

MAGNOLIA

Magnolia Bostad AB (publ)

relating to the listing of

up to a maximum SEK 750,000,000 Senior Secured Floating Rate
Bonds due 2020

ISIN: SE0008293823

Joint Bookrunners



Prospectus dated 7 April 2017

IMPORTANT NOTICE:

This prospectus (the "**Prospectus**") has been prepared by Magnolia Bostad AB (publ) (the "**Issuer**", or the "**Company**" or together with its direct and indirect subsidiaries unless otherwise indicated by the context, the "**Group**"), a public limited liability company incorporated in Sweden, having its headquarters located at the address, Sturegatan 6, 102 40 Stockholm, with reg. no. 556797-7078, in relation to the application for the listing of the senior secured floating rate bonds denominated in SEK (the "**Bonds**") on the corporate bond list on Nasdaq Stockholm Aktiebolag, reg. no. 556420-8394 ("**Nasdaq Stockholm**"). ABG Sundal Collier, Pareto Securities AB and Swedbank AB (publ) have acted as joint bookrunners in connection with the issue of the Bonds (the "**Joint Bookrunners**"). This Prospectus has been prepared in accordance with the standards and requirements of the Swedish Financial Instruments Trading Act (Sw. *lag (1991:980) om handel med finansiella instrument*) (the "**Trading Act**") and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC as amended by the Directive 2010/73/EC of the European Parliament and of the Council (the "**Prospectus Regulation**"). The Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) (the "**SFSA**") pursuant to the provisions of Chapter 2, Sections 25 and 26 of the Trading Act. Approval and registration by the SFSA does not imply that the SFSA guarantees that the factual information provided in this Prospectus is correct and complete. This Prospectus has been prepared in English only and is governed by Swedish law and the courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection with this Prospectus. This Prospectus is available at the SFSA's website (fi.se) and the Issuer's website (magnoliabostad.se).

Unless otherwise stated or required by context, terms defined in the terms and conditions for the Bonds beginning on page 39 (the "**Terms and Conditions**") shall have the same meaning when used in this Prospectus.

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

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

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

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

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

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

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

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RISK FACTORS

Investing in the Bonds involves inherent risks. A number of risk factors and uncertainties may adversely affect the Issuer and the Group. These risk factors include, but are not limited to, financial risks, technical risks, risks related to the business operations of the Group, environmental and regulatory risks. If any of these or other risks or uncertainties actually occurs, the business, operating results and financial condition of the Group could be materially and adversely affected, which could have a material adverse effect on the Group's ability to meet its obligations (including repayment of the principal amount and payment of interest) under the terms and conditions for the Bonds. The risks presented herein are not exhaustive, and other risks not presently known to the Group, or that the Group currently deems immaterial, and therefore not discussed herein, may also adversely affect the Group and adversely affect the price of the Bonds and the Group's ability to service its debt obligations. Investors should consider carefully the information contained herein and make an independent evaluation before making an investment decision. The risk factors below are not ranked in any specific order.

Macroeconomic factors

The real estate market is to a large extent affected by macroeconomic factors such as, *inter alia*, the general economic development, growth, employment trends, level of production of new premises and residential properties, changes in infrastructure, population growth, inflation and interest rate levels. If one or more of these factors would have a negative development, this could have a material negative impact on the Group's operations, earnings and financial position. Market disruption in the real estate market where the Group is active and an economic downturn in the global market as a whole may affect the Group and the Group's customers' financial position. Furthermore, deterioration in the global economy, decreased liquidity in the Swedish market for residential properties or decreased demand for the Group's products or services may also have a material negative impact on the Group's operations, earnings and financial position.

Geographic concentration risk

The Group primarily has its operations in the greater Stockholm area, Uppsala, and the Öresund region. As of 31 December 2016, 83% of the Group's portfolio is concentrated to the greater Stockholm area, Uppsala, and the Öresund region. The Group is therefore highly dependent upon the development of, and would be affected to a greater extent by changes in, the housing market in these specific areas. A negative development of the housing market in any of the greater Stockholm area, Uppsala, or the Öresund region may have a material negative impact on the Group's operations, earnings and financial position.

The Group's possibilities to allocate housing

The Group's operations mainly consist of managing and participating in property development projects, primarily with the purpose to create housing in the Swedish metropolitan regions. This means that willingness as well as ability to pay for housing is crucial for the Group's operations, performance and financial condition. The willingness to pay for housing is among other things dependent on to what extent apartments correspond to the market demand, activity on the housing market, and the general developments of price trends in housing and demographic factors, such as moving to and from the aforementioned geographical areas. The willingness to pay for housing is also affected by, *inter alia*, the availability and cost of alternative housing.

The ability to pay for housing is affected by the salary development, employment, tax and fee levels and other factors that generally affect the household economy. The ability to pay is also affected by the possibility for households to make interest deductions, obtain debt financing, mortgage interest rates, as well as the statutory, or by the banks applied, rules for maximum leverage and debt repayments. In addition to recently implemented amortization requirement for new mortgages, it is

possible that further regulatory changes aimed at reducing the total household borrowing will be implemented in the future which could affect the ability to pay for housing negatively.

If customer's willingness or ability to pay for housing decreases, this could have a material negative impact on the Group's operations, earnings and financial position.

Certain risks relating to the business model and the projects

The Group's business consists to a large extent of real estate development projects, primarily new production, but also conversion of properties (originally intended for other purposes) to residential properties. The types of projects carried out by the Group are generally associated with a large number of risks, such as the risk of faulty construction, risk for delays or completion, operating risks, risks relating to permissions, environmental risks, political risks, site risks *etc.* In the event the Group's projects are delayed, this may also lead to partners and others with whom the Group has entered into agreements, regarding, among other things, real estate development or land designation, claiming damages or contractual penalty from the Group. Moreover, in these types of projects the construction costs may escalate during the time of the project, due to *e.g.* miscalculations with regard to the budget, unexpected delays in delivery of material, construction challenges or other factors outside the Group's control. Since the Group always uses turnkey fixed-price construction contracts, the contractor is usually liable for such cost overruns. However, the turnkey fixed-price construction contracts leads to a greater counterparty risk (as described in Section *Credit and counterparty risk* below), *e.g.* in the event the contractor ends up in financial difficulties and is unable to complete the construction.

Misjudging with respect to investment decisions, mismanagement of projects and failure to comply with relevant laws and regulations are additional risks (although not a comprehensive list of such) associated with the Group's business model and the projects. The Group has only a small core organisation and therefore outsources many external services. The operational risk in managing the projects may, for instance, involve the choice of consultants, architects, real estate agents, *etc.* The choice of architect/project manager is also a critical factor in the projects, as is the form of construction contract and construction contractor. Deficient project management and bad sourcing documentation can lead to increased costs for alterations and additional work. Rising materials prices may also render projects more expensive to a varying degree depending on construction contract form.

Since selling usually is based on renderings, great demands are placed on the skill and competence of real estate agents. In a recession, it is likely that this type of residential selling, in particular in relation to tenant-owned housing, will be hit harder than the selling of move-in ready housing for immediate delivery. Furthermore, the Group is required to complete its projects in a manner which is competitive and attractive to potential customers. It is common for the Group to either pre-sell the entire projects to single institutional investors, or, in the case of tenant-owned apartments, pre-sell normally 60–75% of the contracts prior to construction start, although there are exceptions. Hence, the Group is dependent on its capability of selling or renting out the relevant objects to its customers without the customers having the chance to see the object they are buying or renting. If the Group is not successful in this matter, there is a risk that intended projects are delayed or not started at all. If one or several of the above factors would develop negatively or if any of the described risks would materialise, it could have a material negative impact on the Group's operations, earnings and financial position.

Acquisition, sale and other transactional related risks

The Group carries out both acquisitions and sales relating to real properties. Acquisitions of properties involve, for instance, uncertainties regarding the management of 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

property. Such uncertainties may result in delays of projects or increased or unexpected costs for the real properties or transactions. Sale of residential units involve uncertainties regarding, for instance, the price and possibility to successfully dispose of all residential units and that different contractual guarantee claims under the sale and purchase agreements may be directed against the Group due to disposals or the condition of the property of the residential unit. The standard sale and purchase agreement with respect to the sale of apartment buildings include several warranties provided by the Group, such as warranties with respect to the validity of contracts, environmental risks, *etc.* When selling property companies, it is also normal practice to warrant that no tax disputes or other legal disputes exist that may become a future burden for the company. Such warranties are typically limited as to time. However, there is a risk that counterparties in such sale and purchase agreement makes a claim under any warranty against the Group with negative consequences for the Group.

Furthermore, the Group is selling a significant portion of its residential development projects as rental apartments to institutional investors before construction of said projects have commenced. Thus, if the Group is not able to identify and/or sell projects to such investors, the future income of the Group could be adversely affected. In addition, the Group regularly guarantees an agreed rental income level to the institutional investors acquiring and funding the development of the rental apartments. To some extent, the Group also guarantees the purchase of residential units in production-started tenant-owned projects – that is acquires them and holds them as management inventory, guaranteeing the payment of fees *etc.* The guarantees cover any unsold units at the time of occupancy. If several residential units are either vacant or unsold, this could result in that the Group has undertaken a large guarantee commitment which could consequently result in additional costs.

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

Property risk

Returns from the properties will depend largely upon, *inter alia*, the Group's ability to consummate the contemplated disposals of the properties and the costs and expenses incurred in the development and redevelopment of the properties as well as upon changes in their market value. Rental income and the market value for properties are generally affected by overall conditions in the economy, such as growth in gross domestic product, employment trends, inflation and changes of interest rates. Both property value and rental income may also be affected by competition from other property owners, or the perceptions of prospective buyers or tenants of the attractiveness, convenience and safety of the properties. If one or several of the above factors would develop negatively, it could have a material negative impact on the Group's operations, earnings and financial position.

Dependency upon laws, regulations and decisions

The Group's business and property development is regulated and affected by several different laws and regulations as well as proceedings and decisions related to these laws and regulations. For example, the Planning and Building Act (Sw. *Plan- och bygglag (2010:900)*), building codes, security regulations, regulation related to building materials and rules regarding listed buildings can all have an impact on the Group's business and the cost and ability to develop properties. The Group conducts its property developments in accordance with its interpretation of applicable laws and regulations, however there is a risk that the Group's or its advisors' interpretation could be incorrect or that such laws and regulations may change in the future. There is also a risk that laws or regulations may hinder the Group from developing or converting properties in accordance with their intentions, or that the projects are delayed or more costly than anticipated.

There is also a risk that changes to current laws and regulations could result in unexpected costs or lead to limitations in the development of the Group's business.

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

Environmental risk

The starting point for the responsibility with respect to contaminations and other environmental damage is, according to the current environmental laws, that the business operator, current and present, bears the responsibility. The Group does not conduct any business which requires a permit according to the Environmental Code (SFS 1998:808) (Sw. *Miljöbalken (1998:808)*). However, there may be, or may have been, tenants on the properties which the Group directly or indirectly owns that conduct business which require a particular permit according to the Environmental Code, *i.e.* that are business operators according to the Environmental Code.

If no business operator can carry out or pay for after-treatment of a property, the acquirer of the property, and which at the time of the acquisition knew about, or should have discovered, the contaminations is responsible for the after-treatment. This means that claims under certain circumstances can be directed against the Group for cleaning-up or after-treatment regarding the occurrence of, or suspicion of, contamination in the ground, water areas, or groundwater, in order to put the property in such condition as required by the Environmental Code.

Further, previous business operators may have carried out after-treatment of a property in an acceptable manner according to the usage at that point of time. As a result of changed usage to residential purposes, the requirements for the Group may be higher, which mean that the Group may have costs for after-treatment and cleaning-up in order to be able to use the property as desired.

Finally, changed laws, regulations and requirements from authorities on the environmental area could result in increased costs for the Group with respect to cleaning-up or after-treatment regarding currently held or in the future acquired properties. Such changes could also result in increased costs or delays for the Group in order to be able to carry out the real estate development as desired by the Group.

All such claims could have a material negative impact on the Group's operations, earnings and financial position.

Exploitation risk

As the Group's main businesses are development and redevelopment of properties, the Group depends largely on the possibility to exploit land necessary for the property development. If the Group would not be able to exploit as much land area as necessary, it could have a material negative impact on the Group's operations, earnings and financial position.

Risk relating to new zoning plans and building rights

There is a risk that zoning plans necessary for the Group's projects will not be adopted by the municipality or that the Group will not receive a final approval of the zoning plans within the prescribed time period. The Group may also have too few or too many building rights (Sw. *byggrätter*) under the zoning plans, or building rights in less attractive areas. If any of the described risks would materialise, it could have a material negative impact on the Group's operations, earnings and financial position.

Global economic and market conditions

The recent economic downturn and uncertainty on the international financial markets, including the Euro crisis, have had an adverse impact on the global economy. Any market turbulence, in particular on the Nordic real estate market, or downturns in the global economy could affect the financial position of customers of the Group and potentially impact their ability to conduct business with the Group. Deterioration in the global economy or any decrease in demand for the Group's products and services may have a material negative impact on the Group's operations, earnings and financial position.

Competitive landscape

The Group operates on a competitive market. The Group's future possibilities to compete are, among other things, dependent upon the Group's ability to anticipate future market changes and trends, and to rapidly react on existing and future market needs, which may result in increased costs or require price reductions or changes of the Group's business model. Further, the Group operates on a market where several of the Group's competitors have greater financial resources than the Group. Increased competition from existing and new market participants as well as deteriorated competition possibilities could have a material negative impact on the Group's operations, earnings and financial position.

The construction business has historically been involved in a number of scandals relating to bribery and cartels. The business is considered as a high risk industry when it comes to different kinds of anti-competitive behaviours, and has in the past been subject for several investigations by the European Commission and different National Competition Authorities in the EU, including Sweden. The anti-competitive climate within the business is particularly due to overall weak competition on the market, which is often dominated by a few strong players. These anti-competitive factors also make it difficult for new entrants to penetrate the market. The construction business was most recently investigated by the Swedish Competition Authority in 2012, with the purpose to procure evidence of anti-competitive cooperation among competitors.

There is a risk that the Group might become subject to investigations and proceedings by the Competition Authorities in the future. Furthermore, there is also a risk that the Group could be subject to cartels entered into by sub-contractors, which could affect the sub-contractors pricing towards the Group.

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

Key persons

The Group has a relatively small organisation, which means dependency on individual employees. The Group's future development is highly dependent on the skill, experience and engagement of management and other key employees. These employees also have a comprehensive knowledge of the Group and the industry in general. Therefore it is important for the Group's future business activities and development that it is able to retain, and where necessary also recruit skilled employees. If the Group should become unable to retain or recruit such employees, it could have a material negative impact on the Group's operations, earnings and financial position.

Fredrik Lidjan is a particularly important key person in the Group. Would he leave the Group or lose his influence over the Group, it could affect the future business activities and development in a way that could have a material negative impact on the Group's operations, earnings and financial position.

Negative publicity

The Group's reputation is important for its business. Should the Group's reputation be damaged, the Group's customers and other stakeholders could lose confidence in the Group. For instance, should the Group or any of the members of its senior management team take an action that conflicts with the Group's values, or should any of the Group's projects not meet the market's expectation, the Group's reputation could be at risk. Also unjustified negative publicity could damage the Group's reputation. Reputation damage could have a material negative impact on the Group's operations, earnings and financial position.

Borrowing by the Group and interest risk

The Group has incurred, and may in compliance with the limits set out in the Terms and Conditions further incur, financial indebtedness to finance its business operations. Counterparties are Swedish commercial banks, customers, and private investors. In some cases, the loan agreements contain covenants stipulating special undertakings, such as maintenance of Loan-to-Value, which means that the lender has the right to immediate repayment of credits granted, or to impose a change in terms, in the event that obligations are not met by the borrower. In all projects financing the lenders have a right to receive repayment before the Group receives repayment – so-called subordination agreements.

Interest-bearing debts may generate interest costs which may be higher than the gains produced by the investments made by the Group. Borrowing money to make investments will increase the Group's exposure to the loss of capital and higher interest expenses. Interest on the Group's borrowings from time to time is subject to fluctuations in the applicable interest rates. Changes in interest rates may lead to changes in actual value, changes in cash flows and fluctuations in the Group's result, and if interest rate risks would materialise, it could have a material negative impact on the Group's operations, earnings and financial position.

Insurance

If the Group is unable to maintain its insurance cover on terms acceptable to it or if future business requirements exceed or fall outside the Group's insurance cover or if the Group's provisions for uninsured costs are insufficient to cover the final costs it could have a material negative impact on the Group's operations, earnings and financial position.

Political risk

The Group is subject to political risks since the local municipalities have the planning monopoly (Sw. *planmonopol*) which means that the municipalities alone may decide which party that shall be able to exploit the relevant land area. Shifts of power and/or the local opinion may hence affect the Group's ability to exploit land. If changes in the political environment would occur, it could have a material negative impact on the Group's operations, earnings and financial position.

Taxes, laws and charges

The Group has accumulated tax loss carry forwards. Ownership changes involving a change in controlling influence may give rise to limitations, wholly or partially, in the ability to utilise these carry forwards. The possibility of utilising the tax loss carry forwards may also be affected by changes in legislation. The Group pays real estate taxes on all its properties. Changes in legislation, decisions from the tax authorities or if the Group's tax liabilities increase, could weaken the Group's present or previous tax situation. There is a risk that the Group's practice of the law may be incorrect or non-compliant or that laws and regulations change, also with potential retroactive effect.

A number of legislations and regulations, competition regulations, construction and environmental regulations, taxes and rules affect the business conducted by the Group. New or amended legislations

and regulations could call for unexpected costs or impose restrictions on the development of the business operations or otherwise affect net sales.

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

Ability to service debt

The Group's ability to service its outstanding debts will depend upon, among other things, the Group's future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond the Group's control. If the Group's operating income is not sufficient to service its current or future indebtedness, the Group will be forced to take actions such as reducing or delaying its business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing its debt or seeking additional equity capital. The Group may not be able to affect any of these remedies on satisfactory terms, or at all. If any of these risks would materialise, it could have a material negative impact on the Group's operations, earnings and financial position.

Financing risk

The Group's business is to a large extent financed through bank loans and construction loans (Sw. *byggkreditiv*) and interest rates are not an insignificant cost item for the Group. A large portion of the Group's businesses consist of real estate development projects, which may be delayed or affected by unexpected or increased costs as a result of factors within or outside the Group's control. If such circumstances occur, it could result in projects not being completed before loans are due, or that such increased costs are not covered by the granted credit facilities. If the Group is not able to obtain financing with respect to acquisitions or development, extension or increase of existing financing or refinancing of previously received financing, or is only able to obtain such financing on terms that are disadvantageous, it could have a material negative impact on the Group's operations, earnings and financial position.

Credit and counterparty risk

Where there is a risk for the Group's counterparties being unable to fulfil their financial obligations towards the Group, there is a credit risk. The Group's current and potential customers and other counterparties (including but not limited to condominium associations) may get in a financial situation where they cannot pay the agreed fees or other amounts owed to the Group as they fall due or otherwise abstain from fulfilling their obligations. Also the Group's use of turnkey fixed-price construction contracts as described above, entails a credit risk, *inter alia*, as the contractor may end up in financial difficulties and may then become unable to carry the increased costs. This could lead to delays and increased costs for the Group. If the Group's counterparties cannot fulfil their obligations towards the Group, it could have a material negative impact on the Group's operations, earnings and financial position.

Legal disputes

There is a risk that the Group in the future may be involved in legal disputes or be subject to claims. Such disputes could be time consuming and result in costs, the size of which cannot always be foreseen. Disputes could have a material negative impact on the Group's operations, earnings and financial position.

Risks relating to the bonds

Credit risks

Investors in the Bonds carry a credit risk relating to the Group. The investors' ability to receive payment under the Terms and Conditions is dependent on the Issuer's ability to meet its payment obligations, which in turn is largely dependent upon the performance of the Group's operations and its financial position. The Group's financial position is affected by several factors of which some have been mentioned above.

An increased credit risk may cause the market to charge the Bonds a higher risk premium, which would affect the Bonds' value negatively. Another aspect of the credit risk is that a deteriorating financial position of the Group may reduce the Group's possibility to receive debt financing at the time of the maturity of the Bonds.

Refinancing risk

The Group may eventually be required to refinance certain or all of its outstanding debt, including the Bonds. The Group's ability to successfully refinance its debt is dependent on the conditions of the capital markets and its financial condition at such time. The Group's access to financing sources may not be available on favorable terms, or at all. The Group's inability to refinance its debt obligations on favorable terms, or at all, could have a material adverse effect on the Group's business, financial condition and results of operations and on the bondholders' recovery under the Bonds.

Ability to comply with the Terms and Conditions

The Group is required to comply with the Terms and Conditions, *inter alia*, to pay interest under the Bonds. Events beyond the Group's control, including changes in the economic and business conditions in which the Group operates, may affect the Group's ability to comply with, among other things, the undertakings set out in the Terms and Conditions. A breach of the Terms and Conditions could result in a default under the Terms and Conditions, which could lead to an acceleration of the Bonds, resulting in the Issuer has to repay the bondholders at the applicable call premium. It is possible that the Issuer will not have sufficient funds at the time of the repayment to make the required redemption of Bonds.

Interest rate risks

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

Liquidity risks and secondary market

The Issuer has an intention to list the Bonds on the corporate bond list of First North Stockholm within 30 calendar days from the Issue Date, and an obligation to list the Bonds on the corporate bond list of First North Stockholm no later than 60 calendar days from the Issue Date, and has further undertaken to ensure that the Bonds are listed on Nasdaq Stockholm within one year from the first issue date of the Bonds. Even if the Bonds are admitted to trading on aforementioned markets, active trading in the Bonds does not always occur and a liquid market for trading in the Bonds might not occur even if the Bonds are listed. This may result in that the bondholders cannot sell their Bonds when desired or at a price level which allows for a profit comparable to similar investments with an active and functioning secondary market. Lack of liquidity in the market may have a negative impact on the market value of the Bonds. Furthermore, the nominal value of the Bonds may not be indicative compared to the market price of the Bonds if the Bonds are admitted for trading on First North Stockholm and Nasdaq Stockholm. It should also be noted that during a given time period it may be difficult or impossible to sell the Bonds (at all or at reasonable terms) due to, for example, severe price fluctuations, close down of the relevant market or trade restrictions imposed on the market.

The market price of the Bonds may be volatile

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

Dependency on other companies within the Group

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

Majority owner

Following any potential change of control in the Issuer, the Issuer may be controlled by majority shareholder whose interest may conflict with those of the bondholders, particularly if the Group encounters difficulties or is unable to pay its debts as they fall due. A majority shareholder has legal power to control a large amount of the matters to be decided by vote at a shareholder's meeting. For example, a majority shareholder will have the ability to elect the board of directors. Furthermore, a majority shareholder may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to the bondholders. There is nothing that prevents a shareholder or any of its affiliates from acquiring businesses that directly compete with the Group. If such an event were to arise, it could have a material negative impact on the Group's operations, earnings and financial position. According to the Terms and Conditions, if a change of control event occurs, the bondholders have however a right of prepayment of the Bonds (put option). There is thus a risk that the Issuer does not have enough liquidity to repurchase the Bonds if the bondholders use its right of prepayment, see further under Section *Early Redemption and put options* below.

Risks relating to security and enforcement of security

Although the obligations under the Bonds will be secured by a first priority pledge over all the shares in Magnolia Utveckling AB, there is a risk that the proceeds of any enforcement of the relevant security would not be sufficient to satisfy all amounts then due under or in respect of the Bonds.

If Magnolia Utveckling AB is subject to any foreclosure, dissolution, winding-up, liquidation, recapitalization, administrative or other bankruptcy or insolvency proceedings, the shares that are subject to the share pledge may then have limited value because all of Magnolia Utveckling AB's obligations must first be satisfied, potentially leaving little or no remaining assets in Magnolia Utveckling AB for the bondholders. As a result the bondholders may not recover any or full value in the case of an enforcement sale of the pledged shares. In addition, the value of the shares subject to the pledge may decline over time.

If the proceeds of an enforcement are not sufficient to repay all amounts due under or in respect of the Bonds, then the bondholders will only have an unsecured claim against the remaining assets (if any) in the Issuer for the amounts which remain outstanding under or in respect of the Bonds, which means that the bondholders normally would receive payment (pro rata with other unsecured non-

priority creditors) after any priority creditors have been paid in full. Each investor should be aware that by investing in the Bonds, it risks losing the entire, or part of, its investment in the event of the Issuer's liquidation, bankruptcy or company re-organisation.

Further, Magnolia Utveckling AB has currently outstanding debt to its parent company and such debt is not pledged to the bondholders. Consequently, an enforcement of the share pledge over Magnolia Utveckling AB may be subject to such outstanding debt and any sale of the shares may be subject to a decrease in value due to the outstanding debt of Magnolia Utveckling AB to its parent. Such outstanding debt can thus have a material negative effect on the recovery in a security enforcement.

Subsidiaries, structural subordination and insolvency of subsidiaries

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

Security over assets granted to third parties

The Group may, subject to limitations, incur additional financial indebtedness and provide additional security for such indebtedness. In the event of bankruptcy, reorganisation or winding-up of the Issuer, the bondholders will be subordinated in right of payment out of the assets being subject to security. In addition, if any such third party financier holding security provided by the Group would enforce such security due to a default by any Group Company under the relevant finance documents, such enforcement could have a material adverse effect on the Group's assets, operations and ultimately the position of the bondholders.

Currency risks

The Bonds will be denominated and payable in SEK. If bondholders in the Bonds measure their investment return by reference to a currency other than SEK, an investment in the Bonds will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the SEK relative to the currency by reference to which investors measure the return on their investments could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss to investors when the return on the Bonds is translated into the currency by reference to which the investors measure the return on their investments. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the bonds. As a result, there is a risk that investors may receive less interest or principal than expected, or no interest or principal.

Early redemption and put options

Under the Terms and Conditions the Issuer has reserved the possibility to redeem all outstanding Bonds before the final redemption date. If the Bonds are redeemed before the final redemption date, the holders of the Bonds have the right to receive an early redemption amount which exceeds the nominal amount in accordance with the Terms and Conditions. However, there is a risk that the market

value of the Bonds is higher than the early redemption amount and that it may not be possible for bondholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate.

According to the Terms and Conditions, the Bonds are subject to prepayment at the option of each bondholder (put options) if (i) the Issuer's shares are not listed and admitted to trading on First North Stockholm, on Nasdaq Stockholm or any other regulated market, (ii) trading of the Issuer's shares on the aforementioned stock exchange is suspended for a period of 15 consecutive banking days, or (iii) if one or more persons, (other than Fredrik Holmström and/or his affiliates) acting together acquire control over the Issuer and where "**control**" means (a) acquiring or controlling, directly or indirectly, more than 50.00% of the voting rights of the Issuer, or (b) the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Issuer. There is, however, a risk that the Issuer will not have sufficient funds at the time of such prepayment to make the required prepayment of the Bonds which could adversely affect the Issuer, *e.g.* by causing insolvency or an event of default under the Terms and Conditions, and thus adversely affect all bondholders and not only those that choose to exercise the option.

Distributions

The Group is under the Terms and Conditions prohibited from making distributions, unless certain financial covenants are met and the distribution does not exceed 25% of the Group's consolidated net profit for the fiscal year of 2016 and 50% of the Group's consolidated net profit for each fiscal year after 2016. If any distributions are made, it could have an adverse effect on the Group's assets and on the position of the bondholders.

No action against the Issuer and bondholders' representation

In accordance with the Terms and Conditions, the Agent will represent all bondholders in all matters relating to the Bonds and the bondholders are prevented from taking actions on their own against the Issuer. Consequently, individual bondholders do not have the right to take legal actions to declare any default by claiming any payment from or enforcing any security granted by the Issuer and may therefore lack effective remedies unless and until a requisite majority of the bondholders agree to take such action.

However, there is a risk that an individual bondholder, in certain situations, could bring its own action against the Issuer (in breach of the Terms and Conditions) which could negatively impact an acceleration of the Bonds or other action against the Issuer.

To enable the Agent to represent bondholders in court, the bondholders and/or their nominees may have to submit a written power of attorney for legal proceedings. The failure of all bondholders to submit such a power of attorney could negatively affect the legal proceedings.

Under the Terms and Conditions, the Agent will in some cases have the right to make decisions and take measures that bind all bondholders. Consequently, the actions of the Agent in such matters could impact a bondholder's rights under the Terms and Conditions in a manner that would be undesirable for some of the bondholders.

Bondholders' meetings

The Terms and Conditions include certain provisions regarding bondholders' meetings and written procedures. Such meetings and procedures may be held in order to resolve on matters relating to the bondholders' interests. The Terms and Conditions will allow for stated majorities to bind all bondholders, including bondholders who have not taken part in the meeting or procedure and those who have voted differently to the required majority at a duly convened and conducted bondholders'

meeting or written procedure. Consequently, the actions of the majority in such matters could impact a bondholder's rights in a manner that would be undesirable for some of the bondholders.

Restrictions on the transferability of the Bonds

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

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

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

Amended or new legislation

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

THE BONDS IN BRIEF

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

Issuer	Magnolia Bostad AB (publ).
The aggregate amount of the Bonds	The aggregate amount of the bond loan will be an amount of up to a maximum of SEK 750,000,000. The Issuer may choose not to issue the remaining amount of Bonds and may choose to issue the remaining amount of Bonds at one or more subsequent dates. At the date of this Prospectus, an initial amount of Bonds of SEK 600,000,000 was issued on 28 April 2016. Subject to an exchange offer in October 2016, Bonds in an amount of SEK 100,000,000 were exchanged by the Issuer against bonds with ISIN SE0009155625 and cancelled.
Number of Bonds	Maximum 750.
ISIN	SE0008293823.
Issue Date	28 April 2016.
Issue Price	100 per cent.
Interest Rates	Interest on the Bonds will be paid at a floating rate of three-month STIBOR plus 6.25 per cent. <i>per annum</i> .
Interest Payment Dates	28 January, 28 April, 28 July and 28 October of each year commencing on 28 July 2016. Interest will accrue from (but excluding) the Issue Date.
Nominal Amount	The Bonds will have a nominal amount of SEK 1,000,000 and the minimum permissible investment in the Bonds is SEK 1,000,000.
Status of the Bonds	The Bonds are denominated in SEK and each Bond is constituted by the Terms and Conditions. The Issuer undertakes to make payments in relation to the Bonds and to comply with the Terms and Conditions.

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

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

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

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

Security The Bonds are secured by security interests granted on an equal and rateable first-priority basis over the shares in Magnolia Utveckling AB. See the definition of "**Security Documents**" in Clause 1.1 (*Definitions*) of the Terms and Conditions.

Call Option..... The Issuer has the right to redeem all, but not only some, of the outstanding Bonds in full at any time at the applicable Call Option Amount in accordance with Clause 10.3 (*Voluntary Total Redemption*) of the Terms and Conditions.

The Issuer has the right on one occasion during each 12 months period, commencing 12 months after the First Issue Date, to redeem up to 10.00 per cent. (but not less than 5.00 per cent.) of the total Nominal Amount, in accordance with Clause 10.4 (*Voluntary Partial Redemption*). The repayment per Bond shall equal the repaid percentage of the Outstanding Nominal Amount (rounded down to the nearest SEK 1.00) plus (i) a premium on the repaid amount of 2.00 per cent, and (ii) accrued but unpaid interest on the repaid amount

Call Option Amount Call Option Amount means:

- (a) 100.00 per cent. of the Outstanding Nominal Amount plus the Applicable Premium, together with accrued but unpaid interest, if the Call Option is exercised any time before the First Call Date;
- (b) 103.125 per cent. of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is

exercised on or after the First Call Date up to, but not including, the date falling 30 months after the First Issue Date;

- (c) 102.344 per cent. of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the date falling 30 months after the First Issue Date up to, but not including, the date falling 36 months after the First Issue;
- (d) 101.563 per cent. of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the date falling 36 months after the First Issue Date up to, but not including, the date falling 42 months after the First Issue Date;
- (e) 100.781 per cent. of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the date falling 42 months after the First Issue Date up to, but not including, the date falling 45 months after the First Issue Date; and
- (f) 100.00 per cent. of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the date falling 45 months after the First Issue Date up to, but not including, the Final Maturity Date.

Applicable Premium..... Means the sum of:

- (a) the present value on the relevant record date of 103.125 per cent. of the Nominal Amount as if such payment originally should have taken place on the First Call Date; plus
- (b) the present value on the relevant record date of all remaining scheduled Interest payments (less any accrued but unpaid interest) on the Bond until the First Call Date (assuming that the Interest Rate for the period from the relevant record date to the First Call Date will be equal to the Interest Rate in effect on the date on which notice of redemption is given to the Bondholders),

both calculated by using a discount rate of 50 basis points over the comparable Swedish Government Note Rate (i.e. comparable to the remaining duration of the Bonds until the First Call Date) (plus accrued interest on redeemed amount) and where "relevant record date" shall mean a date agreed upon between the Agent, the CSD and the Issuer in connection with such repayment.

First Call Date..... Means the date falling two (2) years after the First Issue Date.

Final Maturity Date Means 28 April 2020.

Change of Control Event..... Means the occurrence of an event or series of events whereby one or more persons, not being Fredrik Holmström (or any of his children, siblings or children of siblings or any spouse of Fredrik Holmström), acting together, acquire control over the Issuer.

For the purpose of this definition "**control**" means (a) acquiring or controlling, directly or indirectly, more than 50 per cent of the voting shares of the Issuer, or (b) the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Issuer.

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

- restrictions on making any changes to the nature of their business;
- a negative pledge, restricting the granting of security on Financial Indebtedness (as defined in the Terms and Conditions);
- restrictions on the incurrence of Financial Indebtedness (as defined in the Terms and Conditions); and
- limitations on the making of distributions and disposal of assets.

The Terms and Conditions contain incurrence covenants which govern the ability of the Issuer and the other Group Companies to incur additional debt or make distributions and is met if, at the relevant time:

- (i) the Equity Ratio is at least:
 - (a) 27.50 per cent. from and including the First Issue Date to but excluding the date

- falling one (1) year after the First Issue Date;
- (b) 28.50 per cent. from and including the date falling one year after the First Issue Date to but excluding the date falling two (2) years after the First Issue date;
- (c) 29.50 per cent. from an including the date falling two (2) years after the First Issue Date to but excluding the date falling three (3) years after the First Issue Date;
- (d) 30.00 per cent. from and including the date falling three (3) years after the First Issue Date to and including the Final Maturity Date; and
- (ii) no Event of Default is continuing or would result from the incurrence of Financial Indebtedness or the making of any Restricted Payments, as applicable.

The Terms and Conditions contain a maintenance covenant whereby the Issuer shall ensure that the Equity Ratio at all times shall be at least 25.00 per cent.

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

Use of Proceeds	Net Proceeds from the issuance of the Initial Bonds shall be applied against refinancing of the Existing Debt and for on-lending to Magnolia Utveckling AB for the purpose of financing general corporate purposes of the Group. Any proceeds from any issuance of Subsequent Bonds shall be applied against for on-lending to Magnolia Utveckling AB for the purpose of financing general corporate purposes of the Group.
Transfer Restrictions	The Bonds are subject to customary transfer restrictions as set out in Clause 5 (<i>Transfer Restrictions</i>) of the Terms and Conditions.
Listing.....	The Bonds are currently listed at First North. However, application for delisting from First North and listing on Nasdaq Stockholm will be made on or about the date of this prospectus.
Agent.....	Nordic Trustee & Agency AB (publ).
Security Agent	Nordic Trustee & Agency AB (publ).
Issuing Agent	Pareto Securities AB.
Governing Law of the Bonds	Swedish law.

Risk Factors..... Investing in the Bonds involves substantial risks and prospective investors should refer to the section "*Risk Factors*" for a description of certain factors that they should carefully consider before deciding to invest in the Bonds.

STATEMENT OF RESPONSIBILITY

The issuance of the Bonds was authorised by resolutions taken by the board of directors of the Issuer on 11 April 2016, and was subsequently issued by the Issuer on 28 April 2016. This Prospectus has been prepared in connection with the Issuer's application to list the Bonds on the corporate bond list of Nasdaq Stockholm, in accordance with the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC as amended by the Directive 2010/73/EC of the European Parliament and of the Council and Chapter 2 of the Trading Act.

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

7 April 2017

MAGNOLIA BOSTAD AB (PUBL)

The board of directors

DESCRIPTION OF MATERIAL AGREEMENTS

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

Working Capital Financing

Several of the companies within the Group has entered into loan agreements with various major banks in Sweden. The current outstanding amount under these loan agreements is approximately SEK 590,000,000. Most of these loan agreements contain change of control provisions, prohibiting any changes to the control over the debtor. Some of the loan agreements also contain a change of control clause prohibiting Fredrik Holmström from ceasing to own a controlling interest in the Issuer.

Bond loans

On 13 October 2016, the Company issued a five-year senior unsecured bond amounting to SEK 400,000,000 under a framework of SEK 1,000,000,000. The bonds are listed at the corporate bond list on First North Stockholm and will be replaced with a listing at the corporate bond list on Nasdaq Stockholm within a year from the issue date. The terms and conditions of the bonds include certain financial covenants, inter alia, undertakings regarding equity ratio, negative pledge and restrictions on distributions. The terms and conditions also include rights for the bondholders, under certain circumstances, to request that the bonds be repurchased should a party, not being the major shareholder, assume control of more than 50 per cent. of the shares in the Company or if the Company is delisted, meaning that the Company's shares are not listed to trading on a regulated market or suspended for a period of 15 consecutive business days. Furthermore, the terms and conditions contain customary provisions regarding, inter alia, the bases for notice of termination, such as if a loan under certain circumstances is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (referred to as cross-acceleration).

Subordination Agreement

The Issuer and Magnolia Utveckling AB have entered into a subordination agreement with the Agent dated 3 May 2016 (the "**Subordination Agreement**"). The Issuer has, as per the date of this Prospectus, granted shareholder loans to Magnolia Utveckling AB in an amount of SEK 500,000,000 (including incurred and unpaid interest). In addition, the Issuer may grant further shareholder loans to Magnolia Utveckling in the future.

In accordance with the Subordination Agreement, the Issuer, the Agent and Magnolia Utveckling AB agree that their respective claims shall rank in the following order of priority:

- i. firstly, all present and future obligations and liabilities of the Issuer to the bondholders and the Agent under the terms and conditions of the Bonds, the share pledge agreement over the shares in Magnolia Utveckling AB and the agency agreement with the Agent; and
- ii. secondly, all present and future payment obligations of Magnolia Utveckling AB and all of Magnolia Utveckling AB's subsidiaries to the Issuer and all present and future payment obligations of the Issuer to any party which may in the future become a party to the Subordination Agreement.

Other material agreements

The Issuer has entered into a framework agreement with Slättö. The partnership includes that Slättö acquires residential projects from the Issuer with a value of at least SEK 5,000,000,000 and may gradually be increased to SEK 14,000,000,000. The project portfolio is concentrated to Stockholm, Uppsala and the Öresund region. The framework agreement is valid until 31 March 2020, with a possibility of extension, and is conditional on Slättö obtaining financing.

DESCRIPTION OF THE GROUP

History and development

Magnolia Bostad AB (publ) was incorporated on 18 December 2009 and is a Swedish public limited liability company operating under the laws of Sweden with reg. no. 556797-7078.

The registered office of the Company is Box 5853, 102 40 Stockholm and the Company's headquarters is located at Sturegatan 6, 102 40 Stockholm, with telephone number +46 8 470 50 80.

In accordance with the articles of association of the Company, adopted on 22 April 2015, the objects of the Company are to own and manage land and construction and engineering projects as well as any related operations.

History

The Group was founded in 2009 with a vision to create modern homes and residential environments utilizing smart functions and appealing architecture. The Group acquires and refines rental apartments and tenant-owned apartments. The business is focused to attractive locations and major metropolitan areas and by the end of 2016, the total project portfolio comprised of approximately 15,135 of which 11,190 were sold project in production and 3,945 apartments were ongoing and future projects.

2009

The Group was founded by Fredrik Holmström and Andreas Rutli. The Group's first residential project is acquired at Lidingö. Thomas Sandell is hired as architecture.

2010

The Group acquires five new projects in Skåne, Nacka, at Lidingö and in Norefjell, Norway.

The Group forms a joint venture with Byggpartner, who invests in the project Söderblick in Nyköping.

2011

The Group acquires the projects Lake View in Åre and Seaside in Skåne.

2012

The Group's first projects are ready for occupancy in Skåne, Nyköping, Stockholm, Lidingö and Nacka.

The Group acquires a major property at Södermalm for reconstruction to modern apartments.

2013

The Group carries out several major project acquisitions in Stockholm and Uppsala, comprising approximately 2,000 new residential units.

Additional apartments in Stockholm, Nyköping and Lidingö are ready for occupancy.

The Group establishes a new business area developing rental apartments.

The first rental apartment project is initiated, comprising 230 new residential units in central Sollentuna. The property is later disposed to Aberdeen's housing fund.

2014

The Company issues bonds in an amount of SEK 200,000,000.

The Group acquires two properties in Kungsängen and one property in central Norrköping. On these properties, the Group develops 401 rental apartments which are divested to SEB's property fund Domestica II prior to the project is begun.

The Group signs an option for the acquisition of a property in Orminge Centrum with a building right for around 300 residential units with different types of ownership.

The Group wins land allocation competitions in Vallentuna and Uppsala comprising approximately 345 rental apartments.

2015

In January, the Group strengthen its organization with twelve additional employees within transactions, finance and market.

The Group increases its ownership in Senapsfabriken through acquisition and a forward contract to 80.25 per cent., and this is entitled to 76.30 per cent. of the profit.

Fredrik Lidjan assumes the post of CEO, replacing Andreas Rutili who is elected to the board of directors.

The Group wins several land allocation competitions, inter alia:

- Lundbyvassen in Frihamnen, Gothenburg, comprising the production of a hotel and 150 rental apartments,
- Bålsta Centrum in Håbo Municipality in the northern part of the Greater Stockholm region, comprising the production of around 200 residential units,
- Oceanhamnen in Helsingborg, comprising the production of 110 rental apartments.

The Issuer's share is listed on Nasdaq First North. The price for the offer to acquire shares in the Issuer is set at SEK 38 per share and trade is commenced on 9 June.

The Group increases its presence in southern Sweden with a local office in Helsingborg.

2016

The Company issues senior secured bonds in an amount of SEK 600,000,000 in April. In connection with the issue, the Company exercises its option for early redemption in full of all of its outstanding bonds.

The Group expands its organisation in Stockholm and Helsingborg with the addition of totally 19 staff members. The Group now employs a total of 46 persons.

The Group and Helsingborg Municipality sign a declaration of intent to collaborate on the development of new rental apartments with reasonable rents.

The Group signs a land allotment agreement for 600 apartments in Sundsvall.

The Group acquires building rights for around 700 apartments in central Södertälje. At the same time, the Group sells to SPP Fastigheter 436 rental apartments that will be developed in the project's first phase. The property value at completion is estimated to amount to approximately SEK 750,000,000.

The Group acquires the Senapsfabriken project, phase 3 in Uppsala, which consists of more than 14,000 sqm of land and approximately 4,000 sqm of leased space. The Group will pursue the local plan

to develop the building rights for the property and intends to build around 700 apartments. The underlying property value amounts to SEK 150,000,000.

The Company issued senior unsecured bonds in an amount of SEK 400,000,000 due 2021, of which SEK 100,000,000 were used in connection with an exchange offer whereby a corresponding amount of the Bonds issued in April 2016 were exchanged and cancelled.

Business and operations

Overview

The Group develops apartments and works with different types of ownership, including rental and tenant-owned apartments and hotels. The Group's business model is based on securing cost coverage at an early stage in its projects.

The Group works to eliminate risk by:

- Securing income to a large extent before taking on larger financial commitments.
- Setting production costs at an early stage.
- Running the projects with extensive purchaser competence.
- Creating conditions for growth by focusing on long-term goals. This applies to the Group's relationship with both customers and contractors as well as the relationship with own employees.

The Group is only investing in attractive locations with good transportation alternatives in Swedish growth areas, where there is a strong demand and good market potential for new apartments.

Organization and resources

In order to ensure that the projects maintain a high level of quality, the Group steers and manages all of its projects internally. However, the Group does not have its own building operations. Production is outsourced to contractors at a fixed price in the form of turnkey contracts. This allows for fewer resources, both financially and operationally.

Customers must often decide to invest in a project while it is still in the drawing phase. The Group must therefore dedicate extensive resources to visualize the end result of the completed project in terms of shape, design, architecture and functions. A good overview of the project and the features and value of the apartment are important for keeping customers satisfied. In addition, the Group must also direct a significant amount of resources to marketing and sales.

Projects and development

Project Categories

The end customer in tenant-owned apartment projects is the tenant-owner association and the individuals who have purchased the apartments. The size of a tenant-owned apartment project is determined by how quickly the apartments can be sold on the local market, how much capital is tied up by the project and the project possibilities at the given point in time. The Group prefers to implement projects in a single phase of around 100 apartments.

In the Group's tenant-owned apartment projects, the Group does not start construction until it has achieved cost coverage when the tenant-owner association has signed binding agreements with end customers for the sale of a certain number of apartments.

The Group has an appointed manager for each tenant-owned apartment project who is tasked with maintaining a high level of service with regard to the tenant-owner association and the end customers and ensuring a high level of delivery quality.

In rental apartment and hotel projects, the Group's end customer is the institution that has acquired the rental property. In order to decrease the need for funding and the risk in the rental and hotel projects, the Group sells the project before production begins. The Group works closely with long-term, institutional owners, which are not as sensitive to the economic cycle as many other buyers. This is to ensure that the projects can be sold as early as possible in the development phase.

Financing

The properties owned by the Group are developed as rental apartments or hotels and are sold at an early stage to major Swedish institutions. Before production is started on the project, a final property owner shall have signed a binding purchase agreement with the Group, and this buyer thus finances the project on a continual basis during production through "forward funding".

This normally entails that the Group regains the capital it invested already at the point when the buyer enters into the project, but the Group's profit is received at the completion of the project.

In the tenant-owned apartment projects the Group ultimately target individuals. The Group's policy in respect of these types of projects is that binding agreements covering the Group's expenses shall be entered into before the project starts.

In conjunction with signing the preliminary agreement, the tenant-owner pays a deposit of approximately SEK 50,000– 100,000. The Group receives ten (10) per cent. of the final purchase price three (3) to six (6) months before occupancy. The final payment is made upon occupancy.

Development process

The Group has an organization that consists of staff members who work exclusively with the analysis and acquisition of new projects. When acquiring properties, the Group analyzes a project using fundamental assessments of demand, rent levels, housing prices, production costs, financing and risks. This analysis is conducted both in-house and in cooperation with external experts.

Work starts as early as in the acquisition phase to develop an attractive concept that suits the specific location and utilizes its potential to the extent possible. The Group also strives to determine at an early stage how to design the project. This is to ensure a more accurate economic assessment.

During local planning processes, the Group aims to extract as large of an implementable volume as possible without sacrificing quality. The Group also strives to make the local planning as flexible as possible in order to develop the best possible product. The Group places particular importance on the entrances, stairwells, halls, courtyards and other shared spaces.

Environmental and sustainability aspects are important in the project, and the Group strives to meet the requirements for environmental certification. The Group is particular about its choice of material and suppliers in order to meet or exceed today's strict environmental, energy and sustainability requirements.

The Group's production process aims to identify any faults and deficiencies early in the process. The Group places considerable importance on the apartments being unencumbered by inspection comments at occupancy. Further, the Group appoints a customer coordinator in its tenant-owned apartment projects who assists the tenant-owner association and the end customer with the aim of

identifying and rectifying faults at an early stage. In rental projects, the company's project manager ensures that the apartments meet the quality and standard that the parties have agreed upon.

Share capital and ownership structure

The shares of the Company are denominated in SEK. Each share carries one vote and has equal rights on distribution of income and capital. As of the date of this Prospectus, the Company had an issued share capital of SEK 151,289,132 divided into 37,822,283 of shares. The holdings set out below are per 31 December 2016 and include any affiliated holdings.

The following table sets forth the ownership structure in the Company.

<i>Shareholder</i>	<i>No. of shares</i>	<i>Share capital</i>	<i>Voting Rights</i>
F. Holmström Fastigheter AB	21,286,837	56,28 %	56,28 %
Danica Pension	3,088,052	8,16 %	8,16 %
Länsförsäkringar fondförvaltning AB	2,382,908	6,30 %	6,30 %

Major shareholder

Fredrik Holmström, the founder of the Group, is a majority shareholder holding 21,504,507 shares constituting 56.86 per cent. of the votes and share capital of the Issuer.

The board member Andreas Rutili is a major shareholder holding, through an endowment insurance (Sw. *kapitalförsäkring*) with Danica Pension, a minority interest of 2,926,065 shares constituting approximately 7.74 per cent. of the shares of the Company.

Management shareholders

Management shareholders include the following members of the Company's management:

- Fredrik Lidjan – 155,300 shares
- Erik Rune – 175,000 shares
- Rickard Langerfors – 294,000 shares
- Fredrik Westin – 1,600 shares
- Suzana Bossel – 105,000 shares

Other shareholders

Other shareholders include the following members of the Company's board of directors:

- Viveka Ekberg – 10,000 shares
- Fredrik Holmström – 21,504,507 shares

- Jan Roxendal – 5,000 shares
- Risto Silander – 120,000 shares
- Fredrik Tibell – 10,000 shares

Shareholders' agreements

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

Overview of Group structure

Currently, the Issuer has four (4) directly wholly-owned subsidiaries and ninety-six (96) indirectly wholly-owned subsidiaries.

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

Recent events

There has been no recent event particular to the Group which is to a material extent relevant to the evaluation of the Issuer's solvency, except the legal dispute described below in "*Legal and arbitration proceedings*".

Significant change and trend information

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

Legal and arbitration proceedings

The Group has been involved in a legal dispute with Bergsporten AB ("**Bergsporten**") in relation to the termination by the Group of the agreements regarding the project Huvudkontoret acquired by the Group. In March 2017, the Group entered into a settlement agreement with Bergsporten, whereby the parties agreed to fully and finally settle all outstanding claims between themselves.

Neither the Issuer nor the Group is, or, other than the dispute mentioned above, has been over the past twelve months, a party to any legal proceedings or arbitration proceedings, that have had or would have a material effect on the Group's financial position or profitability, nor has the Issuer been informed of any claims that could lead to the Issuer or any member of the Group becoming party to such proceedings.

Credit rating

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

MANAGEMENT

The board of directors of the Issuer currently consists of seven members which have been elected by the general meeting. The board of directors and the senior management can be contacted through the Issuer at its headquarters at Sturegatan 6, Stockholm. Further information on the members of the board of directors and the senior management is set forth below.

Board of directors

Fredrik Holmström, chairman of the board since 2009.

Education: BSBA degree in finance from IUM, Monaco.

Current commitments: CEO, chairman and owner of F. Holmströmgruppen AB, chairman and board member of Magnolia Hotellutveckling AB, CEO and board member of F.Holmström Fastigheter AB and F.Holmström Fastigheter I Nynäshamn AB, board member of F.Holmström Private Equity AB, Pelle Holmström Aktiebolag, Pelle Holmström Nederön AB, Sachajuan Haircare Aktiebolag, Stars & Angels Productions AB, Vincero Fastigheter 3 AB, Moutarde Holding AB and Moutarde Equity AB, and deputy board member of Sinclair PR & Communications AB and Moutarde Factory AB.

Viveka Ekberg, member of the board since 2017.

Education: MSc (Economics) from Stockholm School of Economics.

Current commitments: Chairman and board member of Nordic Cross Asset Management AB and Apoteket AB:s Pensionsstiftelse, board member of Lindab International AB (publ), Svolder Aktiebolag (publ), CAG Group AB, Estea AB, AREIM AB, SPP Spar AB, SPP Pension & Försäkring AB (publ), Marmot Förvaltning AB and Centrum för Rättvisa, and deputy board member of Sechral AB, Sechral II A, Sechral 4 AB and Sechral 952 AB, board member and vice chairman of Stiftelsen Affärsvärlden and president of Barncancerfondens Finansnämnd.

Andreas Rutili, member of the board since 2015.

Education: MSc (Economics) from Stockholm University.

Current commitments: CEO and board member of Vitosha Capital AB and Vitosha One AB, chairman and board member of Vincero AB, Vincero Invest AB, Vincero Fastigheter AB, Vincero Fastigheter 3 AB, Viva Bostad AB, Mulino Fastigheter 1 AB, Mulino Fastigheter 2 AB, Magnolia Senap AB. Moutarde Factory AB, Moutarde Equity AB, Moutarde Holding AB, BFB Fastigheter AB and Provberg Fastigheter 1 AB, and board member of Vincero Invest 1 AB, Vincero Senap

Holding AB, Vincero Utveckling AB, Mulino Fastigheter AB, Mulino Fastigheter Holding AB, FLUPP AB, Sjödalens Fastigheter 5 AB, Söderblick Utveckling AB, Söderblick Produktion AB, FL Properties Uppsala AB, Stockholmhus Uppsala AB, Senapsfabriken Fastigheter AB, Sjödalens Fastigheter Holding AB and Sjödalens Fastigheter 1 AB, and deputy board member of Vincero Fastigheter 1 AB, Vincero Fastigheter 2 AB and Rickard E Danielsson AB.

Jan Roxendal, member of the board since 2016.

Education: Higher General Banking Degree.

Current commitments: Chairman and board member of Flexenclosure AB (publ) and Exportkreditnämnden, CEO and chairman of Roxtra AB, board member of Catella AB and Bostadsrättsföreningen Djursborg 12.

Risto Silander, member of the board since 2015.

Education: MSc (Economics) from Stockholm School of Economics.

Current commitments: Owner and chairman of Fountainhead AB, Yeoville AB, Roark Investments AB and Bånudden Fastighets AB, board member of Niam AB, Varenne AB, Stronghold Invest AB (publ), Brevan Howard Funds, Endeavour Pembroke Funds, DW Funds, Trygg Stiftelsen and Gamla Livförsäkringsaktiebolaget SEB Trygg Liv.

Fredrik Tibell, member of the board since 2010.

Education: Studies in Economics at Stockholm University.

Current commitments: Owner, CEO and board member of Caritas Corporate Finance AB, board member and chairman of Svenska husgruppen AB, Svenska husgruppen Holding AB, Svenska husgruppen Bygg AB, Svenska husgruppen Intressenter AB, Forsgrens Timmerhus AB, Travel Agency Invest II AS, FL Properties Uppsala AB and Faluhus AB, board member of Moutarde Factory AB, Moutarde Holding AB, Moutarde Equity AB and Magnolia Hotellutveckling AB, and deputy board member of Synergy Tower AB, Uljaberg Intressenter AB and Magnolia Senap AB.

Management

Fredrik Lidjan, CEO

Education:

MBA from University of California, Los Angeles.

Current commitments:

Owner and board member of Fredrik Lidjan AB, CEO and chairman of Fastighet Senapsfabriken kv 3 AB, Holding Senapsfabriken kv 3 AB, Holding Senapsfabriken Parkering kv 2 AB, Fastighet Senapsfabriken Parkering kv 2 AB, Holding Senapsfabriken Parkering kv 3 AB and Fastighet Senapsfabriken Parkering kv 3 AB, chairman and board member of Sollentuna Stinsen Holding 1 AB and Sollentuna Stinsen JV AB, and board member of Sollentuna Stinsen Property 1 AB, Magnolia Senap AB and Magnolia Hotellutveckling AB

Erik Rune, Vice President/Head of Business Development

Education:

MSc (Economics) from Stockholm School of Economics.

Current commitments:

Board member of EWTR Invest AB and deputy board member of Fastighet Senapsfabriken kv 3 AB, Holding Senapsfabriken kv 3 AB, Holding Senapsfabriken kv 2 AB, Holding Senapsfabriken Parkering kv 3 AB, Fastighet Senapsfabriken Parkering kv 2 AB and Fastighet Senapsfabriken Parkering kv 3 AB.

Fredrik Westin, CFO

Education:

MSc (Economics) from University of Gothenburg.

Current commitments:

Board member of Fastighet Senapsfabriken kv 3 AB, Fastighet Senapsfabriken Parkering kv 2 AB, Fastighet Senapsfabriken Parkering kv 3 AB, Holding Senapsfabriken kv 3 AB, Holding Senapsfabriken Parkering kv 2 AB and Holding Senapsfabriken Parkering kv 3 AB, and deputy board member of Sollentuna Stinsen Holding 1 AB and Sollentuna Stinsen JV AB.

Suzana Bossel, Head of Communications and Marketing

Education:

Business Administration (Marketing) from IHM Business School and BSc from Mälardalen University.

Current commitments:

Owner and board member of Bossel Solutions AB and board member of Plava Invest AB.

Rickard Langerfors, Vice President/Head of Project Development

Education:

BSc (Engineering) from KTH Royal Institute of Technology.

Current commitments:

Board member of Langholding AB and deputy board member of Magnolia Senap AB, Söderblick Utveckling AB, Söderblick Produktion AB, Holding Senapsfabriken Parkering kv 2 AB, Holding Senapsfabriken kv 3 AB,

Holding Senapsfabriken Parkering kv 3 AB, Fastighet Senapsfabriken Parkering kv 2 AB, Fastighet Senapsfabriken kv 3 AB and Fastighet Senapsfabriken Parkering kv 3 AB.

Camilla Weiner, Head of sustainability

Education:

MSc (Economics) from Uppsala University.

Current commitments:

Owner, CEO and board member of Weiner Kommunikation AB.

Conflicts of interest within administrative, management and control bodies

As evidenced under the section *Description of the Group*, subheading *Share capital and ownership structure*, the chairman Fredrik Holmström has a controlling interest in the Group. The board member Andreas Rutili has a minority holding constituting approximately 7.74 per cent. of the shares. All of the board members and all of the members of the management, except for Camilla Weiner, holds shares in the Company and, thus, have a private interest in the Issuer which may conflict with the interest of the Issuer.

Furthermore, Fredrik Tibell (board member) is regularly hired as a consultant for the Group. There is a risk that conflicts of interest arise. The Issuer has also entered into consultancy agreements with the main shareholder, Fredrik Holmström's company F. Holmström Fastigheter AB, relating to property management regarding certain real estates and advisory services in certain real estate transactions.

Fredrik Lidjan, CEO, is through his company Fredrik Lidjan AB co-investing with the Issuer in companies in which the rental apartment projects will be operated. This agreements applies until February 2019. Fredrik Lidjan AB is also expected to invest on market terms in the Group's future hotel projects. Fredrik Lidjan was previously also hires as a consultant in projects related to rental apartments. The terms of the agreement have been fulfilled for all projects with the exception of the project Senapsfabriken and do not apply to future rental apartment projects.

Interest of natural and legal persons involved in the issue

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

HISTORICAL FINANCIAL INFORMATION

Historical financial information

The Group's consolidated financial statements for the financial year ended 31 December 2016 and the figures for the financial year ended 31 December 2015 as set out below are incorporated into this Prospectus by reference (please see section "*Other Information*"). The information incorporated by reference is to be read as part of this Prospectus.

The Group's consolidated financial statements for the financial year ended 31 December 2015 has been prepared in accordance with the Swedish Generally Accepted Accounting Principles ("**Swedish GAAP**"). The Group's consolidated financial statements for the financial year ended 31 December 2016 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the EU.

Other than the auditing of the Group's consolidated financial statements for the financial year ended 31 December 2015 and for the financial year ended 31 December 2016, the Group's auditor has not audited or reviewed any part of this Prospectus.

The Group's consolidated financial statements for the financial year ended 31 December 2016 is incorporated into this Prospectus by reference. For particular financial figures, please refer to the pages set out below:

- consolidated income statement, page 70;
- consolidated balance sheet, pages 71-72;
- consolidated cash flow statement, page 73;
- consolidated statement of changes in equity, page 74;
- the audit report, pages 100-102; and
- notes, pages 79-98.

The specific information set out below (as also stated in section "*Other information*" subheading "*Documents incorporated by reference*" in this Prospectus) from the Group's consolidated financial statements for the financial year ended 31 December 2015 is incorporated into this Prospectus by reference. The other information set out in the consolidated financial statements for the financial year ended 31 December 2015 is deemed to not be relevant for the purpose of the Prospectus Regulation as corresponding up to date information is included in the consolidated financial statements for the financial year ended 31 December 2016.

- consolidated income statement, page 68;
- consolidated balance sheet, pages 69-70;
- consolidated cash flow statement, page 71;
- consolidated statement of changes in equity; page 72;
- the audit report, page 87; and
- notes, pages 80-86.

Factors affecting comparability of the historical financial information

The financial information for the financial year ended 31 December 2015 was prepared in accordance with Swedish GAAP. The Group has since then changed its accounting principles and the consolidated financial statements for the financial year ended 31 December 2016 was prepared in accordance with IFRS. The comparative historical financial information for the financial year ended 31 December 2015 has been retrospectively presented and prepared in accordance with IFRS and is presented together

with the financial information for the financial year ended 31 December 2016 to ensure the historical comparability between the financial periods.

Auditing of the annual historical financial information

The Company's consolidated financial statements as at present and for the years 2015 to 2016 have been audited, as applicable, by Ernst & Young AB, Jakobsbergsgatan 24, Stockholm ("EY"). EY has been the Company's auditor since 2014, and was re-elected for an additional year on the latest annual general meeting. Ingemar Rindstig is the auditor who is responsible for the Company. Ingemar Rindstig is an authorized auditor and is a member of the professional body FAR, the professional institute for the accountancy sector in Sweden.

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

Age of the most recent financial information

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

OTHER INFORMATION

Assurance regarding the Prospectus

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

Clearing and settlement

As of the date of this Prospectus, Bonds have been issued in an initial amount of SEK 600,000,000 on 28 April 2016. Subject to an exchange offer in October 2016, Bonds in an amount of SEK 100,000,000 were exchanged against bonds with ISIN SE0009155625 and cancelled. Hence, the outstanding amount of Bonds is currently SEK 500,000,000. The Issuer may, subject to certain conditions set out in the Terms and Conditions, issue additional Bonds in a maximum aggregate amount of SEK 150,000,000 (together with the initial Bonds in aggregate SEK 750,000,000). Each Bond has a nominal amount of SEK 1,000,000. The ISIN for the Bonds is SE0008293823.

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

Material contracts

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

Documents incorporated by reference

This Prospectus is, in addition to this document, comprised of information from the following documents which are incorporated by reference and available in electronic format on the Issuer's website at <http://magnoliabostad.se>:

- the Group's consolidated financial statements and audit report for the financial year ended 31 December 2016; and
- pages 68 – 72 and 80 – 87 from the Group's consolidated financial statements for the financial year ended 31 December 2015, including the audit report for the financial year ended 31 December 2015.

Documents available for inspection

The following documents are available at the Company's headquarters at Sturegatan 6, Stockholm, on weekdays during the Company's regular office hours throughout the period of validity of this Prospectus.

- the Company's articles of association;

- the Company's certificate of registration;
- the Group's consolidated financial statements and audit report for the financial year ended 31 December 2016 and for the financial year ended 31 December 2015;
- the financial statements and audit reports for the financial year ended 31 December 2016 and for the financial year ended 31 December 2015 for each company within the Group (to the extent such Group companies were incorporated during 2016 or 2015 and have issued financial statements and audit reports for such financial year; and
- this Prospectus.

The following documents are also available in electronic form on the Company's website (magnoliabostad.se):

- the Group's consolidated financial statements and audit report for the financial year ended 31 December 2016 and for the financial year ended 31 December 2015; and
- this Prospectus.

Listing costs

The aggregate cost for the Bonds' admission to trading is estimated not to exceed SEK 245,000.

TERMS AND CONDITIONS OF THE BONDS

1. Definitions and Construction

1.1 Definitions

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

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

"Accounting Principles" the generally accepted accounting principles, standards and practices in Sweden as applied by the Issuer in preparing its consolidated financial statements.

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

"Advance Purchase Agreements" means (a) an advance or deferred purchase agreement if the agreement is in respect of the supply of assets or services and payment is due not more than 90 days after the date of supply, or (b) any other trade credit incurred in the ordinary course of business.

"Affiliate" means any 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.

"Agency Agreement" means the agency agreement entered into on or before the First Issue Date, between the Issuer and the Agent, or any replacement agency agreement entered into after the First Issue Date between the Issuer and an agent, regarding, inter alia, the remuneration payable to the Agent.

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

"Applicable Premium" means the sum of:

- (a) the present value on the relevant record date of 103.125 per cent. of the Nominal Amount as if such payment originally should have taken place on the First Call Date; plus
- (b) the present value on the relevant record date of all remaining scheduled Interest payments (less any accrued but unpaid interest) on the Bond until the First Call Date (assuming that the Interest Rate for the period from the relevant record date to the First Call Date will be equal to the Interest Rate in effect on the date on which notice of redemption is given to the Bondholders),

both calculated by using a discount rate of 50 basis points over the comparable Swedish Government Note Rate (i.e. comparable to the remaining duration of the Bonds until the

First Call Date) (plus accrued interest on redeemed amount) and where "relevant record date" shall mean a date agreed upon between the Agent, the CSD and the Issuer in connection with such repayment.

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

"**Bondholders' Meeting**" means a meeting among the Bondholders held in accordance with Clause 19 (*Bondholders' Meeting*).

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

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

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

"**Call Option**" means the Issuer's right to redeem outstanding Bonds in full in accordance with Clause 10.3 (*Voluntary Total Redemption*).

"**Call Option Amount**" means:

- (a) 100.00% per cent. of the Outstanding Nominal Amount plus the Applicable Premium, together with accrued but unpaid interest, if the Call Option is exercised any time before the First Call Date;
- (b) 103.125 per cent. of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the First Call Date up to, but not including, the date falling 30 months after the First Issue Date;
- (c) 102.344 per cent. of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the date falling 30 months after the First Issue Date up to, but not including, the date falling 36 months after the First Issue Date;
- (d) 101.563 per cent. of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the date falling 36 months after the First Issue Date up to, but not including, the date falling 42 months after the First Issue Date;
- (e) 100.781 per cent. of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the date falling 42 months after the First Issue Date up to, but not including, the date falling 45 months after the First Issue Date; and

- (f) 100.00 per cent. of the Outstanding Nominal Amount, together with accrued but unpaid interest, if the Call Option is exercised on or after the date falling 45 months after the First Issue Date up to, but not including, the Final Maturity Date.

"Cash" means, at any time, cash in hand or at bank and (in the latter case) credited to an account in the name of a Group Company with a bank and to which a Group Company is alone (or together with other Group Companies) beneficially entitled and for so long as:

- (a) that cash is repayable within five (5) days after the relevant date of calculation;
- (b) repayment of that cash is not contingent on the prior discharge of any other indebtedness of any Group Company or of any other person whatsoever or on the satisfaction of any other condition;
- (c) there is no Security over that cash except for any Permitted Security constituted by a netting or set-off arrangement entered into by Group Companies in the ordinary course of their banking arrangements; and
- (d) the cash is freely and (except as mentioned in paragraph (a) above) immediately available to be applied in repayment or prepayment of the of the indebtedness incurred under the Finance Documents.

"Cash Equivalent Investments" means, in respect of the Group, and at any time, (i) immediately available funds at bank or postal accounts and (ii) marketable debt securities held for cash management purposes that can be realised promptly and which has a credit rating of either A-1 or higher by Standard & Poor's Rating Services or F1 or higher by Fitch Ratings Ltd or P-1 or higher by Moody's Investor Services Limited, or, if no rating is available in respect of the commercial paper or debt securities, the issuer of which has, in respect of its long-term unsecured and non-credit enhanced debt obligations, an equivalent rating.

"Change of Control Event" means the occurrence of an event or series of events whereby one or more persons, not being Fredrik Holmström, ID No. 19710525-0539 (or any of his children, siblings or children of siblings or any spouse of Fredrik Holmström), acting together, acquire control over the Issuer.

For the purpose of this definition **"control"** means (a) acquiring or controlling, directly or indirectly, more than 50 per cent of the voting shares of the Issuer, or (b) the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Issuer.

"Compliance Certificate" means a certificate, in form and substance satisfactory to the Agent, signed by the Issuer certifying (i) the satisfaction of the Maintenance Test, (i) the satisfaction of the Incurrence Test, if relevant, and (ii) that so far as it is aware no Event of Default is continuing or, if it is aware that such event is continuing, specifying the event and steps, if any, being taken to remedy it. If the Compliance Certificate is provided in connection with the publishing of a Financial Report, the Compliance Certificate shall include calculations and figures in respect of the Maintenance Test and if the Compliance Certificate is provided in connection with a Restricted Payment and/or incurrence of Financial Indebtedness include calculations and figures in respect of the Incurrence Test and/or Ratio Debt Incurrence Test.

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

"De-listing Event" means that (i) the Issuer's shares are not listed and admitted to trading on First North Stockholm, on Nasdaq Stockholm or any other Regulated Market; or (ii) trading of the Issuer's shares on the aforementioned stock exchanges is suspended for a period of 15 consecutive Business Days.

"Equity" means (by reference to the consolidated balance sheet of the Group) the sum of (i) restricted equity (Sw. *bundet eget kapital*), (ii) non-restricted equity (Sw. *fritt eget kapital*), and (iii) any Subordinated Loans.

"Equity Ratio" means the ratio of Equity to Total Assets.

"Escrow Account" means a bank account of the Issuer held with a bank, into which the Net Proceeds will be transferred and which has been pledged in favour of the Agent and the Bondholders (represented by the Agent) under the Escrow Account Pledge Agreement.

"Escrow Account Pledge Agreement" means the pledge agreement entered into between the Issuer and the Security Agent on or about the First Issue Date in respect of a first priority pledge over the Escrow Account and all funds held on the Escrow Account from time to time, granted in favour of the Secured Creditors.

"Existing Indebtedness" means the existing SEK 26,000,000 bond with ISIN SE0005566825 and the SEK 200,000,000 bond with ISIN SE0005932290.

"Event of Default" means an event or circumstance specified in any of the Clauses 16.1 (*Non-Payment*) to and including Clause 16.9 (*Continuation of the Business*).

"Final Maturity Date" means 28 April 2020.

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

"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 treated as a finance lease in accordance with the Accounting Principles applicable on the First Issue Date (a lease which in the accounts of the Group is treated as an asset and a corresponding liability);
- (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 (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (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, provided that if any actual amount is due as a result of a termination or a close-out, such amount shall be used instead);

- (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;
- (g) any amount raised by the issue of redeemable shares, including preference shares, which are redeemable (other than at the option of the issuer) before the Final Maturity Date; and
- (h) (without double counting) any guarantee or other assurance against financial loss in respect of a type referred to in the above items (a)-(g).

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

"Financial Report" means the Group's annual audited financial statements or quarterly interim unaudited reports, which shall be prepared and made available in accordance with Clause 12.1 (*Information from the Issuer*).

"First Call Date" means 28 April 2018.

"First Issue Date" means 28 April 2016.

"Floating Rate Margin" means 6.25 percentage units *per annum*.

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

"Incurrence Test" means the Incurrence Test as set forth in Clause 14(a).

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

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

"Interest" means the interest on the Bonds calculated in accordance with Clauses 9(a)-9(d).

"Interest Payment Date" means 28 April, 28 July, 28 October and 28 January each year or, to the extent such day is not a Business Day, the Business Day following from an application of the Business Day Convention. The first Interest Payment Date for the Bonds shall be 28 July 2016 and the last Interest Payment Date shall be the Final Maturity Date (or any Redemption Date prior thereto).

"Interest Period" means (i) in respect of the first Interest Period, the period from (but excluding) the First Issue Date to (and including) the first Interest Payment Date, and (ii) in respect of subsequent Interest Periods, the period from (but excluding) an Interest Payment

Date to (and including) the next succeeding Interest Payment Date (or a shorter period if relevant).

"Interest Rate" means 3 months STIBOR plus the Floating Rate Margin.

"Issuer" means Magnolia Bostad AB (publ), a public limited liability company incorporated under the laws of Sweden with Reg. No. 556797-7078.

"Issuing Agent" means Pareto Securities AB, Swedish Reg. No. 556206-8956, or another party replacing it, as Issuing Agent, in accordance with these Terms and Conditions.

"Magnolia Utveckling" means Magnolia Utveckling AB, a public limited liability company incorporated under the laws of Sweden with Reg. No. 556776-1464.

"Maintenance Test" means the test of the financial maintenance covenant as set out in Clause 13.

"Market Loan" means any loan or other indebtedness where an entity issues commercial paper, certificates, subordinated debentures, bonds or any other debt securities (including, for the avoidance of doubt, 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 or unregulated recognised market place.

"Material Adverse Effect" means a material adverse effect on:

- (a) the business, financial condition or operations of the Group taken as a whole;
- (b) the Issuer's ability to perform and comply with its payment and the Issuer's undertakings pursuant to Clause 13 (*Maintenance Covenants*) and Clause 15 (*General Undertakings*) under these Terms and Conditions; or
- (c) the validity or enforceability of the Finance Documents.

"Material Group Company" means the Issuer or a Subsidiary (on a consolidated basis) representing more than 20 per cent. of the total assets of the Group on a consolidated basis according to the most recent Financial Report.

"Net Proceeds" means the proceeds from the issuance of the Initial Bonds which after deduction has been made for the Transaction Costs (excluding costs relating to the listing of the Bonds), including fees, payable by the Issuer to Pareto Securities AB, ABG Sundal Collier AB, and Swedbank AB (publ) as joint bookrunners for the services provided in relation to the placement and issuance of the Bonds.

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

"Outstanding Nominal Amount" means the Nominal Amount reduced with any amount repaid and prepaid in accordance with these Terms and Conditions.

"Permitted Debt" means any Financial Indebtedness:

- (a) of the Group incurred under the Bonds (excluding Subsequent Bonds);
- (b) incurred under any lease agreement entered into by a Group Company;

- (c) taken up by a Group Company from a Group Company;
- (d) incurred in the ordinary course of business under Advance Purchase Agreements;
- (e) arising under a foreign exchange transaction or commodity derivatives for spot or forward delivery entered into in connection with protection against fluctuation in currency rates or prices where the exposure arises in the ordinary course of business or in respect of payments to be made under the Terms and Conditions, but not any transaction for investment or speculative purposes;
- (f) arising under any interest rate hedging transactions in respect of payments to be made under any interest bearing debt, but not any transaction for investment or speculative purposes;
- (g) incurred as a result of any Group Company acquiring another entity and which is due to that such acquired entity holds indebtedness, provided that the Incurrence Test is met, tested pro forma including the acquired entity in question;
- (h) related to any Subordinated Loans;
- (i) incurred under Advance Purchase Agreements;
- (j) incurred by a Project Entity under any Project Facility;
- (k) incurred by the Issuer if such Financial Indebtedness (i) is incurred as a result of a Subsequent Bond Issue and meets the Incurrence Test on a pro forma basis, or (ii) ranks pari passu or is subordinated to the obligations of the Issuer under the Finance Documents, and (A) meets the Incurrence Test on a pro forma basis (B) has a final maturity date or a final maturity date; and (C) when applicable, early redemption dates or instalment dates, in each case (B) and (C) which occur after the Final Maturity Date; and
- (l) incurred under any working capital facility provided for the general corporate purposes of the Group in the maximum amount of SEK 50,000,000 (the "**Working Capital Facility**").

"**Permitted Security**" means any guarantee or Security:

- (a) under the Finance Documents.
- (b) arising by operation of law or in the ordinary course of business (including collateral or retention of title arrangements in connection with Advance Purchase Agreements but, for the avoidance of doubt, not including guarantees or security in respect of any monies borrowed or raised);
- (c) provided in relation to any lease agreement entered into by a Group Company;
- (d) provided pursuant to items (g), (j) and (k) of the definition of Permitted Debt;
- (e) arising under any netting or set off arrangements under financial derivatives transactions or bank account arrangements, including group cash pool arrangements;
- (f) provided for interest rate hedging transactions set out in paragraph (f) of the definition Permitted Debt;

- (g) incurred by a Project Entity under any rental guarantees provided in the ordinary course of business and in connection with disposal of properties and property companies;
- (h) any guarantees issued in the ordinary course of business by, or for the benefit of or in respect of the obligations of, a Group Company and/or any Project Entity; and
- (i) provided for the Working Capital Facility.

"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.

"Preference Shares" means outstanding preference shares issued by the Issuer from time to time, provided such preference shares are issued on an arm's length basis and on market terms (or for the Company more favorable terms).

"Project" means (i) the acquisition of a real property or a real property company, (ii) a construction and development of real estate or (iii) other activities relating to (i) and (ii) in the ordinary course of business.

"Project Entity" means any Subsidiary, joint-venture company, associated company (Sw. *intressebolag*), housing co-operative (Sw. *bostadsrättsförening*), partnership company (Sw. *kommanditbolag*), trading company (Sw. *handelsbolag*), economic association (Sw. *ekonomisk förening*) or any other legal entity where the Group holds, or in case of a housing co-operative holds or have held, ownership or financial interest and which owns or manages Projects.

"Project Facility" means any Financial Indebtedness incurred by a Project Entity for the purpose of financing or refinancing a Project or part of a Project.

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

"Record Date" means the fifth (5) Business Day prior to (i) an Interest Payment Date, (ii) a Redemption Date, (iii) a date on which a payment to the Bondholders is to be made under Clause 17 (*Distribution of Proceeds*), (iv) the date of a Bondholders' Meeting, or (v) another relevant date, or in each case such other Business Day falling prior to a relevant date if generally applicable on the Swedish bond market.

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

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

"Reference Dates" means 31 March, 30 June, 30 September and 31 December each year.

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

"Secured Creditors" means the Bondholders and the Agent (included in its capacity as Agent under the Agency Agreement).

"Secured Obligations" means all present and future obligations and liabilities of the Issuer to the Secured Creditors under the Finance Documents.

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

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Security" means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person, or any other agreement or arrangement having a similar effect.

"Security Document" means the share pledge agreement dated on or about the First Issue Date between the Issuer and the Security Agent with respect to the shares in Magnolia Utveckling.

"STIBOR" means:

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

if any such rate is below zero, STIBOR will be deemed to be zero.

"Subordination Agreement" means the subordination agreement dated on or about the First Issue Date initially between, among others, the Issuer, the Agent, and each Subordinated Lender (as defined therein), as amended from time to time.

"Subordinated Loans" means (a) any Preference Shares of the Issuer provided that such preference shares has no put option rights for the holders which may be exercised before the Final Maturity Date, or (b) any loan incurred by the Issuer or any of its Subsidiaries, if such loan (i) according to its terms and the Subordination Agreement (on terms and conditions satisfactory to the Agent), is subordinated to the obligations of the Issuer under these Terms and Conditions, (ii) according to its terms have a final maturity date or, when applicable, early redemption dates or instalment dates which occur after the Final Maturity Date, and (iii) according to its terms yield only payment-in-kind interest.

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

"Subsidiary" means an entity from time to time of which a person:

- (a) has direct or indirect control, according to Chapter 1 Section 11 of the Swedish Companies Act (or under such provision as may replace this provision); or
- (b) owns directly or indirectly more than 50 per cent of the share capital or other right of ownership.

"Swedish Government Note Rate" means:

- (a) the interpolated SGB rate between the SGB 12 August 2017 (series 1051) and the SGB 12 March 2019 (series 1052) (mid rates), as determined by the Issuing Agent on or about 11.00 am on the date of the notification of redemption;
- (b) if no quotation is available pursuant to paragraph (a), the SGB rate which the Issuing Agent deems appropriate for the purpose of the calculation set out in this definition (acting reasonably); and

if any such rate is below zero, the Swedish Government Bond Rate will be deemed to be zero.

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

"Total Assets" means by reference to the consolidated balance sheet of the Group, the consolidated book-value of all assets of the Group in accordance with the Accounting Principles.

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

"Transaction Costs" means all fees, costs and expenses, stamp, registration and other taxes incurred by the Issuer or any other member of the Group in connection with (a) the issuance of the Bonds and (b) the listing of the Bonds pursuant to Clause 15.10 (*Listing of the Bonds*).

"Transaction Security" means the Security provided for the Secured Obligations pursuant to the Security Document.

"Written Procedure" means the written or electronic procedure for decision making among the Bondholders in accordance with Clause 20 (*Written Procedure*).

1.2 Construction

- (a) Unless a contrary indication appears, any reference in these Terms and Conditions to:
 - (i) **"assets"** includes present and future properties, revenues and rights of every description;
 - (ii) any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;

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

2. Status of the Bonds

- (a) The Bonds are denominated in SEK and each Bond is constituted by these Terms and Conditions. The Issuer undertakes to make payments in relation to the Bonds and to comply with these Terms and Conditions.
- (b) By subscribing for Bonds, each initial Bondholder agrees that the Bonds shall benefit from and be subject to the Finance Documents and by acquiring Bonds, each subsequent Bondholder confirms such agreement.
- (c) The Nominal Amount of each Bond is SEK 1,000,000 (the "**Nominal Amount**"). The Total Nominal Amount of the Initial Bonds is SEK 600,000,000. All Initial Bonds are issued on a fully paid basis at an issue price of 100 per cent. of the Nominal Amount.
- (d) Provided that (i) the Incurrence Test is met (tested pro forma including such Financial Indebtedness), and (ii) that no Event of Default is continuing or would result from such issue, the Issuer may, at one or several occasions, issue Subsequent Bonds. Subsequent Bonds shall benefit from and be subject to the Finance Documents, and, for the avoidance of doubt, the applicable ISIN, the interest rate, the currency, the nominal amount and the final maturity applicable to the Initial Bonds shall apply to Subsequent Bonds. The price of the Subsequent Bonds may be set at a discount or at a premium compared to the Nominal Amount. The maximum total nominal amount of the Bonds (the Initial Bonds and all Subsequent Bonds) may not exceed SEK 750,000,000.
- (e) Except as set out in Clause 5 (*Transfer restrictions*) below, and subject to any restrictions to which a Bondholder may be subject due to local law or otherwise, the

Bonds are freely transferrable. Each Bondholder must ensure compliance with local laws and regulations applicable at their own cost and expense.

- (f) Bonds constitute direct, general, unconditional, unsubordinated and secured obligations of the Issuer and shall at all times rank *pari passu* with all direct, unconditional, unsubordinated and unsecured obligations of the Issuer, except those obligations which are mandatorily preferred by law, and without any preference among them.
- (g) No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Bonds or the possession, circulation or distribution of any document or other material relating to the Issuer or the Bonds in any jurisdiction other than Sweden, where action for that purpose is required. Each Bondholder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Bonds.

3. Use of Proceeds

The Net Proceeds from the issuance of the Initial Bonds shall be applied against refinancing of the Existing Debt and for on-lending to Magnolia Utveckling for the purpose of financing general corporate purposes of the Group. Any proceeds from any issuance of Subsequent Bonds shall be applied against for on-lending to Magnolia Utveckling for the purpose of financing general corporate purposes of the Group.

4. Conditions Precedent

- (a) The payment of the Net Proceeds to the Escrow Account is subject to the Agent having received documents and evidence of the Escrow Account Pledge Agreement being duly executed and perfected.
- (b) The Issuer shall provide, or procure the provision of, to the Agent, in form and substance satisfactory to the Agent (acting reasonably):
 - (i) copies of constitutional documents of the Issuer;
 - (ii) copies of necessary corporate resolutions for the Issuer;
 - (iii) confirmation from the Issuing Agent that the Issuer has issued a completeness certificate and a statement of responsibility;
 - (iv) evidence that the amounts to be released from the Escrow Account shall be applied towards payments in accordance with Clause 3 (*Use of Proceeds*);
 - (v) a duly executed copy of the Security Document;
 - (vi) a duly executed copy of the Subordination Agreement;
 - (vii) evidence that existing security granted in favour of the Existing Indebtedness will be released and discharged upon repayment of the Existing Indebtedness; and

- (viii) evidence that the Transaction Security has been granted by the Issuer and either has been or will be perfected in accordance with the terms of the Finance Documents.
- (c) When the conditions precedent for disbursement set out in Clause 4(b)(i)-(vii) have been fulfilled to the satisfaction of the Agent (acting reasonably), the Agent shall instruct the bank (with which the Company holds the Escrow Account) to transfer the funds except for any funds required for repayment of the Existing Indebtedness from the Escrow Account to the Issuer. When the conditions precedent for disbursement set out in Clause 4(b)(viii) has been fulfilled to the satisfaction of the Agent, the Agent shall instruct the bank to transfer the remaining funds from the Escrow Account for the purpose of payments in accordance with Clause 3 (*Use of Proceeds*), and the Agent shall thereafter or in connection therewith release the pledge over the Escrow Account.
- (d) If the conditions precedent for disbursement set out in Clause 4(b) have not been fulfilled to the satisfaction of the Agent (acting reasonably) or waived by the Agent within forty (40) Business Days from the First Issue Date, the Issuer shall repurchase all Bonds at a price equal to 100 per cent. of the Nominal Amount together with any accrued Interest. Any funds distributed by the Agent to the Bondholders in accordance with Clause 3(b)(ii) of the Escrow Account Pledge Agreement shall be deemed to be paid by the Issuer for the redemption under this Clause 4(d). The repurchase date shall fall no later than forty (40) Business Days after the ending of the forty (40) Business Days period referred to above.

5. Transfer restrictions

- (a) No Bondholder may offer, sell, pledge or otherwise transfer any Bond except:
 - (i) to the Issuer;
 - (ii) to a person who the seller reasonably believes is a QIB within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account or benefit of a QIB in a transaction meeting the requirements of Rule 144A;
 - (iii) outside the United States in compliance with Rule 903 or Rule 904, as applicable, of Regulation S under the Securities Act;
 - (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available);
 - (v) pursuant to any other available exemption from registration under the Securities Act, subject to the receipt by the Issuer of an opinion of counsel or such other evidence that the Issuer may reasonably require confirming that such sale or transfer is in compliance with the Securities Act; or
 - (vi) pursuant to an effective registration statement under the Securities Act,

provided however that in each case a transfer is made in accordance with all applicable securities laws of the states of the United States and any other jurisdiction.

- (b) The Bonds may not, subject to applicable Canadian laws, be traded in Canada for a period of four (4) months and a day from the date the Bonds were originally issued.
- (c) The Issuer makes no representation as to the availability of an exemption from registration provided by Rule 144 of the Securities Act.

6. Bonds in Book-Entry Form

- (a) The Bonds will be registered for the Bondholders on their respective Securities Accounts and no physical bonds will be issued. Accordingly, the Bonds will be registered in accordance with the Financial Instruments Accounts Act. Registration requests relating to the Bonds shall be directed to an Account Operator.
- (b) Those who according to assignment, Security, the provisions of the Swedish Children and Parents Code (*föräldrabalken (1949:381)*), conditions of will or deed of gift or otherwise have acquired a right to receive payments in respect of a Bond shall register their entitlements to receive payment in accordance with the Financial Instruments Accounts Act.
- (c) The Issuer (and the Agent when permitted under the CSD's applicable regulations) shall be entitled to obtain information from the debt register (Sw. *skuldbok*) kept by the CSD in respect of the Bonds. At the request of the Agent, the Issuer shall promptly obtain such information and provide it to the Agent.
- (d) For the purpose of or in connection with any Bondholders' Meeting under Clause 19 (*Bondholders' Meeting*) or any direct communication to the Bondholders under Clause 20 (*Written Procedure*), the Issuing Agent shall be entitled to obtain information from the debt register kept by the CSD in respect of the Bonds.
- (e) The Issuer shall issue any necessary power of attorney to such persons employed by the Agent, as notified by the Agent, in order for such individuals to independently obtain information directly from the debt register kept by the CSD in respect of the Bonds. The Issuer may not revoke any such power of attorney unless directed by the Agent or unless consent thereto is given by the Bondholders.

7. Right to Act on Behalf of a Bondholder

- (a) If any person other than a Bondholder wishes to exercise any rights under the Finance Documents, it must obtain a power of attorney or other proof of authorisation from the Bondholder or a successive, coherent chain of powers of attorney or proofs of authorisation starting with the Bondholder and authorising such person.
- (b) A Bondholder may issue one or several powers of attorney to third parties to represent it in relation to some or all of the Bonds held by it. Any such representative may act independently under the Finance Documents in relation to the Bonds for which such representative is entitled to represent the Bondholder.
- (c) The Agent shall only have to examine the face of a power of attorney or other proof of authorisation that has been provided to it pursuant to Clause 7(b) and may assume that it has been duly authorised, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face.

8. Payments in Respect of the Bonds

- (a) Any payment or repayment under the Finance Documents, or any amount due in respect of a repurchase of any Bonds requested by a Bondholder pursuant to these Terms and Conditions, shall be made to such person who is registered as a Bondholder on a Securities Account on the Record Date immediately preceding the relevant payment date.
- (b) If a Bondholder has registered, through an Account Operator, that principal, interest or any other payment shall be deposited in a certain bank account, such deposits will be effected by the CSD on the relevant payment date. In other cases, payments will be transferred by the CSD to the Bondholder at the address registered with the CSD on the Record Date. Should the CSD, due to a delay on behalf of the Issuer or some other obstacle, not be able to effect the payment of amounts according to the aforesaid, the CSD will pay such amount to the relevant Bondholder being registered as such on the Record Date as soon as possible after such obstacle has been removed.
- (c) If, due to any obstacle for the CSD, the Issuer cannot make a payment or repayment, such payment or repayment may be postponed until the obstacle has been removed. Interest shall accrue in accordance with Clause 9(c) during such postponement.
- (d) If payment or repayment is made in accordance with this Clause 8, the Issuer and the CSD shall be deemed to have fulfilled their obligation to pay, irrespective of whether such payment was made to a person not entitled to receive such amount, unless the Issuer or the CSD (as applicable) was aware of that the payment was being made to a person not entitled to receive such amount.

9. Interest

- (a) Each Initial Bond carries Interest at the Interest Rate applied to the Outstanding Nominal Amount from (but excluding) the First Issue Date up to (and including) the relevant Redemption Date. Any Subsequent Bond will carry Interest at the Interest Rate applied to the Outstanding Nominal Amount from (but excluding) the Interest Payment Date falling immediately prior to its issuance (or the First Issue Date if there is no such Interest Payment Date) up to (and including) the relevant Redemption Date.
- (b) Interest accrues during an Interest Period. Payment of Interest in respect of the Bonds shall be made to the Bondholders on each Interest Payment Date for the preceding Interest Period.
- (c) Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis).
- (d) If the Issuer fails to pay any amount payable by it under the Finance Documents on its due date, default interest shall accrue on the overdue amount from (but excluding) the due date up to (and including) the date of actual payment at a rate which is two hundred (200) basis points higher than the Interest Rate for such Interest Period. Accrued default interest shall not be capitalised. No default interest shall accrue where the failure to pay was solely attributable to the Agent or the CSD, in which case the Interest Rate shall apply instead.

10. Redemption and Repurchase of the Bonds

10.1 Redemption at maturity

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

10.2 Issuer's purchase of Bonds

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

10.3 Voluntary Total Redemption

- (a) The Issuer may redeem all, but not only some, of the outstanding Bonds in full with an amount per Bond equal to the Call Option Amount applicable to the relevant period for the repayment of the Outstanding Nominal Amount together with accrued but unpaid Interest.
- (b) Redemption in accordance with Clause 10.3(a) shall be made by the Issuer giving not less than fifteen (15) Business Days' notice prior to the relevant Redemption Date to the Bondholders and the Agent and in accordance with the instructions of the Issuer or the Issuing Agent, as applicable, in each case calculated from the effective date of the notice. The notice from the Issuer shall specify the Redemption Date and also the Record Date on which a person shall be registered as a Bondholder to receive the amounts due on such Redemption Date. Any such notice is irrevocable and, upon expiry of such notice, the Issuer is bound to redeem the Bonds in full with the applicable amounts.

10.4 Voluntary Partial Redemption

- (a) The Issuer may on one occasion (being an Interest Payment Date) during each 12 months period commencing 12 months after the First Issue Date, repay up to 10.00 per cent (but not less than 5.00 per cent) of the total Nominal Amount, in which case all outstanding Bonds shall be partially repaid by way of reducing the Outstanding Nominal Amount of each Bond *pro rata*. The repayment per Bond shall equal the repaid percentage of the Outstanding Nominal Amount (rounded down to the nearest SEK 1.00) plus (i) a premium on the repaid amount of 2.00 per cent, and (ii) accrued but unpaid interest on the repaid amount.
- (b) Redemption in accordance with Clause 10.4(a) shall be made by the Issuer giving not less than fifteen (15) Business Days' notice prior to the relevant Redemption Date to the Bondholders and the Agent and in accordance with the instructions of the Issuer or the Issuing Agent, as applicable, in each case calculated from the effective date of the notice. The notice from the Issuer shall specify the Redemption Date and also the Record Date on which a person shall be registered as a Bondholder to receive the amounts due on such Redemption Date. Any such notice is irrevocable and, upon expiry of such notice, the Issuer is bound to redeem the Bonds with the applicable amounts.

- (c) Following a voluntary partial prepayment in accordance with the terms set out in (a) above, the Issuer may not, at any time, issue any Subsequent Bonds.

10.5 Mandatory Repurchase due to a Change of Control Event or a De-listing Event

- (a) Upon a Change of Control Event or a De-listing Event occurring, each Bondholder shall have the right to request that all, or only some, of its Bonds be repurchased at a price per Bond equal to 101.00 per cent. of the Nominal Amount together with accrued but unpaid Interest, during a period of sixty (60) Business Days following a notice from the Issuer of the Change of Control Event or De-listing Event pursuant to Clause 12.1(b) (after which time period such right shall lapse).
- (b) The notice from the Issuer pursuant to Clause 12.1(b) shall specify the repurchase date and include instructions about the actions that a Bondholder needs to take if it wants Bonds held by it to be repurchased. If a Bondholder has so requested, and acted in accordance with the instructions in the notice from the Issuer, the Issuer shall repurchase the relevant Bonds and the repurchase amount shall fall due on the repurchase date specified in the notice given by the Issuer pursuant to Clause 12.1(b). The repurchase date must fall no later than twenty (20) Business Days after the end of the period referred to in Clause 10.5(a).
- (c) No repurchase of Bonds pursuant to this Clause 10.5 shall be required if the Issuer has given notice of a redemption pursuant to Clause 10.3 (*Voluntary total redemption*) provided that such redemption is duly exercised.

10.6 General

- (a) The Issuer shall comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Bonds. To the extent that the provisions of such laws and regulations conflict with the provisions in this Clause 10, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Clause 10 by virtue of the conflict.
- (b) Any Bonds repurchased by the Issuer pursuant to this Clause 10 may at the Issuer's discretion be retained, sold or cancelled.

11. Transaction Security

- (a) As continuing Security for the due and punctual fulfilment of the Secured Obligations, the Issuer grants on the First Issue Date the Transaction Security to the Secured Creditors as represented by the Agent on the terms set out in the Security Document.
- (b) The Agent shall hold the Transaction Security on behalf of the Secured Creditors in accordance with the Security Documents. The Issuer and the relevant Subsidiaries shall enter into the Security Document and perfect the Transaction Security in accordance with and subject to the terms of the Security Documents on or before the First Issue Date.
- (c) Unless and until the Agent has received instructions from the Bondholders in accordance with Clause 18 (*Decisions by Bondholders*), the Agent shall (without first having to obtain the Bondholders' consent) be entitled to enter into agreements with

the Issuer or a third party or take any other actions, if it is, in the Agent's opinion, necessary for the purpose of maintaining, altering, releasing or enforcing the Transaction Security, creating further Security for the benefit of the Secured Creditors or for the purpose of settling the Bondholders' or the Issuer's rights to the Transaction Security, in each case in accordance with the terms of the Finance Documents, and provided that such agreements or actions are not detrimental to the interests of the Bondholders as a group.

- (d) The Bondholders shall be entitled to give instructions relating to the Transaction Security to the Agent in accordance with the Finance Documents.

12. Information to Bondholders

12.1 Information from the Issuer

- (a) The Issuer shall make the following information available in the English language to the Bondholders by publication on the website of the Issuer:
 - (i) as soon as the same become available, but in any event within four (4) months after the end of each financial year, the annual audited consolidated financial statements of the Group and the annual audited unconsolidated financial statements of the Issuer, including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's board of directors;
 - (ii) as soon as the same become available, but in any event within two (2) months after the end of each quarter of its financial year, the quarterly interim unaudited consolidated reports of the Group and the quarterly interim unaudited unconsolidated reports of the Issuer, including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's board of directors;
 - (iii) the year-end report (Sw. *bokslutskommuniké*) for such period; and
 - (iv) any other information required by the Swedish Securities Markets Act (Sw. *lag (2007:582) om värdepappersmarknaden*), Regulation No 596/2014 on market abuse (*Market Abuse Regulation*), as applicable and the rules and regulations of the Regulated Market on which the Bonds are listed.
- (b) The Issuer shall immediately notify the Agent when the Issuer is or becomes aware of the occurrence of a Change of Control Event or a De-listing Event.
- (c) When the financial statements and other information are made available the Bondholders pursuant to paragraph (a) above, the Issuer shall send copies of such financial statements and other information to the Agent.
- (d) The Issuer shall:
 - (i) supply to the Agent, with each set of its financial statements, delivered pursuant to paragraph (a)(ii) above, for a period ending on a Reference Date, a Compliance Certificate setting out (in reasonable detail) computations as to compliance with the Maintenance Test as at the relevant Reference Date;

- (ii) supply to the Agent;
 - (A) in connection with the incurrence of new Financial Indebtedness incurred pursuant to paragraphs (g) and (j) of the definition of "Permitted Debt" a Compliance Certificate which shall contain computations as to the Incurrence Test ;
 - (B) upon a distribution in accordance with paragraph (b) of Clause 15.2 (*Distributions*) a Compliance Certificate which shall contain computations as to the RP Incurrence Test; or
 - (C) within twenty (20) Business Days from the Agent's request a Compliance Certificate which shall contain computations as to the relevant test requested by the Agent; and
- (e) The first Compliance Certificate to be delivered by the Issuer in accordance with paragraph (d)(i) and, if applicable, (ii) above shall be delivered by the Issuer to the Agent for the period ending on the Reference Date falling 30 June 2016.
- (f) The Issuer shall immediately notify the Agent (with full particulars) when the Issuer is or becomes aware of the occurrence of any event or circumstance which constitutes an Event of Default, or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing) constitute an Event of Default, and shall provide the Agent with such further information as it may reasonably request in writing following receipt of such notice. Should the Agent not receive such information, the Agent is entitled to assume that no such event or circumstance exists or can be expected to occur, provided that the Agent does not have actual knowledge of such event or circumstance.
- (g) The Issuer is only obliged to inform the Agent according to this Clause 12.1 if informing the Agent would not conflict with any applicable laws or, when the Bonds are listed, the Issuer's registration contract with the Regulated Market. If such a conflict would exist pursuant to the listing contract with the Regulated Market or otherwise, the Issuer shall however be obliged to either seek approval from the Regulated Market or undertake other reasonable measures, including entering into a non-disclosure agreement with the Agent, in order to be able to timely inform the Agent according to this Clause 12.1.
- (h) When and for as long as the Bonds are listed, the Issuer shall also make the information set out in paragraph 12.1(a) above available by way of press releases.

12.2 Information from the Agent

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

12.3 Information among the Bondholders

Upon request by a Bondholder, the Agent shall promptly distribute to the Bondholders any information from such Bondholder which relates to the Bonds. The Agent may require that the requesting Bondholder reimburses any costs or expenses incurred, or to be incurred, by the Agent in doing so (including a reasonable fee for the work of the Agent) before any such information is distributed.

12.4 Publication of Finance Documents

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

13. Maintenance Covenants

- (a) The Issuer shall ensure that the Equity Ratio at all times shall be at least 25.00 per cent.
- (b) The first test date for the Maintenance Test shall be 30 June 2016.

14. Incurrence Test

- (a) The Incurrence Test is met if, at the relevant time:
 - (i) the Equity Ratio is at least:
 - (A) 27.50 per cent. from and including the First Issue Date to but excluding the date falling one year after the First Issue Date;
 - (B) 28.50 per cent. from and including the date falling one year after the First Issue Date to but excluding the date falling two years after the First Issue Date;
 - (C) 29.50 per cent. from and including the date falling two years after the First Issue Date to but excluding the date falling three years after the First Issue Date;
 - (D) 30.00 per cent. from and including the date falling three years after the First Issue Date to and including the Final Maturity Date; and
 - (ii) no Event of Default is continuing or would result from the incurrence of Financial Indebtedness or the making of any Restricted Payments, as applicable.
- (b) The calculation of the Equity Ratio under Clause 14 above shall be made as per a testing date being the last date of the period covered by the most recent Financial Report.

15. General Undertakings

15.1 General

The Issuer undertakes to (and shall, where applicable, procure that each other Group Company will) comply with the undertakings set out in this Clause 15 for as long as any Bonds remain outstanding.

15.2 Distributions

- (a) The Issuer shall not and shall procure that none of its Subsidiaries will:
- (i) pay any dividend on its shares or Preference Shares;
 - (ii) repurchase any of its own shares or Preference Shares;
 - (iii) redeem its share capital or other restricted equity with repayment to shareholders;
 - (iv) make any repayments on any Subordinated Loans or capitalised or accrued interest thereunder; or
 - (v) make any other similar distribution or transfers of value to the direct or indirect shareholder of the Issuer, or any Affiliates of the Issuer,
- subparagraphs (i)-(v) above each being a "**Restricted Payment**", provided that a Restricted Payment may be made if such Restricted Payment is permitted by law and no Event of Default is continuing or would result from such Restricted Payment and is made by any Group Company to another Group Company and, if made by a Subsidiary which is not directly or indirectly wholly-owned by the Issuer, is made on a pro rata basis or in a larger proportion to the Group, except that Restricted Payments made by Moutarde Holding AB, Reg No 556910-7856 and its Subsidiaries shall be permitted even if not made on a pro rata basis and even if the larger proportion is made to holders outside the Group.
- (b) Notwithstanding paragraph (a) above, a Restricted Payment may be made by the Issuer, if at the time of the payment:
- (i) the Group holds Cash and Cash Equivalents of a minimum amount of SEK 25,000,000;
 - (ii) no Event of Default is continuing;
 - (iii) the Incurrence Test is met (calculated on a pro forma basis including the relevant Restricted Payment); and
 - (iv) if, at the time of the payment, the aggregate amount of all Restricted Payments in any fiscal year (including the Restricted Payment in question but excluding any Restricted Payment pursuant to paragraph (a) above)) does not exceed (A) 25.00 per cent of the Group's consolidated net profit for the fiscal year of 2016 and 2017, and (B) 50 per cent of the Group's consolidated net profit for each fiscal year following the fiscal year of 2017.

15.3 Nature of Business

The Issuer shall procure that no change is made to the general nature of the business carried on by the Group as of the First Issue Date if such change would have a Material Adverse Effect.

15.4 Financial Indebtedness

The Issuer shall not, and shall procure that none of its Subsidiaries, incur any additional Financial Indebtedness, provided however that the Issuer and the Subsidiaries have a right to incur Financial Indebtedness that constitute Permitted Debt.

15.5 Dealings with Related Parties

The Issuer shall, and shall procure that its Subsidiaries will, conduct all dealings with the direct and indirect shareholders of the Group Companies (excluding other Group Companies) and/or any Affiliates of such direct and indirect shareholders at arm's length terms.

15.6 Disposal of Assets

The Issuer shall not, and shall procure that no Subsidiary, sell or otherwise dispose of shares in any Subsidiary or of all or substantially all of its or that Subsidiary's assets or operations to any person not being the Issuer or any of its wholly-owned Subsidiaries, unless the transaction is carried out on market terms and on terms and conditions customary for such transaction and provided that it does not have a Material Adverse Effect.

15.7 Negative Pledge

The Issuer shall not, and shall procure that none of its Subsidiaries, provide, prolong or renew any guarantee or security over any of its/their assets (present or future) to secure any Financial Indebtedness, provided however that the Group Companies have a right to provide, prolong and renew any Permitted Security.

15.8 Loans Out

The Issuer shall not, and shall procure that none of its Subsidiaries, provide any loan to any party other than to another Group Company or a Project Entity or any associated company (Sw. *intressebolag*) in the ordinary course of business, in addition the Issuer or any of its Subsidiaries shall also be permitted to provide loans to an external party if such loan is provided (i) on market terms or for the Group more favorable terms and (ii) in the ordinary course of business.

15.9 Insurance:

The Issuer shall, and shall procure that all other Group Company, keep all its real properties insured to an extent which is customary for similar properties on the relevant geographical market with one or more reputable insurers. The insurance cover shall inter alia include full re-instatement value insurance.

15.10 Listing of the Bonds

- (a) The Issuer shall use its best effort to (i) have the Bonds listed at the corporate bond list on First North Stockholm no later than 30 days after the First Issue Date and the Issuer shall take all reasonable measures to ensure that the Bonds are listed accordingly, provided that the Bonds shall in any case be listed within 60 days after the First Issue Date, and (ii) to replace such listing with a listing at the corporate bond list on NASDAQ Stockholm not later than one year after the First Issue Date and shall take all measures required to ensure that the Bonds, once listed on NASDAQ Stockholm, continue being listed on NASDAQ Stockholm (or any other Regulated Market, as applicable) for as long as any Bond is outstanding (however, subject to and taking into account the rules and regulations of NASDAQ Stockholm (or any other Regulated Market, as applicable) and the CSD (as amended from time to time) preventing trading in the Bonds in close connection to the redemption of the Bonds).
- (b) Upon any issuance of Subsequent Bonds, the Issuer shall promptly, but not later than ten (10) Business Days after the relevant issue date, procure that the volume of Bonds listed is increased accordingly.

16. Events of Default and Acceleration of the Bonds

Each of the events or circumstances set out in this Clause 16 (other than Clause 16.10 (*Acceleration of the Bonds*)) is an Event of Default.

16.1 Non-Payment

The Issuer fails to pay an amount on the date it is due in accordance with the Finance Documents unless the non-payment:

- (a) is caused by technical or administrative error; and
- (b) is remedied within five (5) Business Days of the due date.

16.2 Other Obligations

The Issuer does not comply with any provision under the Finance Documents, in any other way than as set out in Clause 16.1 (*Non-Payment*), provided that the Agent has requested the Issuer in writing to remedy such failure and the Issuer has not remedied the failure within twenty (20) Business Days from such request (if the failure or violation is not capable of being remedied, the Agent may declare the Bonds payable without such prior written request).

16.3 Cross-Acceleration

Any Financial Indebtedness of any Material Group Company is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described), provided that no Event of Default will occur under this Clause 16.3 if the aggregate amount of Financial Indebtedness is less than SEK 15,000,000.

16.4 Insolvency

- (a) Any Material Group Company is unable or admits inability to pay its debts as they fall due or is declared to be unable to pay its debts under applicable law, suspends making

payments on its debts generally or, by reason of actual or anticipated financial difficulties, commences negotiations with its creditors with a view to rescheduling its Financial Indebtedness; or

- (b) a moratorium is declared in respect of any Financial Indebtedness of any Material Group Company.

16.5 Insolvency Proceedings

Any corporate action, legal proceedings or other procedures are taken (other than (i) any proceedings, petitions or procedures that the Issuer, within 30 days of commencement, can demonstrate to the reasonable satisfaction of the Agent are frivolous or vexatious, (ii) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within sixty (60) days of commencement or, if earlier, the date on which it is advertised and (iii), in relation to Subsidiaries, solvent liquidations) in relation to:

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

16.6 Mergers and Demergers

A decision is made that any Material Group Company shall be demerged or merged into a company which is not a Group Company if such merger or demerger is likely to have a Material Adverse Effect, provided that a merger involving the Issuer, where the Issuer is not the surviving entity, shall always be considered an Event of Default and provided that the Issuer may not be demerged.

16.7 Creditors' Process

Any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of any Material Group Company having an aggregate value of an amount equal to or exceeding SEK 15,000,000 and is not discharged within sixty (60) days.

16.8 Impossibility or Illegality

It is or becomes impossible or unlawful for the Issuer to fulfil or perform any of the provisions of the Finance Documents or if the obligations under any Finance Documents are not, or cease to be, legal, valid, binding and enforceable.

16.9 Continuation of the Business

The Issuer or any other Material Group Company ceases to carry on its business, except if due to (i) a merger or demerger permitted under 16.6 (*Mergers and Demergers*), or (ii) a disposal permitted under 15.6 (*Disposal of Assets*), if such discontinuation is likely to have a Material Adverse Effect.

16.10 Acceleration of the Bonds

- (a) If an Event of Default has occurred and is continuing, the Agent is entitled to, on behalf of the Bondholders (i) by notice to the Issuer, declare all, but not only some, of the Bonds due for payment together with any other amounts payable under the Finance Documents, immediately or at such later date as the Agent determines (but such date may not fall after the Final Maturity Date), and (ii) exercise any or all of its rights, remedies, powers and discretions under the Finance Documents.
- (b) The Agent may not accelerate the Bonds in accordance with this Clause 16 by reference to a specific Event of Default if it is no longer continuing or if it has been decided, on a Bondholders' Meeting or by way of a Written Procedure, to waive such Event of Default (temporarily or permanently).
- (c) The Agent shall notify the Bondholders of an Event of Default within five (5) Business Days of the date on which the Agent received actual knowledge of that an Event of Default has occurred and is continuing. The Agent shall, within twenty (20) Business Days of the date on which the Agent received actual knowledge of that an Event of Default has occurred and is continuing, decide if the Bonds shall be accelerated. If the Agent decides not to accelerate the Bonds, the Agent shall promptly seek instructions from the Bondholders in accordance with Clause 18 (Decisions by Bondholders). The Agent shall always be entitled to take the time necessary to consider whether an occurred event constitutes an Event of Default.
- (d) If the Bondholders (in accordance with these Terms and Conditions) instruct the Agent to accelerate the Bonds, the Agent shall promptly declare the Bonds due and payable and take such actions as, in the opinion of the Agent, may be necessary or desirable to enforce the rights of the Bondholders under the Finance Documents, unless the relevant Event of Default is no longer continuing.
- (e) If the right to accelerate the Bonds is based upon a decision of a court of law or a government authority, it is not necessary that the decision has become enforceable under law or that the period of appeal has expired in order for cause of acceleration to be deemed to exist.
- (f) In the event of an acceleration of the Bonds in accordance with this Clause 16, the Issuer shall redeem all Bonds with an amount equal to the redemption amount specified in Clause 10.3 (*Voluntary Total Redemption*), as applicable considering when the acceleration occurs and, shall for the non-call period (until the First Call Date) be the price set out in paragraph (b) of the Call Option Amount definition above.

17. Distribution of Proceeds

- (a) All payments by the Issuer relating to the Bonds and the Finance Documents following an acceleration of the Bonds in accordance with Clause 16 (*Events of Default and Acceleration of the Bonds*) and any proceeds received from an enforcement of the Transaction Security shall be applied in the following order of priority, in accordance with the instructions of the Agent:
 - (i) first, in or towards payment pro rata of (i) all unpaid fees, costs, expenses and indemnities payable by the Issuer to the Agent in accordance with the Agency Agreement (other than any indemnity given for liability against the

Bondholders), (ii) other costs, expenses and indemnities relating to the acceleration of the Bonds or the protection of the Bondholders' rights as may have been incurred by the Agent, (iii) any costs incurred by the Agent for external experts that have not been reimbursed by the Issuer in accordance with Clause 22.2(e) or paid to the Agent, and (iv) any costs and expenses incurred by the Agent in relation to a Bondholders' Meeting or a Written Procedure that have not been reimbursed by the Issuer in accordance with Clause 18(c);

- (ii) secondly, in or towards payment pro rata of accrued but unpaid Interest under the Bonds (Interest due on an earlier Interest Payment Date to be paid before any Interest due on a later Interest Payment Date);
- (iii) thirdly, in or towards payment pro rata of any unpaid principal under the Bonds; and
- (iv) fourthly, in or towards payment pro rata of any other costs or outstanding amounts unpaid under the Finance Documents.

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

- (b) Funds that the Agent receives (directly or indirectly) in connection with the acceleration of the Bonds or the enforcement of the Transaction Security shall constitute escrow funds (*Sw. redovisningsmedel*) and must be promptly turned over to the Agent to be applied in accordance with this Clause 17 as soon as reasonably practicable.

18. Decisions by Bondholders

- (a) Any decision by the Bondholders on a matter relating to the Finance Documents shall (at the option of the Agent) be dealt with at a Bondholders' Meeting or by way of a Written Procedure.
- (b) Any request from the Issuer or a Bondholder (or Bondholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount (such request may only be validly made by a person who is a Bondholder on the Business Day immediately following the day on which the request is received by the Agent and shall, if made by several Bondholders, be made by them jointly) for a decision by the Bondholders on a matter relating to the Finance Documents shall be directed to the Agent and dealt with at a Bondholders' Meeting or by way a Written Procedure, as determined by the Agent. The person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a Bondholders' Meeting than by way of a Written Procedure, it shall be dealt with at a Bondholders' Meeting.
- (c) The Agent may refrain from convening a Bondholders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any person in addition to the Bondholders and such person has informed the Agent that an approval will not be given, or (ii) the suggested decision is not in accordance with applicable laws.

- (d) Should the Agent not convene a Bondholders' Meeting or instigate a Written Procedure in accordance with these Terms and Conditions, without paragraph (c) above being applicable, the Issuer or the Bondholder(s) requesting a decision by the Bondholders may convene such Bondholders' Meeting or instigate such Written Procedure, as the case may be, instead. The Issuer or the Issuing Agent shall upon request provide the Issuer or the convening Bondholder(s) with the information available in the debt register (Sw. *skuldbok*) kept by the CSD in respect of the Bonds in order to convene and hold the Bondholders' Meeting or instigate and carry out the Written Procedure, as the case may be.
- (e) Should the Issuer want to replace the Agent, it may (i) convene a Bondholders' Meeting in accordance with Clause 19 (a) or (ii) instigate a Written Procedure by sending communication in accordance with Clause 20 (a), in both cases with a copy to the Agent. After a request from the Bondholders pursuant to Clause 22.4(c), the Issuer shall no later than ten (10) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Bondholders' Meeting in accordance with Clause 19 (a). The Issuer shall inform the Agent before a notice for a Bondholders' Meeting or communication relating to a Written Procedure where the Agent is proposed to be replaced is sent and shall, on the request of the Agent, append information from the Agent together with the a notice or the communication. The Issuing Agent shall provide the Issuer with the information available in the debt register (Sw. *skuldbok*) kept by the CSD in respect of the Bonds in order to convene and hold the Bondholders' Meeting or instigate and carry out the Written Procedure, as the case may be.
- (f) Only a person who is, or who has been provided with a power of attorney pursuant to Clause 7 (*Right to Act on Behalf of a Bondholder*) from a person who is, registered as a Bondholder:
 - (i) on the Record Date prior to the date of the Bondholders' Meeting, in respect of a Bondholders' Meeting, or
 - (ii) on the Business Day specified in the communication pursuant to Clause 20(c), in respect of a Written Procedure,

may exercise voting rights as a Bondholder at such Bondholders' Meeting or in such Written Procedure, provided that the relevant Bonds are included in the definition of Adjusted Nominal Amount.
- (g) The following matters shall require the consent of Bondholders representing at least sixty-six and two thirds ($66 \frac{2}{3}$) per cent. of the Adjusted Nominal Amount for which Bondholders are voting at a Bondholders' Meeting or for which Bondholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 20(c):
 - (i) a change to the terms of any of Clauses 2(a), 2(f) and 2(g);
 - (ii) a change to the terms for the distribution of proceeds set out in Clause 17 (*Distribution of Proceeds*);
 - (iii) a change to the terms dealing with the requirements for Bondholders' consent set out in this Clause 18;

- (iv) a change to the definition "Interest Payment Date" or the definition "Interest Rate" set out in Clause 1.1 (*Definitions*);
 - (v) a release of the Transaction Security, except in accordance with the terms of the Security Document;
 - (vi) an extension of the tenor of the Bonds or any delay of the due date for payment of any principal or interest on the Bonds;
 - (vii) a mandatory exchange of the Bonds for other securities;
 - (viii) early redemption of the Bonds, other than upon an acceleration of the Bonds pursuant to Clause 16 (*Events of Default and Acceleration of the Bonds*) or as otherwise permitted or required by these Terms and Conditions.
- (h) Any matter not covered by Clause 18(g) shall require the consent of Bondholders representing more than fifty (50) per cent. of the Adjusted Nominal Amount for which Bondholders are voting at a Bondholders' Meeting or for which Bondholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 20(c). This includes, but is not limited to, any amendment to, or waiver of, the terms of any Finance Document that does not require a higher majority (other than an amendment permitted pursuant to Clause 21(a)(i), 21(a)(ii)) or 21 (a)(iii) or the enforcement of any Transaction Security.
- (i) Quorum at a Bondholders' Meeting or in respect of a Written Procedure only exists if a Bondholder (or Bondholders) representing at least twenty (20) per cent. of the Adjusted Nominal Amount:
- (i) if at a Bondholders' Meeting, attend the meeting in person or by telephone conference (or appear through duly authorised representatives); or
 - (ii) if in respect of a Written Procedure, reply to the request.
- If a quorum exists for some but not all of the matters to be dealt with at a Bondholders' Meeting or by a Written Procedure, decisions may be taken in the matters for which a quorum exists.
- (j) If a quorum does not exist at a Bondholders' Meeting or in respect of a Written Procedure, the Agent or the Issuer shall convene a second Bondholders' Meeting (in accordance with Clause 19(a)) or initiate a second Written Procedure (in accordance with Clause 20(a)), as the case may be, provided that the relevant proposal has not been withdrawn by the person(s) who initiated the procedure for Bondholders' consent. The quorum requirement in Clause 18(i) shall not apply to such second Bondholders' Meeting or Written Procedure.
- (k) Any decision which extends or increases the obligations of the Issuer or the Agent, or limits, reduces or extinguishes the rights or benefits of the Issuer or the Agent, under the Finance Documents shall be subject to the Issuer's or the Agent's consent, as applicable.
- (l) A Bondholder holding more than one Bond need not use all its votes or cast all the votes to which it is entitled in the same way and may in its discretion use or cast some of its votes only.

- (m) The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Bondholder for or as inducement to any consent under these Terms and Conditions, unless such consideration is offered to all Bondholders that consent at the relevant Bondholders' Meeting or in a Written Procedure within the time period stipulated for the consideration to be payable or the time period for replies in the Written Procedure, as the case may be.
- (n) A matter decided at a duly convened and held Bondholders' Meeting or by way of Written Procedure is binding on all Bondholders, irrespective of them being present or represented at the Bondholders' Meeting or responding in the Written Procedure. The Bondholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Bondholders.
- (o) All reasonable costs and expenses incurred by the Issuer or the Agent for the purpose of convening a Bondholders' Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Agent, shall be paid by the Issuer.
- (p) If a decision shall be taken by the Bondholders on a matter relating to the Finance Documents, the Issuer shall promptly at the request of the Agent provide the Agent with a certificate specifying the number of Bonds owned by Group Companies, irrespective of whether such person is directly registered as owner of such Bonds. The Agent shall not be responsible for the accuracy of such certificate or otherwise be responsible to determine whether a Bond is owned by a Group Company.
- (q) Information about decisions taken at a Bondholders' Meeting or by way of a Written Procedure shall promptly be sent by notice to the Bondholders and published on the websites of the Issuer and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Bondholders' Meeting or Written Procedure shall at the request of a Bondholder be sent to it by the Issuer or the Agent, as applicable.

19. Bondholders' Meeting

- (a) The Agent shall convene a Bondholders' Meeting by sending a notice thereof to each Bondholder no later than five (5) Business Days after receipt of a request from the Issuer or the Bondholder(s) (or such later date as may be necessary for technical or administrative reasons).
- (b) Should the Issuer want to replace the Agent, it may convene a Bondholders' Meeting in accordance with Clause 19(a) with a copy to the Agent. After a request from the Bondholders pursuant to Clause 22.4(c), the Issuer shall no later than five (5) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Bondholders' Meeting in accordance with Clause 19(a).
- (c) The notice pursuant to Clause 19(a) shall include (i) time for the meeting, (ii) place for the meeting, (iii) agenda for the meeting (including each request for a decision by the Bondholders) and (iv) a form of power of attorney. Only matters that have been included in the notice may be resolved upon at the Bondholders' Meeting. Should prior notification by the Bondholders be required in order to attend the Bondholders' Meeting, such requirement shall be included in the notice.

- (d) The Bondholders' Meeting shall be held no earlier than ten (10) Business Days and no later than twenty (20) Business Days from the notice.
- (e) Without amending or varying these Terms and Conditions, the Agent may prescribe such further regulations regarding the convening and holding of a Bondholders' Meeting as the Agent may deem appropriate. Such regulations may include a possibility for Bondholders to vote without attending the meeting in person.

20. Written Procedure

- (a) The Agent shall instigate a Written Procedure no later than five (5) Business Days after receipt of a request from the Issuer or the Bondholder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a communication to each such person who is registered as a Bondholder on the Business Day prior to the date on which the communication is sent.
- (b) Should the Issuer want to replace the Agent, it may send a communication in accordance with Clause 20(a) to each Bondholder with a copy to the Agent.
- (c) A communication pursuant to Clause 20(a) shall include (i) each request for a decision by the Bondholders, (ii) a description of the reasons for each request, (iii) a specification of the Business Day on which a person must be registered as a Bondholder in order to be entitled to exercise voting rights, (iv) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney, and (v) the stipulated time period within which the Bondholder must reply to the request (such time period to last at least fifteen (15) Business Days from the communication pursuant to Clause 20(a)). If the voting shall be made electronically, instructions for such voting shall be included in the communication.
- (d) When the requisite majority consents of the total Adjusted Nominal Amount pursuant to Clauses 18(g) and 18(h) have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Clause 18(g) or 18(h), as the case may be, even if the time period for replies in the Written Procedure has not yet expired.

21. Amendments and Waivers

- (a) The Issuer and the Agent (acting on behalf of the Bondholders) may agree to amend the Finance Documents or waive any provision in a Finance Document, provided that:
 - (i) such amendment or waiver is not detrimental to the interest of the Bondholders as a group, or is made solely for the purpose of rectifying obvious errors and mistakes;
 - (ii) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority;
 - (iii) such amendment will not negatively affect the Bondholders or the Agent and is necessary for the purpose of the listing of the Bonds pursuant to Clause 15.10 (*Listing of the Bonds*); or

- (iv) such amendment or waiver has been duly approved by the Bondholders in accordance with Clause 18 (*Decisions by Bondholders*).
- (b) The consent of the Bondholders is not necessary to approve the particular form of any amendment or waiver to the Finance Documents. It is sufficient if such consent approves the substance of the amendment or waiver.
- (c) The Agent shall promptly notify the Bondholders of any amendments or waivers made in accordance with Clause 21(a), setting out the date from which the amendment or waiver will be effective, and ensure that any amendments to the Finance Documents are published in the manner stipulated in Clause 12.4 (*Publication of Finance Documents*). The Issuer shall ensure that any amendments to the Finance Documents are duly registered with the CSD and each other relevant organisation or authority.
- (d) An amendment or waiver to the Finance Documents shall take effect on the date determined by the Bondholders Meeting, in the Written Procedure or by the Agent, as the case may be.

22. Appointment and Replacement of the Agent

22.1 Appointment of Agent

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

22.2 Duties of the Agent

- (a) The Agent shall represent the Bondholders in accordance with the Finance Documents, including, inter alia, holding the Transaction Security pursuant to the Security Documents on behalf of the Bondholders and, where relevant, enforce the Transaction Security on behalf of the Bondholders.
- (b) When acting in accordance with the Finance Documents, the Agent is always acting with binding effect on behalf of the Bondholders. The Agent shall carry out its duties under the Finance Documents in a reasonable, proficient and professional manner, with reasonable care and skill.
- (c) The Agent is entitled to delegate its duties to other professional parties, provided that such professional parties are selected with due care.
- (d) The Agent shall treat all Bondholders equally and, when acting pursuant to the Finance Documents, act with regard only to the interests of the Bondholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.
- (e) The Agent is entitled to engage external experts when carrying out its duties under the Finance Documents. The Issuer shall on demand by the Agent pay all reasonable costs for external experts engaged after the occurrence of an Event of Default, or for the purpose of investigating or considering (i) an event which the Agent reasonably believes is or may lead to an Event of Default or (ii) a matter relating to the Issuer which the Agent reasonably believes may be detrimental to the interests of the Bondholders under the Finance Documents. Any compensation for damages or other recoveries received by the Agent from external experts engaged by it for the purpose of carrying out its duties under the Finance Documents shall be distributed in accordance with Clause 17 (*Distribution of Proceeds*).
- (f) Notwithstanding any other provision of the Finance Documents to the contrary, the Agent is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.
- (g) If in the Agent's reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Agent) in complying with instructions of the Bondholders, or taking any action at its own initiative, will not be covered by the Issuer, the Agent may refrain from acting in accordance with such instructions, or taking such action, until it has received such indemnities (or adequate Security has been provided therefore) as it may reasonably require.

22.3 Limited liability for the Agent

- (a) The Agent will not be liable to the Bondholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its negligence or wilful misconduct. The Agent shall never be responsible for indirect loss.
- (b) The Agent shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts engaged by the

Agent or if the Agent has acted with reasonable care in a situation when the Agent considers that it is detrimental to the interests of the Bondholders to delay the action in order to first obtain instructions from the Bondholders.

- (c) The Agent shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to the Finance Documents to be paid by the Agent to the Bondholders, provided that the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.
- (d) The Agent shall have no liability to the Bondholders for damage caused by the Agent acting in accordance with instructions of the Bondholders given in accordance with Clause 18 (*Decisions by Bondholders*) or a demand by Bondholders given pursuant to Clause 16.10(a).
- (e) Any liability towards the Issuer which is incurred by the Agent in acting under, or in relation to, the Finance Documents shall not be subject to set-off against the obligations of the Issuer to the Bondholders under the Finance Documents.

22.4 Replacement of the Agent

- (a) Subject to Clause 22.4(f), the Agent may resign by giving notice to the Issuer and the Bondholders, in which case the Bondholders shall appoint a successor Agent at a Bondholders' Meeting convened by the retiring Agent or by way of Written Procedure initiated by the retiring Agent.
- (b) Subject to Clause 22.4(f), if the Agent is Insolvent, the Agent shall be deemed to resign as Agent with immediate effect and the Issuer shall within ten (10) Business Days appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- (c) A Bondholder (or Bondholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount may, by notice to the Issuer (such notice may only be validly given by a person who is a Bondholder on the Business Day immediately following the day on which the notice is received by the Issuer and shall, if given by several Bondholders, be given by them jointly), require that a Bondholders' Meeting is held for the purpose of dismissing the Agent and appointing a new Agent. The Issuer may, at a Bondholders' Meeting convened by it or by way of Written Procedure initiated by it, propose to the Bondholders that the Agent be dismissed and a new Agent appointed.
- (d) If the Bondholders have not appointed a successor Agent within ninety (90) days after (i) the earlier of the notice of resignation was given or the resignation otherwise took place or (ii) the Agent was dismissed through a decision by the Bondholders, the Issuer shall appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- (e) The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.

- (f) The Agent's resignation or dismissal shall only take effect upon the appointment of a successor Agent and acceptance by such successor Agent of such appointment and the execution of all necessary documentation to effectively substitute the retiring Agent.
- (g) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of the Finance Documents and remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Agent. Its successor, the Issuer and each of the Bondholders shall have the same rights and obligations amongst themselves under the Finance Documents as they would have had if such successor had been the original Agent.
- (h) In the event that there is a change of the Agent in accordance with this Clause 22.4, the Issuer shall execute such documents and take such actions as the new Agent may reasonably require for the purpose of vesting in such new Agent the rights, powers and obligation of the Agent and releasing the retiring Agent from its further obligations under the Finance Documents and the Agency Agreement. Unless the Issuer and the new Agent agree otherwise, the new Agent shall be entitled to the same fees and the same indemnities as the retiring Agent.

23. Appointment and Replacement of the Issuing Agent

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

24. No Direct Actions by Bondholders

- (a) A Bondholder may not take any steps whatsoever against the Issuer or with respect to the Transaction Security to enforce or recover any amount due or owing to it pursuant to the Finance Documents, or to initiate, support or procure the winding-up, dissolution, liquidation, company reorganisation (Sw. *företagsrekonstruktion*) or bankruptcy (Sw. *konkurs*) (or its equivalent in any other jurisdiction) of the Issuer in relation to any of the liabilities of the Issuer under the Finance Documents.
- (b) Clause 24(a) shall not apply if the Agent has been instructed by the Bondholders in accordance with these Terms and Conditions to take certain actions but is legally unable to take such actions.

25. Prescription

- (a) The right to receive repayment of the principal of the Bonds shall be prescribed and become void ten (10) years from the Redemption Date. The right to receive payment of interest (excluding any capitalised interest) shall be prescribed and become void

three (3) years from the relevant due date for payment. The Issuer is entitled to any funds set aside for payments in respect of which the Bondholders' right to receive payment has been prescribed and has become void.

- (b) If a limitation period is duly interrupted in accordance with the Swedish Act on Limitations (Sw. *preskriptionslag (1981:130)*), a new limitation period of ten (10) years with respect to the right to receive repayment of the principal of the Bonds, and of three (3) years with respect to receive payment of interest (excluding capitalised interest) will commence, in both cases calculated from the date of interruption of the limitation period, as such date is determined pursuant to the provisions of the Swedish Act on Limitations.

26. Notices

- (a) Any notice or other communication to be made under or in connection with the Finance Documents:
 - (i) if to the Agent, shall be given at the address registered with the Swedish Companies Registration Office (Sw. *Bolagsverket*) on the Business Day prior to dispatch or, if sent by email by the Issuer, to the email address notified by the Agent to the Issuer from time to time;
 - (ii) if to the Issuer, to the following address:
 - (A) Magnolia Bostad AB (publ)
Att: Board of directors, CFO, CEO
Grev Turegatan 11 a
114 46 Stockholm
Sweden; or
 - (B) if sent by email by the Agent, to the email address notified by the Issuer to the Agent from time to time.
 - (iii) if to the Bondholders, shall be given at their addresses as registered with the CSD, on the Business Day prior to dispatch, and by either courier delivery or letter for all Bondholders.
- (b) Any notice to the Bondholders shall also be published on the websites of the Issuer and the Agent.
- (c) Any notice or other communication made by one person to another under or in connection with the Finance Documents shall be sent by way of courier, personal delivery or letter, or, if between the Issuer and the Agent, by email, and will only be effective, in case of courier or personal delivery, when it has been left at the address specified in Clause 26(a) or, in case of letter, three (3) Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause 26(a) or, in case of email, when received in readable form by the email recipient.

27. Governing Law and Jurisdiction

- (a) These Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Sweden.
- (b) The Issuer submits to the non-exclusive jurisdiction of the City Court of Stockholm (*Stockholms tingsrätt*).
- (c) Paragraphs (a) and (b) above shall not limit the right of the Agent (or the Bondholders, as applicable) to take proceedings against the Issuer in any court which may otherwise exercise jurisdiction over the Issuer or any of its assets.

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

Place: Stockholm, Sweden

Date: ____ April 2016

For and behalf of

Magnolia Bostad AB (publ)

as Issuer

Title:

Name:

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

Place: Stockholm, Sweden

Date: ____ April 2016

Nordic Trustee & Agency AB (publ)

as Agent

Name:

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