



**Hemfosa Fastigheter AB (publ)**

relating to the listing of

up to a maximum SEK 1,000,000,000 Senior Unsecured Floating Rate  
Bonds due 2019

ISIN: SE0009357403

**Joint Bookrunners**

**Nordea**

**Swedbank** 

Prospectus dated 25 January 2017

## IMPORTANT NOTICE:

This prospectus (the "**Prospectus**") has been prepared by Hemfosa Fastigheter AB (publ) (the "**Issuer**", or the "**Company**" or together with its direct and indirect subsidiaries unless otherwise indicated by the context, the "**Group**"), a public limited liability company incorporated in Sweden, having its headquarters located at the address, Håstholmsvägen 28, Nacka, with reg. no. 556917-4377, in relation to the application for the listing of the senior unsecured floating rate bonds denominated in SEK (the "**Bonds**") on the corporate bond list on Nasdaq Stockholm Aktiebolag, reg. no. 556420-8394 ("**Nasdaq Stockholm**"). Nordea Bank AB (publ) ("**Nordea**") and Swedbank AB (publ) ("**Swedbank**") have acted as joint bookrunners in connection with the issue of the Bonds (the "**Joint Bookrunners**"). This Prospectus has been prepared in accordance with the standards and requirements of the Swedish Financial Instruments Trading Act (*Sw. lag (1991:980) om handel med finansiella instrument*) (the "**Trading Act**") and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC as amended by the Directive 2010/73/EC of the European Parliament and of the Council (the "**Prospectus Regulation**"). The Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*) (the "**SFSA**") pursuant to the provisions of Chapter 2, Sections 25 and 26 of the Trading Act. Approval and registration by the SFSA does not imply that the SFSA guarantees that the factual information provided in this Prospectus is correct and complete. This Prospectus has been prepared in English only and is governed by Swedish law and the courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection with this Prospectus. This Prospectus is available at the SFSA's website ([fi.se](http://fi.se)) and the Issuer's website ([hemfosa.se](http://hemfosa.se)).

Unless otherwise stated or required by context, terms defined in the terms and conditions for the Bonds beginning on page 38 (the "**Terms and Conditions**") shall have the same meaning when used in this Prospectus.

Except where expressly stated otherwise, no information in this Prospectus has been reviewed or audited by the Company's auditor. Certain financial and other numerical information set forth in this Prospectus has been subject to rounding and, as a result, the numerical figures shown as totals in this Prospectus may vary slightly from the exact arithmetic aggregation of the figures that precede them. This Prospectus shall be read together with all documents incorporated by reference in, and any supplements to, this Prospectus. In this Prospectus, references to "**SEK**" refer to Swedish krona.

Investing in bonds is not appropriate for all investors. Each investor should therefore evaluate the suitability of an investment in the Bonds in light of its own circumstances. In particular, each investor should:

- (a) have sufficient knowledge and experience to carry out an effective evaluation of (i) the Bonds, (ii) the merits and risks of investing in the Bonds, and (iii) the information contained or incorporated by reference in the Prospectus or any supplements;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate in the context of its particular financial situation the investment in the Bonds and the impact that such investment will have on the investor's overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks resulting from an investment in the Bonds, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the investor's own currency;
- (d) understand thoroughly the Terms and Conditions and the other Finance Documents and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the assistance of a financial adviser) possible scenarios relating to the economy, interest rates and other factors that may affect the investment and the investor's ability to bear the risks.

This Prospectus is not an offer for sale or a solicitation of an offer to purchase the Bonds in any jurisdiction. It has been prepared solely for the purpose of listing the Bonds on the corporate bond list on Nasdaq Stockholm. This Prospectus may not be distributed in or into any country where such distribution or disposal would require any additional prospectus, registration or additional measures or contrary to the rules and regulations of such jurisdiction. Persons into whose possession this Prospectus comes or persons who acquire the Bonds are therefore required to inform themselves about, and to observe, such restrictions. The Bonds have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being offered and sold outside the United States to purchasers who are not, or are not purchasing for the account of, U.S. persons in reliance upon Regulation S under the Securities Act. In addition, until 40 days after the later of the commencement of the offering and the closing date, an offer or sale of the Bonds within the United States by a dealer may violate the registration requirements of the Securities Act if such offer or sale of the Bonds within the United States by a dealer may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to an exemption from registration under the Securities Act.

The offering is not made to individuals domiciled in Australia, Japan, Canada, Hong Kong, the Italian Republic, New Zealand, the Republic of Cyprus, the Republic of South Africa, the United Kingdom, the United States (or to any U.S. person), or in any other country where the offering, sale and delivery of the Bonds may be restricted by law.

This Prospectus may contain forward-looking statements and assumptions regarding future market conditions, operations and results. Such forward-looking statements and information are based on the beliefs of the Company's management or are assumptions based on information available to the Group. The words "considers", "intends", "deems", "expects", "anticipates", "plans" and similar expressions indicate some of these forward-looking statements. Other such statements may be identified from the context. Any forward-looking statements in this Prospectus involve known and unknown risks, uncertainties and other factors which may cause the actual results, performances or achievements of the Group to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Further, such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Although the Company believes that the forecasts of, or indications of future results, performances and achievements are based on reasonable assumptions and expectations, they involve uncertainties and are subject to certain risks, the occurrence of which could cause actual results to differ materially from those predicted in the forward-looking statements and from past results, performances or achievements. Further, actual events and financial outcomes may differ significantly from what is described in such statements as a result of the materialisation of risks and other factors affecting the Group's operations. Such factors of a significant nature are mentioned in the section "**Risk factors**" below.

This Prospectus shall be read together with all documents that are incorporated by reference, see subsection "**Documents incorporated by reference**" under section "**Other information**" below, and possible supplements to this Prospectus.

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## RISK FACTORS

### Risk factors

#### Macroeconomic factors

The property industry in general, and thus the Group, is affected to a considerable degree by macroeconomic factors such as the economic climate, inflation and possibly deflation, growth, the rate of construction of new housing and commercial premises and changes to infrastructure and demographics. Because economic growth affects the employment rate, this is an important factor for consideration of factors such as demand for properties and tenant solvency. The Group's property portfolio has a strong element of properties with tax-funded tenants, and income are primarily affected by the long-term demand for premises for social services such as the judicial system, schools, healthcare and elderly care, although other activities that are directly or indirectly publicly financed may be present as well. The Group's prospects for securing competitive rent levels that are sustainably dependable and low vacancy rates depend on its ability to customise the properties according to the tenants' changing requirements in respect of such considerations as quality, functionality and size. These circumstances have a significant impact on the Group's income, rental and vacancy rates and the rent levels that the Group is able to charge. An economic downturn leading to lower employment, a sharp rise in inflation or deflation could have a substantial negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

#### Rental income

The Group's real estate portfolio is geographically diversified and comprises a large number of tenants. Rental income is derived primarily from tenants that operate public services on behalf of the state, or a council or municipality. The ten largest tenants as of 30 September 2016 accounted for 27.4% of the total contracted rental income, of which the largest, the police department, accounted for 5.4%. The total number of leases entered into with the ten largest tenants was 309 as of 30 September 2016.

The leases entered into with the Group's ten largest tenants are of different duration. The average remaining term of these leases was 8.6 years as of 30 September 2016. If one or more of the Group's more important tenants fails to renew or extend its lease when it expires, this could result in a decline in rental income and/or higher vacancy rates, unless the Group can procure equivalent income from new tenants.

The general rent rate risk relates to changes in relevant market rent rates. A long-term downward trend in relevant market rent rates could have an adverse effect on the Group. The Group is also dependent on its tenants paying contracted rents on time and is therefore exposed to the risk of these tenants failing to duly perform their obligations, which could give rise to lower rental income. This, in turn, could have an adverse effect on the Group's business, financial position, earnings and ability to make payments under the Bonds.

#### Higher operating and maintenance costs

Operating costs consist primarily of tariff bound charges for services such as electricity refuse collection, water and heat. Several of these costs are for goods and services that can only be purchased from one or a small number of entities, which could affect the price. While a large part of the Group's leases are drawn up so that the tenant is responsible for most of these costs, the Group's operations, financial position, earnings and ability to make payments under the Bonds could be negatively affected should it not be possible to offset such higher costs by addressing them in the terms of the lease or renegotiating the lease to raise the rent.

Maintenance costs are attributable to measures aimed at upholding a property's standard in the long term or maintaining and/or modernising it. In order to meet demands from the market or government authorities or other legal requirements, such costs may be substantial and unforeseen, and thereby may have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

#### **Acquisition risk, sales risk and other transaction-related risks**

Property acquisitions constitute part of the Group's operating activities. In order to complete an acquisition, suitable investment objects must be for sale at reasonable price levels. Should the demand for the investment objects specialised in by the Group be high, the number of property portfolios for sale may be limited or only available at terms that are unfavorable to the Group. Competitors with similar investment strategies may, compared to the Group, also have access to greater financial resources and may have lower capital costs.

Acquisitions entail risks associated with the operations that are acquired. For example, tenants may vacate, the acquired operation's accounts may be deficient, and/ or the operation may be the object of unforeseen environmental or tax requirements or other circumstances that have a negative impact on the value of the acquisition object. There is a risk that future operations or properties obtained through acquisitions could have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

Acquisitions may also be associated with risks pertaining to the seller, for instance that the seller is experiencing financial difficulties and therefore lack the will or capability to pay compensation in the event of warranty claims which would have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

The property agents or other parties involved in some of the Group's property acquisitions are acting on someone else's behalf. There are risks of disputes arising concerning: the commissions paid to such middlemen; that they may act beyond the scope of their mandate; or that they may provide incorrect information, which could have negative consequences for the Group.

As part of its property acquisition activity, the Group may also enter into property acquisition agreements without ensuring beforehand that the Group will have sufficient financing for the acquisition. Failure to obtain such financing may then have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

The Group's ability to sell parts of its property portfolio on favorable terms depends on the health of the property and transaction market. If the Group were forced to sell parts of its property portfolio in order to finance its business, there is a risk that the Group will not succeed in completing these sales on favorable terms or at all. Should the Group be forced to sell all or parts of its property portfolio, for example if the Group's creditors were to realise pledged collateral, it is probable that the selling price would be lower than the price the Group would be able to obtain in a future voluntary sale. This could have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

When engaging in sales, the Group may grant respites for part of the purchase price according to promissory notes. If a buyer against whom the Group has a claim is experiencing or will experience financial difficulties, the Group's chances of being paid may be reduced. Such an event could have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

During 2015 and 2016, the Group has sold properties totaling approximately SEK 1.8 billion. Under several of these sales agreements, it is still possible for each buyer to invoke warranty claims. There is a risk that such claims arise in the future, which could have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

### **Geographic expansion**

The Group has an established presence in Norway and Finland after having carried out real estate acquisitions on these markets in 2015. Geographic expansion carries risks. The companies and individuals operating on primarily the Finnish market (on which the Group is still developing its business) have limited knowledge of the Group, which could make it difficult for the Group to conduct its business there successfully. The fact that the Group has not fully established its own business in Norway could also divert time and resources from its business in Sweden and lead to greater dependence on external advisers. The rules and regulations governing real estate in Norway and Finland differ in some respects from those in Sweden, which could make it difficult for the Group to perform the correct analyses and make the right decisions. Furthermore, supply and demand for properties differs and, therefore, the return on real estate investments between different countries and the return in Finland and Norway could develop differently than on the Swedish market. If these risks are realized, this could have an adverse effect on the Group's business, financial position, earnings and ability to make payments under the Bonds.

### **Development of projects**

The Group continually strives to make tenant improvements and develop projects, and also carries out major projects, such as its commitment in 2015 to invest approximately SEK 1.2 billion to develop a new health campus and build a heart and lung hospital at Gardermoen airport near Oslo. Large, tailored projects require significant investment, which could lead to an increased credit risk if tenants fail to perform their obligations to pay rent and the Group is unable to find new tenants for the relevant premises. Furthermore, major construction, conversion and renovation projects could be delayed and/or become more expensive than initially anticipated, potentially resulting in the tenants being unable to use the premises from the anticipated date, which could also result in an increase in costs and/or a loss of income. To the extent the Group is not compensated for these increased costs or loss of income, this could have an adverse effect on the Group's business, financial position, earnings and ability to make payments under the Bonds.

### **Technical risks**

Technical risk pertain to the risk associated with the technical operation of properties, such as the risk of construction defects, other hidden defects or deficiencies, damages and contamination. There is a risk that unforeseen costs could arise in relation to such technical risks. If such technical problems arise, there is a risk that these costs have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

### **Change in the value of properties**

The Group's properties are recognized in the balance sheet at fair value, and the change in value is recognized in the income statement. The value of the properties is affected by multiple factors, some of them property-specific such as occupancy, rent levels and operating costs, and other market-specific such as yield requirements and cost of capital derived from comparable transactions in the property market. Deterioration in either a property or the market could cause the value of the Group's properties to decline, which could have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

### **Jointly owned companies cannot be solely controlled**

In addition to the Group's wholly-owned property portfolio, the Group holds shares in several property owning companies through which properties are owned jointly with other investors. The Group holds half of the shares and the votes in the joint ventures Söderport Holding AB, Gästgivaregatan Holding AB and Culmen Strängnäs II AB. Further, the Group holds 65 per cent. of the shares and the votes in the joint venture Gardermoen Campus Utvikling AS. Other property owning companies hold the remaining part of the shares of each company. The ownership in these jointly

owned companies is regulated by shareholder agreements and consequently, the Group has not full competence to decide upon, and cannot solely control the investments or sales of properties in these companies. If the companies were to develop in a way that is disadvantageous to the Group, this could have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

**Competition**

The Group operates in a competitive industry. Stiffer competition could have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

**Operational risk**

All operations are connected with risk of incurring losses due to deficient procedures and/or fraud or internal or external events that cause disruptions or damages to the business. As the Group has chosen to have a comparatively small and efficient finance department that mainly analyses, quality assures and compiles financial information, the performance of the services provided by external parties are of special significance for the Group, especially in terms of information disclosure to the market. Shortcomings in operational safety, including services from essential external service providers to the Group, could have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

**Environmental risk**

Property investments entail the risk of acquiring contaminated properties. The Group does not currently operate any business that requires a permit according to the Swedish Environmental Act, and it has no properties recorded in the database maintained by the county administrative boards of potentially contaminated areas, known as the EBH support. However businesses requiring permits have previously been operated at a number of the Group's properties and some of the Group's tenants could currently be operating businesses that require a permit.

According to the Swedish Environmental Act, the party that operates a business that has contributed to contamination is responsible for remediation. If the business proprietor is unable to perform or pay for remediation of a contaminated property, the responsible party is the party that acquired the property, if such party, at the time of the acquisition, was aware of or should have discovered the contamination. This means that, under certain conditions, claims could be made against the Group for soil remediation or reclamation relating to the presence or suspicion of contamination in soil, catchment areas or groundwater.

There is a risk that existing or previously operated businesses at the properties could cause certain environmental risks that could have a material negative impact on the Group. Should the Group be charged for the cost for soil remediation or reclamation, this could have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

**Ability to recruit and retain personnel**

The Group's organisation is limited in size, and several key employees have founded the Group and have a private ownership share. The Group's future success depends on factors including its ability to retain and continue to motivate these employees, as well as being able to recruit, retain and develop other qualified senior executives and key employees. There is a risk that the Group will not be able to retain and continue to motivate such key employees as well as recruit, retain and develop other qualified senior executives and key employees. Should such risks materialize, it may have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

### **Disputes**

The Group is involved in a dispute with a tenant relating to a property in Gothenburg where the Group has claimed damages amounting to approximately SEK 17 million and the tenant has claimed damages in an amount of approximately SEK 50 million. The relevant Group company has filed a statement of claim against the tenant concerning deposited and unpaid rent. The tenant has contested the Group's claim and also filed a counterclaim. The district court's ruling has been appealed by both parties to the court of appeal whereby the tenant has adjusted its claim to approximately SEK 30 million. There is a risk that the outcome of pending and potential disputes could have an adverse effect on the Group. There is also a risk of the Group becoming engaged in further disputes in the future, which could have an adverse effect on the Group's business, financial position, earnings and ability to make payments under the Bonds.

### **Tax risks**

Taxes can constitute a significant cost item for property companies. Changes to real estate tax and other taxes, such as corporation tax, VAT and other governmental charges, could have an adverse effect on the Group.

As a result of the Group's losses from previous years, together with capital allowances and deductions for certain investments in the properties, tax has only been payable in Sweden in respect of the small number of subsidiaries where the requirements were not met for making group contributions to the Group companies with losses. This situation primarily exists in the year in which a company is acquired from a third party to the extent the acquired company has no losses from previous tax years. The Group has two companies which incurred significant losses from previous years when they were acquired. The Group's total loss carryforwards amounted to SEK 4,719 million at September 30 2016. Changes to tax rules and regulations and changes in ownership could place limitations on the ability to use the loss relief.

There is a risk that, in relation to audits and examinations conducted in the future by tax authorities in the countries in which the Group conducts business, the authorities will not share the Group's view on, for example, the right to tax relief on expenses, capital allowances or loss relief. The Swedish Ministry of Finance is currently in the process of drawing up a proposal for new rules concerning limitations on tax relief on interest payments. The proposal presented in June 2014 (Swedish Government Official Reports 2014:40) faced strong criticism from interested parties who were consulted about the proposed rules. Any new legislation implemented could limit the Group's right to make tax deductions for interest expenses.

On 11 June 2015, the Swedish government announced that it was setting up a committee to review certain matters within the areas of real estate tax and stamp duty. The committee is reviewing in particular the rules and regulations concerning tax-free real estate packaging and analyzing whether acquisitions carried out by means of land parcelling are a ruse to avoid stamp duty. Any changes to tax legislation could have an adverse effect on the Group's business, financial position, earnings and ability to make payments under the Bonds.

Since the Group has investments in Finland and Norway, any changes to the tax legislation in those countries could also affect the Group's tax position.

### **Altered legal conditions**

Most of the Group's tenants perform tax-funded activities on behalf of the Swedish government, municipalities or county councils, and the Group's operations are to a considerable extent dependent on decisions and requirements from authorities concerning property ownership, rentals, rental amounts, maintenance, operations et cetera. New, amended or terminated laws or



regulations, or the application of the aforementioned, which are applicable to the Group's or its customer's operations, could have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds. This is also the case if government authorities were to reach opinions that differ from the Group or its customers concerning licensing requirements, the necessity to obtain permits or other business law requirements.

## **FINANCIAL RISKS**

### **Credit risk**

Credit risk is defined as exposure to losses should a counterparty be unable to fulfil its financial obligations to the Group. In addition to the Group's tenants, such counterparties exist when investing excess liquidity, when signing interest-rate swap agreements, when issuing promissory notes and when receiving long- and short-term credit agreements. Should these counterparties be unable to fulfil their financial obligations towards the Group, this could have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

### **Liquidity risk**

Liquidity risk is the risk that the Group cannot meet its payment obligations at the due date without the cost of obtaining means of payment increasing substantially. As of 30 September 2016, the Group's available liquidity amounted to SEK 744 million in the form of bank deposits. The Group also has short-term committed credit facilities totaling SEK 390 million, which were unutilised as of 30 September 2016, and a revolving credit facility amounting to SEK 1.3 billion which were unutilised as of 30 September 2016. If the Group's source of funding are not deemed sufficient, this may have a significant negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

### **Refinancing risk**

Refinancing risk is defined as the risk that financing cannot be obtained or renewed at the end of its maturity, or only at substantially higher costs. Property companies often have significant level of indebtedness. The Group finances its business primarily through borrowing and its own cash flows. As of 30 September 2016, the Group's net indebtedness amounted to SEK 18,154 million, of which SEK 7,336 million, corresponding to 40 per cent, will be due within two years. There is a risk that additional capital cannot be obtained, or that this can be achieved only at terms that are disadvantageous to the Group. Should the Group fail to obtain necessary capital in the future, this could have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

### **Financial covenants in loan agreements and bond terms**

As of 30 September 2016, the Group's liabilities consisted of a total of approximately SEK 18,898 million borrowed from credit institutions and under bonds and certificate programme. Borrowing from credit institutions is primarily divided among seven different institutions. A large proportion of the loan agreements entail financial covenants. All of these covenants were fulfilled as of 30 September 2016. If the Group were to violate one or more of these covenants in any loan agreements, this could result in the loan (or other loans through cross-default provisions) being terminated for immediate payment, or seizure of collateral by the relevant credit institution. This could have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

### **Interest-rate risk**

Interest-rate risk refers to the risk that changes in interest rates could affect the Group's interest costs, which are the Group's single largest cost item. In the longer term, changes in interest rate have a material effect on the Group's results and cash flow. The Group's total interest costs for the

financial year of 2015 amounted to SEK 414 million and as of 30 September 2016, the Group's average interest rate level was 2.05 per cent. Based on the Group's annual earnings capacity as of 30 September 2016, a change in the average interest rate level of the Group (excluding derivative agreements) of +/- one per cent would, theoretically, affect the Group's earnings before tax with +/- SEK 190,000. In certain cases, the Group has entered into loan agreements providing for an interest rate floor, which means that the 3-month STIBOR rate cannot be negative. The consequence of these provisions is that the Group will be unable to absorb in full a negative 3-month STIBOR rate. If prevailing interest-rate levels were to change and/or the Group were to fail to pay interest in the future, this could hence have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

#### **Currency risk**

As a consequence of the acquisitions in Norway and Finland in 2015, the Group is exposed to currency risk. Currency risk means investments, revenues and expenses in foreign currency where changes in exchange rates affect the results. The Group's currency risk arises partly in respect of its equity in foreign subsidiaries, and partly in respect of the net flows in foreign currency and in relation to acquisitions and sales of foreign companies and real estate where a transaction is usually negotiated and agreed some time before completion occurs and the Group is exposed to currency fluctuations during the intervening period. The Group has not currently entered into any currency hedging contracts. The currency risks described above could have an adverse effect on the Group's business, financial position, earnings and ability to make payments under the Bonds.

#### **Risk related to the value of derivative instruments**

As part of its management of interest-rate risk, the Group utilises interest-rate derivative instruments, primarily interest-rate swaps and interest-rate caps. If the variable market rate during the term of the derivative instrument differs from the fixed rate agreed in the derivative instrument, a theoretical overvalue or undervalue of the financial instrument arises. Interest-rate derivative instruments and interest-rate caps are recognized continuously at fair value in the balance sheet, while changes in value are recognized in the income statement. The market value of the derivative instruments changes as market interest rates change. This could in turn have a negative impact on the Group's business, financial position, earnings and ability to make payments under the Bonds.

### **RISKS RELATING TO THE BONDS**

#### **Credit risks**

Investors in the Bonds carry a credit risk relating to the Group. The investors' ability to receive payment under the Terms and Conditions is dependent on the Issuer's ability to meet its payment obligations, which in turn is largely dependent upon the performance of the Group's operations and its financial position. The Group's financial position is affected by several factors of which some are mentioned on the preceding pages. An increased credit risk may cause the market to charge the Bonds a higher risk premium, which would affect the Bonds' value negatively. Another aspect of the credit risk is that a deteriorating financial position of the Group may reduce the Group's possibility to receive debt financing at the time of the maturity of the Bonds.

#### **Refinancing risk**

The Group will eventually be required to refinance all of its outstanding debt, including the Bonds. The Group's ability to successfully refinance its debt is dependent on the conditions of the capital markets and its financial condition at such time. The Group's access to financing sources may not be available on favourable terms, or at all.

The Group's inability to refinance its debt obligations on favourable terms, or at all, could have a material adverse effect on the Group's business, financial condition and results of operations and on the bondholders' recovery under the Bonds.

**Interest rate risks**

The Bonds' value depends on several factors, one of the most significant over time being the level of market interest. Investments in the Bonds involve a risk that the market value of the Bonds may be adversely affected by changes in market interest rates.

**Liquidity risks and secondary market**

The Issuer intends to list the Bonds on the corporate bond list of Nasdaq Stockholm within 30 calendar days from the Issue Date. Even if the Bonds are admitted to trading on the aforementioned market, active trading in the Bonds does not always occur and a liquid market for trading in the Bonds might not occur even if the Bonds are listed. This may result in the bondholders not being able to sell their Bonds when desired or at a price level which allows for a profit comparable to similar investments with an active and functioning secondary market. Lack of liquidity in the market may have a negative impact on the market value of the Bonds. Furthermore, the nominal value of the Bonds may not be indicative compared to the market price of the Bonds if the Bonds are admitted to trading on Nasdaq Stockholm. It should also be noted that during a given time period it may be difficult or impossible to sell the Bonds (at all or at reasonable terms) due to, for example, severe price fluctuations, close down of the relevant market or trade restrictions imposed on the market.

**The market price of the Bonds may be volatile**

The market price of the Bonds could be subject to significant fluctuations in response to actual or anticipated variations in the Group's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Bonds, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Bonds without regard to the Group's business, financial position, earnings and ability to make payments under the Bonds.

**Dependency on other companies within the Group**

A significant part of the Group's assets and revenues relate to the Issuer's subsidiaries. The Issuer is thus dependent upon receipt of sufficient income and cash flow related to the operations of the subsidiaries. Consequently, the Issuer is dependent on the subsidiaries' availability of cash and their legal ability to make dividends which may from time to time be restricted by corporate restrictions and law. Should the Issuer not receive sufficient income from its subsidiaries, the investor's ability to receive payment under the Terms and Conditions may be adversely affected.

**Majority owner**

Following any potential change of control in the Issuer, the Issuer may be controlled by a majority shareholder whose interest may conflict with those of the bondholders, particularly if the Group encounters difficulties or is unable to pay its debts as they fall due. A majority shareholder has legal power to control many of the matters to be decided by vote at a shareholder's meeting. For example, a majority shareholder will have the ability to elect the Board of Directors of the Issuer. Furthermore, a majority shareholder may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments but might involve risks to the bondholders. There is nothing that prevents a shareholder or any of its affiliates from acquiring businesses that directly compete with the Group. If such an event were to arise, it could have a material negative impact on the Group's operations, earnings and financial

position. According to the Terms and Conditions, if a change of control event occurs, the bondholders have a right of prepayment of the Bonds (put option). There is a risk that the Issuer lacks liquidity to repurchase the Bonds if the bondholders were to exercise their right of prepayment. Please see the risk factor "Early redemption and put option" on the following page for further information.

#### **Risks relating to the Bonds being unsecured**

The Bonds constitute unsecured debt obligations of the Issuer. If the Issuer is subject to any foreclosure, dissolution, winding-up, liquidation, recapitalisation, administrative or other bankruptcy or insolvency proceedings, all of the Issuer's secured obligations must first be satisfied, potentially leaving little or no remaining assets in the Issuer for the bondholders. As a result, the bondholders may not recover any or full value. The bondholders will only have an unsecured claim against the assets (if any) in the Issuer for the amounts under or in respect of the Bonds, which means that the bondholders normally would receive payment (pro rata with other unsecured non-priority creditors) after any priority creditors have been paid in full. Each investor should be aware that by investing in the Bonds, they risk losing the entire, or part of, its investment in the event of the Issuer's liquidation, bankruptcy or Group re-organisation. Further, the Issuer currently has outstanding secured debt. Consequently, an enforcement of security furnished under the secured obligations can have a material negative effect on the bondholders' recovery under the Bonds.

#### **Subsidiaries, structural subordination and insolvency of subsidiaries**

A significant part of the Group's assets and revenues relate to the Issuer's subsidiaries. The subsidiaries are legally separated from the Issuer and the subsidiaries' ability to make payments to the Issuer is restricted by, among other things, the availability of funds, corporate restrictions and law. Furthermore, in the event of insolvency, liquidation or a similar event relating to one of the subsidiaries, all creditors of such subsidiary would be entitled to payment in full out of the assets of such subsidiary before any entity within the Group, as a shareholder, would be entitled to any payments. Thus, the Bonds are structurally subordinated to the liabilities of the subsidiaries. The Group and its assets may not be protected from any actions by the creditors of any subsidiary of the Group, whether under bankruptcy law, by contract or otherwise. In addition, defaults by, or the insolvency of, certain subsidiaries of the Group could result in the obligation of the Group to make payments under parent Group financial or performance guarantees in respect of such subsidiaries' obligations or the occurrence of cross defaults on certain borrowings of the Group.

#### **Security over assets granted to third parties**

The Group may, subject to limitations, incur additional financial indebtedness and provide additional security for such indebtedness. In the event of bankruptcy, reorganisation or winding-up of the Issuer, the bondholders will be subordinated in right of payment out of the assets being subject to security.

In addition, if any such third party financier holding security provided by the Group would enforce such security due to a default by any Group company under the relevant finance documents, such enforcement could have a material adverse effect on the Group's assets, operations and ultimately the position of the bondholders.

#### **Currency risks**

The Bonds will be denominated and payable in SEK. If bondholders holding Bonds measure their investment return by reference to a currency other than SEK, an investment in the Bonds will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the SEK relative to the currency by reference to which investors measure the return on their investments. This could decrease the effective yield of the Bonds to below their stated coupon rates

and could result in a loss to investors when the return on the Bonds is translated into the currency by reference to which the investors measure the return on their investments. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Bonds. As a result, there is a risk that investors receive less interest or principal than expected, or no interest or principal at all.

### **Early redemption and put options**

Under the Terms and Conditions, and as described in the term sheet for the Bonds, the Issuer has reserved the possibility to, under certain circumstances, redeem all outstanding Bonds during the period from the date falling ninety (90) days before the final redemption date to the final redemption date. There is a risk that the market value of the Bonds is higher than the early redemption amount and that it may not be possible for bondholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate. According to the Terms and Conditions, the Bonds are subject to prepayment at the option of each bondholder (put options) if (i) the ordinary shares of the Issuer are being delisted from Nasdaq Stockholm or trading in the ordinary shares of the Issuer on Nasdaq Stockholm is suspended for a period of fifteen (15) consecutive Business Days (when Nasdaq Stockholm is at the same time open for trading), or (ii) the Bonds are not admitted to trading on the corporate bonds list on Nasdaq Stockholm within 60 days from the Issue Date, any Subsequent Bonds are not listed on the corporate bonds list on Nasdaq Stockholm within 20 Business Days from the relevant Issue Date or the Bonds ceases to be traded on the corporate bonds list on Nasdaq Stockholm (iii) an event or series of event occurs whereby one or more persons acting together, acquire control over the Issuer and where "control" means (a) acquiring or controlling, directly or indirectly, more than 50% of the voting shares of the Issuer, or (b) the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Issuer.

There is, however, a risk that the Issuer will not have sufficient funds at the time of such prepayment to make the required prepayment of the Bonds which could adversely affect the Issuer, e.g. by causing insolvency or an event of default under the Terms and Conditions, and thus adversely affect all bondholders and not only those that choose to exercise the option.

### **No action against the Issuer and bondholders' representation**

In accordance with the Terms and Conditions, a bondholders' agent (the "**Agent**") (being on the Issue Date Nordic Trustee & Agency AB (publ)) will represent all bondholders in all matters relating to the Bonds and the bondholders are prevented from taking actions on their own against the Issuer. Consequently, individual bondholders do not have the right to take legal actions to declare any default by claiming any payment from or enforcing any security granted by the Issuer and may therefore lack effective remedies unless and until a requisite majority of the bondholders agree to take such action. However, there is a risk that an individual bondholder, in certain situations, could bring its own action against the Issuer (in breach of the Terms and Conditions) which could negatively impact an acceleration of the Bonds or other action against the Issuer. To enable the Agent to represent bondholders in court, the bondholders and/or their nominees may have to submit a written power of attorney for legal proceedings. The failure of all bondholders to submit such a power of attorney could negatively affect the legal proceedings. Under the Terms and Conditions, the Agent will in some cases have the right to make decisions and take measures that bind all bondholders. Consequently, the actions of the Agent in such matters could impact a bondholder's rights under the Terms and Conditions in a manner that would be undesirable for some of the bondholders.

### **Bondholders' meetings**

The Terms and Conditions include certain provisions regarding bondholders' meetings. Such meetings may be held in order to resolve on matters relating to the bondholders' interests. The Terms and Conditions will allow for stated majorities to bind all bondholders, including bondholders who have not taken part in the meeting and those who have voted differently to the required majority at a duly convened and conducted bondholders' meeting. Consequently, the actions of the majority in such matters could impact a bondholder's rights in a manner that would be undesirable for some of the bondholders.

#### **Restrictions on the transferability of the Bonds**

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or any U.S. state securities laws. Subject to certain exemptions, a holder of the Bonds may not offer or sell the Bonds in the United States. The Issuer has not undertaken to register the Bonds under the U.S. Securities Act or any U.S. state securities laws or to effect any exchange offer for the Bonds in the future. Furthermore, the Issuer has not registered the Bonds under any other country's securities laws. It is each potential investor's obligation to ensure that the offers and sales of Bonds comply with all applicable securities laws. Due to these restrictions, there is a risk that a bondholder cannot sell their Bonds as desired.

#### **Risks relating to the clearing and settlement in Euroclear's book-entry system**

The Bonds will be affiliated to Euroclear's account-based system, and no physical notes will be issued. Clearing and settlement relating to the Bonds will be carried out within Euroclear's book-entry system as well as payment of interest and repayment of the principal. Investors are therefore dependent on the functionality of Euroclear's account-based system.

#### **Amended or new legislation**

This document is and the Terms and Conditions will be based on Swedish law in force at the date of issuance of the Bonds. There is a risk that amended or new legislation and administrative practices may adversely affect the investor's ability to receive payment under the Terms and Conditions.

#### **Conflict of interests**

The Joint Bookrunners may in the future engage in investment banking and/or commercial banking or other services for the Group in the ordinary course of business. Accordingly, conflicts of interest may exist or may arise as a result of such Joint Bookrunner having previously engaged, or engaging in the future, in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests.

#### **The rights of bondholders depend on the Agent's actions and financial standing**

By subscribing for, or purchasing, or accepting the assignment of, any Bond, each holder of a Bond will accept the appointment of the Agent to act on its behalf and to perform administrative functions relating to the Bonds. The Agent shall have, among other things, the right to represent the holders of the Bonds in all court and administrative proceedings in respect of the Bonds. However, the rights, duties and obligations of the Agent as the representative of the holders of the Bonds will be subject to the provisions of the Terms and Conditions for the Bonds and the agency agreement, and there is no specific legislation or market practice in Sweden (under which laws the Terms and Conditions for the Bonds are governed) which would govern the Agent's performance of its duties and obligations relating to the Bonds. A failure by the Agent to perform its duties and obligations properly or at all may adversely affect the enforcement of the rights of the holders of the Bonds. Under the Terms and Conditions for the Bonds, the funds collected by the Agent as the representative of the holders of the Bonds must be held separately from the funds of the Agent and be treated as escrow funds to ensure that in the event of the Agent's bankruptcy, such funds can be separated for the benefit of the holders of the Bonds. However, there is a risk that such segregation of funds will not be

respected by a bankruptcy administrator in case of the trustee's bankruptcy. Also, in the event the Agent would fail to separate the funds in an appropriate manner, the funds could be included in the Agent's bankruptcy estate. The Agent may be replaced by a successor bondholders' agent in accordance with the Terms and Conditions for the Bonds.

## THE BONDS IN BRIEF

The following summary contains basic information about the Bonds. It is not intended to be complete and it is subject to important limitations and exceptions. Potential investors should therefore carefully consider this Prospectus as a whole, including documents incorporated by reference, before a decision is made to invest in the Bonds. For a more complete understanding of the Bonds, including certain definitions of terms used in this summary, see the Terms and Conditions.

<b>Issuer</b> .....	Hemfosa Fastigheter AB (publ).
<b>The aggregate amount of the Bonds</b> .....	The aggregate amount of the bond loan will be an amount of up to a maximum of SEK 1,000,000,000 of senior unsecured floating rate bonds due 2019. The Issuer may choose not to issue the full amount of Bonds on an issue date and may choose to issue the remaining amount of Bonds at one or more subsequent dates. At the date of this Prospectus, an initial amount of Bonds of SEK 750,000,000 was issued on 6 December 2016.
<b>Number of Bonds</b> .....	750.
<b>ISIN</b> .....	SE0009357403.
<b>Issue Date</b> .....	6 December 2016.
<b>Issue Price</b> .....	100 per cent.
<b>Interest Rates</b> .....	Interest on the Bonds will be paid at a floating rate of three-month STIBOR plus 2.80 per cent. per annum. If the Interest Rate is below zero the Interest Rate will be deemed to be zero.
<b>Interest Payment Dates</b> .....	6 March, 6 June, 6 September and 6 December of each year commencing on 6 March 2017. Interest will accrue from (but excluding) the Issue Date.
<b>Nominal Amount</b> .....	The Bonds will have a nominal amount of SEK 1,000,000 and the minimum permissible investment in the Bonds is SEK 1,000,000.
<b>Status of the Bonds</b> .....	The Bonds are denominated in SEK and each Bond is constituted by the Terms and Conditions. The Issuer undertakes to make payments in relation to the Bonds and to comply with the Terms and Conditions.

The Bonds constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer, and:

- will at all times rank *pari passu* with all direct, unconditional, unsubordinated and unsecured obligations of the Issuer without any preference



among them, except those obligations which are mandatorily preferred by law;

- are effectively subordinated to any existing or future indebtedness or obligation of the Issuer and its subsidiaries that is secured by property and assets that do not secure the Bonds, to the extent of the value of the property and assets securing such indebtedness; and
- are structurally subordinated to any existing or future indebtedness of the subsidiaries of the Issuer, including obligations to trade creditors.

**Call Option**..... The Issuer has the right to redeem outstanding Bonds in full at any time from and including the first Business Day falling 90 days prior to the Final Maturity Date, but excluding the Final Maturity Date, for an amount equal to 100.00 per cent. of the Nominal Amount, if such redemption is financed by one or several Market Loans, in accordance with Clause 10.3 (*Voluntary Redemption*) of the Terms and Conditions.

**Final Maturity Date** ..... Means 6 December 2019.

**Change of Control Event**..... Means the occurrence of an event or series of events whereby one or more persons acting together, acquire control over the Issuer and where "control" means (a) acquiring or controlling, directly or indirectly, more than 50% of the voting shares of the Issuer, or (b) the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Issuer.

**Certain Covenants**..... The Terms and Conditions contain a number of covenants which restrict the ability of the Issuer and other Group Companies, including, *inter alia*:

- restrictions on making any changes to the nature of their business; and
- limitations on disposal of assets.

The Terms and Conditions contain a maintenance test according to which the Issuer shall ensure that the Interest Coverage Ratio exceeds 1.25:1, and that the ratio of Equity to Total Assets is not less than 20 per cent.

Each of these covenants is subject to significant exceptions and qualifications, see the Terms and Conditions.

<b>Use of Proceeds .....</b>	The Issuer shall use the Net Proceeds for general corporate purposes.
<b>Transfer Restrictions .....</b>	The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended. No Bondholder may offer, sale or deliver any Bonds within the United States of America or to, or for the account or benefit of, U.S. persons.
<b>Listing.....</b>	Application has been made to list the Bonds on Nasdaq Stockholm.
<b>Agent.....</b>	Nordic Trustee & Agency AB (publ).
<b>Issuing Agent .....</b>	Swedbank AB (publ).
<b>Governing Law of the Bonds</b>	Swedish law.
<b>Risk Factors.....</b>	Investing in the Bonds involves substantial risks and prospective investors should refer to the section " <i>Risk Factors</i> " for a description of certain factors that they should carefully consider before deciding to invest in the Bonds.

## STATEMENT OF RESPONSIBILITY

The issuance of the Bonds was authorised by resolutions taken by the board of directors of the Issuer on 8 November 2016, and was subsequently issued by the Issuer on 6 December 2016. This Prospectus has been prepared in connection with the Issuer's application to list the Bonds on the corporate bond list of Nasdaq Stockholm, in accordance with the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC as amended by the Directive 2010/73/EC of the European Parliament and of the Council and Chapter 2 of the Trading Act.

The Issuer is responsible for the information given in this Prospectus. The Issuer is the source of all company specific data contained in this Prospectus and the Joint Bookrunners have conducted no efforts to confirm or verify the information supplied by the Issuer. The Issuer confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of the Issuer's knowledge, in accordance with the facts and contains no omissions likely to affect its import. Any information in this Prospectus and in the documents incorporated by reference which derive from third parties has, as far as the Issuer is aware and can be judged on the basis of other information made public by that third party, been correctly represented and no information has been omitted which may serve to render the information misleading or incorrect. The board of directors confirms that, having taken all reasonable care to ensure that such is the case, the information in this Prospectus is, to the best of the board of directors' knowledge, in accordance with the facts and contains no omission likely to affect its import.

25 January 2017

Hemfosa Fastigheter AB (publ)

*The board of directors*

## DESCRIPTION OF MATERIAL AGREEMENTS

The following is a summary of the material terms of material agreements to which the Issuer is a party and considered as outside of the ordinary course of business. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements.

### Syndicated Loans

#### *Hemfosa Adrian HoldCo AB*

A significant loan agreement for approximately SEK 3 billion has been concluded with Skandinaviska Enskilda Banken AB (publ) ("**SEB**") and Nordea. The facilities may be utilised by Hemfosa Adrian HoldCo AB ("**Hemfosa Adrian**") for the purpose of granting loans to the property-owning subsidiaries (downstream loans) for refinancing existing liabilities in the companies, for their general corporate needs and to finance/refinance approved investments/capital expenditure. Interest rates under the loan agreement are based on STIBOR plus a reset margin. The credit facilities granted hereunder fall due for payment on 25 September 2018. The loan agreement contains customary terms and conditions, guarantees and obligations, and the terms and conditions are linked to a number of agreed financial covenants regarding, inter alia, obligations pertaining to loan-to-value ratio, interest coverage ratio, minimum value of the property portfolio and equity/assets ratio. The agreement also contains obligations for the borrower to repay a specific amount of the credit facilities in advance should a property or property-owning subsidiary be sold and, following the listing, to repay all credit facilities should someone (or a Group acting together) take control of more than 30 per cent of the shares and/or votes in the Issuer, or should the Issuer be delisted or no longer own all shares in Hemfosa Sverige AB, or should Hemfosa Sverige AB no longer own all shares in Hemfosa Adrian, which is the formal borrower (known as "change of control"). There are also customary provisions regarding defaults. Under the agreement, such circumstances exist should a default on another credit facility taken up by the Issuer, Hemfosa Sverige AB, Hemfosa Adrian or any other of Hemfosa Adrian's subsidiaries be at hand (referred to as "cross default").

#### *Hemfosa Tetis AB*

Hemfosa Iput Förvaltning AB ("**Hemfosa IPUT**") and its subsidiaries have concluded a significant loan agreement with SEB and Swedbank for a credit facility of slightly more than SEK 2.1 billion in December 2015. The facilities may be utilised by Hemfosa IPUT for the purpose of functioning as downstream loans to the property-owning subsidiaries for refinancing existing liabilities in the subsidiaries and for their general corporate needs. Interest rates under the loan agreement are based on STIBOR plus a pre-set margin. The loan terms and conditions, including financial covenants, are very similar to those applicable under Hemfosa Adrian's loan agreement with SEB and Nordea, as described above, albeit in relation to Hemfosa Tetis AB and its subsidiaries rather than Hemfosa Sverige AB and its relevant subsidiaries. The loans under the loan agreement become due for payment on December 11, 2018.

#### *Hemfosa Alexander AB*

In addition, Danske Bank A/S, Denmark, Sverige Filial ("**Danske**"), Nordea and Swedbank have provided a substantial loan of approximately SEK 2.2 billion, which may be utilised by Hemfosa Alexander AB for downstream loans to the property-holding companies. Like the above, the terms and conditions of the loans are essentially those described above for Hemfosa Adrian and Hemfosa Tetis AB. Pursuant to the loan agreement, the facility falls due for payment on December 15, 2018.

### Bilateral loans

Apart from the aforementioned syndicated credits, subsidiaries of Hemfosa Sverige AB have concluded a number of bilateral loans to primarily finance property acquisitions and construction

credits for various construction projects, as well as for operational financing. Credit providers under these bilateral loans consist, in part, of Swedish creditors such as Danske, Nordea, SEB, Svenska Handelsbanken AB (publ)/Stadshypotek AB (publ) and Swedbank, and, in part of non-Swedish lenders such as Danske Bank A/S, DNB BANK ASA, HSH Nordbank AG, Luxembourg Branch AS and Husbanken AS. The total principal under these loans amounts to approximately SEK 11 billion as per September 30, 2016.

A number of these loan agreements contain customary terms and agreements, guarantees and obligations for property loans of this type, including cross-default and change of control provisions, as well as financial covenants similar to those for the aforementioned loan agreement with Hemfosa Adrian. Limitations also apply to the payment of dividends by certain subsidiaries. Since these subsidiaries have only had a marginal impact on the Group's earnings historically, the limitations are not considered to have any significant impact on the Group's ability to pay dividends in accordance with the Company's dividend policy. In conjunction with raising the loans, certain sureties have also been provided. Furthermore, customary collateral has been provided in favour of certain credit providers pursuant to certain loan agreements. Hedging contracts have also been concluded by certain companies under certain loan agreements.

### **Bond loan**

On May 8, 2014, the Company issued a three-year uncovered bond amounting to SEK 1.2 billion on the capital market. The bond is listed on Nasdaq Stockholm. The terms and conditions of the bond include certain financial covenants involving, inter alia, undertakings regarding interest coverage and equity/asset ratios. The terms and conditions also include rights, under certain circumstances, to request early redemption of outstanding bonds should a party (or a group acting in consortium) assume control of more than 50 per cent of the shares and/or voting rights in the Company or if the Company is delisted (referred to as change of control). There are also the customary provisions regarding the bases for notice of termination, such as if, under certain circumstances, a loan under another facility, and which has been raised by certain Group subsidiaries, has not been paid on the scheduled date or has fallen due for early payment pursuant to a basis for termination (referred to as cross default).

## DESCRIPTION OF THE GROUP

### History and development

Hemfosa Fastigheter AB (publ) was incorporated on 2 January 2013 and is a Swedish public limited liability company operating under the laws of Sweden with reg. no. 556917-4377.

The registered office of the Company is in the municipality of Nacka and the Company's headquarters is located at Hästholmsvägen 28, 131 02 Nacka, with postal address Box 2020, 131 02 Nacka, and with telephone number +46 8 448 04 80.

In accordance with the articles of association of the Company, adopted on 7 May 2015, the objects of the Company are to directly or indirectly own and manage properties and property-related assets and engage in other activities related therewith.

### History

The Group was founded in June 2009 by an experienced team with a solid background from value-creating property companies. The aim was to create an efficient organisation with short decision-making paths that focuses on transaction-intensive and high-yield property operations. The founders saw potential for a dynamic player on the Swedish property market due to the turbulence that had marked the property market, both nationally and internationally. Since that time, the Group has established an alert organisation and built up a Nordic property portfolio with the emphasis on community service properties. The Group's expansion has been swift since its formation; after approximately seven years, the Group had a property portfolio with a fair value of SEK 33.0 billion as per September 30, 2016 (SEK 36.7 billion including shares in joint ventures).

### *2016*

The Group takes possession of community service properties with a fair value of MSEK 2,396 and exits other properties with a fair value of MSEK 999 during the period January 1 to September 30, 2016.

### *2015*

The Group undergoes geographical expansion by acquiring 21 properties in Norway and two properties Finland and thus becomes a property company with a Nordic focus, owning properties in Sweden, Norway and Finland.

### *2014*

The Group broadens its ownership base and lists the Company's ordinary shares on Nasdaq Stockholm. The Company issues a three-year non-covered bond loan and issues preference shares. The Group's acquisitions include two major property portfolios from Fastighets AB Corallen and Hemsö Fastighets AB as well as Crown Nordic Management's interest in the joint venture.

### *2013*

Hemfosa enters into a joint venture with Crown Nordic Management, with a property portfolio in growth municipalities in southern and central Sweden. During the year, 132 Bilprovning properties that had been owned through the Söderport Holding AB joint venture are divested.

### *2012*

In March, 43 industrial and retail properties were divested from the portfolio acquired from Däckia and Lantmännen Fastigheter. The interest in the Saab factory and parts of the Landic VIII portfolio are also divested during the year. Late in the year, the Söderport Holding AB joint venture acquires 142 business properties from Svensk Bilprovning.

**2011**

The Group acquires Landic VIII comprising 57 office properties spread over 42 cities, with the judicial system accounting for nearly half of the tenants. The Group acquires 42 properties located in a number of towns from the bankruptcy estate of Kefren Properties IX and the Group also participates in a consortium that acquires Saab Automotive's plant premises in Trollhättan.

**2010**

The Group acquires Landic VI, with a total of 44 properties. 42 retail and industrial properties in 40 locations are acquired from Lantmännen Fastigheter.

**2009**

The Group is formed and completes its first property transaction in August. The first acquisition comprises three industrial properties, one office property and three warehouse properties in central Sweden. Several minor property transactions were carried out in the autumn. Among other assets, the Group acquires community service properties in Gävle comprising three healthcare and school properties

**Business and operations**

The Issuer is a Swedish property company with a Nordic orientation focusing on community service properties. In addition, the Group owns a smaller share of office, logistic and warehouse properties. The Company is currently the only listed company in Sweden focusing on community service properties. By combining long-term management and development with successful acquisitions, the Group intends to generate strong growth and a high return to its shareholders.

The Group shall own, develop and manage community service properties on a long-term basis and create value through active participation in a changing property market in order to generate long-term, high and stable profitability.

**Business model and market overview**Objectives and strategies

Financial objectives:

- the Group aims to deliver the highest return among listed Swedish property companies over a five-year period;
- over the long-term, the equity ratio is to be at least 30 per cent; and
- over the long-term, the interest-coverage ratio is to amount to a multiple of at least two.

The dividend shall amount to 60 per cent of profit from property management long-term, excluding share of profit/loss in joint ventures and after tax. Dividends paid on preference shares are deducted from this amount first; the remaining amount can be distributed to holders of ordinary shares.

The Group shall generate long-term, high and stable growth combined with a strong cash flow by:

- developing and adding value to its property portfolio;
- creating and maintaining long-term relationships with tenants by means of market-oriented and professional property management;
- developing long-term relationships with government authorities, county councils and municipalities, as well as with private operators of community service properties; and
- increasing the share of community service properties to at least 75 per cent of the total property value.

The Group shall be active in the Nordic transaction market in order to:

- create growth;
- maximise yield in relation to risks; and
- generate transaction gains.

#### Management and development of the property portfolio

The Group's property management is focused on developing the existing property portfolio through active property management with a focus on letting vacant premises and actively renegotiating existing leases. The goal of the property management organisation is to maintain a high level of service, identify effective solutions for premises and technical solutions that benefit the property's net operating income and the environment, while simultaneously ensuring customer satisfaction. In its property management, the Group works with well-defined areas of responsibility, clear targets and formulated earnings requirements.

In its property management and development, the Group intends to find efficient solutions that meet new tenant requirements. An example could be when a tenant wants to switch from separate office rooms to an open office landscape, or when a business is growing and needs larger, customised premises. In such cases, the Group endeavours to offer remodelling and extension of existing premises or relocation to other premises in the property portfolio. Another solution is to build new premises on land close to the property or in another location. In certain cases, the acquired properties are subject to a pent-up need for renovation and refurbishment. Implementing these investments usually results in leases with longer terms and a higher rent level. An investment of this type can also be implemented with the aim of attracting new types of tenants to the property.

The Group's largest operating expense items comprise heating, water, electricity and property upkeep. Among other activities, the Group continuously conducts energy-saving operations and maintenance measures in the property portfolio in an effort to both reduce the Group's costs and restrict the impact that the Group's operations have on the environment.

#### Transaction operation

One of the Group's original driving forces is capitalising on attractive business opportunities arising in the property market. During the seven years since the Group was formed, it has engaged in a substantial number of transactions involving individual properties and it has also acquired property portfolios. The Group continuously evaluates and restructures existing property portfolio through acquisitions and divestments aimed at developing the composition of the property portfolio in terms of geography and property category, as well as risk and yield levels. The Group's overall objective for this work is to expand the Group's property portfolio, primarily in the area of community service properties. In recent years, this has entailed that the Group has increasingly focused its property holdings on community service properties.

The Group's transaction operation follows an established work model aimed at implementing property transactions in a business-like and efficient manner. The Group analyses every single acquisition on the basis of its unique prerequisites and considerable emphasis is placed on identifying, evaluating and managing the risks and opportunities represented by the transactions. When evaluating a prospective acquisition, the tenant and the operations conducted on the premises are very important, particularly for community service properties on long-term leases. The Group also evaluates how the premises or the zoning plan can be further developed to establish other types of operations in the property.



Property sales are assessed based on the Group's business concept and objectives, whereby the intention is that properties generating a yield that does not reach the Group's objectives, and that are also deemed to continue to underperform in the long-term, should be divested. The same assessment can be made of properties that do not fit in terms of geography or category.

#### Sustainability effort

The Group has a stated ambition to progressively strengthen sustainability efforts in relevant areas. During 2015, a more systematic sustainability effort was launched. The Group's aim is to increasingly include sustainability aspects as a natural feature of decisions and work processes in all parts of the Group's property management, projects and corporate development.

During 2015, the Group implemented a materiality analysis by establishing the questions and the areas that are most important to the Group and the parties with which the Group interacts. On the basis of a dialog with stakeholders combined with in-house appraisals, the Group is focusing its sustainability programs on a number of essential, priority areas within the categories of Financial Responsibility, Environmental Responsibility and Social Responsibility. For further information about the Group's sustainability efforts, see the Issuer's published Annual Report for 2015.

#### Financial responsibility

The Group regards the ability to sustainably generate positive financial results as the basis for sustainable enterprise. At the same time, a sustainable operation can also contribute to the Group's profitability. In the opinion of the Group, its creation of financial value also benefits the Group's stakeholders – tenants, employees, shareholders, suppliers, credit providers and society.

#### Environmental responsibility

The Group regards environmental work as a key control parameter in both property management and transaction operations, whereby a focus on sustainability and a long-term approach are prioritised objectives. Examples of this could be identifying and evaluating the environmental risks associated with property acquisitions and also managing the potential environmental liabilities in the existing property portfolio.

To guide the Group's environmental and sustainability efforts, the Group has adopted an environmental policy stating that the Group should strive to:

- focus actively on the energy efficiency of its buildings and premises;
- be aware of the environmental risks and environmental liabilities associated with the properties and, when actions are required, draw up long-term sustainable solutions;
- work with the tenants to achieve a healthy indoor environment;
- implement environmentally compatible conversions and new builds;
- subject suppliers to environmental and sustainability requirements; and
- raise the employees' level of expertise and awareness about the environment and sustainability.

In connection with project development, such as renovation and refurbishment, the Group endeavours to leverage opportunities to conduct comprehensive environmental analyses and to implement energy-saving measures. In the new-build projects in which the Group is involved, the environmental aspect is generally a key feature of planning, which is partly due to the more stringent regulations governing new builds and also to tenants increasingly demanding environmentally compatible premises, not least for community service properties.

While managing and developing its properties, the Group endeavours to primarily select local suppliers of, for example, labour, raw materials and products. In its ongoing property management,

the Group takes actions designed to reduce electricity consumption in the existing property portfolio, such as by reviewing operating times for ventilation and installing more energy-efficient heating systems when older systems are replaced. In January 2015, as a feature of efforts to increase the focus on sustainability in property management, the Group switched to 100 per cent renewable energy in its property portfolio, in the form of hydropower-generated electricity.

As per September 30, 2016, the Group had a total of thirteen environmentally certified properties in its property portfolio. The Group is pursuing an objective of continuing to environmentally certify additional relevant properties. In connection with all major new builds and conversions, the Group also studies the potential for some form of environmental certification.

In its transaction operation, the Group has developed an acquisition and sales process in which the environmental aspect is an important component. In connection with the acquisition of properties, the Group also performs environmental analyses of both land and buildings, to identify potential environmental risks and to assess the measures that could be required to reduce the environmental impact.

#### Organisation and employees

The Group has a decentralised organisation, which facilitates market familiarity and proximity to the Group's customers. The Group's operational structure takes the form of Group Management, Property Management and the Group-wide functions described below.

#### *Group Management*

The Group's Group Management, which has extensive knowledge of the property market and long experience of successfully carrying out property transactions, consists of the following nine members: CEO, CFO, Head of Finance, Head of Financial Control, Head of Property Operations, Head of Transactions, Head of Legal and Head of Business Development.

Group management has overall responsibility for, inter alia, strategy issues, business development, investments and sales, earnings follow-up and HR and IR issues. For more information on Group Management, please see the section "Management".

#### *Property Management*

The Group's property portfolio is divided into three segments, Sweden, Norway and Finland, which match the Company's geographic presence. Each segment is headed by a manager with operational responsibility for properties in the segment. As per the date of the Prospectus, the Group has in-house property managers in Sweden and Norway, and is working to establish a property management organisation in Finland.

#### *Group-wide functions*

The Group's Group-wide functions are Marketing/ Communication, Analysis and Transactions, Property Management, Business Development, Accounting, Financing and Legal Affairs.

#### *Employees*

The Group endeavours to offer a creative and stimulating environment with a focus on participation and personal development. The Group therefore aims to have a flat organisation facilitating short decision paths and decentralised responsibility.

As per September 30, 2016, the number of employees in the Group was 64, of whom 20 were based at the Group's head office. Of the total number of employees at September 30, 2016, 27 were women and 37 were men. Of the Company's Group Management, 75 per cent are women.

In order to create a flexible organisation that can be adapted to the Group's development, the Group has decided to have a flat organisational structure, in which the most vital functions for the Group are provided in-house. Other more standardised functions are insourced from service providers who are renowned for their expertise.

#### Property portfolio

The Group's property portfolio is dominated by community service properties but also contains other properties. Within community service properties, the principal property categories are offices, schools, judicial institutions and health and care services, while other properties primarily consist of office, logistic and warehouse properties. The Norwegian and Finnish property portfolios are more streamlined than the Swedish portfolio and exclusively comprised community service properties as per September 30, 2016. The Group's strategy is to continue to expand in community service properties, increasing the share to at least 75 per cent of the total property value.

#### **Share capital and ownership structure**

The shares of the Company are denominated in SEK. The ordinary shares carry one vote each and preferential shares carry one tenth vote each. As of the date of this Prospectus, the Company had an issued share capital of SEK 84,364,124 divided into 157,728,249 of ordinary shares, and 10,999,999 of preferential shares. The Company has issued a total of 168,728,248 shares.

#### Management shareholders

Management shareholders include the following members of the Company's management (as per 20 December 2016):

- Jens Engwall – 3,445,275 ordinary shares
- Annika Ekström – 38,021 ordinary shares
- Karin Osslind – 237,628 ordinary shares and 4,000 preference shares
- Stina Lindh Hög – 12,210 ordinary shares
- Mikael Weiland – 1,686,860 ordinary shares
- Ann-Sofie Lindroth – 6,480 ordinary shares
- Ylva Hult Palmryd – 7,346 ordinary shares
- Linda Eriksson – 1,000 ordinary shares

#### Other shareholders

Other shareholders include the following members of the Company's board of directors (as per 20 December 2016):

- Bengt Kjell – 2,468,336 ordinary shares and 10,000 preference shares

- Anneli Lindblom – 2,400 ordinary shares
- Caroline Sundewall – 6,000 ordinary shares and 2,000 preference shares
- Ulrika Valassi – 4,800 ordinary shares
- Per-Ingemar Persson – 2,000 ordinary shares

### **Shareholders' agreements**

The Issuer is not aware of the details of any provision in the arrangement between its shareholders, the operation of which may at a subsequent date result in a change in control of the Issuer.

### **Overview of Group structure**

Previously, the Group comprised two separate property-management groups, in which Hemfosa Sverige AB and Hemfosa Tetis AB were parent companies. In June 2013, Hemfosa Sverige AB and Hemfosa Tetis AB were integrated as part of the restructuring implemented prior to the stock exchange listing on Nasdaq Stockholm, through the Issuer's acquisition of the shares in Hemfosa Sverige AB and Hemfosa Tetis AB.

The Issuer is now the parent company of the Group, which in addition to the Issuer comprises the directly owned subsidiaries Hemfosa Sverige AB and Hemfosa Tetis AB, and the subsidiaries of the directly owned subsidiaries. All of the Issuer's subsidiaries are wholly owned. In addition, the Company holds shares in a number of joint ventures together with other companies.

Operations are conducted by the subsidiaries and the Issuer is thus dependent on its subsidiaries to generate revenues and profit in order to be able to fulfil its payment obligations under the Bonds.

### **Recent events**

There has been no recent event particular to the Group which is to a material extent relevant to the evaluation of the Issuer's solvency.

### **Significant change and trend information**

There has been no material adverse change in the prospects of the Group since the date of publication of its last audited annual accounts and no significant change in the financial or trading position of the Group since the end of the last financial period for which interim financial information has been published.

### **Legal and arbitration proceedings**

In 2010, the Group acquired all shares in Hemfosa Arendal AB, which owns the Göteborg Arendal 1:17 property, along with a lease for a logistics facility, which had been constructed on a turnkey basis prior to being acquired by the Group. Following the acquisition, it was discovered that the load-bearing capacity of the facility's floor is less than promised and that it will eventually have to be rectified. The tenant has withheld certain rent payments by depositing the amount with the County Administrative Board, and has refrained from making certain other rent payments. The tenancy has expired and the

tenant has moved away from the premises. Hemfosa Arendal AB has taken out a summons against the tenant for the deposited and unpaid amounts. The tenant has disputed Arendal's action and referred to counterclaims, and has also filed a countersuit. The Group has claimed approximately SEK 17 million and the tenant's claim is in an amount of approximately SEK 50 million. The district court's ruling has been appealed by both parties to the court of appeal whereby the tenant has adjusted its claim to approximately SEK 30 million. After the tenant moved out of the premises, the Group rectified the faults in the floor. The related costs of approximately MSEK 26 have been charged to Hemfosa Arendals AB's profit.

The Group has submitted a claim for defects and shortcomings in the floor, and discussions have been held with the turnkey contractor, who disputes the fact that there are any defects or shortcomings.

Other than stated above, neither the Issuer nor the Group is, or has been over the past twelve months been, a party to any legal, governmental or arbitration proceedings that have had, or would have, a significant effect on the Group's financial position or profitability. Nor is the Issuer aware of any such proceedings which are pending or threatening and which could lead to the Issuer or any member of the Group becoming a party to such proceedings.

**Credit rating**

No credit rating has been assigned to the Issuer, or its debt securities.

## MANAGEMENT

The board of directors of the Issuer currently consists of six members which have been elected by the general meeting. The board of directors and the senior management can be contacted through the Issuer at its headquarters at Hästholmsvägen 28, Nacka. Further information on the members of the board of directors and the senior management is set forth below.

### Board of directors

***Bengt Kjell, chairman of the board since 2013 (chairman of the board of the Group since 2009).***

**Education:** Graduate in business administration, Stockholm School of Economics.

**Current commitments:** Chairman of the board of SSAB AB and Expandum Invest AB as well as other assignments within the Expandum-group. Deputy chairman of the board of Indutrade Aktiebolag. Director of Aktiebolaget Industrivärden, ICA Gruppen Aktiebolag, Pandox Aktiebolag, Långebro Förvaltning Aktiebolag and others.

***Jens Engwall, member of the board since 2013 (board assignments within the Group since 2009).***

**Education:** Master of engineering, the Royal Institute of Technology, Stockholm.

**Current commitments:** Chairman of the board of the joint venture-company Söderport Holding AB and other companies within the Söderportgroup. Director of Bonnier Fastigheter AB, IKANO S.A., Nordic Service Partners Holding AB, Quantafuel AS, Chengde Intressenter AB, the joint venture-companies Gästgivaregatan Holding AB, Gästgivaregatan Fastighets AB, Culmen Strängnäs II AB, Villa Culmen Strängnäs 2 Ekonomisk förening and Hemfosa Gård AB. Partner of Haninge Islandshästar Handelsbolag.

***Anneli Lindblom, member of the board since 2013.***

**Education:** Economics degree, Frans Schartau's Business Institute, Stockholm.

**Current commitments:** N/A.

***Caroline Sundewall, member of the board since 2013.***

**Education:** Graduate in business administration, Stockholm School of Economics.

**Current commitments:** Chairman of the board and CEO of Caroline Sundewall AB as well as director of Elanders AB, Mertzig Asset Management AB and Cramo Oy. Chairman of the Streber Cup foundation.

***Per-Ingemar Persson, member of the board since 2016.***

**Education:** Master of engineering, Lund Institute of Technology.

**Current commitments:** Chairman of the board of Northern Environmental and Water Solutions AB, director and vice chairman of the board of Wihlborgs Fastigheter AB, director of Veidekke Industri AS and Hoffman AS as well as other assignments within the Veidekke-group, director of ELU Konsult Aktiebolag and owner and director of PEKE Konsult AB.

***Ulrika Valassi, member of the board since 2013.***

**Education:** Graduate in business administration, Uppsala University.

**Current commitments:** Director, owner and CEO of au management AB as well as director of A Bit of Sweden AB, Qliro AB and Ålandsbanken Abp. Nominated as director of Intrum Justitia AB at the annual general meeting 20 April 2016.

## Management

### **Jens Engwall, CEO**

(see description under "Board of directors" above)

### **Annika Ekström, Head of Property Management**

**Education:** Master of engineering, the Royal Institute of Technology, Stockholm.

**Current commitments:** N/A.

### **Karin Osslind, CFO**

**Education:** Graduate in business administration, Stockholm School of Economics.

**Current commitments:** Director of the joint venture-companies Söderport Holding AB, Söderport Fastigheter AB and Gardermoen Campus Utvikling AS.

### **Stina Lindh Hök, Head of Transactions**

**Education:** Master of engineering, the Royal Institute of Technology, Stockholm.

**Current commitments:** Director of the joint venture-companies Gästgivaregatan Fastighets AB and Gästgivaregatan Holding AB.

### **Mikael Weiland, Head of Business Development**

**Education:** Industrial engineering and management, Linköping Institute of Technology.

**Current commitments:** Owner and director of Emendare AB.

### **Ann-Sofie Lindroth, Accounts Manager**

**Education:** Master's degree in economics, Lund University.

**Current commitments:** N/A.

### **Linda Eriksson, Head of Financing**

**Education:** Master of engineering, the Royal Institute of Technology, Stockholm.

**Current commitments:** N/A.

### **Ylva Hult Palmryd, Head of Legal**

**Education:** Master of laws degree, Uppsala University.

**Current commitments:** N/A.



**Simon Venemyr Ottersland, Chief Operating Officer Norway**

**Education:** Graduate in Business Administration, International Finance, Griffith University Australia.

**Current commitments:** Chairman of the board for Immob Holding AS and Pusnes eiendom AS, board member of Kroatjønneveien 15 AS and Vest Næringsutleie AS.

**Conflicts of interest within administrative, management and control bodies**

There are no family ties between the individuals on the Issuer's board of directors or the members of the group management. In addition to what is stated in the next paragraph, there are no potential conflicts of interest in relation to any of the directors or the senior executives, meaning their private interests cannot be considered to conflict with the Group's interests. Members of the board and the group management hold shares in the Company, as stated in the presentation of the directors and the senior executives, respectively. No company in the Group has entered into any agreement that would entitle directors or senior executives to postemployment benefits.

Director and CEO Jens Engwall is also a director of IKANO S.A. and Bonnier Fastigheter AB and the director Per-Ingemar Persson is also a director of Wihlborgs Fastigheter AB. These companies are, directly or indirectly, active players in the Swedish property market and there may be occasions when the interests of these companies will differ from those of the Group. In addition to the regulations on bias in Chapter 8, Section 23 of the Swedish Companies Act and in accordance with the rules of procedure for the board of directors of the Company, a director/the CEO is not permitted to participate in procedures or decisions on issues that could contain facts that might suggest that the director/CEO has an interest in the issue that could conflict with that of the Company. It is the duty of every individual director, as well as the CEO, to independently examine whether bias-related circumstances may exist and if so, such director/ CEO must immediately inform the board of directors of such circumstances.

**Interest of natural and legal persons involved in the issue**

The Joint Bookrunners and/or their affiliates have engaged in, and may in future engage in, investment banking and/or commercial banking or other services for the Issuer and the Group in the ordinary course of business. Accordingly, conflicts of interest may exist or may arise as a result of the Joint Bookrunners and/or their affiliates having previously engaged, or engaging in future, in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests.

## HISTORICAL FINANCIAL INFORMATION

### Historical financial information

The Group's consolidated financial statements for the financial year ended 31 December 2015 and the figures for the financial year ended 31 December 2014 as set out below are incorporated into this Prospectus by reference (please see section "*Other Information*"). The information incorporated by reference is to be read as part of this Prospectus.

The Group's consolidated financial statements for the financial year ended 31 December 2015 and for the financial year ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the EU.

Other than the auditing of the Group's consolidated financial statements for the financial year ended 31 December 2015 and for the financial year ended 31 December 2014, the Group's auditor has not audited or reviewed any part of this Prospectus.

The specific information set out below (as also stated in section "*Other information*" subheading "*Documents incorporated by reference*" in this Prospectus) from the Group's consolidated financial statements for the financial year ended 31 December 2015 is incorporated into this Prospectus by reference. The other information set out in the consolidated financial statements for the financial year ended 31 December 2015 is deemed to not be relevant for the purpose of the Prospectus Regulation.

- consolidated income statement, page 62;
- consolidated balance sheet, page 63;
- consolidated cash flow statement, page 65;
- consolidated statement of changes in equity, page 64; and
- the audit report, page 97; and
- notes, pages 70-96.

The specific information set out below (as also stated in section "*Other information*" subheading "*Documents incorporated by reference*" in this Prospectus) from the Group's consolidated financial statements for the financial year ended 31 December 2014 is incorporated into this Prospectus by reference. The other information set out in the consolidated financial statements for the financial year ended 31 December 2014 is deemed to not be relevant for the purpose of the Prospectus Regulation.

- consolidated income statement, page 56;
- consolidated balance sheet, page 57;
- consolidated cash flow statement, page 59;
- consolidated statement of changes in equity, page 58;
- the audit report, page 90; and
- notes, pages 64-88.

### Auditing of the annual historical financial information

The Company's consolidated financial statements as at present and for the years 2014 to 2015 have been audited, as applicable, by KPMG AB, Tegelbacken 4A, Stockholm. KPMG AB has been the Group's auditor since 2009, and was re-elected for an additional year on the latest annual general meeting. Björn Flink is the auditor who is responsible for the Company. Björn Flink is an authorized auditor and is a member of the professional body FAR, the professional institute for the accountancy sector in Sweden.

The auditing of the consolidated financial statements was conducted in accordance with international standards on auditing and the audit reports were submitted without comment.

**Age of the most recent financial information**

The most recent financial information has been taken from the consolidated financial statements for the financial year ended 31 December 2015, which was published on 24 March 2016 on the Issuer's website <http://hemfosa.se>.

## OTHER INFORMATION

### Assurance regarding the Prospectus

Hemfosa Fastigheter AB (publ) is responsible for the content of the Prospectus and has taken all reasonable precautions to ensure that, as far as the Company is aware, the information in the Prospectus accords with the facts and contains no omission likely to affect its import. To the extent prescribed by law, the board of directors of the Company is also responsible for the content of the Prospectus. The board of directors has taken all reasonable care to ensure that the information in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

### Clearing and settlement

As of the date of this Prospectus, Bonds have been issued in an initial amount of SEK 750,000,000 on 6 December 2016 and the Issuer may, subject to certain conditions set out in the Terms and Conditions, issue additional Bonds in a maximum aggregate amount of SEK 250,000,000. Each Bond has a nominal amount of SEK 1,000,000. The ISIN for the Bonds is SE0009357403.

The Bonds have been issued in accordance with Swedish law. The Bonds are connected to the account-based system of Euroclear Sweden AB. No physical notes have been or will be issued. Payment of principal, interest and, if applicable, withholding tax will be made through Euroclear Sweden AB's book-entry system.

### Material contracts

Other than as described under the section entitled "*Description of Material Agreements*" herein, the Group has not entered into any material contracts not in the ordinary course of its business and which may affect the Group's ability to fulfil its obligations under the Bonds.

### Representation of the Bondholders

The Terms and Conditions stipulates the provisions for the Agent's representation of the Bondholders.

### Documents incorporated by reference

This Prospectus is, in addition to this document, comprised of information from the following documents which are incorporated by reference, to such extent as evidenced by the section *Historical financial information* on page 34, and available in electronic format on the Issuer's website at <http://hemfosa.se>:

- the Group's consolidated financial statements and audit report for the financial year ended 31 December 2015; and
- the Group's consolidated financial statements and audit report for the financial year ended 31 December 2014.

### Documents available for inspection

The following documents are available at the Company's headquarters at Hästholmsvägen 28, 131 02 Nacka, on weekdays during the Company's regular office hours throughout the period of validity of this Prospectus:

- the Company's articles of association;
- the Company's certificate of registration;
- the Group's consolidated financial statements and audit report for the financial year ended 31 December 2015 and for the financial year ended 31 December 2014;
- the financial statements and audit reports for the financial year ended 31 December 2015 and for the financial year ended 31 December 2014 for each company within the Group (to the extent such Group companies were incorporated during 2014 or 2015 and have issued financial statements and audit reports for such financial years); and
- this Prospectus.

The following documents are also available in electronic form on the Company's website [hemfosa.se](http://hemfosa.se):

- the Group's consolidated financial statements and audit report for the financial year ended 31 December 2015 and for the financial year ended 31 December 2014; and
- this Prospectus.

### **Listing costs**

The aggregate cost for the Bonds' admission to trading is estimated not to exceed SEK 185,000.

**TERMS AND CONDITIONS OF THE BONDS**

**Terms and Conditions**

**Hemfosa Fastigheter AB (publ)**  
**Up to SEK 1,000,000,000**  
**Senior Unsecured Floating Rate Bonds**  
**ISIN: SE0009357403**

**30 November 2016**

**Other than the registration of the Bonds under Swedish law, no action is being taken in any jurisdiction that would or is intended to permit a public offering of the Bonds or the possession, circulation or distribution of this document or any other material relating to the Issuer or the Bonds in any jurisdiction where action for that purpose is required. Persons into whose possession this document comes are required by the Issuer to inform themselves about, and to observe, any applicable restrictions.**

# 1. Definitions and Construction

## 1.1 Definitions

In these terms and conditions (the "**Terms and Conditions**"):

"**Account Operator**" means a bank or other party duly authorised to operate as an account operator pursuant to the Financial Instruments Accounts Act and through which a Bondholder has opened a Securities Account in respect of its Bonds.

"**Accounting Principles**" means international financial reporting standards (IFRS) within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time/as in force on the First Issue Date).

"**Adjusted Nominal Amount**" means the Total Nominal Amount less the Nominal Amount of all Bonds owned by a Group Company or an Affiliate, irrespective of whether such person is directly registered as owner of such Bonds.

"**Affiliate**" means (i) an entity controlling or under common control with the Issuer, other than a Group Company, and (ii) any other person or entity owning any Bonds (irrespective of whether such person is directly registered as owner of such Bonds) that has undertaken towards a Group Company or an entity referred to in item (i) to vote for such Bonds in accordance with the instructions given by a Group Company or an entity referred to in item (i). For the purposes of this definition, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an entity, whether through ownership of voting securities, by agreement or otherwise.

"**Agency Agreement**" means the agency agreement entered into on or before the First Issue Date, between the Issuer and the Agent, or any replacement agency agreement entered into after the First Issue Date between the Issuer and an agent.

"**Agent**" means Nordic Trustee & Agency AB (publ), Swedish Reg. No. 556882-1879, or another party replacing it, as Agent, in accordance with these Terms and Conditions.

"**Bondholder**" means the person who is registered on a Securities Account as direct registered owner (*ägare*) or nominee (*förvaltare*) with respect to a Bond.

"**Bondholders' Meeting**" means a meeting among the Bondholders held in accordance with Clause 17 (*Bondholders' Meeting*).

"**Bond**" means a debt instrument (*skuldförbindelse*) for the Nominal Amount and of the type set forth in Chapter 1 Section 3 of the Financial Instruments Accounts Act and which are governed by and issued under these Terms and Conditions, including the Initial Bonds and any Subsequent Bonds.

"**Business Day**" means a day in Sweden other than a Sunday or other public holiday. Saturdays, Midsummer Eve (*midsommarafton*), Christmas Eve (*julafton*) and New Year's Eve (*nyårsafton*) shall for the purpose of this definition be deemed to be public holidays.

**"Business Day Convention"** means the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day.

**"Change of Control Event"** means the occurrence of an event or series of events whereby one or more persons acting together, acquire control over the Issuer and where "control" means (a) acquiring or controlling, directly or indirectly, more than 50% of the voting shares of the Issuer, or (b) the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Issuer.

**"Compliance Certificate"** means a certificate, in form and substance reasonably satisfactory to the Agent, signed by the Issuer certifying that so far as it is aware no Event of Default is continuing or, if it is aware that such event is continuing, specifying the event and steps, if any, being taken to remedy it. If the Compliance Certificate is provided in connection with a Financial Report being made available, the certificate shall include calculations and figures in respect of the Maintenance Test.

**"CSD"** means the Issuer's central securities depository and registrar in respect of the Bonds, from time to time, initially Euroclear Sweden AB, Swedish Reg. No. 556112-8074, P.O. Box 191, 101 23 Stockholm, Sweden.

**"Delisting Event"** means the occurrence of an event whereby (i) the ordinary shares of the Issuer being delisted from NASDAQ Stockholm, or (ii) trading in the ordinary shares of the Issuer on NASDAQ Stockholm is suspended for a period of fifteen (15) consecutive Business Days (when NASDAQ Stockholm is at the same time open for trading).

**"EBITDA"** means, in respect of the Relevant Period, the consolidated profit of the Group according to the latest Financial Report:

- (a) before deducting any amount of tax on profits, gains or income paid or payable by any Group Company;
- (b) before taking into account any interest payable and interest receivable;
- (c) before taking into account any revaluation of assets;
- (d) before taking into account any exceptional or extraordinary items to the extent these are one off or non-recurring in nature;
- (e) before taking into account any Transaction Costs;
- (f) before taking into account any unrealised gains or losses on any derivative instrument (other than any derivative instruments which are accounted for on a hedge account basis);
- (g) after adding back or deducting, as the case may be, the amount of any loss or gain against book value arising in a disposal of any asset;
- (h) before deducting amortisation of any goodwill or any intangible assets; and
- (i) before deducting any depreciation on tangible assets.



**"Event of Default"** means an event or circumstance specified in any of the Clauses 14.1 (*Non-Payment*) to and including Clause 14.9 (*Continuation of the Business*).

**"Equity"** means the sum of the total equity of the Group (calculated on a consolidated basis) as set out in the balance sheet forming part of the latest Financial Report of the Group.

**"Final Maturity Date"** means 6 December 2019.

**"Finance Documents"** means these Terms and Conditions, the Agency Agreement and any other document designated by the Issuer and the Agent as a Finance Document.

**"Financial Indebtedness"** means:

- (a) monies borrowed or raised (including under any bank financing or Market Loans);
- (b) the amount of any liability under any finance leases (a lease which in accordance with the Accounting Principles is treated as an asset and a corresponding liability);
- (c) receivables sold or discounted (other than on a non-recourse basis, provided that the requirements for de-recognition under the Accounting Principles are met);
- (d) any amount raised pursuant to any note purchase facility or the issue of any bond or note or similar instrument;
- (e) any other transaction (including the obligation to pay deferred purchase price) having the commercial effect of a borrowing or otherwise being classified as borrowing under the Accounting Principles;
- (f) the marked-to-market value of derivative transactions entered into in connection with protection against or benefit from fluctuation in any rate or price (if any actual amount is due as a result of a termination or a close-out, such amount shall be used instead);
- (g) counter-indemnity obligations in respect of guarantees or other instruments issued by a bank or financial institution; and
- (h) liabilities under guarantees or indemnities for any of the obligations referred to in paragraphs (a) to (g) above.

**"Financial Instruments Accounts Act"** means the Swedish Financial Instruments Accounts Act (*lag (1998:1479) om kontoföring av finansiella instrument*).

**"Financial Report"** means the Group's annual audited consolidated financial statements or quarterly interim unaudited reports of the Group, which shall be prepared and made available according to Clause 11.1(a)(i) and 11.1(a)(ii).

**"First Issue Date"** means 6 December 2016.

**"Force Majeure Event"** has the meaning set forth in Clause 25(a).

**"Group"** means the Issuer and its Subsidiaries from time to time (each a **"Group Company"**).

**"Initial Bonds"** means the Bonds issued on the First Issue Date.

**"Insolvent"** means, in respect of a relevant person, that it is deemed to be insolvent, or admits inability to pay its debts as they fall due, in each case within the meaning of Chapter 2, Sections 7-9 of the Swedish Bankruptcy Act (*konkurslagen (1987:672)*) (or its equivalent in any other jurisdiction), suspends making payments on any of its debts or by reason of actual financial difficulties commences negotiations with its creditors (other than the Bondholders) with a view to rescheduling any of its indebtedness (including company reorganisation under the Swedish Company Reorganisation Act (*lag (1996:764) om företagsrekonstruktion*) (or its equivalent in any other jurisdiction)) or is subject to involuntary winding-up, dissolution or liquidation.

**"Interest"** means the interest on the Bonds calculated in accordance with Clauses 9(a) to 9(c).

**"Interest Coverage Ratio"** means profit from property management, including reversal of financial income and expenses, as well as depreciation/amortisation and share of profit/loss of joint ventures for the Relevant Period in relation to financial expenses (less financial income) for the Relevant Period.

**"Interest Payment Date"** means 6 March, 6 June, 6 September and 6 December of each year or, to the extent such day is not a Business Day, the Business Day following from an application of the Business Day Convention. The first Interest Payment Date for the Bonds shall be 6 March 2017 and the last Interest Payment Date shall be the relevant Redemption Date.

**"Interest Period"** means (i) in respect of the first Interest Period, the period from (but excluding) the First Issue Date to (and including) the first Interest Payment Date, and (ii) in respect of subsequent Interest Periods, the period from (but excluding) an Interest Payment Date to (and including) the next succeeding Interest Payment Date (or a shorter period if relevant).

**"Interest Rate"** means 3 months STIBOR plus the Margin however if 3 months STIBOR plus the Margin is below zero, the Interest Rate will be deemed to be zero.

**"Issuer"** means Hemfosa Fastigheter AB (publ), a public limited liability company incorporated under the laws of Sweden with Reg. No. 556917-4377.

**"Issuing Agent"** means Swedbank AB (publ), reg. no. 502017-7753, or another party replacing it, as Issuing Agent, in accordance with these Terms and Conditions.

**"Joint Bookrunners"** means Nordea Bank AB (publ), reg. no. 516406-0120, and Swedbank AB (publ), reg. no. 502017-7753.

**"Listing Failure"** means any failure by the Issuer to (i) ensure that the Bonds are listed on the corporate bond list of NASDAQ Stockholm no later than 60 days after the First Issue Date and with an intention to complete such listing within 30 days after the First Issue Date, (ii) ensure that any Subsequent Bonds are listed on the corporate bond list of NASDAQ Stockholm no later than twenty (20) Business Days after the relevant issue date, and (iii) take all measures required to ensure that the Bonds continue being listed on NASDAQ Stockholm for as long as any Bond is outstanding (however, subject to and taking into account the rules and regulations of NASDAQ Stockholm and the CSD (as amended from time to time) preventing trading in the Bonds in close connection to the redemption of the Bonds).

"**Maintenance Test**" means the test of the financial maintenance covenants as set out in Clause 12(a) (*Financial Undertakings*).

"**Margin**" means 2.80 per cent. per annum.

"**Market Loan**" means any loan or other indebtedness where an entity issues subordinated debenture, bonds or any other debt securities (including, for the avoidance of doubt, securities issued under medium term note programs and other market funding programs), provided in each case that such instruments and securities are or can be subject to trade on NASDAQ Stockholm or any other regulated or unregulated recognised market place.

"**Material Adverse Effect**" means a material adverse effect on (a) the business, financial condition or operations of the Group taken as a whole, (b) the Issuer's ability to perform and comply with its payment obligations under the Terms and Conditions, or (c) subject to legal reservations and perfection requirements, the validity or enforceability of the Terms and Conditions.

"**Material Group Company**" means the Issuer and any other Group Company which together with its subsidiaries (on a consolidated basis) has EBITDA or gross assets (excluding intragroup items) representing more than 5 per cent. of the total consolidated EBITDA or gross assets (excluding intragroup items) of the Group according to the latest Financial Report.

"**Net Proceeds**" means the proceeds from the Bonds issued which, after deduction has been made for the transaction costs payable by the Issuer in connection with issuance of the Bonds, shall be transferred to the Issuer and used in accordance with Clause 3 (*Use of Proceeds*).

"**Nominal Amount**" has the meaning set forth in Clause 2(c).

"**Quotation Day**" means, in relation to any period for which an interest rate is to be determined, two (2) Business Days before the first day of that period.

"**Record Date**" means the fifth (5) Business Day prior to (i) an Interest Payment Date, (ii) a Redemption Date, (iii) a date on which a payment to the Bondholders is to be made under Clause 15 (*Distribution of Proceeds*), (iv) the date of a Bondholders' Meeting, or (v) another relevant date, or in each case such other Business Day falling prior to a relevant date if generally applicable on the Swedish bond market.

"**Redemption Date**" means the date on which the relevant Bonds are to be redeemed or repurchased in accordance with Clause 10 (*Redemption and Repurchase of the Bonds*).

"**Reference Banks**" means Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ) and Swedbank AB (publ) (or such other banks as may be appointed by the Issuing Agent in consultation with the Issuer).

"**Regulated Market**" means any regulated market (as defined in Directive 2004/39/EC on markets in financial instruments).

"**Relevant Period**" means each period of 12 consecutive calendar months.

**"Securities Account"** means the account for dematerialised securities maintained by the CSD pursuant to the Financial Instruments Accounts Act in which (i) an owner of such security is directly registered or (ii) an owner's holding of securities is registered in the name of a nominee.

**"STIBOR"** means:

- (a) the applicable percentage rate per annum displayed on NASDAQ's website for STIBOR fixing (or through another website replacing it) as of or around 11.00 a.m. on the Quotation Day for the offering of deposits in Swedish Kronor and for a period comparable to the relevant Interest Period; or
- (b) if no rate is available for the relevant Interest Period, the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Issuing Agent at its request quoted by the Reference Banks, for deposits of SEK 100,000,000 for the relevant period; or
- (c) if no quotation is available pursuant to paragraph (b), the interest rate which according to the reasonable assessment of the Issuing Agent best reflects the interest rate for deposits in Swedish Kronor offered in the Stockholm interbank market for the relevant period.

**"Subsequent Bonds"** means any Bonds issued after the First Issue Date on one or more occasions.

**"Subsidiary"** means, in relation to any person, any Swedish or foreign legal entity (whether incorporated or not), which at the time is a subsidiary (*dotterföretag*) to such person, directly or indirectly, as defined in the Swedish Companies Act (*aktiebolagslagen (2005:551)*).

**"Swedish Kronor"** and **"SEK"** means the lawful currency of Sweden.

**"Total Assets"** means the sum of all assets of the Group (calculated on a consolidated basis) as set out in the balance sheet forming part of the latest Financial Report of the Group.

**"Total Nominal Amount"** means the total aggregate Nominal Amount of the Bonds outstanding at the relevant time.

**"Transaction Costs"** means all fees, costs and expenses incurred by a Group Company in connection with (i) the issuance of Bonds and (ii) the listing of Bonds.

**"Written Procedure"** means the written or electronic procedure for decision making among the Bondholders in accordance with Clause 18 (*Written Procedure*).

## 1.2 Construction

- (a) Unless a contrary indication appears, any reference in these Terms and Conditions to:
  - (i) "assets" includes present and future properties, revenues and rights of every description;

- (ii) any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;
  - (iii) a "regulation" includes any regulation, rule or official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
  - (iv) an Event of Default is continuing if it has not been remedied or waived;
  - (v) a provision of law is a reference to that provision as amended or re-enacted; and
  - (vi) a time of day is a reference to Stockholm time.
- (b) When ascertaining whether a limit or threshold specified in Swedish Kronor has been attained or broken, an amount in another currency shall be counted on the basis of the rate of exchange for such currency against Swedish Kronor for the previous Business Day, as published by the Swedish Central Bank (*Riksbanken*) on its website (*riksbank.se*). If no such rate is available, the most recently published rate shall be used instead.
- (c) A notice shall be deemed to be sent by way of press release if it is made available to the public within Sweden promptly and in a non-discriminatory manner.
- (d) No delay or omission of the Agent or of any Bondholder to exercise any right or remedy under the Finance Documents shall impair or operate as a waiver of any such right or remedy.

## 2. Status of the Bonds

- (a) The Bonds are denominated in Swedish Kronor and each Bond is constituted by these Terms and Conditions. The Issuer undertakes to make payments in relation to the Bonds and to comply with these Terms and Conditions.
- (b) By subscribing for Bonds, each initial Bondholder agrees that the Bonds shall benefit from and be subject to the Finance Documents and by acquiring Bonds, each subsequent Bondholder confirms such agreement.
- (c) The nominal amount of each Initial Bond is SEK 1,000,000 (the "**Nominal Amount**"). The Total Nominal Amount of the Initial Bonds is SEK 750,000,000. All Initial Bonds are issued on a fully paid basis at an issue price of 100 per cent. of the Nominal Amount.
- (d) Provided that no Event of Default is continuing or would result from such issue, and that the Maintenance Test (calculated *pro forma* including such issue) is met, the Issuer may, at one or several occasions, issue Subsequent Bonds. Subsequent Bonds shall benefit from and be subject to the Finance Documents, and, for the avoidance of doubt, the ISIN, the interest rate, the nominal amount and the final maturity applicable to the Initial Bonds shall apply to Subsequent Bonds. The price of the Subsequent Bonds may be set at a discount or at a premium compared to the Nominal Amount. The maximum total nominal amount of the Bonds (the Initial Bonds and all

Subsequent Bonds) may not exceed SEK 1,000,000,000. Each Subsequent Bond shall entitle its holder to Interest in accordance with Clause 9(a), and otherwise have the same rights as the Initial Bonds.

- (e) The Bonds constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank pari passu with all direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer, except those obligations which are mandatorily preferred by law, and without any preference among them.
- (f) The Bonds are freely transferable but the Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable, under local laws to which a Bondholder may be subject. Each Bondholder must ensure compliance with such restrictions at its own cost and expense.
- (g) No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Bonds or the possession, circulation or distribution of any document or other material relating to the Issuer or the Bonds in any jurisdiction other than Sweden, where action for that purpose is required. Each Bondholder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Bonds.

### **3. Use of Proceeds**

The Issuer shall use Net Proceeds for general corporate purposes.

### **4. Conditions Precedent**

- (a) The payment of the Net Proceeds from the Initial Bond issue to the Issuer is subject to the Agent having received documents and evidence of the Conditions Precedent set out in clause 4(b) below being duly executed.
- (b) The Issuer shall provide, or procure the provision of, to the Agent the following documents and evidence:
  - (i) copies of constitutional documents of the Issuer;
  - (ii) copies of necessary corporate resolutions for the Issuer; and
  - (iii) duly executed copies of the Finance Documents.
- (c) If the conditions precedent for disbursement set out in Clause 4(b) have not been fulfilled to the satisfaction of the Agent (acting reasonably) within twenty (20) Business Days from the First Issue Date, the Issuer shall repurchase all Bonds at a price equal to 100 per cent. of the Nominal Amount together with any accrued Interest. Any funds distributed by the Agent to the Bondholders shall be deemed to be paid by the Issuer for the redemption under this Clause 4(c). The repurchase date shall fall no later than thirty (30) Business Days after the ending of the twenty (20) Business Days period referred to above.
- (d) The Net Proceeds from any Subsequent Bonds shall be transferred to the Issuer once the Issuer has provided a (i) Compliance Certificate to the Agent evidencing that no Event of Default is outstanding and that the Maintenance Test is met (calculated *pro*

*forma* including such issue) and (ii) copies of necessary corporate resolutions for the Issuer for the issue of the Subsequent Bonds.

- (e) The Agent may assume that the documentation and evidence delivered to it is accurate, legally valid, enforceable, correct, true and complete unless it has actual knowledge to the contrary, and the Agent does not have to verify or assess the contents of any such documentation. The Agent does not review the documents and evidence referred to above from a legal or commercial perspective of the bondholders.

## 5. Transfer Restrictions

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended. No Bondholder may offer, sale or deliver any Bonds within the United States of America or to, or for the account or benefit of, U.S. persons.

## 6. Bonds in Book-Entry Form

- (a) The Bonds will be registered for the Bondholders on their respective Securities Accounts and no physical notes will be issued. Accordingly, the Bonds will be registered in accordance with the Financial Instruments Accounts Act. Registration requests relating to the Bonds shall be directed to an Account Operator.
- (b) Those who according to assignment, Security, the provisions of the Swedish Children and Parents Code (*föräldrabalken (1949:381)*), conditions of will or deed of gift or otherwise have acquired a right to receive payments in respect of a Bond shall register their entitlements to receive payment in accordance with the Financial Instruments Accounts Act.
- (c) The Issuer (and the Agent when permitted under the CSD's applicable regulations) shall be entitled to obtain information from the debt register (*skuldbok*) kept by the CSD in respect of the Bonds. At the request of the Agent, the Issuer shall promptly obtain such information and provide it to the Agent.
- (d) For the purpose of or in connection with any Bondholders' Meeting or any Written Procedure, the Issuing Agent shall be entitled to obtain information from the debt register kept by the CSD in respect of the Bonds.
- (e) The Issuer shall issue any necessary power of attorney to such persons employed by the Agent, as notified by the Agent, in order for such individuals to independently obtain information directly from the debt register kept by the CSD in respect of the Bonds. The Issuer may not revoke any such power of attorney unless directed by the Agent or unless consent thereto is given by the Bondholders.

## 7. Right to Act on Behalf of a Bondholder

- (a) If any person other than a Bondholder wishes to exercise any rights under the Finance Documents, it must obtain a power of attorney or other proof of authorisation from the Bondholder or a successive, coherent chain of powers of attorney or proofs of authorisation starting with the Bondholder and authorising such person.

- (b) A Bondholder may issue one or several powers of attorney to third parties to represent it in relation to some or all of the Bonds held by it. Any such representative may act independently under the Finance Documents in relation to the Bonds for which such representative is entitled to represent the Bondholder and may further delegate its right to represent the Bondholder by way of a further power of attorney.
- (c) The Agent shall only have to examine the face of a power of attorney or other proof of authorisation that has been provided to it pursuant to Clause 7(b) and may assume that it has been duly authorised, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face.

## **8. Payments in Respect of the Bonds**

- (a) Any payment or repayment under the Finance Documents, or any amount due in respect of a repurchase of any Bonds, shall be made to such person who is registered as a Bondholder on the Record Date prior to an Interest Payment Date or other relevant due date, or to such other person who is registered with the CSD on such date as being entitled to receive the relevant payment, repayment or repurchase amount.
- (b) If a Bondholder has registered, through an Account Operator, that principal and interest shall be deposited in a certain bank account, such deposits will be effected by the CSD on the relevant payment date. In other cases, payments will be transferred by the CSD to the Bondholder at the address registered with the CSD on the Record Date. Should the CSD, due to a delay on behalf of the Issuer or some other obstacle, not be able to effect payments as aforesaid, the Issuer shall procure that such amounts are paid to the persons who are registered as Bondholders on the relevant Record Date as soon as possible after such obstacle has been removed.
- (c) If, due to any obstacle for the CSD, the Issuer cannot make a payment or repayment, such payment or repayment may be postponed until the obstacle has been removed. Interest shall accrue in accordance with Clause 9(d) during such postponement.
- (d) If payment or repayment is made in accordance with this Clause 8, the Issuer and the CSD shall be deemed to have fulfilled their obligation to pay, irrespective of whether such payment was made to a person not entitled to receive such amount.
- (e) The Issuer shall pay any stamp duty and other public fees accruing in connection with the Bond Issue but not in respect of trading in the secondary market (except to the extent required by applicable law), and shall deduct at source any applicable withholding tax payable pursuant to law. The Issuer shall not be liable to reimburse any stamp duty or public fee or to gross-up any payments under these Terms and Conditions by virtue of any withholding tax.

## **9. Interest**

- (a) Each Initial Bond carries Interest at the Interest Rate from (but excluding) the First Issue Date up to (and including) the relevant Redemption Date. Any Subsequent Bond will carry Interest at the Interest Rate from (but excluding) the Interest Payment Date falling immediately prior to its issuance up to (and including) the relevant Redemption Date.



- (b) Interest accrues during an Interest Period. Payment of Interest in respect of the Bonds shall be made to the Bondholders on each Interest Payment Date for the preceding Interest Period.
- (c) Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis).
- (d) If the Issuer fails to pay any amount payable by it under the Finance Documents on its due date, default interest shall accrue on the overdue amount from (but excluding) the due date up to (and including) the date of actual payment at a rate which is two hundred (200) basis points higher than the Interest Rate. Accrued default interest shall not be capitalised. No default interest shall accrue where the failure to pay was solely attributable to the Agent or the CSD, in which case the Interest Rate shall apply instead.

## **10. Redemption and Repurchase of the Bonds**

### **10.1 Redemption at maturity**

The Issuer shall redeem all, but not only some, of the outstanding Bonds in full on the Final Maturity Date with an amount per Bond equal to the Nominal Amount together with accrued but unpaid Interest. If the Final Maturity Date is not a Business Day, then the redemption shall occur on the first following Business Day.

### **10.2 Issuer's purchase of Bonds**

Each Group Company may, subject to applicable law, at any time and at any price purchase Bonds on the market or in any other way. Bonds held by such Group Company may at such Group Company's discretion be retained or sold or, if held by the Issuer, cancelled.

### **10.3 Voluntary total redemption (call option)**

- (a) The Issuer may redeem all, but not only some, of the outstanding Bonds in full at a price of 100.00 per cent. of the Nominal Amount together with accrued but unpaid Interest, provided that:
  - (i) the redemption is financed by way of one or several Market Loan issues and that each Bondholder is offered to participate in such Market Loan, any time from and including the first Business Day falling 90 days prior to the Final Maturity Date to, but excluding, the Final Maturity Date; or
  - (ii) it is or becomes unlawful for the Issuer to perform its obligations under the Terms and Conditions or the Agency Agreement.
- (b) Redemption in accordance with Clause 10.3(a) shall be made by the Issuer giving not less than twelve (12) Business Days' notice to the Bondholders and the Agent. Any such notice is irrevocable but may, at the Issuer's discretion, contain one or more conditions precedent. Upon expiry of such notice and the fulfillment of the conditions precedent (if any), the Issuer is bound to redeem the Bonds in full at the applicable amounts.

#### **10.4 Mandatory repurchase due to a Change of Control Event, a Listing Failure or a Delisting Event (put option)**

- (a) Upon a Change of Control Event, a Listing Failure or a Delisting Event occurring, each Bondholder shall have the right to request that all of its Bonds be repurchased at a price per Bond equal to 101.00% of the Nominal Amount together with accrued but unpaid Interest, during a period of twenty (20) Business Days following a notice from the Issuer of the Change of Control Event, Listing Failure or Delisting Event pursuant to Clause 11.1(d) (after which time period such right shall lapse).
- (b) The notice from the Issuer pursuant to Clause 11.1(d) shall specify the repurchase date and include instructions about the actions that a Bondholder needs to take if it wants Bonds held by it to be repurchased. If a Bondholder has so requested, and acted in accordance with the instructions in the notice from the Issuer, the Issuer, or a person designated by the Issuer, shall repurchase the relevant Bonds and the repurchase amount shall fall due on the repurchase date specified in the notice given by the Issuer pursuant to Clause 11.1(d). The repurchase date must fall no later than forty (40) Business Days after the end of the period referred to in Clause 10.4(a).
- (c) The Issuer shall comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Bonds. To the extent that the provisions of such laws and regulations conflict with the provisions in this Clause 10.4, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Clause 10.4 by virtue of the conflict.
- (d) Any Bonds repurchased by the Issuer pursuant to this Clause 10.4 may at the Issuer's discretion be retained, sold or cancelled.

### **11. Information to Bondholders**

#### **11.1 Information from the Issuer**

- (a) The Issuer will make the following information available to the Bondholders by way of press release and by publication on the website of the Issuer:
  - (i) as soon as the same become available, but in any event within 120 days after the end of each financial year, its audited consolidated financial statements for that financial year including a profit and loss account, a balance sheet, a cash flow statement and a report from the Issuer's board of directors;
  - (ii) as soon as the same become available, but in any event within 60 days after the end of each quarter of its financial year, its unaudited consolidated financial statements for such period including a profit and loss account, a balance sheet, a cash flow statement and a report from the Issuer's board of directors or from anyone appointed by the board of directors to deliver such report; and
  - (iii) any other information required by the Swedish Securities Markets Act (*Iag (2007:582) om värdepappersmarknaden*) and the rules and regulations of NASDAQ Stockholm.

- (b) When a Financial Report and other information are made available to the Bondholders pursuant to Clause 11.1(a), the Issuer shall send copies of such Financial Report and other information to the Agent.
- (c) The Issuer shall submit a duly executed Compliance Certificate to the Agent:
  - (i) together with a Financial Report; and
  - (ii) at the Agent's request, within twenty (20) days from such request.

A Compliance Certificate in relation to 11.1(c)(ii) shall also disclose the number of Bonds purchased, sold or cancelled by the Issuer or any Group Company during the financial quarter pertaining to such report (provided that no such report shall be necessary if no Bonds have been purchased, sold or cancelled during the relevant financial quarter).

- (d) The Issuer shall promptly notify the Agent (and as regards a Change of Control Event, the Bondholders) upon becoming aware of (A) the occurrence of a Change of Control Event, a Delisting Event or a Listing Failure, or (B) that an Event of Default has occurred, and shall provide the Agent with such further information as the Agent may request (acting reasonably) following receipt of such notice.
- (e) The Issuer is only obliged to inform the Agent according to this Clause 11.1 if informing the Agent would not conflict with any applicable laws or, when the Bonds are listed, the Issuer's registration contract with the Regulated Market. If such a conflict would exist pursuant to the listing contract with the Regulated Market or otherwise, the Issuer shall however be obliged to either seek approval from the Regulated Market or undertake other reasonable measures, including entering into a non-disclosure agreement with the Agent, in order to be able to timely inform the Agent according to this Clause 11.1.

## **11.2 Information from the Agent**

- (a) Subject to the restrictions of any applicable law and regulation, the Agent is entitled to disclose to the Bondholders any event or circumstance directly or indirectly relating to the Issuer or the Bonds. Notwithstanding the foregoing, the Agent may if it considers it to be beneficial to the interests of the Bondholders delay disclosure or refrain from disclosing certain information other than in respect of an Event of Default that has occurred and is continuing.

## **11.3 Publication of Finance Documents**

- (a) The latest version of these Terms and Conditions (including any document amending these Terms and Conditions) shall be available on the websites of the Issuer.
- (b) The latest versions of the Finance Documents shall be available to the Bondholders at the office of the Agent during normal business hours.

## **12. Financial Undertakings**

- (a) The Issuer shall ensure that:
  - (i) the Interest Coverage Ratio exceeds 1.25:1; and

- (ii) the ratio of Equity to Total Assets is not less than 20%.
- (b) The Maintenance Test shall be reported quarterly on the basis of the financial reports delivered pursuant to 11.1(a)(i)-(ii) above for the Relevant Period on the basis of the Compliance Certificate delivered in connection therewith. The first test date for the Maintenance Test shall be 31 December 2016.

## **13. General Undertakings**

### **13.1 General**

The Issuer undertakes to (and shall, where applicable, procure that each other Group Company will) comply with the undertakings set out in this Clause 13 for as long as any Bonds remain outstanding.

### **13.2 Nature of Business**

The Issuer shall procure that no substantial change is made to the general nature of the business carried on by the Group as of the First Issue Date.

### **13.3 Disposal of Assets**

The Issuer shall not, and shall procure that no Material Group Company will, sell or otherwise dispose of all or some of the shares in any Material Group Company or of all or substantially all of its or a Material Group Company's assets or operations, to any person not being the Issuer or any of its wholly-owned Subsidiaries unless such disposal is made on customary arm's length terms at fair market value and does not have a Material Adverse Effect.

## **14. Events of Default and Acceleration of the Bonds**

Each of the events or circumstances set out in this Clause 14 (other than Clause 14.10 (*Acceleration of the Bonds*)) is an Event of Default.

### **14.1 Non-Payment**

The Issuer fails to pay an amount on the date it is due in accordance with the Terms and Conditions unless its failure to pay is caused by technical or administrative error and payment is made within five (5) Business Days of the due date.

### **14.2 Financial Covenant**

The Issuer does not comply with the Maintenance Test.

### **14.3 Other Obligations**

The Issuer does not comply with the Terms and Conditions in any other way than as set out under Clause 14.1 (*Non-Payment*) or Clause 14.2 (*Financial Covenant*), unless the non-compliance is capable of remedy and the Issuer has remedied the failure within fifteen (15) Business Days of the earlier of a request by the Agent and the Issuer becoming aware of the non-compliance.

#### 14.4 Cross-Acceleration

Any Financial Indebtedness of a Material Group Company is not paid when due nor within any originally applicable grace period, or is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described), provided that no Event of Default will occur under this Clause 14.4 if the aggregate amount of Financial Indebtedness is less than SEK 25,000,000 (or its equivalent in any other currency) and provided that it does not apply to any Financial Indebtedness owed to a Group Company.

#### 14.5 Insolvency

- (a) Any Material Group Company is deemed to be insolvent, or admits inability to pay its debts as they fall due, in each case within the meaning of Chapter 2, Section 7-9 of the Swedish Bankruptcy Act (*konkurslagen (1987:672)*), suspends making payments on its debts generally or, by reason of actual financial difficulties commences negotiations with its creditors (other than the Bondholders) with a view to rescheduling its Financial Indebtedness; or
- (b) A moratorium is declared in respect of the Financial Indebtedness of any Material Group Company, provided that no Event of Default will occur under this Clause 14.5(b) of the aggregate amount of such Financial Indebtedness of a Material Group Company (other than the Issuer) and is less than SEK 25,000,000 (or its equivalent in any other currency).

#### 14.6 Insolvency Proceedings

Any corporate action, legal proceedings or other procedures are taken (other than (i) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within 21 Business Days of commencement or, if earlier, the date in which it is advertised, and (ii), in relation to the Issuer's Subsidiaries, solvent liquidations) in relation to:

- (a) the suspension of payments, winding-up, dissolution, administration or reorganisation (*Sw. företagsrekonstruktion*) (by way of voluntary agreements, scheme of arrangement or otherwise) of any Material Group Company;
- (b) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of any Material Group Company or any of its assets; or
- (c) any analogous procedure or step is taken in any jurisdiction.

#### 14.7 Mergers and Demergers

The Issuer merges with any other person, or is subject to a demerger, with the effect that the Issuer is not the surviving entity.

#### 14.8 Creditors' Process

Any attachment, sequestration, distress or execution, or any analogous process affects any asset or assets of a Material Group Company having an aggregate value exceeding SEK 25,000,000 and is not discharged within 30 days.

## 14.9 Continuation of the Business

The Issuer or any other Material Group Company ceases to carry on its business (except if disposed of in accordance with the Terms and Conditions).

## 14.10 Acceleration of the Bonds

- (a) Upon the occurrence of an Event of Default which is continuing, the Agent is entitled to, on behalf of the Bondholders (i) by notice to the Issuer, declare all, but not only some, of the outstanding Bonds due and payable together with any other amounts payable under the Finance Documents, immediately or at such later date as the Agent determines, and (ii) exercise any or all of its rights, remedies, powers and discretions under the Finance Documents.
- (b) The Agent may not accelerate the Bonds in accordance with Clause 14.10(a) by reference to a specific Event of Default if it is no longer continuing or if it has been decided, on a Bondholders Meeting or by way of a Written Procedure, to waive such Event of Default (temporarily or permanently).
- (c) The Agent shall notify the Bondholders of an Event of Default within five (5) Business Days of the date on which the Agent received actual knowledge of that an Event of Default has occurred and is continuing. The Agent shall, within twenty (20) Business Days of the date on which the Agent received actual knowledge of that an Event of Default has occurred and is continuing, decide if the Bonds shall be so accelerated. If the Agent decides not to accelerate the Bonds, the Agent shall promptly seek instructions from the Bondholders in accordance with Clause 16 (*Decisions by Bondholders*). The Agent shall always be entitled to take the time necessary to consider whether an occurred event constitutes an Event of Default.
- (d) If the Bondholders (in accordance with these Terms and Conditions) instruct the Agent to accelerate the Bonds, the Agent shall promptly declare the Bonds due and payable and take such actions as may, in the opinion of the Agent, be necessary or desirable to enforce the rights of the Bondholders under the Finance Documents, unless the relevant Event of Default is no longer continuing.
- (e) If the right to accelerate the Bonds is based upon a decision of a court of law or a government authority, it is not necessary that the decision has become enforceable under law or that the period of appeal has expired in order for cause of acceleration to be deemed to exist.
- (f) In the event of an acceleration of the Bonds in accordance with this Clause 14.10, the Issuer shall redeem all Bonds at an amount per Bond equal to 101 per cent. of the Nominal Amount.

## 15. Distribution of Proceeds

- (a) All payments by the Issuer relating to the Bonds and the Finance Documents following an acceleration of the Bonds in accordance with Clause 14 (*Events of Default and Acceleration of the Bonds*) shall be distributed in the following order of priority, in accordance with the instructions of the Agent:

- (i) first, in or towards payment pro rata of (i) all unpaid fees, costs, expenses and indemnities payable by the Issuer to the Agent in accordance with the Agency Agreement (other than any indemnity given for liability against the Bondholders), (ii) other costs, expenses and indemnities relating to the acceleration of the Bonds, or the protection of the Bondholders' rights as may have been incurred by the Agent, (iii) any costs incurred by the Agent for external experts that have not been reimbursed by the Issuer in accordance with Clause 20.2(g), and (iv) any costs and expenses incurred by the Agent in relation to a Bondholders' Meeting or a Written Procedure that have not been reimbursed by the Issuer in accordance with Clause 16(c);
- (ii) secondly, in or towards payment pro rata of accrued but unpaid Interest under the Bonds (Interest due on an earlier Interest Payment Date to be paid before any Interest due on a later Interest Payment Date);
- (iii) thirdly, in or towards payment pro rata of any unpaid principal under the Bonds; and
- (iv) fourthly, in or towards payment pro rata of any other costs or outstanding amounts unpaid under the Finance Documents.

Any excess funds after the application of proceeds in accordance with paragraphs (i) to (iv) above shall be paid to the Issuer.

- (b) Funds that the Agent receives (directly or indirectly) in connection with the acceleration of the Bonds constitute escrow funds (*redovisningsmedel*) and must be held on a separate interest-bearing account on behalf of the Bondholders and the other interested parties. The Agent shall arrange for payments of such funds in accordance with this Clause 15 as soon as reasonably practicable.
- (c) If the Issuer or the Agent shall make any payment under this Clause 15, the Issuer or the Agent, as applicable, shall notify the Bondholders of any such payment at least fifteen (15) Business Days before the payment is made. Such notice shall specify the Record Date, the payment date and the amount to be paid. Notwithstanding the foregoing, for any Interest due but unpaid the Record Date specified in Clause 8(a) shall apply.

## **16. Decisions by Bondholders**

- (a) A request by the Agent for a decision by the Bondholders on a matter relating to the Finance Documents shall (at the option of the Agent) be dealt with at a Bondholders' Meeting or by way of a Written Procedure.
- (b) Any request from the Issuer or a Bondholder (or Bondholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount (such request may only be validly made by a person who is a Bondholder on the Business Day immediately following the day on which the request is received by the Agent and shall, if made by several Bondholders, be made by them jointly) for a decision by the Bondholders on a matter relating to the Finance Documents shall be directed to the Agent and dealt with at a Bondholders' Meeting or by way a Written Procedure, as determined by the Agent. The person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a

Bondholders' Meeting than by way of a Written Procedure, it shall be dealt with at a Bondholders' Meeting.

- (c) The Agent may refrain from convening a Bondholders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any person in addition to the Bondholders and such person has informed the Agent that an approval will not be given, or (ii) the suggested decision is not in accordance with applicable laws.
- (d) Only a person who is, or who has been provided with a power of attorney pursuant to Clause 7 (*Right to Act on Behalf of a Bondholder*) from a person who is, registered as a Bondholder:
  - (i) on the Record Date prior to the date of the Bondholders' Meeting, in respect of a Bondholders' Meeting, or
  - (ii) on the Business Day specified in the communication pursuant to Clause 18(c), in respect of a Written Procedure,

may exercise voting rights as a Bondholder at such Bondholders' Meeting or in such Written Procedure, provided that the relevant Bonds are included in the definition of Adjusted Nominal Amount.

- (e) The following matters shall require the consent of Bondholders representing at least two thirds (2/3) of the Adjusted Nominal Amount for which Bondholders are voting at a Bondholders' Meeting or for which Bondholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 18(c):
  - (i) the issue of any Subsequent Bonds, if the total nominal amount of the Bonds exceeds, or if such issue would cause the total nominal amount of the Bonds to at any time exceed, SEK 1,000,000,000 (for the avoidance of doubt, for which consent shall be required at each occasion such Subsequent Bonds are issued);
  - (ii) a change to the terms of any of Clause 2(a), and Clauses 2(e) to 2(g);
  - (iii) a reduction of the premium payable upon the redemption Bonds pursuant to Clause 10.4 (*Mandatory repurchase due to a Change of Control Event, a Listing Failure or a Delisting Event (put option)*);
  - (iv) a change to the Interest Rate or the Nominal Amount;
  - (v) a change to the terms for the distribution of proceeds set out in Clause 15 (*Distribution of Proceeds*);
  - (vi) a change to the terms dealing with the requirements for Bondholders' consent set out in this Clause 16;
  - (vii) a change of issuer, an extension of the tenor of the Bonds or any delay of the due date for payment of any principal or interest on the Bonds;
  - (viii) a mandatory exchange of the Bonds for other securities; and



- (ix) early redemption of the Bonds, other than upon an acceleration of the Bonds pursuant to Clause 14 (*Events of Default and Acceleration of the Bonds*) or as otherwise permitted or required by these Terms and Conditions.
- (f) Any matter not covered by Clause 16(e) shall require the consent of Bondholders representing more than 50 per cent. of the Adjusted Nominal Amount for which Bondholders are voting at a Bondholders' Meeting or for which Bondholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 18(c). This includes, but is not limited to, any amendment to, or waiver of, the terms of any Finance Document that does not require a higher majority (other than an amendment permitted pursuant to Clause 19(a)(i) or (19(a)(iii))) or an acceleration of the Bonds.
- (g) Quorum at a Bondholders' Meeting or in respect of a Written Procedure only exists if a Bondholder (or Bondholders) representing at least fifty (50) per cent. of the Adjusted Nominal Amount in case of a matter pursuant to Clause 16(e), and otherwise twenty (20) per cent. of the Adjusted Nominal Amount:
  - (i) if at a Bondholders' Meeting, attend the meeting in person or by telephone conference (or appear through duly authorised representatives); or
  - (ii) if in respect of a Written Procedure, reply to the request.
- (h) If a quorum does not exist at a Bondholders' Meeting or in respect of a Written Procedure, the Agent or the Issuer shall convene a second Bondholders' Meeting (in accordance with Clause 17(a)) or initiate a second Written Procedure (in accordance with Clause 18(a)), as the case may be, provided that the relevant proposal has not been withdrawn by the person(s) who initiated the procedure for Bondholders' consent. The quorum requirement in Clause 16(g) shall not apply to such second Bondholders' Meeting or Written Procedure.
- (i) Any decision which extends or increases the obligations of the Issuer or the Agent, or limits, reduces or extinguishes the rights or benefits of the Issuer or the Agent, under the Finance Documents shall be subject to the Issuer's or the Agent's consent, as appropriate.
- (j) A Bondholder holding more than one Bond need not use all its votes or cast all the votes to which it is entitled in the same way and may in its discretion use or cast some of its votes only.
- (k) The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Bondholder for or as inducement to any consent under these Terms and Conditions, unless such consideration is offered to all Bondholders that consent at the relevant Bondholders' Meeting or in a Written Procedure within the time period stipulated for the consideration to be payable or the time period for replies in the Written Procedure, as the case may be.
- (l) A matter decided at a duly convened and held Bondholders' Meeting or by way of Written Procedure is binding on all Bondholders, irrespective of them being present or represented at the Bondholders' Meeting or responding in the Written Procedure. The Bondholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Bondholders.

- (m) All costs and expenses incurred by the Issuer or the Agent for the purpose of convening a Bondholders' Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Agent, shall be paid by the Issuer.
- (n) If a decision shall be taken by the Bondholders on a matter relating to the Finance Documents, the Issuer shall promptly at the request of the Agent provide the Agent with a certificate specifying the number of Bonds owned by Group Companies or (to the knowledge of the Issuer) Affiliates, irrespective of whether such person is directly registered as owner of such Bonds. The Agent shall not be responsible for the accuracy of such certificate or otherwise be responsible to determine whether a Bond is owned by a Group Company or an Affiliate.
- (o) Information about decisions taken at a Bondholders' Meeting or by way of a Written Procedure shall promptly be sent by notice to the Bondholders and published on the websites of the Group and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Bondholders' Meeting or Written Procedure shall at the request of a Bondholder be sent to it by the Issuer or the Agent, as applicable.

## **17. Bondholders' Meeting**

- (a) The Agent shall convene a Bondholders' Meeting by sending a notice thereof to each Bondholder no later than five (5) Business Days after receipt of a request from the Issuer or the Bondholder(s) (or such later date as may be necessary for technical or administrative reasons).
- (b) Should the Issuer want to replace the Agent, it may convene a Bondholders' Meeting in accordance with Clause 17(a) with a copy to the Agent. After a request from the Bondholders pursuant to Clause 20.4(c), the Issuer shall no later than five (5) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Bondholders' Meeting in accordance with Clause 17(a).
- (c) The notice pursuant to Clause 17(a) shall include (i) time for the meeting, (ii) place for the meeting, (iii) agenda for the meeting (including each request for a decision by the Bondholders) and (iv) a form of power of attorney. Only matters that have been included in the notice may be resolved upon at the Bondholders' Meeting. Should prior notification by the Bondholders be required in order to attend the Bondholders' Meeting, such requirement shall be included in the notice.
- (d) The Bondholders' Meeting shall be held no earlier than fifteen (15) Business Days and no later than thirty (30) Business Days from the notice.
- (e) Without amending or varying these Terms and Conditions, the Agent may prescribe such further regulations regarding the convening and holding of a Bondholders' Meeting as the Agent may deem appropriate. Such regulations may include a possibility for Bondholders to vote without attending the meeting in person.

## **18. Written Procedure**

- (a) The Agent shall instigate a Written Procedure (which may be conducted electronically in a manner determined by the Agent) no later than five (5) Business Days after receipt

of a request from the Issuer or the Bondholder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a communication to each such person who is registered as a Bondholder on the Business Day prior to the date on which the communication is sent.

- (b) Should the Issuer want to replace the Agent, it may send a communication in accordance with Clause 18(a) to each Bondholder with a copy to the Agent.
- (c) A communication pursuant to Clause 18(a) shall include (i) each request for a decision by the Bondholders, (ii) a description of the reasons for each request, (iii) a specification of the Business Day on which a person must be registered as a Bondholder in order to be entitled to exercise voting rights, (iv) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney, and (v) the stipulated time period within which the Bondholder must reply to the request (such time period to last at least fifteen (15) Business Days from the communication pursuant to Clause 18(a)). If the voting shall be made electronically, instructions for such voting shall be included in the communication.
- (d) When the requisite majority consents of the total Adjusted Nominal Amount pursuant to Clauses 16(e) and 16(f) have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Clause 16(e) or 16(f), as the case may be, even if the time period for replies in the Written Procedure has not yet expired.

## 19. Amendments and Waivers

- (a) The Issuer and the Agent (acting on behalf of the Bondholders) may agree to amend the Finance Documents or waive any provision in a Finance Document, provided that:
  - (i) in the opinion of the Agent and/or as confirmed by a reputable external expert engaged by the Agent (if the Agent reasonably considers it necessary to engage such expert), such amendment or waiver is not detrimental to the interest of the Bondholders
  - (ii) such amendment or waiver is made solely for the purpose of rectifying obvious errors and mistakes;
  - (iii) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority; or
  - (iv) such amendment or waiver has been duly approved by the Bondholders in accordance with Clause 16 (*Decisions by Bondholders*).
- (b) The consent of the Bondholders is not necessary to approve the particular form of any amendment to the Finance Documents. It is sufficient if such consent approves the substance of the amendment.
- (c) The Agent shall promptly notify the Bondholders of any amendments or waivers made in accordance with Clause 19(a), setting out the date from which the amendment or waiver will be effective, and ensure that any amendments to the Finance Documents are published in the manner stipulated in Clause 11.3 (*Publication of Finance*

*Documents*). The Issuer shall ensure that any amendments to the Finance Documents are duly registered with the CSD and each other relevant organisation or authority.

- (d) An amendment to the Finance Documents shall take effect on the date determined by the Bondholders Meeting, in the Written Procedure or by the Agent, as the case may be.

## **20. Appointment and Replacement of the Agent**

### **20.1 Appointment of Agent**

- (a) By subscribing for Bonds, each initial Bondholder appoints the Agent to act as its agent in all matters relating to the Bonds and the Finance Documents, and authorises the Agent to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions) in any legal or arbitration proceedings relating to the Bonds held by such Bondholder.
- (b) By acquiring Bonds, each subsequent Bondholder confirms the appointment and authorisation for the Agent to act on its behalf, as set forth in Clause 20.1(a).
- (c) Each Bondholder shall immediately upon request provide the Agent with any such documents, including a written power of attorney (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Agent is under no obligation to represent a Bondholder which does not comply with such request.
- (d) The Issuer shall promptly upon request provide the Agent with any documents and other assistance (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents.
- (e) The Agent is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents and the Agency Agreement and the Agent's obligations as Agent under the Finance Documents are conditioned upon the due payment of such fees and indemnifications.
- (f) The Agent may act as agent or trustee for several issues of securities issued by or relating to the Issuer and other Group Companies notwithstanding potential conflicts of interest.

### **20.2 Duties of the Agent**

- (a) The Agent shall represent the Bondholders in accordance with the Finance Documents. However, the Agent is not responsible for the content, valid execution, legal validity or enforceability of the Finance Documents.
- (b) When acting in accordance with the Finance Documents, the Agent is always acting with binding effect on behalf of the Bondholders. The Agent shall carry out its duties under the Finance Documents in a reasonable, proficient and professional manner, with reasonable care and skill.

- (c) The Agent's duties under the Finance Documents are solely mechanical and administrative in nature and the Agent only acts in accordance with the Finance Documents and upon instructions from the Bondholders, unless otherwise set out in these Terms and Conditions. In particular, the Agent is not acting as an advisor (whether legal, financial or otherwise) to the Bondholders or any other person.
- (d) The Agent is not obligated to assess or monitor the financial condition of the Issuer or compliance by the Issuer of the terms of the Finance Documents unless to the extent expressly set out in the Terms and Conditions and the other Finance Documents, or to take any steps to ascertain whether any Event of Default has occurred. Until it has actual knowledge to the contrary, the Agent is entitled to assume that no Event of Default has occurred.
- (e) The Agent is entitled to delegate its duties to other professional parties, but the Agent shall remain liable for the actions of such parties under the Finance Documents.
- (f) The Agent shall treat all Bondholders equally and, when acting pursuant to the Finance Documents, act with regard only to the interests of the Bondholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.
- (g) The Agent is entitled to engage external experts when carrying out its duties under the Finance Documents. The Issuer shall on demand by the Agent pay all costs for external experts engaged after the occurrence of an Event of Default, or for the purpose of investigating or considering (i) an event which the Agent reasonably believes is or may lead to an Event of Default, (ii) a matter relating to the Issuer which the Agent reasonably believes may be detrimental to the interests of the Bondholders under the Finance Documents or (iii) as otherwise agreed between the Agent and the Issuer. Any compensation for damages or other recoveries received by the Agent from external experts engaged by it for the purpose of carrying out its duties under the Finance Documents shall be distributed in accordance with Clause 15 (*Distribution of Proceeds*).
- (h) Notwithstanding any other provision of the Finance Documents to the contrary, the Agent is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.
- (i) If in the Agent's reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Agent) in complying with instructions of the Bondholders, or taking any action at its own initiative, will not be covered by the Issuer, the Agent may refrain from acting in accordance with such instructions, or taking such action, until it has received such funding or indemnities (or adequate Security has been provided therefore) as it may reasonably require.
- (j) Unless it has actual knowledge to the contrary, the Agent may assume that all information provided by or on behalf of the Issuer (including by its advisors) is correct, true and complete in all aspects.
- (k) The Agent shall give a notice to the Bondholders (i) before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer

of any fee or indemnity due to the Agent under the Finance Documents or the Agency Agreement or (ii) if it refrains from acting for any reason described in Clause 20.2(i).

### **20.3 Limited liability for the Agent**

- (a) The Agent will not be liable to the Bondholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its negligence or wilful misconduct. The Agent shall never be responsible for indirect loss.
- (b) The Agent shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts or if the Agent has acted with reasonable care in a situation when the Agent considers that it is detrimental to the interests of the Bondholders to delay the action in order to first obtain instructions from the Bondholders.
- (c) The Agent shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to the Finance Documents to be paid by the Agent to the Bondholders, provided that the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.
- (d) The Agent shall have no liability to the Bondholders or the Issuer for damage caused by the Agent acting in accordance with instructions of the Bondholders given in accordance with the Terms and Conditions.
- (e) Any liability towards the Issuer which is incurred by the Agent in acting under, or in relation to, the Finance Documents shall not be subject to set-off against the obligations of the Issuer to the Bondholders under the Finance Documents.
- (f) The Agent is not liable for information provided to the Bondholders by or on behalf of the Issuer or by any other person.

### **20.4 Replacement of the Agent**

- (a) Subject to Clause 20.4(f), the Agent may resign by giving notice to the Issuer and the Bondholders, in which case the Bondholders shall appoint a successor Agent at a Bondholders' Meeting convened by the retiring Agent or by way of Written Procedure initiated by the retiring Agent.
- (b) Subject to Clause 20.4(f), if the Agent is Insolvent, the Agent shall be deemed to resign as Agent and the Issuer shall within ten (10) Business Days appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- (c) A Bondholder (or Bondholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount may, by notice to the Issuer (such notice may only be validly given by a person who is a Bondholder on the Business Day immediately following the day on which the notice is received by the Issuer and shall, if given by several Bondholders, be given by them jointly), require that a Bondholders' Meeting is held for the purpose of dismissing the Agent and appointing a new Agent. The Issuer may, at a Bondholders'

Meeting convened by it or by way of Written Procedure initiated by it, propose to the Bondholders that the Agent be dismissed and a new Agent appointed.

- (d) If the Bondholders have not appointed a successor Agent within ninety (90) days after (i) the earlier of the notice of resignation was given or the resignation otherwise took place or (ii) the Agent was dismissed through a decision by the Bondholders, the Issuer shall appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- (e) The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.
- (f) The Agent's resignation or dismissal shall only take effect upon the appointment of a successor Agent and acceptance by such successor Agent of such appointment and the execution of all necessary documentation to effectively substitute the retiring Agent.
- (g) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of the Finance Documents and remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Agent. Its successor, the Issuer and each of the Bondholders shall have the same rights and obligations amongst themselves under the Finance Documents as they would have had if such successor had been the original Agent.
- (h) In the event that there is a change of the Agent in accordance with this Clause 20.4, the Issuer shall execute such documents and take such actions as the new Agent may reasonably require for the purpose of vesting in such new Agent the rights, powers and obligation of the Agent and releasing the retiring Agent from its further obligations under the Finance Documents and the Agency Agreement. Unless the Issuer and the new Agent agrees otherwise, the new Agent shall be entitled to the same fees and the same indemnities as the retiring Agent.

## **21. Appointment and Replacement of the Issuing Agent**

- (a) The Issuer appoints the Issuing Agent to manage certain specified tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to and/or issued by the CSD and relating to the Bonds.
- (b) The Issuing Agent may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has approved that a commercial bank or securities institution approved by the CSD accedes as new Issuing Agent at the same time as the old Issuing Agent retires or is dismissed. If the Issuing Agent is Insolvent, the Issuer shall immediately appoint a new Issuing Agent, which shall replace the old Issuing Agent as issuing agent in accordance with these Terms and Conditions.

## **22. No Direct Actions by Bondholders**

- (a) A Bondholder may not take any steps whatsoever against the Issuer to enforce or recover any amount due or owing to it pursuant to the Finance Documents, or to

initiate, support or procure the winding-up, dissolution, liquidation, company reorganisation (*företagsrekonstruktion*) or bankruptcy (*konkurs*) (or its equivalent in any other jurisdiction) of the Issuer in relation to any of the liabilities of the Issuer under the Finance Documents.

- (b) Clause 22(a) shall not apply if the Agent has been instructed by the Bondholders in accordance with the Finance Documents to take certain actions but fails for any reason to take, or is unable to take (for any reason other than a failure by a Bondholder to provide documents in accordance with Clause 20.1(c)), such actions within a reasonable period of time and such failure or inability is continuing. However, if the failure to take certain actions is caused by the non-payment by the Issuer of any fee or indemnity due to the Agent under the Finance Documents or the Agency Agreement or by any reason described in Clause 20.2(i), such failure must continue for at least forty (40) Business Days after notice pursuant to Clause 20.2(k) before a Bondholder may take any action referred to in Clause 22(a).
- (c) The provisions of Clause 22(a) shall not in any way limit an individual Bondholder's right to claim and enforce payments which are due to it under Clause 10.4 (*Mandatory repurchase due to a Change of Control Event, a Listing Failure or a Delisting Event* (put option)) or other payments which are due by the Issuer to some but not all Bondholders.

## 23. Prescription

- (a) The right to receive repayment of the principal of the Bonds shall be prescribed and become void ten (10) years from the Redemption Date. The right to receive payment of interest (excluding any capitalised interest) shall be prescribed and become void three (3) years from the relevant due date for payment. The Issuer is entitled to any funds set aside for payments in respect of which the Bondholders' right to receive payment has been prescribed and has become void.
- (b) If a limitation period is duly interrupted in accordance with the Swedish Act on Limitations (*preskriptionslag (1981:130)*), a new limitation period of ten (10) years with respect to the right to receive repayment of the principal of the Bonds, and of three (3) years with respect to receive payment of interest (excluding capitalised interest) will commence, in both cases calculated from the date of interruption of the limitation period, as such date is determined pursuant to the provisions of the Swedish Act on Limitations.

## 24. Notices and Press Releases

### 24.1 Notices

- (a) Any notice or other communication to be made under or in connection with the Finance Documents:
  - (i) if to the Agent, shall be given at the address registered with the Swedish Companies Registration Office (*Bolagsverket*) on the Business Day prior to dispatch;
  - (ii) if to the Issuer, shall be given at the address registered with the Swedish Companies Registration Office on the Business Day prior to dispatch; and



- (iii) if to the Bondholders, shall be given at their addresses as registered with the CSD, on the Business Day prior to dispatch, and by letter for all Bondholders. A Notice to the Bondholders shall also be published on the websites of the Group and the Agent.
- (b) Any notice or other communication made by one person to another under or in connection with the Finance Documents shall be sent by way of courier, personal delivery or letter and will only be effective, in case of courier or personal delivery, when it has been left at the address specified in Clause 24.1(a) or, in case of letter, three (3) Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause 24.1(a).
- (c) Failure to send a notice or other communication to a Bondholder or any defect in it shall not affect its sufficiency with respect to other Bondholders.
- (d) If an Event of Default is continuing, any notice or other communication made by the Agent to the Issuer under or in connection with the Finance Documents may, provided that the Agent deems it necessary in order to preserve the Bondholders' rights under the Finance Documents, be sent by email and will be effective on the day of dispatch (unless a delivery failure message was received by the Agent), save that any notice or other communication sent by email that is sent after 5.00 pm in the place of receipt shall be deemed only to become effective on the following day. Any notice or other communication to be sent by email by the Agent to the Issuer in accordance with this paragraph (c) shall be sent to the CFO or the CEO of the Issuer, to the email addresses most recently notified by the Issuer to the Agent.

## 24.2 Press releases

- (a) Any notice that the Issuer or the Agent shall send to the Bondholders pursuant to Clauses 10.3 (*Voluntary total redemption (call option)*), 11.1(d), 14.10(c), 16(o), 17(a), 18(a) and 19(c) shall also be published by way of press release by the Issuer or the Agent, as applicable.
- (b) In addition to Clause 24.2(a), if any information relating to the Bonds or the Group contained in a notice the Agent may send to the Bondholders under these Terms and Conditions has not already been made public by way of a press release, the Agent shall before it sends such information to the Bondholders give the Issuer the opportunity to issue a press release containing such information. If the Issuer does not promptly issue a press release and the Agent considers it necessary to issue a press release containing such information before it can lawfully send a notice containing such information to the Bondholders, the Agent shall be entitled to issue such press release.

## 25. Force Majeure and Limitation of Liability

- (a) Neither the Agent nor the Issuing Agent shall be held responsible for any damage arising out of any legal enactment, or any measure taken by a public authority, or war, strike, lockout, boycott, blockade or any other similar circumstance (a "**Force Majeure Event**"). The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Agent or the Issuing Agent itself takes such measures, or is subject to such measures.

- (b) The Issuing Agent shall have no liability to the Bondholders if it has observed reasonable care. The Issuing Agent shall never be responsible for indirect damage with exception of gross negligence and wilful misconduct.
- (c) Should a Force Majeure Event arise which prevents the Agent or the Issuing Agent from taking any action required to comply with these Terms and Conditions, such action may be postponed until the obstacle has been removed.
- (d) The provisions in this Clause 25 apply unless they are inconsistent with the provisions of the Financial Instruments Accounts Act which provisions shall take precedence.

## **26. Governing Law and Jurisdiction**

- (a) These Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Sweden.
- (b) The Issuer submits to the non-exclusive jurisdiction of the City Court of Stockholm (*Stockholms tingsrätt*).

We hereby certify that the above terms and conditions are binding upon ourselves.

**Hemfosa Fastigheter AB (publ)**

as Issuer

---

Name:

We hereby undertake to act in accordance with the above terms and conditions to the extent they refer to us.

**Nordic Trustee & Agency AB (publ)**

as Agent

---

Name:

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