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Stockholm, 11 November 2024

To the Bondholders in:

ISIN: SE0014956454 – Magnolia Bostad AB (publ) Maximum SEK 550,000,000 Senior Unsecured Callable Floating Rate Green Bonds 2020/2024

NOTICE OF WRITTEN PROCEDURE – REQUEST TO AMEND THE TERMS AND CONDITIONS

This voting request for procedure in writing has been sent on 11 November 2024 to Bondholders directly registered as of 8 November 2024 in the debt register (Sw. *skuldbok*) kept by the CSD. If you are an authorised nominee under the Swedish Central Securities Depositories and Financial Instruments Accounts Act (Sw. *lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*) or if you otherwise are holding bonds on behalf of someone else on a Securities Account, please forward this notice to the Bondholder you represent as soon as possible. For further information, please see below under Section 7.3 (*Voting rights and authorisation*).

Key information

Record Date for being eligible to vote:	18 November 2024
Deadline for voting:	15:00 CET on 28 November 2024
Quorum requirement:	At least twenty (20) per cent. of the Adjusted Nominal Amount
Majority requirement:	At least sixty-six and two-thirds (66 2/3) per cent. of the Adjusted Nominal Amount for which Bondholders reply in this Written Procedure

Nordic Trustee & Agency AB (publ) acts as agent (the "**Agent**") for the holders of the bonds (the "**Bondholders**") in the above mentioned bond issue SE0014956454 with an aggregated amount outstanding of SEK 275,964,480 (the "**Bonds**") issued by Magnolia Bostad AB (publ) (the "**Issuer**", and together with each of its Subsidiaries from time to time, the "**Group**"). In its capacity as Agent, and as requested by the Issuer, the Agent hereby initiates a procedure in writing (the "**Written Procedure**") as required by the Terms and Conditions (as defined below), whereby Bondholders can vote for or against the requests presented herein.

All capitalised terms used herein and not otherwise defined in this notice (the "**Notice**") shall have the meanings assigned to them in the terms and conditions of the Bonds as amended and/or restated from time to time (the "**Terms and Conditions**").

The Request (as defined below) is presented to the Bondholders, without any evaluation, advice or recommendations from the Agent whatsoever. The Agent has not reviewed or assessed this Notice or the Request (and their effects, should they be adopted) from a legal or commercial perspective of the

Bondholders and the Agent expressly disclaims any liability whatsoever related to the content of this Notice and the Request (and their effects, should they be adopted). The Bondholders are recommended to seek legal advice in order to independently evaluate whether the Request (and its effects) is acceptable or not.

Bondholders participate by completing and sending to the Agent the voting form, attached hereto as Schedule 1 (the "**Voting Form**"), and, if applicable, the power of attorney/authorisation, attached hereto as Schedule 2 (the "**Power of Attorney**") or to the Agent other sufficient evidence, if the Bonds are held in custody other than by the CSD. Please contact the securities firm you hold your Bonds through if you do not know how your Bonds are registered or if you need authorisation or other assistance to participate in the Written Procedure. The Issuer kindly asks the Bondholders to send their Voting Forms and, if applicable, any Power of Attorney by email to the Agent as soon as possible upon receipt of this Notice after the occurrence of the Record Date (as defined below).

The Agent must receive the Voting Form and, if applicable, any Power of Attorney no later than 15:00 CET on 28 November 2024 either by mail, courier or email to the Agent using the contact details set out in Section 7.7 (*Address for sending replies*) below. Votes received thereafter may be disregarded.

To be eligible to participate in the Written Procedure, a person must meet the criteria for being a Bondholder on 18 November 2024 (the "**Record Date**") as further set out in Section 7.3 (*Voting rights and authorisation*). This means that the person must be registered on a Securities Account with the CSD, as a direct registered owner (Sw. *direktregistrerad ägare*) or authorised nominee (Sw. *förvaltare*) with respect to one or several Bonds.

1. Background

The real estate sector has during recent years experienced a significant market downturn. Following the implementation of the Issuer's strategic initiatives to tackle the market downturn, the Issuer is in discussions to raise additional capital in an amount exceeding SEK 1 billion in order to reorganise its existing financings, including the Bonds, into a long-term capital structure. Discussions regarding the capital raise are at an advanced stage, although it is still not possible to fully predict the outcome. To permit these discussions to continue, the Issuer requires an extension of the Bonds' maturity (which is currently 2 December 2024).

In order to ensure that the business of the Issuer and the Group is appropriately financed going forward and in order to execute on the Group's long-term financing strategy and business plan, certain amendments of the Terms and Conditions as described under Section 2 (*Proposed amendments to the Terms and Conditions*) in this Notice (the "**Proposed Amendments**") are deemed necessary.

2. Proposed amendments to the Terms and Conditions

The Proposed Amendments are described below (where blue and underlined text indicates additions (e.g., <u>additions</u>), whereas red and crossed out text indicate deletions (e.g., ~~deletions~~)). Consequential amendments to the Terms and Conditions in order to implement the Proposed Amendments will also be made.

(a) The definition of Final Redemption Date in Clause 1.1 (*Definitions*) shall be amended in accordance with the following:

"**Final Redemption Date**" means ~~2 December 2024~~ <u>2 March 2025</u>.

(b) A new paragraph (d) in the definition of Call Option Amount in Clause 1.1 (*Definitions*) shall be added as follows:

"**Call Option Amount**" means:

(a) one hundred point seventy-five (100.75) per cent. of the Outstanding Nominal Amount if the call option is exercised after the Amendment Date, up to and including 2 April 2024;

(b) one hundred and three (103.00) per cent. of the Outstanding Nominal Amount if the call option is exercised after 2 April 2024 up to and including 2 October 2024; ~~or~~

(c) one hundred and four (104.00) per cent. of the Outstanding Nominal Amount if the call option is exercised after 2 October 2024 up to ~~but not~~ <u>and</u> including ~~the Final Redemption Date~~ <u>28 November 2024; or</u>

<u>(d) one hundred and eight (108.00) per cent. of the Outstanding Nominal Amount if the call option is exercised after 28 November 2024 up to but not including the Final Redemption Date.</u>

3. Request

The Bondholders are asked to confirm that the Bondholders agree to the Proposed Amendments set out in Section 2 (*Proposed amendments to the Terms and Conditions*) (the "**Request**"). The Agent has been informed that the Request, including the maturity extension, is supported by certain larger Bondholders.

4. Effective date

The Request shall be deemed approved immediately upon expiry of the voting period and satisfaction of the requisite quorum participation and majority vote as set forth in Sections 7.5 (*Quorum*) and 7.6 (*Majority*) or if earlier, when a requisite majority of consents of the Adjusted Nominal Amount have been received by the Agent.

The Issuer and the Agent shall, in order to implement and effectuate the Proposed Amendments, enter into amended and restated Terms and Conditions. The Issuer and the Agent may agree to take any further action deemed necessary in order to implement the Request.

5. Consent Fee

If the Request is approved by the Bondholders, a consent fee amounting to one (1) per cent. of the Nominal Amount (being an aggregate amount of SEK 2,759,645 (rounded)) (the "**Consent Fee**") will be paid to the Bondholders (regardless if such Bondholder has participated in the Written Procedure or voted for or against the Request). The Consent Fee shall be paid to the Bondholders on a *pro rata* basis and must be paid no later than 15 December 2024. The payment shall be made through the CSD to such person who is registered as a Bondholder on the date falling five (5) Business Days prior to the applicable payment date and the applicable Record Date for such payment shall be announced by the Issuer in a press release to be issued without undue delay following an approval of the Request.

The Agent does not administer the Consent Fee and is not involved in or in any way responsible for the Consent Fee.

6. Risk factors relating to the Issuer and the Request

An investment in the Issuer and the Bonds and the contemplated amendments to the Terms and Conditions contemplated by the Request entail risks and each Bondholder should carefully review and assess the non-exhaustive list of the risk factors set out in Schedule 3 (*Risk Factors*) before voting in this Written Procedure.

7. Written Procedure

The following instructions need to be adhered to in the Written Procedure.

7.1 Final date to participate in the Written Procedure

The Agent must have received the votes by mail, courier or email to the address indicated below no later than 15:00 CET, on 28 November 2024. Votes received thereafter may be disregarded.

7.2 Decision procedure

The Agent will determine if received replies are eligible to participate in the Written Procedure as valid votes.

When a requisite majority of consents of the total Adjusted Nominal Amount have been received by the Agent, the Request shall be deemed to be adopted, even if the time period for replies in the Written Procedure has not yet expired.

Information about the decision taken in the Written Procedure will:

(a) be sent by notice to the Bondholders; and

(b) be published on the websites of the Issuer and the Agent.

A matter decided in the Written Procedure will be binding for all Bondholders, irrespective of them responding in the Written Procedure.

7.3 Voting rights and authorisation

Anyone who wishes to participate in the Written Procedure must on the Record Date (18 November 2024) in the debt register:

(a) be registered as a direct registered owner of a Securities Account; or

(b) be registered as authorised nominee in a Securities Account, with respect to one or several Bonds.

7.4 Bonds registered with a nominee

If you are not registered as a direct registered owner as set forth in Section 7.3(a), but your Bonds are held through a registered authorised nominee or another intermediary as set forth in Section 7.3(b), you may have two different options to influence the voting for the Bonds:

(a) you can ask the authorised nominee or other intermediary that holds the Bonds on your behalf to vote in its own name as instructed by you; or

(b) you can obtain a Power of Attorney (Schedule 2) from the authorised nominee or other intermediary and send in your own Voting Form based on the authorisation. If you hold your Bonds through several intermediaries, you need to obtain authorisation directly from the intermediary that is registered in the debt register as Bondholder of the Securities Account, or from each intermediary in the chain of Bondholders, starting with the intermediary that is registered in the debt register as a Bondholder of the Securities Account as authorised nominee or direct registered owner.

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

The Agent 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 authorisation or other assistance to participate. Bonds owned by the Issuer, another Group Company or an Affiliate do not entitle to any voting rights.

7.5 Quorum

To approve the Request, Bondholders representing at least twenty (20) per cent. of the Adjusted Nominal Amount must reply to the Request in the Written Procedure in order to form a quorum.

If a quorum does not exist, the Agent shall initiate a second Written Procedure, provided that the Request has not been withdrawn by the Issuer. No quorum requirement will apply to such second Written Procedure. A vote cast in the Written Procedure shall, unless amended or withdrawn, constitute a vote also in a second Written Procedure (if any) pursuant to clause 18.4.6 of the Terms and Conditions with respect to the Request.

7.6 Majority

At least sixty-six and two-thirds (66 2/3) per cent. of the Adjusted Nominal Amount for which Bondholders reply in the Written Procedure must consent to the Request in order for it to pass.

7.7 Address for sending replies

Return the Voting Form, Schedule 1, and, if applicable, the Power of Attorney/Authorisation in Schedule 2 or other sufficient evidence, if the Bonds are held in custody other than Euroclear Sweden AB, by regular mail, scanned copy by e-mail, or by courier to:

By regular mail:

Nordic Trustee & Agency AB (publ)
Attn: Written Procedure Magnolia Bostad AB (publ)
P.O. Box 7329
SE-103 90 Stockholm

By courier:

Nordic Trustee & Agency AB (publ)
Attn: Written Procedure Magnolia Bostad AB (publ)
Norrlandsgatan 16
SE-111 43 Stockholm

By e-mail:

voting.sweden@nordictrustee.com

8. FURTHER INFORMATION

For further questions regarding the Request, please contact the Issuer at fredrik.westin@magnoliabostad.se, +46 72 720 00 06.

For further questions to the Agent regarding the administration of the Written Procedure, please contact the Agent at voting.sweden@nordictrustee.com or +46 8 783 79 00.

Stockholm, 11 November 2024

NORDIC TRUSTEE & AGENCY AB (PUBL)
As Agent

Enclosed:

Schedule 1	Voting Form
Schedule 2	Power of Attorney/Authorisation
Schedule 3	Risk Factors

VOTING FORM

Schedule 1

For the Written Procedure in Magnolia Bostad AB (publ) Maximum SEK 550,000,000 Senior Unsecured Callable Floating Rate Green Bonds 2020/2024 with ISIN SE0014956454.

The undersigned Bondholder or authorised person/entity (the **"Voting Person"**), votes either **For** or **Against** the Request by marking the applicable box below. If a quorum does not exist in the Written Procedure, the Agent shall initiate a second Written Procedure provided that the Request has not been withdrawn by the Issuer. No quorum requirement will apply to such second Written Procedure. The undersigned Bondholder hereby confirms that this Voting Form shall, unless amended or withdrawn, constitute a vote also in a second Written Procedure (if any) pursuant to clause 16.4.6 of the Terms and Conditions with respect to the Request.

***NOTE**: If the Voting Person is not registered as Bondholder, the Voting Person must enclose a Power of Attorney/Authorisation, see Schedule 2.*

Capitalised terms used and not otherwise defined herein shall have the meanings assigned to them in the Notice of Written Procedure dated 11 November 2024.

☐ **For** the Request

☐ **Against** the Request

Name of the Voting Person: ______________________

Capacity of the Voting Person: Bondholder: ☐ [1] authorised person: ☐ [2]

Voting Person's reg.no/id.no
and country of incorporation/domicile: ______________________

Securities Account number at Euroclear Sweden AB:
(*if applicable*) ______________________

Name and Securities Account number of custodian(s):
(*if applicable*) ______________________

Nominal Amount voted for (in SEK): ______________________

Contact person, daytime telephone number and e-mail address: ______________________

____
Authorised signature and Name [3]

____
Place, date:

[1] When voting in this capacity, no further evidence is required.

[2] When voting in this capacity, the person/entity voting must also enclose a Power of Attorney/Authorisation (Schedule 2) from the Bondholder or other proof of authorisation showing the number of votes held on the Record Date.

[3] If the undersigned is not a Bondholder and has marked the box "authorised person", the undersigned – by signing this document – confirms that the Bondholder has been instructed to refrain from voting for the number of votes cast with this Voting Form.

POWER OF ATTORNEY/AUTHORISATION

Schedule 2

For the Written Procedure in Magnolia Bostad AB (publ) Maximum SEK 550,000,000 Senior Unsecured Callable Floating Rate Green Bonds 2020/2024 with ISIN SE0014956454.

NOTE: *This Power of Attorney/Authorisation document shall be filled out if the Voting Person is not registered as Bondholder on the Securities Account, held with Euroclear Sweden AB. It must always be established a coherent chain of power of attorneys derived from the Bondholder, i.e. if the person/entity filling out this Power of Attorney/Authorisation in its capacity as "other intermediary", the person/entity must enclose its Power of Attorney/Authorisation from the Bondholder.*

Capitalised terms used and not otherwise defined herein shall have the meanings assigned to them in the Notice of Written Procedure dated 11 November 2024.

Name of person/entity that is given authorisation (Sw. *befullmäktigad*) to vote as per the Record Date:

____

Nominal Amount (in SEK) the person/entity is authorised to vote for as per the Record Date:

____

Name of Bondholder or other intermediary giving the authorisation (Sw. *fullmaktsgivaren*):

____

We hereby confirm that the person/entity specified above (Sw. *befullmäktigad*) has the right to vote in the Written Procedure (and any second Written Procedure) for the Nominal Amount set out above.

We represent an aggregate Nominal Amount of SEK ______________________

We are:

☐ Registered as Bondholder on the Securities Account

☐ Other intermediary and holds the Bonds through (specify below):

____

Place, date: ________________________

____

Name:

Authorised signature of Bondholder/other intermediary (Sw. *fullmaktsgivaren*)

RISK FACTORS

Schedule 3

In this section, a number of risk factors are illustrated, both risks pertaining to the Issuer and the Group's market risks, business risks, legal and regulatory risks, financial risks and risks relating to the Written Procedure. The purpose of this section is to enable an investor to assess the relevant risks related to their investment in the Bonds in order to make an informed decision under the Written Procedure. Each of the risk factors set forth below describe risks, which, in the meaning of Regulation (EU) 2017/1129, are material and specific to the Issuer and the Bonds.

The relative degree of materiality of each risk factor is illustrated by an assessment of the Issuer of the probability of its occurrence and the expected magnitude of its negative impact if it would occur, for the purpose of which the probability is stated to be "low", "medium" or "high" and the magnitude of negative impact is stated to be "adverse", "materially adverse" or "highly materially adverse". Irrespective of the probability or magnitude of negative impact stated in relation to each risk factor, all risk factors included below have been assessed by the Issuer to be material and specific to the Issuer and the Bonds in the meaning of Regulation (EU) 2017/1129.

The risk factors are organised in several categories and the most material risk factor in a category is presented first in each category. Subsequent risk factors in the same category are not purported to be ranked in order of materiality or probability of occurrence.

Risks specific and material to the Issuer and the Group

Risks related to the Group's business activities and industry

Failure to analyse and adopt to market demand or trends may have a material adverse effect on the Group's business

The Group develops new housing, primarily rental apartments and community service properties in attractive places in Sweden's growth locations and large cities to be either sold or held for self-management. As of 30 September 2024, the Group's building rights portfolio contained 11,648 estimated building rights, of which approximately 68 per cent. are residencies for sale and 32 per cent. are residencies for self-management. The Group's business is consequently highly dependent on the demand for the relevant type of real property in the relevant market segments. The market demand depends on, among other things, the activity in the property market, fluctuations in housing prices in general and demographic factors, such as numbers of people moving into the markets in which the Issuer operates and access to and cost of alternative forms of accommodation. Hence, market demand for housing depends on a large number of factors, which may be hard to analyse or quickly adopt to. Also, due to the nature of the Group's business, the Group may have to incur large costs long before its investments generate any profit through for example rental income. Failure to estimate future demand for the Group's self-managed property portfolio may thus result in losses for the Group due to completed properties being vacant. If the Group fails to analyse market demand or trends, for example by developing residential units in a price range for which there is no demand, it could have a material adverse effect on the Group's business.

The Issuer considers that the probability of the above risks occurring is *medium*. If the risks would materialise, the Issuer considers the potential negative impact to be *materially adverse*.

The Group is dependent on satisfactory collaboration with its joint venture partners and other partners

Part of the Group's property development projects are carried out in joint ventures and with other partners, among others, with Slättö, Heimstaden Bostad and Samhällsbyggnadsbolaget i Norden (SBB). When initiating a development project carried out in a joint venture partnership, the Group aims to target financially strong partners in order to form and enter the partnership on financially advantageous terms. Hence, the Group is dependent on finding suitable partners in order to initiate and enter a joint venture partnership. Furthermore, there is a risk that existing joint ventures or partnerships no longer progress in a positive direction, which could lead to disputes and the dissolution of the relevant joint venture or partnership as well as their assets being sold off on unfavourable terms. Consequently, if the Group is unable to initiate new joint ventures or partnerships or to develop existing partnerships, it may affect its ability to successfully implement projects in progress, planned projects and new projects, which could have a material adverse effect on the Group's business, results and financial condition.

Furthermore, there is a risk that joint ventures may lead to reduced flexibility in managing the Group's business, for example, as regards investments in or sales of relevant properties or adopting such measures, as the Group considers most advantageous. There is also a risk that joint venture agreements prohibit the Group from exiting the joint venture at an acceptable price or on advantageous terms, or that the partners in the joint ventures are subject to changes in control that may affect their ability to continue the joint venture partnership. If any of the risks described above materialises, it could have a material adverse effect mainly on the Group's earnings and financial condition.

The Issuer considers that the probability of the above risks occurring is *low*. If the risks would materialise, the Issuer considers the potential negative impact to be *materially adverse*.

Risks associated with the Group's business model and projects

The Group's business largely consists of property development projects, for both sales and self-management. As of 30 September 2024, the Group holds 460 residential units for self-management. Further, as of the same date, the Group's project portfolio consisted of 7,860 estimated building rights for sale and 3,788 estimated building rights to be held through self-management and the Group had a total of 4,683 residencies in production, of which 3,787 were units for sale and 896 were units in production for self-management. The units in production for self-management are developed both by the Issuer itself and together with joint venture partners, with 58 per cent. of the units developed for self-management owned in existing joint ventures. The ability to complete such projects with a positive return on investment is therefore a prerequisite for the Group's future success. Furthermore, any revenue from properties for self-management is, compared to if the Group would have sold such properties upon completion, delayed, which poses a financial risk.

The Group is also highly dependent on acquiring properties with adequate building rights for the project in question. A factor affecting the ability to implement property development projects profitably in financial terms is whether all parties to the agreement fulfil their commitments to the Group. For example, if a contractor in a rental project is unable to meet its commitments, due to bankruptcy or breach of contract on the part of the contractor, and the project cannot therefore be completed by a certain agreed date, there is a risk that the purchaser of the property may request annulment of the acquisition under the share purchase agreement entered into between the Group and the purchaser. In case of annulment, the Group must refund the purchase price and the property transferred must revert to the Group and in such a situation the purchaser is also entitled to receive compensation. If the purchaser instead requests that the project shall be completed, there is a risk that the Group may need to carry out a procurement relating to a new contract on terms that are less favourable to the Group. If a purchaser of a property is similarly unable to meet its commitments, the Group is still bound by the construction agreement entered into with the contractor for the relevant project, which could result in the Group incurring higher costs to enter into a new share purchase agreement with a new purchaser for the project.

The Group normally has a right to terminate the construction contracts entered into with an external contractor up until a certain number of binding preliminary agreements have been entered into regarding the transfer of tenant-owned apartments. Nevertheless, there is a risk that the Group may incur higher costs if, once that number of preliminary agreements has been entered into and the Group is bound by the construction contract, most of the purchasers who have entered into preliminary agreements on the transfer of a share in the tenant-owners association subsequently fail to fulfil their obligations under those agreements. In such circumstances, the purchasers are generally required to compensate the Group for any damage caused to the Group in that respect. However, there is a risk that the Group is not able to obtain full compensation for any damage caused. There is also a risk that major construction and development projects become delayed or more expensive than originally anticipated.

If one or more of the above risks were to materialise, it could have an adverse effect on the Group’s business, results and financial condition.

The Issuer considers that the probability of any of the above risks occurring is *medium*. If the risks would materialise, the Issuer considers the potential negative impact to be *adverse*.

Technical risks

Real estate investments involve technical risks. Technical risks exist in the case of both new production and conversion to housing, community service properties and student housing. These include the risk of construction faults, the risk that it may not be possible to convert the building for housing or residential property purposes in a satisfactory manner in terms of building or construction technology, other hidden faults or defects, damage and contaminants. If such technical problems arise, they may lead to delays in planned property development projects or higher costs for new construction or conversion to housing, community service properties and student housing. If any technical problems would occur, such occurrence may result in significantly increased costs for the properties (which may not be possible to transfer to the

Group's customers through increased sales prices or rental levels), which may negatively affect the Group's costs and business.

The Issuer considers that the probability of any of the above risks occurring is *medium*. If the risks would materialise, the Issuer considers the potential negative impact to be *adverse*.

Risks relating to rent revenues, increases or reductions in rental levels and termination of rentals

The Group owns certain properties that are managed by a third party. These properties contain premises that are rented to the Group's tenants. The Group intends to develop these premises into housing and then sell the relevant properties. Consequently, rental income is, and is estimated to be, a source of income for the Group. The Group's rental income is affected by, among other things, vacancies of the Group's properties, contracted rental rates, tenants paying on time and the general level of inflation (which if the rental contracts are not automatically adjusted for inflation reduces real income). Rental rates and vacancies are affected by, among other things, the supply and demand on the market and the level of the market rental rates, which in turn are largely affected by the general state of the economy both regionally and nationally.

If the occupancy ratio or rental levels for these properties fall, for whatever reason, it will have an adverse effect on the Group's results. There is no guarantee that the Group's larger tenants will renew or extend their leases when they expire, which could lead to a reduction in rental income and higher vacancy rates in the long term.

In advance of housing development, the Group may also need to terminate existing lease agreements for premises to remove the tenants, whereupon the tenants will be entitled to receive damages under certain conditions. Those claims for damages may amount to significant sums and if the tenants' claims are entitled to damages due to the terminations, the Group's results and financial condition may be adversely affected.

The Issuer considers that the probability of the above risks occurring is *medium*. If the risks would materialise, the Issuer considers the potential negative impact to be *adverse*.

Acquisition, sales and other transaction-related risks

Property transactions are carried out within the framework of the Group's activities. All such transactions are associated with uncertainty and risks. In the case of acquisitions of properties, uncertainty exists, for example, with regard to the management of tenants, unforeseen costs for environmental restoration and remediation, unforeseen land conditions, reconstruction and management of technical problems, decisions by authorities and the emergence of disputes relating to the acquisition or state of the property. Such uncertainties may lead to delays in projects or higher or unexpected costs for the properties or transactions. In some acquisition agreements, the Group has paid a deposit that flows to the seller in the event the agreement becomes invalid due to certain terms and conditions that are outside of the Group's control, primarily attributable to local planning work, such as the local planning not being approved and not entering into force within a certain period of time. Furthermore, the Group is highly dependent on entering into purchase agreements regarding land acquisitions. Successful land acquisitions are crucial for the Group's business and consequently, the Group has to establish and maintain fruitful relationships with municipalities and other landowners.

In the case of sales of properties, either as rental properties, community service properties or as individual tenant-owned apartments, there is uncertainty with regard to such aspects as the price and the ability to find a market for all rental properties, community service properties or tenant-owned apartments. For example, under the share purchase agreement entered into between the Group and the purchaser of a rental property, the purchaser may be entitled to compensation equivalent to the difference between a predetermined rent level and the lower average price for which the purchaser can actually rent out the property. If delays occur in the completion of the property or the housing, for example due to technical problems, the purchaser may be entitled to request cancellation of the acquisition. Thus, different claims may be directed at the Group, for example regarding fees for delays when building rental apartment properties and community service properties and with regard to the condition of the properties.

In the majority of the share purchase agreements relating to sales of the projects, the Group warrants that the purchaser must be compensated in full for any claims for damages brought by contractors, consultants and other third parties (such as tenants) and for any increased costs that arise in connection with the project and the construction contract. In some share purchase agreements, the Group has also provided an undertaking (subject to certain conditions) to pay for damages to the purchaser if the projects are delayed. Equivalent undertakings are usually contained in the construction contracts. However, the contractor is often entitled to an extension of the agreed construction period and to postpone the agreed completion date if delays are caused by certain factors beyond the contractor's control, whilst the Group is still obliged to pay for damages to the purchaser under most of the share purchase agreements.

If the Group's protection against delays or claims due to agreements with contractors and other parties proves to be insufficient, there is a risk that the Group will not receive payment for such claims from purchasers of properties or housing.

If any of the risks described above were to materialise, it could have a material adverse effect on the Group's business. The Issuer considers that the probability of the above risks occurring is *low*. If the risks would materialise, the Issuer considers the potential negative impact to be *adverse*.

Risks related to employees

As of 30 September 2024, the Group had 55 employees. The Group is dependent on the knowledge, skills and experience of its key personnel and it is important for the Group to keep and, where required, recruit additional key personnel. Furthermore, as the Group continues to grow, there is a risk that an improper workload can lead to ill health and stress-related illnesses for the Group's employees. This may lead to the Group being understaffed, which may affect the financial performance of the Group. This might also result in a worsened reputation for the Group as an employer, which could make it more difficult for the Group to recruit key employees.

The Issuer considers that the probability of the above risks occurring is *low*. If the risks would materialise, the Issuer considers the potential negative impact to be *adverse*.

Risks related to the Group's financial situation

Macroeconomic factors

The Group's business is to a considerable extent affected by macroeconomic factors such as the general economic climate, regional economic development, access to properties, fluctuations in employment, production rate for new housing, other residential properties and premises, changes in infrastructure, population growth, population structure, inflation and interest rates.

For example, the war in Ukraine and events in Gaza and the trade conflict and tensions between the United States and China have, or in recent years have had, a direct and material impact on the global economy and an impact on the Group due to the effect on supply chains worldwide through shut downs and freight logistics, which could negatively impact the supply of certain of the products which form part of the Group's offering and increase freight costs in a way that could harm the Group's profits. The agreements entered into by the Group prior to the negative impacts of the supply chain did not regulate the risk of increased material costs in the same manner as agreements entered into after such increase of the material costs. Hence, the Group's material costs have increased due to the change in the geopolitical environment.

Further, the sanctions imposed on Russia as well as Russian banks, companies and individuals and Russia's countersanctions or other retaliatory measures and the heightened tensions between Russia and the rest of Europe and the United States have had, and could continue to have, a material adverse effect on the global economy, and thereby have an impact on the Group and its business and operational results despite the fact that the Group does not, and has not had, any business or operations in Russia.

Due to increased energy and material costs as well as higher interest rates and previously widespread inflation have led to reduced availability of capital in the market and increased credit costs.

Further, higher interest rates can negatively affect the Group's growth in several ways, mainly through a negative effect on the Group's ability to obtain financing on attractive terms in order to maintain and develop the Group's projects. In a long-term perspective, higher interest rates may have a significant impact on the Group's financial results and cash flow. In addition, changes in interest rates also affect the market value of the Group's projects, which in turn can result in decreasing operating profits.

The Issuer considers that the probability of the above risks occurring is *high*. If the risks would materialise, the Issuer considers the potential negative impact to be *materially adverse*.

Liquidity risk

The Group is in a phase of expansion, which means that the Group's liquidity requirements are increasing. In case the Group is not able to meet its liquidity needs, there is a risk that the Group cannot meet its payment obligations (including the payment obligations under the Bonds) on the due date without a considerable increase in the cost of obtaining funds for payment. As of 30 September 2024, cash and cash equivalents amounted to SEK 98 million. For the twelve months ended on 30 September 2024, the Group's cash flow from operating and investing activities amounted to minus SEK 710 million, which means that the Group is dependent on cash flow from its financing activities in order to ensure that there is sufficient levels of liquidity in the Group. If the Issuer's sources of liquidity prove to be insufficient, due to, for example, inability to raise financing at acceptable terms or at all, it could have a material adverse effect on the Group's ongoing and planned project and consequently on the Group's business.

The Issuer considers that the probability of the above risks occurring is *medium*. If the risks would materialise, the Issuer considers the potential negative impact to be *materially adverse*.

Interest rate fluctuations

The Group's business, in particular with regard to the acquisition of properties, is financed largely by loans from external lenders and interest expenses are a significant expense item for the Group. The majority of the Group's indebtedness is attributable to the Group's outstanding bond loans, project-related debt and secured real estate loans. As of 30 September 2024, the total interest-bearing debt amounted to SEK 2,244 million (and to SEK 2,146 million after deduction of cash and cash equivalents). The average level of interest charged on the Group's debt was 9.9 per cent. as of 30 September 2024, compared with 10.4 per cent. as of 30 September 2023 and 8.2 per cent. as of 31 December 2022. The applicable interest rates may change and there is a risk that future interest expenses may be higher than the profits generated by the Group's operations. Calculated as of 31 December 2023, an increase in 3-months STIBOR by one (1) percentage point would increase the Group's interest rate expense for the financial year by approximately SEK 29 million. At the same time, interest rates are an important factor for tenants' ability to pay rent and for the ability of the purchasers of the Group's projects to obtain financing on favourable terms. There is a risk that higher interest rates would result in a material adverse effect on the Group's financial costs and results.

The Issuer considers that the probability of the above risks occurring is *medium*. If the risks would materialise, the Issuer considers the potential negative impact to be *materially adverse*.

Credit risk

The Group is dependent on receiving payment for the housing, community service properties or student housing that the Group has entered into agreements to sell. There is a risk that the Group's customers may be unable to meet their financial commitments with the Group. Furthermore, the Group is exposed to credit risks in relation to other counterparties, such as tenant-owners associations and joint venture companies. There is a risk that such counterparties may end up in a financial situation in which they are unable to pay agreed fees or other debts to the Group when they fall due. For example, as of 30 September 2024, the Group's claims on customers (*i.e.*, purchasers of projects, mainly cooperation partners consisting of property companies and major Swedish institutions) amounted to SEK 694 million. If the Group's counterparties are unable to meet their financial commitments with the Group, it could have a material adverse effect on the Group's business and financial condition.

The Issuer considers that the probability of the above risks occurring is *low*. If the risks would materialise, the Issuer considers the potential negative impact to be *materially adverse*.

Financing risk

Much of the Group's business consists of property development projects. Property development requires financing primarily during the initial development phase, where financing is required for land acquisition and processing work to develop a zoning plan for the finished product. The financing requirement varies from project to project and depends on the time the development process takes place and the type of acquisition to be made. The Group's business model allows the Group to, during the course of a project, choose whether the property should be sold or run for long-term self-management. In projects developed for sale, the debt financing is usually repaid in connection with handover of the property. Upon handover, the Group receives payments from the buyer for investments made up until the time of handover. The buyer usually also pays part of the project's profit at the same time. After the handover, the financing responsibility for the project passes to the buyer and upon completion of the project, the Group receives the bulk of the proceeds from the profit.

As mentioned above in the risk factor "*Risks associated with the Group's business model and projects*", a growing part of the Group's projects are developed for the Group's self-management. In projects developed for long-term self-management, a building credit is utilised during the development phase and thereafter, the project is financed through real estate loans. In order to enable an early project start, some projects developed for self-management will be sold to joint venture companies and the project development will thereafter be financed through external bank loans, including shareholder loans and shareholder contributions from the joint venture partners. Furthermore, a higher portion of properties for self-management may lead to that less properties and projects are divested and thus, leading to less revenue from divestments. However, as a consequence, over the short-term, higher financing needs for the Group may arise.

There is a risk that the Group does not receive debt financing needed to initiate a project, irrespectively if the project is intended to be sold immediately or run for long-term self-management, or if the property development is delayed or affected by unforeseen or higher costs due to factors within or beyond the Group's control. If such circumstances occur, it could mean that projects will not be initiated at all, or that projects may not be completed before loans fall due, or that increased costs cannot be covered by the credit facilities granted.

If the Group is unable to obtain financing for acquisitions or development, any extension or increase of existing financing or refinancing of financing previously obtained, or is only able to obtain such financing on unfavourable terms, for example due to delayed projects, unforeseen or increased costs due to factors within or beyond the Group's control, or a low equity ratio, this could have a material adverse effect on the Group's business and financial condition.

The Issuer considers that the probability of the above risks occurring is *medium*. If the risks would materialise, the Issuer considers the potential negative impact to be *adverse*.

Risk of change in property value

The valuations of properties are based on, among other things, a number of assumptions. There is, therefore, a risk that the valuations have been based on assumptions that are entirely or partly inaccurate, which may result in an incorrect reflection of the value of the Group's property portfolio and thus the Group's financial position. As of 30 September 2024, the value of completed self-managed properties (investment properties) was estimated to approximately SEK 876 million (consisting of 460 residential units) and the Issuer's share of the estimated value upon completion of properties for self-management currently in production amounted to SEK 2,111 million (consisting of 896 residential units).

The value of the Group's properties is affected by a number of property-specific factors, such as vacancy rates, rent levels, operating costs, unforeseen project related costs and project costs, as well as market-specific factors, such as yield requirements, costs of capital and other factors affecting the value of the property assets. In addition, the value of the Group's properties is also affected by the ability to divest the properties. Deterioration in property-specific and market-specific factors may lead to that the value of the Group's properties decrease. If the value of the properties decreases, the Group may have to write down their value resulting in large reported losses. Large reductions in property value may also lead to breaches in the Group's financial undertakings. Breaches of such covenants may result in the acceleration of the Group's debt or reduce its ability to obtain financing and to invest in new properties and property development projects, as part of the Group's ongoing operations.

The Issuer considers that the probability of the above risks occurring is *medium*. If the risks would materialise, the Issuer considers the potential negative impact to be *adverse*.

Risks relating to operating and maintenance costs

The ownership of rental properties is associated with certain operating expenses. Operating expenses consist mainly of tariff-bound costs such as costs for electricity, refuse collection, water and heating. If any cost increases are not compensated for by adjustments in lease agreements or rental increases through renegotiation of lease agreements, this could have an adverse effect on the Group's financial condition and results.

Maintenance costs include costs that are necessary in order to maintain the standard of properties in the long term or maintaining and/or modernising properties. Unforeseen and extensive need for renovation as well as higher prices for such renovations could lead to significantly higher maintenance expenses, which could have an adverse effect on the Group's business, results and financial condition.

The Issuer considers that the probability of the above risks occurring is *medium*. If the risks would materialise, the Issuer considers the potential negative impact to be *adverse*.

Dependence on subsidiaries

The Issuer is a holding company and holds no significant assets other than ownership of subsidiaries and receivables at subsidiaries. Accordingly, the Issuer is dependent upon receipt of sufficient income related to the operation of and the ownership in its 283 subsidiaries and associated companies and joint ventures to enable it to make payments under the Bonds. The Issuer's subsidiaries are legally separate and distinct from the Issuer and have no obligation to pay amounts due with respect to the Issuer's obligations and commitments, including the Bonds, or to make funds available for such payments. The ability of the Issuer's subsidiaries to make such payments to the Issuer is subject to, among other things, the availability of funds.

The subsidiaries' ability to make various kinds of payments to the Issuer, such as group contributions, dividends and other financial flows, may be jeopardized by changes in the subsidiaries' activities or regulatory restrictions. Such payments could also be limited due to various commitments such as facility agreements entered into by a subsidiary or due to tax restrictions that make financial transfers more difficult or more expensive. Lack of opportunities for the subsidiaries to transfer funds to the Issuer could have a material adverse effect on the Group's earnings and financial condition.

The Issuer considers that the probability of the above risks occurring is *low*. If the risks would materialise, the Issuer considers the potential negative impact to be *materially adverse*.

Legal and regulatory risks

Legal disputes

The Issuer has been and will in the future become involved in disputes and claims. Disputes may arise due to claims from the Group's different stakeholders such as tenants, financers, suppliers, etc. Disputes may also arise in conjunction with the Group's acquisition or divestments of properties, or due to the properties' environmental conditions.

Disputes can be time-consuming and may entail costs, the size of which cannot always be foreseen. In aggregate, disputes could have a material adverse effect on the Group's reputation and costs.

The Issuer considers that the probability of the above risks occurring is *high*. If the risks would materialise, the Issuer considers the potential negative impact to be *materially adverse*.

Dependence on laws, permits and decisions

The Group's business is regulated and affected not only by a large number of laws and regulations, but also by a range of processes and decisions relating to these regulations, both at the political level and at the level of administrative officials. Among other things, the Swedish Planning and Construction Act (Sw. *plan- och bygglag (2010:900)*), building standards, safety regulations, rules on permissible construction materials, antiquarian building classifications and various forms of cultural listings have a tremendous effect on the Issuer's operations and costs and its ability to develop the properties in a desirable manner. Changes of laws and regulations may in the future mean that the Group is unable to use or convert the Group's properties in the intended manner or that it can only be done more expensively or with delays. For example, as of 30 September 2024 the Group had 120 building rights (approximately 1 per cent. of total building rights) in early stages of the zoning plan phase.

There is a risk that the Group in the future may not be granted zoning plans, permits for new construction, renovation or change of use of properties acquired or that it may not obtain the decisions by authorities required to run and develop the business in a desirable manner. Furthermore, decisions may be appealed and therefore substantially delayed and standard decision-making procedures and the political will and direction may change in the future in a way that is detrimental to the Group. In addition, changes in permits and plans may mean that property development projects are delayed, become more expensive or cannot be implemented at all. Furthermore, changes in current laws, regulations and rules could result in unexpected costs and could restrict the progress of the Group's business.

If any of the risks described above were to materialise, it could have a material adverse effect on the Group's projects and consequently the Group's results. The Issuer considers that the probability of the above risks occurring is *high*. If the risks would materialise, the Issuer considers the potential negative impact to be *adverse*.

Tax and accounting risks

The Group's operations may be affected by changes in existing accounting standards that applies to the Group's operations, including, for example, IFRS and other international accounting standards. For example, the changed assessment in accounting practices regarding control of tenant-owners' associations has led to a change in the timing for revenue recognition from the time of the binding agreement with the tenant-owners' associations to the time of the tenant-owners' possession of the apartments, being in connection with the completion of the project. For the Group, this change corresponds to a delayed profit recognition amounting to between two and three years. A corresponding change for rental property projects would lead to a time lag of between two to five years depending on the size of the project. Such changes may give rise to uncertainty regarding the Group's accounting, financial reporting and internal control, which may affect the Group's reported profit, balance sheet and equity.

The Issuer considers that the probability of the above risks occurring is *low*. If the risks would materialise, the Issuer considers the potential negative impact to be *materially adverse*.

Environmental risk

Under certain conditions, the Group may be required to clean up land and carry out subsequent treatment of pollution or suspected pollution in land, water areas or groundwater in order to render the property in the state required under the Swedish Environmental Code (Sw. *miljöbalken*), which may be a costly endeavour. Furthermore, the Group has issued environmental guarantees in connection with property sales and may also need to issue environmental guarantees in the future. This means that the Group may be liable to pay damages for environmental restoration and remediation even when the Group is not required to do so in accordance with applicable environmental legislation. Finally, changes to environmental laws, rules and requirements could mean that the Group may incur higher costs for clean-up or subsequent treatment of properties acquired now or in the future. Furthermore, such changes could lead to higher costs or delays and may mean that the Group is unable to develop properties in a manner that is desirable for the Group. All such requirements could have a material adverse effect on the Group's costs.

Furthermore, unforeseen geological discoveries or unforeseen discoveries of endangered animal species in or adjacent to the place where a property development project is to be implemented could mean that the project is delayed, becomes more expensive or cannot be implemented at all, which could have a material adverse effect on the Group's reputation and costs. Additionally, climate change can make it more difficult to build in certain places and communities needing to be developed in different ways. There is a risk that this leads to increased costs for financing or insuring new projects, as well as increased cost of or a lack of necessary resources.

The Issuer considers that the probability of the above risks occurring is *medium*. If the risks would materialise, the Issuer considers the potential negative impact to be *adverse*.

Risk factors specific and material to the Bonds

Risks related to the nature of the Bonds

Ability to service debt

Even though the Bondholders vote in favour of the Proposed Amendments, there can be no assurance that the Group will be able to comply with the Amended and Restated Terms and Conditions and to continue to service its debt obligations under the Bonds. The Issuer's ability to service its debt under the Bonds depends on, among other things, the Group's future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond the Group's control. If the Group's operating income is not sufficient to service its current or future indebtedness, the Group will be enforced to take actions such as reducing or delaying its business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing its debt or seeking additional equity capital. Furthermore, as set out under the risk factor "*Dependence on subsidiaries*" above, the Issuer is dependent on funds from its subsidiaries in order to make payments under the Bonds but since the Issuer's subsidiaries are legally separate and distinct from the Issuer they have no obligation and/or may be legally prohibited to make funds available to the Issuer. Consequently, the Bonds are structurally subordinated in relation to the liabilities of the Issuer's subsidiaries.

The risk that the Group cannot service its debt obligations under the Bonds also implies a credit risk for investors in the Bonds. An increased credit risk will cause the market to charge the Bonds a higher risk premium, which will affect the Bonds' secondary market value negatively. Another aspect of the credit risk is that a deteriorating financial position of the Group will reduce the Group's possibility to receive debt financing at the time of the maturity of the Bonds, as it may cause the Issuer's credit rating to decrease and consequently the Issuer's ability to repay the Bonds at maturity, as set out below under the risk factor "*Refinancing risk*".

The Issuer considers that the probability of the risk that the Group will not be able to affect any of these remedies on satisfactory terms, or at all, is *low*. If the risks would occur, the Issuer considers the potential negative impact to be *highly materially adverse*.

Extension of the maturity of the Bonds and refinancing risk

The extension of the maturity of the Bonds entails an extended period of credit risk vis-à-vis the Issuer and the Group for the Bondholders and there can be no assurance that no material adverse circumstances will arise between the original maturity date and the extended maturity date or that the Group will be able to refinance the Bonds at the extended maturity. The Group's ability to refinance the Bonds at maturity depends on a number of factors, such as market conditions, the availability of cash flows from operations, intra-group loan arrangements and access to additional debt financing. In addition, restrictions in relation to the Group's debt financing arrangements as well as adverse developments in the credit markets and other future adverse developments, such as the further deterioration of the overall financial markets or a worsening of general economic conditions, could have a material adverse effect on the Group's ability to borrow funds as well as the cost and other terms of funding. The Issuer is currently discussing with potential investors to find a long-term solution for the Group's financing but no agreement has been reached and there can be no assurance that the Group will be able to refinance the Bonds when they mature.

The Issuer considers that the probability of the above risks occurring is *medium*. If the risks would materialise, the Issuer considers the potential negative impact to be *materially adverse*.

Interest rate risks and benchmarks

The Bonds' value depends on several factors, one of the more significant over time being the level of market interest. The Bonds will bear a floating rate interest of STIBOR plus a certain margin and the interest rate is therefore adjusted for changes in the level of the general interest rate. Hence, there is a risk that increased general interest rate levels significantly affect the market value of the Bonds.

The determining interest rate benchmarks, such as STIBOR has been subject to regulatory changes such as the Benchmarks Regulation (Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds) (the "**BMR**"). The implementation of the BMR will lead to that certain previously used benchmarks, including STIBOR, may be discontinued. In accordance with the Terms and Conditions, STIBOR may be replaced following certain events, e.g. if STIBOR ceases to be administrated. Increased or altered regulatory requirements and risks associated with a replacement of STIBOR involve inherent risks, as the effects cannot be fully assessed at this point in time which could result in an adverse effect on an investment in the Bonds.

The Issuer considers that the probability of the above risks occurring is *medium*. If the risks would materialise, the Issuer considers the potential negative impact to be *materially adverse*.

Risks related to trading of the Bonds on a regulated market

Risks related to the labelling of the Bonds

The Issuer has under the Terms and Conditions undertaken to use the proceeds of the Bonds in accordance with the Issuer's green bond framework (the "**Green Bond Framework**") in force as at the relevant issue date, and which is based on the Green Bond Principles issued by the International Capital Markets Association. As there is currently no clear definition of as to what constitutes a "green" or an equivalently-labelled project, there is a risk that any projects, asset or uses defined in the Green Bond Framework will not meet current or future investor expectations regarding such "green" or other equivalently-labelled performance objectives. Furthermore, future developments or legal requirements as to the definitions of "green", such as the entering into force of unified classification systems in relation to sustainability adopted by the European Union, render the eligible projects for the Bonds, as described in the Green Bond Framework, obsolete. This could lead to present or future investor expectations or requirements as regards any investment criteria or guidelines whether according to applicable law or regulations or by such investor's own by-laws, governing rules or investment portfolio mandates cannot be satisfied.

Furthermore, a failure to apply the proceeds in accordance with the Green Bond Framework could result in investors in the Bonds being in breach of investment criteria or guidelines with which an investor is required to comply, which could result in remedies under the relevant investment criteria or guidelines, leading to claims or reputational damage.

The Issuer has appointed CICERO Center for International Climate Research ("**CICERO**") for an independent, research-based evaluation of the Issuer's Green Bond Framework to which has resulted in a second opinion dated in September 2020 (the "**Second Opinion**"). CICERO is neither responsible for how the Green Bond Framework is implemented and followed up by investors, authorities (as applicable) or other stakeholders, nor is CICERO responsible for the outcome of the investments described in the Green Bond Framework. There is a risk that the suitability or reliability of the Second Opinion is challenged by the Issuer, an investor, the Bondholder, or any third party. Furthermore, CICERO is currently not subject to any regulatory regime or oversight and there is a risk that such providers will be deemed as not being reliable or objective in the future.

As the market conditions for green bonds is rapidly changing, there is a risk that current or future investor expectations will not be met which could negatively affect the secondary trading of the Bonds. This could lead to Bondholders being unable to trade its Bonds at attractive terms, or at all, or that any possession of Bonds is connected to reputational damage.

The Issuer considers that the probability of the Issuer facing adverse effects relating to the labelling of the Bonds as "green" is *low*. If the effects would materialise, the Issuer considers the potential negative impact as *adverse*.

Risks related to admission to trading and liquidity risk

The Bonds are listed on the sustainable bond list of Nasdaq Stockholm. However, there is not always active trading in the securities. Hence, there is an intermediate risk that the market for trading in the Bonds will be illiquid. This may result in that the Bondholders cannot sell their Bonds when desired or at a price level which allows for a profit comparable to similar investments with an active and functioning secondary market. Lack of liquidity in the market may have a negative impact on the market value of the Bonds. Furthermore, the nominal value of the Bonds may not be indicative compared to the market price of the Bonds on the sustainable bond list of Nasdaq Stockholm (or any other regulated market).

It should also be noted that during a given time period it may be difficult or impossible to sell the Bonds (at all or at reasonable terms) due to, for example, severe price fluctuations, close down of the relevant market or trade restrictions imposed on the market.

The Issuer considers the probability of the risk occurring to be *low*. If the risk were to occur, the Issuer considers the potential negative impact to be *adverse*.

Risks related to the Bondholders' rights

Financing

Subject to the provisions set out in the Terms and Conditions, the Issuer may seek further financing in which case security, as part of such new loans, may be provided. In addition, the Issuer may retain, provide or renew security over certain of its current or future assets to secure, among other things, bank loans, either via the Issuer itself or any other Group company, with security interests normally constituting a preferential claim on the borrower. No present or future shareholder or subsidiary of the Issuer will guarantee the Issuer's obligations under the Bonds.

Furthermore, the Terms and Conditions allow the Group to incur certain additional debt. If the Issuer's subsidiaries incur debt, the right to payment under the Bonds will be structurally subordinated to the right of payment relating to debt incurred by subsidiaries of the Issuer, which could have a negative impact on the Bondholders' recovery under the Bonds.

The Issuer considers that the probability of the above risks occurring is *low*. If the risks would materialise, the Issuer considers the potential negative impact as *materially adverse*.

Risks related to the Written Procedure

The Terms and Conditions allow for stated majorities of Bondholders to bind all Bondholders, including Bondholders who have not taken part in the Written Procedure and those who have voted contrarily to the majority vote. Consequently, the actions of the majority in the Written Procedure could impact a Bondholder's rights in a manner that would be undesirable from such Bondholder's perspective.

Furthermore, both the applicable tax law in the Bondholder's country of domicile as well as the country where the Issuer is registered or has its domicile affects taxation on any consent fee or other remuneration in connection with the amendment process initiated in the Written Procedure. The notice of Written Procedure does not discuss the tax consequences for Bondholders arising from the receipt by Bondholders of such consent fee or other remuneration. Bondholders (as well as any nominees for any Bondholder) are liable for their own taxes and have no recourse (whether by way of reimbursement, indemnity or otherwise) to the Issuer, any adviser or arrangers to the Issuer, any of their respective directors, employees or affiliates, or any other person with respect to taxes arising out of or in connection with the Written Procedure. Each Bondholder should consult its own professional advisers regarding these possible tax consequences under the laws of the jurisdictions that apply to them and the receipt of any consent fee or other remuneration in connection with the Written Procedure.

The Issuer considers that the probability of the above risks occurring is *medium*. If the risks would materialise, the Issuer considers the potential negative impact as *materially adverse*.

Structural subordination and insolvency of subsidiaries and joint ventures

In the event of insolvency, liquidation or a similar event relating to one of the Issuer's subsidiaries or joint ventures, all creditors of such company 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. Thus, the Bonds are structurally subordinated to the liabilities of such subsidiaries and joint ventures. Defaults by, or the insolvency of, certain subsidiaries or other associates of the Issuer may result in the obligation of the Issuer to make payments under financial or performance guarantees in respect of such companies' obligations or the occurrence of cross defaults on certain borrowings of the Group and its joint ventures. There is a risk that the Issuer and its assets would not be protected from any actions by the creditors of a subsidiary or a joint venture, whether under bankruptcy law, by contract or otherwise.

The Issuer considers the probability of the risk occurring to be *low*. If the risk were to occur, the Issuer considers the potential negative impact to be *materially adverse*.

Risks relating to actions 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, for example following an event of default under the Terms and Conditions. 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 for the Bonds), which could negatively impact an acceleration of the Bonds or other action against the Issuer.

Furthermore, the Agent's right to represent Bondholders in formal court proceedings in Sweden (such as bankruptcies, company reorganisations or upon in-court enforcement of security) has recently been questioned and there has been a case where a court has held that such right does not exist, meaning that the Bondholders, through the Agent, were unable to take actions in court against the issuer. Although the relevant case law on this subject is, as of now, non-precedential, if such judgments should continue to be upheld by the justice system and/or if the regulators should not intervene and include the Agent's right to represent Bondholders in relevant legislation, it may become more difficult for Bondholders to protect their rights under the terms of the Bonds in formal court proceedings.

The Issuer considers the probability of the risk occurring to be *low*. If the risk were to occur, the Issuer considers the potential negative impact to be *adverse*.