Dated 21 September 2015

# AKELIUS RESIDENTIAL PROPERTY AB (PUBL)

*(incorporated in the Kingdom of Sweden as a public company with limited liability)*

## €300,000,000 3.375 per cent. Bonds due 2020

## Issue Price 99.787 per cent.

The €300,000,000 3.375 per cent. Bonds due 2020 (the "**Bonds**") will be issued by Akelius Residential Property AB (publ) (the "**Issuer**"). Interest on the Bonds is payable annually in arrear on 23 September in each year. Payments on the Bonds will be made without deduction for or on account of taxes of the Kingdom of Sweden to the extent described under "*Terms and Conditions of the Bonds - Taxation*".

The Bonds mature on 23 September 2020 but may be redeemed before then at the option of the Issuer at any time on the terms set out herein and may be redeemed before then at the option of the relevant holder on the event of a Change of Control (as defined herein) at their principal amount. The Bonds are also subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of the Kingdom of Sweden. See "*Terms and Conditions of the Bonds — Redemption and Purchase*".

The Bonds will constitute unsecured obligations of the Issuer. See "*Terms and Conditions of the Bonds — Status*".

This Prospectus (the "**Prospectus**") has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**") as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Bonds which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange for the Bonds to be admitted to its official list (the "**Official List**") and to trading on its regulated market (the "**Main Securities Market**"). References in this Prospectus to the Bonds being "**listed**" (and all related references) will mean that the Bonds have been admitted to the Official List and have been admitted to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC.

The denomination of the Bonds shall be €100,000 and integral multiples of €1,000 in excess thereof. The Bonds will be represented by interests in a global certificate in registered form (the "**Global Certificate**") which will be registered in the name of a nominee of a common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). It is expected that delivery of the Global Certificate will be made on 23 September 2015 (i.e. the fifth Business Day following the date of pricing of the Bonds (such date being referred to herein as the "**Issue Date**" and such settlement cycle being herein referred to as "**T+5**")).

The Bonds will be rated at issuance BB+ by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As of the date of this Prospectus, S&P is established in the European Union and is registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**").

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Prospectus.

**LEAD MANAGERS**

**Barclays** **Danske Bank**

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to the Issuer, the Issuer and its subsidiaries taken as a whole (the "**Group**") and the Bonds which according to the particular nature of the Issuer and the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and of the rights attaching to the Bonds. The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*").

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Lead Managers (as defined in "*Subscription and Sale*" below) to subscribe or purchase, any of the Bonds. The distribution of this Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Lead Managers to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of Bonds and distribution of this Prospectus, see "*Subscription and Sale*" below.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Lead Managers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Bonds is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the fullest extent permitted by law, the Lead Managers accept no responsibility whatsoever for the contents of this Prospectus. Each Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and, subject to certain exceptions, Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.

Unless otherwise specified or the context requires, references to "**euros**", "**euro**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to "**U.S.$**", "**$**", "**U.S. dollars**" or "**USD**" are to the lawful currency for the time being of the United States, references to "**£**", "**sterling**" and "**GBP**" are to the lawful currency for the time being of the United Kingdom, references to "**CAD**" and "**Canadian Dollar**" are to the lawful currency for the time being of Canada and references to "**SEK**" are to the lawful currency for the time being of the Kingdom of Sweden.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

**In connection with the issue of the Bonds, Barclays Bank PLC (the "Stabilising Manager(s)") (or any person acting on behalf of any Stabilising Manager(s)) may over-allot Bonds or effect**

**transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## FORWARD-LOOKING STATEMENTS

Certain statements included in this Prospectus may constitute "forward-looking statements". Forward-looking statements are all statements in this Prospectus that do not relate to historical facts and events and include statements concerning the Group's plans, objectives, goals, targets, strategies and future operations and performance and the assumptions underlying these forward-looking statements. The Issuer uses the words "may", "will", "could", "believes", "assumes", "intends", "estimates", "expects", "plans", "seeks", "approximately", "aims", "projects", "anticipates" or similar expressions, or the negative thereof, to generally identify forward-looking statements.

Forward-looking statements are set forth in a number of places in this Prospectus and the Issuer has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve uncertainties and are subject to certain risks, the occurrence of which could cause actual results to differ materially from those predicted in the forward-looking statements contained in this Prospectus and from past results, performance or achievements. Although the Issuer believes that the estimates and the projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise or occur, including those which the Issuer has identified in this Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or incorrect, the Group's actual results of operations may vary from those expected, estimated or projected.

These forward-looking statements are made only as at the date of this Prospectus. Except to the extent required by law, the Issuer is not obliged to, and does not intend to, update or revise any forward-looking statements made in this Prospectus whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to the Issuer, or persons acting on the Issuer's behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Bonds should not place undue reliance on these forward-looking statements.

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## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bonds. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Bonds are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Bonds for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.*

**Risks that may affect the Issuer's ability to fulfil its obligations under or in connection with the Bonds.**

***Risks factors relating to the Issuer and the Group***

*Slow or negative economic growth may have an adverse effect on the real estate market and the Group's rental revenue*

The real estate business is to a large extent affected by macroeconomic factors such as general economic trends, regional economic development, employment rate development, the production rate of new residential units and premises, changes in infrastructure, population growth, structure of the population, inflation and interest rates. The deterioration of economic conditions in either the countries where the Group operates or globally could result in an increase in unemployment or a decline in real income. This may, in turn, have an adverse effect on supply and demand in the real estate market, vacancy and rental rates and the financial condition of the Group's tenants and other counterparties.

Expectations regarding inflation and/or fluctuations in inflation rates may affect interest rates, including the interest rates that may be payable by the Group on a finance or credit agreement that it enters into. The cost of interest payments on debts owed to credit institutions is one of the Group's main expenses and so any changes in interest rates could have a significant effect on the Group's financial results and cash flow. Increases in the rate of inflation could also increase the operating and administrative expenses of the Group. Furthermore, changes in interest rates and the rate of inflation may also affect the yield requirements and, therefore, the market or fair value of the Group's properties.

If one or several of these factors would develop negatively, it could have a material adverse impact on the Group's operations, earnings and financial position.

*A decreased demand for, or an increased supply of, or a contraction of the market for, properties in the countries, in which the Group operates, could adversely affect the business and financial condition of the Group*

Supply and demand for real estate, and accordingly the yield on real estate investments differ between different geographical markets and may also develop differently within a specific geographical market. The Group has a diversified property portfolio with properties in a variety of countries and cities. If there are changes in supply and demand or a general contraction of the property market in any of those countries or cities, this may negatively influence the occupancy rates of the Group's properties, the rental rates, the level of demand and ultimately the value of such properties. This could, in turn, have a material adverse impact on the Group's earnings and financial position.

*The Group may not be able to execute disposals of real estate properties and residential units at acceptable prices, on acceptable terms or at all*

Part of the Group's business model consists of selling fully developed real estate properties and residential units. For this to be successful, it relies on high demand for such properties and on the ability of the purchasers to successfully complete those transactions.

The desire to purchase a real estate property or residential unit is dependent, among other things, on whether the characteristics of the specific property or residential unit correspond to the current market demand, the general activity on the real estate market where the property or unit is based, the general price trend on the real estate market and demographic factors. The desire to purchase residential units is further affected by, among other things, the access to and cost for alternative properties and/or housing arrangements.

The value and price of, and the ability of purchasers to pay for, real estate properties and residential units is influenced by several factors, such as general economic conditions, interest rates, inflation expectations, investor yield requirements, the levels of taxes and charges payable on the acquisition. The ability of counterparties to pay for residential units is further affected by their ability to make interest deductions, receive loan financing, changes in interest rates for residential loans and rules applied by law or credit institutions regarding maximum borrowings and amortisations.

A decrease in purchasers' desire or ability to pay for the real estate properties and residential units or the inability of the Group to sell at acceptable prices could have a material adverse impact on the Group's operations, earnings and financial position.

*There can be no assurance that the Group will be successful in implementing its strategy or achieving its financial targets or investment objectives*

No assurance can be given that the implementation of the Group's strategy, and achieving its financial targets or investment objectives, will be successful under current or future market conditions. The Group's approach may be modified and altered from time to time. It is therefore possible that the approach adopted to implement its strategy and achieve its financial targets and investment objectives in the future may be different from that presently expected to be used and disclosed in this Prospectus.

Moreover, the availability of potential investments that meet the Group's acquisition criteria will depend on the state of the economy and financial markets in the countries in which the Group operates. The Group can offer no assurance that it will be able to identify and make investments that are consistent with its acquisition criteria or rate of return targets.

*The Group is exposed to risks regarding development projects*

As part of its business, the Group carries out development projects on its real estate properties. Such projects include the upgrade of its residential units according to the Group's "Better Living" concept. The ability to successfully complete these development projects in an economically efficient manner depends on a number of factors, including the ability of the Group to retain and recruit personnel with necessary competence within the construction, project management, design, architecture and sales fields, to obtain necessary permits and decisions from local and/or regional authorities and to hire contractors that will implement projects on terms that are acceptable to the Group.

When considering development project investments and development risks, the Group needs to make an estimate of the economic and market conditions that will prevail in the market where the project is located at the time the project is completed and becomes operational, and there is uncertainty at the beginning of a development project about the economic and market conditions at the time of completion of the project. Such estimates are difficult to make since it takes a considerable time before development projects are completed and become operational. During this time, economic conditions may change unfavourably and lower the Group's expected return on the investment. For example, a given market may experience an oversupply of residential properties at the time of a project's completion, leading to lower occupancy rates. As a result, the Group may incorrectly time its development project investments and adopt an inappropriate business strategy.

There are also technical risks associated with such development projects. These include risks of constructional defects, other concealed defects or deficiencies, damage and contaminations. If technical problems do occur, it could result in delays in scheduled real estate development projects, or increased costs for upgrade and management of the Group's properties. Technical problems could also arise from the actions or omissions of third parties and may not be known to the Group. Although the Group may have rights against the building contractor and/or professional team in connection with such defects and/or recourse to insurance in place for the project in question, there can be no assurance that the Group will be able to enforce its rights and fully recover the costs arising from any claim against the Group.

Furthermore, the Group may not be able to obtain the necessary decisions or permits from local and/or regional authorities that are required to implement a change in the use of acquired properties and changes in permits, plans, planning laws or regulations may result in delays in construction works or other unforeseen delays, increases in the cost of construction and construction materials, cost overruns or the failure to complete the Group's real estate development projects.

If one or several of the above factors would develop negatively or if any of the above described risks would materialise, it could have a material adverse impact on the Group's operations, earnings and financial position.

*The Group's operating, maintenance and administrative costs may be higher than expected*

The Group's operating expenses mainly consist of ongoing electricity, cleaning, water and heating costs associated with its properties. Depending on the geographic market where a property is based, a number of these services can only be purchased from a single operator, and this may lead to periodic increases in the prices for such services. To the extent any of such increases in costs cannot be passed onto the Group's tenants through regulation in lease agreements, or rental increases through renegotiations of lease agreements, it may have a negative impact on the Group's earnings and financial position.

Maintenance expenses result from the measures taken by the Group in order to maintain the standard of its properties in the long term. As properties age, they generally require greater maintenance, refurbishment and redevelopment costs. Numerous factors, including the age of the relevant building, the material and substances used at the time of its construction could result in substantial unbudgeted costs for refurbishment and modernisation. If the Group does not carry out maintenance, refurbishment and redevelopment activities with respect to its properties, these properties may become less attractive to tenants and the Group's rental income may decrease, thereby adversely affecting the Group's business, financial condition, prospects and results of operations. These maintenance expenditures are accounted for as expenses to the extent they relate to repairs and replacements of minor items. In addition to pure maintenance costs, costs for refurbishments in advance of rent renewals or re-lettings normally arise. Unexpected and extensive renovation needs and expenditures may have an adverse impact on the Group's earnings and financial position.

Other factors which could increase operating, maintenance and administrative expenses include, amongst others, increases relating to the rate of inflation, payroll expenses, legal expenses, property taxes and other statutory charges, energy costs and cost of services provided by third party providers; movements in foreign exchange rates and increases in insurance premiums. Any such increases may have an adverse effect on the Group's earnings and financial position.

*The Group is subject to credit and counterparty risks*

The Group is subject to the counterparty risk of its tenants as the net revenue generated from the Group's properties depends on the financial stability of its tenants. The creditworthiness of a tenant can decline over the short or medium term, leading to a risk that the tenant will become insolvent or unable to pay its agreed rents in a timely manner or otherwise unable to meet its obligations under the lease. If a lease is terminated, the Group may be unable to re-let the property for rent previously received or at all. The Group is also exposed to the counterparty risk of purchasers to the extent that they fail to make payments for the properties in relation to which the Group has entered into an agreement for their sale. The realisation of these risks could have a negative impact on the Group's earnings and financial position.

In addition to the credit risks associated with its tenants/purchasers, the Group is exposed to credit risks relating to its financial operations. Such credit risks arise in connection with, among other things, investments of excess liquidity, entering into interest swap agreements and when obtaining long-term and short-term credit agreements. If the counterparties in these operations cannot fulfil their obligations towards the Group, it could have a material adverse impact on the Group's operations, earnings and financial position.

*Interest rate risks may reduce the Group's net return*

Aside from equity contributions, the Group's operations are largely financed by borrowings, including loans from credit institutions and listed bonds and, as a result, the cost of interest payments on such debts is one of the Group's main expenses. Changes in interest rates can affect the Group's profitability by affecting the spread between, among other things, the income on its assets and the expense of its interest-bearing liabilities, the value of any interest-earning assets, its ability to make acquisitions and its ability to realise gains from the sale of its assets. Market interest rates are highly sensitive to many factors, including the expected inflation rate, governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, regulatory requirements and other factors beyond the Group's control. The short-term interest rates are mainly determined by reference to the respective national bank's repo rate, which is a monetary policy rate. In times of increasing inflation expectations, the interest rate can be expected to increase and in times of decreasing inflation expectations, the interest rate can be expected to decrease.

The Group's interest costs are mainly affected by the current market interest rate, the margin imposed by credit institutions and the method for determining the rate of interest on the debts entered into by the Group. As at 30 June 2015, the loans of the Group carried an average interest rate of 3.56 per cent. and the average interest rate hedge was 3.9 years. As at 30 June 2015, 32 per cent. of the Group's borrowings carried interest at a floating rate. With respect to fixed rate debt, a longer average fixed interest term on the Group's debts means that the Group is tied to a fixed interest rate that may or may not be in line with the prevailing market interest rate. With respect to floating rate debt, the Group's floating rate loan expenses may increase with a rise in market interest rates. An increase in interest rates may increase the Group's interest expense and this could have a material adverse impact on the Group's operations, earnings and financial position.

*The Group may not be able to secure financing in the future*

The Group is exposed to the risk of not being able to obtain new financing or to re-finance existing debt obligations. In addition, the terms and conditions on which future funding or re-financing may be made available may not be acceptable to the Group. As at 30 June 2015, the Issuer's interest-bearing debt amounted to a total of SEK 33,521 million. There is a risk that these lenders in the future do not want or have the possibility to continue with the current financing.

During the financial crisis in 2008-2009, there was severe volatility and disturbance in the financial and credit markets, with decreased liquidity and increased credit risk premiums for many credit institutions. Even though the Group currently believes that its refinancing risk is small, there is no guarantee that future refinancing can be obtained on commercially acceptable terms, and this could have a material adverse impact on the Group's operations, earnings and financial position.

The Group's inability to procure sufficient financing for its property acquisitions or development projects could adversely affect its ability to expand its business and may result in unexpected costs for the Group. If such circumstances occur, it could also result in development projects not being completed before the Group's loan repayments are due, or that such increased costs in the development project not being covered by the credit facilities in place. If the Group is not able to obtain new financing with respect to its property acquisitions or development projects, or an extension or increase of existing financing arrangements, or is only able to obtain such financing on terms that are disadvantageous, it could have a material adverse impact on the Group's operations, earnings and financial position.

*The Group may be forced to refinance its debt or may forfeit secured assets if it fails to meet the obligations and requirements under its loan agreements and debt securities*

The Group is financed from a variety of sources. In total, the Group has loans with 34 banks in different countries and it has issued two listed bonds.

The Group has provided security and guarantees for a large proportion of its loans. As at 30 June 2015, the Group had total borrowings, including bonds and bank loans, with a nominal value of SEK 33,521 million, of which SEK 29,082 million was secured. As at 30 June 2015, the market value of the Group's properties secured in favour of external creditors was SEK 59,126 million. Some of the loan agreements and terms of the bonds contain financial covenants which, among other things, cover (i) the ownership of the company that has raised the loan and (ii) the Group's equity ratio and certain other financial ratios. In this context, it should be noted that some of the Group's financial ratios, at least in the short term, are negatively affected when a company within the Group acquires properties which are financed through loans from external creditors. Accordingly, such acquisitions (which constitute a part of the Group's business model) could increase the Group's risk of breaching such financial covenants. If any of the financial covenants set out in the loan agreements and the terms of the bonds are breached, it could result in the acceleration of the loans and/or bonds and/or the realisation of the security granted to the relevant credit institutions, which could, in turn, have a material adverse impact on the Group's operations, earnings and financial position.

*Liquidity risks*

Liquidity risk is the risk that the Group cannot meet its payment obligations under its financing arrangements without its cost for obtaining cash increasing significantly. If the Group's liquidity sources prove not to be sufficient, it could have a material adverse impact on the Group's operations, earnings and financial position.

The Group is also exposed to risks arising from the illiquidity of its portfolio The market for the types of properties the Group owns or may acquire in the future is generally illiquid. Were the Group required to liquidate parts of its portfolio on short notice for any reason, including raising funds to support its operations or repay outstanding indebtedness, the Group may not be able to sell any portion of its portfolio on favourable terms or at all. In the case of an accelerated sale, there may be a significant shortfall between the fair value of the property and the price at which the Group could sell such property. In planned disposals in the ordinary course of business, an illiquid market may result in a sales price that is lower than anticipated or in a delay of the sale. Any such shortfall could have a material adverse effect on the business, financial condition or results of operations of the Group. In addition, the Group may be subject to restrictions on its ability to sell properties pursuant to covenants and pledges limiting asset disposals in the Group's financing agreements.

*Change of control*

In some of the Group's financing agreements there may be provisions which are triggered by a change of control of the Group's companies. Upon such changes, certain rights of the counterparty, or obligations for the Group, may arise which among other things could impact the Group's financing arrangements. If the Group's financing arrangements are affected, it could have a material adverse impact on the Group's operations, earnings and financial position.

*Changes in value of the Group's interest rate derivatives could have an adverse impact on the Group's financial position*

A number of the Group's credit agreements bear interest at a floating rate. The Group uses interest rate derivatives, mainly interest rate swaps, to hedge against the interest rate risk. The interest rate derivatives are accounted for in the balance sheet at actual value and the changes in value are accounted for in the income statement. As the market interest rate changes, this results in a theoretical over or under value on the interest rate derivatives, which does not affect the cash flow. At the maturity date of the relevant credit agreement, the value of the derivatives is always zero. The derivatives provide hedging against increased interest rates, but the market value of the Group's interest rate derivatives decreases if the market interest rates decrease, which has an adverse impact on the Group's financial position.

*The Group is exposed to currencies not denominated in Swedish Krona ("Foreign Currency") exchange rate fluctuations, and there can be no assurance that its Foreign Currency hedging strategy will be effective.*

The Group is subject to fluctuations in Foreign Currency exchange rates as a consequence of the revenues of its property-owning subsidiaries being denominated in currencies other than the Swedish Krona. The Group may enter into derivative transactions for hedging purposes to mitigate risks resulting from fluctuations in Foreign Currency exchange rates. Hedging arrangements involve risks, such as the risk that counterparties may fail to honour their obligations under these arrangements. The funds required to settle such arrangements could be significant depending on the stability and movement of foreign currency. There can be no assurance that its Foreign Currency hedging strategy will be effective or that, when such derivative transactions expire, they could be renewed on acceptable terms or at all.

As a result, the Group's financial condition, results of operations and cash flow could be adversely affected by hedged and unhedged Foreign Currency fluctuations if the Group is required to exchange a Foreign Currency to Swedish Krona (for financial reporting purposes or on a cash basis), in particular from Sterling, Canadian Dollar, U.S. Dollar or Euro to Swedish Krona, at a time when Foreign Currency exchange rates are not favourable, and it has not been able to enter into appropriate hedging arrangements in respect thereof.

*Changes in value of the Group's real estate properties*

The Group's real estate properties are accounted for in the balance sheet at actual value and the changes in value are accounted for in the income statement. Non-realised value changes do not affect the cash flow. The value of the properties is affected by a number of factors, partly property specific such as vacancy rate, the rental level and operating costs, and partly market specific such as yield requirements and cost of capital derived from comparable transactions on the real estate market. Both property specific deteriorations such as lower rental levels and increased vacancy rate and market specific deteriorations such as higher yield requirements may cause the Group to write-down the actual value of its properties which could have a material adverse impact on the Group's operations, earnings and financial position.

*The Group is subject to acquisition, sale and other transactional risks in relation to its real estate properties*

Transactions relating to real estate properties involve uncertainties and risks for the Group. Acquisitions of properties involve, for instance, uncertainties regarding the management of new tenants, unexpected costs with respect to environmental clean-up, rebuilding and the handling of technical problems, decisions from authorities and the emergence of disputes relating to the acquisition or the condition of the real estate property. Such uncertainties may result in delays in the Group's development projects for the acquired properties or increased or unexpected costs for the real estate properties or transactions.

The sale of real estate properties by the Group also involves uncertainties regarding, for instance, the ability to successfully dispose of the relevant properties at acceptable prices and the fact that the Group may be subject to contractual claims by purchasers in respect of the properties sold. Also, in the case of an accelerated sale, there may be a significant shortfall between the fair value of the property and the price at which the Group could sell such property.

If any of the above described risks would materialise, it could have a material adverse impact on the Group's operations, earnings and financial position.

*The Group intends to selectively acquire additional real estate assets in the future, but it may overestimate the potential of such assets, over pay for such assets, not identify all potential liabilities or be unable to obtain relevant clearances to complete the acquisition*

The acquisition of real estate requires, among other things, an analysis that is subject to a wide variety of factors, including subjective assessments and assumptions. It is possible that the Group may overestimate the potential of a real estate asset when making acquisition decisions or may base its decision on inaccurate information or assumptions that turn out to be incorrect. For example, the Group may overestimate the attractiveness of a property or its location, or the demand for such premises, in which case it may be difficult to find suitable tenants that are willing to enter into favourable leases. The Group may also underestimate the likelihood that a newly acquired real estate asset will require substantial renovation or capital repairs. Such errors may only become apparent at a later stage and force the Group to recognise fair value losses on its statement of financial position and income statement.

Furthermore, the Group cannot guarantee that its due diligence when acquiring a real estate asset will uncover all the potential liabilities and risks related to the property (such as construction defects) or that it will have recourse to the seller of the property for the non-disclosure of such risks. Official information in the land register of some of the countries in which the Group has its operations or assets may not be accurate and complete. Thus, although the Group may have to rely upon the information contained in land registers, it may not have effective redress against the government of the relevant country if the information upon which the Group relied in deciding whether or not to make an investment was inaccurate, misleading or incomplete.

*Operational risks*

Operational risk is the risk of incurring losses due to inadequate systems or policies relating to, among other things, internal control, administration, competence development and access to reliable valuation and risk models. If the Group's systems or policies are not adequate, there is a risk that the Group may incur losses which could have a material negative impact on the Group's operations, earnings and financial position.

*The Group relies on certain key personnel, the loss of whom could have an adverse impact on its business*

The Group's business is dependent, among other things, on the expertise of a number of key personnel, including senior executives and persons with specialist competence. These key persons have extensive experience and competence regarding real estate development and real estate transactions and have, through their experience, established strong relationships with participants on the real estate market and the Group's creditors. Accordingly, retaining these key persons is important to ensure a successful development in the Group's business. The unexpected loss of some or all of these individuals could have a material adverse impact on the Group's operations, earnings and financial position.

The Group has a number of employees whose knowledge, experience and commitment is of importance for the Group's future development. There can be no assurance that the Group will be able to retain all of its existing personnel or to attract additional qualified personnel when needed which, in turn, could affect adversely the Group's operations, earnings and financial position.

*The Group faces competition from existing and new market participants*

The Group operates in a competitive market. The Group's competitors may have significant resources and in-depth knowledge of the geographical markets in which the Group operates. The Group's ability to successfully compete with existing and new market participants is, among other things, dependent upon the Group's ability to anticipate future market changes and trends, and to rapidly react to existing and future market needs. Competition may result in increased costs or require price reductions or changes to the Group's business model. Therefore, the Group may be forced to make costly investments, reorganisations or price reductions to adapt to a new competitive environment. Increased competition from existing and new market participants could have a material adverse impact on the Group's operations, earnings and financial position.

*Changes in laws and the failure to receive permits or be granted decisions by local/regional authorities could affect the Group's properties*

The Group's business is regulated and affected by a large number of laws and regulations as well as various processes and decisions relating to these regulations, both on a political level and on an administrative level. Such laws and regulations include the Swedish Planning and Building Act (Sw: *Plan- och bygglagen*) (or similar legislation in any jurisdiction where the Group is carrying out its business), building standards, health and safety regulations, security regulations, construction codes, listed buildings classification and classification of buildings with cultural significance. These laws and regulations can have a material impact on the Group's business as well as the costs of, and opportunities for the Group to develop its properties in accordance with its business model. Even if the Group's business is conducted in accordance with its interpretation of the current laws and regulations, there can be no assurance that the Group's interpretation of laws and regulations is correct, or that the interpretations may change in the future. In addition, the implementation of new laws or regulations in other countries in which the Group currently operates, or may operate in the future, or the interpretation or enforcement of, or change in, existing laws or regulations, may require the Group to incur additional costs or may prevent the Group from using or developing the Group's properties in accordance with its business model.

In order for the Group's properties to be used and developed in accordance with its business model, various permits and decisions may be required, including local plans and a variety of property registrations, which are approved and given by local/regional authorities. There is a risk that the Group may not in the future be granted the permits or obtain the decisions necessary to conduct and develop its business in a desired manner. Furthermore, there can be no assurance that positive decisions or permits for the Group will not be challenged by third parties which would lead to further delays in Group's operations, or that the established decision-making practice, political will or direction in the future will not change in an adverse manner for the Group.

If any of the above described risks would materialise, it could have a material adverse impact on the Group's operations, earnings and financial position.

*The Group may incur environmental liabilities or compliance costs*

The environmental laws of certain countries in which the Group has its operations or assets impose actual and potential obligations to conduct remedial action on sites contaminated with hazardous or toxic substances. In such circumstances, the owner's liability is generally not limited under such laws and the costs of any required removal, investigation or remediation can be substantial. The presence of such substances on, or in, any of the Group's properties, or the liability for failure to remedy property contamination from such substances, could adversely affect the Group's ability to let or sell such property or to borrow funds using such property as collateral, which could have an effect on its generation of rental income or return on investment which could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

Finally, the Group may be required to comply with stricter environmental laws, regulations and requirements which could result in increased costs for the Group with respect to cleaning-up or after-treatment of its current or future properties. Such changes could also result in increased costs or delays for the Group with respect to its real estate development projects. In addition, if the relevant authorities in a country where the Group operates discover violations of applicable environmental laws, the Group may be subject to fines and other penalties.

If any of the above risks materialise, it could have a material adverse impact on the Group's operations, earnings and financial position.

*The Group is exposed to risks relating to changes in applicable tax laws and regulations*

The Group's operations are affected by the tax rules in force from time to time in the jurisdictions where the Group conducts operations or has assets. These rules include corporate tax, real estate tax, value added tax, rules regarding tax-free disposals of shares, other governmental or municipal taxes and interest deductions and subsidies. The Group's tax situation is also affected by transactions conducted intra-Group and by transactions between the Group and residential co-operatives that are considered to be priced on market terms. Although the Group's business is conducted in accordance with the its interpretation of applicable tax laws and regulations, and in accordance with advice the Group has received from its tax advisors, it cannot be excluded the possibility that the Group's interpretation is incorrect, or that such laws and regulations change, possibly with retroactive effect. Furthermore, future changes in applicable laws and regulations may affect the conditions of the business of the Group. In this respect, it can be noted that the modified tax model proposed by the Swedish Corporate Taxation Committee (Sw: *Företagsskattekommittén*) in an Official Report (SOU 2014:40) published on 12 June 2014 is being revised and new rules on, *inter alia*, limitations on deductions of interest costs and other financial costs may be introduced at the earliest on 1 January 2017. If new rules are introduced, they may limit the Group's ability to obtain tax deductions in this respect. There is also potential new legislation under consideration limiting the number of tax-exempt disposals of shares in real estate companies and extending the number of transactions which may attract stamp duty. There can be no assurance that tax rates will not be increased in the future or that other changes in the tax laws/regulations occur which affect the ownership of real estate properties or real estate transactions. If any of the above described risks would materialise, it could have a material adverse impact on the Group's operations, earnings and financial position.

*Rental regulations may restrict the Group's ability to increase rents and may have a negative impact on general market rental rates which in turn may affect the valuation of the Group's properties*

The ability of the Group to increase rents under its tenancy agreements may be limited by applicable rent regulations in the jurisdictions in which the Group's properties are located. For example, in the Kingdom of Sweden, the system of "utility value" (Sw: *Bruksvärdessystemet*) implies that rent levels should be proportionate to the quality and standard of the residential unit in question and can only be increased to a level that is in line with the rent that is charged on other comparable residential units (in other words, rents can only be subject to more significant above-inflation increases when the residential units have been upgraded). For a general description of the rental regulations applicable in the jurisdictions in which the Group operates, please see "*Description of the Issuer and the Group - Rental Regulations*". In the context of the Group's development projects that relate to the upgrade of the Group's properties according to the Group's "Better Living" concept, to the extent that the Group is or becomes restricted by applicable rental regulations from increasing the rent payable on such upgraded properties, this could have a material impact on the Group's ability to recover the costs and expenses associated with the upgrade of those residential units and this could, in turn, have a material impact on the Group's operations, earnings and/or and financial condition. While rental regulations can contribute to a more stable income relating to rents, the further tightening of any applicable rental regulations in a specific market could have a negative impact on the market rental rates payable in that market. Any general decreases in the rental levels of the Group's properties as a result of decreases in market rental rates could have a negative effect on the value of the Group's properties and this, in turn, could have a material impact on the growth and financial prospects of the Group.

*The Group's insurance coverage may be inadequate*

The Group's insurance policies may not cover all losses and, as a result, the Group's insurance may not fully compensate it for losses associated with damage to its real estate assets. In addition, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, that may be uninsurable or that are not economically insurable. Other factors might also result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed, such as inflation, taxation, changes in building codes and ordinances and environmental considerations. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, it could be liable to repair damage caused by uninsured risks. The Group may also remain liable for any debt or other financial obligation related to that damaged property.

*The risk of litigation is inherent in the Group's operations*

Legal and regulatory actions, claims against the Group and arbitrations involving the Group may arise in the ordinary course of business. The Group may be subject to litigation from suppliers, tenants or third parties, including visitors to properties owned by the Group. Such actions or claims could be time-consuming and result in costs (the size of which cannot always be foreseen) and negative publicity. Litigation could, therefore, have a material adverse impact on the Group's operations, earnings and financial position.

*Changed accounting rules*

The Group's business is affected by the accounting rules that, from time to time, are applied in the jurisdictions where the Group conducts business or has assets, including for example the international financial reporting standards ("**IFRS**") and other international accounting rules. This means that the Group's accounting, financial reporting and internal control, may in the future be affected by and may have to be adapted to such amended accounting rules or a changed application of such accounting rules. This might entail uncertainty regarding the Group's accounting, financial reporting and internal control and might also affect the Group's accounted earnings, balance sheet and equity, which could have a material adverse effect on the Group's operations, earnings and financial position.

**Risks related to the Bonds**

*The Bonds will constitute unsecured obligations of the Issuer*

The Issuer's obligations under the Bonds will be unsecured. Accordingly, any claims against the Issuer under the Bonds would be unsecured claims. The Issuer's ability to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate cash flows, which could be affected by (*inter alia*) the circumstances described in these risk factors. Any such factors could affect the Issuer's ability to make payment of interest and principal under the Bonds.

*Claims of Bondholders under the Bonds are effectively subordinated to those of certain other creditors of the Issuer and to creditors of the Issuer's subsidiaries*

The Bonds are unsecured and unsubordinated obligations of the Issuer. The Bonds will rank equally with all of the Issuer's other unsecured and unsubordinated indebtedness; however, the Bonds will be effectively subordinated to the Issuer's secured indebtedness and securitisations, if any, to the extent of the value of the assets securing such transactions, and will be subject to certain preferential obligations under Swedish law, such as wages of employees.

Generally, lenders and trade and other creditors of the Issuer's subsidiaries are entitled to payment of their claims from the assets of such subsidiaries before these assets would be available for distribution to the

Issuer, as direct or indirect shareholder, which would then allow for the Issuer to make payments under the Bonds. Any debt that the Issuer's subsidiaries may incur in the future will also rank structurally senior to the Bonds.

A significant part of the Group's assets and revenues are generated by the Issuer's subsidiaries. The subsidiaries are legally separated from the Issuer and the subsidiaries' ability to make payments to the Issuer is restricted by, among other things, the availability of funds, corporate restrictions and local law. Furthermore, in the event of insolvency, liquidation or a similar event relating to one of the subsidiaries, all creditors of such subsidiary would be entitled to payment in full out of the assets of such subsidiary before any entity within the Group, as a shareholder, would be entitled to any payments. Thus, the Bonds are structurally subordinated to the liabilities of the subsidiaries of the Issuer.

*There is no public trading market for the Bonds and an active trading market may not develop or be sustained in the future*

There is no active trading market for investments in the Bonds. If investments in the Bonds are traded after their initial issuance, then they might trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Issuer's financial condition. Although application has been made for the Bonds to be listed on the Official List maintained by the Irish Stock Exchange and to be admitted to trading on the Main Securities Market, there can be no assurance that such application will be accepted, that an active trading market will develop or, if developed, that it can be sustained. If an active trading market for investments in the Bonds does not develop or is not maintained, then the market or trading price and liquidity of investments in the Bonds may be adversely affected.

*The Bonds are subject to optional redemption by the Issuer*

The option for the Issuer to redeem the Bonds at any time (see "*Terms and Conditions of the Bonds– Redemption at the Option of the Issuer*") is likely to limit the market value of Bonds. The market value of the Bonds generally will not rise substantially above the price at which they can be redeemed.

The Issuer may be expected to redeem Bonds when its cost of borrowing is lower than the interest rate on the Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*The market price of the Bonds is subject to a high degree of volatility*

The market price of investments in the Bonds could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale by the Issuer of other debt securities, as well as other factors, including the trading market for notes issued by the Kingdom of Sweden. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the market price of investments in the Bonds without regard to the Issuer's financial condition or results of operations.

*The Bonds may not be a suitable investment for all investors*

Each potential investor in any Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

*Credit ratings may not reflect all risks*

In addition to the ratings on the Bonds to be provided by S&P, one or more other independent credit rating agencies may assign credit ratings to the Bonds. The ratings might not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Bonds. Credit ratings assigned to the Bonds do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. The initial ratings by S&P will not address the likelihood that the principal on the Bonds will be prepaid or paid on the scheduled maturity date. Such ratings also will not address the marketability of investments in the Bonds or any market price. Any change in the credit ratings of the Bonds or the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for investments in the Bonds. The significance of each rating should be analysed independently from any other rating.

*Modification and Waivers*

The conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit Bondholders holding defined percentages of Bonds to bind all Bondholders, including Bondholders who did not vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. The conditions of the Bonds and the Trust Deed also provide that the Trustee may, without the consent of Bondholders, agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the conditions of the Bonds or any of the provisions of the Trust Deed see "*Terms and Conditions of the Bonds - Meetings of Bondholders, Modification, Waiver and Substitution*".

*Investors in the Bonds must rely on Euroclear and Clearstream procedures*

The Bonds will be represented on issue by a Global Certificate that will be delivered to a common safekeeper for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Bonds in definitive form. Euroclear and Clearstream, Luxembourg and their respective participants will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

The Issuer will discharge its payment obligations under the Bonds by making payments to or to the order of the common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate will not have a direct right under the Global Certificate to take enforcement action against the Issuer in the event of a default under the Bonds but will have to rely upon their rights under the Trust Deed.

*The Issuer may create and issue further Bonds*

The Issuer may from time to time without the consent of the Bondholders create and issue further Bonds, having terms and conditions that are the same as those of the Bonds, or the same except for the amount of the first payment of interest, which new Bonds may be consolidated and form a single series with the outstanding Bonds even if doing so may adversely affect the value of the original Bonds.

*A change in English law which governs the Bonds may adversely affect Bondholders*

The Terms and Conditions of the Bonds are governed by English law in effect as at the date of issue of the Bonds. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Bonds.

*Integral multiples of €100,000*

The denomination of the Bonds is €100,000 and integral multiples of €1,000 in excess thereof. Therefore, it is possible that the Bonds may be traded in amounts in excess of €100,000 that are not integral multiples of €1,000. In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of less than €100,000 will not receive a definitive Bond in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more denominations.

*Fixed rate bonds are exposed to specific market risks*

The Bonds will bear a fixed interest rate of 3.375 per cent. per annum. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital markets (the "**Market Interest Rate**"). While the nominal rate of a security with a fixed interest rate is fixed for a specified period, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security is likely to change in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. If the Market Interest Rate falls, the price of a security with a fixed compensation rate typically increases, until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate can adversely affect the price of the Bonds and can lead to losses for the Bondholders if they sell the Bonds.

*Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected*

The Issuer will pay principal and interest on the Bonds in euros. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than euros. These include the risk that exchange rates may significantly change (including changes due to devaluation of euros or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Inventor's Currency relative to euros would decrease (1) the Investor's Currency equivalent yield on the Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Bonds and (3) the Investor's Currency equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Inflation risk*

The value of future payments of interest and principal may be reduced as a result of inflation as the real rate of interest on an investment in the Bonds will be reduced at rising inflation rates and may be negative if the inflation rate rises above the nominal rate of interest on the Bonds.

*Legal investment considerations may restrict certain investments.*

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Bonds are legal investments for it, (ii) the Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

*EU Savings Directive*

EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise.

The Council of the European Union has adopted a Directive (the "**Amending Savings Directive**") which would, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above, including by expanding the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and by expanding the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or secured for) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Savings Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

The European Commission has published a proposal for a Council Directive repealing the Savings Directive from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). The proposal also provides that, if it is adopted, EU Member States will not be required to implement the Amending Savings Directive.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax. Furthermore, if the Amending Savings Directive is implemented and takes effect in EU Member States, such withholding may occur in a wider range of circumstances than at present, as explained above.

The Issuer is required to maintain a Registrar with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. However, investors should be aware that any custodians or intermediaries through which they hold their interest in the Bonds may nonetheless be obliged to withhold or deduct tax pursuant to such laws unless the investor meets certain conditions, including providing any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive, as amended.

Investors who are in any doubt as to their position or would like to know more should consult their professional advisers.

*Payments on the Bonds may be subject to U.S. withholding tax under FATCA*

The United States has enacted rules, commonly referred to as "**FATCA**", that generally impose a new reporting and withholding regime with respect to certain payments made after 31 December 2016 by entities that are classified as financial institutions under FATCA. The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with the Kingdom of Sweden (the

"**IGA**"). Under the IGA, as currently drafted, the Issuer does not expect payments made on or with respect to the Bonds to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Bonds in the future. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the Central Bank of Ireland shall be incorporated in, and form part of, this Prospectus:

(1) the audited annual consolidated financial statements of the Issuer in respect of the year ended 31 December 2013 (the "**2013 Financial Statements**") as set out on pages 48–93 (inclusive) of the Issuer's annual report for 2013:

http://mb.cision.com/Main/3302/9784672/386844.pdf

(2) the audited annual consolidated financial statements of the Issuer in respect of the year ended 31 December 2014 (the "**2014 Financial Statements**") as set out on pages 55–97 (inclusive) of the Issuer's annual report for 2014:

http://mb.cision.com/Main/3302/9784677/386850.pdf

(3) the audit reports from Öhrlings PricewaterhouseCoopers AB in respect of the 2013 Financial Statements and the 2014 Financial Statements:

http://mb.cision.com/Public/3302/9784672/b98fbccd70af76c0.pdf (2013)

http://mb.cision.com/Public/3302/9784677/ab6e37557d149af7.pdf (2014)

and

(4) the unaudited interim consolidated financial statements of the Issuer in respect of the six-month period ended 30 June 2015 (the "**2015 Interim Financial Statements**") as set out on pages 17–23 (inclusive) of the Issuer's interim report for the first half of 2015:

http://mb.cision.com/Main/3302/9811744/406444.pdf

**provided however that** any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such statement. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

The audited consolidated financial statements and the unaudited interim consolidated financial statements of the Issuer, which are incorporated by reference herein, are English translations of the Swedish financial statements prepared for and used in the Kingdom of Sweden.

For the avoidance of doubt, any information incorporated by reference in the information incorporated by reference from (1) to (4) above shall not be incorporated in or to form part of, this Prospectus. Non-incorporated parts are either not relevant for an investor or are covered elsewhere in this Prospectus.

Copies of the documents incorporated by reference in this Prospectus will be made available, free of charge, during usual business hours at the specified offices of the Principal Paying Agent.

## OVERVIEW OF THE BONDS

*The following is an overview of certain information relating to the offering of the Bonds, including the principal provisions of the terms and conditions thereof. This overview is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. See, in particular, "Terms and Conditions of the Bonds". Capitalised terms used but not defined herein shall be given the meanings set out in the Terms and Conditions of the Bonds.*

| | |
|---|---|
| **Issue:** | €300,000,000 3.375 per cent. Bonds due 2020. |
| **Interest and Interest Payment Dates:** | The Bonds will bear interest from and including 23 September 2015 at the rate of 3.375 per cent. per annum, payable annually in arrear on 23 September in each year (each an "**Interest Payment Date**"); **provided that**, as described in Condition 7(f), if any such date is not a business day (as defined in Condition 7(f)), then such payment will be made on the next following business day. The first payment (for the period from and including the Issue Date to but excluding 23 September 2016 and amounting to €33.75 per €1,000 principal amount of Bonds) will be made on 23 September 2016. |
| **Maturity Date:** | 23 September 2020. |
| **Use of Proceeds:** | The net proceeds from the issuance of the Bonds will be used for the general corporate purposes of the Group (including investments, acquisitions and development projects) and for the repayment of some of the Group's existing secured indebtedness. |
| **Status:** | The Bonds constitute unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations of the Issuer. |
| **Covenants:** | The terms of the Bonds contain covenants which require the Issuer to maintain certain financial ratios and which restrict certain payments by the Issuer. See "*Terms and Conditions of the Bonds—Covenants"*. |
| **Taxation; Payment of Additional Amounts:** | All payments of principal and interest in respect of the Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by the Kingdom of Sweden or any authority therein or thereof having the power to tax, unless such withholding or deduction of Taxes is required by law. In that event, the Issuer shall (subject to certain exceptions) pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required. See "*Terms and Conditions of the Bonds—Taxation"*. |
| **Redemption for Taxation Reasons:** | The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (subject to certain conditions), at their principal amount (together with interest accrued to but excluding the date fixed for redemption) if:<br><br>(a) as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Sweden, or any political subdivision or any authority thereof or therein having the |

power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after 21 September 2015, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8; and

(b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it.

**Redemption at the Option of the Issuer:** The Bonds may be redeemed by the Issuer in whole, but not in part, at any time (subject to certain conditions), at a redemption price equal to the higher of the following:

(a) the principal amount of the Bonds; or

(b) the sum of the then current values of the remaining scheduled payments of principal and interest (not including any interest accrued on the Bonds to, but excluding, the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Reference Bond Rate plus a margin of 0.50 per cent., in each case as determined by the Determination Agent and reported in writing to the Issuer and the Trustee.

**Redemption at the Option of the Bondholders:** Upon a Change of Control, the holder of each Bond will have the option (subject to certain conditions) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Bond at its principal amount together with interest accrued to (but excluding) the date fixed for redemption or purchase.

See "*Terms and Conditions of the Bonds—Redemption and Purchase"*.

**Events of Default:** The Bonds will be subject to certain Events of Default including (among others) non-payment of principal for seven days, non-payment of interest for 14 days, failure to perform or observe any of the other obligations in respect of the Bonds, cross-default and certain events related to bankruptcy and insolvency of the Issuer or any Material Subsidiary. See "*Terms and Conditions of the Bonds—Events of Default"*.

**Form and Denominations:** Bonds will be represented by beneficial interests in the Global Certificate in registered form, without interest coupons attached, which will be delivered to a common safekeeper for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg.

Bonds will be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof.

See "*Terms and Conditions of the Bonds—Form, Specified Denomination and Title*".

**Governing Law:** The Bonds, the Trust Deed, Agency Agreement and any non-contractual obligations arising out of or in connection with the Bonds, the Trust Deed or the Agency Agreement, as the case may be, will be governed by, and construed in accordance with, English law.

| | |
|---|---|
| **Listing:** | Application has been made to the Irish Stock Exchange for the Bonds to be admitted to listing on the Official List and to trading on the Main Securities Market. |
| **Selling Restrictions:** | The offer and sale of Bonds is subject to restrictions in the United States, the Kingdom of Sweden and the United Kingdom. See "*Subscription and Sale*". |
| **Risk Factors:** | For a discussion of certain risk factors relating to the Issuer and the Bonds that prospective investors should carefully consider prior to making an investment in the Bonds, see "*Risk Factors*". |
| **Issue Price:** | 99.787 per cent. of the principal amount. |
| **Yield:** | 3.422 per cent. |
| **Security Codes:** | ISIN: XS1295537077 |
| | Common Code: 129553707 |
| **Rating:** | BB+ by S&P. |
| | A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Any change in the rating of the Bonds could adversely affect the price that a purchaser would be willing to pay for the Bonds. As at the date of this Prospectus, S&P is established in the European Union and registered under the CRA Regulation. |
| **Lead Managers** | Barclays Bank PLC |
| | Danske Bank A/S |
| **Trustee:** | Deutsche Trustee Company Limited |
| **Principal Paying Agent and Transfer Agent:** | Deutsche Bank AG, London Branch |
| **Registrar and Transfer Agent:** | Deutsche Bank Luxembourg S.A. |

## TERMS AND CONDITIONS OF THE BONDS

The following are the terms and conditions substantially in the form in which they will be endorsed on the Bonds:

The issue of the €300,000,000 3.375 per cent. Bonds due 2020 (the "**Bonds**") was authorised by resolutions of the Board of Directors of the Issuer passed on 9 June 2015 and 14 September 2015. The Bonds are constituted by a trust deed (the "**Trust Deed**") dated 23 September 2015 (as may be amended, supplemented and/or replaced) between the Issuer and Deutsche Trustee Company Limited (the "**Trustee**" which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. Copies of the Trust Deed, and of the agency agreement (the "**Agency Agreement**") dated 23 September 2015 (as may be amended, supplemented and/or replaced) relating to the Bonds between the Issuer, the Trustee, the registrar (the "**Registrar**"), any transfer agents (each a "**Transfer Agent**"), the initial principal paying agent and any other agents named in it, are available for inspection and collection during usual business hours at the principal office of the Trustee (presently at Winchester House, 1 Great Winchester Street, London EC2N 2DB) and at the specified offices of the principal paying agent for the time being (the "**Principal Paying Agent**"), the Registrar and any Transfer Agents. "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Bonds. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these terms and conditions (the "**Conditions**") will have the meanings given to them in the Trust Deed.

1. **Form, Specified Denomination and Title**

The Bonds are issued in the specified denomination of €100,000 and higher integral multiples of €1,000.

The Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" and "**holder**" means the person in whose name a Bond is registered.

2. **Transfers of Bonds**

(a) **Transfer**

A holding of Bonds may, subject to Condition 2(d), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the

Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder upon request.

(b) **Exercise of Options or Partial Redemption in Respect of Bonds**

In the case of an exercise of an Issuer's or Bondholders' option in respect of, or a partial redemption of, a holding of Bonds represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Bonds of the same holding having different terms, separate Certificates shall be issued in respect of those Bonds of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

(c) **Delivery of New Certificates**

Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within three business days of receipt of a duly completed form of transfer or Exercise Notice (as defined in Condition 6(d)) and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/ or such insurance as it may specify. In this Condition 2(c), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) **Transfer or Exercise Free of Charge**

Certificates, on transfer, exercise of an option or partial redemption, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment by the Bondholder of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(e) **Closed Periods**

No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) during the period of 15 days prior to (and including) any date on which Bonds may be called for redemption by the Issuer at its option pursuant to Condition 6(c), (iii) after any such Bond has been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date.

3. **Status**

The Bonds constitute unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least *pari passu* with all its other present and future unsecured and unsubordinated obligations.

4. **Covenants**

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer:

(a) shall ensure that on 30 September 2015 (the "**Initial Calculation Date**") and each subsequent date which is three months following the Initial Calculation Date or such subsequent date (each a "**Calculation Date**") being 30 September, 31 December, 31 March, and 30 June of each year:

(i) the ratio of Net Interest Bearing Debt to Total Assets does not exceed 0.65 (save that the Issuer shall not be in breach of this Condition 4(a)(i) if, on no more than two consecutive Calculation Dates, the ratio of Net Interest Bearing Debt to Total Assets is greater than 0.65 but does not exceed 0.70);

(ii) the ratio of Net Secured Debt to Total Assets does not exceed 0.55 (save that, for the Initial Calculation Date and each Calculation Date up to, and including the Calculation Date falling on 30 June 2016, the Issuer shall not be in breach of this Condition 4(a)(ii) if the ratio of Net Secured Debt to Total Assets does not exceed 0.60); and

(iii) the ratio of Adjusted Profit Before Taxes to Total Interest Expenses exceeds 1.40;

(b) shall ensure that it does not, and none of its Subsidiaries do, (i) pay any dividend on any of its share capital, (ii) repurchase any of its own share capital, (iii) redeem its share capital or other restricted equity with repayment to shareholders, (iv) repay principal or pay interest under any shareholder loans (excluding, for the avoidance of doubt, any Market Loans issued by a Group Company (if relevant)) or Subordinated Debt or (v) make any other similar distributions or transfers of value (*Sw. värdeöverföringar*) to the Issuer's, or the Subsidiaries', direct and indirect shareholders or the Affiliates of such direct and indirect shareholders or to the creditors of any Subordinated Debt (items (i)-(v) above are together and individually referred to as a "**Restricted Payment**"), provided however that any such Restricted Payment can be made, if such Restricted Payment is permitted by law and no Event of Default is continuing or would result from such Restricted Payment, by:

(i) any Group Company if such Restricted Payment is made to a Group Company and, if made by any Subsidiary which is not directly or indirectly wholly-owned by the Issuer, is made on a *pro rata* basis;

(ii) the Issuer if such Restricted Payment constitutes a dividend, repurchase or redemption in relation to the preference shares in the Issuer, from time to time, and is financed in full by an Equity Contribution; or

(iii) the Issuer if, following such Restricted Payment:

(A) the ratio of Net Interest Bearing Debt to Total Assets does not exceed 0.65; and

(B) the ratio of Adjusted Profit Before taxes to Total Interest Expenses exceeds 1.40 (up to, and including, 31 December 2015) or 1.50 (from, and including, 1 January 2016),

in each case, after giving pro forma effect to such Restricted Payment, as if it was made on the last applicable Calculation Date.

With respect to covenants contained in Condition 4, the Issuer will provide to the Trustee, no later than 60 calendar days following any Calculation Date, a certificate signed by two Authorised Signatories of the Issuer confirming compliance with Condition 4 by the Issuer. Further, with respect to the covenant contained in Condition 4(b), the Issuer will provide to the Trustee, within 14 days following any request from the Trustee, a certificate signed by two Authorised Signatories of the Issuer confirming compliance with Condition 4(b) by the Issuer.

In these Conditions:

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

"**Adjusted Profit Before Taxes**" means, in respect of the Relevant Period, the consolidated profit before taxes of the Group from ordinary activities according to the latest Financial Report(s), adjusted for:

(a) depreciations;

(b) impairments;

(c) expenses for property sales;

(d) Total Interest Expenses;

(e) change in value of investment properties;

(f) exchange rate differences that are included in the profit before taxes; and

(g) change in value of derivative instruments.

"**Affiliate**" means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purpose of this definition, "**control**" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Equity Contribution**" means any issue of equity securities made by the Issuer to its shareholder(s) or a third party or any unconditional equity contribution made to a Group Company by a third party (including direct and indirect shareholders but not including another Group Company).

"**Financial Indebtedness**" means any indebtedness in respect of:

(a) monies borrowed or raised, including Market Loans;

(b) the amount of any liability in respect of any finance leases, to the extent the arrangement is or would have been treated as a finance lease in accordance with the Accounting Principles as applicable on the Issue Date (a lease which in the accounts of the Group is treated as an asset and a corresponding liability), and for the avoidance of doubt, any leases treated as operating leases under the Accounting Principles as applicable on the Issue Date shall not, regardless of any subsequent changes or amendments of the Accounting Principles, be considered as finance or capital leases (the "**Operational Lease Freeze**");

(c) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(d) any amount raised under any other transaction having the commercial effect of a borrowing (including forward sale or purchase arrangements (other than in relation to contracting agreements (Sw. *entreprenadavtal*)) but excluding vendor notes (Sw. *säljarevers*) issued in relation to acquisitions of real estates);

(e) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark to market value shall be taken into account);

(f) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(g) (without double counting) any guarantee or other assurance against financial loss in respect of a type referred to in the above items (a)–(f).

"**Financial Report**" means the annual audited consolidated financial statements of the Group, the annual audited unconsolidated financial statements of the Issuer and the quarterly interim unaudited consolidated reports of the Group or the quarterly interim unaudited unconsolidated reports of the Issuer.

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

"**Market Loans**" means any loan or other indebtedness where an entity issues commercial paper, certificates, convertibles, subordinated debentures, bonds or any other debt securities (including, for the avoidance of doubt, under any medium term note programmes and other market funding programmes), provided in each case that such instruments and securities are or can be subject to trade on Nasdaq Stockholm or any other regulated market (as defined in Directive 2004/39/EC on markets in financial instruments) or unregulated recognised market place.

"**Net Interest Bearing Debt**" means the Group's consolidated interest bearing liabilities (Sw. *räntebärande skulder*) (excluding any Subordinated Debt and adjusted in accordance with the Operational Lease Freeze) less the Group's consolidated total cash (Sw. *likvida medel*), in each case according to the latest Financial Report in accordance with the Accounting Principles.

"**Net Secured Debt**" means the Group's consolidated secured liabilities less the Group's consolidated total cash (Sw. *likvida medel*) according to the latest Financial Report, in accordance with the Accounting Principles.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof, or any other entity, whether or not having a separate legal personality.

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

"**Subordinated Debt**" means any indebtedness of the Group (i) which is treated as equity in accordance with the Accounting Principles and/or (ii) which is subordinated to the obligations of the Issuer under these Conditions (whether treated as equity or financial liabilities in accordance with the Accounting Principles).

"**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer.

"**Total Assets**" means the consolidated aggregate book value of the Group's total assets according to the latest Financial Report.

"**Total Interest Expenses**" means, for the Relevant Period, the aggregate amount of interest costs, upfront fees and prepayment fees in respect of Financial Indebtedness whether paid, payable or capitalised by any Group Company according to the latest Financial Report(s) (calculated on a consolidated basis and excluding any interest on Subordinated Debt).

5. **Interest**

The Bonds bear interest on their outstanding principal amount from and including 23 September 2015 at the rate of 3.375 per cent. per annum, payable annually in arrear in equal instalments of €33.75 per Calculation Amount (as defined below) on 23 September in each year (each an "**Interest Payment Date**"). Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

Where interest is to be calculated in respect of a period which is shorter than an Interest Period (as defined below), the day-count fraction used will be the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

In these Conditions, the period beginning on and including 23 September 2015 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per €1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6. **Redemption and Purchase**

(a) **Final Redemption:**

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 23 September 2020. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition.

(b) **Redemption for Taxation:**

Unless the Issuer has given notice of redemption under Condition 6(c) or given a Change of Control Notice pursuant to Condition 6(d), the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Sweden or in any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 21 September 2015, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above without further liability, in which event it shall be conclusive and binding on the Bondholders.

(c) **Redemption at the Option of the Issuer:**

The Issuer may, unless a Change of Control Notice has been given pursuant to Condition 6(d), at any time, on giving not more than 60 nor less than 30 days' notice to the Bondholders (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Optional Redemption Date**")), redeem all, but not some only, of the Bonds at a redemption price per Bond equal to the higher of the following, in each case together with interest accrued to but excluding the Optional Redemption Date;

x. the principal amount of the Bond; and

y. the sum of the then current values of the remaining scheduled payments of principal and interest (not including any interest accrued on the Bonds to, but excluding, the Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Reference Bond Rate (as defined below) plus a margin of 0.50 per cent., in each case as determined by the Determination Agent and reported in writing to the Issuer and the Trustee.

In this Condition 6(c):

"**Determination Agent**" means an investment bank or financial institution of international standing selected by the Issuer;

"**Reference Bond**" means OBL 0.25 per cent. due October 2020 (DE0001141729) (or if such bond is no longer in issue, such other European government bond as the Determination Agent may, with the advice of three brokers of, and/or market makers in, European government bonds selected by the Determination Agent, determine to be appropriate for determining the Reference Bond Rate);

"**Reference Bond Dealer**" means each of the five banks selected by the Issuer which are (A) primary government securities dealers, and their respective successors, or (B) market makers in pricing corporate bond issues;

"**Reference Bond Dealer Quotations**" means, with respect to each Reference Bond Dealer and the Optional Redemption Date, the arithmetic average, as determined by the Determination Agent, of the bid and offered prices for the Reference Bond (expressed in each case as a percentage of its principal amount) at 11.00 a.m. Central European Time on the third business day in Frankfurt preceding the Optional Redemption Date quoted in writing to the Determination Agent by such Reference Bond Dealer;

"**Reference Bond Price**" means, with respect to the Optional Redemption Date, (A) the arithmetic average of five Reference Bond Dealer Quotations for the Optional Redemption Date, after excluding the highest and lowest such Reference Bond Dealer Quotations, or (B) if the Determination Agent obtains fewer than five such Reference Bond Dealer Quotations, the arithmetic average of all such quotations; and

"**Reference Bond Rate**" means, with respect to the Optional Redemption Date, the rate per annum equal to the mid-market annual yield to maturity of the Reference Bond, calculated using a price for the Reference Bond (expressed as a percentage of the principal amount) equal to the Reference Bond Price for the Optional Redemption Date.

(d) **Redemption at the Option of Bondholders:**

A "**Change of Control**" will be deemed to occur if any person or any persons acting in concert, other than the Main Owner or Affiliates of the Main Owner, shall acquire control over the Issuer where "**control**" means (A) acquiring or controlling directly or indirectly more than 50 per cent. of the voting rights exercisable at a general meeting of the Issuer or (B) the right to appoint or remove the whole or a majority of the directors of the Board of Directors of the Issuer.

Promptly upon the Issuer becoming aware that a Change of Control has occurred the Issuer shall, and at any time upon the Trustee having express notice thereof the Trustee may, and if so requested by the holders of at least one-fifth in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders, shall, (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction) give notice (a "**Change of Control Notice**") to the Bondholders in accordance with Condition 16 specifying the nature of the Change of Control and the procedure for exercising the Put Option (as defined below).

If a Change of Control occurs, the holder of each Bond will have the option (a "**Put Option**") (unless prior to the giving of the relevant Change of Control Notice (as defined below) the Issuer has given notice of redemption under Conditions 6(b) or 6(c) above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Bond at its principal amount together with interest accrued to (but excluding) the date of such redemption or purchase. To exercise such option the Bondholder must surrender the Certificate representing such Bond to any Transfer Agent or the Registrar together with a duly completed exercise notice ("**Exercise Notice**") in the form scheduled to the Agency Agreement and obtainable from any Transfer Agent or the Registrar within the period of 30 days after a Change of Control Notice is given ("**Put Option Period**"). No Certificate so surrendered may be withdrawn without the prior consent of the Issuer. The Issuer shall redeem or purchase (or procure the purchase) of the relevant Bonds that are subject to an Exercise Notice on the date which is 20 days after the expiration of the Put Option Period, unless previously redeemed (or purchased) and cancelled.

The Trustee is under no obligation to ascertain whether a Change of Control or any event which could lead to the occurrence of or could constitute a Change of Control has occurred and, until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control or other such event has occurred.

In this Condition 6(d):

"**Affiliates**" shall have the meaning given to it in Condition 4.

"**Main Owner**" means Akelius Foundation, reg. no. 73F, 700 Don Mackay Boulevard, P.O. Box AB-20415, Marsh Harbour, Abaco, Bahamas.

(e) **Purchase:**

The Issuer or any of its Subsidiaries (as defined in Condition 4) may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 12(a).

(f) **Cancellation:**

All Certificates representing Bonds purchased by or on behalf of the Issuer and its Subsidiaries may be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. All Certificates representing Bonds redeemed by the Issuer shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

7. **Payments**

(a) **Method of Payment:**

(i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) by transfer to the registered account of the Bondholder.

y. Interest on each Bond shall be paid to the person shown on the Register at the close of business 14 business days before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in the relevant currency by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Bond at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.

z. If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) **Payments subject to Laws:**

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Bondholders in respect of such payments. Save as provided in Condition 8, payments will be subject in all cases to any applicable fiscal or other laws and regulations in the place of payment or other laws and regulations to which the Issuer agrees to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements.

(c) **Payment Initiation:**

Where payment is to be made by transfer to an account in the relevant currency, payment instructions (for value the due date, or if that is not a business day, for value the first following day which is a business day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed on the last day on which the Principal Paying Agent is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents:**

The Principal Paying Agent, the Registrar and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar or any Transfer Agent and to appoint additional or other Transfer Agents or Agents, **provided that** the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income, (iii) a Transfer Agent, and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed, in each case, as approved in writing by the Trustee.

Notice of any such change or any change of any specified office shall promptly be given to the Bondholders.

(e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a business day, if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 7(a)(i)(y) arrives after the due date for payment.

(f) **Non-Business Days:** If any date for payment in respect of any Bond is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and which is a TARGET Business Day.

"**TARGET Business Day**" means a day on which the TARGET System is open for the settlement of payments in euro.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system or any successor thereto.

8. **Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Kingdom of Sweden or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond:

(a) **Other connection:**

held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the Kingdom of Sweden other than the mere holding of the Bond; or

(b) **Surrender more than 30 days after the Relevant Date**

in respect of which the certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days; or

(c) **Payment to individuals**

where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) **Arrangement through another Paying Agent**

held by a holder who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment though another Paying Agent in a member state of the European Union.

Notwithstanding anything to the contrary in these Conditions, none of the Issuer, any paying agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or with respect to any Bond pursuant to Section 1471 to 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**"), any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Issuer, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

"**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with the Conditions, such payment will be made, **provided that** payment is in fact made upon such surrender.

9. **Events of Default**

If any of the following events ("**Events of Default**") occurs, the Trustee at its discretion may, and if so requested by holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (**provided that** the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at 100 per cent. of their principal amount together (if applicable) with accrued interest:

(a) **Non-Payment:**

the Issuer fails to pay any principal or interest on any of the Bonds when due and such failure continues for a period of seven days in the case of principal or 14 days in the case of interest; or

(b) **Breach of Other Obligations:**

the Issuer does not perform or comply with any one or more of its other obligations in the Bonds or the Trust Deed which default is (i) in the opinion of the Trustee incapable of remedy or (ii) is in the opinion of the Trustee capable of remedy and is not remedied within 30 days after written notice of such default shall have been given to the Issuer by the Trustee; or

(c) **Cross-Default:**

(i) any other present or future Financial Indebtedness of the Issuer or any of its Material Subsidiaries becomes due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described), or (ii) any such Financial Indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any guarantee for, or indemnity in respect of, any moneys borrowed or raised **provided that** the amount of the relevant Financial Indebtedness and the amount payable under the guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred, individually or in the aggregate, exceeds SEK 50,000,000 or its equivalent and provided that this Condition 9(c) does not apply to any Financial Indebtedness owed to a Group Company; or

(d) **Enforcement Proceedings:**

a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries in an amount which exceeds 10 per cent. of the Total Assets (as defined in Condition 4) and is not discharged or stayed within 90 days; or

(e) **Security Enforced:**

any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Material Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) unless the amount being enforced (individually or in the aggregate) pursuant to such mortgage, charge, pledge lien or other encumbrance is less than 15 per cent. of the Total Assets (as defined in Condition 4); or

(f) **Insolvency:**

the Issuer or any of its Material Subsidiaries is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Material Subsidiaries except for the purposes of and pursuant to a reconstruction, amalgamation, reorganisation or merger or consolidation whilst solvent; or

(g) **Winding-up:**

(i) an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Material Subsidiaries except that (A) any orders or resolutions which are being disputed in good faith and are discharged, stayed or dismissed within 30 days of their commencement and (B) any solvent liquidation of a Material Subsidiary shall not be considered an Event of Default, or (ii) the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and pursuant to a reconstruction, amalgamation, reorganisation, merger or consolidation whilst solvent; or

(h) **Authorisation and Consents:**

any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of England is not taken, fulfilled or done; or

(i) **Illegality:**

it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or

(j) **Analogous Events:**

any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 9(d) to 9(g),

**provided that** in the case of, in relation to the Issuer and any of its Material Subsidiaries, Conditions 9(b), 9(d) and 9(e) and, in relation to the Issuer's Subsidiaries only, Conditions 9(c), 9(f), 9(g) and 9(j), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of Bondholders.

The Issuer has undertaken in the Trust Deed that, within 14 days of its annual audited consolidated financial statements being published and also within 14 days of any request by the Trustee, it will send to the Trustee a certificate of the Issuer signed by any of its Authorised Signatories (as defined in the Trust Deed) that, to the best of the knowledge, information and belief of the Issuer, as at a date not more than five days prior to the date of the certificate, no Event of Default or Potential Event of Default (as defined in the Trust Deed) or other breach of the Trust Deed had occurred.

For the purposes of this Condition 9, "**Material Subsidiary**" means any Subsidiary (as defined in Condition 4) whose consolidated total assets according to the latest Financial Report (as defined in Condition 4) amount to at least (a) SEK 600,000,000 or (b) 1.00 per cent. of the Total Assets.

10. **Prescription**

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11. **Replacement of Certificates**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (**provided that** the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. **Meetings of Bondholders, Modification, Waiver and Substitution**

(a) **Meetings of Bondholders:**

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Issuer upon the request in writing of Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia,* (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds, (iii) to modify any of the provisions of Condition 4, (iv) to change the currency of payment of the Bonds, or (v) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) **Modification of the Trust Deed:**

The Trustee may agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, that in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be subject to such terms and conditions (if any) as the Trustee may determine and shall be binding on the Bondholders and, if the Trustee so requires, such modification shall be notified to the Bondholders as soon as practicable.

(c) **Entitlement of the Trustee:**

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

## 13. Enforcement

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such steps, actions or proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Bonds, but it need not take any such steps, actions or proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least one-fifth in principal amount of the Bonds outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

## 14. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Bondholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely without liability to any person on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Bondholders.

## 15. Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Bonds. Any further securities forming a single series with the outstanding securities of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the

Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of securities of other series where the Trustee so decides.

16. **Notices**

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

17. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

18. **Governing Law and Jurisdiction**

(a) **Governing Law:**

The Trust Deed and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:**

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with any Bonds ("**Proceedings**") may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts.

(c) **Agent for Service of Process:**

Pursuant to the Trust Deed, the Issuer has irrevocably appointed an agent in England to receive service of process in any Proceedings in England based on any of the Bonds.

# SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

## 1. Initial Issue of Certificates

The Global Certificate will be registered in the name of a nominee (the "**Registered Holder**") for a common safekeeper for Euroclear and Clearstream, Luxembourg (the "**Common Safekeeper**") and may be delivered on or prior to the original issue date of the Bonds. Depositing the Global Certificate with the Common Safekeeper does not necessarily mean that the Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Upon the registration of the Global Certificate in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the Global Certificate to the Common Safekeeper, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Bonds equal to the nominal amount thereof for which it has subscribed and paid.

## 2. Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system ("**Alternative Clearing System**") as the holder of a Bond represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Bonds for so long as the Bonds are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to the holder of the Global Certificate in respect of each amount so paid.

## 3. Exchange

The following will apply in respect of transfers of Bonds held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Bonds within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Bonds may be withdrawn from the relevant clearing system.

Transfers of the holding of Bonds represented by the Global Certificate pursuant to Condition 2(a) may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) upon or following any failure to pay principal in respect of any Bonds when it is due and payable; or

(iii) with the consent of the Issuer,

**provided that**, in the case of the first transfer of part of a holding pursuant to paragraph (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

4. **Amendment to Conditions**

The Global Certificate contains provisions that apply to the Bonds that it represents, some of which modify the effect of the terms and conditions of the Bonds set out in this Prospectus. The following is a summary of certain of those provisions:

4.1 **Payments**

All payments in respect of Bonds represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

4.2 **Meetings**

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each integral currency unit of the currency of the Bonds.

4.3 **Trustee's Powers**

In considering the interests of Bondholders while the Global Certificate is held on behalf of, or registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests as if such accountholders were the holders of the Bonds represented by the Global Certificate.

4.4 **Notices**

So long as any Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to the holders of Bonds may be given by delivery of the relevant notice to that clearing system for communication by it to the relative accountholders. Any such notice shall be deemed to have been given to the holders of the Bonds on the second business day after such notice is delivered to that clearing system.

**5 Electronic Consent and Written Resolution**

While any Global Certificate is registered in the name of any nominee for a clearing system, then:

(a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing System(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Bonds outstanding (an "**Electronic Consent**" as defined in the Trust Deed shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held, and shall be binding on all Bondholders whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the clearing system with entitlements to such Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Bonds is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

# DESCRIPTION OF THE ISSUER AND THE GROUP

## Introduction

Akelius Residential Property AB (publ) is a public limited liability company incorporated under the laws of the Kingdom of Sweden and registered in the Kingdom of Sweden with registration number 556156-0383, having its registered address at Svärdvägen 3A, P.O. Box 104, SE-182 12 Danderyd, Kingdom of Sweden. The Issuer's telephone number is +46 8 566 130 00. The Issuer was formed on 9 August 1971 and registered with the Swedish Companies Registration Office on 29 December 1971. The Issuer is subject to a number of Swedish corporate and financial legislative acts including, but not limited to, the Swedish Companies Act (Sw: *aktiebolagslagen (2005:551)*) and the Swedish Annual Accounts Act (Sw: *årsredovisningslagen (1995:1554)*). The Issuer has been incorporated for an indefinite period of time.

### Share capital, shares and ownership structure of the Issuer

According to its articles of association, the Issuer's share capital shall be no less than SEK 1,080,000,000 and not more than SEK 4,320,000,000 divided into not less than 1,800,000,000 shares and not more than 7,200,000,000 shares. The Issuer's share capital, as at the date of this Prospectus, amounts to SEK 1,740,935,763.60 divided among 2,901,559,606 shares (2,882,724,000 ordinary shares and 18,835,606 preference shares). Each ordinary share entitles the holder to one vote and each preference share entitles the holder to one-tenth of a vote at general meetings. The Issuer's preference shares are listed on the multilateral trading facility Nasdaq First North and are, thus, publicly traded. Nasdaq First North is an alternative marketplace, operated by Nasdaq Stockholm, and is an unregulated market for the purposes of the Directive 2004/39/EC (as amended).

As at the date of this Prospectus, all ordinary shares in the Issuer, accounting for approximately 99.35 per cent. of the total share capital, are held by Akelius Apartments Ltd, Cyprus, reg. no. 84077 and Xange Holding Ltd, Cyprus, reg. no. 313781. Akelius Apartments Ltd holds approximately 89.34 per cent. and Xange Holding Ltd holds approximately 10.01 per cent. of the total share capital of the Issuer. The Issuer, therefore, is controlled by its Cypriot parent company Akelius Apartments Ltd, which is, in turn, controlled by the Akelius Foundation, a humanitarian foundation, registered in the Bahamas, with five council members and the purpose of which is to act under its charter and articles. The foundation is set up to achieve charitable purposes, including assistance of people in need, advancement of education and research, and other philanthropic purposes and its main beneficiary is SOS Children's Villages. As at the date of this Prospectus, the members of the Board of Directors of the Issuer, Roger Akelius (alternate member) and Igor Rogulj, and the managing director of Akelius Spar AB (publ), Fredrik Lindgren, are council members of the Akelius Foundation, which holds all the shares in Akelius Apartments Ltd. None of the council members are beneficiaries of the Akelius Foundation.

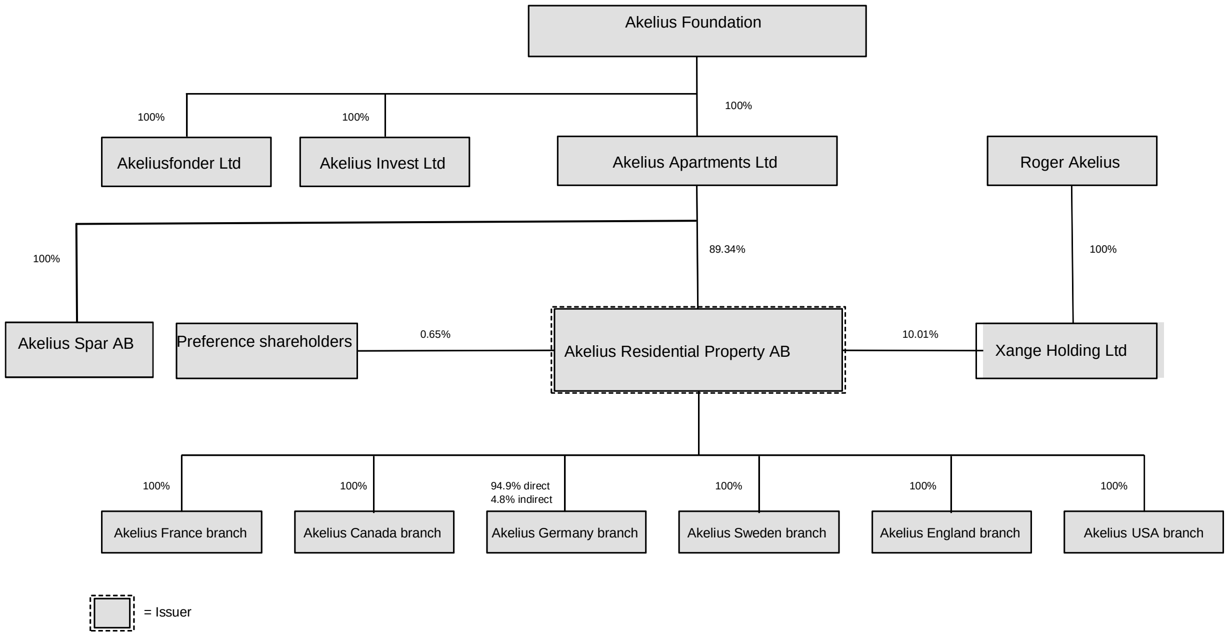
To ensure that the control over the Issuer is not abused, the Issuer complies with the Swedish Companies Act (Sw: *aktiebolagslagen (2005:551)*). In addition, the Issuer acts in accordance with the rules of procedure of its Board of Directors and the instructions for the chief executive officer adopted by the Issuer. As far as the Issuer is aware, there are no shareholder agreements' or other agreements which could result in a change of control of the Issuer.

### Group structure

The Issuer is the holding company of the Group and, through its Board of Directors, its main functions include the overall strategic management of the Group, the determination of the objectives and strategies of the Group, central co-ordination of the activities of the Group companies and central allocation of resources and monitoring of Group activities.

As at 30 June 2015, the Issuer had a total of 418 subsidiaries. The subsidiaries comprise real estate holding companies and management companies in all of the countries in which the Group has its operations or assets. The Issuer does not directly hold properties. Generally, the purpose of each real estate holding company within the Group is to hold one or more properties of the Group in the relevant country.

The following chart sets out the Group's simplified corporate structure and the ownership structure of the Issuer as at the date of this Prospectus.




The table below sets out details regarding the Group's holding companies in each jurisdiction of its operations, including the Issuer's percentage ownership (direct or indirect) in each:

| Branch | Registration number | Date of registration | Date of acquisition | Effective ownership (%) |
|---|---|---|---|---|
| Akelius Lägenheter AB (Stockholm, Kingdom of Sweden) ........ | 556549-6360 | 19 November 1997 | 01 September 2003 | 100 |
| Akelius GmbH (Berlin, Germany)................................. | HRB 101392B | 07 April 2006 | N/A | 99.7 |
| Akelius Real Estate Management Ltd (Toronto, Canada)................................. | 659852 | 03 October 2011 | 31 December 2013 (originally owned by Akelius Canada AB, (subsidiary to Akelius Apartments Ltd)) | 100 |
| Akelius Residential Ltd (United Kingdom, London) .................. | 7954505 | 17 February 2012 | 31 March 2014 (originally owned by Akelius Apartments Ltd) | 100 |
| Akelius France Holding SAS (France, Paris) ...................................... | 804 104 537 | 18 August 2014 | N/A | 100 |
| Akelius US LLC (USA, Delaware) .................................. | N/A | 09 February 2015 | N/A | 100 |

**Business strategy and operations**

The Group operates in the real estate sector and its operations comprise of investing in, developing and managing residential properties across a number of cities in Europe and North America. The Group acquired its first residential properties in Gothenburg, Helsingborg and Trollhättan in the Kingdom of Sweden in 1994. In subsequent years, the Group expanded through reinvestments of profits in existing and new real estate properties in the Kingdom of Sweden. In 2003, the Issuer acquired Mandamus Fastigheter AB, a Swedish listed real estate company and increased its property portfolio to SEK 15,000 million. In 2006, the Group entered the German market acquiring 402 residential units in Berlin followed by properties in Hamburg and other German cities. An affiliated company of the Group first acquired properties in Toronto in 2011. This affiliated company was acquired by the Group in December 2013. An affiliated company of the Group first acquired residential properties in London in 2011 and these properties were acquired by a subsidiary of the Issuer in 2014. The Group entered into the US market through its acquisitions of property in New York in 2015. In 2014, the Group acquired its first properties in Paris.

The Group's business strategy is based on the long-term ownership and management of residential properties that generate a steadily growing cash flow. In this respect, the Group particularly focuses on the total return from the properties over ten years rather than the initial short-term yield. The Group's business strategy is centred around properties located in cities that evidence growing income and population and stable rent growth, and within those cities, the Group targets properties that are in districts and suburbs that are either well established residential areas or that are undergoing regeneration or development. In this respect, the average population growth over the previous ten years in the metropolitan areas where a large proportion of the Group's portfolio is located (namely, Stockholm, Gothenburg, Malmö, Berlin, Hamburg, Munich, London, Paris, Toronto, Montreal and New York) was approximately 12 per cent.[1] By comparison, the average population growth over the previous 10 years in the countries where those cities are based (namely, Kingdom of Sweden, Germany, United Kingdom, France, Canada and the USA) was approximately 6 per cent.[2] The Group also seeks to invest in properties that can benefit from and generate greater returns as a result of an upgrade of such properties by the Group to a "first class" standard (as discussed below in "*Development projects*"). The Group believes that the combination of properties in established locations in metropolitan areas with growing populations minimises the property vacancy risk and provides strong growth in rent and operating surplus. The Group regularly reinvests its profits and applies its profits to the upgrading of the Group's current properties to a "first class" standard and to the acquisition of new properties (as discussed below in "*Acquisition process*").

As at 30 June 2015, the Group had 510 employees and a property portfolio of 50,169 residential units with an aggregate assessed value of SEK 64,840 million. The Kingdom of Sweden is the Group's largest market and, as at 30 June 2015, accounted for approximately 47 per cent. of its property portfolio, while Germany accounted for approximately 35 per cent., the United Kingdom accounted for 7 per cent., Canada accounted for 6 per cent. and the United States and France together accounted for 4 per cent.

**Financial highlights**

The following table sets out certain of the Group's financial highlights for the six-month periods ended 30 June 2015 and 2014 and for the years 2014 and 2013:

| | **2015**[1] | **2014**[2] | **2014**[3] | **2013**[4] |
|---|---|---|---|---|
| | *Jan-Jun* | *Jan-Jun* | *Jan-Dec* | *Jan-Dec* |
| Rental income, SEK millions | 2,095 | 1,707 | 3,602 | 3,025 |
| Operating surplus, SEK millions | 1,055 | 927 | 1,882 | 1,579 |
| Operating profit, SEK millions | 2,921 | 1.751 | 3,226 | 3,008 |
| Profit before tax, SEK millions | 2,640 | 647 | 852 | 2,897 |
| Earnings per share before and after dilution, SEK | 0.69 | 0.20 | 0.15 | 1.21 |

1 The financial highlights for the six-month period ended 30 June 2015 are contained in the 2015 Interim Financial Statements.

2 The financial highlights for the six-month period ended 30 June 2014 are contained in the unaudited interim consolidated financial statements of the Issuer in respect of the six-month period ended 30 June 2014.

3 The financial highlights for the year 2014 are contained in the 2014 Financial Statements.

4 The financial highlights for the year 2013 are contained in the 2013 Financial Statements.

In general terms, the Group's profit is largely generated from rental income and from the increase in value of its property portfolio. The Group's consolidated rental income for the year 2014 was SEK 3,602 million, which represents an increase of SEK 577 million as compared to the year 2013. The rental income for comparable properties for the year 2014, adjusted for changes in exchange rates, increased by 3.4 per cent. as compared to the year 2013. In the first half of 2015, the Group's consolidated rental income was SEK 2,095 million, which represents an increase of SEK 388 million as compared to the first half of 2014. The rental income for comparable properties for the first half of 2015, adjusted for changes

1 *Source: United Nations, Office for National Statistics, Statistics Canada.*

2 *Source: World Bank.*

in exchange rates, increased by 4.5 per cent. compared to the same period in 2014. The Group's net profit before tax for the year 2014 was SEK 852 million, which was down on the figure from 2013 (SEK 2,897 million) principally as a result of the decrease in the fair value of the Group's derivative financial instruments. In the first half of 2015, the Group's net profit before tax was SEK 2,640 million, which was an increase of SEK 1,993 million as compared to the same period in 2014. This increase was principally a result of an increase in the valuation of the Group's investment properties due to a rise in rental income and an increase in the value of the Group's interest rate derivatives.

**Acquisition process**

The Group selectively acquires residential properties through numerous smaller transactions (so called "cherry-picking") rather than making fewer purchases of large portfolios of properties. Acquisitions of properties follow a strict procedure based on established criteria and appropriate commercial, financial, tax, legal and technical diligence. In the acquisition process, the Group aims to exploit its market knowledge and years of experience in the real estate sector and, as a result, acquisitions are predominantly made in city districts or blocks where the Group already owns or has previously owned properties. This assists the Group in making assessments as to the rent, vacancy, price and return levels of the properties. Acquisitions are completed locally by the regional office in the city or area where the property is located. Following an acquisition, each regional office must follow up on the assumptions made during the purchase and it is responsible for any deviations between the initial assumptions and the actual performance. Any necessary financing is also secured prior to the acquisitions being made.

In 2014, the Group acquired properties for a total price SEK 9.7 billion, (including SEK 2.1 billion of intra-Group acquisitions) and this represented an increase of 40.2 per cent. as compared to 2013. In 2014, properties for SEK 3,384 million were acquired in Germany, SEK 2,953 million in the United Kingdom, SEK 2,078 million in the Kingdom of Sweden, SEK 1,092 million in Canada and SEK 172 million in France. The main acquisitions in 2014 were in relation to properties in Malmö, the Kingdom of Sweden for SEK 2.1 billion and Berlin, Germany for SEK 2.9 billion.

During the first half of 2015, the Group acquired properties for a total price of SEK 5.9 billion and this represented an increase of 29 per cent. as compared to the first half of 2014. Properties for SEK 2,182 million were acquired in the USA, SEK 1,324 million were acquired in Germany, SEK 647 million in the United Kingdom, SEK 929 million in the Kingdom of Sweden, SEK 411 million in Canada and SEK 402 million in France. The main acquisitions during the first half of 2015 were in relation to properties in New York for SEK 2,182 million, Stockholm for SEK 883 million, London for SEK 647 million, Paris for SEK 402 million, Toronto for SEK 357 million and Berlin for SEK 1,124 million. Between 30 June 2015 and 28 August 2015, the Group has acquired properties for a total price of SEK 2.6 billion, including 378 apartments in New York which were acquired for SEK 1.0 billion. Sales during the same period amounted to SEK 0.8 billion and consisted mainly of commercial properties in Sweden.

**Description of the Group's property portfolio**

In 2009, the Group's property portfolio was spread across 46 cities. Since then, the Group has disposed of its property holdings in 14 cities and has acquired properties in five new cities (London, Toronto, Montreal, Paris and New York), leaving the Group with a property portfolio spread across 37 cities as at the date of this Prospectus. This shift in focus is a reflection of the Group's strategy to target established metropolitan cities that evidence growing income and population.

The following table provides a breakdown of the Group's property portfolio (including a breakdown for the countries in which the Group operates) as at 30 June 2015.

| | | Kingdom of Sweden | Germany | Canada[1] | UK[2] | France | USA | Total |
|---|---|---|---|---|---|---|---|---|
| Residential units..... | | 24,210 | 20,747 | 3,198 | 1,227 | 263 | 524 | 50,169 |
| Lettable space, thousand sqm ......... | Residential | 1,664 | 1,270 | 182 | 68 | 7 | 32 | 3,223 |
| | Commercial | 295 | 77 | 1 | 8 | 1 | 1 | 383 |
| | Total | 1,959 | 1,347 | 183 | 76 | 8 | 33 | 3,606 |
| Fair value .............. | SEK millions | 30,738 | 22,883 | 3,979 | 4,576 | 529 | 2,135 | 64,840 |
| | SEK/sqm | 15,693 | 16,986 | 21,755 | 60,084 | 67,393 | 65,174 | 17,983 |
| Required yield, % .. | | 4.66 | 4.56 | 4.51 | 4.30 | 4.33 | 4.21 | 4.58 |
| Vacancy rate, residential, % ......... | Total vacancy | 1.7 | 4.7 | 8.4 | 7.3 | 29.1 | 7.1 | 3.7 |
| | Real vacancy | 0.4 | 1.9 | 3.2 | 2,5 | 1.9 | 1.7 | 1.3 |
| Average residential rent ...................... | | SEK 1,172 sqm/year | EUR 7.93 sqm/month | CAD 1.79 sqft/month | GBP 1.86 sqft/ month | EUR 27.44 sqm/month | USD 2.76 sqft/ month | - |
| Rent potential[3], % .............................. | | 16 | 50 | 34 | 33 | - | - | 38 |

1 Parts of the property portfolio in Toronto, Canada, were bought from an affiliated company at the end of 2013. The data in the table above is presented as if the properties had been owned since 2011.

2 Parts of the property portfolio in the United Kingdom were bought from affiliated companies in March 2014. The data in the table above is presented as if the properties had been owned since 2011.

3 Rent potential is the ratio between the new lease level for the period from 1 January 2015 to 1 July 2015 and the average rent level as at 1 January 2015.

The following table provides a breakdown of the Group's property portfolio (including a breakdown for the countries in which the Group operates) as at 31 December 2014.

| | | Kingdom of Sweden | Germany | Canada[1] | UK[2] | France | USA | Total |
|---|---|---|---|---|---|---|---|---|
| Residential units.... | | 24,407 | 19,423 | 2,823 | 1,153 | 90 | - | 47,896 |
| Lettable space, thousand sqm ........ | Residential | 1,686 | 1,192 | 157 | 63 | 3 | - | 3,100 |
| | Commercial | 299 | 72 | 1 | 0 | 0 | - | 372 |
| | Total | 1,985 | 1,264 | 157 | 63 | 3 | - | 3,472 |
| Fair value ............. | SEK millions | 29,571 | 21,171 | 3,432 | 3,395 | 166 | - | 57,736 |
| | SEK/sqm | 14,899 | 16,752 | 21,808 | 53,606 | 60,732 | - | 16,629 |
| Required yield, % . | | 4.78 | 4.72 | 4.55 | 4.36 | 4.11 | - | 4.72 |
| Vacancy rate, residential, % ........ | Total vacancy | - | - | - | - | - | - | 3.2 |
| | Real vacancy | 0.4 | 1.6 | 2.7 | 2.1 | 0.0 | - | 1.0 |
| Average residential rent ...................... | | SEK 1,156 sqm/year | EUR 7.77 sqm/month | CAD 1.83 sqft/month | GBP 1.74 sqft/ month | EUR21.31 sqm/ month | USD - sqft/ month | - |

1 Parts of the property portfolio in Toronto, Canada, were bought from an affiliated company at the end of 2013. The data in the table above is presented as if the properties had been owned since 2011.

2 Parts of the property portfolio in the United Kingdom were bought from affiliated companies in March 2014. The data in the table above is presented as if the properties had been owned since 2011.

The following table provides a breakdown of the Group's property portfolio (including a breakdown for the countries in which the Group operates) as at 31 December 2013.

| | | Kingdom of Sweden | Germany | Canada | UK | France | USA | Total |
|---|---|---|---|---|---|---|---|---|
| Residential units.... | | 23,867 | 15,769 | 1,683 | - | - | - | 41,319 |
| Lettable space, thousand sqm ........ | Residential | 1,640 | 962 | 85 | - | - | - | 2,687 |
| | Commercial | 257 | 48 | 0 | - | - | - | 305 |
| | Total | 1,897 | 1,010 | 85 | - | - | - | 2,992 |
| Fair value ............. | SEK millions | 26,797 | 15,549 | 1,758 | - | - | - | 44,104 |
| | SEK/sqm | 14,115 | 15,398 | 20,710 | - | - | - | 14,736 |
| Required yield, % . | | 4.84 | 4.64 | 4.47 | - | - | - | 4.75 |
| Vacancy rate, residential, % ........ | Total vacancy | - | - | - | - | - | - | 2.6 |
| | Real vacancy | 0.6 | 0.9 | 1.7 | - | - | - | 0.7 |
| Average residential rent ...................... | | SEK 1,114 sqm/year | EUR 7.80 sqm/month | CAD 1.94 sqft/month | GBP - sqft/ month | EUR - sqm/ month | USD - sqft/ month | - |

As at 30 June 2015, the Group owned 50,169 residential units situated in the Kingdom of Sweden, Germany, Canada, the United Kingdom, France and the USA. As at 30 June 2015, 78 per cent. of the property portfolio was located in the Greater Stockholm area, the region of Gothenburg, the region of

Öresund, Berlin, Hamburg, London, Paris, New York, Toronto and Montreal. The remaining part of the Group's property portfolio is located in Swedish regional cities and larger German cities. In March 2015, the Issuer acquired its first US-based properties in New York. As at 30 June 2015, the Group's property portfolio offers 3,223,000 square metres of residential lettable space and 383,000 square metres of commercial lettable space. The commercial lettable space predominantly forms part of the ground floor of primarily residential properties.

The estimated fair value of the Group's property portfolio as at 30 June 2015 was SEK 64,840 million, which represented an increase of SEK 7,104 million as compared to 31 December 2014. During the first half of 2015, the property portfolio had an increase in property value of SEK 1,925 million, mainly as a result of increased rental income and a lower required yield. From 1 January to 30 June 2015 the value of the Group's property investments was SEK 825 million, the value of net acquisitions was SEK 4,902 million and the effect due to changes in currency levels amounted to SEK -548 million.

The estimated fair value of the Group's property portfolio as at 31 December 2014 was SEK 57,736 million, which represented an increase of SEK 13,632 million as compared to 31 December 2013. During 2014, the property portfolio had an increase in property value of SEK 1,412 million, mainly due to increased rental income. In 2014, the value of the Group's property investments was SEK 1,881 million, the value of net acquisitions was SEK 8,594 million and the effect due to changes in currency levels amounted to SEK 1,745 million.

The fair value of the properties is determined by internal valuations by the Group. The properties are valued using the yield method, which means that each property is valued by discounting its estimated future cash flows. The estimated future cash flows are based on existing rental income and estimated operating and maintenance costs adjusted for expected changes in rental and vacancy levels. The property's fair value comprises the sum of the discounted cash flows during the calculation period and the residual value. The valuation is made under IFRS 13, level 3 – see Note 3 "*Risk Management – Value Levels*" of the 2014 Financial Statements for further information. In order to verify the internal valuation, the Group engages local branches of CBRE Group, Inc. ("**CBRE**") to estimate at least one third of the portfolio each year. In 2014, CBRE reviewed 280 properties out of 880 properties owned by the Group which corresponded to 32 per cent. of the number of properties and 60 per cent. of the fair value. CBRE's estimate was SEK 103 million, or 0.30 per cent., higher than the Group's internal valuation.

The Group reviews and analyses the existing property portfolio with the aim of identifying assets which require upgrading, refurbishment or extension, or to dispose of the properties which do not continue to meet the Group's business objectives.

As at 30 June 2015, the total vacancy rate for residential properties of the Group was 3.7 per cent. (as compared to 3.2 per cent. as at 31 December 2014 and 2.6 per cent. as at 31 December 2013), of which 66 per cent. was the result of upgrades and intended sales of residential units. As at 30 June 2015, the real vacancy rate increased to 1.3 per cent. as compared to 1.0 per cent. as at 31 December 2014. The difference between the real vacancy rate and the vacancy rate is that the real vacancy rate does not include residential units that are left vacant as a result of upgrades or sales.

During the first half of 2015, the Group sold properties for a total price of SEK 1.0 billion and the sales price was 5 per cent. above the fair value of the properties as measured at the beginning of the year. In 2014, the Group sold properties for a total price of SEK 1.1 billion and the sales price was 14 per cent. above the fair value of the properties as measured at the beginning of the year. In 2013, the Group sold properties for a total price of SEK 1.8 billion and the sales price was 10 per cent. above the fair value of the properties as measured at the beginning of the year. For the period 2011 to 2014, the Group sold properties for a total price of SEK 7,096 million and the sales price was on average 10 per cent. above the fair value of the properties as measured at the beginning of the year of disposal.

The average annual rental growth for comparable properties of the Group for the period 2011 to 2014 was 5.4 per cent. The operating surplus for comparable properties of the Group increased by 7.1 per cent. in 2014. In 2013, the operating surplus for comparable properties of the Group increased by 6.7 per cent.

A brief description of the property portfolio of the Group in each country in which the Group operates is set out below.

*Kingdom of Sweden*

The table below provides a breakdown of the Group's property portfolio by city in the Kingdom of Sweden as at 30 June 2015, 31 December 2014 and 31 December 2013.

| | 30 June 2015 | | | | 31 December 2014 | | | | 31 December 2013 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Residential lettable space | Real vacancy rate residential | Fair value | Share of total[1] | Residential lettable space | Real vacancy rate residential | Fair value | Share of total[1] | Residential lettable space | Real vacancy rate residential | Fair value | Share of total[1] |
| | *(Sqm, thousands)* | *(%)* | *SEK, million* | *(%)* | *(Sqm, thousands)* | *(%)* | *SEK, million* | *(%)* | *(Sqm, thousands)* | *(%)* | *SEK, million* | *(%)* |
| Greater Stockholm..... | 707 | 0.3 | 12,867 | 20 | 672 | 0.4 | 11,591 | 20 | 675 | 0.3 | 11,080 | 25 |
| Malmö...................... | 260 | 0.0 | 5,732 | 9 | 258 | 0.1 | 5,481 | 9 | 131 | 0.5 | 3,027 | 7 |
| Helsingborg.............. | 160 | 0.9 | 2,737 | 4 | 161 | 0.4 | 2,661 | 5 | 161 | 1.1 | 2,523 | 6 |
| Gothenburg .............. | 72 | 0.0 | 1,403 | 2 | 72 | 0.0 | 1,322 | 2 | 74 | 0.6 | 1,228 | 3 |
| Halmstad.................. | 77 | 0.0 | 1,592 | 2 | 77 | 0.1 | 1,532 | 3 | 81 | 0.5 | 1,544 | 4 |
| Borås........................ | 100 | 1.8 | 1,356 | 2 | 100 | 1.7 | 1,290 | 2 | 104 | 0.4 | 1,289 | 3 |
| Östersund ................. | 66 | 0.2 | 1,058 | 2 | 66 | 0.9 | 1,003 | 2 | 66 | 0.4 | 919 | 2 |
| Other........................ | 221 | 0.4 | 3,993 | 6 | 280 | 0.4 | 4,690 | 8 | 348 | 1.2 | 5,173 | 12 |
| **Total**........................ | **1,664** | **0.4** | **30,738** | **47** | **1,686** | **0.4** | 29,571 | **51** | **1,640** | **0.9** | **26,784** | **61** |

[1] Note: Share of total represents the share of the fair value of the Group's total portfolio

In the Kingdom of Sweden, as at 30 June 2015, the Group had a portfolio of 24,210 residential units with residential lettable space of 1,664,000 square metres (as compared to 24,407 residential units and 1,686,000 square metres of residential space as at 31 December 2014). Most of the Group's properties are located in fast-growing cities in Greater Stockholm, Greater Gothenburg and the Öresund Region. In the Kingdom of Sweden, the rental levels of residential properties have generally increased steadily over the last 10 years, evidencing a growth of approximately 27 per cent. during the period 2004-2014.[3] During the same period, the rental levels of offices in Stockholm generally increased by approximately 25 per cent.[4] In 2014, the Group's properties in the Kingdom of Sweden were managed by approximately 200 employees in twelve local offices and the average annual rental growth for comparative properties of the Group for the period 2011 to 2014 was 4.9 per cent. As at 30 June 2015, the average residential rent for the properties was SEK 1,172 per square metre per year, which represented an increase as compared to 31 December 2014 (SEK 1,156 per square metre per year) and 31 December 2013 (SEK 1,114 per square metre per year). Slightly more than half of this growth is attributable to increased levels of rent, due to the upgrading of the residential units, while the rest was the result of the annual rent negotiations with the Swedish Union of Tenants. The fair value of the properties amounted to SEK 30,738 million as at 30 June 2015, which represented an increase as compared to 31 December 2014 (SEK 29,571 million) and 31 December 2013 (SEK 26,784 million).

*Germany*

The table below provides a breakdown of the Group's property portfolio by city in Germany as at 30 June 2015, 31 December 2014 and 31 December 2013.

| | 30 June 2015 | | | | 31 December 2014 | | | | 31 December 2013 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Residential lettable space | Real vacancy rate residential | Fair value | Share of total[1] | Residential lettable space | Real vacancy rate residential | Fair value | Share of total[1] | Residential lettable space | Real vacancy rate residential | Fair value | Share of total[1] |
| | *(Sqm, thousands)* | *(%)* | *SEK, million* | *(%)* | *(Sqm, thousands)* | *(%)* | *SEK, million* | *(%)* | *(Sqm, thousands)* | *(%)* | *SEK, million* | *(%)* |
| Berlin ............................ | 758 | 1.4 | 11,894 | 18 | 690 | 1.1 | 10,603 | 18 | 486 | 0.9 | 6,729 | 15 |
| Hamburg ....................... | 231 | 3.6 | 5,286 | 8 | 228 | 3.0 | 5,118 | 9 | 211 | 0.9 | 4,235 | 10 |
| Munich.......................... | 40 | 1.6 | 1,126 | 2 | 40 | 0.4 | 1,104 | 2 | 38 | 0.8 | 875 | 2 |
| Cologne......................... | 45 | 0.9 | 875 | 1 | 44 | 0.8 | 842 | 1 | 42 | 1.0 | 712 | 2 |
| Frankfurt ....................... | 37 | 1.0 | 995 | 2 | 34 | 1.1 | 920 | 2 | 31 | 0.6 | 757 | 2 |
| Düsseldorf..................... | 37 | 1.6 | 717 | 1 | 34 | 1.6 | 637 | 1 | 32 | 0.4 | 530 | 1 |
| Other................. | 123 | 2.5 | 1,989 | 3 | 123 | 2.2 | 1,949 | 3 | 121 | 0.8 | 1,712 | 4 |
| **Total**................. | **1,270** | **1.9** | **22,883** | **35** | **1,192** | **1.6** | 21,171 | **37** | **962** | **0.9** | **15,549** | **35** |

[1] Note: Share of total represents the share of the fair value of the Group's total portfolio

In Germany, as at 30 June 2015 the Group had a portfolio of 20,747 residential units with residential lettable space of 1,270,000 square metres (as compared to 19,423 residential units and 1,192,000 square

[3] *Source: Boverket, Statistics Sweden*

[4] *Source: DTZ Sweden AB*

metres of residential space as at 31 December 2014). In 2014, most of the Group's properties were located near city centres and 88 per cent. of the residential units were located in some of the largest cities in Germany: Berlin, Hamburg, Munich, Cologne and Frankfurt. In 2014, the properties were managed by approximately 120 employees in five local offices and the Group conducted 46 transactions involving a total of 108 properties and 3,600 residential units, of which 84 per cent. were located in Berlin. In Germany, the new lease levels for residential units generally increased steadily over the last 10 years, evidencing a growth of approximately 28 per cent. during the period 2004-2014. During the same period, the new lease levels for commercial properties generally increased by approximately 12 per cent.[5] The average annual rental growth for comparable properties of the Group in Germany for the period 2011 to 2014 was 5.9 per cent.

In the first two quarters of 2015, the Group purchased properties in Germany for SEK 1,324 million at an average property price per square metre of SEK 15,546. As at 30 June 2015, the average residential rent for the Group's properties in Germany was EUR 7.93 per square metre per month, which represented an increase as compared to 31 December 2014 (EUR 7.77 per square metre per month) and 31 December 2013 (EUR 7.71 per square metre per month). The fair value of the properties amounted to SEK 22,883 million as at 30 June 2015, which represented an increase as compared to 31 December 2014 (SEK 21,171 million) and 31 December 2013 (SEK 15,549 million).

*Canada*

The table below provides a breakdown of the Group's property portfolio by city in Canada as at 30 June 2015, 31 December 2014 and 31 December 2013.

| | 30 June 2015 | | | | 31 December 2014 | | | | 31 December 2013 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Residential lettable space** | **Real vacancy rate residential** | **Fair value** | **Share of total[1]** | **Residential lettable space** | **Real vacancy rate residential** | **Fair value** | **Share of total[1]** | **Residential lettable space** | **Real vacancy rate residential** | **Fair value** | **Share of total[1]** |
| | *(Sqm, thousands)* | *(%)* | *SEK, million* | *(%)* | *(Sqm, thousands)* | *(%)* | *SEK, million* | *(%)* | *(Sqm, thousands)* | *(%)* | *SEK, million* | *(%)* |
| Toronto............ | 143 | 3.3 | 3,400 | 5 | 125 | 3.1 | 2,910 | 5 | 85 | 1.7 | 1,758 | 4 |
| Montreal ........... | 39 | 2.7 | 579 | 1 | 32 | 0.4 | 522 | 1 | 0 | 0 | 0 | 0 |
| **Total** ................ | **182** | **3.2** | **3,979** | **6** | **157** | **2.7** | 3,432 | **6** | **85** | **1.7** | **1,758** | **4** |

[1] Note: Share of total represents the share of the fair value of the Group's total portfolio

In 2014, the Group increased its portfolio to 2,823 residential units in Canada by the purchase of 680 residential units in Toronto and entered the residential property market in Montreal by purchasing 460 residential units. In Canada, as at 30 June 2015 the Group had a portfolio of 3,198 residential units with residential lettable space of 182,000 square metres (as compared to 2,823 residential units and 157,000 square metres of residential lettable space as at 31 December 2014). In 2014, the Group had a total of 90 employees in Toronto and Montreal. In Toronto, the residential rent level generally increased steadily over the last 10 years, evidencing a growth of approximately 20 per cent. during the period 2004-2014.[6] During the same period, the rental levels of offices in Canada generally increased by approximately 17 per cent.[7] The average annual rental growth for comparable properties of the Group in Canada for the period 2012-2014 was 8.5 per cent. In the first two quarters of 2015, the Group purchased properties in Canada for a total price of SEK 411 million.

As at 30 June 2015, the average residential rent for the Group's properties in Canada was CAD 1.79 per square foot per month, which represented a decrease as compared to 31 December 2014 (CAD 1,83 per square foot per month) and as compared to 31 December 2013 (CAD 1.94 per square foot per month). This decrease was principally a result of purchases by the Group of properties with lower rent levels and remeasurements leading to higher total area but resulting in lower CAD per square foot for the average rent. The fair value of the properties amounted to SEK 3,979 million as at 30 June 2015, which represented an increase as compared to 31 December 2014 (SEK 3,432 million) and 31 December 2013 (SEK 1,758 million).

[5] *Source: Bulwiengesa AG*

[6] *Source: Canada Mortgage and Housing Corporation*

[7] *Source: CBRE Ltd*

*United Kingdom*

The table below provides a breakdown of the Group's property portfolio by city in the United Kingdom as at 30 June 2015, 31 December 2014 and 31 December 2013.

| | 30 June 2015 | | | | 31 December 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Residential lettable space** | **Real vacancy rate residential** | **Fair value** | **Share of total[1]** | **Residential lettable space** | **Real vacancy rate residential** | **Fair value** | **Share of total[1]** |
| | *(Sqm, thousands)* | *(%)* | *SEK, million* | *(%)* | *(Sqm, thousands)* | *(%)* | *SEK, million* | *(%)* |
| Greater London .......... | 52 | 2.6 | 4,177 | 6 | 48 | 2.5 | 3,063 | 5 |
| Other ..................... | 16 | 2.2 | 400 | 1 | 16 | 0.7 | 332 | 1 |
| **Total** ..................... | **68** | **2.5** | **4,576** | **7** | **63** | **2.1** | 3,395 | **6** |

[1] Note: Share of total represents the share of the fair value of the Group's total portfolio

In March 2014, a subsidiary of the Issuer purchased 900 residential units in England from an affiliated Company of the Group and an additional 300 residential units, all of which are located in the central parts of London. In the United Kingdom, as at 30 June 2015, the Group had a portfolio of 1,227 residential units with residential lettable space of 68,000 square metres (as compared to 1,153 residential units and 63,000 square metres of residential lettable space as at 31 December 2014). In 2014, 20 people were employed in London.

In England, the residential rent level generally increased over the last 10 years, evidencing a growth of approximately 30 per cent. during the period 2004-2014. During the same period, the rental levels of offices generally increased by approximately 20 per cent.[8] As at 30 June 2015, the average residential rent for the Group's properties in England was GBP 1.86 per square foot per month, which represented an increase as compared to 31 December 2014 (GBP 1.74 per square foot per month) and 31 December 2013 (GBP 1.55 per square foot per month). The fair value of the properties amounted to SEK 4,576 million as at 30 June 2015, which represented an increase as compared to 31 December 2014 (SEK 3,395 million) and 31 December 2013 (SEK 1,792 million). The average annual rental growth for comparable properties of the Group for the period 2012-2014 was 8.4 per cent.

In the first two quarters of 2015, the Group purchased properties in the United Kingdom for SEK 647 million at an average property price per square metre of SEK 48,311.

*France*

The table below provides a breakdown of the Group's property portfolio in France as at 31 December 2014 and 30 June 2015.

| | 30 June 2015 | | | | 31 December 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Residential lettable space** | **Real vacancy rate residential** | **Fair value** | **Share of total[1]** | **Residential lettable space** | **Real vacancy rate residential** | **Fair value** | **Share of total[1]** |
| | *(Sqm, thousands)* | *(%)* | *SEK, million* | *(%)* | *(Sqm, thousands)* | *(%)* | *SEK, million* | *(%)* |
| Paris ................................ | 7 | 1.9 | 529 | 1 | 3 | 0.0 | 166 | 0 |
| **Total** ...................................... | 7 | 1.9 | 529 | 1 | **3** | **0.0** | **166** | **0** |

[1] Note: Share of total represents the share of the fair value of the Group's total portfolio

The Group first acquired a selection of 40 residential units in September 2014 located in the 18th district in Paris. In December 2014, the Group bought its second Parisian property comprising 50 residential units and in the first two quarters of 2015, it purchased additional 170 residential units in Paris. In France, as at 30 June 2015, the Group had a portfolio of 263 residential units with residential lettable space of 7,000 square metres (as compared to 90 residential units and 3,000 square metres of residential lettable space as at 31 December 2014).

[8] *Source: MSCI Inc.(IPD)*

In the first two quarters of 2015, the Group purchased properties in France for SEK 402 million at an average property price per square metre of SEK 78,227. As at 30 June 2015, the average residential rent was EUR 27.44 per square metre per month, which represented an increase as compared to 31 December 2014 (EUR 21.31 per square metre per month). The fair value of the properties amounted to SEK 529 million as at 30 June 2015, which represented an increase as compared to 31 December 2014 (SEK 166 million).

*United States of America*

The table below provides a breakdown of the Group's property portfolio in the United States of America as at 30 June 2015.

| | **30 June 2015** | | | |
|---|---|---|---|---|
| | **Residential lettable space** | **Real vacancy rate residential** | **Fair value** | **Share of total[1]** |
| | *(Sqm, thousands)* | *(%)* | *SEK, million* | *(%)* |
| New York | 32 | 1.7 | 2,135 | 3 |
| **Total** | **32** | **1.7** | **2,135** | **3** |

[1] Note: Share of total represents the share of the fair value of the Group's total portfolio

In the USA, as at 30 June 2015, the Group had a portfolio of 524 residential units with residential lettable space of 32,000 square metres. The portfolio was acquired in the first two quarters of 2015 for SEK 2,182 million at an average property price per square metre of SEK 66,603. The properties are situated in Manhattan and Brooklyn.

## Rental regulations

The ability of the Group to increase the rent payable by tenants of its properties is regulated differently in the jurisdictions in which the Group operates. In some countries (such as the United Kingdom), the Group is, in the majority of cases, able to increase rent freely in accordance with market practice, whereas in others (such as the Kingdom of Sweden) the ability to increase rent is subject to restrictions. In the regulated markets, the rent level normally fluctuates less and the rental income is more predictable. A brief description of the rental regulations in each country in which the Group operates is set out below.

*Kingdom of Sweden*

Rents in the Kingdom of Sweden are negotiated between the landlord and the Swedish Union of Tenants in accordance with the system of "utility value" (*Sw. Bruksvärdessystemet*). This system implies that rent levels should be proportionate to the quality and standard of the property in question and can only be increased to a level that is in line with the rent that is charged on other comparable residential units (in other words, rents can normally only be subject to more significant above-inflation increases when the residential units have been upgraded). This rental regulation has resulted in low rent levels in the Kingdom of Sweden, which in turn leads to fewer new rental residential units and a housing shortage in growing cities such as Stockholm, Gothenburg and Malmö. In the Kingdom of Sweden, rental regulation has also resulted in lower risks for property owners in relation to vacancy rates and rental income.

*Germany*

In Germany, the parties to a new rental agreement are in general freely able to agree on the rent. However, in cities with a shortage of housing (Ge: *angespannte Wohnungsmärkte*), the rent may be restricted to the locally prevailing market rents (Ge: *ortsübliche Vergleichsmiete*) plus 10 per cent. This restriction does not apply to upgraded residential units (Ge: *umfassende Modernisierung*). Increases in the rent of current tenants are made via a comparison to the locally prevailing rents set forth in rent indices ("rent mirror" or *Mietspiegel*). The rent mirror is calculated by local authorities to reflect the standard and location of the properties. Increases in rent by comparison to the rent mirror are capped at 15 per cent. for every three-year period. Following any upgrades to the residential units, landlords are allowed to increase the rent of an existing tenant by a total of 11 per cent. of the modernisation cost incurred.

*Canada*

In Toronto, the parties to a new rental agreement are freely able to agree on the rent but increases for current tenants are controlled by the local authorities. The rent increase normally follows the level of inflation. As a result of upgrading to residential units, landlords are allowed to increase the rent of an existing rent contract by up to 9 per cent. over a period of three years.

In Montreal, the parties to a new rental agreement are freely able to agree on the rent but the new tenants are entitled to a court assessment of the rent. Landlords are allowed to increase the rent of an existing tenant when the landlord's costs increase and costs incurred for upgrades can to some extent be passed on to the tenants.

*United Kingdom*

In the United Kingdom, rental regulations are in place only for tenancies that were granted prior to 1988. Such tenancies comprise three per cent. of the Group's portfolio as at 30 June 2015. The most common residential lease contract in England is an assured shorthold tenancy with an average duration of 12 months. Parties to such contract are freely able to renew the contract at market rent after expiry. Because of the high fluctuation and short duration of the lease contracts, the rent levels are usually close to market rents. By upgrading the residential units and the common areas, landlords are able to increase rents above the market rent.

*France*

In France, new leases can be set with a free rent level only if one of the following conditions is fulfilled: (i) first letting of the residential unit, (ii) the residential unit has been vacant for the past eighteen months, (iii) the residential unit has been renovated within the last six months with a total cost of works that exceeds the previous annual rent. Current leases can be renegotiated after six years of tenancy only if the rent level is significantly below the market rent. In that case, the landlord can increase the rent based on the two of the following methods: (i) fifty per cent. of the difference between the locally prevailing rents observed in the neighbourhood (Fr: *Loyer de reference*) and the current rent at the renewal date, or (ii) fifteen per cent. of the improvement works (including value added tax) performed in the common or private areas during the lease period and if the total costs of those works exceed the previous annual rent. During the first six years of tenancy following the acquisition date for existing contracts, the annual rental increase cannot exceed the variation of the IRL cost of living index (Fr: *L'Indice de Référence de Loyers*).

*USA*

In the USA, the rental regulations vary significantly from city to city. In New York, rent systems comprise three types. Controlled rent exists when the landlord is generally not entitled to any significant increase of the rent level for existing tenants but can increase the rent when there is a change of tenant and the new tenant is not a lawful successor. The landlord can apply to a current tenant for an increased rent, but the tenant has the opportunity to challenge this request. Stabilised rent exists when the landlord can increase the rent annually according to a guideline which is approximately in line with the consumer price index. When there is a change in the tenant, the rent can be increased by at least 18.25 per cent. and the rent can further be increased by an additional sum not exceeding 20 per cent. of any improvement costs incurred. Free market rent exists when the rent is fixed according to the contract and upon renewal, the lease can be set freely at market rent.

**Property management**

The Group's property management teams at a local level are dedicated to the management of properties in a given country. The Group's property management is organised into six units, one for each country in which the Group owns properties. The Group manages each of the six units separately and dedicates a country manager to each unit. Each country manager is responsible for managing tenants, lettings, services, upgrades, projects, purchases and sales, property valuations, and monitoring compliance with regulatory and accounting requirements, including tax and value added tax returns. The country managers provide insight into the local requirements and market dynamics and aim to ensure profitability in their respective countries. The Group has dedicated administration teams responsible for the Group's overall activities which supports the units in their local operations.

### Development projects

The Group also seeks to enhance the value of its properties by carrying out projects that are designed to develop and upgrade its residential units and real estate properties. The Group's overarching project in this respect is the upgrading of its properties (in particular the apartments, stairwells, entrances and gardens within those properties) to a "first class" standard, in accordance with the Group's "Better Living" concept. The "Better Living" concept is oriented towards upgrading the Group's vacant rental residential units to the standard of newly-built condominiums. The costs associated with these upgrades are, to a certain extent, recovered through increases to the rent payable for such properties. By upgrading only its vacant residential units, the Group ensures that its current tenants are not obliged to accept a higher standard and, respectively, higher rents. In 2011-2014, the Group upgraded 14,000 residential units for a total investment of SEK 3.5 billion. In 2014, the Group upgraded 4,000 residential units for a total investment of SEK 1 billion and upgraded the communal areas of some of its properties for a total investment of SEK 0.8 billion. The Group also invests significantly in development projects that seek to maximise the energy efficiency of its properties and in projects that convert commercial premises into residential units.

The Group commits to centralised and standardised purchasing of construction materials (so called "StreamLine Production"). This ensures consistency in terms of quality and provides opportunities for volume discounts. In 2014, the Group introduced a fully-developed support system which manages the logistics and the administration of its development projects. This system simplifies, among other things, the logistics and cost control processes associated with the projects. The Group continuously focuses on effective internal coordination in order to reduce both the time and the cost of its development projects.

### Finance

The following table sets out the key figures in relation to the Group's consolidated equity and interest-bearing liabilities as at 30 June 2015, 31 December 2014 and 31 December 2013:

| | 30 June 2015 | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| **Equity** | | | |
| Equity, SEK million | 26,087 | 22,583 | 15,169 |
| Equity to assets ratio, per cent | 40 | 38 | 33 |
| **Interest-bearing liabilities** | | | |
| Loan-to-value, secured loans, per cent. | 44 | 47 | 49 |
| Loan-to-value, total loans, per cent. | 51 | 52 | 56 |
| | | | |
| Interest coverage ratio, total loans | 1.6 | 1.5 | 1.2 |
| Interest rate hedge total loans, year | 3.9 | 4.2 | 5.0 |
| Capital tied up total loans, year | 5.0 | 4.5 | 4.6 |

The current financial policy of the Group was published by the Group's management in June 2015. Pursuant to this policy, the Group is aiming to achieve the following targets by the end of 2016: (a) a loan-to-value ratio of 50 per cent.; (b) an interest cover ratio that exceeds 1.8; (c) a liquidity reserve that amounts to SEK 3,000 million.

The Group's investments, operations and development projects are financed by a variety of sources. In terms of equity contributions, during 2014, the Group increased its consolidated equity, which amounted to SEK 22,583 million as at 31 December 2014 (as compared to SEK 15,169 million as at 31 December 2013). The Group's equity to assets ratio was 38 per cent. as at 31 December 2014, as compared to 33 per cent. as at 31 December 2013. As at 30 June 2015, the Group's consolidated equity amounted to SEK 26,087 million, with the equity to assets ratio increasing to 40 per cent. In 2014, Akelius GmbH (a subsidiary of the Issuer) issued a hybrid bond in an aggregate principal amount of EUR 150 million, which was fully subscribed for by the Issuer's main shareholder, Akelius Apartments Ltd. This hybrid bond is classified as equity in the Group's consolidated financial statements. In April 2015, the Issuer raised SEK 2,000 million (gross proceeds) through the issue of 6 million new preference shares. The total voting power in the Issuer for the owners of preference shares increased from 0.04 per cent. to 0.07 per cent. of the total votes as a result.

The Group has developed relationships with a number of credit institutions in the respective markets in which it operates. As at 30 June 2015, the Group had entered into financing arrangements with 34 banks across the Kingdom of Sweden, Germany, the United Kingdom , Canada and the USA. The Group uses its long-term debt to reduce refinancing and interest rate risk. The Issuer does not usually distribute dividends to its ordinary shareholders and regularly reinvests the Group's profits, thus effectively increasing the size of the Group's property portfolio without increasing the loan-to-value ratio. There are no mandatory rules on the Issuer distributing dividends to its preference shareholders and the Issuer does not maintain a prescriptive strategy in this respect. During the first half of 2015, the Issuer distributed dividends on its preference shares in an aggregate amount of SEK 158 million. The Group's secured loans amounted to SEK 29,082 million as at 30 June 2015, an increase of SEK 1,416 million as compared to 31 December 2014. During the first half of 2015, the Group's total borrowings increased by SEK 3,185 million to a total of SEK 33,521 million. During the same period, the Group's total loan-to-value ratio decreased from 52 per cent. to 51 per cent. This follows on from decreases of the loan-to-value ratio from 56 per cent. to 52 per cent. during 2014, which is a reflection of the Group's strategy to maintain a strong financial position.

The Group's secured loan-to-value ratio was 44 per cent. as at 30 June 2015, as compared to 47 per cent. as at 31 December 2014. This is in line with the Group's ambition to lower the overall share of its secured lending. The Group's total loans were on average tied up for 5.0 years as at 30 June 2015, as compared to 4.5 years as at 31 December 2014 and 4.6 years as at 31 December 2013. As at 30 June 2015, the total loans of the Group carried an average interest rate of 3.56 per cent. which represented a decrease as compared to 31 December 2014 (3.94 per cent.) and 31 December 2013 (4.75 per cent.). The average interest rate hedge for total loans was 3.9 years as at 30 June 2015, as compared to 4.2 years as at 31 December 2014 and 5.0 as at 31 December 2013.

The Group's interest coverage ratio for total loans was 1.6 as at 30 June 2015, as compared to 1.5 as at 31 December 2014 and 1.2 as at 31 December 2013. These increases were principally as a result of decreases in the interest rates combined with increases in the Group's operating surplus. As at 30 June 2015, available funds in the form of cash and secured but unutilised credit facilities totalled SEK 3,130 million, as compared to SEK 1,765 million as at 31 December 2014 and SEK 1,597 million as at 31 December 2013. This increase was principally as a result of new issues of preference shares, senior unsecured bonds and an increase in bank credit facilities.

As at the date of this Prospectus, the Issuer has issued two unsecured bonds that remain outstanding, one of SEK 1,350 million (maturing in March 2018) and one of SEK 1,400 million (maturing in March 2019). The bonds are listed on the regulated market of the NASDAQ OMX Stockholm AB.

### Credit rating

The long-term obligations of the Issuer are rated BBB- by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"). Standard & Poor's is established in the European Union and registered under Regulation (EC) No 1060/2009, as amended.

### Board of Directors, senior management and auditors

The business address for all members of the Board of Directors (the "**Board**") and the senior management of the Issuer is: Akelius Residential Property AB, Svärdvägen 3A, P.O. Box 104, SE-182 12 Danderyd, Kingdom of Sweden. The Board currently consists of 6 members. The Board has also established an investment committee and a financial committee. The role of the investment committee is to approve property transactions not exceeding SEK 200 million and the role of the financial committee is to approve financial decisions not exceeding SEK 1,000 million. The Board has also recently appointed an internal auditor, who has a broad role in overseeing and auditing the Group's work streams, its development projects, IT, information security, accounting procedures and accounting systems. Information on the members of the Board and the senior management, including significant assignments outside the Issuer which are relevant for the Issuer, is set out below.

**Board of Directors**

*Leif Norburg, chairman of the Board*

Leif Norburg is currently chairman of the Board of Directors of Akelius Apartments Ltd, Styrelseordförande, Bodafors Trä AB, Bodafors Skogar AB, Vikaren 2 i Jönköping AB, Kungsporten Utveckling AB, Kungsporten Trygghetsboende AB, Påverka i Sverige AB and Stiftelsen Nyström & Norburg i Gnosjö. Leif Norburg is a member of the Board of Directors, owner and managing director of Lunor Konsult AB and deputy member of the Board of Directors of Bostadsrättsföreningen Kungsängen i Jönköping, Peter & Peter Affärsutveckling AB, Arbetshälsa i Sverige AB and Peter Norburg Förvaltning AB . Further, Leif Norburg is a member of the Board of Directors of the dormant company Bodafors Impregnering AB.

*Pål Ahlsén, member of the Board*

Pål Ahlsén is chief executive officer of the Issuer.

*Anders Janson, member of the Board*

Anders Janson is currently a protector of Akelius Foundation, a member of the Swedish Bar Association, a chairman of the Board of Directors of Netnod Internet Exchange I Sverige AB and a member of the Board of Directors of Eurid Services AB, Internetkompetens i Sverige AB, Eelstone Bostads AB, Oikos Air AB, Oikos Förvaltnings AB, Källastrand Bostads Aktiebolag, Kalkudden Förvaltnings Aktiebolag, Maltrealm Ltd and Akelius Apartments Ltd. Anders Janson was formerly chief executive officer of Foyen Lawfirm.

*Igor Rogulj*, *member of the Board*

Igor Rogulj is currently a council member of Akelius Foundation, member of the Board of Directors of Akelius Apartments Ltd and partner in Vukovic+Rogulj Gesellschaft von Architekten mbH.

*Staffan Jufors, member of the Board*

Staffan Jufors is currently a member of the Board of Directors of Haldex Aktiebolag,ÅF AB and the foundation Nordens Ark. Staffan was formerly the chief executive officer of Volvo Lastvagnar AB.

*Michael Brusberg, member of the Board*

Michael Brusberg is currently a member of the Board of Directors of Dunross & Co Aktiebolag and Capistro AB. Michael Brusberg was formerly the chief executive officer of Jeppesen Systems AB.

*Roger Akelius, deputy member of the Board*

Roger Akelius is the founder of Akelius Residential Property AB (publ) and is currently a council member of Akelius Foundation and a member of the Board of Directors of Akelius Apartments Ltd and Akelius Invest Ltd.

**Senior management**

*Pål Ahlsén, managing director and president of the Group*

Pål Ahlsén is chief executive officer of the Issuer.

*Leiv Synnes, chief financial officer*

Leiv Synnes is currently a member and/or chairman of the Board of the Directors of the majority of the subsidiaries of the Issuer, a member of the Board of Directors of Akelius Property Ltd, Akelius Property Two Ltd, Akelius Property Three Ltd and Akelius Property Four Ltd and a member of the Board of Directors and chairman of Galleri Kartina AB.

*Michael Brusberg, senior vice president*

Michael Brusberg is currently a member of the Board of Directors of Dunross & Co Aktiebolag and Capistro AB. Michael Brusberg was formerly the chief executive officer of Jeppesen Systems AB and Boeing Sweden.

*Pär Hakeman, head of operations Germany*

Pär Hakeman is currently a member of the Board of Directors of Akelius GmbH and all its German subsidiaries.

*Fredrik Lindgren, head of the Group's Staff Development*

Fredrik Lindgren is council member of Akelius Foundation and a member of the Board of Directors and managing director of Akelius Spar AB (publ).

*Lars Lindfors, head of operations the Kingdom of Sweden*

Lars Lindfors is a member of the Board of Directors in all Swedish Akelius-companies and in Galleri Kartina AB.

*Hans-Peter Hesse, head of operations the United Kingdom*

Hans-Peter Hesse is currently a member of the Board of Directors of Akelius Residential Ltd and all its English subsidiaries.

*Jordan Milewicz, head of operations USA*

Jordan Milewicz is currently a member of the Board of Directors of Akelius US LLC and all subsidiaries in USA. Jordan is also a member of the Board of Directors of Akelius Real Estate Management Ltd and all its Canadian subsidiaries.

*Shelly Lee, head of operations Canada*

Shelly Lee is currently a member of the Board of Directors of Akelius Real Estate Management Ltd and all its Canadian subsidiaries.

*Matthias Naterski, head of operations France*

Matthias is currently a member of the Board of Directors of Akelius France Holding SAS and all its French subsidiaries.

*Christoph Oberhof, head of the Group's Construction*

Christoph Oberhof does not hold any significant assignments outside of the Issuer which are relevant for the Issuer.

*Andreas Wallén, head of the Group's IT and Administration*

Andreas Wallén does not hold any significant assignments outside of the Issuer which are relevant for the Issuer.

*Robin Norström, head of the Group's Business Development*

Robin Norström is a director of Bostadsrättsföreningen Höken 10-22 and Stiftelsen Stockholms Studentbostäder.

*Ulf Robertsson, head of the Group's Customer Department*

Ulf Robertsson does not hold any significant assignments outside of the Issuer which are relevant for the Issuer.

*Tanya Fine, head of the Group's Property Department*

Tanya Fine does not hold any significant assignments outside of the Issuer which are relevant for the Issuer.

**Conflicts of interests**

To the Issuer's knowledge, there are no potential conflicts of interest between any duties owed to the Issuer by the members of the Board or the senior management of the Issuer and their private interests and/or other duties.

Although the Issuer is not currently aware of any potential conflicts of interest, it cannot be excluded that conflicts of interest may come to arise between companies in which members of the Board and members of the senior management have duties, as described above, and the Issuer.

**Auditors**

The Issuer's auditor, Öhrlings PricewaterhouseCoopers AB, was appointed at the annual general meeting held on 14 April 2015. The current auditor-in-charge is Stina Carlson who was appointed in August 2015 and replaced the previous auditor-in-charge Mats Nilsson. Stina Carlson and Mats Nilsson are members of the institute for the accountancy profession in the Kingdom of Sweden - FAR *(*Sw: *Föreningen Auktoriserade Revisorer*). The business address for Stina Carlson is Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, SE-113 97 Stockholm, Kingdom of Sweden.

Unless otherwise explicitly stated, no information contained in this Prospectus has been audited or reviewed by the Issuer's auditors.

**Financial interests**

Roger Akelius has, through his 100 per cent. shareholding in Xange Holding Ltd (which owns approximately 10 per cent. of the shares in the Issuer, as described above) a financial interest in the Issuer. In addition, several members of the Board and the senior management of the Issuer have a financial interest in the Issuer through their holdings of preference shares in the Issuer.

## USE OF PROCEEDS

The net proceeds from the issuance of the Bonds will be used for the general corporate purposes of the Group (including investments, acquisitions and development projects) and for the repayment of some of the Group's existing secured indebtedness.

## TAXATION

Prospective investors should consult their professional advisers on the tax consequences of buying, holding or selling any Bonds in light of their own particular circumstances, including the effect of the laws of their country of citizenship, residence or domicile. The discussion that follows for the Kingdom of Sweden is based upon the applicable laws and interpretations thereof as of the date hereof, all of which laws and interpretations are subject to change or differing interpretations, which changes or differing interpretations could apply retroactively.

### Certain Swedish Tax Considerations

The following summary of certain tax considerations that may arise as a result of holding listed[9] Bonds is based on current Swedish tax legislation and is intended only as general information for Bondholders who are resident in the Kingdom of Sweden for tax purposes, unless otherwise indicated. This description does not deal comprehensively with all tax consequences that may occur for Bondholders. For instance, it does not cover the specific rules where Bonds are held by a partnership, as current assets in a business operation, via a capital insurance (*Sw: kapitalförsäkring*) or investment deposit account (*Sw:investeringssparkonto*) or held as hedge for foreign currency exposure. Special tax consequences that are not described below may also apply for certain categories of taxpayers, including investment companies, investment funds and insurance companies. Prospective purchasers of the Bonds should consult their own tax advisers for information with respect to the special tax consequences that may arise as a result of holding Bonds, including the applicability and effect of foreign income tax rules, provisions in double taxation treaties and other rules which may be applicable.

*Taxation of Individuals Resident in the Kingdom of Sweden*

*Capital Gains and Losses*

Individuals who sell their Bonds are subject to capital gain taxation with a tax rate of 30 per cent. The capital gain or loss is calculated as the difference between the sales (or redemption) proceeds, after deduction of sales costs, and the Bonds' acquisition cost for tax purposes. The acquisition cost is determined according to the "average method". This means that the costs of acquiring all Bonds of the same type and class as the sold Bonds are added together and the average acquisition cost is calculated collectively, with respect to changes of the holding.

Gains or losses on currency exchange rate fluctuations may arise in relation to Bonds where the sales proceeds received are in a foreign currency. However, no special calculations are required if the sales proceeds are exchanged into SEK within 30 days from the time of disposal. In such case, the exchange rate on the date of exchange shall be used when calculating the value of the sales proceeds. The exchange rate on the date of acquisition is generally used when determining the acquisition cost for tax purposes.

Capital losses on listed Swedish receivables are fully deductible in the income category capital. According to Swedish case law, full deductibility also applies for capital losses on listed foreign receivables.

If a deductible deficit arises in the income category capital, a reduction of the tax on income from employment and from business operations, as well as tax on real estate and the municipal real estate fee, is allowed. The tax reduction is 30 per cent. of the deficit not exceeding SEK 100,000 and 21 per cent. of any part of the deficit in excess of SEK 100,000. Deficits may not be carried forward to a subsequent fiscal year.

*Interest*

Any interest income received by an individual holder during the time of holding the Bonds is subject to Swedish tax at a tax rate of 30 per cent. in the income from capital category. Interest income is taxable when the income can be disposed of, in accordance with the "cash method".

9 For the Bonds to be considered as listed it is, according to the Swedish Tax Agency not sufficient that the Bonds are admitted to trading on a regulated market, the Bonds also have to be traded.

*Preliminary Withheld Tax on Interest*

If amounts that are considered to be interest for Swedish tax purposes are paid by a legal entity domiciled in the Kingdom of Sweden, including a Swedish branch, to a private individual (or an estate of a deceased individual) with residence in the Kingdom of Sweden for Swedish tax purposes, Swedish preliminary taxes are normally withheld by the legal entity on such payments. Swedish preliminary taxes should normally be withheld also on other return on the Bonds (but not capital gains), if the return is paid out together with such a payment of interest referred to above.

<u>*Taxation of Swedish Legal Entities*</u>

Limited liability companies and other legal entities are normally taxed on its worldwide income (including income from the sale or redemption of the Bonds) with a corporate tax rate of 22 per cent.

*Capital Gains and Losses*

The calculation of capital gains and capital losses for legal entities is in general calculated as described under section "Taxation of Individuals Resident in the Kingdom of Sweden" above. Tax deductible capital losses on receivables incurred by limited liability companies and certain other legal entities are normally fully deductible against any taxable income.

Bonds in foreign currency should be valued at closing date rate at year end. A foreign exchange gain is taxable and a foreign exchange loss is tax deductible. Foreign exchange rate fluctuations that are treated as taxable/tax deductible may affect the acquisition cost of the Bonds.

*Interest*

Interest income is normally taxed on an accrual basis subject to corporate income tax.

<u>*Taxation of Tax Residents Outside of the Kingdom of Sweden*</u>

*Capital Gains and Losses*

Bondholders that are not tax residents in the Kingdom of Sweden and who are not conducting business from a permanent establishment in the Kingdom of Sweden are generally not liable for Swedish capital gain taxation on the disposal of Bonds. The Bondholders may be subject to tax in their country of tax residence.

*Withholding Tax and Preliminary Withheld Tax on Interest*

There is no withholding tax in the Kingdom of Sweden on interest payments nor will a preliminary tax be withheld on the interest payments or on the portion of the repayment of the Bonds that constitute interest.

**EU Information Reporting and Withholding**

The Savings Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise.

The Council of the European Union has adopted the Amending Savings Directive which would, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above, including by expanding the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and by expanding the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or secured for) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the

Savings Directive, as amended. The Amending Savings Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

The Council of the European Union has also adopted a Directive (the "**Amending Cooperation Directive**") amending Council Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime in accordance with the Global Standard released by the OECD Council in July 2014. The Amending Cooperation Directive requires EU Member States to adopt national legislation necessary to comply with it by 31 December 2015, which legislation must apply from 1 January 2016 (1 January 2017 in the case of Austria). The Amending Cooperation Directive is generally broader in scope than the Savings Directive, although it does not impose withholding taxes, and provides that to the extent there is overlap of scope, the Amending Cooperation Directive prevails. The European Commission has therefore published a proposal for a Council Directive repealing the Savings Directive from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). The proposal also provides that, if it is adopted, Member States will not be required to implement the Amending Savings Directive. Information reporting and exchange will however still be required under Council Directive 2011/16/EU (as amended).

Investors who are in any doubt as to their position or would like to know more should consult their professional advisers.

**The Proposed Financial Transactions Tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States, and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Barclays Bank PLC and Danske Bank A/S (the "**Lead Managers**") have, pursuant to a Subscription Agreement dated 21 September 2015, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe the Bonds at 99.787 per cent. of their principal amount. In addition, the Issuer has agreed to reimburse the Lead Managers for certain of their expenses in connection with the issue of the Bonds. The Subscription Agreement entitles the Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer. The yield of the Bonds is 3.422 per cent on an annual basis. The yield is calculated as at 23 September 2015 on the basis of the issue price. It is not an indication of future yield.

### General

Neither the Issuer nor any Lead Manager has made any representation that any action will be taken in any jurisdiction by the Lead Managers or the Issuer that would permit a public offering of the Bonds, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material. It will also ensure that no obligations are imposed on the Issuer or any other Lead Manager in any such jurisdiction as a result of any of the foregoing actions.

### United States

The Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

Each Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Bonds during the distribution compliance period, a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bonds are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### United Kingdom

Each Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

**Kingdom of Sweden**

Each Lead Manager has represented and agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy the Bonds or distribute any draft or final document in relation to any such offer, invitation or sale except in circumstances that will not result in a breach of the provisions of the Swedish Financial Instruments Trading Act (Sw. *lag (1991:980) om handel med finansiella instrument*) and the Swedish Securities Market Act (*Sw. lag (2007:528) om värdepappersmarknaden*).

## GENERAL INFORMATION

1. Application has been made to the Irish Stock Exchange for the Bonds to be admitted to the Official List and to trading on the Main Securities Market. It is expected that admission of the Bonds to the Official List and to trading on the Main Securities Market will be granted on or about 23 September 2015, subject only to the issue of the Bonds.

   The estimated total expenses related to the admission of the Bonds to trading on the Main Securities Market are €6,790.

   Maples and Calder is acting solely in its capacity as listing agent for the Issuer in connection with the Bonds and is not itself seeking admission of the Bonds to the Official List of the Irish Stock Exchange or to trading on its regulated market for the purposes of the Prospectus Directive.

2. The issue of the Bonds was authorised by resolutions of the Board of Directors of the Issuer passed on 9 June 2015 and 14 September 2015.

3. There has been no significant change in the financial or trading position of the Issuer or of the Group since 30 June 2015 and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2014.

4. There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the 12 months preceding the date of this Prospectus, which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.

5. The Bonds have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with a Common Code of 129553707. The International Securities Identification Number (ISIN) for the Bonds is XS1295537077.

6. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

7. For as long as the Bonds remain outstanding, electronic copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Issuer:

   (a) the Trust Deed (which includes the form of the Global Certificate and the definitive Certificates);

   (b) the Memorandum and Articles of Association of the Issuer;

   (c) the 2013 Financial Statements and the 2014 Financial Statements;

   (d) the unaudited interim consolidated financial statements of the Issuer in respect of the six-month period ended 30 June 2015; and

   (e) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus.

8. Öhrlings PricewaterhouseCoopers AB of Torsgatan 21, SE-113 97 Stockholm, Kingdom of Sweden, regulated by the Supervisory Board of Accountants in the Kingdom of Sweden (*Revisorsnämnden*) and a member of FAR (the institute for the accountancy profession in the Kingdom of Sweden *(Föreningen Auktoriserade Revisorer*)) have audited without qualification and in accordance with generally accepted auditing standards in the Kingdom of Sweden, the consolidated financial statements of the Issuer, prepared in accordance with IFRS, for each of the financial years ended on 31 December 2014 and 2013.

9. Certain of the Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and/or its affiliates in the ordinary course of business.

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