

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

**To the Bondholders in:**

**ISIN NO 001 071088.2 - USD 300 million Genel Energy Finance plc, Senior Unsecured Callable Bond Issue 2014/2022**

Oslo, 25 March 2019

## **Summons to a Bondholders' Meeting - temporary amendments to the definition of Permitted Distribution and permanent amendments to call and maturity prices**

### **1. INTRODUCTION**

Nordic Trustee AS acts as trustee (the "**Bond Trustee**") for the holders of bonds in the above-mentioned bond issue (the "**Bond Issue**" or the "**Bonds**") issued by Genel Energy Finance 2 Limited (the "**Issuer**") with Genel Energy plc as guarantor (the "**Parent**").

All capitalized terms used but not defined herein shall have the meaning assigned to them in the amended and restated bond terms for the Bond Issue made between the Bond Trustee and the Issuer on 21 December 2017 (the "**Bond Terms**"). References to Clauses and paragraphs are references to Clauses and paragraphs of the Bond Terms.

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

### **2. BACKGROUND**

The Parent generated USD 164 million in free cash flow in 2018, moving it in to a net cash position by the end of the year. As at the end of February 2019, this net cash position has grown to USD 81 million, with an expectation of material free cash generation in the rest of 2019 (for further details see its 2018 full year results announcement from 20 March 2019 and the Parent presentation of the same date, which gives specific details on slides 8 to 14).

The financial strength of the Parent's business, its forecast ongoing strong cash generation and its resilience to downside price and cost scenarios has led the Parent to initiate a dividend policy. The Parent intends to pay a minimum dividend of USD 40 million per annum, with the intention of growing this as the liquidity position increases. Due to Genel's low-cost and material free cash generation even at a lower oil price, the Parent can maintain this minimum dividend and its capital activity program even if the oil price falls, although the Parent will ensure that the distributions made are appropriate in a sustained low oil price environment.

The Parent's dividend policy provides a meaningful and competitive return to shareholders, which is appropriately commensurate with the underlying value of the business without in any way compromising the Group's ability to service its debt, invest in growth through progression of value realization from the existing portfolio and the acquisition of appropriate new assets. The stated strategy is to generate material free cash flow, which will more than pay for investment in growth,

while allowing a return of capital to shareholders. Key to the Parent's investment case is the fact that the dividend will be paid from free cash flow and liquidity will continue to increase.

The Parent's intention is to pay a dividend in 2020 relating to the 2019 financial year, with the intention that this will be split between an interim (one-third) and final dividend (two-third).

Under the Bond Terms, Permitted Distribution is limited to 50% of the Group's net profit after tax based on the Annual Financial Statement for the previous year. Due to the impact of the non-cash write-down of the Miran PSC, which is a gas appraisal asset, the Parent is reporting a net loss for 2018 and consequently is not currently permitted to pay any dividend in 2019. The Parent views the write-down of the Miran PSC as credit positive, as the delay and deprioritisation of work on this asset reduces any uncertainty of its capital needs during the term of the Bonds.

The Parent is approaching the Bondholders to request a temporary waiver of the restrictions on Distribution in the Bond Terms, with a view to potentially accelerating the start of paying, or part-paying, annual dividends into 2019. In consideration of granting such temporary waiver, the Issuer is offering to increase the price of redemption at Maturity and the premiums applicable on any exercise of the Call Options. In addition, Bondholders demonstrating to the Issuer that they have accepted the Proposal within 3 April 2019 will receive an Early Bird Fee as described in Section 3 below.

If the waiver is not approved by Bondholders, the Parent has stated that it will commence paying dividends with a full first payment, rather than the one-third/two-thirds split.

To enable the Issuer to implement the proposed amendments to the Bond Terms, the Issuer has requested the Bond Trustee to summon a Bondholders' Meeting to consider the approval of the proposed amendments (the "**Proposal**").

The Issuer proposes that the Bond Terms are amended to reflect the following proposed amendments as described in Clause 2.1 below:

## **2.1 The Proposal**

The Issuer proposes the following temporary amendment to the existing Bond Terms with effect from the date of the approval of the Proposal to the date of publication of the Annual Financial Statements for 2019, which is expected to be in March 2020:

- **In Clause 1.1 (*Definitions*)** the definition of Permitted Distribution shall be amended to:

**"Permitted Distribution"** means any Distribution by the Parent in an amount not exceeding 50 per cent. of net profit after tax based on its Annual Financial Statements for the financial year 2018, after adding back the amount of any write-down or impairment of the book value of the Miran & Bina Bawi PSCs; however always provided that:

- (a) the Liquidity would not be less than USD 300,000,000 immediately after such Permitted Distribution is made;
- (b) the Permitted Distribution in 2019 is no more than USD 45,000,000;
- (c) any un-utilized portion of the Permitted Distribution may not be carried forward into the next distribution period; and
- (d) no Event of Default is continuing or would result from such Permitted Distribution.

On the date of publication of the Annual Financial Statements for 2019, the temporary amendment will lapse, after which the definition of Permitted Distribution set out in Clause 1.1 (*Definitions*) of the existing Bond Terms will apply.

In addition, the Issuer proposes the following permanent amendments to the existing Bond Terms:

- **Clause 10.1** (*Redemption of Bonds*) shall be amended to:

**“10.1 Redemption of Bonds**

The Outstanding Bonds will mature in full at the Maturity Date and shall be redeemed by the Issuer on the Maturity Date at a price equal to 102 per cent. of the Nominal Amount.”

- **In Clause 10.2** (*Voluntary early redemption - Call Option*), paragraph (a) shall be amended to:
  - (a) The Issuer may redeem the Outstanding Bonds, in whole or in parts, (the “Call Option”) on any Business Day:
    - (i) from and including the Effective Date to, but not including, the First Call Date at a price equal to the Make Whole Amount;
    - (ii) from and including the First Call Date to, but not including, the Interest Payment Date in December 2021 at a price equal to 105 per cent of the Nominal Amount for each redeemed Bond;
    - (iii) from and including the Interest Payment Date in December 2021 to, but not including, the Interest Payment Date in June 2022 at a price equal to 103 per cent of the Nominal Amount for each redeemed Bond; and
    - (iv) from and including the Interest Payment Date in June 2022 to, but not including, the Maturity Date at a price equal to 102 per cent of the Nominal Amount for each redeemed Bond.

### **3. EARLY BIRD FEE**

The Issuer has offered to pay an early bird fee to any Bondholder which gives its irrevocable pre-consent to support the Proposal (the “**Early Bird Fee**”), cf. information from the Issuer regarding the Early Bird Fee attached hereto as Appendix no 2.

For the avoidance of doubt, the obligation on the Issuer to pay the Early Bird Fee to pre-consenting Bondholders is subject to, and shall be contained in, a voting agreement and is a bilateral obligation owed by the Issuer to the relevant Bondholder. The Bond Trustee shall have no responsibility whatsoever for or any involvement in the payment of the Early Bird Fee, nor shall the Bond Trustee have any recourse against the Issuer in circumstances where the Early Bird Fee is due and payable but not paid.

### **4. EVALUATION OF THE PROPOSAL**

#### **4.1 The Issuer’s evaluation**

In the Parent’s opinion, the Proposal constitutes a balanced and fair proposal. Approval of the waiver will provide the Parent with additional flexibility – permitting the payment of all or part of its first dividend to be accelerated by around 6 - 7 months (i.e. earlier than its next reported Annual Financial Statements planned for March 2020). The need for the waiver has arisen as a result of the accounting

impairment of the Miran PSC, which as mentioned above, the Parent views as a credit positive. Bondholders will be compensated with the higher redemption price and call premiums as well as the Early Bird Fee (subject to the conditions set out above) and the Parent views the overall proposal as balanced.

The Parent has engaged DNB Markets and Pareto Securities AS as the Parent's financial advisors (the "Advisors") with respect to the Proposal. Accordingly, Bondholders may contact DNB Markets at +47 24 16 90 30 or Pareto Securities AS Fixed Income Sales at +47 22 87 87 70 for further information.

The Advisors are acting solely for, and relying on information from, the Parent in connection with the Proposal. No due diligence investigations have been carried out by the Advisors with respect to the Parent and the Advisors do not assume any liability in connection with the Proposal (including but not limited to the information contained herein).

#### **4.2 Support from the Bondholders**

Prior to this Summons being distributed, the Issuer has informed the Bond Trustee that it has received support from a substantial number of the holders of the Voting Bonds to the Proposal.

#### **4.3 The Bond Trustee's disclaimer/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 Proposal is acceptable 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. BONDHOLDERS' MEETING**

Bondholders are hereby summoned to a Bondholders' Meeting:

**Time:** 8 April 2019 at 13.00 hours (Oslo time),  
**Place:** The premises of Nordic Trustee AS,  
 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 section 2.1 of the summons to this Bondholders' Meeting.*

*The Bond Trustee is hereby authorized to take the relevant steps on behalf of the Bondholders in connection with the implementation of the Proposal, including without limitation to prepare, finalize and enter into the necessary agreements and other documentation deemed appropriate and take such further actions which are necessary to execute the Proposal."*

To approve the above resolution, Bondholders representing at least 2/3 of the Bonds represented in person or by proxy at the Bondholders' Meeting 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 Bondholders' Meeting. If the proposal is not adopted, the Bond Terms will remain unchanged.

Please find attached a Bondholder's Form from the Securities Depository (VPS), cf. Appendix 1, 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 Bond 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 the Bond Trustee to vote, must then be returned to the Bond Trustee in due time before the Bondholders' Meeting is scheduled (by scanned e-mail, telefax or post – please see the first page of this letter for further details).

At the Bondholders' Meeting votes may be cast based on bonds held at close of business on the day prior to the date of the Bondholders' Meeting. 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 the Bond Trustee, to notify the Bond Trustee by telephone or by e-mail (mail@nordictrustee.com) within 16:00 hours (4 pm) (Oslo time) the Banking Day before the Bondholders' Meeting takes place.

\* \* \*

Yours Sincerely  
**Nordic Trustee AS**



Vivian Trøsch

Enclosed:    Appendix 1:    Bondholder's Form  
                 Appendix 2:    Information from the Issuer regarding the Early Bird Fee

## APPENDIX 2 – INFORMATION FROM THE ISSUER REGARDING EARLY BIRD FEE

On the condition that the Proposal is accepted, as a bilateral transaction between the Issuer and any relevant Bondholders, the Issuer will pay an early bird fee to any Bondholder which gives its irrevocable pre-consent to support the Proposal prior to 5p.m. Oslo time on 3 April 2019 (the “**Early Bird Fee**”). The Early Bird Fee shall be an amount equal to 0.25% of the aggregate principal amount of the Bonds held by that Bondholder on the date of approving the Proposal (the “**Early Bird Acceptance Date**”) which also shall be the record date for payment of the Early Bird Fee. If Bondholders wish to provide their irrevocable pre-consent to support the Proposal so as to become eligible to receive the Early Bird Fee, they will need to enter into a voting agreement (the “**Voting Agreement**”) with the Parent, pursuant to which they will agree to vote their Bonds in favour of the Proposal and agree not to transfer their Bonds unless the transferee also agrees to be bound by the terms of the Voting Agreement. The Voting Agreement will include evidence of holdings as of the date of the Early Bird Acceptance Date. The Early Bird Fee shall be paid to each Bondholder which is eligible to receive it within no later than 10 Business Days after the Proposal Approval Date (as defined in the Voting Agreement).

Voting Agreements are available from the Advisors, through the following contacts:

DNB Markets: [bond.syndicate@dnb.no](mailto:bond.syndicate@dnb.no)

Pareto Securities:

Petter Sagfossen: [petter.sagfossen@paretosec.com](mailto:petter.sagfossen@paretosec.com)

Christian Ramm: [christian.ramm@paretosec.com](mailto:christian.ramm@paretosec.com)

For the avoidance of doubt, the obligation on the Issuer to pay the Early Bird Fee to pre-consenting Bondholders is subject to the terms of, and shall be contained in, the Voting Agreement and is a bilateral obligation owed by the Issuer to the relevant Bondholder. The Bond Trustee shall have no responsibility whatsoever for or any involvement in the payment of the Early Bird Fee, nor shall the Bond Trustee have any recourse against the Issuer in circumstances where the Early Bird Fee is due and payable but not paid.