

Stockholm, June 4, 2003

## **PRESS RELEASE 6/2003**

- **New strategy for Drott**
- **Drott distributes residential holdings to shareholders**

The Board of Directors and management of Drott have been reviewing the company's strategy and direction since the Annual General Meeting on April 8, 2003.

The purpose of the review has been to establish a strategy and direction that ensure long-term growth and a good return for the company's shareholders.

Against this background, a decision has been made to break up Drott into two companies:

- **Fabege** with a focus on commercial properties in the Stockholm area, and
- **Bostadsbolaget Drott** with a focus on residential properties in growth regions, including Stockholm, Gothenburg and Malmö.

The intention is also to divest certain residential and commercial properties that for business reasons do not align with Fabege's or Bostadsbolaget Drott's future direction. Funds that are freed in the process will be transferred to shareholders through a one-time dividend, redemption and/or share repurchase.

The goal is that Fabege and Bostadsbolaget Drott will be managed as independent units as of January 1, 2004 and that new financial and operating objectives will be in place by that date. The intention is to propose to the Annual General Meeting in 2004 to distribute all the shares in the new Bostadsbolaget Drott to the shareholders. In connection with the changes, it is proposed that today's Drott change its name to Fabege.

Due to the above, the recruitment process for a new president will be expanded to include two positions; permanent presidents of both Fabege and Bostadsbolaget Drott.

Further information on the strategy and direction of Fabege and Bostadsbolaget Drott is provided in the accompanying attachments.

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### **The Board of Directors of Drott AB**

For further information, please contact:

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Attachments:

- Fabege
- Bostadsbolaget Drott



## Attachment 1(2)

### ***Fabege***

Regions with high economic growth are also distinguished by high mobility. Over time, the Stockholm area has experienced higher growth than other regions in the country, along with higher mobility. The difference between economic peaks and troughs is greater in the Stockholm area than anywhere else in the country. For passive players, the cyclical pattern can be a problem. For active players, however, higher mobility creates interesting business opportunities to buy and sell properties as well as enhance and develop individual properties and areas with the long-term potential for improvement. One example of the latter is the development of Marievik over the last ten years.

Fabege's portfolio of commercial properties in the Stockholm area and, to a lesser extent, in Gothenburg, Malmö, Helsingborg and Uppsala has a market value, based on the latest independent appraisal and after separating Bostadsbolaget Drott, of approximately SEK 32 billion.

While focused on the Stockholm area, Fabege will own and manage commercial properties that, through improvements, development or local circumstances, have the potential to contribute positively to stronger cash flow and appreciation in value. In addition, Fabege will:

- Actively buy and sell commercial properties to capitalize on cyclical fluctuations in the market.
- Actively improve and develop the portfolio of commercial properties to increase its attractiveness.
- Divest properties on an ongoing basis when further measures or other factors are not expected to improve cash flow and create additional value.

The aim is that Fabege, over a business cycle, will turn over approximately ten percent of its portfolio's market value according to the criteria described above.

Fabege's adjusted equity/assets ratio will amount to no less than 35 and no more than 45 percent over a business cycle. This range allows Fabege to flexibly utilize its capital, increasing its asset base through acquisitions and projects or reducing it through divestments when appropriate. The interest coverage objective is no less than 2.0 with a flexible fixed interest structure.

Fabege's dividend will be tied in part to cash flow from ongoing property management operations and in part to adjusted equity. The objective is to annually distribute no less than 75 percent of cash flow from ongoing property management operations. In the event cash flow in a particular year is less than the previous year, the dividend will remain unchanged, provided that cash flow exceeds the proposed dividend. The dividend at any given time will amount to no less than four percent of closing-day adjusted equity. The objective is also that dividend growth average no less than eight percent per year on a rolling basis over a five-year period.

Consequently, a significant share of the cash flow and appreciation in value that Fabege creates through this strategy and direction will be distributed to the company's shareholders on an ongoing basis.



## Attachment 2(2)

### ***Bostadsbolaget Drott***

Sweden faces a housing shortage in all regions with growing populations. The supply of new properties is limited due to high construction costs. For Bostadsbolaget Drott, it therefore makes sense to focus on geographic markets besides Stockholm, Gothenburg and Malmö. A number of these markets offer opportunities to sell residential properties to tenant-owners' associations in principle in a market with free pricing. Bostadsbolaget Drott, which will start off with an attractive property portfolio in good locations, therefore has the potential over time to realize its surplus values as the interest in, and the market for, condominium conversions grows.

Bostadsbolaget Drott will initially have residential properties in Stockholm, Gothenburg, Malmö, Lund and Uppsala with an aggregate market value, based on the latest independent appraisal, of around SEK 8 billion.

Bostadsbolaget Drott will own and manage residential properties in a maximum of ten regions in Sweden with population and economic growth, including Stockholm, Gothenburg and Malmö. Moreover, Bostadsbolaget Drott will:

- Acquire residential properties in areas that, through measures and regional growth, have the potential to be more attractive in the long term.
- Actively improve and develop the portfolio of properties to increase its attractiveness.
- Divest on an ongoing basis properties with low visible returns and limited improvement potential primarily to tenant-owners' associations.

The aim is that Bostadsbolaget Drott, over a business cycle, will annually turn over approximately five percent of its portfolio's market value according to the criteria described above. For shareholders of Bostadsbolaget Drott, stable revenue flows from residential property management, which tend over time to follow overall price trends, will therefore be combined with a long-term upside in the form of assets that can be divested in a market with unrestricted pricing.

Bostadsbolaget Drott's adjusted equity/assets ratio will amount to no less than 25 percent, whereby adjusted equity initially is estimated at SEK 2 billion. The interest coverage objective is no less than 1.25 with a long fixed interest structure.

Bostadsbolaget Drott's dividend will be tied in part to overall price trends, and in part to adjusted equity. The objective is to annually distribute the year's CPI plus one percentage point, but no less than three percent of closing-day adjusted equity.

Consequently, the appreciation in value that Bostadsbolaget Drott creates through this strategy and direction will be distributed to the company's shareholders on an ongoing basis.

