

Report pursuant to section 8-10 (5) of the Norwegian Public Limited Liability Act

This report has been prepared by the Board of Directors of Arendals Fossekompagni ASA, organisation no. 910 261 525 (the "**Company**"). The report has been prepared in connection with the Board of Directors of the Company having established an incentive scheme for senior executives. Under the incentive scheme, the Company will offer loans to senior executives, or to investment companies that are wholly owned by senior executives, to finance the purchase of shares in the Company for a total amount of up to NOK 30 million (the "**Loans**"). Such Loans will constitute financial assistance covered by section 8-10 of the Public Limited Liability Act. The Board therefore submits this report pursuant to the requirements of section 8-10 (5) of the Public Limited Liability Act. The proposal for financial assistance will be presented to the Company's General Meeting for approval, and this report will be included in the General Meeting's decision basis.

Background to the proposal for financial assistance

The background to the proposed Loans is the incentive scheme for senior executives established by the Board of Directors under which the participants in the scheme are offered to purchase shares in the Company. The Company will offer partial debt financing of shares purchased as part of the incentive scheme.

Terms applicable to the Loans

Each of the senior executives covered by the incentive scheme will each year be offered to purchase shares in the Company at a discount of 20% and with a lock-in period of three years. The Company will provide a loan facility which entitles the individual senior executive to borrow up to 67% of the purchase amount. The loans may not exceed NOK 9 million for the CEO and NOK 4.5 million per person for the other members of the group management. The shares shall be pledged to the Company on first priority as security for the Loans. The interest rate on the Loans will be equal to the standard interest rate for taxation of reasonable loans from the employer as set by the Norwegian Tax Administration at any given time. The Loans, including accrued interest, shall be repaid within 5 years. If the shares purchased as part of the incentive scheme are sold, the associated Loan must be repaid immediately.

Assessment of the Company's interest in providing the Loans

The Board of Directors considers it important for the Company to have a good incentive scheme for senior executives and believes that the purchase of shares in the Company is an effective tool. In the Board's opinion, an offer of debt financing is important in order to facilitate the purchase of Company shares by senior executives. The Board of Directors therefore considers it to be in the Company's interest to offer the Loans.

Assessment of the implications of the Loans for the Company's equity and liquidity

The Company has a sound equity and liquidity. As of 31 December 2021, the Company had a book equity of NOK 2.9 billion and a cash balance of NOK 1.4 billion. The proposed Loans will not have any significant implications for the Company's equity and liquidity.

6 April 2022

Jon Hindar
Chair of the Board

Morten Sigval Bergesen
Board Member

Heidi Marie Petersen
Board Member

Didrik Johannes Vignæs
Board Member

Kristine Landmark
Board Member

Stine Rolstad Brenna
Board Member

Erik Christian Must
Board Member