



SBT Properties AB (publ)

Written Procedure

July 2020

Disclaimer

Background

This investor presentation (this "Presentation") has been produced by SBT Properties AB (publ) (the "Issuer", and together with its direct and indirect subsidiaries from time to time, the "Group") solely for use in connection with the contemplated written procedure for certain proposed amendments and waivers (the "Requests") to the terms and conditions (the "Terms and Conditions") for the Issuer's senior secured fixed rate bonds with ISIN SE0011256296 (SEK bonds), NO0010823628 (NOK bonds) and SE0011256304 (EUR bonds) (the "Bonds") and may not be reproduced or redistributed in whole or in part to any other person. The solicitation agent for the Requests is JOOL Corporate Finance AB (the "Solicitation Agent"). This Presentation is for information purposes only and does not in itself constitute an offer to sell or a solicitation of an offer to buy any of the Bonds. By attending a meeting where this Presentation is presented or by reading this Presentation slides, you agree to be bound by the following terms, conditions and limitations.

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- a) you are a holder of Bond(s) (a "Bondholder");
- b) any electronic mail address that you have given for this purpose or to which this Presentation may have been delivered (as applicable) is not located in the United States;
- c) you are a person to whom it is lawful to send this Presentation in accordance with applicable laws;
- d) you are not, and are not acting for the account or benefit of, a U.S. person; and
- e) you consent to receive this Presentation by electronic transmission.

No offer

The Presentation and the Requests do not constitute an offer of securities for sale.

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No liability

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Forward looking statements

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

No due diligence

No legal or financial due diligence has been carried out with respect to the Group. Thus, there may be risks related to the Requests and the Group which are not included in this Presentation and which could have a negative effect on the Group's operations, financial position, earnings and result.

No legal, credit, business, investment or tax advice

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

Disclaimer

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

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

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

Responsibility for complying with the procedures of the Requests

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

Conflict of interest

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

Consent solicitation fee

The Solicitation Agent will be paid a fee by the Issuer for its consent solicitation in respect of the Requests.

Audit review of financial information

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

Governing law and jurisdiction

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

Summary

Background

SBT Properties AB (publ) (the “**Issuer**”) is a subsidiary of Skärgårdens Byggtexnik i Göteborg AB (the “**Group**” or “**SBT**”) – a real estate group founded in 2003 by Robert Carlsson. The original idea was to build houses in the archipelago of the Swedish west coast, but after a successful conversion of an attic into luxury apartments SBT shifted its main focus. SBT’s project portfolio contained four projects, the largest one being Danaplatser where SBT were to build an apartment complex with approximately 175 apartments. The project portfolio also contained two developments of attics and one condominium association (*Sw: bostadsrättsförening*) with seven apartments. The Issuer raised a bond of 67 MSEK to finance the acquisition of two projects as well as construction and refinancing of existing debt.

The completion of Danaplatser was the key to a successful redemption of the bonds at maturity, however, due to delays with the building permit, a full redemption of the bonds was not possible. Instead, the Issuer shifted its focus to sell Danaplatser and recover as much value as possible for the benefit of the Bondholders. The Covid-19 pandemic has affected the sales process negatively, both in terms of usage and price. The Issuer was in the final stage of negotiations with a buyer of Danaplatser, however, the price was pushed down yet again and was too low to get a deal done. The Issuer believes that Danaplatser is worth much more and that the Bondholders would benefit from a restart of the sales process. The Issuer has already engaged Newsec to perform a broad sales process with start in August and the prospectus is almost completed. The Issuer therefore propose a prolonging of the redemption date to complete the sales process.

The Proposal in Short

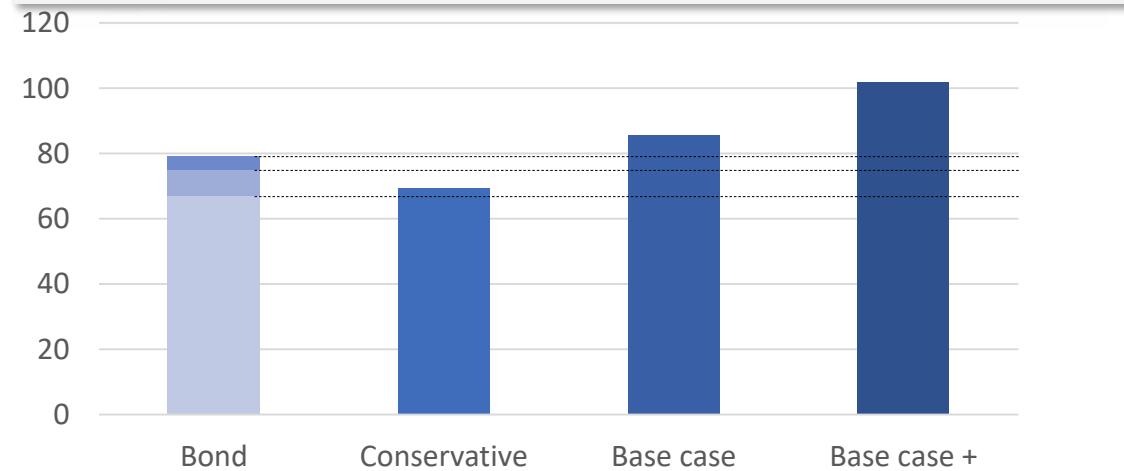
The Issuer proposes that:

- The Bond is extended with one year to complete the sales process of Danaplatser;
- All accrued interest shall be paid upon redemption, including interest until that date;
- The Issuer can raise capital for, and provide security over, the acquisition of Sannegården 26:1;
- Capital on the blocked account can be used for development and transaction costs.



Scenarios

- In all three scenarios the nominal amount of the Bond is covered.
- Base case and Base case + also cover accrued interest and future interest.
- **The Bondholders will receive a premium of 2% if the net proceeds from the sale of Danaplatser can cover it.**



Background

Background

- As announced in the notification to the bondholders published by Intertrust (Sweden) AB (the "Agent") on 8 November 2019, the Issuer has been aiming to find a buyer for the Issuer's remaining project at Danaplatsen.
- The Issuer's decision to sell the Danaplatsen project instead of completing the construction was taken mainly due to delays with the building permit and the expected proceeds from a sale of the Danaplatsen project was at the time sufficient to repay the Bonds in full.
- However, the sales process has been negatively affected by the deteriorating market conditions and the turmoil in the economy caused by the Covid-19 pandemic and potential buyers has been cautious with their investment decisions.
- Consequently, due to the current market conditions, the Issuer was not able to find a buyer who was willing to purchase the project for an amount that would be enough to fully repay the bonds together with accrued interest at maturity.

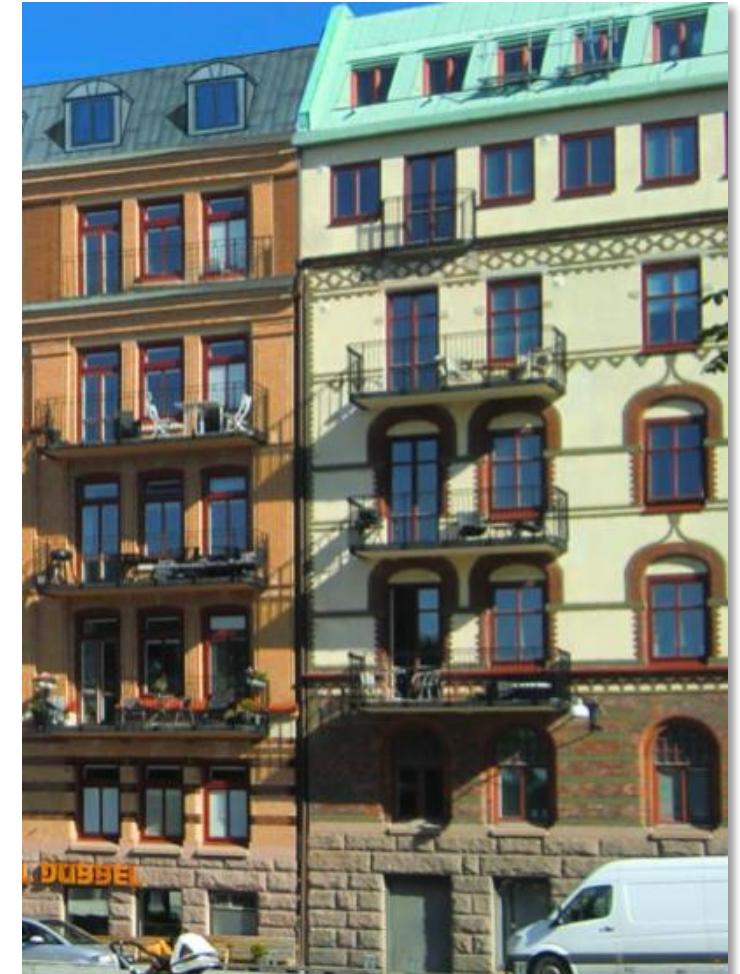
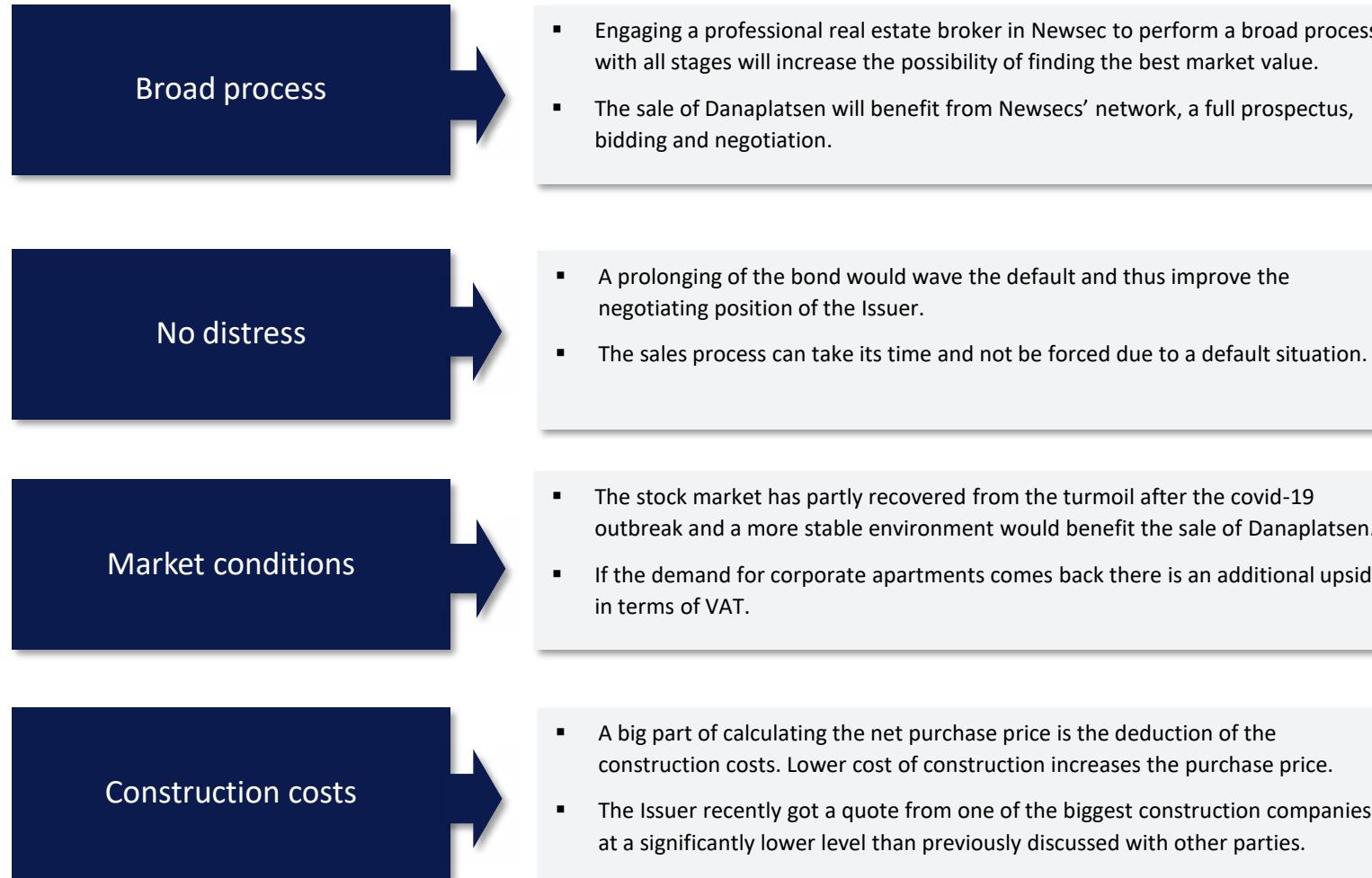


- In the early negotiations with one potential buyer, before the outbreak of the Covid-19 pandemic, the price discussed was significantly higher and sufficient to repay the bonds in full.
- As a result of some potential buyers being cautious for the time being and others using the situation to their benefit, prices have come down especially for those in distress.
- In addition, the current market conditions has affected the usage of the property. The aim was originally to sell it as a property for corporate apartments (Sw. företagsbostäder).
- Such transaction would have a substantial benefit in terms of VAT and increase the net purchase price. Unfortunately, due to the Covid-19 pandemic, the demand for corporate apartments has dropped and the project was instead offered as a regular residential property without such VAT benefits.

Way forward

- The Issuer firmly believes there is a good possibility to sell the Danaplatsen project for a higher amount than the levels discussed in June and that the Bondholders would benefit from a restart of the sales process.
- With a view to fulfill its obligations towards the bondholders the Issuer has engaged Newsec to perform a broad sales process with start in August and the prospectus is almost completed.
- Such process would benefit from the Issuer not being in default and the Issuer therefore propose a prolonging of the redemption date to complete the sales process.
- To be able to buy the plot from the municipality and to refinance the senior bank loan, the Issuer propose amendments to be able to raise capital in that purpose.

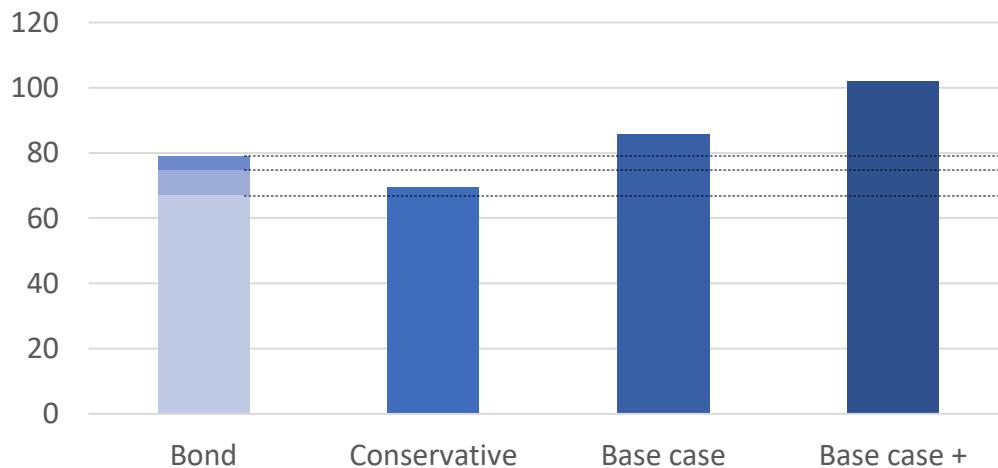
Key points



Scenarios

The variables in below scenarios are; Agreed value of the property, Construction cost and VAT on the construction cost. The Agreed value in Base case + is the amount discussed with a potential buyer as late as in June 2020. The Construction cost in Base case + is in level with a quote from one of the largest construction companies in Sweden received in June 2020.

Bond	Conservative	Base case	Base case +
Nominal amount	Agreed value	Agreed value	Agreed value
Accrued interest	-16,0	-16,0	-16,0
Additional interest*	-47,0	-47,0	-47,0
Total	-170,0	-165,0	-160,0
	Construction VAT	Construction VAT	Construction VAT
	-42,5	-41,3	-40,0
	Other	Other	Other
	-20,0	-20,0	-20,0
	Net purchase price	Net purchase price	Net purchase price
	79,5	95,7,0	107,0
	Financing & interest**	Financing & interest**	Financing & interest**
	-10,0	-10,0	-10,0
	Net amount	Net amount	Net amount
	69,5	85,7	102,0



Recovery

- In all three scenarios the nominal amount of the Bond is covered.
- Base case and Base case + also cover accrued interest and future interest.*
- The Bondholders will receive a premium of 2% if the net proceeds from the sale of Danaplatsern can cover it.**

* 6 months additional interest on the bond, assuming a sale of Danaplatsern in November 2020.

** Financing costs and interest on a new loan after the summer to refinance the senior bank loan and acquire the plot from the municipality (assuming a sale of Danaplatsern in November).

The Proposal

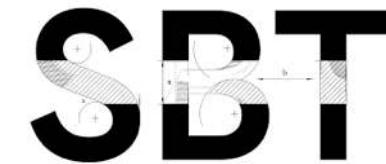
In light of the above, the Issuer proposes (the "**Proposal**") that the Bondholders agree to:

- i. amend and restate the Terms and Conditions in accordance with the markup attached hereto as Schedule 1 (the "**Amended and Restated Terms and Conditions**") which include, *inter alia*, the following amendments:
 - a) a new provision pursuant to which Interest accrued from 29 May 2019 and onwards shall not be paid until the Final Maturity Date (or such earlier date on which the Bonds are redeemed in full);
 - b) a one-year extension of the maturity for the Bonds to grant the Issuer additional time to complete the divestment of the Danaplatsern Project;
 - c) a new undertaking for the Issuer to make a mandatory total redemption of all Bonds at par value plus accrued but unpaid Interest upon a divestment of the Danaplatsern Project, provided that the Issuer shall also pay a premium of up to two (2) per cent. of the Nominal Amount of the Bonds to the extent the net proceeds from the divestment of the Danaplatsern Project are sufficient to finance the payment of such premium;
 - d) a new item in the definition of "Permitted Debt" pursuant to which the Issuer and/or Danaplatsern Fastighets may incur Financial Indebtedness in an aggregate amount of up to SEK 90,000,000 for the purpose of (i) financing the Sannegården Acquisition, (ii) refinancing Danaplatsern Fastighets' existing debt including an existing loan from Tjörns Sparbank, (iii) financing payment of development costs relating to the Danaplatsern Project and/or (iv) financing stamp duty for any new property mortgage (Sw. *fastighetsinteckning*) issued in the property Sannegården 26:1 (the "**New Danaplatsern Financing**"); and
 - e) a new item in the definition of "Permitted Security" pursuant to which Security may be granted over property mortgages issued in the property Sannegården 26:1 and the shares in Danaplatsern Fastighets, in favour of the provider(s) of the New Danaplatsern Financing, which means that the Bondholders will be subordinated to the providers of the New Danaplatsern Financing in right of payment out of the property Sannegården 26:1 and the shares in Danaplatsern Fastighets;



The Proposal

- ii. allow a release release of the Security over the shares in Danaplatsern Fastighets for the purpose of making such shares free to pledge in favour of the providers of the New Danaplatsern Financing which means that (i) the Bondholders will be subordinated to the providers of the New Danaplatsern Financing in right of payment out of the shares in Danaplatsern Fastighets and (ii) until such Security has been released, it may be unperfected and non-enforceable in the event of the bankruptcy of the Issuer;
- iii. allow a disbursement of funds from the Blocked Account in an approximate amount of SEK 1 800 000 for the purpose of financing transaction costs (e.g. JOOL's fees and legal fees) incurred by the Issuer in connection with the Written Procedure;
- iv. waive any Event of Default that has occurred under Clause 14.1 (*Non-Payment*) of the Terms and Conditions before the approval of the Proposal; and
- v. waive all default interest accrued under Clause 10(d) of the Terms and Conditions up to and including the date of the approval of the Proposal.



Voting information

Quorum and majority

- Quorum is obtained in the written procedure if bondholders representing at least 50% of the adjusted nominal amount participate by voting in the written procedure
- Approval of the proposal and requests set out in the notice of written procedure require acceptance from at least 66.67% of the registered votes
- If a quorum is not reached in the written procedure, a second written procedure will be launched for the bond. No quorum requirements apply to a second written procedure



Timeline and delivery of votes

The Agent must have received the votes by mail, courier or e-mail to the address indicated below no later than by **12.00 (CET) on 24 July 2020**. Votes received thereafter will be disregarded.

Votes shall be sent to the Trustee, Intertrust (Sweden) AB:

By regular mail:

- Intertrust (Sweden) AB
- Attn: Beatrice Gustafsson, P.O. Box 16285, 103 25 Stockholm

By courier:

- Intertrust (Sweden) AB
- Attn: Beatrice Gustafsson, Sveavägen 9, 10th floor, 111 57 Stockholm

By e-mail:

- trustee@intertrustgroup.com.

The Bond Issue

- The Issuer has issued an initial bond, amounting to a total issued volume of:

SEK: 37,710,000

NOK: 14,080,000

EUR: 1,431,000

- Amounting to an aggregate amount of approx. SEK 67m
- The bond matured 29 May 2020

Further information

For further information, please contact any of the respective parties below

For the Trustee: Intertrust (Sweden) AB

- Beatrice Gustafsson beatrice.gustafsson@intertrustgroup.com +46 70 141 10 82

For the Issuers financial advisor: JOOL Corporate Finance AB

- Björn Nilsson-Törnström, bnt@joolcorp.se +46 721 80 00 25

For the Issuer: SBT Properties AB

- Robert Carlsson robert.c@sbt.se +46 736 55 42 09



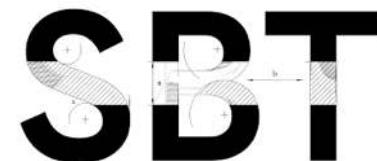
Q&A

- **Will there be any proceeds from the project at Ängholmsgatan?**

The project at Ängholmsgatan was sold in the end of 2019 and the proceeds was used to finance development costs. Construction never started since the building permit was appealed and the project would not be completed before maturity.

- **Will there be any proceeds from the projects at Aschebergsgatan and Surbrunnsgatan?**

Development costs has increased mainly because of delays due to fungi and competition to get subcontractors. Seven out of nine apartments was sold before covid-19 hit and the Issuer is now lowering the price to get them sold. Estimated income from the remaining apartment will not cover outstanding debt (bridge loan + accrued development costs) according to the Issuer.



Risk factors

These risk factors have been prepared in connection with the written procedure (the "**Written Procedure**") for certain proposed amendments and waivers (the "**Proposal**") of the terms and conditions (the "**Terms and Conditions**") for the up to SEK 200,000,000 (or its equivalent in NOK and EUR) senior secured bonds with ISIN SE0011256304 (EUR bonds) NO0010823628 (NOK bonds) and SE0011256296 (SEK bonds) (the "**Bonds**") first issued by SBT Properties AB (publ) (the "**Issuer**" and together with its subsidiaries the "**Group**") on 25 May 2018. Capitalized terms not otherwise defined in this notice shall have the meaning given to them in the Terms and Conditions.

No legal due diligence in respect of the Issuer or the Group has been made in connection with the Written Procedure and the risk factors set out herein have been based on the risk factors prepared in connection with the issuance of Bonds in May 2018.

The investment in the Bonds involves inherent risks and the Proposal, if adopted, involves additional risks and if any of these risks or uncertainties materialize (i) the business, operating results and financial position of the Issuer could be materially and adversely affected, which could have a material adverse effect on the Issuer's ability to meet its obligations (including payment of interest and repayment of principal) under the Terms and Conditions and (ii) the Bondholders' position and recovery under the Bonds could deteriorate.

In this section, a number of risk factors are illustrated: (i) risks relating to the Proposal, (ii) risks pertaining to the Issuer's and the Group's business operations and (iii) risks relating to the Bonds. There could also be other risks not discussed herein, not currently known or not currently considered to be material may also affect the Issuer's future operations, performance and financial position, and consequently the Issuer's ability to meet its obligations under the Bonds. Further, the risk factors are not ranked in order of importance. Potential investors should consider carefully the information contained in this section and make an independent evaluation before voting for the Proposal in the Written Procedure.

RISKS RELATED TO THE PROPOSAL

Increased credit risk, subordination of the Bondholders in relation to providers of new financing and release of existing security

The Proposal will, if accepted by the requisite majority of the Bondholders, be binding on all Bondholders, whether or not they voted in favour of the Proposal and whether or not they participated in the Written Procedure. If the Proposal is accepted, the Terms and Conditions will be amended and waived in accordance with the Proposal which will mean that, among other things, (i) the Issuer and its subsidiary Danaplatsern Fastighets AB ("**Danaplatsern Fastighets**") will be permitted to incur additional financial indebtedness of up to SEK 90,000,000 (the "**New Danaplatsern Financing**") for the purpose of financing Danaplatsern Fastighets' acquisition of the property Sannegården 26:1 from the Gothenburg municipality which will result in an increased credit risk for the Bondholders and an increased risk of loss for the Bondholders in the event of insolvency, liquidation or a similar event in respect of the Issuer or Danaplatsern Fastighets.

Pursuant to the Proposal, security may be granted over property mortgages issued in the property Sannegården 26:1 and the shares in Danaplatsern Fastighets, in favour of the providers of the New Danaplatsern Financing, which means that the Bondholders will be subordinated to the providers of such New Danaplatsern Financing in right of payment out of the property Sannegården 26:1 and the shares in Danaplatsern Fastighets AB.

The Proposal also includes a release of the Bondholders' existing security over the shares in Danaplatsern Fastighets for the purpose of making such shares free to pledge in favour of the provider(s) of the New Danaplatsern Financing. This means that the Bondholders will be subordinated to the providers of such New Danaplatsern Financing in right of payment out of the shares in Danaplatsern Fastighets. If the proceeds of an enforcement of the remaining Transaction Security are not sufficient to repay all amounts due under or in respect of the Bonds, then the Bondholders will only have an unsecured claim against the Issuer and its remaining assets (if any) for the amounts which remain outstanding under or in respect of the Bonds. The release of the security over the shares in Danaplatsern Fastighets will weaken the Bondholders' security position which could have a material adverse effect on the Bondholders' recovery under the Bonds.

Risk factors

COMPANY-RELATED AND INDUSTRY-RELATED RISKS

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

The legal review that was conducted in connection with the issuance of the Bonds in May 2018, on which these risk factors are based, was limited to documentation concerning certain aspects of the Group and the assets forming part of the direct and indirect security package for the Bonds. There are however also other direct and indirect subsidiaries of the Issuer and it should be noted that neither Skärgårdens Byggtéknik AB, nor the other subsidiaries of the Issuer or any of Skärgårdens Byggtéknik AB's or the other subsidiaries' assets have been subject to any extensive legal review and there may consequently be risks in Skärgårdens Byggtéknik AB or the Subsidiaries which have not been identified and which could affect the financial performance of the Group. For example, legal entities active or previously active outside of Sweden have not been reviewed.

Risks associated with the projects owned by the Issuer's subsidiary SBT Living AB are not included in these risk factors, as the Issuer does not expect to receive any profits from such projects.

Consequently, there could be material risks in the Group, and/or other subsidiaries of the Issuer falling outside of the scope of the legal review and which have not been identified when conducting the legal review. If any such risks would materialize, it could have a material adverse effect on the Group's operations, results and financial position, which may impact the Issuer's ability to repay the Bonds.

Deviation from forward-looking statements

The investor presentation prepared by the Issuer in connection with the Written Procedure (the "**Investor Presentation**") contains forward-looking statements (when used in the Investor Presentation, the words "anticipate", "believe", "estimate" and "expect" and similar expressions, as they relate to the Issuer or its management, are intended to identify forward-looking statements) based on current expectations which involve risks and uncertainties. Such statements are based on a number of estimates and assumptions that, while considered reasonable by management at the time, are subject to significant business, economic and competitive uncertainties. The actual results could differ materially from the results anticipated in these forward-looking statements as a result of many factors, including, but not limited to, the fact that the Issuer has not yet found a buyer for its remaining project owned by Danaplatseren Fastighets (the "**Danaplatseren Project**"). The cautionary statements made in the Investor Presentation should be read as being applicable to all forward-looking statements wherever they appear.

Repayment of the Bonds and accrued Interest is dependent on a successful divestment of the Danaplatseren Project

The Issuer's ability to service its debt under the Bonds depends on a successful divestment of the Danaplatseren Project and if the Issuer does not receive the expected price for such divestment it would have a material adverse effect on Issuer's ability to repay the Bonds and accrued Interest.

Macroeconomic risks and the Coronavirus disease 2019 (COVID-19)

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 ability to enter into an agreement for the divestment of the Danaplatseren Project on acceptable terms, which may have a material adverse effect on the Issuer's ability to repay the Bonds.

Risk factors

In particular, the novel Coronavirus disease 2019 ("COVID-19") outbreak is currently having an indeterminable adverse impact on the global economy. COVID-19 was reportedly first discovered in Wuhan, Hubei Province, China, in 2019 and on 11 March 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 outbreak has become a widespread health crisis, which in turn may result in protracted volatility in international markets and result in a global recession as a consequence of disruptions to inter alia the travel, hospitality and tourism industry. In February and March 2020, the COVID-19 outbreak caused stock markets worldwide to lose significant value and impacted economic activity worldwide. The COVID-19 outbreak has had a negative impact on the Issuer's ongoing sales process for the divestment of the Danaplatzen Project and there is a risk that COVID-19 may continue to have a negative impact on the proposed new sales process to be initiated in August 2020. If any such risks would materialize, it may have a material adverse effect on the Issuer's ability to repay the Bonds.

Project risk

The Danaplatzen Project is in an early stage and the contemplated construction works have not yet commenced. Property projects in early stages are always subject to significant risks and the expected value and profit from completing the construction of the Danaplatzen Project depends on variable factors such as construction costs. There is a risk that the project risks associated with the Danaplatzen Projects will cause potential buyers to reduce their bids for the acquisition of the Danaplatzen Project, which may have a material adverse effect on the Issuer's ability to repay the Bonds.

Risks relating to the valuation of the Danaplatzen Project

The valuation of the completed construction of the Danaplatzen Project is only indicated future values. In order to achieve the indicated value, all necessary building permits, building related clearances and other required permits must have been granted and gained legal force, the construction must have been finalised in line with the cost estimate on which the value has been based and otherwise no other obstacles or deviations have been encountered during the construction and the apartments must have been fully leased. There is a risk that potential buyers of the Danaplatzen Project may not price in the potential value of the completed Danaplatzen Project as expected which may negatively affect the price offered for the acquisition of the Danaplatzen Project which would in turn have a material adverse effect on Issuer's ability to repay the Bonds.

Risks associated with procuring a construction contract

The Group has had discussions with potential contractors regarding construction contracts for the Danaplatzen Project. There is, however, no binding offers from any contractor. The construction costs will be deducted from the purchase price for the acquisition of the Danaplatzen Project and it is therefore important for the Group to keep the construction costs down as much as possible. If the Group is unable to procure a construction contract or is unable to procure a construction contract with acceptable terms and conditions, it may have a material adverse effect on the Issuer's profit from the contemplated divestment of the Danaplatzen Project, which would in turn have a material adverse effect on Issuer's ability to repay the Bonds.

Insurance risk

The Group has acquired insurance coverage for the properties. However, there is no guarantee that the Group will be able to maintain its insurance coverage on acceptable terms, or that insurance coverage for the properties can be obtained on acceptable terms. If the Group is unable to maintain and/or obtain its insurance coverage on terms acceptable to it, or if future business requirements exceed or fall outside the Group's insurance coverage, or if the Group's provisions for uninsured costs are insufficient to cover the final costs, it may adversely impact the Group's operations, financial position, earnings and results.

Risk factors

Risks related to transactions

The Group's operations include transactions relating to the sale or divestment regarding properties or the shares in property-owning companies. The Group has divested shares in several companies and properties during the last seven years and there is a risk that claims under the relevant agreements may be made against the Group. All transactions are subject to uncertainties and risks. In acquisitions relating to properties, there might be uncertainties as unforeseen costs due to environmental remediation, reconstruction and handling technical issues, official decisions, the occurrence of a dispute related to the acquisition or the condition of the properties or projects, etc. which may have a material adverse effect on the Group's financial position, which may impact the Issuer's ability to repay the Bonds.

Issuer's dependence on other companies in the Group

The Issuer is a holding company and holds no significant assets other than the ownership in the Subsidiaries and the other subsidiaries which are not subject to the legal review conducted in relation to the issuance of these risk factors. The Issuer therefore depends on the receipt of sufficient income and cash flow related from the operations of such subsidiaries. Consequently, the Issuer is dependent on the subsidiaries' availability of cash and its legal ability to pay dividends, which may from time to time be restricted by corporate restrictions and law. A decrease in any such income and cash flow may have a material adverse effect on the Issuer's financial condition and its ability to service its debt under the Bonds.

Environmental risk

Under the current Swedish environmental legislation, an operator who has contributed to contamination and environmental damages or a purchaser of a property who ought to have discovered a contamination on the property is responsible for decontaminating the property. However, if the polluter cannot be located, there is a risk that the property owner is in turn responsible for the remediation and associated costs. Furthermore, if the usage of a property is changed to residential purposes, the requirements for the Group may be higher, which means that the Group may have costs for after-treatment and cleaning-up in order to be able to use the property as desired. Consequently, there is a risk that the Group companies, in their capacity as property owners, could be held responsible for remedies regarding possible contamination of the Properties and other properties owned by the Group, which may have a material adverse effect on the Group's operations, results and financial position, which may impact the Issuer's ability to repay the Bonds.

Disputes

The Group is according to its management not engaged in any ongoing disputes. However, disputes are not unusual in the industry where the Group operates and can occur with contractors and other parties involved in the 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 Group Companies which may have a material adverse effect on the Group's financial position, operations, earnings, results, performance, and market position and may impact the Issuer's ability to repay the Bonds.

Negative publicity

Negative publicity or announcement relating to the Group or the Danaplatzen Project may, regardless of whether justified, make it more difficult to sell the Danaplatzen Project on acceptable terms, which would in turn have a material adverse effect on Issuer's ability to repay the Bonds.

Risk factors

Taxes and charges

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

Risk related to outstanding documentation

During the legal review carried out in connection with the issuance of the Bonds in May 2018, some documents were requested but not provided, for example some of the relevant documentation relating to certain projects. There is no guarantee that all documentation and information relevant to the legal review have been provided. The outstanding documentation may therefore contain hidden liabilities or obligations, which may have a material adverse effect on the Group's operations, results and financial position, which may impact the Issuer's ability to repay the Bonds.

Risk relating to the insolvency of a subsidiary within the same corporate group as the Issuer

SBT Construction AB, a subsidiary of Skärgårdens Byggteknik AB, entered into bankruptcy in January 2018. Any transactions made between SBT Construction AB and the Group companies during a certain period before the bankruptcy may become subject to recovery measures (Sw. *återvinning*) under Swedish insolvency legislation. Additionally, in the event of insolvency, liquidation or a similar event relating to one of the Issuer's subsidiaries, all creditors of such subsidiary would be entitled to payment in full out of the assets of such company before the Issuer, as a shareholder, would be entitled to any payments. There is a risk that the Group companies and their assets will not be protected from claims by the bankruptcy estate SBT Construction AB or, in case of insolvency, liquidation or a similar event relating to a subsidiary of the Issuer, by the creditors of such subsidiary, whether under bankruptcy law, by contract or otherwise.

Dependence on key individuals

The Group is a small organization and is dependent on the knowledge, experience and commitment of the directors, management and other key individuals. If key individuals leave the Group, this could have an adverse effect on the business. Furthermore, the recruitment of employees who can be successfully integrated into the organization is of major importance for the Group's future development. There is a risk that the Group will be unable to recruit or retain individuals who are necessary to carrying on and developing the business, which could have adverse effects on the Group's business, results of operations and financial position.

RISKS RELATING TO THE BONDS

Credit risk

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

Risk factors

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

Refinancing risk

The Issuer's ability to successfully refinance its debts is dependent on the conditions of the debt capital markets and its financial condition at such time. Even if the debt capital markets improve, the Issuer's access to financing sources may not be available on favorable terms, or at all. The Issuer's inability to refinance its debt obligations on favorable terms, or at all, could have a material adverse effect on the Issuer's business, financial condition and results of operations and on the Bondholders' recovery under the Bonds. The Group currently has outstanding debt under a credit agreement under which the Group has pledged real estate assets relating to the Danaplatzen Project as collateral. The terms and conditions of the credit agreement prescribes that the lender may demand payment in full of each loan at its full discretion should such lender deem that the collateral has ceased to be satisfactory.

Furthermore, the terms and conditions of the credit arrangement prescribes a right of the lender to, at any time, terminate the credit arrangement if the borrower does not fulfill its obligations under the relevant credit arrangement or if the relevant lender has reason to believe that the lender may not fulfill its payment obligations. In addition, the terms and conditions of such credit arrangement provide the lender with the right to terminate the credit arrangement and demand payment in full should the borrower violate applicable laws, regulations or official decisions or otherwise has operated its business or taken actions which violates the lender's ethical codes, policy or values in such a way that the lender deem that it could deteriorate the public's confidence in the lender's trademark. There is a risk that such demand from the lender may impact the Issuer's ability to repay the Bonds in due course.

Furthermore, the credit arrangement contains a clause which prescribes that the lender may, at any time, terminate the credit without any specific reason and demand payment in full within six months after a cancellation of such credit. In such case, the credit arrangement must be repaid in full no later than six months after the lender gave notice of the termination. There is a risk that such termination and demand from the lender may impact the Issuer's ability to repay the Bonds in due course.

Ability to comply with the Terms and Conditions

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

The market price of the Bonds may be volatile

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

Risk factors

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Ability to comply with the Terms and Conditions

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

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Risks relating to unperfected transaction security

The Bonds is secured through, *inter alia*, a pledge over a certain blocked account of the Issuer (the "**Blocked Account**"). As the Issuer, in accordance with the terms and conditions of the Bonds, will be able to use monies standing on the Blocked Account to pay various costs and expenses, the pledge will not be fully perfected.

As the pledge is not fully perfected, there is a risk that the pledge over the Blocked Account will not be satisfactory as collateral in the bankruptcy of the Issuer and the monies standing on the account could therefore not be used to satisfy the claims of the Bondholders.

Security over assets granted to third parties

Subject to certain limitations from time to time, the Issuer may incur additional financial indebtedness and provide additional security for such indebtedness. If security is granted in favour of a third party debt provider, the Bondholders will, in the event of bankruptcy, re-organisation or winding-up of the Issuer, be subordinated in right of payment out of the assets being subject to security provided to such third party debt provider. In addition, if any such third party debt provider holding security provided by the Group were to enforce such security due to a default by any company within the Group under the relevant finance documents, such enforcement could have a material adverse effect on the Group's assets, operations and, ultimately, the financial position of the Bondholders.

Risk factors

Risks relating to enforcement of the transaction security

If the Issuer or a Subsidiary, which shares have been pledged in favour of the Bondholders, is subject to any foreclosure, dissolution, winding-up, liquidation, recapitalisation, administrative or other bankruptcy or insolvency proceedings, the shares that are subject to such pledge may then have limited value because all of the subsidiary's obligations must first be satisfied, potentially leaving little or no remaining assets in the subsidiary for the Bondholders. As a result, the Bondholders may not recover the full value (or any value in the case of an enforcement sale) of the shares. In addition, the value of the shares subject to pledges may decline over time.

The value of any intra-group loan granted by the Issuer to any Subsidiary, which is subject to security in favour of the Bondholders, is largely dependent on such Subsidiary's ability to repay its loan. Should such subsidiary be unable to repay its debt obligations upon an enforcement of a pledge over the intra-group loan, the Bondholders may not recover the full or any value of the security granted over the intra-group loan.

If the proceeds of an enforcement are not sufficient to repay all amounts due under or in respect of the Bonds, then the Bondholders will only have an unsecured claim against the Issuer and its remaining assets (if any) for the amounts which remain outstanding under or in respect of the Bonds.

Put option

According to the Terms and Conditions, the Bonds are subject to prepayment at the option of each Bondholder (put option) if an event or series of events whereby Skärgårdens Byggteknik AB ceases to control, directly or indirectly, 100 per cent. of the voting shares in the Issuer occurs. There is, however, a risk that the Issuer will not have sufficient funds at the time of such prepayment to make the required prepayment of the Bonds which could adversely affect the Issuer, e.g. by causing insolvency or an event of default under the Terms and Conditions, and thus adversely affect all Bondholders and not only those that choose to exercise the option.

Risks related to early redemption of the Bonds

Under the Terms and Conditions, the Issuer has reserved the possibility to redeem all outstanding Bonds before the final redemption date. If the Bonds are redeemed before the final redemption date, the holders of the Bonds have the right to receive an early redemption amount which exceeds the nominal amount in accordance with the Terms and Conditions. However, there is a risk that the market value of the Bonds is higher than the early redemption amount and that it may not be possible for Bondholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate.

It is further possible that the Issuer will not have sufficient funds at the time of the mandatory prepayment to carry out the required redemption of Bonds.

No action against the Issuer and Bondholders' representation

In accordance with the Terms and Conditions, the Agent will represent all Bondholders in all matters relating to the Bonds and the Bondholders are prevented from taking actions on their own against the Issuer. Consequently, individual Bondholders do not have the right to take legal actions to declare any default by claiming any payment from the Issuer and may therefore lack effective remedies unless and until a requisite majority of the Bondholders agree to take such action. However, there is a risk that an individual Bondholder, in certain situations, could bring its own action against the Issuer (in breach of the Terms and Conditions), which could negatively impact an acceleration of the Bonds or other action against the Issuer.

Risk factors

To enable the Agent to represent Bondholders in court, the Bondholders and/or their nominees may have to submit a written power of attorney for legal proceedings. The failure of all Bondholders to submit such a power of attorney could negatively affect the legal proceedings. Under the Terms and Conditions, the Agent will in some cases have the right to make decisions and take measures that bind all Bondholders. Consequently, there is a risk that the actions of the Agent in such matters will impact a Bondholder's rights under the Terms and Conditions in a manner that is undesirable for some of the Bondholders.

The rights of Bondholders depend on the Agent's actions and financial standing

The Agent shall act on behalf of the Bondholders to perform administrative functions relating to the Bonds. The Agent shall have, among other things, the right to represent the Bondholders in all court and administrative proceedings in respect of the Bonds. However, the rights, duties and obligations of the Agent as the representative of the holders of the Bonds are subject to the provisions of the Terms and, and there is no specific legislation or market practice in Sweden (under which laws the Terms and Conditions are governed) which would govern the Agent's performance of its duties and obligations relating to the Bonds. There is a risk that a failure by the Agent to perform its duties and obligations properly or at all will adversely affect the enforcement of the rights of the Bondholders.

The Agent may be replaced by a successor Agent in accordance with the Terms and Conditions. Generally, the successor Agent has the same rights and obligations as the retired Agent. It may be difficult to find a successor Agent with commercially acceptable terms or at all. Further, there is a risk that that the successor Agent would breach its obligations under the above documents or that insolvency proceedings would be initiated against it.

There is a risk that materialisation of any of the above risks will have a material adverse effect on the enforcement of the rights of the holders of the Bonds and the rights of the holders of the Bonds to receive payments under the Bonds.

Bondholders' meetings

The Terms and Conditions include certain provisions regarding Bondholders' meetings. Such meetings may be held in order to resolve on matters relating to the Bondholders' interests. The Terms and Conditions 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, there is a risk that the actions of the majority in such matters will impact a Bondholder's rights in a manner that is undesirable for some of the Bondholders.

Change of law

The Terms and Conditions are governed by Swedish law. The Bonds are registered with VPS pursuant the Norwegian securities laws and Euroclear pursuant to Swedish securities law (as applicable). No assurance can be given as to the impact of any possible judicial decision or change to Swedish or Norwegian law or administrative practice after the date of issue of the Bonds.