Press release 22/2004

Stockholm, September 9, 2004

- **The alternative bidder has announced that it does not plan to proceed with an offer**
- **The board of directors recommends that shareholders accept Wihlborgs' share offer, which it considers more attractive than the convertible offer**
- **The board advises shareholders against accepting Wihlborgs' cash offer and recommends that those who prefer cash sell their shares on the stock exchange given the current price level of the class B share of SEK 110**

The established player with whom Fabege had been holding discussions on an alternative offer has announced that it does not intend to issue a public offer to Fabege's shareholders. The board of directors of Fabege has thereafter decided to recommend that shareholders accept Wihlborgs' share alternative, which it considers more attractive than the convertible alternative, but advises shareholders against accepting the cash alternative. Shareholders who prefer cash are recommended to sell their shares on the stock exchange given that the current price level of the class B share is SEK 110.

On July 19, 2004, Wihlborgs Fastigheter AB (publ) ("Wihlborgs") announced a public offer to shareholders and holders of convertible debentures in Fabege AB (publ) ("Fabege") ("the offer") to tender their shares to Wihlborgs in exchange for:

1. SEK 105.50 for every class B share in Fabege and SEK 108 for every class A share in Fabege ("the cash alternative"), or
2. Twenty-one (21) newly issued shares in Wihlborgs[1] for every 20 class A or class B shares in Fabege ("the share alternative"), or
3. One convertible debenture in Wihlborgs for every class A or class B in Fabege ("the convertible alternative"); the convertibles have a nominal value of SEK 105.50 with a five-year maturity, an annual interest rate of 5.25% and a conversion price of SEK 105.50.
4. For each convertible promissory note in nominal amounts of SEK 10,000 that Fabege issued in May 2004, Wihlborgs is offering SEK 10,215 in cash.

[1] The extraordinary general meeting of Wihlborgs' shareholders held on August 30, 2004 also decided that shareholders in Fabege who choose the share alternative as far as possible will receive shares regardless of whether or not their holding is evenly divisible by 20.

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According to the prospectus, the acceptance period for Wihlborgs' offer expires on September 15, 2004.

On August 26, 2004, Fabege announced that the board had been informed in writing that an established player, under certain conditions, was considering a public cash offer with the same price for every class A and B share in Fabege exceeding Wihlborgs' cash alternative of SEK 108 for every class A share and SEK 105.50 for every class B share. Against this background, Fabege's board recommended that shareholders in Fabege not take action on Wihlborgs' offer until the potential cash offer had been further investigated.

Since August 26, 2004, Fabege's board has carried on discussions with the established player on the conditions for an alternative public offer. This established player has now announced that it does not intend to proceed with a public offer. In the board's opinion, it is unlikely that another alternative offer will materialize during the remainder of the acceptance period for Wihlborgs' offer.

In accordance with the rules of the Industry and Commerce Stock Exchange Committee on public tender offers, Fabege's board is obligated to publicly release its opinion of Wihlborgs' offer[2] "within a reasonable time before the conclusion of the acceptance period." The acceptance period for this offer expires on September 15, 2004. Fabege's board therefore wishes to fulfill its obligation in accordance with the Committee's rules by issuing the following statement.

Industrial considerations

The board of directors Fabege (formerly Drott AB) elected by the annual general meeting on April 8, 2003 announced on June 4, 2003 that, after conducting a review, it had decided on a new strategy for Fabege. As part of the new strategy, it was decided (i) to divest certain residential and commercial properties, (ii) to transfer surplus funds to the shareholders through a one-time distribution, (iii) to distribute Bostadsaktiebolaget Drott to the shareholders, and (iv) that the remaining, streamlined Fabege would focus on the Stockholm region, where it would own and manage commercial properties which, through improvements, development or area-specific circumstances, have the potential to contribute positively to cash flow and appreciation in value.

The reason for the board's decision on Fabege's strategic direction was its assessment that the difference between economic peaks and troughs is greater in the Stockholm area than the rest of the country and that this affords opportunities for active players. Residential properties were considered an attractive but separate investment category with limited ties to commercial real estate. It was also felt that once the portfolio reached a certain critical mass, effective management and development could not be significantly improved through greater size.

Since June 4, 2003, Fabege has been working at a fast pace to implement the measures it had announced and thereby increased the value of shareholders' holdings by slightly over

[2] According to the same section of the Industry and Commerce Stock Exchange Committee's rules on public offers, the board can also conclude that it can neither recommend for or against an offer, but must then explain its reasons for doing so.

70%[3]. Following the share redemption in June 2004, Fabege is now a company with a good capital structure, a clear strategy as noted above and transparent financial objectives.

The board still supports Fabege's strategy and is of the opinion that a streamlined, Stockholm-based commercial property portfolio that is actively managed has good prospects of creating value. As an investment, Fabege from time to time could be an attractive alternative depending on an investor's desired exposure. The board has also stated that signals indicate that the bottom has been reached for Stockholm's commercial real estate market in the current business cycle. Fabege also recently noted the success of its leasing activities, lower vacancies and an increase in the number of queries from prospective tenants.

With these factors in mind, Fabege's board believes that a merger of Fabege and Wihlborgs would mean a reversal of the development that Fabege has undergone. Consequently, the board feels now, as it did before, that the strategy and positioning Fabege represents is a more attractive alternative industrially than the basic structure that would result from a combined Wihlborgs/Fabege.

Financial considerations

In the cash alternative, shareholders are offered SEK 108 for every class A share and SEK 105.50 for every class B share. At the time of the offer's announcement, the visible value of the share alternative[4] was SEK 107.63 per Fabege share. On the same date, the theoretical value of the convertible alternative, in the best estimation of the board, slightly exceeded Wihlborgs' offer of SEK 105.50. The last price paid for the Fabege B share on July 16, 2004 was SEK 106.50. Based on the last price paid for the Wihlborgs share on September 7, 2004, the value of the share alternative was SEK 111.30. The last price paid for the Fabege B share on September 7 was SEK 110.

In its financial considerations, the board has analyzed, among others, the following circumstances and, in its subsequent evaluation, weighed them against the conditions facilitated by the offer:

- At the time of the offer's announcement, this represents a limited premium. The board notes that higher premiums are customary with public takeover offers.
- In view of the offer, Fabege commissioned the appraisal firm DTZ to update the valuations of Fabege's properties. This update, as also announced on August 26, 2004, produced a net asset value of SEK 123 (10% deferred tax) per Fabege share as of June 30, 2004.
- In view of the offer, Fabege has conducted an internal analysis of the values that over time could reasonable be expected to accrue if Fabege remained an independent, listed company. In its best estimation at the present time and given the current status of the Stockholm market, the board believes there are reasonable conditions for creating value that, adjusted to present value, would exceed over time all the alternatives presented by the offer.

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[3] Based on the last price paid for the Fabege class B share on June 3, 2003 and September 7, 2004 and taking into account the distribution and subsequent sale of Bostads AB Drott and share redemption.
[4] Wihlborgs' share price on July 16, 2004 multiplied by 1.05.

- Real estate is a relatively transparent asset class. The contacts it has maintained with other players in the real estate market have led the board to believe that, notwithstanding Fabege's ownership structure, other parties in a competitive situation would have been able to offer more attractive terms than those of the cash alternative.
- Fabege has considered and valuated the synergy gains that could arise from a merger of Fabege and Wihlborgs. In accordance with the board's industrial assessments as noted above, these potential gains as a whole are not believed to represent enough value to significantly change the board's view of the share and convertible alternatives.
- In accordance with the recommendation of the Industry and Commerce Stock Exchange Committee on public tender offers, the board has commissioned Erneholm & Haskel AB to evaluate the offer from a financial perspective. Following its evaluation, Erneholm & Haskel AB has come to the conclusion that the cash alternative cannot be considered reasonable but – in light of the recent performance of the Wihlborgs share – the share or convertible alternatives cannot be considered unreasonable from a financial perspective for Fabege's shareholders.

Against the background of the above-mentioned factors, the board's best estimation at the time of this statement is that it would be financially more attractive to own shares in today's Fabege than to accept any of the alternatives presented by the offer.

Special considerations

As of August 19, 2004, Wihlborgs owned shares in Fabege equivalent to 42.1 percent of the capital and 41.3 percent of the votes. As an element in the offer, the Stena Group has committed to tender Wihlborgs its remaining 2,100,000 class B shares in Fabege for shares in Wihlborgs, at which point Wihlborgs will own shares in Fabege equivalent to 45.2 percent of the capital and 44.4 percent of the votes. Wihlborgs' offer does not contain any terms and conditions on the level of acceptance.

If Wihlborgs' offer is accepted to an extent that Wihlborgs takes ownership of more than 50 percent of the votes in Fabege, Fabege will become a subsidiary of Wihlborgs. As a company in the Wihlborgs Group, Fabege will be subject to Wihlborgs' ultimate decisions on its strategic direction.

However, in the event Wihlborgs does not reach 90 percent of the capital and votes in Fabege, the companies will not be able to fully cooperate, and the value of the expected synergy gains will not be realized. The board believes that Fabege's operations would be negatively affected by such a restricted ownership situation. Lastly, the board is of the opinion that the risk of poorer liquidity in the Fabege share, and the negative effects this would have on its value, would increase if Fabege becomes a subsidiary of Wihlborgs. There is also a risk of a future delisting of the Fabege share, in which case it would have very limited liquidity. Wihlborgs' offer is not conditional on a particular level of acceptance, and the board is generally of the opinion that there is a fairly high likelihood that Wihlborgs will become the parent company of Fabege.

Recommendation

The board of directors feels it is more attractive from an industrial perspective to own shares in Fabege than in a combined Wihlborgs/Fabege and that it is more attractive from a financial perspective to be a shareholder in Fabege than to accept the offer.

Against the background of the special considerations it believes it is obligated to make, the board is of the opinion that the most risky, and least attractive, alternative as a whole is to be a shareholder in a subsidiary of Wihlborgs. **Against this background, and in the absence of an alternative offer, the board therefore recommends that shareholders in Fabege consider Wihlborgs' offer with the following in mind:**

- Shareholders in Fabege who wish to remain shareholders in a publicly listed real estate company are advised to accept the share alternative.

- The board feels that it is more attractive from a financial perspective to accept the share alternative rather than the convertible alternative. However, the board is not advising shareholders against accepting the convertible alternative.

- Given the last price paid for the Fabege class B share on September 7, 2004 of SEK 110 and the last listed bid price for the Fabege class A share on September 7, 2004 of SEK 110, the board advises Fabege's shareholders against accepting the cash alternative. Shareholders in Fabege who prefer cash are advised at these price levels to sell their shares on the stock exchange.

The board recommends for the same reasons noted above that holders of convertible promissory notes in Fabege accept the offer.

In addition to what has been stated above, board member Anders Böös feels that:

- "relative to the Fabege share, the Wihlborgs share is <u>not</u> correctly valued,
- the potential in the Fabege share is greater than in the Wihlborgs share, and is so much greater that the proposed exchange ratio is not reasonable,
- for shareholders who wish to maintain an exposure to the Stockholm real estate market and do not feel that the current share price reflects the full value in either company and do not wish to retain their Fabege shares, the share alternative is better than the convertible alternative."

Board members Sven Hagströmer and Mats Paulsson have not participated in any regard in the board's preparations and statement related to this offer.

Fabege AB (publ)
The board of directors

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