

**THE HIGH COURT**

**2020 No. 366 COS**

IN THE MATTER OF

**ARCTIC AVIATION ASSETS DESIGNATED ACTIVITY COMPANY**

AND IN THE MATTER OF

**NORWEGIAN AIR INTERNATIONAL LIMITED**

AND IN THE MATTER OF

**DRAMMENSFJORDEN LEASING LIMITED**

AND IN THE MATTER OF

**TORSKEFJORDEN LEASING LIMITED**

AND IN THE MATTER OF

**LYSAKERFJORDEN LEASING LIMITED**

AND IN THE MATTER OF

**PART 10 OF THE COMPANIES ACT 2014**

AND IN THE MATTER OF

**NORWEGIAN AIR SHUTTLE ASA  
AS A RELATED COMPANY WITHIN THE MEANING OF SECTION 517 AND SECTION  
2(10) OF THE COMPANIES ACT 2014**

**EXPLANATORY MEMORANDUM FOR THE PROPOSALS FOR A SCHEME OF ARRANGEMENT**

**BETWEEN**

**NORWEGIAN AIR SHUTTLE ASA (IN EXAMINATION  
UNDER PART 10 OF THE COMPANIES ACT 2014)**

**AND**

**ITS MEMBERS AND CREDITORS**

**11 MARCH 2021**

Kieran Wallace  
Examiner  
KPMG  
1 Stokes Place  
St Stephen's Green  
Dublin 2  
Ireland

## **1 Irish Examinership Process**

- 1.1 Arctic Aviation Assets Designated Activity Company ("**AAA**"), Norwegian Air International Limited ("**NAI**"), Drammensfjorden Leasing Limited ("**DLL**"), Lysakerfjorden Leasing Limited ("**LLL**") and Torskefjorden Leasing Limited ("**TLL**") presented a Petition for the appointment of an examiner to those companies and to Norwegian Air Shuttle ASA as a related company (the "**Company**" or "**NAS**") on 18 November 2020 (the "**Petition Date**") pursuant to Part 10 of the Companies Act 2014 (as amended) (the "**Act**"). I was appointed as interim examiner of AAA, NAI, DLL, LLL and NAS (the "**Companies**") and TLL following the presentation of the Petition, and my appointment as examiner to the Companies and TLL was subsequently confirmed by further Order of the Irish High Court made on 7 December 2020.
- 1.2 As a consequence of filing the Petition, the Companies are under the protection of the Irish High Court pursuant to Part 10 of the Act. Following a decision of the Company's board of Directors to cease offering long haul flights, I concluded that TLL no longer had a reasonable prospect of survival as a going concern and by order of the Irish High Court dated 15 January 2021, I was discharged as examiner of TLL and Mr Andrew O'Leary and I were appointed to act as joint liquidators of TLL.
- 1.3 As required by the Act, I have formulated proposals for a scheme of arrangement for the Company (the "**Proposals**") a copy of which has been provided in conjunction with this Explanatory Memorandum and notice of the relevant statutory meetings). I am required by the Act to provide this Explanatory Memorandum to each Creditor and Member (or "**Shareholder**") of the Company. This Explanatory Memorandum provides a summary of the Proposals and their effects on the Shareholders and classes of Creditors and should be read in conjunction with the Proposals. In formulating the Proposals, I have attempted to treat the Shareholders and each class of Creditors on a fair and equitable basis having regard to the current trading position of the Company and the amounts which they would otherwise receive on a winding up.
- 1.4 Capitalised terms used but not defined in this Explanatory Memorandum shall have the same meaning ascribed to them as in the Proposals. In the event of any ambiguity or difference between the terms of this Explanatory Memorandum and the terms of the Proposals, the terms of the Proposals shall apply.

## **2 Norwegian Restructuring Process**

- 2.1 As a separate (but parallel) process, the Board applied to the Norwegian Court to have the Company placed into the Norwegian Restructuring Process. The application was approved on 8 December 2020 by the Norwegian Court and Mr Håvard Wiker was appointed reconstructor ("**Norwegian Administrator**"). In addition, the Norwegian Court also appointed the Norwegian Creditors Committee, consisting of four members that represent the different groups of Creditors.
- 2.2 The Norwegian Restructuring Process had the effect of putting in place a stay in relation to Creditor actions against the Company as a matter of Norwegian law pending the presentation and potential approval of a Norwegian Restructuring Plan. Under the Norwegian Restructuring Process, the Directors retained control and authority over the Company's affairs under the supervision of the Norwegian Administrator, alongside the Examiner. The Norwegian Administrator worked as part of the Norwegian Restructuring Committee, and separately with the Examiner, to develop the Norwegian Restructuring Plan, a copy of which is included at Schedule 8 to the Proposals, which will adopt and implement the terms and

substance of the Proposals in full under Norwegian law.

### **3 Summary of the Proposals' Effect on Shareholders and Creditors**

#### Shareholders

- 3.1 The interests of the single class of Shareholders are impaired by the Proposals. This is because the Shareholders' shareholding will be diluted as a result of the issue of capital raise associated with the Proposals (detailed below) and the proposed conversion of liabilities of the Company into Shares. The Company estimates that the Shareholders' Existing Shares will be diluted to 4.6% of the total issued share capital in the Company on a Fully Diluted Basis. Shareholders can potentially mitigate the impact of the dilution by subscribing for new Shares pursuant to the proposed Rights Offering.

#### Creditors

- 3.2 The unsecured claims of Creditors, including Customer Creditors, are impaired by the Proposals and will, in broad terms, be crammed down with certain classes of Creditors:

3.2.1 receiving a pro rata cash dividend from a fixed amount of NOK 500,000,000 in cash to be made available by the Company (the "**Cash Pot**"); and

3.2.2 having 5% of their Net Agreed Debt (after deducting the amount of the cash dividend) converted into a Dividend Claim,

in full and final satisfaction of the total amount of their unsecured claims.

- 3.3 In summary, the Dividend Claims are convertible debt obligations of the Company with a seven year maturity which, save where a Creditor opts out, will be deemed to convert into Shares in the Company 60 days after the Proposals become effective and will then be sold in the Structured Sale Process by DNB Markets, as broker, with the net proceeds shared proportionately amongst the participating Creditors.

- 3.4 Examples of how the Dividend Claims will operate for Creditors are set out in Schedule 1 of this Explanatory Memorandum.

- 3.5 Creditors can, subject to certain conditions, opt out and decide (a) not to convert their Dividend Claims at all and hold them as debt obligations (with interest accruing from a date after the completion of the Structured Sale Process) or (b) to convert their Dividend Claims into Shares but not sell them as part of the Structured Sale Process (subject to certain restrictions, including having a valid VPS account, whether in the Creditor's own name or in the name of its custodian).

- 3.6 Separate to the cram down of Claims, certain eligible Creditors will have the ability to apply to subscribe in the Private Placement (a private placing of new Shares and the listing of such Shares on the Oslo Stock Exchange). Eligible Creditors are those with a Relevant Portion (an agreed or unagreed but identified debt) not exceeding NOK 2,500,000. The Company will consider the application in accordance with the Allocation Factors set out in the Proposals and if accepted, the eligible Creditors will be entitled to subscribe for a set amount of Shares to be determined by the Company and will be given preferential allocation to investors.

- 3.7 Certain eligible Creditors shall be entitled to apply for New Capital Perpetual Bonds (an

offering to subscribe for a convertible bond). Eligible Creditors are those with a Relevant Portion of more than NOK 2,500,000. Eligible Creditors can subscribe for up to a maximum amount equal to the Creditor's Investment Allowance (defined in the Proposals) and subject to certain terms and conditions.

- 3.8 Eligible Creditors that participate in either the Private Placement or the New Capital Perpetual Bonds Offering will also be issued with Retained Claims Bonds equal to:
- 3.8.1 200% of the total amount paid for the subscription for Shares in the Private Placement; or
- 3.8.2 200% of the aggregate nominal value of New Capital Perpetual Bonds subscribed for.
- 3.9 Further detail on the treatment of Creditors is set out in paragraph 9 of this Explanatory Memorandum.
- 3.10 The implementation of the Proposals is subject to, amongst other matters as detailed in paragraph 4 below, the Company raising at least NOK 4.5 billion pursuant to the Rights Offering, Private Placement and the New Capital Perpetual Bonds Offering.

#### Customer Creditors

- 3.11 The treatment of Customer Creditors is summarised in paragraph 9D(15) below and detailed in Clause 10.27.15 of the Proposals.
- 3.12 As noted above, Customer Creditors' claims will be crammed down under the Scheme.
- 3.12.1 where a Customer Creditor's Claim is agreed by the Company it will receive a dividend of 5% of the agreed amount of its claim (or Net Agreed Debt) as (i) a pro rata cash payment from the Cash Pot and (ii) conversion of the balance of such dividend into a Dividend Claim;
- 3.12.2 if the Company does not agree a Customer Creditor's Claim then:
- (a) Ticket Refund Claims will be addressed under the Expert Determination Process set out in Clause 11.1 of the Proposals; and
- (b) Customer Damages Claims (ie claims other than for ticket refunds) will be determined by the relevant Customer Claim Forum,
- and in each case the outcome for such Customer Creditors will be the same as outlined under paragraph 1.10.1 above should their Claims be determined in the their favour (or where otherwise agreed by the Company);
- 3.12.3 If a Customer Creditor does not agree with Company's assessment of its Claim then it may submit its Claim to General Expert for determination.
- 3.13 There are costs associated with the Expert Determination Process for all Creditors as set out in Clause 11 of the Proposals.

#### **4 Implementation of the Proposals and Norwegian Restructuring Plan**

- 4.1 Under the Act, the Proposals may be approved by the Irish High Court (the "**Irish Confirmation Date**") where the Proposals have been approved by at least one impaired class of Creditors by a simple majority in number representing a majority in value of those Creditors voting in person or by proxy at a meeting. Further information on the Shareholders and Creditors meetings is at paragraph 7 below. The Proposals will become binding on the Creditors, the Shareholders and the Company and their respective successors and assigns as and from the Irish Confirmation Date.
- 4.2 The Norwegian Restructuring Plan will be issued by the Norwegian Administrator immediately following the Irish Confirmation Date which will commence a two-week voting period on the Norwegian Restructuring Plan. In order to ensure the implementation of the Proposals through the Norwegian Restructuring Plan, the Proposals provide that the Creditors will irrevocably appoint me as their agent, nominee proxy and representative, with effect from Irish Confirmation Date, to vote in favour of the Norwegian Restructuring Plan on their behalf (the "**Norwegian Voting Authority**").
- 4.3 A copy of the Norwegian Administrator's Report, which includes the Norwegian Administrator's recommendation in respect of voting on the restructuring provided for in the Proposals and the Norwegian Restructuring Plan, is included at Schedule 9 to the Proposals.
- 4.4 The Proposals, if confirmed, will take effect at the Effective Time (as described below) on the Effective Date (being a date to be fixed by the Irish High Court), provided that the conditions summarised in the following sub-paragraph have been satisfied before such time.
- 4.5 In order for the Proposals to take effect, the Proposals and Related Proposals must first be confirmed by the Irish High Court and the Norwegian Restructuring Plan must be sanctioned by the Norwegian Court. The Company must also raise at least the Minimum Gross Proceeds Threshold (as described below), which will then be held by DNB in locked accounts in the Company's name. The Auditor must then verify to me that such Investment Proceeds have been received in the locked accounts. Upon receipt of the confirmation from the Auditor (and the satisfaction of each of the other conditions), I will instruct DNB in writing that the Investment Proceeds shall be released to the Company at the Effective Time.
- 4.6 Immediately upon the satisfaction of the above conditions, the Company shall ensure that the NRBE Registrations occur. The Effective Time will occur at the time at which the last of such registrations has occurred whereupon the Company will become entitled to the Investment Proceeds.
- 4.7 If the Effective Time does not occur on or before the Long Stop Date (30 June 2021), the Proposals shall terminate and lapse (save in respect of the Norwegian Voting Authority).

#### **5 Company's Proposal**

- 5.1 The board of Directors of the Company approved the Company's Proposal, which I have considered, evaluated and ultimately used as a basis upon which to prepare the Proposals in conjunction with the Company and the Norwegian Administrator.
- 5.2 Key to the Company's Proposal, and as announced to the Oslo Stock Exchange on 14 January 2021, is the Company's intention to:

- 5.2.1 focus on its core Nordics business, operating a European short-haul network with narrow body aircraft;
- 5.2.2 cease operating the Group's long-haul network; and
- 5.2.3 subject to the restructuring contemplated by the Proposals and the Related Proposals being successful:
  - (a) reduce total debt to around NOK 20,000,000,000 and emerge from the restructuring with a free cash position of approximately NOK 4,000,000,000 to NOK 5,000,000,000; and
  - (b) achieve positive EBITDA following the restructuring in 2021 based on conservative assumptions as to the length of the COVID-19 pandemic and as to revenues, costs and load factors.
- 5.3 The Company's Proposal also envisages cost savings where possible, implemented by procuring the most competitive terms available from suppliers and, in some instances, replacing suppliers with in-house resources.
- 5.4 In furtherance of that objective, the Companies obtained orders from the Irish High Court to repudiate and/or consensually terminate certain contracts which were no longer required and re-negotiated other contracts on a go forward basis. For the most part, the repudiated contracts relate to aircraft and aircraft engine leases, and supply or service agreements relevant to the long-haul part of the Companies' business. As the Company decided to pivot away from its long-haul operations to ensure the future survival of the business, the repudiation of certain contracts was required.

## **6 Investment**

- 6.1 The Proposals and Related Proposals are conditional upon the Company receiving gross proceeds (prior to the deduction of any costs or fees associated with the capital raising process) of no less than NOK 4,500,000,000 in aggregate (otherwise known as the "**Minimum Gross Proceeds Threshold**") as a result of the Rights Offering, the Private Placement and the New Capital Perpetual Bonds Offering, as briefly summarised below. If an amount exactly equal to the Minimum Gross Proceeds Threshold is raised, the investors in the Rights Offering, the Private Placement and the New Capital Perpetual Bonds Offering will be entitled to hold 70% in aggregate of the Company's issued share capital at the Effective Time on a Fully Diluted Basis. If an amount greater than the Minimum Gross Proceeds Threshold is raised, then the investors' aggregate entitlement will represent a larger proportion of the Company's issued share capital. These statements are based on a number of assumptions detailed within the Proposals, including that all conversion rights under the New Capital Perpetual Bonds and the Dividend Claims (as described below) will be immediately exercised on issue on such date. In practice, this will not be the case as neither the New Capital Perpetual Bonds nor the Dividend Claims will be convertible into Shares on such date (the relevant timings are briefly summarised below).
- 6.2 The completion of the Rights Offering, the Private Placement and the New Capital Perpetual Bonds Offering are conditional upon the occurrence of the Effective Time. Each element of the Investment will be launched on a date to be determined by the Board (and, in the case of the Rights Offering and the Private Placement, no earlier than the business day following the date on which the Prospectus has been approved by the FSAN) and will close (the "**Closing**")

**Date**") no earlier than the latest of:

- 6.2.1 the expiration of the time for any appeal of the Irish Confirmation Order and the Norwegian Confirmation Order;
- 6.2.2 the final determination of any appeal of the Irish Confirmation Order and/or the Norwegian Confirmation Order; and
- 6.2.3 in the case of the Rights Offering, the date that falls two weeks after the opening of the Rights Offering Subscription Period,

provided that each relevant Closing Date, and consequently the Effective Time, shall occur by no later than the Long Stop Date.

- 6.3 The Company obtained the necessary shareholder authorities to give effect to the Rights Offering, the Private Placement and the New Capital Perpetual Bonds Offering at its extraordinary general meeting held on 17 December 2020.
- 6.4 The Investment Proceeds will be used to provide working capital for the Company, the Related Companies and the wider Group for general corporate purposes including to facilitate the ongoing survival of the Companies as going concerns. The dividends to be made under the Proposals and/or the Related Proposals shall be funded from cash available to the Company and the Related Companies at the Effective Time.
- 6.5 Under the New Capital Perpetual Bonds Instrument and the Retained Claims Bonds Instrument, the Company will be subject to restrictions on, inter alia, the declaration or making of dividend payments until the Company has complied with certain of its repayment obligations thereunder. Shareholders and Creditors should therefore note this in the context of any application for Shares under the Rights Offering and Private Placement or the exercise of conversion rights under the Dividend Claims Terms or the New Capital Perpetual Bonds Instrument.
- 6.6 Further information regarding each of the Rights Offering, the Private Placement and the New Capital Perpetual Bonds Offering (including the Record Date, Subscription Period and Trading Period, as briefly described below, prior to the occurrence or commencement of the same) will be published by the Company in accordance with the rules of the Oslo Stock Exchange. Participation in each element of the Investment will be subject to certain terms and conditions, including the provision of satisfactory KYC information to the Company.

#### **A. Rights Offering**

- 6.7 Under the Rights Offering, each holder of Shares on the Record Date (to be determined by the Board) will, subject to applicable law, be granted preferential rights to subscribe for and be allocated new Shares at the Subscription Price (to be determined by the Company and its advisers) in proportion to his/its shareholding in the Company. The Rights Offering will be limited to raising total gross proceeds for the Company in the amount of NOK 400,000,000.
- 6.8 The Company will prepare the Prospectus to be approved by the FSAN. The subscription period for the Rights Offering will commence on a date to be determined by the Board being no earlier than the business day after the FSAN has approved the Prospectus and expire no earlier than the Closing Date (the "**Rights Offering Subscription Period**").

- 6.9 Each holder of Shares as of the Record Date will be granted tradeable subscription rights (the "**Subscription Rights**") for each Share registered as held by such holder as of the Record Date. The aggregate amount of Subscription Rights received by such holders shall be an amount that ensures NOK 400,000,000 in aggregate gross proceeds at the Subscription Price. The Subscription Rights will be listed and tradeable on the Oslo Stock Exchange from the commencement of the Rights Offering Subscription Period until no earlier than 4.30 p.m. (Oslo time) two trading days prior to the end of the Rights Offering Subscription Period (the "**Trading Period**"). Over-subscription and subscription without Subscription Rights will be permitted. Each Subscription Right will, subject to applicable law and certain conditions set out in the Proposals, give the right to subscribe for, and be allocated, one new Share. Subscription Rights acquired during the Trading Period will carry the same right to subscription as the Subscription Rights granted to holders of Shares as of the Record Date and all such Subscription Rights (whether received and retained by holders of Shares or acquired during the Trading Period) shall, for the avoidance of doubt, remain conditional until such time as the conditions of the Rights Offering are satisfied.
- 6.10 Subscription Rights that are not used to subscribe for new Shares before the expiry of the Rights Offering Subscription Period will have no value and will lapse without compensation to the holder.

**B. Private Placement**

- 6.11 Under the Private Placement, certain investors, and certain Examinership Companies Creditors, will be invited to apply for new Shares at the Subscription Price. The new Shares will be listed on the Oslo Stock Exchange.
- 6.12 The subscription period in the Private Placement will commence on a date to be determined by the Board, being no earlier than on the business day after the FSAN has approved the Prospectus, and expire no earlier than the Closing Date (the "**Private Placement Subscription Period**").
- 6.13 The Company will, in consultation with DNB Markets (a part of DNB), as global coordinator, determine the allocation of Shares. The allocation principles will, in accordance with customary practice for institutional placements, include factors such as perceived investor quality, investment horizon and history, sector knowledge, size and timeliness of the application, each of which the Company may in its discretion consider ("**Allocation Factors**") and the Company will reserve the right to reduce or reject any application for shares in the Private Placement and also to set a maximum allocation per applicant, a maximum number of applicants or decide to make no allocation to any applicant (the "**Allocation Principles**"), provided that the Allocation Principles shall not be used to reduce or reject any application from an Eligible Placement Creditor in respect of its entitlement (whether in whole or in part) summarised in the following sub-paragraph.
- 6.14 Each Eligible Private Placement Creditor shall be entitled to apply to participate in the Private Placement up to a maximum amount equal to such Eligible Private Placement Creditor's Investment Allowance during the Private Placement Subscription Period and such Eligible Private Placement Creditors shall be given a preferential allocation in the Private Placement up to the amount of their respective Investment Allowances.
- 6.15 Where an Eligible Private Placement Creditor participates in the Private Placement, it will also be issued Retained Claims Bonds by the Company in an amount equal to its Retained Claims



Bonds Amount. Such Retained Claims Bonds will be issued by the Company in full and final satisfaction of the portion of each relevant Eligible Private Placement Creditor's Relevant Portion that is equal to the aggregate face value of the Retained Claims Bonds issued to such Eligible Private Placement Creditor. The Retained Claims Bonds will be constituted pursuant to the Retained Claims Bonds Instrument, the near final term sheet in respect of which is at Schedule 6 to the Proposals.

**C. New Capital Perpetual Bonds Offering**

- 6.16 Under the New Capital Perpetual Bonds Offering, each Eligible New Capital Perpetual Bonds Creditor shall be entitled to apply for New Capital Perpetual Bonds up to a maximum amount equal to such Eligible New Capital Perpetual Bonds Creditor's Investment Allowance during the New Capital Perpetual Bonds Subscription Period. The New Capital Perpetual Bonds will be constituted pursuant to the New Capital Perpetual Bond Instrument, the near final term sheet in respect of which is at Schedule 6 to the Proposals.
- 6.17 The subscription period in the New Capital Perpetual Bonds Offering will commence on a date to be determined by the Board and expire no earlier than the Closing Date (the "**New Capital Perpetual Bonds Subscription Period**").
- 6.18 The New Capital Perpetual Bonds will be allocated to each applying Initial Eligible New Capital Perpetual Bonds Creditor on a *pro rata* basis, based on the proportion that its Relevant Portion bears to the aggregate Relevant Portions of all applying Initial Eligible New Capital Perpetual Bonds Creditors (such proportion being, with respect to each such Initial Eligible New Capital Perpetual Bonds Creditor, its "**Pro Rata Proportion**"). To the extent that any Initial Eligible New Capital Perpetual Bonds Creditor subscribes for less than its Pro Rata Proportion, resulting in unsubscribed New Capital Perpetual Bonds, such unsubscribed New Capital Perpetual Bonds shall be reallocated among Initial Eligible New Capital Perpetual Bonds Creditors which have not been allocated the full subscription applied for, in accordance with their respective Pro Rata Proportions, until each Initial Eligible New Capital Perpetual Bonds Creditor has been allocated the full subscription it applied for or, if earlier, the New Capital Perpetual Bonds Offering is fully subscribed. In the event that the New Capital Perpetual Bonds Offering is not fully subscribed following allocation to Initial Eligible New Capital Perpetual Bonds Creditors as aforesaid, the Company may allocate any remaining unallocated New Capital Perpetual Bonds to applying Subsequent Eligible New Capital Perpetual Bonds Creditors in its discretion, with regard to the Allocation Factors.
- 6.19 The maximum amount of the New Capital Perpetual Bonds Offering shall be determined by the Company in parallel with determining the amount of the Rights Offering and the Private Placement and shall be no greater than NOK 1,875,000,000.
- 6.20 Each Eligible New Capital Perpetual Bonds Creditor that participates in the New Capital Perpetual Bonds Offering will also be issued Retained Claims Bonds by the Company in an amount equal to its Retained Claims Bonds Amount. Such Retained Claims Bonds will be issued by the Company in full and final satisfaction of the portion of each relevant Eligible New Capital Perpetual Bond Creditor's Relevant Portion that is equal to the aggregate face value of the Retained Claims Bond issued to such Eligible New Capital Perpetual Bonds Creditor. The Retained Claims Bonds will be constituted pursuant to the Retained Claims Bond Instrument.
- 6.21 Participation in the New Capital Perpetual Bonds Offering shall be subject to certain terms

and conditions set forth in the New Capital Perpetual Bond Instrument, including a minimum subscription of at least the NOK equivalent of EUR 100,000.

- 6.22 The New Capital Perpetual Bonds shall become convertible into Shares at a price equal to 150% of the Subscription Price subject to and in accordance with the terms of the New Capital Perpetual Bond Instrument (including as to the duration of the conversion period).
- 6.23 The Norwegian Government proposed (*Prop. 79 S (2020 – 2021) [Post 91 and 92]*), and the Parliament of Norway (*Nw. Stortinget*) has approved, the Norwegian Government's intention to participate in the New Capital Perpetual Bonds Offering up to an amount not exceeding NOK 1,500,000,000.

#### **D. Retained Claims Bonds**

- 6.24 Each Eligible New Capital Perpetual Bonds Creditor that participates in the New Capital Perpetual Bonds Offering and each Eligible Private Placement Creditor that participates in the Private Placement will be issued Retained Claims Bonds by the Company in an amount equal to its Retained Claims Bonds Amount. Such Retained Claims Bonds will be issued by the Company in full and final satisfaction of the portion of the Relevant Portion of each relevant Eligible New Capital Perpetual Bonds Creditor and/or Eligible Private Placement Creditor that is equal to the aggregate face value of the Retained Claims Bonds issued to such Eligible New Capital Perpetual Bonds Creditor and/or Eligible Private Placement Creditor.
- 6.25 To the extent a Creditor has more than one Agreed Debt, the aggregate amount of Retained Claims Bonds issued or to be issued to such Creditor shall be apportioned equally across each of its Agreed Debts when determining its Net Agreed Debt for the purposes of ascertaining the amount of its entitlement (if any) to a dividend under the Proposals. For the avoidance of doubt, no Creditor shall have any part of its Net Agreed Debt converted into a Dividend Claim or be paid any Cash Pot Entitlement in respect of such part of its Claim as shall be satisfied by the issuance of Retained Claims Bonds.
- 6.26 The Retained Claims Bonds will be constituted pursuant to the Retained Claims Bonds Instrument and are subject to certain terms and conditions contained therein.

### **7 Shareholders and Creditors Meetings**

- 7.1 Full details for the relevant meetings for Shareholders or the class or classes of Creditor, which you are entitled to attend are provided separately and merely summarised below.
- 7.2 For all relevant meetings of Shareholders and Creditors of the Company, notice is given to participants at least seven days before the date of the relevant meetings.

#### Shareholders Meeting

- 7.3 There is only one class of Shareholder in the Company, therefore only one meeting will be held. For Shareholders, notice of the meeting and a form of proxy (containing a unique reference number and pin code for the purposes of submitting a proxy or attending the meeting) are sent to Shareholders either by post, by email or through the Shareholder's online Verdipapirsentralen ASA central security depository account (**VPS Account**).
- 7.4 Additionally, the Proposals, this Explanatory Memorandum and the form of proxy are available to Shareholders on the Company's website [www.norwegian.com](http://www.norwegian.com), as required by Norwegian

law. These documents, and Norwegian translations of same, are also available to Shareholders if they log on to their individual Shareholder's VPS Account. Notice of the meeting and the Proposals are also placed on the Company's website and announced via the Oslo Stock Exchange, the Oslo Børs.

- 7.5 The voting record date is 4pm two days before the date of the meeting. Shareholders must also return proxy forms by 4pm two days before the date of the meeting. Proxy forms can be submitted electronically via the Shareholder's individual VPS Account or through the Company's website, or alternatively can be submitted by email to DNB (Registrar for the Company).
- 7.6 The meeting of the Shareholders shall take place on 18 March 2021, via an online video conferencing platform operated by Lumi Global. Voting shall take place during the meeting through the Lumi Global live voting system by participants or their proxies in attendance. NAS Shareholders who appoint a proxy to attend and vote at the meeting on their behalf must provide their proxy with their individual log-on codes for the online portal operated by Lumi Global (the **Portal**) to enable proxies to vote on their behalf. Where an individual is appointed as a proxy for multiple Shareholders, the proxy must log in to the Portal with each Shareholder's log-on details and cast separate votes on behalf of each Shareholder. Shareholders can submit written questions or comments to the Examiner during the meeting through the Portal.

#### Creditors Meetings

- 7.7 There are 17 classes of Creditors, therefore 17 separate meetings will be held. Certain classes of Creditors have very large numbers; Unsecured Creditors comprise circa 1,600 Creditors and Customer Creditors comprise circa 34,000 Creditors. Having regard to the large numbers, the meetings for these Creditors will be managed differently to other classes of Creditors.
- 7.8 For identified Unsecured Creditors and Customer Creditors for which the Company has email contact details, notice of the meetings and individual log-on codes for the Portal are sent by email by my team.
- 7.9 For Unsecured Creditors and Customer Creditors for which the Company does not have email contact details, or where my team receives a delivery failure notice from the email, Creditor notification is effected by:
- 7.9.1 Public advertisement on the Company's website, [www.norwegian.com](http://www.norwegian.com);
- 7.9.2 Public announcement via the website of the Oslo Stock Exchange, the Oslo Børs; and
- 7.9.3 Where relevant, notification of intermediaries for customer bookings
- 7.10 For meetings of Customer Creditors, notice is only provided to customers who have either submitted claims or responded to the advertisement within the stated seven-day period.
- 7.11 Unsecured Creditors and Customer Creditors must return proxy forms by submitting them electronically through the online Portal by 4pm two days before the meeting. For all other classes of Creditors, proxies must be returned by email to my team to be received no later than 4pm the day before the relevant meeting.

- 7.12 Meetings of the Unsecured and Customer Creditors shall also be hosted online via the video conferencing platform operated by Lumi Global. Voting shall take place during the meeting through the Lumi Global live voting system by participants or their proxies in attendance. Lumi shall then reconcile the votes immediately and provide the results to me and my team. Unsecured Creditors and Customer Creditors who appoint a proxy to attend and vote at the meeting on their behalf must provide their proxy with their individual log-on codes for the Portal to enable proxies to vote on their behalf. Where an individual is appointed as a proxy for multiple Creditors, the proxy must log in to the Portal with each Creditor's log-on details and cast separate votes on behalf of each individual Creditor in order to vote. Unsecured Creditors and Customer Creditors can submit written questions or comments to me during the meeting through the Portal.
- 7.13 For all other classes of Creditors, they are notified of the meetings by email sent by my team containing, or providing a link to, soft copies of the Proposals, this Explanatory Memorandum, proxy forms, log-on details for the meeting to be held by video conference via Zoom, a statement of the value of each Creditor's claim and a dedicated email address to contact in the event that the Creditor wished to dispute the claim. Voting shall take place by each participant verbally voting for or against the proposals on the Zoom videoconference meeting. Voting in advance of the meetings is not permitted. Creditors can raise questions or comment orally during the meeting.
- 7.14 Meetings of all Creditors of the Company shall take place on 18 March 2021.

#### General

- 7.15 Care should be taken to execute the forms of proxy in accordance with the notes on the face of the form of proxy.
- 7.16 I will act as Chairman of the meetings and you may, if you so wish, appoint me as your proxy. If so appointed, I will vote in favour of the Proposals unless otherwise instructed.
- 7.17 It is not necessary to submit a proof of debt with a form of proxy in order to vote at a meeting of Creditors.
- 7.18 If a Creditor has transferred its debt (or any part of it) before or after the issuance of the Proposals but prior to the meetings of the Creditors, the log-in details for the online Portal should be transmitted to the purchaser/transferee. The purchaser/transferee may request the transferring Creditor to complete a form of proxy on its behalf for the purpose of voting at the relevant meeting of Creditors.

### **8 Shareholder and Creditor Claims**

- 8.1 I would like to draw your attention to the amount at which your Claim is stated in the Creditor Schedule at Schedule 5 to the Proposals. In accordance with the Order of Mr Justice Quinn made on 19 February 2021, Customer Creditors are not listed in the Creditor Schedule. However, any Customer Creditor will be able see the amount of their individual Claim upon logging onto the Lumi Global meeting platform.
- 8.2 The Proposals contain a procedure for parties wishing to make a Claim which, at the time the Proposals were formulated, the Company did not accept or accept in full, whether or not such parties were listed in the Creditor Schedule. If a party wishes to make such a Claim, they are required to follow the procedures set out in the Proposals and briefly described further below.

- 8.3 Additionally, in accordance with the Order of Mr Justice Quinn made on 19 February 2021, Schedule 4 to the Proposals only includes a list of the Company's top 20 largest shareholders in value as of 2 March 2021.

## 9 Summary of Proposals

- 9.1 The Proposals reflect, and the Norwegian Restructuring Plan will also reflect, the key principals and requirements of Irish examinership law and the Norwegian Restructuring Process. In the event of any inconsistencies between the Proposals and the Norwegian Restructuring Plan, the Proposals shall take precedence.

### Treatment of Shareholders

- 9.2 There is only one class of Shareholder in the Company and the interests of the Shareholders **are impaired** by the Proposals.
- 9.3 On and from the Effective Time, the Existing Shares will be diluted on account of (i) the issue of new Shares pursuant to the Rights Offering and the Private Placement and (ii) the conversion of New Capital Perpetual Bonds and Dividend Claims into Shares. On a Fully Diluted Basis, the Company estimates that the Existing Shares will represent approximately 4.6% of the total issued share capital of the Company.
- 9.4 Shareholders are, however, entitled to participate in the Rights Offering which may, if they elect to subscribe for their allocated number of new Share(s), mitigate the extent to which their total interest in the Company's share capital will be diluted by virtue of the Proposals and Related Proposals.

### Treatment of Creditors

#### **A. Cash Pot Entitlement**

- 9.5 As described further below, certain classes of Creditors will receive a cash dividend under the Proposals (such creditors being, the "**Cash Creditors**") from the Cash Pot of NOK 500,000,000.
- 9.6 Each Cash Creditor will be entitled to be paid a cash dividend from the Cash Pot on a *pro rata* basis, based on the proportion that its Net Agreed Debt bears to the aggregate of (i) the Net Agreed Debts of all Cash Creditors as of the day immediately following the end of the Expert Determination Process and (ii) the Estimated Net Agreed Debts (defined below) as of such date (each Cash Creditor's proportionate entitlement to payment from the Cash Pot being its "**Cash Pot Entitlement**").
- 9.7 The Company will place an amount of the Cash Pot into escrow as a reserve from which to pay cash dividends to any Contingent Litigation Creditors and Customer Damages Claims Creditors whose Claims are agreed by the Company or determined in their favour after the end of the Expert Determination Process (the "**Litigation Reserve**"). The Litigation Reserve will be calculated based on the Company's best estimates of those Creditors' Net Agreed Debts, if any, subject to the non-binding assumption that the Claims are determined in the Creditors' favour ("**Estimated Net Agreed Debts**").
- 9.8 If the Litigation Reserve is insufficient to pay in full the Contingent Litigation Creditors and Customer Damages Claims Creditors their cash dividends (if any) then the Company shall be

required to make up the difference. Further, if there is any excess Litigation Reserve after all Customer Damages Creditors' and Contingent Litigation Creditors' Claims have been determined, settled, agreed or withdrawn then the Company shall retain such cash.

## **B. Dividend Claims**

- 9.9 As described further below, certain classes of Creditors will, in addition to receiving their Cash Pot Entitlement, have their respective Dividend Balance (ie 5% of their Net Agreed Debt less their Cash Pot Entitlement) converted into a Dividend Claim in full and final satisfaction of the total amount of the Creditors' Claims (the holders of such Dividend Claims from time to time being the "**Dividend Claims Creditors**").
- 9.10 Dividend Claims shall be dematerialised/uncertificated unsecured debt obligations of the Company and shall be governed by the Dividend Claims Terms from and including the Effective Time. Each Dividend Claim shall be:
- 9.10.1 convertible into Shares in the Company; and
- 9.10.2 assignable to another person (in each case, in respect of the whole of such Dividend Claim only, together with any related PIK Interest Tranche (as defined in the Dividend Claims Terms) in accordance with, and subject to, the Dividend Claims Terms.
- 9.11 The full terms and conditions of the Dividend Claims are set out in the Dividend Claim Terms and the following is a summary of the key terms. In the event of any inconsistencies between this Explanatory Memorandum, the corresponding section of the Proposals and the Dividend Claims Terms, the Dividend Claims Terms shall take precedence.
- 9.12 Neither this Explanatory Memorandum nor the Proposals constitute or contain taxation advice on any matter, including (without limitation) the taxation consequences for Creditors which participate in any element of the Investment or which are entitled to Dividend Claims or cash payments under the Proposals. All Creditors should consult their own taxation advisers about the Irish and Norwegian taxation consequences (and the taxation consequences under the laws of other relevant jurisdictions) which may arise as a result of the Proposals and the matters contemplated hereby (including pursuant to the Dividend Claims Terms).
- 9.13 The Dividend Claims Terms provide for a number of steps to be taken in relation to the potential conversion of the Dividend Claims and the structured sale of the Conversion Shares as summarised below. The Company shall appoint the Overseer with effect from the Effective Time to perform the duties summarised below and specified in the Dividend Claims Terms.
- 9.14 Subject to the option of Dividend Claims Creditors to opt out of the conversion process and/or the Structured Sale Process as described below, the Dividend Claims shall be deemed converted into Shares on the date that falls 60 days after the Effective Date (the "**Structured Sale Conversion Date**") and the resulting Shares (excluding any No-Sale Conversion Shares, the "**Structured Sale Conversion Shares**") shall be issued within 5 business days after the Structured Sale Conversion Date to a VPS investor escrow account (the "**Obligor VPS Account**") in the name of the Company on behalf of the Dividend Claims Creditors that held the corresponding Dividend Claims immediately prior to such conversion (each a "**Structured Sale Creditor**").
- 9.15 On the date that falls 5 business days prior to the Structured Sale Conversion Date (the "**Conversion Price Determination Date**"), the Company shall, in conjunction with the

Overseer, fix the conversion price under the Dividend Claims (the "**Conversion Price**") such that all of the Dividend Claims arising under the Proposals would in aggregate convert into a number of Shares that would represent 25.4% of the Company's issued share capital on a Fully Diluted Basis (or 233,548,229 Shares). In the event that the amount of Investment Proceeds raised exceeds the Minimum Gross Proceeds Threshold, such 233,548,229 Conversion Shares shall correspondingly represent less than 25.4% of the Company's issued share capital. Should there be any dispute between the Overseer and the Company regarding the Conversion Price, the decision of the Overseer shall be final.

9.16 The Structured Sale Conversion Shares shall subsequently be sold in the market by the Broker by way of a structured sale process, the structure of which (including timing and sale price) shall be determined by the Broker in its discretion, with the objective of maximising the average sale price of the Structured Sale Conversion Shares within a commercially reasonable time period, based on liquidity and other market factors (the "**Structured Sale Process**"). The instruction from the Company to the Broker to commence the Structured Sale Process, once given, shall be irrevocable. The Broker shall use all reasonable efforts to complete the Structured Sale Process within three months from the Structured Sale Conversion Date, provided that it shall have discretion to extend such period where it considers in its professional judgment that it would be in the best interests of the Structured Sale Creditors to do so. The mandate letter of the Broker with respect to the Structured Sale Process is attached to the Dividend Claims Terms.

9.17 The cash proceeds from the Structured Sale Process, net of a 0.35% provision fee that shall be deducted from the Structured Sale Proceeds (and consequently shall be borne pro rata by each Structured Sale Creditor (the "**Structured Sale Proceeds**") shall be deposited in a blocked escrow account of the Company held with DNB (the "**Structured Sale Proceeds Account**") and shall be distributed pro rata to the Structured Sale Creditors, in each case as soon as reasonably practicable following the later of:

9.17.1 the completion of the Structured Sale Process; and

9.17.2 the date on which such Structured Sale Creditor provides payment details (and, if applicable, satisfactory KYC information) to the Company and/or DNB.

9.18 Notwithstanding sub-paragraphs 9.10 to 9.14 above, a Dividend Claims Creditor may subject to the Dividend Claims Terms and securities laws applicable to that Dividend Claims Creditor, irrevocably elect no later than 2 business days prior to the Structured Sale Conversion Date (the "**Opt-Out Deadline**"), by delivery to the Company of a notice in the form set out in the Dividend Claims Terms (an "**Opt-Out Notice**") for either:

9.18.1 such Dividend Claim (in whole but not in part) not to be converted to Shares; such Dividend Claim shall in such event continue on the terms of the Dividend Claims Terms, with no conversion right thereafter; or

9.18.2 such Dividend Claim (in whole but not in part) to be converted to Shares but not be sold pursuant to the Structured Sale Process ("**No-Sale Conversion Shares**", and, together with the Structured Sale Conversion Shares, "**Conversion Shares**"), provided that such Dividend Claims Creditor (each a "**No-Sale Creditor**" and, together with the Structured Sale Creditors, the "**Converting Creditors**") shall provide to the Company details of a valid VPS account (either in its own name or in the name of its custodian) ("**Dividend Creditor VPS Account**") on or before the Opt-

Out Deadline; in such event the Dividend Claims in respect of which such notice is given shall, promptly following completion of the Structured Sale Process (and in any event no later than three months after commencement of the Structured Sale Process) (the "**No-Sale Conversion Date**"), be deemed converted into No-Sale Conversion Shares and delivered to the specified Dividend Creditor VPS Account within 5 business days after the No-Sale conversion Date;

(collectively, the "**Opt-Out Election**").

9.19 In accordance with the Dividend Claims Terms, a Dividend Claims Creditor shall only be permitted to exercise its Opt-Out Election where:

9.19.1 the Dividend Claims Creditor provides the Company with details of a valid Dividend Creditor VPS Account on or prior to the Opt-Out Deadline; and

9.19.2 it represents in the Opt-Out Notice that it is either:

(a) not located in the United States (as defined in Regulation S under the US Securities Act); or

(b) it is either (i) a "qualified institutional buyer" (as defined in Rule 144A under the US Securities Act) or (ii) an "institutional" accredited investor (within the meaning of Rule 501(a)(1), (3), (5) or (7) under the US Securities Act).

For the avoidance of doubt, the Opt-Out Election of a Dividend Claims Creditor shall not be effective unless the foregoing representation is provided by such Dividend Claims Creditor.

9.20 The Company may in its discretion implement an electronic platform for the purpose of the provision of information and the administration of transactions relating to the Dividend Claims, including:

9.20.1 the Obligor providing each Dividend Claims Creditor with the outstanding amount of its Dividend Claim;

9.20.2 a Dividend Claims Creditor notifying the Company of an assignment of its Dividend Claim;

9.20.3 the delivery by Dividend Claims Creditors of an Opt-out Notice as described in Clauses 9.15 and 9.16 above; and

9.20.4 the provision by Dividend Claims Creditors of payment details and KYC information for the purposes of disbursement of Structured Sale Proceeds and/or payment of principal and interest.

9.21 The Company shall obtain written confirmation from the Overseer that he considers that (the "**Independent Verification Statement**"):

9.21.1 the Conversion Price will in fact enable the Dividend Claims in aggregate to be convertible into a number of Conversion Shares that would represent 25.4% of the Company's issued share capital on a Fully Diluted Basis; and



- 9.21.2 the number of Conversion Shares to be issued to each Converting Creditor has been calculated in accordance with the Dividend Claims Terms.
- 9.22 The Company shall announce the Conversion Price, the fact that the Independent Verification Statement has been obtained in respect thereof and the supporting calculations behind the Conversion Price, by stock exchange announcement to the Oslo Stock Exchange and/or on its website on the Conversion Price Determination Date.
- 9.23 The Company shall procure and provide evidence to the Overseer, promptly after the occurrence of each of the following events:
- 9.23.1 that the Structured Sale Conversion Shares to be issued to each Structured Sale Creditor have been issued to the Obligor VPS Account;
- 9.23.2 that the Company has provided an instruction to the Broker to perform the Structured Sale Process in accordance with the Dividend Claims Terms;
- 9.23.3 from the Broker, of the average sale price that was obtained in respect of the Structured Sale Conversion Shares in the Structured Sale Process, and the calculation of the corresponding pro rata entitlement of each Structured Sale Creditor to the Structured Sale Proceeds;
- 9.23.4 that the Structured Sale Proceeds have been delivered to the Structured Sale Proceeds Account; and
- 9.23.5 that any No-Sale Conversion Shares to be issued to No-Sale Creditors have been issued to such No-Sale Creditors no later than 5 business days following the No-Sale Conversion Date,
- 9.24 and the Company shall procure from the Overseer, following the conclusion of the Structured Sale Process and the issuance of any No-Sale Conversion Shares, a report based on the aforementioned evidence (the "**Post-Conversion Report**").
- 9.25 The Company shall make the Post-Conversion Report available on its website as soon as practicable after receipt of the same.
- 9.26 Any Dividend Claim that is not converted to Shares on the Structured Sale Conversion Date or the No-Sale Conversion Date due to an opt-out as described in sub-paragraph 9.15.1 above (and any Dividend Claim in respect of which the Litigation Payment Date falls after the Conversion Price Determination Date) shall continue as an unsecured claim on the terms of the Dividend Claims Terms, with no conversion rights. Such continuing Dividend Claims shall have a maturity date 7 years after the Effective Date, and shall accrue interest at a rate of six-month NIBOR +1% from the business day following the No-Sale Conversion Date, payable in kind until 1 June 2023 and in cash thereafter.

**C. Dividend Claims Worked Example**

- 9.27 The projected value, based on certain assumptions, of the Dividend Claims is set out in Schedule 1 of this Explanatory Memorandum.

**D. Specific Creditor Classes**

9.28 The Proposals include the following provisions in respect of the 17 classes of Creditors of the Company:

**(1) Secured Cash Deposit Creditors**

9.29 The security held by the Secured Cash Deposit Creditors over certain bank accounts exceeds the amount of the Secured Cash Deposit Creditors' Claims. Consequently, the Secured Cash Deposit Creditors **are not impaired** by the Proposals and the existing security shall remain in force.

**(2) NAS09 Secured Bond Creditor**

9.30 If the relevant Secured Amount is equal to or exceeds the amount of the NAS09 Secured Bond Creditor's Claim, the Claim shall be unaffected by the Proposals and the existing security held by the Creditor shall remain in force.

9.31 If the relevant Secured Amount is less than the amount of the Claim:

9.31.1 the Claim shall be written down to the value of the relevant Secured Amount, and the existing security held by the Creditor shall remain in force (to the value of the relevant Secured Amount); and

9.31.2 the Creditor shall receive a dividend of the Dividend Amount which shall be satisfied by (i) the payment of its Cash Pot Entitlement and (ii) the conversion of its Dividend Balance into a Dividend Claim in full and final satisfaction of the total amount of the Creditor's Unsecured Claim Amount.

9.32 The Proposals shall not prevent the NAS09 Secured Bond Creditor from enforcing its security over the Secured Assets on and from the Effective Time.

9.33 In the event that either:

9.33.1 the Creditor applies to the Norwegian Court to determine its Secured Asset Valuation; or

9.33.2 the Creditor enforces its security over the Secured Assets;

and the Secured Amount is uncertain and/or unascertainable pending the determination of the Norwegian Court or realisation of the Secured Assets, the Creditor shall not be entitled to any dividend unless and until the date of the Norwegian Court's final decision in relation to the Secured Asset Valuation or the realisation of the Secured Assets (as applicable) in accordance with the applicable rules for such realisation, save where otherwise agreed in writing between the Company and the Creditor.

9.34 Consequently, the NAS09 Secured Bond Creditor **is impaired** by the Proposals **only if** the relevant Secured Amount is less than the amount of the Claim.

**(3) NAS07/08 Secured Bond Creditors**

9.35 If the relevant Secured Amount is equal to or exceeds the amount of the NAS07/08 Secured Bond Creditor's Claim, the Claim shall be unaffected by the Proposals and the existing security shall remain in force.

- 9.36 If the relevant Secured Amount is less than the amount of the Claim:
- 9.36.1 the Claim shall be written down to the value of the relevant Secured Amount and the existing security shall remain in force (to the value of the relevant Secured Amount); and
- 9.36.2 the Creditor shall receive a dividend of the Dividend Amount which shall be satisfied by (i) the payment of its Cash Pot Entitlement and (ii) the conversion of its Dividend Balance into a Dividend Claim in full and final satisfaction of the total amount of the Creditor's Unsecured Claim Amount.
- 9.37 The Proposals shall not prevent the NAS07/08 Secured Bond Creditor from enforcing its security over the Secured Assets on and from the Effective Time.
- 9.38 In the event that either:
- 9.38.1 the Creditor applies to the Norwegian Court to determine its Secured Asset Valuation; or
- 9.38.2 the Creditor enforces its security over the Secured Assets;
- and the Secured Amount is uncertain and/or unascertainable pending the determination of the Norwegian Court or realisation of the Secured Assets, the Creditor shall not be entitled to any dividend unless and until the date of the Norwegian Court's final decision in relation to the Secured Asset Valuation or the realisation of the Secured Assets (as applicable) in accordance with the applicable rules for such realisation, save where otherwise agreed in writing between the Company and the Creditor.
- 9.39 Consequently, the NAS07/08 Secured Bond Creditor **is impaired** by the Proposals **only if** the relevant Secured Amount is less than the amount of the Claim.

**(4) 2019 Convertible Bond Creditors**

- 9.40 The amount of the 2019 Convertible Bond Creditors' Claim shall be the aggregate principal amount of the 2019 Convertible Bonds held by the Creditor at the Petition Date.
- 9.41 The Creditor shall receive a dividend of the Dividend Amount which shall be satisfied by (i) the payment of its Cash Pot Entitlement and (ii) the conversion of its Dividend Balance into a Dividend Claim in full and final satisfaction of the total amount of the Creditor's Claim. Consequently, the 2019 Convertible Bond Creditor **is impaired** by the Proposals.
- 9.42 Further, the 2019 Convertible Bond Creditors shall be deemed to have absolutely, irrevocably and unconditionally discharged and released AAA in respect of any liability in respect of the 2019 Convertible Bonds with no further action required.

**(5) Unsecured Creditors**

- 9.43 Each Unsecured Creditor shall receive a dividend of the Dividend Amount which shall be satisfied by (i) the payment of its Cash Pot Entitlement and (ii) the conversion of its Dividend Balance into a Dividend Claim in full and final satisfaction of the total amount of such Unsecured Creditor's Claim. Consequently, the Unsecured Creditors **are impaired** by the Proposals.

**(6) GIEK Guaranteed Loan Facilities Creditors**

- 9.44 If the relevant Secured Amount (if any) is equal to the amount of such GIEK Guaranteed Loan Facilities Creditor's Claims, such Creditor's Claims shall be unaffected by these Proposals and any existing lawful set-off right held by such Creditor (if any) shall (for the avoidance of doubt) remain in force.
- 9.45 If the relevant Secured Amount (if any) is less than the amount of such Creditor's Claims:
- 9.45.1 such Creditor's Claims shall be written down to the value of the relevant Secured Amount; and
- 9.45.2 such Creditor shall receive a dividend of the Dividend Amount which shall be satisfied by (i) the payment of its Cash Pot Entitlement and (ii) the conversion of its Dividend Balance into a Dividend Claim in full and final satisfaction of such Creditor's Unsecured Claim Amount.
- 9.46 The Proposals shall not in themselves prevent any GIEK Guaranteed Loan Facilities Creditor from enforcing any lawful right of set-off it may have (if any) over the Secured Assets on and from the Effective Time.
- 9.47 In the event that either:
- 9.47.1 the Creditor applies to the Norwegian Court to determine the existence of any lawful set-off right and/or its Secured Asset Valuation in respect thereof; or
- 9.47.2 the Creditor enforces any lawful right of set-off in respect of the Secured Assets;
- and the Secured Amount is uncertain and/or unascertainable pending the determination of the Norwegian Court or realisation of the Secured Assets, such Creditor shall not be entitled to any dividend unless and until the date of the Norwegian Court's final decision in relation to the existence of such lawful set-off right, Secured Asset Valuation or the realisation of the Secured Assets (as applicable) in accordance with the applicable rules for such realisation, save where otherwise agreed in writing between the Company and such Creditor.
- 9.48 Consequently, each GIEK Guaranteed Loan Facilities Creditor **is impaired** by these Proposals only if the relevant Secured Amount is less than the amount of the Claim.

**(7) Retained Guaranteed Creditors**

- 9.49 Unless agreed prior to the Irish Confirmation Date, the Claims of Retained Guaranteed Creditors shall be treated as Unagreed Creditors and their Claims shall be determined under the Expert Determination Process.
- 9.50 Each Creditor shall receive a dividend of the Dividend Amount which shall be satisfied by (i) the payment of its Cash Pot Entitlement and (ii) the conversion of its Dividend Balance into a Dividend Claim in full and final satisfaction of the total amount of such Creditor's Claim. Consequently, the Retained Guaranteed Creditors **are impaired** by the Proposals.
- 9.51 Each Creditor shall be deemed to have absolutely, irrevocably and unconditionally discharged and released the Company and/or any Related Company in respect of any monetary liabilities, associated or related to such Creditor's Claim, including (but not limited to) any

obligations under any Aircraft Sub-Lease which are secured in favour of any Creditor. Each such Related Company shall be treated as so discharged and released by operation of the Proposals without any further action required.

- 9.52 The Proposals do not affect the terms of any agreements with any Creditor (including any related security, related guarantee or liabilities arising from the Effective Time) to continue the primary agreement which is the subject of the guarantee or the said guarantee following the conclusion of the Irish examinership process.

**(8) Non-Retained Guaranteed Creditors**

- 9.53 Unless agreed prior to the Irish Confirmation Date, the Claims of Non-Retained Guaranteed Creditors shall be treated as Unagreed Creditors and their Claims (including, for the avoidance of doubt, any Pre-Repudiation Post-Petition Liabilities) shall be determined under the Expert Determination Process.

- 9.54 Each Creditor shall receive a dividend of the Dividend Amount which shall be satisfied by (i) the payment of its Cash Pot Entitlement and (ii) the conversion of its Dividend Balance into a Dividend Claim in full and final satisfaction of the total amount of such Creditor's Claim. Consequently, the Non-Retained Guaranteed Creditors **are impaired** by the Proposals.

- 9.55 Each Creditor shall be deemed to have absolutely, irrevocably and unconditionally discharged and released:

9.55.1 each relevant Related Company in respect of that Related Company's Guaranteed Obligations and each such Related Company shall be treated as so discharged and released by operation of these Proposals without any further action required;

9.55.2 the Company and/or any Related Company in respect of any obligations and/or liabilities, payable to such Creditor including (but not limited to) any obligations under any Aircraft Sub-Lease which are secured in favour of any Creditor; and

9.55.3 the obligations of the Company and/or any Related Company under the guarantees provided by the Company and/or any Related Company to the Creditor in respect of any Related Companies' Guaranteed Obligations and such guarantees shall be terminated.

**(9) Terminated Contract Creditors**

- 9.56 Unless agreed prior to the Irish Confirmation Date, the Claims of Terminated Contract Creditors shall be treated as Unagreed Creditors and their Claims (including, for the avoidance of doubt, any Pre-Repudiation Post-Petition Liabilities) shall be determined under the Expert Determination Process.

- 9.57 All Terminated Contract Creditors' Claims are unsecured claims and shall be subject to the same treatment as Unsecured Creditors whether agreed or upon the determination of their claim in accordance with the Expert Determination Process. Consequently, the Terminated Contract Creditors **are impaired** by the Proposals.

- 9.58 Each such Creditor shall be deemed to have absolutely, irrevocably and unconditionally discharged and released each relevant Related Company from any joint, equivalent or other liability associated or related to the Creditor's Claims with no further action required.

**(10) Retained Sub-Lease Creditors**

- 9.59 The Claims of the Retained Sub-Lease Creditors shall be written down in full and they shall not receive any dividend in respect of these Claims.
- 9.60 Any obligations of the Company or Related Companies to Non-Retained Guaranteed Creditors under any Aircraft Sub-Lease, including any obligations which are secured in favour of any Retained Guaranteed Creditor, have been released under (7) *Retained Guarantee Creditors* above.
- 9.61 Consequently, the Retained Sub-Lease Creditors **are impaired** by the Proposals.
- 9.62 The Proposals do not affect the terms of any agreements with a Retained Sub-Lease Creditor (including any related security, related guarantee or liabilities arising from the Effective Time) to continue the underlying Aircraft Sub-Lease from the Retained Sub-Lease Creditor, as sub-lessor, to the Company, as sub-lessee, following the conclusion of the examinership process.

**(11) Terminated Guaranteed Sub-Lease Creditors**

- 9.63 The Claims of the Terminated Guaranteed Sub-Lease Creditors are written down in full and the Creditors shall not receive any dividend in respect of these Claims under the Proposals.
- 9.64 Any obligations, direct or indirect, of the Company or Related Companies to Non-Retained Guaranteed Creditors, including any obligations to Terminated Guaranteed Sub-Lease Creditors under any Aircraft Sub-Lease which are secured in favour of any Non-Retained Guaranteed Creditor, have been discharged and released pursuant to the (8) *Non-Retained Guaranteed Creditors* class above.
- 9.65 Consequently, the Terminated Guaranteed Sub-Lease Creditors **are impaired** by the Proposals.

**(12) Retained Lease Creditors**

- 9.66 Unless agreed prior to the Irish Confirmation Date, the Claims of Retained Lease Creditors shall be treated as Unagreed Creditors and their Claims shall be determined under the Expert Determination Process.
- 9.67 Each Creditor shall receive a dividend of the Dividend Amount which shall be satisfied by (i) the payment of its Cash Pot Entitlement and (ii) the conversion of its Dividend Balance into a Dividend Claim in full and final satisfaction of the total amount of such Creditor's Claim.
- 9.68 The Proposals do not affect the terms of any agreements with a Creditor (including any related security, related guarantee or liabilities arising from the Effective Time) to continue the underlying Aircraft Lease from the Creditor following the conclusion of the examinership process.
- 9.69 Consequently, the Retained Lease Creditors **are impaired** by the Proposals.

**(13) Terminated Lease Creditors**

- 9.70 Unless agreed prior to the Irish Confirmation Date, the Claims of Terminated Lease Creditors shall be treated as Unagreed Creditors and their Claims (including, for the avoidance of

doubt, any Pre-Repudiation Post-Petition Liabilities) shall be determined under the Expert Determination Process.

- 9.71 Each Terminated Lease Creditor shall receive a dividend of the Dividend Amount which shall be satisfied by (i) the payment of its Cash Pot Entitlement and (ii) the conversion of its Dividend Balance into a Dividend Claim in full and final satisfaction of the total amount of such Terminated Lease Creditor's Claim
- 9.72 The Proposals are without prejudice to, and shall not prevent a Terminated Lease Creditor from enforcing its security over any Secured Assets, unless such security is otherwise released and/or discharged, save that the Creditor shall not be entitled to maintain any Claim against the Company or any Related Company that is otherwise discharged and/or released in these Proposals or the Related Proposals other than that the Creditor shall retain such Claim to the extent necessary to enforce such security which Claim shall be limited in terms of recourse to the Secured Assets
- 9.73 Consequently, the Terminated Lease Creditors **are impaired** by the Proposals.

**(14) Customer Creditors**

- 9.74 Each Customer Creditor shall, upon agreement or determination of its Claim in accordance with sub-paragraphs below (as applicable), receive a dividend of the Dividend Amount which shall be satisfied by (i) the payment of its Cash Pot Entitlement and (ii) the conversion of its Dividend Balance into a Dividend Claim in full and final satisfaction of the total amount of such Creditor's Claim.
- 9.75 To the extent that the Company disputes a Customer Creditor's Ticket Refund Claim, or that Ticket Refund Claim has not been submitted by a Customer Creditor to the Company and agreed by the Company prior to the Irish Confirmation Date, it shall be subject to the Expert Determination Process. Any Ticket Refund Claim submitted by a Customer Creditor and which has not been agreed by the Company prior to the Irish Confirmation Date shall be taken as submitted to the Company in accordance with Clause 11.1.1 of the Proposals for the purposes of the Expert Determination Process.
- 9.76 To the extent that the Company disputes a Customer Creditor's Customer Damages Claim that has been submitted by a Customer Creditor to the Company but not agreed by the Company prior to the Irish Confirmation Date (an "**Unagreed Submitted Customer Damages Claim**"), it shall be subject to the determination by the relevant decision making or judicial authority with jurisdiction over the dispute (a "**Customer Claim Forum**").
- 9.77 Any Customer Damages Claim that has not been submitted by a Customer Creditor to the Company and agreed by the Company prior to the Irish Confirmation Date ("**Unagreed Non-Submitted Customer Damages Claim**", such Claims being together with the Unagreed Submitted Customer Damages Claims, the "**Unagreed Customer Damages Claims**"), shall, unless otherwise agreed by the Company, be subject to the jurisdiction of the relevant Customer Claim Forum.
- 9.78 To the extent that any Customer Creditor disputes the Company's record of their Claim (an "**Unagreed Customer Creditor**"). The Unagreed Customer Creditor shall forward to the Company, by email to [creditorclaims@norwegian.com](mailto:creditorclaims@norwegian.com) within 14 days after the Irish Confirmation Date a proof of their Claim setting forth the amount which it believes should be

included as its Claim for the purposes Proposals and the basis for the Claim with supporting documents necessary to identify and assess the Claim including, but not limited to the Norwegian Air booking reference (6 characters), flight details and reason for the Claim.

- 9.79 For the avoidance of doubt the Expert Determination Process shall not apply to determine any Unagreed Customer Damages Claims above.
- 9.80 Each Customer Creditor shall be deemed to have absolutely, irrevocably and unconditionally discharged and released NAI in respect of any direct, joint or equivalent liability for the Customer Creditor's Claims and NAI shall be so discharged and released by the Proposals without any further action required.
- 9.81 Consequently, the Customer Creditors **are impaired** by the Proposals.

***(15) 2020 Convertible Perpetual Bond Creditors***

- 9.82 The amount of the 2020 Convertible Perpetual Bond Creditors' Claim shall be the market value of the number of Shares that the 2020 Convertible Perpetual Bonds held by the Creditors at the Petition Date (save for any 2020 Convertible Perpetual Bonds converted to Shares after the Petition Date) would have converted into at the conversion price in effect on the Petition Date.
- 9.83 Each Creditor shall receive a dividend of the Dividend Amount which shall be satisfied by (i) the payment of its Cash Pot Entitlement and (ii) the conversion of its Dividend Balance into a Dividend Claim in full and final satisfaction of the total amount of its Claim. Consequently, the 2020 Convertible Perpetual Bond Creditors **are impaired** by the Proposals.

***(16) Connected and Intercompany Creditors***

- 9.84 Each Connected and Intercompany Creditor's Claims are unsecured claims which shall be off set against any mutual claims as between the Company and the Creditor as at the Petition Date (excluding any Claims against the Company in respect of any Aircraft Sub-Leases) and, subject to sub-paragraph 9.88 and 9.89 below, shall be subject to the same treatment as Unsecured Creditors whether agreed or upon the determination of their claim in accordance with the Expert Determination Process. Consequently, the Connected and Intercompany Creditors **are impaired** by the Proposals.
- 9.85 The amount of any Creditor's entitlement to a dividend (by way of cash and a Dividend Claim) under sub-paragraph 9.88 above shall be offset against:
- 9.85.1 any counterindemnity obligations owed by such Creditor to the Company on foot of the Company's discharge of that Creditor's Terminated Guaranteed Obligations under the Proposals ("**Counter Indemnity Obligations**"); and
- 9.85.2 in the case of a Related Company, the amount of funding provided in the form of cash by the Company to fund dividends payable by that Related Company under the Related Proposals.
- 9.86 Should any balance remain due by the Company to any Related Company following the set off under sub-paragraph 9.89 above, such balance shall be written down in full and the Related Company shall not receive any dividend in respect of its Claim.



9.87 Should any Connected and Intercompany Creditors dispute the amount of their Counter Indemnity Obligations under sub-paragraph 9.88 above, such Creditors shall be treated as Unagreed Creditors and their Claims shall be determined under the Expert Determination Process.

**(17) Contingent Unagreed Creditors**

9.88 As at the date of the Proposals:

9.88.1 the liability, if any, of the Company to each of the Contingent Unagreed Creditors; and

9.88.2 the quantum, if any, due to these Creditors,

have not been determined, agreed and/or crystallised.

9.89 Unless agreed and crystallised prior to the Effective Time, the Claims of these Creditors shall, unless otherwise agreed by the Creditor and the Company, be determined:

9.89.1 to the extent proceedings have been issued by any such Creditor before the Irish Confirmation Date (each such Creditor being, a "**Contingent Litigation Creditor**"), by the courts of competent jurisdiction and, for the avoidance of doubt, the Expert Determination Process shall not apply; and

9.89.2 in all other cases, by the Expert Determination Process.

9.90 All Contingent Unagreed Creditors' Claims whether quantified by agreement or upon the determination of their Claim under the Expert Determination Process or, in the case of any Contingent Litigation Creditor, by a court of competent jurisdiction (which, for the avoidance of doubt, shall include any existing or future liability of the Company for any such Contingent Litigation Creditor's costs in connection with any litigation or binding dispute resolution procedure) are unsecured claims and any amounts due or found to be due to any Contingent Unagreed Creditor shall be subject to the same treatment as Unsecured Creditors. Consequently, the Contingent Unagreed Creditors **are impaired** by the Proposals.

9.91 Contingent Unagreed Creditors shall be deemed to have irrevocably released each relevant Related Company from any liability associated or related to the Creditor's Claim.

**E. Determining the Claims of Unagreed Creditors**

9.92 Unagreed Creditors' Claims (including, for the avoidance of doubt, any Pre-Repudiation Post-Petition Liabilities) will be determined in accordance with the Expert Determination Process set out in Clause 11.1 of the Proposals, provided that:

9.92.1 any determination under this process shall not be binding until the Effective Time; and

9.92.2 this process shall not apply to the Customer Damages Claims Creditors and Contingent Litigation Creditors whose Claims shall be determined by the relevant Customer Claims Forum and courts of competent jurisdiction, respectively.

9.93 In order for its Claim to be determined, each Unagreed Creditor must forward to the Company by email to [creditorclaims@norwegian.com](mailto:creditorclaims@norwegian.com), by email within 14 days after the Irish Confirmation Date a proof of claim setting forth the amount which it believes should be

included as its claim for the purposes of the Proposals and the basis for the claim including supporting documents as applicable. If an Unagreed Creditor fails to do so it will be deemed to have a claim for the amount stated in the Creditor Schedule or, to the extent any Creditor is not listed in the Creditor Schedule, it will have no valid claim whatsoever against the Company.

- 9.94 To the extent a Creditor submits a claim within the period set out in the preceding subparagraph, the provisions of Clause 11.1 of the Proposals shall apply and which will, to the extent the Company disputes its claim, enable that Creditor to refer its claim for expert determination by either the Aircraft Expert or the General Expert (as applicable) within the time period specified in the said Clause 11.1.
- 9.95 The Company and the Unagreed Creditor shall each be liable for 50% of the costs and expenses of the relevant Expert in connection with his determination.

#### ***F. Consequences of the Proposals***

- 9.96 Where required under the Proposals, the Company shall take all steps necessary (including without limitation recording the relevant Dividend Claims Creditors and the amount of their Dividend Claims within the Dividend Claim Schedule to the Dividend Claims Terms) to document the conversion of Dividend Balances into Dividend Claims and pay all Cash Pot Entitlements to relevant Cash Creditors on or before the later of:

9.96.1 either:

- (a) in the case of all Creditors (other than Contingent Litigation Creditors and Customer Damages Claims Creditors), the General Payment Date (being four weeks from the later of 60 days after the Irish Confirmation Date or the Effective Date); or
- (b) in the case of Contingent Litigation Creditors and Customer Damages Claims Creditors, the Litigation Payment Date; and

9.96.2 10 Business Days following the date on which such Creditor provides its account payment details to the Company.

#### ***G. Financial Position and Liquidation***

- 9.97 A statement of assets and liabilities (including contingent and prospective liabilities) of the Company as at the date of the Proposals is attached as Schedule 2 to the Proposals. The estimated financial outcome of a winding-up of the Company for the Shareholders and the classes of Creditors, applying Norwegian law as it would apply to the liquidation of the Company, is attached at Schedule 3 to the Proposals.
- 9.98 The statement of affairs on a winding up basis shows clearly that the Proposals would be more beneficial to the Creditors as a whole than a winding-up.

#### ***H. Material Interests of the Directors***

- 9.99 In accordance with Section 540(11) of the Act, please note that the effect of the Proposals on any material interest of a Director, whether as Director, Creditor or Shareholder of any of the Companies, is not different from the effect on any other Creditor or Shareholder of the

Company.

***I. Implementation***

9.100 The Proposals contain specific terms for implementation.

***J. Conclusion***

9.101 Please note that this Explanatory Memorandum is intended to be a summary of the Proposals only, for the convenience of Shareholders and Creditors, and is not intended to be legally binding or to be relied upon by Shareholders and/or Creditors. Shareholders and Creditors are therefore strongly advised to read the Proposals in their entirety.

9.102 I am of the opinion that the Proposals are in the best interests of the Shareholders and the Creditors of the Company and I recommend them to you for your approval.

**KIERAN WALLACE  
EXAMINER**

**Dated 11 March 2021**

WF-28637797-exv

## SCHEDULE 1

### Projected Outcomes for Dividend Claims

Norwegian Air Shuttle AS - Worked Example of Dividend Claims									
	Notes		Example 1		Example 2		Example 3		Example 4
<b>Creditor Agreed Debt NOK</b>			10,000		100,000		1,000,000		10,000,000
<b>Dividend Amount (5%) NOK</b>	1		500		5,000		50,000		500,000
<b>Total assumed Claim amount (excluding contingent claims)</b>	2	NOK	48,074,857,632						
<b>Total assumed Claim amount (including high estimated contingent claims)</b>		NOK	49,796,031,350						
<b>Dividend Amount Split</b>									
<b>Cash Pot Entitlement % (NOK500m/Current Scenario plus the Contingencies)</b>	3		1.00%						
<b>Projected Cash Dividend to be paid</b>	4		100		1,004		10,041		100,410
<b>Dividend Claim Amount</b>	4		400		3,996		39,959		399,590
<b>Total Dividend Amount (NOK)</b>		NOK	500	NOK	5,000	NOK	50,000	NOK	500,000
<b>Dividend Claim if Converted</b>									
Total No of Shares to be distributed to creditors	5		233,548,229						
Total Dividend Claim Amount NOK		NOK	1,921,025,119						
Share Conversion Price	6	NOK	8.23						
<b>No of Shares Available</b>	7		49		486		4,858		48,580
<b>Effect on Dividend on Share Price Movement</b>									
<b>Overall Dividend Value if Share Price is NOK10</b>		NOK	586	NOK	5,862	NOK	58,621	NOK	586,211
<i>Dividend Percentage</i>	8		5.86%		5.86%		5.86%		5.86%
<b>Overall Dividend Value if Share Price is NOK15</b>		NOK	829	NOK	8,291	NOK	82,911	NOK	829,111
<i>Dividend Percentage</i>	8		8.29%		8.29%		8.29%		8.29%
<b>Overall Dividend Value if Share Price is NOK20</b>		NOK	1,072	NOK	10,720	NOK	107,201	NOK	1,072,012
<i>Dividend Percentage</i>	8		10.72%		10.72%		10.72%		10.72%
<b>Overall Dividend Value if Share Price is NOK55</b>		NOK	2,772	NOK	27,723	NOK	277,232	NOK	2,772,316
<i>Dividend Percentage</i>	8		27.72%		27.72%		27.72%		27.72%
<b>Notes</b>									
1. Dividend Percentage that each creditor will receive for their total Agreed Debt claim									
2. The projected total debt to rank for a dividend in cash and convertible note following the issue of any retained bonds									
3. The projected cash dividend element based on the projected overall debt amount including an estimate for contingent liabilities									
4. Projected split of the 5% dividend between cash and Convertible Note dividend									
5. Total amount of shares to be distributed to creditors and corresponding to 25.4% of fully diluted share capital in the event of a NOK4.5B capital raise									
6. The Conversion Price is calculated by dividing the aggregate nominal amount of Dividend Claims outstanding as of the Conversion Price Determination Date divided by the 233,548,229 shares									
7. Projected no of shares available based on the pro rata split of the total shares available of 233,548,229 representing 25.4% of the Company									
8. Projected potential return to creditors based on potential changes in the share price									