

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

**To the bondholders in:**

**ISIN: NO0010779549 - FRN Klaveness Ship Holding AS Senior Unsecured Callable Bond Issue 2016/2021**

Oslo, 2 January 2019

## Notice of a Written Resolution

### 1. INTRODUCTION

Nordic Trustee AS is appointed as Bond Trustee for the above mentioned bond issue with ISIN NO0010779549 (the "**Bond Issue**").

Unless otherwise stated, capitalised terms used herein shall have the meaning assigned to them in the bond agreement for the Bond Issue originally dated 6 December 2016 (the "**Bond Terms**").

The Issuer has requested that the Bond Trustee issues this request for a Written Resolution pursuant to Clause 16.5 (Written Resolutions) of the Bond Terms to consider approval of the Proposed Resolution (as defined below).

*The information in this notice of request for Written Resolution regarding the Issuer and the described transactions, including the entire Section 2 "Background", is provided by the Issuer as its point of view, and the Bond Trustee expressly disclaims all liability whatsoever related to such information. Bondholders are encouraged to read this notice in its entirety.*

### 2. BACKGROUND

As of today, Klaveness Ship Holding AS (the "**Issuer**" / "**Company**" / "**KSH**") owns 63.34% of Klaveness Combination Carriers AS ("**KCC**") and 82.7% of Klaveness Container AS ("**KCON**"). KCC in its current form was established in 2018 in order to merge all the combination carrier activities of its shareholders (including KSH) under KCC as a holding company. This includes the ownership of the combination carriers and the chartering company KCC Chartering AS. The latter company was prior to establishment of KCC not part of the KSH group of companies. The newly established KCC is thus a specialized combination carrier company owning 100% of its nine CABU combination vessels. In addition, KCC has six CLEANBU combination carriers under construction and additional four CLEANBU vessel options with declaration dates in first half of 2019. KCC completed an equity issue of USD 45m on 24 September 2018 and was listed on N-OTC as of 15 October 2018. The market capitalization based on the equity issue is USD 221m<sup>1</sup>. Based on last transaction on N-OTC the

---

<sup>1</sup> USD 5.46 per share \* 40,512,000 shares

market cap is USD 260m<sup>2</sup>. According to KCC's already communicated strategy, the next step is to pursue a listing in Oslo during 2019 with a further equity issue to finance optional vessels.

KCON has today eight feeder container vessels of 1,740-3,091 TEU, with an estimated combined value of USD 103.5m net of the KCON revolving credit facility. The combined value consists of book equity value of USD 8.2m as of 2Q18 and a potential reversal of impairment of USD 5m, of which KSH owns 82.7% and an internal loan from KSH of USD 90.3m. The container vessels are a financial investment for the KSH group, eligible for divestment under the right market circumstances.

As a consequence of the consolidation of the combination carrier activities, and as part of the preparation for a listing of KCC in Oslo, the Issuer is proposing to assign and transfer its rights and obligations under the Bond Issue from the Issuer to KCC (as new debtor under the Bond Issue) by proposing relevant amendments to the Bond Terms. The Company considers such assignment to be credit positive and that the assignment offers several credit enhancing factors including:

- 1) **Improved asset backing:** By having KCC as the bond issuer, the bondholders will benefit from a higher implied asset backing as the value of the minority shares in KCC not being owned by KSH is expected to more than offset the value of the container business post a new equity issue. This is illustrated by the table below.

KSH bond no change in Issuer	Post USD 75m <sup>5</sup> equity issue	As is
KCON equity value <sup>1</sup>	7	7
KCON internal loan <sup>1</sup>	90	90
KCON excess value <sup>2</sup>	4	4
KCC internal loan <sup>3,5</sup>	31	36
KCC equity value <sup>4,5</sup>	159	140
<b>Sum net asset values</b>	<b>291</b>	<b>277</b>
KCC bond after change in Issuer	Post USD 75m <sup>6</sup> equity issue	KCC as is pro-forma
Bond loan	36	36
KCC equity value <sup>6</sup>	319	221
<b>Sum net asset values</b>	<b>355</b>	<b>257</b>

- 1) KCON combined book equity value of USD 98.5m funded by 8.2m in book equity (KSH owns 82.7%) and USD 90.3m in an internal loan provided by KSH
- 2) Expected revaluation of container vessels (82.7% \* USD 5m)
- 3) The original bond proceeds have been provided from KSH to KCC by way of a subordinated internal loan
- 4) KSH currently owns 63.34% of KCC equal to an equity value of USD 140m based on Sept. 2018 equity issue
- 5) Illustrative, assumes KSH owns 50% of KCC after a new equity issue through a conversion of USD 5m of the internal loan to equity. Assumes new equity issue of USD 75m at 10% up-tick from Sept. 2018 equity issue
- 6) Illustrative, assumes new equity issue of USD 75m at 10% up-tick from Sept. 2018 equity issue

<sup>2</sup> Per 1 January 2019: NOK 55 per share \* 40,512,000 shares / USDNOK 8.55

- 2) **Closer to the cash flow:** The container fleet has over the last years had limited free cash flow to service the Bond. Average rate per day for 2018 was per end of second quarter approximately USD 9,700/d. The cash break even rate for 2019 is estimated to be approximately USD 9,400/d (OPEX, G&A, interests under the drawn amount of the KCON revolving credit facility and dry-docking). The cash break even rate with a normal debt gearing of approximately 50% through a higher drawdown on the bank revolving credit facility is estimated to be approximately USD 10,300/d.

Due to, among other things, a higher degree of COAs and protection through exposure to three uncorrelated markets (dry bulk, tanker, fuel), the combination carriers have historically had more stable cash flows at 1.5-2 times higher rates than the standard dry bulk and tanker markets and is expected to continue to deliver premium rates also for the future. Cash break even rates for 2019 is estimated to be approximately USD 15,300/d (OPEX, G&A and commercial, debt service for bank and bond debt and dry-docking) in average for the nine CABU vessels on water and three CLEANBU newbuilds with delivery in the period January-April 2019, compared to an average actual rate YTD-Q3 2018 of approximately USD 17,000/d.

- 3) **KCON is a financial investment for KSH:** The container investment is a financial investment for KSH and the container vessels will be sold when target pricing is achieved. Further, KSH may free up liquidity by way of using some of the unutilized USD 55.8m debt capacity under the revolving credit facility in KCON (guaranteed by KSH). Cash from such sale or debt increase will most likely not to be reinvested under the KSH umbrella. In such case, equity values supporting the KSH bond in the "as is" scenario will be even more tilted towards the shares in KCC.
- 4) **Pari-passu with other unsecured debt:** The existing internal loan from KSH to KCC is subordinated, while a bond loan issued directly by KCC will rank pari-passu with other unsecured obligations of KCC and pari passu with all other senior obligations with respect to unplugged assets.
- 5) **Issuer of the bond planned to be a listed entity:** KCC has been registered at N-OTC since 15 October 2018 and the company is preparing for a planned listing in Oslo, targeted to be completed by the end of 2019. This is considered positive, both with respect to news flow, bond liquidity and access to the capital market.
- 6) **More frequent reporting:** As part of the proposal to move the Bond to KCC, the interim reporting will be quarterly instead of semi-annual.
- 7) **Listing of the Bond at Oslo Stock Exchange:** As part of the proposal to move the Bond to KCC, KCC will apply for a listing of the Bonds at Oslo Stock Exchange. Today the Bond is listed at Nordic ABM.

The existing Bond Terms will be amended to replace KSH as the current Issuer by KCC and KSH will be legally released from its obligations under the Bond Terms. The existing loan of USD 36m provided by KSH to KCC will be cancelled and the difference in outstanding loan amounts under the two agreements will be settled.

Bondholders representing a majority of the Issuer's Outstanding Bonds have provided pre-acceptance to the proposal outlined in section 3 (PROPOSAL) below.

The amendments required to implement the proposal above are further described in section 3 (PROPOSAL) below.

### 3. PROPOSAL

#### 3.1 *The Proposal*

In accordance with Clauses 16.1 and 16.5 of the Bond Terms, the Issuer has approached the Bond Trustee to issue this request for a Written Resolution in order to obtain the Bondholders' approval of the proposed amendments to the Bond Terms as described below.

The Issuer proposes to implement the proposal by making the amendments to, and requesting the waivers from, the Bond Terms as follows (the "**Proposal**"):

##### 3.1.1 *Amendments to the Bond Terms (in full set out in Schedule 1)*

- (a) Change of Issuer from Klaveness Ship Holding AS to Klaveness Combination Carriers AS;
- (b) Amendment of the defined term "Change of Control" to apply only (i) if Trond Harald Klaveness (and his heirs, successors or assigns) ceases to own and control at least 1/3 of the shares in the (new) Issuer, or (ii) if any other third party gains Decisive Influence over the (new) Issuer;
- (c) Interim Accounts to be reported on a quarterly basis (as opposed to the current reporting semi-annually);
- (d) Enable KCC to change from a private to public company (AS to an ASA);
- (e) Change of listing of the Bonds from Nordic ABM to Oslo Børs;
- (f) Any other changes or amendments required to implement the contemplated changes in (a) to (e) above.

#### 3.2 *The Proposed Resolution*

Based on the foregoing, the Issuer hereby proposes the following (the "**Proposed Resolution**"):

*"The Bondholders approve the Bond Terms Amendments as described in Section 3.1 above.*

*The Bond Trustee is hereby authorised to prepare, approve, finalise and enter into, execute and/or agree appropriate amendment documentation as well as any other documentation necessary or advisable in relation to the above, in each case in the absolute discretion of the Bond Trustee."*

#### 3.3 *Amendment Fee*

As consideration for approving the Proposal, the Issuer is offering a one-time amendment fee of 1.50% of the Nominal Amount of the respective Bondholders' holdings of Bonds (the "**Amendment Fee**"). The Amendment Fee will be payable to all Bondholders no later than 10 Business Days after the Effective Date (as defined below) with expected record date being 8 Business Days following the Effective Date.



#### 4. CONDITIONS

The Proposal and the amendments to the Bond Terms will become effective on the date of fulfilment of the following conditions (the "**Effective Date**") to the satisfaction of the Bond Trustee:

- (a) An amendment agreement (implementing the changes and amendments under the Proposal) duly executed by the Issuer, the Bond Trustee and Klaveness Combination Carriers AS (the "**Parties**");
- (b) An amendment agreement assigning the Issuer's rights and obligations under the Bond Trustee fee agreement to Klaveness Combination Carriers AS duly executed by the Parties;
- (c) Klaveness Combination Carriers AS having (in the amendment agreement to the Bond Terms) repeated the Representations and Warranties set out in Clause 7 of the Bond Terms, with respect to itself as new Issuer and the Group; and
- (d) Completion of any corporate actions required for the assignment and transfer the rights and obligations under the Bond Issue.

It is furthermore a condition that the Amendment Fee shall be paid no later than 10 Business Days after the Effective Date.

If the Effective Date has not occurred within 31 January 2019, the Proposal shall become null and void and Bond Agreement shall remain unchanged.

#### 5. FURTHER INFORMATION

For further information about the Issuer and KCC, please visit [www.klaveness.com](http://www.klaveness.com) and [www.combinationcarriers.com](http://www.combinationcarriers.com).

The Issuer has engaged Pareto Securities AS as the Issuer's financial advisor (the "**Advisor**") with respect to the Proposal. Bondholders may contact Pareto Securities AS at +47 22 87 87 77 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).

#### 6. NON-RELIANCE

The request is put forward to the Bondholders without further evaluation or recommendations from the Bond Trustee. Nothing herein shall constitute a recommendation to the Bondholders by the Bond Trustee or any of its advisors. The Bondholders must independently evaluate whether the proposed changes are 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.

This document contains forward-looking statements and assumptions (like inter alia listing of KCC and further equity issues). These statements and assumptions involve known and unknown risks, uncertainties and other factors which may cause the involved company's or companies' actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements and assumptions. Although the Company and KCC believe that the expectations reflected in the forward-looking statements and assumptions are reasonable, it cannot guarantee future results, levels of activity, performance or achievement.

## 7. WRITTEN RESOLUTION

Bondholders are hereby provided with a voting request for a Written Resolution pursuant to Clause 16.5 of the Bond Terms. For the avoidance of doubt, no physical Bondholders' Meeting will be held.

For a vote to be valid, the Bond Trustee must have received it by post, courier or email to the address indicated in the enclosed form at Schedule 2 (the "**Voting Form**") no later than 16 January 2019 at 13:00 hours (Oslo time) (the "**Voting Deadline**").

Notwithstanding the Voting Deadline, and subject to the provisions of Clause 16.5 (g) of the Bond Terms, the Proposed Resolution will become effective automatically upon receipt of affirmative votes by or on behalf of the Bondholders who at the date of this notice represent such majority of votes as would be required if the Proposed Resolution was voted on at a Bondholders' Meeting (which, for the avoidance of doubt, is 2/3 of the Voting Bonds pursuant to Clause 16.1 (f) of the Bond Terms) at which all Bondholders entitled to attend and vote thereat were present and voting.

\* \* \*

Yours sincerely  
**Nordic Trustee AS**

  
Fredrik Lundberg

Enclosed: Schedule 1 – Amendments to the bond terms  
Schedule 2 – Voting Form

## SCHEDULE 1 – AMENDMENTS TO THE BOND TERMS

The following changes and amendments to be implemented upon acceptance of the Proposal from and including the Effective Date:

- (a) Klaveness Combination Carriers AS to be included in the Bond Terms as the Issuer and to undertake all rights and obligations as a replacement of Klaveness Ship Holding AS, which shall in its entirety be relieved from any obligations whether incurred or not under the Bond Terms;

- (b) The current defined term "Change of Control", shall in its entirety be replaced by the following:

***"Change of Control Event" means:***

- (i). if Mr Trond Harald Klaveness and/or any of his heirs, successors or assigns, ceases to own and control at least 1/3 of the shares in the Issuer; or*
- (ii). if any person or group of persons acting in concert gain Decisive Influence over the Issuer;"*

- (c) The current defined term "Calculation Date", shall in its entirety be replaced by the following:

***"Calculation Date" means each 31 March, 30 June, 30 September and 31 December."***

- (d) The current defined term "Interim Accounts", shall in its entirety be replaced by the following:

***"Interim Accounts" means the unaudited consolidated quarterly financial statements of the Issuer for the quarterly period ending on each 31 March, 30 June, 30 September and 31 December in each year, prepared in accordance with IFRS, including management report from the Issuer."***

- (e) The current defined term "Total Assets", shall in its entirety be replaced by the following:

***"Total Assets" means the aggregate book value (on a consolidated basis) of the Group's total assets which are treated as assets in accordance with IFRS, as set out in the then most recent audited consolidated annual financial statements or the latest Interim Accounts (as the case may be)."***

- (f) Clause 13.2.1 subparagraph (d) shall be deleted in its entirety and be replaced by:

***"without being requested to do so, prepare Interim Accounts in the English language and make them available on its website (alternatively on another relevant information platform) as soon as they become available, and not later than 60 days after the end of the relevant interim period."***

- (g) The second last paragraph of subsection b) of Clause 13.5 (Financial Covenants) shall be deleted in its entirety and be replaced by:

***"The Financial Covenants in letter a) and b) above shall apply for the Issuer (on a consolidated basis) at all times and will be tested on a quarterly basis on each Calculation Date and reported within each Reporting Date."***

- (h) Clause 13.3 subparagraph (g) (Corporate Status) shall be deleted in its entirety and be replaced by:

*"The Issuer shall not change its type of organization (other than to a public limited liability company) or jurisdiction of incorporation."*

- (i) The following obligation shall apply to listing of the Bonds:

*"The Bonds shall be listed on Oslo Børs within 31 July 2019".*



## SCHEDULE 2 – VOTING FORM

Voting Form  
NO0010779549

FRN Klaveness Ship Holding AS Senior Unsecured Callable Bond Issue  
2016/2021

The undersigned holder or authorised person/entity, votes in the following manner:

The Proposed Resolution as defined in the Notice of a Written Resolution dated 2 January 2019

☐ **In favour** of the Proposed Resolution

☐ **Against** the Proposed Resolution

ISIN NO0010779549	Amount of bonds owned
Custodian Name	Account number at Custodian
Company	Day time telephone number
	E-mail

Enclosed to this form is the complete printout from our custodian/VPS<sup>3</sup>, verifying our bondholding in the bond issue as of \_\_\_\_\_ 2019.

We acknowledge that Nordic Trustee AS in relation to the Written Resolution for verification purpose may obtain information regarding our holding of Bonds on the above stated account in the securities register VPS.

\_\_\_\_\_  
Place, date

\_\_\_\_\_  
Authorized signature:

**Return:**

Nordic Trustee AS  
PO Box 1470 Vika  
N-0116 Oslo

Telefax: +47 22 87 94 10  
Telephone: +47 22 87 94 00  
E-mail: mail@nordictrustee.com

<sup>3</sup> If the Bonds are held in custody other than in the VPS, evidence provided from the custodian confirming that (i) you are the owner of the Bonds, (ii) in which account number the Bonds are held, and (iii) the amount of Bonds owned.