

*(Dette brevet til obligasjonseierne er kun utarbeidet på engelsk. For ytterligere informasjon vennligst ta kontakt med Nordic Trustee ASA på telefon + 47 22 87 94 00)*

To the bondholders in:

**5.1000 % USD Njord Gas Infrastructure AS Senior Secured Bond Issue 2011/2027 - ISIN NO 001 061112.2**

Oslo, 17 June 2016

## **SUMMONS TO SEPARATE BONDHOLDERS' MEETING – APPROVAL OF AMENDMENTS**

### **1 INTRODUCTION**

Reference is made to the NOK equivalent 10,000,000,000 secured term note programme for Njord Gas Infrastructure AS (the "**Issuer**") governed by the common terms agreement (the "**CTA**") dated 1 June 2011 and entered into between the Issuer as issuer, Njord Gas Infrastructure Holding AS as guarantor and Nordic Trustee ASA (previously Norsk Tillitsmann ASA) as bond trustee (the "**Bond Trustee**") and security agent and setting out the common terms for the subsequent bonds issues by the Issuer.

All capitalised terms used but not defined in this summons (the "**Summons**") shall have the meanings given to them in the CTA.

The purpose of this Summons is to convene a Separate Bondholders' Meeting to consider a request by the Issuer for certain amendments to the S4 Specific Terms (as defined below) as further described in section 2.2 (*Specific Amendments*) of this Summons. The Separate Bondholders' Meeting is requested by the Issuer in accordance with Clause 14.3.2 a) of the CTA. The background and purpose of the Separate Bondholders' Meeting is set out in more detail in Schedule 1 (*Bondholder Presentation*).

### **2 BACKGROUND**

#### **2.1 General**

Under the NOK equivalent 10,000,000,000 secured term note programme, the Issuer has issued the following series (each a "**Series**") of bonds (the "**Bonds**"), governed by the terms of the CTA and the Specific Terms relating to each such Series of Bonds.

1. Bonds with ISIN NO 001 060768.2, and described as 4.3000% NOK Njord Gas Infrastructure AS Index Linked Bond Issue 2011/2027, governed by the specific terms dated 1 June 2011 (the "**S1 Specific Terms**" and such bonds, the "**Series 1 Bonds**")

2. Bonds with ISIN NO 001 060769.0, and described as 6.1525% NOK Njord Gas Infrastructure AS Senior Secured Bond Issue 2011/2027, governed by the specific terms dated 1 June 2011 (the "**S2 Specific Terms**" and such bonds, the "**Series 2 Bonds**")
3. Bonds with ISIN NO 001 061111.4 and described as 5.2410% GBP Njord Gas Infrastructure AS Senior Secured Bond Issue 2011/2027, governed by the specific terms dated 1 June 2011 (the "**S3 Specific Terms**" and such bonds, the "**Series 3 Bonds**")
4. Bonds with ISIN NO 001 061112.2 and described as 5.1000% USD Njord Gas Infrastructure AS Senior Secured Bond Issue 2011/2027, governed by the specific terms dated 1 June 2011 (the "**S4 Specific Terms**" and such bonds, the "**Series 4 Bonds**")

The projected cash flow at the time of the Issue of the Bonds were based on, inter alia, certain forecasts as to volumes and tariffs. In June 2013, the Ministry of Petroleum and Energy ("**MPE**") unexpectedly announced tariff regulations which significantly reduced the tariffs which in turn will lead to a decrease in the revenues of the Issuer.

As the amendments to the tariff regulations only impact new bookings for the period following 1 October 2016, the implications are not substantial in the short to medium term, but will increase over time as new bookings at lower tariffs start to account for a higher portion of the revenue basis. Based on the reduced tariffs, the Issuer forecasts a shortfall in cash from operations to debt service in 2021-2027.

While the Issuer forecasts that sufficient cash will be generated to service all debt over the duration of the Bonds, and while the debt service cover ratio of the Issuer for the remaining lifetime of the license period for Gassled is estimated at 1.14, the Bonds have nonetheless been downgraded from A- at issuance to BB- as from December 2015.

## 2.2 Specific Amendments

On this background the Issuer will propose certain amendments to each of the Specific Terms, (as described in Schedule 1 (*Bondholder Presentation*), the "**Bond Amortization Alignment**") to the Bondholders under each Series of Bonds, to be considered at Separate Bondholders' Meeting for each Series of Bonds.

The Issuer proposes the following amendments to the Specific Terms for the Series 4 Bonds (the "**Specific Amendments**"):

- A. the final maturity date for the Series 4 Bonds is extended by one year to 30 September 2028; and
- B. that the amortisation schedule for the Series 4 Bonds shall be amended as set out in the table included in Schedule 2 (*Amortisation schedule*) to this Summons, showing the current and amended amortisation schedule for the Series 4 Bonds.

As a consequence of the amended amortisation schedule described above, the Issuer will also make an extraordinary payment of interest on 6 July 2016. Collectively, the adjustments of the amortization schedule and the extraordinary payment of interest, will require amendments to the definitions of "Interest Payment Date" and "Final Maturity Date" in the CTA. The consequences of the Bond Amortization Alignment, provided it is adopted by each of the Separate Bondholders' Meetings for

each Series of Bonds, is that the debt service of the Issuer will be aligned with its projected cash flow from operations. The notional amount and coupon rate of the Bonds will remain unchanged.

Provided that the Joint Bondholders' meeting grant the waiver, and that the additional Swap Agreements become effective (each as described below), in addition to the amendments to the CTA referred to above, the Issuer expects that the rating of the Bonds will be improved to BB+ based upon the indicative rating evaluation feedback received from the Rating Agency.

### **2.3 Hedging arrangements**

As a consequence of the Bond Amortization Alignment, certain amendments need to be made to the hedging arrangements that the Issuer has entered into in respect of the Bonds.

The current Swap Agreements are entered into in relation to the Series 2 Bonds, the Series 3 Bonds and the Series 4 Bonds (the Series 1 Bonds are not subject to hedging arrangements) and provide hedging for fluctuations in the relevant foreign exchange rate (if applicable) and inflation exposure, have a final maturity date of 30 September 2027 and are based on the projected cash flow profile at the time of issuance. Following the tariff amendments, as the Bonds provide for a debt service that is no longer aligned with the projected cash flow of the Issuer and following the Bond Amortization Alignment (if approved by the Specific Bondholders' Meetings, respectively), the hedging arrangements of the Issuer pursuant to the Swap Agreements will no longer be aligned with the amortisation schedule of the Bonds.

Thus, the Issuer is seeking to enter into additional Swap Agreements with the Royal Bank of Scotland plc (the "**Additional Swap Provider**") for the purposes of hedging, in relation to (i) the Series 2 Bonds, (ii) the Series 3 Bonds and (iii) the Series 4 Bonds, the fluctuations in the relevant foreign exchange rates (if applicable) and inflation exposure. Such additional Swap Agreements shall have a final maturity date of 30 September 2028 (1 year extension) and shall have the effect of aligning the hedging arrangements of the Issuer with the amortisation schedule of the Bonds following the Bond Amortization Alignment.

### **2.4 Additional Swap Agreements under the CTA and the Agency and Intercreditor Agreement**

The additional Swap Agreements will be entered into for the purpose of hedging the exposure of the Issuer in relation to the Bonds (as set out in the definition of "Swap Agreement" in the CTA). Further, the additional Swap Agreements will be allowed under the CTA Clause 11.4.8 (ii) and will constitute "Additional Senior Indebtedness" under this Clause. An adherence letter will be delivered to the Bond Trustee under the Agency and Intercreditor Agreement Clause 4.1.2 and thus, the additional Swap Agreements will enjoy the benefit of being part of the "Secured Obligations" under the Agency and Intercreditor Agreement, including being secured by the Security Documents as well as enjoy the seniority and ranking of the existing Swap Agreements under the Agency and Intercreditor Agreement.

Finally, with respect to Clause 11.4.13 of the CTA, the additional Swap Agreements will be entered into for the purpose of hedging the exposure of the Issuer to fluctuations in economic, financial or operational outcomes and thus the scope of the hedging arrangements will be permitted under such Clause.

## 2.5 Additional Swap Agreements – Waiver regarding rating of hedge counterparty

According to the last sentence of the CTA Clause 11.4.13 the Issuer shall only enter into such financial derivative arrangements with hedge counterparties with a minimum credit rating of A- from the Rating Agency or similar.

The current credit rating of the Additional Swap Provider is BBB+ and thus a waiver under the CTA Clause 11.4.13 is required in order for the Issuer to enter into the additional Swap Agreements with the Additional Swap Provider.

The Issuer has summoned a Joint Bondholders' Meeting (attached to this Summons in Schedule 3 (*Summons to Joint Bondholders' Meeting*)) where it is proposed that the waiver with respect to the credit rating of the Additional Swap Provider is granted with respect to the entering into of the additional Swap Agreements, however, so that the waiver is made contingent upon the Specific Amendments (including as defined in each summons to the other Separate Bondholders' Meetings, respectively) being adopted by the relevant Separate Bondholders' Meetings as set out in section 2.2 (*Specific Amendments*) above.

## 3 PROPOSAL

It is proposed (the "**Proposal**") that a resolution comprising the following elements shall be passed by the Separate Bondholders' Meeting to:

- (a) approve the Specific Amendments;
- (b) authorise and instruct the Bond Trustee (in consultation with its advisers) to do all things and take such steps on behalf of the Bondholders as may be necessary or desirable in connection with the implementation of the matters referred to in this Summons, including, without limitation negotiating and approving the final terms of, and entering into, (i) the confirmations and/or amendments to the Agency and Intercreditor Agreement and the CTA, (ii) the Specific Amendments and (iii) any and all documentation and agreements deemed necessary or desirable by the Bond Trustee in relation thereto;
- (c) the resolutions above shall be conditional on:
  - (i) the Specific Amendments (as defined in each summons to the other Separate Bondholders' Meetings, respectively) being adopted by the Separate Bondholders' Meetings for the other Series of Bonds; and
  - (ii) the Joint Bondholders' Meeting adopting (i) the amendments to the definitions of "Final Maturity Date" and "Interest Payment Date" in the CTA and (ii) the waiver referred to in section 2.5 (*Additional Swap Agreements – Waiver regarding rating of hedge counterparty*) above.

## 4 NON-RELIANCE

The Proposal is put forward to the Bondholders without further evaluation or recommendations from the Bond Trustee and nothing herein shall constitute a recommendation to the Bondholders by the Bond Trustee. The Bondholders must independently evaluate the Proposal and vote accordingly. It is

recommended that the Bondholders seek counsel from their legal, financial and tax advisers regarding the effect of the Proposal.

## **5 PRE-APPROVAL OF PROPOSAL**

The Issuer has informed the Bond Trustee that Bondholders owning in aggregate 100% of the Series 4 Bonds have irrevocably agreed to approve the Proposal and authorised Arctic Securities AS to represent it in the Separate Bondholders' Meeting.

## **6 BONDHOLDERS' MEETING**

The Bondholders are hereby summoned to a Separate Bondholders' Meeting.

Time: 1 July 2016 at 12:30 hours (Oslo time)

Place: The premises of Nordic Trustee ASA

Haakon VII's gate 1, Oslo – 6<sup>th</sup> floor

Agenda:

1. Approval of the Summons.
2. Approval of the agenda.
3. Election of one person to co-sign the minutes together with the chairman.
4. Approval of the Proposal.

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

*"The Bondholders' Meeting approves the Proposal as described in section 3 (Proposal) of the summons to this Separate Bondholders' Meeting."*

The above mentioned resolution will, according to the CTA, require a 2/3 majority of the Voting Bonds (being Series 4 Bonds) represented at the Separate Bondholders' Meeting voting in favour and a minimum of 50% of the Voting Bonds (being Series 4 Bonds) being represented at the Separate Bondholders' Meeting. The Bondholders may be represented in person or by proxy.

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Please find attached in Schedule 4 (*Bondholder's Form*) to this Summons a Bondholder's Form from the Security 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 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 Bond Trustee to vote on its behalf, in which case the Bondholder's Form also serves as a proxy. A duly signed Bondholders Form, authorising Nordic

Trustee ASA to vote, must be returned to the Bond Trustee in due time before the Bondholders' 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 that 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 the Bond Trustee, to notify the Bond Trustee by telephone or by e-mail ([post@nordictrustee.com](mailto:post@nordictrustee.com)) by 16:00 hours (4 pm) (Oslo time) the Business Day before the meeting takes place.

Kind regards,

Nordic Trustee ASA



Olav Slagsvold

Enclosed:

- Schedule 1 (Bondholder Presentation)
- Schedule 2 (Amortisation schedule)
- Schedule 3 (Summons to Joint Bondholders' Meeting)
- Schedule 4 (Bondholder's Form)

Schedule 1 (Bondholder Presentation)

# Company Presentation

16 June 2016

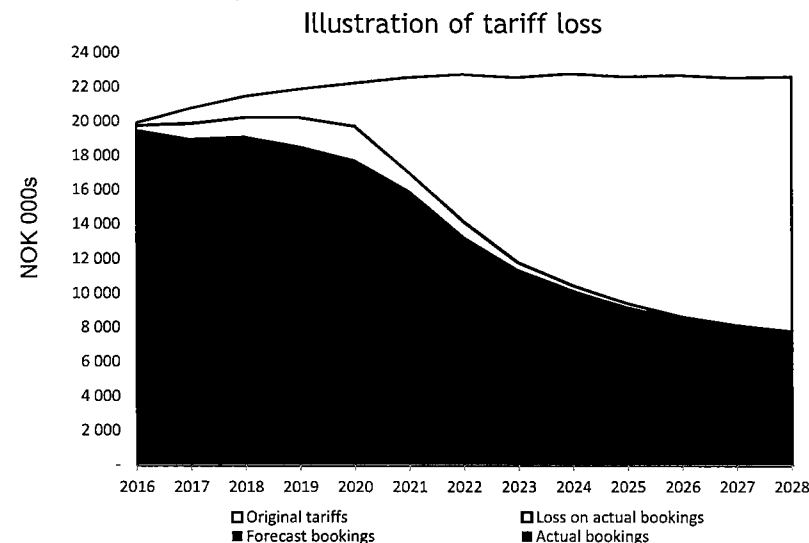


# The tariff amendment in 2013 changed projected cashflow profile

## Tariff amendment

- In June 2013, the Ministry of Petroleum and Energy ('MPE') announced changes in the Tariff Regulation (the 'Amendment') which reduced the future income basis of Gassled and Njord Gas Infrastructure significantly
  - As the Amendment only impacts new bookings for the period after 1 October 2016, the implications are not substantial in the short to medium term, but will increase over time as new bookings at low tariffs start to account for a higher portion of the revenue basis
  - Booked volumes remain untouched
- In January 2014, Njord Gas Infrastructure, Solveig Gas Norway, Silex Gas Norge and Infragas Norge filed writs of summons to initiate legal proceedings against the MPE
  - A joint hearing took place in Oslo City Court in April-June 2015; in September 2015, the court ruled in favour of the MPE
  - In November 2015, the four companies jointly appealed the decision from Oslo City Court
- Appellate Court proceedings scheduled to commence in January 2017

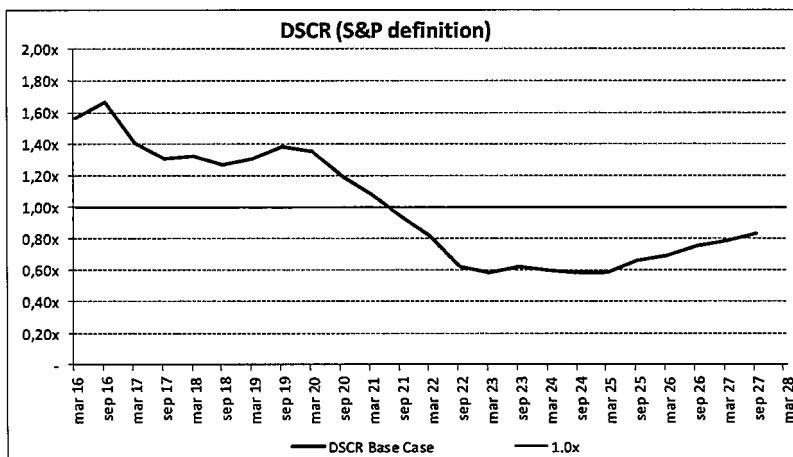
## Estimated loss in tariff for Gassled (NOK 34bn NPV)



# Implications on S&P rating

## Debt Service Cover Ratio (DSCR)

- The bonds and swaps were issued based on projected cash flow profile at acquisition; following the tariff amendment the company forecasts a shortfall in 2021-27
- However, the company forecasts that sufficient cash will be generated to service all debt obligations over the duration of the bonds
- Estimated average S&P DSCR (2016-2027) is 1.00x
- S&P definition of DSCR<sup>1</sup> excludes cash balances (NOK 429m), DSRA (NOK 178m), interest income and cashflow post maturity of bonds



1. Numbers as per 31 December 2015

## Rating history

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- Rated A- at issuance, and subsequently downgraded to BBB+ in May 2013 due to the increased risk posed by the new approach to regulation in relation to a consultation paper
- The bonds were downgraded another four notches to BB subsequent to the tariff amendment announced in July 2013 due to the significantly reduced revenue forecast which adversely impacted minimum and average DSCRs as well as *“exposure to a regulatory regime that has recently demonstrated a relative lack of transparency and volatility in its decision-making”*
- In the December 2015 rating assessment NGI was further downgraded one notch to BB-
  - *“The downgrade reflects the significant weakening of the NOK against U.S Dollar and the British Pound during 2014-2015... this has resulted in higher future tax payments for ProjectCo due to the timing mismatch in the tax treatment of the foreign exchange loss in the bonds and the corresponding gain on the derivative instrument”*
  - However, S&P improved the operation phase business assessment (OPBA) from 5 to 4 to *“reflect the project’s resilience under a market downside scenario where the “K” capital tariff element is further reduced by 15%”*

# The proposed resculpting of the bonds

## Proposal

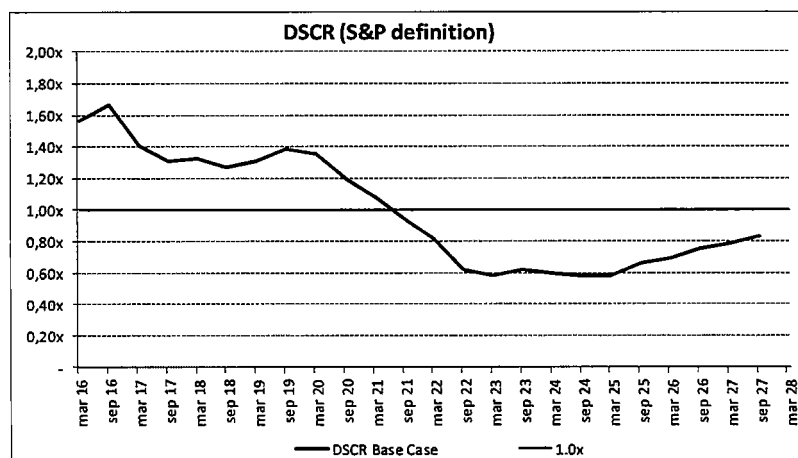
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- The proposal comprises the following elements for all bond tranches:
  - Final maturity extended by one year to September 2028
  - Amortisation profile amended to align debt payments to projected cash flow; higher amortizations in front end and in extended period
  - Notional outstanding and coupon rates remain unchanged
  - Minor consequential amendment to Common Terms Agreement:
    - One time exemption to clause 11.4.13 in CTA; allows NGI to enter into the financial derivative agreements with a counterparty with a BBB+ rating or higher
- The proposal is conditional upon approval from 2/3 of the bondholders in each individual bond tranche

# Following resculpting of the bonds, the amortization profile will be linked to projected cash flow available for debt service

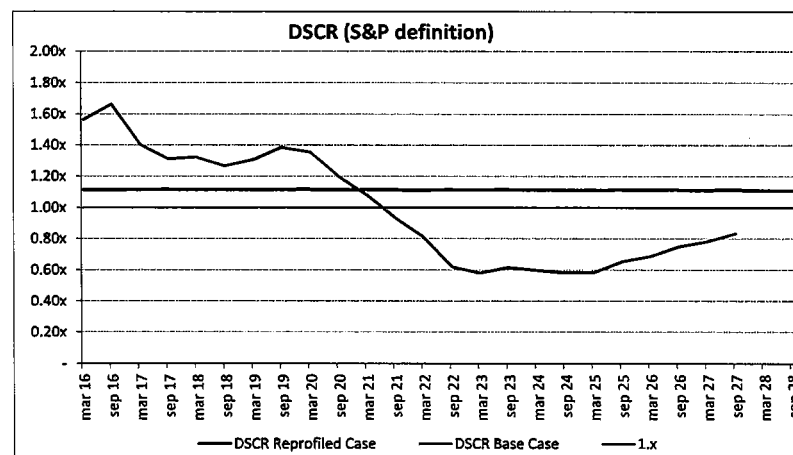
## Current structure overview

- Final maturity: 30 September 2027
- The bonds and swaps were issued based on projected cash flow profile at the time of acquisition; following the tariff amendment, NGI forecasts a shortfall in 2021-27
- However, the company forecasts that sufficient cash will be generated to service all debt obligations over the duration of the bonds



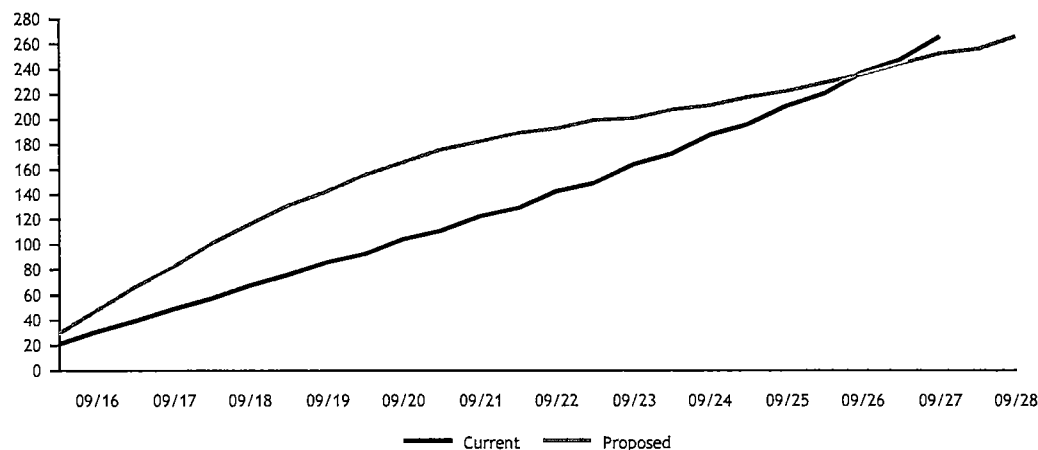
## Proposed structure overview

- Final maturity: 30 September 2028 (1 year extension)
- Amortization profile linked to projected cash flow available for debt service (CFADS)
- Profile adjusted with more payments at the front and back-end, reducing the weighted average life across each of the tranches

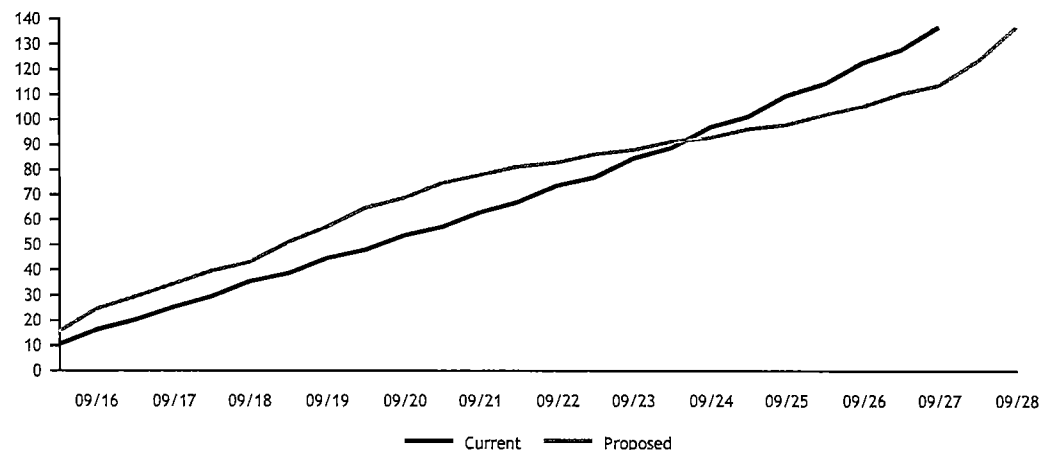


# Proposed bond amortisation schedule

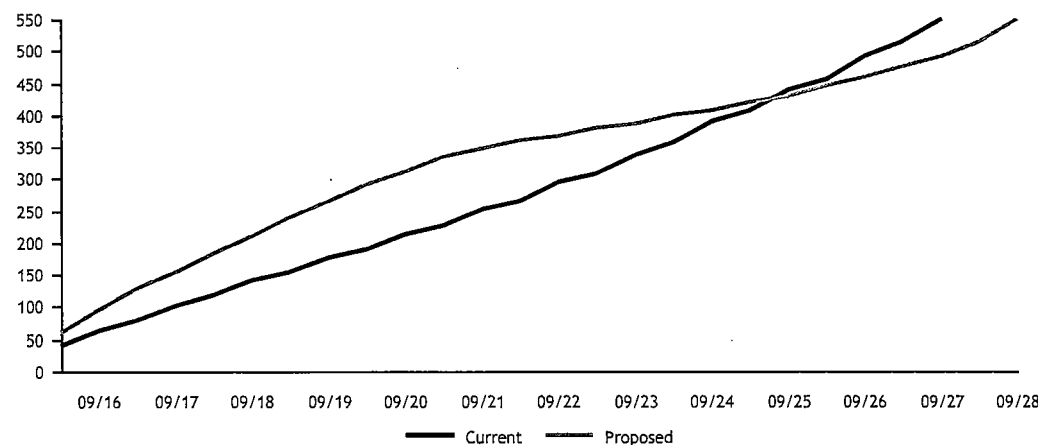
USD tranche (USDm) - accumulated amortisation



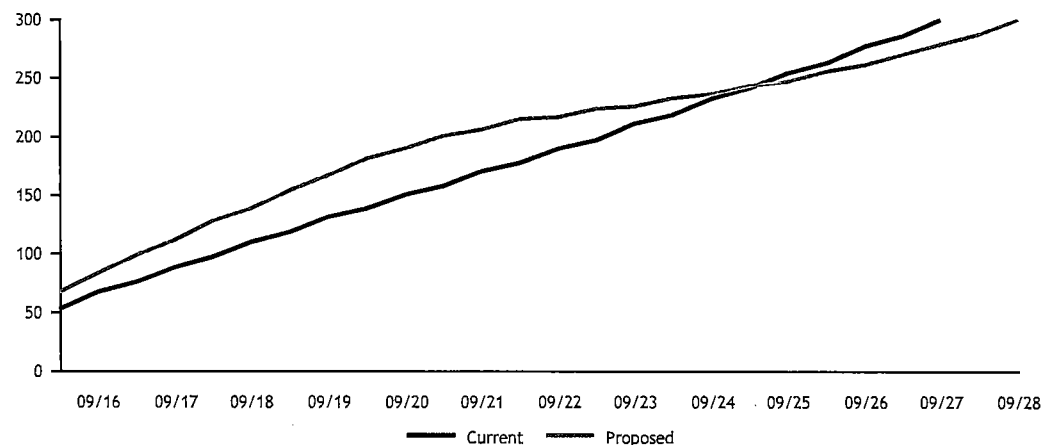
GBP tranche<sup>1</sup> (GBPm) - accumulated amortisation



NOK tranche (NOKm) - accumulated amortisation



NOK infl tranche (NOKm) - accumulated amortisation



1. Excludes Treasury bonds

# Proposed bond amortisation schedule (cont'd)

## Comparison of current and proposed bond amortisation schedules

Date	USD		GBP <sup>1</sup>		NOK		NOK infl	
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
30-Sep-11	0	0	0	0	0	0	0	0
31-Mar-12	0	0	0	0	0	0	0	0
30-Sep-12	0	0	0	0	0	0	4 332 300	4 332 300
31-Mar-13	0	0	0	0	0	0	1 553 700	1 553 700
30-Sep-13	0	0	0	0	0	0	4 461 900	4 461 900
31-Mar-14	0	0	0	0	0	0	2 274 900	2 274 900
30-Sep-14	0	0	0	0	0	0	7 661 400	7 661 400
31-Mar-15	442 020	442 020	228 516	228 516	917 400	917 400	7 116 300	7 116 300
30-Sep-15	11 307 815	11 307 815	5 845 927	5 845 927	23 469 050	23 469 050	14 095 800	14 095 800
30-Mar-16	7 627 760	7 627 760	3 943 408	3 943 408	15 831 200	15 831 200	10 134 300	10 134 300
06-Jul-16	0	9 588 100	0	4 956 867	0	19 899 830	0	14 676 797
30-Sep-16	11 223 015	17 102 576	5 802 087	8 841 709	23 293 050	35 495 913	13 568 700	16 614 102
31-Mar-17	7 389 260	18 564 321	3 820 108	5 450 870	15 336 200	30 915 901	9 531 900	15 204 849
30-Sep-17	10 791 065	16 746 057	5 578 777	4 510 861	22 396 550	27 142 144	12 717 900	13 348 866
31-Mar-18	7 315 060	18 383 873	3 781 748	5 357 581	15 182 200	30 541 384	9 114 600	15 020 657
30-Sep-18	11 314 440	15 096 608	5 849 352	3 658 128	23 482 800	23 718 760	12 820 800	11 665 200
31-Mar-19	6 780 290	14 942 907	3 505 282	7 725 201	14 072 300	31 013 580	8 265 300	15 252 889
30-Sep-19	10 802 725	12 582 280	5 584 805	6 504 801	22 420 750	26 114 165	11 935 200	12 843 292
31-Mar-20	6 434 465	13 446 434	3 326 497	6 951 553	13 354 550	27 907 694	7 630 800	13 725 373
30-Sep-20	11 285 820	9 086 894	5 834 556	4 697 753	23 423 400	18 859 591	12 009 900	9 275 397
31-Mar-21	6 471 300	10 316 559	3 345 540	5 333 466	13 431 000	21 411 725	7 368 300	10 530 570
30-Sep-21	11 961 835	6 043 215	6 184 043	3 124 228	24 826 450	12 542 521	12 249 300	6 168 578
31-Mar-22	7 010 045	7 578 789	3 624 061	3 918 091	14 549 150	15 729 563	7 560 000	7 736 007
30-Sep-22	13 404 760	2 167 127	6 930 008	1 120 364	27 821 200	4 497 811	13 151 400	2 212 083
31-Mar-23	7 400 920	6 491 068	3 826 136	3 355 760	15 360 400	13 472 029	7 594 500	6 625 722
30-Sep-23	14 086 340	3 190 218	7 282 372	1 649 282	29 235 800	6 621 206	13 332 000	3 256 397
31-Mar-24	8 283 370	6 435 363	4 282 346	3 326 961	17 191 900	13 356 413	8 043 900	6 568 861
30-Sep-24	15 761 405	3 378 421	8 148 349	1 746 580	32 712 350	7 011 818	14 344 500	3 448 505
31-Mar-25	8 507 030	6 474 090	4 397 974	3 346 982	17 656 100	13 436 791	7 890 600	6 608 392
30-Sep-25	15 056 240	4 362 535	7 783 792	2 255 348	31 248 800	9 054 318	13 286 700	4 453 034
31-Mar-26	9 385 770	7 607 622	4 852 266	3 932 997	19 479 900	15 789 403	8 292 900	7 765 438
30-Sep-26	16 533 350	6 195 111	8 547 430	3 202 755	34 314 500	12 857 777	14 073 000	6 323 625
31-Mar-27	10 499 565	8 911 891	5 428 077	4 607 280	21 791 550	18 496 378	8 852 400	9 096 763
30-Sep-27	17 924 335	7 710 879	9 266 543	3 986 379	37 201 450	16 003 712	14 734 800	7 870 837
31-Mar-28	0	2 854 588	0	9 768 836	0	21 152 262	0	10 402 962
30-Sep-28	0	10 364 879	0	13 651 515	0	36 739 659	0	11 674 205
<b>Total</b>	<b>265 000 000</b>	<b>265 000 000</b>	<b>137 000 000</b>	<b>137 000 000</b>	<b>550 000 000</b>	<b>550 000 000</b>	<b>300 000 000</b>	<b>300 000 000</b>
<b>Remaining</b>	<b>245 622 405</b>	<b>245 622 405</b>	<b>126 982 149</b>	<b>126 982 149</b>	<b>509 782 350</b>	<b>509 782 350</b>	<b>248 369 400</b>	<b>248 369 400</b>

Note: Remaining amounts starts from June 2016 until September 2028

1. Excludes Treasury bonds

- Proposal includes an ad-hoc amortisation payment on completion (set to 6 July 2016)
- Thereafter semi-annual amortisation payments in September and March (as per existing amortisation dates)
- All numbers are subject to final approval in the Bondholders Meetings
- Reduction in the weighted average life of the bonds
  - USD bond tranches from 6.3 to 4.6
  - GBP bond tranches from 6.3 to 6.0
  - NOK bond tranches from 6.3 to 5.3
  - NOK inflation bond tranche from 5.8 to 5.0

Schedule 2 (Amortisation schedule)

**Amortisation schedule**  
**(Redemption per 1,000,000 bonds)**  
**CURRENT    PROPOSED**

Date		
06-Jul-16	0	36 181.51
30-Sep-16	42 351	64 538.02
31-Mar-17	27 884	70 054.04
30-Sep-17	40 721	63 192.67
31-Mar-18	27 604	69 373.10
30-Sep-18	42 696	56 968.33
31-Mar-19	25 586	56 388.33
30-Sep-19	40 765	47 480.30
31-Mar-20	24 281	50 741.26
30-Sep-20	42 588	34 290.17
31-Mar-21	24 420	38 930.41
30-Sep-21	45 139	22 804.58
31-Mar-22	26 453	28 599.21
30-Sep-22	50 584	8 177.84
31-Mar-23	27 928	24 494.60
30-Sep-23	53 156	12 038.56
31-Mar-24	31 258	24 284.39
30-Sep-24	59 477	12 748.76
31-Mar-25	32 102	24 430.53
30-Sep-25	56 816	16 462.40
31-Mar-26	35 418	28 708.01
30-Sep-26	62 390	23 377.78
31-Mar-27	39 621	33 629.78
30-Sep-27	67 639	29 097.66
31-Mar-28	0	10 772.03
30-Sep-28	0	39 112.73



Schedule 3 (Summons to Joint Bondholders' Meeting)

*(Dette brevet til obligasjonseierne er kun utarbeidet på engelsk. For ytterligere informasjon vennligst ta kontakt med Nordic Trustee ASA på telefon + 47 22 87 94 00)*

To the bondholders in:

**4.3000 % NOK Njord Gas Infrastructure AS Index Linked Bond Issue 2011/2027 - ISIN NO 001 060768.2**

**6.1525 % NOK Njord Gas Infrastructure AS Senior Secured Bond Issue 2011/2027 - ISIN NO 001 060769.0**

**5.2410 % GBP Njord Gas Infrastructure AS Senior Secured Bond Issue 2011/2027 - ISIN NO 001 061111.4**

**5.1000 % USD Njord Gas Infrastructure AS Senior Secured Bond Issue 2011/2027 - ISIN NO 001 061112.2**

Oslo, 17 June 2016

## **SUMMONS TO JOINT BONDHOLDERS' MEETING – APPROVAL OF WAIVER AND AMENDMENTS**

### **1 INTRODUCTION**

Reference is made to the NOK equivalent 10,000,000,000 secured term note programme for Njord Gas Infrastructure AS (the "**Issuer**") governed by the common terms agreement (the "**CTA**") dated 1 June 2011 and entered into between the Issuer as issuer, Njord Gas Infrastructure Holding AS as guarantor and Nordic Trustee ASA (previously Norsk Tillitsmann ASA) as bond trustee (the "**Bond Trustee**") and security agent and setting out the common terms for the subsequent bonds issues by the Issuer.

All capitalised terms used but not defined in this summons (the "**Summons**") shall have the meanings given to them in the CTA.

The purpose of this Summons is to convene a Joint Bondholders' Meeting to consider a request by the Issuer for a waiver under the CTA as further described in section 2.5 (*Additional Swap Agreements – Waiver regarding rating of hedge counterparty*) of this Summons. The Joint Bondholders' Meeting is requested by the Issuer in accordance with Clause 14.3.1 a) of the CTA. The background and purpose of the Joint Bondholders' Meeting is set out in more detail in Schedule 1 (*Bondholder Presentation*).

## 2 BACKGROUND

### 2.1 General

Under the NOK equivalent 10,000,000,000 secured term note programme, the Issuer has issued the following series (each a "**Series**") of bonds (the "**Bonds**"), governed by the terms of the CTA and the Specific Terms relating to each such Series of Bonds.

1. Bonds with ISIN NO 001 060768.2, and described as 4.3000 % NOK Njord Gas Infrastructure AS Index Linked Bond Issue 2011/2027, governed by the specific terms dated 1 June 2011 (the "**S1 Specific Terms**" and such bonds, the "**Series 1 Bonds**")
2. Bonds with ISIN NO 001 060769.0, and described as 6.1525 % NOK Njord Gas Infrastructure AS Senior Secured Bond Issue 2011/2027, governed by the specific terms dated 1 June 2011 (the "**S2 Specific Terms**" and such bonds, the "**Series 2 Bonds**")
3. Bonds with ISIN NO 001 061111.4 and described as 5.2410 % GBP Njord Gas Infrastructure AS Senior Secured Bond Issue 2011/2027, governed by the specific terms dated 1 June 2011 (the "**S3 Specific Terms**" and such bonds, the "**Series 3 Bonds**")
4. Bonds with ISIN NO 001 061112.2 and described as 5.1000 % USD Njord Gas Infrastructure AS Senior Secured Bond Issue 2011/2027, governed by the specific terms dated 1 June 2011 (the "**S4 Specific Terms**" and such bonds, the "**Series 4 Bonds**")

The projected cash flow at the time of the Issue of the Bonds were based on, inter alia, certain forecasts as to volumes and tariffs. In June 2013, the Ministry of Petroleum and Energy ("**MPE**") unexpectedly announced tariff regulations which significantly reduced the tariffs which in turn will lead to a decrease in the revenues of the Issuer.

As the amendments to the tariff regulations only impact new bookings for the period following 1 October 2016, the implications are not substantial in the short to medium term, but will increase over time as new bookings at lower tariffs start to account for a higher portion of the revenue basis. Based on the reduced tariffs, the Issuer forecasts a shortfall in cash from operations to debt service in 2021-2027.

While the Issuer forecasts that sufficient cash will be generated to service all debt over the duration of the Bonds, and while the debt service cover ratio of the Issuer for the remaining lifetime of the license period for Gassled is estimated at 1.14, the Bonds have nonetheless been downgraded from A- at issuance to BB- as from December 2015.

### 2.2 Specific Amendments

On this background, the Issuer will propose, certain amendments to each of the Specific Terms to the Bondholders under each Series of Bonds, to be considered at Separate Bondholders' Meeting for each Series of Bonds, such amendments to include (the "**Bond Amortization Alignment**"):

- A. the final maturity date for each Series of Bonds is extended by one year to 30 September 2028; and

- B. that the amortisation schedule for each Series of Bonds to be amended as set out in the summons to each of the Separate Bondholders' Meetings to better reflect the liquidity position of the Issuer for the remaining duration of the Bonds.

As a consequence of the amendments to the amortisation schedules as described above, the Issuer will also make an extraordinary payment of interest on 6 July 2016. Collectively, the adjustments of the amortization schedule and the extraordinary payment of interest, will require amendments to the definitions of "Interest Payment Date" and "Final Maturity Date" in the CTA. The consequences of the Bond Amortization Alignment, provided it is adopted by each of the Separate Bondholders' Meetings for each Series of Bonds, is that the debt service of the Issuer will be aligned with its projected cash flow from operations. The notional amount and coupon rate of the Bonds will remain unchanged.

Provided that the Joint Bondholders' meeting grant the waiver, and that the additional Swap Agreements become effective (each as described below), in addition to the amendments to the CTA referred to above, the Issuer expects that the rating of the Bonds will be improved to BB+ based upon the indicative rating evaluation feedback received from the Rating Agency.

### **2.3 Hedging arrangements**

As a consequence of the Bond Amortization Alignment, certain amendments need to be made to the hedging arrangements that the Issuer has entered into in respect of the Bonds.

The current Swap Agreements are entered into in relation to the Series 2 Bonds, the Series 3 Bonds and the Series 4 Bonds (the Series 1 Bonds are not subject to hedging arrangements) and provide hedging for fluctuations in the relevant foreign exchange rate (if applicable) and inflation exposure, have a final maturity date of 30 September 2027 and are based on the projected cash flow profile at the time of issuance. Following the tariff amendments, as the Bonds provide for a debt service that is no longer aligned with the projected cash flow of the Issuer and following the Bond Amortization Alignment (if approved by the Specific Bondholders' Meetings, respectively), the hedging arrangements of the Issuer pursuant to the Swap Agreements will no longer be aligned with the amortisation schedule of the Bonds.

Thus, the Issuer is seeking to enter into additional Swap Agreements with the Royal Bank of Scotland plc (the "**Additional Swap Provider**") for the purposes of hedging, in relation to (i) the Series 2 Bonds, (ii) the Series 3 Bonds and (iii) the Series 4 Bonds, the fluctuations in the relevant foreign exchange rates (if applicable) and inflation exposure. Such additional Swap Agreements shall have a final maturity date of 30 September 2028 (1 year extension) and shall have the effect of aligning the hedging arrangements of the Issuer with the amortisation schedule of the Bonds following the Bond Amortization Alignment.

Bondholders holding in aggregate more than 2/3 of each Series of Bonds have consented to the Bond Trustee granting a waiver for the technical breach of clause 11.4.13 in the CTA until the Bondholders' Meeting makes the necessary decision, and the Bond Trustee has agreed to comply with this.

### **2.4 Additional Swap Agreements under the CTA and the Agency and Intercreditor Agreement**

The additional Swap Agreements will be entered into for the purpose of hedging the exposure of the Issuer in relation to the Bonds (as set out in the definition of "Swap Agreement" in the CTA). Further, the additional Swap Agreements will be allowed under the CTA Clause 11.4.8 (ii) and will constitute

"Additional Senior Indebtedness" under this Clause. An adherence letter will be delivered to the Bond Trustee under the Agency and Intercreditor Agreement Clause 4.1.2 and thus, the additional Swap Agreements will enjoy the benefit of being part of the "Secured Obligations" under the Agency and Intercreditor Agreement, including being secured by the Security Documents as well as enjoy the seniority and ranking of the existing Swap Agreements under the Agency and Intercreditor Agreement.

Finally, with respect to Clause 11.4.13 of the CTA, the additional Swap Agreements will be entered into for the purpose of hedging the exposure of the Issuer to fluctuations in economic, financial or operational outcomes and thus the scope of the hedging arrangements will be permitted under such Clause.

## **2.5 Additional Swap Agreements – Waiver regarding rating of hedge counterparty**

According to the last sentence of the CTA Clause 11.4.13 the Issuer shall only enter into such financial derivative arrangements with hedge counterparties with a minimum credit rating of A- from the Rating Agency or similar.

The current credit rating of the Additional Swap Provider is BBB+ and thus a waiver under the CTA Clause 11.4.13 is required in order for the Issuer to enter into the additional Swap Agreements with the Additional Swap Provider.

The Issuer proposes that the waiver with respect to the credit rating of the Additional Swap Provider is granted with respect to the entering into of the additional Swap Agreements, however, so that the waiver is made contingent upon the Specific Amendments (including as defined in each summons to the Separate Bondholders' Meetings, respectively) being adopted by the relevant Separate Bondholders' Meetings as set out in section 2.2 (*Specific Amendments*) above.

## **3 PROPOSAL**

It is proposed (the "**Proposal**") that a resolution comprising the following elements shall be passed by the Joint Bondholders' Meeting to:

- (a) in respect of the entering into of the additional Swap Agreements by the Issuer, waive the requirements of the CTA Clause 11.4.13 that the Additional Swap Provider must have a credit rating of minimum A- from the Rating Agency;
- (b) the following definitions of the CTA shall be amended to read as follows:

**"Final Maturity Date"** means 30 September 2028 or an earlier Final Maturity Date as provided for in this CTA. Any further adjustment may be made according to the Business Day Convention."

**"Interest Payment Date"** means 6 July 2016 and 31 March and 30 September each year until all amounts owed under any of the Transaction Documents are paid in full and the Final Maturity Date. Adjustment for payments due on days other than Business Days will be made according to the Business Day Convention.";

(c) authorise and instruct the Bond Trustee to do all things and take such steps on behalf of the Bondholders as may be necessary or desirable in connection with the implementation of the matters referred to in this Summons; and

(d) the resolutions above shall be conditional on:

(i) the Specific Amendments (as defined in each summons to the Separate Bondholders' Meetings, respectively) being adopted by each of the Separate Bondholders' Meetings, respectively; and

(ii) that the Issuer enters into the additional Swap Agreements with the Additional Swap Provider.

#### **4 NON-RELIANCE**

The Proposal is put forward to the Bondholders without further evaluation or recommendations from the Bond Trustee and nothing herein shall constitute a recommendation to the Bondholders by the Bond Trustee. The Bondholders must independently evaluate the Proposal and vote accordingly. It is recommended that the Bondholders seek counsel from their legal, financial and tax advisers regarding the effect of the Proposal.

#### **5 PRE-APPROVAL OF PROPOSAL**

The Issuer has informed the Bond Trustee that Bondholders owning Bonds representing in aggregate approximately 93% of the votes have irrevocably agreed to approve the Proposal and authorised Arctic Securities AS to represent it in the Joint Bondholders' Meeting.

#### **6 BONDHOLDERS' MEETING**

The Bondholders are hereby summoned to a Joint Bondholders' Meeting.

Time: 1 July 2016 at 13:00 hours (Oslo time)

Place: The premises of Nordic Trustee ASA

Haakon VII's gate 1, Oslo – 6<sup>th</sup> floor

Agenda:

1. Approval of the Summons.
2. Approval of the agenda.
3. Election of one person to co-sign the minutes together with the chairman.
4. Approval of the Proposal.

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

*"The Bondholders' Meeting approves the Proposal as described in section 3 (Proposal) of the summons to this Joint Bondholders' Meeting."*

The above mentioned resolution will, according to the CTA, require a simple majority of the Voting Bonds represented at the Joint Bondholders' Meeting voting in favour and a minimum of 50% of the Voting Bonds being represented at the Joint Bondholders' Meeting. The Bondholders may be represented in person or by proxy.

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Please find attached in Schedule 2 (*Bondholder's Form*) to this Summons a Bondholder's Form from the Security Depositary (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 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.

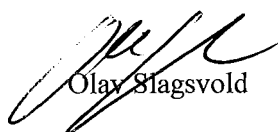
The individual Bondholder may authorise the Bond Trustee to vote on its behalf, in which case the Bondholder's Form also serves as a proxy. A duly signed Bondholders Form, authorising Nordic Trustee ASA to vote, must be returned to the Bond Trustee in due time before the Bondholders' Meeting is scheduled (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 that 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 the Bond Trustee, to notify the Bond Trustee by telephone or by e-mail ([post@nordictrustee.com](mailto:post@nordictrustee.com)) by 16:00 hours (4 pm) (Oslo time) the Business Day before the meeting takes place.

Kind regards,

Nordic Trustee ASA



Olay Slagsvold

Enclosed:

Schedule 1 (Bondholder Presentation)

Schedule 2 (Bondholder's Form)

Schedule 1 (Bondholder Presentation)



Schedule 2 (Bondholder's Form)

Schedule 4 (Bondholder's Form)