Fearnley Securities

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By receiving the Information, you hereby agree to be bound by the terms, conditions and limitations set out herein, and you acknowledge that you will be solely responsible for your own assessment of the Projects and the shipping and/or real estate market. Further, you acknowledge that you will conduct your own investigations and analysis, and that you are solely responsible for forming your own view of the Projects and their potential future performance and the industry in which they operate. You should consult your own professional advisors when assessing the information contained herein and make your own investigation and analysis of such information and the Projects, and must rely solely on your own examinations of the legal, financial, tax, foreign exchange exposure and other consequences of any investment in the Projects.

The recipient acknowledges and understand that an investment in the real estate market and/or shipping market involves a great risk of loss, and investors should be prepared to lose all or part of any invested amount. Recipients should study the risk factors described below before making any investment decision with regards to the Projects. Further, if the Information is used as basis for investments, the investor is obliged to check and compare the information herein with the official accounts and information published by the relevant Project at all times.

Purchase agreement, charter parties and corporate documentation such as partnership / shareholders' agreement and other relevant documentation, can be obtained from FS.

Any disputes in connection with the Information shall be governed by Norwegian law and shall be finally resolved by arbitration in Oslo, Norway according to the Norwegian Arbitration Act of 14 May 2004 No 25, unless FS decides to bring a claim against the recipient in the jurisdiction of the recipient and/or such other jurisdiction as a claim against the recipient may be pursued.

Legal information

Procedure for NAV calculation

Shipping & Offshore

Valuation of shipping & offshore projects are for most projects based on a net asset value calculation, however, for certain projects where the vessel is on a long-term charter, the valuation is based on a satisfying risk-adjusted internal rate of return given the underlying cash flow.

Calculation of net asset value («NAV»)

+ Market value of the vessel [1)]
+ Free cash and other working capital
- Net debt or net seller's credit
= Net asset value [2)]

In the valuation estimates section of each project, the estimated "base case" valuation as of 31.12.2023 is outlined in the middle column of the table. To provide insight into how net asset value may fluctuate with changes in the market value of the vessel, a higher value is provided on the left, while a lower value is provided on the right of the base case valuation.

When a company owning a vessel is sold, the company will cease to exist, and potentially trigger latent tax in the company. Please be aware that the share prices do not take into account potential latent tax for investors in case of sale of a vessel. This value will vary based on how the investors have organized their investments and whether they are in tax-position or not. Investors in shipping projects must therefore be particularly aware of their tax position when investing in shipping-projects, and understand the tax implications of a sale of a vessel over book value.

Note 1) The market value of the vessel is the charter-free value of the vessel. The value is primarily provided by an independent third-party broker or provider of shipping valuations, and occasionally by other Fearnley Group companies, including Fearnleys A/S and Fearnley Offshore Supply AS..

Note 2) Sales commission or liquidation costs are not accounted for in the net asset value

Real Estate

Each project undergoes a detailed assessment of key value components to determine the property's estimated market value. Relevant company and property-specific factors are considered in this evaluation.

To calculate the estimated net asset value, adjustments are made for net debt, including accrued interest, latent tax discount, value of loss carried forward, and market value of hedging agreements.

Financial estimates [1)] are based on the companies' liquidity budgets as of 31.12.2023. Please be aware that variations from the financial accounts at the time of valuation may occur. The Information is accurate as of the date of preparation and is not subject to real-time updates.

Calculation of net asset value («NAV»)

+	Market value of property [2)]
-	Net debt incl. accrued interest
-	Latent tax discount [3)]
+	Value of loss carried forward [3)]
+/-	Market value of hedging agreements
=	Net asset value [4)]

In the valuation estimates section of each project, the estimated "base case" valuation as of 31.12.2023 is outlined in the middle column of the table. To provide insight into how net asset value may fluctuate with changes in net yield and, consequently, property value, a higher yield is provided on the left, while a lower yield is provided on the right of the base case valuation.

Market Value of Property:
The determination of a property's market value relies on a subjective assessment of yield, representing the target or required return on the investment, in addition to vacant areas and value of plot. When valuing vacant areas, we employ either a market-based price per square meter or establish a conservative rent. This is then coupled with the corresponding property yield for a comprehensive assessment. To evaluate the appropriate property yield for each individual project, various factors are taken into account, including:

The Property:
Property type, location, building size, technical standard, general condition, building year, plot size, and development potential.

Lease Contract(s):
Contract duration, extension options, terms (including rent level), contract type (including cost allocation), and alternative use at contract expiry.

Tenant(s):
Credit quality, financial solidity, additional security, vacancy risk, and tenant structure.

Financing:
Interest rate, leverage, amortization profile, duration, and other financing terms.

Collectively, these pivotal factors constitute the foundation for a subjective evaluation of the inherent property risk, forming the basis for the assessment of an appropriate yield.

The principal method employed for assessing the market value of a property is expressed by the formula:

$$Market\ value\ of\ property = \frac{Net\ operating\ income}{Net\ yield}$$

Net rental income is generally defined as gross rental income minus owner costs or property-related expenses such as insurance, real estate tax, shared expenses, outdoor maintenance, and other recurring fees. This calculation is outlined as follows:

$$Net\ rental\ income = Gross\ rental\ income - owner\ costs\ (property\ related\ costs)$$

Note 1) Financial estimates are yearly CPI-adjusted. CPI levels are obtained from Norges Bank.

Note 2) For certain projects, investment rent from tenants is applicable. This type of rent is time-limited, set for a fixed period, and will not be extended after expiry. In these instances, the present value of the remaining investment rent is estimated and subsequently added to the estimated market value of the property. This calculation is conducted to determine the estimated gross value of the project.

Note 3) The latent tax discount and value of loss carried forward are estimated based on tax depreciation values and tax loss carried forward as of 31.12.2022.

Note 4) Transaction costs are not included in the calculation of net asset value.

Procedure for trading of shares

The Projects are available for trading through FS Project Finance desk for second-hand trading, unless trading in the projects is suspended. All trades are subject to the supply and demand for shares or units in each project at any prevailing time. If investors are interested in trading in a project's shares, please contact FS Project Finance desk for second-hand trading at pfsales@fearnleys.com. Trades in shares or units in projects normally require the approval of the partnership's or company's BoD and sometimes approval by lender(s). FS looks after the communication with the board and the lender in such situations once adequate details have been obtained from the buyer. Normally it takes about seven days to settle such trades. For trades in the second-hand market for real estate, shipping and offshore asset projects - regardless of whether the firm is a partnership or a company, the buyer and seller is normally charged a commission/brokerage fee of 2.5%, based on the value of the traded share or unit.

General remarks

Client agreement / KYC

Any purchase of shares in the Projects are subject to a valid client agreement between the client and FS, including that an AML customer due diligence on the client has been completed as set out by law as well as internal guidelines. Further, the client must be classified as either an eligible counterparty, professional client or non-professional client by FS. Please use the following link to register as a client: https://digisign.fearnleys.no/Reg/

Information exchange and barriers

There is a duty of secrecy between the different units of FS as well as between FS and the other entities in the Astrup Fearnley group. This may entail that other employees of FS or the Astrup Fearnley group may have information that may be relevant to the Information, but which FS will not have access to when preparing the Information.

Conflicts of interest

FS, Fearnley Business Management AS and affiliated companies have vested interest that the Projects are successful.

Employees of the Astrup Fearnley group, its subsidiaries and/or affiliates, have ownership interest in the following Projects:

A detailed overview of ownership may be found at the following website: https://fearnleysecurities.com/wp-content/uploads/2024/03/Fearnley-Securities-Market-Report-2024.pdf

Risk factors (new)

Introduction

Any investment in the Projects is associated with a great risk of loss, and investors should be prepared to lose all or part of its invested amount. Prospective investors should study the risk factors set out below, and consult their own advisors, before making any investment decision. All investors that do not understand or is not aware of the risk exposure in the Projects are strongly advised not to invest.

The risks and uncertainties described below are general risks and uncertainties faced by companies similar to the Projects. I.e. specific risks and uncertainties relevant for specific Projects, known or unknown, is not included, and the description of risk factors shall not be considered exhaustive. Risk factors that are not mentioned or factors that FS is not aware of, may have a significant impact on the value of any investment. If any risk factor were to materialize, individually or together with other circumstances, it may have a material and adverse effect on the operations, financial situation, and earnings of the Projects.

The order in which the risks are presented is not intended to provide an indication of the likelihood of their occurrence nor of their severity or significance.

General risks related to project finance companies

An investment in project finance companies involves risk of loss of capital
Risk and risk taking is inevitably linked to shareholding. Since an investment in shares may increase or decrease in value, there is a risk that investors will not recover a significant, or any, part of their invested capital. The price of the shares of project finance companies may be volatile, which could cause investors to lose all or a significant part of their investment. Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of project finance companies include macroeconomic developments, and market perceptions of the attractiveness of particular industries. Because of any of these factors, the market price of the shares of project finance companies at any given point in time may not accurately reflect the long-term value of project finance companies.

Project finance companies does not have any employees
Project finance companies does not have any employees. Management is handled by the shareholders through its representatives at the board of directors, and the board of directors will engage third party service providers to manage the operations of the company. Project finance companies are reliant on attracting and retaining qualified directors to achieve its objectives. Project finance companies are also reliant on engaging qualified third-party service providers and are depending on their performance to achieve its objectives. If project finance companies are unable to attract and retain qualified directors or are unable to engage qualified third-party service providers, it

will be difficult to achieve its desired commercial and industrial goals, which could have a material adverse effect on performance.

Risk relating to leveraging of underlying assets
Project finance companies may raise debt for financing acquisition of real estate or vessels. Adding leverage to project finance companies may increase the risk of loss of invested funds, since any reduction in the value of underlying assets will have a larger impact on the invested capital than if the investment had not been leveraged. Upon expiry of any loan term, there will be a risk that project finance companies are unable to refinance the loan amount on acceptable terms or at all. This may necessitate the sale of the company or the underlying asset under circumstances that entail a risk of significant loss. Further, in the event of sale of the underlying asset and consequently the early repayment of the loan amount will be subject to break costs and fees applicable by law and the financing agreement.

Leverage will typically include certain covenants relating to formal, operational and financial matters (often including minimum cash levels and minimum value clauses). The breach of such covenants may lead to capital calls, extraordinary prepayments of debt and/or to creditors forcing a sale of the underlying asset. Any such breach will have a detrimental impact on the financial performance of project finance companies.

Any interest rate fluctuations will have a direct impact on returns. The real rate of interest over time will be a significant factor in determining value development and the return available to investors. The interest rate level will also indirectly affect the rent level at renewal or new employment, and the value of the underlying asset when the underlying asset is sold.

Interest costs represent a significant cost factor for leveraged investments. An increase in the interest rate level, including as a result of increased margin requirements on the part of lenders, will represent a liquidity burden for project finance companies. However, the interest rate uncertainty may be reduced through the establishment of interest rate swaps. An interest rate swap is a contract between two parties for the payment (or receipt, respectively) of a fixed interest rate for a specific period in return for the receipt (per payment, respectively) of a floating interest rate in the same currency and for the same period. In addition, there is no guarantee that any use of such instruments by project finance companies will be effective.

Inability to distribute dividends
Project finance companies' ability to pay dividends is dependent on the availability of distributable reserves, including any restrictions in applicable financing agreements. Market conditions may further lead to stricter practice on how dividends may be distributed. Project finance companies may in the future be unwilling or unable to pay dividends.

Future issuances of new shares or other securities will dilute the holdings of shareholders
All share issues as well as additional options that may be granted, will have a dilutive effect on the shareholders of project finance companies once exercised. Further, project finance companies may in the future issue additional securities, which may have a dilutive effect on its shareholders. Dilution could materially affect the price of the shares of project finance companies.

The share price may not be equal for all selling investors
The Norwegian rules on takeover bids does not apply to project finance companies, hence the minority protection of voluntary and mandatory bids for shares of project finance companies does not apply. Further, the shares of project finance companies are not subject to rules relating to market surveillance and regulations relating to insider information and the duty of disclosure does not apply, hence all shareholders may not be informed of all relevant information regarding project finance companies and its shares. There is a risk that some shareholders will not achieve the same price as other shareholders when selling their shares.

Foreign investors may not be able to protect their investment
The rights of shareholders are governed by Norwegian law and by applicable Articles of Association. These rights may differ from the rights of shareholders of entities in other jurisdictions. In particular, Norwegian law limits the circumstances under which shareholders of Norwegian companies may bring derivative actions. For example, under Norwegian law, any action brought by a company in respect of wrongful acts committed against such company will be prioritized over actions brought by shareholders claiming compensation in respect of such acts. In addition, it could be difficult to prevail in a claim against project finance companies or its directors under, or to enforce liabilities predicated upon, securities laws in other jurisdictions.

Liquidity risk and secondhand market
The shares of project finance companies are not traded on any stock exchange, other regulated marketplaces, or multilateral trading facilities. The liquidity for shares in the secondary market varies greatly over time, and it may prove difficult to trade shares in the secondary market. The market value of the shares of project finance companies will be substantially affected by the extent to which a secondary market has developed for the shares, and the liquidity in that secondary market. Investing in real estate and shipping is considered illiquid compared to investing in the stock market. This illiquidity may result in a discount for the investment.

General regulatory risk
Adjustments or new introduced laws and regulations according to taxes, financial market, industry, and investor’s obligations may result in increased costs and reduced return from investment.

AIFM risk
The Projects presented in the Information are not deemed alternative investment funds in accordance with the AIF-Act. However, the legal criteria for assessing whether project finance companies qualifies as alternative investment funds are not clear-cut, and there is a risk that the Norwegian Financial Supervisory Authority and/or other parties may conclude differently. If the Norwegian Financial Supervisory Authority or the Norwegian courts should be of the view that a project finance company is an alternative investment fund, such company could incur higher costs as it must inter alia register itself and report to the Norwegian Financial Supervisory Authority. Such company could also be required to appoint a licensed manager of an alternative investment fund and a custodian, which would entail further costs for such company. Designation as an alternative investment fund would also entail that the secondary market for shares in such company is subject to the marketing rules set out in the AIF-Act, which may increase the liquidity risk described above.

Specific risks related to the real estate industry

VAT-risk

Real estate project finance companies and its subsidiaries aim to be voluntarily registered in the Value Added Tax Register and be entitled to deduct input value added tax (VAT). Such companies' right to deduct VAT is dependent on the lessee of the real estate being subject to VAT, as companies owning the real estate will be entitled to deduct VAT according to a VAT-fraction depending on the lessees VAT-status at any given time, calculated on area and gross rental income. Depending on the VAT fraction, such companies will be entitled to deduct input VAT on costs where VAT must be calculated, including costs for maintenance, business management, management, auditing, administration, and technical management. On the other hand, such companies will not be entitled to deduct input VAT on costs where VAT is not to be calculated. Deductibility cannot be expected for services related to transaction-related costs. Changes in VAT rules may result in changes in real estate project finance companies' and its subsidiaries' right to deduct VAT, including reduced profitability.

Value of the real estate portfolio
The risk associated with real estate investments is primarily determined by the uncertainty associated with the value of the real estate portfolio, including the residual value at the expiry of the real estate’s lease contract(s). Risk factors can therefore be defined as the factors that affect the real estate value.

The three most important factors are supply and demand for commercial real estate, the residual value of the specific real estate and the required rate of return that investors are willing to accept when buying real estate. Legal conditions that lead to changes in the regulatory framework may also have a negative impact on the equity market, the real estate market and the underlying value of the real estate.

There is also risk and uncertainty associated with the valuation of real estate project finance companies' assets and liabilities, and thus also the calculation of the price of the project finance companies' shares. As all valuations are to a greater or lesser extent based on discretion and are subject to uncertainty, investors cannot expect a valuation to necessarily reflect the payment received by project finance companies in a sale. Any indication of the price of the shares in project finance companies are therefore only intended as an assumption of the value of project finance companies, without such assumption being a guarantee of the value that will be obtained upon a realization of shares in project finance companies.

Competition in the market
The real estate market is affected by how much spare capacity the market has at the end of lease periods and the demand for the type of premises held by real estate project finance companies and its subsidiaries. The location of the real estate is crucial for the possibility of entering into new lease contracts and for the real estate's development of value in general.

Operational risk and risk related to technical condition
In accordance with lease agreements, the lessee(s) mainly cover exterior and interior maintenance as well as maintenance and replacement of technical facilities in leased premises. These are costs that will be burdened project finance companies if the premises are not let. Thus, vacancy as a result of bankruptcy and/or non-renewal of lease agreement(s) may result in increased ownership costs for project finance companies in addition to a reduction in income.

Roofs may over time suffer leaks that are not covered by insurance. Real estate is normally priced on the basis of net rent after coverage of operating expenses. If operating expenses change so that the net rent is negatively affected, the value of the real estate may be impaired.

Risk of lessees
The lessees' finances, financial strength and ability to pay the rent are crucial for real estate investments. If the lessee(s) do not extend their current lease agreement(s), real estate project finance companies will have to search for new lessee(s) and there is thus a risk of a certain period without rental income. The new rent level may be lower than the previous rent level and will be affected by the market situation for letting at the time the new lease agreement is to be entered into.

There will also be a risk associated with the recovery of rental income. Loss of rental income may occur, for example, if the tenant experiences payment problems or in the event of any ambiguities in the lease agreements. There will also be a risk of the lessee(s) going bankrupt. A bankruptcy of a lessee could have a significant impact on project finance companies' cash flow. In addition to reduced rental income, project finance companies will have to cover common costs for the premises where the lessee(s) have gone bankrupt until a new lease agreement is entered into.

Specific regulatory risk
There will always be a risk that changes to the zoning regulations may affect the interest in future letting of the premises, or the interest of buyers of real estate. A change in the zoning regulations could also have an impact on any further development of real estate. Existing zoning regulations may be changed by relevant authorities, which may not necessarily affect existing use, but which may impose significant restrictions on future use and may thereby have a significant impact on the development of the real estate value. Rezoning and changes if the use of surrounding real estate, technical infrastructure, etc., may also have a significant impact on the development of real estate value.

Environmental risk

Real estate are exposed to environmental risk. Environmental problems related to real estate are an inherent risk in real estate investments. Environmental problems may result in increased costs or other liabilities for project finance companies that may have a negative impact on cash flow and/or returns.

Tax risk
Changes in laws and regulations regarding taxation and other charges can lead to changes in tax treatment for investors, including reduced profitability in project finance companies.

Specific risks related to the shipping industry

Technical and operational risk
When purchasing vessels, there are risks associated with the technical condition of the vessels. In general, operational risk and costs increase must be expected to increase when the vessels become older. Shipping project finance companies' profit and the investors' return on equity is dependent on operations and sale of vessels. Project finance companies are exposed to risks from operations, e.g. off-hire days and unforeseen cost operating vessels. Operational expenses (including dry docking) may vary significantly from what was foreseen.

Charter risk
The TC market and the prevailing attainable TC rates may soften, and/or return of the market to normal or average historical level may take longer time than anticipated. The market value of vessels may be at a low level for a longer period than anticipated should the charter rates and residual value be lower than expected, and this will have a negative impact on the return on equity. TC earnings and values may vary significantly from what was foreseen. Should the charter rates and/or residual value be lower than estimated, this will have a negative impact on project finance companies' liquidity and/or return on equity.

Counterpart risk
When vessels are employed, shipping project finance companies will be subject to counterparty risk, i.e. that the counterpart and operators honour their obligations. Vessels may be employed on TC contracts and/or operating spot to different counterparts and end users globally. The financial solidity of these counterparts might vary greatly; thus their financial strength is very important.

Pollution risk
Vessels will involve pollution risk, both risk relating to the operation of vessels and risk relating to the cargo of vessels. Any incidents resulting in pollution will have a negative impact on shipping project finance companies.

Political risk
Vessels operate world-wide, and shipping project finance companies are thus exposed to political risk, risk of piracy, corruption, geopolitical risks, trade wars, embargos, wars, etc. Any materialization of such risks may have a negative impact on project finance companies.

Recycle value risk
The recycle value of vessels is based on prevailing market conditions and terms. The recycle value may vary significantly and is linked to USD/ldt, regulations, rules, recommendations etc. Values may vary significantly from what was foreseen. Should the value be lower than estimated, this will have a negative impact on shipping project finance companies' return on equity.

Sustainable and environmental regulatory risk
Recent rules and regulations concerning sustainable and environmentally sound recycling of ships and other maritime units imply that vessels must or should be recycled according to applicable rules within the EU, such as Regulation (EU) No 1257/2013 on ship recycling, or in accordance with the Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships, 2009 (HKC 2009), or at recycling facilities or yard having been granted a certificate of compliance under HKC 2009.

Tax risk
Changes in laws and regulations regarding taxation and other charges can lead to changes in tax treatment for investors, including reduced profitability in project finance companies. For non-Norwegian Investors investing in a Norwegian tonnage tax company, either as an individual or through a non-Norwegian entity, additional taxes including (but not limited to) withholding tax may incur. Investors should consult its own tax advisors for further information. To the extent that shipping project finance companies' investments will qualify under the Norwegian tonnage tax

regime the ship owning subsidiaries may be established under such regime. However, there is always a risk that shipping project finance companies will not qualify.

Foreign currency exchange risk
Foreign exchange rate fluctuations could have a material adverse effect on shipping project finance companies' financial condition, cash flow and results. Shipping project finance companies' income and OPEX will be in another currency than NOK as vessels will trade outside of Norway. When vessels are under charter, a potential discrepancy between the currency denomination for income and OPEX could therefore affect project finance companies' earnings, and hence its book value and value adjusted equity in NOK. This currency risk may be reduced through the use of different foreign exchange instruments. However, there is no guarantee that any use of such instruments by project finance companies will be effective.

Risk of pandemics
The worldwide covid-19 coronavirus outbreak is an extraordinary risk factor that influenced the shipping market in a number of ways, including but not limited to execution risk and the risk of delays in execution, off-hire and other operational risks, and more generally market risks such as vessel values and macroeconomic conditions. It is not possible to predict all consequences for shipping project finance companies or its business partners, the industry in which project finance companies will operate or global business and markets, should a new pandemic occur. The occurrence of a pandemic is beyond both FS and project finance companies' control and there is no assurance that any future outbreak of COVID-19 or other contagious diseases occurring in areas in which project finance companies or its suppliers, partners or customers operate, or even in areas in which project finance companies do not operate, will not seriously interrupt project finance companies' business. Pandemic outbreaks could have a material adverse effect on project finance companies' business, results of operations or financial condition.