

*Denne melding til obligasjonseierne er kun utarbeidet på engelsk. For informasjon vennligst kontakt Nordic Trustee ASA*

**To the bondholders in:**

**ISIN NO 001 0704125 FRN Fred. Olsen Energy ASA Senior Unsecured Bond Issue 2014/2019  
(«FOE05»)**

Oslo, 12 January 2017

## **Summons to Bondholders' Meeting – Fred. Olsen Energy ASA**

Nordic Trustee ASA (the "**Bond Trustee**") acts as trustee for the Bondholders in the above mentioned senior unsecured bond issue (the "**Bonds**" or the "**Bond Issue**") issued by Fred. Olsen Energy ASA (the "**Issuer**") under the bond agreement dated 28 February 2014 (the "**Bond Agreement**").

Defined terms used in this summons shall have the meaning ascribed to them in the Bond Agreement unless otherwise set out herein or required by the context.

*The information in this summons regarding the Issuer, market conditions and the described transactions is provided by the Issuer and the Bond Trustee expressly disclaims any and all liability whatsoever related to such information.*

### **1 BACKGROUND**

The offshore rig industry is currently facing a long and deep downturn. The low oil price and reduced activity as a result thereof has led to few new contracts being awarded and those contracts which are awarded generally have day rate-levels which are close to operating costs. The Issuer has prepared for this downturn since 2014 with a high focus on costs and expenses. These efforts have resulted in a substantial reduction in operating expenses and lower capital expenditures for the Issuer and its subsidiaries (the "Group"). The aforementioned cost discipline and a conservative leverage strategy has contributed to a solid liquidity position for the Group. However, there is significant uncertainty relating to future income as well as the development of the Group's assets.

The robustness of the current financial covenants contained in the Bond Agreement is highly dependent on how the market develops. Based on the prevailing market conditions and the Issuer's expectations to the market going forward, the Issuer expects that the leverage ratio (Net Interest Bearing Debt to EBITDA) may become challenging in the second half of 2017. The interest coverage ratio (EBITDA to Interest Expenses) may become challenging towards the end of 2017.

The Issuer would like to act in advance of any covenant breaches that might occur as a result of the protracted downturn, in order to enable the Issuer to focus on day-to-day operations and the interests of all stakeholders. In December 2016, the Issuer obtained temporary waivers of, inter alia, the leverage ratio requirement and the interest coverage requirement in their senior secured bank facility. Such waivers were, however, conditional upon similar waivers being obtained from the Bondholders in relation to the Bond Agreement.

Further to the above, in accordance with Clause 16.2 of the Bond Agreement, the Issuer has approached the Bond Trustee to convene a Bondholders' Meeting in order to obtain the requisite majority of the Bondholders' approval to temporarily waive:

- (a) the financial covenant set out in paragraph (d) (*Leverage Ratio*) in clause 13.4 in the Bond Agreement; and
- (b) the financial covenant set out in paragraph (e) (*Interest Coverage Ratio*) in clause 13.4 in the Bond Agreement,

for the period commencing on 31 December 2016 up to but excluding 30 June 2018, pursuant to the authority given to the Bondholders' Meeting under Clause 16.3 of the Bond Agreement. The proposed waiver period matches the waiver period agreed by the lenders of the senior bank facility, please also see corresponding notice to the Oslo Stock Exchange from the Issuer dated 15 December 2016.

## 2 PROPOSAL

The Issuer proposes the following (the proposals set out in sections 2.1-2.3 hereinafter referred to as the "**Proposal**"):

### 2.1 Amendments to the Bond Agreement

The Bondholders' Meeting consents to the following amendments to the Bond Agreement:

- (a) the following new definition shall be inserted in clause 1.1 (Definitions) in the Bond Agreement:

*"Waiver Period" means the period from and including 31 December 2016 up to but excluding 30 June 2018*

- (b) paragraph (d) (*Leverage Ratio*) in clause 13.4 in the Bond Agreement shall be deleted and replaced with the following new provision:

*"The Leverage Ratio shall be calculated on a trailing-four-quarter basis. After the Waiver Period has expired, the Issuer shall, on a consolidated basis, ensure that the Net Interest Bearing Debt to EBITDA does not exceed 4.5:1. Compliance with this provision shall be tested for the first time on 20 July 2018 for the trailing-four-quarter ending on 30 June 2018."*

- (c) paragraph (e) (*Interest Coverage Ratio*) in clause 13.4 in the Bond Agreement shall be deleted and replaced with the following new provision:

*"The Interest Coverage Ratio shall be calculated on a trailing-four-quarter basis. After the Waiver Period has expired, the Issuer shall, on a consolidated basis, ensure that EBITDA to Net Interest Expenses exceeds 2.5:1. Compliance with this provision shall be tested for the first time on 20 July 2018 for the trailing-four-quarter ending on 30 June 2018."*

- (c) a new paragraph (f) (*Dividend restrictions*) shall be inserted in clause 13.4 in the Bond Agreement with the following wording:

*"During the Waiver Period, the Issuer shall not declare or make any payment of dividends to its shareholder and/or repurchase any of its share capital."*

## 2.2 Consideration

Upon approval of the amendments to the Bond Agreement, described in clause 2.1 (*Amendments to the Bond Agreement*) above, by the Bondholders' Meeting, the Issuer will partially redeem Bonds for a total redemption amount of NOK 75,000,000 (the "**Redemption Amount**") at a price equal to 100.0% of the par value of the Bonds (resulting in a redemption of approximately 6.8% of the Outstanding Bonds). The redemption will take place no later than 15 Business Days after the date of the Bondholders' Meeting and be made on a pro rata basis. On the redemption date the Issuer will pay accrued, but unpaid interest, on the redeemed Bonds and such payment will come in addition to, and not reduce, the Redemption Amount.

## 2.3 Authorisation of the Bond Trustee

The Bondholders authorises and instructs the Bond Trustee to take such steps on behalf of the Bondholders as may be necessary in order to implement the Proposal, including, without limitation, any amendment to the Bond Agreement and making necessary amendments to the Face Value of each Bond to effect the redemption of Bonds contemplated in clause 2.2 (*Consideration*) above.

## 3 EVALUATION OF THE PROPOSED AMENDMENTS

The Proposal is put forward to the Bondholders without further evaluation or recommendation from the Bond Trustee. Nothing herein shall constitute a recommendation to the Bondholders from the Bond Trustee. Each Bondholder should independently evaluate the Proposal and vote accordingly.

## 4 FURTHER INFORMATION

The Issuer has retained Danske Bank Markets, Norwegian Branch and DNB Markets, part of DNB Bank ASA, as financial advisors (the "Advisors"). Bondholders may contact either of the Advisors for further information.

Danske Bank Markets, DCM Sales  
+47 22 86 13 07  
Email: knko@danskebank.com

DNB Markets Bond Syndicate  
+47 24 16 93 54 / 24 16 93 68  
Email: bond.syndicate@dnb.no

The Advisors act solely for the Issuer and no-one else in connection with the Proposal. The Advisors are also connected to Danske Bank, Norwegian Branch and DNB Bank ASA (DNB Markets as part of DNB Bank ASA), which are senior lenders to the Issuer and may have conflicting interest with the Bondholders. No due diligence investigations have been carried out by the Advisors with respect to the Issuer, and the Advisors expressly disclaim any and all liability whatsoever in connection with the Proposal (including but not limited to in respect of the information herein).

For further questions to the Bond Trustee, please contact:

Fredrik Lundberg  
+47 22 87 94 24  
Email: lundberg@nordictrustee.com

Lars Erik Lærum  
+47 22 87 94 06  
Email: laerum@nordictrustee.com

## 5 BONDHOLDERS' MEETING

On this background, Bondholders are hereby summoned to a Bondholders' Meeting:

**Time:** 26 January 2017 at 13:00 hours (Oslo time),  
**Place:** The premises of Nordic Trustee ASA,  
Haakon VII's gt. 1, 0161 Oslo - 6<sup>th</sup> floor

### Agenda:

1. Approval of the summons.
2. Approval of the agenda.
3. Election of two persons to co-sign the minutes together with the chairman.
4. Request for adoption of the Proposal.

### It is proposed that the Bondholders' Meeting resolve the following:

*"The Bondholders' Meeting approves the Proposal as described in clause 2 of the summons"*

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To approve the above resolution, Bondholders representing at least 2/3 of the Bonds represented in person or by proxy at the meeting must vote in favour of the resolution. In order to have a quorum, at least 1/2 of the Voting Bonds must be represented at the meeting. If the proposal is not adopted, the Bond Agreement will remain unchanged.

Please find attached a Bondholder's Form from the Securities Depository (VPS), indicating your bondholding at the printing date. The Bondholder's Form will serve as proof of ownership of the Bonds and of the voting rights at the bondholders' meeting. (If the bonds are held in custody - i.e. the owner is not registered directly in the VPS - the custodian must confirm; (i) the owner of the bonds, (ii) the aggregate nominal amount of the bonds and (iii) the account number in VPS on which the bonds are registered.)

The individual bondholder may authorise the Nordic Trustee to vote on its behalf, in which case the Bondholder's Form also serves as a proxy. A duly signed Bondholder's Form, authorising Nordic Trustee to vote, must then be returned to Nordic Trustee in due time before the meeting is scheduled (by scanned e-mail, telefax or post).

In the event that Bonds have been transferred to a new owner after the Bondholder's Form was made, the new Bondholder must bring to the Bondholders' Meeting or enclose with the proxy, as the case may be, evidence which the Bond Trustee accepts as sufficient proof of the ownership of the Bonds.

For practical purposes, we request those who intend to attend the Bondholders' Meeting, either in person or by proxy other than to Nordic Trustee, to notify Nordic Trustee by telephone or by e-mail (mail@nordictrustee.com) within 16:00 hours (4 pm) (Oslo time) the Business Day before the meeting takes place.

Yours sincerely  
**Nordic Trustee ASA**

**Fredrik Lundberg**