Supplement to
Stendörren Fastigheter AB's (publ) prospectus regarding up to SEK 1,000,000,000 senior unsecured floating rate notes

STENDÖRREN

Supplement to prospectus

On 5 July 2017, Stendörren Fastigheter AB (publ), Reg. No. 556825-4741 ("**Stendörren**" or the "**Company**"), issued notes in the amount of SEK 360,000,000 (within SEK 1,000,000,000) (the "**Notes**").

The Company prepared a prospectus in connection with the Company applying for admission of trading of the Notes on Nasdaq Stockholm. The prospectus was approved and registered with the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) (the "**SFSA**") on 14 August 2017 (SFSA reference number 17-12688) (the "**Prospectus**") and published on the same day at Stendörren's website, www.stendorren.se.

This supplement to the Prospectus (the "**Supplement**") has been prepared as a result of the Company's intention to issue subsequent notes in the amount of up to SEK 640,000,000 and the Company's publication on 10 November 2017 of its interim report for the period 1 January 2017 – 30 September 2017.

This Supplement was approved by and registered with the SFSA on 25 January 2018 (SFSA reference number (18-1369) in accordance with the provisions of Chapter 2, Section 34 of the Swedish Financial Instruments Trading Act (Sw. *lag (1991:980) om handel med finansiella instrument*) and will be published on Stendörren's website on 25 January 2018. The supplement should be read together with, and forms an integrated part of, the Prospectus in every respect.

An investor who prior to the publication of the Supplement has made a notification of or otherwise consented to purchase or subscription of the transferable notes covered in the Prospectus has, in accordance with the Swedish Financial Instruments Trading Act, the right to withdraw given notification or consent within two (2) business days from the date of publication of this Supplement. The final date for the right to withdraw given notifications or consents as a consequence of this Supplement is 29 January 2018.

Adjustments to the Prospectus

The risk factor named "Rental income and rental development", p. 5 in the Prospectus, is hereby replaced in full with the following text:

Rental income and rental development

Rental income is the Company's main source of income. The Company's rental income is affected by the vacancies of the Properties, contracted rental rates and the tenants paying their rents on time. Rental rates are affected by, *inter alia*, the supply and demand on the market and the level of the market rental rates.

Increased vacancies and/or decreased rental rates will negatively affect the Company's earnings. The risk of fluctuations in vacancies increases with more single large tenants. The ten largest tenants as of 30 September 2017 accounted for approximately one third (1/3) of the total contracted rental income, of which the largest, being Coop Sverige, accounted for approximately eleven (11) per cent. The total number of leases entered into with the ten largest tenants was 10 as of 30 September 2017. There is a risk that the Company's larger tenants do not renew or extend their lease agreements upon expiry and that the Company does not find new tenants, which in the long term could lead to a decrease in rental income and an increase in vacancies. The leases entered into with the Group's ten largest tenants are of different duration. The average term of all leases was 4.9 years as of 30 September 2017, and the remaining term of the ten largest leases was 7.4 years as of 30 September 2017.

Large fluctuations in vacancies, a decrease in the market rental rates or any other loss of rental income may adversely affect the Company's financial position and results.

The risk factor named "Liquidity risk", p. 9 in the Prospectus, is hereby replaced in full with the following text:

Liquidity risk

Liquidity risk is the risk that the liquid assets of the Company are not sufficient to meet its payment obligations at the maturity date or that the Company cannot dispose of securities at a fair price. As of 30 September 2017, the Company's available liquidity amounted to approximately MSEK 62, in the form of bank deposits. Additionally, on 5 July 2017 a revolving credit facility amounting to MSEK 250 was approved by Swedbank. This facility is secured by mortgage deeds in the Company's properties. The Company will be dependent on available liquidity in order to fulfil its obligations, making investments and paying interest and amortisation costs related to its financing. If the Company does not have sufficient liquidity to fulfil its obligations this could have a negative effect on the Company's business, results of operations and financial position.

The risk factor named “Refinancing risk”, p. 9 in the Prospectus, is hereby replaced in full with the following text:

Refinancing risk

Refinancing risk is the risk that financial costs could be higher and/or the refinancing possibilities could be limited or non-existent when the Notes or other debt owed by the Company or the Group falls due and needs to be refinanced. This could in turn affect the Company’s and/or the Group’s liquidity and consequently affect the possibility to repay debt as it falls due.

The Company’s business is partly financed by externally provided capital. The bulk of the required capital for financing of both development of existing Properties and future acquisitions is and will be provided by banks, credit institutions or other lenders. As of 30 September 2017, the Group’s net indebtedness amounted to MSEK 3,503, of which MSEK 1,665, corresponding to 48 per cent., will be due within two years.

During the financial crisis, the volatility and the disruptions in the financial and credit markets were great, with reduction in liquidity and higher credit risk premiums for many credit institutions. Although the turmoil in the market has ceased due to central banks’ quantitative easing programs and amended regulations from agencies, there is still a great uncertainty and volatility. If the Company cannot refinance itself or only may refinance itself at much higher costs, this could have a negative effect on the Company’s business, results of operations and financial position.

The risk factor named “Interest-rate risk”, p. 10 in the Prospectus, is hereby replaced in full with the following text:

Interest-rate risk

Other than equity, the Group’s operations are mainly financed by loans from credit institutions. Interest expenses are therefore one of the Group’s main cost items. The Group’s total interest costs for the financial year of 2016 amounted to MSEK 109 and as of 30 September 2017, the Group’s average interest rate level was 2.37 per cent, corresponding to an annualised interest cost of MSEK 83. Interest rate risk is described as the risk that changes in interest rates affect the Group’s interest expense. Interest expenses are mainly affected by, besides the extent of interest-bearing debt, the level of current market interest rates, credit institutions’ margins and the Company’s strategy regarding interest rate fixation periods. The Swedish market for interest rates is mainly affected by the expected inflation rate and The Swedish National Bank’s (Sw. *Riksbanken*) repurchase rate (Sw. *reporäntan*).

All of the Group’s credit agreements include floating interest rates. The Group has adopted a policy to have interest rate swaps or similar interest rate fixation arrangements covering between 40 and 70 per cent. of its total outstanding loans. The interest rate derivatives are reported at fair value in the balance sheet and with changes in value in the profit and loss account. The Group’s interest rate fixation arrangements currently comprise of interest rate caps with an average term of 4.4 years and an average interest rate cap of 2.33 per cent. The derivatives constitute a hedging against higher interest rates, but this also implies that the market value of the Group’s interest rate derivatives decreases if the market interest rates decrease, which in turn has a negative impact on the Company’s financial position and result.

In certain cases, the Group has entered into loan agreements providing for an interest rate floor, which means that the 3-months STIBOR rate cannot be negative. The consequence of these provisions is that the Group will be unable to absorb in full a negative 3-months STIBOR rate.

The risk factor named "Taxation risks", p. 11 in the Prospectus, is hereby replaced in full with the following text:

Taxation risks

No tax due diligence has been conducted in respect of the Group. In the event that the historical tax position would be challenged this could lead to additional tax costs for the Group should the tax risk not be covered by guarantees provided in share purchase agreements entered into. The value of any guarantees provided in share purchase agreements is also dependent on the financial position of the sellers.

In the event that the Group's interpretation of tax laws, treaties and regulations or their applicability is incorrect, if a governmental authority successfully makes negative tax adjustments with regard to an entity of the Group or if the applicable laws, treaties, regulations or governmental interpretations thereof or administrative practice in relation thereto change, including with retroactive effect, the Group's past or current tax positions may be challenged. In the event tax authorities were to succeed with such claims, this could result in an increased tax cost, including tax surcharges and interest which could have a negative impact on the Company's business, results of operations and financial position.

Since the laws, treaties and other regulations on taxation, as well as other financial charges, have historically been subject to frequent changes, further changes are expected in the future, possibly with a retroactive effect.

A change in the current tax legislation could result in the Group facing an increased tax burden which could affect its result and financial position.

On 30 March 2017, the Swedish government presented a law proposal (SOU 2017:27) that, if enacted, is likely to affect the future taxation of real estate investments. The proposal relates to changes of the current income tax as well as stamp duty rules and capital gains tax, proposed to enter into force on 1 July 2018. The law proposal was sent to consultation bodies for statements during the summer of 2017. These statements are currently being analysed by the Swedish government before the legislative process can proceed. The proposal includes, inter alia, that the deferred tax liability related to the difference between tax residual value and market value on properties will be triggered upon a change of control of a real estate owning company and that indirect sales of properties would be subject to stamp duty. If the law proposal would be implemented in its current wordings, this could imply tax payable upon all of the Group's future disposals of property owning companies. Depending on the difference between fair market value and tax residual value of the properties held by the Group, this could have a negative impact on the Company's business, results of operations and financial position.

On 20 June 2017, a memorandum, proposing new interest deduction limitation rules regarding both internal and external interests, was published by the Swedish government. The proposal contains two alternatives. A general limitation of interest deductions in the corporate sector is firstly proposed as an EBIT rule, where the cap for a deduction of net interest expenses is calculated as 35 per cent. of tax EBIT and, secondarily, as an EBITDA rule, where the cap for deduction of net interest expenses is calculated as 25 per cent. of tax EBITDA. The rules are proposed to enter into force on 1 July 2018 and are to be applied for the first time in the financial year beginning after 30 June 2018. The Swedish government is expected to present a final law proposal during the spring of 2018. If the Group's net interest expenses, following any implementation of legislation based on this proposal, represent a substantial portion in relation to its tax EBIT or tax EBITDA, or if any other additional restriction on the deductibility of interest expenses is introduced in Sweden, the Group's tax burden could increase and this could have a negative impact on the Company's business, results of operations and financial position.

As a part of the memorandum published on 20 June 2017, the Swedish government proposes that tax losses carried forward in a company can at a maximum be deducted with 50 per cent. of the company's taxable profit. Losses, which are thus non-deductible, may be carried forward to subsequent years. These limitations are proposed to be in effect only during a certain period of time. As regards the EBIT rule, the limitations are proposed to apply to financial years beginning after 30 June 2018 and before 1 July 2020. As regards the EBITDA rule, the limitations are proposed to apply to financial years beginning after 30 June 2018 and before 1 July 2021. The proposed limitation applies regardless if a company has net interest expenses or not.

The section named "Financial reports", p. 25 in the Prospectus, is hereby replaced in full with the following text:

Financial reports

The Company's annual reports for 2015 and 2016 have been audited by the Company's current auditor Ernst & Young AB. The Company's interim report for the third quarter of the financial year 2017 has been reviewed by the Company's auditor. The Company's annual report for 2016 was published on 21 April 2017.

The consolidated annual accounts of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU. Further, the consolidated annual accounts of the Group have been prepared in accordance with Swedish law by application of the Swedish Financial Reporting Board's, RFR1 Supplementary Accounting Rules for Groups. The Company applies the same accounting principles as the Group unless otherwise is stated in the Company's annual report.

The section named "Documents incorporated by reference", p. 26 in the Prospectus, is hereby replaced in full with the following text:

This Prospectus, in addition to this document, comprises of the following financial information which is incorporated by reference and available in electronic format on the Company's website, www.stendorren.se, during the period of validity of this Prospectus:

- the following sections of the interim report for the third quarter of the financial year 2017:
  - the balance sheet on page 14;
  - the income statement on page 12; and

    - the description of the accounting principles applied on page 27.

- The following sections of the audited consolidated financial statements of the Company for the financial year 2016:
    - the auditor’s report on pages 121-124;
    - the balance sheet on page 86;
    - the income statement on page 84; and
    - the notes on pages 95-116, including the description of the accounting principles applied on pages 95-99.

- The following sections of the audited consolidated financial statements of the Company for the financial year 2015:
    - the auditor’s report on pages 78-79;
    - the balance sheet on page 50;
    - the income statement on page 48; and
    - the notes on pages 58-75, including the description of the accounting principles applied on pages 58-62.

The sections of the above documents that have not been incorporated by reference are not relevant for investors in the Notes.

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