STROMMA

Presentation to Bondholders

June 2020

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Agenda

1. Company and financial update
2. Impact from Covid-19 and outlook
3. Transaction background and proposed amendments
4. Appendix
5. Risk factors

Stromma at a glance

Stromma – a leading experiences provider since 1800s

Stromma in brief

- Stromma is a leading provider of experiences within sightseeing in northern and continental Europe, including tours, entertainment and activities for tourists, local residents and companies
- Stromma's history is dating back to the early 1800s and currently operates in 15 locations with headquarters in Stockholm, Sweden
- The Rettig family has since the establishment of Stromma been the principal owner – today Stromma is fully controlled by Hans von Rettig's family interest

SEKm

1,049

Sales in 2019

7.5m

Guests in 2019

37%

Equity ratio in 2019

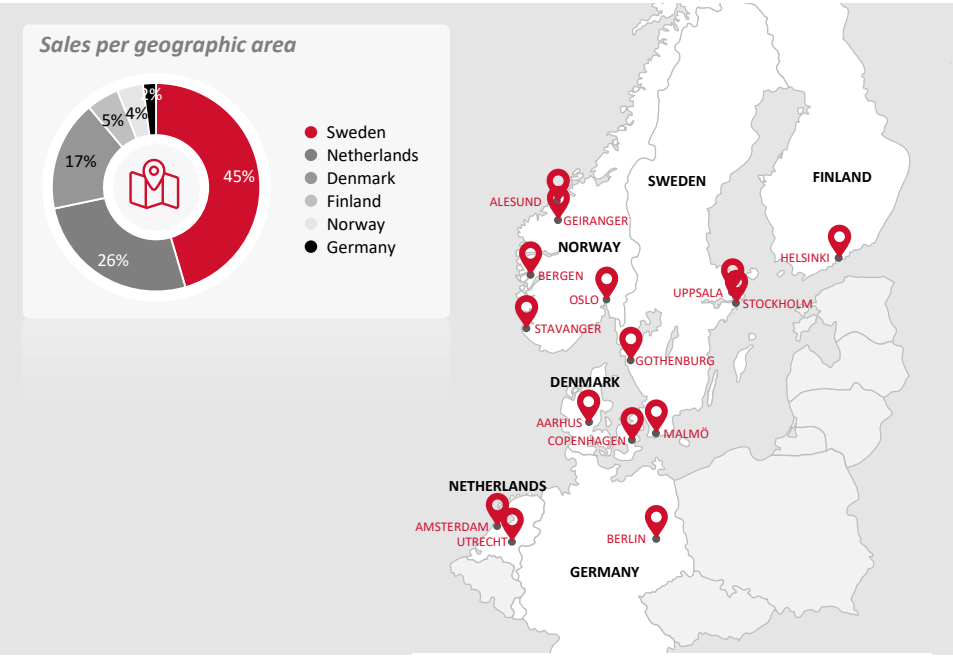
~120

Ships

~100

Busses

Geographic presence



STROMMA'S ACTIVITIES AND EXPERIENCE OFFERING


RESTAURANT VESSELS


SIGHTSEEING


SMALL BOATS


SIGHTSEEING BUSSES


CANAL BIKES

The agenda for 2020 and onwards is to strengthen the business

The new Stromma will have a focus on optimising the current operations

EXPANSION PHASE (2016-2019)

- Focus on growth by expanding Stromma's offering in both existing and new markets, including the Netherlands and Germany, to further strengthen the market position and geographical footprint
- Expansion has been achieved both organically by way of greenfield investments and through acquisitions
- As a testimony of the strategy, the group has demonstrated a sales CAGR of 9.3% between Q4'16 and Q4 '19
- The growth strategy has required significant investments in vessels, boats and busses, which have been funded with a combination of internally generated cash flow, debt and equity to assure financial stability

STRENGTHENING THE BUSINESS (2020 AND ONWARDS)

- After years of successfully expanding business, Stromma's focus is now to consolidate existing operations and enhance profitability
- The new strategy puts less emphasis on expansion and new investments, and concentrates on maximising the potential of current operations, optimising distribution channels and assuring a slim and flexible cost base
- Furthermore, Stromma will evaluate existing operations with the purpose to identify any excess capacity or low-margin business that can be divested
- Well-positioned for continued digitalisation of the industry and online sales

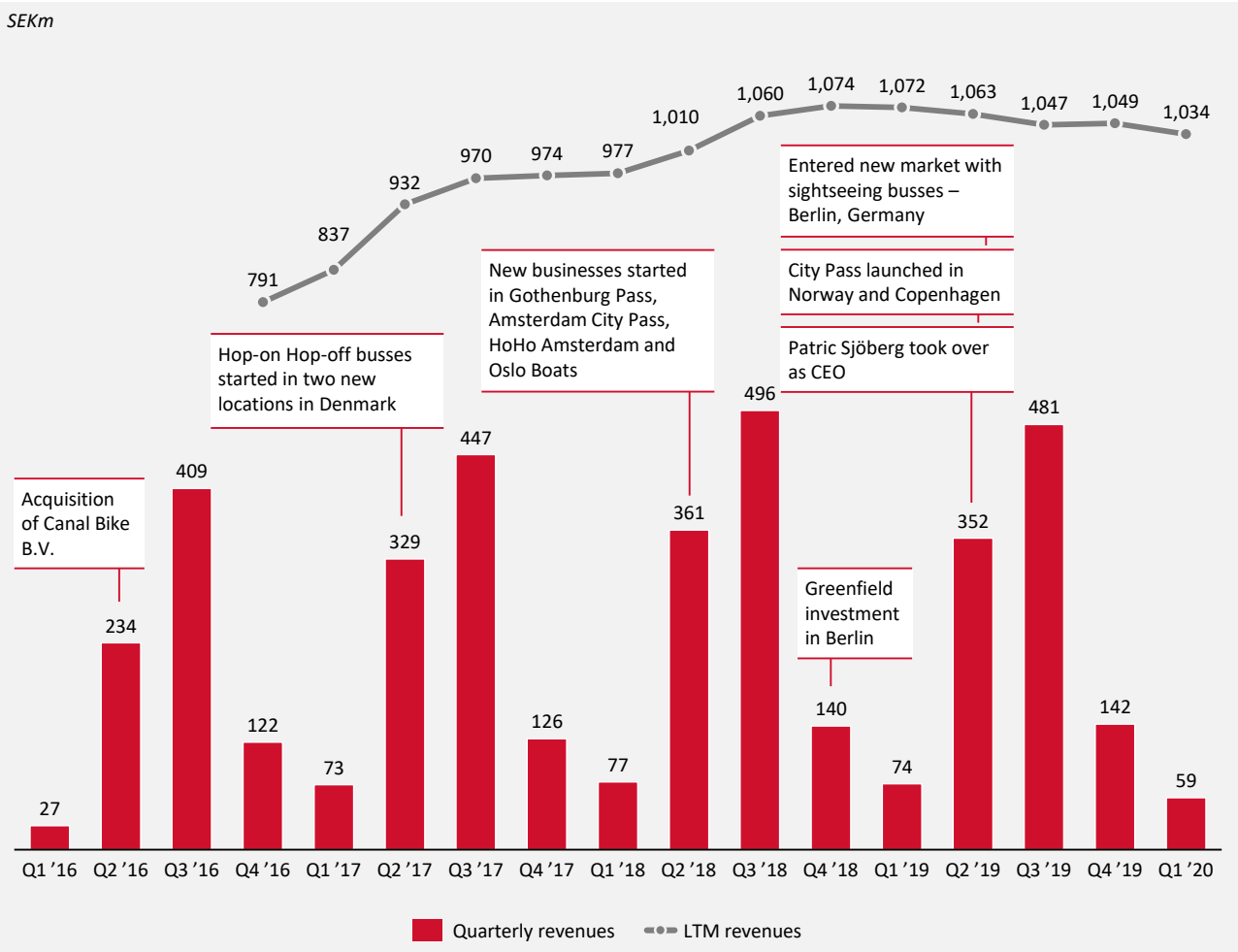
SUPPORTIVE OWNER IS PART OF THE FOUNDATION BUILDING STROMMAS FUTURE FINANCIAL STABILITY

"Our owner has been essential in the strategic journey of Stromma and is fully committed to the business as evidenced by SEK 225m in equity contribution in 2019 followed by a SEK 75m contribution in conjunction with the contemplated bond transaction" ***Patric Sjöberg, CEO***

Net revenue development

Strong revenue growth over the past three years

Net revenue development since Q1 2016



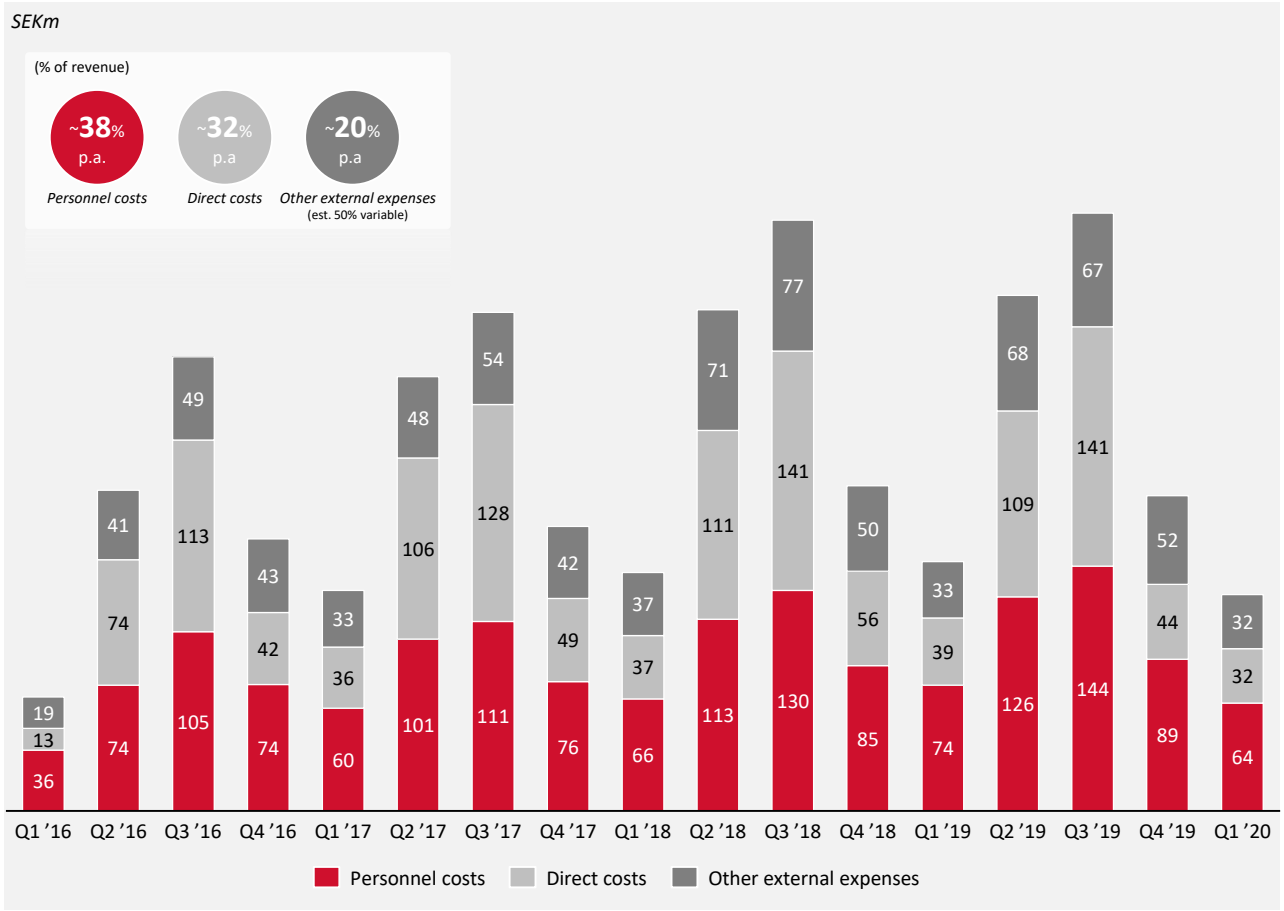
Comments

- Stromma is exposed to distinct seasonal patterns affecting the demand for its products and services
  - Approx. 70% of the revenue is recognised between May – September each year, consequently LTM Revenue mainly changes in Q2-Q3 with less effect in other quarters
- Growth has to a large extent been driven by a strong market and revenue has been on an increasing trajectory since Stromma entered the bond market in 2016, reaching SEK 1,049m end of 2019
- Despite good market conditions, sales decreased 2.3% in 2019 compared to 2018 primarily explained by four factors:
  - Termination of certain procurement contracts in Sweden (Riddarfjärden and Traneholmen) (SEK -8m)
  - In the Netherlands, Stromma decided to concentrate on its own City Pass which resulted in a reduction in sale from previously offered third party products
  - Norway did not perform according to plan due to larger effects than anticipated from change in management and initiatives to improve performance have been taken
  - Weather conditions not as favourable in 2019 as 2018 and 2017
- However, the online sales channel increased 12% year-on-year
- The greenfield investment in Berlin increased revenues by SEK 27m

Cost base overview and development

Highly flexible cost base that can be swiftly adapted to reflect demand and expected revenue generation

Cost base development since Q1 2016



Comments

- Stromma has overall high flexibility in operating expenses
  - Personnel costs comprise the largest cost item – annual average of approx. 38% of revenues – much of it is derived from temporary seasonal staff during Q2-Q3
  - Direct costs comprise the second largest cost item – annual average of approx. 32% of revenues - is to a large extent flexible and lowered substantially when the business is at a standstill
- The largest cost items, personnel costs and direct costs, are flexible and can be adjusted to reflect demand and expected revenue generation
- In addition, Stromma estimate that approximately 50% of other external expenses (per annum), primarily marketing and other sales related efforts, are flexible and can be adjusted to reflect expected demand
  - Remaining share comprise fixed rental costs, software licenses and vessels and buss related costs
- Cost reduction measures was taken in early 2020, including reducing Group overhead costs with more than SEK 10m, to adjust the cost base primarily during low season – estimated effect start from March 2020
- Stromma acted swiftly as a response to the Covid-19 crisis and have manged to reduce the cost base by 66% in April (equivalent to a cost cut of >SEK 50m) and 30% January-April 2020 compared to the same periods last year

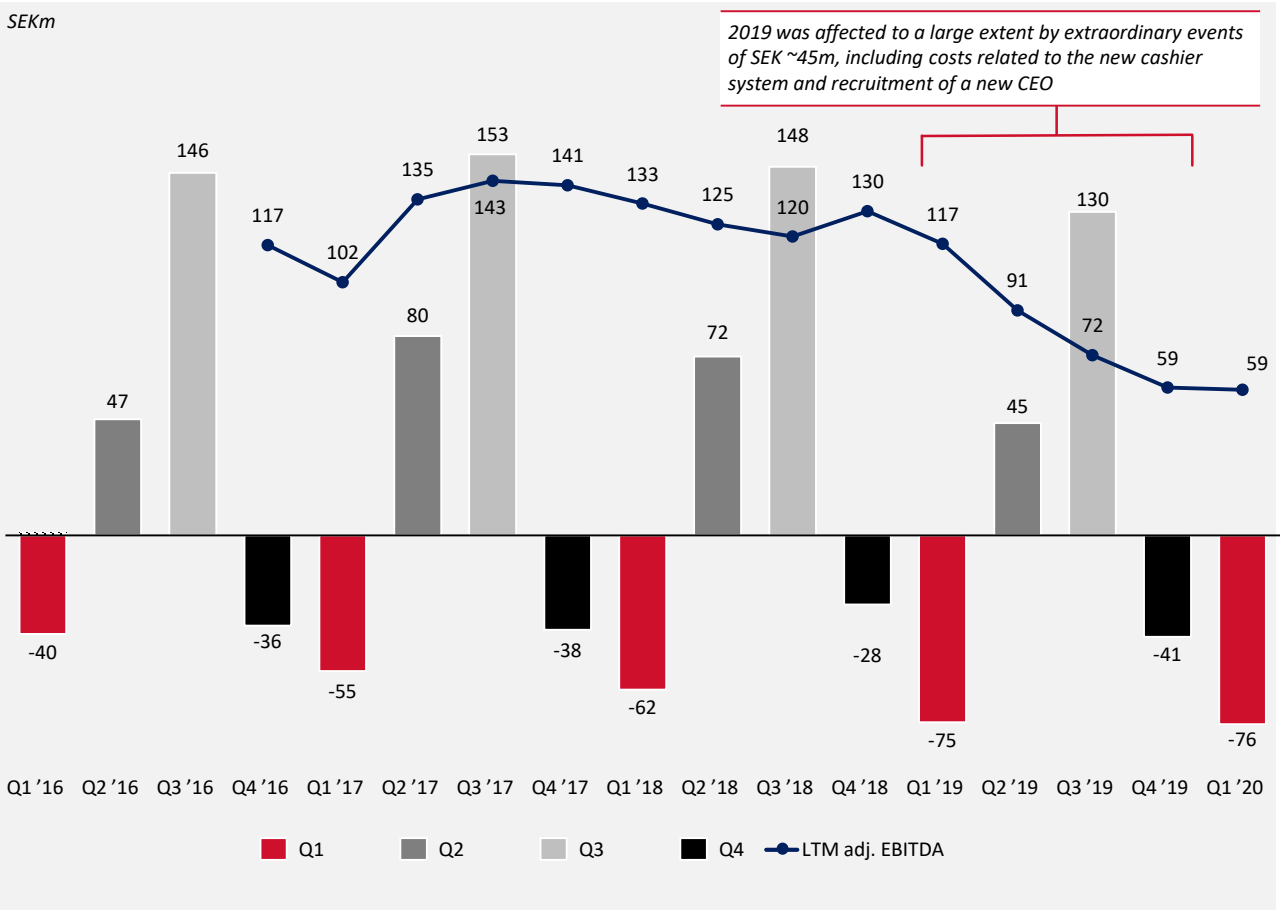
Close to 60% of the cost base is flexible and can be adjusted to reflect expected demand

Note: Cost base is excluding D&A

Adj. EBITDA development

Historically strong profitability largely affected by one-off items during 2019

Adj. EBITDA development since Q1 2016



Comments

- Majority of revenues generated in Q2 and Q3 resulting in a variance in profitability quarter-by-quarter
- Profitability in Sweden has been negatively affected by changed VAT rules for city passes[1)]
- The result for 2019 is affected by extraordinary events of SEK ~45m including
  - Sabotage in Norwegian operations which is estimated to have a negative effect of around SEK 18m. Stromma has taken action and there is an ongoing litigation and insurance process
  - Change in CEO during 2019 included additional non-recurring expense of SEK ~4.5m due to severance package
  - Implemented new strategy for online traffic acquisition in Q4 2019 as the prices for online traffic increased significantly during 2019, which resulted in a non-recurring cost of SEK ~5m
  - New cashier (POS) system included one-off project costs of SEK 3m. However, this investment (total SEK 30m) will increase the efficiency and profitability during 2020 and going forward
  - New started businesses burdened the EBITDA in 2019 with SEK -15m, including City Pass in Oslo and Copenhagen as well as sightseeing busses in Berlin

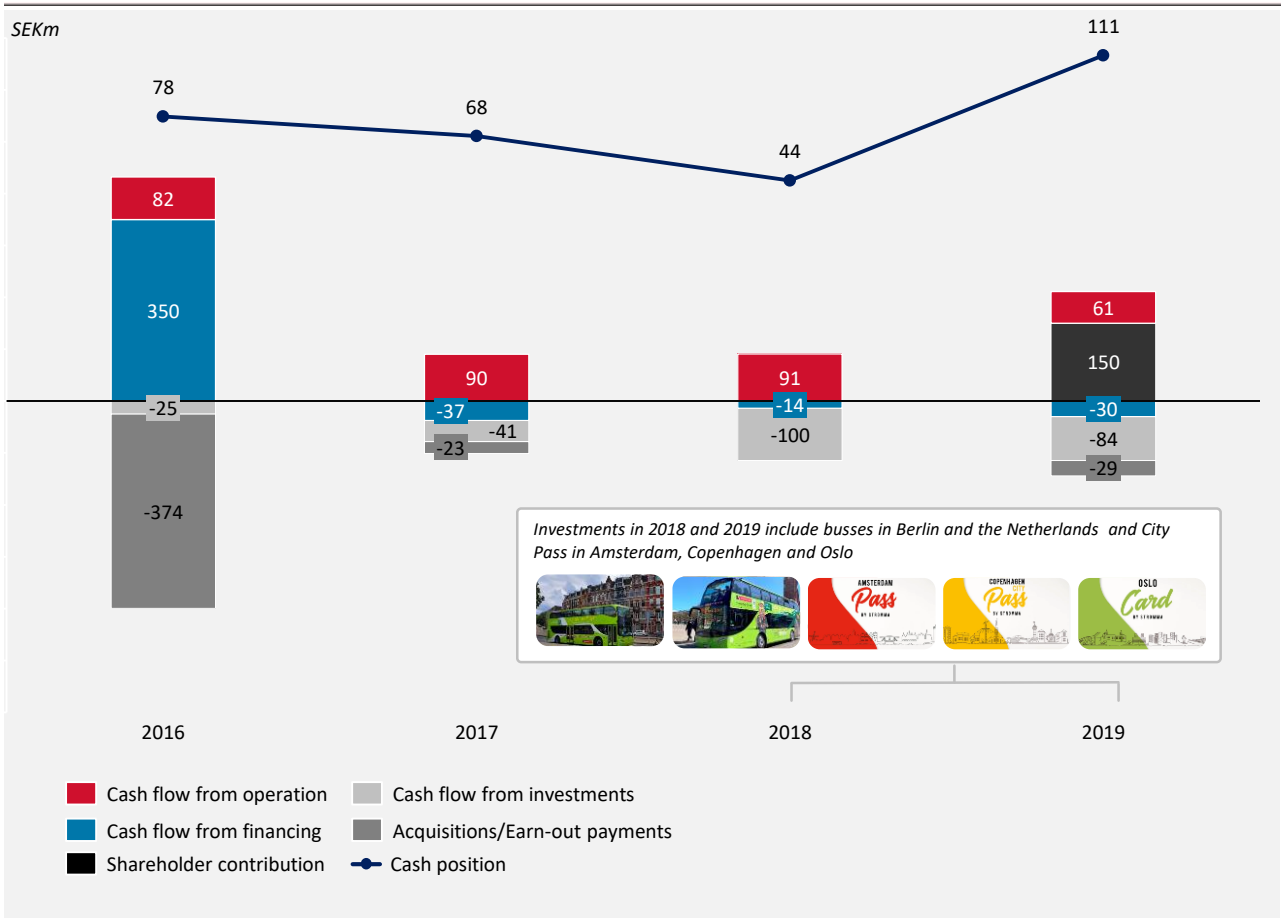
Challenging 2019 but with several initiatives in 2020 to improve profitability

Note: EBITDA excluding IFRS-16 effects (2019-2020) and adjusted for non-recurring items (earn-out adjustments in Q4 2016 of SEK 43m and Q4 2018 SEK 6m) and retroactive VAT for 2013-14 SEK 2.5m booked in Q4-2018. Retroactive VAT for the full year in 2017 (SEK 11.4m) and 2018 (SEK 12.9m) is allocated proportionally to each respective quarter based on city pass revenues. 1) There is a pending legal process where Stromma oppose to the Swedish interpretation of a EU directive, which differs in a negative way for the company compared to all other EU countries

Cash flow development

Stable cash generative operations with focus on business expansion the last years

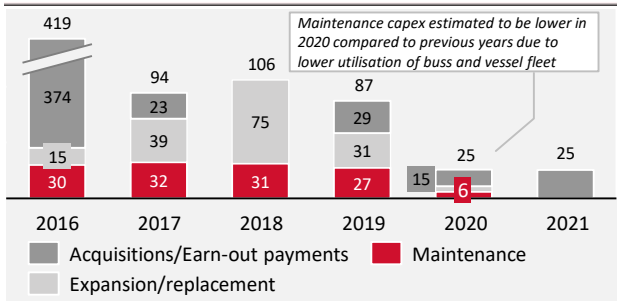
Cash flow development



Comments

- Solid liquidity position at the start of 2020 following measures taken prior to the outbreak of Covid-19, including an equity contribution of SEK 222m, of which SEK 150m in cash, from the owner
- The investments in 2018 and 2019 have resulted in a meaningful asset base, including busses for "Hop On – Hop Off"-trips in Berlin and Amsterdam, "City Pass" for sightseeing in Amsterdam, Copenhagen and Oslo as well as the boat business in Norway
- Low maintenance needs of the asset base and consequently low maintenance capex the last four years. With focus on consolidation of existing business rather than expansion, the investment levels can be heavily reduced
- Earn-outs in 2019 of some SEK 29m related to the acquisition of Canal Bike B.V. in the Netherlands. Remaining earn-outs related to Canal bike B.V. to occur in 2020 and 2021, €1.4m and €2.4m respectively

Investments specified[1)]



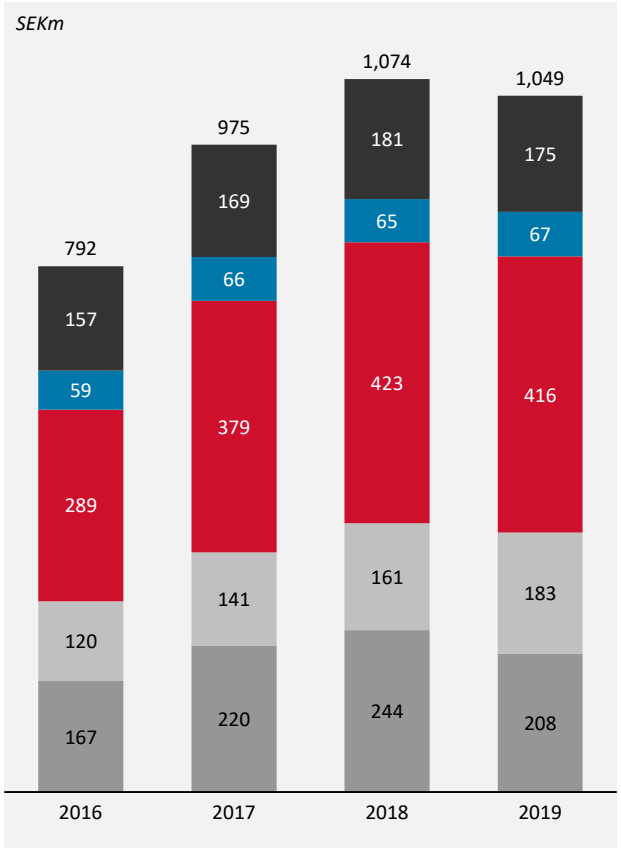
Less focus on expansion investments going forward will increase cash conversion

Note: 1) Earn-outs in 2020 and 2021 are converted to SEK using the EURSEK exchange rate as of 13/05/2020 of 10.595

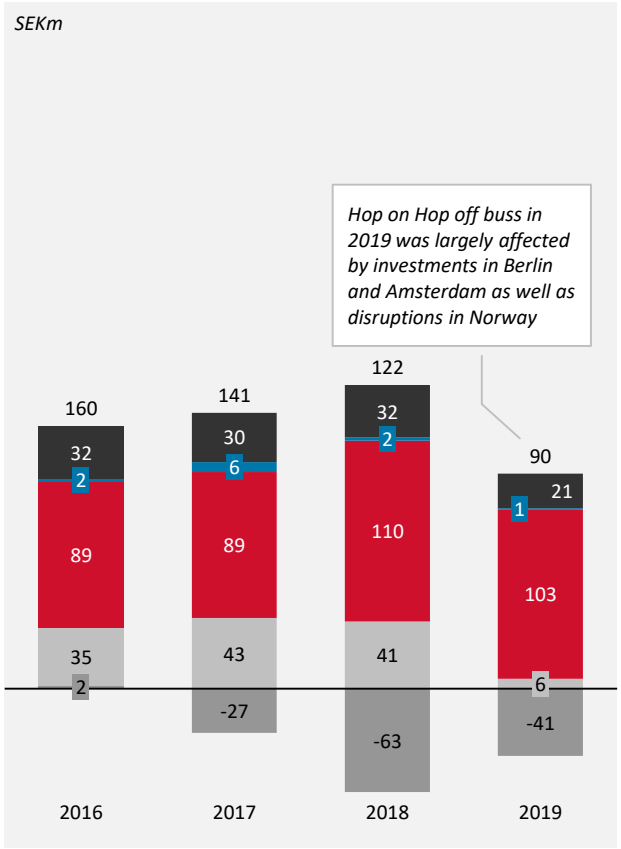
Development per business area

Core business area Boat Sightseeing demonstrates solid profitability

Net revenue per business area



EBITDA per business area



Dinner and archipelago tours | Excursions | Boat sightseeing | Hop on Hop off buss | Other items[1)]

Comments

- Net revenue for 2019 decreased by 2.2% compared to 2018, which for the company was a record year
  - Included in the reduction of revenues was contracted revenues in Sweden of SEK 8m that expired during the period (complementary business and not part of core business)
  - Revenues in the Netherlands was affected by a SEK 20m decrease following a conscious decision to shift from using a third party product to establishing its own City Pass which will result in higher revenues and profitability going forward
- Strong increase in online sales of 12% for Sightseeing which is an important step towards a stronger position in this sales channel
- The newly started business in Berlin generated a strong revenue contribution of SEK 27m
- Other items mainly comprise of other operations (e.g. city cards), one-off adjustments, IFRS 16 adjustments, corporate costs, internal revenues etc.
- Core business in boat sightseeing still strong, marginally affected by less favourable weather circumstances
- Ho-Ho profitability contracted due to investments still being in early stage in Berlin and Amsterdam as well as disruptions in Norway
- Dinner and archipelago tours suffered due to unfavourable weather conditions and increased distributions costs (primarily online)

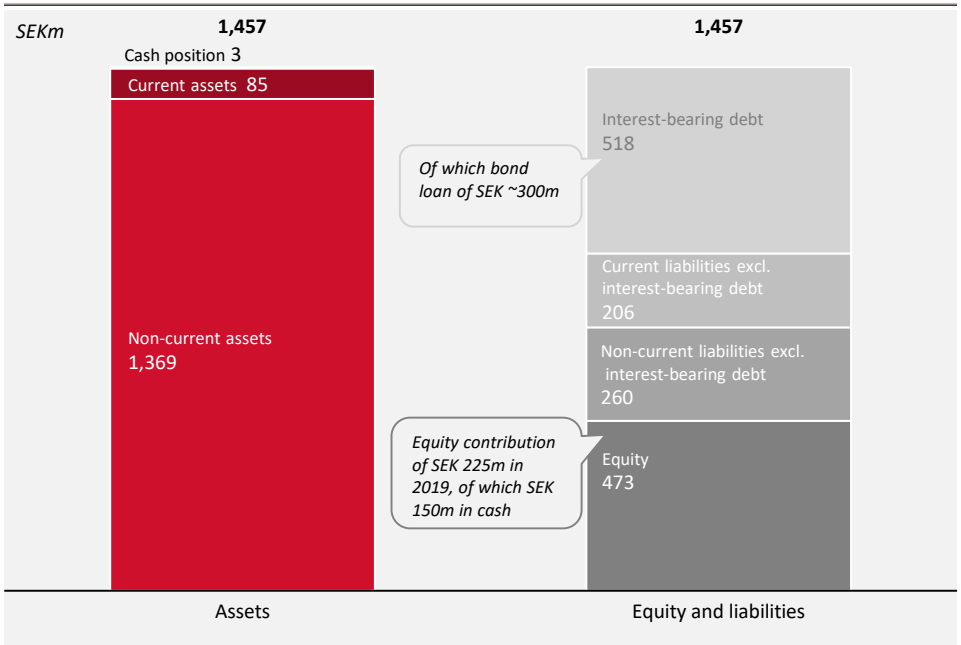
Core business areas has been on a growing trajectory and demonstrates a stable earnings base

Note: 1) Includes other operations (e.g. city cards), one-off adjustments, IFRS 16 adjustments, corporate costs, internal revenues etc.

Financial position and assets

Stromma is well-capitalised with an equity ratio exceeding 32% as of Q1 2020

Financial position, Q1 2020



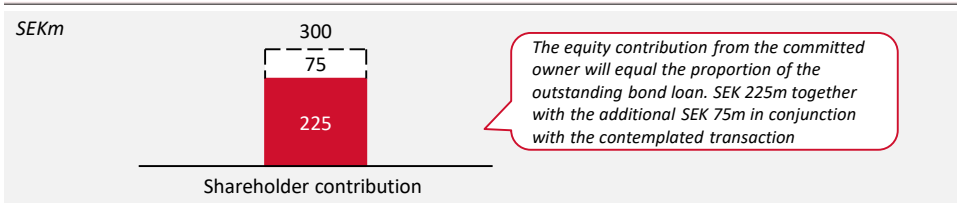
Overview of assets in the company

- Fleet in Sweden has a surplus value of SEK ~120m
- Archipelago fleet has one of the most unique and historical value in Europe
- Electrical sightseeing boats in Copenhagen and Amsterdam

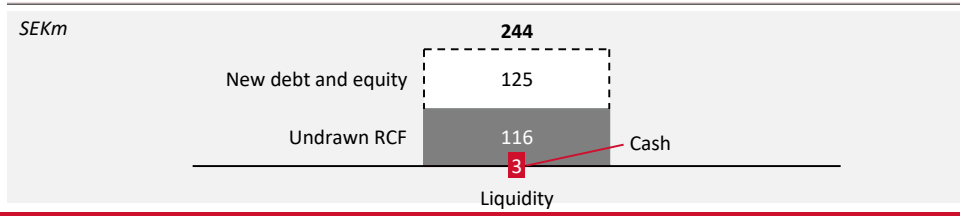
- Large world wide second hand market
- Pioneers in electrical double decker busses

- All small boats electrical
- Perfect for smaller groups 8-30, advantage with Covid-19 restrictions

Significant shareholder contributions



Liquidity position, Q1 2020 (pro forma)



Stromma has a strong asset base available for sale in case of a liquidity need as well as committed owners

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Covid-19's effect on the industry and Stromma

Covid-19 is affecting the whole travel and leisure industry

GENERAL INDUSTRY IMPACT

- Global measures taken to mitigate the spread of Covid-19 have a significant impact on the travel and leisure industry
- Most countries in Europe have enforced restrictions on non-essential travel as well as limitations on public gatherings
- At its peak, the restrictions on gatherings ranged from the least restrictive one in Sweden, where gatherings of up to 50[1)] people were allowed, to the most restrictive one in Germany where a maximum gathering of two[2)] people were allowed. Since then, Germany has slowly started to relax the rules
- As a consequence, companies in the travel and leisure industry are heavily affected due to fewer customers and consequently falling revenues and profitability

IMPACT ON STROMMA'S OPERATIONS

- Stromma's operations in all active destinations are closed at the moment and the season start is postponed in the remaining destinations which have not yet opened
- Due to the closed borders and travel restrictions, revenues from Stromma's largest target group, the international tourists, are expected to decline
- The offerings are expected to be reduced for the whole season
- Once restrictions on travelling and gatherings are lifted, Stromma will gradually re-open our tours and activities

FINANCIAL IMPACT

- While the beginning of Stromma's 2020 fiscal year looked encouraging compared to the same season last year, the pandemic outbreak started when the liquidity was seasonally low
- The impact is expected to spill over into the peak season, weakening the liquidity position further
- The shut down of Strommas business activity resulted in a revenue decline of 22% in Q1 20 compared to the same period last year. For the first two months of Q2 20, Stromma estimate the revenue decline at approx. 90% compared to 2019
- While it is still too early to make estimates of the full-year impact on revenue and results, the pandemic crisis will result in a liquidity need and will trigger a reboot of the organisation

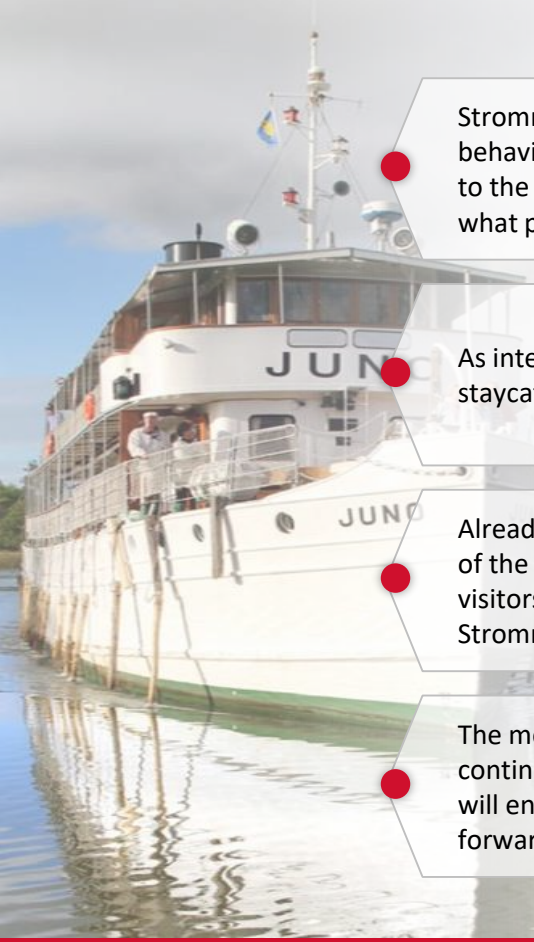
Covid -19 gave Stromma the opportunity to accelerate our efforts in strengthening the current business

Source: 1) Krisinformation 2) Bundesregierung

Flexibility in focus 2020

Stromma is focused on adjusting the business according to the circumstances as 2020 will be a year out of the ordinary

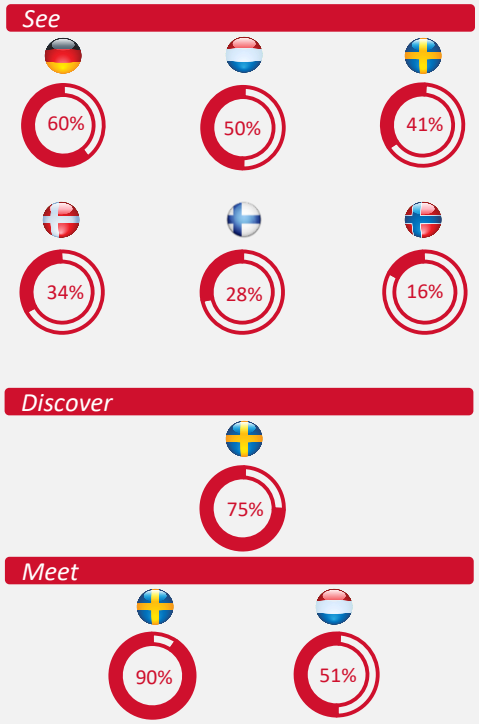
Stromma is monitoring the gradual lifts of restrictions carefully and aim to adjust the business accordingly



- Stromma foresee the customers changing their travel behaviors during the peak season months of 2020 due to the current circumstances, depending on if and at what pace restrictions can be gradually lifted
- As international travel is expected to decline, so called staycations are expected to gain in popularity
- Already in 2019 Stromma observed that a large share, of the customers were domestic and/or neighboring visitors proving there is a strong domestic demand for Stromma's offerings
- The measures already in place, together with the continuous efforts to deliver on the long term strategy will enable Stromma to increase its adaptability going forward

High demand for staycations in Stromma's destinations

Domestic & neighboring customers' % of total visitors during 2019



Stromma's rapid action taking

Stromma has acted swiftly both before and during the pandemic crisis

IMMEDIATE RESPONSES

- As the travel and leisure industry is seasonal, Stromma has a high share of variable costs in the cost base that will be reduced along with reduced operations. This enables the company to adapt to the decline in demand following the imposed restrictions. COGS, which has averaged approx. 30% of revenues over the last three years, is expected to be reduced proportionally to the decline in revenues
- Maintenance costs will be reduced since not all boats and busses in the fleet will be in use during the season of 2020 (yearly cost SEK 28-38m estimated to be reduced with 30-40%)
- The hiring of seasonal staff is suspended. In a high season month, seasonal staff accounts for approx. 65% of personnel costs
- Stromma has applied for, and will receive, compensation for costs from the governments in the countries of operation[1]. This will have a positive impact of approximately SEK 13m per month as long as current support actions are valid
- Other measures include reduced marketing, postponing non-critical projects, and notice of permanent layoff

FURTHER ACTIONS TO BE IMPLEMENTED

- Overcapacity in the bus and boat fleet after reduced offerings are possible to sell – approx. 20 busses and 10 boats with an estimated market value of SEK 40-70m
- Reduced demand for reporting from the subsidiaries to the group make cost reduction of local administration possible
- Development projects temporarily is on hold, which saves substantial consultant fees
- The low margin part of the business is on hold for 2020. With focus on reduced risk in 2020, only offerings with stable and proven margin will commence
- Reducing the number of resellers to focus on only those who are system integrated to reduce administrative cost and commission, half of the savings can be spent on online marketing
- Redirecting market communication towards domestic market
- Renegotiate property rents or sub-let spaces

1) See appendix fort further details on applicable compensation

Long-term actions and affect on strategy

Stromma will take measures to support the long term strategy

MEASURE	ACTION	LONG TERM IMPACT
Slim down the organisation	• Notice of permanent layoff and higher share of seasonal staff	• Reducing the fixed cost base and increasing the flexibility to adjust costs to demand
Adjusted sales and distribution strategy	• Decrease the number of online sales agents. Focus only on the big OTAs where seamless administrative routines exist. Implement self-service devices at departure points. Reduce offerings of souvenirs and other non-ticket related items in Amsterdam	• Decrease administration costs, less commission costs, reduced sales points in Amsterdam, reduced staff costs for ticket shops due to shorter opening hours
Focus on volume and high margin products	• Steer the focus towards the products that are proven in tandem with focus on strengthening the business rather than expansion	• Higher profitability and better earnings visibility, better possibility to streamline administrative process to reduce demand of staff
Asset sales	• Focus on profitability will render certain busses and vessels redundant that could be divested	• Disposal of redundant assets results in a stronger balance sheet and the possibility to amortise on debt
Sell non-core operations	• Disposal of assets that are not viewed as strategically important	• Increased focus on the profitable core business and possibility to amortise on debt

STROMMA WILL OVERSEE THE OPERATIONS OUTSIDE THE NORDICS

Comments

- Central costs need to be reduced even more than what was planned pre Covid-19, and the same applies to the administrative costs in each respective destination
- The short term ambition is to free up cash flow and in the longer term support profitability and the financial position through a more stream lined product offering

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Working with all stakeholders to come stronger out of Covid-19

Stromma has built a platform to come out strong but need to work with all stakeholders through the crisis

OPERATIONAL ACTIONS AND GOVERNMENT SUPPORT

- Flexible cost base adjusted to reflect demand, e.g. hiring of seasonal staff is suspended and maintenance costs for vessels will be reduced since not all vessels will be in use
- Participating in government "temporary layoff" and VAT deferral schemes
- All timetables and routes are being monitored to ensure full efficiency and to determine where cost reductions can be made
- Administrative and overhead costs are being monitored to find potential cost reductions and non-critical investments are postponed

CONTRIBUTION FROM THE HIGHLY COMMITTED OWNER

- Supportive owner which contributed with an equity contribution of SEK 222m in Q2 2019, of which SEK 150m in cash
- Following the outbreak of Covid-19, the owner understands the challenges Stromma is facing and has decided to support with an equity contribution of SEK 75m
- The contribution from the owner assures a strong capitalisation and solid liquidity position to manage through the crisis

STRONG SUPPORT FROM OUR HOUSE BANK

- Stromma has received a loan facility from Danske Bank of SEK 50m with the ability to upsize the facility to SEK 100m (subject to consent from Danske Bank) to manage through the crisis
- Furthermore, Danske Bank has amended the maintenance covenants and approved to extend the maturity on existing facilities with two years and defer partial prepayments until Q3 2021 in order to put less pressure on the cash flow during the pandemic

WE NEED THE BONDHOLDERS SUPPORT AS WELL

- Stromma is working with all its stakeholders to ensure that the company manages through the pandemic
- In order for all pieces to come together, Stromma is in need of the bondholders' consent to certain amendments of the terms & conditions of the existing bond loan

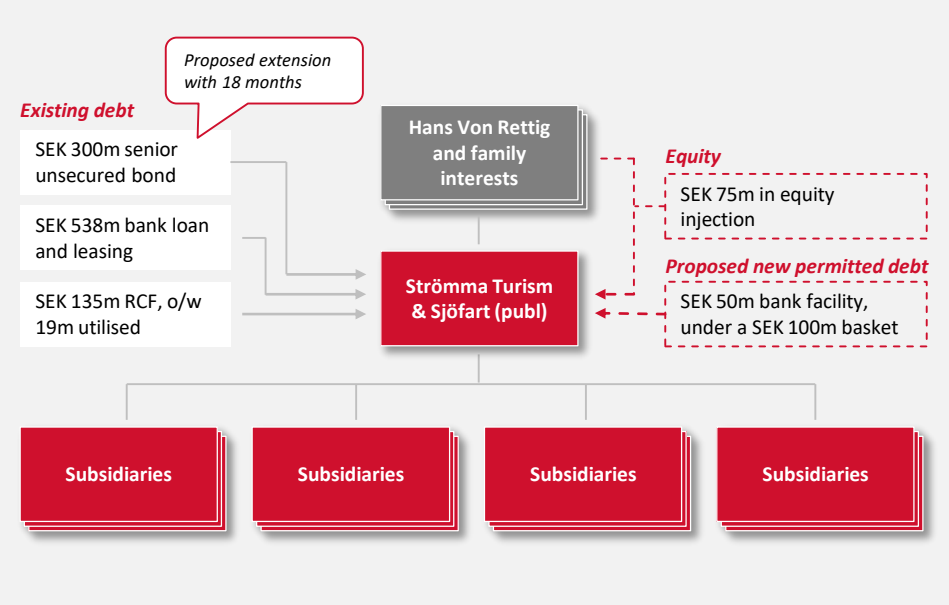
Transaction background

Certain amendments are needed to the terms & conditions of the senior unsecured bonds in order for Stromma to manage through the crisis

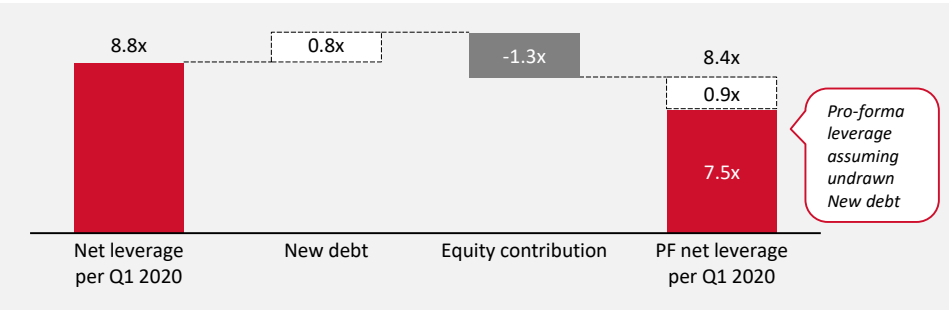
Background

- In May 2016, Stromma issued SEK 300m senior unsecured bonds with final maturity in May 2021 (the "Bonds")
- Stromma is affected by the decline in tourism activity in all of its markets as a direct consequence of the actions implemented by various authorities to limited the spread of Covid-19, including travel ban and restrictions on social gatherings
- Stromma's business is seasonal, where the majority of the income is generated during the spring/summer months of May – September. To date, the Company has experienced a severe decline in demand, which is expected continue throughout the summer. As such, Stromma is in need of liquidity to support operations until the pandemic is over
- Furthermore, given the direct affect from Covid-19 on Stromma's business as well as the turmoil in the capital markets, it is Stromma and its financial advisors' view that a refinancing of the Bond on the upcoming maturity in May 2021 is challenging
- Therefore, Stromma seeks approval from its bondholders to amend the Terms & Conditions of the Bonds as set forth in a separate notice of written procedure, including:
  1. Extending the final redemption date with 18 months to 27 November 2022;
  2. Carve-out of a SEK 100m senior secured debt facility under permitted debt (not subject to the incurrence test), of which SEK 50m utilised initially (headline terms as per below);
  3. Further limitations on shareholder loans;
  4. Carve-out of sale and leaseback transactions with 75% of net proceeds to be used for repayment of debt;
  5. Ability to make voluntary partial prepayments of the senior unsecured bonds, and
  6. Any other changes necessary to facilitate the above
- The owner will inject SEK 75m in equity in conjunction with the transaction, conditional upon, inter alia, approval of the proposed amendments. Furthermore, Stromma's bank has approved deferral of prepayments of approx. SEK 22m and extended the tenor on existing loan facilities

Financing overview



Pro forma leverage, Q1 2020



Headline terms of new bank facility

Amount	SEK 50m
Use of proceeds	General corporate purposes
Status	Senior
Security	Security in certain vessels and share pledge in Dutch subsidiaries, Stromma Holding BV and Canal Bike BV
Tenor	12 month overdraft, utilised amount converted to a 5-year term loan thereafter
Repayment	SEK 10m / year starting from Q3 2021

1) Net Total Debt based on adj. EBITDA LTM Q1-2020, average utilization of the Working Capital Facility for the past 12 months and excluding cash from the newly incurred debt.

Proposed amendments

Stromma has received voting undertakings from bondholders representing 63% of the outstanding bonds to vote in favor of the proposed amendments in the written procedure

	Existing main terms	Proposed amendments
ISSUER	Strömma Turism & Sjöfart	-
OUTSTANDING NOMINAL AMOUNT	SEK 300m outstanding under a SEK 400m framework (tap issues subject to the incurrence test)	-
STATUS	Senior Unsecured	-
COUPON	3m Stibor +590 bps p.a.	-
FINAL REDEMPTION DATE	2021-05-27	Extended with 18 months to 2022-11-27, redeemed at 103% of the nominal amount
ADDITIONAL DEBT INCURRENCE	Subject to the Incurrence Test	1) One or several secured loan facilities not exceeding SEK 100m in aggregate permitted without the incurrence test, 2) shareholder loans (unsecured and subordinated to and with final redemption, early redemption or instalments after the Bonds) permitted without the incurrence test, 3) debt attributable to sale and leaseback transactions permitted without the incurrence test, provided 75% of net proceeds are used for repayment of debt
CALL OPTION	101.234% after 2020-05-27 / 100.0% after 2020-11-27	101.234% after 2020-05-27 and prior to the Effective Date[1)], 102% after the Effective Date, 103% after 2022-05-27
AMORTISATION	-	Voluntary partial prepayment of minimum SEK 9m (and at multiples of 3m thereafter) on each interest payment date at applicable call
DISTRIBUTIONS	Maximum 50% of previous year's net profit, subject to the Distribution Test	-
GENERAL UNDERTAKINGS	Including, among other things, nature of business, negative pledge, disposals, financial reporting, clean down	-
PUT OPTION	Investor put at 101% upon a change of control or a listing failure	-

1) The Amended and Restated Terms and Conditions, if approved in the Written Procedure, will come into effect on the date that the Agent is satisfied (acting reasonably) that it has received evidence that the Issuer has received a new equity injection from its owner of at least SEK 75,000,000 (the "**Effective Date**")

Agenda

1. Company and financial update
2. Impact from Covid-19 and outlook
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Available government compensations

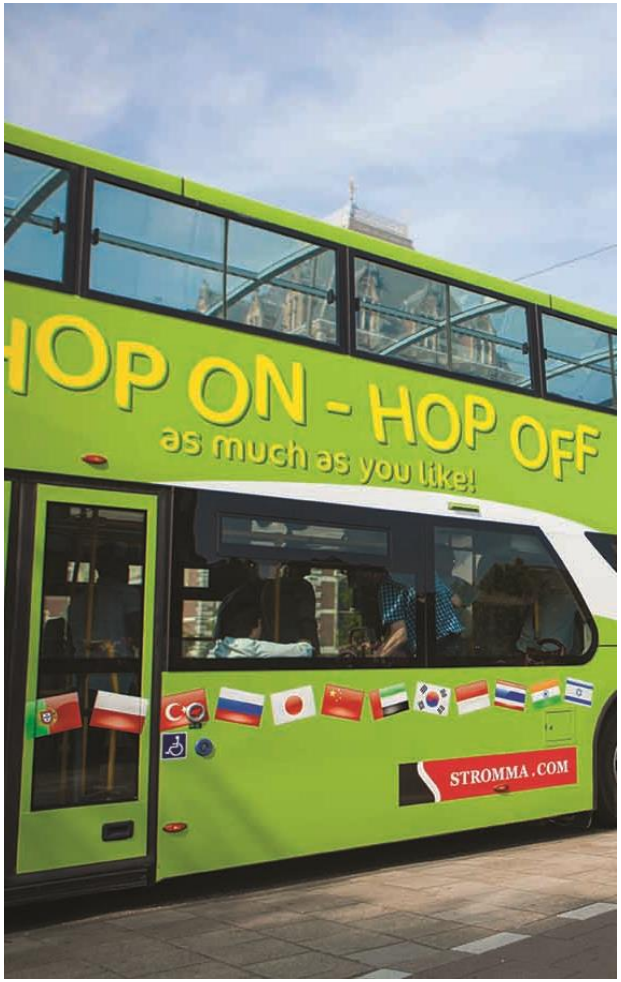
Stromma has applied for, and will receive, government compensation in various form

COUNTRY	AVAILABLE COMPENSATIONS	COMPENSATIONS UTILISED BY STROMMA	EXPECTED SUPPORT PER MONTH (MAR-JUN)
Denmark	• Compensation of fixed costs from 9 March 2020 plus compensation for staff temporarily sent home with salary • Compensation is up to DKK 23t per administrational employee and for staff paid by hour up to DKK 26t	• Applied for DKK 7.8m for compensation of fixed costs from 9 March to 9 June • Applied for DKK 5.8m for salary compensation from 17 March to 9 June • When possible, we will apply for extended compensation until 8 July	• On average DKK 4.5m in compensation for a full month
Germany	• 100% compensation of salary cost, no maximum salary • 100% compensation of social security fees • Only lost working hours are compensated	• All employees were sent into short time work compensation • First compensation received 3 1/2 weeks after application	• March: EUR 18t • April: EUR 58t • May: EUR 60t • June: EUR 18t
Netherlands	• 90% compensation of salaries if 100% of revenues are lost to 22.5% compensation if 2 % lost, for at least 3 months starting 1 March with possibility to prolong another 3 months • No maximum salary • One-time EUR 4t for entrepreneurs	• Approved application for salary support and one time compensation	• Average of EUR 500t per month
Norway	• Staff being put-on short-term layoffs will be compensated by government. Currently valid for six months • Compensation of selected fixed costs from March to May • Reduced employers' tax by 4% in May and June 2020	• Short term layoff used to full extent, Stromma is relived from salary payments during this period • Application for compensation of fixed costs has been sent and is currently being processed	• Reduction of salary cost, by NOK 310t. Monthly average, March, April, May, June • NOK 200t per month. March, April & May. • NOK 9t. Reduced employers' tax. May & June.
Sweden	• Salary compensation for temporary layoffs 20, 40, 60 and 80% (80% from May). Up to SEK 41t per employee for 80% • Direct support for fixed costs (based on lost revenues)	• Applied for short term work compensation from march to 15 July and already received SEK ~6m in support • Applied and received support for social fees • Applied for reduction of costs for rent (SEK 0.8m per quarter), no ruling yet • Will apply for direct support for fixed costs when possible	• Average SEK 1.6m per month if all mentioned support is approved • Approximate monthly support for fixed costs SEK 1m (according to current interpretations of rules)
Finland	• Grant for investigating and planning new business, alternative subcontracting chains, and ways to organize production during and after the disruption caused by the coronavirus. Max EUR 10t	• Applied and received grant of EUR 10t	• No compensation expected

Profit & loss

Profit and loss

SEKm	2019	2018	2017	2016
Net sales	1049	1074	974	791
Other operating income	8	7	17	51
Revenue	**1057**	**1081**	**991**	**842**
COGS	-333	-345	-319	-241
Other external expenses	-214	-214	-177	-146
Personnel costs	-433	-394	-349	-290
Share of joint ventures	1	-0.4	1	0
Share of minorities	18	14	6	0
Other operating expenses	-6	-21	-12	-6
EBITDA	**90**	**122**	**141**	**160**
D&A	-115	-73	-66	-94
EBIT	**-25**	**49**	**75**	**66**
Financial income	2	1	6	5
Financial expenses	-38	-32	-38	-29
Net financial items	**-36**	**-30**	**-32**	**-24**
Pre-tax profit	-61	18	43	42
Tax	12	16	-13	-12
Net profit for the year	-49	34	30	30



Financial position

Financial position

SEKm	2019	2018	2017	2016
Intangible assets	467	463	435	429
Tangible assets	845	681	637	628
Financial assets	26	26	23	16
Total fixed assets	**1338**	**1169**	**1095**	**1074**
Inventories	4	4	5	3
Accounts receivable	45	46	46	41
Tax receiveables	8	-	-	-
Other current receivables and tax	6	21	19	32
Prepaid expenses and accrued income	10	21	18	20
Cash and cash equivalents	111	44	68	78
Total current assets	**184**	**135**	**156**	**175**
Total assets	**1522**	**1305**	**1251**	**1249**
Book equity	**570**	**391**	**340**	**298**
Bond	298	296	294	293
Bank debt	169	184	178	257
Deferred tax	91	102	127	125
Liabilities to parent companies	-	56	54	-
Lease liabilities	135	-	-	-
Other long term debt	27	40	41	60
Total long term liabilities	**720**	**678**	**693**	**735**
Bank debt	25	29	27	44
Overdraft facility	4	-	3	-
Deferred tax	-	7	7	13
Accounts payable	39	49	48	39
Accrued expenses and deferred income	83	70	74	74
Prepaid from customers	-	1	0.2	0.2
Lease liabilities	43	-	-	-
Liabilities to parent companies	-	15	14	-
Other short term liabilities	39	66	46	45
Total short term liabilities	**232**	**237**	**218**	**216**
Total equity and liabilities	**1522**	**1305**	**1251**	**1249**

Cash flow statement

Cash flow statement

SEKm	2019	2018	2017	2016
Pre-tax profit	-61	18	43	42
Adjustments for non-cash items	123	79	59	50
	62	98	103	92
Icome taxes paid	-15	-12	-22	-9
Cash flow from operating acitvities before changes in working capital	**47**	**86**	**81**	**83**
Increase (+) / Decrease(-) of inventories	0	1	-1	2
Increase (+) / Decrease(-) of operating assets	26	-2	12	-19
Increase (+) / Decrease(-) of operating liabilities	-12	6	-1	16
Cash flow from operating activties	**61**	**91**	**90**	**82**
Investing activities				
Capital injection	0	0	0	-1
Investments in fixed asstes	-89	-85	-60	-35
Disposals of fixed assets	15	3	9	12
Investments in intangible assets	-13	-19	-1	-2
Investments in subsidiary/operations, net	0	0	-12	-374
Investment in minority interest	3	0	-11	0
Investments in financial assets	-29	0	0	0
Received payment long term asset	0	1	11	0
Cash flow from investing activities	**-114**	**-100**	**-64**	**-400**
Financing activities				
New borrowings	35	14	68	380
Repayment of borrowings	-27	-26	-104	-29
Dividends paid, minority interest	-3	-2	-1	-1
Net change lease liabilities	-35	0	0	0
Change long term debt	0	0	0	0
New issue	150	0	0	0
Cash flow from financing activities	**120**	**-14**	**-37**	**350**
Cash flow for the year	67	-23	-10	32
Cash and cash equivalents at the beginning of the year	44	68	78	45
Exchange rate difference	0	0	0	0
Cash and cash equivalents at the end of the year	111	44	68	78

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Risk factors

*The proposed amendments of the Terms and Conditions of the Bonds (the "**Amendment Process**") and the continuity of the Group's operations involves a number of inherent risk factors that should be carefully reviewed by the bondholders before voting for or against the proposals in the Amendment Process.*

If any of these risks or uncertainties actually occurs, the business, operating results and financial position of the Group could be materially and adversely affected, which ultimately could affect the Company's ability to make payments of interest and repayments of principal under the Terms and Conditions. In this section, a number of risk factors are illustrated, namely general risks pertaining to the Group's business operations and material risks relating to the Bonds as financial instruments. The risks presented in this material are not exhaustive as other risks not known to the Company or risks arising in the future may also adversely affect the Group, the price of the Bonds and the Company's ability to service its debt obligations. Further, the risk factors are not ranked in order of importance. Potential investors should consider carefully the information contained in this material and make an independent evaluation before voting in the Amendment Process.

Terms not otherwise defined herein shall have the same meaning as set out in the Terms and Conditions of the Bonds.

Risks associated with the Group, the industry and the market

Macroeconomic factors

The tourism business is to a large extent affected by macroeconomic factors such as the general state of the economy, employment rate development, population growth, structure of the population, inflation, interest rates etc. Stromma is exposed to macroeconomic factors which affect the tourism market in Europe, particularly factors which affect Northern Europe since the Group conducts a major part of its business in that region. Economic downturn and uncertainty on the international financial markets, having an adverse impact on the global economy, may in turn affect the Group's business. Any turbulence, in particular on the Northern Europe tourism market, or downturns in the global economy including any changes in the security situation such as terrorist attacks or any pandemic (see further under section "*Pandemics*" below), could affect the financial position but also the behaviour of customers of the Group and thereby affect the demand for the Group's products. If one or several of these factors would have a negative development, it could have a material negative impact on the Group's operations, earnings and financial position.

Pandemics

Global pandemics having an adverse effect to the global economy create significant uncertainties in the market. The pandemic spread of the COVID-19 virus during 2020 has, at the date hereof, had a significant adverse impact on the economy in the markets where the Group operates. There is significant uncertainty regarding the duration and severity of the economic repercussions of the pandemic. Such repercussions will be pervasive across a large number of industries, and are not limited to the Group. The spread of COVID-19, resulting in tight government controls, including travel bans, quarantines and cancellations or restrictions of gatherings and events, implemented by governments around the world designed to contain the outbreak, has caused disruption to economic activity and the market has entered a period of increased volatility. Market turmoil and investor uncertainty about the effects of COVID-19 on the financial markets have led to substantial negative market performance. The spread of COVID-19 is expected to have a significant impact on the global economy, at least in the first half of 2020.

Because of COVID-19 and its effects on lower tourism demand caused by *inter alia* travel bans and restrictions of gatherings, the Group's operations in all active destinations are being closed at the moment and the Group has postponed season start in the remaining destinations that have not yet opened for the season. This has affected the Group negatively, having 22 percent lower revenue during Q1 2020, compared to previous year and for the two first months of Q2 2020, revenue is expected to fall approximately 90 percent compared to 2019. Due to the effects of COVID-19, tourists have disappeared from the market and the demand for tours and activities have decreased radically and it is unclear when the restrictions of meeting and travelling implemented by the governments will be lifted. In addition, the Group is also affected by repayments to be made to customers having made advance payments to the Group regarding tours booked during summer 2020. Measures taken to mitigate the spread of the pandemic, including decisions taken by the governments, affect the Group's ability to conduct its operations, which could have a material adverse impact on the Group's operations, earnings and financial position.

Due to prevailing conditions in the financial markets as a result of COVID-19, and in addition that the Group is season dependent where major of the Group's income is allocated to May to September, the Company will have to adapt to the lower demand which will affect the Group's operations and earnings and the Company has therefore considered certain amendments in the Amendment Process and has requested the Agent to initiate a written procedure in order to obtain the proposed amendments set out in the draft to revised Terms and Conditions and as further described under section "*Bondholders' meetings*" below.

Risk factors

The possibility for Stromma to successfully sell its products
Stromma's business mainly consists of sales of tours and activities targeting tourists in the Nordic countries, the Netherlands and Germany, which means that both the willingness and the ability to pay for such experience are of crucial importance for Stromma's operations, earnings and financial position. The willingness to pay for tourism attractions is, among other things, dependent on how well a specific tourism attraction corresponds to market demand, the level of activity on the travel market, that people choose to travel both to as well as within the countries in which the Group operates, weather conditions etc.

The ability to pay for travels and tourism activities is, among other things, dependent on the development of wages, the employment ratio, the levels of taxes and charges and other factors which generally affect the economy of households. Any changes of rules that result in reduced economy for the households could have a negative impact on the willingness to pay for tourism activities. Also travel bans (both domestic and international) and restrictions of gatherings, as a consequence of COVID-19, affects the demand for the Group's tourism attractions.

If customers' willingness or ability to pay for Stromma's activities decreases, it could have a material negative impact on the Group's operations, earnings and financial position.

Risks relating to the Group's business model
The Group's business comprises of season dependent travel activities. The majority of the Group's income (approximately 70 percent) is allocated during the summer time (*e.g.*, between May and September)[1] when most of Europe's tourists travel is taking place and tourists are visiting Stromma's destinations. This business model results in an uneven cash flow, which in turn could affect the available liquidity of the Group. In addition, COVID-19 and its effects on lower tourism demand as described above under section "*Pandemics*", will affect the available liquidity further.

The business model results in a demand for temporary employed personnel, such as seasonal workers and consulting experts, which gives an uncertainty comparing to permanently employees. A majority of the previous seasonal workers (which are often university students) return the year after. However, there is a risk that the Group will fail in finding and maintaining temporary employed personnel by reason of a business boom. In addition, any changes to local regulations in respect of temporary employments could also affect the Group negatively.

In the event the Group intends to increase its markets, *inter alia* by acquisitions, any such expansion will be dependent on the Group's ability to adapt its organisation, know-how, staffing and financial position to meet various challenges associated with an expansion. Failure in succeeding with any contemplated expansion could therefore adversely affect the Group.

If one or several of the above factors would develop negatively or if any of the described risks would materialise, it could have a material negative impact on the Group's operations, earnings and financial position.

Risks related to weather- and climate dependency
The amount of the Group's customers is to some extent affected by the weather conditions during high season. While tickets to consumers are often sold just before entering the attractions, B2B assignments are sold from distance in advance. Hence, the result of the sale to consumers is negatively affected in case of bad weather. In the event the demand should decrease, the Group can, within certain areas, adjust its timetables and its supply, however any such adjustment could in turn give rise to greater costs for the Group. In the event of bad weather during high season, it could have a material negative impact on the Group's operations, earnings and financial position.

Risks related to the fleet of buses and vessels
The Group's business and operations depend, *inter alia*, upon the performance of its equipment, such as its fleet of buses and vessels. The Group owns approximately 120 vessels and 100 buses with various conditions. The bus- and boat fleet is used in most of the Group's attractions and can suffer damage due to accidents caused by its drivers, third party drivers, weather and damage caused by vandals. In addition, the fleet requires continuous maintenance. Should the fleet suffer an unexpected amount of damages, it may lead to decreased asset performance as well as increased maintenance costs, delays and lost revenue due to unscheduled stoppages during the most intensive weeks. A significant decrease in the performance of Stromma's assets during high season or significant expenses incurred in relation to repairing damage, could have a material negative impact on the Group's operations, earnings and financial position.

1) Approximately 70 % for year 2019.

Risk factors

Dependence of laws, permits and decisions
Stromma's business is regulated and affected by a number of laws and regulations as well as various processes and decisions relating to these regulations, both on a political level and on a civil servant level. Among other things, Regulation (EC) No 1370/2007 on public passenger transport services by rail and by road (Sw. *Kollektivtrafikförordningen*), Directive 2006/123/EC on services in the internal market (Sw. *Tjänstedirektivet*), security regulations, rules regarding permitted commercial transfers, etc. have a large impact on Stromma's business as well as costs for, and opportunities to, develop attractions in a desired manner. There is a risk that Stromma's interpretation of laws and regulations is incorrect, or that the interpretations may change in the future. Further, there is a risk that laws and regulations entail the Group to conduct its business as not desired, or that this can only be achieved with increased expenditures. For example, should new regulations regarding permits and certificate of vessel operation be implemented in a destination with criterias that are not favourable to Stromma, it could have a negative impact on the Group. New regulations regarding permits and certificates for vessels over 14 meters operating in Amsterdam's canals have been implemented resulting in withdrawal of licences for operating these vessels. The municipality has decided that no effects of changes in permits and licenses will be implemented before 2024. This means that Stromma, at the earliest 2024, is having a risk of not getting as many licenses as Stromma has today. The risk for 2024 concerns 8 out of 37 vessels. Every second year following 2024 there is a risk that additional licences are withdrawn.

The Group operates in certain public areas (*i.e.*, streets, squares, harbours and water) that are subject to public pricing. In order for the Group to conduct its business as desired, various permits and decisions are required, including, *inter alia*, site leaseholds (Sw. *tomträtter*), permits for using bus stops, quay permits, permits for floating docks, and various kind of tourism registrations, which are approved and given by, for instance, municipalities and authorities, and which may be resolved on both a political and a civil servant level. There is a risk that Stromma is not granted the permits or obtains the decisions necessary to conduct and develop its business in a desired manner. Also, there is a risk that the established decision making practice (*e.g.*, in relation to public pricing) or the political will or direction in the future is changed in an adverse manner for Stromma and its associated companies.

If any of the above described risks would materialise, it could have a material negative impact on the Group's operations, earnings and financial position.

Dependency on joint venture partners in associated companies
The Group has entered into a joint venture agreement and may in the future enter into other joint venture agreements pursuant to which the partners have agreed to co-operate with regard to certain projects regarding tourism attractions. Some of the Group's attractions are from time to time operated in joint ventures and in associated companies which implies certain risks for Stromma.

As these companies are not solely controlled by Stromma, Stromma is dependent upon the actions of current and future partners in these companies. This could result in reduced flexibility to operate the business, for instance with respect to investments in, or disposals of, properties and equipment in the associated companies. In addition, there is a risk, should these companies develop in a way which is negative for Stromma, that Stromma cannot take the measures which it finds most advantageous. Consequently, as Stromma cannot solely control the business conducted in these companies, values which could affect Stromma's profitability are hence dependent on current and future partners in associated companies, and it is therefore a risk that such values become reduced due to events outside Stromma's control.

Furthermore, Stromma is dependent upon a good relationship with the other joint venture-partners in associated companies for both the performance and results of current and future projects. If one or several co-operations no longer develop in a positive direction, it could result in disputes and the associated companies may be dissolved, and its assets realised, on disadvantageous terms.

If any of the above described risks would materialise, it could have a negative impact on the Group's operations, earnings and financial position.

Exposed to risks related to suppliers and other third parties
The Group is to a certain extent dependent on suppliers and other third parties, for example as regards IT-systems, marketing and sales of the Group's products. Hence, the Group relies on these suppliers and third parties and if agreements with these parties were to be terminated, amended or renegotiated in an unfavourable way, there is a risk that the Group's sale of its attractions and products would be negatively affected. If the Group is forced to replace or commence cooperation with a new supplier or third party this could lead to additional costs and work in evaluating such new party and it may be difficult to replace such party. Further, the Group is dependent on the performance of such supplier and/or third party and there is a risk that such parties face financial difficulties, insolvency or bankruptcy, which, in turn could affect the Group's business.

If any of the above described risks would materialise, it could have a material negative impact on the Group's operations, earnings and financial position.

Risk factors

Dependence on the key personnel
The Group and its business is dependent on its key personnel since they have long experience of, and competence regarding, the tourism business. Through their experience, they have good relationships with participants, partners and creditors on the tourism market in the Nordic region as well as in other European countries. Accordingly, the key personnel is important for a successful development of the Group's and the associated companies' business. Should such key personnel leave the Group in the future or should such persons take up employment with a competing business it could negatively affect the Group's business. Further, it is not certain that the Group is able to recruit new, qualified personnel to the extent that Stromma wishes. Hence, if a group of key personnel would leave the Group at the same time or if certain key personnel would leave the Group and/or if Stromma would not be able to recruit such personnel, it could have a material negative impact on the Group's operations, earnings and financial position.

Employee and trade union-related risks
Conflicts with employees and trade unions may occur by reason of interpretation, application and negotiation of collective bargaining agreements. Also, conflicts may relate to working hours, pay, benefits and other remuneration to both individuals and groups of employees. Such conflicts may arise on all the geographical markets in which Stromma operates and may lead to, e.g., strikes, lockouts, disputes and both temporary costs and more permanent cost increases. Stromma's exposure to costs related to conflicts with trade unions depends on to what extent its organisation of employers decides to cover such costs. The Group places focus on good employee relations and has well-established practices for negotiations on working hours, terms of remuneration, information sharing and collaboration. However, strikes or work stoppages and interruptions have occurred in the past and could occur again if the Group is unable to renew the collective bargaining agreements on satisfactory terms. A lengthy strike or other work stoppage by the Group's employees could affect the Group's ability to conduct its operations, which could have a material adverse impact on the Group's operations, earnings and financial position.

Financing risks
Stromma's largest financial risk is related to access to financing from credit institutions. The Group's business, especially with respect to acquisitions and maintenance of buses and vessels, is to a large extent financed through loans and credits from Danske Bank A/S and ABN Amro Bank N.V. In order to finance purchases of buses and vessels, the Group has entered in hire-purchase agreements with, *inter alia*, Nordea Danmark (Denmark), Santander Consumer Bank AS (Norway) and DNB (Norway). Stromma is working with Danske Bank A/S as its primary bank and several other financing institute for smaller assets financing.

Should Stromma expand its business, it would likely need to acquire additional buses and/or vessels. Also, unexpected or increased costs as a result of factors within or outside the control of Stromma could occur. If such circumstances occur, it could result in that such increased costs are not covered by the granted credit facilities. COVID-19, being outside the control of Stromma, has resulted in increased need for liquidity within the Group and the Company proposes in the Amendment Process to be permitted to incur additional debt by entering into term loan and/or revolving facility agreement(s) from Danske Bank AS, Danmark, Sverige Filial (or any other Person (other than a shareholder) if taken up by the Company on the same terms or better compared to the terms provided by Danske Bank AS, Danmark, Sverige Filial) in the amount of up to SEK 100 million. If Stromma is not able to obtain financing with respect to ongoing expenses, extension or increase of existing financing or refinancing of previously received financing, or is only able to obtain such financing on terms that are disadvantageous, it could have a material negative impact on the Group's operations, earnings and financial position.

Liquidity risks
Liquidity risk is the risk that the Group cannot meet its payment obligations at the maturity date without the cost for obtaining cash or cash equivalents increasing significantly. 70 percent of the Group's annual income is earned during the period May to September when a majority of the tourists are visiting the locations where the Group operates. This business model results in an uneven cash flow which in turn could affect the available liquidity of the Group. In the event of weak sales during this period, the Group is exposed to a significant cash flow risk. COVID-19 and its effects on lower tourism demand as described above under section "*Pandemics*", affects the available liquidity further and decreased revenue during high season 2020 can, at the earliest, be earned during next high season 2021. Also, until 2019 the Group was in an expansion phase, which means that the requirements on the Company's liquidity have increased due to the investments being made. If Stromma's liquidity sources prove not to be sufficient, there is a risk that Stromma only can meet its payment obligations by raising funds on terms significantly increasing its financing costs or that the Group cannot meet its payment obligations at all and as a result thereof being in default under material agreements entered into by Stromma, which could have a material negative impact on the Group's operations, earnings and financial position.

Borrowing by the Group and interest rate risks
The Group has incurred, and may in the future incur additional, financial indebtedness to finance the Group's business operations. Currently a part of the Group's working capital facility at ABN Amro Bank N.V is under renegotiation, no significant change of terms are expected, however should for example ABN Amro Bank N.V, or any other credit institution from which the Group has borrowed money (from time to time), require conditions which are not permitted under other loan agreements of the Group, including the Terms and Conditions, there is a risk that such facility cannot be renewed or entered into without making amendments or receiving approval under the terms of the existing loans.

Risk factors

Interest rate risk is the risk that changes in interest rates affect the Group's interest costs. The Group's borrowings are, *inter alia*, related to STIBOR, plus a margin, which means that the Group is exposed to fluctuations on the STIBOR market. Interest rates are for the Group not an insignificant cost item and the financial indebtedness of the Group give rise to interest costs which may be higher than the gains produced by the Group's operations. Changes in interest rates may lead to changes in actual value, changes in cash flows and fluctuations in the Group's result, and if interest rate risks would materialise, it could have a material negative impact on the Group's operations, earnings and financial position.

Undertakings and financial covenants in loan agreements
As at 31 December 2019, the Group's interest bearing debt (*i.e.* not including the associated companies) amounted to approximately SEK 674 million, of which approximately SEK 602 million consisted of long term debt and approximately SEK 72 million consisted of short term debt.[2] The borrowings from credit institutions are mainly concentrated to Danske Bank A/S and ABN Amro Bank N.V. The new proposed loan facility in an aggregate amount not at any time exceeding SEK 100 million, being described in the Amendment Process, will be provided from Danske Bank A/S, Danmark Sverige Filial (or any other Person (other than a shareholder) if taken up by the Company on the same terms or better compared to the terms provided by Danske Bank A/S, Danmark Sverige Filial). The Group has in most cases provided security in forms of ship mortgages, floating charges and guarantees for these loans. The loans taken up by the Group may be cancelled or not prolonged by the bank if the borrowing company does not comply with the terms and conditions for the relevant loans. Such terms include, among other things, the event that the security for the loan and the borrowing company's fulfilment of its obligations is no longer satisfactory and that there is a reasonable ground to believe that the borrowing company will not fulfil its obligations against the financial institutions. Inability to meet such terms will result in an event of default under such agreement, which entitles the bank to accelerate and require immediate repayment of the loans. A breach by the relevant borrower under an external financing agreement could thus lead to an acceleration of the loans provided under such agreement or the realisation of the security granted to the relevant credit institutions, which in turn could have a material negative impact on the Group's operations, earnings and financial position. Furthermore, an acceleration of a loan due to an event of default could, according to the terms of the Terms and Conditions cause an event of default under the Bonds.

Environmental risks and requirements
The starting point for the responsibility with respect to contaminations and other environmental damage is, according to the current environmental laws, that the business operator, current and present, bears the responsibility. Stromma does not conduct any business which requires a permit according to the Environmental Code (SFS 1998:808) (Sw. *Miljöbalken (1998:808)*). However, there may have been previous owners or tenants on any properties that Stromma directly or indirectly may own from time to time which, have conducted business requiring a particular permit according to the Environmental Code, *i.e.*, that are business operators according to the Environmental Code.

If no business operator can carry out or pay for after-treatment of a property, the acquirer of the property, and which at the time of the acquisition knew about, or should have discovered, the contaminations is responsible for the after-treatment. This means that claims under certain circumstances could be directed against Stromma for cleaning-up or after-treatment regarding the occurrence of, or suspicion of, contamination in the ground, water areas, or groundwater, in order to put the property in such condition as required by the Environmental Code.
Changed laws, regulations and requirements from authorities on the environmental area could result in increased costs for Stromma with respect to cleaning-up or after-treatment regarding currently held or in the future acquired properties. Such changes could also result in increased costs for Stromma.

Changed laws, regulations and requirements from authorities on the sustainability area, for example more strict regulations on CO2, NOX and SOX etc. in city centres and at sea could result in increased investments and costs for Stromma.

All such claims and/or stricter regulations on the environmental area could have a material negative impact on the Group's operations, earnings and financial position.

Tax
Stromma's and the associated companies' operations are affected by the tax rules in force, from time to time, in the countries in which the Group operates. These rules include corporate tax, real estate tax, value added tax, rules regarding tax-exempt disposals of shares, other governmental or municipal taxes, and interest deductions and subsidies. Stromma's and the associated companies' tax situation is also affected by whether transactions between companies within the Group or with associated companies, and between the Group and associated companies, are considered to be priced on market terms. There is a risk that that the Company's interpretation of applicable tax laws and regulations, or that advice from tax advisors, is incorrect, or that such laws and regulations change, possibly with retroactive effect. Further, future changes in applicable laws and regulations may affect the conditions of the businesses of the Company and the associated companies.

Should any tax rates be changed in the future or should other changes of regulations occur it could affect the Group negatively. If any of the above described risks would materialise, it could have a material negative impact on the Group's operations, earnings and financial position.

2) The consolidated year-end report of the Company for the period 1 January – 31 December 2019, page 6.

Risk factors

Competition
Stromma's business competes with other companies within the tourism market as well as the retail market, for the visitors' free time during their stay in cities where the Company operates. In a globalized world, the attractions' unique and cultural character is of most important in order to draw potential visitors.

The Group competes with several competitors in order to obtain some of its guided routes from municipalities, which indicates that the competition is well functioning. There is always a risk that a company might become subject to investigations and proceedings by the Competition Authorities in the future. Furthermore, there is also a risk that the Group cannot maintain its unique supply of attractions and, as a result, lose market shares to competitors, which could have a material negative impact on the Group's operations, earnings and financial position.

Competitive market
The Group's future possibilities to compete are, among other things, dependent upon the Company's ability to anticipate future market changes and trends, and to rapidly react on existing and future market needs, which may result in increased costs or require price reductions or changes of Stromma's business model. Increased competition from existing and new market participants as well as deteriorated competition possibilities could have a material negative impact on the Group's operations, earnings and financial position.

Reputational damage
Stromma's reputation is central to its business and earnings capacity. The Group's long-term profitability is based on that consumers, partners in associated companies and other participants on the tourism market associate Stromma with positive values and good quality. If, for example, Stromma, any of its senior management or partners in associated companies were to act in a manner that conflict with the values represented by Stromma, or if any of the Group's attractions does not meet the expectations of the market, there is a risk that the Group's reputation is damaged. Damage to the reputation could have a material negative impact on the Group's operations, earnings and financial position.

Disputes
In June 2019, the Swedish Tax Agency decided to impose VAT on the Company in the amount of SEK 24,5 million due to sale of city cards during 2017 to 2018 which was in line with what the Company assumed and which the Company included in its annual accounts for the financial year 2018. In July 2019, the Company appealed to the administrative court and is awaiting reply. In April 2019, the Company submitted an application regarding advance notice for year 2019 and onwards. In January 2020, the Council for Advance Tax Rulings (Sw. *Skatterättsnämnden*) reverted, in line with the Swedish Tax Agency previous decision that the city cards shall be taxed as service with 25 percent VAT. Stromma and the Swedish Tax Agency have decided to appeal the decision and request that the Supreme Administrative Court shall obtain an advance ruling from the European Court of Justice given that the city cards are differently classified in the EU countries. Stromma has received postponement with payment of the VAT in the amount of approximately SEK 13 million.

In 2019, an employee was suspected for sabotage as regards the business operation in a number of the Norwegian destinations which had a direct impact on revenue of the Norwegian company. When this came to the management of the Group's knowledge, the employment was terminated and since the revenue cannot be determined because of fraud risk of incomplete income accounting there is a risk that the Norwegian company's audit report for 2019 will include a qualification (Sw. *oren revisionsberättelse*). Stromma has submitted a claim for damage to the insurance company and the matter is currently being processed. The claim is not material for the Group.

Stromma may become involved in disputes or claims which could be time consuming and result in costs and loss of profits, the size of which cannot always be foreseen. Disputes could, therefore, have a material negative impact on the Group's operations, earnings and financial position.

Insurance
Stromma's operations may be affected by a number of risks, such as potential damage to its buses and vessels, potential damage to third parties caused by the Company's drivers as a result of traffic accidents or potential environmental damage linked with Stromma's buses or vessels. Depending on their frequency and severity, these potential damages may result in losses or expose the Company to liabilities in excess of Stromma's insurance coverage or significantly impair its reputation. Moreover, any claims the Company makes under one of its insurance policies or the occurrence of an event or events resulting in a significant number of claims being made may also affect the availability of insurance and increase the premiums Stromma pays for its insurance coverage. Hence, if the Group is unable to maintain its insurance cover on terms acceptable to it or if future business requirements exceed or fall outside the Group's insurance cover or if the Group's provisions for uninsured costs are insufficient to cover the final costs, it may adversely impact the Group's operations, earnings and financial position.

Risk factors

Security risk
The Group conducts its business by, *inter alia*, boat- and bus tours. By transporting customers at sea and in large cities, the Group is subject to certain risks related to deficiencies in the security. Should an accident occur by reason of such deficiencies which result in damages to customers, it could have a significant affect to the Group's operations. There is always a risk that accidents occur in the future which may adversely impact the Group's operations, earnings and financial position.

Fluctuation in the price and availability of fuel
Fuel availability and prices are affected by a number of factors, including environmental legislation and global economic and political developments, over which Stromma has little to no influence. Stromma's fuel costs may also be affected by annual increases in fuel taxes. Moreover, there may also be a delay from when Stromma incurs the increased fuel costs and when its revenue is adjusted. This delay, in turn, could negatively affect the Group's cash flow and the balance between its accounts receivable and accounts payable.

In the event of a shortage in fuel supply resulting from a disruption of oil imports, reduction in production or otherwise, the Group could face higher fuel prices or the curtailment of scheduled fuel deliveries. Such significant changes in fuel availability or costs could materially impact the Group's operations, earnings and financial position.

Currency risk
The Group operates through its subsidiaries. Accordingly, the functional currencies are Swedish Krona ("SEK"), Norwegian Krona ("NOK"), Danish Krona ("DKK") and Euro ("EUR"). Hence, some of the subsidiaries prepare their financial statements in currencies other than SEK (Stromma's reporting currency). When preparing Stromma's consolidated financial statements, the Company translates the balance sheets of its operating subsidiaries into SEK at each balance sheet date, and Stromma translates the income statements of its operating subsidiaries into SEK in accordance with the average exchange rate during the relevant financial period. Consequently, Stromma's results of operations and financial condition are affected by fluctuations in the rate of exchange between SEK and NOK, DKK and EUR. The Group's exposure to currency risk will or may be exacerbated by increased volatility in relevant markets or currencies arising from the COVID-19 outbreak.

Further, the changes in the currencies' exchange rates against other currencies affect peoples' willingness of travel and could thus affect the amount of customers in Stromma's business. The Group could consequently be exposed to unfavourable fluctuations in currency exchange rates, which may adversely impact the Group's operations, earnings and financial position.

Changed accounting rules
Stromma's business is affected by the accounting rules that, from time to time, are applied in Sweden, including for example IFRS and other international accounting rules. This means that the Group's, or its associated companies' accounting, financial reporting and internal control, may in the future be affected by and may have to be adapted to changed accounting rules or a changed application of such accounting rules. This might entail uncertainty regarding the Group's and its associated companies' accounting, financial reporting and internal control and might also affect the Group's and the associated companies' accounted earnings, balance sheet and equity, which could have a material negative effect on the Group's operations, earnings and financial position.

Dependence on IT-systems
The Group uses IT-systems for internal purposes and externally in relation to its customers and is dependent on IT-sales system for the business operation. Any sales system that do not work properly could have negative effect on sales and the Group is particularly exposed if this were to happen during high season.Extensive downtime of network servers as well as attacks by IT-viruses could affect some of the Group's operations negatively, which ultimately could have a negative impact on the Group's operations, earnings and financial position.

The Group also processes personal, confidential and proprietary data and therefore relies on the secure processing, storage and transmission of such information as well as robust measures and systems for protection of data and information security. The Group is thus dependent on the efficient and uninterrupted operation of these IT-systems. Should the Group suffer significant disruptions due to failure, loss of data or any other personal data incidents caused by internal or external factors, whether or not within the Group's control, such as human error, unauthorised access, computer viruses, natural hazards, power loss, security breaches or other similarly disruptive events, it could result in service interruption, misappropriation of confidential information, process failure or other operational difficulties. Should such events occur, the Group could be held liable toward third parties as well as authorities (such as data protection authorities) and may incur additional costs, which could lead to losses and could result in reputational damage, which in turn could have a negative impact on the Group's operations, earnings and financial position.

Risk factors

Risks related to data protection and processing of personal data
In May 2018, the General Data Protection Regulation (Regulation (EU) 2016/679) (the "**GDPR**") entered into force in Sweden. The regulation was established by the European Union to ensure that the data protection for individuals is strengthened and unified. The Group has implemented and refines its data protection policies and programmes in order to comply with the GDPR. Since the GDPR was relatively recently adopted, there a risk that the Group's processing of personal data may be non-compliant with the requirements set out in the GDPR, or that measures taken to comply with the GDPR may be insufficient, which may lead to, *e.g.*, disputes or damaged reputation. For a severe violation of the GDPR, the fine can be up to EUR 20,000,000, or in case of an undertaking, up to four (4) per cent. of the total turnover of the preceding fiscal year. In case of a less severe violation of the GDPR, the fine can be up to EUR 10,000,000, or in case of an undertaking, up to two (2) per cent. of the total turnover of the preceding fiscal year. There is a risk that the Group is unable to comply with the measures and requirements set out in the GDPR, and such non-compliance could lead to significant administrative fines. Should such risks materialise, it could have a material negative impact on the Group's operations, earnings and financial position.

Risks relating to the Bonds
Credit risks
An investment in the Bonds carries a credit risk relating to the Company and the Group. The investor's ability to receive payment under the Terms and Conditions is therefore dependent upon the Company's ability to meet its payment obligations, which in turn is largely dependent upon the performance of the Group's operations and its financial position. The Group's operations and financial position are in turn affected by several factors, a number of which have been discussed above.

An increased credit risk may cause the market to charge the Bonds a higher risk premium, which would have an adverse effect on the value of the Bonds. Another aspect of the credit risk is that any deterioration in the financial position of the Company may entail a lower credit-worthiness and the possibility for the Company to receive financing may be impaired when the Bonds mature.

Refinancing risk
The Company may be required to refinance certain or all of its outstanding debt, including the Bonds. The Company's ability to successfully refinance its debt obligations is dependent upon the conditions of the capital markets and the Company's financial position at such time. Even if the markets and the Company's financial position are favourable, the Company's access to financing sources may not be available on acceptable terms, or at all. The Company's inability to refinance its debt obligations on acceptable terms, or at all, could have a material adverse effect on the Company's business, financial position and results of operations and on the bondholders' recovery under the Bonds.

Ability to comply with the Terms and Conditions
The Group is required to comply with the Terms and Conditions. Events beyond the Group's control, including changes in the economic and business condition in which the Group operates, may affect the Group's ability to comply with, among other things, the undertakings set out in the Terms and Conditions. A breach of the Terms and Conditions could result in a default under the Terms and Conditions.

Interest rate risk
The value of the Bonds is dependent on several factors, including the level of the general market interest rates over time. The Bonds have a floating rate structure on 3 month STIBOR plus a margin and the interest rate of the Bonds will be determined two business days prior to the first day of each interest period. Hence, the interest rate is to a certain extent adjusted for changes in the level of the general interest rate. An increase of the general interest rate level could adversely affect the value of the Bonds. The general interest rate level is to a high degree affected by the Swedish and the international financial development and is outside the Group's control.

Benchmark regulation
The determining of certain interest rate benchmarks, such as STIBOR has been subject to regulatory changes, the most comprehensive of which is the adoption and implementation for the Benchmarks Regulation (Regulation (EU) 2016/1011 on indices used as benchmarks in financial and contracts or to measure the performance of investment funds) (the "**BMR**"). The BMR governs both providers, such as creditors, and users of benchmarks such as STIBOR and other –IBOR rates, as well as the contribution of input data to, and use of, such benchmarks within the EU. The implementation of the BMR will lead to that certain previously used benchmarks, such as EURIBOR and EONIA will be discontinued in accordance with the BMR, leading to that, *inter alia*, existing financing arrangements may need to be renegotiated or terminated, depending on the circumstances. There is a risk that also STIBOR will be discontinued, or that alternative benchmark rates will dominate market practice, leading to uncertainties in relation to the interest rate payable in relation to the Bonds. Furthermore, increased or altered regulatory requirements and risks associated with the BMR (as amended) involve inherent risks as the effects of the BMR cannot be fully assessed at this point in time, and there is a risk that the developments in relation to STIBOR may cause a significant volatility in STIBOR, which, consequently would affect the interest rate for the Bonds and could potentially have negative effects for the bondholders.

Risk factors

Liquidity risks
There is not always active trading in securities, hence there is a risk that the market for trading in the Bonds will be illiquid even though the Bonds are listed. This may result in the fact 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 when the Bonds are admitted for trading on Nasdaq Stockholm.

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.

Should the final redemption date under the Bonds be extended there is a risk that the Bonds may not be admitted to trading on Nasdaq Stockholm following that date, unless actions are taken such as for example that a new application for admission to trading is submitted to Nasdaq Stockholm. If such actions are not taken (as necessary) there is a risk that the Bonds will not continue being listed and the bondholders will in such case have a right to accelerate the Bonds. Upon an acceleration of the Bonds there is a risk that the Company will not have enough funds to repay the Bonds which could adversely affect the bondholders.

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

The Bonds may not be a suitable investment for all investors
Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this material or any applicable supplement; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact other Bonds will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds; (iv) understand thoroughly the Terms and Conditions; and (v) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Currency risk
The Bonds are denominated and payable in SEK. If investors in the Bonds measure their investment return by reference to a currency other than SEK, an investment in the Bonds will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the SEK relative to the currency by reference to which investors measure the return on their investments could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss to investors when the return on the Bonds is translated into the currency by reference to which the investors measure the return on their investments. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Company to make payments in respect of the bonds. As a result, there is a risk that investors may receive less interest or principal than expected, or no interest or principal.

Dependence on subsidiaries
A significant part of the Group's assets and revenues relate to the Company's subsidiaries. Accordingly, the Company is dependent upon receipt of sufficient income related to the operation of and the ownership in the subsidiaries to enable it to make payments under the Bonds. The Company's subsidiaries are legally separate and distinct from the Company and have no obligation to pay amounts due with respect to the Company's obligations and commitments, including the Bonds, or to make funds available for such payments. The ability of the Company's subsidiaries to make such payments to the Company is subject to, among other things, the availability of funds, corporate restrictions and the terms of each operation's indebtedness. Should the Company not receive sufficient income from its subsidiaries, the investor's ability to receive payment under the Terms and Conditions may be adversely affected.

Risk factors

Structural subordination and insolvency of subsidiaries
In the event of insolvency, liquidation or a similar event relating to one of the Company's subsidiaries, all creditors of that company would be entitled to payment in full out of the assets of such company before any entity within the Group, as a shareholder, would be entitled to any payments. Thus, the Bonds are structurally subordinated to the liabilities of such subsidiaries. There is a risk that the Group and its assets would not be protected from 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, the Company's subsidiaries could result in the obligation of the Company to make payments under financial or performance guarantees in respect of the subsidiaries' obligations or the occurrence of cross defaults on certain borrowings of the Group, which could have a material adverse effect on the Company's business, financial position and results of operations and on the bondholders' recovery under the Bonds.

Unsecured obligations
The Bonds represent an unsecured obligation of the Company. This means that in the event of bankruptcy, re-organization or wind-up of the Company, the holders of the Bonds normally receive payment after any priority creditors, as allowed for in the Terms and Conditions or as mandatorily preferred by law, have been paid in full. Each investor should be aware that there is a risk that an investor in the Bonds loses all or part of their investment if the Company becomes bankrupt, carries out a re-organization or is wound-up.

The principal shareholder
Hans von Rettig controls, directly and indirectly, 100 percent of all shares in Stromma. The interests of the principal shareholder could conflict with those of the bondholders and/or those of the Company and the Group, particularly if the Group encounters difficulties or is unable to pay its debts as they fall due. A company where any shareholder has a controlling interest may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgement, could enhance their equity investments, although such transactions might involve risks to the bondholders. In addition, there is nothing that prevents such shareholder or any of its affiliates from acquiring businesses that directly compete with the Group. If such an event were to arise it could have a material negative impact on the Group's operations, earnings and financial position.

Risks related to early redemptions and put options
Under the Terms and Conditions, the Company has reserved the possibility to redeem all outstanding Bonds before the final redemption date and to voluntary partial redeem the Bonds by reducing the nominal amount of the Bonds. If the Bonds are redeemed before the final redemption date or partial redeemed by reducing the nominal amount with the repaid amount, the bondholders have the right to receive an early redemption amount which exceeds the nominal amount of the Bonds. However, there is a risk that the market value of the Bonds is higher than the early redemption amount and that it may not be possible for bondholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate.

According to the Terms and Conditions, the Bonds are subject to prepayment at the option of each bondholder (put option) if (i) an event or series of events occur whereby one or more persons, acting together, acquire control over the Company and where "control" means acquiring or controlling, directly or indirectly, more than 50 percent of the votes of the Company, 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 Company or (ii) the Bonds have not been listed on Nasdaq Stockholm within 60 days after the issue date. There is, however, a risk that the Company will not have sufficient funds at the time of such prepayment to make the required prepayment of the Bonds which could adversely affect the Company, *e.g.*, by causing insolvency or an event of default under the Terms and Conditions, and thus adversely affect all bondholders and not only those that choose to exercise the option.

No action against the Company 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 Company. Consequently, individual bondholders do not have the right to take legal actions to declare any default by claiming any payment from or enforcing any security granted by the Company 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 a bondholder, in certain situations, could bring its own action against the Company (in breach of the Terms and Conditions), which could negatively impact an acceleration of the Bonds or other action against the Company. To enable the agent to represent bondholders in court, the bondholders may have to submit a written power of attorney for legal proceedings. The failure of all bondholders to submit such a power of attorney could negatively affect the legal proceedings.

Under the Terms and Conditions, the agent will in some cases have the right to make decisions and take measures that bind all bondholders. Consequently, the actions of the agent in such matters could impact a bondholder's rights under the Terms and Conditions in a manner that would be undesirable for some of the bondholders.

Risk factors

Bondholders' meetings
The Terms and Conditions will 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 will allow for certain majorities to bind all bondholders, including bondholders who have not taken part in the meeting and those who have voted differently to the required majority at a duly convened and conducted bondholders' meeting. Consequently, the actions of the majority in such matters could impact a bondholder's rights in a manner that would be undesirable for some of the bondholders.

The Company intends to, during Q2 2020, send notice to a written procedure in order for the bondholders to vote in the Amendment Process which include *inter alia* a proposal to extend the final redemption date of the Bonds and to permit the Group to incur further debt, amendments which according to the Company are necessary to ensure the Company's future liquidity needs given the impact of COVID-19 on the Group's business. There is a risk that the Amendment Process is not approved by a requisite number of bondholders, which would significantly affect the Group's available liquidity sources and there is a risk that the Group will be able to meet its payment obligations only by raising funds on expensive terms, thus increasing its financing costs, or that the Group will not be able to meet its payment obligations at all, and as a result thereof default under material agreements entered into by the Group, including the Terms and Conditions.

If the Amendment Process is approved by the bondholders the Issuer will be subject to modified financial covenants and permitted to inter alia incur up to SEK 100 million of new debt without meeting the incurrence test. Hence, the Group may incur additional debt and increase its total indebtedness in a way that was not intended under the original Terms and Conditions, which could affect the Issuer's ability to make payments under the Bonds, including to repay the principal of the Bonds in full at maturity or upon an early redemption or repurchase of Bonds.

Restrictions on the transferability of the Bonds
The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or any U.S. state securities laws. A holder of the Bonds may not offer or sell the Bonds in the United States. The Company has not undertaken to register the Bonds under the U.S. Securities Act or any U.S. state securities laws or to affect any exchange offer for the Bonds in the future. Furthermore, the Company has not registered the Bonds under any other country's securities laws. Each potential investor should observe and obey the transfer restrictions that apply to the Bonds. It is the bondholder's obligation to ensure, at own cost and expense, that its offers and sales of Bonds comply with all applicable securities laws. Due to these restrictions, there is a risk that a bondholder cannot sell its Bonds as desired.

Risks relating to the clearing and settlement in Euroclear's book-entry system
The Bonds will be affiliated to Euroclear's account-based system, and no physical notes will be issued. Clearing and settlement relating to the Bonds will be carried out within Euroclear's book-entry system as well as payment of interest and repayment of the principal. Investors are therefore dependent upon the functionality of Euroclear's account-based system, which is a factor that the Company cannot control. If Euroclear's account-based system would not function properly, there is a risk that investors would not receive payments under the Bonds as they fall due.

Amended or new legislation
This material and the Terms and Conditions are based on Swedish law in force at their respective date of issuance. The impact of any possible future legislative measures or changes, or changes to administrative practices, may give rise to risks which are not possible to foresee. There is a risk that amended or new legislation and administrative practices may adversely affect the investor's ability to receive payment under the Terms and Conditions.

Conflict of interests
Carnegie Investment Bank AB (publ) and Danske Bank A/S, Sverige Filial (the "**Banks**") have engaged in, and/or may in the future engage in, investment banking and/or commercial banking or other services for the Company and the Group in the ordinary course of business. The Banks (and/or its affiliates) may thus have relations with the Group other than those arising from its role in the Amendment Process including, as regards Carnegie Investment Bank AB (publ), other than those arising from its role in the issue of the Bonds. The Banks (and/or its affiliates) may, for example, provide services related to financing other than through the issue of the Bonds and other than financing related to the Amendment Process, such as investment banking services for, or other commercial dealings with, the Group. Therefore, conflict of interest may exist or may arise as a result of the Banks having previously engaged, or will in the future engage, in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests. Such conflicts of interest could adversely affect the Group's ability to renew or maintain existing financing or obtain further financing and in turn have a material negative effect on the Group's operations, earnings and financial position.