

# Company Description

## Sydsvenska Hem AB (publ)

*Published as a part of Sydsvenska Hem AB (publ)'s application  
for listing on AktieTorget*

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**Manager:**

 Pareto  
Securities

**This Company Description is dated 1 April 2016**

## IMPORTANT INFORMATION

This company description (the "**Company Description**") has been prepared in order to provide information about Sydsvenska Hem AB (publ), corporate identification number 559038-4177, (the "**Company**" or "**Sydsvenska Hem**") and its business in connection with the listing of the Company's shares on AktieTorget. This Company Description is not approved by or registered with the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*).

This Company Description is prepared by the Company. It includes market and public industry data and forecasts that have been obtained from third-party sources and the Vendors (as defined below), being the sole owners of the Targets (as defined below), and their subsidiaries, industry publications and publicly available information as well as industry data prepared by the Company on the basis of its knowledge of the commercial real estate and rental markets in which the Company will operate (including the Company's estimates and assumptions relating to the industry based on that knowledge). The Company believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness of the Vendors' data. Financial information in this Company Description has not been audited and/or reviewed by auditors unless otherwise stated.

This Company Description includes and is based on, among other things, forward-looking information and statements. Such forward-looking information and statements are based on the current expectations, estimates and projection of the Company, based mainly on information provided by the Vendors, or reasonable assumptions based on information available to the Company. Such forward-looking information and statements reflect current views with respect to future events and are subject to risks and uncertainties that may cause actual events to differ materially from any anticipated development. All investors must themselves verify the assumptions which form the basis for the forward-looking statements. The Company cannot give any assurance as to the correctness of such information and statements or the correctness of the assumptions on which such information and statements are based. Any reader of this Company Description should be aware that this information may not be used for any other purpose than to evaluate a possible investment in the Company.

The contents of this Company Description are not to be construed as legal, business, investment or tax advice. Each recipient should consult with its legal, business, investment, and tax advisors as to legal, business, investment and tax advice. Specifically, Pareto Securities AB, corporate identification number 556206-8956 (the "**Manager**") that has been engaged as the Company's financial advisor does not render – and shall not be deemed to render – any advice or recommendations as to an investment in Shares (as defined below).

Any investors in this Company must on his/her own ensure that the information presented is up to date and correct. If anyone relies on this Company Description as a basis for the purchase of shares at a later date, that person must ensure that all relevant and up to date information is obtained. Information presented in this Company Description is only up-to-date as per the date on the front page of this Company Description, and the Manager has no responsibility to update or supplement any information presented in this Company Description. From the listing date of the Company's share and forward, it is the Company's responsibility to update or supplement of any information presented in this Company Description according to the listing agreement with AktieTorget. Potential investors must read through the entire Company Description.

All inquiries relating to this Company Description should be directed to the Manager. No other person has been authorized to give any information about, or make any representation on behalf of, the Company in connection with the subject-matter of this Company Description and, if given or made, such other information or representation must not be relied upon as having been authorized by the Company or the Manager.

This Company Description is subject to Swedish law, and any dispute arising out of or in connection with this Company Description is subject to the exclusive jurisdiction of Swedish courts.

**It is emphasized that investments in real estate projects can involve great risks. All investors must be aware that such investments can cause a partial or total loss of the investment. Investors who neither can nor want to incur such risk should not enter into these types of investments (please refer to chapter 4 "Risk Factors").**

The Shares may not be a suitable investment for all investors. Each potential investor in the Shares must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Shares, the merits and risks of investing in the Shares and the information contained or incorporated by reference in this Company Description (including the risk factors herein) or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Shares and the impact that an investment in the Shares will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Shares; and
- be able to evaluate (either alone or with the help of a financial or other adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

### Potential conflicts of interest

Prospective investors should be aware that, as of the date of this Company Description, all board members of the Company are employed either by the Manager or the Business Manager. Prior to the completion of the Recent Equity Issue and the

redemption of the Business Manager's shares in the Company, the Company was owned by the Business Manager. The employees of the Manager involved in the Transaction (as defined below) have, among other things, negotiated the terms of the Share Purchase Agreements (as defined below), the Debt Facility (as defined below) and the Business Management Agreement (as defined below). The Manager has identified that the foregoing may give rise to conflicts of interest and even if such conflicts of interests are deemed to be limited, has addressed this by monitoring the contemplated Transaction and the work carried out closely with a view to address and mitigate potential conflicts of interest in a manner that benefits the Company.

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## Appendix 1: Articles of association of the Company

## 1 LIST OF DEFINITIONS

<b>Asset Manager</b>	A company contracted by the Business Manager and/or the Company to provide the Company with asset management services
<b>Business Management Agreement</b>	The business management agreement to be entered into between the Business Manager and the Company regarding the management of the Group
<b>Business Manager</b>	Pareto Business Management AB, corporate identification number 556742-5581
<b>CAPEX</b>	Capital Expenditure. An expense where the benefit continues over a long period, rather than being exhausted in a short period. Such expenditure is of a non-recurring nature and results in acquisition of permanent assets
<b>Closing</b>	The consummation of the contemplated acquisitions of each of the Targets
<b>Company</b>	Sydsvenska Hem AB (publ), corporate identification number 559038-4177
<b>Company Description</b>	This company description, dated 1 April 2016
<b>CPI</b>	Swedish consumer price index (Sw. <i>Konsumentprisindex</i> ), published by Statistics Sweden (Sw. <i>Statistiska centralbyrån</i> )
<b>Debt Facility</b>	The SEK 505,000,000 bank debt to be incurred by the Company, the Subsidiaries and the Targets for the purpose of partially financing the Transaction
<b>EBITDA</b>	The Company's earnings on a consolidated basis before interest, taxes, depreciation, value adjustments, amortization of goodwill and capital gains/losses
<b>EBITDA Yield</b>	Annualized EBITDA divided by Gross Real Estate Value
<b>Granitor</b>	Granitor Fastigheter AB, corporate identification number 556825-7074
<b>Gross Real Estate Value</b>	SEK 721,000,000
<b>Group</b>	The Company and all its subsidiaries, including the Subsidiaries and the Targets
<b>Group Costs</b>	Costs associated with the Group's operations, including fee to the Business Manager and auditing fees
<b>HSB</b>	HSB Landskrona ek för, corporate identification number 744000-0664
<b>LTV</b>	Loan to value (bank loans to market value of the Properties)

<b>Manager</b>	Pareto Securities AB, corporate identification number 556206-8956
<b>Midroc Property Development</b>	Midroc Property Development AB, corporate identification number 556319-4249
<b>Midroc Vendors</b>	PB Del J AB, corporate identification number 556726-6720, Holding i Västerparken AB, corporate identification number 556975-1695, Granitor Fastigheter Holding Alfa AB, corporate identification number 556989-1376 and NewHoldCo (individually a " <b>Midroc Vendor</b> ")
<b>Net Operating Income</b>	All amounts payable to the Group arising from or in connection with any lease, less any Property Related Costs
<b>Net Real Estate Yield</b>	Annualized Net Operating Income, divided by Gross Real Estate Value
<b>NewCo</b>	A newly established shelf company being the Target under the Share Purchase Agreement in relation to the properties Lomma Lomma 33:54-66, Lomma Lomma 33:68 and Lomma Lomma 33:71 in Lomma municipality
<b>NewHoldCo</b>	A newly established shelf company being the Midroc Vendor under the Share Purchase Agreement in relation to the properties Lomma Lomma 33:54-66, Lomma Lomma 33:68 and Lomma Lomma 33:71 in Lomma municipality
<b>Properties</b>	The properties Lomma Lomma 33:54-66, Lomma Lomma 33:68 and Lomma Lomma 33:71 in Lomma municipality, the properties Helsingborg Ridskolan 3 and Helsingborg Glaven 2 in Helsingborg municipality, the property Landskrona Rom 1 in Landskrona municipality and part of the property Kävlinge Sandhammaren 1 in Kävlinge municipality
<b>Property Related Costs</b>	All operating costs (excluding Group Costs) connected to the handling of the Property, excluding CAPEX
<b>Recent Equity Issue</b>	The share issue in the Company completed in February 2016, with total gross proceeds of SEK 240,000,000
<b>Share Purchase Agreements</b>	The share purchase agreements entered into in March 2016 between the Company or a Subsidiary as buyer and the Vendors as sellers regarding the purchase of all shares in the Targets, being the owners, or holder of the site leasehold as regards Helsingborg Ridskolan 3, of the Properties on each relevant Closing date
<b>Shares</b>	The 2,400,000 shares in the Company
<b>Stenbocken Vendor</b>	Stenbocken Aktiebolag, corporate identification number 556686-7858
<b>Subsidiaries</b>	Goldcup 12375 AB, corporation identification number 559040-5626 (under name change to Sydsvenska Hem Förvärvsbolag 1

	AB), Goldcup 12376 AB, corporation identification number 559040-5642 (under name change to Sydsvenska Hem Förvärvsbolag 2 AB) and Goldcup 12377 AB, corporation identification number 559040-5659 (under name change to Sydsvenska Hem Förvärvsbolag 3 AB) and two additional shelf companies to be acquired by the Company (individually a <b>"Subsidiary"</b> )
<b>Targets</b>	Fastighets AB Ridskolan, corporate identification number 556751-1869, Vårdboende i Västerparken AB, corporate identification number 556975-1661, Midroc Kävlinge Förskola AB, corporate identification number 556973-3446, Projektbolag Del Y AB, corporate identification number 556874-4899 and NewCo (individually a <b>"Target Company"</b> )
<b>Transaction</b>	All transactions, including but not limited to the transfers under the Share Purchase Agreements
<b>Vendors</b>	Midroc Vendors and Stenbocken Vendor jointly
<b>WSP</b>	WSP Sverige AB, corporate identification number 556057-4880



## **2 RESPONSIBILITY STATEMENT**

The board of directors in the Company is responsible for the information given in this Company Description. The Company confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Company Description is, to the best of the Company's knowledge, in accordance with the facts and contains no omissions likely to affect its import. Any information in this Company Description and in the documents incorporated by reference which derive from the Vendors, Midroc Property Development and Stenbocken and other third parties have, as far as the Company 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 Company Description is, to the best of the board member's knowledge, in accordance with the facts and contains no omission likely to affect its import.

The board of directors in Sydsvenska Hem AB (publ)

Sven Hegstad, Ida Fransson and Stefan Gattberg

(Board of directors)

### 3 INVESTMENT SUMMARY

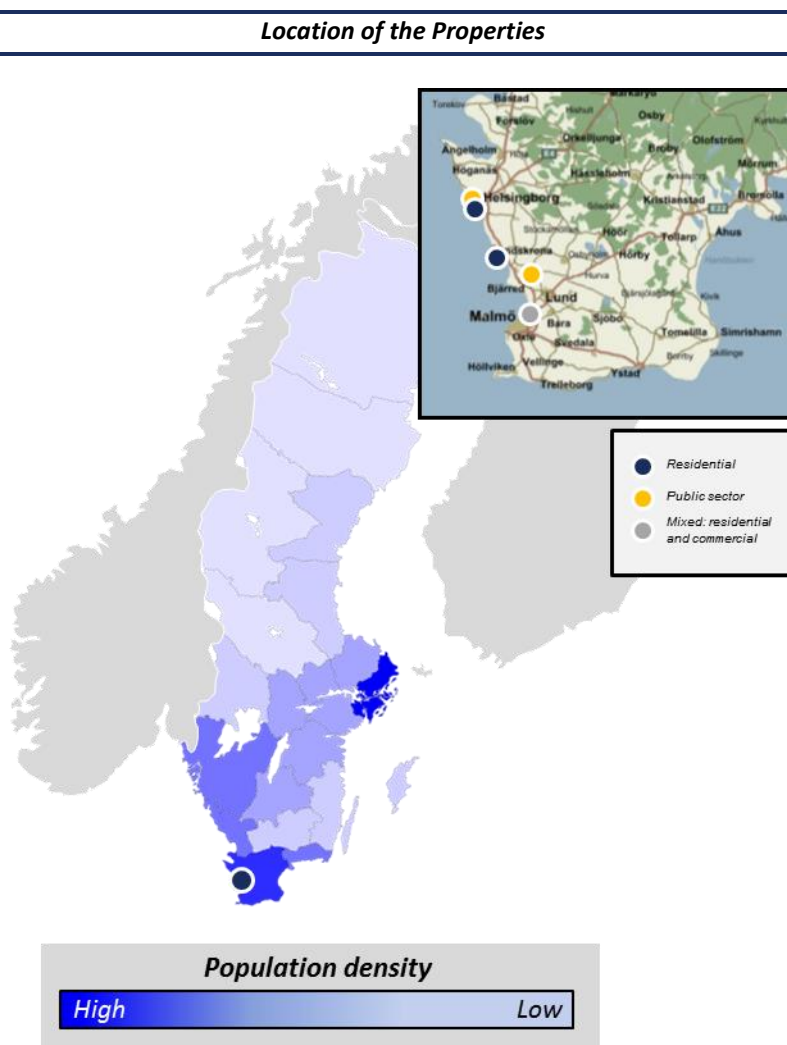
*This summary should be read as an introduction to the Company Description, and is entirely subordinate to the more detailed information contained in this Company Description including its appendices. Any decision to invest in the Shares should be based on an assessment of all information in this Company Description and any other relevant information. In particular, potential investors should carefully consider the risk factors mentioned in chapter 4 (Risk Factors).*

*For an explanation of definitions and terms used throughout this Company Description, please refer to chapter 1 (List of Definitions).*

#### 3.1 Summary of the Company and the Properties

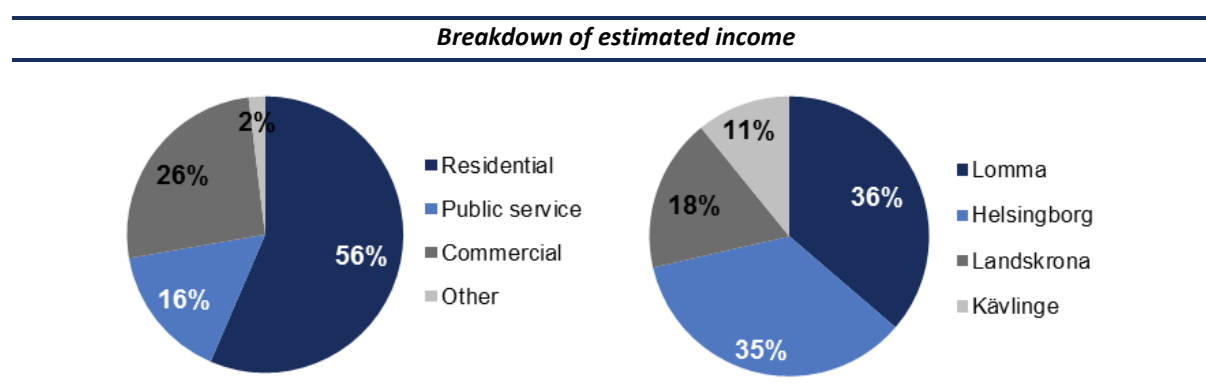
The Company is a Swedish public limited liability company. The Company and the Subsidiaries entered into the Share Purchase Agreements in order to acquire all shares in the Targets. On each relevant Closing date the Targets will be the sole legal and registered owners (holder of the site leasehold as regards Helsingborg Ridskolan 3) of the Properties.

The locations of the Properties are shown on the map below.



Source: The Vendors, the Company

The Company's estimated income distribution is illustrated in the graphs below.



Source: The Vendors

The Properties are fully let. However, some residential premises as regards the student apartments on the Ridskolan property may occasionally be vacant for shorter periods of time. The weighted average unexpired lease term, residential leases excluded, amounts to ~12.6 years. ~90% of Sydsvenska Hem's estimated annual income is derived from residential apartments, public sector tenants, Systembolaget and Coop. The Properties are located in prime locations, and all are constructed within the last 15 years – the majority within the last five years.

### 3.2 Summary of financial information

The purchase price of the Targets is based on a Gross Real Estate Value of SEK 721,000,000 and is financed with the equity raised in the Recent Equity Issue of SEK 240,000,000 and the Debt Facility of SEK 505,000,000. The part of the purchase price to be paid directly to the Vendors will be reduced with an amount corresponding to the existing debts of the Targets which the Company undertakes to refinance on the relevant Closing date. Key financial figures include:

- Estimated Net Real Estate Yield of 5.1% and EBITDA Yield of 4.6%.
- Initial Property LTV of approximately 70%.

### 3.3 Summary of the Recent Equity Issue

The board of directors of the Company proposed to issue a total of maximum 2,400,000 Shares in the Company. The formal resolution to issue new shares in the Company was taken by the general meeting, held on 14 January 2016, and the resolution of the general meeting was, in accordance with the Swedish Companies Act (Sw. *Aktiebolagslagen (2005:551)*), based upon a proposal by the board of directors.

The general meeting also resolved to redeem the at that time existing shares in the Company at a redemption price of SEK 500,000, and for this purpose reduce the share capital with SEK 500,000.

The Equity Issue was completed on 26 February 2016 and the first three properties were purchased on 9 and 10 March 2016. There are in total approximately 170 individual shareholders.

#### 3.3.1 Transfer of Shares

The shares of the Company are freely transferrable subject to formal legal requirements and restrictions. Thus, any transfer of shares in the Company is not subject to the approval of the Company. Other shareholders in the Company do not have any pre-emption rights.

### **3.4 Summary of the Shares**

All shares in the Company have equal voting rights and equal rights to dividends. The Share's ISIN code is SE0007897251 and the ticker at AktieTorget will be SYDSV. The Shares will be registered by Euroclear Sweden AB. Expected first day of trading on AktieTorget is 6 April 2016. The Company has engaged Pareto Securities as liquidity provider for the Company.

## **4 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 Company'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 Company's operations and material risks related to the Shares as financial instruments. The risks described below are not the only ones 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.*

### **4.1 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 Business Manager has many years' experience in the business sector, the Company is new and as such has no operating history. The Company is therefore depending on the Business Manager in order to carry out its business plan and conduct its day-to-day business.

### **4.2 Market risk**

Real estate investment risk is linked to the value of the real estate. This risk can thus be defined as those factors that influence property valuations. The main factors are the supply and demand for commercial properties, as well as the yield that investors are willing to accept when purchasing real estate. The real estate market is influenced by the vacancy rate in the market. The vacancy rate is influenced by several factors on both a micro and macro level. Negative changes in the general economic situation, including business and private spending, may adversely affect the demand for commercial premises. The free capacity is also influenced by construction and refurbishment activity. Further, the real estate market is influenced by the demand for the type of real estate that the Group owns. During certain periods there might be fierce competition for a few real estate objects, and it might be difficult to purchase desired objects at the desired price. In other periods, it might be difficult to sell real estate objects at the desired price. A decrease in the value of the Properties would adversely affect the valuation of the Group's property portfolio and hence affecting the Group's financial condition negatively.

### **4.3 Transaction risk**

The Share Purchase Agreements contain limitations as to which claims can be made against the Vendors and at what point in time these claims can be made. The Targets may also have hidden liabilities which do not relate to the Properties. Losses incurred due to such liabilities may not be possible to claim from the Vendors, and may therefore have a negative effect on the Group's financial condition and the equity returns.

### **4.4 Credit risk in relation to the counterparties under the Share Purchase Agreements**

The Company's credit risk in relation to the Stenbocken Vendor is addressed and mitigated by an M&A-insurance which the Stenbocken Vendor paid the insurance-premium for up to SEK 1,000,000. The insurance policy took effect as from the closing date and the remedy for the Company as a consequence of any breach of the Vendor's warranties in the Share Purchase Agreement is a right for the Company to claim compensation from the insurer under the insurance policy.

The Company's credit risk in relation to the four separate Midroc Vendors under the Share Purchase Agreements is addressed and mitigated by parent company guarantees provided by Midroc Property Development (in relation to the obligations of PB Del J AB's and NewHoldCo's), Midroc Property Development AB and HSB jointly (in relation to the obligations of Holding i Västerparken AB's) and Granitor (in relation to the obligations of Granitor Fastigheter Holding Alfa AB's). The result of having such parent company guarantees is that the Company's credit risk will in fact be in relation to the guarantors. If a breach of the Vendor's warranties or other obligations under one of the Share Purchase Agreements occur the Company will seek remedy from the relevant Midroc Vendor and thereafter the guarantor. The purpose of the Midroc Vendors is to act as shelf companies selling the shares of the Targets and after Closing distribute any available funds to their respective owners. Hence, there is a risk that the Midroc Vendors will not have the funds necessary to compensate a breach of warranties or other obligations under the Share Purchase Agreements. Cannot the relevant Midroc Vendor pay remedy, the Company will need to seek remedy from the relevant guarantor. Should such guarantor not be able to pay the remedy, due to, *inter alia*, bankruptcy or other reasons, there is a risk that the Company cannot receive any compensation from neither the relevant guarantor nor the Midroc Vendor which could affect the Group's financial condition and equity returns negatively.

#### **4.5 Operational risk**

The financial status and strength of the tenants of the Properties, and thus their ability to service the rent etc., will always be a decisive factor when evaluating the risk of property owning companies. Operational risk also include risk related to restrictions in lease agreements, risk related to legal claims from tenants or authorities, including tax authorities and other third parties, risk for increased maintenance costs, risk for decreased technical conditions and risk for hidden defects and emissions.

#### **4.6 Financial risk**

Financial risk include, but is not limited to, risk of not achieving the desired leverage ratio, not fulfilling loan obligations, interest rate fluctuations, risk related to effects of fair value adjustments and changes in laws and rules regarding tax and duties. Furthermore, risk related to refinancing the debt when the Debt Facility expires, and that the margin and interest rate may be higher than the current situation. The commercial lease agreements are generally adjusted annually with 100% of Swedish CPI. Deviations from the estimated CPI may have a negative effect on liquidity, dividends and expected equity returns.

#### **4.7 Financing risk**

The Group is deemed to be sufficiently funded following the completion of the Recent Equity Issue. However, additional capital needs, due to for example unforeseen costs and/or larger capital expenditures than expected, cannot be ruled out. There is a risk that the Group cannot satisfy such additional capital need on favourable terms, or at all, which could have an adverse effect on the Group's business, financial condition and equity returns.

As further described in this Company Description, Closing of the acquisition of the Target Company owning a part of the property Kävlinge Sandhammaren 1 is intended to occur during Q1 2017. The credit approval from the bank, and therefore the commitments under the Debt Facility, is only valid for six months. This means that the Company will have to apply for a new credit approval with the bank before the relevant Closing date of the acquisition of the Target Company owning part of the property Kävlinge Sandhammaren 1. There is a risk that the bank granting the Debt Facility, or any other bank if the Company has applied for funding elsewhere, will not grant a new credit approval if, *inter alia*, the property has lost value or the general terms of the debt market has adversely changed.

The Share Purchase Agreement in relation to the Target Company owning part of the property Kävlinge Sandhammaren 1 contains a clause stating that committed finance is a condition for Closing (i.e. finance out clause). If the Company is unable to renew its credit approval, both parties have an individual right to cancel the relevant Share Purchase Agreement. Should the Midroc Vendor exercise its right to cancel the relevant Share Purchase Agreement and Closing of the relevant acquisition does therefore not occur there is a risk that the Group's financial condition and equity returns will be adversely affected.

Furthermore, in the event that the Company is unable to receive a new credit approval from the bank granting the Debt Facility, and both the Company and the relevant Midroc Vendor are seeking to complete the relevant acquisition, the Company will have to apply for funding from another bank. There is a risk that such other bank will grant funding on less favourable terms than the bank granting the Debt Facility, or not grant funding at all, which could adversely affect the Group's financial condition, cash flow and equity returns.

#### **4.8 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 such debt is dependent on the conditions of the financial markets in general at such time as well as the operating income from the Properties and therefore also on the vacancy level in the property market. As a result, there is a risk that the Group's access to financing sources at a particular time may not be available on favourable terms, or available at all.

The Group will also, 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 cash flow and liquidity, hence may adversely affect the Group's financial conditions and the equity returns. 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.

#### **4.9 Compliance with loan agreements**

The loan agreement the Group has entered into makes 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 loans may be accelerated, which could result in bankruptcy and liquidation of the Group. Such events would negatively affect the Group's financial condition and return on the Shares.

There is a risk that a refinancing in connection with such event would lead to increased costs or not being possible at all and therefore affect the Group's financial conditions negatively.

#### **4.10 Risk related to interest fluctuation in connection with certain properties under construction**

As set out in this Company Description, the Company has signed two Share Purchase Agreements in order to acquire the property Landskrona Rom 1 and part of the property Kävlinge Sandhammaren 1, which are both currently under construction. In order to fully finance these acquisitions, the Company must, in connection to each relevant Closing date, submit an unconditional and irrevocable draw down request to the bank providing the loan under the loan agreement.

As the Company will not receive a fixed interest rate on its loans until a draw down request has been submitted, and such draw down request will be submitted in close time to the relevant Closing date for each property under construction, the Company is until such date exposed to risk relating to interest rate fluctuations. There is a risk that the interest rate payable by the Company on the relevant Closing date is higher than calculated in this Company Description. A higher interest rate level will have a negative effect on the Group's financial condition and could also adversely affect equity returns.

#### **4.11 Risk related to the satisfaction of conditions precedents for the acquisitions of the property Landskrona Rom 1 and part of the property Kävlinge Sandhammaren 1**

As further described in this Company Description, Closing of the acquisitions of the Target Companies owning the property Landskrona Rom 1 and part of the property Kävlinge Sandhammaren 1 are intended to take place during Q2 2016 and Q1 2017, respectively. The disbursement of the loans under the Debt Facility which shall finance these acquisitions will be made following the delivery of a draw down request prior to each relevant Closing date.

The disbursement of the loans on the relevant utilisation dates is subject to the Company's, and each relevant borrower's, satisfaction of certain conditions precedent. A complete list of the conditions precedent is included in the loan agreement. Utilisation is therefore subject to conditions precedent which, in whole or in part, is outside the Company's control. Further, the satisfaction of a conditions precedent is also subject to the approval of the bank providing the Debt Facility.

There is a risk that the Company cannot satisfy the conditions precedent prior to each relevant Closing date, having the effect that the Company cannot pay the purchase price under the relevant Share Purchase Agreement and can therefore not complete the relevant acquisitions. In the event that the Company is unsuccessful with satisfying the conditions precedent in time or at all, with the effect that Closing is delayed or do not occur at all, it could adversely affect the Group's cash flow and equity returns.

#### **4.12 Increased maintenance costs**

The estimated maintenance and capital expenses on which the forward-looking statements have been calculated are based upon information from the Vendors, historic maintenance costs and capital expenses for the Properties and a technical due diligence conducted on the Properties. There is a risk that the maintenance costs and capital expenses for various reasons may exceed the estimated maintenance costs and capital expenses presented herein, hence affecting the Group's financial condition and equity returns.

#### **4.13 Geographic risk**

This Company Description contains certain market information relating to the property market in Sweden in general, and Skåne in particular. Market values of properties in the area may decline in the future and negatively impact the equity returns.

#### **4.14 Management risk**

The Group is initially dependent upon the Business Manager for the implementation of its strategy and the operation of its activities. Unless the Business Management Agreement is terminated within the first 5 years, with a notice period of 18 months, the agreement is thereafter extended with 2 years at the time until terminated with a notice period of 12 months. Although the Business Management Agreement is non-terminable during the first 5 years from signing (with certain exceptions), there is an uncertainty with regard to the management of the Group in the event of a termination of the Business 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 Group's business plan. There is a risk that the Group cannot purchase new management services or other necessary services or products on favourable terms, or at all, which could have an adverse effect on the Group's business, financial condition and equity returns. Further, should the Group terminate the Business Management Agreement, an exit fee will be payable to the Business Manager in accordance with the terms of the Business Management Agreement.

Finally, there is a risk that the fees (including any start-up or exit fee) connected to the Business Management Agreement with the Business Manager, as well as other arrangements with the Manager, could have an adverse effect on the Group's financial condition.



#### **4.15 Property risk**

Returns from the Properties will depend largely upon the amount of rental income generated from the Properties, the costs and expenses incurred in the maintenance and management of the Properties, necessary investments in the Properties and 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 values and rental income may also be affected by competition from other property owners, or the perceptions of prospective buyers and/or the attractiveness from tenants, convenience and safety of the Properties.

#### **4.16 Risks related to rental income in relation to residential lease agreements**

There are residential lease agreements relating to some of the Properties. As regards the property Helsingborg Ridskolan 3 in Helsingborg municipality, all lease agreements are residential lease agreements and, as regards the properties Lomma Lomma 33:55-66 in Lomma municipality there are twelve residential lease agreements. Residential tenants are granted a number of statutory rights and protections. All residential tenants have a protection of tenancy (Sw. *Besittningsskydd*), which means that a tenant can extend a contract indefinitely and have the right to terminate a lease agreement at any time with three months' notice. Additionally, a landlord can only refuse to extend a lease if there is a justifiable cause, e.g. building works, if the tenant has not paid the rent on time, if the right of tenancy has been forfeited without rectification etc.

Rental levels of Swedish apartments shall be in accordance with the utility-value rent (Sw. *Bruksvärdeshyra*), which means that landlords are prohibited to set a rent higher than the average price for other properties of the same quality and size in the region.

Fastighets AB Ridskolan has, regarding the residential lease agreements, entered into agreements on bargaining procedures (Sw. *Förhandlingsordning*) with the Swedish Union of Tenants (Sw. *Hyresgästföreningen*), which obliges Fastighets AB Ridskolan to conduct rental negotiations before increasing any rents in respect of residential objects. Additionally, Centrumfastigheter i Lomma AB has, under the residential lease agreements on the Lomma properties, undertaken to follow any bargaining procedures which may be entered into with the Swedish Union of Tenants in the future. The now mentioned undertakings may limit the possibilities of increasing the rental amounts, which over the longer term causes a risk of affecting the Group's financial condition negatively.

#### **4.17 Risk relating to stamp duty costs in relation to the Lomma properties**

The Lomma properties consist of 15 properties which were transferred to NewCo, one of the Target Companies, prior to Closing of the Transaction in accordance with separate sale and purchase agreements for each property. NewCo acquired one of the Lomma properties by a regular purchase of that property and applied immediately for legal title to the property. The remaining properties are then contemplated to be acquired by NewCo by way of property amalgamation (Sw. *Fastighetsreglering*) based on a sale and purchase agreement. The main difference is that there is no stamp duty cost on a transfer of a property by way of property amalgamation where a regular purchase of a property will incur a stamp duty cost of 4,25 per cent of the higher of (i) the purchase price, (ii) the tax assessment value (Sw. *Taxeringsvärdet*) or, if no tax assessment value exists for the property, (iii) a valuation of the property (Sw. *Värdeintyg*). Should it not be possible to go through with the intended property amalgamation, which has to meet certain requirements to be assessed by the Swedish Land Survey Authority (Sw. *Lantmäteriet*), stamp duty will be levied on the property purchases. Midroc Property Development has undertaken to cover any additional costs for stamp duty should the remaining properties not be transferred by way of property amalgamation but instead by a regular purchase. However, should Midroc Property Development not be able to fulfil such contractual undertaking this might affect the Group's financial condition negatively.

#### **4.18 Agreements entered into relating to the Lomma properties**

The former owner of the Lomma properties has entered into several agreements regarding the Lomma properties, for example the construction agreements entered into in 2012, under which warranty claims might still be made and furthermore several service agreements. Due to the intended property amalgamation, as described under section 4.17 above, all agreements entered into by the former owner of the Lomma properties will have to be transferred to NewCo. According to the Swedish contract law, an agreement may only be transferred to a third party following the consent from the counterparty. Thus, the consent from the relevant counterparties must be collected prior to the transfer of such agreements. There can however be no guarantee that such transfers will be possible to execute, which might affect the Group's financial position negatively.

#### **4.19 Risk relating to indexation clauses in agreement on parking**

Centrumfastigheter i Lomma AB has entered into an agreement on parking with Midroc Fastigheter i Lomma CB AB and Cordim Fastigheter i Lomma AB regarding the property Lomma Lomma 33:68. According to the agreement, Centrumfastigheter i Lomma AB undertakes to let parking lots in the garage on that property in accordance with the terms and conditions set out in a standard form, attached to the agreement. According to such standard forms, the lease term is running on a three months basis. Furthermore, the standard forms contain variable rent clauses. The Land Code stipulates that the rent shall be fixed to a precise amount if the lease period is shorter than three years or if the lease is effective until further notice. If the actual lease agreements contain such clauses, they might be invalid. If the clauses are deemed invalid, rent shall be paid at a "reasonable amount". Midroc Property Development has confirmed that all parking lots in the garage are covered by this agreement, except for ten parking lots being used for free by Lomma municipality. There is a risk that the variable rent clauses in the lease agreements regarding parking lots with lease terms shorter than three years, if challenged by the tenants, may be determined at a lower level should the rent not be deemed reasonable. There is also a risk that retroactive claims may arise from the tenants regarding the variable rent, which could affect the financial condition of the Group negatively.

#### **4.20 Risks associated with project development on the Midroc properties**

The project relating to the construction of the Kävlinge preschool is still at an early stage. Midroc Kävlinge Förskola AB has obtained a revised building permit but a revised start notice (Sw. *startbesked*), which is a requirement in order to be able to initiate the construction works, has not yet been obtained. This may cause a delay in the time plan for the project, and there might also be further, other, delays to the project. Midroc Kävlinge Förskola AB is not entitled to any penalty fines under the construction agreement, a turn-key agreement, in the event of a delay and thus in such case has to claim damages from the constructor.

Furthermore, the project relating to the construction of the Landskrona elderly care facility is expected to be completed in April 2016. According to recent construction meeting protocols, the construction works are currently being conducted in accordance with the time plan. There can however be no guarantee that the works will be completed on time. Vårdboende i Västerparken AB is not entitled to any penalty fines under the construction agreement, a turn-key agreement, in the event of a delay and thus in such case has to claim damages from the constructor.

Since the lease agreements relating to the Kävlinge preschool and the Landskrona elderly care facility will be initiated once the construction works have been completed, delays will affect the rental income. Furthermore, the lease agreements relating to the preschool and the elderly care contain expiration dates, which are not postponed, should the initiation dates be delayed, which would reduce the rental periods, thus reducing the total rental income, which might affect the Group's financial condition negatively, for the part exceeding what will be covered by the respective Midroc Vendor in the Share and Purchase Agreements.

Additionally, Vårdboende i Västerparken AB and Midroc Kävlinge Förskola AB are required to, under the relevant lease agreements, send an initiation notice to the tenants six months ahead of the planned initiation date. While any delays as regards the therein established initiation date will not entitle the tenants to terminate the agreements, they are entitled to compensation for any direct damage caused by the delay, which may have a negative impact on the Group's financial condition, for the part exceeding what will be covered by the respective Midroc Vendor in the Share Purchase Agreements.

#### **4.21 Risks relating to the public service lease agreements on the Midroc properties**

Under the lease agreement relating to the ambulance station premises on the property Helsingborg Glaven 2, any tenant adaptations are to be paid for by the tenant by means of a rent addition, for which the calculated depreciation period is 33 years. In the event such adaptations have been carried out and if the lease agreement is terminated after the initial period of 25 years, there is a risk that the property owner will not be compensated for the whole amount, which might affect the Group's financial position negatively.

The rental amounts under the lease agreement relating to the preschool on the Kävlinge property is based on the total investment costs relating to, e.g., the construction costs for the premises, which causes an uncertainty as regards the rent levels, as the construction costs and other costs on which the rent levels are based might fluctuate. The now mentioned uncertainty relating to the rent levels might have a negative impact on the Group's financial position.

#### **4.22 Environmental and technical risk**

According to the polluter pays-principle established under Swedish environmental law, the operator who has contributed to pollution will be responsible for remediation. However, should it not be possible to locate the polluter, the property owner is subsidiary responsible for remediation and associated costs, if the property owner, at the time of the acquisition, was aware of the pollution or ought to have been aware of it. Accordingly, there is a risk that a member of the Group in its capacity as property owner may be held responsible for costly remediation.

As regards the property Landskrona Rom 1, there have been some signs of still existing oil contamination, from the previous industrial use of the property. A recent investigation has shown that the remaining oil contamination is of limited extent and that no further measures are deemed necessary. There can however be no guarantee that the contamination is not of greater extent than the investigation has shown. Should the contaminations lead to any environmental issues on the property, there might be a risk that the property owning company may be held responsible for the remediation, which could have an impact on the Group's financial condition.

For several of the Properties, environmental investigations have been carried out which have shown that there are no material environmental issues on the relevant Properties. Nonetheless, there might still be environmental issues on the Properties, causing a risk that the Group will be subject to claims by public authorities or third parties as a result of environmental, technical or other damages related to the land and the Properties.

#### **4.23 Non-compete provision in the lease agreement with Coop**

The lease agreement entered into with Coop Sverige Fastigheter AB ("**Coop**") in Lomma contains a non-compete clause under which the landlord undertakes not to enter into any lease agreement with a competing grocery store on any of its properties in Lomma Centrum during the term of the lease agreement. If the landlord breaches the non-compete clause, Coop may hold the landlord liable for both direct and indirect damages. In addition, the landlord must give Coop a rental discount of 50 per cent while there is a breach of the non-compete clause. It is our assessment that by writing "competing grocery store" the non-compete

clause covers all grocery stores, i.e. all stores selling groceries, and could also cover even small stores that do not primarily focus on disposal of groceries, e.g. 7Eleven, Pressbyrå etc. A non-compete undertaking restricts the landlord's options and possibilities in developing and using the Lomma properties going forward, which might affect the valuation of the Properties negatively, hence risking to affect the Group's financial condition negatively.

#### **4.24 Notice of termination for renegotiation of the lease agreement with Systembolaget**

The lease agreement entered into with Systembolaget AB in Lomma has been terminated by both parties for renegotiation as per 30 September 2016. The matter has been brought before the Rental and Tenancy tribunal (Sw. *Hyres- och arrendenämnden*) for mediation but the matter is not currently subject to any negotiations between the parties. However, the parties shall inform the Rental and Tenancy Tribunal on how the negotiations are proceeding on 1 June 2016, by the latest. Thus, it is uncertain what the new terms and conditions for the lease agreement will be, including terms relating to the rental income. Consequently, the future rental income level is uncertain. Should the rental level to be agreed upon be lower than the current level, or should the parties not be able to agree on any new terms at all and thus not enter into a new lease agreement, the total rental income of the Group will be negatively affected. Furthermore, if the new terms and conditions required by the landlord are deemed unreasonable, and the parties are unable to agree on new terms and conditions, the tenant may choose to leave the premises and might be entitled to compensation in accordance with the regulations in the Swedish Land Code (Sw. *Jordabalk*) as regards indirect protection of tenancy (Sw. *Indirekt besittningsskydd*), which would have a negative impact on the Group's financial condition.

#### **4.25 Insufficient security for some of the lease agreements**

The tenants Frisör Grön Puck & Lina, Kudde & Kandelaber and Gateau have all provided security under their respective lease agreements relating to premises on the Lomma properties. The bank guarantees provided by Frisör Grön Puck & Lina and Kudde & Kandelaber do not cover indirect damages and are limited in time following the expiration of the lease agreements. The guarantee provided by Gateau does not cover any claims made after the expiration of the lease agreement. Should any claims be brought against the relevant tenants which are not covered by the security, the landlord might not be able to receive full compensation, which might affect the Group's financial position negatively.

#### **4.26 Risk relating to the land leasehold agreement on Helsingborg Ridskolan 3**

The property Helsingborg Ridskolan 3 is owned by Helsingborg municipality and Fastighets AB Ridskolan has entered into a site leasehold agreement (Sw. *Tomträttsavtal*) relating to the property. Under the site leasehold agreement, Fastighets AB Ridskolan may only, as regards certain areas of the property, enter into lease agreements relating to student apartments, and for other areas of the property, only enter into residential lease agreements, both of which could restrict the possibilities of disposing of and developing the property.

#### **4.27 Termination of joint lease agreement**

Fastighets AB Ridskolan has terminated the agreement with Helsingborg municipality, relating to 29 residential lease agreements, leased under a joint lease agreement (Sw. *Blockhyresavtal*). Fastighets AB Ridskolan has sent a notice of termination to Helsingborg municipality, following the occurrence of drug abuse related problems among the sublease tenants, for the agreement to expire on 20 September 2016. However, since the tenant has a right to protection of tenancy (Sw. *Besittningsskydd*), the tenant may demand to remain on the premises. Should the municipality assert its right to remain on the premises and continue to sublease the apartments to sublease tenants with drug abuse problems, the landlord must refer the dispute to the Rental and Tenancy Tribunal (Sw. *Hyresnämnden*), or the agreement will be extended on unchanged terms and conditions. If the dispute is referred to the Tribunal, the landlord must show that there is justifiable cause to terminate the

agreement. If not, the tenant has a right to extend the agreement on unchanged terms and conditions. However, according to Fastighets AB Ridskolan, an agreement will be entered into with the tenant regarding a termination of the joint lease agreement, stipulating that the lease agreement will terminate on 30 June 2017. This termination agreement has not yet been signed by the tenant. Should the agreement be entered into between Fastighets AB Ridskolan and the municipality, it could be uncertain whether or not Fastighets AB Ridskolan will be able to find new tenants for all the residential apartments from the termination date of the joint lease agreement. Should any of the vacant apartments not be let as from the termination date of the joint lease agreement, this would result in a decreased rental income, which implies a financial exposure on the Group.

#### **4.28 Risk relating to faulty façades on Helsingborg Ridskolan 3**

As regards the property Helsingborg Ridskolan 3, there are moisture damages in the façade of one building. Helsingborg municipality has issued an order regarding the renovation of the façade, which is to be completed twelve months after reception of the order, which was issued in December 2014, by the latest. Fastighets AB Ridskolan has entered into a turn-key contract as regards the renovation of the façade. The works are expected to be completed in April 2016. According to the Stenbocken Vendor, this has been discussed with the Environmental Council of Helsingborg and should not be an issue. According to the Stenbocken Vendor, the costs for the renovation amount to approximately SEK 4,100,000. However, there is a risk that the completion of the renovation will be delayed, which could cause the Environmental Council to take further action, or otherwise incur additional costs, which could affect the Group's financial condition negatively.

#### **4.29 Commitments relating to maintenance and state of certain premises**

Under the agreement entered into between Fastighets AB Ridskolan and the Swedish Union of Tenants as regards the rent levels for 2015, Fastighets AB Ridskolan has undertaken to perform maintenance on the premises on the property Helsingborg Ridskolan 3 to the same extent as certain public service property owners (Sw. *Allmännyttiga fastighetsbolag*). Additionally, Vårdboende i Västerparken AB has undertaken to construct the elderly care facility on the property Landskrona Rom 1 in accordance with the standard of the Segergatan elderly care facility. Both of the now mentioned undertakings could result in more excessive commitments than what is mandatory under the Swedish Land Code (Sw. *Jordabalken*), which could lead to a negative impact on the Group's financial condition.

#### **4.30 Development risk**

There are ancient remains registered in the land register as regards the property Helsingborg Glaven 2. The ancient remains have not prevented the development of the ambulance station on the property. Additionally, on the property Helsingborg Ridskolan 3, there are water pipelines, leading to a nearby water tower. Works within the area must be approved by the municipality's technical management. The pipelines have not previously restricted the use of the property. Nevertheless, there can be no guarantee that the ancient remains or the water pipelines will not restrict the possibility to develop and exploit the properties further, which might affect the valuation of the those properties, causing a risk that the Group's financial condition may be negatively affected.

#### **4.31 Risks relating to public procurement**

As regards the projects relating to the construction of the Kävlinge preschool and the Landskrona elderly care facility, lease agreements have been entered into along with implementation agreements (Sw. *Genomförandeavtal*). The lease agreements govern the tenancy after the tenants have taken possession of the respective premises. The implementation agreements, on the other hand, govern the tenant's and the landlord's cooperation, including rights and obligations towards one another, during the construction and

preparation of the respective premises. Regular lease agreements are not subject to public procurement under the Swedish Public Procurement Act (Sw. *Lag om offentlig upphandling*). However, should the lease agreement be considered as a veiled construction contract, it is subject to public procurement regulations. It is not unlikely that the lease agreements together with the implementation agreements would be considered as construction contracts, thus subject to public procurement. If the public procurement regulations have not been duly complied with, an agreement may be declared null and void. However, the period of limitation as regards breaches to the provisions set out in the Swedish Public Procurement Act is six months. Midroc Property Development has confirmed that the lease agreements regarding the ambulance station in Helsingborg municipality and the elderly care facility in Landskrona municipality have not been subject to public procurement in accordance with the Swedish Public Procurement Act since they are of the opinion that this is not required. However, since more than six months have passed after the lease agreements were entered into, there are no sanctions available as regards a potential breach. Should the tenants however intend to go forward with any additional works in respect of the lease agreements and should such works be considered construction contracts, matters in relation to requirements set out in the Swedish Public Procurement Act should be considered in advance. The reason for this is that there can be a risk that such additional construction works, in some situations, could be considered to infringe the public procurement rules and in that case could be invalidated by a court. Furthermore, if such additional construction works would be considered to be in violation of the public procurement rules and they are considered to be significant amendments to the lease agreement and this lease agreement is considered to be a veiled construction contract (described above), then there is a remote risk that also the veiled construction contract (the lease agreement) could be invalidated. In such situation, the performances by both parties shall be returned, however in practice what has already been performed (the construction that has been built) would still stand and the invalidity would mainly apply *ex nunc*. However, we deem that potential orders from the tenant would be limited, thus not violating the public procurement regulations.

#### **4.32 Risk relating to ongoing dispute**

There is currently an ongoing dispute regarding the colour of the joints on the entrance floor in Block C, for which a revised building permit has been applied for since the colour slightly deviates from the granted building permit. The building permit was first dismissed but later on approved by the Environmental Court (Sw. *Mark- och miljödomstolen*). It was then appealed by the municipality and is currently awaiting to be examined by the Environmental Court of Appeal (Sw. *Mark- och miljööverdomstolen*). Midroc Property Development is anticipating to be granted approval from the Environmental Court of Appeal, and if, for some reason, that would not be the case then the Midroc Property Development has undertaken to compensate the Company for all costs that may arise in relation to the ongoing dispute. However, should Midroc Property Development not be able to fulfil such contractual undertaking this might affect the Group's financial condition negatively.

#### **4.33 Risk relating to type code**

All properties in Sweden are assigned a type code (Sw. *Typkod*) depending on the use of the property, which is used by the Swedish Tax Agency (Sw. *Skatteverket*) for property taxation since different property use implies different taxation units (Sw. *Taxeringsenhet*). When a new property is formed due to that two or more properties through property amalgamation become one new property unit or when part of a property is subdivided into a new property unit, it may receive a new type code for property taxation purposes, depending on the use of the property. It is not possible to get a decision on which type code such new property will receive prior to the actual property formation procedure and the following taxation decision from the Swedish Tax Agency. In the situation at hand, the Lomma properties which are intended to undergo property amalgamation as described in more detail under section 4.18 above, are currently assigned with different type codes. Thus, it is likely that the new property will receive type code 321 Rental Unit, residential and commercial premises (Sw.

*Hyreshusenhet, bostäder och lokaler*) since both residential and commercial activity is conducted on the future property. Should the desired type code not be granted, even though the property amalgamation is granted, or should the property amalgamation be dismissed, completely or partially, this could result in several different type codes for the properties, which could result in an increased interest rate for the external financing of the Company which in turn would have a negative effect on the Group's equity returns.

#### **4.34 Terminal value risk**

Property and property related assets are inherently difficult to appraise due to the individual nature of each property and due to the fact that there is not necessarily a liquid market or clear price mechanism. As a result, valuations may be subject to substantial uncertainties. There is a risk that the estimates resulting from the valuation process will not reflect the actual sales price. Any future property market recession could materially adversely affect the value of the Properties.

#### **4.35 Risk related to future share issues**

If the Company would need additional capital in the future, lack of participation from investors pose a risk to the Company's financial position until such further issue is completed. Investors who do not participate in future issues will risk having their ownership diluted.

#### **4.36 Legal and regulatory risks**

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 the Vendor are on the date hereof not aware of any pending litigation against the Targets. 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/or 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 have the effect of increasing the expense and lowering the income or rate of return from the Company, as well as adversely affecting the value of the Properties. Government authorities could use the right of expropriation of the Properties 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.

#### **4.37 Risks relating to the trading of the Shares**

Real estate is considered an illiquid asset, and normally it takes months to invest in and realise direct investments in property. The shares' liquidity are uncertain, and it can be difficult to sell the shares in the secondary market. An investor can only exit the investment through a sale of the shares in the secondary market or if the Company sells any of the Properties. Investments in the Shares are only suitable for investors who can bear the risks associated with a lack of liquidity in the Shares.

#### **4.38 Tax risk – the Targets**

Changes in laws and regulations regarding tax and other duties may involve new and changed parameters applicable to the Targets and taxation of the Targets at higher levels than as of the date hereof. Changes in tax rules and regulations may reduce the profitability of leasing out property and the profit after tax for the Targets. Any of these matters could have a material adverse effect on the Targets' business, financial condition and results of operations.

#### **4.39 Risk related to the classification of taxable depreciation values**

This Company Description is based on an expected tax residual value on the Properties of approximately SEK 543,000,000 of which approximately SEK 514,000,000 attributes to buildings and approximately SEK 29,000,000 attributes to land. If the tax values and/or the actual allocation differ from the above, payable tax may be affected.

#### **4.40 AIFM risk**

The Alternative Investment Fund Managers Directive 2011/61/EU is recent, and there are still some unresolved/unclear issues regarding how to interpret the directive. The directive is implemented in Sweden. The Company has deemed itself to fall outside of the scope of the AIFM Directive due to its industrial purpose, i.e. because the Company shall indirectly generate returns through the Properties operations in the market and not necessarily by divesting the Properties. However, there is a risk that the Company may be considered an AIFM, which would among other result in additional costs to a depositary and a manager.

#### **4.41 Closing risk**

There is a risk that Closing in relation to the property Landskrona Rom 1 and part of the property Kävlinge Sandhammaren 1 will not occur at all due to, *inter alia*, breaches under the relevant Share Purchase Agreements or that the long-stop date under the Share Purchase Agreement has occurred and the agreed time period during which the Company may waive the long-stop date has elapsed. In such case, the part of the Recent Equity Issue relating to the relevant acquisitions will be repaid to the investors by way of redemption of shares or as dividend. Such repayment will be subject to legal requirements and restrictions (i.e. any repayment must be in compliance with Swedish law and will be decided upon the general meeting of the company).

In the event the Company goes bankrupt or is liquidated, the investors' claim to receive any paid-in equity will compete with claims under the Share Purchase Agreements, taxes or any other claims. There is a risk that the investors will not receive all, or anything, of the equity initially invested.

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**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.**



## **5 THE RECENT EQUITY ISSUE**

### **5.1 Background to the Recent Equity Issue and use of proceeds**

The Company and the Subsidiaries have entered into the Share Purchase Agreements with the Vendors in order to acquire all shares in the Targets. On each relevant Closing date the Targets will be the sole legal and registered owners of the Properties (other than the property Helsingborg Ridskolan 3 which is held by leasehold). The initial purchase prices for the Targets' shares are based on the Gross Real Estate Value of the Properties, subject to customary purchase price adjustments.

The SEK 240,000,000 of proceeds from the Recent Equity Issue shall, together with the SEK 505,000,000 Debt Facility, exclusively be employed towards fully funding the acquisition of the Targets, including transaction costs and working capital requirements.

### **5.2 Transfer of shares**

The shares of the Company are freely transferrable subject to formal legal requirements and restrictions. Thus, any transfer of shares in the Company is not subject to the approval of the Company. Other shareholders in the Company do not have any pre-emption rights.

### **5.3 The Manager**

Pareto Securities AB was the Manager for the Recent Equity Issue.

### **5.4 Jurisdiction and legislation**

This Company Description is subject to Swedish law. Any disputes regarding this Company Description which cannot be solved amicably, shall be referred to the ordinary courts of Sweden and the applicant accepts the non-exclusive jurisdiction of the Stockholm City Court.

### **5.5 Transaction costs**

In connection with the establishment of the Group and completion of the Transaction, the Group will incur expenses related to e.g. a structuring and arrangement fee, bank financing fees, legal advice and completion of due diligence. These total initial transaction costs of the Group are expected to amount to SEK 21,282,500. For the provision of its services, the Manager will receive a structuring and arrangement fee of 2.50% of the Gross Real Estate Value (equal to SEK 18,025,000). No other fees, either initial or future, will be payable to the Manager from the Group under any agreement currently existing or contemplated.

## 6 THE COMPANY AND THE TRANSACTION

### 6.1 Sydsvenska Hem AB (publ)

The Company is a Swedish public limited company with corporate identification number 559038-4177, formed and registered with the Swedish Companies Registration Office on 2 December 2015. The current registered address of the Company is c/o Pareto Business Management AB, P.O. 7415, 103 91 Stockholm.

The Company was established by Pareto Business Management AB and has no previous business history. The Company will acquire (and subsequently own) and manage the ownership of all of the shares in the Subsidiaries, and, indirectly all the shares in the Targets. The Company will be the ultimate parent company of the Group and the counterparty to the Business Manager under the Business Management Agreement.

The objects of the Company are to invest in real estate or companies which own real estate, to obtain financing for its business and to conduct business related thereto.

The articles of association of the Company are included as Appendix 1 to this Company Description. The articles of association was adopted by the Company at a general meeting held on 14 January 2016 and registered with the Swedish Companies Registration Office in connection with the registration of the Recent Equity Issue.

#### 6.1.1 Board of directors of Sydsvenska Hem AB (publ)

The duties and responsibilities of the board of directors follow from Swedish law and include the overall management and control of the Company. The board of directors is elected by the shareholders of the Company. The board of directors currently consists of three members.

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#### *Interim board of directors and CEO*

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Name	Position	Joined	Number of Shares in the Company
Sven Iver Hegstad	Chairman of the Board	Nov. 2015	0
Ida Fransson	Board Member (CEO)	Nov. 2015	0
Stefan Gattberg	Board Member	Nov. 2015	0

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Mr. Hegstad and Ms. Fransson are employed by the Business Manager. Mr. Gattberg is employed by the Manager. The new board of directors, consisting of representatives of the investors in the Company, will be appointed at the general meeting which is proposed to be held in April 2016. The current board of directors will therefore be replaced following the general meeting. The Company has not entered into any agreements with any member in the board of directors concerning benefits after resignation of the assignment.

The members of the board of directors have been part of the board of directors in the following other Companies, outside the Group, during the past five years:

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### Other board of directors assignments

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Sven Iver Hegstad	Ida Fransson	Stefan Gattberg
<b>Ongoing board assignments:</b> Alf Bjerckes vei Holding AS Bonntjennsvegen 13 AS Fugleåsen 5 AS Fugleåsen 7 AS Gneisveien 32 AS Gneisveien 34 AS Gneisveien 40 AS In sight AS Nesoddsveien 22 AS Pareto Pe Fund i AS Stolvstadlia 9 AS Åkersvikvegen 30 AS Lsa Invest AS Pareto Pe II AS Pareto Pe Institusjonelle AS Pareto Pe Iii AS Pareto Product Management AS Pareto Business Management AB PBM Invest 100 AB Vårdfastigheter Sverige I AB (publ) MS Etablering VII AB Ms Etablering VI AB Ms Etablering VII AB JF Etablering IX AB JP Etablering X AB (publ)	<b>Ongoing board assignments:</b> None  <b>Previous board assignments:</b> None	<b>Ongoing board assignments:</b> S.K. Gattberg AB Mitt Vard Bolag AB Vårdfastigheter Sverige I AB (publ) JP Etablering X AB (publ)  <b>Previous board assignments:</b> Bonäsudden Fastighets 2 AB GBG Office 1 AB (publ) Huskvarnen Fastighets 1 AB GBG Target 1 AB Pilängen Logistik I AB Pilängen Logistik II AB Bonäsudden Holding AB (publ) Bonäsudden Fastighets AB Pilängen Logistik AB Huskvarnen Holding AB (publ)  <b>Terminated companies, owner:</b> One Of Four, But Still Unique  <b>General Partner:</b> Arkipelag Nautisk Produktion & Pedagogik Handelsbolag
<b>Previous board assignments:</b> Delarka Fastighet AB		

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None of the members of the board of directors of the Company has been convicted in fraud-related crimes, has been prohibited from carrying on business, or been engaged as a board member or as a holder of a managerial position in a company going bankrupt or being liquidated during the past five years.

#### 6.1.2 The CEO of Sydsvenska Hem AB (publ)

The CEO of Sydsvenska Hem is Ida Fransson. Ms Fransson is employed by the Business Manager. Please see Ms. Fransson's CV below. Although Ms. Fransson is intended to be replaced as a member of the board of directors at the upcoming extraordinary general meeting of the Company, there are no intentions to replace Ms. Fransson as the CEO of the Company.

Ida Fransson, CEO

- CFO at Pareto Business Management AB
- CEO of Gbg Office 1 AB (publ)
- Business manager for Bonäsudden Holding AB (publ) and Delarka Holding AB (publ)
- 6 years' experience from Audit of real estate companies at PwC
- Authorized Public Accountant since 2013
- MSc in Economics and Business at Stockholm School of Economics

### 6.1.3 *Proposed board of directors*

An extraordinary general meeting is proposed to be held in April 2016. At this general meeting, a new board of directors will be elected.

#### **Proposed chairman of the board**

##### **John Helgesson**

- Education: M.Sc. in law from Lund University
- 40 years' experience from real estate and finance
- Former CEO of Stena Fastigheter
- Current board assignments; Skandia Fastigheter AB
- Former board assignments: including Swedish Property Federation, Länsförsökringar AB, Wasa Försäkring, SIPA, among others
- Ownership in the Company: 20,000 shares, through Lovén & Helgesson Invest and John Helgesson Förvaltning AB

##### **Per-Åke Agnevik – proposed board member**

- Education: Swedish Armed Forces (Stockholm) between 1958-60
- Former Officer in the Swedish Armed Forces 1961-65, Officer (Military reserve) 1965-95, Svensk Bilprovning 1965-2004
- Current assignments: Fund manager of Carl Trygger Stipendie- och Underhållsstiftelse (2001-)
- Current board assignments: AB Boxholmshus, Vökby AB, Kommunalförbundet ITSAM, HB – lokalstyrelse i Vara, Bonäsudden Holding AB, Pilängen Logistik I AB
- Ownership in the Company: 0. Acts as representative for Carl Trygger Stipendie- och Underhållsstiftelse för Boxholm, which holds 150,000 shares in the Company

##### **Karl Runeberg – proposed board member**

- Education: M.Sc. in Industrial Engineering, Chalmers University of Technology; National Economics, Gothenburg School of Economics and commercial law; Executive Business course, Tokyo University
- Has previously held the various sales manager positions within Sandvik AB; Managing Director at Forbes Lux Vietnam; VP Sales at Oriflame Vietnam; Business Development Associate at Ericsson Microwave Systems and founded a number of companies
- Current assignments: Founder and owner at Runeberg Fastigheter AB
- Ownership in the Company: 10,000 shares

##### **Åsa Mossberg – proposed board member**

- Education: M.Sc. from Handelshögskolan in Stockholm (SSE)
- 10 years' experience of equity research
- Former Head of Nordic research at UBS, sector head at Kaupthing and Head of Finance Baltics at Proctor & Gamble
- Current assignments: Founder and CEO of Beadifference (a sustainability and strategy advisory firm), member of the board of directors in Huskvarnen Holding AB, Bonäsudden Holding AB and Vårdfastigheter Sverige I AB
- Former board assignments includes: EMS ASA
- Ownership in the Company: 0 shares

## **6.2 The Subsidiaries**

### **6.2.1 *Sydsvenska Hem Förvärvsbolag 1 AB***

Goldcup 12375 AB (under name change to Sydsvenska Hem Förvärvsbolag 1 AB) is a Swedish limited liability company with corporate identification number 559040-5626, registered with the Swedish Companies Registration Office since 11 December 2015. On Closing, the registered address of the Subsidiary will be c/o Pareto Business Management AB, P.O. 7415, 103 91 Stockholm.

The object of the Subsidiary is to own and manage real and movable property or own and manage companies which directly or indirectly own real and movable property, obtain financing for its business and conduct business related thereto. The Subsidiary is a borrower under the Debt Facility, and the buyer under a Share Purchase Agreement and therefore the direct owner of the relevant Target Company.

### **6.2.2 *Sydsvenska Hem Förvärvsbolag 2 AB***

Goldcup 12376 AB (under name change to Sydsvenska Hem Förvärvsbolag 2 AB) is a Swedish limited liability company with corporate identification number 559040-5642, registered with the Swedish Companies Registration Office since 11 December 2015. On Closing, the registered address of the Subsidiary will be c/o Pareto Business Management AB, P.O. 7415, 103 91 Stockholm.

The object of the Subsidiary is to own and manage real and movable property or own and manage companies which directly or indirectly own real and movable property, obtain financing for its business and conduct business related thereto. The Subsidiary is a borrower under the Debt Facility, and the buyer under a Share Purchase Agreement and therefore the direct owner of the relevant Target Company.

### **6.2.3 *Sydsvenska Hem Förvärvsbolag 3 AB***

Goldcup 12377 AB (under name change to Sydsvenska Hem Förvärvsbolag 3 AB) is a Swedish limited liability company with corporate identification number 559040-5659, registered with the Swedish Companies Registration Office since 11 December 2015. On Closing, the registered address of the Subsidiary will be c/o Pareto Business Management AB, P.O. 7415, 103 91 Stockholm.

The object of the Subsidiary is to own and manage real and movable property or own and manage companies which directly or indirectly own real and movable property, obtain financing for its business and conduct business related thereto. The Subsidiary is a borrower under the Debt Facility, and the buyer under a Share Purchase Agreement and therefore the direct owner of the relevant Target Company.

### **6.2.4 *Additional shelf companies***

The Company will at a later stage acquire two additional shelf companies which will be the buyers and assume the Company's obligations under the Share Purchase Agreements in relation to the property Landskrona Rom 1 and part of the property Kävlinge Sandhammaren 1. The additional shelf companies will, prior to the relevant Closing dates, be renamed Sydsvenska Hem Förvärvsbolag 4 AB and Sydsvenska Hem Förvärvsbolag 5 AB, respectively.

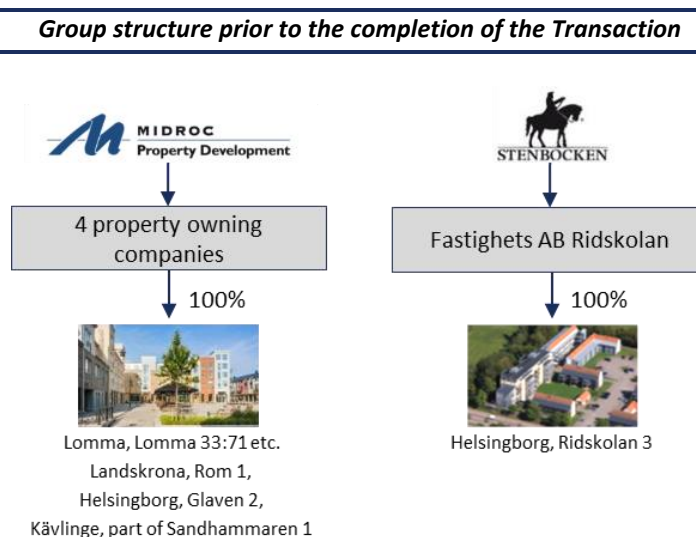
## **6.3 The Targets**

The Targets consist of the following Swedish limited companies Fastighets AB Ridskolan, corporate identification number 556751-1869, registered with the Swedish Companies Registration Office on 8 September 2014, Vårdboende i Västerparken AB, corporate identification number 556975-1661, registered with the Swedish Companies Registration Office on 2 September 2014, Midroc Kävlinge Förskola AB, corporate identification number 556973-3446, registered with the Swedish Companies Registration Office on 15 July 2014, Projektbolag Del Y AB, corporate identification number 556874-4899, registered with the Swedish Companies Registration Office on 4 January 2012 and NewCo, which was registered with the Swedish Companies Registration Office prior to Closing.

## 6.4 Transaction and Group structure

On each relevant Closing date, the Targets will be sole legal and registered owners (holder of the site leasehold in respect of Helsingborg Ridskolan 3) of the Properties. Following each Closing date, the relevant Subsidiary acquiring a Target Company will be merged into such Target Company with the Target Company as surviving entity, making the Company the direct shareholder of the Targets.

The group structure prior to the completion of the Transaction is illustrated below.



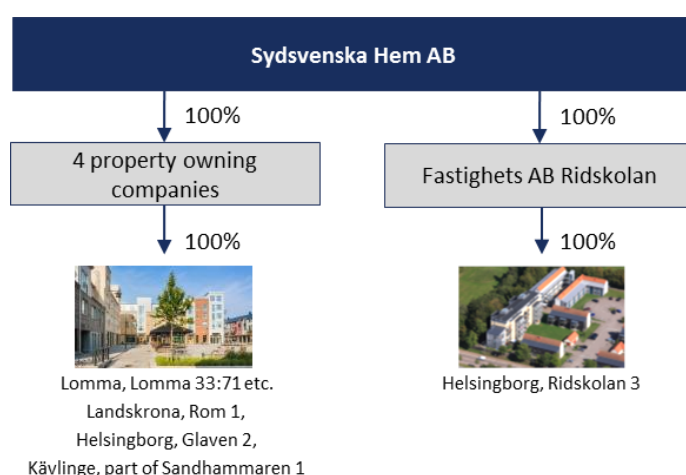
Source: The Vendor

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### Planned long term group structure

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Source: The Company

#### 6.4.1 Amalgamation of the Lomma properties

The Lomma properties consist of 15 properties, previously owned by Centrumfastigheter i Lomma AB. The properties were transferred to NewCo, one of the Target Companies, prior to the Closing of the Transaction in accordance with separate sale and purchase agreements for each property. NewCo acquired one of the Lomma properties by a regular purchase of that property and applied immediately for legal title to the property. The remaining properties are then contemplated to be acquired by NewCo by way of property amalgamation (Sw. *Fastighetsreglering*) based on a sale and purchase agreement. The main difference is that there is no stamp duty cost on a transfer of a property by way of property amalgamation where a regular purchase of a property will incur a stamp duty cost of 4.25 per cent of the higher of (i) the purchase price, (ii) the tax assessment value (Sw. *Taxeringsvärdet*) or, if no tax assessment value exists for the property, (iii) a valuation of the property (Sw. *Värdeintyg*). A decision on transferring land and buildings from one property unit to another property unit is a formal procedure with the Swedish Land Survey Authority (Sw. *Lantmäteriet*). A positive decision by the Land Survey Authority is subject to that the property amalgamation meets certain requirements such as for example that the new property unit will be a suitable property unit. Title to the properties being amalgamated into the previously purchased property will be received when the decision on property amalgamation gains legal force (Sw. *Laga kraft*). To the extent that one or more of the remaining properties are not transferred by way of property amalgamation within two years from the acquisition, such remaining property will be acquired by way of a regular purchase in accordance with a back-up sale and purchase agreement for such property entered into at the same time as the other sale and purchase agreements and thus prior to the Closing of the Transaction. Thus, all 15 properties will be acquired prior to the Closing of the Transaction but receiving legal title to all of the remaining properties could take up to two years. The additional cost for stamp duty should the remaining properties not be transferred by way of property amalgamation but also by a regular purchase, will be carried by Midroc Property Development.

#### 6.4.2 Closing of the Transaction and the Share Purchase Agreements

Closing of the acquisitions of the Targets (other than in respect of the Targets owning the property Landskrona Rom 1 and part of the property Kävlinge Sandhammaren 1) occurred during March 2016. In respect of the property Landskrona Rom 1, Closing is expected to occur in Q2 2016 and in respect of the property Kävlinge Sandhammaren 1, Closing is expected to occur in Q1 2017. Five separate Share Purchase Agreements have

been entered into with the five different Vendors. The main elements of the share purchases have been structured as follows:

- The acquisition is carried out by means of a transfer of 100% of the shares in each of the Targets
- The estimated purchase price for the shares in the Targets is paid on the Closing date of each acquisition in cash
- The purchase price is subject to auditing and adjustment a certain period after the Closing date of each acquisition
- The purchase price is based on an agreed Gross Real Estate Value of SEK 721,000,000
- The Gross Real Estate Value will be reduced due to deferred tax by an estimated SEK 4,000,000
- Closing in respect to the projects, which are currently undergoing construction works (the elderly care facility in Landskrona and the preschool in Kävlinge), will be conditioned upon that those works are completed and approved at final inspection, that a start notice will be granted, that the start date for each respective tenant has occurred and the respective tenant has paid at least 90% of the first rent.
- The Share Purchase Agreements as regards the projects contain undertakings for the respective Midroc Vendor to complete the construction works.
- As security for the Stenbocken Vendor's obligations under the relevant Share Purchase Agreement, the Company has arranged for an M&A-insurance in the name of the Company which the Stenbocken Vendor paid the insurance-premium for up to SEK 1,000,000. The insurance policy will take effect as from the closing date and instead of a reduction of the purchase price, the sole remedy for the Company as a consequence of any breach of the Vendor's warranties following Closing in the Share Purchase Agreement will be a right for the Company to claim compensation from the insurer under the insurance policy. Further, insurance compensation payable for any breach of the warranties is treated as taxable income as opposed to a reduction of the purchase price under a share purchase agreement.
- As security for PB Del J AB's and NewHoldCo's obligations under the relevant Share Purchase Agreements, Midroc Property Development issued a parent company guarantee guaranteeing each vendor's performance under the Share Purchase Agreements.
- As security for Holding i Västerparken AB's obligations under the relevant Share Purchase Agreement, Midroc Property Development and HSB jointly issued a parent company guarantee guaranteeing the vendor's performance under the Share Purchase Agreement.
- As security for Granitor Fastigheter Holding Alfa AB's obligations under the relevant Share Purchase Agreement, Granitor issued a parent company guarantee guaranteeing the vendor's performance under the Share Purchase Agreement.

The rental amounts under the lease agreement relating to the preschool under construction on the Kävlinge property is based on the total investment costs relating to, e.g. the construction costs for the premises, which causes an uncertainty regarding the rent level, as the construction costs and other costs on which the rent level is based might fluctuate. This would have an immediate effect on the purchase price under the relevant Share Purchase Agreement. If not all paid-in funds initially allocated to pay the purchase price for part of Kävlinge Sandhammaren 1 is used as a result such reduction of the purchase price, any excessive paid-in funds will be distributed to the investors by way of dividends, subject to legal requirements and restrictions.

The Share Purchase Agreements for the acquisitions of the Targets was entered into with the Vendors as sellers and the Company and the Subsidiaries as buyers, in March 2016.

In respect of the property Landskrona Rom 1, the preliminary Closing date will be set to a date occurring in Q2 2016 and in respect of the property Kävlinge Sandhammaren 1, the preliminary Closing date will be set to a date occurring in Q1 2017. The parties have agreed that, should the completion of the projects be delayed, the



preliminary Closing dates can be postponed with three months during which time neither party has a right to terminate the relevant Share Purchase Agreement. Should the projects not be completed within two months from the preliminary Closing date, the relevant Midroc Vendor shall pay a penalty amounting to approximately SEK 200,000 for each month until Closing occurs. However, should Closing not occur within three months from the preliminary Closing date, the Company and the relevant Midroc Vendor both have an individual right to cancel the agreement.

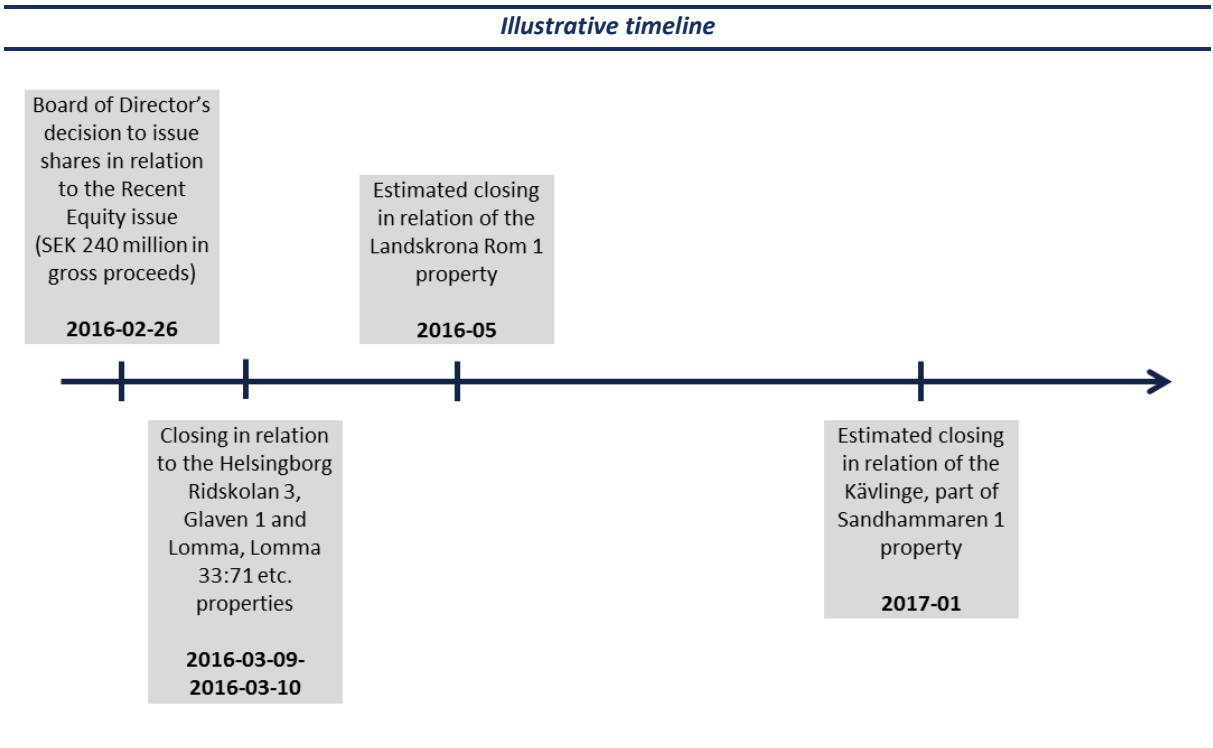
After the initial three months period, the Company has a right to waive any cancellation of the Share Purchase Agreement made by the relevant Midroc Vendor with one month at a time, for up to six months in total. During such period, no penalty shall be paid by the relevant Midroc Vendor. After the six months period the Share Purchase Agreement will be immediately cancelled should not the parties jointly agree to prolong it.

The purchase price payable on the closing date will be a preliminary amount based on a pro forma balance sheet and the final purchase price will be calculated based on the closing accounts to be prepared by the Vendors and reviewed by the Targets' auditors and the Company following Closing.

The Share Purchase Agreements contain warranties regarding the Targets, the Properties, the lease agreements and tax, collectively deemed by the Company and its legal advisors to be in line with Swedish market practice with customary limitations regarding the Vendors’ liability for breach of warranties and in respect of thresholds and time limits for making claims. The maximum liability of the Vendors will also apply to the tax warranties.

### 6.4.3 Illustrative timeline

Below is an illustrative timeline of the transaction presented.



Source: The Vendor

### 6.5 Business Manager and Business Management Agreement

The Business Manager looks after the Company’s interests and ensures that the Company is managed in material compliance with all applicable laws. The Business Manager shall perform the services as set out in the

Business Management Agreement in accordance with the articles of association of the Company, the guidelines and orders from the board of directors and the general meeting of the Company, and always subject to statutory requirements.

The Business Manager is responsible for the Company's day-to-day business, handling in- and outgoing correspondence, cash management, performing secretarial tasks and organizing general meetings, preparing project updates to investors, monitoring of the Asset Manager's preparation of accounting/budget, annual and half year financial reports and other reports to public authorities. The day-to-day business also includes monitoring so that the Group is in compliance with its loan agreements and insurance agreements. The Business Manager will also closely follow up with the Asset Manager and, in particular, that the running costs, maintenance and investment plan is in the best of each Group Company's interest.

The Business Manager may, at its own discretion, engage third parties in connection with the performance of the above mentioned tasks.

Upon sale or other realization of one or more of the Group's properties or subsidiaries (including mergers or demergers), the Company shall pay the Business Manager a fee of 1% excl. VAT, calculated as the sum of i) the agreed purchase price and ii) any remaining payments in order to construct the properties to be sold/realized. In the event of termination of the Business Management Agreement, such fee shall be calculated as 1% excl. VAT of the gross real estate value of any property owned directly or indirectly by the Company, calculated in accordance with a value certificate issued by an authorized independent value appraiser. The Business Manager shall not be entitled to such fee in the event of a material breach of the Business Management Agreement by the Business Manager.

The Business Management Agreement shall remain in effect until the date falling five years from the date of the Business Management Agreement, if terminated with at least 18 months' written notice, and otherwise prolonged with two years at the time until terminated with at least 12 months' written notice. The fee falls due upon completion of the transaction that triggers the fee or upon divestment within 12 months after termination of the Business Management Agreement as the case may be. The fee is payable even if the Business Manager has not participated in the realization of the Company, its properties or other Group companies.

For the business management services, the Business Manager will receive a fee of SEK 600,000 p.a. excl. VAT and a startup fee amounting to SEK 200,000 excl. VAT. The fee will be adjusted annually by 100% of the CPI, the first time in January 2017, based on the index listed in October 2015. If the CPI is less than zero, the CPI shall be deemed to be zero.

For services provided that are not included in the fixed fee given above, the Business Manager will invoice the Company according to its standard hourly rates, currently between SEK 950 to 1,500 per hour excl. VAT. The Business Manager shall receive remuneration according to the given rates if assisting in procurements.

Some specific tasks and fees connected to these tasks shall not be subject to the standard hourly rates, but will be negotiated with the board of directors of the Company:

1. Fee for coordination of development projects
2. Fee for refinancing of debt
3. Fee for renegotiation/renewals of lease contract
4. Fee for assistance in connection with signing of new lease agreements when external advisers are used
5. Fee for re-syndication/restructuring of the Company

## **6.6 Potential conflict of interest**

Prospective investors should be aware that, as of the date of this Company Description, all board members of the Company are employed either by the Manager or the Business Manager. Prior to the completion of the Recent Equity Issue and the redemption of the Business Manager's shares in the Company, the Company was owned by the Business Manager. The employees of the Manager involved in the Transaction have, among other things, negotiated the terms of the Share Purchase Agreements, the Debt Facility and the Business Management Agreement. The Manager has identified that the foregoing may give rise to conflicts of interest and even if such conflicts of interests are deemed to be limited, has addressed this by monitoring the contemplated Transaction and the work carried out closely with a view to address and mitigate potential conflicts of interest in a manner that benefits the Company.

## **6.7 Asset manager**

The Company has engaged Norama Fastighetsservice AB as Asset Manager for managing the Company's subsidiaries. The Asset Manager will perform services such as the day-to-day accounting, cash management, budgeting, tax filing, annual and half year financial reports and other reports to public authorities.

The Asset Manager will report to the Business Manager, which in return, will report to the board of directors and investors.

Norama is a full service provider within property administration, technical management and property development. The group manages residential and commercial properties from Trelleborg in the south to Växjö in the north. The headquarters is located Malmö, and branches are located in Ängelholm, Helsingborg, Lund and Växjö.

## **6.8 The Shares**

All shares in the Company have equal voting rights and equal rights to dividends. The Share's ISIN code is SE0007897251 and the ticker at AktieTorget will be SYDSV. The Shares will be registered by Euroclear Sweden AB. Expected first day of trading on AktieTorget is 6 April 2016. The Company has engaged Pareto Securities as liquidity provider for the Company.

## **6.9 Contact information**

The Company's contact information is stated below.

*Address:*

Sydsvenska Hem AB (publ)  
C/o Pareto Business Management AB  
Box 7415  
103 91 Stockholm  
Sweden

*Phone:*

Pareto Business Management: 08 - 402 50 00

*Website:*

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

## 7 THE PROPERTIES

*Unless otherwise explicitly stated, the Vendors are the source of all information contained in the sections 7.1 – 7.4 below.*

The Properties are located in Lomma, Helsingborg, Landskrona and Kävlinge, four municipalities located in the western parts of Skåne County. The municipalities are parts of the Öresund region, with ~3.7 million inhabitants, whereof ~2.5 million inhabitants reside in Denmark and ~1.2 million inhabitants reside in Sweden.<sup>1</sup>

In the following sections, the Properties are described in more detail.

### 7.1 The Lomma properties

#### 7.1.1 General overview

The Lomma properties are situated in prime location in central Lomma. Lomma is a part of the Greater Malmö region, and the properties are located within a 10 km distance from Malmö city centre. The location of the properties is shown on the map below.

**Location of the Lomma properties**



Source: The Midroc Vendors

<sup>1</sup> Oresundsregionen.org

The properties form the city centre of Lomma, and many companies have chosen to locate their Lomma branches or stores to the properties. A selection the properties' tenants are shown on the map below.

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### *Selection of tenants in the Lomma properties*

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Source: The Midroc Vendors

The communications to and from the Lomma properties are good. Lomma's bus terminal is located just north of the properties, providing public transportation to other parts of the Malmö region. In 2002, more than 80% of the working population commuted from Lomma municipality.

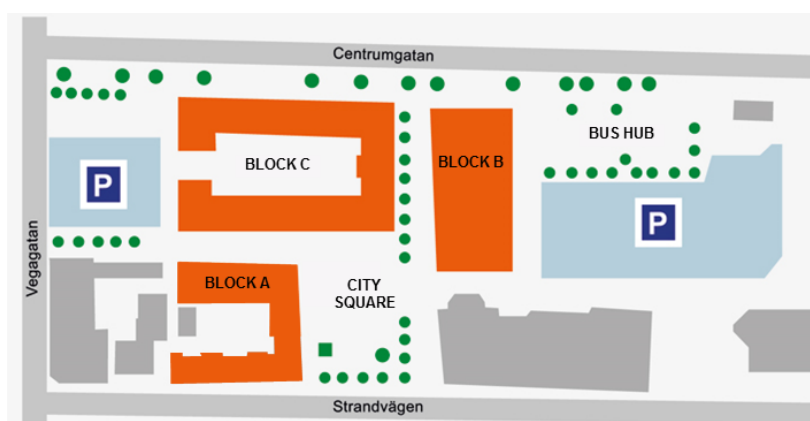
The buildings on the Lomma properties were completed in 2009 and 2014, and are modern with high technical standards. The total lettable area amounts to 7,469 sqm.

The properties are 3D-divided, and two housing co-ops own parts of the buildings in block A and C in the illustration below.

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### *Overview of the Lomma properties*

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Source: The Midroc Vendors

The Lomma properties include 15 registered property units. The property Lomma Lomma 33:71 is located in Block A. It includes commercial premises on the ground floor and residential apartments in the building part along Strandvägen, block leased to Lomma municipality as a nursing home. The property Lomma Lomma 33:68

is located in block C. The property includes four commercial premises on the ground floor and a garage with 112 parking spaces. Block B contains commercial premises on the ground floor (Lomma Lomma 33:54) and 12 rental apartments in townhouses above the commercial premises. Each townhouse constitutes a separate property (Lomma Lomma 33:55-66).

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**Property Description – Summary**

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Property details	
Properties	Lomma, Lomma 33:71, 33:54-66, 33:68
Address	Centrumgatan 9 – 13, Strandvägen 96, Sandstensgatan 2 etc.
Completion year	2009 and 2014
Owner	NewCo
Tenure	Ownership
Site area	2,060 sqm
Lettable area	7,469 sqm

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Source: The Midroc Vendors

#### 7.1.2 Property amalgamation procedure

The Lomma properties have been transferred to a newly established company (being NewCo) prior to the completion of the transaction. The transfer is expected to be completed by a regular property sale of one property. The remaining properties is intended to thereafter be transferred to NewCo by way of property amalgamation procedure (Sw. *Fastighetsreglering*) into the property acquired through a regular property sale to NewCo, see section 6.4.1 above for further details.

#### 7.1.3 Technical description

The technical standards of the Lomma properties are high, as the buildings were completed in 2009 and 2014. Please refer to the table below for a technical description of the Lomma properties.

---

**Property Description – Summary**

---

Technical details	
Foundation	Concrete slab on ground (Sw. <i>Platta på mark</i> )
Framework	Steel framework and prefab concrete
Façade	Bricks
Roof	Sheet metal
Windows	Aluminium frames
Heating	District heating
Ventilation	Exhaust and supply air ventilation with heat recovery (FTX system)
Number of elevators	1

---

Source: The Midroc Vendors

#### 7.1.4 Estimated Property costs

Estimated property costs are presented in the table below. The figures are based on the Vendor's historical costs, and the following figures are also used in the project budget. The figures have not been reviewed by the Company's auditor.

#### *Estimated property costs*

Property costs, 2016*	SEK '000	SEK/sqm
Tariff based charges	1,002	134
Maintenance and repairs	700	94
Property tax	760	102
<b>Total</b>	<b>2,462</b>	<b>330</b>

\*The figures are on annual basis in the price level of 2016.

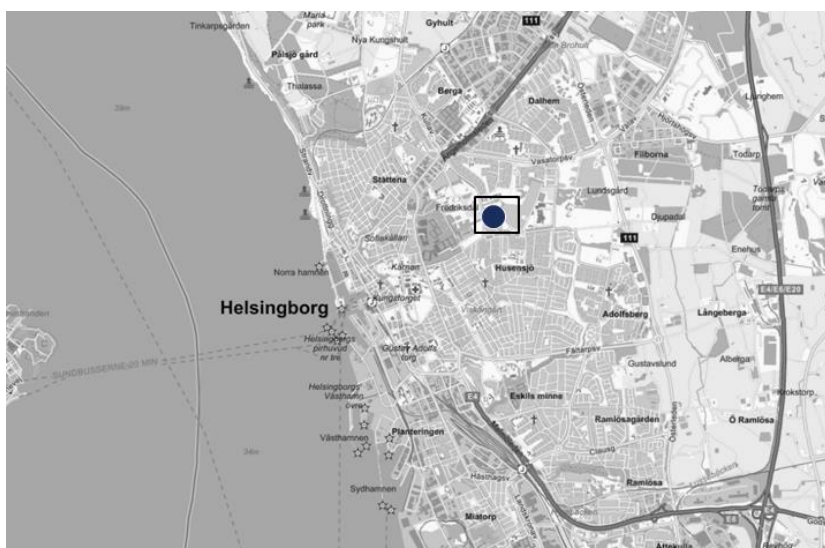
## 7.2 The Helsingborg properties

### 7.2.1 The residential property

#### **General overview**

The residential property in Helsingborg is located in Fredriksdal, ~2 km east of Helsingborg city centre. The property contains 214 residential apartments, whereof the majority is used as student apartments. The location of the property is shown on the map below.

#### *Location of the residential property in Helsingborg*







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Source: The Stenbocken Vendor

The property is easily accessible by public transportation, bicycle and car. Bus connections are located within a four minutes' walk from the property. The property includes 88 parking spaces, which makes it easy to reach by car. Within a ~10 minutes bike ride, Campus Helsingborg, a part of Lund University, is reached. ~42,000 students are enrolled at Lund University.

The Vendor has not charged for usage of any of the 88 parking spaces on the property, providing potential for increased cash flow for the Company.

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#### ***Overview of the property***

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Source: The Stenbocken Vendor

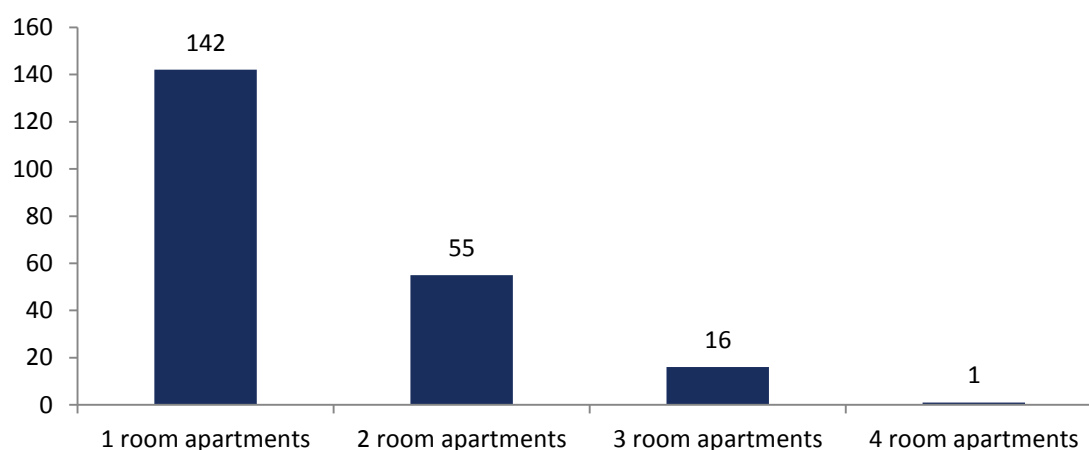
The buildings on the property were completed in 2001 – 2004. The total lettable area amounts to approximately 8,873 sqm. The residential units are located in eleven buildings. Please see approximate apartment distribution in the graph below.

---

#### ***Apartment distribution***

---





Source: The Stenbocken Vendor

### Property Description – Summary

Property details	
Property	Helsingborg Ridskolan 3
Address	Lägervägen 41-63
Completion year	2001-2004
Leasehold holder	Fastighets AB Ridskolan
Tenure	Site leasehold
Site area	17,101 sqm
Lettable area	approximately 8,873 sqm

Source: The Stenbocken Vendor

### Technical description

The buildings were constructed in 2001 – 2004, and the Vendor has made investments in the form of renovations of ~55 apartment units and the façade of the largest building.

### Property Description – Summary

Technical details	
Foundation	Crawl space (Sw. <i>krypgrund</i> )
Framework	Steel and gypsum
Façade	Sheet metal and other sheet material
Roof	Tiles and metal
Windows	Insulated glazing
Heating	District heating
Ventilation	Mechanical exhaust air
Number of elevators	4

Source: The Stenbocken Vendor

The technical consultant, WSP, has indicated that the general conditions of the buildings are normal, and that the CAPEX requirement for a 10 year period amounts to SEK ~2.6 million.

### ***Estimated Property costs***

Estimated property costs are presented in the table below. The figures are based on the Vendor's historical costs, and the following figures are also used in the project budget. The figures have not been reviewed by the Company's auditor.

<b><i>Estimated property costs</i></b>		
<b>Property costs, 2016*</b>	<b>SEK '000</b>	<b>SEK/sqm</b>
Tariff based charges	2,050	231
Maintenance and repairs	1,780	201
Property tax	231	26
<b>Total</b>	<b>4,061</b>	<b>458</b>

*\*The figures are on annual basis in the price level of 2016.*

## 7.2.2 The ambulance station

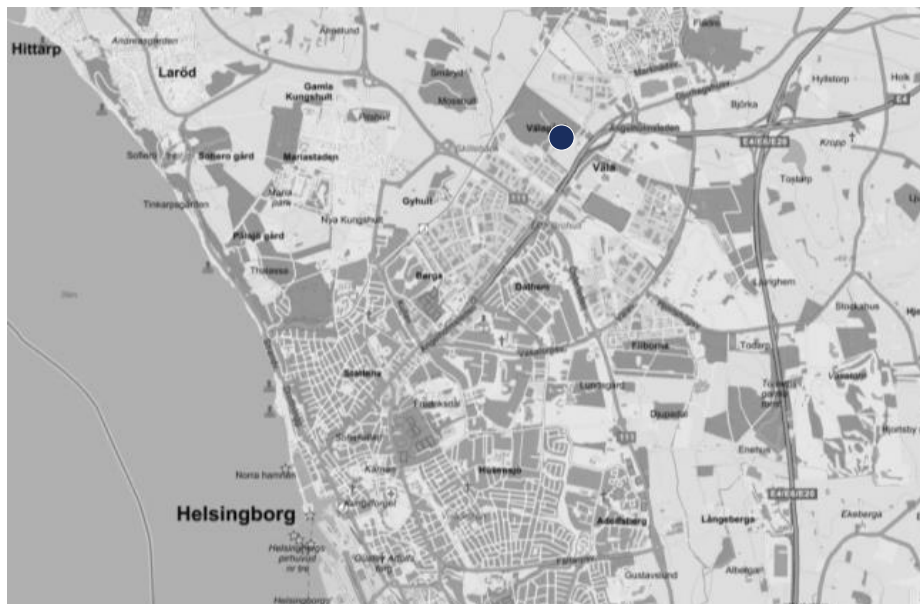
### General overview

Helsingborg Glaven 2, the second property in Helsingborg is used as an ambulance station. The property is located in Väla, in the north eastern parts of Helsingborg. The location of the property is shown on the map below.

---

#### Location of the ambulance station

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Source: The Midroc Vendors

The property is strategically located, and easily accessible from the E4, E6 and E20 highways. Several ambulances are stationed at the property and use it as a base.

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#### Photo of the ambulance station

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Source: The Midroc Vendors

The building was completed in September 2015, and a 20 year lease with Region Skåne for the entire property, commenced on 1 September 2015. Region Skåne is an inter-municipal organisation, responsible for healthcare and public transportation etc. in the Skåne region.

---

**Property Description – Summary**

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Property details	
Property	Helsingborg Glaven 2
Address	Kanongatan 80
Completion year	2015
Owner	Projektbolag Del Y AB
Tenure	Ownership
Site area	3,189 sqm
Lettable area	1,228 sqm

---

Source: The Midroc Vendors

**Technical description**

The building is well suited for the needs of the tenant, and the final users of the property have been included in the construction phase.

---

**Property Description – Summary**

---

Technical details	
Foundation	Concrete slab on ground (Sw. <i>Platta på mark</i> )
Framework	Steel
Façade	Sheet metal
Roof	Felt roof
Windows	Aluminium frames, energy glass
Heating	District heating
Ventilation	Exhaust and supply air ventilation with heat recovery (FTX system)
Number of elevators	1

---

Source: The Midroc Vendors

**Estimated Property costs**

Estimated property costs are presented in the table below. The figures are also used in the project budget. The figures have not been reviewed by the Company's auditor.

---

**Estimated property costs**

---

Property costs, 2016*	SEK '000	SEK/sqm
Tariff based charges	76	62
Maintenance and repairs	80	65
Property tax	0	0
<b>Total</b>	<b>156</b>	<b>127</b>

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\*The figures are on annual basis in the price level of 2016.

## 7.3 The Landskrona property

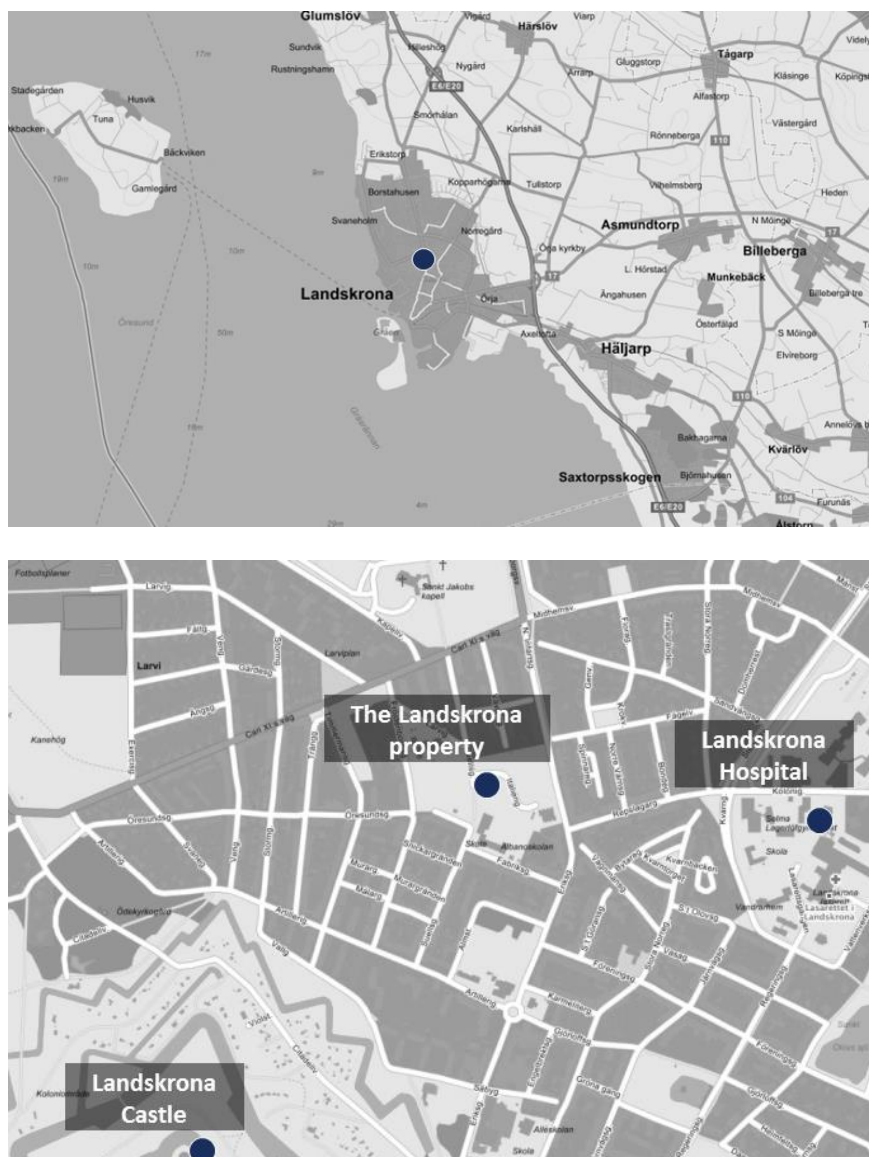
### 7.3.1 General overview

The Landskrona property is a residential building under construction, to be used as an elderly care facility. The building is expected to be completed in Q2 2016. Closing of the Transaction regarding the Landskrona property will occur once the construction is completed. Upon completion, a 20 year lease with Landskrona municipality commences, for the entire property. However, according to the time plan it is intended that the tenancy is being commence from 2 April 2016. The location of the property is shown on the map below.

---

#### *Location of the Landskrona property*

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Source: The Midroc Vendors

The property is located in the city centre of Landskrona, between Landskrona castle and Landskrona hospital. The straight line distance to Landskrona hospital is below 500 meter. The property benefits from good access to public transportation. Three bus stops are located within a radius of 200 meters from the property, as shown on the map below.

---

### Overview of the Landskrona property

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Source: The Midroc Vendors

The property is a six-storey elderly care facilities with 45 residential units. Apartment sizes vary between 32 and 37 sqm. In addition to the residential units, there are common areas and areas for personnel. The property is 3D-divided. Above the elderly care premises is a HSB housing co-op in 6 floors. Upon completion, the building will be Landskrona's tallest residential building. The building is expected to reach the "Silver" level in the environmental classification system Miljöbyggnad.

---

### Property Description – Summary

---

Property details	
Property	Landskrona Rom 1
Address	Suellsgatan 26
Completion year	2016, Q1 (est.)
Owner	Vårdboende i Västerparken AB
Tenure	Ownership
Site area	1,527 sqm
Lettable area	3,322sqm

Source: The Midroc Vendors

### 7.3.2 Technical description

The technical standards of the Landskrona property will be high, as the building is expected to be completed in 2016. Please refer to the table below for a technical description of the Landskrona property.

<b>Property Description – Summary</b>	
<b>Technical details</b>	
Foundation	Concrete slab on ground ( <i>Sw. Platta på mark</i> )
Framework	Concrete
Façade	Bricks and façade panels
Roof	Felt roof
Windows	Aluminium and aluminium/wood frames, energy glass
Heating	District heating
Ventilation	Exhaust and supply air ventilation with heat recovery (FTX system)
Number of elevators	2

Source: The Midroc Vendors

### 7.3.3 Estimated Property costs

Estimated property costs are presented in the table below. The figures are also used in the project budget. The figures have not been reviewed by the Company's auditor.

<b>Estimated property costs</b>		
<b>Property costs, 2016*</b>	<b>SEK '000</b>	<b>SEK/sqm</b>
Tariff based charges	403	122
Maintenance and repairs	270	81
Property tax	0	0
<b>Total</b>	<b>673</b>	<b>203</b>

\*The figures are on annual basis in the price level of 2016.



#### 7.4.1 General overview

### *Location of the Kävlinge property*



The site is currently a part of one larger property, which is undergoing sub-division (Sw. *Avstyckning*) in order to become a stand-alone property.



## Illustrations of the Kävlinge property



Source: The Midroc Vendors

## Property Description – Summary

Property details	
Property	Part of Kävlinge, Sandhammaren 1
Address	Smålandsgatan 2
Completion year	2017, Q1 (est.)
Owner	Midroc Kävlinge Förskola AB
Tenure	Ownership
Site area	9,461 sqm*
Lettable area	1,580 sqm

Source: The Midroc Vendors

\*The property is undergoing sub-division. Estimated site area after the sub-division is 9,461 sqm

#### 7.4.2 Technical description

The technical standards of the Kävlinge property will be high, as the building is expected to be completed in 2016-2017. Please refer to the table below for a technical description of the Kävlinge property.

<b>Property Description – Summary</b>	
<b>Technical details</b>	
Foundation	Concrete slab on ground ( <i>Sw. Platta på mark</i> )
Framework	Light concrete (prefab siporex)
Façade	Bricks
Roof	Felt roof
Windows	Energy glass
Heating	Geothermal heating
Ventilation	Exhaust and supply air ventilation with heat recovery (FTX system)
Number of elevators	0

Source: The Midroc Vendors

#### 7.4.3 Estimated Property costs

Estimated property costs are presented in the table below. The figures are also used in the project budget. The figures have not been reviewed by the Company's auditor.

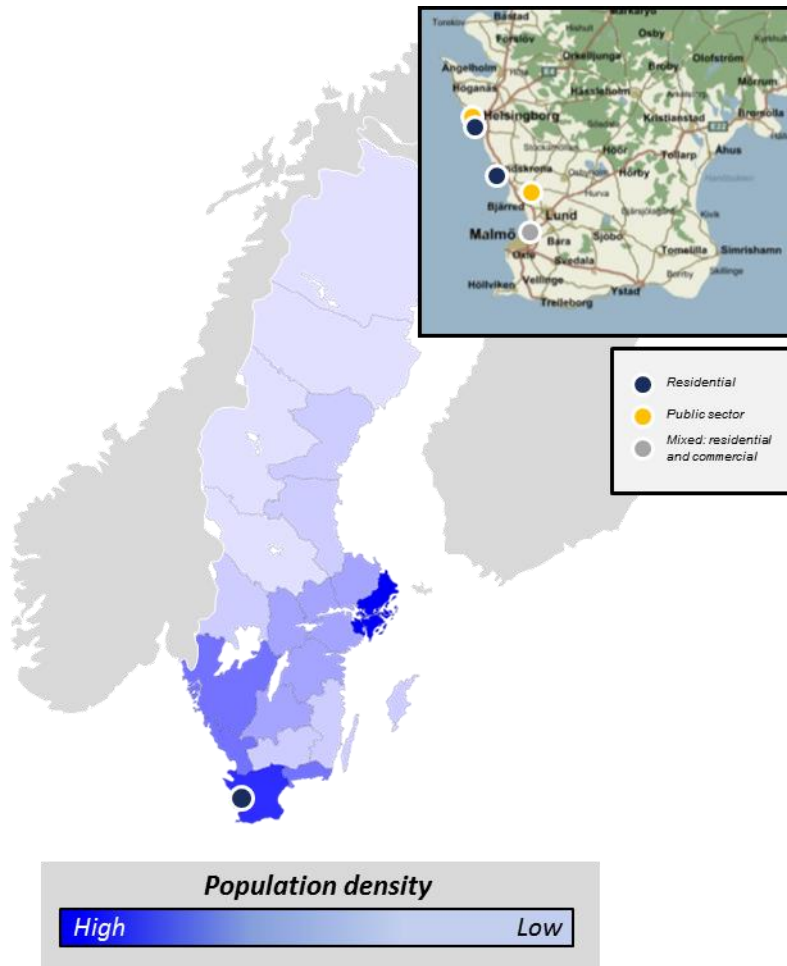
<b>Estimated property costs</b>		
<b>Property costs, 2016*</b>	<b>SEK '000</b>	<b>SEK/sqm</b>
Tariff based charges	153	97
Maintenance and repairs	114	72
Property tax	0	0
<b>Total</b>	<b>267</b>	<b>169</b>

\*The figures are on annual basis in the price level of 2016. The closing of the transaction is however expected to occur during Q1 2017.

## 8 LOCATION

The Properties are located in the Öresund region, in a ~50 km corridor between Malmö and Helsingborg, in the western parts of Skåne County. Skåne County is Sweden's second most densely populated county, only Stockholm County's population density is higher. The locations of the Properties are shown on the map below.

*Location of the Properties*



Source: The Vendors

The Öresund region has ~3.7 million inhabitants.<sup>2</sup> The communications in the region are good. The E6/E20 highway connects both Helsingborg, Lomma, Landskrona and Kävlinge to major cities on the Swedish west coast, such as Gothenburg and Malmö, as well as to Copenhagen and other parts of Denmark. Many companies have established operations in the area, large private employers in the region include PEAB, Skanska, Sony, Trelleborg and Tetra Pak.

<sup>2</sup> Öresundsregionen

### Short facts, Lomma, Helsingborg, Landskrona and Kävlinge municipalities vs Country average

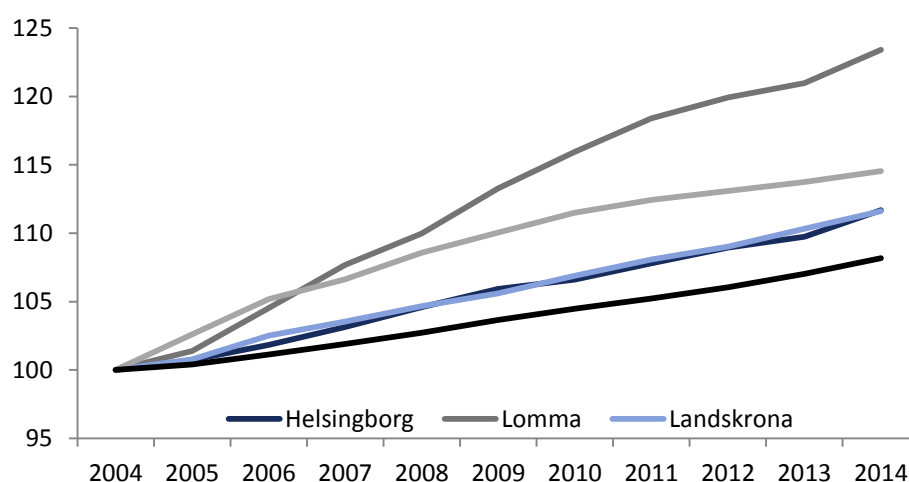
Facts in brief	Lomma municipality	Helsingborg municipality	Landskrona municipality	Kävlinge municipality	National average
Population	22,946	135,344	43,574	29,600	33,612
Average age	40.7	40.9	41.1	39.6	41.2
Unemployment rate	3.5%	10.8%	15.3%	5.4%	8.0%
People with university education	45.2%	22.7%	16.7%	26.7%	25.1%
Median income	SEK 310,387	SEK 237,900	SEK 215,940	SEK 277,114	SEK 248,690
Largest private employer	Förenade Care AB	ICA	DSV Road AB	Lassila & Tikanoja Service AB	n/a
Largest public sector employer	Lomma municipality	Helsingborg municipality	Landskrona municipality	Kävlinge municipality	n/a
Municipal council	M+FP+C+KD	M+FP+C+KD	FP+M+MP	M+FP+MP+C+KD	n/a

Source: SCB

Between 2004 and 2014, Lomma experienced a total population growth of 23%, Kävlinge of 15% and Helsingborg and Landskrona of 12%, compared to the Swedish total population that grew by 8% during the same time.<sup>3</sup> Lomma municipality was the third fastest growing municipality during the last decade, only Sundbyberg and Solna (both located in Stockholm County) grew faster. The population in Lomma municipality is expected to increase by 9.1% by 2022 and the population in Helsingborg municipality is expected to increase by 7.5% by the same year.<sup>4</sup> Landskrona and Kävlinge are expected to grow at a slightly slower rate, by 5.1 and 5.8% respectively during the same period.<sup>5</sup> This suggests that there will continue to be a high demand for residential apartments in the region, as well as commercial premises in prime locations.

The graph below illustrates the population growth in Helsingborg, Lomma, Landskrona and Kävlinge municipalities during the last decade.

### Population growth, Helsingborg, Lomma, Landskrona and Kävlinge municipalities vs Sweden



Source: SCB

<sup>3</sup> SCB

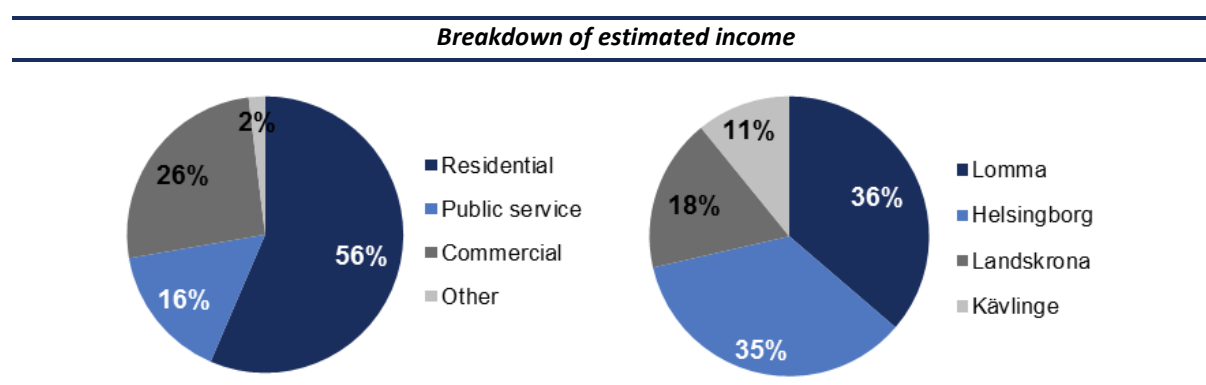
<sup>4</sup> Region Skåne

<sup>5</sup> Region Skåne

## 9 THE TENANTS AND LEASE AGREEMENTS

### 9.1 Overview

The Properties are currently fully let. However, some residential premises as regards the student apartments on the Ridskolan property may occasionally be vacant for shorter periods of time. 56% the Company's estimated annual income derives from residential leases, and 16% from public sector premises and 26% from commercial premises. 2% derives from parking spaces in a garage in Lomma centrum (the vendor guarantees SEK 850,000 per annum in rental income from the garage over a three year period). The income distribution is illustrated in the graphs below.



Source: The Vendors

The public service category includes the ambulance station in Helsingborg, leased to the inter-municipal agency Region Skåne on a 20 year lease that commenced 1 September 2015, and the pre-school in Kävlinge, which upon completion of the building will be leased to Kävlinge municipality on a 25 year lease.

All commercial premises are located in the Lomma properties, and described further in section 9.2 below. Among the commercial tenants, Coop constitutes 51% of the income, on a lease with 8 years remaining lease term. Each of the top five largest commercial tenants are all well known, national-wide companies with proven business models and limited counterparty risk.

The weighted average unexpired lease term, residential leases excluded, amounts to ~12.6 years.

### 9.2 Lease agreements

The residential lease agreements for single apartments are entered into on standard terms. The landlord covers water, heating and property maintenance both internally and externally. The lease agreements are signed with lease terms until further notice and notice period is 3 months. For the student apartments are also electricity included in the rent.

The public service lease agreements are entered into on standard terms and generally contain similar terms and conditions. The tenants pay for their own consumption of water, heating, cooling, electricity and their share of property tax. The tenants are further responsible to pay for and carry out garbage disposal, snow clearing and cleaning in the stairways.

The lease terms in commercial lease agreements vary in a greater extent, but are entered into on standard terms. The vast majority of the commercial tenants pay for their own consumption of water, heating, electricity and their share of property tax.

9.2.1 The Landlord’s termination rights

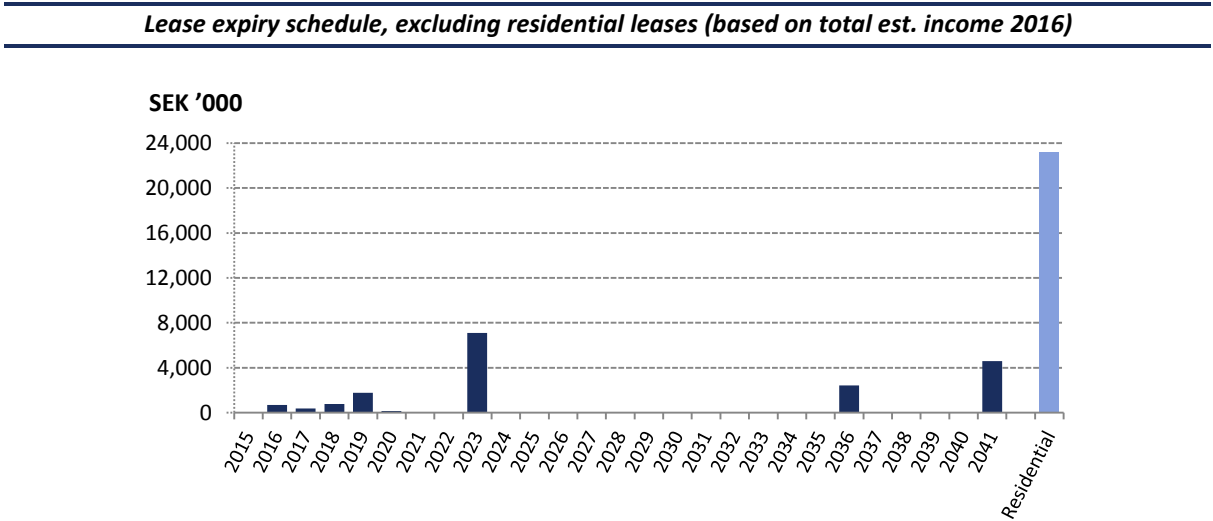
The landlord has no contractual right under the commercial lease agreements to terminate the leases prior to the end of the lease period. However, there are some statutory grounds, set out in the Swedish Land Code, on which the landlord may terminate the lease agreement prior to the end of the lease period, e.g. if the tenant does not pay the rent on time, if the tenant transfers or sublets the premises without permission from the landlord, if the tenant uses the premises for other purposes than the allowed use specified in the lease agreement and the tenant does not take corrective actions after notifications from the landlord, in case of a material breach of the lease agreement by the tenant etc.

9.2.2 The Tenant’s termination rights

The tenant has no contractual right under the commercial lease agreements to terminate the leases prior to the end of the lease period, except for e.g. in case the premises cannot be used for the purpose specified in the lease agreement due to a material damage to the building or a decision by the authorities or in case of a material breach of contract by the Landlord.

9.2.3 Lease expiry schedule

The weighted average unexpired lease term for the Properties, residential leases excluded, amounts to ~12.6 years. The lease expiry schedule is presented in the graph below.



Source: The Vendors

## 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, 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, and accordingly the estimates may than change. 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.

As described in section 4.1, the Company has limited or no substantial operating history.

### 10.1 Transaction financing

The investment has an estimated project cost of SEK 745,000,000, and will include the following elements:

<b>Project cost, rounded</b>	
<b>Element</b>	<b>Amount, SEK</b>
Gross Real Estate Value*	721,000,000
Latent tax discount	-4,000,000
<b>Net Real Estate Value</b>	<b>717,000,000</b>
Arrangement and sales fee	18,025,000
Debt financing <sup>6</sup>	757,500
Mortgage deeds	3,180,000
Other start-up costs <sup>7</sup>	2,500,000
Working capital	3,537,500
<b>Total Project cost</b>	<b>745,000,000</b>

\*After closing in respect of all Targets

Source: The Company and the Manager

### 10.2 Key figures

Below are a number of key figures for the Company presented. The figures relating to Income are based on lease agreements as of the date of this Company Description.

<b>Key figures, rounded</b>		
<b>Key figure</b>	<b>Unit</b>	<b>Amount/percentage</b>
Estimated debt*	SEK	505,000,000
Equity raised in the Recent Equity Issue	SEK	240,000,000
Estimated Gross Income year 2016	SEK	~32,470,000
Estimated Net Operating Income year 2016	SEK	~24,851,000
Estimated Gross Income (after Closing in respect of all Targets, on annual basis, in 2016 price level)	SEK	44,562,788
Estimated Net Operating Income (after Closing in respect of all Targets, on annual basis, in 2016 price level)	SEK	36,943,759
Estimated EBITDA (after Closing in respect of all Targets, on annual basis, in 2016 price level)	SEK	33,331,695
Estimated Net Real Estate Yield	%	5.12%
Estimated EBITDA-yield	%	4.62%

\*After closing in respect of all Targets

Source: The Company

<sup>6</sup> Debt financing includes arrangement fee to the bank

<sup>7</sup> Other start-up costs include cost for due diligence and business management

The agreed acquisition price of SEK 721,000,000 is expected to yield approximately 5.12%. Including Group Costs, the estimated EBITDA yield amounts to approximately 4.6%. EBITDA includes property costs and auditing fees, and cost for business management managed by the Business Manager.

As described in section 6.4.2, Closing is expected to occur in Q2 2016 in respect of the property Landskrona Rom 1. In respect of the property Kävlinge Sandhammaren 1, Closing is expected to occur in Q1 2017.

The estimated project cost of SEK 745,000,000 is expected to be financed as set out below:

<b>Project financing</b>	
<b>Element</b>	<b>Amount, SEK</b>
Debt from bank	505,000,000
Equity raised in the Recent Equity Issue	240,000,000
<b>Total Financing</b>	<b>745,000,000</b>

Source: The Company

### 10.3 Pro forma balance sheet as of 31<sup>th</sup> of March 2016

Below is a pro forma balance sheet as per 2016-03-31 presented. The pro forma balance sheet has not been reviewed by the Company's auditor.

<b>Pro forma balance sheet per 2016-03-31</b>	
<b>Proforma balance sheet - the Group</b>	<b>2016-03-31</b>
<i>Values in SEK '000</i>	
Buildings and land	393,815
Fixtures and inventory	-
Excess value	96,285
Shares in subsidiaries	-
<b>Total fixed assets</b>	<b>490,100</b>
Account receivables	3
Prepaid expenses and accrued income	431
Cash and cash equivalents	94,472
<b>Total current assets</b>	<b>94,906</b>
<b>Total assets</b>	<b>585,005</b>
Share capital	2,400
Share premium account	222,611
Profit of the year	- 7,418
<b>Total equity</b>	<b>217,328</b>
Liabilities to credit institutions	349,300
Other liabilities	18,378
<b>Total current liabilities</b>	<b>367,677</b>
<b>Total liabilities and equity</b>	<b>585,005</b>

Source: The Company



#### 10.4 Financial calendar

The company will report under IFRS. The financial calendar for the Company's is presented below.

<i>Financial calendar</i>	
Extraordinary general meeting	April 2016, final date to be communicated
Year-end report	2016-08-29
Annual report	2016-08-29
Annual general meeting	2016-09-29

Source: The Company

#### 10.5 Owners and share capital

In the table below are the Company's largest owners presented.

<i>Largest shareholders</i>		
Shareholder	Number of shares	Ownership share
Magnus Lindholm	240,000	10.0%
Eton Innovation AB	200,000	8.3%
Carl Tryggers Stipendie- och understödsstiftelse för Boxholm	150,000	6.3%
Other ~170 shareholders	1,810,000	75.4%
<b>Total</b>	<b>2,400,000</b>	<b>100%</b>

Source: The Company

There are 2,400,000 shares issued in the Company, and all issued shares are paid in full. All shares in the Company have equal voting rights and equal rights to dividends. The maximum number of shares in the Company in accordance with the articles of association is 8,000,000 shares.

The development of the share capital is shown in the table below:

<i>Share capital development</i>			
Date of registration	Event	Change in share capital (SEK)	Total share capital (SEK)
2015-12-02	Establishment	+ 500,000	500,000
2016-03-15	Equity Issue	+ 2,400,000	2,900,000
2016-03-15	Redemption of shares	- 500,000	2,400,000

Source: The Company

#### 10.6 Description of debt financing

The Manager has, on behalf of the Group, conducted an evaluation of debt financing options. A request for a proposal has been distributed to a number of Nordic banks in order to map the bank financing alternatives available to the Company. Based on the bank loan request process, more detailed discussions were initiated with SBAB Bank AB (publ).

The terms of the Debt Facility are as follows:

### **Main terms of the Debt Facility**

<b>Lender:</b>	SBAB Bank AB (publ)
<b>Borrower:</b>	Each Target Company and the Subsidiaries
<b>Amount:</b>	SEK 505,000,000
<b>LTV</b>	~70%
<b>Maturity:</b>	5 years
<b>Interest rate:</b>	~2.04%*
<b>Amortization:</b>	0% annually
<b>Covenants:</b>	Loan to value (LTV) ratio may not exceed 70% of the market value of each property in respect of the acquisition tranches, and may not exceed 75% of the market value of each property in respect of the refinancing tranches
<b>Undertakings:</b>	Customary representations and warranties, as well as general undertakings, including negative covenants regarding restrictions incurring additional financial indebtedness, providing security and carry out material changes to its business
Ownership clause:	If the Company ceases to own (directly or indirectly) 100% of the capital or voting rights in any of the real property owning subsidiaries or should any entity other than the Company or one of the parent companies acquire or otherwise gain control (directly or indirectly) over the capital or voting rights in a real property owning subsidiary
<b>Security package:</b>	Security package customary for real estate property financings, including mortgages over the Properties and a pledge over the shares of the Targets and the Subsidiaries. There are existing mortgage deeds corresponding to approximately SEK 363,555,000 on the Properties
<b>Initial fee:</b>	One-time arrangement fee of 0.15% of the loan amount (being SEK 757,500)

\*Average interest rate on the debt currently drawn

Source: The Company

The Company has entered into a loan agreement with SBAB Bank AB (publ) based on the commercial terms set out above.

In relation to the loans financing the acquisitions of the property Landskrona Rom 1 and part of the property Kävlinge Sandhammaren 1, the interest rate will not be fixed until an unconditional and irrevocable draw down request has been delivered to SBAB Bank AB (publ). As the draw down requests will be delivered in connection to the relevant Closing dates, the financial model is subject to risk of interest rate fluctuation. Further, the delivery of such draw down requests and the subsequent utilisations will be subject to SBAB Bank AB (publ)'s approval of certain conditions precedents.

The covenants are on arm's length terms and are assessed by the Company to be in line with market standards.

#### **10.6.1 Description of the credit facility agreement**

On 3 March 2016, the Company, as guarantor, together with a number of parent companies and subsidiaries in the Group (jointly the "**Borrowers**") entered into a credit facility agreement with SBAB Bank AB (publ) (the "**Lender**") as lender, under which the Lender undertook to provide the Borrowers with a credit facility to be used for acquisitions, mergers and refinancing purposes.

The credit facility amounts to SEK 505,000,000 and is divided into 15 tranches. The tranches are divided up into three types: five refinancing tranches, of which three have been utilised by the subsidiaries to refinance existing debt; five acquisition tranches, of which three have been utilised by the parent companies to finance the acquisitions of the subsidiaries; and five refinancing tranches, which will be utilised following the mergers between the subsidiaries and their respective parent company, in order to refinance the refinancing and acquisition tranches. The acquisition tranches have a term to maturity of 9 months, and the other tranches

have a term to maturity of 5 years, with the option to extend the term subject to certain conditions specified in the credit facility agreement and always subject to the Lender's approval.

The credit facility bears an interest rate equal to the Lender's funding costs plus a fixed rate margin. The Lender is entitled to, subject to certain conditions, adjust the fixed rate margin for one of the refinancing loans. In addition, the Borrowers are required to compensate the Lender for any costs incurred in connection with the arrangement of the facility or any changes, security measures, stamp duty and other costs provided for in the agreement and that may be incurred by the Lender as a result of providing the credit facility.

The credit facility agreement contains certain customary terms and conditions governing the payment of funds under the credit facility, including that the Borrowers must satisfy all conditions precedent agreed under the credit facility agreement, that there are no grounds for termination and there is no risk of the occurrence of any grounds for termination, and that the warranties are accurate in all material respects. The credit facility is conditional on the satisfaction of information covenants, pursuant to which the Borrowers must provide the Lender with the consolidated financial statements of the Group within 120 days after the end of the financial year, together with a compliance certificate in which the Borrowers confirm that they are in compliance with all of the financial covenants. In addition, the Borrowers must provide the Lender with all documents and information that may be of importance to the Lender in its assessment of the financial position of the Borrowers.

The credit facility is conditional on the Borrowers being in compliance with the financial covenants, such as the loan to value (LTV) ratio may not exceed 70% of the market value of each property in respect of the acquisition tranches, and may not exceed 75% of the market value of each property in respect of the refinancing tranches. Furthermore, the credit facility is conditional on the satisfaction of customary representations and warranties, as well as general undertakings, including negative covenants regarding restrictions incurring additional financial indebtedness, providing security and carry out material changes to its business.

The credit facility is secured by pledges over the shares in all of the subsidiaries and mortgages over all of the group's properties. The guarantor and the Borrowers have also guaranteed as primary obligors (subject to the customary limitations in the Swedish Companies Act) all of the Borrowers' obligations towards the Lender under the finance documents.

If an event of default occurs as a result of a Borrower being in breach of its obligations under the credit facility agreement, the Lender is entitled to cancel the commitments with immediate effect and declare all amounts outstanding under the credit facility agreement due and payable.

#### **10.7 Auditor**

The Company's auditor is Deloitte AB, corporate identification number 556271-5309. The auditor in charge for the audit is Jan Erik Palmqvist, Authorized Public Accountant.

#### **10.8 Dividends**

The Company intends to distribute an estimate of ~7% of the paid in equity annually (equalling SEK 7 per share). Dividends are proposed to be distributed on a quarterly basis. Dividends are dependent on the Group's distributable reserves and liquidity situation, and dividends may be subject to the relevant lender's approval or certain covenants in the financing documentation. Ultimately, the future dividend policy of the Company will be determined by the general meeting of the Company following a proposal from the board of directors.

All Shares have equal rights to dividends. The shareholder registered in the Company's share register on each record date shall be considered authorized to receive dividends; in case of bonus issue (*Sw. fondemission*), to receive new shares, and to execute the shareholders' right to subscribe for new shares in rights issues.

If a shareholder cannot be reached through the Euroclear system, its claim on dividends is limited only by the general limitation period (Sw: *lagstadgad preskriptionstid*). After the limitation period, the dividend will accrue to the Company.

There are no restrictions to receive dividends for shareholders residing outside Sweden. For shareholders with other domicile for tax purposes than Sweden, ordinary Swedish withholding tax will be deducted from the dividend.

## 10.9 Estimated owner costs

Estimated owner's costs for each of the Properties are described in section 7. The Company has used the following figures in the project budget:

<i>Estimated owners costs</i>		
Company costs, 2016*	SEK '000	SEK/sqm
Tariff based charges	3,684	164
Maintenance and repairs	2,944	131
Property tax	991	44
Property management	2,309	103
Business management	693	31
Auditing, listing and director's fee	610	27
<b>Total costs</b>	<b>11,231</b>	<b>500</b>

\*After Closing in respect of all Targets, on annual basis, in 2016 price level

Source: The Company

## 10.10 Historical financials for Centrumfastigheter i Lomma AB and Fastighets AB Ridskolan

Below are key financials for Centrumfastigheter i Lomma AB and Fastighets AB Ridskolan presented.

<i>Key financials, Centrumfastigheter i Lomma AB and Fastighets AB Ridskolan</i>							
<b>Fastighets AB Ridskolan</b>				<b>Centrumfastigheter i Lomma AB</b>			
Values in SEK '000	2015*	2014	2013	Values in SEK '000	2015*	2014	2013
<b>Profit and Loss</b>				<b>Profit and Loss</b>			
Net revenue	12,094	11,051	1,812	Net revenue	15,421	15,297	4,959
<b>EBIT</b>	<b>6,222</b>	<b>5,668</b>	<b>1,029</b>	<b>EBIT</b>	<b>-1,485</b>	<b>-314</b>	<b>-779</b>
Profit for the year	3	1,435	50	Profit for the year	-918	-4,210	-4
<b>Balance sheet</b>				<b>Balance sheet</b>			
<i>Assets</i>				<i>Assets</i>			
Fixed assets	124,127	119,564	115,349	Fixed assets	237,862	244,402	179,069
Current assets	22,544	4,876	1,632	Current assets	2,453	4,451	5,350
<b>Total assets</b>	<b>146,671</b>	<b>124,440</b>	<b>116,981</b>	<b>Total assets</b>	<b>240,315</b>	<b>248,853</b>	<b>184,419</b>
<i>Equity and liabilities</i>				<i>Equity and liabilities</i>			
Book equity	1,580	1,577	142	Book equity	756	224	234
Long term liabilities	141,815	119,306	115,000	Long term liabilities	232,138	234,451	175,701
Current liabilities	3,276	3,557	1,839	Current liabilities	7,421	14,178	8,484
<b>Total equity and liabilities</b>	<b>146,671</b>	<b>124,440</b>	<b>116,981</b>	<b>Total equity and liabilities</b>	<b>240,315</b>	<b>248,853</b>	<b>184,419</b>
*Not audited				*Not audited			

Source: The Company

For further information, please refer to the annual reports for Centrumfastigheter i Lomma AB and Fastighets AB Ridskolan, which can be downloaded from the Company's website.

#### **10.11 Employees**

The Company does not have any employees.

#### **10.12 Estimated corporate tax**

The Targets' tax residual values of the Properties are expected to amount to SEK ~543 million as of 31 December 2015. Of this amount is SEK ~29 million attributable to land and SEK ~514 million attributable to buildings. The amount attributable to the Properties' buildings is the depreciation base in the budget, and a depreciation rate of 2% has been assumed on the buildings.

**Appendix 1:** Articles of association of the Company

## **Appendix 1**

Articles of association of the Company

**Bilaga 1: Bolagsordning*****Bolagsordning för Sydsvenska Hem AB (publ)******Organisationsnummer 559038-4177****Antagen på extra bolagsstämma den 14 januari 2016.***§ 1 Firma**

Bolagets firma är Sydsvenska Hem AB (publ).

**§ 2 Säte**

Styrelsen ska ha sitt säte i Stockholms kommun.

**§ 3 Verksamhet**

Bolaget ska förvalta fast och lös egendom eller förvalta bolag som direkt eller indirekt äger fast eller lös egendom och upphämta finansiering för sin verksamhet samt bedriva därmed förenlig verksamhet.

**§ 4 Aktiekapital**

Aktiekapitalet skall utgöra lägst 2 000 000 kronor och högst 8 000 000 kronor.

**§ 5 Antalet aktier**

Antalet aktier skall vara lägst 2 000 000 och högst 8 000 000.

**§ 6 Styrelse**

Styrelsen ska bestå av lägst tre och högst tio styrelseledamöter med högst tio suppleanter.

**§ 7 Revisor**

För granskning av bolagets årsredovisning samt styrelsens och verkställande direktörens förvaltning ska lägst en och högst två revisorer utses eller ett registrerat revisionsbolag.

**§ 8 Kallelse till bolagsstämma**

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.

**§ 9 Ärenden på årsstämman**

På årsstämma ska följande ärenden förekomma:

1. Val av ordförande vid stämman.
2. Upprättande och godkännande av röstlängd.
3. Val av en eller flera justeringsmän.
4. Prövning om stämman blivit behörigen sammankallad.
5. Godkänna förslag till dagordning.
6. Framläggande av årsredovisning och revisionsberättelse samt i förekommande fall koncernredovisning och koncernrevisionsberättelse.
7. Beslut angående:
  - a. Fastställelse av resultaträkning och balansräkning samt i förekommande fall koncernresultaträkning och koncernbalansräkning.
  - b. Dispositioner beträffande bolagets vinst eller förlust enligt den fastställda balansräkningen samt i förekommande fall den fastställda koncernbalansräkningen.



- c. Ansvarsfrihet åt styrelsens ledamöter och verkställande direktören.
- 8. Fastställande av arvoden åt styrelse och revisor.
- 9. Val av:
  - a. Styrelse och eventuella styrelsesuppleanter.
  - b. Revisorer och eventuella revisionssuppleanter när så skall ske.
- 10. Annat ärende, som ankommer på stämman enligt aktiebolagslagen (2005:551) eller bolagsordningen.

#### § 10 Räkenskapsår

Bolagets räkenskapsår skall omfatta perioden 1/7 – 30/6.

#### § 11 Avstämningsförbehåll

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