

## Notice of Written Procedure for senior secured callable bonds issued by Östermyra Bruk AB (publ)

To holders of the up to SEK 200,000,000 (or its equivalent in NOK or USD) senior secured callable fixed rate NOK, SEK and USD bonds due 2018 with NOK ISIN NO0010771322, SEK ISIN NO0010771330 and USD ISIN NO0010771314 (the "Bonds") issued by Östermyra Bruk AB (publ) (the "Issuer"), Reg. No. 556982-9178, on 12 September 2016.

*Capitalized terms not otherwise defined in this notice shall have the meaning given to them in the terms and conditions relating to the Bonds originally dated 12 September 2016, as amended and restated pursuant to a written procedure effective on 22 September 2017 (the "Terms and Conditions").*

**This notice will be sent by Intertrust (Sweden) AB (the "Trustee") on 27 February 2018 to direct registered owners and registered authorized nominees of the Bonds. This voting request has also been published on the websites of the Issuer and the Trustee, in accordance with the Terms and Conditions. If you are an authorized nominee under the Norwegian Securities Register Act of 2002 no.64 (NW. Verdipapirregisterloven) or if you otherwise are holding Bonds on behalf of someone else on a Securities Account, please forward this notice to the holder you represent as soon as possible. See "Voting rights" in section B. (Decision procedure) for further information.**

Intertrust (Sweden) AB is acting as Trustee on behalf of the Bondholders under the Terms and Conditions.

The Issuer has asked the Trustee, acting in its capacity as trustee for the Bondholders under the Terms and Conditions, to initiate a written procedure (the "**Written Procedure**") whereby the Bondholders can approve or reject a proposal from the Issuer. The request and the background thereto is described in Section A (*Request*) below.

The information in this Notice of Written Procedure regarding the Request, the Issuer and market conditions is provided by the Issuer, and the Trustee expressly disclaims any liability whatsoever related to such information.

Bondholders may participate in the Written Procedure by voting through VPS, through you nominees or by completing and sending the voting form attached to this notice in Schedule 1 to the Trustee. The Trustee must **receive the voting form no later than by 12.00 (CET) on 16 March 2018** by regular mail, via courier or e-mail to the addresses indicated below under Section B (*Address for sending replies*). Votes received thereafter will be disregarded. Please note that the Written Procedure may expire early if the requisite majority consents of the total Adjusted Nominal Amount have been received before 16 March 2018.

To be eligible to participate in the Written Procedure a person must fulfil the formal criteria for being a Bondholder on 27 February 2018 (the "**Record Date**"). This means that the person must be registered on a Securities Account with Verdipapirsentralen ASA as a direct registered owner or authorized nominee with respect to one or several Bonds.

If you have an interest in a Bond but are not registered as a direct registered owner or authorized nominee on a Securities Account, you need to obtain a power of attorney or other

proof of authorization from the person who fulfils the formal criteria for being a Bondholder on the Record Date, to be able to participate, substantially in the form as attached hereto as Schedule 2. An alternative may be to ask the person that is registered as a Bondholder and holds the Bonds on your behalf to vote in its own name as instructed by you. For further information on voting, please see under *Voting rights* in section B. (*Decision procedure*).

Please contact the securities firm you hold your Bonds through if you do not know how your Bonds are registered or if you need authorization or other assistance to participate.

BEFORE MAKING A DECISION, EACH BONDHOLDER IS ADVISED TO CAREFULLY REVIEW THE RISK FACTORS APPENDED TO THIS DOCUMENT AND THE CONTENT OF THIS DOCUMENT AND THE PROPOSED RESOLUTIONS SET OUT IN SECTION 4 BELOW. IF A BONDHOLDER IS UNCERTAIN AS TO THE CONTENT AND SIGNIFICANCE OF THIS DOCUMENT, INCLUDING THE APPENDED RISK FACTORS), AND THE MEASURES A BONDHOLDER SHOULD TAKE, THE BONDHOLDER IS ADVISED TO CONSULT ITS OWN LEGAL, TAX OR FINANCIAL ADVISER FOR THIS PURPOSE. THE ISSUER WILL NOT, AND IS UNDER NO OBLIGATION TO, UPDATE THIS DOCUMENT.

## A. Request

### 1. Background

#### 1.1 Summary of the written procedure

Concent Holding AB (publ), ("**Concent**"), Reg. No. 556966-5671, with subsidiaries, including the Issuer (together the "**Group**") has experienced major liquidity challenges for a considerable period of time. During the spring of 2017 the Group was in a situation where it could not meet neither its interest payment obligations nor its obligations to repay the principal amount under its external loans. As a result of the situation, the Group had to transfer the main part of its project portfolio to the newly established company, Grundingen Fastighets AB (publ) ("**Grundingen**"). As consideration for the purchase of the project portfolio, which was carried out in October 2017, Grundingen made certain cash payments which were used to repay parts of the external debt of the Group and in addition assumed the major part of the external debt of the Group (except for the Bonds and a debt to the former principal owner of Concent) which subsequently was converted into new shares in Grundingen by way of a debt for equity swap. Following the transfer, the Group only has three properties left in its portfolio, two in Haparanda, which are owned by the Issuer, and one in Linköping.

The Issuer's sole property project is the contemplated construction of Barents Center on the properties Haparanda Patan 1 and 2 (the "**Properties**"), which includes an upper secondary school, a multi arena and a shopping centre (the "**Project**"). The Project has of various reasons been delayed considerably and due to the financial difficulties in the Group and the Issuer, the Issuer has come to the conclusion that it will not be able to redeem the Bonds in full on the Final Maturity Date (12 February 2018) nor raise any new funds in order to carry out the construction on the Properties and thereby complete the Project.

In order to avoid an imminent bankruptcy, the Issuer deems that it is necessary that the Nominal Amount of the Bonds, plus accrued interest up to and including 28 February 2018, be converted into newly issued preference shares as further described below under section 2.5 (the "**Conversion**"). The newly issued preference shares under the Conversion are referred to below as the "**Preference Shares**". Carrying out the Conversion will, in the Issuer's opinion, strengthen the capital situation of the Issuer, reduce the risk of bankruptcy and facilitate raising new capital in order to carry out the construction on the Properties and thereby complete the Project, which will make it more likely to divest the Project once completed and repay the Bondholders through dividend distributions.

If the Conversion is not conducted, any current value connected to the Project will be subject to a severe value impairment since the lease agreements entered into with Haparanda Municipality (the "**Municipality**") regarding the upper secondary school (Sw. *gymnasieskola*) and the multi-arena (the "**Lease Agreements**") will be terminated on 1 January 2020 if the upper secondary school and the multi-arena are not completed before such date. In case the Lease Agreements are terminated, the only value remaining in the Issuer would be the value of the Properties (without any Lease Agreement), which were acquired from the Municipality for MSEK 48, which included the 25 year Lease Agreements that expire on 1 January, 2020. The zoning plan for the Properties expires in 2024. The Issuer has not been able to procure a valuation of the Properties without the Lease Agreements, but deems that the value is negligible if the Properties would be sold without the Lease Agreements.

In addition to the pledged Properties, Think Capital AB (a company owned by the former principal owner of the Group) has pledged 15,152,495 class B shares issued by Concent to the Bondholders. In addition, Concent, Quagg AB and Avalanche Capital AB (in bankruptcy) have guaranteed to the Bondholders the punctual performance by the Issuer of all the Issuer's obligations under the Finance Documents.

Notwithstanding the additional security, the Issuer deems it unlikely that any material value would be recoverable in a bankruptcy scenario all shares in Concent are (based on the average of last 30 days of trading) trading at an average of circa SEK 0.108, equivalent to a market value of circa MSEK 8.9 and neither Concent, Quagg AB nor Avalanche Capital AB have any assets of substantial value which could be used to cover the outstanding debt under the Bonds. The pledged shares described above are presently valued at approximately MSEK 1.6. The cost of a bankruptcy proceeding is difficult to estimate, but would most likely be substantial. Further, in order to avoid a bankruptcy in the ultimate parent company Concent, which will be essential for carrying out the Project, it is in the Issuer's opinion essential that such guarantee is released by the Bondholders.

A vote in favour of the Conversion is, in the Issuer's opinion, the last chance to save the Project and any value connected to it. The Conversion is a precondition for a successful financing of the Project as it currently stands and the need for financing is imminent in order to complete the Project before 1 January 2020 or else the Lease Agreements entered into with the Municipality will be terminated. The Group is currently evaluating a number of options for the financing of the Project but these cannot progress unless the Conversion is approved by the Bondholders.

Please note that although the Issuer deems the Conversion to be a final possibility to maintain the value in the Project, it cannot be guaranteed that the Issuer will in fact be able to raise new financing and complete and divest the Project. Should the Issuer fail to carry out the Project as intended, there will be no material value left in the Project, apart from the potential value of the Properties. In this situation, the Issuer will enter into formal bankruptcy proceedings and any potential value will following an enforcement of the pledges be distributed over the creditors of the Issuer.

Background to the current situation, terms and conditions for the Conversion, risk factors in relation to the Conversion and other material and relevant information can be found below in this document.

## **1.2 Background to the current liquidity crisis**

The Group has experienced major liquidity challenges for a considerable period of time. The lack of liquidity arose due to, among other things, the Group's previous aggressive acquisition strategy. This led to many projects being in an early, cash-intensive phase, and relatively few projects being in their final phase and capable of being divested successively with sufficient project gains to enable other projects to be carried through to the divestment phase. In addition, the Group failed to divest certain critical projects, including the Project, within projected timeframes, which resulted in the liquidity crisis in which the Group currently finds itself.

There has also been a significant discrepancy between the views of the former principal owner, the Group's management and potential buyers on the value of the project portfolio.

This resulted in a number of un-finished sales processes. As a result, the Group experienced difficulties in raising financing and carrying out sales. Furthermore, the sales that were carried out in 2014 and 2015 turned out to be very unfavourable to the Group, which resulted in significant write-downs due to substantial warranty obligations that were not on market terms. In addition, as a result of the above, the Group was forced to significantly write down the goodwill that arose from the acquisitions made in 2014. The Group's overhead expenses have also been too high based on the needs.

With regards to the Project, it has not been properly managed. The former management of Concent has on several occasions tried to divest the Project without success. Why such transfer has not been made is mainly due to the overconfidence in the Project's expected value and potential, which lately have shown to be substantially lower than previously announced. The Project did not progress efficiently, even though loans had been taken up for the purpose of financing the Project and the zoning plan, building permits and agreements with a contractor were all in place.

### **1.3 Attempts to carry out structural transactions and inject cash into the business**

A number of serious attempts to inject cash into the business to solve the Group's liquidity issues have been made since August 2016. Discussions were entered into with a number of interested parties in the autumn of 2016. Some merely made enquiries, whilst others began extensive due diligence processes. Given the large number of interested parties that expressed serious interest, there were considerable hopes of entering into a transaction that would inject cash into the business, about which Concent also informed the market in February 2017. However, the transactions failed to materialize because the former principal owner at the time was unable to accept the requirements imposed by the potential buyer. Since the Group did not succeed in carrying out a transaction in the autumn of 2016, the situation deteriorated and, as a result, at the beginning of February 2017, as a last resort, Björn Sahlström and Gustaf Leijonhufvud acquired all of the ordinary shares owned by the former principal owner's family, consequently becoming the new principal owners. The purpose of Björn Sahlström and Gustaf Leijonhufvud's acquisition was for the new management to investigate and find solutions to the Group's financial situation. Since mid-February 2017, the focus has been, firstly, on finding someone willing to increase Concent's equity and assume responsibility as the main financial backer and, secondly, on carrying out a corporate sale. This turned out to be difficult and a sale could not be effected.

In November of 2016 Concent entered into a share transfer agreement with BC Investment AB ("**BC Investment**") through which BC Investment agreed to acquire the shares in the Issuer. BC Investment consisted of a group of Finnish entrepreneurs and investors. The acquisition was conditional on the buyer's financing of the acquisition and would entail that BC Investment would redeem all the Bonds in connection with the acquisition. BC Investment however failed to raise new financing for the Project and was unable to complete the acquisition and the share transfer agreement was terminated and is no longer valid. Therefore the Issuer had to request an extension of the Final Redemption Date under the Bonds in September 2017. There are currently no potential buyers left and the only way to preserve the value in the Project is thus for the Issuer to carry out the Conversion, complete the construction and thereafter divest the Project once finalized.

## 1.4 Current situation

### 1.4.1 The Group's profit/loss and financial position for the 2016 financial year

A more detailed description of the Group's profit/loss for the 2016 financial year is contained in the Group's annual report, which is available at [www.concent.se](http://www.concent.se).

The Group's operating profit/loss for the 2016 financial year was MSEK -545.2 (199.8), which corresponds to an operating margin of -321.6% (66.9%). The Group's profit/loss after financial items was MSEK -614.1 (128.8), which corresponds to a profit margin of -362.2% (43.1%).

Total assets at year-end amounted to MSEK 793.5 (930.0), with an equity ratio of 9.8% (51.5%). Cash and cash equivalents amounted to MSEK 4.2 (14.6).

#### **Revenues and costs**

During the period, net sales amounted to MSEK -169.5 (298.7), which relate primarily to the termination of previous agreements in the amount of MSEK -225.6 (113.2). Costs and operating profit/loss were MSEK -545.2 (199.8) for the full year. Depreciation/amortization and impairment for the period was MSEK 202.8 (42.1), consisting primarily of impairment of goodwill and write-downs of goodwill in the amount of MSEK 161.5 (0). Net interest including financial expenses, such as fees, commission, brokerage fees, etc. decreased during the year to MSEK -68.9 (-70.9). Profit/loss after financial items was MSEK -614.1 (128.8).

#### **Cash flow**

Cash flow from operating activities was MSEK -284.1 (-281.1), the difference between the periods being due primarily to the reclassification of the projects from non-current assets to current assets, an increase in the extent of work in progress, set-offs of liabilities and purchase price adjustments relating to completed projects during 2016. Cash flow from investment activities was MSEK 43.0 (43.1). Cash flow from financing activities was MSEK 230.6 (247.1).

#### **Borrowings and repayment structure**

Total interest-bearing liabilities as of the last day in December amounted to MSEK 478.6 (318.8). The Group's repayment structure for debts, including provisions, was as follows:

0 – 1 year: MSEK 537.8, 1 – 3 years: MSEK 84.8, Over 3 years: MSEK 93.1, Total: MSEK 715.7

#### **Equity**

Equity amounted to MSEK 77.8 (478.5), the decline due primarily to terminations of agreements, impairment of goodwill, and provisions for project losses in 2016. The equity ratio at the end of the year was 9.8% (51.5%).

#### 1.4.2 The Issuer's, Östermyra Bruk AB (publ)'s, profit/loss for the period 1 Jan – 31 Dec 2016

Period	Jan–Dec 2016	Sep 2014– Dec 2015
	SEK	SEK
Net turnover	19,770,942	–
Operating expenses	<u>-896,789</u>	<u>-22,452</u>
Operating profit/loss	18,874,153	-22,452
Net interest income/expense	-36,300,901	-32,750
Results from participation in group companies	<u>9,076,973</u>	<u>575,449</u>
	-27,223,928	542,699
Group contribution paid		
Profit/loss after financial items	-8,349,775	520,247
Tax on profit for the year	–	-114,441
Net profit	-8,349,775	405,806
Total assets		
Non-current assets	135,509,239	110,542,678
Current assets	–	–
Current receivables	97,792,814	66,596,160
Other current investments	–	–
Liquid assets	–	3,346,880
Total	233,302,053	180,485,718
Equity	2,556,032	455,806
Provisions		–
Lon-term liabilities		–
Short-term liabilities	230,746,021	180,029,912
Total	233,302,053	180,485,718
Equity ratio (%)	1.1%	0.3%
Liquid assets at the beginning of the year		3,346,880
Liquid assets at the beginning of the year		0

**Revenues and costs**

During the period, net sales amounted to MSEK 19.8 (0.0). Operating profit/loss were MSEK 18.9 (0.0) for the full year. Net interest including financial expenses, such as fees, commission, brokerage fees, etc. was MSEK -36.3 (0.0). Profit/loss after financial items was MSEK -8.3 (0.5).

**Borrowings and repayment structure**

Total interest-bearing liabilities as of the last day in December amounted to MSEK 196.1 (150.0). The group's repayment structure for debts, including provisions, was as follows:

0 – 1 year: MSEK 196.1 (150.0), 1 – 3 year: MSEK 0.0 (0.0), over 3 year: MSEK 0.0 (0.0), Total: MSEK 196.1 (150.0).

**Equity**

Equity amounted to MSEK 2.6 (0.5), the decline due primarily to the period's results. The equity ratio at the end of the year was 1.1% (0.3%) per cent.

**1.5 Consequences of not carrying out the Conversion**

Given the Group's and the Issuer's current financial situation (as described above), in the Issuer's view the consequence of not carrying out the Conversion (as described below) is that the Issuer will need to enter into a formal bankruptcy proceeding, resulting in severe capital impairment for both Bondholders and shareholders of Concent. A bankruptcy is also a time-consuming process that requires significant resources and does not guarantee a satisfactory outcome. A bankruptcy will result in the Municipality terminating the 25 year Lease Agreements entered into with the Issuer and given that a major part of the value in the Issuer is connected to those Lease Agreements, the value impairment in a bankruptcy scenario will be severe.

**2. The way forward**

The purpose of this Written Procedure is to request the consent of the Bondholders to a conversion of the Nominal Amount of their current Bonds, plus accrued interest up to and including 28 February 2018 into Preference Shares. The Conversion will strengthen the solidity of the Issuer and make it more likely that the Issuer will be able to procure a construction financing in order to complete and thereafter sell the Project and thereby mitigate the loss of the Bondholders. Please see section 2.5 below for details of the Conversion.



## **2.1 About the Barents Center Project**

### **2.1.1 Background**

The Municipality conducted a public procurement in 2013 regarding a lease for an upper secondary school, a multi-arena and a shopping centre in Haparanda (Sweden) next to the border of Tornio (Finland). Avalanche Capital AB, which was owned by the former principal owner of Concent, won the procurement with its offer regarding the concept of Barents Center. The offer was adopted by the council of the Municipality on 11 March 2013.

The Properties consist of freehold sites with possibility to build a shopping centre, a multi arena and an upper secondary school. A zoning plan for the Properties has been approved. The current building permit needs to be re-newed given the re-design of the Property, although the earth work has been completed based on the former building permit. The Properties are located between IKEA Haparanda and Rajalla Shopping Centre next to the border of Tornio. Retail in the Greater Haparanda-Tornio area is to a high degree concentrated to the vicinity of the Properties. The location at the border with a large amount of people passing through makes it a very good location for retail. For consumers there are advantages in terms of price and availability of some products when shopping in two different countries. IKEA has had approximately one million visitors per year in recent years.

In 2014 Avalanche Capital AB purchased the Properties from the Municipality for a purchase price of MSEK 48. The Properties and the Lease Agreements with the Municipality have subsequently been transferred to the Issuer. The Issuer has recently come to the conclusion that certain other relevant agreements between Avalanche Capital AB and the Municipality, e.g. the procurement in 2013, the land development agreement, the cooperation agreement as well certain other agreements with other parties, have not been properly transferred to the Issuer. This means that these agreements are not valid as between the Issuer and the Municipality. However, having reviewed the content of such agreements, the Issuer has concluded that the Project can nonetheless be carried out without the rights and obligations under the non-transferred agreements. The Issuer will during the construction phase need to enter into renewed negotiations with the various counterparties in order to agree on the issues addressed in the non-transferred agreements, such as e.g. responsibility for land development costs, etc.

### **2.1.2 New conditions and a new plan**

The relationship between the Group and the Municipality became strained due to several delays of the project plan caused by failed attempts to sell the Project. The failed sales processes were partly due to the former principal owner's view on valuation and bad publicity in the press that resulted in continuous delays.

Under the original plan, Barents Center should have been completed in 2017. The delay has however made it possible to re-design the Project taking into consideration the recent disruptive effect e-commerce has had on traditional retail. As a result of the change in consumer behaviour, traditional shopping centres will be forced to adapt with costly consequences. Barents Center on the other hand, has the opportunity to become a shopping centre fully adapting to the way e-commerce is changing shopping.

The new management of the Group has worked hard on establishing a trustworthy, realistic and contemporary plan for Barents Center. In December 2017 in a meeting with the Municipality, including representatives for the political parties, the Group with its new owner and management, together with construction contractors Lehto Bygg AB ("Lehto Bygg"), consultants, and co-operation partners such as Erkki Hanhiova announced a new proposal regarding an updated plan for Barents Center. The new proposal includes not only parts of the original plan, such as achieving a prosperous and thriving Barents Center, but also a visionary shopping centre reflecting the vast change that the retail sector is going through. The original tender included circa 25,000 sq. m commercial area. The new plan has a commercial area of circa 17,000 sq. m which includes general retail, a supermarket, health services, experiences and other services in phase 1.

The Municipality has submitted a number of questions to the Issuer regarding how the new proposal complies with the tender documents underlying the procurement, the offer submitted by Avalanche Capital AB and the agreements that have been made with Avalanche Capital AB. The Issuer has submitted to the Municipality that the Project's implementation and final design during the tender phase were not specified. It can for instance be noted that in the winning offer a vision under the work name Barents Center was presented, containing *inter alia* commercial areas, parking, school and multi-purpose buildings. The tender documents also show that the tenderer had the intention to carry out the Project in different phases. Furthermore, the tender offer shows that Barents Center is contemplated to contain a total of approximately 18,000 sq. m for shops and restaurants.

The Issuer still intends to carry out the vision of Barents Center and to complete the school, multibuilding, parking and approximately 14,500 sq. m for shops and restaurants in phase 1. The site is dimensioned in phase 1 to allow for further expansion of the remaining parts of phase 2. In the Issuer's opinion, this is not a significant change in the procurement agreement and can therefore not be rejected by the Municipality.

The procurement process resulted in the conclusion of several agreements between Avalanche Capital AB and the Municipality, including the Lease Agreements. As previously mentioned, the Issuer has only acquired the Properties and the Lease Agreements from Avalanche Capital AB. Other agreements between Avalanche Capital AB and the Municipality, e.g. regarding the procurement in 2013 or agreements with other contracting parties are not something that should be considered with respect to the Lease Agreement between the Issuer and the Municipality. The issue that is currently relevant is whether the Lease Agreements are subject to the Swedish Public Procurement Act ("**LOU**") and in such case if the Lease Agreements have changed significantly in breach of LOU.

If the Lease Agreements are not substantially changed, the Lease Agreements cannot be declared void by a court due to LOU. It is only possible to terminate agreements concluded in breach of LOU within six months of their conclusion. After this period, the agreement can no longer be declared void pursuant to LOU. As mentioned, the Lease Agreements were entered into more than six months ago.

It is the Group's and the Issuer's permanent ambition to meet the long stop date in the Lease Agreements for final inspection, i.e. 1 January 2020, for the multi-building and upper secondary school, which are those parts of the Barents Center that are covered by the Lease Agreement. The Issuer has thus not proposed any changes to the Lease Agreement that in the

Issuer's opinion would render the Lease Agreements void due to a significant change in breach of LOU.

### **2.1.3 A shopping centre developed for the modern consumer**

Barents Center shall stand for innovative thinking, especially with respect to consumer interaction, and inspire consumers to both physical and online purchases. In order to adapt to the growing importance of e-commerce, Barents Center will include showrooms where customers can be inspired and subsequently purchase products online. This sets a high demand on customer experience, customer service and supply.

An exciting and appealing environment where people can meet will contribute to a feeling among the customers that they have experienced something special. Creating an innovative and contemporary feeling already at first sight of Barents Center is therefore very important.

The design of the facades and entrances should give a sense of inspiration and have a distinct architectural expression. The former proposal of Barents Center had a large-scale and heavy exterior. According to the new proposal, the facades will be divided into different sections and make way for innovative commercial thinking. With regard to the interior, new e-commerce companies will show parts of their collections in showrooms, where consumers will be assisted in their online purchases and be able to view entire collections online. These interactions between the physical and online environment will be reflected in the entire shopping centre, in the interior as well as the exterior. The size as well as the content of commercial areas therefore have to be adapted to the new purchase behaviours of consumers.

Barents Center will be something the inhabitants of Haparanda-Tornio can be proud of and will become a landmark for the greater area surrounding these cities.

The area has over 14 million border passages per year. According to a report made in 2014 the primary and secondary acquisition area is estimated to have a basis of about 130,000 inhabitants, which corresponds to a shopping demand of MSEK 3 240.<sup>1</sup>

### **2.1.4 Construction divided into phases**

Provided that the Conversion is carried out and new financing is raised, phase 1 of the construction will commence in May of 2018. Phase 1 includes the construction of the upper secondary school, multi-arena, and a shopping centre with stores and restaurants, healthcare, services and a parking lot that can accommodate up to 400 vehicles.

Phase 2 involves the expansion of the shopping centre to include other services and possibly a hotel adding up to 10,000 sq. m. The Letter of Intent, as described below, only covers phase 1.

Phase 3 presently includes retirement homes, service and shopping areas for 7,000-9,000 sq. m.

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<sup>1</sup> Janne Sandahl m.fl., *Värdeutlåtande Barents Center*, 2014-04-10, s. 7.

The development opportunities in phase 2 and phase 3 should be viewed as a further upside and is not included in the current budget and valuation.

Lehto Bygg and the Issuer signed a turn key construction contract on 9 March 2015 (the "**Construction Agreement**"). Lehto Bygg has to date executed some design and earth works based on the Construction Agreement but the works has been paused because the Issuer has not been able to raise the financing for the whole Project yet. The Issuer and Lehto Bygg have on 20 February 2018 entered into a new Letter of Intent ("**LOI**") in order to stipulate the procedure to modify the existing Construction Agreement between the parties. Lehto Bygg has confirmed that the estimated construction cost for phase 1 is MSEK 452. The construction cost might be altered depending of the final determination of the scope of works set out in the new construction agreement.

Lehto Bygg is a Swedish construction company, with a Finnish parent company which has a solid experience of managing and executing full scale construction projects in Finland and Sweden. The Lehto Group's revenue in 2016 was MEUR 362 and the group employed c. 750 people.

The Issuer and Lehto Bygg have been discussing and planning the construction of the Project for a long period of time. Lehto Bygg therefore have great knowledge of the Project. Since the autumn of 2017 the Issuer and Lehto together have worked on the new design for the Project. In December of 2017, the Issuer and Lehto together presented the new proposal to the Municipality.

The LOI stipulates that:

- (a) Lehto Bygg undertakes to perform all necessary construction works included in the original Construction Agreement.
- (b) The revised Construction Agreement shall be a turnkey contract based ABT 06.
- (c) Lehto Bygg undertakes to deliver the upper secondary school and multi arena in accordance with the time schedule (i.e. no later than 31 December 2019).
- (d) Lehto Bygg undertakes to deliver the Project within an agreed budget.

### 2.1.5 Time schedule

The Issuer and Lehto shall jointly work between February 19 and March 30 in order to set the new scope, the turnkey construction price and enter into the New Construction Agreement. The design phase will proceed from February 2018 until the end of June 2018. Construction works will begin at the site in May 2018 in order to achieve the completion by 31 December 2019 for the upper secondary school and multi arena. The rest of phase 1 is estimated to be completed in June 2020.

### 2.1.6 Budget

The Municipality has entered into the 25 year long Lease Agreements for the upper secondary school and the multi arena. The rental income for these agreements is SEK 17,136,000 *per annum* in total, out which SEK 8,870,000 refers to the multi arena and SEK 8,266,800 to the upper secondary school.

The leasable area of the commercial part of Barents Center will amount to approximately 14,100 sq. m when phase 1 is completed. The yearly rental income related to this area is estimated to be SEK 30,648,000 based on calculations in the valuation, as described below. Currently there are no lease agreements in place for the commercial areas. The Issuer has been in contact with potential tenants interested in leasing commercial premises of Barents Center and received positive response. However, the Issuer has decided that deeper discussions with potential tenants regarding the leasing terms should wait until the construction has begun.

In addition to Lehto's estimated construction costs of approximately MSEK 452, the developer (Sw. *byggherre*) is estimated to have costs of approximately MSEK 17,75 allocated as below.

- Developer admin and management	MSEK 3.6
- Commercial project management	MSEK 4.0
- Construction project management	MSEK 3.0
- Municipal fees	MSEK 0.4
- Quality assurance PBL	MSEK 0.8
- Connection and land development cost	MSEK 5.35
- Survey cost	MSEK 0.6

### 2.1.7 Valuation

The Group has ordered a valuation report (the "**Valuation Report**") from the Finnish real estate valuation company GEM Property OY ("**GEM**"). The Valuation Report was finalized by GEM on 9 February 2018. The valuation has been conducted in accordance with the rules of the Property Valuation Board of Finland Chamber of Commerce, Good valuation practice (Finnish regulations) and International Valuation Standards (IVS). The valuer is qualified and has the required experience. The purpose of the Valuation Report is to define the market value

of the Properties. As the most probably buyer is an investor, the main valuation method used is cash flow analysis.

Please note that since the site is unbuilt, the valuation is based on the special assumptions that the buildings would have been completed on 9 February 2018 and it would be fully leased with the lease agreements assumed to exist in calculations.

The buildings will include the following parts with following leasable areas:

- Stadium: 8,700 sq. m
- School: 3,200 sq. m
- Healthcare: 1,900 sq. m
- Restaurants: 2,000 sq. m
- Shopping: 9,900 sq. m

In total: 25,700 sq. m

#### ***Calculations for stadium, school and healthcare***

Variables used for the cash flow period:

- Stadium: 25 year lease agreement with the Municipality for all 8,700 sq. m at a gross rent of approx. €8.7 / sq. m/ month.
- School: 25 year lease agreement with the Municipality for all 3,200 sq. m at a gross rent of approx. €22.0 / sq. m/ month.
- Healthcare: 25 year lease agreement with the Municipality or a very reliable major private healthcare company for all 1,900 sq. m at a net rent of €20.0 / sq. m / month.
- Operational costs paid by the owner are approximately €193,878/year for the stadium and the school. All other operational costs are paid by tenants.
- Owner is responsible for the long term repair costs. €0.25 / sq. m / month is used as the long term repair cost for the cash flow period.

#### ***Calculations for shopping and restaurant***

Variables used for the cash flow period:

- The whole shopping and restaurant premises 11,900 sq. m in total have been fully leased with average net rent approx. €18.7 / sq. m / month with 3 years average economical lease length.
- Tenants pay the operational costs.
- The owner's administration cost is estimated to €0.1 / sq. m / month.

- The owner is responsible for the long term repair costs. €0.5 / sq. m / month is used as the long term repair cost for the cash flow period.
- If the premises will be fully let when the building is completed with average net rent approx. €18.7 / sq. m /month, it is reasonable to assume, that this is the market rent level for the Property. As such, after the 3 years lease agreements end, we have used €18.7 / sq. m /month as the market rent for the remaining cash flow period as well as for the terminal value.

GEM has estimated the market value for phase 1 of the wholly-completed Properties and shopping, restaurant, stadium, school and healthcare buildings with total lettable area ca. 25,700 sq. m to be €70,000,000.

## **2.2 The Issuer's operation**

ConCent AB ("**CAB**"), a development company within the Group and the Issuer will enter into a management agreement, which stipulates that CAB undertakes to manage the Project on behalf of the Issuer in exchange for a market based compensation. Compensation will be retroactive starting from 1 October 2017 and is estimated to amount to MSEK 2 up to 23 February 2018 (and includes costs for consultants and legal advisers). The annual compensation for CAB is estimated to approximately MSEK 2.5. Both parties are entitled to terminate the management agreement for early termination, taking into account two months' notice period.

## **2.3 Plan for financing the Project**

The Issuer will approach a number of potential financing arrangers, including JOOL Markets AS to arrange a construction financing for the Project, which will be conditional upon inter alia the Conversion. If a bond arranger is chosen, such arranger will arrange the construction financing and on a best efforts basis raise the debt capital needed for the completion of the Project. Current estimate of the debt quantum needed to complete the Project is approximately MSEK 500 excluding cost for financing. Please note that the financing will be done on a best efforts basis and cannot be guaranteed to be successful. In addition, the Issuer is evaluating other financing options but has not been able to progress on such options due to the current financial situation. Phase 2 and phase 3 are in a preliminary stage and therefore not possible to estimate from financial point of view.

## 2.4 Exit plan

The plan for the Group is to commence the construction as soon as possible after the Conversion and thereafter seek to find investors that are willing to acquire either the completed Project or the building rights. Repayment of the Bondholders (if a Conversion is approved) through dividend payments on the Preference Shares could therefore take place after such disposal. Should the disposal take place following a completed Project, the payment of dividends can be made no earlier than January 2020 and should the disposal be carried out as a sale of the building rights, the payment of dividends can potentially be made earlier than 2020, but the timing cannot currently be assessed since the Group has not yet progressed with the negotiations of a building right disposal.

## 2.5 The Conversion

The total Nominal Amount of the Bonds, plus accrued interest up to and including 28 February 2018, equals SEK 241,182,469 (the "**Bond Debt**") (applying the FX rate NOK/SEK 1/1.03 and USD/SEK 1/8.1 for investors that have invested in NOK-Bonds or USD-Bonds, jointly the "**Relevant FX Rate**"). In addition, Concent has a claim on the Issuer as of 31 October 2017 amounting to approximately MSEK 49.0 (the "**Concent Debt**"). Given Concent's distressed position, the Concent Debt must, from a balance sheet perspective, be converted into ordinary shares (the "**Ordinary Shares**") SEK-for-SEK, which will also strengthen the solidity of the Issuer. In addition to the Concent Debt, Concent has a claim on the Issuer as of 28 February 2018 amounting to approximately MSEK 2.0 relating to costs for the Project assumed during the period between 31 October 2017 and the date hereof. Such debt will not be converted into shares in the Issuer.

Provided that a requisite majority of the Bondholders consent to the Conversion and in order to prepare the Issuer for a future disposal, the Group will in connection with the Conversion establish a new holding company ("**HoldCo**") and transfer all the shares in the Issuer, through an intra-group transfer, to Holdco. Holdco will then by way of a debt assumption (Sw. *gäldenärabyte*) assume the Bond Debt and the Concent Debt, which release the Issuer from the Bond Debt and the Concent Debt.

Thus, once the procedure to change the debtor has been effected, the Bondholders will be creditors of HoldCo instead of the Issuer. HoldCo will then convert the Bond Debt into Preference Shares and the Concent Debt into Ordinary Shares by way of a debt for equity swap (Sw. *kvittningsemission*). Once the debt for equity swap has been effected, the Bondholders will be allotted one Preference Share for each SEK that was advanced under the Bond Debt that is to be converted plus accrued interest up to 28 February 2018 (applying the Relevant FX Rate for investors that have invested in NOK-Bonds or USD-Bonds). No fractional shares will be issued and any amount under one SEK following the Conversion will be rounded downwards to zero. Consequently, upon the Conversion, all Bondholders will be issued Preference Shares up to a value of the Nominal Amount of each Bond (plus accrued interest up to and including 28 February 2018) owned by such Bondholder as of the date of the Conversion (applying the Relevant FX Rate for investors that have invested in NOK-Bonds or USD-Bonds).

The rights to dividends between the Preference Shares and the Ordinary Shares will be structured in a way that gives the holders of the Preference Shares a priority right to dividends from Holdco up to the amount of the Bond Debt (and then pro rata among the Preference Share collective), i.e. approximately MSEK 241.2. Any distributable amounts in excess of



approximately MSEK 241.2 will thereafter will be distributed 45/55 between the Preference Shares collective and the Ordinary Shares collective (and then with a pro rata distribution within each collective). Concent (as holder of the Ordinary Shares) intends to use 10 percent of the Ordinary Shares as incentives to *inter alia* the Issuer's co-operation partners such as Erkki Hanhiova and Lehto Bygg, leaving a profit participation after the approximately MSEK 241.2 of 45/45/10 (Preference Shares/Ordinary Shares/Partners).

The terms of the Preference Shares are as follows:

- (a) In aggregate, the Preference Shares will entitle to all dividends/value transfers/proceeds in liquidation from Holdco up to an amount corresponding to the Bond Debt and thereafter all such amounts will be split 45/55 between the Ordinary Shares collective and the Preference Share collective.
- (b) The Articles of Association of Holdco will include a provision stating that if there are distributable funds in Holdco according to applicable law, such funds may not be withheld from payment to the Preference Shareholders unless the Preference Share collective has already received at least the preferential amount corresponding to the Bond Debt.
- (c) One share one vote will be the governance principle for all issued shares. Since there will be approximately approx. 241,200,000 Preference Shares and approximately 49,000,000 Ordinary Shares, the Preference Shares will represent approx. 83% per cent of shares and votes in Holdco.
- (d) The board of directors of Holdco is elected by simple majority at the general meeting of shareholders, implying that the collective of Preference Shares will be able to appoint the board.
- (e) Dividends/value transfers/liquidation are decided on by simple majority at general meetings of shareholders of Holdco, implying that such decisions will be within the control of the Preference Share collective.
- (f) HoldCo will be a CSD company and its shares will be registered with Euroclear Sweden AB.

Please note that the Conversion, if voted for by this Written Resolution, will be approved but not be formally executed unless the following conditions (the "**Conversion Conditions**") have been met no later than 30 June 2018 (the "**Long Stop Date**"):

- (a) the Issuer has procured a commitment for a construction financing corresponding to at least the estimated necessary amount to finalize the parts of the Project, that will be leased to the Municipality under the Lease Agreements, either as a committed bank facility or as a bond financing, with at least MSEK 100 in raised capital in the first tranche (i.e. funds on escrow or as irrevocable subscriptions by investors); and
- (b) the Concent Debt has been converted into Ordinary Shares in Holdco (such conversion to be executed simultaneously as the Conversion).

Should the preconditions above not be fulfilled, the Conversion will not be executed and the current Bondholders will remain as creditors of the Issuer with no change in status or priority, except that the parent company guarantee issued by Concent will have been released if so approved by the Bondholders pursuant to this Written Resolution.

### **3. Proposal**

By this Written Procedure, Bondholders are offered to convert the Nominal Amount of their Bonds, plus accrued interest up to and including 28 February 2018 into Preference Shares in HoldCo on a SEK-for-SEK basis (applying the Relevant FX Rate for investors that have invested in NOK-Bonds or USD-Bonds). Accordingly, after the Conversion has been effected, the Bondholders will have no outstanding claims against the Issuer or any other company in the Group, either as creditors or pledgors. Thus, all Security provided for the Secured Obligations pursuant to the Security Documents, including but not limited to the guarantee undertakings pursuant to which Concent and the other guarantors guarantee to the Bondholders and the Trustee the punctual performance by the Issuer of all the Issuer's obligations under the Finance Documents, are terminated and can no longer be invoked.

Should the preconditions above not be fulfilled, the Conversion will not be executed and the current Bondholders will remain as creditors of the Issuer with no change in status or priority, except that the parent company guarantee issued by Concent will have been released if so approved by the Bondholders pursuant to this Written Resolution.

The Trustee will be given the authority on behalf of the Bondholders to instruct the execution of the Conversion once the Conversion Conditions set out above have been fulfilled.

BEFORE MAKING A DECISION, EACH BONDHOLDER IS ADVISED TO CAREFULLY REVIEW THE RISK FACTORS APPENDED TO THIS DOCUMENT AND THE CONTENT OF THIS DOCUMENT AND THE PROPOSED RESOLUTIONS SET OUT IN SECTION 4 BELOW. IF A BONDHOLDER IS UNCERTAIN AS TO THE CONTENT AND SIGNIFICANCE OF THIS DOCUMENT, INCLUDING THE APPENDED RISK FACTORS), AND THE MEASURES A BONDHOLDER SHOULD TAKE, THE BONDHOLDER IS ADVISED TO CONSULT ITS OWN LEGAL, TAX OR FINANCIAL ADVISER FOR THIS PURPOSE. THE ISSUER WILL NOT, AND IS UNDER NO OBLIGATION TO, UPDATE THIS DOCUMENT.

### **4. Proposed resolutions**

#### **4.1 The resolutions**

In accordance with the information provided above, the Issuer requests that the Bondholders adopt the following resolutions:

- (a) to temporary waive any Event of Default currently outstanding under the Terms and Conditions, until the Conversion occurs or until the Long Stop Date;
- (b) that the Nominal Amount for each Bond, plus accrued interest up to and including 28 February 2018 be converted into Preference Shares in HoldCo of adequate value in SEK (applying the Relevant FX Rate for investors that have invested in NOK-Bonds or USD-Bonds);

- (c) to authorize the Trustee (with full rights of delegation) through a power of attorney, in connection with the Conversion, to release all Transaction Security and, on behalf of the Bondholders, to enter into any agreements, documents and notices the Trustee deems necessary to carry out the Conversion, including subscribing for Preference Shares on behalf of each Bondholder;
- (d) to authorize JOOL Markets AS (with full rights of delegation) through a power of attorney to carry out necessary transactions, such as cancellations and transfers of Bonds, registrations, share subscriptions, etc., in connection with the Conversion;
- (e) to authorize the Trustee (with full rights of delegation) through a power of attorney, to instruct the execution of the Conversion when the Conversion Conditions have been fulfilled in the reasonable opinion of the Trustee; and
- (f) irrevocably release Concert from its parent guarantee obligations against the Bondholders pursuant to the Terms and Conditions, regardless of the Conversion not taking place.

The resolutions in (a) – (f) above are referred to below as the "**Resolutions**".

#### **4.2 Conditions to adopting the Resolutions and the Conversion**

- (a) Pursuant to section 16(g) of the Terms and Conditions, the Resolutions under section 4.1 above require the approval of Bondholders representing two-thirds (2/3) of the Adjusted Nominal Amount for which Bondholders vote in a Written Procedure. Details of the quorums required for the Resolutions to be adopted are set out in 16(i) of the Terms and Conditions.
- (b) Pursuant to section 16(n) of the Terms and Conditions, a matter resolved upon in a duly performed Written Procedure is binding on all Bondholders, irrespective of whether or not they have provided a response in the Written Procedure.

Note that this means that Bondholders who have failed to provide a response in the Written Procedure or who voted against the resolutions in the Written Procedure will also be bound by the Resolutions if a requisite majority votes in favour of the Resolutions, meaning, among other things, that these Bondholders will be issued Preference Shares instead of Bonds and that all of their claims against the Issuer will be extinguished after the Conversion has been effected.

- (c) When the requisite majority of the total Adjusted Nominal Amount has granted its consent to the Resolutions by means of the Written Procedure, the relevant Resolution will be deemed to have been adopted, even if the deadline for providing responses in the Written Procedure has not yet expired. Note that this means that the voting procedure may be concluded before the relevant deadline for providing responses if a requisite majority has voted in favour of the Resolutions.
- (d) Notwithstanding a positive vote for the Conversion, the execution of the Conversion is subject to the fulfilment of the Conversion Conditions. Should the Conversion Conditions not be fulfilled by the Long Stop Date, the Conversion will not be executed and the current Bondholders will remain as creditors under the Terms and Conditions with no change in status or priority. The Bondholders will in that case have reserved all

their rights under the Terms and Conditions to accelerate the Bonds and require an enforcement of the Security provided under the Terms and Conditions, including any guarantees provided thereunder, except that the parent company guarantee issued by Concent will have been released if so approved by the Bondholders pursuant to this Written Resolution.

#### **4.3 Procurement of securities account/depository account**

Please be informed that Preference Shares will be affiliated with Euroclear Sweden AB. As you will be allotted Preference Shares you will need to open a securities account or a securities depository account with a bank. The securities account/depository account must be able to hold Swedish shares that are affiliated with Euroclear Sweden (currently the Preference Shares cannot be held on a Swedish ISK Account). Please also be informed that most banks will ask you to visit the bank office in person and to complete a know you customer form, for identification purposes. The bank will give you further instructions in terms of what information is needed in order to open the securities account or the securities depository account. Please contact the securities firm you hold your Bonds through if you do not know how your Bonds are registered or if you need authorization or other assistance to participate.

### **5. Information meeting**

All Bondholders are hereby invited to an information meeting arranged by the Issuer, at which the Group's management intends to describe the Issuers plans for the Conversion. The information meeting will be held by telephone, the details of which are provided below:

Date: 8 March 2018

Time: 10:00 AM CET

Telephone number: +46 8 34 54 90

Dial-in Code: 868418

It is not necessary to participate in the telephone meeting to be able to vote in the Written Procedure.

## 6. Upcoming events and anticipated dates

Event	Date	Description
Date of notice.	27 February 2018	Notice of the Written Procedure is sent to Bondholders.
Information meeting.	8 March 2017, at 10:00 am CET	Information meeting at which the Group's management describe the Conversion.
Record date.	27 February 2018	The date on which Bondholders must be registered as the owner of Bonds to be entitled to vote in the Written Procedure.
Deadline for providing responses in the Written Procedure.	16 March 2018	Deadline by which the Trustee must have received responses in the Written Procedure.
New information regarding the Conversion.	Shortly following 16 March 2018, or earlier if a requisite majority has voted positively or negatively	As soon as a requisite majority has voted in favour of the Resolutions, Bondholders will be provided with new information on relevant dates.
Conversion and cancellation.	As soon as the Conversion Conditions have been fulfilled the Conversion will be executed but will be subject to registration times with the Companies Registration Office.	Date on which the Bonds are converted into Preference Shares, at which time the Bonds are cancelled.

In the event the requisite majority of the total Adjusted Nominal Amount has granted its consent to the Resolutions by way of the Written Procedure prior to the expiry of the deadline for providing responses in the Written Procedure, the Issuer reserve the right to bring forward the date of the Conversion by giving notice to the Bondholders.

## B. Decision procedure

The Trustee will determine whether replies received are eligible to participate in the Written Procedure, continuously calculate the replies provided in respect of the Request and determine the result of the Written Procedure as soon as possible based thereon.

Once a requisite majority of consents of the Adjusted Nominal Amount for which Bondholders reply in the Written Procedure have been received by the Trustee, the relevant decision shall be deemed to be adopted, even if the time period for replies in the Written Procedure has not yet expired. A matter resolved upon in a duly performed Written Procedure is binding on all Bondholders, irrespective of whether or not they have provided a response in the Written Procedure.

Information about the decision taken in the Written Procedure will be sent by notice to the Bondholders, published on the websites of the Issuer and the Trustee and published by way of press release by either the Trustee or the Issuer.

Minutes from the Written Procedure shall at the request of a Bondholder be sent to it by the Issuer or the Trustee, as applicable.

If the Request is approved by the Written Procedure it will be binding to all Bondholders whether they participated in the Written Procedure or voted against the Request or not, in accordance with the Terms and Conditions.

### Voting rights

Anyone who wishes to participate in the Written Procedure must on 27 February 2018 (the "**Record Date**"):

- (a) be registered on the Securities Account as a direct registered owner; or
- (b) be registered on the Securities Account as authorized nominee,

with respect to one or several Bonds.

If you are not registered as a direct registered owner, but your Bonds are held through a registered authorized nominee (*Sw. förvaltare*) or another intermediary, you may have four different options to influence the voting for the Bonds.

1. Directly registered owners can vote via VPS Investortjenester. (Only applicable for Norwegian holders with VPS account in Norway)
2. You can ask the authorized nominee or other intermediary that holds the Bonds on your behalf to vote on your behalf as instructed by you. If the Bonds are held in custody - i.e. the owner is not registered directly in the VPS - the custodian must confirm: (i) the ultimate owner of the Bonds, (ii) the aggregate nominal amount of the Bonds; and (iii) the account number in VPS on which the Bonds are registered.

3. The individual Bondholder may authorize the Trustee to vote on its behalf, in which case the Bondholder's Form (PART 2. Voting slip) also serves as a proxy. A duly signed Bondholder's Form, authorizing the Bond Trustee to vote, must then be returned to the Trustee in due time before last day for replies (by scanned e-mail, courier or post).
4. You can obtain a power of attorney or other authorization (proof of ownership) from the authorized nominee or other intermediary and send in your own voting form based on the authorization. A duly signed Voting Form (Schedule 1), authorizing the Trustee to vote, must then be returned to the Trustee in due time before last day for replies (by scanned e-mail, courier or post).

Whether either of these options are available to you depends on the agreement between you and the authorized nominee or other intermediary that holds the Bonds on your behalf (and the agreement between the intermediaries, if there are more than one).

The Trustee recommends that you contact the securities firm that holds the Bonds on your behalf for assistance, if you wish to participate in the Written Procedure and do not know how your Bonds are registered or need authorization or other assistance to participate.

Bonds owned by the Issuer, any other Group Company or an Affiliate do not entitle the holders to any voting rights and are not included in the Adjusted Nominal Amount.

### **Quorum**

Pursuant to Clause 16(i) of the Terms and Conditions, a quorum in respect of the Written Procedure will only exist if a Bondholder (or Bondholders) representing at least **fifty (50) per cent.** of the Adjusted Nominal Amount reply to the Request.

If a quorum does not exist, the Trustee shall initiate a second Written Procedure, provided that the relevant proposal has not been withdrawn by the Issuer. 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 (CET) on 16 March 2018** in respect of the Written Procedure shall also remain valid for any such second Written Procedure.

### **Majority**

Pursuant to Clause 16(g) of the Terms and Conditions, more than **two-thirds (2/3)** of the Adjusted Nominal Amount for which Bondholders reply in a Written Procedure must consent to the Request in order for it to be approved.

### **Final date to vote in the Written Procedure**

The Trustee must have received the votes by mail, courier or e-mail to the address indicated below no later than by **12.00 (CET) on 16 March 2018**. Votes received thereafter will be disregarded.

Please find attached hereto a Bondholder's Form from the Securities Depository (VPS), which indicates your bondholding at the printing date. The Bondholder's Form will serve as proof of ownership of the Bonds and of the voting rights in the Written Procedure. If the Bonds are held in custody - i.e. the owner is not registered directly in the VPS - the custodian must confirm: (i) the owner of the Bonds, (ii) the aggregate nominal amount of the Bonds; and (iii) the account number in VPS on which the Bonds are registered.

The individual Bondholder may authorize the Trustee to vote on its behalf, in which case the Bondholder's Form also serves as a proxy. A duly signed Bondholder's Form, authorizing the Bond Trustee to vote, must then be returned to the Bond Trustee in due time before last day for replies (by scanned e-mail, courier or post).

In the event that Bonds have been transferred to a new owner after the Bondholder's Form was made, the new Bondholder must bring to the Bondholders' Meeting or enclose with the proxy, as the case may be, evidence which the Bond Trustee accepts as sufficient proof of the ownership of the Bonds.

### **Address for sending replies**

By regular mail:

Intertrust (Sweden) AB

Attn: Sandra Westman, P.O. Box 16285, 103 25 Stockholm, Sweden

By courier:

Intertrust (Sweden) AB

Attn: Sandra Westman, Sveavägen 9, 10th floor 111 57 Stockholm, Sweden

By e-mail:

[trustee@intertrustgroup.com](mailto:trustee@intertrustgroup.com)



**For further questions please see below:**

To the Trustee:

**Intertrust (Sweden) AB**

Sandra Westman

Tel: +46 70 860 6125

Kristofer Nivenius

Tel:+46 70 688 1910

[trustee@intertrustgroup.com](mailto:trustee@intertrustgroup.com)

**Concent Holding AB (publ)**

Björn Sahlström

[bjorn.sahlstrom@concent.se](mailto:bjorn.sahlstrom@concent.se)

Tel: +46 70 600 0090]

**Stockholm on 27 February 2018**

**Intertrust (Sweden) AB as Trustee**

## Schedule 1 VOTING FORM

for the Written Procedure initiated on 27 February 2018 for the up to SEK 200,000,000 (or its equivalent in NOK or USD) senior secured callable fixed rate NOK, SEK and USD bonds due 2018 with NOK ISIN NO0010771322, SEK ISIN NO0010771330 and USD ISIN NO0010771314 (the "Bonds") issued by Östermyra Bruk AB (publ) (the "Issuer") on 12 September 2016

The Issuer requests the Bondholders to approve the Request set out in the notice for the Written Procedure.

The Trustee is hereby empowered to enter into all necessary documentation required to implement the Request, in the event the Request is approved.

---

### Reply

Name of person/entity voting: \_\_\_\_\_

Nominal Amount voted for: \_\_\_\_\_

The undersigned hereby (put a cross in the appropriate box) votes for alternative:

**A) Approve**

**B) Reject**

**C) Refrain from voting**

with respect to the Request.

The undersigned hereby confirms (put a cross in the appropriate box) that this voting form shall constitute a vote also for a second Written Procedure (if any) pursuant to clause 16(j) of the Terms and Conditions with respect to the Request:

**Confirmed**

**Not confirmed**

Signature

\_\_\_\_\_  
Name in print:

Email:

Tel:

**NOTE: Please attach a power of attorney/authorization if the person/entity voting is not registered on the Securities Account as a direct registered owner or authorized nominee. The voting form shall be signed by an authorized signatory. A certified copy of a registration certificate or a corresponding authorization document for the legal entity shall be appended to the voting form for any legal entity voting. The registration certificate, where applicable, may not be older than one year.**

**Schedule 2**  
**POWER OF ATTORNEY/AUTHORIZATION/PROOF OF OWNERSHIP<sup>2</sup>**

for the Written Procedure initiated on 27 February 2018 for the up to SEK 200,000,000 (or its equivalent in NOK or USD) senior secured callable fixed rate NOK, SEK and USD bonds due 2018 with NOK ISIN NO0010771322, SEK ISIN NO0010771330 and USD ISIN NO0010771314 (the "Bonds") issued by Östermyra Bruk AB (publ) (the "Issuer") on 12 September 2016

Authorized Person<sup>3</sup>: \_\_\_\_\_

Nominal Amount<sup>4</sup>: \_\_\_\_\_

Grantor of authority<sup>5</sup>: \_\_\_\_\_

We hereby confirm that the Authorized Person specified above has the right to vote for the Nominal Amount set out above.

We represent an aggregate Nominal Amount of<sup>6</sup>: \_\_\_\_\_

We are (put a cross in the appropriate box):

Registered as authorized nominee on a Securities Account

Registered as direct registered owner on a Securities Account

Other intermediary and hold the Bonds

through<sup>7</sup> \_\_\_\_\_

Date:

Signature

\_\_\_\_\_

<sup>2</sup> Use this form to confirm a person's/entity's authority to vote if the person/entity is not registered as a direct registered owner or authorized nominee.

<sup>3</sup> Insert the name of the person/entity that should be authorized to vote.

<sup>4</sup> Insert the aggregate nominal amount the Authorized Person should be able to vote for.

<sup>5</sup> Insert the name of entity/person confirming the authority.

<sup>6</sup> The total Nominal Amount the undersigned represents

<sup>7</sup> Mark this option if the undersigned is not registered as authorized nominee or direct registered owner in the Securities Account kept by VPS. Please insert the name of the firm the undersigned holds the Bonds through.

## RISK FACTORS

Östermyra Bruk AB (publ) (the "**Issuer**") is contemplating a development of the properties Haparanda Patan 1 and Haparanda Patan 2 (the "**Properties**") with the construction of a multi building, a secondary school and a shopping center (the "**Project**") through the contractor Letho Bygg AB (the "**Contractor**"). The Issuer has entered into lease agreements relating to the letting of the facilities being constructed under the Project. The Issuer and the municipality of Haparanda (the "**Municipality**") has entered into two lease agreements under which the Municipality will lease the contemplated multi building (the "**Multi Building Lease**") and the contemplated secondary school (the "**School Lease**") (jointly referred to as the "**Lease Agreements**").

For various reasons, The Issuer has not been able to arrange any financing for the construction of the Project, inter alia, due to the debt under the bond issued by the Issuer during September 2016 (the "**Bond**"). The direct registered owners and registered authorized nominees of the Bond (the "**Investors**") have been offered to convert their debt claims against the Issuer against newly issued shares in the Issuer by way of a debt for equity swap (Sw. *kvittningsemission*) (the "**Conversion**"). The Issuer's intention is to run the Project from its current state to a level that allows for the disposal of the Project and thereby be able to generate profits and distribute such profits to the converting Investors.

These risk factors have been prepared in connection with the Conversion. There are risks both regarding circumstances linked to the Issuer and those which bear no specific relation to the Issuer. In addition to the other information in this investor presentation as well as a general evaluation of external factors, investors should carefully consider the risk factors described below before making any decision to participate in the Conversion. The occurrence of any of the events mentioned below could have a material adverse effect on the Issuer's operations, results and financial position. The risks presented in this document are not exhaustive, and other risks not at present known to the Issuer, or that the Issuer currently thinks are insignificant and therefore has not included herein, may also adversely affect the Issuer and the Issuer's ability to generate enough profits to be able to declare any dividends. Prospective investors should consider carefully the information contained herein and make an independent evaluation before making any decision to participate in the Conversion.

The risk factors below are not presented in any particular order.

### RISKS RELATING TO THE ISSUER

#### Risks outside the scope of the review

Due to the distressed nature of the Conversion, no legal review has been carried out for the purposes of the Conversion. There is no certainty that the risk factors described herein and the scope of the verifying legal review addresses or reflects the specific requirements, interests or circumstances that each Investor may have. No legal review whatsoever has been conducted on any other company than the Issuer or other of the Issuer's assets or projects than the Project. If any such risks would materialize, it may have a material adverse effect on the Issuer's operations, results and financial position.

**Risk relating to the Conversion**

The Conversion from debt in the Issuer to equity in the Holdco will result in a change of status of the rights of certain of the Investors, going from secured creditors in the Issuer to shareholders of the Holdco. Generally, secured creditors rank ahead of shareholders in, for example, a liquidation or in insolvency proceedings. Consequently, the Conversion will mean that the Investors will lose their status as secured creditors or un-secured creditors and become shareholders with rights to the assets of the Holdco only after all other creditors have been repaid.

**New debt financing and subordination**

The Issuer is dependent on procuring new external debt financing in order to be able to complete the Project. There is no guarantee that such financing can be procured. If such financing is procured, the Issuer will need to secure such financing through pledged and mortgages, which means that the external creditors will be prioritized in the event of the Issuer's insolvency. The Investors, in their capacity as shareholders, will thus be subordinated to the rights to the value of the Issuer and will receive payment only after all creditors have been repaid.

**Negative publicity**

The contemplated Project has been subject to extensive media coverage and negative publicity for a long period of time. The negative publicity or announcements relating to the Project may, regardless of whether justified, affect the Municipality, the Contractor, potential tenants or other significant stakeholders' decision making relating to the Project. Negative publicity could negatively affect the successful implementation of the Project, which may have a material adverse effect on the Issuer's operations, results and financial position.

**Project financing risk**

On the date hereof, the Issuer has not yet finally procured or negotiated the final terms for the financing of the construction of the Project. This means that it is not possible to assess the risks that such financing could entail, e.g. as regards the security that needs to be granted for the financing or the possibilities of the financier to demand early payments due to a breach of the financing contract by the Issuer. This could also mean that the Project is further delayed, which would have a material negative effect on the possibilities of the Issuer to complete the Project within the contemplated time frames.

**Early stage of the Project**

The Project is at an early stage as the contemplated construction work on the Properties has not yet commenced. Property projects at early stages are always subject to significant risks and the acquisition of the expected value depends upon the successful implementation of the project. The Project entails risks relating to necessary government approvals, the completion of the construction work and any potential future divestment of the Properties, etc. There is a risk that the Project is delayed for various reasons or that the cost of the Project may overrun the estimated budget. The Project may be aborted or become more expensive and thereby yield less profits than what is estimated by the Issuer, which may have a material adverse effect on the Issuer's operations, results and financial position.

**Property risk**

Returns from the Properties will depend largely upon the amount of rental income generated from the Properties, the costs and expenses incurred in the maintenance and management of the Properties, necessary investments in the Properties and upon changes in its market value. Rental income and the market value for properties are generally affected by overall conditions in the economy, such as growth in gross domestic product, employment trends, inflation and changes of interest rates. Both property values and rental income may also be affected by competition from other property owners, or the perceptions of prospective buyers and/or the attractiveness from tenants, convenience and safety of the Properties.

**Risks associated with procuring building permits**

The Issuer's management has presented a new proposal regarding the construction of the Project. According to the new proposal, it is suggested that the number of square meters of commercial space will decrease in relation to the original plan, that the façade will change in relation to the original plan and that parts of the Project that were previously planned to be constructed in phase 1 instead will be constructed in phase 2. The new proposal entails, inter alia, a reduced number of parking spaces and does not include a garage (that was included in the original plan). In order for the Issuer to utilize and develop the Project according to the new proposal, obtaining of new building permits will be required.

Building permits have been granted for the construction of the Project as the Project was planned originally. The building permits will expire on 7 September 2019 should the construction not be completed by that date. According to the timetable designed for the original construction, i.e. the original plan, the construction work was expected to proceed during 26 months. As the construction work has not yet commenced, should the construction work be carried out according to the original plan, the building permits would expire prior to the construction work being completed. Hence, even if the construction follows the original plan for the Project, new building permits will be required in order to complete the Project.

If the building permits are delayed, are not granted on the expected terms, appealed, and thereby significantly delayed, or if the political decision making process is altered in the future, the Project may suffer delays or incur further costs. If any of the above risks occur, it may have a material adverse effect on the Issuer's operations, results and financial position.

**Risks associated with procuring a construction agreement**

The Issuer has entered into a turnkey construction agreement with the Contractor on 14 April 2015. After this date, the parties have entered into a letter of intent according to which the parties agree that the original construction agreement will be replaced by a new construction agreement. However, the new construction agreement has not yet been signed. If the Issuer is unable to procure a construction agreement with any contractor for the Project, it may have a material adverse effect on the Issuer's operations, results and financial position.

**Construction risks**

Construction projects involve certain inherent risks. These risks include construction defects, construction technical defects, other latent defects, damages and pollutions. If such technical problems would occur, it could result in a delay of the planned construction, or higher costs for

the construction, which may have a negative effect on the Issuer's operations, financial position, earnings and results. The Project has already incurred significant delays and the current timetable of the construction does not give room for any further material delays. Further, if the construction work is not completed and approved at final inspection by 1 January 2020, the Municipality may terminate the Multi Building Lease and the School Lease, as further described below. If any of the above risks occur, it may have a material adverse effect on the Issuer's operations, results and financial position.

#### **Potential limited liability under the construction agreement**

The Issuer has entered into a construction agreement for the development of the Properties which will be replaced by a new construction agreement, as further described above. According to the original construction agreement, the Constructor's liability relating to delays in the construction work is limited to a maximum amount of 5 per cent of the total contract sum. Should the new construction agreement include an equivalent clause, the Issuer may not be able to claim compensation under the construction agreement covering incurred damages due to delays. If this risk occurs, it may have a material adverse effect on the Issuer's operations, results and financial position.

#### **Break-option in the Multi Building Lease and the School Lease due to delays**

The Multi Building Lease and the School Lease both contain a break-option for the Municipality should the construction work regarding the premises relating to the Multi Building Lease and the School Lease not be completed and approved at a final inspection by 1 January 2020. The Project has already incurred significant delays and the current timetable of the construction does not give room for any further material delays. If the premises relating to the Multi Building Lease and the School Lease are not completed on time, there is a risk that the Municipality will utilize the break-option and terminate the Lease Agreements with immediate effect. If the Lease Agreements are terminated it may not be possible to find another tenant willing or able to lease the premises under the same conditions, which may have a material adverse effect on the Issuer's operations, results and financial position.

#### **Break-option in the Multi Building Lease and the School Lease due to bankruptcy and seizure of the Properties**

The Issuer is the landlord in relation to the Municipality regarding the Multi Building Lease and the School Lease. Under Swedish law, if the landlord is declared bankrupt, or if the Properties are seized (*Sw. utmätning*) before the tenant has taken possession of the premises, the tenant may, with notice within one (1) month from the date when the tenant was informed of the bankruptcy/seizure, terminate the lease agreement and claim damages. The lease agreement may be terminated with immediate effect if such notice is sent before the tenant has taken possession of the premises, or with a notice period of nine (9) months if the lease is terminated after the tenant has taken possession of the premises. Consequently, the Municipality may terminate the Lease Agreements if the Issuer is declared bankrupt or if the Properties are seized, which would have a significant adverse effect on the value of the Project and the Properties.

### **Risks relating to rental income**

The Project includes the establishment of substantial areas of commercial space within the Properties, intended mainly for retail and other consumer related businesses. Except for the Multi Building Lease, the School Lease and the lease agreement with Barents Center Arena AB (as further described below), the Issuer has not entered into any lease agreements regarding the Properties. The Issuer may not be able to find tenants for all of the commercial space, which would result in loss of rental income. In addition, there are certain risks involved with obtaining new tenants, such as unforeseen costs due to renovations or adjustments of the lettable premises. Loss of rental income as well as unforeseen costs when obtaining new tenants may have a material adverse effect on the Issuer's operations, results and financial position. In addition, the Issuer's successfulness in negotiating new lease agreements on favourable terms is dependent upon the general condition of the real estate market at such time.

The base rents under the Lease Agreements with the Municipality are subject to indexation based on Swedish Consumer Price Index. The Swedish Land Code (*Sw. jordabalken*) stipulates that the rent shall be fixed to a precise amount if the lease period is shorter than three (3) years. Such limitation also apply to a prolongation period of less than three (3) years. The lease terms of the Lease Agreements are 25 years. After that, if the Lease Agreements are not terminated with 12 months' notice, they will be prolonged with one (1) year at the time. Hence, the indexation clause in the Lease Agreements may, if the Lease Agreements are prolonged with one (1) year, be challenged by the Municipality. If the clause is deemed invalid, rent shall be paid at a "reasonable amount", which may result in a lower rent than expected and thus could have a negative effect on the Issuer's result and financial position.

Furthermore, if the Properties are damaged to such extent they can no longer be used for the intended purpose, or if the authorities due to the Properties' condition issue a prohibition to use the premises for the intended purpose, or if other obstacles occur which affect the tenants' right to use the premises, there is a risk that the affected lease agreements may expire in advance. If the Properties are damaged or the use of the Properties is limited due to a decision by the authorities, there is also a risk that the affected tenants, under certain circumstances, may have right to pay a lower rent than agreed in the lease agreements. If lease agreements would expire in advance, or if the rents would be subject to a material reduction, this could have an adverse effect on the Issuer's financial position.

### **Risks relating to sub-lease of multi building**

The Municipality has entered into a sub-lease agreement with Avalanche Capital AB regarding the multi building. According to the sub-lease agreement, the multi building is let to Avalanche Capital AB for four (4) months each year. The Issuer has entered into a lease agreement with Barents Center Arena AB according to which the multi building is let to Barents Center Arena AB for the same period of time, i.e. four (4) months each year. Since the sub-lease agreement between the Municipality and Avalanche Capital AB has not been transferred to the Issuer, the Issuer holds no right to let the multi building to Barents Center Arena AB. There is a risk that the Municipality will not agree to enter into a sub-lease agreement with the Issuer regarding the multi building. In such event, the Issuer will not be able to let the multi building to Barents Center Arena AB, which would render a loss in rental income that could affect the Issuer's operations, results and financial position negatively.



### **Risks relating to future costs regarding the Properties**

There is a risk that the Issuer, in its capacity as property owner, will be liable for future costs regarding the Properties. The responsibility for costs relating to maintenance as well as investments, repairs and operation at the Properties is not fully regulated in the Lease Agreements with the Municipality. For example, the responsibility for operation of the multi building facilities, including costs for ice resurfacing, is not clearly allocated in the Multi Building Lease. Furthermore, the Lease Agreements do not contain any provision allocating the responsibility of paying a potential tax on advertising. The main principle under Swedish tenancy law is that such costs are included in the rent (i.e. the property owner is liable for such costs) unless otherwise clearly stated in the lease agreement.

Without any clear allocation of the responsibilities for costs relating to the Properties, as exemplified above, it is likely that the Issuer, in its capacity as property owner, will be liable to bear such costs. Unforeseen future costs regarding the Properties could have an adverse effect on the Issuer's financial position and result of operation.

### **Risks relating to the Issuer's relationship with the Municipality**

The implementation of the Project entails communication with the Municipality regarding e.g. infrastructure, building permits and zoning plan. In addition, the Municipality is party to the Lease Agreements. The Lease Agreements were originally entered into after public procurement proceedings. Following the public procurement proceedings, the Properties were transferred from the Municipality to Avalanche Capital AB, who was also initially part to the Lease Agreements. Further, the Municipality and Avalanche Capital AB entered into several agreements relating to the Project, inter alia, a cooperation agreement, an exploitation agreement and a sub-lease agreement. When the Properties, and thereby the Lease Agreements, were transferred from Avalanche Capital AB to the Issuer, none of the other agreements between the Municipality and Avalanche Capital AB were transferred to the Issuer. Hence, there is no explicit agreement between the Issuer and the Municipality regulating the parties' cooperation or obligations in relation to the Project, other than what follows from the Lease Agreements and the requirements listed in the tender invitation (Sw. *anbudsinbjudan*). The fact that the other agreements have not been transferred to the Issuer does not constitute an obstacle in order for the Issuer to complete the Project. Nevertheless, obligations and costs under the other agreements which originally were allocated to the Municipality may instead be shifted on to the Issuer should the parties not agree to complete the Project on the same terms and conditions as agreed upon between the Municipality and Avalanche Capital AB. Thus, there is a risk of lack of communication or cooperation between the Issuer and the Municipality, which could have a negative effect on the Issuer's operations, results and financial position.

As further described above, the Municipality has entered into several agreements with Avalanche Capital AB. If the Municipality would claim that the agreements entered into with Avalanche Capital AB have been transferred to the Issuer and, although unlikely, the Municipality would be successful with such a claim, the Issuer could be subject to the obligations arising from the agreements, which could have an adverse effect on the Issuer's operations, results and financial position.

**Risks relating to the Project being considered an illegal direct award of a public agreement (Sw. *otillåten direktupphandling*)**

Since the Lease Agreements are the only agreements that have been transferred from Avalanche Capital AB to the Issuer, the Issuer is only obligated to perform the Project in accordance with the Lease Agreements and the requirements listed in the tender invitation. However, even though no other agreements than the Lease Agreements entered into between the Municipality and Avalanche Capital AB have been transferred to the Issuer (as further described above), there is a risk that other potential suppliers would appeal the Project by claiming that the Project constitutes an illegal direct award of a public agreement, if the Project materially deviates from the original tender (Sw. *anbud*) and related agreements thereto. However, the risk of the Project being subject to an appeal is considered low due to the current negative publicity of the Project. In addition, the Issuer is the sole owner of the Properties which are most likely the only appropriate properties for the purpose of the Project. Consequently, the Issuer is most likely the only supplier who is able to implement the Project, which is a circumstance that, in the unlikely event of the Project being found to be a direct award of a public agreement, could be argued to be a valid ground for the Project to be considered a legal direct award of a public agreement (Sw. *tillåten direktupphandling*), according to the Swedish Public Procurement Law (Sw. *lagen om offentlig upphandling*). Yet, such appeal could delay the implementation of the Project (the average time for court proceedings is between four (4) to six (6) months) and the court could declare the Project null and void, and/or decide that the Project should be subject to a new tendering procedure (Sw. *upphandling*), which could have a material adverse effect on the Issuer's operations, results and financial position. Further, it can be noted that due to the Lease Agreements being entered into as a result of public procurement proceedings, the Issuer may not amend the Lease Agreements.

**Environmental risk**

According to the polluter pays-principle established under Swedish environmental law, the operator who has contributed to pollution will be responsible for remediation. However, should it not be possible to locate the polluter, the property owner is subsidiary responsible for remediation and associated costs. Accordingly, in the event of contamination on the Properties there is a risk that the Issuer in its capacity as property owner may be held responsible for costly remediation which could have an adverse effect on the Issuer's operations, results and financial position.

**Market risk**

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 Issuer's customers' financial position and thereby affect the demand for the Issuer's products and the ability to enter into agreements with the Issuer, which may have a material adverse effect on the Issuer's operations, results and financial position.

**Risks relating to the loss of key managers**

The Issuer is dependent on certain key managers' abilities, experience and knowledge about the Issuer and the Project. Therefore, it is material that the Issuer maintains and, if needed, recruits key managers. If a key manager resigns, or if the Issuer is unable to recruit key managers in the future, it may have a material adverse effect on the Issuer's operations, results and financial position.

**Insurance risk**

It is not established whether there is adequate insurance coverage for Project and the Properties. Even if the Issuer secures adequate insurance coverage there is no guarantee that the Issuer will be able to maintain its insurance coverage on acceptable terms. If the Issuer is unable to maintain its insurance cover on terms acceptable to it, or if future business requirements exceed or fall outside the Issuer's insurance cover, or if the Issuer's provisions for uninsured costs are insufficient to cover the final costs, it may adversely impact the Issuer's operations, results and financial position.

**Disputes**

The Issuer is according to its management neither engaged in any ongoing disputes nor expected to be engaged in any future disputes. Disputes are not unusual in the industry where the Issuer operates and can occur with buyers, sellers and other parties in projects and may also arise regarding environmental matters. Disputes can be time consuming and result in costs, which cannot be foreseen. Claims or legal action may in the future be taken against the Issuer which would have significant unfavourable effects on Issuer's results and financial position in the future.

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

The valuation of the Properties made by GEM is only an indicated future value of the completed buildings on the Properties and does not take the construction and financing costs into account. In order to achieve the indicated value, all necessary building permits must have been granted, the construction must have been finalized and all spaces must have been fully leased with the lease agreements assumed to exist in the calculations used when preparing the valuation.

The future value indicated in GEM's valuation is therefore not a market value per the date hereof and the indicated value cannot be achieved upon the realization of the real property mortgage granted over the Properties unless the construction on the Properties has been finalized.

**Bondholders' meetings – binding effect**

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, including the Conversion. 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.

#### **Risk related to recent changes in ownership structure and previous owners**

The Concent Group is financially distressed and has divested most of its assets. No customary legal due diligence review has been carried out in connection with the Conversion. Thus, the Issuer may have hidden liabilities that have not been identified.

Before the existing management took over the Concent Group and the Issuer there have been a number of transactions with related parties which can be questioned from a legal perspective. The previous management was further not granted a discharge of liabilities by the most recent general meeting of Concent Holding AB. It has not been possible to assess the impact of these transactions on the Projects. Consequently, there is a risk that there are risks in the Projects that have not been identified.

#### **Tax related risks**

No tax review or tax structuring have been carried out in connection with the Conversion. There could thus be hidden tax liabilities in the Projects which could affect the profitability of the Issuer or the Issuer may be subject to taxable capital gains which have not been assessed.

Investors that are tax resident in Sweden should generally get the fair market value of the loans as an acquisition cost for their shares in the Holdco after the Conversion. The interest element converted into shares in the Holdco could however be regarded as a taxable gain payable upon the Conversion. A sale of the shares will be taxed according to the rules applicable to the relevant Investor. The transaction may trigger taxable foreign exchange gains for the Investors. It should be noted that the transaction in certain aspects is atypical and is therefore difficult to assess from a tax perspective. Investors should thus be aware that unexpected tax effects, in addition to those pointed out above, for both the Investors and the Issuer, may arise as a result of the Conversion.

All Investors are urged to engage their own tax counsel to evaluate the tax consequences that the Conversion may trigger and for their filing of tax returns in relation to the transaction, also considering the specific circumstances of each individual Investor.

#### **No secondary market**

It cannot be guaranteed that there will be a secondary market for the shares issued by the Issuer. Investors should thus consider that it can be difficult or impossible to dispose of the shares in the Issuer in the foreseeable future.

#### **Technical and regulatory issues**

Due to the complicated nature of the Conversion, the completion of the Conversion may be delayed. In addition, there has been no assessment with respect to each individual Investor's possibility to convert their debt claims into shares issued by Grundingen, neither from a regulatory perspective nor from a e.g. investment policy/tax perspective. Each individual

Investor is therefore urged to assess any regulatory requirements that such Investor is subject to before deciding to participate in the Conversion.