



Capital Markets Discussion

Raising capital, dividend policy and other key matters for listed companies

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Today's presenters



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- 22 years of investment banking experience
- Clarksons Platou Securities, 2016-2020
- Swedbank/First Securities, 2004-2016
- Jefferies and JP Morgan, 2000-2004
- B.Sc. in Management, London School of Economics



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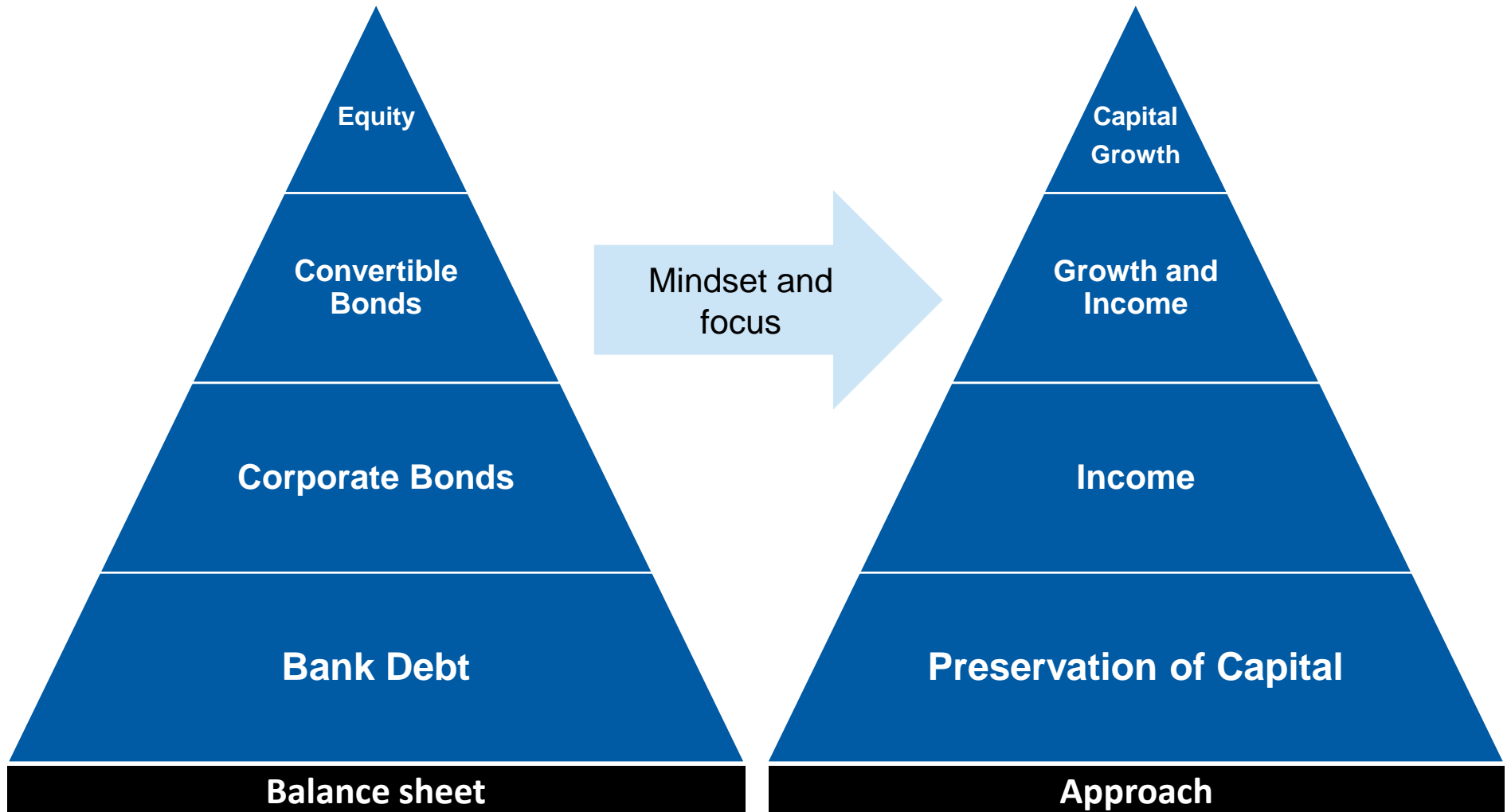
- 12 years of investment banking experience
- SB1 Markets from June 2017
- Swedbank/First Securities, 2010-2017
- M.Sc. Cass Business School

Table of Contents



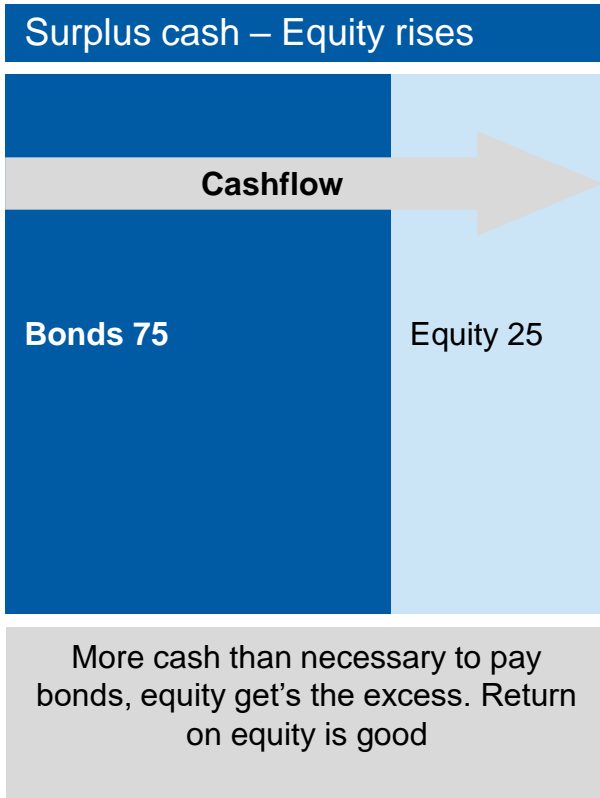
- ▶ 1. **Capital Structure | High level**
- 2. Raising capital: Equity, debt and hybrid instruments
- 3. Dividend policy | Key considerations
- 4. Appendix

The pecking order of capital structure



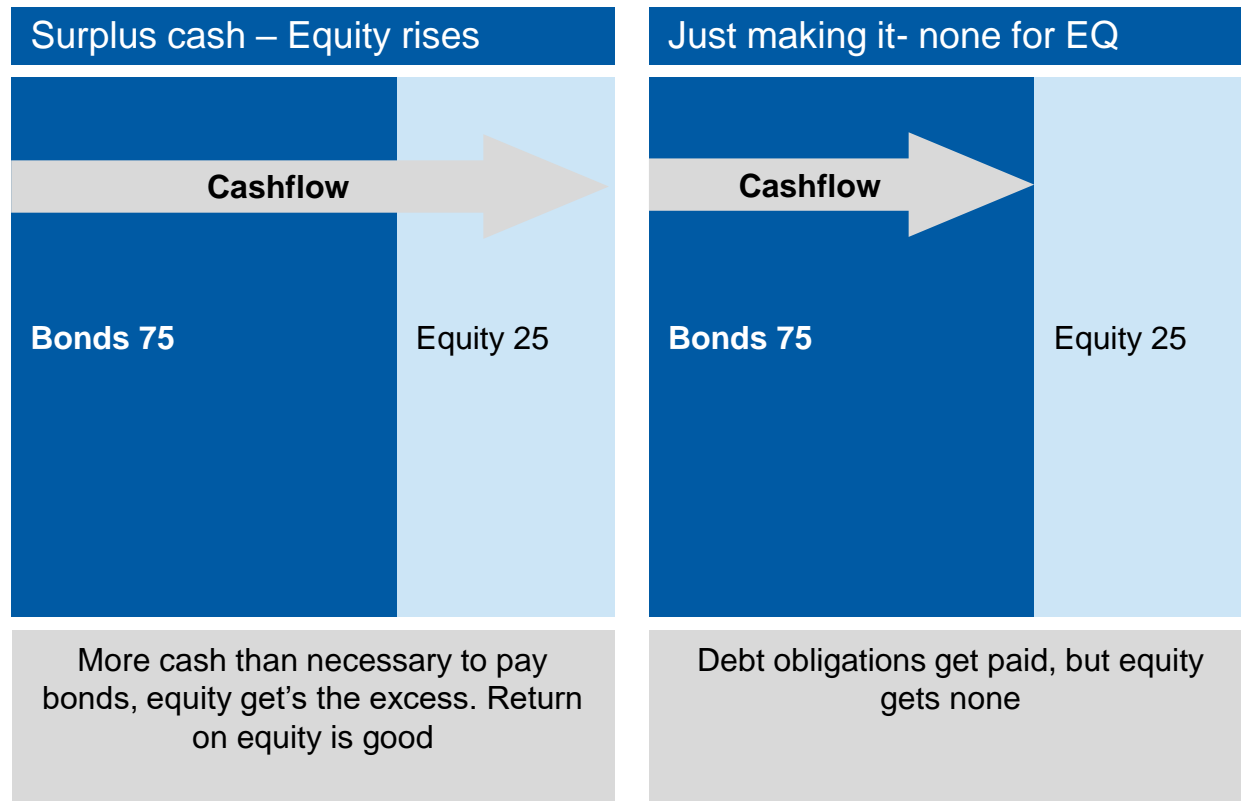
The pecking order of capital structure (cont'd)

The pecking order – who gets served, and when?



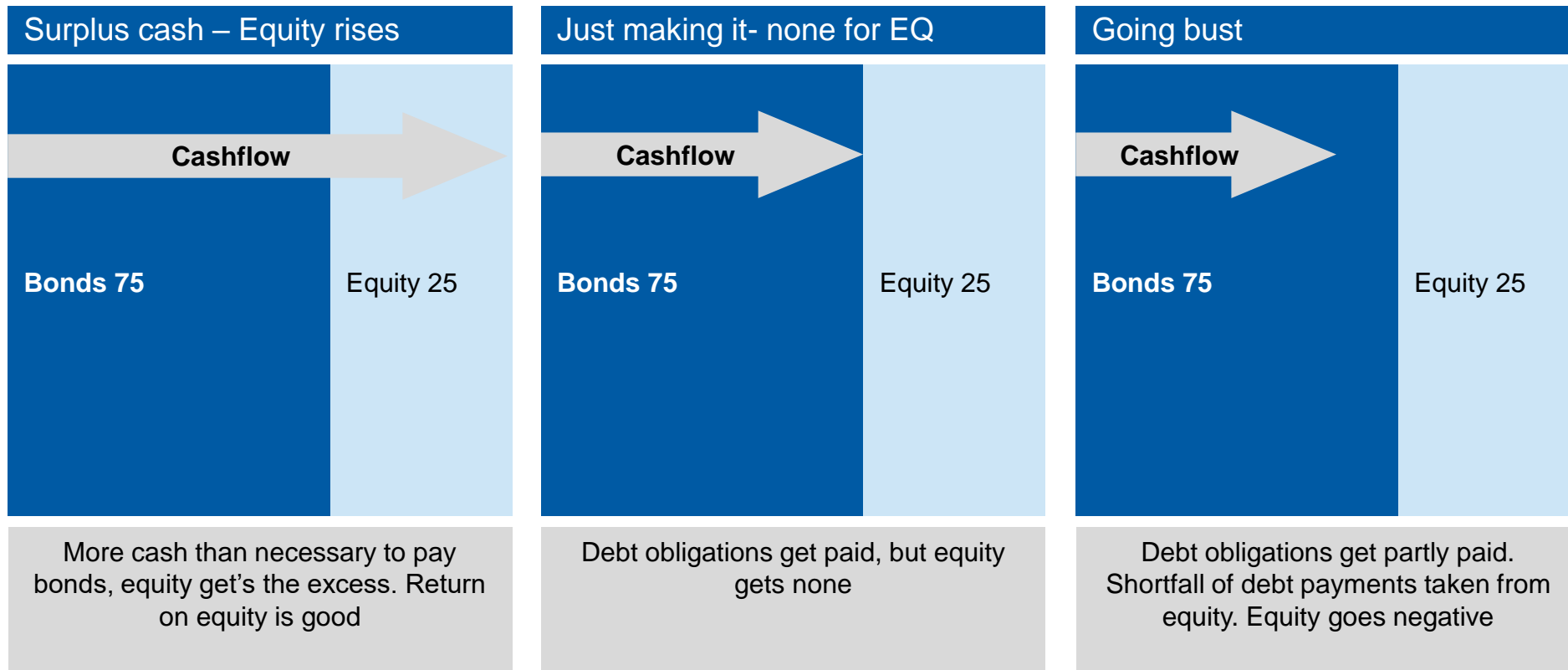
The pecking order of capital structure (cont'd)

The pecking order – who gets served, and when?



The pecking order of capital structure (cont'd)

The pecking order – who gets served, and when?



Ways to change the capital structure of a company

Capital structure: The combination of debt and equity, and how this is balanced

Ways to reduce company net debt

Issuance of new equity

Sale of assets

Restructuring of capital structure

Ways to increase company net debt

Issuance of new debt / bonds

Payment of dividends

Repurchase of shares

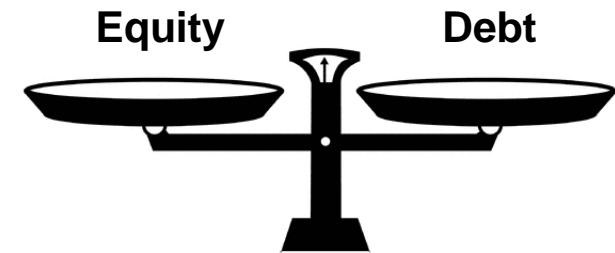


Table of Contents



1. Capital Structure | High level

▶ 2. **Raising capital: Equity, debt and hybrid instruments**

3. Dividend policy | Key considerations

4. Appendix

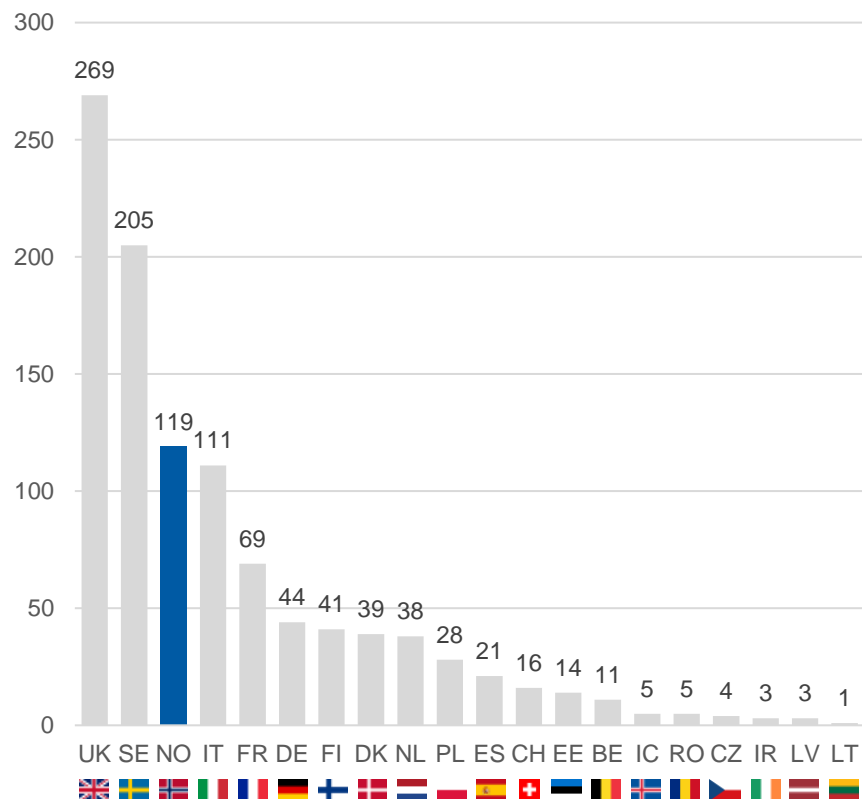
Sources of capital

- 1 Equity
- 2 Bonds and direct lending
- 3 Hybrid capital
- 4 Bank debt

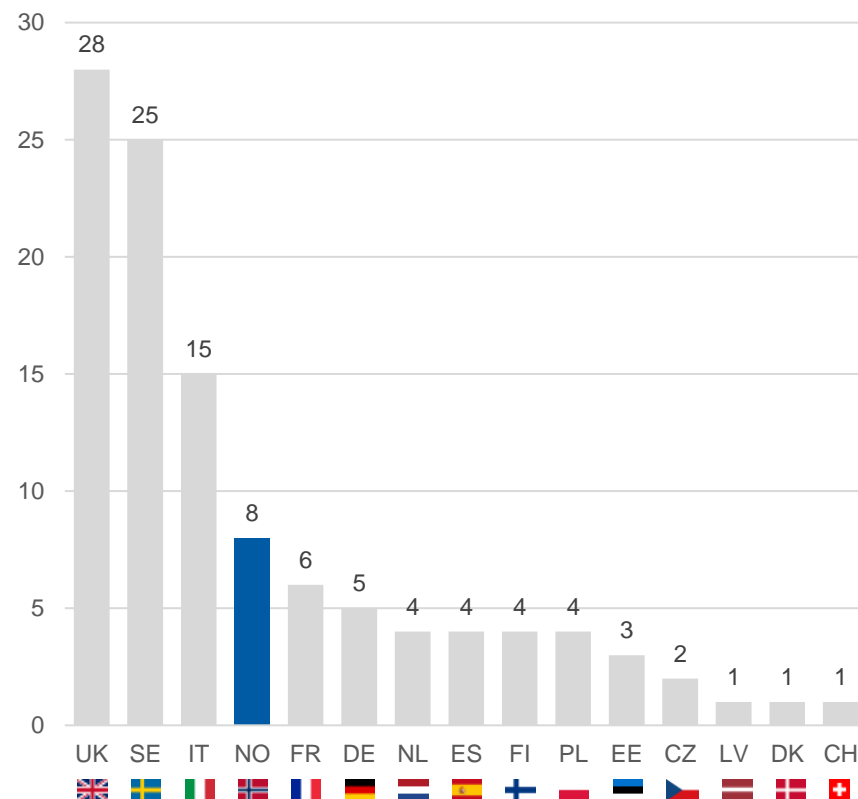
Capital
markets focus
area

Norway is one of the most active markets in Europe

IPO comparison Europe, 2020 – 2022 YTD (#)



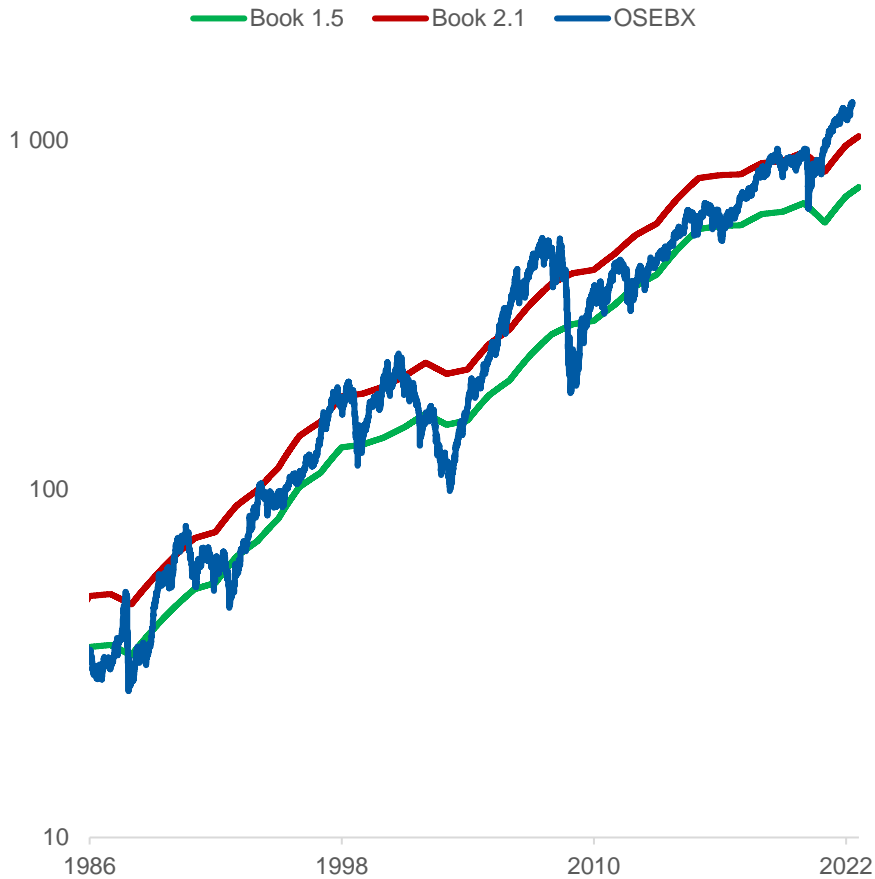
IPO comparison Europe, 2022 YTD (#)



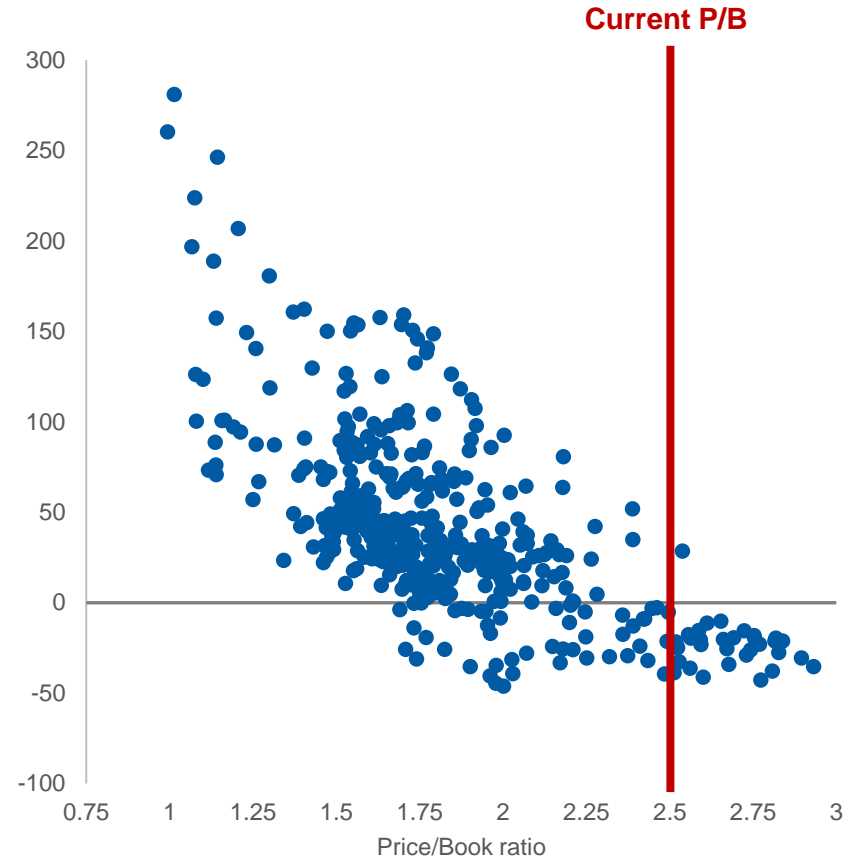
Backdrop: Markets are at close to all-time high

OSE at 2.5x book values, a level that has been followed by crashes historically

OSE P/B band



OSE P/B vs. 3-yr subsequent return

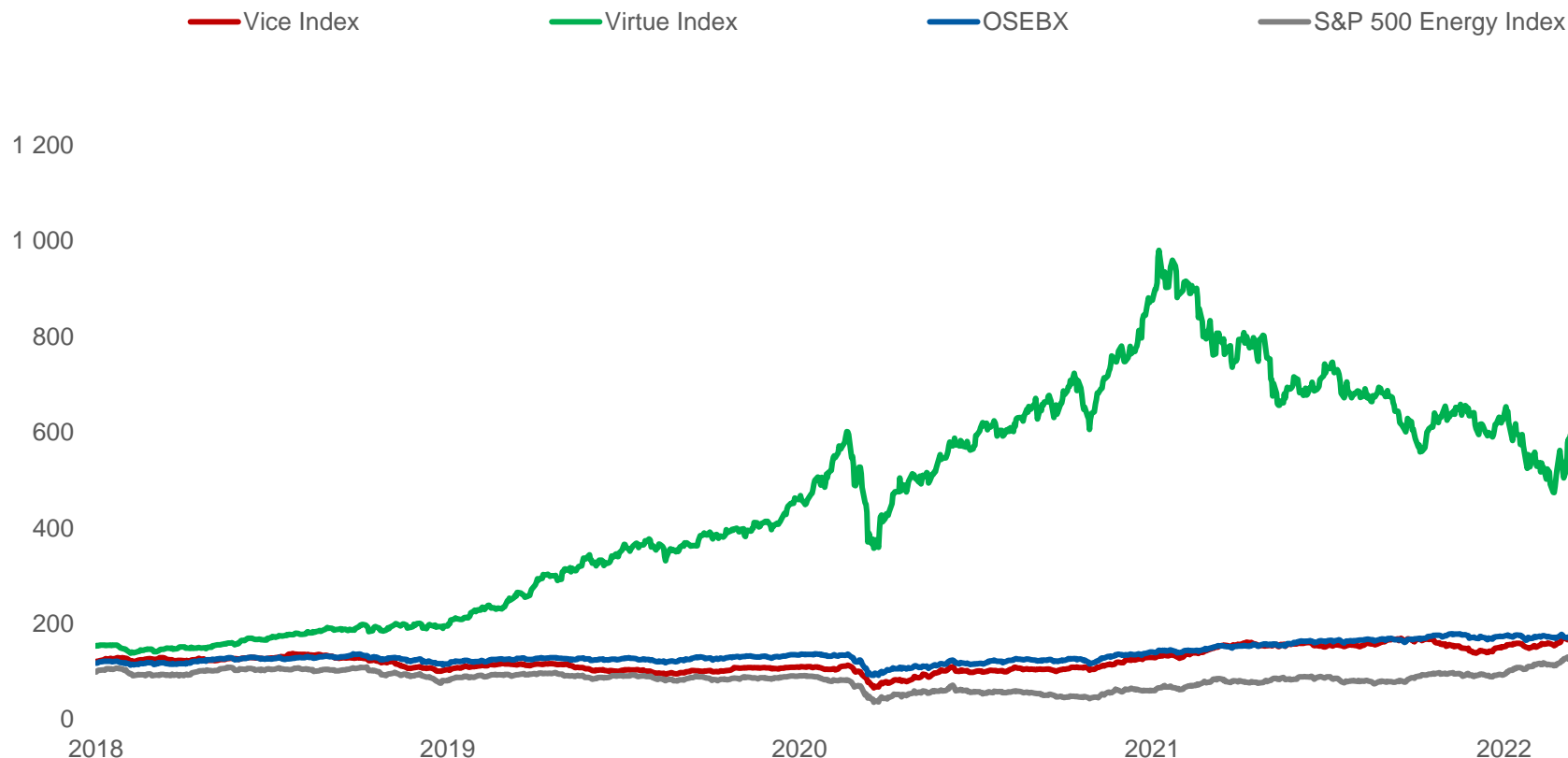


Large shift and sector rotation in the market

1 Equity

From full focus on the “Virtue” companies in 2019-21, to a rebound in cyclical and “Vice” sectors

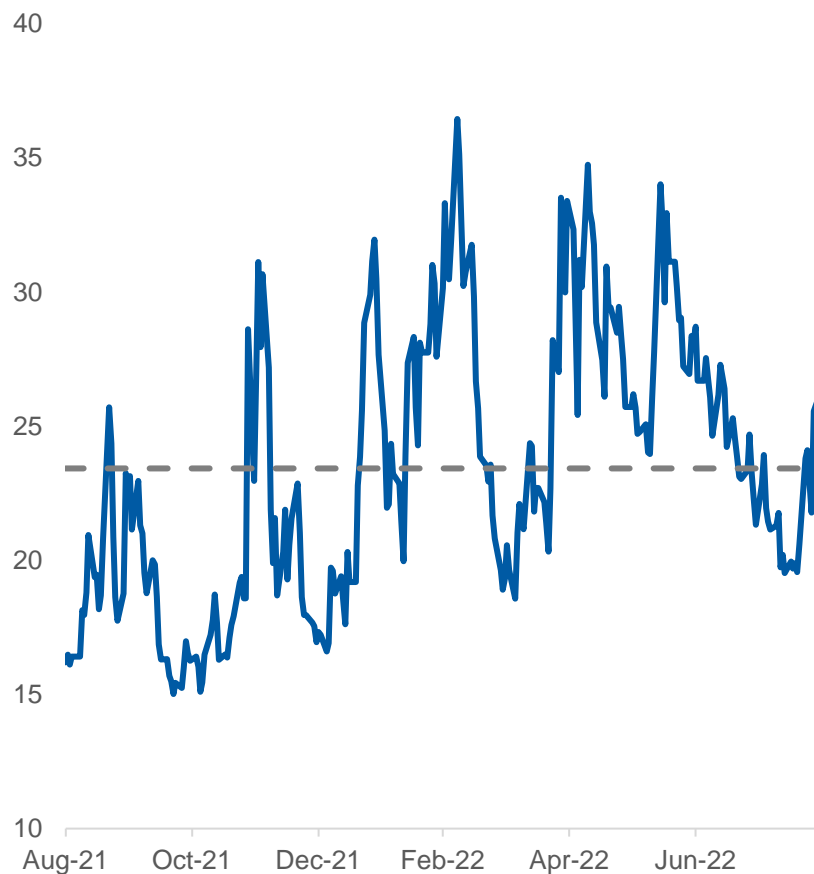
«Vice vs. Virtue Index»



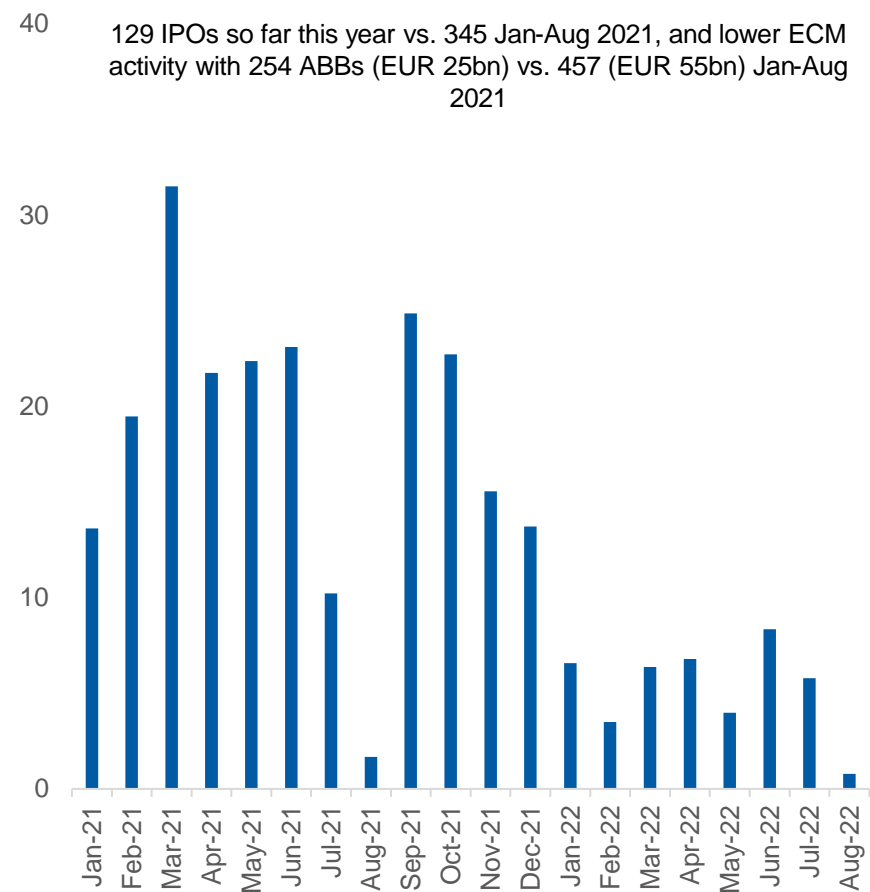
More volatile markets in 2022

And ECM activity has slowed down – but could pick up again quickly this fall

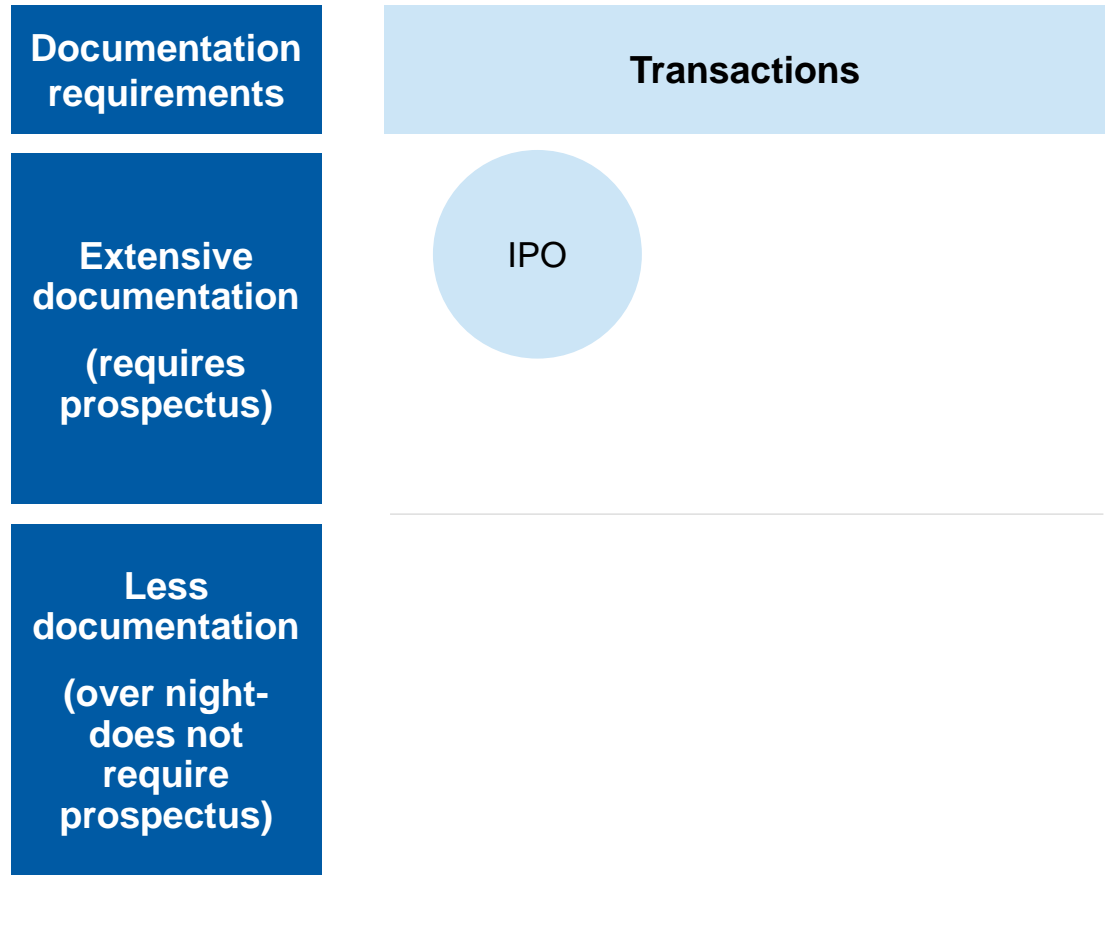
VIX LTM



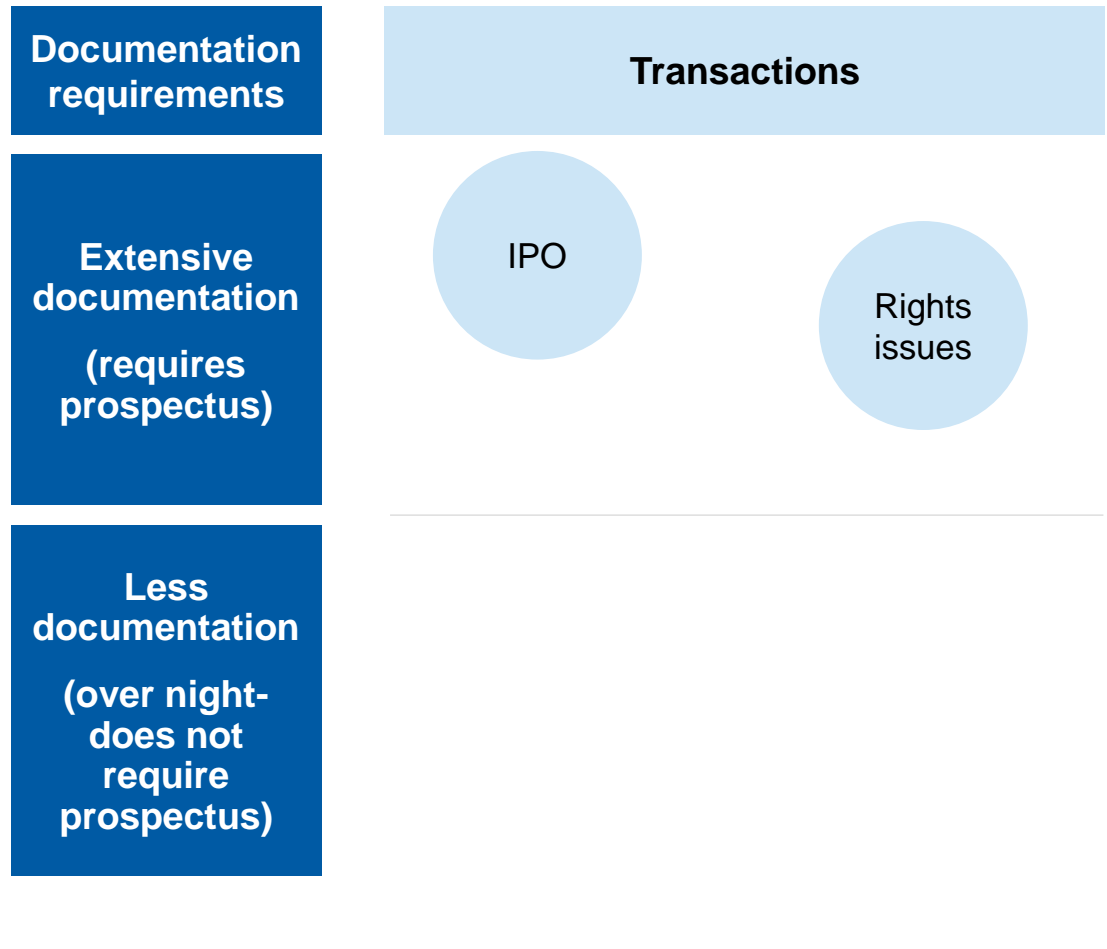
ECM volume Europe 2021-2022YTD (EURbn)



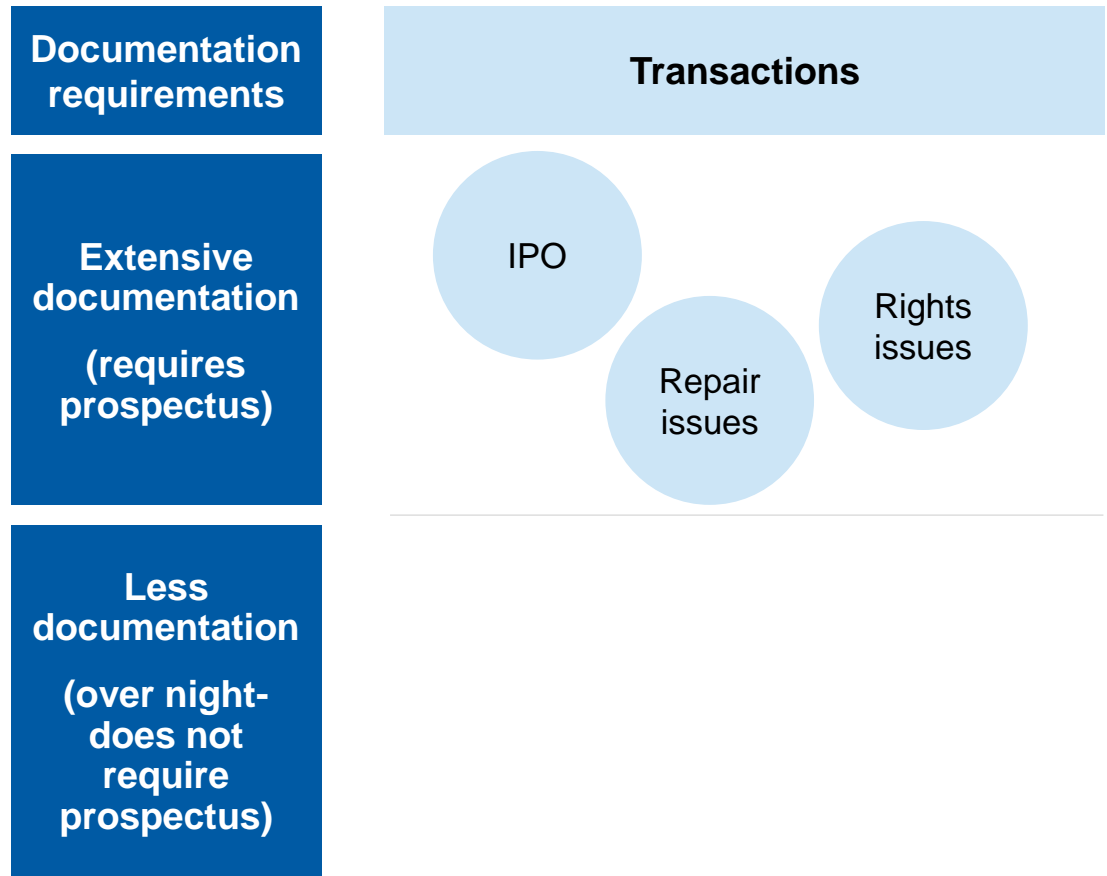
Overview – different equity transactions



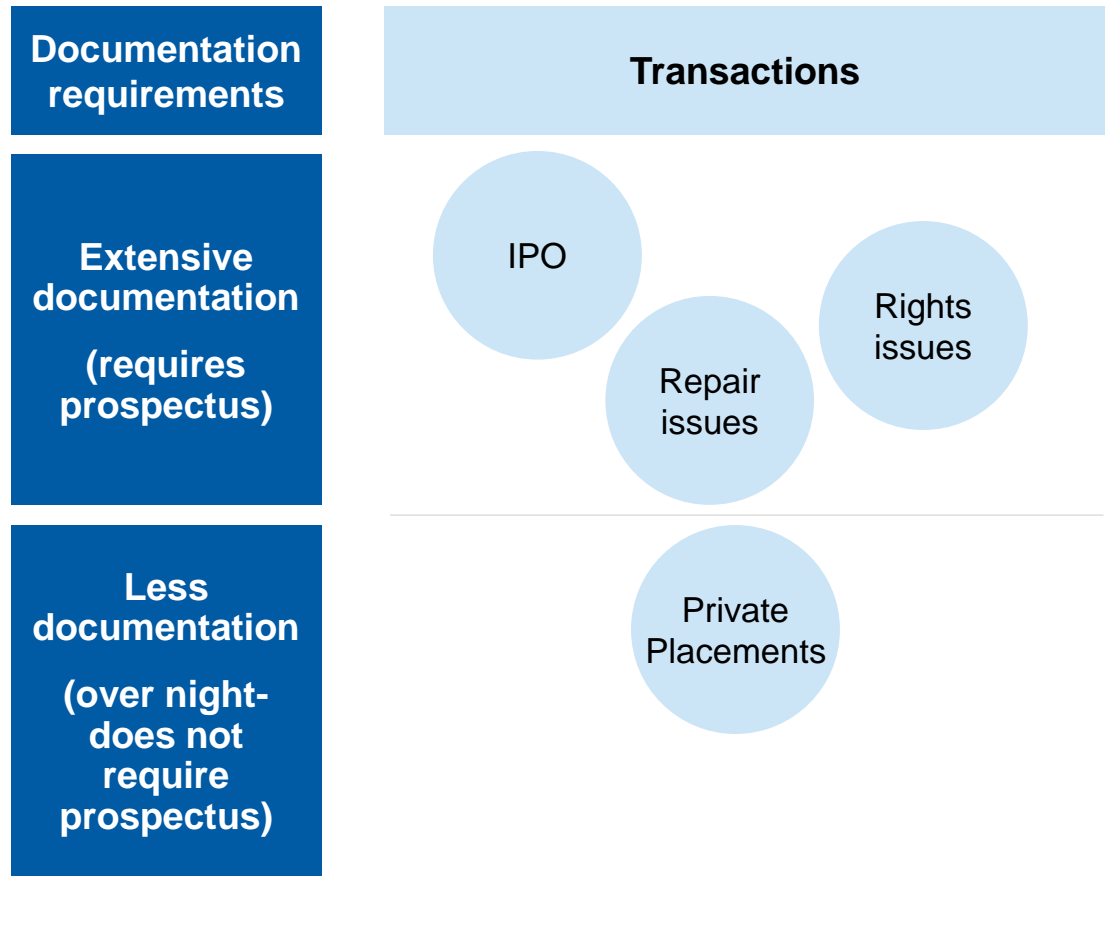
Overview – different equity transactions



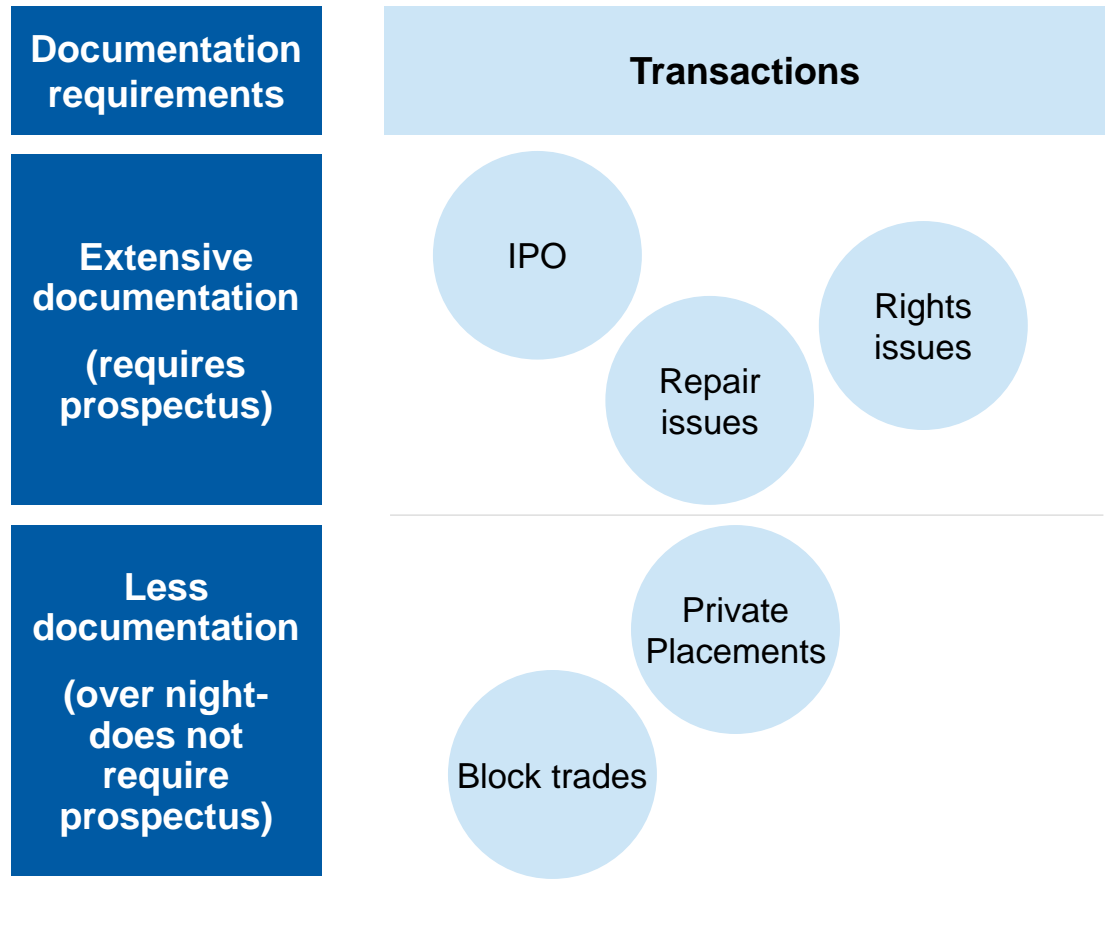
Overview – different equity transactions



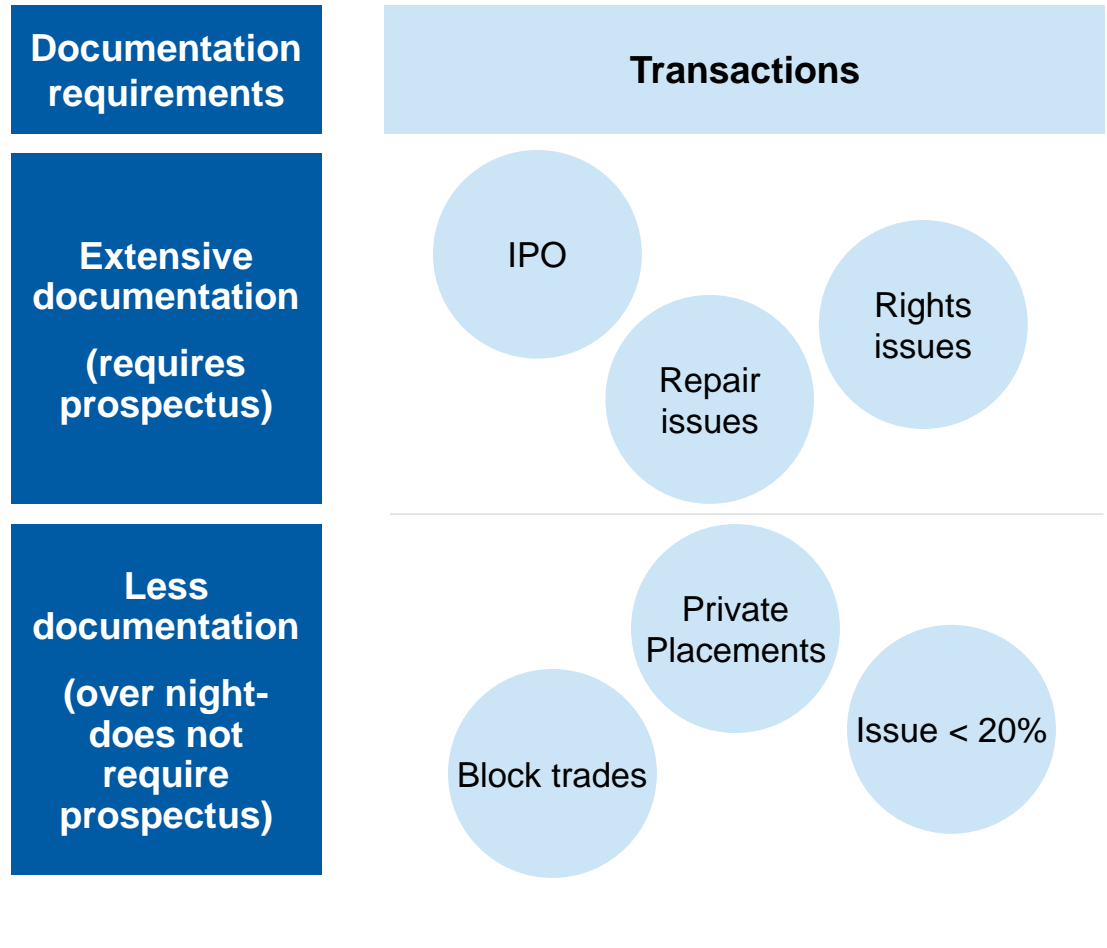
Overview – different equity transactions



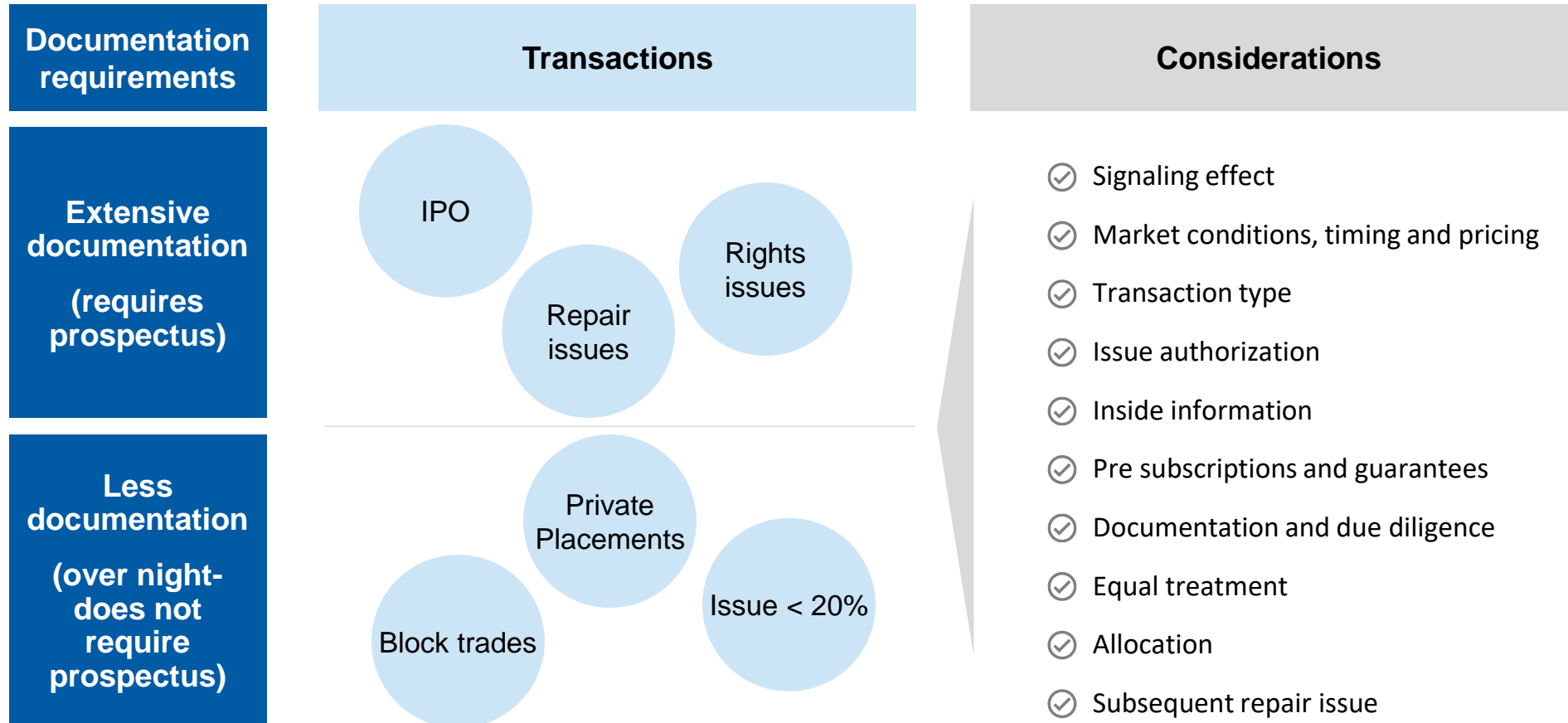
Overview – different equity transactions



Overview – different equity transactions



Overview – different equity transactions



Trading venues in Norway

Faster execution and light(er) documentation requirements for NOTC and Euronext Growth



Oslo Stock Exchange trading venue options



Private Placement

A share issue directed towards selected investors (new and/or existing shareholders)

Flexible, quick and predictable

- Often executed by Board authority, granted by the shareholders at AGM/EGM
- Flexible within the limits set by the general meeting and can be used to invite specific investors to invest in the issuer
- Book building and possible guarantees increases predictability

Dilution of existing shareholders

- Board authority supersedes shareholder pre-emption rights
- Can be prone to criticism, if issue is (highly) dilutive

Repair issue

- Often followed by a subsequent offering (repair issue) directed at all shareholders at the time of the private placement who were not offered shares in the private placement

A Private Placement can be completed in 2-3 weeks

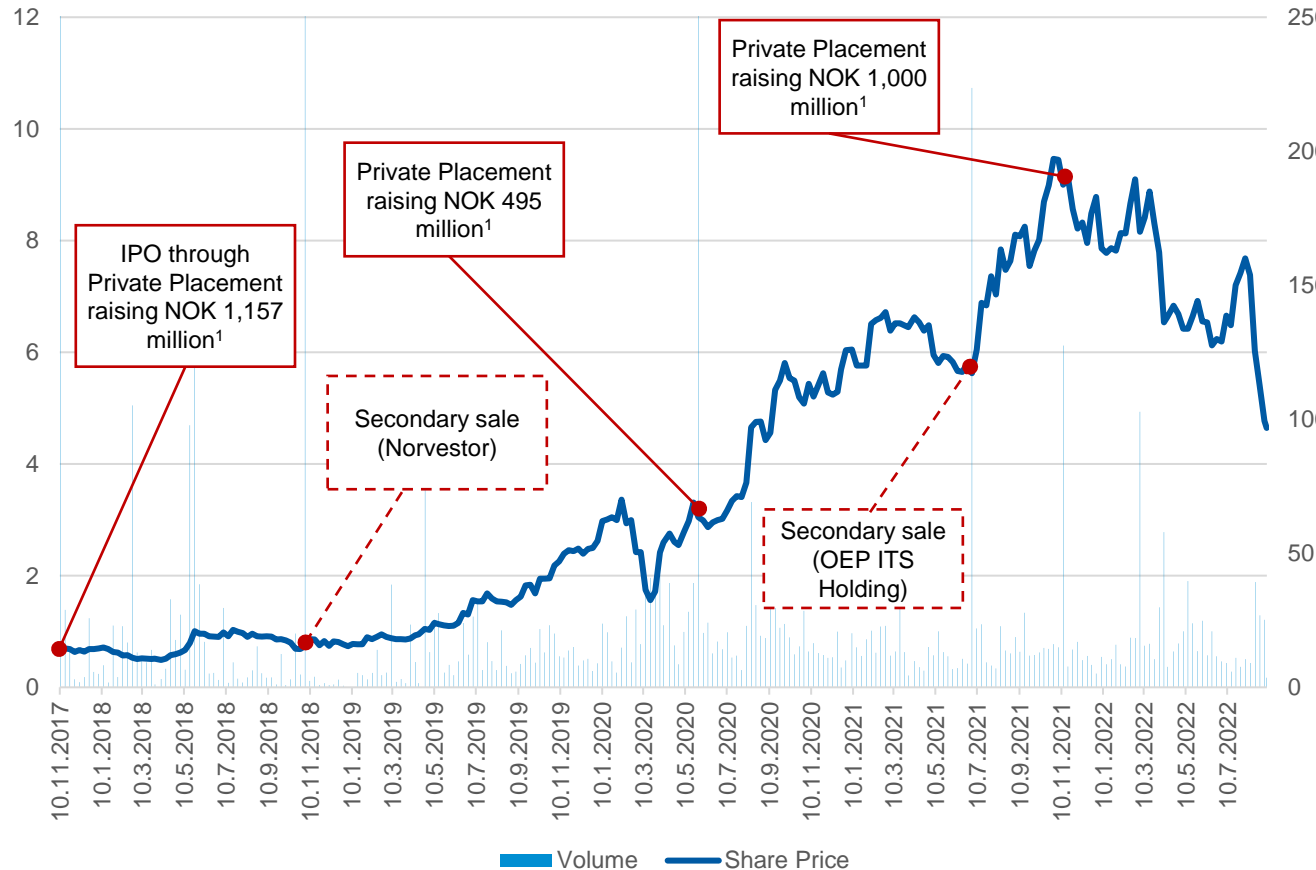
And launched in a matter of days if documentation and approvals are in place

Activity																					
	Week	1					2					3					4				
	Day	1	2	3	4	5	8	9	10	11	12	15	16	17	18	19	22	23	24	25	26
Internal issuer preparations																					
Advisor coordination and documentation																					
Brokers' morning meeting presentations																					
Pre-sound																					
Announcement/accelerated book-building																					
Allocation																					
Settlement																					
Redeliver of borrowed shares																					

Private Placement case study: Crayon

Raised NOK 2.7 bn of new equity since IPO

Crayon share price (NOK), volume traded (m shares) and key capital market events

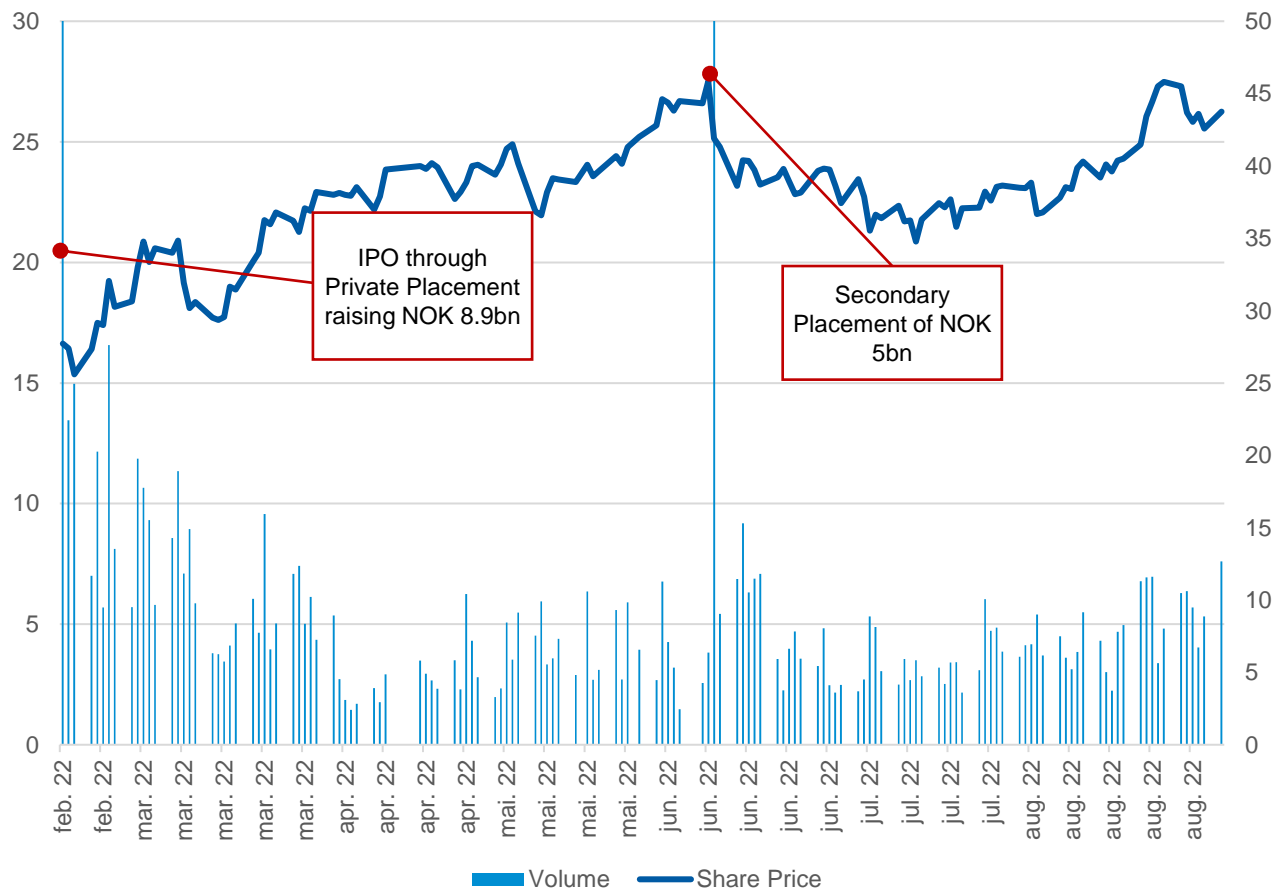


- Crayon has raised NOK 2.7bn through three private placements (including IPO)
- Prior AGM approval and no prospectus requirement enabled highly efficient listing process
- Share lending agreement from main shareholder provided T+2 days settlement
- Accelerated by high demand for software shares
- Resulted in strong capital availability with minimum friction

Secondary Placement case study: Vår Energi

1 Equity

Vår Energi share price (NOK), volume traded (m shares) and key capital market events



- Main shareholders Eni and HitecVision in Vår sold shares for a total value of NOK 5bn in June '22
- Transaction increased free float and creates more liquidity – important for attracting additional institutional interest and index inclusion

Rights Issue

A share issue directed at all current shareholders

Definition

- A rights issue is a share issue directed at all current shareholders where they are invited to subscribe for shares on a pro rata basis, e.g. 1 new share per 2 shares held (1:2 ratio)

Ensures shareholders interests

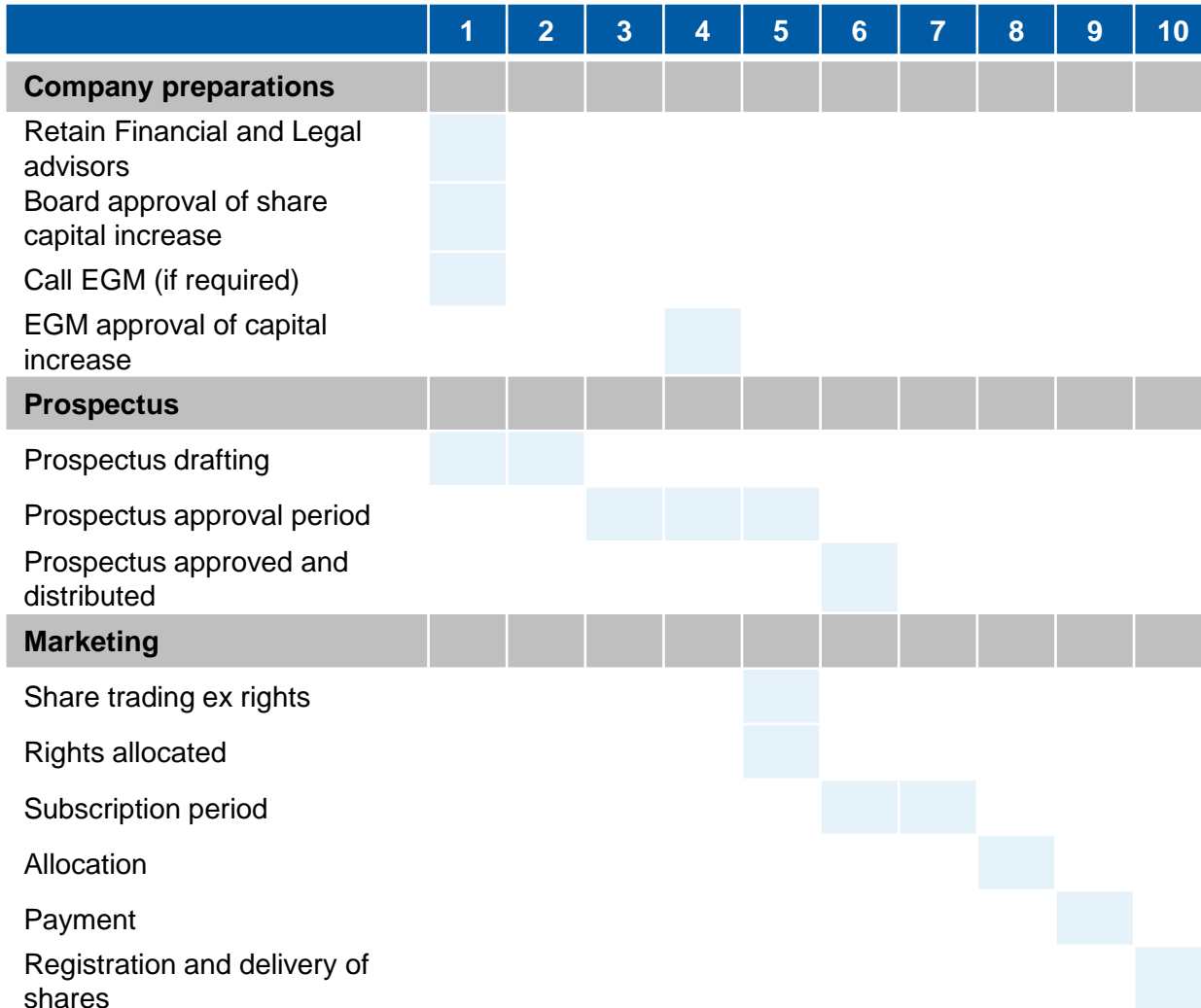
- A rights issue is the "default" method of issuing shares according to Norwegian law, as it is the method that ensures shareholders pre-emption rights
- The capital increase is dependent on approval by the general meeting
- As all shareholders are given subscription rights on an equal basis, the discount to the current share price is of minor importance
- The larger the discount, the higher is the value of the subscription rights

Risks

- The outcome of a rights issue is highly dependent on the willingness (and awareness) of the shareholder base to further finance the company
- The risk can be mitigated by a full or partial guarantee by an underwriter
- Furthermore, subscription rights can be actively traded to ensure that all subscription rights are held by investors who want a stake in the company

Rights Issue: High-level timeline

Can be completed in ten weeks



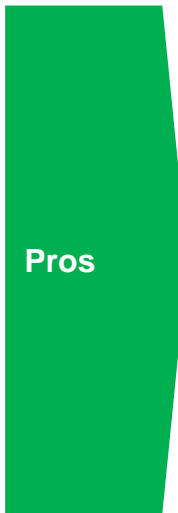
Comments

- Prospectus drafting usually takes 2 weeks or more expect +3 weeks for approval
- Minimum 4 days between shares trading ex-rights and rights allocated

Private Placements and Rights Issues are the two main types of equity issues

Private Placement

Rights Issue



- ✓ Can be initiated quicker than rights issues, as placements can be executed subject to EGM approval, or by Board authority
- ✓ Can be used to improve shareholder structure by inviting new investors to invest in the company

- ✓ Ensures the interest of existing shareholders
 Conserves value to existing shareholders, as the issue price discount is offset by the value of the right(s)
 A rights issue enables all current shareholders to participate and avoid being diluted
- ✓ Low risk in a guaranteed rights issue with tradeable rights
 Transaction risk mitigated by guarantee (manager and/or large shareholder)
 Subscription rights can be traded to ensure that all rights are held by interested investors
- ✓ Full openness with regards to information after EGM



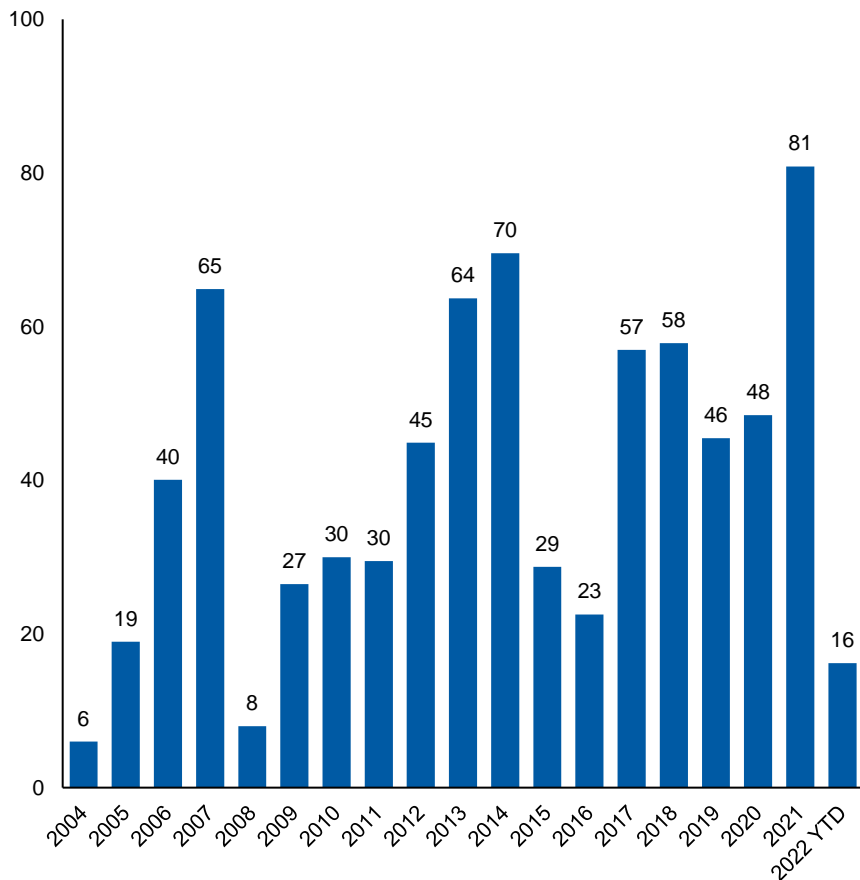
- ✗ Can be prone to criticism if issue is dilutive
- ✗ Pre-marketing/roadshow triggers insider information issues
- ✗ Unpredictable result and difficult to guarantee
- ✗ Time consuming if EGM and prospectus are required, in addition to subsequent offering

- ✗ Time consuming due to requirement of EGM, prospectus, two week subscription period and settlement period
- ✗ Risk of non-efficient pricing of rights

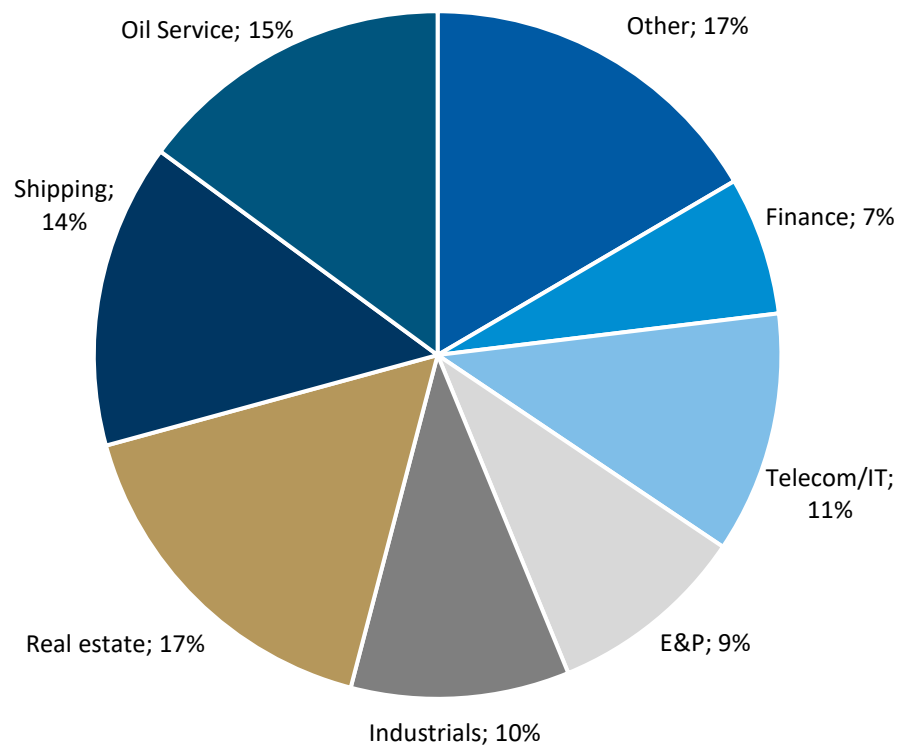
Norwegian HY market has developed into a major hub

Attracting both Nordic and international issuers to raise financing in Norway

Norwegian HY market – issued volume (NOKbn)



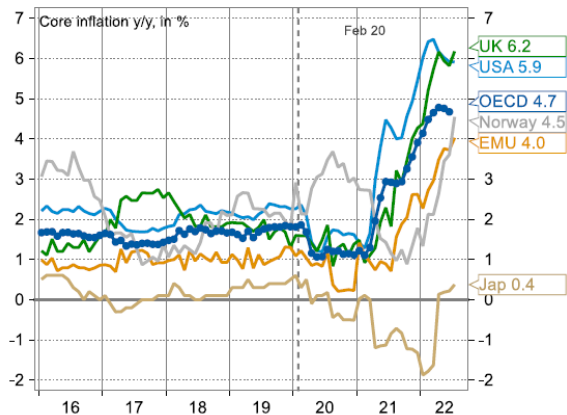
Outstanding volume per sector



Inflation is putting pressure on interest rates

In large part driven by energy-prices. Base level for debt financing increasingly expensive

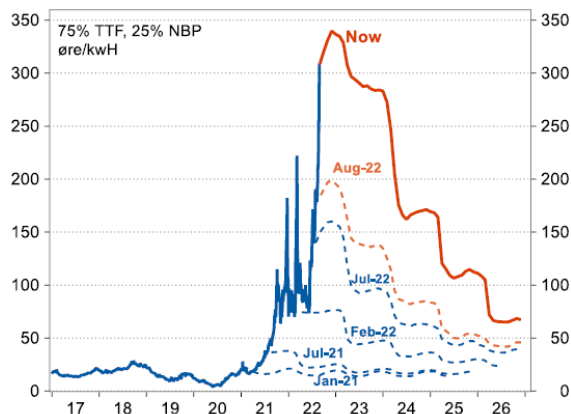
Core CPI Inflation



Interest rate swaps (5 yrs, %)



European gas prices



Several strengths of the market that attract issuers

A flexible and attractive source of debt financing

Norwegian HY bonds in brief

Flexible structures

- Unsecured and secured structures
- Going concern, project finance and acquisition finance
- 1-10 year tenors (5 years the most common)
- Typically covenant light

Established documentation

- Active trustee function with Nordic Trustee AS
- Well-tested and globally accepted LMA based loan agreement based on an existing template
- Moderate legal costs, Nordic law documentation very efficient compared to UK and NY law

Short time to market

- No public rating requirement nor regulated offering memorandum/prospectus
- No due diligence requirements
- 4-6 weeks until completion; market monitoring prior to launch fully possible

Waivers /Amendments

- All major waivers/amendments require 2/3s majority of Voting Bonds ($\geq 50\%$ participation)
- Proven processes for waivers and amendments being successful
- Banks (all banks) and US bonds (90%) proven to be challenging in difficult times

Global product

- Global investor universe with ticket sizes from USD 1 million up to USD 100 million (and higher)
- Successfully used by numerous international issuers
- Highly active secondary trading market

Process can be completed in a matter of weeks

For a first time issuer: Normal accelerated process is 4-6 weeks, shorter for established issuers

Week #	1	2	3	4	5	6	Comments
Structuring and documentation							<ul style="list-style-type: none"> Process can be accelerated further, but also tends to take more time than indicated if complex transactions <ul style="list-style-type: none"> » Due diligence, structuring, etc. Expect 3 – 5 days of pre-sounding – exact timing subject to how «busy» the market is at the time Expect book-building to take 1 or 2 days – option to close the books at any time Bond settlement to take place 1-2 weeks after close of books
Engagement letter	■						
Term sheet	■	■	■	■			
Investor presentation / Info Memo	■	■	■	■			
Credit research	■	■	■	■			
Green bond certification	■	■	■	■			
All documents concluded				■			
Market pre-sounding							
Mandate announcement					■		
Management meetings and group presentations					■		
Term sheet discussion with ~15 large investors					■		
Summary of pre-sounding and launch decision					■		
Book-building and pricing							
Deal launch and books open						■	
Management meetings / conference calls						■	
Pricing and close of books						■	

HY market is both cyclical and follows equity pricing

Analysts and investors approach companies and credits in the same way

US High Yield Index Option-Adjusted Spread (%)



Green bonds

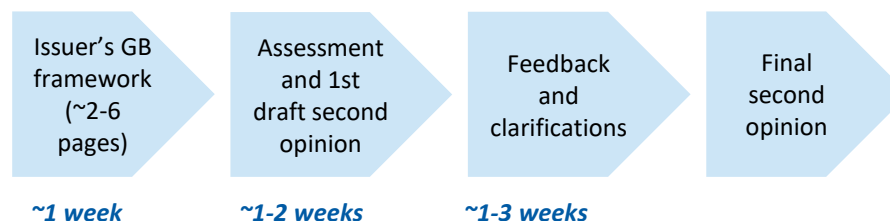
Estimated price effect depending on «shade of green»

Comments

- Strongly increasing focus on Environment, Social and Governance (“**ESG**”) among Scandinavian investors
 - Examples: environmental issues, human rights and corruptions
 - Strong ESG focus is a means for risk mitigation for investors
 - “Buzz word” effect
- Green bonds enable capital raising for new investments with environmental focus for states, multinationals, corporates, municipalities, etc.
- Attractive due to access to new pockets and also deeper pockets
 - Potential positive price effect for issuers!

ICMA Green Bond Principles

- Example of recognized independent providers of green bond opinions are Cicero and DNV GL



- Cost @ Cicero: ~NOK 150-200,000 (if standard review)

ICMA Green Bond Principles

SHADES OF GREEN	EXAMPLES
<p>Dark green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future.</p>	<p>Wind energy projects with a governance structure that integrates environmental concerns</p>
<p>Medium green is allocated to projects and solutions that represent steps towards the long-term vision, but are not quite there yet.</p>	<p>Plug-in hybrid busses</p>
<p>Light green is allocated to projects and solutions that are environmentally friendly but do not by themselves represent or contribute to the long-term vision.</p>	<p>Efficiency in fossil fuel infrastructure that decrease cumulative emissions</p>
<p>Brown for projects that are in opposition to the long-term vision of a low carbon and climate resilient future.</p>	<p>New infrastructure for coal</p>

Examples from the Norwegian market

From opposites side of the spectrum – **green** vs «**brown**»

Scatec Solar – EUR 250m bond



- **Maturity:** 4.5 years bullet
- **Status:** Senior Unsecured
- **Use of proceeds:** Refi. of acquisition facility, refi. of existing bond and eligible green projects (**Green Financing Framework**)
- **Debt metrics:** Debt/EBITDA 8.2x for 2020 and 6.5x for 2021, further equity would be needed to fund base case growth scenario

NOKm	2017	2018	2019	2020	2019 PF	2020 PF	2021e
Proportionate: EBITDA margin (excl D&C)	68.8 %	65.7 %	72.2 %	67.7 %	68.1 %	68.7 %	
Proportionate: Debt / EBITDA	4.9x	7.0x	6.0x	6.9x		8.2x	6.5x
Recourse Group: Debt/Cap (Equity + debt), re Bond docs	0 %	19 %	13 %	6 %		39 %	
Recurring FFO to Scatec ASA (ex D&C) / Recourse Gr. Debt	13 %	13 %	43 %	45 %		11 %	12 %
FFO (incl D&C) to Scatec ASA / Recourse Gr. Debt (%)	36 %	65 %	106 %	43 %		10 %	9 %
Recurr FFO (ex D&C) less Divi paid / Recourse Gr. Debt (%)	5 %	3 %	29 %	28 %		10 %	9 %
Scatec ASA: (FFO + Interest) / Interest	3.7x	2.7x	6.3x	6.8x		4.2x	4.7x
Value adj Equity ratio: (Mcap / (Mcap + Corp debt))	87 %	92 %	95 %	99 %		87 %	

Siccar Point Energy – USD 200m bond



- **Maturity:** 5 years bullet
- **Status:** Senior Unsecured
- **Use of proceeds:** Refi. of existing bond
- **Debt metrics:** Rapid cash build-up and net debt declining from 3.8x in 2021 to ~1,2x in 2024

Company Overview (USDm)	2019A	2020A	2021E	2022E	2023E	2024E
P&L						
EBITDA interest coverage	2.4x	3.7x	3.8x	4.3x	5.1x	5.3x
FFO/total net IB debt	35 %	34 %	26 %	35 %	51 %	82 %
OCF/total net IB debt	35 %	34 %	25 %	34 %	50 %	80 %
NIBD/EBITDA	2.9x	2.8x	3.8x	2.9x	2.0x	1.2x
Total IB debt/Total capital	28 %	25 %	22 %	22 %	21 %	21 %
Cash and cash equivalents	276	164	63	124	200	293

Recent examples from the Norwegian market

From opposites side of the spectrum – **green** vs «**brown**»

Scatec Solar – EUR 250m bond



Siccar Point Energy – USD 200m bond



?

?

Recent examples from the Norwegian market

From opposites side of the spectrum – green vs «brown»

Scatec Solar – EUR 250m bond



Siccar Point Energy – USD 200m bond



~2%

?

Recent examples from the Norwegian market

From opposites side of the spectrum – green vs «brown»

Scatec Solar – EUR 250m bond



~2%

(now 6.5%)

Siccar Point Energy – USD 200m bond

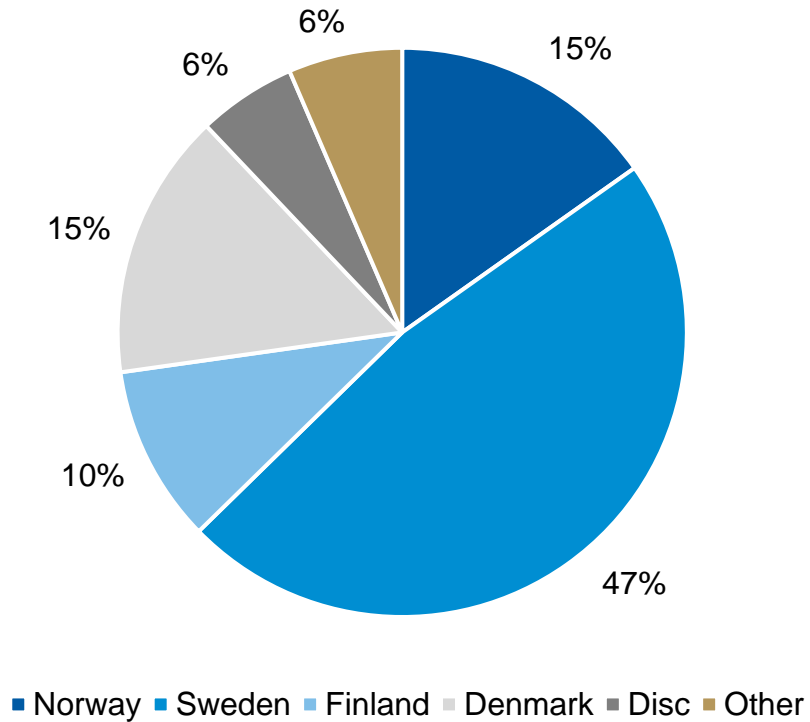


~9.5%

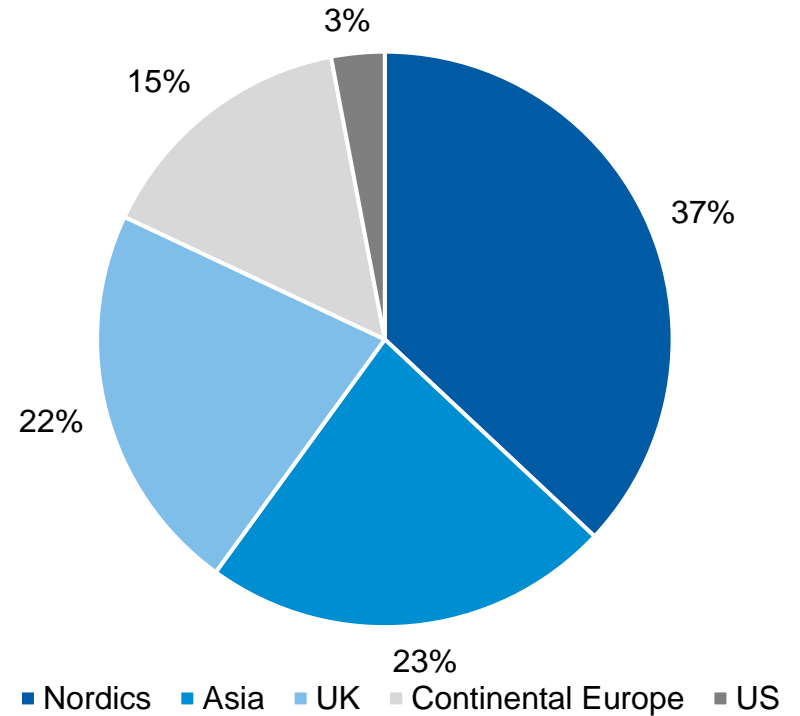
(now ~9-10%)

Deal summary: Scatec and Siccar – Order books

Scatec – order book



Siccar Point Energy – order book



Private Debt – an alternative source of financing

Private Debt providers:	Growing number in Scandinavia, UK, Central Europe, US, Asia
Industries of interest:	<ul style="list-style-type: none"> Covering most business segments and industries
Transaction size:	<ul style="list-style-type: none"> From NOK 50 million to NOK 2-3 billion (or the equivalent in other currencies)
Instruments:	<p>Capital available throughout the entire capital structure</p> <ul style="list-style-type: none"> Debt Junior capital Mezzanine capital Preferred equity/equity
Secured/unsecured:	Typically providing secured debt
Use of proceeds:	Flexible, including acquisitions, growth, restructurings, project financing, family succession, dividend-recap
Basis for leverage:	Historical and/or forward looking view based on business case
Tenors:	Typically 3-5 years
Relationship:	<p>Seeks long-term partnership and prefer to be sole lender (or investing with partners)</p> <ul style="list-style-type: none"> Hold to maturity commitments and additional debt availability
DD and timing:	<p>Carry out due diligence, financial modelling, etc.</p> <ul style="list-style-type: none"> [4-8] weeks from initiation to final closing Exclusivity and cost coverage
Documentation:	<p>Stand alone loan documentation, no listing requirement (some flexibility on law)</p> <ul style="list-style-type: none"> Standard undertaking and reporting requirements
Return requirement:	<ul style="list-style-type: none"> Varies a lot depending on case, some 5-8%, many 7-15% IRR p.a. Fees, PIK interest, redemption premium, equity upside, etc. elements for meeting the IRR requirements

Overview of key instruments

Convertible bonds

- Offers investors features of a bond, such as interest payments, while also having the option to own the underlying stock
- Pays fixed-income interest payments, but can be converted into a predetermined number of common stock shares
- The conversion from the bond to stock happens at specific times during the bond's life and is usually at the discretion of the bondholder

Preference shares

- Four types of preference shares: cumulative, non-cumulative, participating and convertible
 - Convertible includes an option to convert the preferred shares into a set number of common shares
- Dividend is paid to holders of preference shares before common stock dividends are paid out
 - » Usually carries a specific dividend rate

Other examples

- Toggle notes: Give the company an option to defer payments in exchange for a higher interest rate
- Bonds with warrants: Give the investor a right to buy or sell shares at a particular price on a particular date

Table of Contents



1. Capital Structure | High level
2. Raising capital: Equity, debt and hybrid instruments
- ▶ **3. Dividend policy | Key considerations**
4. Appendix

Theoretically dividends are value-neutral... but in practice:

Kanonvekst i brennhett marked – varsler enda mer utbytte

MPC Container Ships leverte en kruttsterk bunnlinje i tredje kvartal og varsler mer utbytte til aksjonærene.

Publisert 18. nov. 2021 kl. 08.20

Lesetid: 2 minutter



Foreslår ekstra utbytte til eierne

Rana Gruber-styret foreslår ekstraordinært utbytte på 2,50 kroner pr. aksje. I tillegg vil det ha fullmakt til å utføre tilbakekjøp.

Publisert 23. nov. 2021 kl. 08.32

Lesetid: 1 minut



Skatteadvokater forventer utbytterush før nyttår



Selskaper vurderer å droppe utbytte

De første børsnoterte selskapene holder tilbake planlagte utbytter, og flere ber nå råd om hvordan de kan droppe utbyttet.

Publisert 18. mars 2020 kl. 06.43

Lesetid: 1 minut



Aker Solutions stuper på børsen etter varsel om at også 2021 blir et svakt år

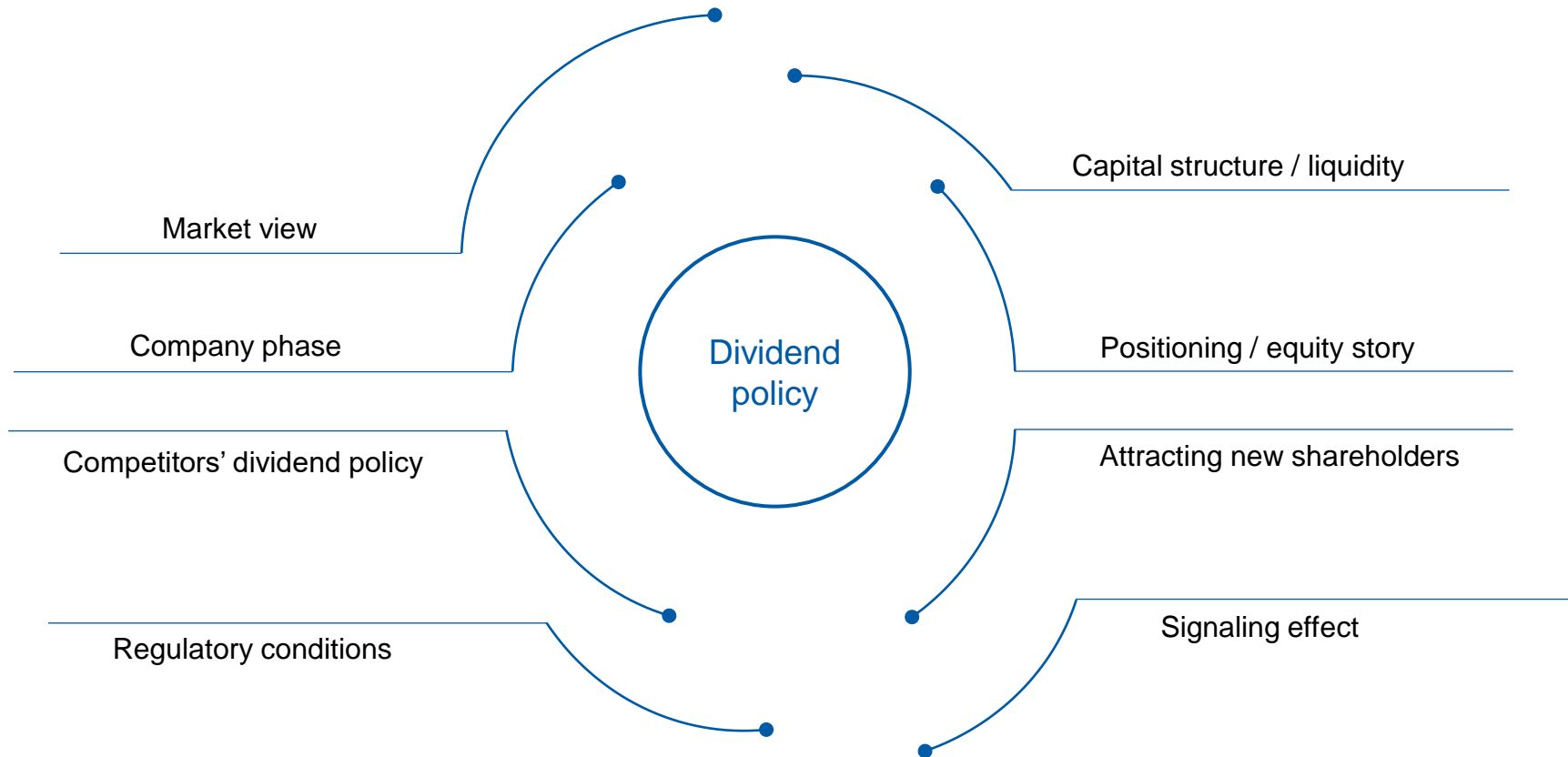
Kjell Inge Røkkes Aker Solutions la frem svake tall - akkurat som ventet - etter et koronapreget fjorår. **Styret har besluttet å ikke foreslå utbytte for 2020.**

1 min Publisert: 15.02.21 – 07.02 Oppdatert: 2 måneder siden



Dividend policy

Key considerations when deciding on a dividend policy



Companies that manage to maintain a good direct return combined with a solid balance will be attractive from an investor perspective given limited return opportunities in other assets

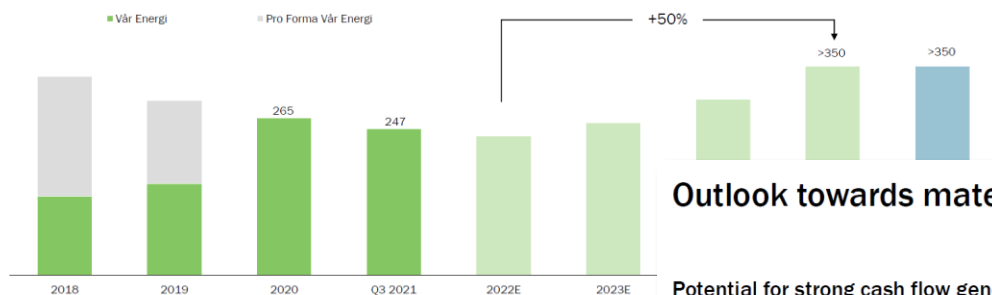
Example of a company getting it right: Vår Energi

Best-in-class policy for the sector – transparency and a clear link between cash flow and earnings

Investor presentation extracts

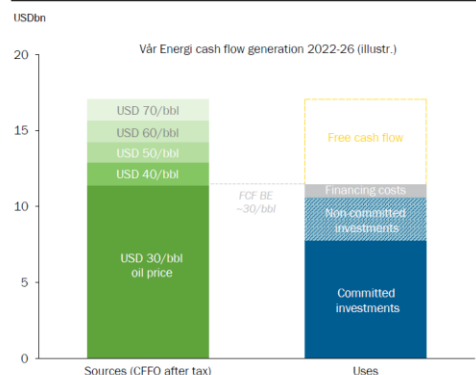
Diverse and robust portfolio positioned for value-adding growth

Targeting strong and value-adding growth (kboepd)¹

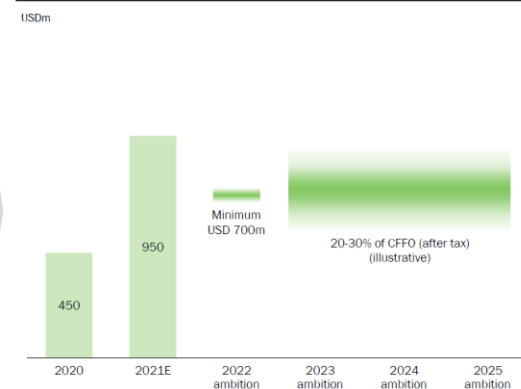


Outlook towards material cash flow generation and dividends

Potential for strong cash flow generation ahead...



...driving robust returns to shareholders⁴



8 Source: Vår Energi, Deloitte and Macquarie (preliminary estimates)
 1 Historical production is based on pro forma reports from ExxonMobil Exploration and Production Norway AS, Eri Norge AS, Polar Resources AS

40 Source: Vår Energi
 Note: Company estimates, assuming forward Brent and NBP prices for the first six months of 2022, where oil price levels refer to Brent 2022 real prices. Assumed NOK/USD 8.50. Assuming implementation of proposed petroleum tax regime
 1 Assuming a stable commodity price environment



Thank you! (and remember SB1M has a leading position across all product areas)

IPO	 <p>Inify Laboratories IPO June 2022 NOK 150,000,000</p>	 <p>vår energi IPO February 2022 NOK 8,855,000,000</p>	 <p>AutoStore IPO October 2021 NOK 20,700,000,000</p>	 <p>FRØY IPO March 2021 NOK 1,510,000,000</p>	 <p>NORSE IPO March 2021 NOK 1,400,000,000</p>	 <p>ECC ONLINE IPO March 2021 NOK 1,840,000,000</p>	 <p>CADELER IPO November 2020 USD 177,500,000</p>
ECM (Listed)	 <p>sikri Private placement September 2022 NOK 200,000,000</p>	 <p>NORTHERN OCEAN Private placement August 2022 USD 40,000,000</p>	 <p>Borr Drilling Underwritten equity offering August 2022 USD 250,000,000</p>	 <p>AURORA Private placement June 2022 NOK 600,000,000</p>	 <p>SHELF DRILLING Secondary placement June 2022 USD 130,000,000</p>	 <p>vår energi Secondary placement June 2022 NOK 5,000,000,000</p>	 <p>equinor Lundin Energy Secondary placement May 2020 SEK 3,300,000,000</p>
ECM (Not listed)	 <p>HITECVISION <i>The Serial Entrepreneurs</i> Fundraising for HV's New Energy Fund August 2022 EUR 875,000,000</p>	 <p>Nordic Technology Group Private placement June 2022 NOK 102,000,000</p>	 <p>ATLAS AGRO Private placement March 2022 NOK 50,000,000</p>	 <p>AURORA Private placement June 2021 NOK 2,000,000,000</p>	 <p>AKOBOMINERALS Private placement June 2021 NOK 50,000,000</p>	 <p>TouchNetix Private placement May 2021 NOK 117,000,000</p>	 <p>OTOVO Private placement October 2020 NOK 155,000,000</p>
M&A	 <p>NORDIC UNMANNED Acquisition of DroneMatrix May 2022 EUR 975,000</p>	 <p>nortel Mobil Acquisition of Atea Mobil by Nortel April 2022 NOK 75,000,000</p>	 <p>HITECVISION <i>The Serial Entrepreneurs</i> TrønderEnergi Est. of leading renewables company March 2022 Undisclosed</p>	 <p>AutoStore Sale of 40% to Softbank April 2021 NOK 24,000,000,000</p>	 <p>Eidsiva. Hafslund Eco Merger September 2019 NOK 100,000,000,000</p>	 <p>Lundin Energy equinor Asset and cash swap for 16% own shares July 2019 SEK 14,500,000,000</p>	 <p>EURONEXT Acquisition of Oslo Børs VPS June 2019 NOK 6,790,000,000</p>
DCM	 <p>NORDIC MINING Convertible bond January 2022 NOK 132,500,000</p>	 <p>International Petroleum Corp. Senior unsecured bond January 2022 USD 300,000,000</p>	 <p>KENTECH Senior secured bond June 2021 USD 65,000,000</p>	 <p>SICCAR POINT ENERGY Unsecured bond February 2021 USD 200,000,000</p>	 <p>endür. Senior unsecured bond February 2021 NOK 1,100,000,000</p>	 <p>Scatec Unsecured green bond February 2021 EUR 250,000,000</p>	 <p>Bonheur ASA Unsecured green bond September 2020 NOK 700,000,000</p>
IG	 <p>SpareBank SMN Green senior non-preferred bond August 2022 NOK 1,500,000,000</p>	 <p>SpareBank NORD-NORGE Green senior non-preferred bond August 2022 NOK 1,000,000,000</p>	 <p>SparebankenVest Green senior non-preferred bond June 2022 NOK 1,000,000,000</p>	 <p>Vegfinans Bond issues January 2022 NOK 1,500,000,000</p>	 <p>Nordea Inaugural green covered bond November 2021 NOK 7,000,000,000</p>	 <p>ALP Senior bond June 2021 NOK 2,500,000,000</p>	 <p>SpareBank SMN Green senior bonds November 2020 NOK 3,250,000,000</p>

Table of Contents



1. Capital Structure | High level
2. Raising capital: Equity, debt and hybrid instruments
3. Dividend policy | Key considerations
- ▶ 4. **Appendix**

Conceptual illustration of wealth and split effect in a rights issue

The subscription price in a rights issue has no influence on shareholders wealth position

Prior to rights issue			Rights issue			Post rights issue	
Share price	100		Subscription price	50		Share price (TERP)	75
Number of shares	1		Number of shares issued	1		Number of shares	2
<hr/>			<hr/>			<hr/>	
Market cap	100	→	Issue proceeds	50	→	Market cap	150
			<i>One old share gives the right to subscribe for one new</i>				
			Subscription ratio	1:1		Correction and split factor	0.75
			Value of subscription right	25			

Value neutral to shareholders

Shareholders can

- i. Sell the subscription price

$$\text{Wealth} = \text{Value of sold right} + \text{Value of share} = 25 + 75 = \mathbf{100}$$

- ii. Exercise the subscription right and invest

$$\text{Wealth} = \text{Value of holding} - \text{Cost of subscription} = 150 - 50 = \mathbf{100}$$

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