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## To the bondholders in:

### ISIN: NO 001 0837248 - Songa Container AS Senior Secured Callable Bond Issue 2018/2021

Oslo, 30 August 2019

## Summons to Bondholders' Meeting

### 1. Introduction

Nordic Trustee AS is appointed as Bond Trustee for the above mentioned Bond Issue.

Unless otherwise stated, capitalised terms used herein shall have the meaning assigned to them in the bond terms for the Bond issue originally dated 11 December 2018 (the "**Bond Terms**").

*The information in this summons regarding the Issuer and market conditions are provided by the Issuer, and the Bond Trustee expressly disclaims all liability whatsoever related to such information. Bondholders are encouraged to read this notice in its entirety.*

Songa Container has, as one of very few feeder tonnage providers to the liner companies, worked closely with world leading liner operators to establish a fuel profit sharing ("FPS") scrubber clause to be implemented in its time charter agreements. The FPS clause is based on the principle that actual fuel savings obtained are split between the charterers and the owners, where 80-90% of any savings made by the charterers on fuel expenses are paid back to Songa Container. As such, charterers are incentivized to charter the vessels owned by Songa Container by way of obtaining reduced fuel expenses for the vessels chartered compared to chartering in competing non-scrubber fitted vessels from the market. The alternative way of obtaining payback on the scrubber investment and utilization of the scrubber fitted fleet is to enter into fixed premium time charter contracts where a premium is added to the market TC rate to reflect the added benefit for charterers.

Songa Container is pleased to announce that they have recently concluded four (4) time charter contracts for scrubber fitted vessels. Three of the contracts have been concluded with a duration of between 1 and 3 years and done at market TC rates. The FPS ratio is between 80-90% of any actual fuel saving on the contracts already concluded. The contracts will commence upon completion of the scrubber installations.

The ability to achieve competitive terms on the FPS ratio is a factor dependent on scrubber penetration of the feeder fleet. Given the costly investment of retrofitting, coupled with the number of years with weak trading results and vessel value depreciation, many competitors do not have the capital easily accessible to retrofit scrubbers on feeder tonnage. We expect the scrubber penetration of the feeder fleet to remain low in the foreseeable future.

One of the world's largest container liner operators have embraced and committed to the FPS concept introduced by Songa Container, which to the Issuer is perceived to be a proof of concept and business strategy.

Songa Container will also be evaluating fixed premium structures for its future contracts on a case by case basis. Whether to favour either FPS or a fixed premium is dependent on many factors, such as the volatile view of the oil markets concerning the implied spread between Compliant and Non-Compliant fuel, potential payback period on the scrubber investment and charterers' preferences. The spread between MFO/MGO and HFO have only recently started to spread out to where the future curves have been trading for a long period of time, and the Issuer is excited about the prospects ahead taking all factors into account. The 4th scrubber contract entered into has an optional period post the scrubber installation with a fixed premium on top of the market time charter rate allowing for a rapid repayment of the scrubber investment.

Despite the fact that the global yard capacity to service the demand for scrubber installations is constrained, the Issuer's CAPEX program is generally progressing according to plan. The first vessel will begin its retrofit installation in September, with the remaining vessels starting on its installations in the months ahead. The Issuer expects to be completed with the retrofits by end of Q1 2020.

The logistics of combining suitable quality shipyards to carry out the yard work on a schedule that fits with commercial operations, position and contract have proven somewhat more complicated than expected. As a result, the Issuer expects an increase in the previously presented CAPEX budget and an increase in the number of off-hire days required.

As previously communicated to the market, the scrubber contract for the vessel Songa Antofagasta was cancelled because of a divestment process that ultimately did not materialize in Q1 2019. Re-ordering a scrubber for the vessel at this time would have entailed a high premium to the initial contract price. The Issuer therefore (as permitted under the Bond Terms) decided not to retrofit the Songa Antofagasta with a scrubber. The USD 3.1 million initially budgeted for this vessel will serve as a buffer for expected and future potential increases in the CAPEX budget.

The increased number of required off hire days, in combination with market rates over the past 9 months, has resulted in a revision of the Issuer's expected liquidity buffer. The shareholders of the Issuer therefore intend to inject an additional cash contribution of USD 4,000,000, to ensure the Issuer maintains a comfortable liquidity position throughout the retrofitting program.

The Issuer wish to take this opportunity to update the Bond Terms' definition of the CAPEX Program (to reflect the updated status of the Songa Antofagasta) and correct a drafting error in the definition of Initial Vessels (to exclude any vessels potentially divested through a Permitted Disposal).

The above requires the consent from the Bondholders, which the Issuer is seeking by way of these summons.

For more detailed information, please contact ABG Sundal Collier ASA:

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## 2. Proposal

The Issuer proposes to amend the Bond Terms as follows (the "**Proposal**"):

- (a) the definition of "CAPEX Program" shall be amended as follows:

"CAPEX Program" means the Issuer's CAPEX program to retrofit its fleet of Initial Vessels (less MV Songa Antofagasta) and the Songa City Vessels with exhaust gas cleaning systems (each a "**Scrubber**") and ballast water treatment systems ("**BWTS**") (only for such Initial Vessels and Songa City Vessels where it is deemed relevant to install BWTS), which will include the purchase cost of the Scrubbers in accordance with a series of agreements entered into for the order of Scrubbers (the "**Scrubber Contracts**") and the BWTS, installation / retrofitting, yard work and dry-docking, scanning and design, supervision, riding crew and other related expenses, and which will be considered complete once all Initial Vessels (less MV Songa Antofagasta) and the Songa City Vessels are fitted with Scrubbers and have been class approved and certified by MARPOL."; and

- (b) the definition of "Initial Vessels" shall be amended as follows:

"Initial Vessels" means the container vessels currently owned by the Group set out in Schedule 3, less any Vessel disposed as a Permitted Disposal."

### **3. Conditions**

The Proposal shall be effective from the date on which the Proposal has been approved by the Bondholders' Meeting as set out in Section 4 (*Summons*) below. Notwithstanding the foregoing, the Bond Terms will remain unchanged (as if the resolution in the Bondholders' Meeting had not been made) if each of the following conditions precedent have not been satisfied (or waived), as determined by the Bond Trustee, no later than 20 Business Days following the Bondholders' Meeting:

- (a) an amendment agreement to the Bond Terms duly documenting the resolutions of the Bondholders' Meeting and duly executed by the Issuer;
- (b) all necessary corporate resolutions of the Issuer to the amendment agreement referred to in item (a) above, having been duly made and delivered to the Bond Trustee; and
- (c) documentation evidencing payment of no less than USD 4,000,000 as an equity contribution to the Issuer.

Other than the amendments contemplated by the Proposal, the terms and conditions of the Bond Terms will remain unchanged and continue to apply in their existing form.

### **4. The Bond Trustee's disclaimer/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 from the Bond Trustee. The Bondholders must independently evaluate whether the Proposal is acceptable and vote accordingly.

### **5. Summons**

To enable the Issuer to conduct the proposed change of the Bond Terms, the Issuer has requested the Bond Trustee to summon a Bondholders' Meeting to consider the approval of the proposed changes.

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

**Bondholders' Meeting:**

Bondholders are hereby summoned to a Bondholders' Meeting:

**Time:** 16 September 2019 at 13:00 hours (Oslo time)

**Place:** The premises of Nordic Trustee AS  
Kronprinsesse Märthas plass 1, 0160 Oslo

**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 set out and defined in Section 2 (Proposal) of the summons to this Bondholders' Meeting is approved.*

*The Bond Trustee is given the power of attorney to enter into the necessary agreements in order to amend the Bond Terms in accordance with the decisions made by the Bondholders' Meeting."*

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To approve the above resolution, Bondholders representing at least 2/3 of the Voting 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 Terms will remain unchanged.

Please find attached a Bondholder's Form from the Securities 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 authorise the Nordic 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 Nordic Trustee to vote, must then be returned to Nordic Trustee in due time before the 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 Nordic Trustee, to notify Nordic Trustee by telephone or by e-mail (mail@nordictrustee.no) within 16:00 hours (4 pm) (Oslo time) the Business Day before the meeting takes place.

Yours sincerely

**Nordic Trustee AS**

A handwritten signature in blue ink, appearing to read 'Ellen Sjøiland', written in a cursive style.

Ellen Sjøiland

Enclosed: Bondholder's Form