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**To the Bondholders in:**

**ISIN NO 001 0593890 - "12.00 per cent TTS Group ASA Convertible Callable Unsecured Subordinated Bond Issue 2011/2016"**

Oslo, 8 March 2017

## **Summons to Bondholders' Meeting - Amendments of Bond Agreement**

Nordic Trustee ASA acts as trustee (the "**Trustee**") for the holders of bonds in the above-mentioned bond issue ISIN NO 001 0593890 (in the total outstanding amount of NOK 95,345,000) (the "**Bond Issue**" or the "**Bonds**") issued by TTS Group ASA (the "**Issuer**" or the "**Company**").

All capitalized terms used herein shall have the meaning assigned to them in the bond agreement dated 17 January 2011 (as amended by amendment agreement (no.1) dated 7 January 2016, and as may be further amended from time to time) made between the Trustee and the Issuer (the "**Bond Agreement**"), unless otherwise stated herein. References to Clauses and paragraphs are references to Clauses and paragraphs of the Bond Agreement.

*The information in this summons regarding the legal, operational and financial status of the Issuer is provided by the Issuer. The Trustee expressly disclaims any and all liability whatsoever related to such information given from the Issuer.*

## **1 BACKGROUND**

The Company is a global enterprise that designs, develops and supplies equipment solutions and services for the marine and offshore industries. The Company is one of the top three largest suppliers in its specialized markets and operates in the following six segments:

- Roro/Cruise/Navy ("**BURCN**")
- Container/Bulk/Tank ("**BUCBT**")
- Multipurpose/General Cargo ("**BUMPG**")
- Offshore ("**BUOFF**")
- Shipyard Solutions ("**BUSYS**")
- Services ("**BUSER**")

The Issuer is listed on the Oslo Stock Exchange with a market capitalization of approx. NOK 340 million as of 7 March 2017 and its largest shareholders are the Skeie family (~32%) and Rasmussengruppen AS (~13%).

The Q4 2016 turnover MNOK 758 was on level with 3<sup>rd</sup> quarter, but 10% lower than Q4 2015, with the Offshore and RoRo/Cruise/Navy segments being the largest contributors to the reduced turnover. EBITDA in Q4 2016 was MNOK 33, excluding the MNOK 20 impairment of inventory in Multipurpose/General Cargo, which confirms a trend with a positive EBITDA in the area between MNOK 25 and 40 in 2016 per quarter.

The full year underlying EBITDA for 2016 was MNOK 133, a significant improvement compared to the same period underlying EBITDA for 2015 of MNOK 89. The earnings before interest and tax (EBIT) in Q4 2016 was (MNOK -94), hit by impairment of fixed assets (MNOK 16) and goodwill (MNOK 82) in business unit Multipurpose/General Cargo.

Net interest-bearing debt at the end of Q4 2016 was MNOK 294, an increase of MNOK 40 from Q3 2016. The effect of the consolidation of the 50% owned THH (TTS Hua Hai Ships Equipment Co., Ltd) and TTS-SCM (TTS-SCM Marine and Offshore Machinery Co., Ltd) represents a total reduction of the reported net interest-bearing debt of MNOK 99.

The book equity ratio at the end of the Q4 2016 was 27.3%. Including the convertible bond the equity ratio was 31.6%. The Issuer has covenants for equity ratio, leverage and liquidity related to its debt and bonding facilities with Nordea and DNB. The debt and bonding facilities were renewed in Q4 2016 for another two years.

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

### ***Background for the requested amendments***

Due to continued challenging markets with low visibility, the financial performance has been weaker than expected. This, combined with the Company's restructuring initiatives has led to substantial impairment of fixed assets and goodwill over the last years, which has negatively impacted the Issuer's financial position. The debt and bonding facilities with Nordea and DNB, which was renewed in Q4 2016 for two new years, include strict financial covenants, including a requirement for an acceptable renewal/refinancing of the Bonds within 30 March 2017. The proposal as described in Section 2 of this Summons is approved by both Nordea and DNB. The Company's current share price of NOK 3.90 (7 March 2017) is at a level where the Bonds are currently trading out of the money in relation to current conversion price of NOK 4.97 per share. Furthermore, the Issuer is not in a liquidity position nor has the balance sheet strength being capable to repay the Bond at this point in time, despite its completed activities to dispose non-core assets. Consequently, the Issuer is unable to repay the Bond on the existing Maturity Date on 18 April 2017. On this basis, the Issuer is approaching the Bondholders with a request to extend the Maturity Date for another 21 months. The requested amendments are further described in Section 2 of this Summons.

## **2 PROPOSAL**

To enable the Issuer to conduct the proposed amendments of the Bond Agreement, the Issuer has requested the Bond Trustee to summon a Bondholders' Meeting to consider the approval of the following proposed amendments (subject to the shareholder approval described in Clause 3.2 of this Summons and other customary conditions precedent) (the "**Proposal**"):

### **2.1 Amendment of the definition "Maturity Date":**

The Issuer proposes to amend the definition Maturity Date in Clause 1.1 of the Bond Agreement to be read as follows:

*"Maturity Date" means 18 January 2019 or an earlier maturity date as provided for in this Bond Agreement. Any further adjustment may be made according to the Business Day Convention.*

### **2.2 Amendment of the Fixed Rate:**

The Issuer proposes to amend the definition Fixed Rate in Clause 9.1 of the Bond Agreement to be read as follows:

*The Issuer shall pay interest on the face value of the Bonds (i) from, and including, the Issue Date to, but excluding, the Interest Payment Date in January 2016 at a fixed rate of 8 per cent per annum and (ii) from, and including, the Interest Payment Date in January 2016 at a fixed rate of 12 per cent per annum, and (iii) from, and including the Interest Payment Date in April 2017 at a fixed rate of 10 per cent per annum (the "**Fixed Rate**").*

### 2.3 Voluntary buy-back offer:

The Issuer proposes a voluntary buyback offer of 10% of the Outstanding Bonds at par value.

Bondholders may at their sole discretion opt to sell parts of their holdings to the Issuer, however the total buyback volume is limited to NOK 9,534,500 being 10% of Outstanding Bonds. Investors willing to sell will be requested to fill out a form (the “**Acceptance Form**”) which will be sent via the VPS and published separately on Stamdata.no.

In the event the total volume tendered for sale is less than the total buy-back volume, the amount equal to the difference between the total tendered volume and NOK 9,534,500 will be allocated to investors accepting the buy-back offer.

The Acceptance Form must be delivered to Pareto Securities AS up to 12:00 (CET) hours on 22 March 2017. Cash settlement of the Bonds acquired by the Issuer will be 3 business days after the date of the Bondholder Meeting. All Bonds acquired will be cancelled and the total outstanding amount of Bonds will be adjusted accordingly.

## 3 EVALUATION OF THE PROPOSED AMENDMENTS

### 3.1 The Issuer’s evaluation

Following the current weak market environment, the Company has taken strong cost-reducing measures to adjust operating expenses, and implemented initiatives to further coordinate and streamline its operational activities. Non-core activities are sold. Furthermore, the Company has raised its awareness to offer ship-type solutions to key customers. The effects of these actions are expected to contribute positively in the quarters to come.

All measures taken will enable the Company to benefit from its strong position in its core segments and also gain larger access to the entire value chain. Offering ship-type solutions will increase flexibility for shipyards and ship owners, and therefore improve the competitive position for the Company, and in turn improve margins, and provide the optionality to respond to changes in market dynamics. Combined with expected improved market conditions medium to long term, all efforts will enhance the potential to make the Company more robust, and be able to repay the Bond Issue at the new proposed Maturity Date.

In order for the Company to fully benefit from the cost initiatives and the initiatives implemented towards the shipping industry, the Company is taking measures to improve financial liquidity until the effects of such measures start to contribute positively to the financial position of the Company, by inter alia proposing these amendments to the Bond Agreement. On that basis, the Issuer is of the opinion that the amendments are reasonable and necessary.

The Issuer has engaged Pareto Securities AS as the Issuer’s financial advisor (the “**Advisor**”) with respect to the Proposal. Accordingly, Bondholders may contact Pareto Securities AS Fixed Income Sales at +47 22 87 87 70 for further information.

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

### 3.2 Shareholder approval

An Extraordinary General Meeting (the “**EGM**”) in the Issuer will need to approve the proposed amendment described in Clause 2.1 of this Summons and authorize the Board of Directors in the Issuer to resolve the restructuring of the Bond Issue. The EGM is expected to take place the 30 March

2017 and the required board resolutions are expected to be adopted by the Board of Directors on the same date, after the EGM has been adjourned. The proposed amendments are contingent upon a positive resolution in the EGM.

### **3.3 Support from the Bondholders**

Prior to this summons letter being distributed, the Issuer has informed the Trustee that it has received confirmation from a majority of the holders of the Voting Bonds in ISIN NO 001 0593890 that such holders intend to support the Proposal.

### **3.4 The Trustee's disclaimer/non-reliance**

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

## **4 BONDHOLDERS' MEETING:**

Bondholders are hereby summoned to a Bondholders' Meeting:

Time: 22 March 2017 at 13:00 hours (1 pm) (Oslo time)

Place: The premises of Nordic Trustee ASA, Haakon VII's gate 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 Proposal (as defined in the summons to this Bondholders' Meeting) is approved by the Bondholders' Meeting.*

*The Trustee is given the power of attorney to enter into the necessary agreements in connection with decisions made by the Bondholders' Meeting as well as carry out necessary completion work, including making necessary amendments of the Bond Agreement."*

\* \* \*

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 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 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 authorize the Trustee to vote on its behalf, in which case the Bondholder's Form also serves as a proxy. A duly signed Bondholder's Form, authorizing the Trustee to vote, must then be returned to the 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 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 Trustee, to notify the Trustee by telephone or by e-mail ([mail@nordictrustee.no](mailto:mail@nordictrustee.no)) within 16:00 hours (4pm) (Oslo time) the Business Day before the meeting takes place.

Yours Sincerely

**Nordic Trustee ASA**

  
Morten S. Brødesen

Enclosed: Bondholder's Form