

## NOTICE TO A WRITTEN PROCEDURE

*Denna kallelse till obligationsinnehavarna är endast utformad på engelska.*

Stockholm, 9 November 2022

**To the bondholders in:**

**ISIN: SE0016075196 – Fiven ASA EUR up to 125,000,000 Senior Secured Sustainability-Linked Bonds 2021/2024 (the "Bonds")**

**NOTICE OF WRITTEN PROCEDURE – REQUEST TO AMEND CERTAIN PROVISIONS IN THE TERMS AND CONDITIONS OF THE BONDS**

This voting request for procedure in writing will be sent by regular mail on 9 November 2022 to Bondholders directly registered in the debt register (Sw. *skuldbok*) kept by Euroclear Sweden AB (the "CSD"). This voting request has also been published on the websites of the Issuer and the Agent (as defined below), in accordance with the terms and conditions of the Bonds (the "Terms and Conditions"). If you are an authorised nominee under the Swedish Financial Instruments Accounts Act or if you otherwise are holding Bonds on behalf of someone else on a Securities Account, please forward this notice to the holder you represent as soon as possible. For further information, please see below under Clause 3.4 (*Voting rights and authorisation*).

### Key information:

|   |   |
|---|---|
| Record Date for being eligible to vote: | 15 November 2022  |
| Deadline for voting:                    | 15:00 5 December 2022   |
| Quorum requirement:                     | At least fifty (50) 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 |

Nordic Trustee & Agency AB (publ) in its capacity as agent (the "**Agent**") for the holders of the bonds (the "**Bondholders**") in the abovementioned bond issue ISIN: SE0016075196 issued by Fiven ASA (the "**Issuer**"). In its capacity as Agent, and as requested by the Issuer, the Agent hereby initiates a procedure in writing, whereby Bondholders can vote for or against the Issuer's request to amend the Terms and Conditions of the Bonds.

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.

Bondholders participate by completing and sending 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**"), if the Bonds are held in custody other than by the CSD, to the Agent. 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.

The Agent must **receive the Voting Form no later than 15:00 (CET) on 5 December 2022** either by mail, courier or email to the Agent using the contact details set out in Clause 3.8 (*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 15 November 2022 (the "**Record Date**"). 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.

**Disclaimer:** *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 its effects, should it 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 its effects, should it 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.*

## 1. Background

The Issuer has delivered strong financial performance since the issuance of the Bonds in June 2021 and continues to see strong momentum in its business. Driven by a combination of earnings growth and cash generation, net leverage has declined from 3.2x at the time of issue to 1.3x per Q2 2022, with a cash balance of EUR 25,300,000 which is expected to increase further over the remainder of 2022. The Issuer is self-funded through internally generated cash and does not require such a substantial cash balance.

Considering the above, the shareholders, OpenGate Capital, are requesting Bondholders' approval for a one-off distribution of cash in the Issuer. The distribution (to be effected through one or several payments as specified in Clause 2 (*Amendment of the Terms and Conditions* below) would be in an amount resulting in the cash balance in the Issuer as of 31 December 2022 being no less than EUR 18,000,000, which is the level required to comfortably operate the business plus a buffer.

Provided the Request is accepted, Bondholders will be paid a consent fee of 2.85 per cent. (as further set out in Clause 3.2 (*Consent fee*) below). Moreover, to provide Bondholders with comfort around the requested distribution and the Issuer's expected operational and financial trajectory going forward, the Issuer has agreed to, provided the Request is accepted by Bondholders, lower the Maintenance Test from the current level of 4.50x to 3.00x for the remainder of the tenor of the Bonds.

The Agent has been informed by the Issuer that Bondholders representing approximately 48 per cent. of the Adjusted Nominal Amount have expressed their intention to vote in favour of the Request.

## 2. Amendment of the Terms and Conditions

In order to achieve the abovementioned objectives, the Issuer hereby requests that the Bondholders approve to amend the Terms and Conditions as set out below (the "**Request**").

- (a) The Terms and Conditions shall be amended to allow the Issuer, notwithstanding paragraph (a) of Clause 14.2 (*Restricted Payments*) of the Terms and Conditions, at any time between the Effective Date (as defined below) and 31 December 2022, to, on one or several occasions, pay dividend on its shares and/or repay Shareholder Loans in an aggregate amount not exceeding the Excess Cash (as defined below).
- (b) "Excess Cash" shall be defined as the cash and cash equivalents of the Group in accordance with the Accounting Principles on 31 December 2022 less EUR 18,000,000.

- (c) The Terms and Conditions shall be amended so that the Maintenance Test set out in Clause 13.1 (*Maintenance Test*) of the Terms and Conditions, for each Reference Date occurring from the Effective Date (as defined below) until the Final Maturity Date, is satisfied if the Leverage Ratio is equal or less than 3.00:1.
- (d) "Effective Date" shall be defined as the date when the Request has been approved and any amendment agreement or amendment and restatement agreement to the Terms and Conditions implementing the Request has been executed.

If the Request is approved in the Written Procedure, the Bondholders' give the Agent the power to enter into all agreements and take all actions that the Agent deems necessary in order to implement the Request.

### **3. Written Procedure**

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

#### **3.1 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), 5 December 2022. Votes received thereafter may be disregarded.

#### **3.2 Consent fee**

Subject to satisfaction of the conditions set forth in Clause 3.2.1 (*Fee conditions*), the Issuer will, pay a consent fee (the "**Consent Fee**") to all Bondholders if the Request is approved under the Written Procedure. The Consent Fee, which will be an amount equal to 2.85 per cent. of the Nominal Amount of each Bond, shall be calculated based on the aggregate principal amount held by the relevant Bondholder on the record date for Bondholders to be eligible to receive the Consent Fee (the "**Consent Fee Record Date**"). The Consent Fee Record Date will occur on 12 December 2022. Please note that this means that a Bondholder that has voted in the Written Procedure but is not registered in the debt register as a direct registered owner or authorised nominee with respect to one or several Bonds on the Consent Fee Record Date will not be entitled to the Consent Fee.

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

##### **3.2.1 Fee conditions**

Payment of the Consent Fee as stated in Clause 3.2 (*Consent fee*) is conditional upon the quorum and majority requirements being satisfied such that the Request is approved in the Written Procedure.

##### **3.2.2 Payment of fees**

Any payment of the Consent Fee will be effected to Bondholders through the CSD, which will credit the income account (*Sw. avkastningskonto*) to which interest payments on the Bonds are made to the relevant Bondholder.

The settlement date for payment of the Consent Fee is 19 December 2022. Payments are expected to be made without withholding or deduction for any applicable taxes and each

Bondholder must make its own determination as to whether or not it is required to pay tax on any amounts it receives in connection with the Request.

### **3.3 Decision procedure**

The Agent will determine if received replies are eligible to participate under 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. The Issuer and the Agent shall, in order to implement and effectuate the amendments, enter into amended and restated Terms and Conditions.

Information about the decision taken under the Written Procedure will: (i) be sent by notice to the Bondholders and (ii) be published on the websites of (a) the Issuer and (b) the Agent.

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

### **3.4 Voting rights and authorisation**

Anyone who wishes to participate in the Written Procedure must on the Record Date (15 November 2022) 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.

### **3.5 Bonds registered with a nominee**

If you are not registered as a direct registered owner, but your Bonds are held through a registered authorised nominee or another intermediary, you may have two different options to influence the voting for the Bonds.

1. 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.
2. 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.

### **3.6 Quorum**

To approve the Request, Bondholders representing at least fifty (50) per cent. of the Adjusted Nominal Amount must reply to the Request under 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 relevant proposal has not been withdrawn by the Issuer. No quorum requirement will apply to such second Written Procedure.

### **3.7 Majority**

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

### **3.8 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 the CSD, by regular mail, scanned copy by email, or by courier to:

**By regular mail:**

Nordic Trustee & Agency AB (publ)  
Attn: Written Procedure Fiven ASA  
P.O. Box 7329  
S-103 90 Stockholm

**By courier:**

Nordic Trustee & Agency AB  
Attn: Written Procedure Fiven ASA  
Norlandsgatan 23  
111 43 Stockholm

**By email:**

E-mail: [voting.sweden@nordictrustee.com](mailto:voting.sweden@nordictrustee.com)

## **4. FURTHER INFORMATION**

For further questions to the Issuer, regarding the request, please contact the Issuer at Stein Erik Ommundsen, CFO, at [stein.e.ommundsen@fiven.com](mailto:stein.e.ommundsen@fiven.com) or + 47 97 510 481.

For further questions to Pareto Securities AB, financial advisor to the Issuer, please contact Oliver Humlen, Equity Partner Pareto Securities AB, at [oliver.humlen@paretosec.com](mailto:oliver.humlen@paretosec.com) or +46 70 916 26 97.

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

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**Stockholm, 9 November 2022**

**NORDIC TRUSTEE & AGENCY AB (PUBL)**

as Agent

**Enclosed:**

|                   |                                 |
|-------------------|---------------------------------|
| <b>Schedule 1</b> | Voting Form                     |
| <b>Schedule 2</b> | Power of Attorney/Authorisation |
| <b>Schedule 3</b> | Risk Factors                    |

# VOTING FORM

## Schedule 1

For the Written Procedure in Fives ASA of the up to EUR 125,000,000 Senior Secured Sustainability-Linked Bonds 2021/2024 with ISIN: SE0016075196.

The undersigned Bondholder or authorised person/entity (the "**Voting Person**"), votes either **For** or **Against** the Request by marking the applicable box below.

**NOTE:** If the Voting Person is not registered as Bondholder (as defined in the Terms and Conditions), the Voting Person must enclose a Power of Attorney/Authorisation, see Schedule 2.

**For** the Requests

**Against** the Requests

Name of the Voting Person: \_\_\_\_\_

Capacity of the Voting Person: Bondholder:  <sup>1</sup> authorised person  <sup>2</sup>

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

Securities Account number at Euroclear Sweden:  
(if applicable) \_\_\_\_\_

Name and Securities Account number of custodian(s):  
(if applicable) \_\_\_\_\_

Nominal Amount voted for (in EUR): \_\_\_\_\_

Day time telephone number, e-mail address and contact person:

\_\_\_\_\_

\_\_\_\_\_  
Authorised signature and Name <sup>3</sup>

\_\_\_\_\_  
Place, date:

<sup>1</sup> When voting in this capacity, no further evidence is required.

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

<sup>3</sup> If the undersigned is not a Bondholder according the Terms and Condition 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 Fiven ASA of the up to EUR 125,000,000 Senior Secured Sustainability-Linked Bonds 2021/2024 with ISIN: SE0016075196.

**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. 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.

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

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

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

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

We represent an aggregate Nominal Amount of: EUR \_\_\_\_\_

We are:

Registered as Bondholder on the Securities Account

Other intermediary and holds the Bondholder through (specify below):

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Place, date: \_\_\_\_\_

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Name:

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

# RISK FACTORS

## Schedule 3

Risk factors deemed to be of importance for (a) Fiven ASA (reg. no. 922 224 129) (the "**Issuer**") and its direct and indirect subsidiaries (together with the Issuer, the "**Group**" and each a "**Group Company**"), (b) the Group's business and future development, and (c) the Issuer's senior secured sustainability-linked bonds with ISIN SE0016075196 (the "**Bonds**") are described below. Unless defined otherwise in these risk factors, defined terms in these risk factors shall have the same meaning as in the final terms and conditions of the Bonds dated 15 June 2021 (the "**Terms and Conditions**"). The risk factors presented below are categorised as "Risks relating to the Group" or "Risks relating to the Bonds" on the basis of whether they pertain to the Group or to the Bonds. The risk factors categorised as "Risks relating to the Group" are categorised as risk factors pertaining to the Group and not as risk factors pertaining to the Issuer, as the major part of the business operations in the Group are conducted by the Guarantors and the Issuer's other subsidiaries. The materiality of the risk factors are disclosed by the use of a qualitative ordinal scale of low, medium or high. The assessment of the materiality of the risk factors have been based on the probability of their occurrence and the expected magnitude of their negative impact.

**PLEASE NOTE THAT ONLY A LIMITED LEGAL DUE DILIGENCE HAS BEEN CARRIED OUT BY WAY OF A MANAGEMENT QUESTIONNAIRE. NO DOCUMENTARY DUE DILIGENCE HAS BEEN CONDUCTED. NO FINANCIAL, INSURANCE OR TAX DUE DILIGENCE HAS BEEN CONDUCTED. THUS, THERE MAY BE RISKS RELATING TO THE GROUP AND ITS BUSINESS WHICH HAVE NOT BEEN DISCLOSED IN THE LIMITED LEGAL DUE DILIGENCE AND WHICH ARE CONSEQUENTLY NOT DISCLOSED IN THESE RISK FACTORS.**

### RISKS RELATING TO THE GROUP

#### RISKS RELATED TO PRODUCTION AND OPERATION

##### Risks relating to environment, health and safety

###### *Medium level risk*

The Group's business includes many risks associated with running industrial factories. The Group's high consumption of petcoke and electricity in the production of silicon carbide entails emissions such as CO<sub>2</sub>, PAH, B(a)P and SO<sub>2</sub> and related costs to satisfy local laws and regulations. The Group is also exposed to other risks of liability under e.g. environmental laws (including but not limited to emissions limits) and regulations due to, *inter alia*, the production, storage, transportation, disposal and sale of materials that can cause contamination or personal injury. Compliance with environmental laws involves cost of manufacturing, cost of registration/approval requirements, costs of transportation and storage of raw materials and finished products, as well as costs of storage and disposal of waste. There is a risk that the Group may not be able to retain or obtain renewed environmental permits, licenses and certifications which it requires to conduct its business. Consequently, there is a risk that the Group will e.g. incur additional investment costs and not be able to re-allocate its production if production would have to be shifted or moved to different locations. The Group may furthermore incur substantial costs, including fines, damages, criminal or civil sanctions and remediation costs for violations arising under such laws. In addition, any discovery of contamination of for example soil and groundwater arising from historical industrial operations at some of the Group's former and present production or processing sites may expose the Group to clean-up or after-treatment obligations and other

damages. Compliance with environmental laws and liability arising in connection with any personal injuries or damages and damages to the environment may have a material negative effect on the Group's result and financial position.

Furthermore, the Group produces its silicon carbide through the Acheson process. Occupational exposure to the Acheson process is associated with the risk of developing cancer, such as lung cancer. There is a risk that the Group could be held liable for any damage to the employee's health caused by such exposure, which could have an adverse effect on the Group's results of operations and financial position.

##### Risks relating to changes in prices of raw material and silicon carbide

###### *Medium level risk*

Sand and petcoke are the main raw materials used in the manufacturing of silicon carbide and account for a significant portion of the total production costs of the Group. Costs of relevant raw materials that the Group regularly purchases affect the Group's cost of production. The price and availability of petcoke are subject to global crude oil supply and demand, foreign exchange market fluctuations, changes in relation to OPEC (Organization of Petroleum Exporting Countries) and other crude oil producers and the state of environmental legislation. Demand for silicon carbide is essential for the Group's business and is a product that is traded worldwide.

There is a risk that future fluctuations in the price of relevant raw materials, such as petcoke and sand may cause the Group to adjust the prices of its products, which may result in a decline in demand for the Group's products, and/or that the Group will have to lower its prices, which would decrease its profit margins.

Furthermore, the Group may not be able to fully transfer increased costs to its customers. Consequently, any material increase in the prices of relevant raw materials may have an adverse effect on the Group's competitiveness, net sales and earnings.

#### Risks relating to production and processing

##### *Medium level risk*

The Group has several production and processing facilities in Europe and South America. If the Group's production and processing facilities or the equipment therein would be damaged, for example as a result of fire, or if any of the facilities would have to close, the Group may suffer losses and delays in delivery, which could have negative impact on the Group's relationship with its customers, which in turn could adversely affect the Group's sales, business and results of operations and ultimately the financial condition of the Group. An interruption or a disturbance – such as a breakdown, a labor dispute or a natural disaster – at any stage in the process may also have a major impact on the Group's ability to fulfil its obligations to its customers in a timely manner, or at all. A comprehensive and lasting stop in production may have a significant effect on the Group's ability to produce or distribute relevant products. Further, the Group may have to pay damages or liquidated damages pursuant to its customer agreements in case of late delivery of the products. Such payments may not be covered by the Group's insurances, or not fully covered, resulting in a cost for the Group. Consequently, there is a risk that interruption, disturbance or damages to production facilities or distribution hubs will have a material adverse effect on the Group's business, results of operations and financial position. There is also a risk that production sites from which the Group currently purchases or in the future might purchase raw material, as well as the possible future opening of new production sites and/or re-allocation of existing production sites, may lead to increased costs and hence have an adverse effect on the Group's business and financial position.

#### Risks relating to energy supply

##### *Low level risk*

The production of silicon carbide is an energy intensive process. The Group's ability to produce silicon carbide depends on the availability and timely supply of electricity from external suppliers. Inability to maintain an electricity supply or changes in market supply may have adverse consequences for the production and processing of silicon carbide, which in turn may have negative consequences for e.g. customer relations, resulting in an adverse effect on the Group's net sales, earnings and financial position.

Prices of electricity directly affect the costs of the Group's production of silicon carbide and there is a risk that future fluctuations, nationally or globally, in the price of electricity may cause the Group to adjust the prices of its products, which may result in a decline in demand for the Group's products, and/or the Group having to lower its prices, which would decrease its

profit margins. Furthermore, the Group may not be able to effectively transfer increased costs of electricity to its customers. There is also a risk that competitors may be able to more effectively adjust to volatility in electricity prices or utilize cheaper energy sources for their production, thereby increasing their market shares. Consequently, any material increase in the price of energy sources may have an adverse effect on the Group's earnings and result of operation.

#### Risks relating to research and development

##### *Low level risk*

The Group's growth is dependent upon its ability to develop new products and services and successfully deploy such products and services into existing and new market segments. Further, the Group must also be able to improve its existing products in order to stay competitive and to avoid losing market share to competitors. There is a risk that the Group will be unsuccessful in this, which could have an adverse effect on the Group's business. Any development of substitute materials to silicon carbide available for e.g. semi-conductors may also risk threatening the Group's business. The Group is currently developing its product offering. Research and development efforts in respect of new products are costly and the Group allocated approximately EUR 1,308,000 towards research and development during 2021. Research and development of new products always entails a risk of unsuccessful commercialization. In addition, there is a risk that the Group will not be successful in its attempts to preserve and develop its product offering. If the Group is not successful in the aforementioned fields, this may have an adverse effect on the Group's business and financial position as well as future prospects and earnings.

#### Risks relating to intellectual property rights

##### *Low level risk*

The Group is actively working to protect its brands (e.g. SIKA, e-SIC and Fiven), names and domain names in the jurisdictions in which the Group operates. If the Group's protection of its trademarks and names is not sufficient or if the Group does infringe third party intellectual property rights, this may result in an adverse effect on the Group's net sales and financial position.

Following the carve-out from Saint-Gobain, the Group has made certain changes to the marketing of both its products in relation to brands and to its trademarks in relation to the business, which has exposed the Group to the risk of lost market appeal. A decline in the market appeal of the Group (including its brands and trademarks) may derive from e.g. negative publicity concerning the brands (whether or not it is justifiable) and a decline in market recognition and/or confidence. There is a risk that the Group fails to build and maintain its brand and trademark perception, resulting in adverse effects on the Group's results of operations.

#### **Risks relating to the markets in which the Group operates**

#### Risks relating to the operations in Venezuela

#### *Medium level risk*

The Group operates in Venezuela, a country which is currently experiencing a nation-wide economic crisis with e.g. hyperinflation, devaluation or depreciation of the currency, expropriation, as well as general political instability. The business climate constitutes a challenge for foreign and domestic companies operating in Venezuela. The general uncertainty in the country, due to the political instability, exposes the Group to risks such as legal uncertainties and a lack of foreseeability, which could have a material adverse effect on the Group's business, earnings and financial position. In 2020 the Group mothballed the Venezuelan activities and transferred the crude production to other Group entities, the Venezuelan plants reopened temporarily production in Q3 2021 until May 2022. If the politico-economic situation worsens, it could e.g. lead to the closure or nationalization of the Group's crude production in Venezuela. If the above mentioned risks occur and the Group's Venezuelan activities are not able to resume production, it could have a negative impact on the Group's business and financial position.

#### Risks relating to the geography of the Group

##### *Medium level risk*

Adverse changes in the general economic conditions and business environment in the countries in which the Group operates, e.g. Norway, Belgium, Brazil and Venezuela, may have an adverse effect on the Group's business, financial position and results of operations. During 2020, 80 per cent. of the Group's crude capacity, and during 2021, 82 per cent. of the Group's crude capacity, was produced in South America. Any changes in the general economic conditions and business environment in the region could have a significant adverse effect on the Group's business and results of operations. Furthermore, since the Group is present in a number of geographic markets, the Group is also subject to external risks, such as political risks in e.g. Venezuela and Brazil. There is a risk that some of the countries in which the Group operates or where the Group's suppliers, customers or end-customers are present and which are subject to greater political, economic and social uncertainty, will be subject to sanctions regulations, such as trade restrictions. Such events could have a negative impact on the Group's business, earnings, financial position and future prospects. In addition, the Group is required to spend time and resources to monitor and ensure that the Group is in compliance with sanctions, regulations and the political and economic situation in the various countries in which the Group operates, something that could negatively affect the Group's financial result and operations. Furthermore, demand for the Group's products and services is subject to changes in end-customers' investment plans. Should customers' investment patterns materially change, due to an economic or political situation in a country, industry or region, the Group's ability to sell its products and services in such areas may be negatively affected.

#### Macroeconomic and market related risks

#### *Medium level risk*

The Group is an international producer of silicon carbide with a global customer base and demand for silicon carbide is essential for the Group's business. Demand for silicon carbide and related products is ordinarily affected by numerous factors such as the state of the economy, growth, interest rates, raw material costs, and other factors. The Group has operations in six countries and delivers its products to more than 45 different countries. Approximately 46 per cent. of the Group's revenue derives from customers based in Europe, 33 per cent. from customers based in South America, 15 per cent. from customers based in North America and 6 per cent. from customers based in Asia. The Group's business is thus subject to risks relating to the general economic conditions in these regions. A period of economic slowdown or recession due to factors such as business and consumer confidence, unemployment, household disposable income, counter-party risk, inflation and market interest rates, may result in decreased demand for silicon carbide, which could lead to decreased demand for the Group's products and/or increased pressure on prices and have an adverse effect on the Group's business, financial position and results of operations. The Group is especially exposed to historically cyclical sectors such as construction and automotive, where a global downturn in the economy affecting these specific sectors can have a material negative effect on the Group's earnings and result.

#### Risks relating to the operations in Brazil

##### *Low level risk*

The Group's operations in Brazil are subject to detailed regulation and complicated rules regarding, *inter alia*, tax, labor, financing, the environment and other regulatory requirements. In addition, Brazil has in recent years experienced national turbulence, e.g. with regard to nation-wide bribery investigations of both officials and companies, as well as general political instability. The business climate constitutes a challenge for foreign and domestic companies operating in Brazil. The complexity of the legislative framework, and the general uncertainty in the country, due to political and economic instability, may expose the Group to risks such as legal uncertainties, increased costs in the compliance work and a lack of foreseeability, which could have a material adverse effect on the Group's business and financial position.

#### Risks relating to export restrictions and prohibitions

##### *Low level risk*

There is a risk that the Group in the future is prohibited or restricted from delivering its products to certain countries that are subject to export prohibitions and sanctions. Should the Group fail to adhere to these prohibitions or restrictions the Group may be forced to pay fines, and potentially be liable for further criminal or civil sanctions. Should any of the risks described

above materialize, there is a risk that this will have an adverse effect on the Group's net sales and earnings.

#### **Risks relating to changes in laws and regulations**

##### Risks relating to current and new legislation and compliance related risks

###### *Medium level risk*

The Group is a worldwide producer of silicon carbide grains and powders and ceramic applications and is active in both Europe, Asia, North America and Latin America. The Group is operating in many jurisdictions and has diversified end markets for its products (construction, engineering, automotive, electronics, marine, aerospace and defense, healthcare, and energy) which entails that the Group is affected by various legislations, regulations and standards, including, *inter alia*, tax regulations, employment legislation, environmental regulations and product liability regulations. There is a trend towards stricter regulation, in particular in the field of environmental law. Amendments or restatements of laws, regulations and standards, leading to stricter requirements and changed conditions regarding safety and health or environment, or a development to a stricter implementation and application by the authorities of existing laws and regulations may therefore have several negative implications for the Group considering the multitude of local laws, regulations and standards the Group has to be compliant with due to the Group's international presence. Failure to meet the requirements to comply with and adhere to the numerous laws and regulations within the jurisdictions in which the Group operates could result in legal and financial consequences as well as damage to the Group's reputation. Changes in legislation may require the Group to make further investments, with increased and unexpected costs and other commitments for the Group as a result. For example, the Group has recently been required to modernize its furnaces in the Lillesand manufacturing site in Norway in order to comply with new Norwegian emission regulation. Such changes may also imply that some of the Group's products and applications may become obsolete and could also obstruct or in other ways impose restrictions on the Group's business operations.

There is a risk that new interpretations and changes in the application of existing laws and regulations in combination with new laws and regulations will have an adverse effect on the Group, and that it will become more burdensome and costlier for the Group to monitor legal aspects, which would have an adverse effect on the Group's business.

##### Risks relating to permits, licenses or certifications required for manufacturing

###### *Low level risk*

The Group's production of silicon carbide requires certain permits. The Group may need to obtain new, prolonged or amended, permits, licenses and/or certifications in the relevant jurisdictions in the future. There is a risk that regulators in relevant jurisdictions

might impose stricter rules and regulations on companies to obtain and maintain relevant permits, licences and certifications. There is furthermore a risk that renewal of existing and application for new permits, licenses or certifications will be time-consuming and divert management's attention from the core business. Failure to obtain or renew the relevant permits could result in the Group being unable to continue or carry out certain operations which would have a material adverse effect on the Group's business.

##### Risks relating to the automotive industry

###### *Low level risk*

In Q1 2021, 30 per cent. of the Group's sales was attributed to the automotive industry. The Group sells e.g. powders for the production of diesel particulate filters to the automotive industry (accounting for 10 per cent of Group sales in Q1 2021) which are used in the aftertreatment of emissions of diesel engines. Governmental incentives, consumer pressure, changes in laws and regulations and international conventions and treaties on environmental protection have significantly increased development towards the use of alternative energy sources, such as green energy. A number of automotive manufacturers are developing more fuel-efficient engines, hybrid engines and alternative clean power systems using fuel cells or clean burning gaseous fuels. Hence, there is a risk that the production volume of diesel engines for passenger cars will decrease in the future which will have an adverse effect on the Group's sales and earnings.

##### Withholding tax

###### *Low level risk*

The Norwegian government resolved to implement withholding tax on interest and royalty payments made on loans to related parties that are tax resident in so-called "low-tax jurisdictions" at a rate of 15 per cent. The withholding tax measures entered into force as of 1 July 2021. Related parties means companies that directly or indirectly owns or controls another company by at least 50 per cent. However, these changes to law may require the Issuer to make withholdings or other deductions in Norway from payments to be made by it under the Terms and Conditions or the Bonds following 1 July 2021 to related parties of the Issuer. The right to impose withholding tax may be limited or lapse by provisions in tax treaties with other countries. The tax treaties that Norway has entered into often limits withholding tax on such income. Please note that additional changes to law may occur, possibly with retroactive effect, which also may require the Issuer to make withholdings or other deductions in Norway from payments to be made by it under the Terms and Conditions or the Bonds.

There is a risk that the new rules on withholding or deductions are introduced, which may, unless any mitigating remedies are simultaneously introduced, lead to an increased effective tax rate for the bondholders on any payments under the Bonds and could ultimately have a negative impact on the market value of the Bonds and could result in bondholders

having difficulties to sell the Bonds (at all or at reasonable terms).

Holders of Bonds should consult their own advisers regarding the availability of treaty benefits in respect of payments under the Bonds, including the possibility of effectively claiming a refund of withholding tax if new rules are introduced.

#### **Risks relating to customers, suppliers and competition**

##### Risks related to unsuccessful repositioning in the shift towards use of green energy

###### *Medium level risk*

The Group is in particular exposed to the automotive industry and approximately 32 per cent. of the Group's sales are derived from the automotive industry in H1 2022. The automotive industry is currently experiencing a trend shift towards development of more fuel-efficient engines, hybrid engines and alternative clean power systems using fuel cells or clean burning gaseous fuels and the Group's product is used for the production of diesel particulate filters (making up for 3% per cent. of the H1 2022 sales) and there is a risk that production volume of diesel engines will decrease due to the trend shift to greener energy solutions within the automotive industry, see also "Risks relating to the automotive industry". The Group's products are used in electronics and electric batteries such as lithium batteries which is a component in electric cars and the market shift towards the increased use of electric cars requires the Group to adapt its business towards the expected changes within the automotive industry impacted by expanded demand of electric cars. These factors entail that the Group will need to reposition and adapt its business and offering to the driving trends of the automotive industry and in particular meet the demand for the increased use of lithium batteries in electric cars. If the Group fails with such repositioning or for any other reason fails to compete effectively with its products related to electronics and electric batteries (including lithium batteries), there is a risk that the Group's sales will be adversely affected which would have a material adverse effect on the Group's operating profit and financial position.

##### Risks related to specialty products and customers' certification process

###### *Medium level risk*

Approximately 23 per cent. of the Group's sales were attributable to the specialty products segment in Q2 2022. The specialty products includes development of special, tailor-made silicon carbide powders for the Group's customers in close collaboration with the customers and makes up a significant portion of the ongoing effort in the Group's global silicon carbide innovation teams, specialty products main segments include environment (e.g. particulate filters), military and electronics (electric batteries) The specialty products segments have better margins than the Group's standard products segment and the Group has made investments in its specialty products segment and the specialty products segment is therefore

important for the Group's growth and future prospects. If the Group fails to develop and produce specialty products in accordance with its customers' requirements or if the sales within the specialty products segment is affected by other factors such as increased competition, changed customer behaviour or the Group's inability to meet customer demand, there is a risk that it could have a material adverse effect on the Group's business, results of operations and financial position.

Furthermore, in general the Group's customers have product certification processes and the Group's products are produced in samples so that the customer can test the Group's product in the development of its own product, the certification and qualification processes can take up to 3 to 6 months and in some cases up to one or two years if the customer requires additional updates and customization in order for the Group's product to be suitable with the customer requirements, if the Group's products fail to pass customers certification and qualification processes, there is a risk that it could have a material adverse effect on the Group's business and sales.

##### Counterparty risk and dependency on Saint-Gobain and other customers

###### *Medium level risk*

Counterparty risk is the risk that the counterparty of a contract will not live up to its contractual obligations. The Group only conducts business-to-business and is therefore exposed to counterparty risk in all of its contracts. Should any of the Group's customers' or suppliers' financial position deteriorate, they may not be able to meet their obligations under the agreements which could have a material adverse effect on the Group's business, earnings and financial position.

The Group's ten largest customers accounted for approximately 43 per cent. Of the Group's revenues in H1 2022, which indicates that the Group has a substantial exposure to a limited number of customers. The Group has historically been dependent on Saint-Gobain and approximately 15 per cent. of the Group's net sales during 2021 can be derived from Saint-Gobain. Following the carve-out from Saint-Gobain, the Group has instead entered into a supply agreement with Saint-Gobain that has made Saint-Gobain one of the Group's most important customers. This agreement has expired in 2022 and FIVEN is currently operating with Saint Gobain under arm's length business terms ; this situation had no impact so far on the revenues done with this client. Should the financial position of or the commercial relationship with Saint-Gobain or other sizeable customers deteriorate or should the Group be unable to attract new customers, i.e. unsuccessfully diversify its customer base, there is a risk that the Group might be negatively affected due to a decrease in its overall sales volume, which could lead to a negative effect on the Group's business and financial position.

##### Risks relating to competitors

###### *Low level risk*

The Group operates in a global industry where the Group has a number of competitors involved in the production and marketing of silicon carbide in general, across different product categories, segments, and geographic markets. Even though the Group has a strong position in the global market, it is possible that competitors will grow to be stronger in the future, for example, by means of consolidation in the market. There is a risk that Chinese producers might adapt quicker than expected to new legislation, such as the legislation resulting from the China Blue Sky initiative, and thereby enter global and regional markets in greater volumes, resulting in pricing pressure.

Since the production route for crude and processed grades has low barriers to entry, the Group may also encounter future competitors against which the Group may be unable to compete successfully. There is a risk that such an increase in competition will lead to increased costs for the Group with regards to seeking out new customers, as well as retaining current customers. The Group's possibility to compete also depends upon the Group's ability to anticipate future market changes and trends and to rapidly react to existing and future market needs. If the Group fails to respond to competition from new and existing companies or fails to react to market changes or trends, there is a risk that this will have an adverse effect on the Group's business and financial position.

#### Risks relating to the dependency of suppliers

##### *Low level risk*

The Group's ability to serve its customers depends on the availability and timely supply of products, such as petcoke, from suppliers. The supply chain from South America provides the Group with sources of crude. In 2021, 78 per cent. of the Group's crude capacity was produced in Brazil. Inability to maintain the supply chain and a logistic network for deliveries or other problems in supplies, such as delays, may have adverse consequences for customer relations and access to valuable markets, resulting in an adverse effect on the Group's net sales and earnings.

#### **Risks relating to acquisitions**

#### Risks related to future acquisitions and divestments

##### *Low level risk*

From time to time, the Group evaluates potential acquisitions and divestments that are in line with the Group's strategic objectives. The Group has done that in the past and may also do that in the future, in accordance with the Group's strategy to grow through a mix of acquisitions and organic growth. The Group for instance acquired 50 per cent. in a crude plant in Paraguay in 2016 (which was sold prior to the acquisition by OpenGate Capital in 2019) and acquired the Issuer (then Fiven ASA), Matériaux Céramiques S.A., Carbetto de Silício Sika Brasil Ltda and Fiven GmbH in the end of 2018. Future acquisitions may include undertakings by the Group to pay additional purchase

price to the sellers. Such additional payments may have adverse effects on the financial position of the Issuer.

There is a risk that future divestment or acquisition activities will present certain financial, managerial and operational risks, including difficulties when separating or integrating businesses from existing operations and challenges presented by divestments and acquisitions which do not achieve levels of sales and profitability sufficient to justify the acquisition/divestment made by the Group. If future divestments/acquisitions are not successfully separated/integrated, there is a risk that the Group's business, financial position and result of operation will be negatively affected. Also, there is a risk that future divestments/acquisitions will result in dilutive issuances of the Group's equity securities, the incurrence of debt, contingent liabilities, amortisation costs, impairment of goodwill or restructuring charges, any of which will have a negative effect on the Group's business and result of operation.

#### Risks relating to carve-out from Saint-Gobain and contractual protection

##### *Low level risk*

The share purchase agreement regarding the carve-out from Saint-Gobain (the "SPA") gave the Issuer contractual warranty and indemnity protection from the seller relating to, *inter alia*, compliance with environmental laws, use or release of hazardous materials, environmental permits, environmental litigation, remediation measures, occupational disease and exposure of employees to hazardous materials and potential long-term health and decommissioning liabilities. There is a risk that the representations and warranties under the SPA will not sufficiently cover all outstanding claims that may arise due to them, *inter alia*, falling outside of the scope of the representations and warranties, being raised after the warranty expiration period or exceeding the maximum payable warranty amount. There is further a risk that the seller will not have the ability or willingness to make payments due to any potential claim that the Issuer makes under the SPA. Should any of these risks materialise it could have a negative effect on the Group's business and financial position.

#### **Financial risks**

#### Currency risk

##### *Medium level risk*

The Group has a multi-national business model and the reporting currency for the Issuer is Euro (EUR). The Group's primary operations and cash flows are typically denominated in NOK, Brazilian Real (BRL), US dollars (USD) and Euro (EUR). As the Group's accounts are consolidated in EUR, the Group is exposed to currency risk with respect to adverse fluctuations in the exchange rates between EUR and relevant foreign currencies. The exchange rates between some of the relevant currencies have fluctuated significantly in recent years and the currencies may in the future

fluctuate significantly. Based on the conditions prevailing on 31 December 2021:

- (a) if EUR had weakened/strengthened by 10 per cent. against USD, with all other variables held constant, the Group's earnings before interest, taxation, depreciation and amortization (the "EBITDA") at 31 December 2021 would have been EUR 2.3m higher/lower;
- (b) if EUR had weakened/strengthened by 10 per cent. against NOK, with all other variables held constant, the Group's EBITDA at 31 December 2021 would have been EUR 2.3m lower /higher;
- (c) if EUR had weakened/strengthened by 10 per cent. against BRL, with all other variables held constant, the Group's EBITDA at 31 December 2021 would have been EUR 2.1m higher/lower; or
- (d) if USD had weakened/strengthened by 10 per cent. against BRL, with all other variables held constant, the Group's EBITDA at 31 December 2021 would have been EUR 0.5m lower/higher.

Therefore, the Group, having a multi-national business model, is exposed to currency risk, i.e. there is a risk that exchange rate fluctuations will have a highly significant negative effect on the Group's earnings or financial position when purchases are made in different currencies and in ways unrelated to the operations of the Group.

#### Borrowing by the Group and interest risk

##### *Medium level risk*

The Group has incurred, and may in compliance with the limits set out in the Terms and Conditions further incur, financial indebtedness to finance its business operations. Such financing may generate interest costs which may be higher than the gains produced by the investments made by the Group. Borrowing money to make investments will increase the Group's exposure to the loss of capital and higher interest expenses. Further, the Group is exposed to changes in interest rates through its financing agreements that carry floating rates of interest. The level of market interest also affects the value of the Bonds, as they bear interest at a floating rate of 3 month EURIBOR plus a floating rate margin. The interest rates are affected by a number of factors that are beyond the control of the Group, including but not limited to the interest rate policies of governments and central banks. An increase in interest rates would entail an increase in the Group's interest obligations, which could have a negative effect on the Group's operations and results. To manage its interest rate exposure, the Group might, in the future, enter into interest derivative contracts. It is possible that (if used) any such future hedging arrangement will not afford the Group sufficient protection against adverse effects of interest rate movements. Moreover, the success of any hedging activities is highly dependent on the accuracy of the Group's assumptions and forecasts. Any erroneous estimations that affect such assumptions and forecasts could have a negative effect on the Group's operations and financial position.

#### **Risks related to internal management**

##### Risks relating to the dependency of key employees

##### *Medium level risk*

As per 30 September 2022 the Group had 491 full-time employees and the Group is dependent on the knowledge, experience and commitment of its employees. The Group is in particular dependent on key employees at management level, for instance the chief executive officer and the chief financial officer, as well as within the research and development department. The Group's ability to attract, hire and retain qualified employees depends on a number of factors, some of which are beyond the Group's control, including the competitive environment on the local employment markets in which the Group operates. If the Group is unable to attract, hire and retain key employees, it could have a material adverse effect on the Group's business.

##### **Risks related to the financial standing of the group**

##### The Issuer is dependent on its subsidiaries

##### *Medium level risk*

The Issuer's operations are focused on managing its subsidiaries and a significant part of the Group's assets and revenues relate to the Issuer's subsidiaries. The subsidiaries Fiven Norge AS and Carbeto de Silicio Sika Brasil Ltda. function as key production centres in respect of the European and South American markets. The Issuer is therefore dependent upon Fiven Norge AS and Carbeto de Silicio Sika Brasil Ltda. in order for its business operations to function from a production point of view and, by extension, its whole business operations. As the Issuer's operations are focused on managing its subsidiaries, the Issuer is dependent upon receipt of sufficient income and cash flow related to the operation and ownership of the subsidiaries to enable it to make payments under the Bonds. Consequently, the Issuer is dependent upon the subsidiaries' availability of cash and their legal ability to make dividends or other cash distributions, which may from time to time be limited by corporate restrictions and law. The subsidiaries are further legally distinct from the Issuer and have no obligation to make payments to the Issuer of any profits generated from their business. Should the Issuer not receive sufficient income from its subsidiaries, by way of dividends or value transfer from one or more subsidiary, there is a risk that the Issuer will be unable to service its payment obligations under the Bonds and subsequently adversely affect bondholders' ability to receive payment under the Bonds.

The Group or its assets may not be protected from any actions by the creditors of any subsidiary of the Group, whether under bankruptcy law, by contract or otherwise. In addition, defaults by, or the insolvency of, certain subsidiaries of the Group could result in the obligation of the Group to make payments under parent company financial or performance guarantees in respect of such subsidiaries' obligations or the

occurrence of cross defaults on certain borrowings of the Group.

#### **Refinancing risk**

##### *Low level risk*

There is a risk that the Issuer will be required to refinance some or all of its outstanding debt, including the Bonds, in order to be able to continue the operations of the Group. Following the issuance of the Bonds, the Issuer has no outstanding material external financing arrangement except for the Bonds, a factoring arrangement with a factoring provider and an export credit facility in the amount of approximately EUR6,000,000. The Issuer's ability to successfully refinance the Bonds and any external financing arrangement that the Issuer may enter into in the future depends on, among other things, conditions of debt capital markets and its financial condition at such time. Should the Issuer be unable to refinance its debt obligations on favourable terms, or at all, it would have a significant negative effect on the Group's business, financial position and result of operation and on the bondholders' recovery under the Bonds.

#### **RISKS RELATING TO THE BONDS**

##### **Risks related to the nature of the bonds**

###### Majority owner

##### *Medium level risk*

Tosca Intermediate Holdings SARL directly controls 100 per cent. of the shares in the Issuer. According to the Terms and Conditions, if a change of control event occurs, the bondholders have a right of prepayment of the Bonds (put option), please see below section "*Put Option*" regarding potential consequences of a change of control event occurring and the risk that the issuer does not have enough liquidity to repurchase the Bonds if the bondholders use their right of prepayment. The interests of Tosca Intermediate Holdings SARL or, following any potential change of control in the Issuer, any new majority shareholder in the Group may conflict with those of the bondholders, particularly if the Group encounters difficulties or is unable to pay its debts as they fall due. A majority shareholder has legal power to control a large amount of the matters to be decided by vote at a shareholder's meeting. For example, a majority shareholder will have the ability to elect the board of directors. Furthermore, a majority shareholder may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance the value of their equity investments although such transactions might involve risks to the bondholders. There is nothing that prevents a shareholder or any of its affiliates from acquiring businesses that directly compete with the Group. If such an event were to occur, it could have a significant negative effect on the Group's operations, earnings and financial position.

###### Interest rate risks and benchmark regulation

##### *Medium level risk*

The value of the Bonds depends on several factors, one of the most significant being the level of market interest over time. The Bonds bear interest at a floating rate of 3-month EURIBOR plus a floating rate margin and the interest rate of the Bonds is determined two business days prior to the first day of each respective interest period. Hence, the interest rate is to a certain extent adjusted for changes in the level of the general interest rate. There is a risk that an increase of the general interest rate level will have a significant negative effect on the value of the Bonds. The general interest rate level is to a high degree affected by conditions in Europe and international financial markets and is outside the Group's control.

The process for determining EURIBOR and other interest-rate benchmarks is subject to an on-going reform process that has already resulted in a number of legislative acts and other regulations. Some of these acts and regulations have already been implemented whilst some are set to be implemented in the near future. The most extensive initiative in this respect to date is the Benchmark Regulation (Regulation (EU) 2016/1011 of the European parliament and of the council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014).

The Benchmark Regulation came into force on 1 January 2018. The Benchmark Regulation addresses the provision of benchmarks, the contribution of input data to benchmarks and the use of benchmarks within the European Union. The effect of the Benchmark Regulation cannot yet be fully determined. However, there is a risk that the Benchmark Regulation will affect how certain benchmarks are determined and how they develop in the future. This could, for example, lead to increased volatility regarding some benchmarks. A further potential risk is that increased administrative requirements, and resulting regulatory risk, may discourage stakeholders from participating in the production of benchmarks, or that some benchmarks cease to be provided. If this would happen in respect of EURIBOR, it could potentially have negative effects for the bondholders.

###### Credit risks relating to the Bonds and ability to service debt under the Bonds

##### *Medium level risk*

Bondholders will carry a credit risk towards the Issuer and towards the Guarantors. Bondholders' likelihood of receiving payment under the Bonds is therefore dependent upon the Issuer's and the Guarantors' ability to meet their payment obligations, which in turn is largely dependent upon the performance of the Group's operations and its financial position. The credit risk and the Group's financial position is affected by several factors of which some have been mentioned above in the above category "*Risks relating to the Group*". One such aspect of credit risk is that there is a risk that a deteriorating financial position of the Group will force the Group to refinance the Bonds instead of

redeeming the Bonds with cash generated by the Group, as described under Section "*Refinancing risk*" above. The Issuer's ability to service its debt under the Bonds will depend upon, 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. If the Group's operating income is not sufficient to service its current or future indebtedness, the Group will be forced 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. There is a risk that the Group will not be able to implement any of these remedies on satisfactory terms, or at all. In case of a deteriorating financial position of the Group, this will reduce the Group's possibility to receive debt financing at the time of the maturity of the Bonds. Should any of the above risks materialise, this would have a significant negative effect on the Group's operations, earnings, results and financial position. If the Issuer were to be unable to make repayment under the Bonds, there is a risk that the bondholders would find it difficult or impossible to recover the amounts owed to them under the Bonds.

Furthermore, there is a risk that an increased credit risk will cause the market to charge the Bonds a higher premium, which will affect the value of the Bonds negatively. Another aspect of the credit risk is that there is a risk 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.

In addition to the above, there is a risk that the guarantees granted by the Guarantors in respect of the Bonds will be insufficient in respect of any of the Issuer's obligations under the Bonds in the event the Issuer becomes insolvent. Furthermore, guarantors are not restricted from granting any additional guarantees. If the guarantors were to guarantee any other obligations the total amount to be guaranteed would be increased and there is a risk that guarantees granted towards the bondholders would be impaired.

#### Put option

##### *Medium level risk*

Pursuant to the Terms and Conditions, the Bonds are subject to prepayment at the option of each bondholder (put option) if:

- (a) an event or series of events occur whereby one or more persons, not being OpenGate Capital Management, LLC (or an affiliate thereof), acting in concert, acquire control, directly or indirectly, over more than 50 per cent. of the voting shares of the Issuer, or the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Issuer; or
- (b) following an initial public offering of shares in the Issuer, an event or series of events occur

whereby (i) the Issuer's share are delisted from a regulated market or (ii) trading in the ordinary shares of the Issuer on the relevant regulated market is suspended for a period of fifteen (15) consecutive business days (when that regulated market is at the same time open for trading).

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 would have a significant negative effect on the Issuer, e.g. by causing insolvency or an event of default under the Terms and Conditions, and have a significant negative effect on all bondholders and not only those that choose to exercise the option.

#### The Bonds may not be a suitable investment for all investors seeking exposure to assets with sustainability characteristics

##### *Medium level risk*

Although a premium will be payable by the Issuer at the redemption of the Bonds if certain sustainability targets are not met, the Bonds may not satisfy an investor's requirements or any future legal or quasi legal standards for investment in assets with sustainability characteristics and no representation or undertaking is made by the Issuer to fulfil environmental or sustainability criteria required by prospective investors and the Issuer does not intend and is not required to allocate the net proceeds specifically to projects or business activities meeting environmental or sustainability criteria. Although the Issuer's ambition is to (i) decrease its carbon dioxide and sulphur dioxide emissions and (ii) reduce its consumption of ground, tap, and municipal water for the post-production refinement of finalised silicon carbide products, there can be no assurance of the extent to which the Issuer will be successful in doing so or that any future investments it makes in furtherance of these targets will meet investor expectations or any binding or non-binding legal standards regarding sustainability performance, whether by any present or future applicable law or regulations or by the investor's own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact.

#### Risks related to early redemption of the Bonds

##### *Low level risk*

The Issuer has the possibility to redeem all outstanding Bonds before its final redemption date. If the Bonds are redeemed before its final redemption date, the bondholders 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.

#### **Risks related to transaction security and guarantees**

##### Risks relating to the transaction security and guarantees

###### *Medium level risk*

The Group's obligations towards the bondholders under the Bonds are secured by transaction security and guarantees, but there is a risk that the proceeds of any enforcement of the pledged assets or the guarantees will not be sufficient to satisfy all amounts owed to the bondholders. Furthermore, according to the Terms and Conditions the Issuer may issue subsequent Bonds and the holders of such Bonds will become bondholders entitled to share the security and guarantees granted to the initial bondholders. There is a risk that the issue of subsequent Bonds will have a negative effect on the value of the security and guarantees granted to the bondholders.

Also, if a pledged subsidiary is subject to any foreclosure, dissolution, winding-up, liquidation, recapitalisation, administrative or other bankruptcy or insolvency proceedings, there is a risk that the secured assets would then have limited value because all of the pledged subsidiary's obligations must first be satisfied, potentially leaving little or no remaining assets in the subsidiary for bondholders to claim. As a result, there is a risk that bondholders will not recover the full value (or any value in the case of an enforcement) of the pledged assets. In addition, there is a risk that the value of the pledged assets will decline over time.

Lastly, there is a risk that the transaction security and guarantees granted will be insufficient in respect of any of the Issuer's obligations under the Bonds in the event the Issuer becomes insolvent and/or could be unenforceable (e.g. due to provisions regarding financial assistance or corporate benefit pursuant to the applicable laws of the security providers) or that enforcement of the security or the guarantees could be delayed (for instance due to inability to sell the security assets in a timely and efficient manner) according to Swedish law, Norwegian law, Brazilian law, German law, Belgian law, Dutch law, Luxembourg law or any other applicable laws. Should security or guarantees be unenforceable, delayed or subject to a certain degree of uncertainty, there is a risk that this would have a significant negative effect on the likelihood of the bondholders receiving the amounts owed to them under the Bonds. 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.

##### German law limitations on the validity and enforceability of the guarantees and the security interests

###### *Medium level risk*

In order to enable German Guarantors to grant guarantees and security interests without the risk of violating German capital maintenance and/or liquidity maintenance provisions and to protect management from personal liability (as well as criminal prosecution), it is standard market practice to contain so called "limitation language" in relation to German GmbH subsidiaries. Pursuant to such limitation language, the enforcement of the Guarantees and the security interests to be granted by the German subsidiary Guarantors will be contractually limited, reflecting the requirements under the capital maintenance rules (sections 30 and 31 GmbHG) and the liquidity maintenance rules (section 64 sentence 3 GmbHG). These rules are subject to evolving case law. It cannot be excluded that future court rulings may not further limit the access of shareholders to assets of any German Guarantors, which can negatively affect the ability of shareholders to make payments or of the German Guarantors to make payments on their Guarantees. Future court rulings may also further limit the enforceability of the Guarantees and the security interests to be granted by the German Guarantors.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court regarding "destructive interference" (*existenzvernichtender Eingriff*) (i.e., a situation in which a shareholder deprives its company of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of any Guarantee or security interests to be granted by any German Guarantor. In such a case, the amount of proceeds to be realized in an enforcement process may be further reduced, even to zero. According to German case law, a security or guarantee agreement may be void due to tortious inducement of breach of contract if a creditor knows about the distressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of Guarantees and/or security interests granted by German Guarantors.

##### Risks relating to the Security Agent holding transaction security and guarantees

###### *Low level risk*

The bondholders are represented by Nordic Trustee & Agency AB (publ) as agent (the "**Agent**") and security agent (the "**Security Agent**") in all matters relating to the guarantees and transaction security. The Security Agent is entitled to enter into agreements with members of the Group or third parties or to take any other action necessary for the purpose of maintaining, releasing or enforcing the guarantees and transaction security or for the purpose of settling, among other things, the bondholders' rights to the guarantees and transaction security. Therefore, bondholders will not have direct claims under the guarantees and security interests and will not be entitled to take enforcement action in respect of the guarantees and transaction security, except through the Security Agent, as only the

Security Agent has the right to enforce the guarantees and transaction security provided in favor of the Security Agent for the benefit of the bondholders. There is a risk that the Security Agent, or anyone appointed by it, does not properly fulfil its obligations in terms of perfecting, maintaining, enforcing or taking other necessary actions in relation to the guarantees and transaction security. In addition, the bondholders bear some risk associated with a possible insolvency or bankruptcy of the Security Agent.

Under German law, certain security interests such as pledges are of strict "accessory" nature and therefore dependent on the secured claims, and as a principle require that the security holder and the creditor of the secured claim be identical. In order to permit the bondholders to benefit from pledges granted to the Security Agent under German law, a so called "parallel debt" obligation will be created in favour of the Security Agent, mirroring the obligations of the Issuer and the guarantors under the Bonds. The pledges governed by German law do directly secure the parallel debt. There are, however, no published court decisions confirming the validity of the parallel debt structure and of the security granted under German law to secure such parallel debt and hence there is no certainty that German courts will uphold such security. Therefore, there is a risk that the parallel debt structure might not validly create a security interest on the part of the Security Agent for the benefit of the bondholders under German law.

#### Security over assets granted to third parties

##### *Low level risk*

The guarantors and, subject to certain limitations, 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 or a guarantor, 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.

#### **Risks related to the bondholders' rights and representation**

#### No action against the Issuer and bondholders' representation

##### *Low level risk*

The Agent represents all bondholders in all matters relating to the Bonds and the bondholders will be prevented from taking actions on their own against the Issuer, the guarantors and the security providers. Consequently, individual bondholders do not have the right to take legal actions to declare any default by

claiming any payment from the Issuer, the guarantors or the security providers 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, the guarantors or the security providers (in breach of the Terms and Conditions), which could negatively impact an acceleration of the Bonds or other action against the Issuer, the guarantors or the security providers.

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

##### *Low level risk*

By subscribing for, or accepting the assignment of, any Bond, each holder of a Bond will accept the appointment of the Agent (being on the first issue date Nordic Trustee & Agency AB (publ)) to act on its behalf and to perform administrative functions relating to the Bonds. The Agent has, 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 bondholders are subject to the provisions of the Terms and Conditions, 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 Terms and Conditions 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 bondholders' rights under the Bonds, which would affect the bondholders ability to receive payments under the Bonds.

### Bondholders' meetings

#### *Low level risk*

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 from the required majority at a duly convened and conducted bondholders' meeting. A bondholder may, for instance, be bound by a majority's decision to accept a change of the interest rate, decision to accept a change of the final maturity date or decision to accept a change of the transaction security and/or guarantees. 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.