 continued to reflect the focus on property holdings in the sub-markets of Stockholm inner city, Solna and Hammarby Sjöstad. On 31 December 2013, Fabege owned 92 properties with a total rental value of SEK 2.4bn, lettable floor space of 1.1m sqm and a carrying amount of SEK 33.4bn, of which project properties accounted for SEK 2.2bn.

Commercial premises, primarily offices, represented 99 per cent of the rental value. The financial occupancy rate for the portfolio as a whole was 93 per cent (92). The occupancy rate in Fabege's portfolio of investment properties was 93 per cent (93). New lettings during the year totalled SEK 211m (289), while net lettings were SEK 68m (141). The healthy net lettings in the year-earlier period included SEK 60m for the letting to the Swedish Tax Agency. Notable lettings during the year included lettings to The Winery Hotel in the Järvakrogen 3 property in Solna, Svenska Spel in Uarda 1, Arenastaden, additional letting to the Tax Agency through an expansion of the Nöten 4 property, Solna Strand, and the lease with SATS in Luma 1, Hammarby Sjöstad. Net lettings were charged with a major lease termination at the beginning of the year.

The rent levels from all renegotiated leases increased 10 per cent on average.

Revenues and earnings

Profit before tax for the year amounted to SEK 1,992m (2,032). Increase in net operating income and positive unrealised changes in the value of derivatives and shares, though unrealised changes in value in the property portfolio declined contributed to the positive trend. Profit after tax for the year was SEK 1,530m (–88), corresponding to earnings per share of SEK 9.26 (–0.54). The preceding year's profit was charged with a provision of SEK 1,900m pertaining to ongoing tax cases. Following the Administrative Court of Appeal's issue of verdicts in about 75 per cent of the ongoing tax cases, Fabege decided to reserve an additional SEK 120m in the fourth quarter of 2013.

Rental income increased to SEK 2,059m (1,869) and net operating income increased to SEK 1,411m (1,264). The increase in rental income was attributable to positive net lettings and the occupancy of completed project properties. The surplus ratio increased to 69 per cent (68), despite operating profit being charged with higher costs resulting from the cold and snowy winter. In an identical portfolio, rental income increased approximately 13 per cent while operating income rose some 15 per cent.

Realised changes in the value of properties amounted to SEK 135m (167) and unrealised changes in value to SEK 739m (1,409). The SEK 343m (625) unrealised change in the value of the portfolio of investment properties was primarily attributable to properties with potential for an increase in rent levels and a reduction in vacancy rates, as well as a marginally lower yield requirement. The project portfolio contributed to an unrealised change in value of SEK 396m (784), primarily due to development gains in the major project properties.

The share in profit of associated companies amounted to SEK –30m (137). The preceding year's highly positive earnings mainly pertained to items of nonrecurring nature. Changes in the value of interest-rate derivatives and shares totalled SEK 504m (–237). Higher long-term interest rates resulted in a major decline in the deficit value of the derivative portfolio during the year. Revaluation of the holdings in Catena to market value (current price) resulted in an unrealised change in value of SEK 104m. Net interest items increased to SEK –705m (–644), due to increased indebtedness.

Property-related key figures

	2013	2012	2011
No. of properties	92	95	97
Lettable area, '000 sqm	1,142	1,130	1,107
Financial occupancy rate, %	93	92	90
Rental value, SEKm	2,397	2,260	2,098
Surplus ratio, %	69	68	68

Business model contributions to earnings

SEKm	Jan–Dec 2013	Jan–Dec 2012	Jan–Dec 2011
Profit from property management	601	605	581
Changes in value (portfolio of investment properties)	343	625	675
Contribution from Property Management	**944**	**1,230**	**1,256**
Profit from property management	13	88	–17
Changes in value (profit from Property Development)	396	784	418
Contribution from Property Development	**409**	**872**	**401**
Contribution from Transaction (Realised changes in value)	135	**167**	**173**
Total contribution from operations	**1,488**	**2,269**	**1,830**

Tax

Annual costs amounted to SEK –462m (–2,120). The preceding year's tax expense included a provision of SEK 1,900m for ongoing tax cases. Profit was charged with an additional SEK 120m pertaining to ongoing tax matters. Operating tax are calculated at a rate of 22 per cent on taxable earnings. Property sales led to deferred tax income totalling SEK 43m.

Cash flow

Profit contributed SEK 812m (752) to liquidity. After an increase of SEK 88m (–247) in working capital, which varies primarily due to the impact of occupancy/final settlement for acquired and divested properties, liquidity from operating activities changed by SEK 435m (505). Acquisitions of and investments in properties exceeded property sales by SEK 1,166m (1,261). Accordingly, the total change in liquidity resulting from operating activities was SEK –731m (–756). Cash flow during the year was charged with SEK 496m (487) for the payment of dividends. After the increase in debt, consolidated cash and cash equivalents totalled SEK 98m (200).

Financing

Fabege employs long-term lines of credit subject to fixed terms and conditions. At 31 December 2013, these had an average maturity of 4.8 years. The company's lenders are primarily the major Nordic banks.

Interest-bearing liabilities at year-end totalled SEK 19,038m (18,035) and the average interest rate was 3.61 per cent excluding and 3.70 per cent including commitment fees on the undrawn portion of committed credit facilities. At 31 December, unutilised committed lines of credit amounted to SEK 3,309m.

Fabege has a commercial paper programme of SEK 5,000m. At year-end, outstanding commercial paper amounted to SEK 2,168m (2,740). Fabege has available long-term credit facilities covering all outstanding commercial paper at any given time. Fabege also has a three-year covered property bond of SEK 1,170m, which was issued in February 2013. At year-end, Fabege had a total of SEK 1,160m in bonds outstanding within the framework of its bond program, which was launched in December 2011. The programme, which has a limit of SEK 5,000m, was introduced via the co-owned company Svensk Fastighetsfinansiering AB (SFF). The bonds are secured by collateral in property mortgage deeds. SFF is jointly owned by Fabege, Wihlborgs and Peab. Fabege owns 33.3 per cent of the company.

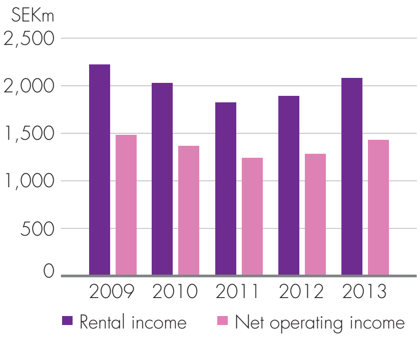
The average fixed-rate period for Fabege's loan portfolio was 2.6 years, including the effects of derivative instruments. The average fixed interest term for variable-interest loans was 67 days.

Fabege's derivatives portfolio comprised interest-rate swaps totalling SEK 7,000m 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 67 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 2013, the recognised negative fair value adjustment of the portfolio was SEK 447m (854). The derivatives portfolio is measured at the present value of future cash flows. The change in value is of an accounting nature and has no impact on the company's cash flow. At the due date, the market value of derivative instruments is always zero.

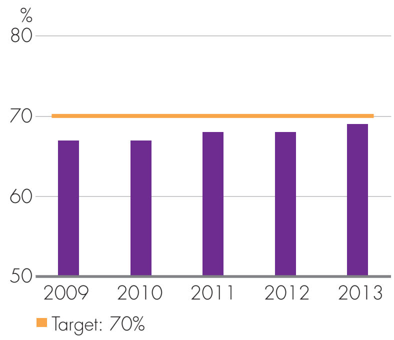
Net financial items included other financial expenses of SEK 19m, mainly pertaining to costs for the issue of property mortgages and opening charges for borrowing agreements and bond programmes. Opening charges for lines of credit are distributed over the duration of the agreements.

The total loan volume at year-end included SEK 277m (765) in loans for projects. The loan volume for projects averaged SEK 521m during the year, of which interest of SEK 17m has been capitalised.

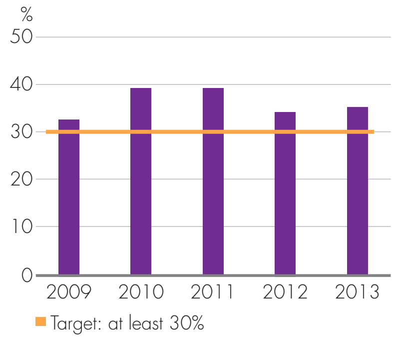
Rental income and net operating income



Surplus ratio



Equity/assets ratio



Financial position and net asset value

Shareholders' equity amounted to SEK 12,551m (11,382) at the end of the year and the equity/assets ratio was 35 per cent (34). Shareholders' equity per share totalled SEK 76 (70). Excluding deferred tax on fair value adjustments of properties, net asset value per share was SEK 88 (80).

Acquisitions and sales

Six properties were divested as part of four transactions during the year. Two properties were acquired, both in Arenastaden. The transactions comprised part of the continued strategy of streamlining Fabege's business and focusing on office properties in prioritised areas and a strengthened cash flow.

The combined sales consideration was SEK 1,202m. The transactions generated a profit of SEK 135m (167) before taxes and SEK 178m (237) after taxes.

Investments in existing properties and ongoing projects

During 2013, decisions were made on major project investments of SEK 1,061m (2,379). The year's investments of SEK 1,410m (2,034) in existing properties and projects referred to land, new builds, extensions and conversions. In addition, investments of slightly more than SEK 300m were made in a project property that was divested during the year. The investments pertained to new builds, extensions and conversions. The return on capital invested in the project portfolio was 28 per cent.

During the first quarter of 2013, the project conducted on the property Uarda 1 Sjökvarteret was completed and the tenants moved in. This project was the first of three phases in the property. During the fourth quarter, the final phase of the refurbishment of Nöten 4, Solna strand, was completed and the Swedish Tax Agency moved in. Around year-end, the property was transferred to the property management portfolio.

Ongoing major projects, including Nationalarenan 8 and Uarda 1 building C (both in Arenastaden), are proceeding as planned.

Parent Company

Sales during the period amounted to SEK 122m (100) and profit before appropriations and tax was SEK 438m (357). Net investments in property, equipment and shares totalled SEK 0m (–336).

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 2013	Percentage of votes
Brinova Inter AB	14.9

Through Fabege's profit-sharing fund and the Wihlborgs & Fabege profit-sharing fund, the employees of Fabege own a total of 427,353 shares, representing a stake of 0.26 per cent in the company.

Acquisition and transfer of treasury shares

The 2013 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. Following a decision by the Board of Directors, the remaining holding of treasury shares, a total of 1,836,114 shares, was sold on the NASDAQ OMX Stockholm exchange early in the year. Subsequently, the company holds no treasury shares. No shares were bought back during the period.

Asset management

Capital structure

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

Current key figures are shown in the five-year summary on page 93.

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 financial policy defines how financial risks should be managed, which is described in greater detail in Note 3.

Dividend

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 will comprise at least 50 per cent of the profit from property management activities and realised gains from the sale of properties after tax.

Risks and uncertainties

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

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

The sensitivity analysis refers to Fabege's property holdings and balance sheet on 31 December 2013. It 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.

Sensitivity analysis – cash flow and earnings

	Change	Effect, SEKm
Rental income, total	1%	20.6
Rent level, commercial income	1%	21.1
Financial occupancy rate	1%-point	24.0
Property expenses	1%	6.5
Interest expenses 2014[1]	1%-point	61.0
Interest expenses long-term perspective[2]	1%-point	190.4

1) The effect of the change on interest expenses in 2014 is based on the assumption of a change in the yield curve of 1 per cent and an unchanged loan volume and fixed-rate term, with effect from 1 January 2014.
2) Change of 1 per cent in total outstanding loan volume.

Rental income

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

New leases normally have a term of three to five years and are subject to nine months' notice with an index clause linked to inflation. Rents for the company's lease portfolio are currently deemed to be in line with market levels. Normally, about 20 per cent of the lease portfolio is renegotiated each year. At year-end, Fabege's average remaining term for commercial leases was 3.6 years.

Property expenses

Property expenses include regular operating and maintenance expenses, property tax, ground rent and administration and letting expenses. Operating costs consist to the largest extent of tariff-based expenses such as heating, electricity and water. Fabege is pursuing a structured effort to reduce its consumption of heating, electricity and water, with a target of achieving 20 per cent lower consumption over a five-year period as of 2010. Fabege also conducts lease negotiations and works continuously to optimise operating costs. A large share of the Group's expenses is passed on to the tenants, thus reducing exposure. The standard of the property management portfolio is deemed to be high.

Interest expenses

The strategic focus is to ensure stable, well-balanced and cost-effective financing. Fabege employs financial instruments, mainly in the form of interest-rate swaps, to limit interest risk and flexibly adjust the average fixed-rate term of the loan portfolio. At year-end, the fixed-rate term of the loan portfolio was about 2.6 years. Changes in the value of interest-rate swaps are recognised in profit or loss.

Property values

Properties are recognised at fair value and changes in value are recognised in the statement of comprehensive income. Fabege's properties are concentrated to central Stockholm and neighbouring areas. As a result of stable customers and modern premises in good locations, Fabege's prospects for maintaining property values even in a weaker economic climate are good. Continued development of project properties generates capital growth in the portfolio. The table below shows the effect on earnings, equity/assets ratio and loan-to-value ratio of a 1 per cent change in the value of a property.

Sensitivity analysis – property value

Change in value before tax, %	Impact on earnings, SEKm	Equity/ Assets ratio, %	Loan-to-value ratio properties, %
+1	260	35.7	56.5
0	0	35.3	57.0
–1	–260	34.9	57.6

Tax situation

Current tax

Tax-loss carryforwards, which are expected to reduce the tax expense in future years, are estimated at SEK 4.4bn (4.6). 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 2013, the difference between the book and tax residual values of Fabege's property portfolio was approximately SEK 13.7bn (12.8).

On 31 December 2013, net deferred tax liabilities were SEK 923m (588), as shown in the following specification; see table.

Deferred tax attributable to	SEKm
– tax-loss carryforwards	–969
– difference between the carrying amounts and tax bases of properties	1,999
– derivative instruments	–98
– other	–9
Net debt, deferred tax	**923**

Ongoing tax cases

As previously announced, the Swedish Tax Agency has decided to increase taxation on the Fabege Group concerning a number of properties sold through limited partnerships (see Fabege's Annual Report for 2012, pages 63–64). The transactions derive from the former company Tornet, the old Fabege and the old Wihlborgs during the years 2003–2005. Since 2007, Fabege has been involved in legal proceedings in the Administrative Court and the Administrative Court of Appeal.

On September 30, the Administrative Court of Appeal issued rulings in a number of Fabege's tax cases. Subsequently, additional verdicts have been issued successively. Collectively, the judgements that have now been passed comprise about 75 per cent of the total tax demand.

The Administrative Court of Appeal found that the Swedish Tax Evasion Act is applicable and that the transactions in question are to be taxed. The verdicts that have been passed demonstrate that Fabege has prevailed to some extent in its motions regarding how taxable profit should be calculated.

During the fourth quarter, the total exposure was reduced by an additional SEK 97m. Based on the verdicts that have been announced, the total assessment of Fabege's taxable income has been reduced to SEK 7,509m and the total tax demand, including miscellaneous charges and fees, has been reduced to SEK 2,276m.

Fabege has already reserved a total of SEK 1.9bn. Due to the latest verdicts, a decision has been made to reserve an additional SEK 120m. The remaining amount of the Swedish Tax Agency's total demand, i.e. SEK 256m, will be recognised as a contingent liability.

Fabege is now awaiting rulings on the remaining tax cases that are currently under consideration in the Administrative Court and the Administrative Court of Appeal. The Administrative Court of Appeal is yet to announce a time schedule for when the remaining rulings are expected to be announced.

Fabege has contested the Administrative Court of Appeal's rulings and has requested leave to appeal to the Supreme Administrative Court. In total, in accordance with the Administrative Court of Appeal's verdicts, Fabege has paid about SEK 740m as of 31 January 2014. Backed by a strong balance sheet and available credit facilities, Fabege is capable of coping with forthcoming tax payments.

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 81–86.

Human resources

The average number of employees in the Group during the year was 125 (119), including 45 women (39) and 80 men (80). A total of 30 people were employed in the Parent Company (30). At year-end, the number of employees was 136 (129), including 53 women (45). See also page 74, Note 6. The retirement age is 65. Pension benefits should 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 the pensionable salary. Termination salary and severance pay must not exceed 24 months in total.

Guidelines for remuneration and other employment terms

The term "management" refers to 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 a draft statement of principles governing remuneration and other terms of employment for management and for preparing decisions on the CEO's remuneration and other terms of employment.

The 2013 AGM resolved to adopt the following guidelines for compensation and other terms of employment for management:

Remuneration is to be in line with market terms and competitive. Responsibility and performances that coincide with shareholders' interests 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 subject to a ceiling 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 2.5m (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 are subject to a ceiling of 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 2013 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. The remuneration levels for the CEO and other senior executives have been benchmarked in relation to the average remuneration paid to CEOs and other senior executives in a number of other property companies. The benchmarking shows that the salaries, including benefits, paid to the CEO and other senior executives are in line with the market level.

The Board proposes unchanged principles governing variable remuneration ahead of the 2014 Annual General Meeting. A complete version of the Board's proposal will be included in the AGM documents, which will be published on Fabege's website.

Outlook for 2014

Both the rental market and the transaction market have got off to a strong start to 2014. A vital focus area is the continued development of Arenastaden and the goal is to sign agreements for office spaces in the Scandinavian Office Building. The development of the portfolio and the positive net lettings trend enable Fabege to continue to generate and deliver contribution to profit from all parts of its business model, meaning property management, property development and transactions. Fabege is well equipped with a strong balance sheet and a well-situated property portfolio with healthy development potential.

For 2014, the focus will be on continued active management and development to enable us to capitalise on our opportunities to:

- Increase net lettings.
- Maintain a high rate of development in the portfolio.
- Create value growth through projects and good properties in attractive locations.

Fabege openly 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	1,682,744,819
Profit for the year	2,044,654,574
Total	**3,727,399,393**

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

	SEK
A dividend of SEK 3.00 per share to the shareholders	496,174,716
To be carried forward	3,231,224,677
Total	**3,727,399,393**

The dividend amount is based on the total number of outstanding shares on 20 February 2014, i.e. 162,391,572 shares, and is subject to alteration up to and including the record date, depending on share buy-backs.

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 equity/assets ratio, historical and budgeted performance, investment plans, the forthcoming payments concerning the tax case 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 4.9 per cent of the company's equity and 4.0 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 –263m (–684), 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 lines of credit can be drawn at short notice, which means that the company and the Group are well prepared to manage variations in liquidity as well as 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, 25 February 2014

Consolidated
Statement of comprehensive income

SEK millions	**Note**	**2013**	**2012**
Rental income	5, 7	2,059	1,869
Property expenses	8	–648	–605
Net operating income		**1,411**	**1,264**
Central administration and marketing	9	–62	–64
Profit from other securities and receivables that are fixed assets	11	27	23
Interest income	12	3	1
Share in profit/loss of associated companies	17	–30	137
Interest expenses	12	–735	–668
Profit from property management	1–6, 16, 18, 41	**614**	**693**
Realised changes in value, investment properties	10, 15	135	167
Unrealised changes in value, investment properties	10, 15	739	1,409
Unrealised changes in value, fixed income derivatives	26	408	–190
Changes in value, equities	13	96	–47
Profit before tax		**1,992**	**2,032**
Current tax	14	–116	–1,900
Deferred tax	14	–346	–220
Total profit for the year		**1,530**	**–88**
Items that will not be restated in profit or loss			
Revaluation of defined-benefit pensions		13	–6
Total comprehensive income for the year		**1,543**	**–94**
Comprehensive income attributable to Parent Company shareholders		**1,543**	**–94**
Earnings per share before and after dilution, SEK		9.26	–0.54
Comprehensive income per share before and after dilution, SEK		9.34	–0.58
No. of shares at end of period before dilution, millions		165.4	163.6
No. of shares at end of period after dilution, millions		165.4	163.6
Average no. of shares before dilution, millions		165.1	162.4
Average no. of shares after dilution, millions		165.1	162.4

Consolidated
Statement of financial position

SEK millions	Note	2013	2012
ASSETS			
Investment properties	15	33,384	31,636
Equipment	16	1	1
Interests in associated companies	17	778	810
Receivables from associated companies	18	413	248
Other long-term securities holdings	19	353	183
Other long-term receivables	20	39	157
Total fixed assets		**34,968**	**33,035**
Accounts receivables	21	16	30
Other receivables	22	291	395
Prepaid expenses and accrued income		58	49
Cash and cash equivalents	33	98	200
Total current assets		**463**	**674**
TOTAL ASSETS		**35,431**	**33,709**
EQUITY AND LIABILITIES			
Share capital		5,097	5,097
Other contributed capital		3,017	3,017
Retained earnings incl. comprehensive income for the year		4,437	3,268
Total shareholders' equity	23	**12,551**	**11,382**
Liabilities to credit institutions	25	16,830	11,385
Derivative instruments	26	447	854
Deferred tax liabilities	27	923	588
Provisions	28	135	120
Total long-term liabilities		**18,335**	**12,947**
Liabilities to credit institutions	24, 25	2,208	6,650
Accounts payable		147	176
Provisions	28	25	23
Tax liabilities	14	1,563	1,909
Other liabilities		76	107
Accrued expenses and deferred income	29	526	493
Total current liabilities		**4,545**	**9,358**
TOTAL EQUITY AND LIABILITIES		**35,431**	**33,709**
Pledged assets	30	**16,671**	**15,435**
Contingent liabilities	30	**1,252**	**2,124**

Consolidated
Statement of changes in equity

	Attributable to Parent Company shareholders				Total shareholders' equity
SEK millions	**Share capital**	**Other contributed capital**	**Retained earnings incl. profit/loss for the year**	**Total**	
Opening balance, 1 January 2012 according to established statement of financial position	**5,097**	**3,017**	**3,776**	**11,890**	**11,890**
Effect of change of accounting policy			–16	–16	–16
Opening balance, 1 January 2012 adjusted according to new accounting policy			**3,760**	**11,874**	**11,874**
Profit for the year			–88	–88	–88
Total income and expenses for the period			**–88**	**–88**	**–88**
Cash dividend			–487	–487	–487
Divestment of treasury shares			89	89	89
Other comprehensive income			–6	–6	–6
Closing balance, 31 December 2012	**5,097**	**3,017**	**3,268**	**11,382**	**11,382**
Opening balance, 1 January 2013	**5,097**	**3,017**	**3,268**	**11,382**	**11,382**
Profit for the year			1,530	1,530	1,530
Total income and expenses for the period			**1,530**	**1,530**	**1,530**
Cash dividend			–496	–496	–496
Divestment of treasury shares			122	122	122
Other comprehensive income			13	13	13
Closing balance, 31 December 2013	**5,097**	**3,017**	**4,437**	**12,551**	**12,551**

Consolidated
Statement of cash flows

SEK millions	Note	2013	2012
OPERATING ACTIVITIES			
Net operating income and realised changes in the value of existing properties excluding depreciation		1,573	1,431
Central administration		–62	–64
Interest received and dividend		39	29
Interest paid	31	–738	–644
Income tax paid/received		–465	0
Cash flow before change in working capital		**347**	**752**
CHANGE IN WORKING CAPITAL			
Current receivables		109	–112
Current liabilities		–21	–135
Total change in working capital	32	**88**	**–247**
Cash flow from operating activities		**435**	**505**
INVESTING ACTIVITIES			
Investments and acquisition of properties		–2,036	–2,191
Sale of properties, carrying amount at beginning of year	15	1,001	1,236
Acquisition of interests in associated companies	17	–	–266
Acquisition of interests in other companies	19	–	–
Divestment of interests in associated companies	17	–	63
Other tangible fixed assets		–	–
Other financial fixed assets		–131	–103
Cash flow from investing activities		**–1,166**	**–1,261**
FINANCING ACTIVITIES			
Dividend		–496	–487
Repurchase/divestment of treasury shares		122	89
Loans received/repayment of loans		1,003	1,280
Cash flow from financing activities		**629**	**882**
Change in cash and cash equivalents		–102	126
Cash and cash equivalents at beginning of period	33	200	74
Cash and cash equivalents at end of period	33	**98**	**200**

Parent Company
Profit and loss accounts

SEK millions	Note	2013	2012
Net sales	37	122	100
Operating expenses	38	–194	–180
Operating profit/loss	1–3, 6, 16, 41	**–72**	**–80**
Profit from shares and participations in Group companies	39	1,885	802
Profit from other securities and receivables that are fixed assets	11, 13	729	494
Changes in value, fixed income derivatives	26	408	–190
Interest income	12	0	5
Interest expenses	12	–712	–674
Profit/loss before tax		**2,238**	**357**
Tax on profit for the year	14	–103	–21
Deferred tax		–90	–
Profit/loss for the year		**2,045**	**336**

Statement of comprehensive income has not been prepared since the Parent Company does not have any transactions that must be included in other comprehensive income.

Parent Company
Balance sheets

SEK millions	Note	2013	2012
ASSETS			
FIXED ASSETS			
Tangible fixed assets			
Equipment	16	1	1
Total fixed assets		**1**	**1**
Financial fixed assets			
Shares and participations in Group companies	40	12,992	12,992
Interests in associated companies	17	–	243
Receivables from associated companies		–	–
Receivables from Group companies		39,967	41,311
Other long-term securities holdings	19	355	8
Deferred tax assets	27	150	240
Other long-term receivables	20	248	258
Total financial fixed assets		**53,712**	**55,052**
TOTAL FIXED ASSETS		**53,713**	**55,053**
CURRENT ASSETS			
Current receivables			
Accounts receivables		0	0
Other receivables		42	34
Prepaid expenses and accrued income		41	24
Total current receivables		**84**	**58**
Cash and cash equivalents	33	**98**	**199**
TOTAL CURRENT ASSETS		**181**	**257**
TOTAL ASSETS		**53,894**	**55,310**
EQUITY AND LIABILITIES			
Shareholders' equity	23		
Restricted shareholders' equity			
Share capital		5,097	5,097
Statutory reserves/Share premium reserve		3,166	3,166
Unrestricted shareholders' equity			
Retained earnings		1,683	1,721
Profit for the year		2,045	336
Total shareholders' equity		**11,991**	**10,320**
Provisions			
Provisions for pensions	28	67	67
Total provisions		**67**	**67**
Long-term liabilities			
Liabilities to credit institutions	25	15,589	10,219
Derivative instruments	26	447	854
Liabilities to credit institutions		23,426	27,126
Total long-term liabilities		**39,462**	**38,199**
Current liabilities			
Liabilities to credit institutions	25	2,168	6,610
Accounts payable		6	5
Tax liabilities		103	
Other liabilities		0	3
Accrued expenses and deferred income	29	97	106
Total current liabilities		**2,374**	**6,724**
TOTAL EQUITY AND LIABILITIES		**53,894**	**55,310**
Pledged assets	30	**17,904**	**15,334**
Contingent liabilities	30	**5,364**	**4,864**

Parent Company
Statement of changes in equity

SEK millions	Note	Share capital	Statutory reserves	Unrestricted sharehold-ers' equity	Total share-holders' equity
	23				
Shareholders' equity, 31 December 2011		**5,097**	**3,166**	**2,119**	**10,382**
Profit for the year				336	336
Total income and expenses for the period				**336**	**336**
Cash dividend				–487	–487
Divestment of treasury shares				89	89
Shareholders' equity, 31 December 2012		**5,097**	**3,166**	**2,057**	**10,320**
Profit for the year				2,045	2,045
Total income and expenses for the period				**2,045**	**2,045**
Cash dividend				–496	–496
Divestment of treasury shares				122	122
Shareholders' equity, 31 December 2013		**5,097**	**3,166**	**3,728**	**11,991**

Parent Company
Statement of cash flows

SEK millions	Note	2013	2012
OPERATING ACTIVITIES			
Operating profit/loss excl. depreciation/amortisation		–72	–80
Interest received		627	499
Interest paid	31	–716	–645
Income tax paid		–6	–
Cash flow before change in working capital		**–167**	**–226**
Change in working capital			
Current receivables		–22	103
Current liabilities		–6	–2
Total changew in working capital	32	**–28**	**101**
Cash flow from operating activities		**–195**	**–125**
INVESTING ACTIVITIES			
Acquisition of interests in associated companies		–	–243
Acquisition of interests in Group companies		–70	
Acquisition and divestment of participations in other companies		–	1
Other tangible fixed assets		–	0
Other financial fixed assets		3,155	–1,950
Cash flow from investing activities		**3,085**	**– 2,192**
FINANCING ACTIVITIES			
Dividend paid		–496	–487
Group contributions received and paid		155	336
Repurchase/divestment of treasury shares		122	89
Loans received/repayment of loans		–2,772	2,509
Cash flow from financing activities		**–2,991**	**2,447**
Change in cash and cash equivalents		–101	130
Cash and cash equivalents at beginning of period	33	199	69
Cash and cash equivalents at end of period	33	**98**	**199**

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 2013. The Group also applies Recommendation RFR 1 (Supplementary Accounting Rules for Corporate Groups) of the Swedish Financial Reporting Board, which specifies the supplementary rules that are required in addition to IFRS under provisions contained in the Swedish Annual Accounts Act. The annual accounts of the Parent Company have been prepared in accordance with the Annual Accounts Act, Recommendation RFR 2 Accounting for Legal Entities of the Swedish Financial Reporting Board and statements issued by the Swedish Financial Reporting Board. The Parent Company's accounts comply with the Group's principles, except in respect of what is stated below in the section entitled Differences between the accounting policies of the Group and the Parent Company. Items included in the annual accounts have been stated at cost, except in respect of revaluations of investment properties and in respect of financial instruments. 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 means that the Group has the right to draw up financial and operational strategies. The existence and effect of potential voting rights that can currently be used or converted is taken into account in assessing whether the Group exercises a controlling influence. Subsidiaries are included in the consolidated financial statements as of the time when the controlling influence is transferred to the Group and are excluded from the consolidated financial statements as of the time when the controlling influence ceases. The acquisition of a subsidiary is recognised in accordance with the purchase method. The purchase consideration for the business combination is measured at fair value at the acquisition date, which is calculated as the total of the fair values at the acquisition date for the assets acquired, assumed or acquired liabilities, as well as equity shares issued in exchange for control of the acquired business. Acquisition-related costs are recognised in profit or loss as incurred. For business combinations in which the sum of the purchase consideration, any non-controlling interests and fair value at the acquisition date of prior share holdings exceeds the fair value at the acquisition date of identifiable acquired net assets, the difference is recognised as goodwill in the statement of financial position. If the difference is negative, it is recognised as profit on a bargain purchase directly in profit or loss following retesting of the difference.

Interests in associated companies

A company is recognised as an associated company if Fabege holds at least 20 per cent and no more than 50 per cent of the votes or otherwise exercises a significant influence on the company's operational and financial control. In the consolidated financial statements associated companies are recognised in accordance with the equity method. Interests in associated companies are recognised in the balance sheet at cost after adjusting for changes in the Group's share of the associated company's net assets, less any decrease in the fair value of individual interests. In transactions among Group companies and associated companies that part of unrealised gains and losses which represents the Group's share of the associated company is eliminated, except as regards unrealised losses that are due to impairment of an assigned asset.

Minority interest

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

Recognition of income

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

Leasing – Fabege as lessee

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

Investment properties

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

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

Tangible fixed assets

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

Impairment

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

Loan expenses

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

Income tax

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

Foreign currencies

Transactions in foreign currencies are translated, upon inclusion in the accounts, to the functional currency at the exchange rates applying on the transaction date. Monetary assets and liabilities in foreign currencies are translated at the balance sheet date at the exchange rates applying on the balance sheet date. Any resulting foreign exchange differences are recognised in profit or loss for the period. In preparing the consolidated financial statements, the balance sheets of the Group's foreign operations are translated from their functional currencies into Swedish kronor based on the exchange rates applying at the balance sheet date.

Income and expense items are translated at the average exchange rate for the period. Any resulting translation differences are recognised in equity and transferred to the Group's translation reserve. The accumulated translation difference is transferred and recognised as part of a capital gain or loss in cases where the foreign operation is divested.

Cash flow statement

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

Provisions and contingent liabilities

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

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

Treasury shares

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

Financial instruments

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the commercial terms and conditions of the instrument. A financial asset is removed from the balance sheet when the rights inherent in the agreement are realised or expire or if the company loses control over them. A financial liability is removed from the balance sheet when the obligation arising from the agreement has been met or is extinguished for other reasons. 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 from is calculated using the implied STIBOR curve. For the callable swaps included in the portfolio the option component has not been assigned a value, as the swaps can only be called at par value and thus do not have an impact on earnings. Decisions to call swaps are made by the banks. Shareholdings have been categorised as "Financial assets held for trading". These are measured at fair value and changes in value are recognised in the statement of comprehensive income. Quoted market prices are used in determining the fair value of shareholdings. Where no such prices are available fair value is determined using the company's own valuation technique. For all financial assets and liabilities, unless otherwise stated in the Notes, the carrying amount is considered to be a good approximation of fair value.

Set-off of financial assets and liabilities

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

Cash and cash equivalents

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

Trade receivables

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

Long-term receivables and other receivables

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

Derivatives

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

Trade payables

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

Other liabilities

Fabege's liabilities to credit institutions and holders of Fabege commercial paper and other liabilities are categorised as "Other liabilities" and measured at amortised cost.

Long-term liabilities have an expected maturity of more than one year while current liabilities have a maturity of less than one year.

Remuneration to employees

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

Segment reporting

Segment information is presented from the perspective of management and that operating segments are identified based on the internal reports submitted to the company's chief operating decision maker. The Group has identified the CEO as

(Note 2 cont.)

the chief operating decision maker, which means that the internal reports used by the CEO for monitoring the business and making decisions on the allocation of resources have been used as a basis for the presented segment information. Based on the company's internal reporting, the following operating segments have been identified: Property Management, Property Development and Transaction. Rental income and property expenses, as well as realised and unrealised changes in value including tax, are directly attributable to properties in each segment (direct income and expenses). In cases where a property changes character during the year, earnings attributable to the property are allocated to each segment based on the period of time that the property belonged to each segment. Central administration and items in net financial expense have been allocated to the segments in a standardised manner based on each segment's share of the total property value (indirect income and expenses). This also applies to tax that is not directly attributable to earnings from property management activities or sales. Property assets are 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 2013
The following new and amended standards and interpretations have come into effect and apply for the 2013 financial year:

Standards:
The amendments to IAS 1 require additional disclosures in other comprehensive income so that items in other comprehensive income are grouped in two categories: a) items that will not be transferred to profit or loss, and, b) items that will be transferred to profit or loss provided that certain criteria are fulfilled. The Executive Management Team believes that the amendments to IAS 1 have only impacted presentations and disclosures in the financial statements. IFRS 13 establishes a framework for measurement at fair value when so required by other standards. The standard is applicable when measuring financial and non-financial items at fair value. Fair value is defined as the exit price that would be received in the event of a sale of an asset or the compensation that would be received to transfer a liability in a normal transaction between market players at the time of measurement. IFRS 13 also requires several quantitative and qualitative disclosures concerning measurement at fair value. Company management does not believe that the new and amended standards will have any impact on the Group's 2013 financial statements, apart from certain supplementary disclosures. Amendments to IAS 19 change the recognition of defined-benefit pension plans and severance pay. The most significant amendments pertain to the recognition of defined-benefit obligations and plan assets. The amendments require actuarial gains and losses to immediately be recognised in other comprehensive income, which entails the elimination of the corridor method. Furthermore, the interest expense and expected return on plan assets are replaced by a "net interest expense," which is to be calculated by using the discount rate on net defined-benefit pension liabilities or assets. As a result of the Group starting to apply the amendments to IAS 19, it will no longer apply UFR 4 Accounting for special employer's contribution and tax on returns, which has been rescinded by the Swedish Financial Reporting Board. The Group instead recognises a special payroll tax according to the rules stipulated in IAS 19, which requires the actuarial assumptions that are to be made during the calculation of defined-benefit pension plans to also include taxes that accrue to pension benefits. The amendment concerning special employers' contribution and tax on returns has had no material impact on the financial statements. IFRS 7 was updated in 2013 and now includes distinct requirements concerning how to present and recognise "financial instruments subject to a legally binding framework agreement permitting offsetting or a similar agreement". Disclosures concerning financial assets and financial liabilities have to be submitted as follows in respect of: (a) Gross amounts for the financial assets and the financial liabilities; (b) Offset amounts in accordance with IAS 32 (paragraph 42) (c) Net amounts that are presented in the statement of financial position (d) Amounts covered by framework agreements (or similar items) that have not been offset (e) Net amounts. The Parent Company is subject to corresponding requirements. Currency forward contracts or interest-rate swaps are common financial instrument covered by the above rules. The company has inventoried its financial instruments in order to identify any offsetting agreements. Company Management is of the opinion that the amendment will not have any impact on the consolidated financial statements.

Improvements to IFRSs 2009–2011 cycle comprise a change package featuring improvements to various standards and interpretations. The amendments that have entered into force are: - IAS 1 Presentation of Financial Statements (Clarification of requirements regarding comparative information) - IAS 16 Property Plant and Equipment (Classification of servicing equipment) - IAS 32 Financial instruments: Classification (Tax effects of equity distributions to owners) - IAS 34 Interim Financial Reporting (Interim reporting and segment information for total assets and liabilities). Company Management is of the opinion that the amendments did not have any impact on the consolidated financial statements in 2013.

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

Standards	**Will be applied to the financial year commencing:**
IFRS 10 Consolidated Financial Statements[2]	1 January 2014 or later
IFRS 11 Joint Arrangements[2]	1 January 2014 or later
IFRS 12 Disclosure of Interests in Other Entities[2]	1 January 2014 or later
Amendments to IFRS 10, IFRS 11 and IFRS 12 (transitional rules)	1 January 2014 or later
Amendments to IAS 27 Separate Financial Statements[2]	1 January 2014 or later
Amendments to IAS 28 Investments in Associates and Joint Ventures[2]	1 January 2014 or later
Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)[1]	1 January 2014 or later
Amendments to IAS 32 Financial instruments: Classification (Offsetting of financial assets and financial liabilities)	1 January 2014 or later
Amendment to IAS 36 Related Party Disclosures (Disclosures concerning the recoverable amount of non-financial assets)	1 January 2014 or later
Amendments to IAS 39 Financial instruments: Recognition and measurement (Change of counterparty for derivative instruments and extensions of hedge accounting)	1 January 2014 or later
Improvements to IFRSs 2010–2012 cycle[1]	1 July 2014 or later
Improvements of IFRSs 2011–2013 cycle[1]	1 July 2014 or later
Amendments to IAS 19 Employee Benefits (Defined benefit plans)[1]	1 July 2014 or later
IFRS 9 Financial Instruments and subsequent amendments to IFRS 9 and IFRS 7 Financial Instruments: Disclosures and IAS 39 Financial instruments: Recognition and measurement[1]	1 January 2015 or later

1) Not approved in the EU.
2) IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 will, according to the IASB, come into force in financial years beginning 1 January 2013, but within the EU they will come not come into force until financial years beginning on 1 January 2014 or later.

The IFRS Interpretations Committee has published the following new interpretations (IFRIC) that have not yet come into force:

Interpretations	**Will be applied to financial years commencing:**
IFRIC 21 Levies	1 January 2014 or later

Interpretations
The aforementioned new and amended standards and interpretations have yet to be applied by the Group. In early 2014, the EU is expected to approve IFRIC 21 Levies, which specifies that state fees, for Fabege property tax, have to be recognised entirely as a debt when the obligation arises. Since this obligation arises annually on 1 January, Fabege, assuming that the interpretation is approved, will recognise the entire liability starting with the interim report för January–March 2014. In May 2011, the IASB published a package of five standards for consolidated financial statements, joint arrangements, associated companies and disclosures; three new standards: IFRS 10, IFRS 11, IFRS 12 and amendments to two existing standards: IAS 27 and IAS 28. The main requirements of these five standards are described below: IFRS 10 Consolidated Financial Statements replaces those

sections of IAS 27 Consolidated and Separate Financial Statements that address when and how an owner company is to prepare consolidated financial statements. IFRS 10 also replaces in its entirety SIC-12 When should a special purpose entity (SPE) be consolidated by a reporting enterprise under the consolidation principles? The purpose of IFRS 10 is that there should only be one basic condition for the consolidation of all companies regardless of the character of the investee. This basic condition is controlling influence. The definition of controlling influence encompasses the following three elements: a) power over the investee, b) exposure, or rights, to variable returns from its involvement with the investee, and c) the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 contains detailed guidance as to how companies should apply the policy of controlling influence in a number of different situations, including agent relationships and holdings of potential voting rights.

IFRS 11 Joint Arrangements replaces IAS 31 Interests in Joint Ventures and SIC-13 Transfers of non-monetary assets from a joint owner to a jointly controlled entity. IFRS 11 classifies joint arrangements as either joint operations or joint ventures. What is decisive for the classification as a joint operation or a joint venture is the parties' contractual rights and obligations. Under IFRS 11, the equity method is to be used for investments in joint ventures. Accordingly, the proportionate consolidation method is no longer permissible for joint ventures. IFRS 12 Disclosure of Interests in Other Entities is to be applied for companies holding interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 sets out the disclosure objectives and specifies the minimum disclosures that an entity is required to submit to satisfy these objectives. The entity is to disclose information that enables users of its financial statements to assess the nature of and risks associated with its interests in other entities, as well as the impact these holdings have on the company's financial statements. In June 2012, the IASB published amendments to IFRS 10, IFRS 11 and IFRS 12 to clarify certain transitional rules in connection with first-time application of these standards. In November 2012, the IASB published additional amendments to IFRS 10, IFRS 12 and IAS 27 in respect of "investment entities". When an entity fulfils the definition of an investment entity, the entity is not to consolidate its subsidiaries; instead, the holdings are to be measured at fair value in accordance with the rules of IFRS 9 Financial Instruments (or IAS 32 Financial instruments: Recognition and Measurement). The amendments to IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 will not have any material effect on the consolidated financial statements. Improvements to IFRSs 2010–2012 cycle comprise a change package featuring improvements to various standards and interpretations. The amendments that will come into force are not expected to have any material effect on the consolidated financial statements. Improvements to IFRSs 2011–2013 cycle comprise a change package featuring improvements to various standards and interpretations. The amendments that will come into force are not expected to have any material effect on the consolidated financial statements. IFRS 9 requires that all recognised financial assets that are covered by IAS 39 Financial Instruments: Recognition and Measurement be measured henceforth at either amortised cost or fair value. The most significant impact of IFRS 9 in terms of the classification and measurement of financial liabilities relates to changes in fair value that arise from changes in the credit risk of a financial liability (identified at fair value in profit or loss). Company 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. Company Management has yet to conduct a detailed analysis of the impact of the application of IFRS 9 and is thus presently unable to quantify the impact.

The parent company's accounting policies

Amended accounting policies

The amendments to RFR 2 Accounting for legal entities that came into effect and apply to the 2013 financial year encompass the following areas: The Swedish Financial Reporting Board has issued an amendment to RFR 2 regarding the recognition of Group contributions. This amendment means that companies can choose to recognise Group contributions in accordance with the main rule of the recommendation or an alternative rule. Under the main rule, the Parent Company is to recognise Group contributions received from subsidiaries as financial income and Group contributions paid to subsidiaries as an increase in participations in Group companies. The alternative rule entails that Group contributions that the Parent Company receives from or pays to subsidiaries are recognised as appropriations. The company applies the main rule in its reporting. The revised IAS 19 has an approach to disclosure requirements pertaining to pension liabilities which intends to provide more information concerning the risks to which the Group is exposed due to provisions for defined benefit pension plans. As a result, the current disclosure requirement for companies that do not apply IAS 19 in legal entities has been removed. Instead disclosures that are relevant to being able to understand the company's earnings and financial position are provided in a note concerning the company's pension plans.

Amendments to RFR 2 that have not yet come into effect

Company Management is of the opinion that the amendments to RFR 2 Accounting for legal entities that came into effect on 1 January and apply to the 2014 financial year will affect certain supplementary disclosures.

Note 3 Financial instruments and financial risk management

Principles for financing and financial risk management

As a net borrower, Fabege is exposed to financial risks. In particular, Fabege is exposed to financing risk, interest risk, currency risk and credit risk. Operational responsibility for the Group's borrowing, liquidity management and financial risk exposure rests with the finance function, which is a central unit in the Parent Company. Fabege's financial policy, as adopted by the Board of Directors, specifies how financial risks should be managed and defines the limits for 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.

Fabege strives to ensure a balance between short-term and long-term borrowing, distributed among a number of different sources of funding. Fabege's financial policy states that unused credit facilities must be available to ensure good liquidity. Agreements on committed long-term credit lines with defined terms and conditions and revolving credit facilities have been concluded with a number of major lenders. Fabege'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, Fabege had unused credit facilities of SEK 3,309m excluding the commercial paper programme.

Committed lines of credit, 31 Dec 2013

Due, year	Loan commitment, amount, SEKm	Drawn amount, SEKm
Commercial paper programme	5,000	2,168
< 1 year	3,230	710
1–2 years	5,920	3,937
2–3 years	8,111	7,611
3–4 years	110	110
4–5 years	0	0
> 5 years	4,976	4,502
Total	**27,347**	**19,038**

Interest-rate risk

Interest risk refers to the risk that changes in interest rates will affect the Group's borrowing expense. Interest expenses constitute the Group's single largest expense item. Under its adopted financial policy, the company aims to fix interest rates based on forecast interest rates, cash flows and capital structure. Fabege employs financial instruments, primarily interest rate swaps, to limit interest risk and as a flexible means of adjusting the average fixed-rate term of its loan portfolio. The sensitivity analysis in the Directors' Report shows how the Group's short-term and long-term earnings are affected by a change in interest rates. Interest-bearing liabilities at 31 December were SEK 19,038m (18,035) with an average interest rate of 3.61 per cent (3.80) excluding the cost of committed lines of credit, or 3.70 per cent (3.93) including this cost. Of total liabilities, outstanding commercial paper accounted for SEK 2,168m (2,740). The total loan volume at 31 December included loans for works in progress of SEK 277m (765). The loan volume for projects during the year averaged SEK 521m, of which interest of SEK 17m has been capitalised. The average fixed-rate term of the loans, including the effects of exercised derivatives, was 31 months (41) at 31 December. The average maturity was 4.8 years (5.1). Average leverage at year-end was 57 per cent (57). The derivatives portfolio is measured at fair value in accordance with IAS 39. The value of the portfolio is SEK –447m (–854). Realised changes in value recognised in profit for the year were SEK 0m (0) and unrealised changes in value SEK 408m (–190). Changes in market value occur as a result of changes in market interest rates and volatility, 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 (2). For all other financial assets and liabilities, unless otherwise stated in the Notes, the carrying amount is considered a solid approximation of fair value. Fabege also has a three-year covered property bond of SEK 1,170m, which was issued in February. At year-end, the company had a total of SEK 1,160m in bonds outstanding within the framework of its bond program, which was launched in December 2011. The programme, which has a limit of SEK 5,000m, was introduced via the co-owned company Svensk Fastighetsfinansiering AB (SFF). The bonds are secured by collateral in property mortgage deeds. SFF is jointly owned by Fabege, Wihlborgs and Peab. Fabege owns 33.3 per cent of the company. Net financial items included nonrecurring expenses of SEK 19m, mainly pertaining to costs for the

(Note 3 cont.)

issue of property mortgages and opening charges for borrowing agreements and bond programmes. Opening charges are accrued over the duration of the agreements. 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 2013

Year, due	SEKm	Average interest rate, %	Share, %
< 1 year	7,038	4.78[1]	37
1–2 years	0	0.00	0
2–3 years	2,400	2.68	13
3–4 years	3,100	2.58	16
4–5 years	4,500	3.51	24
> 5 years	2,000	2.41	10
Total	**19,038**	**3.61**	**100**

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

Currency risk

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

Credit risk

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

Parent Company

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

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 realisation 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 lets during the remaining term of the guarantee. Rental guarantees etc. are included in the balance sheet item "Provisions." When performing property transactions, an assessment of risk transfer is made. This serves as a guideline when the transaction is to be recognised. As for promissory note claims, an assessment shows which amount can be expected to flow in.

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

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

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

As regards Fabege's tax cases, the assessment has been made that the reserve of SEK 2.0bn is sufficient. For more information, also refer to the description of the tax cases on pages 61–62 of the Directors' Report.

Note 5 Segment accounting

	Property Management Jan–Dec 2013	Property Development Jan–Dec 2013	Transaction Jan–Dec 2013	Total Jan–Dec 2013	Property Management Jan–Dec 2012	Property Development Jan–Dec 2012	Transaction Jan–Dec 2012	Total Jan–Dec 2012
Rental income	1,918	141	0	2,059	1,698	171	0	1,869
Property expenses	–591	–57	0	–648	–537	–68	0	–605
Net operating income	**1,327**	**84**	**0**	**1,411**	**1,161**	**103**	**0**	**1,264**
Surplus ratio, %	69	60	0	69	68	60	0	68
Central administration and marketing	–57	–5	0	–62	–53	–11	0	–64
Net interest expense	–641	–64	0	–705	–526	–118	0	–644
Share in profit/ loss of associated companies	–28	–2	0	–30	23	114	0	137
Profit from property management	**601**	**13**	**0**	**614**	**605**	**88**	**0**	**693**
Realised changes in value, properties	0	0	135	135	0	0	167	167
Unrealised changes in value, properties	343	396	0	739	625	784	0	1,409
Profit before tax per segment	**944**	**409**	**135**	**1,488**	**1,230**	**872**	**167**	**2,269**
Change in value, fixed income derivatives and equities				504				–237
Profit before tax				**1,992**				**2,032**
Properties, market value	31,206	2,178	0	33,384	28,842	2,794	0	31,636
Occupancy rate, %	93	87	0	93	93	68	0	92

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. Segment reporting was adapted during the fourth quarter to comply with Fabege's follow-up of the three areas encompassed by the business model. This resulted in the Transaction business being broken out and recognised separately. The comparison figures have been adjusted to match the new segment distribution. 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 adhered 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.

During the year, the Nöten 4 property project was completed and was transferred from Property Development to Property Management. The Skeppshandeln 1 project property was sold during the second quarter. Six properties were divested during the year.

Note 6 Employees and salary costs, etc.

Average no. of employees	2013	Of which, men	2012	Of which, men
Parent Company	30	10	30	12
Subsidiaries	95	70	89	68
Group, total	**125**	**80**	**119**	**80**

	Salaries and other remuneration 2013	Social security contributions 2013	Salaries and other remuneration 2012	Social security contributions 2012
Parent Company	25	20	24	17
– of which, pension expenses		8		7
Subsidiaries	50	29	46	23
– of which, pension expenses		10		5
Group, total	**75**	**49**	**70**	**40**
– of which, total pension expenses		**18**		**12**

Gender distribution in the Board of Directors and senior executives

	The Board 2013	The Board 2012	Senior executives 2013	Senior executives 2012
Men	6	6	4	4
Women	2	2	1	1
Total	**8**	**8**	**5**	**5**

Compensation for senior executives

The term Other senior executives refers to the three individuals who together with the Chief Executive Officer and the Deputy CEO made up the Executive Management Team in 2013. During the year, the Executive Management Team consisted of the Chief Executive Officer (CEO), the Deputy CEO and the Chief Financial Officer (CFO), Director of Business Development, Director of Properties and Director of Projects. The compensation 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 87.

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 are subject to a ceiling of one base amount per year per employee. For 2013, provisions of about SEK 6.6m (6.6), equivalent to 100 per cent of one base amount per employee including payroll tax, were made. Other benefits refer to company cars, household-related services and health insurance.

Pension

Pension expenses refer to the expense recognised in profit or loss for the year. The retirement age for the Chief Executive Officer is 65 years. A pension premium of 35 per cent of the CEO's pensionable 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 to 18 months' severance pay. The employment contracts of other senior executives are terminable on three to six months' notice and provide for severance pay of up to 18 months. Severance pay is only paid in case of termination by the company and is offset against other earned 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 compensation and other terms of employment for the CEO and a set of principles for compensation and other terms of employment for other senior executives.

The Board of Directors

The Directors are paid Directors' fees in accordance with AGM resolutions. In 2013, total Directors' fees of SEK 2,120,000 (2,555,000) were paid. Of this amount, the Chairman of the Board received SEK 800,000 (1,235,000), and the other Directors, excluding the CEO, received a total of SEK 1,320,000 (1,320,000). No other fees or benefits were paid to the Board.

Remuneration and other benefits to senior executives, SEK 000s

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

Of which, variable remuneration was paid totalling SEK 780,000 to the CEO, SEK 290,000 to the Deputy CEO and SEK 665,000 to other senior executives. No other compensation was paid to the Executive Managment Team.

Executive Management Team 2012	Salary/ Fee	Other benefits	Pension	Total
Chief Executive Officer	3,850	160	962	4,972
Deputy CEO	1,933	112	547	2,592
Other senior executives	4,411	219	1,059	5,689

	2013			2012		
Board	**Fee, Director**	**Fee, Audit Committee**	**Total**	**Fee, Director**	**Fee, Audit Committee**	**Total**
Erik Paulsson (Chairman)	800	–	800	1,235	–	1,235
Gustaf Hermelin	–	–	–	–	–	–
Oscar Engelbert	200	–	200	200	–	200
Eva Eriksson	200	30	230	200	30	230
Märtha Josefsson	200	60	260	200	60	260
Pär Nuder	200	30	230	200	30	230
Svante Paulsson	200	–	200	200	–	200
Mats Qviberg	200	–	200	200	–	200
Total	**2,000**	**120**	**2,120**	**2,435**	**120**	**2,555**

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	
	2013	**2012**
Maturity:		
Within 1 year	445	379
Between 1 and 5 years	1,241	1,171
Later than 5 years	423	428
Residential, garage/parking	110	93
Total	**2,219**	**2,071**

The difference between total rents at 31 December 2013 and income, as stated in profit or loss for 2013, is due to bought/sold properties, renegotiations and changes in occupancy rates in 2013. Leases relating to residential premises and garage/parking spaces remain in force until further notice.

Note 8 Property expenses

	Group	
	2013	**2012**
Operating expenses, maintenance and tenant adaptations	–331	–310
Property tax	–152	–139
Ground rent	–35	–28
VAT expense	–13	–13
Property/project admin. and lettings	–117	–115
Total	**–648**	**–605**

Note 9 Central administration and marketing

Refers to the Executive Management Team expenses, expenses attributable to the company being publicly traded 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	
	2013	2012
Realised changes in value:		
Sale proceeds	1,202	1,448
Carrying amount and expenses	–1,067	–1,281
	135	**167**
Unrealised changes in value:		
Changes in value relating to properties owned at 31 Dec 2013	713	1 289
Changes in value relating to properties divested during the year	26	120
	739	**1,409**
Total realised and unrealised changes in value	**874**	**1,576**

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 full-year profit, the following breakdown is instead obtained, irrespective of revaluations during the year:

	Group	
	2013	2012
Gain from property sales, full year:		
Sale proceeds	1,202	1,448
Carrying amount and expenditure (based on value at beginning of year) excl. changes in value on sold properties	–1,041	–1,161
	161	**287**
Unrealised changes in value:		
Changes in value relating to existing properties	713	1,289
	713	**1,289**
Total realised and unrealised changes in value	**874**	**1,576**
Breakdown between positive and negative results		
Positive	1,102	1,697
Negative	–228	–121
Total	**874**	**1,576**

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

	Group		Parent Company	
	2013	2012	2013	2012
Interest income, Group companies	–	–	606	494
Interest income, promissory notes	27	23	7	5
Profit from other securities	–	–	116	–
Total	**27**	**23**	**729**	**499**

Note 12 Interest income and interest expenses

	Group		Parent Company	
	2013	2012	2013	2012
Interest income	3	1	0	5
Total	**3**	**1**	**0**	**5**
Interest expenses	–735	–668	–712	–674
Total	**–735**	**–668**	**–712**	**–674**

All interest income is attributable to financial assets measured at amortised cost. Interest expenses derive mainly from financial liabilities measured at amortised cost.

Note 13 Changes in value, equities

The profit of SEK 96m (–47) pertains to unrealised changes in value on shares in Catena AB totalling SEK 106m (0), a loss of SEK 1m (0) in AIK Fotboll AB, a loss of SEK 18m (–57) in Swedish Arena Management AB, SEK 0m (1) in Arenabolaget i Solna AB and a realised profit of SEK 9m (1) on shares in Sveland Sakförsäkringar AB. The item was also impacted by realised profit from Danvikstulls P-däck totalling SEK 9m in the preceding year.

Note 14 Tax on profit for the year

	Group		Parent Company	
	2013	2012	2013	2012
Current tax	4	–	–	–
Current tax attributable to tax cases	–120[2]	–1,900[1]	–103	–
Total current tax	**–116**	**–1,900**	**–103**	**–**
Deferred tax	–346	–220	–90	–21
Total tax	**–462**	**–2,120**	**–193**	**–21**
Nominal tax (22%) on profit after financial items	–438	–534	–492	–94
Tax effects of adjustment items				
– Adjustment for deficits and temporary differences from previous years	19	67	–	–
– Dividends from subsidiaries	–	–	396	210
– Impairment of participations in subsidiaries	–	–	–16	–88
– Tax exempt profit/loss from sale of Group companies/ properties	73	114	–	–
– Tax exempt profit/loss from associated companies and other securities holdings	–	–	26	–
– Current tax attributable to tax cases	–120	–1,900	–103	–
– Revaluation of deferred tax, 22%	–	134	–	–47
– Other	4	–1	–4	–2
Total tax	**–462**	**–2,120**	**–193**	**–21**

1) Of SEK 1,900m (2012), tax accounts for SEK 1,623m and interest for SEK 273m.
2) Of SEK 120m, tax accounts for SEK 126m and interest for SEK –6m.

Note 15 Investment properties

All properties in Fabege's portfolio are externally valued at least once annually by independent external appraisers with recognised qualifications. The properties are measured at fair value, i.e. at their estimated market value. The property appraiser for the year was Newsec Analys AB. Fabege provides information about existing and future leases, operations and maintenance expenses and estimated investments based on maintenance plans and estimated future vacancies to the appraisers. On-site inspections were carried out in all properties on at least one occasion during the period 2011–2013. The properties were also inspected on site in connection with major investments or other changes that affect the value of a property.

The property valuation is based on cash flow statements, in which the present value of net operating income during a five- or ten-year calculation period and the residual value of the property at the end of the period are calculated. Long-term vacancies are estimated on the basis of the property's location and condition. The appraisers' assessments of outgoing payments for running costs and regular maintenance are based on experience of comparable properties and information on historical costs provided by Fabege. Expenses are expected to increase in line with the assumed inflation rate. Ground rents are calculated on the basis of agreements or, alternatively, in reference to market grounds 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.

The discount rate used is a nominal required return on total capital before tax. The required rate of return is based on previous experiences from assessments of the market's required returns for similar properties. The discount rate for Fabege's property portfolio is 7.8 per cent (7.8) and is based on the nominal yield on five-year government bonds plus a premium for property-related risk. The risk premium is set individually based on the stability of the tenant and the length of the lease. The 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. The weighted required yield at the end of the calculation period is 5.6 per cent (5.7).

The market assessments were performed in accordance with guidelines issued by the Swedish Property Index.

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

Market value 31 December 2013

	2013	Weighted direct yield, %	Change in value, %
Inner city	16,975	5.3	0.6
Solna	13,555	6.0	3.5
Hammarby Sjöstad	2,770	6.2	8.5
Other markets	84	0.0	3.8
Total	**33,384**	**5.6**	**2.3**

	Group	
	2013	**2012**
Opening fair value	31,636	29,150
Property acquisitions	298	273
Investments in new builds, extensions and conversions	1,738	2,040
Changes in value, existing property portfolio	713	1,289
Changes in value relating to properties divested during the year	26	120
Sales, disposals and other	–1,027	–1,236
Closing fair value	**33,384**	**31,636**

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, this will give rise, in addition to the unrealised change in value, to a realised change in value that is based on the selling price in relation to confirmed fair value for the most recent quarter.

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

Note 16 Equipment

	Group		Parent Company	
	2013	**2012**	**2013**	**2012**
Cost at beginning of year	20	20	6	6
Investments	0	0	0	0
Sales and disposals	–2	0	0	0
Cost at end of year	18	20	6	6
Opening depreciation	–19	–19	–5	–5
Sales and disposals	3	0	0	0
Depreciation for the year	–1	0	0	0
Closing accumulated depreciation	–17	–19	–5	–5
Carrying amount	**1**	**1**	**1**	**1**

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

Note 17 Interests in associated companies[1]

	Group		Parent Company	
	2013	**2012**	**2013**	**2012**
Cost at beginning of year	810	591	243	–
Acquisition/contribution/Share in profit or loss/Other	–32	219	–243	243
Cost at end of year	778	810	0	243
Carrying amount	**778**	**810**	**0**	**243**

Name/Corp. Reg. No.	**Registered office**	**Share of equity, %[2]**	**Carrying amount**
Råsta Administration AB 556702-8682	Stockholm	20.0	0
Projektbolaget Oscarsborg AB 556786-3419	Stockholm	50.0	2
TCL Sarl 19982401227[3]	Luxemburg	45.0	352
Värtan Fastigheter KB 969601-0793	Stockholm	50.0	5
Global Crossing Conference Ltd 3330786359[4]	Stockholm	50.0	133
Arenabolaget i Solna AB 556742-6811	Stockholm	22.8	212
Swedish Arena Management AB 556742-6829	Stockholm	22.8	11
Nyckeln 0328 AB (publ) 556871-6541[5]	Stockholm	33.3	63
			778

1) Read more about associated companies in Note 34.
2) Applies also to the share of votes for the total number of shares.
3) Fabege's holding in Fastighets AB Tornet is indirectly owned through TCL Sarl.
4) Fabege's holding in Visio is indirectly owned through Global Crossing Conference Ltd.
5) Fabege conducts financial operations in an associated company. The operation consists of conducting financing operations through the raising of loans in the capital market, and lending operations through the issue of cash loans. Svensk Fastighetsfinansiering AB (SFF) is jointly owned by Fabege, Wihlborgs and Peab. Fabege owns 33.33 per cent of the company. The aim is to expand the company's financing base. In December 2011, SFF launched a bond programme with a total limit of SEK 5bn. Through the programme, Fabege borrows SEK 1,160m in the capital market. The bonds are secured by collateral in property mortgage deeds.

(Note 17 cont.)

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

	Group	
	2013	**2012**
Profit and loss account		
Rental income	611	235
Net operating income	–11	125
Profit for the year	179	668
Balance sheet		
Fixed assets	19,064	16,703
Current assets	1,369	1,055
Total assets	**20,433**	**17,758**
Shareholders' equity	10,130	9,581
Minority shares	49	47
Provisions	0	319
Other liabilities	10,254	7,811
Total equity and liabilities	**20,433**	**17,758**

Note 18 Receivables from associated companies

Receivables from associated companies pertain to receivables from Visio Exploaterings AB totalling SEK 196m (176), Nyckeln totalling SEK 51m (72), Global Crossing Conferencing Ltd totalling SEK –1m (0), as well as Arenabolaget i Solna totalling SEK 167m (0). The receivables are subject to interest rates at market terms and conditions.

Note 19 Other long-term securities holdings

	Group		Parent Company	
	2013	**2012**	**2013**	**2012**
Cost at beginning of year	183	165	8	9
Acquisitions/Investments	–	–	–	–
Changes in value	103	18	104	–1
Sales	–	–	–	–
Reclassification from participations in associated companies	243	–	243	–
Reclassification to participations in associated companies	–176	–	–	–
Cost at end of year	353	183	355	8
Carrying amount	**353**	**183**	**355**	**8**

Holding	**Carrying amount**
AIK Fotboll AB – Fabege's capital share is 18.5 per cent and the number of shares 4,042,649	6
Participations in tenant-owner associations	0
Catena AB (publ)	347
Total	**353**

Note 20 Other long-term receivables

	Group		Parent Company	
	2013	**2012**	**2013**	**2012**
Maturity:				
1 to 5 years after balance sheet date	39	157	248	258
later than 5 years from balance sheet date	0	–	0	–
Total	**39**	**157**	**248**	**258**

Carrying amount is considered an appropriate approximation of the fair value

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

Note 21 Accounts receivable

	Group	
Age structure – overdue accounts receivables	**2013**	**2012**
0–30 days	16	23
31–60 days	0	1
61–90 days	1	2
> 90 days	11	14
Of which, provisions	–12	–10
Total	**16**	**30**

Note 22 Other receivables

In the Group, there is a current receivable from the associated company Oscarsborg of SEK 59m (137) and promissory notes that mature within one year totalling SEK 184m (75), of which SEK 101m (101) for associated company Swedish Arena Management AB.

Note 23 Shareholders' equity

	Shares outstanding	**Registered shares**
No. of shares at beginning of year	163,555,458	165,391,572
Cancellation of repurchased shares	–	–
Divestment of treasury shares	1,836,114	–
Total	**165,391,572**	**165,391,572**

All shares carry equal voting rights, one vote per share.
The quotient value of a share is SEK 30.82.
Proposed dividend per share: SEK 3.00.
For other changes in shareholders' equity, see the consolidated and Parent Company statements of changes in equity.

Note 24 Overdraft facilities

	Group		Parent Company	
	2013	**2012**	**2013**	**2012**
Available credit limit	120	120	120	120
Unused share	–120	–120	–120	–120
Used share	**0**	**0**	**0**	**0**

Note 25 Liabilities distributed by maturity

	Group		Parent Company	
Interest-bearing liabilities	**2013**	**2012**	**2013**	**2012**
Maturity up to 1 year from balance-sheet date	2,878	6,650	2,168	6,610
Maturity 1 to 5 years from balance sheet date	11,658	6,883	11,087	5,717
Maturity later than 5 years from balance sheet date	4,502	4,502	4,502	4,502
Total	**19,038**	**18,035**	**17,757**	**16,829**

Carrying amount is considered an approximation of the fair value
Non-interest-bearing liabilities are expected to become due for payment within one year. For the interest rate maturity structure, see Note 3.

Note 26 Derivatives

	Group		Parent Company	
	2013	2012	2013	2012
Short-term surplus value		–		–
Long-term surplus value	7	–	7	–
Total surplus value	**7**	**–**	**7**	**–**
Short-term deficit value	–11	–33	–11	–33
Long-term deficit value	–443	–821	–443	–821
Total deficit value	**–454**	**–854**	**–454**	**–854**
Total	**–447**	**–854**	**–447**	**–854**

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 7, Section 27a, with the exception of the callable swaps measured in accordance with level 3, IFRS 7. See also Note 2. Changes in value are recognised in profit or loss under a separate item, Changes in value, fixed income derivatives. IAS 39 has been applied also in the Parent Company since 2006.

	Group		Parent Company	
IFRS, Level 2 and Level 3	2013	2012	2013	2012
Cost at beginning of year	–577	–532	–577	–532
Acquisitions/Investments	0	0	0	0
Changes in value	219	–45	219	–45
Matured	0	0	0	0
Cost at end of year	–358	–577	–358	–577
Carrying amount	**–358**	**–577**	**–358**	**–577**

The change in value of SEK 219m (–45) pertains to derivative instruments held by the company at the end of the quarter, except for three callable swaps in a total nominal amount of SEK 1,850m that matured during the third quarter, and shown in the statement of comprehensive income. The swaps that matured at 31 December 2012 were valued at SEK –33m.

Note 27 Deferred tax liability/tax assets

	Group		Parent Company	
Interest-bearing liabilities	2013	2012	2013	2012
Deferred tax has been calculated on the basis of:				
– Tax loss carryforwards	–969	–1 020	–52	–52
– Difference between the carrying amount and the tax value pertaining to properties	1,999	1,799	–	–
– Derivatives	–98	–189	–98	–188
– Other	–9	–2	–	–
Net deferred tax asset/liability	**923**	**588**	**–150**	**–240**

Negative amounts above refer to deferred tax assets.

Measured tax-loss carryforwards in the Group, which have been taken into account in calculating deferred tax, total approximately SEK 4.4bn (4.6). See also the section on tax in the Directors' Report, pages 61–62.

Note 28 Provisions

Of total provisions of SEK 161m (143), obligations relating to rental guarantees for divested properties accounted for SEK 25m (23). Other amounts refer to stamp duties on properties that are payable upon the sale of a property, SEK 36m (36).

	Rental guarantees	Other	Provisions for pensions	Total
At 1 Jan 2013	23	36	84	143
Provisions for the year	14	–	16	30
Used/paid during the year	–12	–	–	–12
At 31 Dec 2013	**25**	**36**	**100**	**161**
Provisions comprise				
Long-term component	14	36	100	150
Short-term component	11	0	0	11
Total	**25**	**36**	**100**	**161**

Rental guarantees

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

Provisions for pensions

Obligations relating to defined contribution pension plans are met through payments to free-standing authorities or the 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 defined-benefit pension plans covering several employers. 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 trade unions.

Fees for pension insurance policies signed with Alecta totalled approximately SEK 3m (3). Alecta's surplus can be distributed to the policy owners and/or insured parties. At year-end 2013 Alecta's surplus, as expressed by the collective funding ratio, was 148 per cent (129). 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.

Fabege has a PRI (Pensionsregistreringsinstitutet) liability, which is an 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. As of 2013, Fabege applies the amended IAS 19. This entails that any actuarial gains/losses are recognised in other comprehensive income as they arise, and that a single interest rate will be applied and calculated on the basis of the net of the pension liability and plan assets, instead of different interest rates for the liability and the assets as in the past. The Parent Company's pension provision refers to a PRI liability.

Note 29 Accrued expenses and deferred income

	Group		Parent Company	
	2013	2012	2013	2012
Advance payment of rents	318	280	–	–
Accrued interest expenses	80	81	78	82
Other	128	132	19	24
Total	**526**	**493**	**97**	**106**

Note 30 Pledged assets and contingent liabilities

	Group		Parent Company	
Pledged assets	2013	2012	2013	2012
Property mortgages	13,225	13,182	–	–
Shares in subsidiaries	3,446	2,253	–	–
Promissory notes	–	–	17,904	15,334
Total	**16,671**	**15,435**	**17,904**	**15,334**
Contingent liabilities				
Guarantees on behalf of subsidiaries	–	–	4,348	3,523
Ongoing tax cases	256	804	–	–
Guarantees and undertakings for the benefit of associated companies	958	1,175	958	1,175
Other	38	145	58	166
Total	**1,252**	**2,124**	**5,364**	**4,864**

The Group has pension commitments of SEK 34m (32), which are secured through a pension fund. The solvency ratio for the pension fund is 129 per cent (125). No provision has been made, as the pension commitment is fully covered by the assets of the fund.

For more information about ongoing tax cases, see the section on tax in the Directors' Report, pages 61–62.

Note 31 Interest paid

During the year, interest paid in the Group amounted to SEK 755m (680), of which SEK 17m (35) was capitalised in investing activities. No interest capitalisation occurred in the Parent Company.

Note 32 Changes in working capital

	Group		Parent Company	
	2013	**2012**	**2013**	**2012**
Change according to balance sheet	84	–218	65	130
Change in receivables and liabilities in respect of interest income, dividends and interest expenses	4	–29	–93	–29
Total	**88**	**–247**	**–28**	**101**

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 120m (120).

Note 34 Transactions with related parties

Erik Paulsson, with his family and companies, holds controlling influence in Hansan AB. In 2013, consulting services totalling SEK 2m (3) were procured.

Receivables from Projektbolaget Oscarsborg AB totalled SEK 59m (137) at 31 December 2013. 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 1,160m and Visio borrows SEK 1,250m in the capital market. The bonds are secured by collateral in property mortgage deeds. Fabege has promissory notes totalling SEK 51m (75) issued to SFF.

Promissory notes of SEK 192m (176) were issued to the associated company Visio.

Fabege has a promissory note receivable of SEK 167m (128) from Arenabolaget i Solna AB. Fabege also has a promissory note receivable of SEK 101m (101) from Swedish Arena Management AB.

Note 35 Dividend per share

The dividends that were adopted at Annual General Meetings and paid out in 2013 and 2012 amounted to SEK 3.00 per share and SEK 3.00 per share, respectively. At the AGM on 25 March 2014, the Board will propose a dividend for 2013 of SEK 3.00 per share, resulting in a total dividend payment of SEK 496,174,716. The dividend amount is based on the total number of outstanding shares at 20 February 2014, i.e. 165,391,572 shares, and 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 25 February 2014.

The Annual General Meeting will be held on 25 March 2014.

Note 37 Net sales

Parent Company income comprises mainly intra-Group invoicing.

Note 38 Operating expenses

	Parent Company	
	2013	**2012**
Employee expenses	–56	–50
Administration and running costs	–137	–129
Depreciation of equipment	–1	–1
Total	**–194**	**–180**

Note 39 Profit from shares and participations in Group companies

	Parent Company	
	2013	**2012**
Impairment of shares in subsidiaries	–70	–336
Group contributions	155	338
Anticipated dividends on shares	1,800	800
Total	**1,885**	**802**

Note 40 Shares and participations in Group companies

	Parent Company	
	2013	**2012**
Cost at beginning of year	14,319	14,319
Acquisitions and additions	70	0
Sales	–	–
Accumulated cost at end of year	**14,389**	**14,319**
Opening impairment	–1,327	–991
Impairment	–70	–336
Closing accumulated impairment losses	**–1,397**	**–1,327**
Carrying amount	**12,992**	**12,992**

Directly owned subsidiaries

Name/Corp. Reg. No.	**Registered office**	**Share of equity, %**[1]	**Carrying amount**
Hilab Holding Stockholm AB 556670-7120	Stockholm	100	10,126
LRT Holding Company AB 556647-7294	Stockholm	100	2,790
Fabege Holding Solna 556721-5289	Stockholm	100	0
Fabege V48 556834-3437	Stockholm	100	0
Fabege V12 AB 556747-0561	Stockholm	100	76
Total			**12,992**

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

The stated capital share includes shares from other Group companies. The Group comprises a total of 188 companies (194).

Note 41 Fees and remuneration to auditors

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

Fees and compensation for expenses, SEK 000s

	Group		Parent Company	
	2013	**2012**	**2013**	**2012**
Deloitte				
audit assignments[1]	2,906	2,934	2,906	2,934
other auditing activities	129	374	129	374
tax advisory services	55	153	55	153
other services	45	39	45	39
Total	**3,135**	**3,500**	**3,135**	**3,500**

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 by 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

No significant events have occurred after the balance sheet date.

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.

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

Shareholders

Fabege's shares are listed on the NASDAQ OMX Stockholm. The company's share capital is SEK 5,097m, represented by 165,391,572 shares. At the end of the year, Fabege had no treasury shares. In Fabege, all shares carry the same voting rights, which means that opportunities to exercise influence as an owner match each shareholder's capital share in the company. The following shareholder directly or indirectly holds shares representing one tenth or more of the votes for all shares in the company:

Shareholding 31 Dec 2013	Share of votes, %
Brinova Inter AB	14.9

Fabege's ownership structure is described on pages 94–95.

Articles of association

Fabege's Articles of Association state that the company is to seek to acquire, manage, add value to and divest properties. The Board of Directors has its registered office in Stockholm. In other respects, the Articles of Association contain provisions on the number of shares, the number of Directors and auditors, and the AGM. The full text of Fabege's Articles of Association is available at www.fabege.se.

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. This must be done no later than 4:00 pm on the day stipulated in the notice convening the AGM.

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 Directors, 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 emailing nominatingcommittee@fabege.se or sending a letter to Fabege AB.

The proposal for Directors' fees must specify a breakdown between the Chairman, other Directors and committee work.

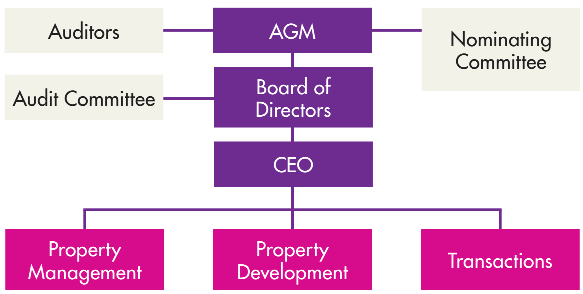
Board of Directors

Under the Swedish Companies Act, the Board of Directors is responsible for the company's organisation and the administration of the company's affairs. The Board is required to continuously assess the financial situation of the company and Group. Its main task is to manage the company's activities on behalf of the owners in a way that secures the owners' interest in a strong long-term return on capital. Fabege's Board is to comprise a minimum of four and maximum of nine members.

Rules of procedure and instructions

Each year, the Board of Directors of Fabege adopts a set of rules of procedure, including instructions on division of labour and reporting, to supplement the provisions of the Companies Act, Fabege's Articles of Association and the Code.

Governance structure



In addition to the general provisions of the Companies Act, the Rules of Procedure regulate the following:

- The number of Board meetings (normally six scheduled meetings in addition to the statutory meeting)
- The forms for extra meetings and per capsulam meetings
- Items to be included in the agenda at each meeting
- When Board material should be made available
- Minute-taking
- The duties of the Board
- The special role played by the Chairman in the Board and the specific duties arising from that role
- The appointment of an Audit Committee and a specification of the tasks to be performed by the Committee
- The forms for preparing issues relating to compensation
- Delegation of decision-making powers by the Board
- Reporting by the auditors and meetings with the auditors

The year-end report is addressed by the Board at a Board meeting held on the same date on which the report is published in the market. Other interim reports are delegated to the CEO and addressed at the immediate following Board meeting. However, Board members are always given the opportunity to read and submit opinions on all reports before they are published.

Issues relating to management remuneration

Fabege's Board does not have a specific remuneration committee. All members of the Board 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.

Auditing

Under the Swedish Companies Act, the company's auditor is required to examine the company's Annual Report and financial statements as well as the administration of the Board of Directors and 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 is based on the AGM's resolutions on proposals submitted by the Nominating Committee.

At the 2013 AGM, accountants from the auditing firm, Deloitte, were appointed, with the authorised public accountant Kent Åkerlund appointed as auditor-in-charge for the period up to the 2014 AGM. In addition to Fabege, Kent Åkerlund has audit assignments for the following major companies: Clas Ohlson, Bactiguard, FastPartner, SATS and Tagehus. He 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 auditor, Deloitte has performed audit-related assignments relating primarily to tax and accounting issues.

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 and 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 administration report are discussed specifically at the Committee's meeting early 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 composition requirements and its members possess skills and experience in accounting and other issues within the Committee's area of responsibility.

Management

Chief Executive Officer

The Chief Executive Officer (CEO) is responsible for operational governance and for the day-to-day management and leadership of the business, in accordance with the guidelines, instructions and decisions adopted by the Board of Directors.

In addition to the general provisions relating to division of responsibility contained in the Swedish Companies Act, the rules of procedure governing the work of the CEO specify:

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

Fabege's Code of Conduct

Among other objectives, Fabege aims to maintain long-term relations with the company's stakeholders, offer a healthy workplace for employees and maintain high business ethics in operations. The Code of Conduct clarifies Fabege's approach to issues affecting human rights, employment terms and conditions, environment, business ethics and communications.

A self-evident basis for the Code of Conduct is that Fabege must respect applicable legislation and other provisions, good business practices and practices that comply with international human-rights, work and environmental standards in line with the ten principles of the Global Compact.

The Code of Conduct applies to all of Fabege's employees, irrespective of position. The Board of Directors and the Executive Management Team have a special responsibility to promote the application of the Code of Conduct. The content of the Code of Conduct is revised and reviewed annually by the Executive Management Team. All managers with employee responsibilities are responsible for ensuring familiarity and compliance with the Code of Conduct within his/her department/sphere of responsibility. All employees have access to all of Fabege's policy documents through the company's intranet.

The full text of Fabege's Code of Conduct is available at www.fabege.se/codeofconduct.

The rules of procedure also contain a separate reporting instruction governing 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. All members of the Executive Management Team jointly account for operational control and manage the business and engage 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 this, Fabege's Executive Management Team has to establish a clear framework and objectives for the operation. It 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.

Operational Executive Management Team meetings are held on a weekly basis. Once a month, minuted decision-making meetings are held, during which strategic and operational matters such as property transactions, letting, market trends, organisation and monthly and quarterly reviews are addressed. The CEO's assistant also participates in these meetings.

Operating segments

Fabege operates in three business areas; Property Management, Property Development and Transactions. The managers of each business area are members of the Executive Management Team. The management of operations and performance reviews are the responsibility of each respective business-area manager. Fabege's activities are goal-oriented at all levels, with the goals broken down, developed and established in the different business areas and at co-worker level. Performance measurements and reviews are conducted regularly.

Differences in relation to the code

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

Corporate governance 2013

Annual General Meeting

The 2013 AGM was held in Stockholm on 21 March 2013. Erik Paulsson was elected to chair the meeting. The AGM was attended by shareholders holding a total of 82.4m shares, representing 49.8 per cent of the votes.

A full set of minutes from the AGM is available at Fabege's website, www.fabege.se. The following are the principal resolutions adopted at the AGM:

Election of Directors and resolution on Directors' fees (proposed by the Nominating Committee)

The AGM resolved that the Board should consist of eight Directors and re-elected Eva Eriksson, Christian Hermelin, Märtha Josefsson, Pär Nuder, Mats Qviberg, Erik Paulsson and Svante Paulsson to the Board. Gustaf Hermelin was newly elected to the Board. Erik Paulsson was elected Chairman. The AGM resolved that a total of SEK 2,120,000 (2,555,000) be paid in Directors' fees in 2013.

Cash dividend (proposed by the Board)

The dividend was set at SEK 3.00 and the record date was at 26 March 2013.

Principles for the appointment of the Nominating Committee (proposed by 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 must be appointed no later than six months prior to the AGM and representatives of the four largest owners will primarily be offered places on the committee.

Remuneration of management

The AGM resolved on guidelines for the remuneration of management. See also page 84.

Authorisation on share buybacks (proposed by the Board)

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 2014. The auditors have participated in and presented reports at all meetings of the Audit Committee (four in 2013). Reports were also presented to management during the year.

Fees paid to the company's auditors are described in Note 41 on page 80.

Nomination Committee

In accordance with the AGM's decision, the four largest shareholders have been offered one seat each on Fabege's Nominating Committee, and on 25 September 2013, the Nominating Committee was announced. The Nominating Committee comprises the following members: Bo Forsén (Brinova Fastigheter AB), Mats Qviberg (Investment AB Öresund), Eva Gottfridsdotter-Nilsson (Länsförsäkringar Fondförvaltning) and Anders Rydin (SEB Funds). The Nominating Committee collectively represented approximately 27.1 per cent of the voting rights of Fabege at 31 January 2014.

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

Nominating Committee's proposals, 2014

The Nominating Committee proposes the re-election of Eva Eriksson, Christian Hermelin, Märtha Josefsson, Pär Nuder, Erik Paulsson, Svante Paulsson and Mats Qviberg. The Nominating Committee thus proposes that there shall be seven Board members. The dependency of the Board members proposed for re-election is presented in the adjoining table. The proposed Board of Directors collectively meets the Code of Conduct's regulations on the independence of Board members. The Nominating Committee also proposes the election of Deloitte as auditor, with Kent Åkerlund as auditor-in-charge.

The Nominating Committee's report on its activities and proposals to the 2014 AGM are available on the company's website. The Committee's proposals are also described in the notice for the 2014 AGM.

Board of Directors

Composition of the Board, 2013

Eight Directors were elected to the Board at the 2013 AGM. The AGM elected Erik Paulsson as Chairman of the Board. Fabege's Chief Financial Officer, Åsa Bergström, serves as the Board's secretary.

Fabege's Board of Directors 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 members of the Board have significant personal shareholdings in Fabege, directly or indirectly. Fabege's Board meets the requirements on the independence of Directors provided for in the Code of Conduct.

The work of the Board, 2013

In 2013, the Board held six scheduled meetings of a total of ten meetings, including one statutory meeting, and three meetings held by correspondence. The agenda comprises a number of standing items: Financial and operational reporting, decisions on acquisitions, investments and sales, current market issues, HR issues and reporting by the Audit Committee. In addition to these, the Board has addressed a number of specific issues (see figure on page 89).

In 2013, the Board made decisions on several major transactions and investments in the company's existing property portfolio. In 2013, Fabege sold a total of six properties for SEK 1,202m. Two properties were acquired for a total of SEK 298m. Decisions were made on investments of approximately SEK 1.1bn relating to the development and improvement of properties in the company's 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 company's earnings were discussed at the Board meeting in February 2014.

Fees to the Board of Directors

The Directors are paid fees in accordance with the resolutions of the Annual General Meeting. For 2013, total fees of SEK 2,120,000 were paid, of which the Chairman received SEK 800,000. The other Directors received SEK 200,000 and SEK 120,000 for work on the Board's Audit Committee, of which the chairman received SEK 60,000 and the other members SEK 30,000.

Remuneration of management

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

Remuneration is to be on market terms and competitive. Responsibility and performance that coincide with the interests of shareholders are to be reflected in the remuneration. The fixed salary is to be re-evaluated annually. In addition to fixed salary, remuneration may be paid for target-related performance. Such remuneration shall depend on the extent to which pre-defined targets have been achieved within the framework of the company's activities. The targets encompass both financial and non-financial criteria. Any remuneration in addition to fixed salary should be subject to a ceiling and tied to the fixed salary. Variable remuneration is limited to a maximum of three (3) monthly salaries. Variable remuneration to company management must not exceed a maximum total annual cost for the company of SEK 2.5m (excluding social security fees), calculated on the basis of the number of persons who currently constitute senior executives. Other benefits, where applicable, may only constitute a limited portion of the remuneration.

Remuneration and other benefits and terms of employment for the CEO and management are described in Note 6 on page 75. The company's principles of remuneration and terms of employment will also be presented at the 2014 AGM.

The Audit Committee

The Board has appointed an Audit Committee from among its own members which, in 2013, consisted of Märtha Josefsson (Chairman), Eva Eriksson and Pär Nuder. In 2013, four meetings of the Audit Committee were held. During the year, considerable emphasis continued to be placed on the company's internal control system. The Audit Committee addressed areas such as sustainability and the environment, as well as sustainability accounting, segment reporting, financing and loans. The company's financial policy and communications policy were also reviewed. Particular importance was also attached to the follow-up of the company's investments in Arenastaden and the management and reporting of the company's ongoing tax cases. 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.

Executive Management Team

During the year, the Executive Management Team comprised the following persons:
Christian Hermelin: CEO
Åsa Bergström: Chief Financial Officer/Vice CEO
Urban Sjölund: Director of properties
Klas Holmgren: Director of Projects and Development
Klaus Hansen Vikström: Director of Business Development

As of January 2014, the Executive Management Team was expanded to include Anders Borggren, Director of Technical Operations.

Report on internal control in respect of financial reporting

Internal control is a process that is influenced by the Board of Directors, company management and the company's employees, and it is 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 is characterised by large monetary flows, including rental income, expenses for project activities, acquisitions/sales of properties and financial expenses.

Overall responsibility for ensuring good internal control and efficient risk management rests with the Board of Directors. To be able to perform its work in an appropriate and efficient manner, the Board has adopted a set of rules of procedure. The Board's rules of procedure are aimed at ensuring a clear division of responsibility between the Board of Directors (and its committees) and the CEO (and members of 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 2013, 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 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. Operational responsibility for internal control rests with the company's management and with those individuals who by virtue of their roles in the company are in charge of each defined critical process, function or area.

The company's financial reporting is governed by a set of policies and guidelines. There are defined policies for matters such as funding, environmental issues, equal opportunities and disclosure, accounting policies and instructions for the closing of the accounts and authorisation of payments. In 2013, Fabege implemented a comprehensive evaluation and update of its policies. 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 submitted its annual "communication on progress" report to the UN Global Compact. Work on the development of the company's sustainability reporting is currently ongoing. The sustainability report forms a part of the company's annual report and has been reviewed since 2012 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 processes, functions and areas have been defined as critical for Fabege:

- Acquisitions and sales
- New lettings and renegotiations
- Projects
- Closing of the accounts and reporting
- Funding
- Valuation of properties
- Rent payments
- Purchasing
- Tax

Fabege conducts annual reviews and evaluations of risk areas for the purpose of identifying and managing risks in consultation the Board and the Audit Committee, for examination by the auditors.

Control activities

Critical processes, functions and areas are described and documented in respect of the 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. In 2013, all of the company's critical processes were subject to an internal review. In addition to the external audit performed in 2013, the company also performed an internal assessment of compliance and controls in a selection of critical processes.

A central controller function supports work on the follow-up of the operating units – Property Management and Development. The control department is in charge of operational reporting. Operational reports are prepared monthly and quarterly based on a standardised reporting package and submitted for comment/approval to executives with operational responsibility. Reviews and updates by executives with operational responsibility are made continuously throughout the year. Performance is assessed against budgets and forecasts, which are updated twice a year. Since 2009, the company has been producing rolling 12-month forecasts.

A central function prepares consolidated financial statements and other financial reports in close collaboration with the controller function/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 under continuous development and improvement in terms of content and system support, and of accessibility to those with operational responsibilities.

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 the company's governing policies and guidelines.

Responsibility for external information rests with the Communications Department. The company's Investor Relations activities are based on principles for regular and accurate information in accordance with NASDAQ OMX Stockholm's Rule Book for Issuers. The aim is to improve knowledge of and build confidence in the company among investors, analysts and other stakeholders. In 2013, the effort to improve information and access to information on the external website continued. At the end of the year a new website was launched with clearer information about the company's stakeholders such as existing customers, potential customers and the investor market. Work to improve and further clarify information to the market has been ongoing and will continue in the next few years. During the year, several customer surveys were conducted with the aim of understanding customers and meeting their needs. A human resources survey was also conducted at the end of the year. Both surveys resulted in high performance indexes.

Follow-up

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.

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

The Board regularly evaluates the information submitted by management 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 actions are taken to address any problems that have been identified in the course of examinations by the Board, Audit Committee or auditors.

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

In the course of its work on examining and evaluating the internal control of critical processes in 2013, the Audit Committee found no reason to alert the Board's to any significant issues in respect of internal control or financial reporting.

Internal auditing

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

Executive Management Team

	Klaus Hansen Vikström	Anders Borggren	Åsa Bergström	Urban Sjölund	Christian Hermelin	Klas Holmgren
	Director of Business Development.	Director of Technical Operations.	Executive Vice President, Chief Financial Officer/ Executive.	Director of Properties.	Chief Executive Officer.	Director of Projects and Development.
	Born: 1953. Employed since 2006, in current position since 2009.	Born: 1958. Employed and in current position since 2014.	Born: 1964. Employed since 2007, in current position since 2008.	Born: 1962. Employed since 1991, in current position since 2007.	Born: 1964. Employed since 1998 and in current position since 2007.	Born: 1970. Employed since 2001, in current position since 2010.
Previous employment:	Manager of Stockholm's Modecenter, President and founder of Brubaker AS.	Manager of companies such as ISS Facility Services AB, CEO Arctella AB, Project Manager at Kungsfiskaren AB, Consultant Engineer at Skanska.	Senior Manager at KPMG, CFO positions at property companies, including Granit & Betong and Oskarsborg.	Construction and Project Manager at JCC AB, Arsenalen AB and MacGruppen AB. Property Manager at BPA Fastigheter AB, and various managerial positions at Bergaliden AB, Storheden AB and Wihlborgs Fastigheter AB.	Project Manager at Fastighets AB Storheden.	Platzer Bygg, PEAB and JM.
Education:	Diploma in Specialized Business Studies.	Master of Science in engineering.	Master of Science in Economics and Business.	Master of Science in engineering.	Bachelor's degree in Business Administration.	Engineer.
Shareholding:	40,517	–	51,117	52,017	191,917	19,517

Board of Directors





	Erik Paulsson	**Gustaf Hermelin**	**Eva Eriksson**	**Christian Hermelin**	**Märtha Josefsson**
	Born: 1942. Chairman of the Board since 2007 and Director since 1998.	Born: 1956. Director since 2013.	Born: 1959. Director since 2011.	Born: 1964. Director since 2007. CEO of Fabege AB.	Born: 1947. Director since 2005.
Other directorships:	Chairman of the Board of Backahill AB, Brinova Fastigheter AB, SkiStar AB and Wihlborgs Fastigheter AB. Director of Nolato AB and Catena AB.	President and Director of Catena AB. Director of Diös AB and Platzer AB.	Chairman of the Board of Strategisk Arkitektur AB. Director of DnB NOR Eiendomsfond I ASA, Hemsö Fastighets AB and Svea Real AB.		Chairman of the Board of Cityhold Property. Director of Skandia Fonder AB and the Worldwide Fund for Nature.
Education:	Lower secondary school. Business manager since 1959.	Economics at HHS.	Master of Science in engineering.	Bachelor's degree in Business Administration.	Bachelor's degree in Economics.
Shareholding:	91,080 and via Brinova.	9,375	5,000	191,917	108,000
Elected	1998	2013	2011	2007	2005
Independent from company and management	NO	YES	YES	NO	YES
Independent from major shareholders	NO	NO	YES	YES	YES
Board fee, SEK '000[1]	800	200	230	–	260
Attendance Board	9	8	10	10	10
Attendance Audit Committee	[2]	[2]	4	[2]	4

Auditors

Kent Åkerlund
Born: 1974
Joint Auditor-in-Charge at Fabege since 2005. Authorized Public Accountant at Deloitte AB.

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



Pär Nuder	**Svante Paulsson**	**Mats Qviberg**
Born: 1963. Director since 2010.	Born: 1972. Director since 2007.	Born: 1953. Deputy Chairman since 2012. Director since 2001.
Director of the Third AP Fund, Sundbybergs Stadshus AB, Öbergs Färghus and Hemsö Fastighets AB. Director of SkiStar AB, Swedegas AB and Cleanergy. Senior Director of Albright Stonebridge Group.	Responsible for strategy and projects in Backahill AB. Deputy Chairman of the Board of Backahill AB. Director of Bilia AB, PEAB AB, AB Cernelle.	Chairman of the Board of Bilia AB and Investment AB Öresund.
LL.M.	High School in the US.	Bachelor's degree in Business Administration.
10,007	168,318	3,709,244
2010	2007	2001
YES	YES	YES
YES	NO	YES
230	200	200
10	10	10
4	2)	2)

1) Director fees are paid in arrears.
2) Not a member of the Audit Committee.

Oscar Engelbert stepped down as Board member at the AGM 2013.
Gustaf Hermelin assumed Board membership at the AGM 2013.

Shareholdings at 31 December 2013.

The Board's activities, 2013

February

1 Scheduled meeting: Year-end financial statement 2012, Annual Report 2012, evaluation of the work of the Board, follow-up of compliance with guidelines on compensation for senior executives

March

2 Scheduled meeting: Briefing prior to the AGM

3 Statutory meeting after the AGM, signing for the company, committees

May

4 Scheduled meeting: Interim report for the first quarter, Board of Directors' and Audit Committee's Rules of Procedure, Code of Conduct

June

5 Meeting held by correspondence

6 Meeting held by correspondence

July

August

7 Scheduled meeting: Interim report for the second quarter

October

8 Meeting held by correspondence

November

9 Scheduled meeting: Interim report for the third quarter, evaluation of the CEO's performance, issues relating to management remuneration

December

10 Scheduled meeting: Strategy plan for 2014, budget for 2014

Signing of the Annual Report

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

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

The Board of Directors and Chief Executive Officer further 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, and
- the administration 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, 25 February 2014

Erik Paulsson *Chairman of the Board*	Gustaf Hermelin *Director*	Eva Eriksson *Director*	Märtha Josefsson *Director*
Pär Nuder *Director*	Svante Paulsson *Director*	Mats Qviberg *Deputy Chairman of the Board*	Christian Hermelin *Director* *Chief Executive Officer*

Our auditor's report was submitted on 25 February 2014
Deloitte AB

Kent Åkerlund
Authorized Public Accountant

Auditor's Report

To the annual meeting of the shareholders of Fabege AB (publ) AB
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 1 January 2013 to 31 December 2013 with the exception of the Corporate Governance Report on pages 81–89. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 58–90.

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 2013 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 2013 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 81–89. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Fabege AB (publ) for the financial year 1 January 2013 to 31 December 2013. 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 81-89 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 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, 25 February 2014
Deloitte AB
Signature on Swedish original

Kent Åkerlund
Authorized Public Accountant

Auditor's Review Report on the Sustainability Report of Fabege AB (publ)

To the readers of the Sustainability Report of Fabege AB (publ)

Introduction

We have been engaged by the Executive Management of Fabege AB (publ) to undertake a limited assurance engagement of the Sustainability Report of Fabege AB (publ) for 2013. The sustainability report comprises pages 42–57 of Fabege AB's (publ) annual report.

Board of Directors and company management's responsibility for the sustainability report

The Board of Directors and Executive Management are responsible for ongoing activities regarding the environment, health & safety, quality, social responsibility and presentation of the Sustainability Report in accordance with the applicable criteria, as presented on pages 56–57 of the Sustainability Report, which comprises part of the Sustainability Reporting Guidelines G3 (issued by The Global Reporting Initiative (GRI)) that are applicable to the Sustainability Report, and the accounting and calculation policies that the company has developed and disclosed.

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the Sustainability Report based on the procedures we have performed. We have conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports, as issued by FAR. A limited assurance consists of making inquiries, primarily of persons responsible for preparing the Sustainability Report, and applying analytical and other review procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent, than for a reasonable assurance engagement conducted in accordance with the IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain an assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express a reasonable assurance opinion.

The criteria on which our procedures are based on are the parts of the Sustainability Reporting Guidelines G3, published by the Global Reporting Initiative (GRI), which are applicable to the Sustainability Report, as well as the accounting and measurement policies that the company has specifically developed and disclosed. These are presented on pages 42–57. 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 for the purpose of expressing our conclusions below.

Limited assurance conclusion

Based on the limited assurance procedures, nothing has come to our attention that causes us to believe that the Sustainability Report has not, in all material respects, been prepared in accordance with the above stated criteria.

Stockholm, 25 February 2014
Deloitte AB
Signature on Swedish original

Kent Åkerlund
Authorized Public Accountant

Andreas Drugge
Specialist Member of FAR

Five-year summary[1)]

	2013	2012	2011	2010	2009
PROFIT AND LOSS ACCOUNTS, SEKm					
Rental income	2,059	1,869	1,804	2,007	2,194
Net operating surplus	1,411	1,264	1,227	1,348	1,465
Realised changes in value/Gain from property sales	135	167	173	237	57
Unrealised changes in value, properties	739	1,409	1,093	843	–310
Profit from property management	614	693	564	782	838
Profit before tax	1,992	2,032	1,417	1,929	680
Profit/loss after tax	1,530	–88	1,141	1,697	425
BALANCE SHEETS, SEKm					
Investment properties	33,384	31,636	29,150	26,969	29,193
Other tangible fixed assets	0	1	1	3	2
Financial fixed assets	1,584	1,398	1,124	714	620
Current assets	365	474	362	1,504	704
Cash and cash equivalents	98	200	74	73	173
Shareholders' equity	12,551	11,382	11,890	11,276	9,969
Provisions	1,083	753	585	423	439
Interest-bearing liabilities	19,038	18,035	16,755	16,646	19,109
Derivative instruments	447	854	664	267	373
Non-interest-bearing liabilities	2,312	2,685	817	651	802
Total assets	35,431	33,709	30,711	29,263	30,692
KEY RATIOS[3)]					
Surplus ratio, %	69	68	68	67	67
Interest coverage ratio, multiple	2.0	2.3	2.2	3.0	2.6
Capital employed, SEKm	32,036	30,293	29,309	28,189	29,451
Equity/assets ratio, %	35	34	39	39	32
Debt/equity ratio, multiple	1.5	1.6	1.4	1.5	1.9
Leverage, properties, %	57	57	58	62	65
Return on equity, %	12.8	–0.8	9.9	16.0	4.3
Return on capital employed, %	8.7	9.0	7.2	8.7	4.2
Average interest rate on interest-bearing liabilities, %	3.61	3.8	3.72	3.45	2.48
Property acquisitions and investments in existing properties, SEKm	1,708	2,191	1,986	907	1,138
Property sales, selling price, SEKm	1,202	1,448	936	4,350	1,234
Average no. of employees	125	119	124	125	139
DATA PER SHARE, SEK[2)]					
Earnings	9.26	–0.54	7.01	10.38	2.59
Shareholders' equity	76	70	73	69	61
Cash flow per share	3.89	4.52	4.49	6.13	4.87
Dividend	3.00[3)]	3.00	3.00	3.00	2.00
Yield, %	3.9	4.6	5.6	3.8	4.4
Share price at year-end[4)]	76.80	65.75	53.90	78.55	45.20
No. of shares at year-end before dilution, millions	165	164	162	163	164
Average no. of shares after dilution, millions	165	162	163	163	164

1) The years 2009–2013 have been prepared in accordance with IFRS.
2) Key ratios based on the average number of shares, shareholders' equity, capital employed, and interest-bearing liabilities have been calculated on a weighted-average basis.
3) Cash dividend for 2013 as proposed.
4) Latest paid price.

The Fabege share

The Fabege share is listed on the NASDAQ OMX Stockholm Nordic Exchange and included in the Large Cap segment. The share is quoted in the property index OMX Stockholm Real Estate. At year-end, the company had market capitalisation of approximately SEK 12.7bn and net asset value of about SEK 12.6bn.

During 2013, the property index was slightly outperformed by the stock exchange as a whole. The property index OMX Stockholm Real Estate rose 20.3 per cent, which was somewhat weaker than OMX Stockholm, which rose 23.2 per cent. The Fabege share rose by 16.8 per cent, from SEK 65.75 to SEK 76.80.

Turnover and trading

As with other shares, the trend for the Fabege share is reflecting a more fragmented trading pattern, with sales in a growing number of marketplaces. During 2013, the share was traded on more than ten different trading places, both regulated marketplaces (exchanges) and other trading platforms. The four largest trading places in 2013 were NASDAQ OMX Stockholm, BOAT, BATS Chi-X and London, which jointly accounted for some 95 per cent of total trading in the share. During 2013, turnover in marketplaces other than NASDAQ OMX Stockholm accounted for 51 per cent of total share trading in the share. During the year, a total of 133 million (183) Fabege shares were traded, of which 65 million (86) were traded on NASDAQ OMX Stockholm. The total value of the traded shares was SEK 9,3bn (10.8), of which SEK 4.6bn (5.1) was traded in Stockholm. On an average trading day, approximately 535,000 Fabege shares (732,000) were traded in 859 transactions. The average turnover rate for Fabege shares calculated on the basis of total share turnover declined during 2013 to 81 per cent (112).

Share price performance

The total return on Fabege's share, including reinvested dividends of SEK 3.00 per share, amounted to 22.2 per cent. At year-end, the company had a market capitalisation of about SEK 12.7bn. The lowest price paid during the year was SEK 64.20, on 24 June 2013 and the highest price paid was SEK 77.95 on 23 December 2013.

Acquisition and transfer of treasury shares

The 2013 Annual General Meeting renewed the authorisation of the Board under which it is entitled, no 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. Following a decision by the Board of Directors, the remaining holding of treasury shares, a total of 1,836,114 shares, was sold on NASDAQ OMX Stockholm early in the year. Subsequently, the company holds no treasury shares. No shares were bought back during the period.

Ownership structure

At 31 December 2013, Fabege had 41,277 shareholders (43,777). The largest shareholder was Brinova Inter AB, which held 14.9 per cent of the total number of outstanding shares, followed by Blackrock Inc. with 5.4 per cent and Länsförsäkringar Fondförvaltning AB with 4.4 per cent. The 15 largest owners jointly controlled 50.3 per cent of the total number of outstanding shares. Foreign owners held 35.5 per cent of the share capital. Of the portion held by Swedish investors, amounting to 64.5 per cent, institutional owners held 11.7 per cent, equity funds 15.9 per cent and Swedish private investors 36.9 per cent of the share capital.

Net asset value per share

Equity per share at 31 December 2013 was SEK 76 (70). Net asset value per share excluding deferred tax on fair value adjustments to properties was SEK 88 (80). At year-end, the share price thus represented approximately 87 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 260m, or SEK 1.57 per share. See the sensitivity analysis on property value on page 61.

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 will comprise at least 50 per cent of the profit from property management activities and realised gains from the sale of properties after tax.

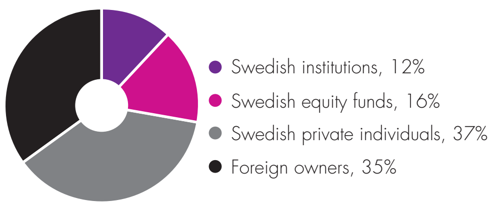
In drawing up its dividend proposal, the Board assesses whether the company's and Group's equity after the proposed dividend will be sufficient in view of the nature and scope of the business and the associated risks. In this connection, the Board has taken account of the company's and the Group's equity/assets ratio, historical and budgeted performance, in-vestment plans, payments pertaining to tax cases and the general economic environment.

The Board proposes that a dividend of SEK 3.00 per share (3.00) be paid to the shareholders. The dividend represents approximately 66 per cent of distributable earnings in accordance with the dividend policy. The proposed record date for the right to receive a dividend is 28 March 2014. If the AGM adopts the proposed decision, it is expected that the dividend will be paid through Euroclear Sweden AB (formerly VPC AB) on 2 April 2014.

Ownership distribution by country

Country	2013	2012	2011
Sweden	64.5	64.8	65.7
USA	17.5	18.2	15.8
UK	4.6	5.0	5.0
Other countries	13.4	12.0	13.5

Ownership distribution by category



Distribution between ownership classes at 31 December 2013

Size of shareholding	No. of shareholders	Proportion of shareholders	Number of shares	Proportion of capital and votes, %
1–500	30,219	73.21	4,205,865	2.54
501–1,000	4,928	11.94	3,799,783	2.30
1001–5,000	4,883	11.83	10,483,651	6.34
5001–10,000	600	1.45	4,335,925	2.62
10,001–100,000	488	1.18	13,707,411	8.29
100,001–1,000,000	129	0.31	40,096,065	24.24
1,000,001–	30	0.07	88,762,872	53.67
Total	**41,277**	**100**	**165,391,572**	**100**

Key figures	**2013**	**2012**
Financial		
Return on capital employed, %	8.7	9.0
Return on equity, %	12.8	–0.8
Interest coverage ratio, multiple	2.0	2.3
Equity/assets ratio, %	35	34
Loan-to-value ratio, properties, %	57	57
Debt/equity ratio, multiple	1.5	1.6
Share-related		
Earnings per share for the year, SEK	9.26	–0.54
Equity per share, SEK	76	70
Cash flow per share, SEK	3.89	4.52
No. of shares outstanding at end of period, thousands	165,392	163,555
Average number of shares, thousands	165,162	162,391
Dividend, SEK	3.00[1]	3.00
Yield, %	3.9	4.6

1) Proposed cash dividend for 2013.

15 largest shareholders[1], 31 December 2013

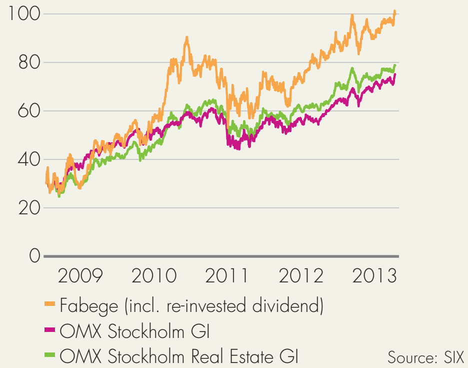
	Number of shares	Proportion of equity, %	Proportion of votes, %
Brinova AB	24,691,092	14.9	14.9
BlackRock Funds	8,938,454	5.4	5.4
Länsförsäkringar Fondförvaltning	7,186,719	4.4	4.4
Öresund Investment AB	7,000,736	4.2	4.2
SEB Funds	6,764,041	4.1	4.1
Norway's Bank Investment	5,185,545	3.1	3.1
SHB Funds	4,764,824	2.9	2.9
Mats Qviberg and family	3,709,244	2.2	2.2
ENA City AB	2,711,000	1.7	1.7
Nordea Funds	2,447,945	1.5	1.5
Henderson Funds	2,085,000	1.3	1.3
Swedbank Robur Funds	2,049,204	1.2	1.2
Fourth AP Fund	2,029,486	1.2	1.2
Blue Sky Group Stichting	1,869,465	1.1	1.1
Principal Funds	1,803,887	1.1	1.1
Other foreign shareholders	38,868,437	23.5	23.5
Other Swedish shareholders	43,286,493	26.2	26.2
Total number of shares outstanding	**165,391,572**	**100**	**100**
Treasury shares	0	0	0
Total number of registered shares	**165,391,572**	**100**	**100**

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

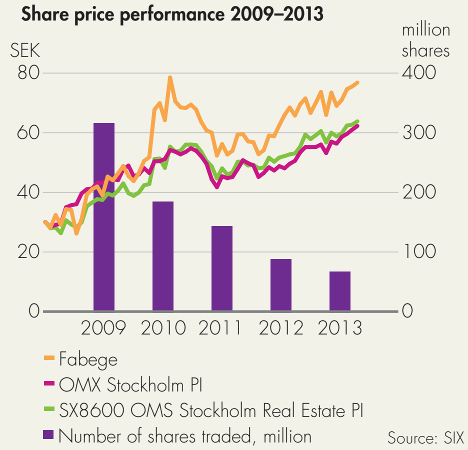
Source: SIS Ägarservice AB, according to data from Euroclear Sweden AB at 31 December 2013.

For further information, see

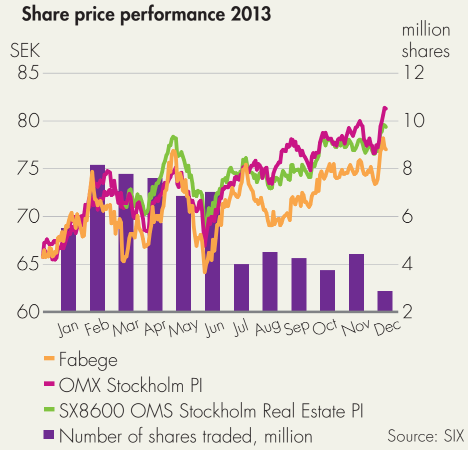
Total return 2009–2013



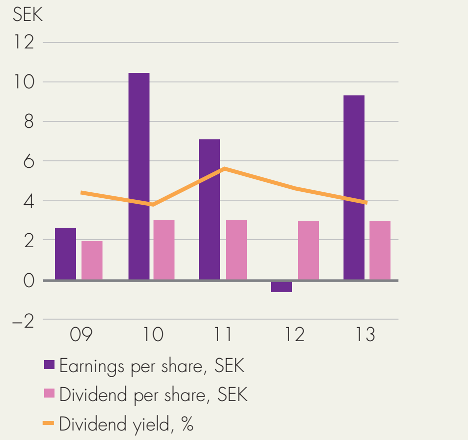
Share price performance 2009–2013



Share price performance 2013



Dividend per share and direct yield SEK



Property portfolio

Fabege's properties are concentrated to three sub-markets in the Stockholm region: Stockholm inner city, Solna and Hammarby Sjöstad. A full 99 per cent of the property portfolio is located within a radius of five kilometres of the centre of Stockholm.

The property portfolio mainly comprises commercial premises. Offices account for 73 per cent of the total lettable area. In addition to offices, the portfolio includes retail, industri-al/warehouse, residential, hotel and garage space. The largest sub-market, Stockholm inner city, accounts for 51 per cent of the total market value and 51 per cent of the rental value.

On 31 December 2013, Fabege's portfolio comprised 92 properties with a total lettable area of 1.1m sqm. The market value was SEK 33.4bn and the total rental value was SEK 2.4bn.

Changes in the property portfolio

Six properties were divested as part of four transactions during the year. Two properties were acquired, both in Arenastaden. The transactions comprised part of the continued strategy of streamlining Fabege's business and focusing on office properties in prioritised areas and a strengthened cash flow. The combined sales consideration was SEK 1,202m. The transactions generated a profit of SEK 135m before tax and SEK 178m after 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.

Fabege's 15 largest tenants by value

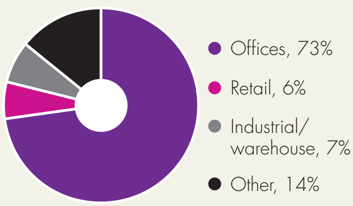
- Vattenfall
- Swedish Tax Agency
- NASDAQ OMX
- Bonnier Dagstidningar
- ICA
- Carnegie Investment Bank
- PEAB
- Evry
- COOP
- Parkman i Sverige
- Svenska Spel
- Svea Ekonomi
- Lantbrukarnas Ekonomi
- Cybergymnasiet Nacka
- Swedish Migration Board

On 31 December 2013, the 15 largest tenants by value represented a total lease value of SEK 715m, or 32 per cent of the total contractual rental value.

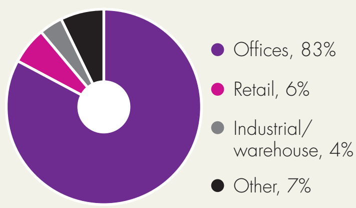
Property-related key figures

	2013	2012	2011
No. of properties	92	95	97
Lettable area, '000 sqm	1,142	1,130	1,107
Financial occupancy rate, %	93	92	90
Rental value, SEKm	2,397	2,260	2,098
Surplus ratio, %	69	68	68

Lettable area by category,
total of SEK 1,142,000 sqm



Rental value by category,
total of SEK 2,397m



Maturity structure of commercial leases, 31 December 2013

Due, year	No. of leases	Area, sqm	Contractual annual rent, SEK 000s	Share, %
2014	414	218,658	445,308	21
2015	355	185,166	445,064	21
2016	265	171,865	378,998	18
2017	131	102,891	258,803	12
2018+	113	226,264	581,407	28
Total	**1,278**	**904,844**	**2,109,580**	**100**

Changes in the property portfolio

	Carrying amount, SEKm	No.
Property portfolio, 1 Jan 2013	31,636	95
+ Acquisitions	298	2
+ Property regulations	0	1
+ New builds, extensions and conversions	1,738	0
– Sales	–1,027	–6
+/– Unrealised changes in value	739	0
Property portfolio, 31 Dec 2013	**33,384**	**92**

Average remaining lease term by sub-market,
31 December 2013

Area	No. of properties	No. of leases	Length of leases
Stockholm inner city	34	635	3.1
Solna	39	277	4.4
Hammarby Sjöstad	13	365	2.6
Other markets	6	1	1.0
Total/average	**92**	**1,278**	**3.6**

Breakdown by lettable area, 31 December 2013

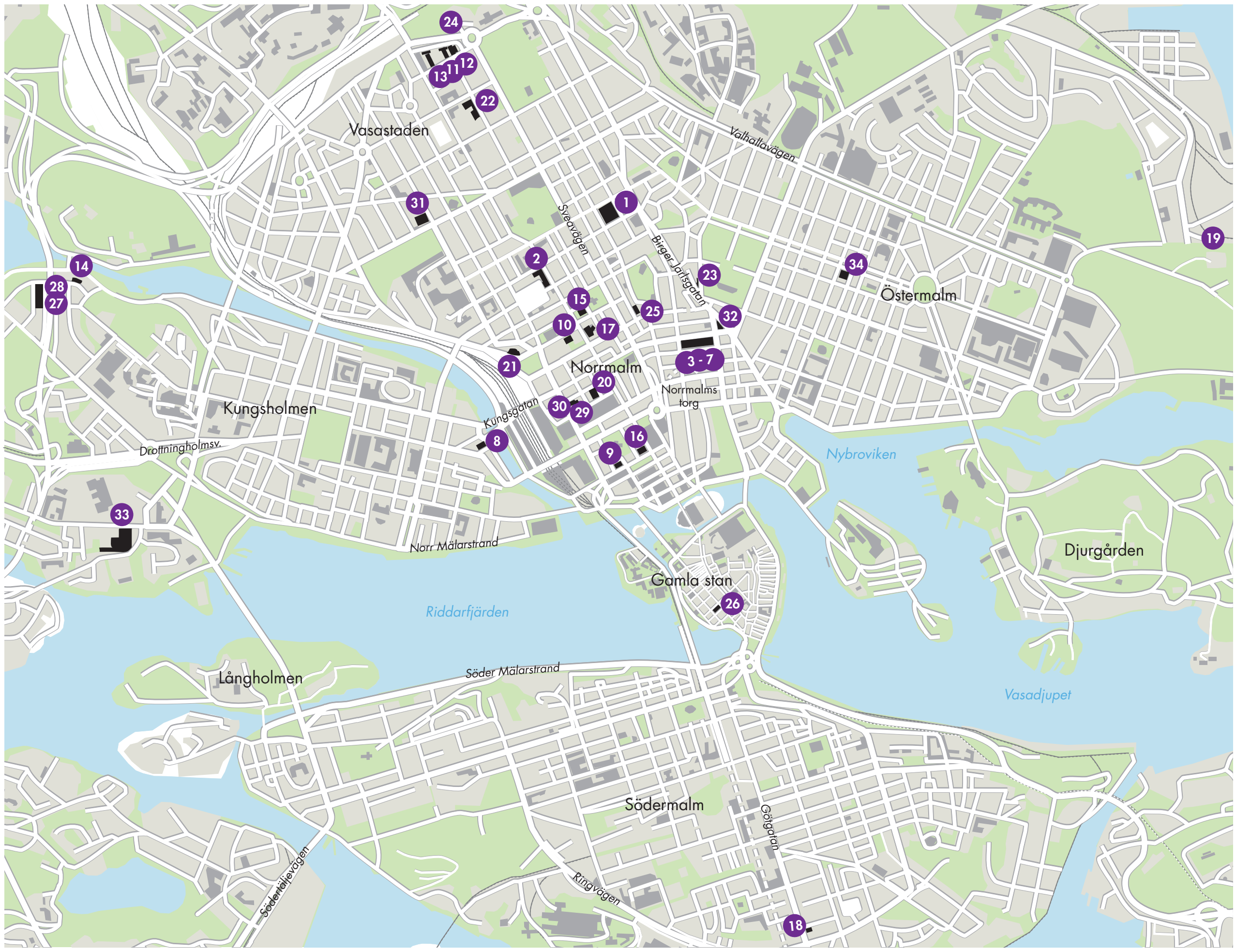
000 sqm	Offices	Retail	Industry/ warehouse	Hotels	Residential units	Garage	Total
Stockholm inner city	352,057	26,029	28,651	8,639	9,627	44,674	469,677
Solna	394,285	37,463	26,231	8,726	1,694	79,041	547,440
Hammarby Sjöstad	84,262	9,080	20,384	0	691	9,233	123,650
Other markets	0	0	1,241	0	0	0	1,241
Total	**830,604**	**72,572**	**76,506**	**17,365**	**12,012**	**132,948**	**1,142,007**

Table of properties	31 December 2013			1 January – 31 December 2013				
Market segment	**No. of properties**	**Lettable area, ‘000 sqm**	**Market value, SEKm**	**Rental value[2], SEKm**	**Financial occupancy rate, %**	**Rental income, SEKm**	**Property expenses, SEKm**	**Net operating income, SEKm**
Property holdings								
Investment properties[1]	74	1,094	31,206	2,310	93	2,069	–511	1,558
Development properties[1]	4	24	189	26	68	15	–6	9
Land and project properties[1]	14	24	1,989	61	95	62	–16	46
Total	**92**	**1,142**	**33,384**	**2,397**	**93**	**2,146**	**–533**	**1,613**
Inner city	34	470	16,975	1,211	92	1,088	–293	795
Solna	39	547	13,555	966	94	885	–188	697
Hammarby Sjöstad	13	124	2,770	219	90	172	–52	120
Other markets	6	1	84	1	100	1	0	1
Total	**92**	**1,142**	**33,384**	**2,397**	**93**	**2,146**	**–533**	**1,613**
Expenses for lettings, project development and property administration								–119
Total net operating income after expenses for lettings, project development and property administration								**1,494[3]**

1) See definitions on page 104.
2) In the rental value, time limited deductions of about SEK 193m (in rolling annual rental value at 31 December 2013) have not been deducted.
3) The table refers to Fabege's property portfolio on 31 December 2013. Income and expenses were recognised as if the properties were owned for the entire period. The difference between recognised net operating income above, SEK 1,494m, and net operating income in profit or loss, SEK 1,411m, is due to net operating income from divested properties being excluded, and completed properties being adjusted upwards as if they were owned/completed during the period of January–December 2013.

Property listing

Stockholm inner city 31 December 2013



Trängkåren 7, DN-skyscrape

Sparven 18

Ormträsket 10, Wenner-Gren Center

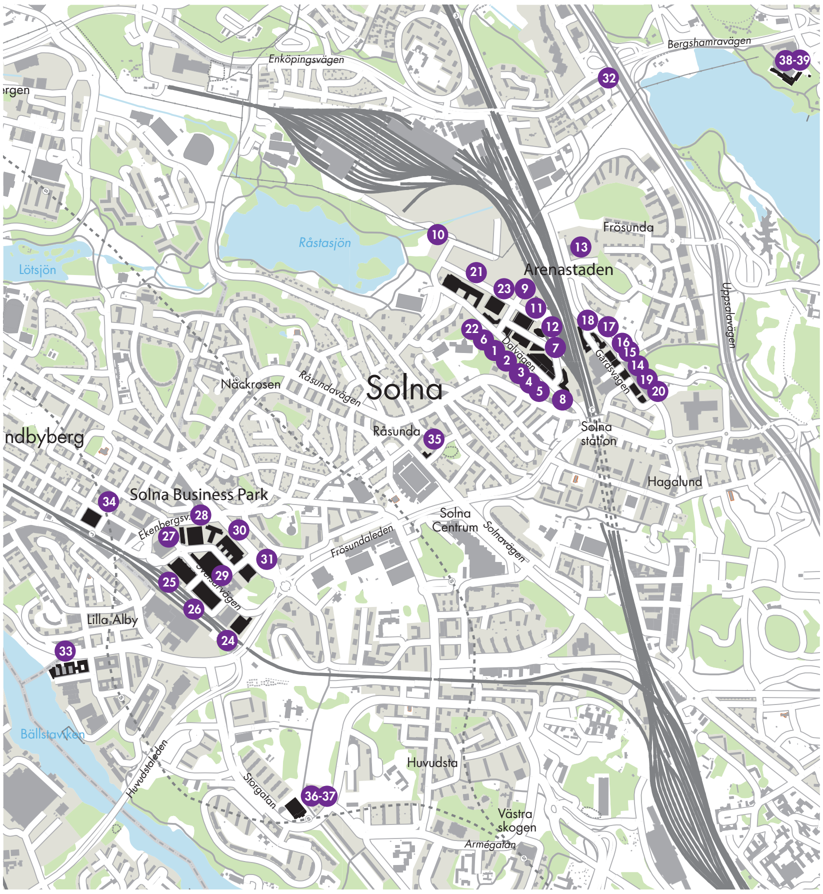
	Property name	Area	Street	Construction year	Office/sqm	Retail/sqm	Industrial warehouse/sqm	Residential, sqm	Hotel, sqm	Parking + Other/sqm	Total lettable area, sqm	Tax value SEK 000s, 31 Dec. 2013
STOCKHOLM INNER CITY												
1	Apotekaren 22	Norrmalm	Döbelnsg 20, 24, Kungstensg 21–23, Rådmansg 40,42, Tuleg 7 A–B 13	1902/2002	24,860	680	1,939	0	0	35	27,514	581,000
2	Barnhusväderkvarnen 36	Norrmalm	Rådmansg 61–65	1963	13,968	1,282	1,734	0	0	8,965	25,949	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	14,984	3,066	1,712	0	0	220	19,982	796,500
5	Bocken 46	Norrmalm	Regeringsgatan 56	1977	0	0	0	0	0	0	0	0
6	Bocken 47	Norrmalm	Lästmakarg 8	1929	531	665	0	0	0	0	1,196	52,704
7	Bocken 52	Norrmalm	Lästmakarg 14–16		145	0	0	2,214	0	0	2,359	74,431
8	Drabanten 3	Kungsholmen	Kungsbroplan 3 m fl	1907	6,364	0	223	0	0	0	6,587	156,000
9	Duvan 6	Norrmalm	Klara Södra Kyrkogata 1	1975	9,579	0	85	0	0	211	9,875	360,000
10	Fenix 1	Norrmalm	Barnhusgatan 3	1929	3,323	48	450	0	0	0	3,821	94,000
11	Getingen 13	Vasastan	Sveavägen 149	1963	10,735	610	2,585	0	0	2,415	16,345	246,000
12	Getingen 14	Vasastan	Sveavägen 143–147	1953	11,229	0	315	0	0	1,231	12,775	175,000
13	Getingen 15	Vasastan	Sveavägen 159	1963	12,494	2,970	7,064	0	0	10	22,538	85,600
14	Glädjen 12	Stadshagen	Franzéng 6, Hornsbergs Strand 17	1949	12,337	0	0	0	0	0	12,337	247,000
15	Grönlandet Södra 13	Norrmalm	Adolf Fredriks Kyrkogata 8	1932	8,193	0	0	0	0	0	8,193	256,500
16	Hägern Mindre 7	Norrmalm	Drottninggatan 27–29	1971	8,931	1,635	529	0	0	2,167	13,262	399,000
17	Islandet 3	Norrmalm	Holländargatan 11–13	1904	8,327	0	0	0	0	255	8,582	215,156
18	Kolonnen 7	Södermalm	Götgatan 95, m fl	1965	2,161	116	67	1,082	0	345	3,771	74,000
19	Ladugårdsgärdet 1:48	Värtahamnen	Tullvaktsvägen 5–23	1930/49	37,877	0	0	0	0	0	37,877	669,088
20	Lammet 17	Norrmalm	Bryggarg 4, G:a Brog 13A, Korgmakargr 4	1982	5,326	338	731	0	0	479	6,874	237,000
21	Läraren 13	Norrmalm	Torsgatan 4	1904/29	6,837	0	0	0	0	0	6,837	205,000
22	Mimer 5	Vasastan	Hagagatan 25 A–C, Vanadisvägen 9	1957	11,672	0	75	0	0	5	11,752	0
23	Norrtälje 24	Norrmalm	Engelbrektsgatan 5–7	1881	6,354	0	173	0	0	526	7,053	244,000
24	Ormträsket 10	Vasastan	Sveavägen 166–170, 186	1962/1967	13,456	3,491	494	0	0	2,071	19,512	317,000
25	Oxen Mindre 33	Norrmalm	Luntmakarg 18, Malmskillnadsg 47 A, B	1979	8,742	0	726	2,823	0	708	12,999	262,000
26	Pan 1	Gamla Stan	S Nygatan 40–42, L Nygatan 23	1929	2,326	721	0	102	0	0	3,149	87,457
27	Paradiset 23	Stadshagen	Strandbergsg 53–57	1944	8,830	316	3,017	0	0	1,655	13,818	167,000
28	Paradiset 27	Stadshagen	Strandbergsg 59–65	1959	20,023	4,038	1,006	0	0	2,229	27,296	387,000
29	Pilen 27	Norrmalm	Bryggarg 12A	1907	1,965	0	116	0	0	0	2,081	65,813
30	Pilen 31	Norrmalm	Gamla Brog 27–29, Vasag 38	1988	4,497	875	60	0	3,542	571	9,545	348,000
31	Resedan 3	Vasastan	Dalagatan 13	1929	2,473	0	0	1,007	0	2	3,482	0
32	Sparven 18	Östermalm	Birger Jarlsg 21–23, Kungsg 2	1929	1,906	1,642	30	0	5,097	0	8,675	372,000
33	Trängkåren 7	Marieberg	Gjörwellsg 30–34, Rålambsv 7–15	1963	49,976	1,927	4,779	0	0	20,049	76,731	820,950
34	Ynglingen 10	Östermalm	Jungfrug 23, 27, Karlav 58–60	1929	7,020	1,308	298	2,399	0	526	11,551	307,600
TOTAL INNER CITY					**352,057**	**26,029**	**28,651**	**9,627**	**8,639**	**44,675**	**469,677**	**9,478,799**

The list of properties contains all properties owned by Fabege at 31 December 2013.

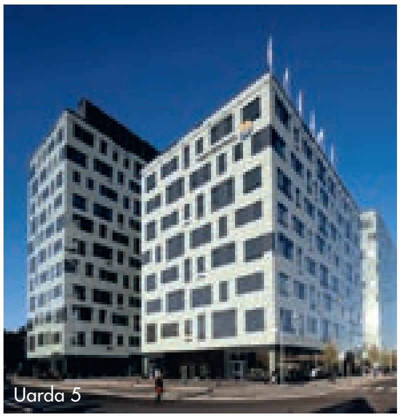
Unless otherwise stated, the property is classified as an investment property, meaning a property under regular and active management.

Property listing

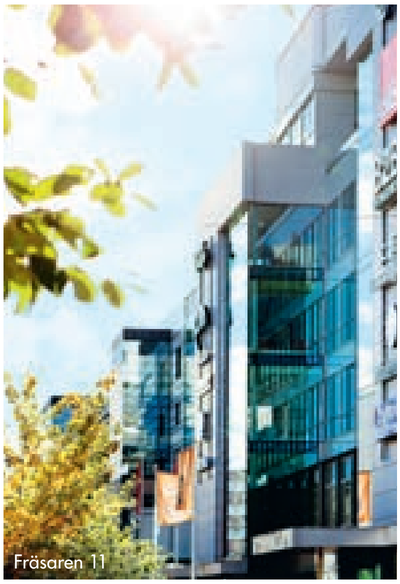
Solna 31 December 2013




Uarda 1


Uarda 5


Smeden 1


Fräsaren 11

	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 Dec. 2013
SOLNA, ARENASTADEN												
1	Farao 8	Arenastaden	Dalvägen 12, Pyramidvägen 11	2001	5,226	250	0	0	0	0	5,476	63,798
2	Farao 14[1)]	Arenastaden	Dalvägen 10, Pyramidvägen 7, 9	1967	8,151	0	2,444	0	0	1,174	11,769	73,827
3	Farao 15	Arenastaden	Dalvägen 8, Pyramidvägen 5	1981	6,427	708	1,016	0	0	1,020	9,171	78,248
4	Farao 16	Arenastaden	Dalvägen 4–6, Pyramidvägen 3	1973	2,721	1,613	1,402	0	0	540	6,276	55,800
5	Farao 17	Arenastaden	Dalvägen 2, Pyramidvägen	1975	4,842	0	509	0	0	370	5,721	61,000
6	Farao 19[2)]	Arenastaden			0	0	0	0	0	0	0	0
7	Farao 20	Arenastaden	Pyramidvägen 7	1964	7,260	0	166	0	0	375	7,801	107,600
8	Kairo 1	Arenastaden	Pyramidvägen 2	1983	10,741	0	0	0	0	0	10,741	141,000
9	Solna Nationlarenan 8[2)]	Arenastaden			0	0	0	0	0	0	0	28,600
10	Solna Nationlarenan 5[1)]	Arenastaden		2013	0	0	0	0	0	25,500	25,500	80,000
11	Pyramiden 3[2)]	Arenastaden	Pyramidvägen 4–6, Magasinsvägen 4		0	0	0	0	0	0	0	0
12	Pyramiden 4	Arenastaden	Pyramidvägen 2D	1960	2,999	0	70	0	0	10	3,079	43,200
13	Signalen 3[2)]	Arenastaden			0	0	0	0	0	0	0	37,168
14	Stigbygeln 2	Arenastaden	Gårdsvägen 6	1955	8,898	0	0	0	0	0	8,898	103,600
15	Stigbygeln 3	Arenastaden	Gårdsvägen 8	1960	5,460	0	454	0	0	0	5,914	47,900
16	Stigbygeln 5	Arenastaden	Gårdsvägen 10 A, B	1963	6,806	0	50	0	0	570	7,426	80,200
17	Stigbygeln 6	Arenastaden	Gårdsvägen 12–18	2001	9,113	581	332	0	0	6	10,032	145,000
18	Tygeln 3	Arenastaden	Gårdsvägen 13–21	2001	4,397	0	0	0	0	5,100	9,497	98,300
19	Tömmen 1	Arenastaden	Gårdsvägen 2–4	1952	4,639	0	431			2,188	7,257	20,181
20	Tömmen 2	Arenastaden	Gårdsvägen 2		0	0	0	0	0	2,610	2,610	0
21	Uarda 1[2)]	Arenastaden	Dalvägen 22A–C, 22–30	1987	22,100	1,622	406	0	0	0	24,128	504,122
22	Uarda 4	Arenastaden	Dalvägen 14–16	1992	6,372	0	1,588	0	0	0	7,960	88,600
23	Uarda 5	Arenastaden	Dalvägen 18, Magasinvägen 1	1978	42,989	1,280	0	0	0	0	44,269	800,000
TOTAL ARENASTADEN					**159,141**	**6,054**	**8,868**	**0**	**0**	**39,463**	**213,525**	**2,658,144**
SOLNA, SOLNA BUSINESS PARK												
24	Fräsaren 10	Solna Business Park	Svetsarvägen 24	1964	6,990	4,241	285	0	0	56	11,572	109,600
25	Fräsaren 11	Solna Business Park	Englundavägen 2–4, Svetsarvägen 4–10	1962	33,118	0	1,815	0	1,840	2,610	39,383	485,000
26	Fräsaren 12	Solna Business Park	Svetsarvägen 12–18, 20, 20A	1964	19,404	10,109	173	0	0	6,840	36,526	462,000
27	Sliparen 1[1)]	Solna Business Park	Ekensbergsv 115, Svetsarv 1–3	1963	1,529	0	3,234	0	0	0	4,763	18,200
28	Sliparen 2	Solna Business Park	Ekensbergsv 113, Svetsarv 3–5	1964	17,238	0	2,205	0	0	3,315	22,758	213,000
29	Smeden 1	Solna Business Park	Englundav 6–14, Smidesv 5–7, Svetsarv 5–17	1967	35,022	5,009	1,416	467	0	3,709	45,622	450,347
30	Svetsaren 1	Solna Business Park	Englundavägen 7–13	1964	30,383	329	3,358	0	0	6,090	40,160	351,000
31	Yrket 3	Solna Business Park	Smidesvägen 2–8	1982	4,864	0	1,076	0	0	1,470	7,410	31,969
TOTAL SBP					**148,548**	**19,688**	**13,562**	**467**	**1,840**	**24,090**	**208,194**	**2,121,116**
OTHER PARTS OF SOLNA												
32	Järvakrogen 3[2)]	Frösunda	Enköpingsvägen 1		0	0	0	0	0	0	0	3,186
33	Nöten 4	Solna Strand	Solna strandväg 2–60	1971	50,045	650	2,563	0	0	7,902	61,160	315,000
34	Orgeln 7	Sundbyberg	Järnvägsg 12–20, Lysgränd 1, Roseng 2,4, Stureg 11–19	1966	23,013	3,887	166	0	0	2,399	29,465	250,000
35	Planen 4[1)]	Råsunda	Bollgatan 1–5, Solnavägen 102 A–C	1992	4,509	389	125	0	0	1,381	6,404	33,000
36	Rovan 1	Huvudsta	Storgatan 60–68	1972	1,798	5,981	58	0	0	2,852	10,689	68,600
37	Rovan 2	Huvudsta	Storgatan 64	1972	0	0	0	1,227	6,886	759	8,872	125,571
38	Skogskarlen 1	Bergshamra	Björnstigen 81, Pipers väg 2	1929/ 1971	7,232	814	890	0	0	196	9,132	87,600
39	Skogskarlen 3	Bergshamra	Pipersväg 2 C		0	0	0	0	0	0	0	1,800
TOTAL OTHER PARTS OF SOLNA					**86,597**	**11,721**	**3,802**	**1,227**	**6,886**	**15,489**	**125,721**	**884,757**
TOTAL SOLNA					**394,285**	**37,463**	**26,231**	**1,694**	**8,726**	**79,041**	**547,440**	**5,664,017**

The list of properties contains all properties owned by Fabege at 31 December 2013.

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 development work. Recently acquired properties (within one year) with work in progress to significantly improve the property's net operating income in relation to the date of acquisition.

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

Property listing

Hammarby Sjöstad 31 December 2013

	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 Dec. 2013
	HAMMARBY SJÖSTAD											
1	Fartygstrafiken 2	Hammarby Sjöstad	Hammarby Allé 91–95	1955	6,800	1,840	156	0	0	9	8,805	115,000
2	Godsfinkan 1	Hammarby Sjöstad	Heliosvägen 22–26	1990	7,746	0	75	0	0	24	7,845	83,442
3	Båtturen 2	Hammarby Sjöstad	Hammarby Allé 21, 25, Hammarby Kajv 2–12, Hammarby Kaj 14–18	1937	8,750	276	296	0	0	1,230	10,552	172,800
4	Korphoppet 1	Hammarby Sjöstad	Hammarby Fabriksväg 41–43	1949	5,987	754	6,556	0	0	750	14,047	33,949
5	Korphoppet 5[2]	Hammarby Sjöstad	Hammarby Fabriksväg 37–39	1968	0	0	0	0	0	0	0	3,400
6	Korphoppet 6	Hammarby Sjöstad	Hammarby Fabriksväg 33	1988	0	428	4,254	0	0	0	4,682	57,800
7	Luma 1	Hammarby Sjöstad	Ljusslingan 1–17, 2–36, Glödlampsgränd 1–6, Lumaparksv 2–18, 5–21, Kölnag 3	1930	29,137	1,359	2,382	691	0	5,212	38,781	209,889
8	Luma 3[2]	Hammarby Sjöstad			0	0	0	0	0	0	0	28,820
9	Skeppshandeln 2[2]	Hammarby Sjöstad			0	0	0	0	0	0	0	0
10	Trikåfabriken 12[1]	Hammarby Sjöstad	Hammarby Fabriksväg 27	1942	742	0	201	0	0	205	1,149	4,679
11	Trikåfabriken 4	Hammarby Sjöstad	Hammarby Fabriksväg 25	1991	5,300	3,464	755	0	0	975	10,494	100,000
12	Trikåfabriken 8	Hammarby Sjöstad	Hammarby Fabriksväg 29–31	1930	10,087	692	4,202	0	0	12	14,993	60,000
13	Trikåfabriken 9	Hammarby Sjöstad	Hammarby Fabriksväg 19–21	1928	9,712	267	1,507	0	0	815	12,301	41,600
	TOTAL HAMMARBY SJÖSTAD				**84,262**	**9,080**	**20,384**	**691**	**0**	**9,232**	**123,649**	**911,379**

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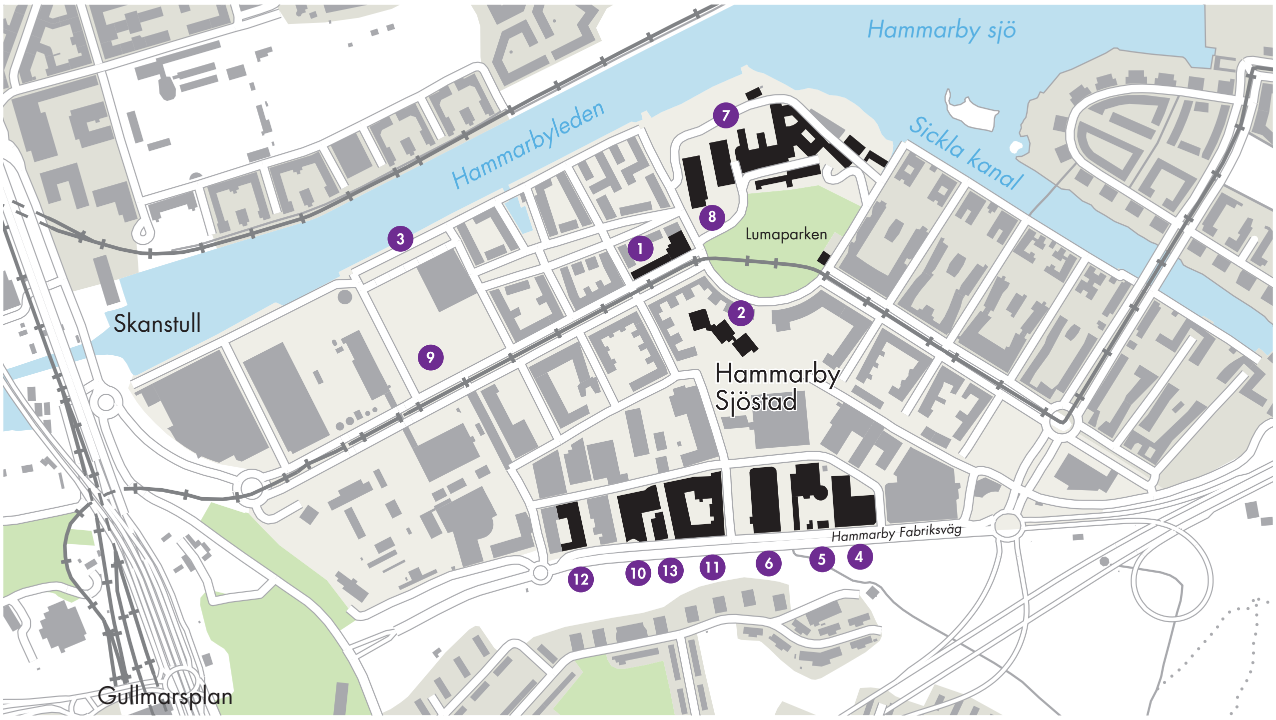
2) Land & project property – Land and development properties and properties in which a new build/complete redevelopment is in progress.



Property listing

Other 31 December 2013

	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 Dec. 2013
OTHER, NORTHERN STOCKHOLM												
1	Hammarby Smedby 1:464[2]	Upplands Väsby	Johanneslundsvägen 3–5		0	0	0	0	0	0	0	0
2	Hammarby Smedby 1:472[2]	Upplands Väsby	Johanneslundsvägen 3–5		0	0	0	0	0	0	0	4,252
3	Tekniken 1[2]	Sollentuna			0	0	0	0	0	0	0	6,600
4	Ulvsunda 1:1	Bromma	Flygplansinfarten 27	2004	0	0	1,241	0	0	0	1,241	6,807
5	Vallentuna Rickeby 1:327[2]	Vallentuna			0	0	0	0	0	0	0	293
TOTAL, NORTHERN STOCKHOLM					**0**	**0**	**1,241**	**0**	**0**	**0**	**1,241**	**17,952**
OTHER, SOUTHERN STOCKHOLM												
4	Pelaren 1[2]	Globen	Pastellvägen 2–6		0	0	0	0	0	0	0	8,400
TOTAL, SOUTHERN STOCKHOLM					**0**	**0**	**0**	**0**	**0**	**0**	**0**	**8,400**
TOTAL, OTHER					**0**	**0**	**1,241**	**0**	**0**	**0**	**1,241**	**26,352**

The list of properties contains all properties owned by Fabege at 31 December 2013.

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


Luma 1


Godsfinkan 1


Fartygstrafiken 2

Definitions

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

Cash flow per share
Profit before tax plus depreciation, plus/minus unrealised changes in value less current tax, divided by average number of shares.

Debt/equity ratio
Interest-bearing liabilities divided by shareholders' equity.

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

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.

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

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

Land and Project properties
Land and development 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 the rental agreement plus rent supplements.

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

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.

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

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

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

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

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.

All shareholders of Fabege have been asked if they want 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. Fabege also provides information 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.

The company's website also provides current information about Fabege's share price. In addition, Fabege provides quarterly presentations in connection with each interim report.

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Fabege

Fabege is a listed property company focusing mainly on letting and managing office premises as well as property development in the Stockholm region. With attractive, modern premises in a concentrated portfolio, we create conditions for success.

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