

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

**To the Bondholders in:**

**ISIN NO 0010740392 - "DNO ASA USD 400,000,000 Senior Unsecured Callable Bond Issue 2015/2020"**

Oslo, 15 June 2018

## **Summons to Bondholders Meeting - Amendments of Bond Terms**

Nordic Trustee AS acts as trustee (the "**Trustee**") for the holders of bonds in the above-mentioned bond issue (the "**Bond Issue**," "**DNO01**" or the "**Bonds**") issued by DNO ASA (the "**Issuer**" or the "**Company**").

All capitalized terms used but not defined herein shall have the meaning assigned to them in the bond agreement for the Bond Issue made between the Trustee and the Issuer on 17 June 2015 (the "**Bond Terms**"). References to Clauses and paragraphs are references to Clauses and paragraphs of the Bond Terms.

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

### **1 BACKGROUND**

DNO ASA is a Norwegian oil and gas operator focused on the Middle East and the North Sea. Founded in 1971 and listed on the Oslo Stock Exchange, the Company holds stakes in onshore and offshore licenses at various stages of exploration, development and production in the Kurdistan region of Iraq, Norway, Oman, Tunisia, the United Kingdom and Yemen. The Company operates substantial production at the Tawke and Peshkabir fields in the Tawke license in Kurdistan. The Company also holds a long-term strategic shareholding of 28.23 percent in the North Sea focused company Faroe Petroleum Plc which is listed on the AIM market in London, in addition to other strategic investments. The Company is in a solid financial position and expects significant free cash flow in 2018 at current production and oil price levels.

The Company recently issued a new USD 400 million five-year senior unsecured bond with a coupon rate of 8.75 percent and with an ISIN NO 0010823347 (the "**New Bond Issue**"). Settlement of the New Bond Issue was completed on 31 May 2018, and included a rollover of USD 200 million in nominal value of DNO01 bonds. Immediately following the New Bond Issue, the Company had in excess of USD 500 million of cash balances, plus financial assets and treasury shares with a market value exceeding USD 250 million, including the shareholding in Faroe Petroleum plc. The Company also holds USD 600 million of outstanding bond debt. The Company's current market capitalization is in excess of USD 2 billion.

For further information about the Issuer, please visit the Issuer's website at: [www.dno.no](http://www.dno.no).

---

### ***Background for the requested waivers and amendments***

As stated above, the Company agreed to roll over USD 200 million in nominal value of existing DNO01 bonds into the New Bond Issue. The rolled over DNO01 bonds were subsequently cancelled, following which USD 200 million DNO01 bonds remain outstanding.

Following these transactions, the Company is seeking to align the covenant structure and terms of the DNO01 bonds with the covenant structure and terms of the New Bond Issue. On this basis, the Issuer has requested the Trustee to summon a Bondholders Meeting to approve the Proposal as described in Section 2 of this summons letter. A more detailed description of the proposed amendments is attached in Appendix 2.

## **2 PROPOSAL**

It is proposed that the Bondholders resolve to approve the proposal as described in 2.1 below (the “Proposal”):

### **2.1 The Proposal**

The Issuer proposes to amend the Bond Terms to be in line with the Bond Trustee’s new standard form of bond terms and the terms of the New Bonds. The key amendments in the Bond Terms will (together with all other amendments be described or referenced herein referred to as the “Amendments”):

- a) **Dividend Restriction:** No limit on yearly distributions, subject to liquidity of no less than USD 80 million.
- b) **Financial Indebtedness Restrictions:** Permitted Financial Indebtedness applicable to Issuer in addition to all other Group Companies.
- c) **Permitted Financial Indebtedness:** Following DNO’s 20 percent participating interest increase in the Tawke license to 75 percent in 2017 (in addition to the five-year 3 percent override royalty), the maximum debt cap on the Tawke PSC is increased from USD 250 million to USD 400 million, plus extended possible sources of such debt. Additionally, limitations from the DNO01 bond of the ability of any Group Company (other than the Issuer) to incur a maximum debt of USD 150 million provided by financial institutions or banks have been lifted.
- d) **Financial Covenants:** Introduction of a minimum nominal book equity of USD 600 million as an alternative to an Equity Ratio of 30 percent. DNO is required to comply with either one.
- e) **Put Event:** Mandatory Prepayment swapped with a Bondholder Put Option.
- f) **Issuer's Call Option:** The Issuer's right to redeem the Bonds (Call Option) in Clause 10.2 will be deleted.

For a more detailed description of the key amendments, see Appendix 2 – comparison of key terms of DNO01 vs the New Bond Issue. Appendix 2 and the list above do not include all amendments necessary to be in line with the Bond Trustee’s new standard form of bond terms and the terms of the New Bond. A full draft of the new bond terms incorporating the Amendments is available upon request to the Advisor or the Trustee.

The Amendments will be documented by way of amended and restated bond terms which similar to the New Bond Issue, will be based on the Trustee’s new and latest standard form of bond terms, together with a customary amendment and restatement agreement. The Amendments will be effective from the date on which the Trustee notifies the Issuer that all conditions precedent set out in the amendment and restatement agreement have been satisfied.

---

Following and subject to implementation of the Amendments, the terms of the Bond Issue will mirror the terms of the New Bonds in all respects, save that the Bond Issue (i) will not have an Issuer's call option, (ii) the Bond Issue will continue to have semi-annual interest payments in June and December each year and (iii) the Maturity Date of the Bond Issue will continue to be 18 June 2020.

### **3 EVALUATION OF THE PROPOSAL AND THE PROPOSED AMENDMENTS**

#### **3.1 The Issuer's evaluation**

In the Issuer's opinion, the Proposal constitutes a balanced and fair proposal which will enable the Company to optimize its capital structure going forward, including fulfilling its ambitions to actively pursue investments on the Norwegian Continental Shelf, including exploration, development and production assets.

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 Support from the Bondholders**

Prior to this summons letter being distributed, the Issuer has informed the Trustee that it has received confirmation from a significant group of the holders of the Voting Bonds that such holders support the Proposal.

#### **3.3 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 Proposal is acceptable.

### **4 BONDHOLDERS MEETING:**

The Bondholders are hereby summoned to a Bondholders Meeting:

Time: 29 June 2018 at 13:00 hours Oslo time

Place: The premises of Nordic Trustee AS, 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 section 2) 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 preparing and executing an amendment and restatement agreement and amended bond terms, including such further amendments consistent with the principles of the Proposal which are of a minor or technical nature and in the opinion of the Trustee do not have a material adverse effect on the rights and interests of the Bondholders."*

\* \* \*

To approve the above resolution, Bondholders representing at least two-thirds 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 one-half of the Voting Bonds must be represented at the meeting. If the proposal is not adopted, the Bond Terms will remain unchanged.

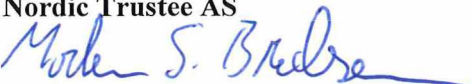
Please find attached a Bondholder's Form from the Security Depository (VPS), indicating your bondholding at the printing date. The Bondholder's Form will serve as proof of ownership of the Bonds and of the voting rights at the Bondholders Meeting. (If the bonds are held in custody – i.e. the owner is not registered directly in the VPS – the custodian must confirm: (i) the ownership 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 before the meeting is scheduled to be held (by scanned e-mail, telefax or post to [mail@nordictrustee.no](mailto:mail@nordictrustee.no), +47 22 87 94 10, or Nordic Trustee AS, P. O Box 1470 Vika, 0116 Oslo, Norway).

In the event that Bonds have been transferred to a new owner after the Bondholder's Form was created, 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 to other than to the Trustee, to notify the Trustee by telephone or by e-mail (+47 22 87 94 10 or [mail@nordictrustee.com](mailto:mail@nordictrustee.com)) no later than 16:00 hours (Oslo time) on the Business Day before the meeting takes place.

Yours Sincerely  
Nordic Trustee AS

  
for Jørgen Andersen

Enclosed:      Appendix 1:      Bondholder's Form  
                 Appendix 2:      Comparison Key Terms DNO01 vs New Bond Issue

## APPENDIX 2:

### COMPARISON KEY TERMS DNO01 vs NEW BOND ISSUE

	Bond Terms	Amendments
<b>Dividend Restrictions:</b>	<p>The Issuer shall not within a calendar year declare or make any dividend payments or other distributions or loans to its shareholders, whether in cash or in kind (including without limitation any total return swaps or instruments with similar effect) exceeding 25 percent of net income (adjusted for any write downs and after taxes paid) based on the consolidated accounts for the Issuer for the previous financial calendar year.</p> <p>Notwithstanding the limitations above, the Issuer shall be entitled to repurchase its own shares ("<b>Treasury Shares</b>") in accordance with the limitation of the Norwegian Public Limited Liability Companies Act, currently amounting to 10 percent of the share capital, provided that any such Treasury Shares acquired shall not be cancelled in the share register.</p>	<p>The Issuer shall be permitted to make any dividend payment, repurchase of shares or make other distributions or payments to its shareholders, whether in cash or in kind, including without limitation any total return swaps or instruments with similar effect (a "<b>Distribution</b>") provided that the Liquidity is not less than USD 80 million immediately after such Distribution is made.</p>
<b>Financial Indebtedness Restrictions:</b>	<p>The Issuer shall ensure that no other Group Company shall incur, create or permit to subsist any Financial Indebtedness other than the Permitted Financial Indebtedness (as defined below).</p>	<p>The Issuer shall not, and shall ensure that no other Group Company shall incur, create or permit to subsist any Financial Indebtedness other than Permitted Financial Indebtedness (as defined below).</p>
<b>Permitted Financial Indebtedness:</b>	<p>Means:</p> <ul style="list-style-type: none"> <li>(i) any RBL, or any bridge financing that is refinanced by an RBL within less than 12 months from drawdown, in each case provided by a credit institution or bank or a syndicate of credit institutions or banks provided however that any RBL related to the Tawke PSC shall not at any time exceed USD 250 million;</li> <li>(ii) (a) any other facilities with financial institutions or banks and (b) any forward sale or prepayment arrangement as a method of financing in relation to the Group's hydrocarbon production (whether secured or unsecured) provided that the amount for both (a) and (b) in</li> </ul>	<p>Means:</p> <ul style="list-style-type: none"> <li>(i) any Financial Indebtedness incurred in relation to this Bond Issue; and</li> <li>(ii) any other Financial Indebtedness (including, without limitation, bonds/notes, bilateral or syndicated bank facilities, exploration facilities, recourse and non-recourse facilities, Leasing Obligations, acquisition financing, intra-group loans), provided that any Financial Indebtedness secured against the Tawke PSC shall not at any time exceed a total amount of USD 400 million.</li> </ul>

	<p>aggregate does not exceed USD 150 million (for avoidance of doubt any long term off take agreement shall not be considered as part of (b));</p> <p>(iii) <i>Financial Indebtedness made, granted or given by any Group Company to any other Group Company (in the case of the Issuer only to the extent the obligations of the Issuer are subordinated to the Bonds);</i></p> <p>(iv) any guarantee issued by a Group Company (to governments and other third parties) in the ordinary course of business of the Group relating to exploration, appraisal, field developments, decommissioning and other operations of the Group (where guarantees may include performance bonds, standby or documentary letters of credit or other instruments issued by a bank or financial institution and counter-indemnity obligations related thereto, but not guarantees for loans or similar instruments);</p> <p>(v) any Financial Indebtedness by a Group Company under any hedging arrangements as part of the Group's ordinary course of business and for non-speculative purposes; for the avoidance of doubt the Group may not, whether under a hedging or any other similar arrangement (but for the avoidance of doubt excluding any forward sale or prepayment arrangement), be permitted to incur, create or permit any financial arrangement whereby any party is granted any right to a payment as a percentage or other proportion of the Group's present or future sales proceeds, income, earnings, or revenue deriving directly or indirectly from the hydrocarbon assets (whether secured or unsecured);</p> <p>(vi) any Financial Indebtedness incurred by any Group Company in the ordinary course of business and as part of the daily operation by such Group Company;</p> <p>(vii) any Financial Indebtedness by a Group Company under finance or capital leases incurred by any Group Company in the ordinary course of business;</p> <p>(viii) Leasing Obligations; and</p> <p>(ix) any refinancing, amendment or replacement of any of (i)-(viii) above from time to time.</p>	
--	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

<b>Financial Covenants:</b>	<p><b>Minimum Liquidity:</b> The Issuer shall ensure that the Group maintains a Liquidity of minimum USD 40 million.</p> <p><b>Equity Ratio:</b> The Issuer shall ensure that the Group maintains an Equity Ratio of minimum 30 percent.</p>	<p><b>Minimum Liquidity:</b> The Issuer shall ensure that the Group maintains a Liquidity of minimum USD 40 million.</p> <p><b>Equity Ratio:</b> The Issuer shall ensure that the Group maintains either an Equity Ratio of minimum 30 percent; or a Total Equity of not less than USD 600 million.</p>
<b>Mandatory Prepayment Event:</b>	<p>Means if:</p> <ul style="list-style-type: none"> <li>(i) the Group's (direct or indirect) ownership interest in the Tawke PSC is reduced below 40 percent in a single or a series of transactions with total net cash proceeds (after repayment of transaction costs and any relevant Financial Indebtedness pertaining to the Tawke PSC) exceeding USD 100 million (such exceeding amount, the "<b>Redemption Amount</b>"); or</li> <li>(ii) an Event of Default occurs and is continuing.</li> </ul>	N/A
<b>Mandatory Prepayment:</b>	Redemption at redemption prices according to Call Options.	N/A
<b>Put Event:</b>	N/A	Means if the Group's (direct or indirect) ownership interest in the Tawke PSC is reduced below 50 percent in a single or a series of transactions.
<b>Put Option:</b>	N/A	The Issuer must offer to the Bondholders to redeem Bonds up to the Put Amount at 100 percent of par value.