

**To the bondholders in:**

- **ISIN NO 001 054844.9 -** **Norwegian Energy Company ASA Senior Secured Callable Bond Issue 2009/2014**
- **ISIN NO 001 059230.6 -** **Norwegian Energy Company ASA Senior Unsecured Bond Issue 2010/2013**
- **ISIN NO 001 060632.0 -** **Norwegian Energy Company ASA Senior Secured Bond Issue 2011/2016**
- **ISIN NO 001 060633.8 -** **Norwegian Energy Company ASA Senior Secured Bond Issue 2011/2016**
- **ISIN NO 001 066139.0 -** **Norwegian Energy Company ASA Senior Unsecured Bond Issue 2012/2013**
- **ISIN NO 001 067231.4 -** **Norwegian Energy Company ASA Senior Unsecured Bond Issue 2013/2016**

Oslo, 24 June 2013

**Summons to Bondholders' Meetings regarding request for certain temporary waivers of gearing ratio covenants**

Norsk Tillitsmann ASA ("Norsk Tillitsmann") acts as trustee (the "Bond Trustee") for the bondholders (together, the "Bondholders") in the above bond issues (together the "Bonds" / "Bond Issues") with Norwegian Energy Company ASA as issuer (the "Company", "Noreco" or the "Issuer"). ISIN NO 001 054844.9 (the "NOR04 Bond") is a NOK 1,250 million bond issue, ISIN NO 001 059230.6 (the "NOR05 Bond") is a NOK 700 million bond issue, ISIN NO 001 060632.0 and ISIN NO 001 060633.8 are two tranches of a NOK 600 million bond issue (the "NOR06/07 Bond"), ISIN NO 001 066139.0 is a NOK 300 million bond issue (the "NOR08 Bond") and ISIN NO 001 067231.4 is a NOK 300 million bond issue (the "NOR09 Bond").

Capitalized terms used herein shall have the meaning assigned to them in the bond agreements (as amended) dated 16 November 2009 (for the NOR04 Bond), 1 December 2010 (for the NOR05 Bond), 15 April 2011 (for the NOR06/07 Bond), 26 October 2012 (for the NOR08 Bond) and 22 February 2013 (for the NOR09 Bond) (each a "Bond Agreement" and together, the "Bond Agreements"), respectively, unless otherwise stated herein.

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

## **1 INTRODUCTION AND BACKGROUND**

### **1.1 Operational update**

On the Huntington field, first oil was achieved on 12 April 2013 with gas exports commencing on 4 June 2013. While reservoir and well performance to date has been excellent, full commissioning of the gas export systems is taking longer time than envisaged due to some initial system issues, which the operator expects will be resolved shortly. Once resolved, the field is expected to continue ramping up from current production of around 10,000 boepd gross toward a plateau rate of 30,000 boepd gross. Noreco's share of this, 6,000 boepd, will give significant contribution to the Company's cash flow

The Nini, Nini East, and Cecilie fields will be shut down for a total of 16 days in June for planned maintenance and Siri repair work. These fields have been producing well. The Lulita field is currently off line and has not produced this month while the operator removes wax from the oil export pipeline.

As previously reported, production from the Oselvar field is considerably lower than originally planned. Work is underway to understand the reason for the weak production and to identify potential improvement measures. Should there be negative conclusions from this work, this may have negative impact on the book value of the field, but no significant effect on the equity ratio. The Oselvar field has been shut down since 29 May 2013 due to planned Ekofisk and Ula maintenance. Production is expected to commence mid July.

Noreco's exploration program currently consists of five committed wells. The first well on this program is the Gotha well in licence PL492 in the Barents Sea, where drilling is expected to start during the third quarter this year. The Company will continue developing its exploration portfolio which will provide the basis for future exploration activity, through active portfolio management and high-grading of the portfolio, and participation in licensing rounds and potential farm-ins.

## 1.2 Financial update

The Company has taken important steps in addressing its financial position and capital structure through the recent equity issue and two new bond issues.

Through 2013, the Company expects to make significant reductions in debt level and optimize the debt portfolio, driven both by cash flow from operations and the special tax refund of NOK 722.7 million plus interest from discontinuation of the petroleum activities in the parent company, which will be refunded as part of the ordinary tax refund in December. This tax refund has been pre approved by Norwegian tax authorities, and was in April finally claimed as part of the ordinary tax reporting for the Company. Both the ordinary tax refund and this tax refund from discontinuation of the petroleum activities on parent level are expected to be refunded on or about 20 December 2013. Given the maturity of the NOR05 Bond on 6 December 2013, there may be a liquidity gap of approximately 14 days. On this basis, the Company has today summoned a separate Bondholders' Meeting in the NOR05 Bond to approve a short maturity extension to bridge such potential cash shortfall.

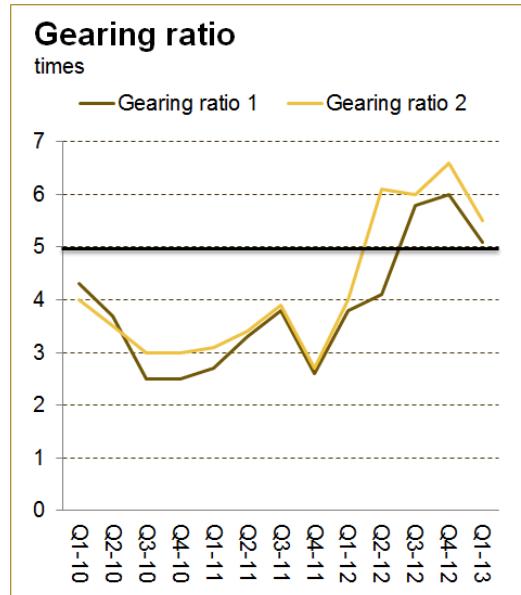
As previously disclosed, the gearing ratio exceeded the covenant level in the Bond Agreements at the end of Q1 2013. A default may only be declared if the Issuer is in breach with a covenant for two consecutive quarters and further provided that the covenant breach is not remedied within 60 days following the end of the second of such quarters. Due to the slower than expected ramp up of production on the Huntington field, the Company believes that the gearing ratio may still be above the 5.0x covenant level for a short period after the 60 day's period.

## 1.3 Requested waivers and amendments

On the above basis, Noreco wishes to put forward a request to the Bondholders for a temporary waiver of certain gearing ratio covenants contained in each of the Bond Agreements. As compensation for such waivers and amendment, Noreco offers a fee to the Bondholders upon approval in the Bondholders' Meetings to be held in each of the Bonds.

A gearing ratio covenant exists in each of the Bond Agreements, calculated as "*Net Interest Bearing Debt / Adjusted EBITDA*". The definition of Adjusted EBITDA in the NOR04 Bond Agreement differs slightly from the definition used in the NOR05, NOR06/07, NOR08 and NOR09 Bond Agreements with respect to how gains and losses from asset sales and write-downs are to be treated. Therefore, the gearing ratio of the NOR04 Bond ("**Gearing Ratio 1**" / "**GR1**") differs slightly from that applicable to the NOR05, NOR08, NOR09 and NOR06/07 Bond ("**Gearing Ratio 2**" / "**GR2**").

As presented in the figure below, for Q1 2013 the Gearing Ratio 1 was 5.1x and the Gearing Ratio 2 was 5.5x, compared to the maximum covenant level of 5.0x for both gearing ratios. The ratios have historically been in the 3-4 range (see graph and table below). The graph below shows the development of Gearing Ratio 1 and Gearing Ratio 2 over the recent financial quarters. The Gearing Ratios are expected to be well below covenant level within the end of 2013.



Source: Noreco

	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13
Gearing Ratio 1	2.7	3.3	3.8	2.6	3.8	4.1	5.8	6.0	5.1
Gearing Ratio 2	3.1	3.4	3.9	2.7	4.0	6.1	6.0	6.6	5.5

It is Noreco's view that the gearing covenant breaches are of a temporary nature, and that the situation is expected to be resolved as a consequence of the special tax refund of NOK 722.7 million (plus interest) from discontinuation of the petroleum activities in the parent company. Furthermore the Company expects Huntington production to ramp up to full capacity in 2013, which will have a significant deleveraging effect. It is Noreco's view that the waiver proposal, as described in 2.1 will provide the Company with sufficient headroom.

#### 1.4 Further information

For further information on the above mentioned issues and other updates, please refer to the Company's stock exchange announcements and the Company's financial reports, latest the interim report for Q1 2013 available on [www.newsweb.no](http://www.newsweb.no).

For further information about the Company, please visit the Company's website [www.noreco.com](http://www.noreco.com).

## 2 PROPOSAL

### 2.1 Waiver Proposal

In accordance with Clause 17.2 of the Bond Agreements for the NOR04 Bond and the NOR09 Bond and Clause 16.2 of the Bond Agreements for the NOR05 Bond, the NOR06/07 Bond and the NOR08 Bond, the Company has approached the Bond Trustee to convene a Bondholders' Meeting for each of the Bonds in order to consider the Company's request for a waiver of the gearing ratio covenants under the Bond Agreements as per 30 June 2013, pursuant to the authority given to the Bondholders' Meeting under Clause 17.1 of the Bond Agreements for the NOR04 Bond and the NOR09 Bond, and Clause 16.1 of the Bond Agreements for the NOR05 Bond, the NOR06/07 Bond and the NOR08 Bond.

The request implies that the Gearing Ratios shall be tested again for the first time on 30 September 2013, the consequence of which, pursuant to the Bond Agreement, is that an Event of Default then only will occur if the Issuer is in breach with the Gearing Ratio covenants on two consecutive quarter dates and further provided that the covenant breach is not remedied within the Reporting Date following the second of such quarter dates.

Specifically, the Company proposes the following waivers of gearing ratios (the “Waiver Proposal”):

**For the NOR04 Bond**

The Issuer proposes that the Bondholders waive the Gearing Ratio described in paragraph c) of Clause 14.5 of the Bond Agreement for the NOR04 Bond, as follows:

*The Gearing Ratio is waived in its entirety for the Calculation Date 30 June 2013. The Gearing Ratio shall be tested again for the first time on 30 September 2013, and, as set forth in the Bond Agreement, an Event of Default shall then only occur if the Issuer is in breach with the Gearing Ratio covenant on two consecutive Calculation Dates and further provided that the covenant breach is not remedied within the Reporting Date following the second of such Calculation Dates.*

**For the NOR05 Bond**

The Issuer proposes that the Bondholders waive the Gearing Ratio described in paragraph c) of Clause 13.5 of the Bond Agreement for the NOR05 Bond, as follows:

*The Gearing Ratio is waived in its entirety for the Quarter Date 30 June 2013. The Gearing Ratio shall be tested again for the first time on 30 September 2013, and, as set forth in the Bond Agreement, an Event of Default shall then only occur if the Issuer is in breach with the Gearing Ratio covenant on two consecutive Quarter Dates and further provided that the covenant breach is not remedied within the Reporting Date following the second of such Quarter Dates.*

**For the NOR06/07 Bond (the two tranches will vote together in one meeting)**

The Issuer proposes to waive the Gearing Ratio described in paragraph c) of Clause 13.5 of the Bond Agreement for the NOR06/07 Bond, as follows:

*The Gearing Ratio is waived in its entirety for the Calculation Date 30 June 2013. The Gearing Ratio shall be tested again for the first time on 30 September 2013, and, as set forth in the Bond Agreement, an Event of Default shall only occur if the Issuer is then in breach with the Gearing Ratio covenant on two consecutive Calculation Dates and further provided that the covenant breach is not remedied within the Reporting Date following the second of such Calculation Dates.*

**For the NOR08 Bond**

The Issuer proposes that the Bondholders waive the Gearing Ratio described in paragraph d) of Clause 13.4 of the Bond Agreement for the NOR08 Bond, as follows:

*The Gearing Ratio is waived in its entirety for the Quarter Date 30 June 2013. The Gearing Ratio shall be tested again for the first time on 30 September 2013, and, as set forth in the Bond Agreement, an Event of Default shall then only occur if the Issuer is in breach with the Gearing Ratio covenant on two consecutive Quarter Dates and further provided that the covenant breach is not remedied within the Reporting Date following the second of such Quarter Dates.*

**For the NOR09 Bond**

The Issuer proposes that the Bondholders waive the Gearing Ratio described in paragraph d) of Clause 14.4 of the Bond Agreement for the NOR09 Bond, as follows:

*The Gearing Ratio is waived in its entirety for the Quarter Date 30 June 2013. The Gearing Ratio shall be tested again for the first time on 30 September 2013, and, as set forth in the Bond Agreement, an Event of Default shall then only occur if the Issuer is in breach with the Gearing Ratio covenant on two consecutive Quarter Dates and further provided that the covenant breach is not remedied within the Reporting Date following the second of such Quarter Dates.*

## **2.2 Compensation Fee**

As a compensation to the Bondholders for approving the Waiver Proposal, the Company offers the Bondholders a one-time compensation fee of 0.25% (flat) of the face value of the Bonds, payable to the Bondholders (with record date on the end of business on the date of the Bondholders' Meeting) within ten (10) Business Days after the Bondholders' Meetings for the Bonds, provided that each and all such Bondholders' Meetings accepts the Waiver Proposal for the respective bonds as set out in section 2 of this summons letter.

## **2.3 Conditions**

Implementation of the Waiver Proposal in each Bondholders' Meeting shall be subject to approval of the Waiver Proposal in each of the other Bondholders' Meetings.

# **3 EVALUATION OF THE PROPOSAL**

## **3.1 The Company's evaluation**

The potential breach of the gearing ratio covenants is temporary, and it will be remedied through additional production from Huntington coming on-stream. With Huntington on-stream, the additional cash flow will bring the Company in compliance with the gearing ratio covenants within one quarter of full production. The Company is thus using its best efforts to mitigate the breach, and to lower the total gearing in the Company over time.

The Huntington production is expected to substantially improve cash flow. The increased cash flow will together with the tax refund of NOK 722.7 million plus interests mitigate the potential temporary gearing covenant breach and provide the Company with a comfortable position towards its gearing ratios covenants and its debt obligations going forward. The Company expects to be well below the covenant level within year end.

In the Company's opinion, the compensation fee offered to the Bondholders as a compensation for the waivers is a fair and balanced proposal based on the temporary nature of the gearing ratio waiver and the net debt position taking account the Norwegian tax refunds to be received in December 2013.

The Company has engaged Arctic Securities ASA, Pareto Securities AS and Swedbank First Securities as the Company's financial advisors (the "**Advisors**") with respect to the Waiver Proposal. Accordingly, Bondholders may contact the Advisors as follows for further information:

- Arctic Securities ASA, Fixed Income Sales at + 47 21 01 30 60;
- Pareto Securities AS, Fixed Income Sales at +47 22 87 87 00; or
- Swedbank First Securities, Fixed Income Sales at +47 23 11 62 73

The Advisors are acting solely for the Company and no-one else in connection with the Waiver Proposal. No due diligence investigations have been carried out by the Advisors with respect to the Company, and the Advisors expressly disclaim any and all liability whatsoever in connection with the Proposal (including but not limited to the information contained herein).

## **3.2 Non-Reliance**

The request is put forward to the Bondholders without further evaluation or recommendations from the Bond Trustee. The Bondholders must independently evaluate whether the proposed changes are acceptable.

#### 4 SUMMON FOR BONDHOLDERS' MEETING

Bondholders are hereby summoned to a Bondholders' Meeting:

**Time:** **8 July 2013 at 13:00 hours (Oslo time)**

**Place:** **The premises of Norsk Tillitsmann ASA,  
Haakon VIIIs gt 1, 01061 Oslo - 5<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 proposal:

**It is proposed that the respective Bondholders' Meetings for each of the NOR04 Bond, the NOR05 Bond, the NOR06/07 Bond, the NOR08 Bond and the NOR09 Bond resolve the following:**

*"The Bondholder's Meeting approve the Waiver Proposal as described in section 2.1 of the summons for the Bondholders' Meeting."*

To approve the above resolution, Bondholders representing more than 50% of the Bonds represented in person or by proxy at the meeting for each of the Bonds must vote in favour of the resolution. In order to have a quorum, at least 5/10 of the voting Bonds must be represented at the meeting. For the avoidance of doubt, the two tranches in the NOR06/07 Bond shall vote in the same Bondholders' Meeting.

\* \* \* \* \*

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 Norsk Tillitsmann to vote on its behalf, in which case the Bondholder's Form also serves as a proxy. A duly signed Bondholder's Form, authorising Norsk Tillitsmann to vote, must then be returned to Norsk Tillitsmann in due time before the meeting is scheduled (by scanned e-mail, telefax or post to [post@trustee.no](mailto:post@trustee.no), +47 22 87 94 10, or Norsk Tillitsmann ASA, PO Box 1470 Vika, 0116 Oslo, Norway).

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 Norsk Tillitsmann, to notify Norsk Tillitsmann by telephone or by e-mail (at set out at the first page of this letter) within 16:00 hours (4 pm) (Oslo time) the Banking Day before the meeting takes place.

Yours sincerely  
**Norsk Tillitsmann ASA**

Fredrik Lundberg

Enclosed:  
Bondholder's Form