

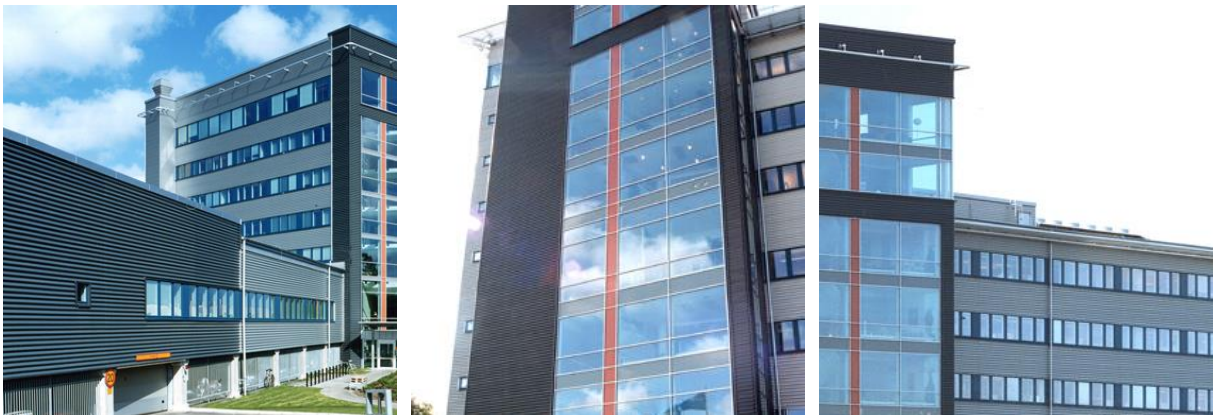
## Company description



### Kallebäck Property Invest AB (publ)

*Published in compliance with the First North Rulebook as part of Kallebäck's application for listing at Nasdaq OMX First North.*

*21 March 2014*



### First North Disclaimer

*First North is an alternative marketplace operated by an exchange within the NASDAQ OMX group. Companies on First North are not subject to the same rules as companies on the regulated main market. Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in a Company on First North may therefore be higher than investing in a company on the main market. All Companies with shares traded on First North have a Certified Adviser who monitors that the rules are followed. The Exchange approves the application for admission to trading.*

*Certified Adviser:*

**WILDECO**

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## **1        IMPORTANT INFORMATION**

Kallebäck Property Invest AB, reg. no. 556951-6783

Company address: c/o Hestia Fastighetsförvaltning AB, Box 239, 721 06 Västerås, Sweden

[www.kallebackpropertyinvest.se](http://www.kallebackpropertyinvest.se)

### **1.1        The reason for applying for admission to trading on First North**

The purpose of listing the Kallebäck share on First North is to offer current shareholders a liquid second hand market for their investment, as well as inviting new investors to an innovative investment vehicle in an attractive real estate market.

### **1.2        Important dates**

Expected first day of trading on First North: 28 March 2014

Half-year report 2014: 29 August 2014

Year-end report 2014: 2 March 2015

Annual general meeting: 30 March 2015

### **1.3        Trading information**

Short name on First North: KAPIAB

ISIN-code for shares intended to be listed on First North: SE0005704079

The shares are registered by the Euroclear Sweden AB Central Securities Depository.

Proposed trading lot on First North: 1

**Certified Adviser:**    Wildeco Ekonomisk Information AB, Box 7126, SE - 103 87 Stockholm, Sweden

**Liquidity Provider:**   Pareto Securities AB, Stortorget 13, 211 22 Malmö, Sweden

**Auditor:**                Jan Erik Palmkvist, Deloitte AB, 113 79 Stockholm

### **1.4        Liability statement of the board of directors**

We declare that, to the best of our knowledge, the information provided in the company description is accurate and that, to the best of our knowledge, the company description is not subject to any omissions that may serve to distort the picture the company description is to provide, and that all relevant information in the minutes of board meetings, auditors' records and other internal documents is included in the company description.

Tore Børve Sandvik  
Board Member/ CEO

Clara de Château  
Chairman of the Board

Stefan De Geer  
Board Member

## 2 KALLEBÄCK PROPERTY INVEST AB (PUBL)

### 2.1 Summary

Kallebäck Property Invest AB (publ) (the “Company”) is a Swedish real estate company indirectly owning, managing and letting the property Kallebäck 17:2 in Gothenburg (the “Property”). The Property is fully leased to Saab AB (the “Tenant”) until 31 December 2021. The Company is managed by the third party business manager Hestia on a fixed price contract. A temporary facility management contract has been entered into with Tuve Bygg.

The Company acquired, the Property in November 2013, through acquiring 100% of the shares in the property owning company Näringsfastigheter Kallebäck AB. Prior to the acquisition of the Property the Company has no earnings history. The most significant costs and revenues are fixed and the cash flow is positive. Current annualized figures are shown in the projected financial information presented on page 35-36.

The Company and its subsidiaries will from time to time hereinafter be referred to as the “Group”.

### 2.2 The Company and Group structure

The object of the Company is to “invest in real estate or in companies that own real estate, obtain financing for its business and conduct business related thereto”. The articles of association are included in Supplement 1 to this company description.

The Company is a Swedish corporation established on 30 May 2013. The intended Group structure is illustrated below.



*\*This picture illustrates the Group structure going forward, after finalizing the on-going merger of Näringsfastigheter Kallebäck AB and Fastighets AB Hulebäck*

### 3 ORGANIZATION

Hestia Group ("Hestia") acts as the asset manager for the Group. In practice, the asset manager assumes the role as CEO, CFO and COO of the Group and manages the daily operations of the Group. The asset manager reports to, and carries out the instructions by the board of directors of the Company.

#### 3.1 Management team

Hestia has assigned three senior directors to manage the Group and the Property. All three directors are today employed by and hold senior positions at Hestia.

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#### *Management team*

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##### ***Mr. Stefan Björkqvist***

Mr Björkqvist is CEO of Kallebäck Property Invest AB and acts in a primary investor relations role. Mr. Björkqvist holds a civil engineering degree, with special focus on property maintenance. Mr Björkqvist is the COO and co-founder of Hestia and has 12 years of experience from senior management positions at property management companies DUFAB and Synerco.



##### ***Ms. Linda Marthon***

Ms. Marthon is the asset manager directly responsible for all service deliveries to the Group under the Asset Management Agreement. Ms. Marthon holds a Master of Science in Engineering (Real Estate Economics) from the Royal Institute of Technology and has 9 years of experience from management positions at AXA, NCM Donaldsons and Schrodgers and is currently Director of asset management at Hestia.



##### ***Mr. Bo Niveman***

Mr. Niveman is responsible for financial reporting and cash management for the Group. Mr. Niveman holds a Master of Business Administration and is the Director of Accounting Management at Hestia. Bo Niveman has senior management experience from Atlas Copco, Sandvik, Duroc, KPMG and Sodexho.

#### 3.2 About Hestia

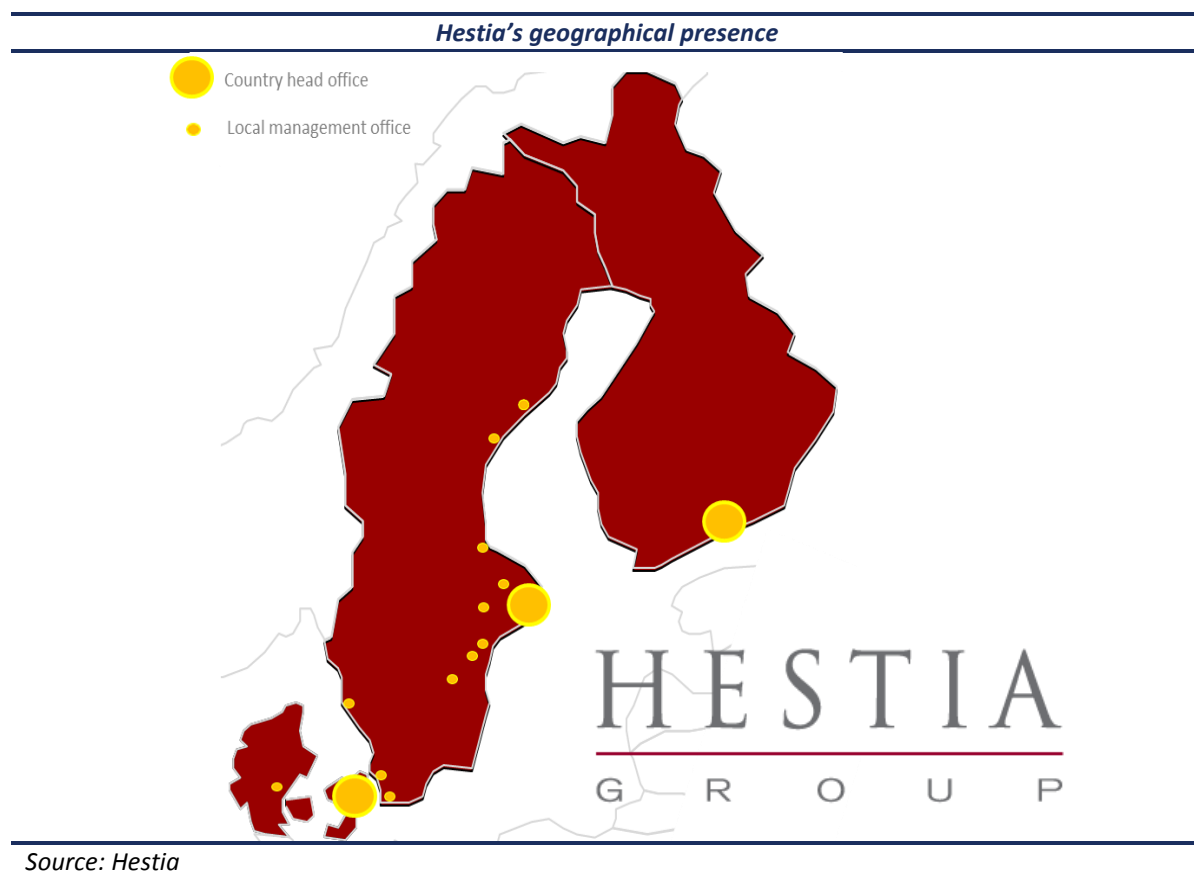
Hestia was founded in 2008 with a strategy to provide property and asset management services with transparency and flexibility, in close cooperation with property investors. Hestia's offering integrates services of property management, accounting and cash management and asset management.

Hestia is specialized in management of commercial real estate such as shopping centres, hotels and large office buildings. The services can be divided into four segments, which are reflected in the four business lines of its organization:

- Technical on-site services
- Property management
- Accounting management
- Asset management.

All services are delivered by employees of Hestia to ensure the control of the quality of services provided.

The majority of the 110 employees of Hestia work with properties located in 35 different towns and cities in Sweden. Local property management and technical service offices are located in Malmö, Löddeköpinge, Gothenburg, Mjölby, Linköping, Norrköping, Västerås, Stockholm, Uppsala, Gävle, Örnköldsvik and Härnösand. The central accounting management office with 15 property accounting specialists is located in the city of Västerås, an hour's drive west of Stockholm.



Today, Hestia delivers services at over 600 properties with a combined size of more than three million sqm. The 2013 group turnover is expected to exceed SEK 130 million.

Saab is currently a large tenant in one of the properties under management by Hestia and Hestia has senior level experience of working with Saab on property management issues.

### 3.3 Examples of current clients

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#### *Examples of current clients*

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##### **Schroders (Frankfurt and London)**

- Asset, Accounting and Property management
- 5 assets in Finland and Sweden
- Client since 2009



##### **Danske Bank (Stockholm)**

- Property management
- 15 assets in Sweden
- Client since 2008



##### **DNB (Stockholm)**

- Accounting management
- 1 asset in Sweden
- Client since 2013



##### **Cornerstone Property Advisers LLC (London)**

- Property, Accounting and Project management
- 20 assets in Sweden
- Client since 2011



##### **BGP Investment (Luxemburg) and JP Morgan (New York)**

- Asset, Accounting and Property management
- 5 assets in Denmark
- Client since 2008

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*Source: Asset Manager*

## 4 THE PROPERTY

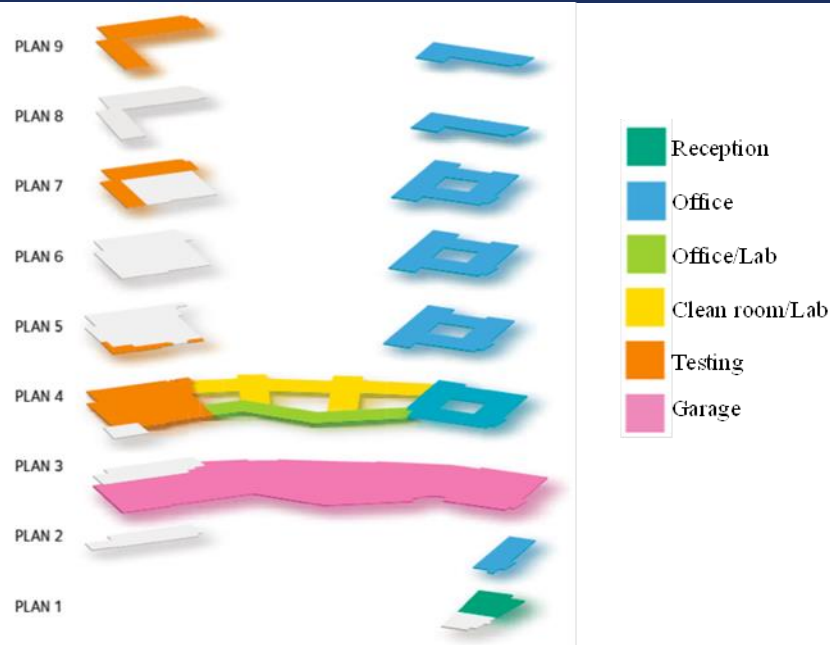
### 4.1 General overview

The building is a modern and flexible office building, erected in 2002. The building was originally constructed for Ericsson Microwave Systems, a company acquired by Saab in 2006. Hence, the same organization has inhabited the Property from its construction. The building consists of a lettable area of approximately 36,600 sqm, whereof 24,800 sqm are currently used as office premises and 9,600 sqm as lab, clean room and testing facilities. In addition, there are 805 parking spaces at the Property, whereof 322 are located indoors. The majority of lab, clean room and other premises of specific usage for the Tenant are originally constructed as office space and can be converted to office space.

The Property is a freehold with a total land area of 73,799 sqm. The Property is situated in the south eastern parts of the municipality of Gothenburg in the Kallebäck area, with a straight-line distance from the city centre of approximately 5 km. Located on a hill-top, the Property's topographical characteristics have strategic importance to the Tenant, which conducts on-site testing of radar equipment at the Property.

The building has high rise sections at the northern and the southern ends. The northern high rise section, houses the majority of the office premises in the building, while the southern part houses mainly testing facilities. The area between the high rise sections comprises mainly office and lab premises. The entrance is located in the northern end of the building.

*Graphic intersection of the building*



*Source: Profi*

As the Tenant is a defence industry contractor, the Property is security classed and access is highly restricted.



## **4.2 Technical description**

The building is about 400 meter long, and the 4th floor connects all building sections to together. The 3rd floor, containing the parking garage, extends beneath the entire building.

The framework below ground level is made of concrete. The structure above ground is made of steel and the foundation consists of steel covered concrete. The building's facades are made out of steel and glass. Windows are two pane insulation glazing and the roofs are covered with metal panels.

The building's ventilation system is mechanical and heat is recovered from the exhaust air in most parts of the building. The building is heated by district heating, supplied by Göteborgs Energi, and the heating water is divided in different circuits for different areas/purposes such as radiators, air curtains and air handling units. There are two cooling units in the building, with a total effect of 2.4 MW. The chilled water is divided in a large number of different circuits for different areas/purposes such as chilled beams, air coolers and air handling units. The chilled water system is equipped with "free cooling function" through air coolers located on the roof. The ventilation is divided in 16 air handling units with supply and exhaust air, including a rotating heat exchanger. The supply air is exposed to heating and cooling coils, and for some units there is also a humidification/dehumidification processes. The air handling units are equipped with frequency drivers and the total installed electrical power capacity for the fan motors is approximately 300 kW. In addition, some areas (the clean rooms) are provided with separate units and separate exhaust fans installed by the Tenant.

The electrical system consists of a high tension voltage substation with transformers. An external emergency generator will feed critical systems with power, in case of a failure of the normal power system. The UPS and emergency generator is part of the Tenant's responsibility under the lease agreement.

The building is equipped with external and internal rainwater pipes connected to the municipal network and to the surrounding areas. Rain water pipes on the external parking areas are provided with a number of oil separators.

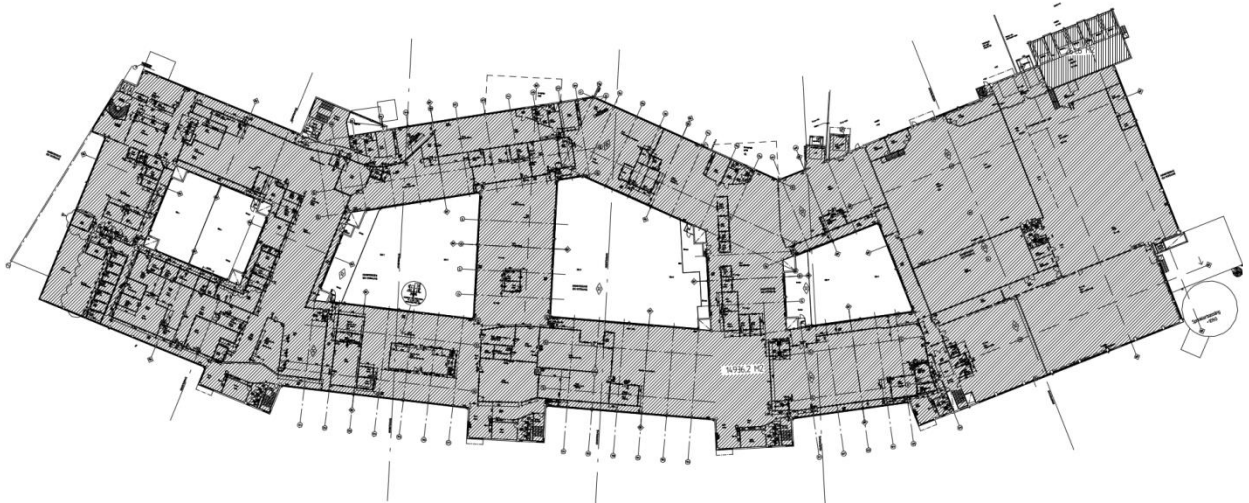
There is a fire alarm and sprinkler system covering the entire building, except the "open air" garage on level 1. The system is connected to the fire brigade. Pressure in the sprinkler system is supplied from a diesel pump with a diesel tank of approximately 1,000 litres. The sprinkler system also includes an external accumulator tank

The high rise part of the building in the northern end, containing office premises, is served by two elevator groups, with two elevators in each group. The southern part, containing the testing facilities, is served by one passenger elevator and one freight elevator.

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#### 4<sup>th</sup> floor layout

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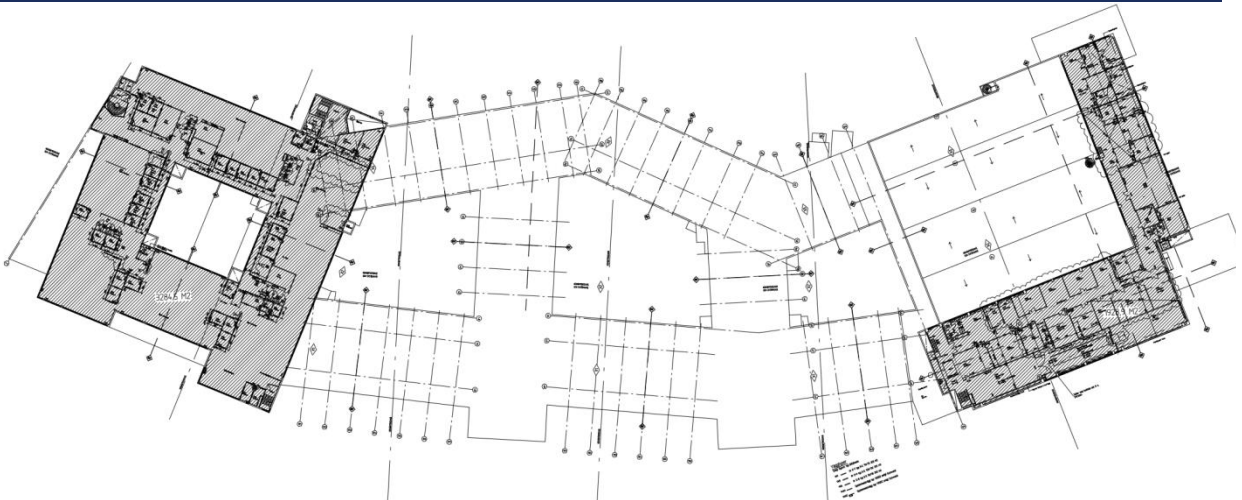
Source: Profi

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#### 7<sup>th</sup> floor layout

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Source: Profi

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The office floors are regularly configured, which offers flexibility for open plan or cubicle use. Most of the office spaces are naturally illuminated.

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**Lettable area (sqm)**

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Floor	Area	Area type	Area
Floor 1	451		
Floor 2	2,282	Office	24,771
Floor 3	1,736	Restaurant	1,566
Floor 4	14,936	Lab/testing	9,602
Floor 5	3,864	Industry	719
Floor 6	3,333		
Floor 7	5,213		
Floor 8	1,276		
Floor 9	3,417		
<b>Total</b>	<b>36,598</b>	<b>Total</b>	<b>36,598</b>

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Source: Profi

### 4.3 Saab's relationship to the Property

While the Property is flexible and may suit a variety of tenants, it was originally constructed for the organization currently occupying the Property (Saab's EDS division) who is highly invested in the Property. Due to the location and characteristics of the Property it is the Company's assessment that it is of high strategic importance to the EDS division. The lease agreement has already been extended once, when the lease agreement was renegotiated and prolonged through a new 10 year lease agreement in 2011. Approximately 1,150 people are currently working in the building. Saab has conducted a continuous optimization process of the Property, and another 130 employers are moving into the Property from other locations in Gothenburg during the first half of 2014.

The Tenant has completed substantial investments in the Property and according to Saab, annual historical investments amount to around SEK 35-40 million (this figure is not publicly available information and has not been independently verified by the Group or the Manager). A substantial part of Saab's investments are Tenant specific improvements such as very advanced security infrastructure and installations adapted to the Tenant's operations at the Property. While such installations must be assumed to have a limited value to potential future tenants other than Saab, these investments represent a substantial sunk cost for Saab.

The Tenant is currently executing, at its own cost, a comprehensive surface renovation on several office floors, including converting traditional office space into activity based office premises with open floor plans and free seating. Numerous wet areas and the smaller kitchens are also renovated. One of the reasons for this is to attract younger employees, as part of Saab's investments into next generation product lines. The cost for this project is entirely covered by the Tenant and estimated to approximately SEK 30 million.

The location of the Property is of strategic and operational importance to the radar and electronic warfare developing EDS division (see further description of Saab and EDS in chapter 7.2 below). Due to the Property's topographical hill-top location, it is very well suited for on-site testing of Saab's radar solutions.

The Property is in close proximity to Chalmers University of Technology, which is a key source of newly graduated employees for the Saab. Saab employees hold lectures at the university to secure the quality of future employees.

#### 4.4 Building extension potential

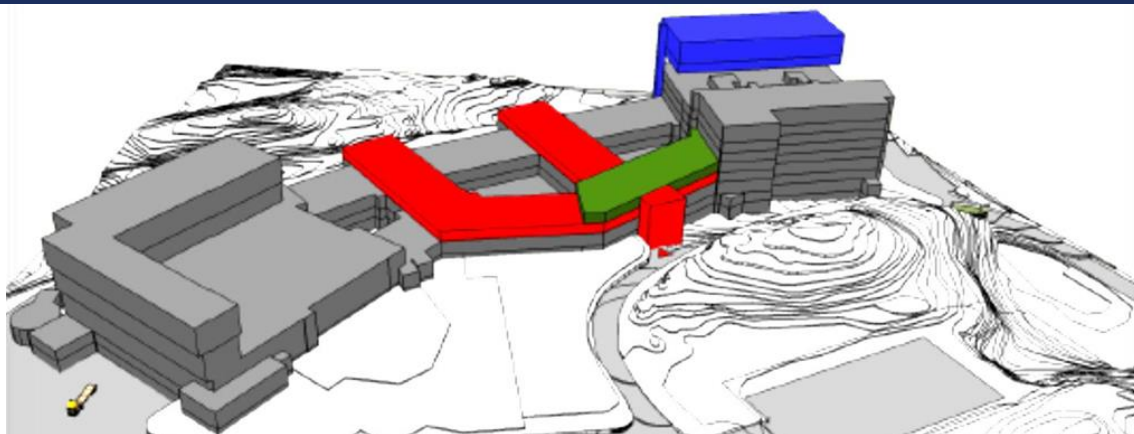
The current zoning plan for the Property allows for further future development on the site, possessing approximately 36,000 sqm of unutilized building rights. The lower middle part of the building is designed to enable support for additional floors up to equal height of the highest parts of the existing building, making it possible to add an additional 32,700 sqm of premises onto the present construction. This possibility was included in the original construction plan, making the potential extension relatively cost efficient. There is also a permit issue to build additional 4,000 sqm within the Property as free standing building.

The Saab EDS division has an increasing need for office space in Gothenburg region and has expressed an intention to co-locate its human resources into the region in the Property. There have been previous discussions between Profi and Saab regarding an extension of the premises with 5,000-10,000 sqm, in accordance with the red and green areas highlighted in the picture below.

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#### *Property development prospects*

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*Source: Profi*

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While no current discussions are on-going with the Tenant regarding an extension of the building mass, this represents a potential source of future additional equity return. It's however important to clarify that the Tenant has no right to demand any such extension of the building mass or other Property development under the current lease agreement. The terms of a potential extension would need to be negotiated between the Group and Saab at terms attractive to the Group at such potential time.

#### 4.5 Technical standard

WSP has carried out a technical due diligence on the Property. The general outcome of this on-site review was positive. The building is in good condition and no major issues were identified. A summary of the report is presented below:

- During the first 5 years after construction, 10 % of the south and west façade windows were replaced due to manufacturing problems where glazing units became punctured. A prolonged warranty was issued by the supplier for 5 years (a total of 8 years). Since 2007, only 1 to 2 windows have been punctured per year. It is the opinion of the glass supplier and the building manager that all faulty glass panes have been replaced and that the problem has been resolved.
- Office- and lab premises are kept in good condition with gypsum plaster boards and office partition wall systems.

- Overall the mechanical and electrical services are of good quality and in good condition. A main part of the different mechanical and electrical services are very integrated in the different process/production activities.
- The cold water system is connected to the municipal network. The high location of the building requires the cold water to have an internal pump station to increase the pressure.
- An OVK inspection (mandatory ventilation inspection) was approved 15 February 2013. The inspection includes some remarks, to be remedied before next inspection.
- The building energy usage is high, mainly because of the Tenant's requirements, equipment and operations. The energy usage is paid for by the Tenant
- The cost analysis has not identified any expected maintenance concerns exceeding a cost limit of SEK 200,000 over the next 5 year period. In the period from 6-10 years, the analysis expects certain maintenance investments will be required in the ventilation systems and the sum of all such investments is estimated to SEK 1,600,000. In addition WSP believes there is a risk that 10% of the buildings windows may need to be replaced over the coming 10 years. The cost of such potential replacement is expected to be sum up to SEK 700,000.

#### **4.6 Environmental due diligence**

According to the environmental authorities and the site inspection performed by the technical team, Saab's operation on site does not involve any hazardous or environmentally harmful materials. At present there are no on-going processes with, or demands from environmental authorities. Before the construction of the present building, the site was undeveloped. There is no information about contaminated land on adjacent properties. The risk of contaminated land resulting from current and historical activities on site and in adjacent surroundings is assessed to be low. It is not likely that environmental authorities will have any demands on investigations or other actions related to contaminated land with present land use.

#### **4.7 Multi-tenant potential**

The office floors are regularly configured and offer flexibility for open plan or cubicle use. Each plan in the high rise part of the building can be closed off, and used completely independently of each other. In the northern part, there are three floors of approximately 3,300 sqm and two floors of 1,200-1,300 sqm. These floors can be divided into different units.

#### **4.8 Property location**

The Property is situated in the south eastern parts of the municipality of Gothenburg in the Kallebäck area. The Gothenburg region is the second largest city region in Sweden, and was during the period from 2000 to 2010 among the 20 fastest growing regions, out of the 119 largest regions in Europe. The population in the Gothenburg region (consisting of Gothenburg municipality and 12 neighbouring municipalities) amounted in 2012 to 960,000 inhabitants. The population in the municipality of Gothenburg is expected to grow with 16% until 2025, meanwhile the total Swedish population is expected to grow with 10% during the same period.

The straight-line distance from the city centre to the Property is approximately 5 km. The Property is located close to the major connection roads E20, E6 and highway 40, making it easy to reach by car. Furthermore, the Property is well accessible by public transportation; during peak hours, busses to the central areas of Gothenburg are leaving every 10 minutes. The drive to Landvetter Airport, the second largest airport in



Sweden, is only 15 minutes. There are 90 scheduled flights from Landvetter, whereof about 75% are international flights.

#### Macro & micro environment



The areas along E6/E20 are marked as development areas in the municipality's comprehensive plan. A further development of the area between the city centre and the Property will connect the Kallebäck area closer to the central areas in the region.

The listed property company Klöver purchased the property next to Kallebäck 17:2 in late 2013. The main tenant is the Swiss aerospace and defence technology company RUAG, with a lease until 2023. Saab leases approximately 5,000 sqm in the RUAG property with a lease agreement expiring in 2015.

The Kallebäck area is developing. Approximately 700 m north west of the Property, the Gothenburg based real estate company Wallenstam recently acquired a 20,000 sqm property from the dairy company Arla Foods. Wallenstam's intention with the acquisition is to redevelop the areas, currently used for industrial purposes, into residential development, and thereby increase the attractiveness of the area. As the population in Gothenburg is expected to grow further (see chapter 5 (*The Gothenburg real estate market*) for further description of the Gothenburg property market), the areas surrounding the Property is a natural area for the future expansion of the city.

## 5 THE GOTHENBURG REAL ESTATE MARKET

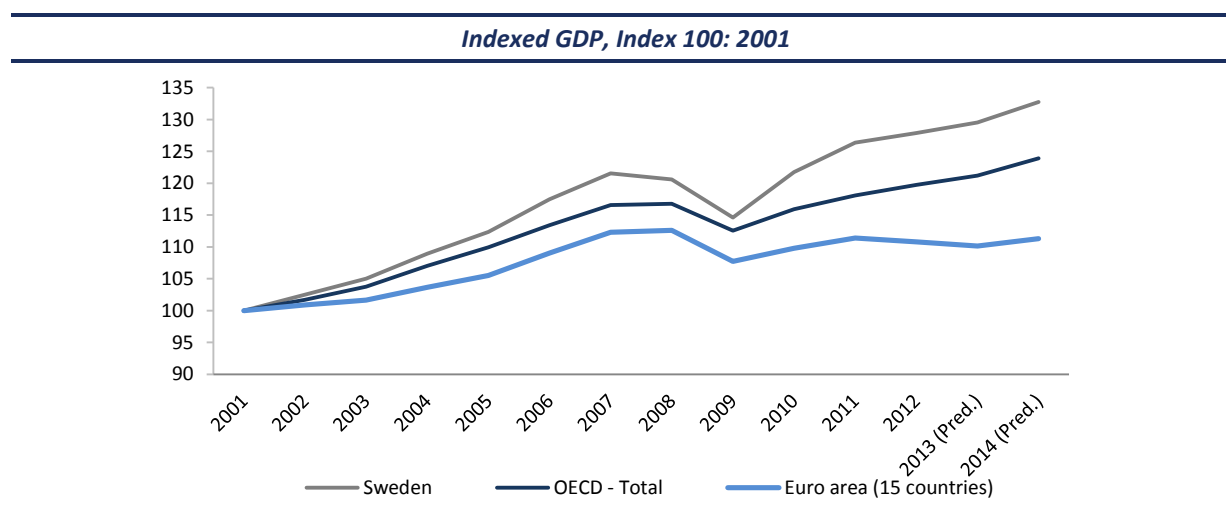
### 5.1 The rental market of office space in Gothenburg

Future cash flows from real estate investments and the yield development for a property, will to a large extent be determined by the forthcoming rental income generated by such property. For office premises, rental levels in a submarket depend on demand and supply of office space in the area.

One important determining factor for the demand of office space is the general state of the economy in the submarket. The economic development in the submarket influences the future demand for office space in the market to a large extent. Furthermore, the population growth in the submarket impacts the need for office space in the region.

#### 5.1.1 Economic environment in Sweden

Sweden has experienced a high GDP growth during the last decade. The average growth rate in GDP during the period from 2002 to 2014 (with predictions for 2013 and 2014) was 2.3%, which outperformed both the total GDP growth of the OECD countries and the EU-15s (as seen in the graph below).



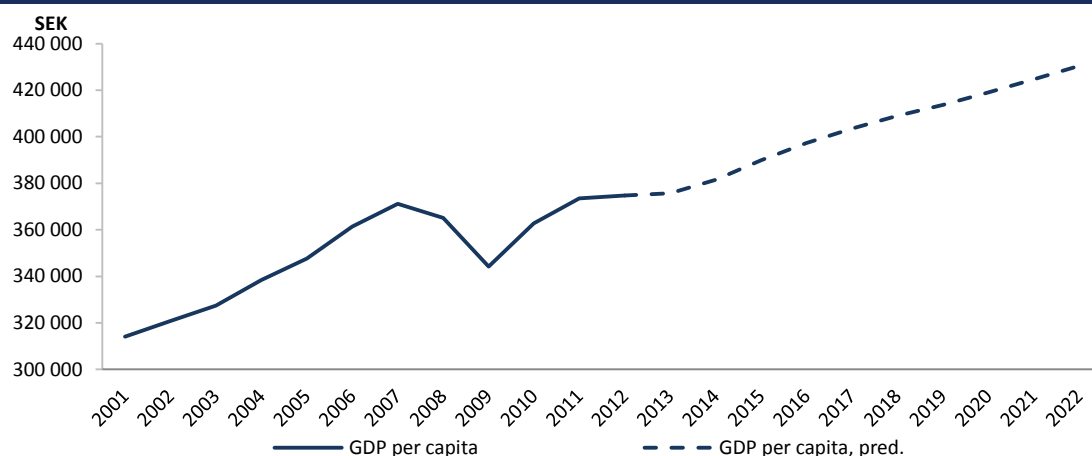
Source: OECD

During the period from 2001 to 2012, Swedish GDP per capita increased from SEK 314,000 to SEK 375,000 (measured in 2012 price levels). The National Institute of Economic Research (Sw: *Konjunkturinstitutet*) has predicted a further increase in the GDP per capita to SEK 430,000 by 2022. This corresponds to an annual real growth rate of 1.4% from current levels.

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### Swedish GDP per capita in fixed prices (2012 price level)

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Source: National Institute of Economic Research

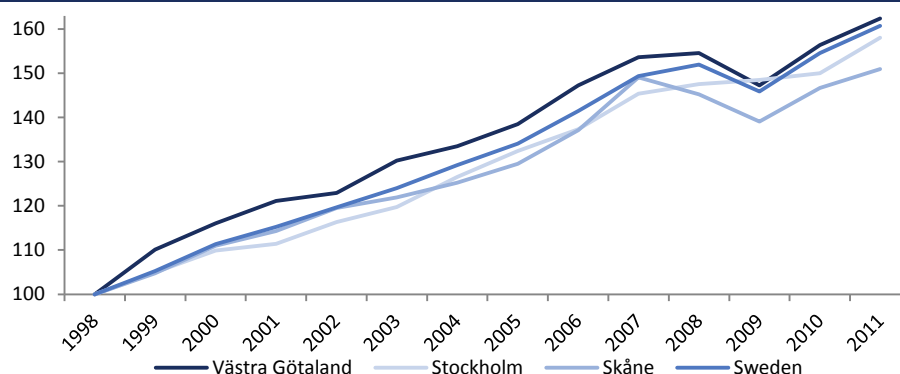
#### 5.1.2 Economic environment in Gothenburg

Västra Götaland's county had a regional GDP of SEK 560 billion in 2012, which corresponds to 16% of the national GDP. The county's GDP per capita is the third highest in Sweden. As can be seen in the graph below, the regional GDP has increased every year in the last decade except in 2009.

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### Indexed regional GDP, Index 100: 1998

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Source: Statistics Sweden

The largest employers in Gothenburg municipality are the municipality itself, Västra Götaland's county, Volvo Cars, Gothenburg University, Volvo Trucks, Chalmers University, SKF and Ericsson. The business service sector employs most of the employees, followed by healthcare, production and trade.

#### 5.1.3 Population in Sweden and Gothenburg

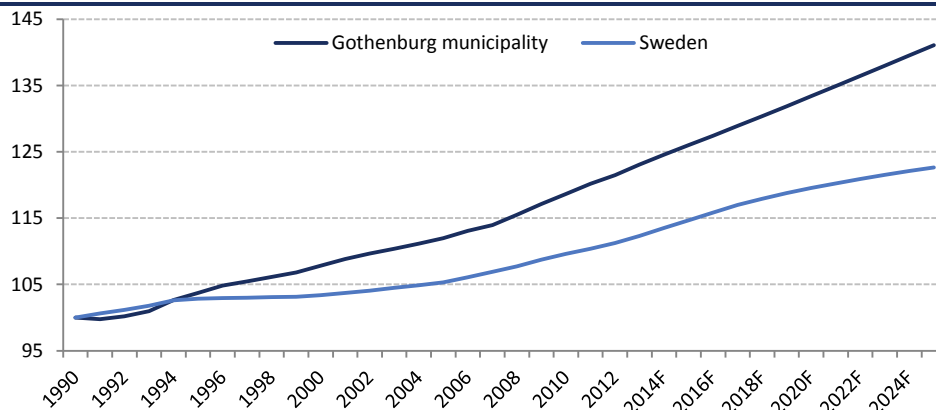
As of the end of 2012, the population of Sweden amounted to 9.6 million inhabitants. According to Statistics Sweden (SCB) the total population of Sweden is expected to exceed 10 million inhabitants during 2017.

The population in Gothenburg municipality has increased steadily since 1991, and reached approximately 526,000 inhabitants by the end of 2012, corresponding to 5.5% of the total Swedish population. During the period from 1990 to 2012, the population in Gothenburg has grown with 21%, compared to a 11% total population growth in Sweden during the same period. The population growth in Gothenburg is expected to continue and reach 600,000 inhabitants during 2024, according to the municipality's forecasts.

The Gothenburg region, containing Gothenburg municipality and 12 neighbouring municipalities has a total population of 960,000 inhabitants, making it the second largest city region in Sweden.



**Indexed population growth, Index 100: 1990**



Source: SCB

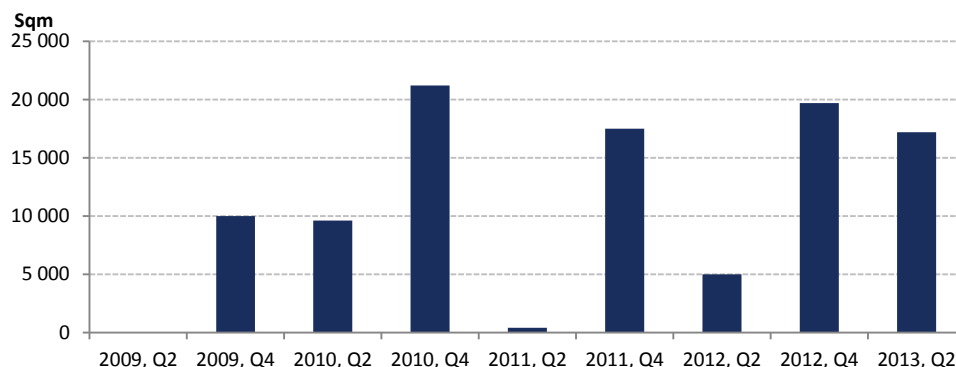
#### 5.1.4 Current and future demand for office space in Gothenburg

During the first half of 2013, the demand for office space was high, which has driven vacancy rates down. In total, 61,700 sqm were rented out during the period, compared to 42,300 sqm during second half of 2012. The largest new office lease agreement in the first half of 2013 was 11,000 and 5,500 sqm respectively, in NCC's new development at Skånegatan. The forecasted economic development of Sweden combined with the estimated population growth in Gothenburg is likely to have a positive effect on the demand for office premises.

#### 5.1.5 Supply of office space in Gothenburg

The total office stock in the Gothenburg region is estimated to approximately 3.2 million sqm. The growth rate of the total supply of office premises in the region has been relatively low over recent years. Since 2009, the stock increased on average with about 22,400 sqm per annum.

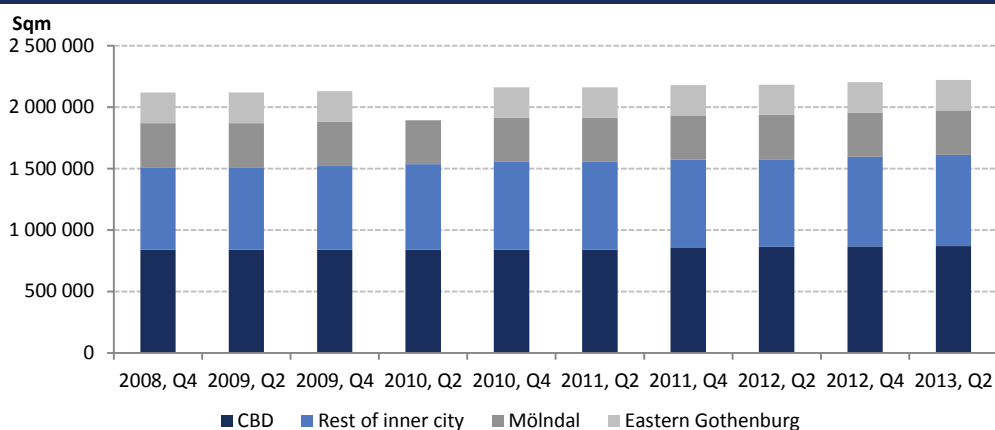
**Change in supply of office space in Gothenburg**



Source: Jones Lang LaSalle

Most of the office space in the Gothenburg region is located in the central business district. In total 870,000 sqm of office premises are located in the central business district, equivalent to 27% of the region's total stock. With approximately 740,000 sqm, the rest of the inner city is the second largest office area containing 23% of the region's total supply. Mölndal and eastern Gothenburg contain about 360,000 and 250,000 sqm respectively.

### Total office stock in different areas in Gothenburg



Source: Jones Lang LaSalle

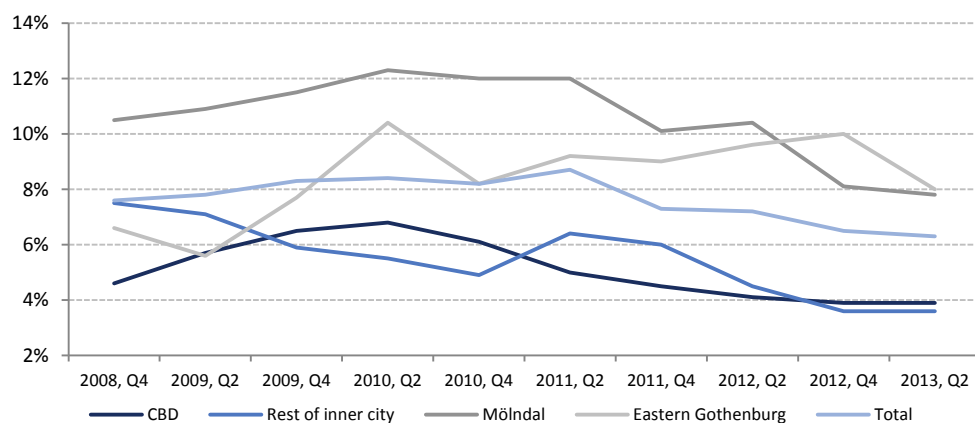
#### 5.1.6 Current and future supply of office space in Gothenburg

In the first half of 2013, about 20,800 sqm of new office premises entered the market. About 61,700 sqm is under construction. However, the increase in supply is not expected to keep in pace with demand, which will drive the vacancy rates downwards, according to Jones Lang LaSalle.

#### 5.1.7 Vacancy rates

The high demand for office space, combined with low additional supply, has resulted in declining vacancy rates in the market for office space in Gothenburg, as can be seen in the graph below.

### Office vacancy levels in different areas in Gothenburg



Source: Jones Lang LaSalle

Vacancy rates in Gothenburg decreased during the last years and the overall vacancy rate in the region is currently at its lowest level in five years. As of the end of the first half of 2013, the overall vacancy was estimated to 6.3%, a decrease of 0.2% compared to the second half of 2012. The current vacancy rate in the central business district is 3.9%, and the vacancy in the rest of the inner city is 3.6%, both on the same levels as in the second half of 2012. The vacancy rates in Mölndal and in Eastern Gothenburg are somewhat higher; correspondingly, these vacancy rates are at historically low levels.

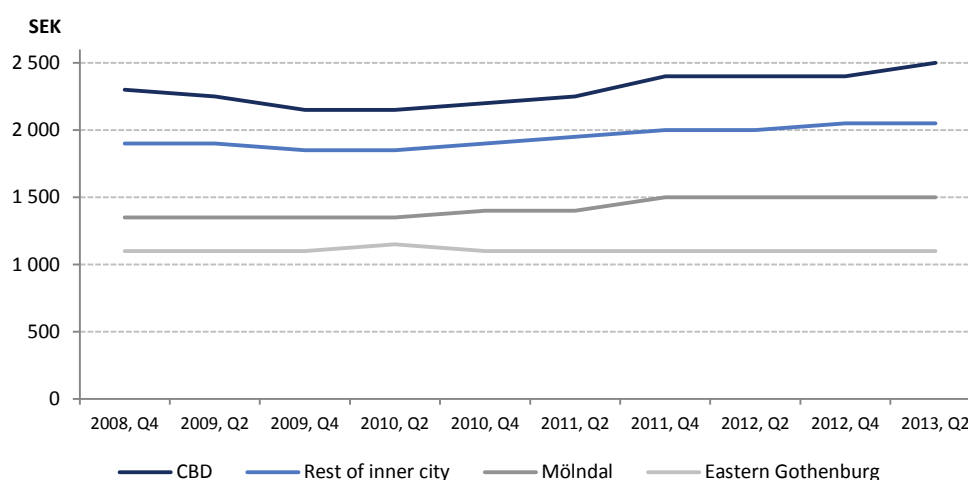
The low vacancy rates are partly driven by low volumes of new office space added to the market. Demand for office space is likely to remain high.

### 5.1.8 Office rents

During the first half of 2013 the rents in the Gothenburg real estate market experienced the highest increase since 2005. The high demand for office space, combined with a limited vacancy in the market had a positive effect on prime rents in the region in recent years, especially in the central business district.

In pace with a growth of the city region, driven by the population growth, areas currently considered to be located outside the most attractive areas might become more attractive. This is likely to impact the demand for office space in areas outside the most attractive areas positively, and thereby the market rents in those areas going forward.

*Prime office rents in different areas in Gothenburg*



Source: Jones Lang LaSalle

Prime rents in many parts of Gothenburg have increased over the recent years. New leases for prime properties in the central business district and in the rest of the inner city are currently entered into at an average level of SEK 2,500 and 2,050 per sqm respectively. The rent levels in the central business district increased with SEK 100 per sqm during the first half of 2013. Due to high demand of space and an improving economy, prime rents are expected to continue to increase.

Compared to office space in the Stockholm region, rents are still low. Prime rents in Stockholm central business district amounted to SEK 4,400 per sqm and SEK 2,400 per sqm in suburbs in the first half of 2013.

## 5.2 The real estate transaction market in Gothenburg

### 5.2.1 The Swedish transaction market

The average annual transaction volume of commercial properties in Sweden amounted to about SEK 100 billion during the last decade. Office properties constitute a large share of the total transaction volume with a range between SEK 30-40 billion during 2010-2012.

The property market started out rather slow in 2013, with fewer deals and a lower transaction volume than previous year. However, by the end of the second quarter the market recovered, and in June alone the transaction volume amounted to SEK 16.5 billion. The total transaction volume in the first six months of 2013 was SEK 43 billion, which is SEK 9 billion less than first half of 2012. The second half of the year began with a

strong momentum, with a number of larger transactions completed already during the first month. The total transaction volume during 2013 amounted to approximately SEK 100 billion, according to DTZ Sweden AB.

The 2013 buy side of the transaction market was dominated by financially robust companies and institutions with good access to attractive credit lines. The largest group of buyers was institutional investors. While private real estate companies represented a significant share of the acquisition activity, 30% of all direct investments during H1 2013 were made by institutions. Market activity was highest in the segments characterized by a relatively high real estate yield.

The listed real estate company Kungsleden and the institutionally funded company Rikshem were particularly active on the transaction buy side during 2013. Kungsleden acquired a portfolio of 84 office, retail and industrial properties from GE Real Estate at a purchase price of SEK 5.5 billion, and Rikshem bought several portfolios of residential properties in growing Swedish cities. In December, Starwood Capital bought a portfolio of retail properties from KF Fastigheter for SEK 3.9 billion. This was Starwood Capital's first investment in the Nordic region, and the second largest transaction in 2013.

Constituting 31% of the total transaction volume, residential properties were the largest transaction volume segment in the commercial real estate market during 2013. Office properties were the second largest segment, contributing with approximately 26% of the total transaction volume.

Access to attractive debt financing for real estate investments was still restricted for some potential buyers during the first half of 2013. During this period, good banking relationships and access to the corporate bond market funding were important factors. However, during the second half of 2013, the bank and credit markets exhibited a strong development, and the availability of attractive debt capital increased accordingly.

Even though the Swedish real estate sector continued to attract capital during 2013, prime yields appear to have bottomed out, and the market focus has increasingly shifted to higher yielding properties. Due to improved financial market conditions, continued low interest levels and a potential increase in risk appetite, a yield compression for higher yielding properties can be expected.

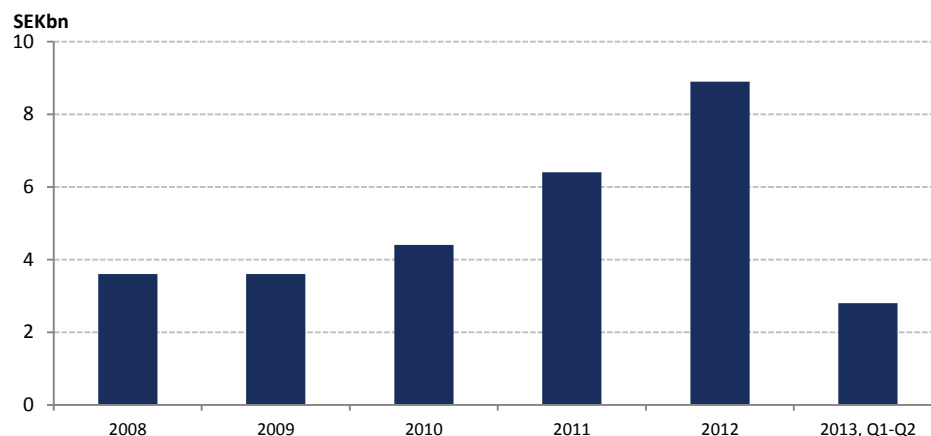
#### 5.2.2 The Gothenburg transaction market

The property transaction volume in Gothenburg amounted to SEK 2.8 billion during the first half of 2013. This is lower than the transaction volume during the first half of 2012, which amounted to SEK 5.2 billion. However, the volume in H1 2012 was boosted by two large portfolio transactions. Of the transactions completed in Gothenburg during 1H 2013, only 11% were cross-border transactions.

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***Real estate transaction volume in Gothenburg***

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Source: Jones Lang LaSalle

The single largest transaction in 2013 was Balder's acquisition of SEK 2 billion of residential property company Bovista Invest. Out of the 4,300 apartments in the portfolio, 1,355 are located in the Gothenburg region. Another large 2013 transaction was Stena Fastigheter's acquisition of the office property Gröna Skrapan. The seller was Skanska and the price for the 17,000 sqm building constructed in 2010 was SEK 617 million.

Office properties made up 38% of the total commercial transaction volume in Gothenburg during the first half of 2013, followed by residential properties and logistics properties of 18% and 17% respectively.

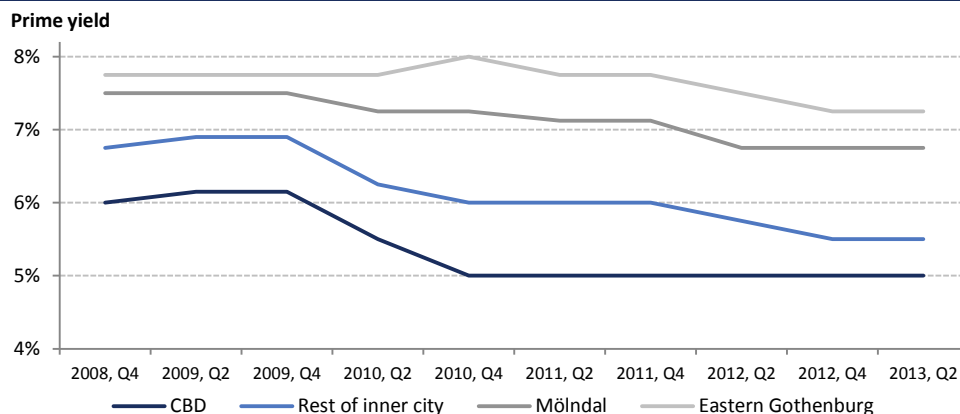
### 5.2.3 Real estate transaction yields

In a real estate market, where demand for rental space is high and increasing, combined with a limited growth of supply, the vacancy risks and thereby the cash flow risks are low. Decreased risks associated with investments are likely to be reflected in capital flows towards the asset class that becomes relatively less risky. Flows of capital towards an asset class are expected to drive cash flow yield levels of the assets down, and thereby increase market values.

Improved funding conditions and a continued low interest rate environment have ensured the attractiveness of real estate investments and kept transaction yields low, as can be seen in the graph below.

Following the economic recovery, yield levels Gothenburg have been downwards sloping since the end of 2010. Prime office yields in the region have remained stable during the first half of 2013 at around 5% in the central business district, 5.5% in the rest of the inner city, 6.75% in Mölndal and 7.25% in eastern Gothenburg. The low yield levels are reflecting the strong market for office space in the region. A key factor driving the prime yields are the perceived risk related to expected future cash flows from the properties. This risk relates mainly to volatility in market rent levels, in property costs and in vacancy levels.

**Prime office yields in different areas in Gothenburg**



Source: Jones Lang LaSalle

## 6 THE TENANT, SAAB

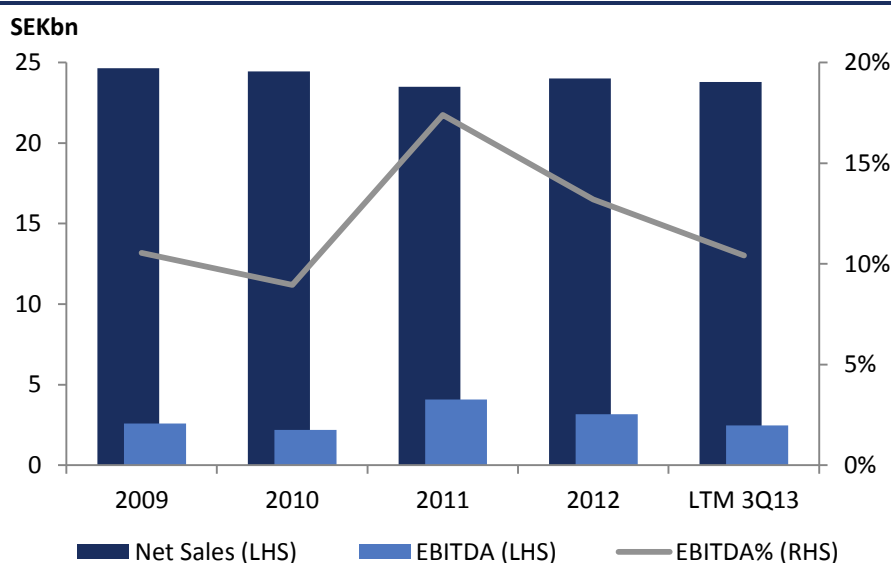
The contractual counterparty under the lease agreement is the parent company of Saab. The following section is a description of Saab and its business divisions, including the Electronic Defence Systems (EDS) division residing in the Property. Unless otherwise explicitly stated, Saab is the source of all information contained in this chapter 6.

### 6.1 Company introduction and description

Saab was founded in 1937, and is a world leading, Swedish aerospace and defence company. Saab was founded with the mission to secure Sweden's supply of military aircraft as a part of the nation's aim to maintain national security and sovereignty. Today Saab has approximately 13,000 employees and conducts world-wide operations on every continent. Saab's products include fighter aircrafts, weapon systems, radar systems and other defence and security solutions. Saab's business is segmented into six divisions; Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions, Support and Services and Combitech.

Saab's net sales during LTM Q3 2013 amounted to SEK 23.8 billion, while reported EBITDA for the same period was SEK 2.5 billion. The EBITDA margin for this period was 10.4%. Over the last five year period, sales have been stable, while EBITDA has experienced some volatility.

*Saab historical sales, EBITDA and EBITA margin*



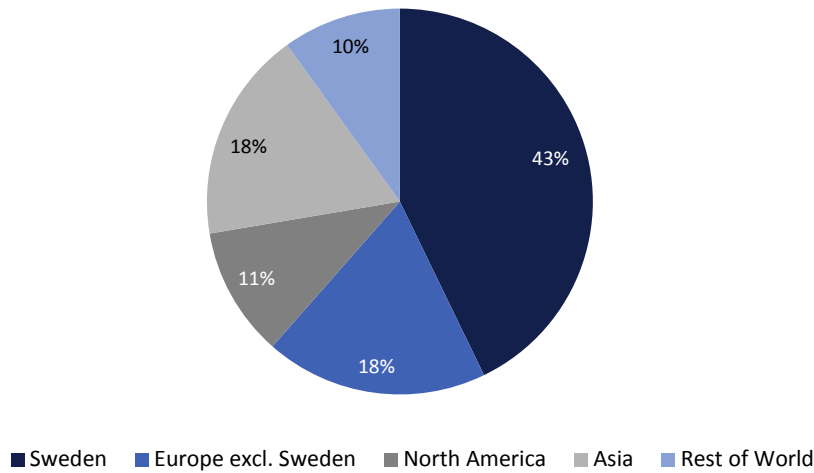
Source: Saab

Saab products are sold globally. During LTM Q3 2013, 57% of sales derived from geographical markets other than Sweden.

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***Saab's geographical distribution of sales LTM Q3 2013***

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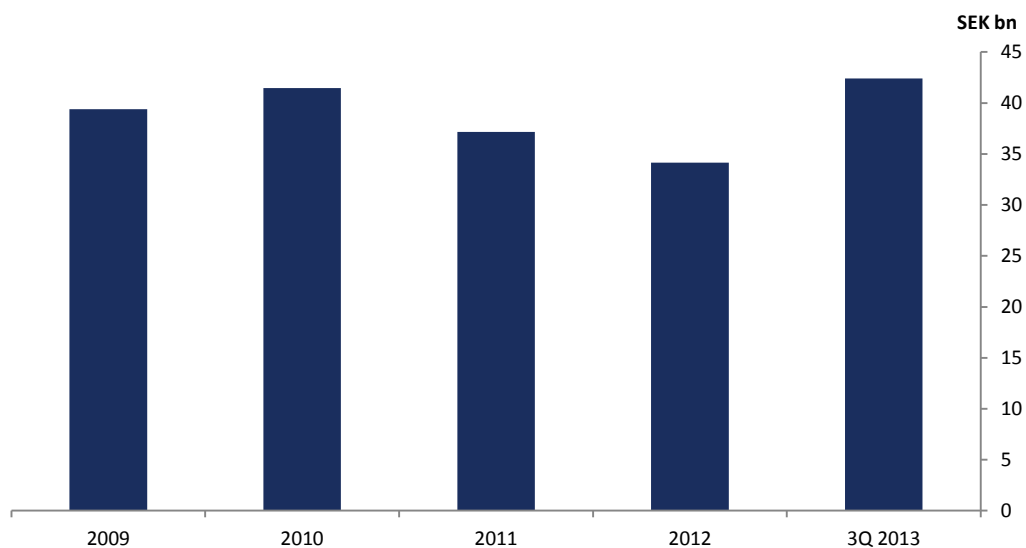
Source: Saab

Saab's order backlog amounted to SEK 42.4 billion as of 3Q13, which is the highest order backlog volume since 2008. The order backlog is expected to increase to record high levels due to the recent announcement from Brazil to invest in Saab's fighter jets. The order from Brazil for 36 aircrafts is expected to amount to approximately SEK 29 billion (source: di.se).

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***Saab historical order backlog***

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Source: Saab

Saab is a publicly traded company, listed on Nasdaq OMX Nordic's large cap list. Over the recent years, Saab's share price development has exhibited a relatively long term positive trend. Recently the share price has increased substantially on the back of Brazil's announcement to invest in Saab's Gripen fighter jets.

An overview of the Tenant's ownership structure as of 30 December 2013 is presented below:

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***The Tenant's ownership structure***

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Owner	Share capital (%)	Share of votes (%)
Investor AB	30.0	39.5
Wallenberg Foundations	8.7	7.5
Swedbank Robur Funds	4.8	4.1
AFA Insurance Sweden	4.6	4.0
Unionen	2.7	2.3
Norwegian Bank Investment Mgt	2.2	1.9
SEB Funds	2.1	1.9
SHB Funds	2.0	1.7
Fourth AP fund	1.5	1.3
Nordea Funds	1.4	1.2
Other Shareholders	40.0	34.6

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*Source: Saab*

## **6.2 Electronic Defence Systems**

The Electronic Defence Systems (EDS) segment is headquartered in the Property and develops high technology solutions for surveillance and for threat detection, location and protection. The division's product portfolio covers airborne, land based and naval radar, electronic support measures and self-protection systems. The EDS business area's operations were acquired by Saab in 2006 from the telecommunication company Ericsson, to complement Saab's already broad and advanced product portfolio in defence, aviation, space and civil security with world-leading radar and sensor operations.

Operations in the Electronic Defence Systems (EDS) business segment are based on Saab's close interaction with customers requiring efficient solutions for surveillance and for threat detection, location and protection. Through more than 50 years of experience and over 3,000 radars and 3,200 electronic warfare systems delivered, EDS has developed a world leading competency within the field.

EDS's products and solutions are supplied to both civil and military customers. The products offered by the EDS division are a strategically important and integrated part of Saab's total product offering. The division delivers several key components to the Gripen fighter jet system, including the PS-05/A radar system and cockpit display systems. Today EDS systems are delivered to all Swedish combat aircraft and are in use in several European air forces, in the US, in the Middle East, South and South East Asia and Africa.

As part of its overall strategy, Saab has explicitly identified the EDS segment as a focus area for investments going forward. Based on a clear goal of maintaining a leading position in the international radar and electronic warfare markets, Saab has communicated a strategic decision to invest substantially in next generation product lines. These product lines will consist of modular platforms based on more effective design methods for air, land and naval radar, electronic warfare systems and avionics.

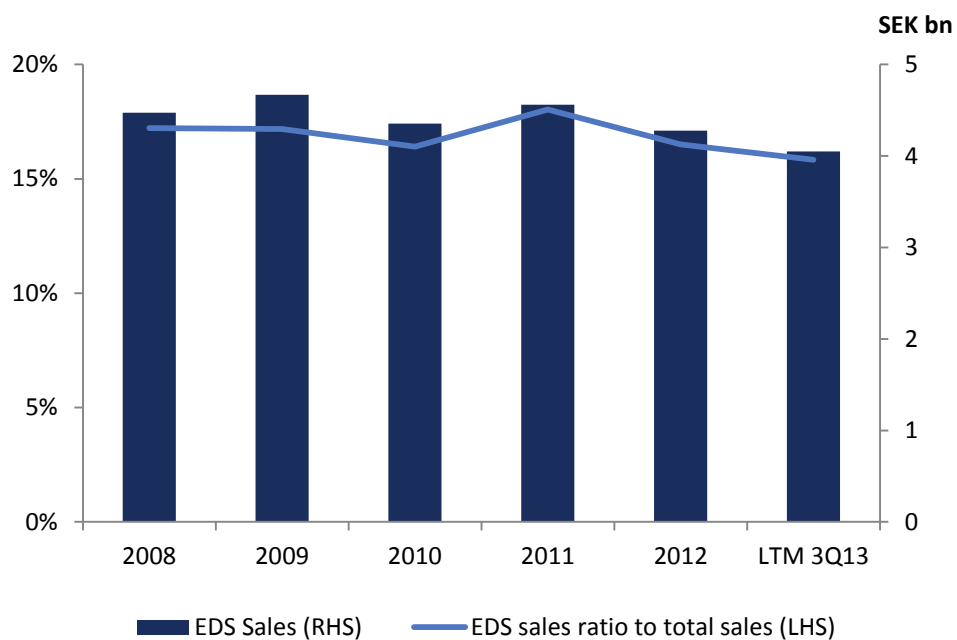
As of 3Q13 the division employed 2,558 persons. The LTM sales of the EDS division as of Q3 2013 amounted to SEK 4.1 billion. EBITDA and EBITDA margin YTD Q3 2013 were SEK 255 million and 8.9%. Since 2008, the sales of the EDS segment have constituted between 15.8% and 18.0% of Saab's total sales.



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*Electronic Defence Systems historical sales and total sales ratio*

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Source: Saab

For access to Saab's financial reports, please see the company's website (<http://www.saabgroup.com/>).

## **7        SIGNIFICANT AGREEMENTS**

### **7.1        The lease agreement**

#### *7.1.1      General*

The contractual counterparty under the lease agreement is the Tenant (the parent company of Saab). The Tenant took possession of the premises during 2006 when a previous lease agreement was transferred to the Tenant, following the Tenant's acquisition of the previous tenant. The current lease agreement commenced on 1 July 2011.

#### *7.1.2      Lease period and options to extend*

The lease agreement is entered into for a fixed period and is valid until 31 December 2021. Unless terminated by either party no later than 24 months prior to expiry of the term of the lease period, the lease agreement will be automatically prolonged for five (5) years at the time.

#### *7.1.3      Property cost allocation*

The cost allocation is regulated in a demarcation list. If responsibility should not be possible to ascertain from the demarcation list, a general principle shall apply under which the landlord is responsible for costs relating to the exterior and the Tenant is responsible for remaining costs relating to the Property.

As evident from the general principle, costs relating to internal maintenance of the Property are allocated to the Tenant. The Tenant is responsible for installations both owned by the Tenant and the landlord. The Tenant has its own subscriptions for electricity, warm water, heating, cooling and ventilation. However, the landlord is, according to the demarcation list, responsible for the maintenance and replacement of the heating installations and the main ventilation room and replacement of the electricity installations. In addition, the general principle deviates to the extent that the landlord is responsible for elevators and fire protection installations within the Property.

The landlord is responsible for costs relating to exterior property management and maintenance of the exterior framework structures such as roofs, walls and doors as well as ground pavement. Furthermore, the landlord pays for costs relating to snow clearance, which is included in the rent.

#### *7.1.4      Rental payments and adjustments*

The yearly base rent of SEK 63,700,000 is on a calendar year basis fully adjusted equivalent to changes in the CPI with October 2010 as base month. In addition to the rent, the Tenant pays for 100 % of the property tax in respect of the Property. The rent is invoiced and paid quarterly in advance by the Tenant.

#### *7.1.5      The landlord's termination rights*

There is no right for the landlord to terminate the lease agreement prior to the end of the lease period, save for in case of a material breach of contract by the Tenant.

#### *7.1.6      The Tenant's termination rights*

There is no right for the Tenant to terminate the lease agreement prior to the end of the lease period, save for in case of a material breach of contract by the landlord or if the premises cannot be used due to a material damage to the building or a decision by the authorities.

#### *7.1.7 Property modifications*

The landlord and the Tenant have agreed to cooperate in respect of any modifications of the Property. However, the Tenant may, at its own costs, carry out modifications of the premises during the lease period. The Tenant shall confer with the landlord and should the landlord object to the proposed modification of the premises, the landlord is entitled to reimbursement provided that the landlord can show palpable inconvenience due to such modification. Any modification causing a non-insignificant effect on the Property's value shall be reimbursed in connection with the termination of the lease agreement or by way of restoring the premises upon vacating the premises.

The landlord shall inform the Tenant of any planned construction of new premises, modifications or increased area of existing premises and confer with the Tenant regarding lease opportunities for the Tenant in such premises.

#### *7.1.8 Insurance*

The landlord shall obtain insurance and procure that the Property is fully insured.

#### *7.1.9 Third party letting and assignment of the lease agreement*

The Tenant may only sublet the premises in whole after written consent by the landlord. Permission shall be granted unless the landlord has justifiable reasons for refusing such consent.

Under Swedish law, and also under the lease agreement, the Tenant may be entitled to assign the lease agreement in connection with a transfer of the business at the time carried out in the premises, to the acquiring party. Should the Landlord object to such assignment, the Tenant may apply for approval with the Swedish Rent Tribunal. An assignment shall not be granted by the Swedish Rent Tribunal if the landlord has justified cause (Sw: befogad anledning) not to accept the new tenant, e.g. if the new tenant is not considered creditworthy. The landlord can require a new tenant to grant security to the landlord, e.g. in the form of a bank guarantee, for the fulfilment of such tenant's duties under the lease agreement.

#### *7.1.10 Non-compete*

The landlord may not lease premises or part of premises to a tenant which at the time is carrying out competing business to Saab, unless written consent is given by the Tenant.

### **7.2 The asset management agreement**

#### *7.2.1 General*

The asset manager manages the Group with the objective to maximize the shareholder's capital returns. Hestia looks after the interest of the shareholders of the Company and provides necessary services as agreed in the asset management agreement.

Under the asset management agreement, the Hestia is responsible for running and managing the day-to-day affairs of Group on behalf of the shareholders, however, only according to the wishes of the board of directors of the Company and the approved business plan. Hestia may not, without prior approval from the board of directors of the Company, make any decisions or take any actions that have a material direct or indirect effect on the value of the Group and/or the Property.

The sole owner of Hestia's entire share capital has participated in the equity issue with an amount of SEK 2,200,000. The investment is regarded as an incentive for Hestia to manage its services under the asset management agreement in the shareholders' best interest; hence Hestia's shares may not be transferred during the term of the asset management agreement.

### 7.2.2 Services

Under the asset management agreement, Hestia provides asset management services, financial management services and property management services. The tasks included in Hestia's scope of work under the asset management agreement include, but are not limited to, the following services:

- Create, update and carry out a business plan for the Group, approved by the board of directors of the Company
- Ensure that the Group is managed in compliance with all applicable laws, regulations and stock market rules
- Financial and operational reporting to the shareholders, the board of directors and the stock market
- Organize shareholders' meetings and board meetings
- Act in an investor relations role for the Group
- Budgeting, accounting, tax and cash management services
- Ensure compliance with loan agreements, communicate with lenders and ensure an optimal debt structure for the Group
- Handle the in- and outgoing correspondence of the Group, including the running dialog with the Tenant of the Property
- Follow up on lease agreements for the Property
- Manage negotiations/renegotiations of lease agreements for the Property
- Coordinate, supervise and monitor technical property management and maintenance of the Property
- Manage and coordinate any development projects related to the Property
- Upon request from the shareholders of the Company, facilitate a divestment of the Property

For the provision of all recurring services, Hestia will be remunerated with an annual fee of SEK 1,080,000. In addition, the Company may request, and Hestia has committed to provide, additional services which are considered to be non-recurring services. For the avoidance of doubt, the services listed above, in this chapter 7.2.2, include both recurring and non-recurring services. For additional services not included in the fixed fees, Hestia will invoice the Company according to agreed hourly rates. Both the fixed fee and agreed hourly rates will be adjusted equivalently to changes in the Swedish CPI index.

### 7.2.3 Lease renewal services

For services relating to the renegotiation or negotiation of lease agreements in respect of the Property, Hestia will receive remuneration of pre-determined percentage of the annual rent. The percentage level is dependent on the length of the new lease agreement, whether the new lease agreement is entered into with the current Tenant and whether real estate agent was engaged or not:

	Lease duration ≤ 5 years	Lease duration > 5 years
Renegotiation of lease with current Tenant	2%	5%
Negotiation of lease with new tenant	7.5%	12.5%
Negotiation of lease with new tenant through an agent	2% + cost of agent	2% + cost of agent

#### **7.2.4**     *Exit services*

In connection with a sale or other divestment of the Group or the Property, Hestia shall present to the board of directors of the Company at least two real estate brokers along with their proposals for offers of applicable exit services. Hestia shall assist the engaged real estate broker with information and documentation, participate in road shows, negotiate the terms of the sale on behalf of the shareholders of the Company and undertake all other actions, which can reasonably be expected, in order to ensure the highest possible sales proceeds. In the event of an exit, Hestia is entitled to a remuneration amounting to 0.30 % of the agreed Property divestment value.

#### **7.2.5**     *Term*

The asset management agreement is entered into for an initial four (4) years. Unless terminated, by either party, six (6) months prior to expiry, the asset management agreement is prolonged for four (4) years on the same terms and conditions. The asset management agreement may always be terminated by the Company by giving six (6) months' notice of termination.

#### **7.2.6**     *Liability*

Hestia shall indemnify the Company for all damages, costs, expenses, losses and liabilities incurred by the Company due to Hestia's failure to fulfil its obligations. The liability is capped to a maximum amount of ten (10) times the annual fees paid by the Company for the services under the asset management agreement.

### **7.3**       **Agreement with the CEO**

The Group has no direct contract with the CEO. As the CEO is employed by Hestia Group (with which the Company has entered into an asset management agreement), termination of the CEO's executive duties by the Company's board of directors will mean termination of the business management agreement. If the employment of the CEO with the business manager is terminated, either by the business manager or by the CEO, a new CEO will be appointed by the business manager, subject to the approval of the board of directors of the Company. The cost of terminating the employment and/or recruiting a replacement for the CEO will be incurred by the business manager.

## **8 BOARD OF DIRECTORS OF THE COMPANY**

The tasks and responsibility of the board of directors follow from Swedish law and includes the overall management and control of the Company. The Board is elected by the general meeting and currently consists of three members. The tasks and responsibility of the CEO also follows from Swedish law. The CEO is employed and remunerated by Hestia.

All information about historical, or on-going, bankruptcy, liquidation or similar procedure and also fraud related convictions or on-going procedures in which any person in the management and/or board of the Company has been considered and disclosed below, at least covering the five previous years. During the five previous years, no person in the management or the board of directors of the Company is or has been involved in any bankruptcy, liquidation or similar procedure or any fraud related convictions or on-going procedures.

All current board members are employed by Pareto Securities AB. In connection with the proposed general meeting to be held on 14 April 2014, it will also be proposed to select a new board of directors by proposal of the investors in the Company. The current board of directors will therefore be replaced following the general meeting.

### **8.1 Board of directors and CEO**

#### **Clara de Château, Chairman of the Board**

Swedish, born in 1978

Joined: December 2013

Position: Corporate Finance Real Estate, Pareto Securities AB, Sweden

Work experience: Corporate Finance Real Estate in Pareto Securities since 2013, Relationship manager at DNB, Analyst at DNB and HSH Nordbank.

Education: M.Sc in business administration, majors in International Finance and Management, Lund University, Sweden.

Number of shares in the Company: 0

#### **Stefan De Geer, Board Member**

Swedish, born in 1956

Joined: December 2013

Position: Head of Corporate Finance Sweden, Pareto Securities AB

Work experience: Stefan spent 20+ years as a transactional lawyer in New York and Stockholm, including 15 years with Gernandt & Danielsson, a Stockholm based law firm he cofounded in 1992.

Education: Law degrees from Stockholm University and New York University.

Number of shares in the Company: 0

#### **Tore Børve Sandvik, Board Member**

Norwegian, born in 1986

Joined: December 2013

Position: Corporate Finance Real Estate, Pareto Securities AB, Sweden.

Work experience: Corporate Finance in Pareto Securities since 2011.

Education: M.Sc. in financial economics from Norwegian School of Economics (Norges handelshøyskole)

Number of shares in the Company: 0

## 9 THE SHARE OF KALLEBÄCK PROPERTY INVEST

### 9.1 Shares to be traded, share capital and breakdown by share class

The Company has one class of shares. Hence, all shares in the Company will be traded on First North. The Company has a registered share capital of SEK 3,650,000 allocated among 3,650,000 shares. The par value of the shares is accordingly SEK 1 per share.

### 9.2 Ownership structure

	Number of shares	% of votes and capital
Noonday/ Farallon Capital Management	900,000	25
Östersjöstiftelsen	300,000	8
Volvo Pensionsstiftelse	270,000	7
Optiga	180,000	5
Björn Algqvist	150,000	4
Investors represented by Lennart Låftman	150,000	4
Roosgruppen	100,000	3
GADD	100,000	3
Gålöstifteksen	100,000	3
Bengt Eriksson – Neue Bank	80,000	2
<b>Total 10 largest shareholders</b>	<b>2,330,000</b>	<b>64</b>
Others	1,320,000	36
<b>Total</b>	<b>3,650,000</b>	<b>100.0</b>

The five largest shareholders jointly own 49% of the Company's share capital. The Company currently has approximately 130 shareholders.

At an extraordinary general meeting in the Company held 17 February 2014, it was resolved to issue new shares in the Company and to simultaneously redeem the existing shares in the Company. The current major owners of the Company acquired their holdings by way of participation in the new share issue resolved upon at the extraordinary general meeting held 17 February 2014.

### 9.3 Transactions with closely related parties

No transactions with physical persons discharging managerial responsibilities in the Company, board members, or affiliates to such persons have been conducted during the history of the Company.

### 9.4 Shareholdings by the board of directors, senior management and Certified Adviser

No member of the current board of directors of the Company, senior management nor the Certified Advisor has any holdings of shares in the Company.

### 9.5 Share-based incentive programs

The Company has no share-based incentive program.

## 10 FINANCIAL INFORMATION

*The estimates, projections and calculations in this chapter are based on assumptions supported by objective data. The estimates involve risks, uncertainties and other factors that may cause actual developments to differ materially from the anticipated development.*

*All calculations and estimates are based on current information, which is believed to be correct at the time of preparation of the company description. The Company cannot guarantee the correctness of the calculations, or the quality of the figures and assumptions underlying the calculations. Some of the assumptions made will or may be changed by the board of directors, implying that the calculations made will no longer be correct. Please note that the expected return is not a guarantee of actual return. Actual return is also subject to the investor's tax position and may be affected by future changes in tax legislation.*

*According to the Company's communications policy, any significant changes of these forecasts, as well as actual performance deviations from these forecasts, will be immediately disclosed to the market by press release in compliance with the First North disclosure rules.*

### 10.1 Forthcoming information

Extraordinary general meeting:	14 April 2014
Half-year report 2014:	29 August 2014
Year-end report 2014:	2 March 2015
Annual general meeting:	30 March 2015

The publication of dates for planned forthcoming information will be disclosed on [www.kallebackpropertyinvest.se](http://www.kallebackpropertyinvest.se)

### 10.2 Dividends

Dividends to shareholders are estimated to 10.0% per annum, calculated on total paid-in capital at SEK 365 million. First dividend is expected in 2015 and will thereafter be paid quarterly. Accumulated dividends/pay-outs in the lease period are estimated to ~80% of paid-in capital. Dividends are dependent on the Company's distributable reserves and liquidity situation in the lease period, and dividends may be subject to lenders' approval or certain covenants in the financing documentation.



### 10.3 Profit and loss

SEK'000	1 Jan – 31 Dec 2014E
Rental income	1. 54,617
Property tax supplement	2. 998
<b>Total income</b>	<b>3. 55,616</b>
Operating expenses	4. (792)
Maintenance and repairs	(583)
Insurance	(250)
Other costs	(83)
<b>Property owner's costs</b>	<b>(1,708)</b>
<b>Net operating income</b>	<b>53,907</b>
Technical management	(333)
Asset management	(1,250)
Stock listing	(333)
Auditing / directors' fee	(417)
<b>Management costs</b>	<b>(2,333)</b>
<b>EBITDA</b>	<b>51,574</b>
<b>Depreciation</b>	<b>(7,250)</b>
<b>EBIT</b>	<b>44,324</b>
Interest cost	(16,833)
Interest income	123
<b>Net financial cost</b>	<b>(16,710)</b>
<b>Profit before tax and extraordinary items</b>	<b>27,614</b>
Property transaction cost	(4,000)
Capital and loan fees	(22,414)
<b>Extraordinary items</b>	<b>(26,414)</b>
<b>Profit before tax</b>	<b>1,200</b>
Property tax	(998)
Corporate tax	-
<b>Tax</b>	<b>(998)</b>
<b>Profit after tax</b>	<b>201</b>

#### 10.4 Balance sheet

SEK'000	31 Dec 2014E
Property	832,750
Deferred tax asset	43,962
Cash deposits	36,610
<b>Total Assets</b>	<b>913,321</b>
Equity	287,201
Provisions for deferred tax	123,145
Short term liabilities	5,550
Long term liabilities	497,425
<b>Total equity and liabilities</b>	<b>913,321</b>

#### 10.5 Cash flow

SEK'000	1 Jan – 31 Dec 2014E
EBITDA	51,574
Tax	(998)
<b>Cash flow from Operations</b>	<b>50,576</b>
New equity	365,000
New bank loan	502,475
Repayment of seller's debt	(585,004)
Net interest cost	(15,150)
<b>Cash flow from financing</b>	<b>267,321</b>
Share aquisition	(254,996)
Transaction costs	(26,414)
Interest income	123
<b>Cash flow from investing</b>	<b>(281,287)</b>
Cash at beginning of period	0
<b>Net change in liquidity</b>	<b>36,610</b>
Cash at end of the period	36,610

## 10.6 Description of debt financing

The Group has obtained a debt facility with Swedbank. The main terms of the debt facility outlined in the signed term sheet are as follows:

<i>Main terms of debt facility</i>	
<b>Lender:</b>	Swedbank
<b>Borrower:</b>	Näringsfastigheter Kallebäck AB
<b>Guarantor:</b>	Kallebäck Property Invest AB (publ)
<b>Amount:</b>	SEK 505,000,000
<b>Maturity:</b>	5 years
<b>Interest rate:</b>	3 month STIBOR + 1.95% p.a.
<b>Amortization:</b>	1% annually (SEK 5,050,000)
<b>Financial covenants:</b>	<ul style="list-style-type: none"><li>• LTV ≤ 68% (with remedy options)</li><li>• ISCR ≥ 200%</li><li>• Minimum liquidity of SEK 4,000,000</li></ul>
<b>Undertakings:</b>	<ul style="list-style-type: none"><li>• Change of control event if any legal person becomes the owner of more than 30% of the shares or controls more than 30% of the voting rights</li><li>• No additional debt and negative pledge provisions</li><li>• Listing of the shares</li><li>• No dividend payments if in breach of loan agreement</li></ul>
<b>Security package:</b>	Security package customary for real estate property financings, including a mortgage over the Property and a pledge over the shares of the borrower. There are existing mortgage deeds corresponding to SEK 600 million on the Property
<b>Initial fee:</b>	One-time fee of 0.25% of the loan amount (SEK 1.26 million)

Source: The Company

The Group has purchased a swap for 100% of the floating interest rate exposure under the debt facility. The fixed rate of the debt facility is therefore expected to be determined as the 5 year SEK swap rate at the time of purchase plus the credit margin of 1.95%.

## **11 RISK FACTORS**

*Prospective investors should be aware that investments in shares are always associated with risks. The financial performance of the Group and the risks associated with the Group's business are important when making a decision to invest in the shares. There can be no guarantees or assurances that the Group's objectives are met and that an investment in turn will generate a positive return for the investor.*

*A number of factors influence and could influence the Group's operations and financial performance and ultimately the Company's ability to pay dividends. In this chapter, a number of risk factors are illustrated and discussed, both general risks pertaining to the Group's operations and material risks related to the Shares as financial instruments. The risks described below are not the only ones that the Group is exposed to. Additional risks that are not currently known to the Company, or that the Company currently considers to be immaterial, could have a material adverse effect on the Group's business. The order in which the risks are presented is not intended to provide an indication of the likelihood of their occurrence or of their relative significance.*

### **11.1 Limited or no substantial operating history**

The Company is in a development stage and has recently been formed for the purpose of carrying out the business plan contained in this company description. Although the asset manager has many years' experience in the business sector, the Company is new and as such has no operating history.

### **11.2 Single tenant dependency**

The Property currently has one tenant, upon which the Group's income is dependent. Hence, the Tenant's finances and financial strength and ability to service the rent in a satisfactory manner is critical for the investment. Please refer to chapter 6 (*Saab*) for a more detailed description of the Tenant, and chapter 7.1 (*The lease agreement*) for a more detailed description of the lease agreement. It should be noted that the financial condition of the Tenant can deteriorate in the future, implying a higher counterparty risk for the Group.

### **11.3 Lease renewal and assignment risk**

Should the Tenant choose to vacate the building after the current lease agreement expires, there are risks involved with establishing a new lease agreement. New potential tenants might imply higher counterparty risks, and the Group's ability to successfully negotiate a new lease contract on favorable terms is dependent upon the general condition of the real estate market at such time. Under Swedish Law, and also under the lease agreement, the Tenant may be entitled to assign the lease agreement in connection with a transfer of the business at the time carried out in the premises, to the acquiring party. Should the Group object to such assignment, the Tenant may apply for approval with the Swedish Rent Tribunal. An assignment shall not be granted by the Swedish Rent Tribunal if the landlord has justified cause (Sw: befogad anledning) not to accept the new tenant, e.g. if the new tenant is not considered creditworthy.

Further, the premises may have to be renovated and adjusted to serve several tenants instead of a single tenant. Such investments could affect the Group's financial condition and equity returns negatively. There could also be a period when the Property has no tenant and consequently no income, which would affect the Group's financial condition and equity returns negatively.

### **11.4 Property risk**

Returns from the Property will depend largely upon the amount of rental income generated from the Property and the costs and expenses incurred in the maintenance and management of the Property and necessary investments in the Property as well as upon changes in its market value. Rental income and the market value for properties are generally affected by overall conditions in the economy, such as growth in gross domestic product, employment trends, inflation and changes of interest rates. Both Property value and rental income

may also be affected by competition from other property owners, or the perceptions of prospective buyers or tenants of the attractiveness, convenience and safety of the Property.

#### **11.5 Terminal value risk**

Property and property related assets are inherently difficult to value due to the individual nature of each property and the fact that there is not necessarily a liquid market or clear price mechanism. As a result, valuations may be subject to substantial uncertainty. No assurances can be given to what price the Property may in the future be divested on. Should the Property be divested on a price lower than what can reasonably be expected in today's market, this will negatively affect the return of the shares.

Any future property market recession could materially adversely affect the value of the Property.

#### **11.6 Increased maintenance costs**

The estimated future maintenance and capital expenses, used in the calculation of the forward-looking statements, are based upon information from the seller, Profi, historic maintenance costs and capital expenses for the Property and a technical due diligence conducted on the Property. It cannot be ruled out that the maintenance costs and capital expenses for various reasons may exceed the estimated maintenance costs and capital expenses presented herein.

#### **11.7 Geographic risk**

This company description contains certain market information relating to the property market in the Gothenburg area, chapter 5 (*The Gothenburg real estate market*). While there has been a general positive trend in the year preceding the offer set out in this company description, prices and rent levels for office buildings and land in the area may decline in the future and negatively impact return on the shares.

#### **11.8 Environmental risk**

A desktop environmental site assessment (ESA) has been conducted prior to the acquisition of the Property. Before construction of the present building on the Property, the site was undeveloped and there is no information about contaminated land on adjacent properties. Although the risk of contaminated land resulting from current and historical activities on site and in adjacent surroundings is assessed to be low, it cannot be guaranteed that the Group will not be subject to claims by public authorities or third parties as a result of environmental or other damages related to the land and the Property.

#### **11.9 Management risk**

The Group is initially dependent upon the asset manager for the implementation of its strategy and the operation of its activities. Although the asset management agreement is non-terminable by Hestia during the first four years from completion of the acquisition (with some exceptions), and unless terminated six months' prior to expiry of the term, automatically prolonged for an additional four years, there is an uncertainty with regard to the management of the Group in the event of a termination of the asset management agreement.

In addition, the Group will depend upon the services and products of certain other consultants, contractors and other service providers in order to successfully pursue the business plan of the Group.

Finally, it cannot be ruled out that the fees connected to the asset management agreement with Hestia, , could have an adverse effect on the Group's financial condition.

#### **11.10 Legal and regulatory risk**

Investments in the Shares involve certain risks, including the risk that a party may successfully litigate against the Group, which may result in a reduction in the assets of the Group. However, the directors and the relevant managers of Profi are on the date hereof not aware of any pending litigation against the Group.

Changes in laws relating to ownership of land could have an adverse effect on the value of shares. New laws may be introduced which may be retrospective and affect environmental planning, land use and development regulations.

Government authorities at all levels are actively involved in the promulgation and enforcement of regulations relating to taxation, land use and zoning and planning restrictions, environmental protection and safety and other matters. The institution and enforcement of such regulations could negatively impact the Group's financial condition and equity returns, as well as adversely affect the value of the Property. Government authorities could use the right of expropriation of the Property if the requirements for expropriations are satisfied. Any expropriation will entitle the Group to compensation but the Group's financial condition may irrespective of such compensation be negatively affected.

#### **11.11 Risk of changes in the Swedish Tax System and of changes in ownership**

Future actions by the Swedish government to increase tax rates or to impose additional taxes could reduce the Group's profitability. Revisions to tax legislation or to its interpretation might also affect the Group's financial condition in the future. The Group may additionally be subject to periodic tax audits which could result in additional tax assessments relating to past periods of up to six years being made. Any such assessments could be material which might also negatively affect the Group's financial condition.

The Company has tax losses carried forward, which may reduce its future tax payments. The tax losses may be forfeited if a single corporation or individual obtains the controlling influence over the Company. There is also a risk that the tax losses carried forward may be forfeited if private individuals each acquire shares representing at least 5% of the votes and together more than 50% of the votes in the Company. Family members, tax transparent legal entities and companies held by individuals or tax transparent legal entities may be treated as one private individual when computing ownership interests.

#### **11.12 Financing risk**

The Group is deemed to be sufficiently funded following the completion of the offer set out in this company presentation. However, additional capital needs, due to for example unforeseen costs and/or larger capital expenditures than expected, cannot be ruled out.

#### **11.13 Refinancing risk**

At maturity of the Group's debts, the Group will be required to refinance such debt. The Group's ability to successfully refinance its debts is dependent upon the conditions of the financial markets in general at such time. As a result, the Group's access to financing sources at a particular time may not be available on favorable terms, or at all. The Group's inability to refinance its debt obligations on favorable terms, or at all, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group will, in connection with a refinancing of its debts, be exposed to interest risks on interest-bearing current and non-current liabilities. Changes in interest rates on the Group's liabilities will affect the Group's results of operations. In addition, the Group's results of operations and financial position will be exposed to the effect of market interest rates.

#### **11.14 Compliance with loan agreements**

The loan agreement for the debt facility the Group expects to enter into will make the Group subject to a number of covenants dictating what actions the Group may and may not take. Should the Group breach these covenants, additional financing costs may incur and the Group may be declared bankrupt and be liquidated. Such events would likely negatively affect the Group's financial condition and return of the shares.

The loan agreement for the debt facility the Group expects to enter into is expected to include an ownership clause. Such ownership clause is expected to restrict any legal person's right to acquire or control more than 30% of the capital and voting rights of the Company. Should any person acquire or obtain such ownership or control, that person may be forced to divest Shares in the Company and the full amount outstanding under the loan agreement may be declared due and payable at short notice.

#### **11.15 Deviation from forward-looking statements**

This company description contains forward-looking statements based on current expectations which involve risks and uncertainties. The actual results could differ materially from the results anticipated in these forward-looking statements as a result of many factors, including, but not limited to, the risk factors set forth in this chapter and elsewhere in the company description. The cautionary statements made in this company description should be read as being applicable to all forward-looking statements wherever they appear in this company description.

#### **11.16 Liquidity of the shares**

Even if the shares are admitted to trading on NASDAQ OMX First North, active trading in the shares does not always occur and hence there is no guarantee that a liquid market for trading in the Shares will occur or be maintained. Furthermore, the nominal value of the shares may not be indicative compared to the market price of the shares if they are admitted for trading on First North.

Accordingly, investments in the shares are only suitable for investors who can bear the risks associated with a lack of liquidity in the shares.

#### **11.17 AIFM risk**

The Alternative Investment Fund Managers Directive 2011/61/EU (the "AIFMD") is recent, and there are still some unresolved/unclear issues with regard to how the directive should be interpreted. The directive is implemented in Sweden. The Company will likely fall outside of the scope of the AIFMD because the Company is a holding company, which subsidiary, the Target, has an industrial purpose, i.e. because the Company shall indirectly generate returns through the Property operations in the market and not necessarily by divesting the Property. However, there is a risk that the Company may be considered an alternative investment fund pursuant to the AIFMD, which would among other result in additional costs to a depositary and a manager.

**The factors mentioned above are not comprehensive and there may be other risks that relate to or may be associated with an investment in the Company.**

## SUPPLEMENT 1, ARTICLES OF ASSOCIATION

*N.B. The English text is an unofficial translation.*

### **BOLAGSORDNING FÖR KALLEBÄCK PROPERTY INVEST AB (PUBL)**

### ***Articles of association of Kallebäck Property Invest AB (publ)***

**Org nr 556951-6783**

**Reg. No. 556951-6783**

Antagen på bolagsstämma den 17 februari 2014.

*Adopted at the general meeting held on 17 February 2014.*

#### **§ 1 Bolagets firma / Name of the company**

Bolagets firma är Kallebäck Property Invest AB (publ).

*The name of the company is Kallebäck Property Invest AB (publ).*

#### **§ 2 Styrelsens säte / Registered office**

Styrelsen har sitt säte i Stockholm.

*The registered office of the company is situated in Stockholm.*

#### **§ 3 Bolagets verksamhet / Objectives of the company**

Bolaget ska i egen regi eller genom hel- eller delägda dotterbolag genomföra sin affärsstrategi att för aktieägarna långsiktigt generera vinst genom att hyra ut lokallägenheter i fastigheter som ägs av Bolaget eller dess hel- eller delägda dotterbolag eller som annars disponeras av dessa bolag; samt i samband därmed förvärva fast egendom och bedriva annan därmed förenlig verksamhet.

*The company shall, in its own capacity or through wholly or partly owned subsidiaries, implement its business strategy to generate long term profit for the shareholders through rental of premises in real property owned by the company or its wholly or partly owned subsidiaries, or that is otherwise utilized by these companies; and in connection therewith acquire real property and conduct business related thereto.*

#### **§ 4 Aktier och aktiekapital / Shares and share capital**

Aktiekapitalet utgör lägst 3 650 000 kronor och högst 14 600 000 kronor. Antalet aktier ska vara lägst 3 650 000 kronor stycken och högst 14 600 000 stycken.

*The share capital shall be not less than SEK 3,650,000 and not more than SEK 14,600,000. The number of shares shall be not less than 3,650,000 and not more than 14,600,000.*

#### **§ 5 Styrelsen / The board of directors**

Styrelsen ska bestå av 3 - 10 ledamöter med högst 10 suppleanter.

*The board of directors shall comprise 3 -10 members and not more than 10 alternate members.*



## **§ 6 Revisorer / Auditors**

Bolaget ska ha 1-2 revisorer med högst 2 revisorssuppleanter eller ett registrerat revisionsbolag.

*The company shall have 1-2 auditors and not more than 2 alternate auditors or a registered accounting firm.*

## **§ 7 Kallelse till bolagsstämma / Notice to general meeting**

Kallelse till bolagsstämma ska ske genom annonsering i Post- och Inrikes Tidningar och genom att kallelsen hålls tillgänglig på bolagets webbplats. Samtidigt som kallelse sker ska bolaget genom annonsering i Svenska Dagbladet upplysa om att kallelse skett.

*Notice to attend general meetings shall be published in Post- och Inrikes Tidningar (the Swedish Official Gazette) and be kept available on the company's website. At the time of the notice, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet.*

## **§ 8 Årsstämma / Annual general meeting**

Årsstämma hålls årligen inom sex månader efter räkenskapsårets utgång.

*The annual general meeting is held each year within six months of the end of the financial year.*

På årsstämma ska följande ärenden förekomma.

*The following matters shall be addressed at the annual general meeting.*

1. Val av ordförande vid stämman;

*Election of a chairman of the meeting;*

2. Upprättande och godkännande av röstlängd;

*Preparation and approval of the voting register;*

3. Godkännande av dagordning;

*Approval of the agenda;*

4. Val av en eller två justeringspersoner;

*Election of one or two persons to attest the minutes;*

5. Prövning av om stämman blivit behörigen sammankallad;

*Determination of whether the meeting was duly convened;*

6. Föredragning av framlagd årsredovisning och revisionsberättelse samt, i förekommande fall, koncernredovisning och koncernrevisionsberättelse;

*Presentation of the annual report and auditor's report and, where applicable, the consolidated financial statements and auditor's report for the group;*

7. Beslut om

*Resolutions regarding*

- (a) fastställande av resultaträkning och balansräkning, samt, i förekommande fall, koncernresultaträkning och koncernbalansräkning,

*adoption of the income statement and balance sheet and, where applicable, the consolidated income statement and consolidated balance sheet;*

- (b) dispositioner beträffande vinst eller förlust enligt den fastställda balansräkningen,

*allocation of the company's profit and loss according to the adopted balance sheet;*

- (c) ansvarsfrihet åt styrelseledamöter och verkställande direktör när sådan förekommer;

*discharge from liability for board members and the managing director, where applicable;*

8. Fastställande av styrelse- och revisorsarvoden;

*Determination of fees for the board of directors and the auditors;*

9. Val av styrelse och, i förekommande fall, revisionsbolag eller revisorer;

*Election of the board of directors and, where applicable, accounting firm or auditors;*

10. Annat ärende, som ankommer på stämman enligt aktiebolagslagen eller bolagsordningen.

*Any other business incumbent on the meeting according to the Companies Act or the articles of association.*

**§ 9 Räkenskapsår / Financial year**

Bolagets räkenskapsår ska vara kalenderår.

*The company's financial year shall be calendar year.*

**§ 10 Avstämningsförbehåll / Central security depository clause**

Bolagets aktier ska vara registrerade i ett avstämningsregister enligt lagen (1998:1479) om kontoföring av finansiella instrument.

*The company's shares shall be registered with a central security depository register, pursuant to the Swedish financial instruments accounts act (SFS 1998:1479).*

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