



# KARLHOLM STRAND

## Investor presentation

Koggbro Projekt AB (publ)

Written procedure

June 2024

# Disclaimer

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## No liability

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## Disclaimer

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### Forward looking statements

Certain information contained in this Presentation, including any information on the Group's plans or future financial or operating performance and other statements that express the Group's management's expectations, projections or estimates of future performance, constitute forward-looking statements (when used in this document, the words "anticipate", "believe", "estimate", "project", "expect" and similar expressions, as they relate to the Group or its management, are intended to identify forward-looking statements). Such statements are based on a number of estimates and assumptions that, while considered reasonable by management at the time, are subject to significant business, economic and competitive uncertainties. The Group cautions that such statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Group to be materially different from the Group's estimated future results, performance or achievements expressed or implied by those forward-looking statements.

### Limited due diligence

Only a limited legal review has been carried out with respect to the properties within the Karlholm Strand with the aim to verify the ownership of the properties and a management interview with Mr. Anders Högberg, during which the Mr. Högberg has orally confirmed certain matters. No documentary due diligence has been carried out. Thus, there may be risks related to the Proposal and the Group which are not included in this Presentation and which could have a negative effect on the Group's operations, financial position, earnings and result.

### No legal, credit, business, investment or tax advice

The Bonds and the Proposal involves a high level of risk. Several factors could cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements that may be expressed or implied by statements and information in this Presentation, including, among others, risk or uncertainties associated with the Group's business, segments, developments, growth, management, financing and market acceptance, and, more generally, general economic and business conditions, changes in domestic and foreign laws and regulations, taxes, changes in competition and pricing environments, fluctuations in currency exchange rate and interest rates and other factors. By attending a meeting where this Presentation is presented or by reading this Presentation, you acknowledge that you will be solely responsible for and rely on your own assessment of the market and the market position of the Group and that you will conduct your own analysis and be solely responsible for forming your own view of the Proposal, the potential future performance of the Group, its business and the Bonds and other securities. The content of this Presentation is not to be construed as legal, credit, business, investment or tax advice. Each recipient should consult with its own legal, credit, business, investment and tax advisers to receive legal, credit, business, investment and tax advice. Each Bondholder must determine the suitability of the Proposal in light of its own circumstances. In particular, each Bondholder should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Proposal, the Bonds, the merits and risks of the Bonds and the Terms and Conditions (as amended by the Proposal) and the information contained or incorporated by reference in this document or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, the Proposal, the Bonds, the Terms and Conditions (as amended by the Proposal) and the impact other bonds will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds (as amended by the Proposal);
- (d) understand thoroughly the Proposal and the Terms and Conditions (as amended by the Proposal); and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the relevant risks.

The Solicitation Agent does not make any recommendation as to whether the Bondholders should participate in the Proposal. The Solicitation Agent has not retained and does not intend to retain any unaffiliated representative to act solely on behalf of the Bondholders for purposes of negotiating the Proposal or preparing a report concerning the fairness of the Proposal. The Solicitation Agent does not do not take a position as to whether you ought to participate in the Proposal.

This Presentation does not discuss the tax consequences to Bondholders. Bondholders are urged to consult their own independent financial or other professional advisors regarding possible tax consequences of the Proposal to them under the laws of any relevant jurisdiction. The Bondholders are liable for their own taxes and have no recourse to the Issuer, the Solicitation Agent or any of their Representatives with respect to taxes arising in connection with the Proposal.

### Responsibility for complying with the procedures of the Proposal

The Bondholders are responsible for complying with all of the procedures for participation and voting in respect of the Proposal as set out in the notice of written procedure. Neither the Issuer nor the Solicitation Agent assume any responsibility for informing any Bondholder of irregularities with respect to such Bondholder's participation in the Proposal (including any errors or other irregularities, manifest or otherwise, in any voting instruction).

## Disclaimer

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### **Conflict of interest**

The Solicitation Agent and/or its Representatives may hold shares, options or other securities of the Group and may, as principal or agent, buy or sell such securities. The Solicitation Agent may have other financial interests in transactions involving these securities or the Group.

### **Consent solicitation fee**

The Solicitation Agent will be paid a fee by the Issuer from pledged funds belonging to the Bondholders for its consent solicitation in respect of the Proposal.

### **Audit review of financial information**

The financial information contained in this Presentation has not been reviewed by the Group's auditor or any other auditor or financial expert. Hence, such financial information might not have been produced in accordance with applicable or recommended accounting principles and may furthermore contain errors and/or miscalculations. The Group is the source of the financial information, and none of the Solicitation Agent or any of its Representatives shall have any liability (in negligence or otherwise) for any inaccuracy of the financial information set forth in this Presentation.

### **Governing law and jurisdiction**

This Presentation is subject to Swedish law, and any dispute arising in respect of this Presentation is subject to the exclusive jurisdiction of Swedish courts.

## Content

6. Comments from management
7. Summary
8. Background
10. Current status
12. Way forward
14. Proposal
15. Voting information
16. Risk factors



## Comments from management

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Dear Investors,

It started as a vision and now the first buyers have moved into their new homes. Activity has also been created in the area through new businesses like gym, hotel and restaurant.

It has been a bumpy road and since I regained control of the project in connection with the restructuring of the bonds in 2019, a lot of work has been put into getting the companies on balance and crossing important thresholds with decision-making authorities. It is therefore particularly gratifying to begin to see the results of our hard work. Since the start, I have also invested around SEK 300 million in Karlholm Strand as a whole.

The project offers a unique opportunity to get close to the water and marine life through the lack of beach protection for the area. Here, among other things, villas and terraced houses with their own jetty next to a cultural and historical environment. Being able to offer this at a reasonable price, only about 1.5 hours by car from Stockholm, is truly unique.

Getting over the thresholds has taken a long time and meant delays for the project. At the same time, several construction projects have now started and some are in the starting blocks. We also have agreements for the sale of plots to be acquired during the year. Ongoing housing construction gives us additional momentum for continued sales in the coming year. This also means that we can carry out further substantial amortizations. The Bonds will continue with the same terms and profit sharing interest.

We humbly ask for your approval of the proposal.

Sincerely

Anders Högberg

# Summary

## Summary

The Bonds were initially issued in March 2017. The Group experienced financial difficulties under its previous ownership and could not meet its obligations under the Terms and Conditions.

Through a Written Procedure in March 2019, the Bondholders authorised the sale of the Company to Mimex Management SA controlled by Anders Högberg, the original owner and initiator of the Karlholm Strand Project.

In accordance with the written procedure, a process was also initiated to divest the "Sanden" and "Järfälla" properties in order to amortize the Senior Bonds. The amortization was carried out in December 2022, with an amount corresponding to approximately 31% of the nominal amount of the Senior Bonds (or approximately ca SEK 108m).

The Karlholm Strand Project has been further delayed, mainly due to drawn out zoning planning and building permit processes.

Despite delays, extensive value-enhancing work has been carried out to pave the way for future residential development, including infrastructure, fiber, electricity, water and sewage, etc.

An important milestone has been that the first properties have been sold and construction is now underway at several locations in the area. Also, there are agreements for the sale of additional properties and deposits for these have been paid.

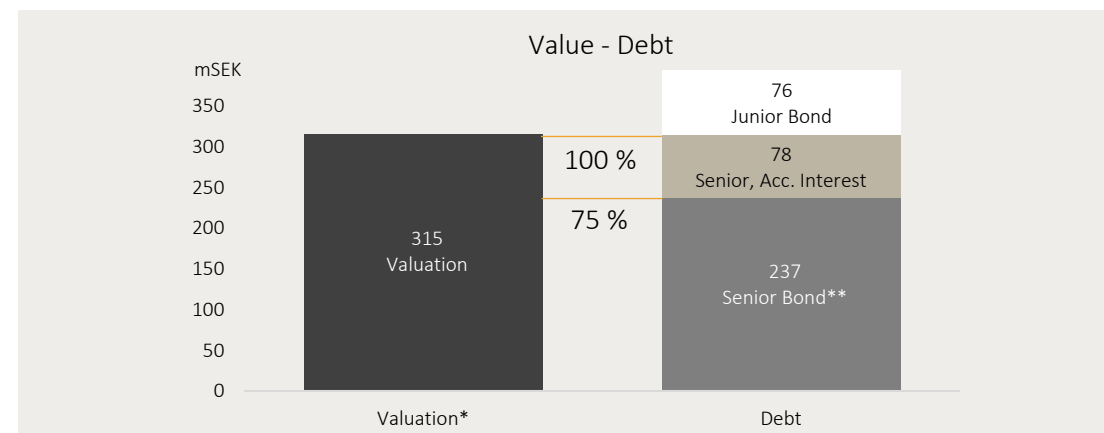
The Company will take advantage of the current momentum created by the ongoing construction and continue with sales activities for the next phases.

To continue developing and subsequently selling the properties at Karlholm Strand and to enable further amortization on primarily the Senior Bonds, the Bondholders are kindly asked to approve the Proposal.

## Proposal in short (see full Proposal on s.14)

The Bondholders are kindly asked to:

1. approve and consent to the prolongation of the Final Redemption Date until 24 March 2028;
2. approve the conversion of 15% of the nominal amount (corr. to approx. 11,25 msek of approx. 75 msek) of the Junior Bonds into the Senior Bonds;
3. Increase the Profit Sharing Interest from 4% to 5%, as of the date of the approval of the Proposal.



\* Building rights valuation performed by Gunnar Ramstedt, valuer, real estate consultant and broker at Bostadsmäklarna. Of the value, 80% is directly attributable to the Bondholders after deductions for management fees (10%) and reinvestment of development costs (10%).

\*\* Remaining Senior Bond debt after previously completed amortizations. Original Senior Bond amount was approx. SEK 350m.

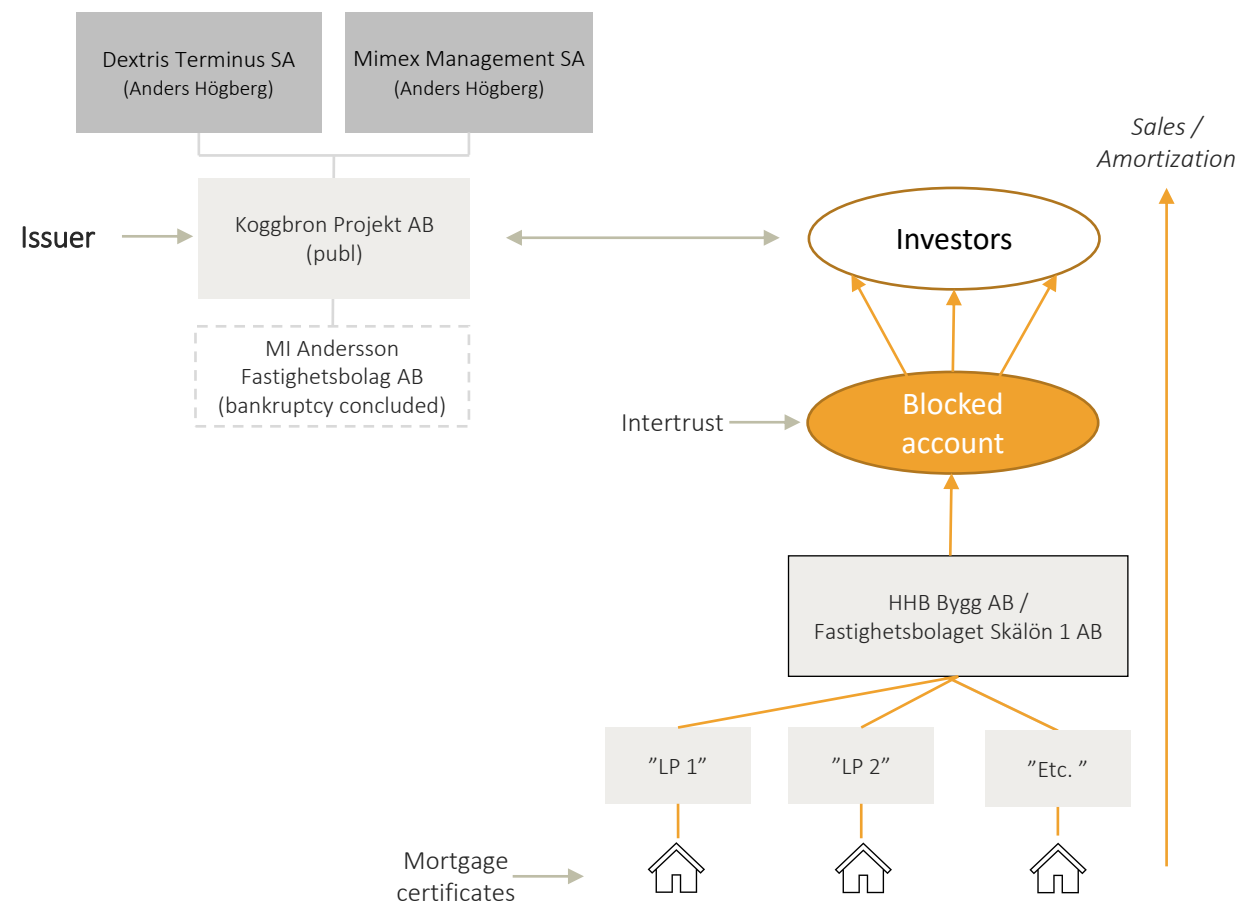
\*\*\* Accrued profit sharing interest on the Senior Bonds (approx. amount, as of march 2024).

## Background

### Reorganization in March 2019

- The Bonds were initially issued in March 2017. The capital raising was carried out in two tranches with the following breakdown:
  - Senior Bonds: Ca SEK 350m (in SEK / NOK / USD)
  - Junior Bonds: Ca SEK 75m (in SEK / NOK / USD)
- The Group experienced financial difficulties under its ownership of that time and could not meet its obligations under the Terms and Conditions.
- The consequences of the financial turbulence for instance included major delays in the timetable for the Karlholm Strand Project.
- As there were no good prospects for continuing the project under the previous ownership, the Group was reorganized.
- Through a Written Procedure in March 2019, the Bondholders authorised the sale of 90% of the shares in the Issuer for SEK 1 to Mimex Management SA, controlled by Anders Högberg.
- The remaining 10% of the shares in the Issuer are owned by Dextris Terminus SA, also controlled by Anders Högberg.
- Anders Högberg is the original owner and initiator of the Karlholm Strand Project and has, after the Written Procedure, again the control over the project in its entirety.
- Following the reorganisation and to facilitate partial divestments, all the properties within the Karlholm Strand Project have been transferred to a number of limited partnerships with HHB Bygg AB and Fastighetsbolaget Skälön 1 AB as general partner, and is thus outside the ownership structure.
- The primary security continues to consist of property pledges, amounting to approx. 120 MSEK. The property pledges are released when 80% of the sales price is deposited on the pledged account which subsequently will be used to amortize the Senior Bonds.

### Structure (simplified)





## Background

### Amended bond terms (Written Procedure in March 2019)

- To strengthen the Issuer's financial situation and given the significant delays in the Karlholm Strand Project, it was also decided in the written procedure:
  - To sell the additional collateral granted for the Bonds, owned by the subsidiary MI Andersson Fastighetsbolag AB, the properties "Sanden" and "Järfälla", and use the net proceeds to amortize the Senior Bonds.
  - As of March 2018, introduce a profit-sharing interest (Sw. *vinstdelningsränta*) of 4% and 6% p.a. for the Senior and Junior bonds respectively payable if and when the full nominal amount is repaid.
  - Extend the redemption date by 4 years and five years for the Senior and Junior bonds respectively.
- In 2023, a Written Procedure was conducted for the Senior Bonds which, inter alia, extended the redemption date by one year to coincide with the junior bonds.

### Amortization

- In accordance with the decision taken during the written procedure carried out in March 2019, a process was initiated to divest the "Sanden" and "Järfälla" properties in order to use the net proceeds to amortize the Senior Bonds.
- However, the previous owners of the Group obstructed the process by moving the properties out of MI Andersson Fastighetsbolag AB, in breach of pledge agreements and the Terms and Conditions.
- In June 2019, MI Andersson Fastighetsbolag AB was declared bankrupt, after which a legal process to clawback the properties began.
- Following a decision of the Svea Court of Appeal, the completion of the bankruptcy proceedings and the sale of the properties, the Senior Bonds were amortized in December 2022, with an amount corresponding to approximately 31% of the nominal amount (or approximately ca SEK 108m).



### Location

- Northern Stockholm 149 km
- Arlanda 117 km
- Uppsala 75 km
- Gävle 36 km

## Current status

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### Delays

- The Karlholm Strand Project has been further delayed, mainly due to drawn out zoning planning and building permit processes. The Issuer is dependent on efficient and compliant management by the municipality, which has not been the case.
- The processes relating to the landfill on the properties have also negatively affected the timetable for the zoning plan and building permits. According to the Issuer, the landfill is now handled in a special order and will not affect the continued residential development in the area.
- The previous owners also left several of the companies in the Group in a financially challenging situation, which Anders Högberg has had to spend a lot of time and resources managing. The Company is now in financial balance and without the threat of bankruptcy or related legal processes.

### Work carried out (within the security structure)

- Despite delays, extensive value-enhancing work has been carried out to pave the way for future residential development. Below is a selection of key initiatives:
  - Electricity connected to all building rights
  - Fibre connected to all building rights
  - Water and sewage connected to all building rights (except for 100m of pipework).
  - Construction of roads within the area of the existing buildings and to a majority of the building rights
  - Landscaping of a square
- In addition, a significant number of property subdivisions have been approved and implemented.



## Current status

### Sales

- Four properties have been sold to property developers and construction has started.
- Also, there are agreements for the sale of additional properties and deposits for these have been paid.
- The current valuation of the remaining properties amounts to approx. SEK 315,000,000\*\* +/- 10%.



*1.	Agreed sale	11.	On the market	*21.	On the market
*2.	Agreed sale	12.	On the market	22.	On the market
*3.	Agreed sale	13.	On the market	23.	On the market
*4.	Agreed sale	14.	Sold	*24.	Agreed sale
*5.	Agreed sale	15.	Sold	25.	Later stage
*6.	Agreed sale	*16.	Sold	26.	Later stage
*7.	Agreed sale	17.	Agreed sale	27.	Later stage
*8.	Agreed sale	*18.	Sold	28.	Later stage
9.	On the market	19.	Agreed sale	29.	Later stage
10.	Agreed sale	20.	Agreed sale	30.	Later stage

\* Further parcelling has been carried out. The properties 1, 2, 3, 16, 18, 22, 24 also have building permit.

\*\* Of the value, 80% is directly attributable to the Bondholders after deductions for management fees (10%) and reinvestment of development costs (10%).

## Way forward

### Conditions (construction and activities outside the security structure)

- The basic conditions for continued development and sales in Karlholm Strand are considerably stronger than at the time of the initial issue. From being a vision for a disused factory area, the first home buyers have now moved in, and businesses have opened their doors.
- Existing industrial buildings have been renovated and several businesses have been established, including the following:
  - Hotel (18 rooms, 50 beds)
  - Restaurant
  - Gym
  - Warehouse / Retail
  - Workshop
  - Boat garages
- Anders Högberg has built a terraced house which has been completed and the buyers have moved in.
- Älvsbyhus has completed 2 homes and base plates have been moulded for another 4 homes.
- 300 meters of floating docks have been purchased as a first step in the development of the marina. There is currently a queue of 258 to get a boat berth.



## Way forward

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### Continued construction and sales

- An important threshold effect for future construction and sales is the fact that the first home buyers have moved in. Together with the established businesses and leisure activities, this creates a buzz in the area, making it easier for subsequent buyers, developers and retailers to make investment decisions.
- There is currently construction ongoing of terraced houses around the dug canals on the northern shore of the area.
- The Issuer has entered into agreements to sell all the waterfront plots belonging to the bondholders in both the northern and southern parts of the area. These plots are the most attractive and will create attraction for the further development of the area.
- Discussions are also taking place with several operators on the construction of a primary school.

### Sales and amortization

- In accordance with the Written Procedure conducted in March 2019, the net proceeds of the sale shall be distributed as follows:
  - 80% - escrow account to make amortization payments
  - 10% - financing of development costs within the project
  - 10% - management fee to Mimex Management SA for the development of the project
- In the coming years, the Issuer intends to continue the sale of plots, primarily fulfilling already signed sale agreements.



# Proposal

## Summary of the Proposal\*

Based on the above background and in order to continue developing and subsequently selling the properties at Karlholm Strand and to enable further amortization on the Bonds, the Bondholders are kindly asked to:

1. approve and consent to the prolongation of the Final Redemption Date, until 24 March 2028;
2. approve and consent to the write-down of 85% of the nominal amount of the Junior Bonds and convert the remaining 15% of the nominal amount of the Junior Bonds (approx. SEK 11.25m of approx. SEK 75m) into Senior Bonds;
3. Increase the Profit Sharing Interest from 4% to 5%, as of the date of the approval of the Proposal.
4. irrevocably waive any Event of Default resulting from any non-compliance under Clause 15.1 (*Non-Payment*) under the Terms and Conditions for the period between the start of the voting period under the first Written Procedure and the end of the voting period under the second Written Procedure (up to and including the date of execution of the amended and restated Terms and Conditions);
5. to approve that approximately SEK 450,000 (excluding VAT) is paid to the Agent from the pledged funds to pay the Agent's accrued costs (including legal fees for the preparation of the written procedure, review of the properties and verifying of ownership and management interviews);
6. to approve that SEK 2,000,000 (including VAT) is paid to Vinga Corporate Finance AB from funds in the pledged account for costs related to this Written Procedure;
7. authorize the Agent and Vinga Corporate Finance AB to (on behalf of the Bondholders) take all such steps as may be deemed necessary or desirable to implement the Proposal and/or to achieve its purpose, to execute and enter into any documents that may be necessary in connection with the Proposal including any consequential amendments to the Terms and Conditions ; and
8. to acknowledge the limitation of liability set out under the heading "LIMITATION OF LIABILITY OF THE AGENT" in the Notice.

The requests for approvals and consents set out in Items 1-8 above are jointly referred to as the "**Proposal**". See the Notice of Written Procedure for full information.

## Consequence of not accepting the Proposal

- As the Issuer does not have sufficient funds to repay the bonds at maturity, the Issuer would become insolvent if the Bonds fell due.
- The contracts that have been signed for the sale of plots risk being cancelled.
- In the event of an enforcement of the property mortgages, the value of the plots is expected to fall sharply, meaning that the return on the Bonds will be significantly lower than if the sales are made in a controlled manner.
- The sale of plots through an enforcement procedure is also expected to take longer than giving the Issuer time to fulfil the agreements already signed and to continue the marketing of additional plots.

## Conversion of Junior bonds into Senior bonds

- Given the current valuation of the remaining properties in Karlholm, it is likely that the Junior bonds will recover a very small portion of their invested funds (if any). This could incentive the holders of the Junior bonds to not prolong the final maturity date and thereafter, following a stay period of 180 days from the current final maturity date of the Junior bonds, instruct the Agent to commence an enforcement of the security that is currently granted to the Bondholders. .
- Consequently, in order to incentivize the holders of the Junior bonds to agree to the Proposal, the Issuer is proposing a write-down and conversion which would have a diluting effect of approx. SEK 11.25m in the Senior bonds (approx. 3,96% of the total amount of Senior Bonds post conversion) and sharing of the security.
- Given the current situation, it is the Issuer opinion that this structure would be most beneficial for all stakeholders.

\* The Junior Bondholders will vote only on items 2, 4, 7. and 8. For more information, see the Notice of Written Procedure.

## Voting information

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### Timeline and voting procedure

The Trustee must have received the votes by mail, courier or email to the address indicated below no later than 12:00 CEST on 8 July 2024. Votes received thereafter may be disregarded.

Votes should be sent to the Agent, Intertrust (Sweden) AB:

#### **Address for sending replies**

*By mail:*

*Intertrust (Sweden) AB*

*Attn: WP Koggbro Projekt, P.O. Box 16285, 103 25 Stockholm*

*By courier:*

*Intertrust (Sweden) AB*

*Attn: WP Koggbro Projekt, Sveavägen 9, 10e våningen, 111 57 Stockholm*

*Via e-mail:*

*trustee@intertrustgroup.com*

### Quorum and majority

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#### **Quorum**

Pursuant to clause 17(i) of the Terms and Conditions, a quorum in respect of this Written Procedure will only exist if Bondholders representing at least fifty (50.00) per cent. of the Adjusted Nominal Amount reply to the Request.

If a quorum does not exist, the Agent shall initiate a second Written Procedure, provided that the relevant proposal has not been withdrawn. No quorum requirement will apply to such second Written Procedure. At the option of each Bondholder, a voting form provided at or before 12:00 CEST on 8 July 2024 in respect of the Written Procedure shall also remain valid for any such second Written Procedure.

#### **Majority**

Pursuant to clause 17(g) of the Terms and Conditions, at least sixty-six and two-thirds (66 2/3) per cent. of the Adjusted Nominal Amount for which Bondholders reply in this Written Procedure must consent to the Request in order for it to be approved.

## Risk factors

*These risk factors have been originally prepared in connection with the initial bond financing (the "**Bond Financing**"), and the initial bonds issued thereunder on 24 March 2017, (the "**Bonds**") by Koggbron Projekt AB (publ), reg. no. 556853-3995 (the "**Issuer**") which is governed by the terms and conditions for the Bonds (the "**Terms and Conditions**"). The Proceeds from the Bond Financing were used towards, inter alia financing of the Issuer's indirect acquisition of a number of properties (the "**Properties**") on which the Karlholm Strand project is contemplated to be developed (the "**Karlholm Strand Project**").*

*The investors (the "**Investors**") under the Bond Financing are represented by Intertrust (Sweden) AB (the "**Agent**").*

*Since the Bond Financing, the Issuer has divested the Properties to a number of limited partnerships in which the company HHB Bygg AB is the general partner. The Issuer is currently thus not the owner, whether directly or indirectly, of the Project although the security for the Bond Financing remains as property pledges in the Properties and share pledges over HHB Bygg AB*

*The risk factors described below were initially prepared in connection with the Bond Financing and have been updated in connection with the contemplated written procedure (the "**Written Procedure**"). Please note that no due diligence has been carried out in connection with the Written Procedure, other than an interview with Mr Anders Högberg. No documentary due diligence has been conducted in connection with the Written Procedure.*

*The proposal presented in the Written Procedure involves inherent risks. The ability to develop and sell the Karlholm Project are important factors to consider when making a decision whether to vote for the Proposal in the Written Procedure. A number of risk factors and uncertainties may adversely affect the Issuer, Parent and the Group. If any of these risks or uncertainties materialize, the business, operating results and financial position of the Group and/or the Issuer could be materially and adversely affected, which ultimately could affect the Issuer's ability to make payments of interest and repayments of principal under the Bond Financing.*

*In this section, a number of risk factors are illustrated, both general risks pertaining to the Group's and/or the Issuer's business operations and material risks relating to the Bond Financing. There could also be other risks not discussed herein, not currently known or not currently considered to be material may also affect the Group's and/or the Issuer's future operations, performance and financial position, and consequently the Issuer's ability to meet its obligations under the Bond Financing. Further, the risk factors are not ranked in order of importance. Potential Investors should consider carefully the information contained in this section and make an independent evaluation before making any investments in the Bond Financing.*

### **RISKS RELATING TO THE GROUP**

#### ***Limited legal review and potential risks outside the scope of the legal review***

The legal review that has been conducted in connection with the Written Procedure has been limited to verifying the ownership of the Properties (which are currently not owned, whether directly or indirectly by the Issuer). Consequently, there could be material risk in the Group falling outside of the scope of the legal review and which have not been identified when conducting the legal review. If any such risks would materialize, it could have a material adverse effect on the Issuer's operations, results and financial position, which may impact the Issuer's ability to repay the Bond Financing.

#### ***Credit risk***

Investors in the Bonds carry a credit risk towards the Issuer. The Investors' ability to receive payment under the Bonds is dependent on the Issuer's ability to meet its payment obligations, which in turn is largely dependent upon the performance of the Issuer's operations and its ability to develop and divest the Karlholm Project. The Issuer's financial position is affected by several factors of which some have been mentioned below.

The Issuer has incurred significant debt. There are several risks relating to a high leverage that could have a significant impact on the Issuer's ability to perform its obligations under the Bonds, these risks include, but are not limited to, inter alia, increased interest costs resulting in an inability to meet the payment obligations, lack of hedging arrangements, refinancing risks, cross-defaults under other debt arrangements, etc.



## Risk factors

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### ***Macro economical risks***

The real property industry is materially affected by macroeconomic factors such as business cycles, regional economic development, employment, production of new residences and premises, changes to infrastructure, population growth, population structure, inflation, interest rate levels, etc. Market disruptions, especially on the Nordic real property market, or negative business cycles on the global market, may affect the Issuers customers' financial position and thereby affect the demand for the Issuer's offering and such customers' ability to enter into agreements with the Issuer, which may have a material adverse effect on the Issuer's operations, results and financial position, which may impact the Issuer's ability to repay the Bond Financing.

### ***Environmental risk***

Under the current Swedish environmental legislation, an operator who has contributed to contamination and environmental damages or a purchaser of a property who ought to have discovered a contamination on the property is responsible for decontaminating the property. This entails that the Issuer may under certain circumstances be held responsible for decontamination or remediation as regards the existence or suspicion of contamination in the soil, water areas or the ground water in order to restore the property to the condition necessary in order to meet the higher requirements which apply under the Swedish Environmental Code to real properties that are used for residential purposes. It may also in the future be necessary for the Issuer to offer environmental guarantees if the Issuer is in a certain bargaining position, which would entail that the Issuer may be required to pay environmental damages even if the Issuer does not have such a responsibility under the applicable environmental legislation. The above claims may have a material adverse effect on the Issuer's operations, results and financial position, which may impact the Issuer's ability to repay the Bond Financing.

### ***Property risk***

Returns from the Properties will largely depend on sales from the Karlholm Strand Project, as well as on changes in the market value of the properties. The market value of properties in the Karlholm Strand Project are generally affected by overall conditions in the economy, such as growth in gross domestic product, employment trends, inflation and changes in interest rates. The property value may also be affected by competition from other property owners, or the perceptions of prospective buyers of the attractiveness, convenience and safety of the properties. Should the Group experience a decrease in the market value of its properties, this may have a negative effect on the Group's operations, financial position, earnings and results.

### ***Project risk***

The Karlholm Strand Project is at an early stage, e.g. only some of the Properties have been fully developed and all Properties have not been sold. For some of the Properties the building permit has expired due to delays with changes to the zoning plan where the intention is to apply for a new building permit. However, such building permit is yet to become legally binding and there is a risk that building permit will be denied or appealed. An appeal process could become lengthy and there is a risk that such a process would delay the Karlholm Strand Project for a substantial period of time and thereby impact the Group's ability to sell the Properties.

The above are only examples as to the early stages of the Projects. Property projects in early stages are always subject to risks and the materialization of the expected value depends upon the successful implementation of the Karlholm Strand Project. The Karlholm Strand Project entail risks relating to, inter alia, zoning plans, procurement of building permits, starting- and final clearances and other necessary government approvals, procurement of the construction contracts and the completion of the constructions. There is a risk that the Karlholm Strand Project are delayed for various reasons and that the cost of the Projects may overrun the estimated budget. The Karlholm Strand Project may be aborted or become more expensive and thereby make the Properties less attractive to sell than what is estimated by the Group, which may have a material adverse effect on the Group's operations, results and financial position, which may affect the Issuer's ability to make payments under the Bonds.

### ***Technical risks***

Property investments and property management always entail a technical risk related to the operations of the property, including, but not limited to, construction issues, hidden defects, damage (including through fire or other natural disasters) and pollution. These types of technical problems could result in significant unforeseen costs relating to the Properties. If the Properties encounters any technical issues in the future this could substantially increase the costs relating to the Properties, which could have a negative effect on the Group's operations, financial position, earnings and results.

## Risk factors

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### ***Disputes***

The Issuer is according to its management not engaged in any ongoing disputes. Claims or legal action may however in the future be taken against the Group which may have significant unfavorable effects on the Group's financial position, operations, earnings, results, performance, and market position and may impact the Issuer's ability to repay the Bond Financing.

### ***Risks relating to the loss of key employees***

The Issuer is dependent on the abilities, experience and knowledge about the Issuer and its market of certain key employees. It is therefore material that the Issuer maintains and, if needed, recruits key employees. If a key employee resigns, or if the Issuer is unable to recruit key employees in the future, it may have a material adverse effect on the Issuer's operations, results and financial position, which may impact the Issuer's ability to repay the Bond Financing.

### ***Taxes and charges***

The Group conducts its business in accordance with its interpretation of applicable tax regulations and applicable requirements and decisions. There is a risk that the Group's or its advisors' interpretation and the Group's application of laws, provisions, judicial practice has not been, or will in the future not be, correct or that such laws, provisions and practice will be changed, potentially with retroactive effect. If such an event should occur, the Group's tax liabilities can increase, which could have a negative effect on the Group's earnings and financial position. Revisions to tax regulations could for example comprise denied interest deductions, additional taxes on direct or indirect sale of property and/or tax losses carried forward being forfeited, which could affect the Group's earnings and financial position in the future.

## **RISKS RELATING TO THE BONDS**

### ***Risks relating to the transaction security and diminishing value of the security package***

Although the Issuer's obligations towards the Investors under the Bonds are secured, there is risk that the proceeds of any enforcement sale of the security assets would be insufficient to satisfy all amounts then owed to the Investors. In particular, the indicated value of the Properties that are subject to security to the Investors is only an approximate value as per the date of the Written Procedure and that value could be significantly less upon an enforcement. Each Investor should consider the risk that the security granted in respect of the Bonds might be ineffective in respect of any of the Issuer's obligations under the Bonds in the event the Issuer is declared bankrupt, enters into reconstruction proceedings or is liquidated.

### ***Risks relating to the valuation of the Properties***

The valuation of the construction right (*Sw. byggrättsvärdet*) on the Properties is only an indicated future value of the completed buildings on the Properties less construction costs and risks connected thereto. In order to achieve the indicated construction right value, all necessary building permits must have been granted, the construction must have been finalized in line with the cost budget on which the construction right value has been based and otherwise no other obstacles or deviations have been encountered during the construction. The construction right value is therefore not a market value per the date of the issuance of the Bonds and the indicated value cannot be achieved upon the realization of the Properties unless the construction on the Property has been finalized.

### ***Repayment risk***

The Issuer's only alternative to repay the Bonds is through a sale of the Karlholm Strand Project. The Issuer is thus depended on the successful development of the Project and market conditions that allows for a sale of the Karlholm Strand Project. The Issuer's inability to develop and sell the Karlholm Strand Project on favorable terms, or at all, could have a material adverse effect on the Issuer's business, financial condition and results of operations and on the Investors' recovery under the Bonds.

## Risk factors

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### ***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 Issuer's operating results and those of its competitors, adverse business developments, negative publicity, 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.

### ***Liquidity risks***

The Issuer does not intend to apply for listing of the Bonds on any exchange. This may result in that it is difficult or impossible to sell the Bonds (at all or at reasonable terms). Lack of liquidity 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.

### ***Risks relating to the clearing and settlement in VPS's book-entry system***

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

### ***Bondholders' meetings***

In accordance with the terms and conditions for the Bonds, 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, the possibility that a bondholder, in certain situations, could bring its own action against the Issuer (in breach of the terms and conditions for the Bonds) cannot be ruled out, 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 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 for the Bonds, 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 for the Bonds in a manner that would be undesirable for some of the bondholders.

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

### ***Change of law***

The terms and conditions of the Bonds are governed by Swedish law in effect as at the date of issue of the Bonds. The Bonds are registered in VPS pursuant the Norwegian securities laws. No assurance can be given as to the impact of any possible judicial decision or change to Swedish law or administrative practice after the date of issue of the Bonds.