

## NORDIC TRUSTEE

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

### To the bondholders in:

ISIN: NO 001069241.1, FRN North Atlantic Drilling Ltd. Senior Unsecured Bond Issue 2013/2018 (the "NADL 2013 Bonds");

ISIN: NO 001067314.8, FRN Seadrill Limited Senior Unsecured Bond Issue 2013/2018 (the "SL 2013 Bonds"); and

ISIN: NO 001070579.1, FRN Seadrill Limited Senior Unsecured Bond Issue 2014/2019 (the "SL 2014 Bonds," and together with the NADL 2013 Bonds and SL 2013 Bonds, the "Bonds")

Oslo, 21 March 2018

### Information to Bondholders

Nordic Trustee AS (the "**Bond Trustee**") acts as trustee for the holders (the "**Bondholders**") of the Bonds issued by North Atlantic Drilling Ltd. ("**NADL**") and Seadrill Limited ("**Seadrill**," and together with NADL, the "**Issuers**") pursuant to: (i) the bond agreement dated October 30, 2013, as amended and restated by the First Amendment and Restatement Agreement dated February 13, 2015 (the "**NADL 2013 Bond Agreement**"); (ii) the bond agreement dated March 11, 2013 (the "**SL 2013 Bond Agreement**"); and (iii) the bond agreement dated March 17, 2014 (the "**SL 2014 Bond Agreement**"). As you were previously advised, on September 12, 2017 (the "**Petition Date**"), the Issuers and certain of their affiliates (the "**Debtors**") filed voluntary petitions under Chapter 11 of the United States Code, Title 11 (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the Southern District of Texas (the "**Court**"). The Debtors' cases (the "**Cases**") are jointly administered under Main Case No. 17-60079 (DRJ).

#### Plan and Disclosure Statement

On February 26, 2018, the Debtors filed their Second Amended Joint Chapter 11 Plan [Dkt. 1000] (the "**Plan**") and Disclosure Statement relating to the Plan [Dkt. 1002] (the "**Disclosure Statement**"). The Disclosure Statement was approved by the Court, pursuant to an order dated February 26, 2018 [Dkt. 1015] (the "**Disclosure Statement Order**"). Unless otherwise stated, all capitalised terms used but not defined herein shall have the meaning assigned to them in the Plan and the Disclosure Statement.

**The below information is provided only as a summary of publicly available information, and Bondholders should carefully review the Plan, Disclosure Statement and related documents. All of the documents and information mentioned below are available free of charge through the Debtors' claims and noticing agent, Prime Clerk, at the following link: <https://cases.primeclerk.com/seadrill/>.**

### *Proposed Plan Distributions*

The Plan is the result of a global settlement that was achieved after months of extensive negotiations. Under the Plan, claims against Seadrill are in Class B3, and claims against NADL are in Class D3. The treatment of Class B3 claims is provided for in Section III.B.17 of the Plan. The treatment of Class D3 claims is provided for in Section III.B.35 of the Plan.

The following summarizes the proposed Plan distributions. It is qualified in its entirety by reference to the Disclosure Statement and the Plan.

Under the Plan, Allowed General Unsecured Claims in Class B3, D3 and F3 will receive the following:

- Pro rata share of 15% of the New Equity (subject to dilution by the Employee Incentive Plan and the Primary Structuring Fee);
- If you are an “Eligible Holder,” the ability to participate in a Note Rights Offering of \$119.4 million and/or an Equity Rights Offering of \$48.1 million;
- If you are a “Certified Non-Eligible Holder,” the ability to receive a percentage of your claim from a \$23 million cash pool;
- Pro rata share of the “Unsecured Pool Recovery Cash” which is comprised of (i) \$17 million in cash less approximately \$4 million for certain Committee members’ fees and expenses and (ii) any remaining cash from the \$23 million cash pool.

As calculated by the Debtors’ financial advisors, Alvarez & Marsal, the Bondholders’ Allowed Claims amounts (excluding any Bonds held by Seadrill) are as follows:

- NADL 2013 Bonds: USD 182,085,633
- SL 2013 Bonds: USD 232,412,297
- SL 2014 Bonds: USD 189,616,682

These amounts include all principal and accrued, prepetition interest as of the Petition Date, and are calculated based on the exchange rates applicable as of the Petition Date (1 NOK = 0.1276 USD; 1 SEK = 0.1254 USD). The recovery set forth in the Plan and summarized herein will be in full satisfaction and release of all Bondholders’ claims. Specifically, there will be no payment of interest or any other amounts accrued after the Petition Date.

The Disclosure Statement projects that members of Class B3 (such as Bondholders of the SL 2013 Bonds and SL 2014 Bonds) will receive a recovery on their Allowed Claims of between 32% and 47%. The Disclosure Statement states that claimants with recourse against both Seadrill and NADL (such as Bondholders of the NADL 2013 Bonds) will receive distributions as members of both Classes B3 and D3, and projects an aggregate recovery of between 55% and 79% for such claimants. The Debtors’ estimate of aggregate Allowed General Unsecured Claims against Debtors Seadrill, NADL, and Sevan, and the estimated recovery percentage of such claims under the Plan, is as follows:

<b>Debtor/Class</b>	<b>Projected Claims</b>	<b>Projected Recovery</b>
Seadrill Limited – Class B3	\$3,280 million	32 - 47%
NADL – Class D3	\$673.0 million	23 - 33%
Sevan – Class F3	\$0	N/A

Although the Debtors’ estimate of Allowed General Unsecured Claims is generally the result of the Debtors’ and their advisors’ careful analysis of available information, Allowed General Unsecured

Claims actually asserted against the Debtors may be higher or lower than the Debtors' estimate provided herein, which difference could be material. **Accordingly, actual recoveries for the different Bonds may be materially different from those projected in the Disclosure Statement.**

*Further Details Concerning Eligible Holders*

Pursuant to the Rights Offerings noted above, Note Eligible Holders may purchase New Secured Notes combined with New Equity, and Equity Eligible Holders may purchase New Equity alone, each at prices substantially below the Debtors' range of values for its New Equity contained in the Disclosure Statement. **Actual values for the New Secured Notes and New Equity may be materially different from those projected in the Disclosure Statement. No recommendation as to whether you should buy any securities or whether you should sell or retain your Bonds is made.**

The Rights Offerings are expected to begin approximately 14 days after Confirmation of the Plan (the Confirmation Hearing is currently scheduled for April 17, 2018), and continue for approximately 30 days. To exercise the Subscription Rights, Eligible Holders should follow the Rights Offering Instructions set forth in the Rights Offering Procedures. The current draft of the Rights Offering Procedures are attached to the Disclosure Statement as Exhibits E1 and E2 (as applicable), and may be amended.

Due to certain securities law restrictions not all Bondholders will qualify as Note Eligible Holders or Equity Eligible Holders. The Disclosure Statement provides detail on who are eligible to participate in the Rights Offerings. A summary of the relevant definitions is provided below:

- "Note Eligible Holders" are holders that qualify as "qualified institutional buyers" or "accredited investors" under United States securities laws or a similar non-United States securities exemption under applicable local law for holders located outside of the United States;
- "Equity Eligible Holders" are all holders located in the United States, as well as all holders located outside of the United States that qualify for a securities law exemption as an accredited investor (or similar such exemption) under applicable non-United States local law;
- Non-U.S. Persons in a Member State of the EEA, that is a "qualified investor" in that Relevant Member State within the meaning of the EU Prospectus Directive may participate in the Rights Offerings. For the relevant definitions, see Article 2, paragraphs 1(e), 1(f), and 2 of the EU Prospective Directive, attached hereto as **Exhibit 1**.

Please note that only Bondholders as of the commencement of the subscription period will be eligible to participate in the Note Rights Offering.

Please also note that the New Secured Notes issued under the Note Rights Offering will only be registered in the DTC<sup>1</sup>, and all holders will need to have access to an account which can hold such securities. New Equity that is offered in combination with New Secured Notes pursuant to the Note Rights Offering will not have registration rights unless constituting more than 1% of New Equity. This means that that New Equity that is offered in combination with New Secured Notes may not be immediately listed and have trading restrictions.

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<sup>1</sup> Depository Trust Company, a securities depository based in the U.S.

### *Further Details Concerning Certified Non-Eligible Holders*

Bondholders that: (a) certify, under penalty of perjury, that they are not an Equity Eligible Holder and/or not a Note Eligible Holder (as applicable); and (b) timely submit such certifications in accordance with the Rights Offering Procedures, are deemed “Certified Non-Eligible Holders,” and are eligible to receive certain cash consideration under the Plan in lieu of participating in the Rights Offerings.

Certified Non-Eligible Holders that are not Note Eligible Holders shall receive cash in an amount equal to 7 percent of their applicable General Unsecured Claims. Certified Non-Eligible Holders that are not Equity Eligible Holders shall receive cash in an amount equal to 3 percent of their applicable General Unsecured Claim. If the aggregate cash consideration to be paid to all Certified Non-Eligible Holders would otherwise exceed \$23 million, the cash consideration paid to all Certified Non-Eligible Holders shall be reduced on a pro rata basis until the aggregate cash consideration paid to Certified Non-Eligible Holders equals \$23 million.

To submit the proper certification and receive the appropriate cash consideration, Bondholders should follow the Unsecured Cash Out Facility Instructions set forth in the Rights Offering Procedures. Certified Non-Eligible Holders must exercise their rights during the Rights Offerings. As stated above, the Rights Offerings are expected to begin approximately 14 days after Confirmation of the Plan (the Confirmation Hearing is currently scheduled for April 17, 2018), and continue for approximately 30 days.

Certified Non-Eligible Holders may also elect to sell their claims (prior to the commencement of the Rights Offerings) to a party who is eligible to participate in the Rights Offering. Please note that the Subscription Rights may not be separated from the Bonds, and cannot be separately traded.

**Please review the Disclosure Statement for further information about the Rights Offerings and the Unsecured Cash Out Facility.**

### Voting Procedures

Bondholders as of 26 February 2018 are entitled to vote on the Plan pursuant to the voting procedures set forth in Schedule 2 of the Disclosure Statement Order. The Debtors’ solicitation agent, Prime Clerk, has transmitted the Plan, Disclosure Statement, ballots, and voting instructions through VPS on 15 March, 2018. The same documents have also been published on [www.stamdata.com](http://www.stamdata.com) named “Solicitation Materials.” **Please read the Plan and Disclosure Statement carefully before voting on the Plan.**

You may vote to accept or reject the Plan by returning a completed ballot to your broker, bank, or other nominee, or the agent of a broker, bank, or other nominee (each of the foregoing, a “Nominee”), in accordance with the instructions provided by your Nominee. Your Nominee will then submit a master ballot to the Debtors’ Notice and Claims Agent, Prime Clerk. In order for your vote to count, your Nominee must receive your ballot in sufficient time for your Nominee to include your vote on a master ballot, which must be received by the Notice and Claims Agent on or before April 5, 2018, at 4:00 PM prevailing Central Time. **Please allow sufficient time for your vote to be included on the Master Ballot completed by your Nominee.**

Bondholders directly registered in VPS should send their ballots to [seadrillballots@primeclerk.com](mailto:seadrillballots@primeclerk.com). The ballots ask for the amount of Bondholders’ claims to be stated in terms of the unpaid principal amounts of their Bonds using the exchange rates applicable as of the Petition Date (NOK 1 million = USD 127,600, SEK 1 million = USD 125,400).

Questions regarding voting procedures, or requests for documents, may be directed Prime Clerk by: (i) writing to Seadrill Ballot Processing, c/o Prime Clerk LLC, 830 Third Avenue, 3rd Floor, New York, New York 10022; (ii) emailing [seadrillballots@primeclerk.com](mailto:seadrillballots@primeclerk.com); or (iii) calling the Debtors' restructuring hotline at 800-25-030 (Norway Toll Free) or 844-858-8891 (US Toll Free).

#### Technical Extension of the SL 2013 Bonds

Please note that the maturity date for the SL 2013 Bonds in VPS was extended to 12 September 2018 for purely practical reasons. The technical extension of maturity will make trading of the SL 2013 Bonds easier, and facilitate the above mentioned Plan Distributions.

#### Significant Dates

The following timeline applies (subject to modification) with respect to voting on the Plan, confirming the Plan, and the subscription period (all times are prevailing Central Time):

- The Voting Record Date is February 26, 2018.
- The Solicitation and Publication Deadlines are March 5, 2018.
- The Voting and Plan Objection Deadlines are April 5, 2018, at 4:00 PM.
- The Confirmation Hearing is scheduled for April 17, 2018, at 1:00 PM.
- The Subscription Commencement Date with respect to the Equity Rights Offering is expected to be approximately 14 days after the Plan is confirmed.
- The Subscription Expiration Deadline is expected to be approximately 30 days after the Subscription Commencement Date.

#### Potential Information call

The Bond Trustee may schedule an informational call for Bondholders if it receives sufficient indications of interest from Bondholders. If you are interested in participating in a telephone conference to address questions about the Plan, Disclosure Statement, and these Cases, please send an email request with proof of your holdings to the Bond Trustee using the contact information below. If a call is scheduled, the Bond Trustee will send dial-in information to Bondholders who have expressed an interest in participating.

#### Further Information

The Bond Trustee will from time to time provide additional information on [www.stamdata.com](http://www.stamdata.com). This will include additional information related to the Rights Offerings to be published in connection with the subscription period.

#### Retention of Professionals

The Bond Trustee has retained the U.S. law firm of Bryan Cave LLP, and specifically, Stephanie Wickouski, Esq., to represent the Bond Trustee in connection with the Bonds and the Cases. Ms. Wickouski's contact information is:

Stephanie Wickouski, Esq.  
1290 Avenue of the Americas  
New York, New York 10104  
Telephone: +1 (212) 541-1114  
Email: stephanie.wickouski@bryancave.com

The Bond Trustee and its counsel will continue to monitor the case and notify Bondholders of significant developments in the case. While the Bond Trustee will endeavour to keep Bondholders informed of major developments that will affect their Bonds, the Bond Trustee does not intend to provide regular updates to the Cases.

Bondholders should not rely on the Bond Trustee as their sole source of information.

**Information about the Cases and updates to the Court docket is available free of charge through the Debtors' claims and noticing agent, Prime Clerk, at the following link: <https://cases.primeclerk.com/seadrill/>.**

You may also contact the Committee at [SeadrillUCCinquiry@kramerlevin.com](mailto:SeadrillUCCinquiry@kramerlevin.com).

Communications to the Trustee

For further questions to the Bond Trustee, please contact:

Fredrik Lundberg  
Telephone: +47 22 87 94 24  
Email: [lundberg@nordictrustee.com](mailto:lundberg@nordictrustee.com)

Lars Erik Lærum  
Telephone: +47 22 87 94 06  
Email: [laerum@nordictrustee.com](mailto:laerum@nordictrustee.com)

As you were previously advised, the Bond Trustee was appointed as a member of the official committee of unsecured creditors (the "**Committee**") on September 12, 2017. As a Committee member, the Bond Trustee actively participated in the negotiations which culminated in the Debtors' proposed Plan and Disclosure Statement. Please note that the Bond Trustee can not comment on the work of the Committee, as this may be confidential information.

Yours sincerely,  
**Nordic Trustee AS**



# **Exhibit 1**

- (d) securities unconditionally and irrevocably guaranteed by a Member State or by one of a Member State's regional or local authorities;
- (e) securities issued by associations with legal status or non-profit-making bodies, recognised by a Member State, with a view to their obtaining the means necessary to achieve their non-profit-making objectives;
- (f) non-equity securities issued in a continuous or repeated manner by credit institutions provided that these securities:
  - (i) are not subordinated, convertible or exchangeable;
  - (ii) do not give a right to subscribe to or acquire other types of securities and that they are not linked to a derivative instrument;
  - (iii) materialise reception of repayable deposits;
  - (iv) are covered by a deposit guarantee scheme under Directive 94/19/EC of the European Parliament and of the Council on deposit-guarantee schemes <sup>(1)</sup>;
- (g) non-fungible shares of capital whose main purpose is to provide the holder with a right to occupy an apartment, or other form of immovable property or a part thereof and where the shares cannot be sold on without this right being given up;
- (h) securities included in an offer where the total consideration of the offer is less than EUR 2 500 000, which limit shall be calculated over a period of 12 months;
- (i) 'bostadsobligationer' issued repeatedly by credit institutions in Sweden whose main purpose is to grant mortgage loans, provided that
  - (i) the 'bostadsobligationer' issued are of the same series;
  - (ii) the 'bostadsobligationer' are issued on tap during a specified issuing period;
  - (iii) the terms and conditions of the 'bostadsobligationer' are not changed during the issuing period;
  - (iv) the sums deriving from the issue of the said 'bostadsobligationer', in accordance with the articles of association of the issuer, are placed in assets which provide sufficient coverage for the liability deriving from securities;
- (j) non-equity securities issued in a continuous or repeated manner by credit institutions where the total consideration of the offer is less than EUR 50 000 000, which limit shall be calculated over a period of 12 months, provided that these securities:
  - (i) are not subordinated, convertible or exchangeable;
  - (ii) do not give a right to subscribe to or acquire other types of securities and that they are not linked to a derivative instrument.

3. Notwithstanding paragraph 2(b), (d), (h), (i) and (j), an issuer, an offeror or a person asking for admission to trading on a regulated market shall be entitled to draw up a prospectus in accordance with this Directive when securities are offered to the public or admitted to trading.

## Article 2

### Definitions

1. For the purposes of this Directive, the following definitions shall apply:
  - (a) 'securities' means transferable securities as defined by Article 1(4) of Directive 93/22/EEC with the exception of money market instruments as defined by Article 1(5) of Directive 93/22/EEC, having a maturity of less than 12 months. For these instruments national legislation may be applicable;
  - (b) 'equity securities' means shares and other transferable securities equivalent to shares in companies, as well as any other type of transferable securities giving the right to acquire any of the aforementioned securities as a consequence of their being converted or the rights conferred by them being exercised, provided that securities of the latter type are issued by the issuer of the underlying shares or by an entity belonging to the group of the said issuer;
  - (c) 'non-equity securities' means all securities that are not equity securities;
  - (d) 'offer of securities to the public' means a communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the securities to be offered, so as to enable an investor to decide to purchase or subscribe to these securities. This definition shall also be applicable to the placing of securities through financial intermediaries;
  - (e) 'qualified investors' means:
    - (i) legal entities which are authorised or regulated to operate in the financial markets, including: credit institutions, investment firms, other authorised or regulated financial institutions, insurance companies, collective investment schemes and their management companies, pension funds and their management companies, commodity dealers, as well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities;
    - (ii) national and regional governments, central banks, international and supranational institutions such as the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations;
    - (iii) other legal entities which do not meet two of the three criteria set out in paragraph (f);

<sup>(1)</sup> OJ L 135, 31.5.1994, p. 5.

- (iv) certain natural persons: subject to mutual recognition, a Member State may choose to authorise natural persons who are resident in the Member State and who expressly ask to be considered as qualified investors if these persons meet at least two of the criteria set out in paragraph 2;
- (v) certain SMEs: subject to mutual recognition, a Member State may choose to authorise SMEs which have their registered office in that Member State and who expressly ask to be considered as qualified investors;
- (f) 'small and medium-sized enterprises' means companies, which, according to their last annual or consolidated accounts, meet at least two of the following three criteria: an average number of employees during the financial year of less than 250, a total balance sheet not exceeding EUR 43 000 000 and an annual net turnover not exceeding EUR 50 000 000;
- (g) 'credit institution' means an undertaking as defined by Article 1(1)(a) of Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions <sup>(1)</sup>;
- (h) 'issuer' means a legal entity which issues or proposes to issue securities;
- (i) 'person making an offer' (or 'offeror') means a legal entity or individual which offers securities to the public;
- (j) 'regulated market' means a market as defined by Article 1(13) of Directive 93/22/EEC;
- (k) 'offering programme' means a plan which would permit the issuance of non-equity securities, including warrants in any form, having a similar type and/or class, in a continuous or repeated manner during a specified issuing period;
- (l) 'securities issued in a continuous or repeated manner' means issues on tap or at least two separate issues of securities of a similar type and/or class over a period of 12 months;
- (m) 'home Member State' means:
- (i) for all Community issuers of securities which are not mentioned in (ii), the Member State where the issuer has its registered office;
- (ii) for any issues of non-equity securities whose denomination per unit amounts to at least EUR 1 000, and for any issues of non-equity securities giving the right to acquire any transferable securities or to receive a cash amount, as a consequence of their being converted or the rights conferred by them being exercised, provided that the issuer of the non-equity securities is not the issuer of the underlying securities or an entity belonging to the group of the latter issuer, the Member State where the issuer has its registered office, or where the securities were or are to be admitted to trading on a regulated market or where the securities are offered to the public, at the choice of the issuer, the offeror or the person asking for admission, as the case may be. The same regime shall be applicable to non-equity securities in a currency other than euro, provided that the value of such minimum denomination is nearly equivalent to EUR 1 000;
- (iii) for all issuers of securities incorporated in a third country, which are not mentioned in (ii), the Member State where the securities are intended to be offered to the public for the first time after the date of entry into force of this Directive or where the first application for admission to trading on a regulated market is made, at the choice of the issuer, the offeror or the person asking for admission, as the case may be, subject to a subsequent election by issuers incorporated in a third country if the home Member State was not determined by their choice;
- (n) 'host Member State' means the State where an offer to the public is made or admission to trading is sought, when different from the home Member State;
- (o) 'collective investment undertaking other than the closed-end type' means unit trusts and investment companies:
- (i) the object of which is the collective investment of capital provided by the public, and which operate on the principle of risk-spreading;
- (ii) the units of which are, at the holder's request, repurchased or redeemed, directly or indirectly, out of the assets of these undertakings;
- (p) 'units of a collective investment undertaking' mean securities issued by a collective investment undertaking as representing the rights of the participants in such an undertaking over its assets;
- (q) 'approval' means the positive act at the outcome of the scrutiny of the completeness of the prospectus by the home Member State's competent authority including the consistency of the information given and its comprehensibility;
- (r) 'base prospectus' means a prospectus containing all relevant information as specified in Articles 5, 7 and 16 in case there is a supplement, concerning the issuer and the securities to be offered to the public or admitted to trading, and, at the choice of the issuer, the final terms of the offering.
2. For the purposes of paragraph 1(e)(iv) the criteria are as follows:
- (a) the investor has carried out transactions of a significant size on securities markets at an average frequency of, at least, 10 per quarter over the previous four quarters;
- (b) the size of the investor's securities portfolio exceeds EUR 0,5 million;

<sup>(1)</sup> OJ L 126, 26.5.2000, p. 1. Directive as last amended by Directive 2000/28/EC (OJ L 275, 27.10.2000, p. 37).

(c) the investor works or has worked for at least one year in the financial sector in a professional position which requires knowledge of securities investment.

3. For the purposes of paragraphs 1(e)(iv) and (v) the following shall apply:

Each competent authority shall ensure that appropriate mechanisms are in place for a register of natural persons and SMEs considered as qualified investors, taking into account the need to ensure an adequate level of data protection. The register shall be available to all issuers. Each natural person or SME wishing to be considered as a qualified investor shall register and each registered investor may decide to opt out at any moment.

4. In order to take account of technical developments on financial markets and to ensure uniform application of this Directive, the Commission shall, in accordance with the procedure set out in Article 24(2), adopt implementing measures concerning the definitions referred to in paragraph 1, including adjustment of the figures used for the definition of SMEs, taking into account Community legislation and recommendations as well as economic developments and disclosure measures relating to the registration of individual qualified investors.

#### Article 3

##### Obligation to publish a prospectus

1. Member States shall not allow any offer of securities to be made to the public within their territories without prior publication of a prospectus.

2. The obligation to publish a prospectus shall not apply to the following types of offer:

- (a) an offer of securities addressed solely to qualified investors; and/or
- (b) an offer of securities addressed to fewer than 100 natural or legal persons per Member State, other than qualified investors; and/or
- (c) an offer of securities addressed to investors who acquire securities for a total consideration of at least EUR 50 000 per investor, for each separate offer; and/or
- (d) an offer of securities whose denomination per unit amounts to at least EUR 50 000; and/or
- (e) an offer of securities with a total consideration of less than EUR 100 000, which limit shall be calculated over a period of 12 months.

However, any subsequent resale of securities which were previously the subject of one or more of the types of offer mentioned in this paragraph shall be regarded as a separate offer and the definition set out in Article 2(1)(d) shall apply for the purpose of deciding whether that resale is an offer of securities to the public. The placement of securities through financial intermediaries shall be subject to publication of a prospectus if none of the conditions (a) to (e) are met for the final placement.

3. Member States shall ensure that any admission of securities to trading on a regulated market situated or operating within their territories is subject to the publication of a prospectus.

#### Article 4

##### Exemptions from the obligation to publish a prospectus

1. The obligation to publish a prospectus shall not apply to offers of securities to the public of the following types of securities:

- (a) shares issued in substitution for shares of the same class already issued, if the issuing of such new shares does not involve any increase in the issued capital;
- (b) securities offered in connection with a takeover by means of an exchange offer, provided that a document is available containing information which is regarded by the competent authority as being equivalent to that of the prospectus, taking into account the requirements of Community legislation;
- (c) securities offered, allotted or to be allotted in connection with a merger, provided that a document is available containing information which is regarded by the competent authority as being equivalent to that of the prospectus, taking into account the requirements of Community legislation;
- (d) shares offered, allotted or to be allotted free of charge to existing shareholders, and dividends paid out in the form of shares of the same class as the shares in respect of which such dividends are paid, provided that a document is made available containing information on the number and nature of the shares and the reasons for and details of the offer;
- (e) securities offered, allotted or to be allotted to existing or former directors or employees by their employer which has securities already admitted to trading on a regulated market or by an affiliated undertaking, provided that a document is made available containing information on the number and nature of the securities and the reasons for and details of the offer.

2. The obligation to publish a prospectus shall not apply to the admission to trading on a regulated market of the following types of securities:

- (a) shares representing, over a period of 12 months, less than 10 per cent of the number of shares of the same class already admitted to trading on the same regulated market;
- (b) shares issued in substitution for shares of the same class already admitted to trading on the same regulated market, if the issuing of such shares does not involve any increase in the issued capital;
- (c) securities offered in connection with a takeover by means of an exchange offer, provided that a document is available containing information which is regarded by the competent authority as being equivalent to that of the prospectus, taking into account the requirements of Community legislation;