

**BORGESTAD**

**Investor presentation**  
**NOK [300-350]m senior secured bond issue**  
**February 2018**

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**BORGESTAD**

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# Oslo Børs' oldest company:

## Diversified cash flows and robust underlying values

1

Diversified  
conglomerate  
with >100 years'  
history

2

Properties  
provide  
significant asset  
backing



**BORGESTAD**

3

Industrial  
operations with  
solid operational  
performance



**BORGESTAD**

# Table of contents

## Transaction summary

Introduction to Borgestad

Borgestad Properties

Borgestad Industries

Financials

Risk factors

Appendix





**BORGESTAD**

# Summary of terms

<b>Issuer:</b>	Borgestad ASA
<b>Status:</b>	Senior secured
<b>Issue volume:</b>	NOK [300-350] million
<b>Tenor:</b>	3 years
<b>Coupon:</b>	3 months NIBOR + [•]% p.a., quarterly interest payments
<b>Issue price:</b>	100% of par
<b>Use of proceeds:</b>	Refinance the existing bond, fund the debt service retention account and towards general corporate purposes
<b>Amortisation:</b>	None, bullet
<b>Debt service reserve account:</b>	Minimum 3 months of interest
<b>Financial covenants:</b>	Book equity > NOK 350 million Liquidity > NOK 25 million
<b>Security:</b>	(i) 1 <sup>st</sup> priority pledge over the shares in Borgestad Properties AS (ii) 1 <sup>st</sup> priority pledge over the shares in Borgestad Industries AS (iii) 1 <sup>st</sup> priority mortgage in Borgestad Næringspark AS (iv) 1 <sup>st</sup> priority pledge over the shares in Borgestad Næringspark AS (v) 1 <sup>st</sup> priority pledge over the debt service retention account and bank accounts in Borgestad Næringspark AS
<b>Change of control:</b>	Investor put at 101%
<b>Governing law:</b>	Norwegian law
<b>Listing:</b>	Oslo Børs
<b>Trustee:</b>	Nordic Trustee ASA
<b>Manager:</b>	Arctic Securities AS





**BORGESTAD**

# Transaction overview

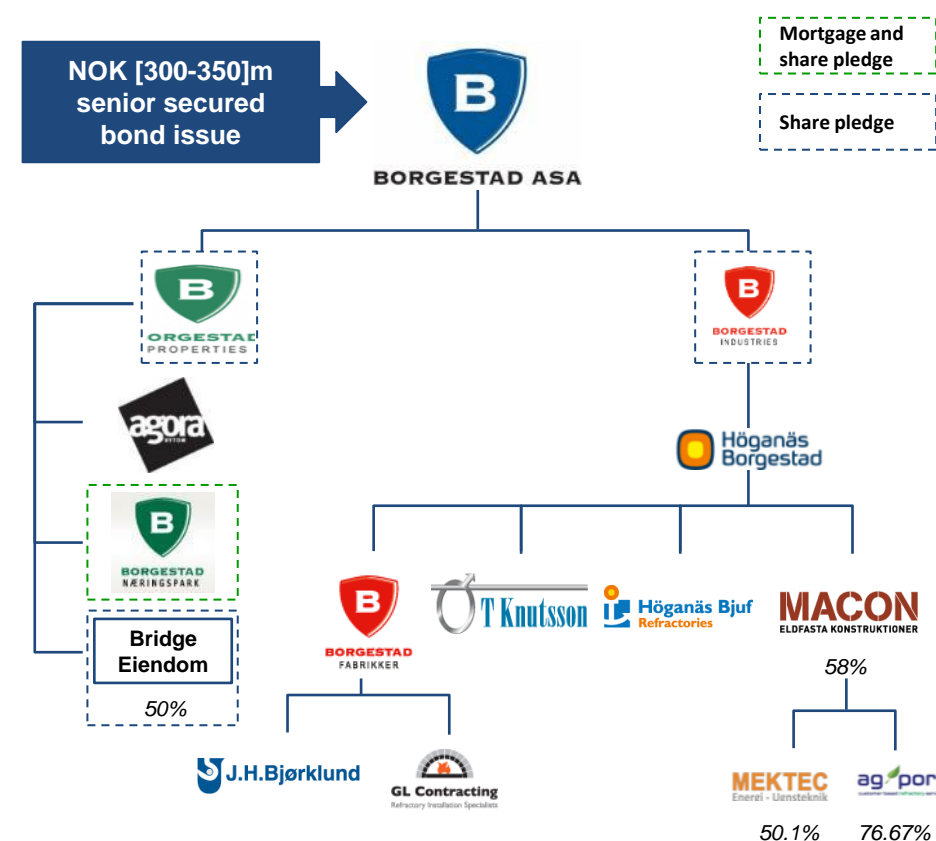
## Summary

- Borgestad is contemplating issuing a NOK [300-350]m bond to refinance its existing NOK 300m bond maturing in October 2018
  - The remainder of the proceeds will be utilised to fund a debt service retention account (DSRA) and for general corporate purposes
- The bond issue will have share pledge over Borgestad Properties, Borgestad Industries, Borgestad Næringspark AS and Bridge Eiendom AS, as well as 1<sup>st</sup> priority mortgage over Borgestad Næringspark AS and pledge over the DSRA and selected bank accounts<sup>1)</sup>

## Sources and uses (NOKm)

Sources		Uses	
Senior secured bond issue	[300-350]	Refinance existing bond	[300]
		DSRA	[•]
		General corporate purposes	[•]
<b>Total</b>	<b>[300-350]</b>	<b>Total</b>	<b>[300-350]</b>

## Simplified transaction structure



Note: 1) See term sheet for comprehensive details of security structure



**BORGESTAD**

# Credit highlights



1

**Diversified and sustainable conglomerate with >100 years' history**

- The oldest company on Oslo Børs; founded in 1904 and listed in 1917
- Diversification through investments in real estate and refractory industry
- Growth in profitability and cash flow
- Large underlying values / break-up values

2

**Properties provide significant asset backing**

- Shopping centre Agora Bytom the main asset, valued to approx. EUR 100m
- Strong visitor growth and high occupancy, generating stable cash flows
- Significant additional value in Borgestad Næringspark AS



3

**Industrial operations with solid operational performance**

- One of the leading players in the Nordic refractory industry with organisation and infrastructure to handle significant growth
- Controlling the value chain (from raw material to customer installation)
- After substantial growth over last few years focus going forward is to improve margins and capital efficiency
- The strategic turnaround initiated in 2016 has led to improved profitability







**BORGESTAD**

# Table of contents

Transaction summary

**Introduction to Borgestad**

Borgestad Properties

Borgestad Industries

Financials

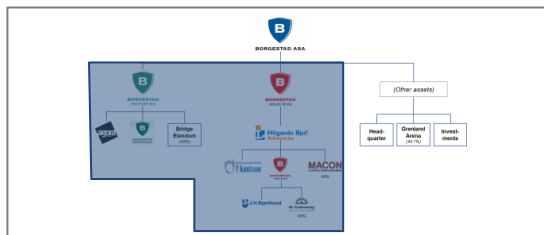
Risk factors

Appendix



# Key events: BOR is streamlining its business, focusing on core assets

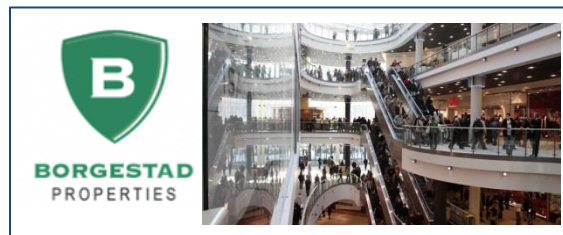
## Focus on core business



- Borgestad is focusing on companies where it can have a controlling position with ample growth opportunities, divesting non-core businesses:
  - Istrail divested in May 2016 for NOK 18.3m
  - Grenland Arena divested in early 2017 to Kontorbygg AS for a consideration of NOK 53m
  - PCO Zarow divested above book value February 2018 (book value ~NOK 33m)
- The divestments have generated total book gains of ~NOK 33m
- Other non-core assets with book value of NOK 35.1m and estimated market value of NOK 48.5m<sup>1)</sup>

1

## Borgestad Properties



- Successful five year renewal of the main part of Agora Bytom contracts November 2015
- Stable operations, steadily growing rent and EBITDA
- Increased average rent per square meter
  - Increased basket size and turnover at the shopping centre
- Successfully refinanced secured bank debt with local bank in April 2016

2

## Borgestad Industries



- New management in place since Q3 2016; Niclas Sjöberg new CEO
- Re-directed focus: optimisation of production, Nordic markets and installation services
- New monolithic plant in Bjuv, Sweden
  - Controlling the value chain
  - Launched internally developed monolithic program
- Entered the Finnish market through acquisition of installation service company AG Port Oy
- Successfully refinanced credit facilities in March 2016

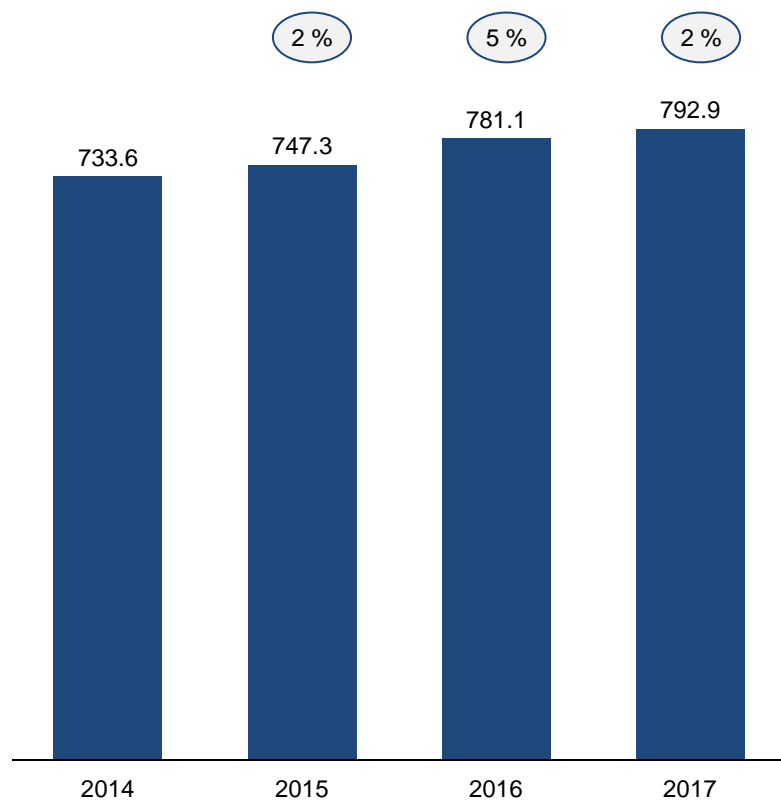


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# Strong 2017 results

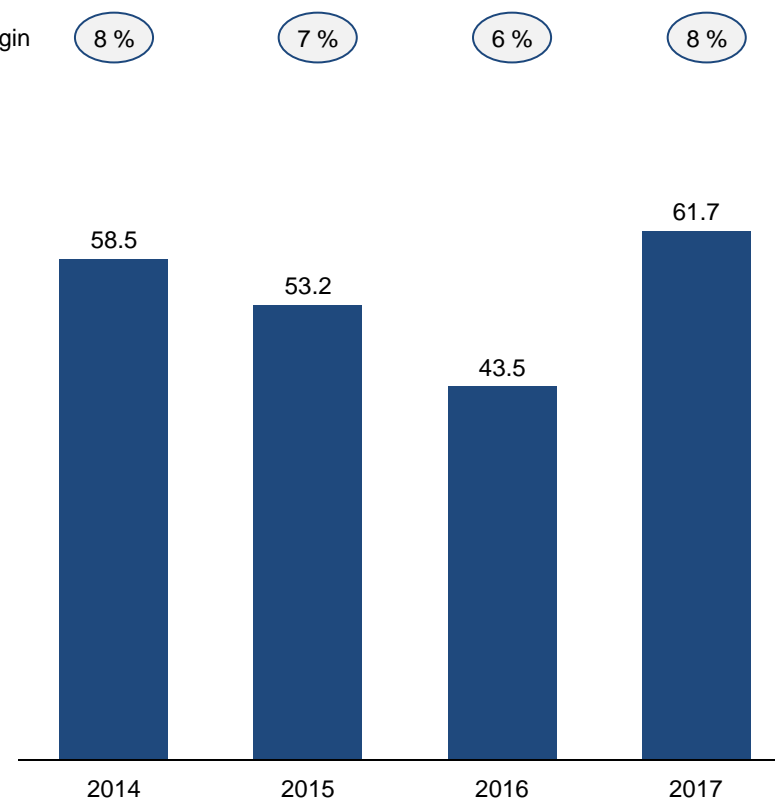
## Revenue (NOKm)

Growth



## EBITDA (NOKm)

Margin





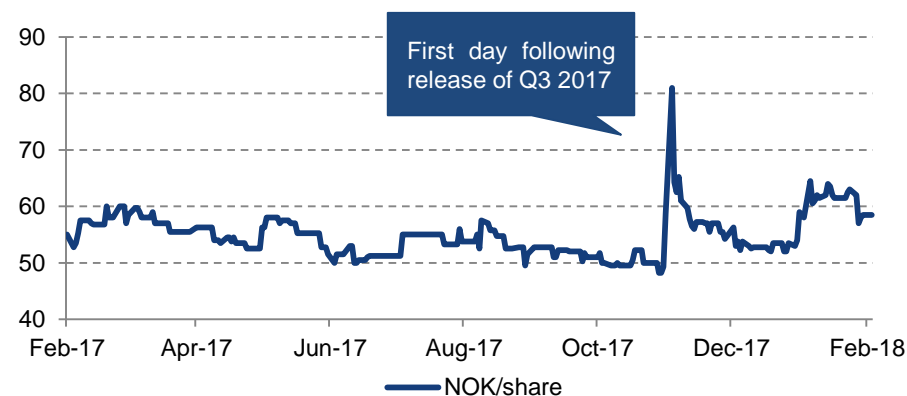
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# Borgestad in brief

## History

<b>1904</b>	• Aktieselskabet Borgestad, founded by Prime Minister Gunnar Knudsen
<b>1917</b>	• Listed on Oslo Børs
<b>1923</b>	• Renewal of the fleet into motorships
<b>1940</b> <b>1945</b>	• 6 out of 8 vessels sunk during WW2
<b>1964</b>	• New industry: Car carrier
<b>1998</b>	• Acquired Höganäs Bjuf (Sweden)), GZMO (Poland) and Aaby Rederi
<b>2005</b>	• Construction of shopping mall Forum Gliwice in Poland
<b>2006</b>	• Shipping divestment
<b>2007</b>	• Forum Gliwice divestment
<b>2008</b>	• Industry segment spin-off and listed
<b>2010</b>	• Shopping mall Agora Bytom (Poland) opens
<b>2013</b>	• Industry segment merger and acquisition of remaining 50% of Agora Bytom
<b>2017</b>	• Disposal of share in Grenland Arena AS

## Share price development last 12 months



## Largest shareholders

#	Shareholder	Shares (m)	%
1	MENTONE AS	0.96	28 %
2	AS BEMACS	0.23	7 %
3	DIONE AS	0.21	6 %
4	SUBSTANTIA AS	0.19	6 %
5	MYRA MATSENTER AS	0.19	6 %
6	ANALYSEINVEST AS	0.18	5 %
7	REGENT AS	0.16	5 %
8	HKG HOLDING AS	0.12	3 %
9	PIPPEN AS	0.11	3 %
10	GREENWICH LAND SECURITIES AS	0.11	3 %
	Other	0.94	28 %
	<b>Total</b>	<b>3.39</b>	<b>100 %</b>





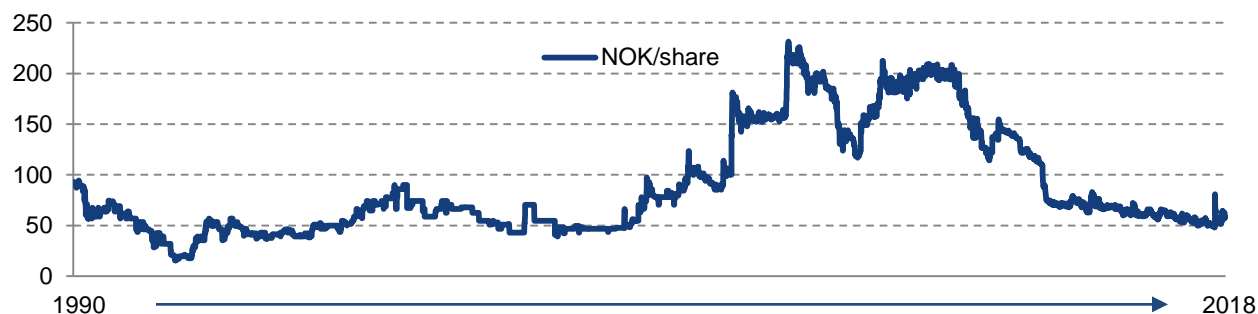
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# The oldest company on Oslo Børs

“Through fire, water and shore for more than 100 years”



**BORGESTAD ASA**



**BORGESTAD  
PROPERTIES**

Borgestad ASA was founded in 1904 by Prime Minister Gunnar Knudsen with a share capital of NOK 930,000. The company was a result of the merger of three limited partnerships owning steamships into one company. Gunnar Knudsen had a 34% stake in the company and was elected CEO and sole of director of the company.

Borgestad ASA was listed on the Oslo Stock Exchange in 1917 under the former name Aktieselskapet Borgestad.

In 1998 Borgestad ASA acquired 100% of the shares in Höganäs Bjuf AB from the Lafarge Group. From 2003 the production of fire bricks was centralized in Bjuf.

In 2006 the company sold the shares in Borgestad Shipping AS, and in 2007 the shares of Forum Gliwice was sold.

In 2013 Borgestad ASA acquired the remaining 50% of the shares in Agora Bytom. The same year the industry segment was merged into Borgestad as a wholly owned subsidiary. The two transactions was important elements in a strategy to control its biggest investments.

In 2016, Istrail AS was divested.

In 2017, Grenland Arena was divested as part of the company's plan of more focused investments.

The group's main business areas are now property investments and refractory industry.



**BORGESTAD  
INDUSTRIES**

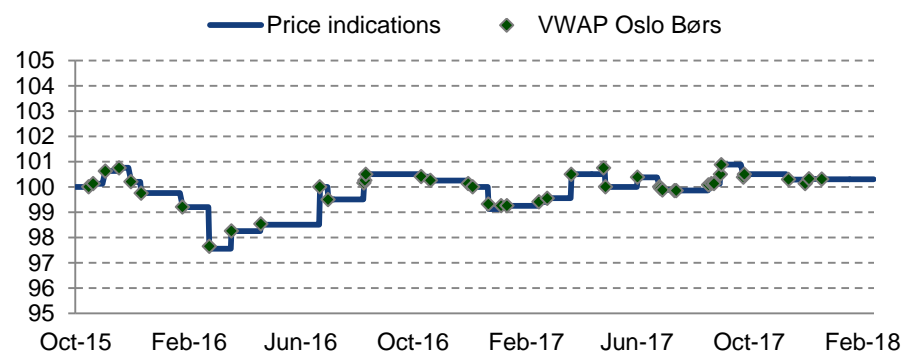
# The bond has traded around par since issuance in 2014



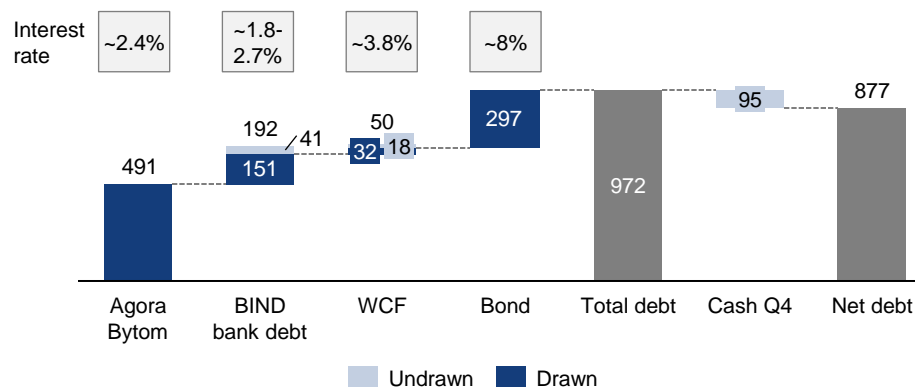
## Key terms bond issue 2014/2018

<b>Issuer:</b>	Borgestad ASA
<b>Status:</b>	Senior secured
<b>Issue volume:</b>	NOK 300 million
<b>Tenor:</b>	3 years (extended one year, amendment fee 0.5%), maturing October 2018
<b>Coupon:</b>	3 months NIBOR + 7%
<b>Issue price:</b>	100% of par
<b>Use of proceeds:</b>	Refinance existing debt, interest retention account (3 months of interest) and general corporate purposes
<b>Amortisation:</b>	None, bullet
<b>Financial covenants:</b>	Minimum liquidity of NOK 25 million Minimum book equity of NOK 350 million
<b>Security:</b>	i. 1 <sup>st</sup> priority share pledge in Borgestad Properties AS ii. 1 <sup>st</sup> priority share pledge in Borgestad Industries AS iii. 1 <sup>st</sup> priority mortgage in Borgestad Næringspark AS iv. 1 <sup>st</sup> priority share pledge in Borgestad Næringspark AS v. 1 <sup>st</sup> priority share pledge in other assets (including, but not limited to Bridge Eiendom AS, Grenland Arena AS and Istrail AS) vi. 1 <sup>st</sup> priority pledge over bank accounts
<b>Change of control:</b>	Investor put at 101%
<b>Governing law:</b>	Norwegian law
<b>Listing:</b>	Oslo Børs
<b>Trustee:</b>	Nordic Trustee ASA

## Bond trading



## Debt overview (NOKm)



# Management team strongly aligned with overall business



## Management team

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**Christen Knudsen**  
*CEO*

- Fourth generation after the founder of Borgestad
- Master in Economics and Business Administration from NHH
- Has held various positions in the Group since 1990
- Largest shareholder in Borgestad ASA



**Pål Feen Larsen**  
*CFO/COO*

- Joined Borgestad ASA in 2013
- Previously employed at KPMG (audit department)
- Significant experience from auditing and advising listed companies (domestic and foreign)
- Master in Professional Accountancy from BI, State Authorised Accountant



**Niclas Sjöberg**  
*CEO Industries*

- Appointed CEO of Industries in 2016
- Significant experience within the refractory business
- One of the entrepreneurs of Macon in 2004



**Hanna Landell**  
*Managing Director Höganäs Bjuf*

- Joined Borgestad ASA in 2016 as a business developer
- Assumed role as MD for Höganäs Bjuf in April 2017
- Wide background within business development and HR, latest Sandvik AB

## Board of Directors

---



**Bertel O. Steen**  
*Chairman*

- Board member 1997-2004
- Elected Chairman in 2004
- Educated as a lawyer entitled to attend the supreme court
- Master's degree in Business Administration from the University of Aston
- Board member in several companies
- Steen owns/control 253,316 shares (7.5 %) in Borgestad ASA



**Mona Møller**  
*Board member*

- Elected board member in 2017
- Master in Engineering, and holds a doctorate from the University of Oslo
- Møller was a board member of Borgestad Industries ASA from 2008 to 2013
- Møller has been in several boards and has been a member of committees in the Norwegian Research Council
- Related parties of Mona Møller control 207,771 shares (6.1%) in Borgestad ASA



**Gudmund Bratrud**  
*Board member*

- Elected board member in 1997
- Master in Business and Economics, state authorized public accountant
- Several years experience as a state authorized public accountant and investor,
- Chairman of the board in several property- and investment companies
- Bratrud owns/control 754,571 shares (22.2 %) in Borgestad ASA



**Jacob Møller**  
*Deputy board member*

- Elected board member in 2010
- Law degree from the University of Oslo and a Master in Law from the University of Cambridge
- Møller has worked as a lawyer in BA-HR and currently working as head of Schibsted's acquisitions department



**BORGESTAD**

# Table of contents

Transaction summary

Introduction to Borgestad

**Borgestad Properties**

Borgestad Industries

Financials

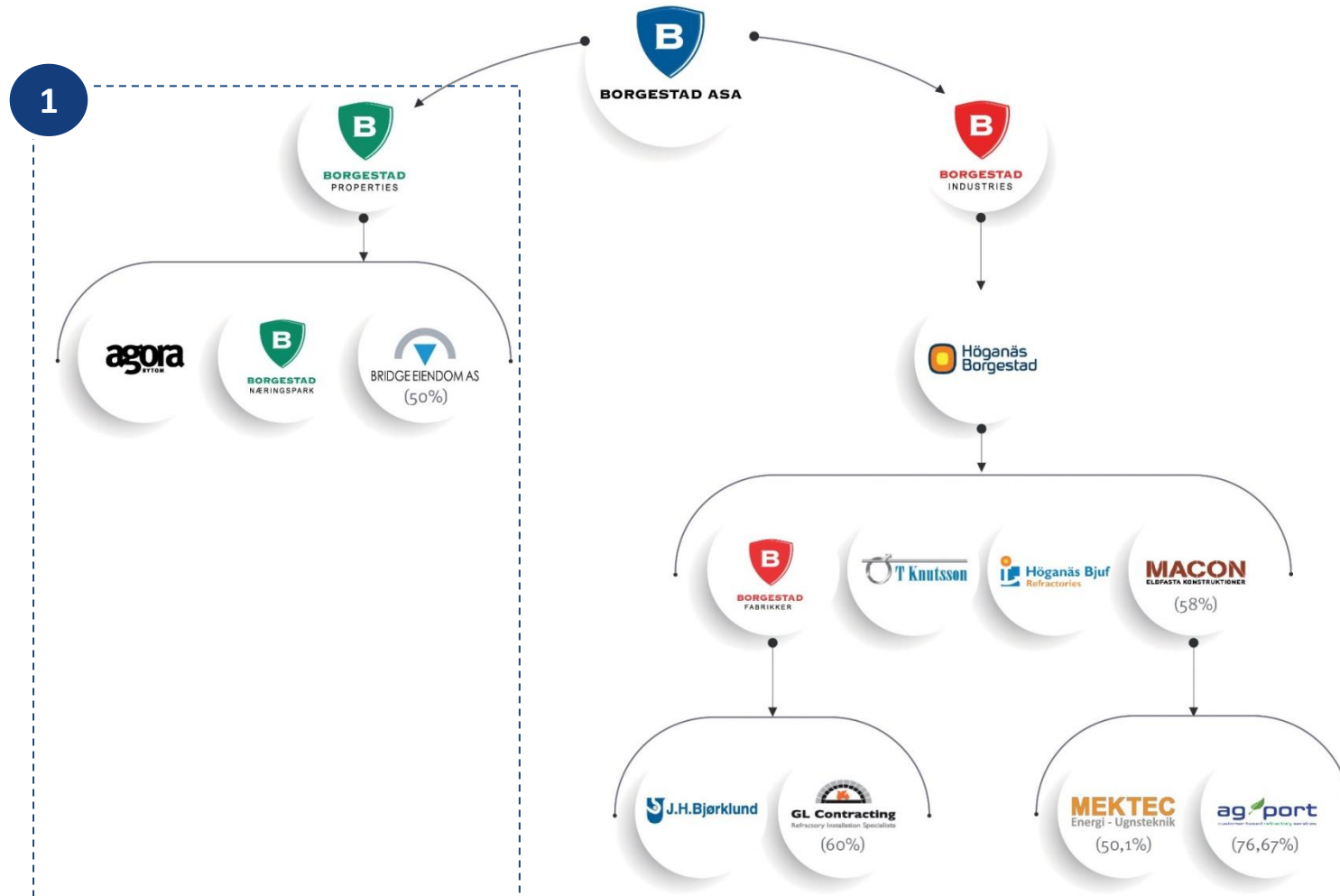
Risk factors

Appendix





# Borgestad Properties



# Agora Bytom: Sizable shopping centre with premium location

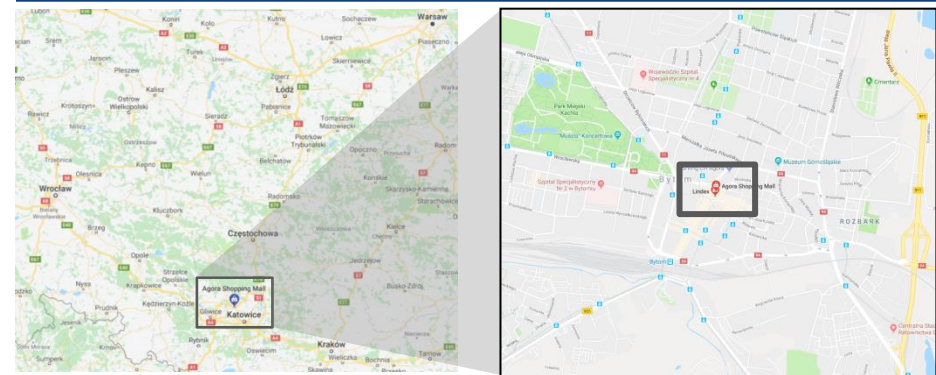


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## Agora Bytom

- Borgestad's largest investment (equity stake)
- Shopping centre with over 100 stores (30,658 m<sup>2</sup> rental area) located in the heart of Schlesien (Poland's largest region by population)
  - Primary market: 320,000 inhabitants
  - Annual visitors: Approx. 7 million
- First shopping centre in Bytom city centre, opened November 2010, main part of contracts renewed November 2015
- Revenue- and growth figures are higher than the country average
- Elected as one of the top three shopping centres in Poland based on the ability to arrange events and activities (more than 300 shopping centres were nominated)
- Tenants include Cinema City, RTV Euro AGD, H&M, Reserved, Lindex, Inditex and Martes Sport
- Ownership of the city's only parking garage (820 spots)
- EUR 50m bank debt facility successfully refinanced for 5 years March 2016 (~50% LTV)

## Asset located in the middle of Bytom city centre

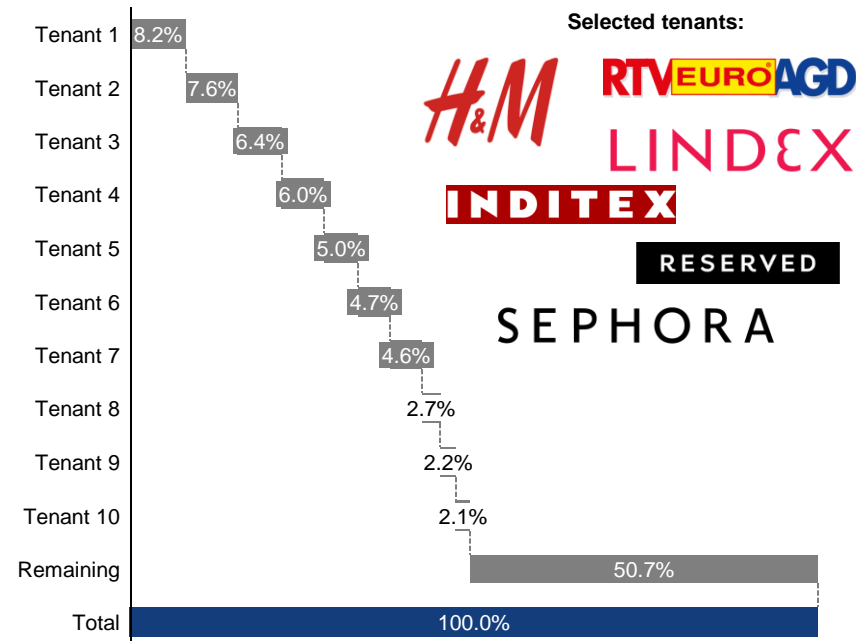


<b>Visitors</b>	7,000,000
<b>Size (GLA)</b>	30,658 m <sup>2</sup>
<b>Avg. rent per sqm per month</b>	EUR 17.3
<b>12 month rolling increase in t/o</b>	9.5%
<b>Book value</b>	~EUR 96 million

# Diversified tenant base and limited vacancies

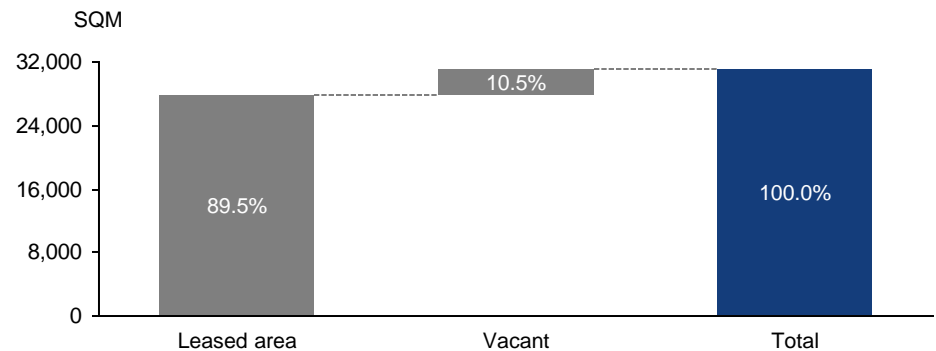
## Lettable area by tenants

Tenants by gross lettable area

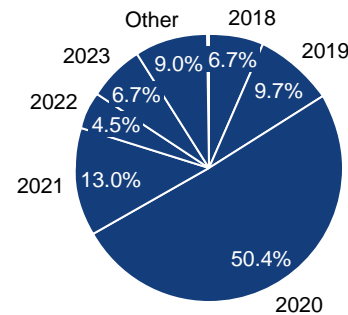


**Highly diversified tenant base**

## Vacancies as of YE 2017



## Contract duration



- Borgestad has initiated a strategy of diversifying its contract duration to lower overall risk profile of the asset
- Contracts will be renegotiated in 2018/2019, providing increased headroom
- Rents per sqm have risen considerably recently largely due to attractiveness of Bytom location, and the Company expects to improve the average rent through the renegotiations

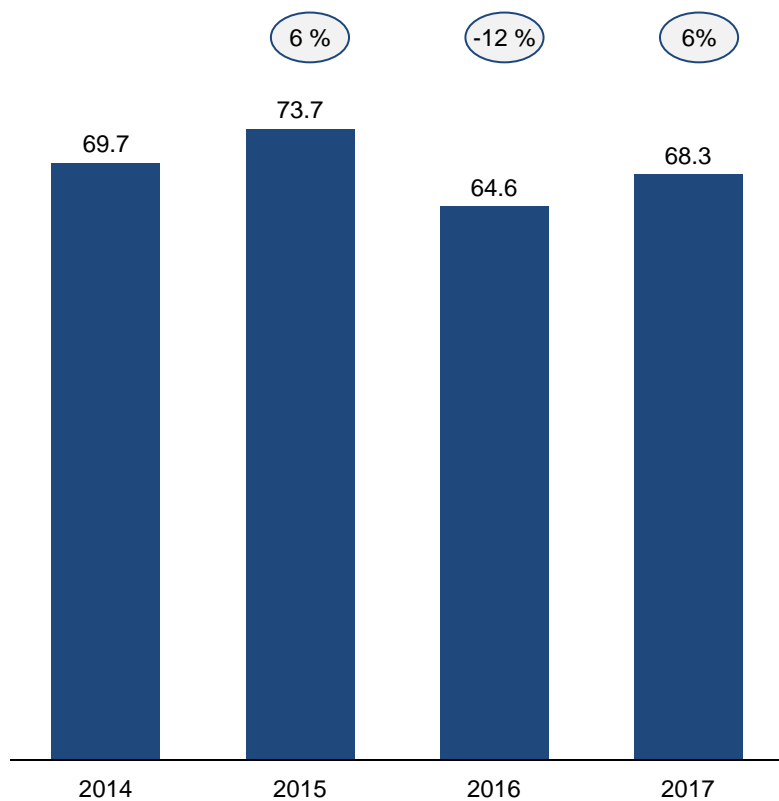


BORGESTAD

# Solid and steady EBITDA contribution

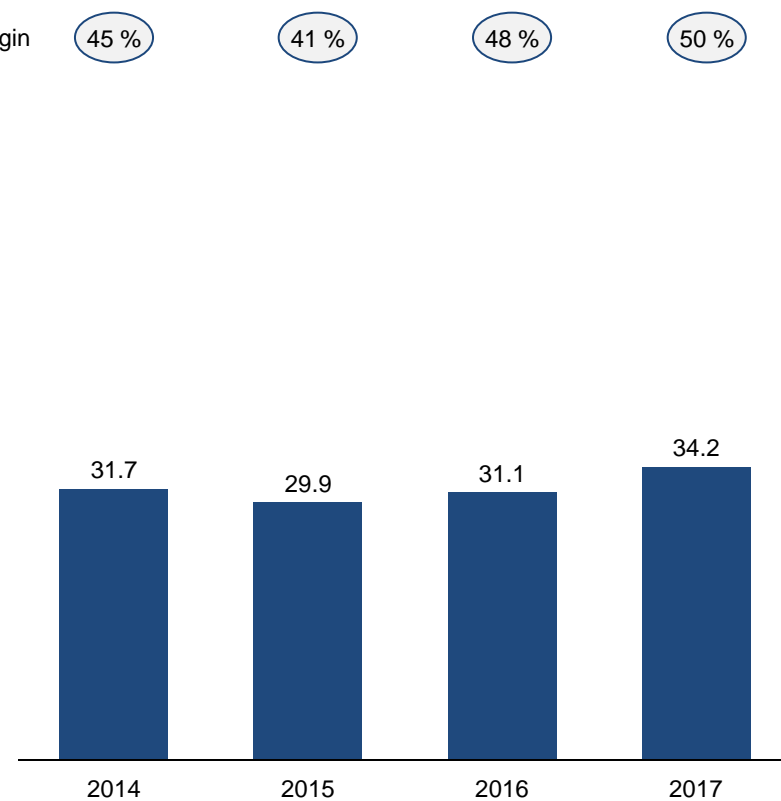
## Revenue (NOKm)

Growth



## EBITDA (NOKm)

Margin



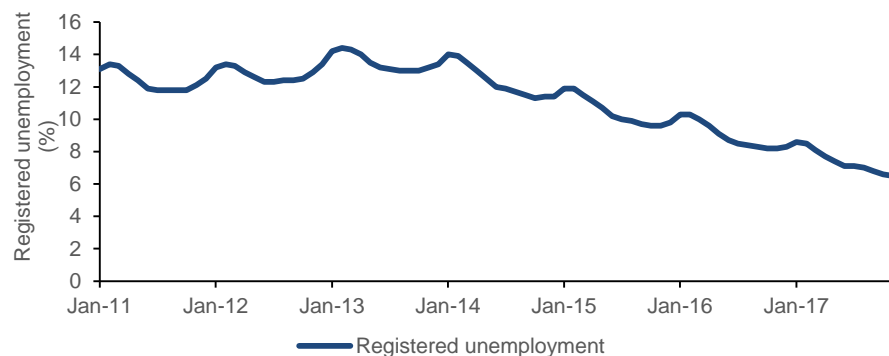




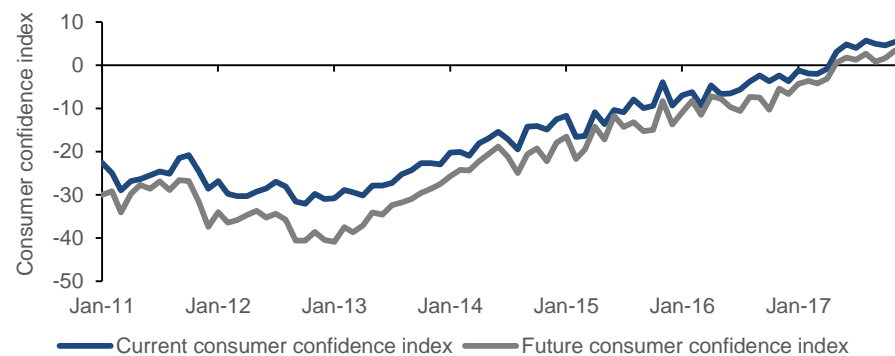
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# The Polish economy is thriving

## Unemployment dropping



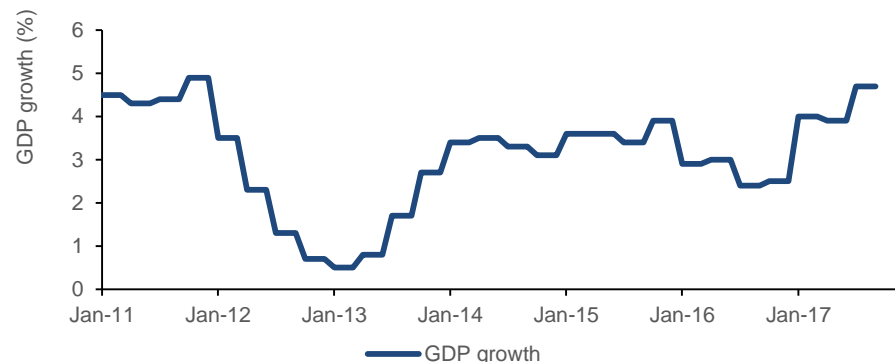
## Consumer confidence increasing



## Inflation normalising



## Strong GDP growth



# Displaying solid KPIs compared to key countries

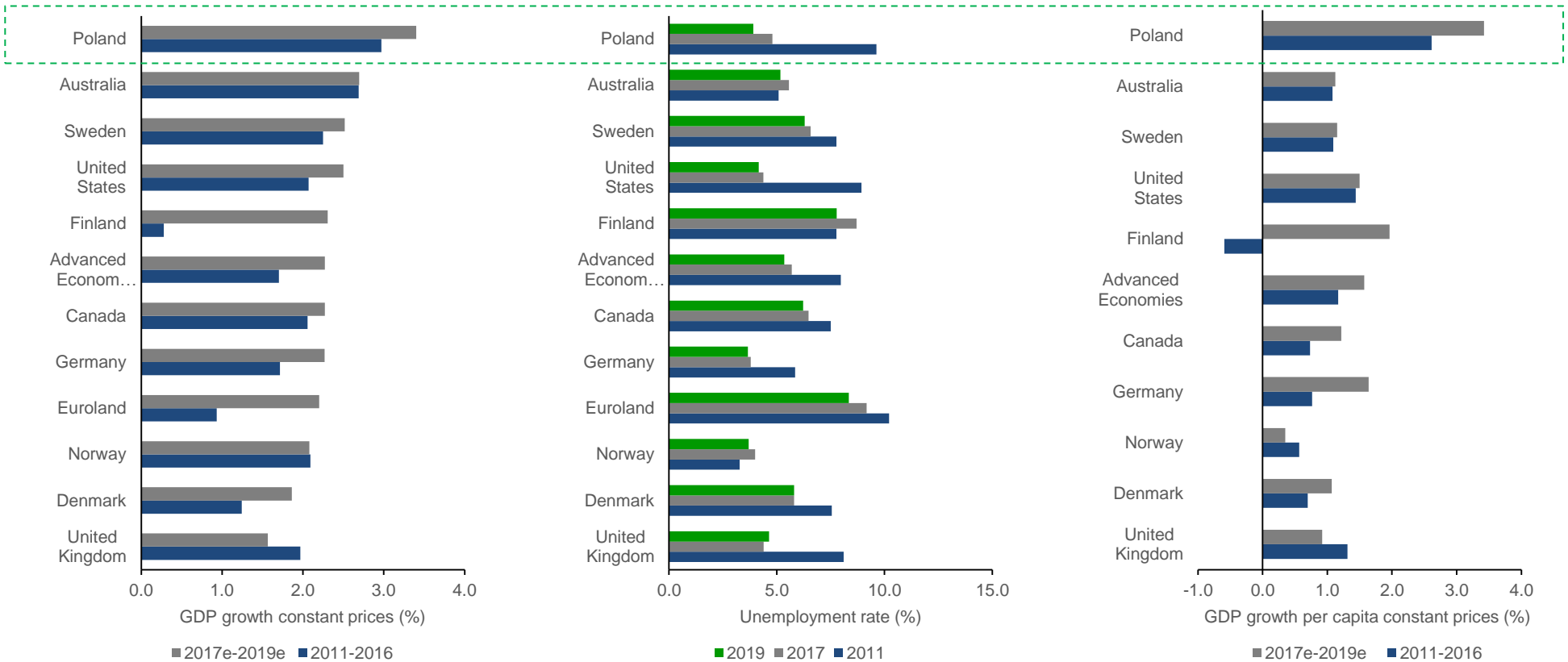


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## High GDP growth expected

## Unemployment approaching Western levels

## Purchasing power increasing

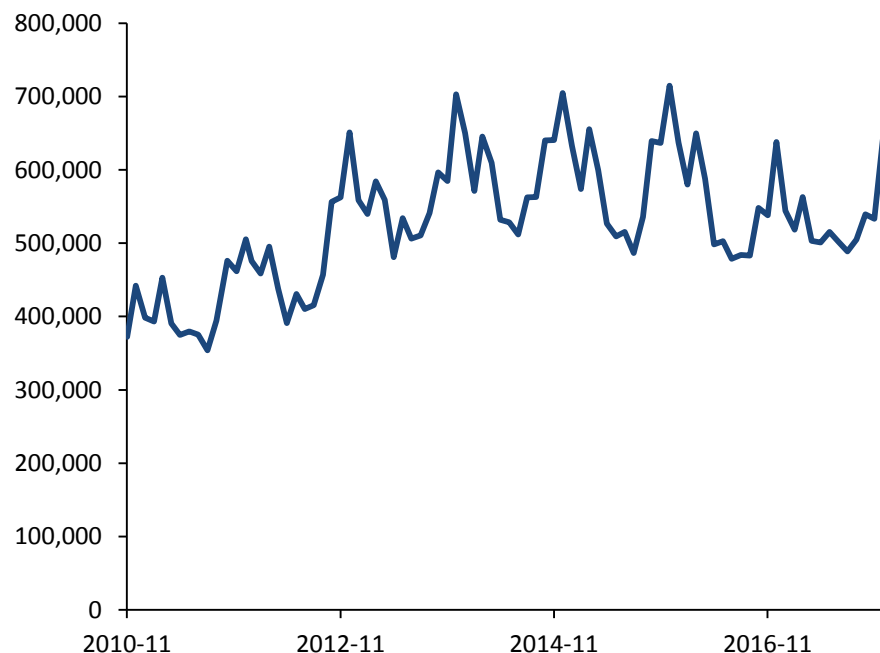




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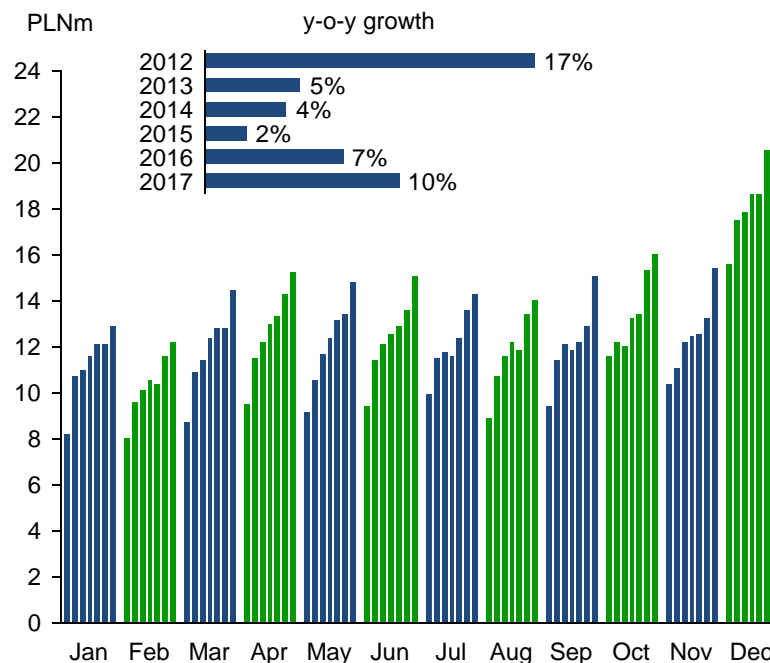
# Agora Bytom's micro fundamentals strong

## Monthly footfall Agora Bytom until Nov 2017



**Strong and steady footfall**

## Monthly turnover at Agora Bytom 2011 - 2017

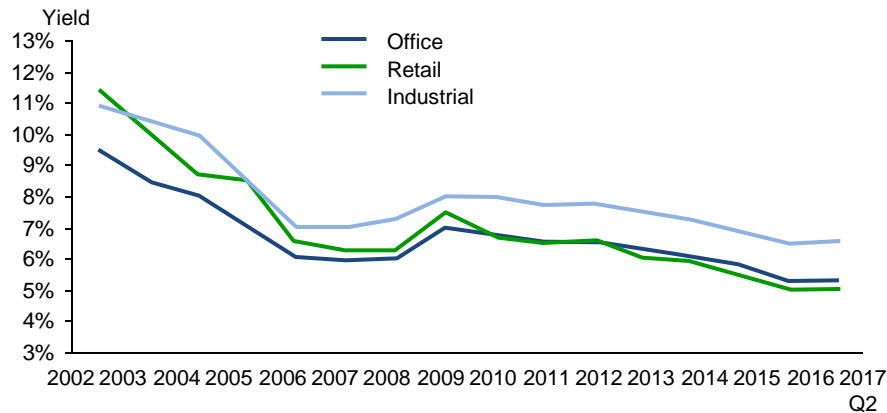


**Consistently improving retail sales**

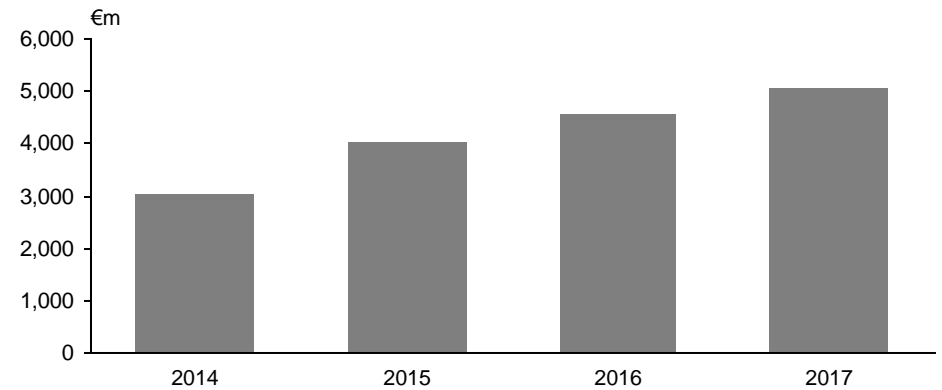
# Healthy transactions market – yield compression since '09 (Agora opened '10)



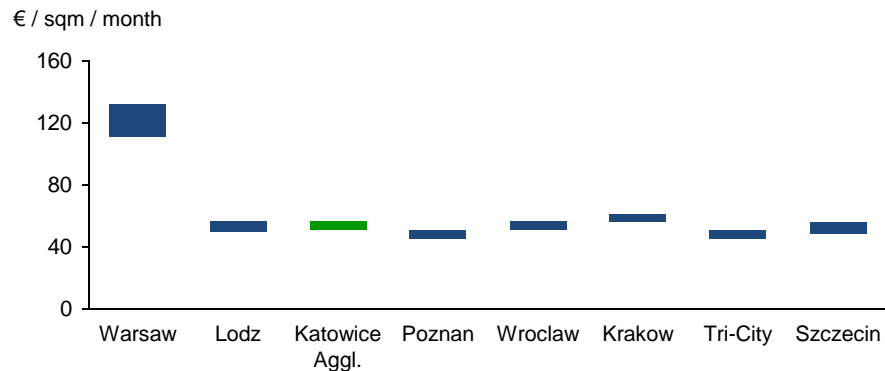
## Historical Polish prime yields



## Historical development of transaction volumes

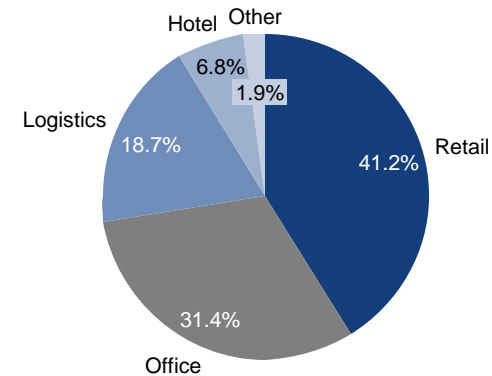


## Prime shopping centre rents



## Transaction structure by market

2017

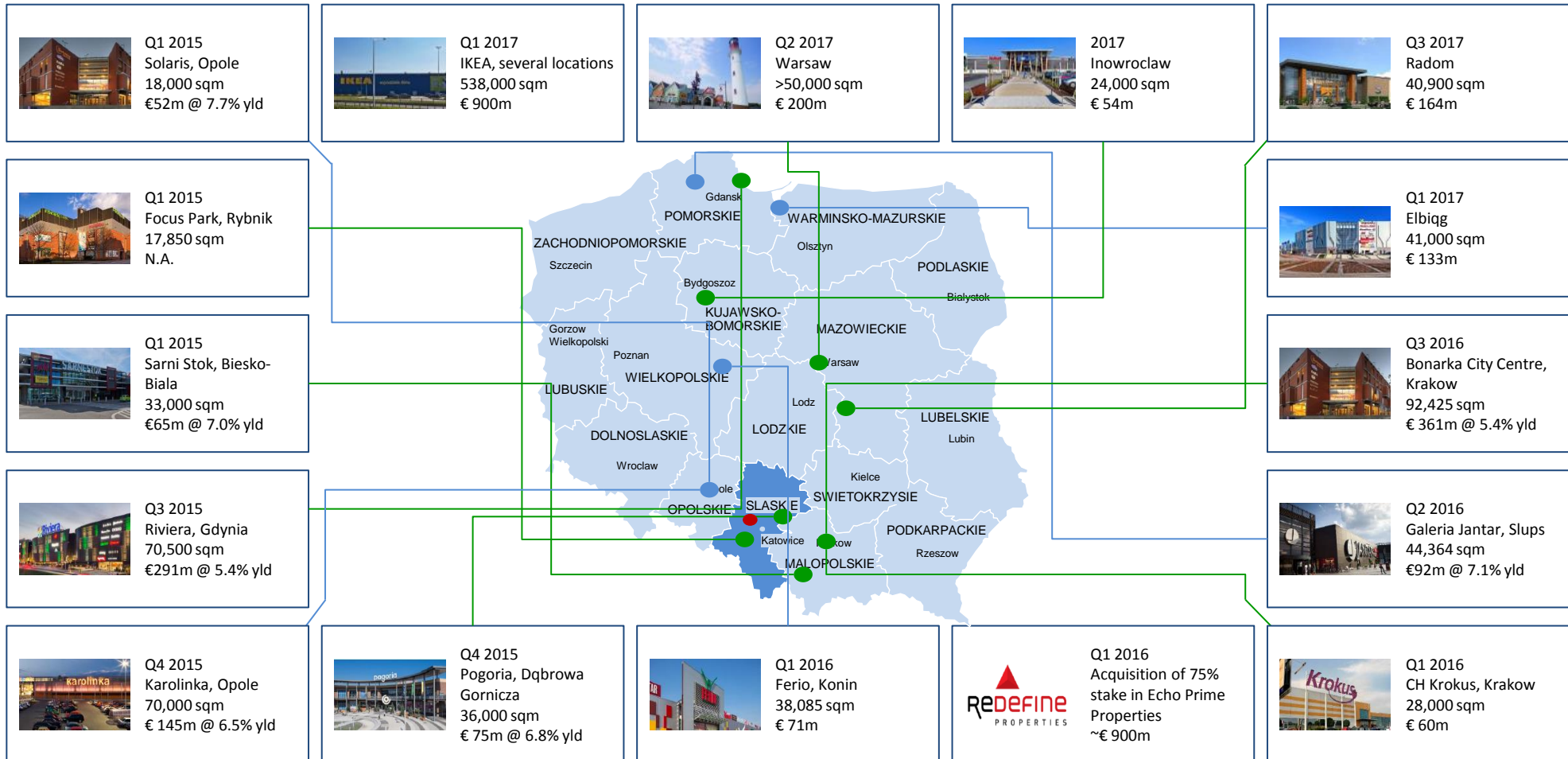


# Selection of Polish retail asset transactions since 2015; supportive of Agora valuation



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● Agora Bytom



Note: Selected transactions only for the years 2015, 2016 and 2017



# Agora value estimated to EUR 99m (mid), book value of EUR 96m



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- Book value of Agora Bytom of approx. EUR 96 million
- Valuation supportive of book value; estimates above EUR 100m
- EUR 50 million in bank debt with first priority mortgage in asset (local bank) at highly favourable terms: 240 bps
- Conservative assumptions:
  - High/Low average rent rate of EUR 19/17 per m<sup>2</sup> per month, current average rents support valuation range
  - Yield of 6.1%-6.6%. In line with market observations

## Agora valuation range

		Low case	High case
Leases signed	EURm	5.6	5.6
Vacancies	EURm	0.6	0.6
<b>Rental income</b>	<b>EURm</b>	<b>6.2</b>	<b>6.2</b>
Average rental income	EUR/sqm/month	17.3	19.0
Parking income	EURm	0.1	0.1
<b>Potential rental income</b>	<b>EURm</b>	<b>6.6</b>	<b>7.2</b>
Structural vacancy	EURm	(0.1)	(0.1)
Service charges shortfall	EURm	(0.6)	(0.6)
<b>Operating expenses</b>	<b>EURm</b>	<b>(0.7)</b>	<b>(0.7)</b>
Net operating income	EURm	5.9	6.5
Achieved yield	%	6.6 %	6.0 %
<b>Property value</b>	<b>EURm</b>	<b>89.4</b>	<b>108.7</b>
6 months void for vacant contracts	EURm	(0.3)	(0.3)
<b>Property value (adjusted)</b>	<b>EURm</b>	<b>89.1</b>	<b>108.4</b>

## Valuation sensitivity (EURm)

		EUR/sqm/month			
		17.3	18.0	19.0	19.5
Yield (%)	6.00 %	98	102	108	111
	6.35 %	93	97	102	105
	6.50 %	90	94	100	103
	6.75 %	87	91	96	99
	7.00 %	84	88	93	95
	7.25 %	81	85	90	92

# Other main real estate assets valued to NOK 113m



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## Borgestad Næringspark (100%)

Asset introduction	Details
<ul style="list-style-type: none"> <li>Industrial park, established March 2003, when the production of refractory materials ceased</li> <li>Centrally located on the east side of the river between the cities of Skien and Porsgrunn</li> <li>The plot is suitable for both residential and commercial purposes;                             <ul style="list-style-type: none"> <li>Commercial premises are used for warehouse, manufacturing and offices</li> <li>Property project is still under development and there is potential for increased rental income.</li> </ul> </li> <li>Significant potential for future real estate development in the 50,000 m<sup>2</sup> of land with prime location between the cities Porsgrunn and Skien</li> <li>The largest tenants based on revenue are Sykehuset i Vestfold, Borgestad Fabrikker AS, GL Contracting AS, Bjørklund AS, Borgestad Marina AS and Grenland Fysikalske Institutt AS</li> <li>Road infrastructure to the industrial park has been improved in 2014</li> </ul>	<p><b>Type</b> Industrial park</p> <p><b>Valuation<sup>1)</sup></b> NOK 63m / 7.5% yield</p> <p><b>Gross rent</b> NOK 4.7m</p> <p><b>Potential rent</b> NOK 6.5m</p> <p><b>Acq. year</b> 2003</p> <p><b>Size (GLA)</b> 17,619 m<sup>2</sup></p>
	<b>Location</b>
	<b>Location view</b>

## Bridge Eiendom (50%)

Asset introduction	Details
<ul style="list-style-type: none"> <li>Bridge Eiendom AS owns offices in Brevik, Porsgrunn</li> <li>Located at Trosvik Næringspark – a maritime industrial park, housing several companies within the offshore and maritime industry</li> <li>The building is 4,000 m<sup>2</sup> and was built in 2008</li> <li>The company is owned 50/50 by Borgestad's subsidiary Borgestad Properties AS and Vard Brevik Holding AS</li> <li>The building is attractively located right next to the sea</li> <li>The largest tenants based on revenue are Vard Electro AS Brevik, Kysverket and Procano AS</li> </ul>	<p><b>Type</b> Industrial park</p> <p><b>Valuation<sup>2)</sup></b> ~NOK 50m / 10% yield</p> <p><b>Gross rent</b> NOK 4.2m</p> <p><b>Potential rent</b> NOK 4.7m</p> <p><b>Acq. year</b> 2008</p> <p><b>Size (GLA)</b> 3,600 m<sup>2</sup></p>
	<b>Location</b>
	<b>Location view</b>



**BORGESTAD**

# Table of contents

Transaction summary

Introduction to Borgestad

Borgestad Properties

**Borgestad Industries**

Financials

Risk factors

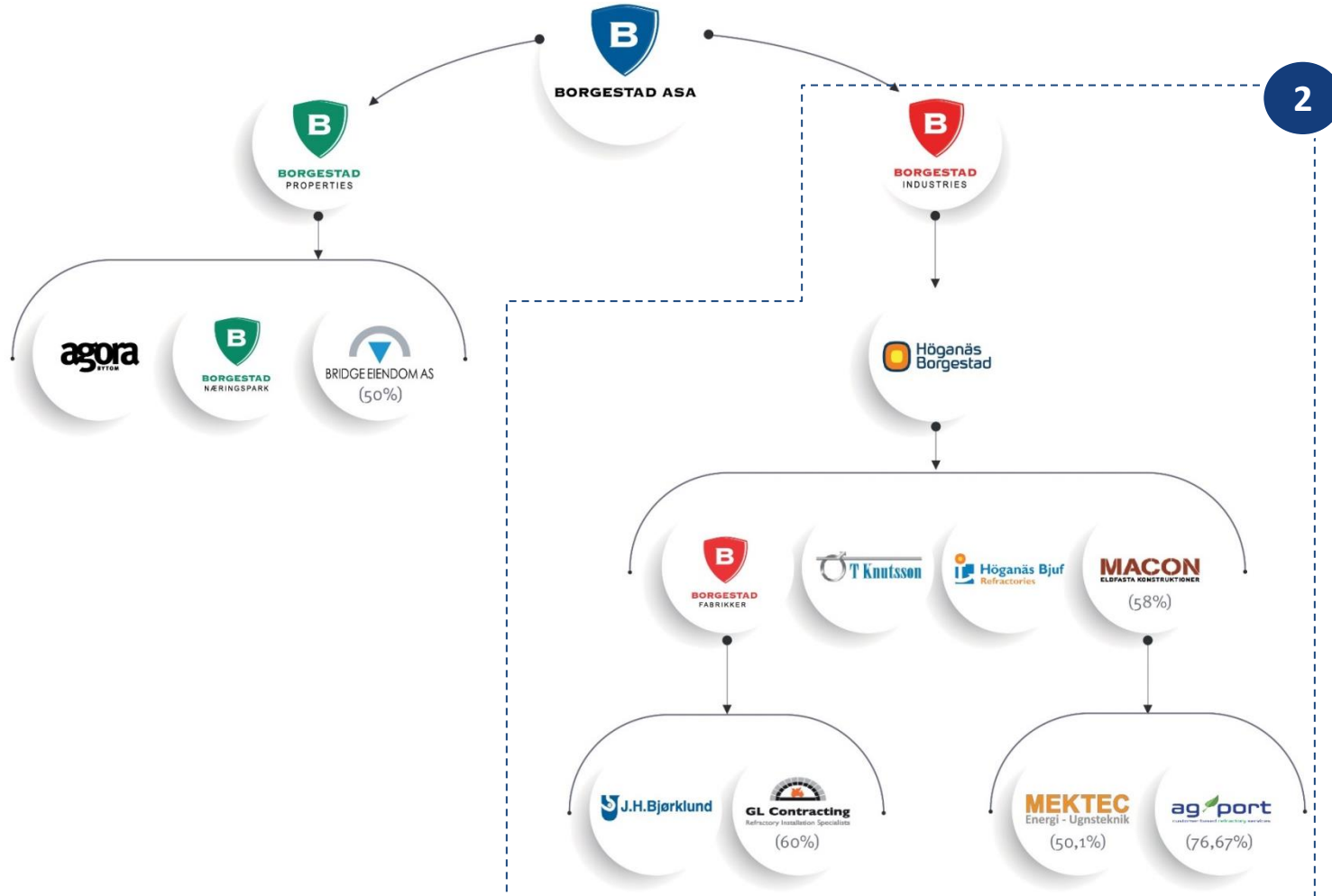
Appendix



# Borgestad Industries



BORGESTAD





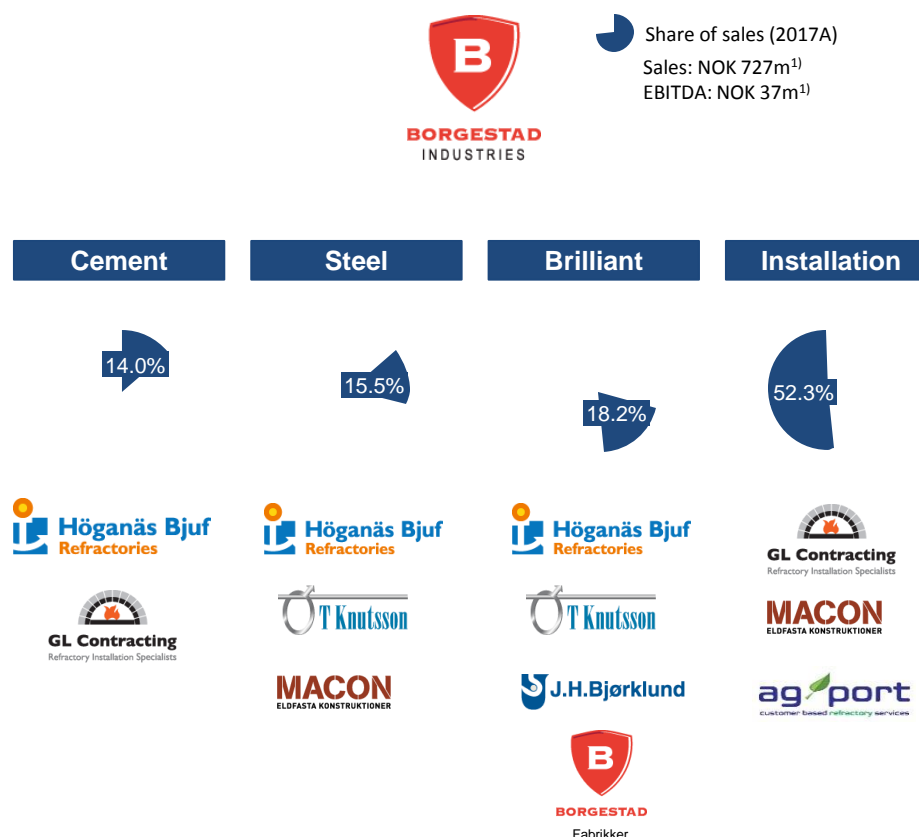
**BORGESTAD**

# Borgestad Industries at a glance

## Business introduction

- Borgestad Industries develops, manufactures and delivers refractory products, installations and turnkey solutions that enhance the productivity and competitiveness of industrial customers
- The goal is to contribute to the customer's profitability by delivering the lowest total refractory cost per ton of product produced
- Four sub segments; Cement, Steel, Brilliant Business and Installation
- Today Borgestad Industries is a leading supplier of refractory materials to the Nordic market
- The Group has a global presence in a number of selected application areas, particularly towards the cement industry
- BIND has strong capabilities within waste incineration and is considered among the market leaders worldwide
  - Solid solutions offering
  - Future export potential to Asia
- BIND credit facilities (Nordea) successfully refinanced during April 2016, tenor of 5 years

## Business unit overview





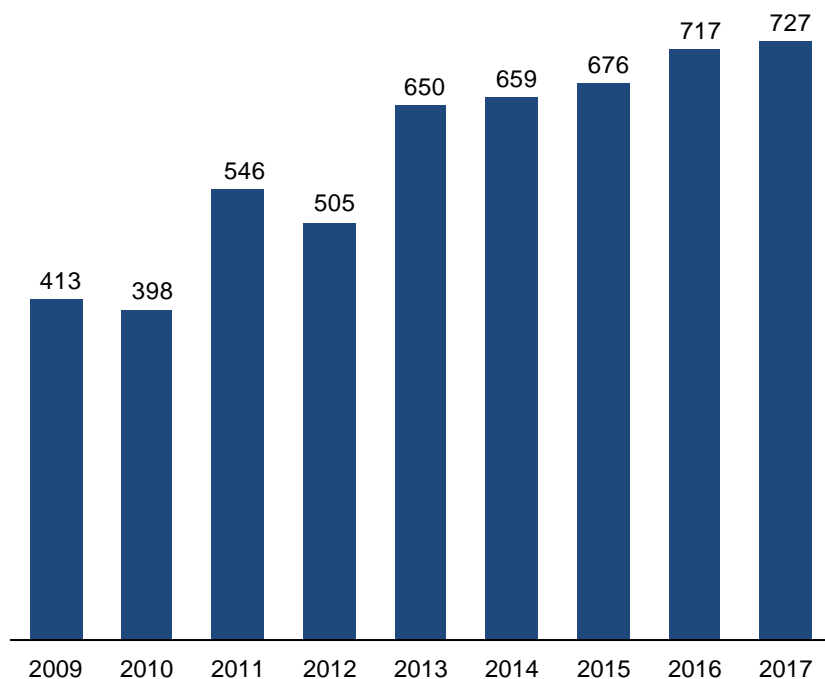
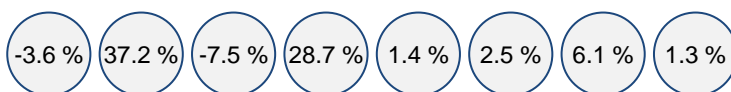


**BORGESTAD**

# Strong financial development

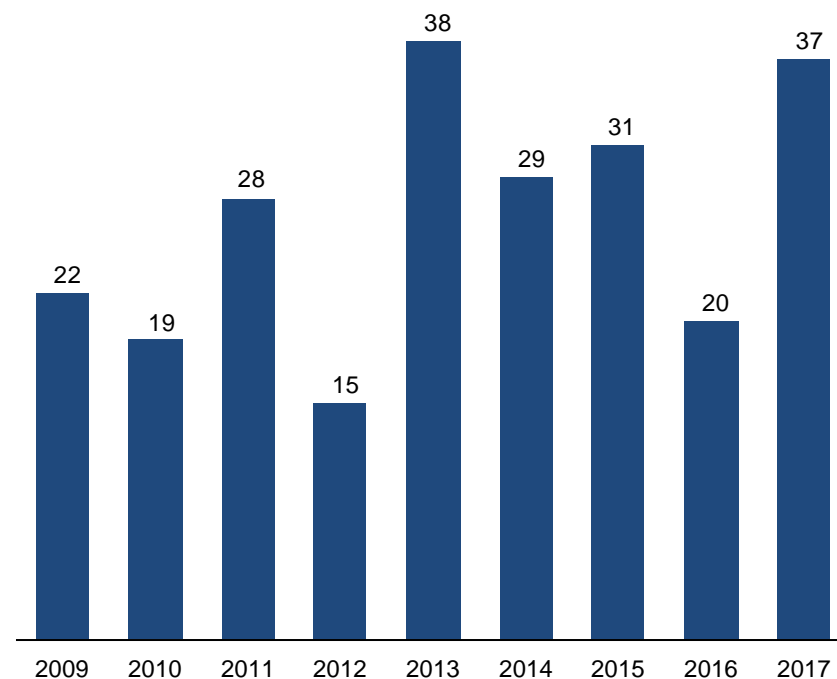
## Revenue (NOKm)

Growth



## EBITDA (NOKm)

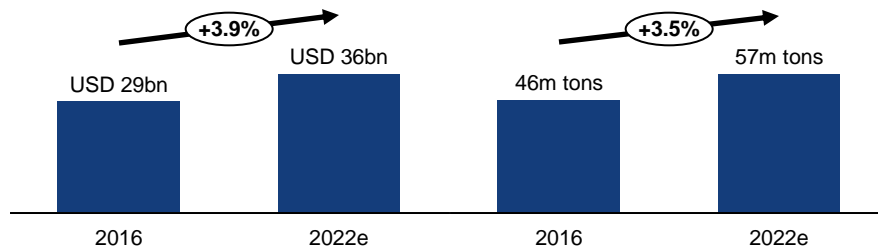
Margin



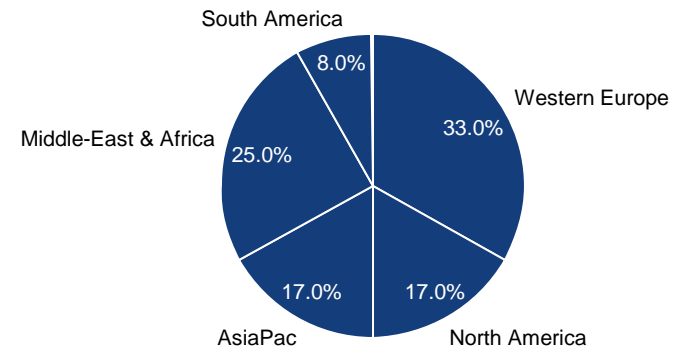
# Global refractory market of ~USD 29bn expected to grow with ~4% CAGR until 2022



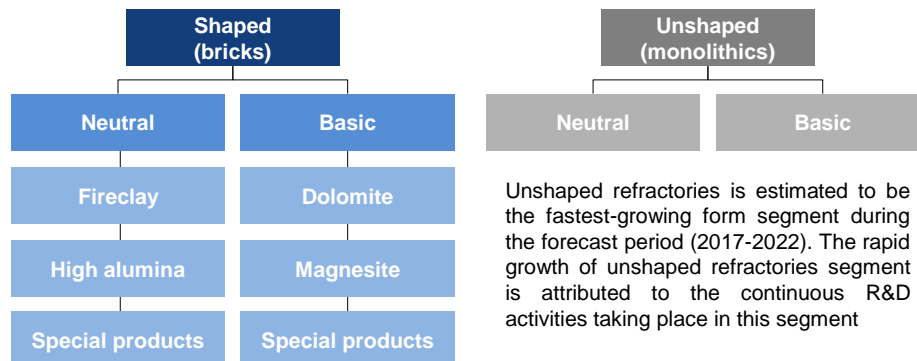
## Market size



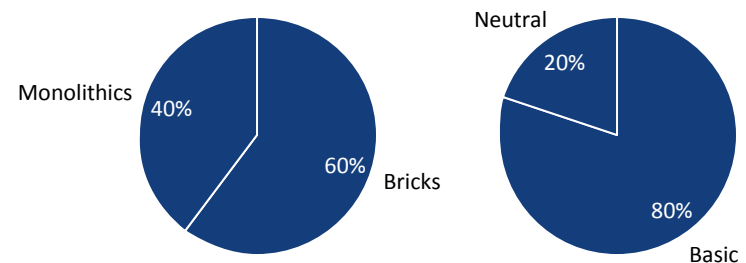
## Geographical split



## Product overview



## Product split





**BORGESTAD**

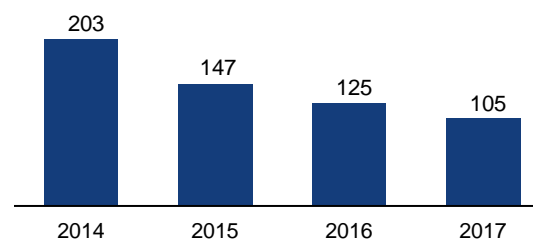
# Segment overview: Cement

## Segment introduction

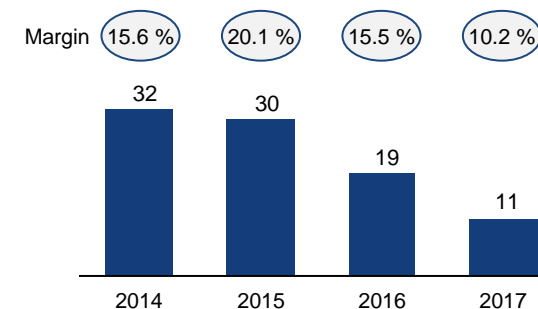
- Provider of refractory turnkey solutions for the cement industry
- Mission to contribute to cost-efficient cement production by optimising the use of refractory products throughout the production process
- Customers in more than 70 countries
- Most important markets are Europe, Middle-East and Far East
  - Distribution through own sales companies as well as agent network

## Key financials (NOKm)<sup>1)</sup>

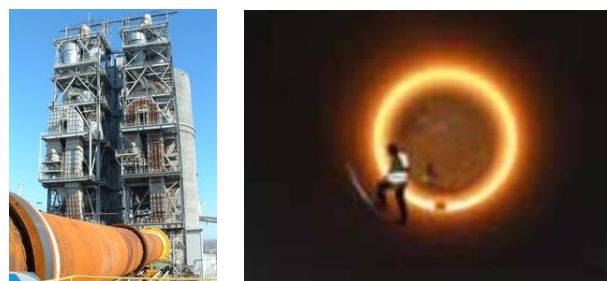
### Sales



### Gross profit



## Offering illustration



## Relevant companies





BORGESTAD

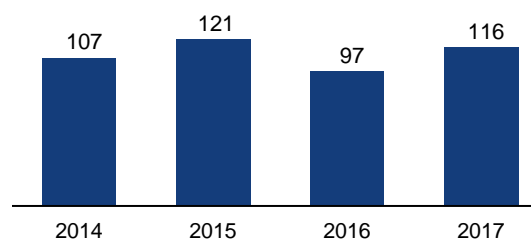
# Segment overview: Steel

## Segment introduction

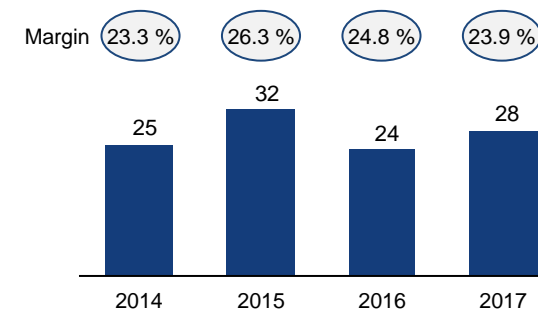
- Refractory materials used for steel industry producing brick-lined furnaces, ladles and torpedoes for liquid steel and casting systems
- Diversified industry; each process has its own unique requirement
  - Some methods are traditional; while other are based on modern techniques
- BIND offers product development and customized solutions and technical expertise in planning new facilities/increasing efficiency and quality from existing facilities
- A considerable proportion of the turnover is related to consumables such as hollow ware and hollow ware systems for ingot casting
- Nordic steel industry is a core market for the group

## Key financials (NOKm)<sup>1)</sup>

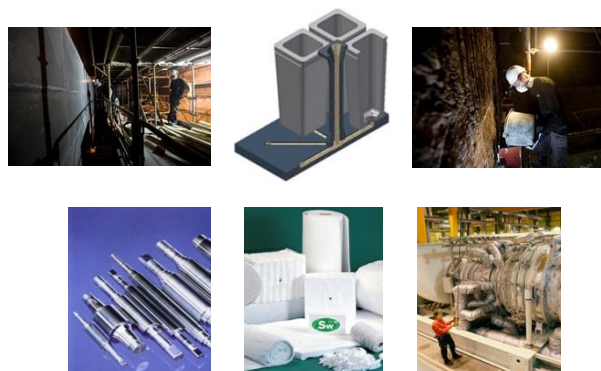
### Sales



### Gross profit



## Offering illustration



## Relevant companies



**MACON**  
ELDFASTA KONSTRUKTIONER



**BORGESTAD**

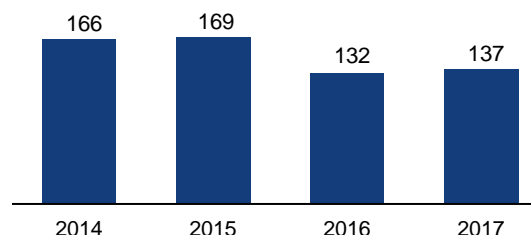
# Segment overview: Brilliant

## Segment introduction

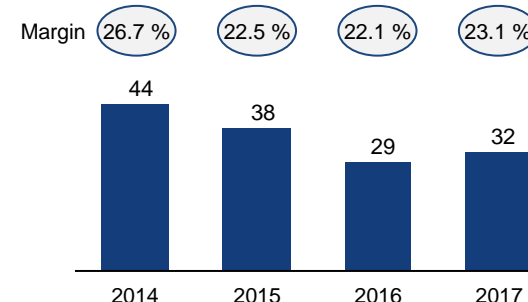
- Offers knowledge and quality refractory solutions to a wide range of industrial customers applying complex high temperature processes in their manufacturing
- Strong presence in certain niche applications like aluminium, copper, ferro chrome, iron foundries, pulp and paper, passive fire protection and many more

## Key financials (NOKm)<sup>1)</sup>

### Sales



### Gross profit



## Individual company offering



**BORGESTAD**  
Fabrikker



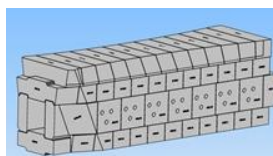
**Höganäs Bjurf**  
Refractories



**J.H.Bjørklund**

- Sales to aluminium and ferro-alloy industry in Norway and some selected foreign customers
- Has served the Norwegian light-metal industry with tailor-made refractory solutions for decades
- Specialised refractory products and engineering to a e.g. chemical app., pulp & paper, copper and ferro chrome customers
- Business activities are partly international and there is a strong global presence in certain niches
- Providing high-tech insulating materials to the Norwegian market
- Key customers are within the aluminium and the metallurgical industries and in the business of passive fire protection

## Offering illustration



## Relevant companies



**BORGESTAD**

Fabrikker







**BORGESTAD**

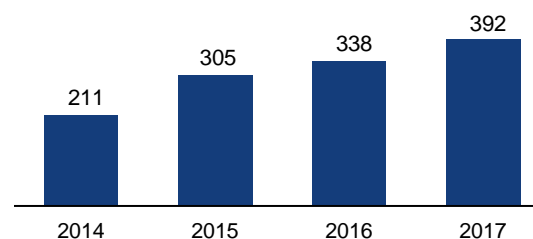
# Segment overview: Installation

## Segment introduction

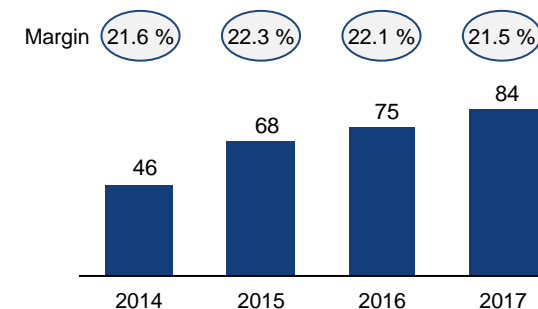
- Professional refractory installation services, mainly to the Norwegian and Swedish markets
- Experienced supervisors are working with carefully selected teams, and together they provide customers with everything from proactive support to independent maintenance and turnkey installation projects
- The majority of installations are done for customers within aluminum, cement, energy, ferroalloy, petrochemical, pulp and paper, steel and waste incineration
- Expanding Nordic presence through acquisition of Macon AB in Sweden (2011) and AG-Port Oy in Finland (2017)
- Significant seasonal fluctuations; much of the revenue and profit is related to the third quarter, i.e. when a majority of planned maintenance shutdowns are executed

## Key financials (NOKm)<sup>1)</sup>

### Sales



### Gross profit



## Offering illustration



## Relevant companies





BORGESTAD

# Production facility in Bjuv

## Location

- Scandinavia's largest refractory producer
- Production unit and R&D still based in Bjuv, Sweden
- Serves the cement, steel, Ferro-Alloy and aluminum industries
- Product range consists of about 40 different qualities with molds for approximately 6,000 different shapes
- Plant expanded with new monolithic plant in 2016 to ensure excellent production homogeneity

## Location

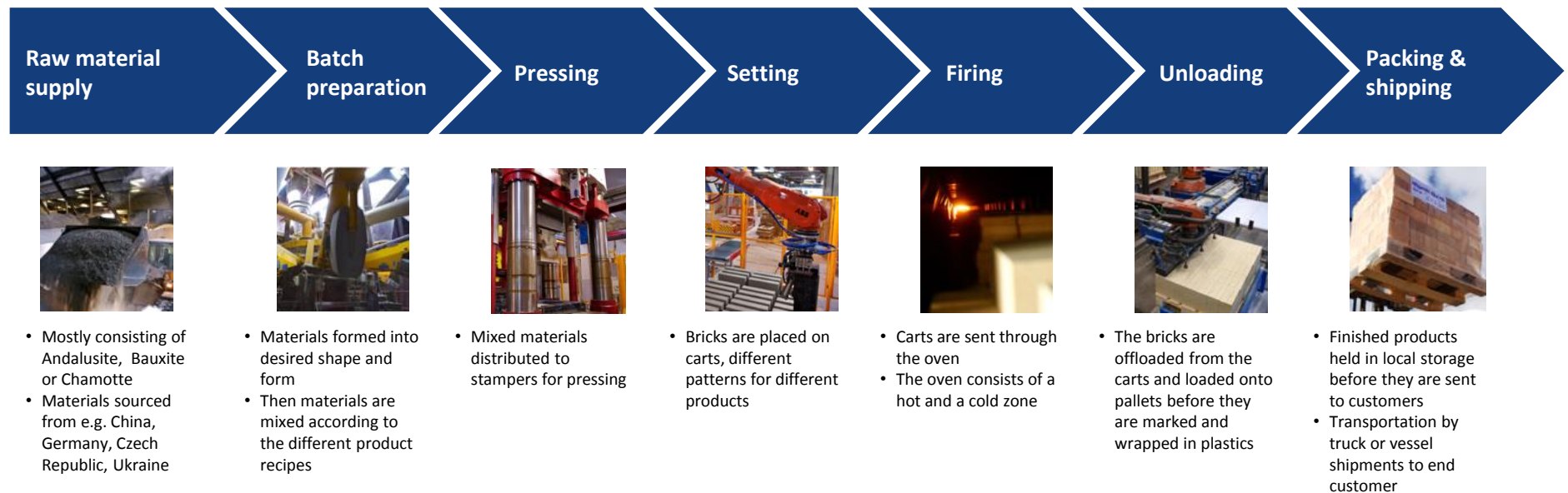


## Facility overview



# Borgestad controls its refractory value chain

## Brick production flow



**Strict quality control as a consequence of fully integrated value chain**



BORGESTAD

# Table of contents

Transaction summary

Introduction to Borgestad

Borgestad Properties

Borgestad Industries

**Financials**

Risk factors

Appendix





**BORGESTAD**

# Key financials

## P&L

NOK '000	2014	2015	2016	2017
<b>Revenues</b>	<b>733,641</b>	<b>747,262</b>	<b>781,052</b>	<b>792,865</b>
COGS	(303,262)	(296,661)	(294,874)	(326,301)
Personnel	(203,385)	(220,112)	(258,033)	(261,624)
Other OPEX	(168,490)	(177,297)	(184,676)	(143,287)
<b>EBITDA</b>	<b>58,504</b>	<b>53,192</b>	<b>43,469</b>	<b>61,653</b>
D&A	(24,012)	(26,298)	(25,025)	(26,161)
<b>EBIT</b>	<b>34,492</b>	<b>26,894</b>	<b>18,443</b>	<b>35,493</b>
Net finance	(55,968)	(42,711)	(32,504)	(6,805)
<b>Pre tax income</b>	<b>(21,476)</b>	<b>(15,816)</b>	<b>(14,060)</b>	<b>28,688</b>
Tax	(2,276)	(1,645)	(37,769)	(5,145)
<b>Net income</b>	<b>(23,752)</b>	<b>(17,461)</b>	<b>(51,829)</b>	<b>23,543</b>
Other comprehensive income	26,351	27,583	(30,043)	50,212
<b>Comprehensive net income</b>	<b>2,599</b>	<b>10,122</b>	<b>(81,871)</b>	<b>73,755</b>

## Comments

- Strong and steady financials
- Strategic focus paying off; high 2017 profitability
- Sale of Grenland Arena contributed to 2017 results with a book gain of NOK 36m

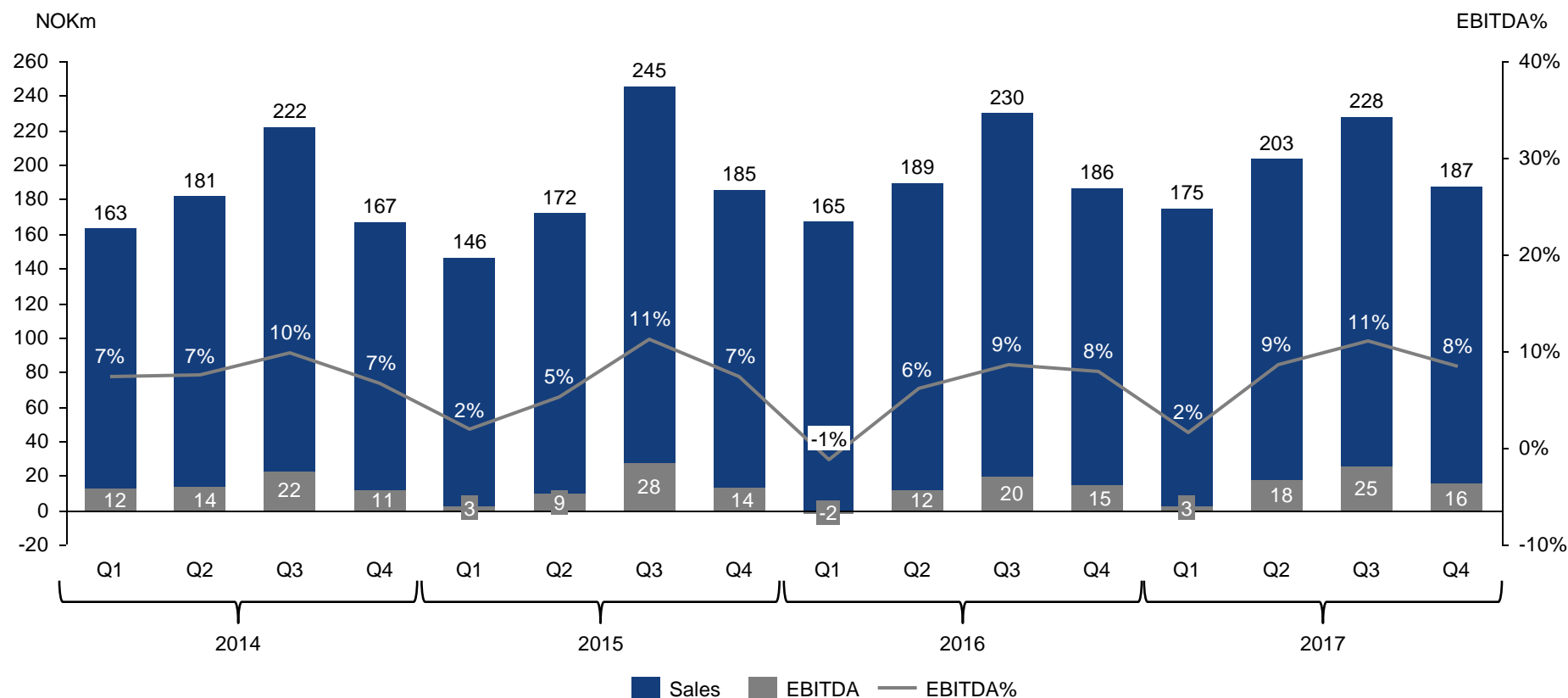




BORGESTAD

# Quarterly sales and EBITDA development

## Financials





BORGESTAD

# Balance sheet

## Balance sheet

NOK '000	2016	2017
Intangible assets	114,167	112,266
PP&E	140,171	139,668
Investment properties	878,990	939,003
Other financial assets	56,413	39,467
<b>Non-current assets</b>	<b>1,189,741</b>	<b>1,230,404</b>
Inventory	118,191	140,390
Receivables	146,425	136,980
Other short term receivables	9,639	13,832
Shares	27,611	27,573
Cash & cash equivalents	64,981	95,042
<b>Current assets</b>	<b>366,847</b>	<b>413,817</b>
<b>Total assets</b>	<b>1,556,589</b>	<b>1,644,221</b>

NOK '000	2016	2017
<b>Equity</b>	<b>397,523</b>	<b>465,812</b>
Provisions	1,000	766
Secured debt	515,730	517,733
Bond	295,555	0
Pensions	13,306	8,478
Deferred taxes	8,650	21,583
Other long term debt	8,870	4,260
<b>Non-current debt</b>	<b>843,111</b>	<b>552,820</b>
Bond	0	297,750
Revolving credit facilities	106,574	125,626
Other secured debt	24,239	26,713
Payables	62,237	48,874
Payable tax	24,651	27,387
Public duties payable	23,349	26,804
Other short term debt	74,905	72,435
<b>Current debt</b>	<b>315,956</b>	<b>625,588</b>
<b>Total equity and liabilities</b>	<b>1,556,589</b>	<b>1,644,221</b>

## Comments

- Equity ratio of 28.3%, increase from 25.5% 31 December 2016
- Book equity of NOK 466m vs. covenant of NOK 350m
- Liquidity of NOK 95m vs. covenant of NOK 25m



**BORGESTAD**

# Segment overview

## Financials

NOK '000	Properties		Industries		Other/elim		Total	
	2016	2017	2016	2017	2016	2017	2016	2017
Sales	64,584	68,296	717,159	726,753	(692)	(2,184)	781,052	792,865
EBITDA	31,089	34,160	20,144	36,901	(7,765)	(9,408)	43,469	61,653
EBIT	16,047	19,111	10,223	25,851	(7,826)	(9,469)	18,443	35,493
Pre tax income	(18,218)	33,298	19,720	19,971	(15,561)	(24,581)	(14,060)	28,688
	<ul style="list-style-type: none"> <li>• Stable occupancy</li> <li>• Increasing rents, 9.5% growth LTM</li> <li>• Increasing basket size per customer</li> <li>• Yield compression in secondary cities positive to overall property values</li> </ul>		<ul style="list-style-type: none"> <li>• Good and stable activity in installation companies</li> <li>• Own monolithics well received by the market</li> <li>• Strategic focus on profitability and cash flow, the value chain and branding</li> </ul>					



BORGESTAD

# Table of contents

Transaction summary

Introduction to Borgestad

Borgestad Properties

Borgestad Industries

Financials

**Risk factors**

Appendix





**BORGESTAD**

# Risk factors

Investing in the Bonds involves a high degree of risk. These slides contain some of the key risks pertaining to the Issuer's business and the Bonds. Prospective investors should carefully consider, among other things, the risk factors set out below before making an investment decision and should conduct their own investigation and analysis of the Issuer and the risks involved before making an investment decision. This section is not intended to be exhaustive and in particular additional risks and uncertainties not presently known to the Issuer, or that it currently deems immaterial, may also impair the Issuer's business and operations or the value of the Bonds. The Issuer cannot assure investors that any of the events discussed in the risk factors below will not occur. If they do, the Issuer's business, financial condition, results of operations and cash flows could be materially adversely affected. In such case, the market price of the Bonds could decline, and an investor might lose all or part of its investment. An investment in the Bonds is suitable only for experts or sophisticated investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment.

## **RISKS RELATED TO THE GROUP AND THE INDUSTRY IT OPERATES WITHIN**

- **Economic and financial market risk:** The Group's business is diversified both geographically and by customer segments served. Still, the Group is exposed to the economic cycle and macro economical fluctuations, since changes in the general economic situation could affect demand for the Group's products. Additionally, the Group may face risks relating to foreign currency and exchange rate fluctuations.
- **Regulatory risk:** Changes in legislation and regulations in specific countries or regions could have material negative impact on the Group's operations and financial results for those areas.
- **Demand for products:** The demand for the Group's products will depend on the conditions in the relevant customer segment from time to time.
- **Competition:** The industries in which the Group operate are highly competitive and the Group may not be able to compete successfully against current and future competitors, and the Group may face increasing competition as a result of new market entrants or other factors.
- **Risk related to attracting and retaining the executive management and other personnel:** The Group is substantially dependent on the services of a few key personnel and the loss of the services of these individuals could have a material adverse effect on the business of the Group.
- **Risks associated with legal disputes:** The Group may from time to time be involved in legal disputes and legal proceedings related to the Group's operations or otherwise. Such disputes and legal proceedings may be expensive and time-consuming, and adversely affect operating results and financial conditions.
- **Risk of insufficient insurance coverage:** Although the Group has obtained insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances the Group may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or for other reasons. If the Group experience a loss that is uninsured or that exceeds policy limits this may negatively affect the Group's business and financial condition.
- **The Group could be adversely affected by property loss and unforeseen business interruption:** Damage and loss caused by fire, accidents, natural disasters, terrorism, supply shortage, severe weather or other disruptions of the production process at the Group's facilities or within the supply chain, with respect to customers and with suppliers, can be severe.
- **A significant part of the Group's business is concentrated in Poland and therefore disproportionately exposed to the effects of regional market factors and local laws:** Because the Group's operations in Poland comprise a substantial part of the Group's business, the Group may be disproportionately exposed to the effect of regional supply and demand factors, delays or interruptions of operations in the area caused by governmental regulation, currency fluctuations, availability of products and equipment, facilities, personnel or services market limitations.



**BORGESTAD**

# Risk factors

## **RISKS RELATED TO THE GROUP'S FINANCIAL POSITION AND LIQUIDITY**

- **Liquidity risk:** Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group require a significant amount of cash to service their debt and the Groups ability to generate sufficient cash depends on many factors beyond the Group's control. Any failure by the Group to set aside sufficient liquidity or any unexpected liquidity needs may have a material adverse impact on the Group and may require the Group to sell assets they would otherwise not sell and/or to inferior prices to raise liquidity.
- **Credit risk:** The Group may be exposed to financial loss if a customer or counterparty fails to meet its contractual obligations. This risk arises principally from the Group's cash and cash equivalents and trade and other receivables. To the extent payment is done by payment letter or credit is otherwise given the Group is vulnerable to credit risk and any failure by its counterparties to honour their obligations may affect the Groups income. If significant amounts are not paid this could have a material adverse impact on the Groups business.
- **Market risk:** Market risk is the risk that changes in market prices will affect the Group's revenue. As for the financial market risk and the currency exchange rate risk reference is made to the risk factors described in "Risks related to the Group and the industry it operates within" above.
- **Risk relating to obtaining further financing:** The Group requires substantial long term liquidity to finance working capital and capital expenditure for its operations. Such financing could be covered by revenues, new equity or obtaining new debt. If the Group's future revenues decline, or if the Group is unable to attract investors to increase the Group's equity, or if new debt arrangements and/or capital expenditure financings in general are not accessible, or only on unattractive commercial terms, the Group will experience a limited ability to conduct its business. There is no assurance that additional funding, if required, will be available on acceptable terms at the relevant time. An inability to satisfy capital and/or operational expenditure requirements will have a materially adverse effect on the Group's business, prospects, liquidity, financial condition, cash flows, results of operations and ability to service its debt and other obligations. If the Group is unable to service its indebtedness in the future, if any, it will be forced to adopt an alternative strategy that may include actions such as selling assets (possibly at inferior prices), restructuring or refinancing its indebtedness, seeking additional equity capital or reducing capital expenditures.
- **Restrictive covenants:** The bond agreement will provide certain general restrictions on the Group from certain actions. Such restrictive covenants include, but are not limited to, restrictions on asset sales and acquisitions, the ability to pay dividends or other capital distributions, and the possibility to raise certain forms of additional financial indebtedness. The restrictions in the terms and conditions of the bond agreement may prevent the Group from taking actions that it believes would be in its best interest, and may make it difficult for the Group to execute its business strategy successfully or compete effectively with companies that are not similarly restricted.





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# Risk factors

## RISKS RELATED TO THE BONDS

- **The Bonds may not be a suitable investment for all investors:** Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds; (ii) have access to and knowledge of the appropriate analytical tools to evaluate an investment in the Bonds; (iii) have sufficient financial resources and liquidity to bear the risks associated with investment in the Bonds; (iv) understand the terms of the Bonds and the behaviour of the relevant financial markets; and (v) be able to evaluate possible scenarios for economic interest rate and other factors that may affect its investment.
- **Risk of being unable to repay the Bonds:** As the Issuer is a holding company, any risk to the Group is a risk to the Issuer. The Issuer's ability to service its obligations under the Bonds will depend on future financial performance of the other Group companies, which may not be adequate to make required payments on the Bonds and other indebtedness. If the cash flow and capital resources are insufficient to fund the debt obligations, the Group may be forced to sell assets, seek additional equity or debt capital or restructure its debt. In addition, any failure to make scheduled payments of interest and principal on outstanding indebtedness is likely to result in a reduction of credit rating, which could harm the ability to incur additional indebtedness on acceptable terms. The cash flow and capital resources may be insufficient for payment of interest and principal of the debt in the future, including payments on the Bonds, and any such alternative measures may be unsuccessful or may not permit the Group to meet scheduled debt service obligations, which could cause it to default on its obligations and impair its liquidity, which again could have a material adverse effect on the business, financial conditions or results of operations of the Group.
- **The Issuer's indebtedness under the Bonds:** Following the issuance of Bonds contemplated in Presentation, the Issuer will have substantial indebtedness. If the Issuer is unable to generate sufficient cash flow from operations in the future to service its debt, the Issuer may be required to refinance all or a portion of its existing debt, including the Bonds, or to obtain additional financing. There can be no assurance that any such refinancing would be possible or that any additional financing could be obtained. Inability to obtain such refinancing or financing may have a material adverse effect on the Issuer's business, results of operations, financial position and/or cash flow.
- **The Bonds may be subject to optional redemption by the Issuer, which may have a material adverse effect on the value of the Bonds:** The terms and conditions of the bond agreement will provide that the Bonds shall be subject to optional redemption by the Issuer at their outstanding principal amount, plus accrued and unpaid interest to the date of redemption, plus in some events a premium calculated in accordance with the terms and conditions of the bond agreement. This is likely to limit the market value of the Bonds. It may not be possible for bondholders to reinvest proceeds at an effective interest rate as high as the interest rate on the Bonds.
- **Change of control - the Issuer's ability to redeem the Bonds with cash may be limited:** Upon the occurrence of a change of control event, each individual bondholder shall have a right of prepayment of the Bonds as set out in the bond agreement. However, it is possible that the Issuers may not have sufficient funds to make the required redemption of Bonds, resulting in an event of default under the Bonds.
- **Mandatory prepayment events may lead to a prepayment of the Bonds in circumstances where an investor may not be able to reinvest the prepayment proceeds at an equivalent rate of interest:** In accordance with the terms and conditions of the bond agreement, the Bonds are subject to mandatory prepayment by the Issuer on the occurrence of certain specified events. Following any early redemption after the occurrence of a Mandatory Prepayment Event, it may not be possible for bondholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Bonds and they may only be able to do so at a significantly lower rate.

# Risk factors



## RISKS RELATED TO THE BONDS (cont.)

- **The value of the collateral securing the Bonds may not be sufficient to satisfy the Issuer's obligations under the Bonds:** Although the Bonds are secured obligations of the Issuer, there can be no assurance that the value of the assets securing the Bonds and the Issuer's other assets will be sufficient to cover all the outstanding Bonds together with accrued interests and expenses in case of a foreclosure or other enforcement action and/or if the Issuer goes into liquidation.
- **The Bonds will be structurally subordinated to the liabilities of the Group's subsidiaries:** Generally, creditors under indebtedness and trade creditors, and preferred shareholders (if any), of the Group's subsidiaries will be entitled to payments of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Issuer, as a direct or indirect shareholder. Accordingly, in an enforcement scenario, creditors of the Group's subsidiaries, will generally be entitled to payment in full from the sale or other disposal of any assets of such subsidiary that does not form part of the collateral securing the Bonds, before the Issuer, as a direct or indirect shareholder, will be entitled to receive any distributions.
- **A trading market for the Bonds may not develop and the market price of the Bonds may be volatile:** The Bonds will be new securities for which currently there is no trading market. There can be no assurance as to: (i) the liquidity of any such market that may develop; (ii) bondholders' ability to sell the Bonds; or (iii) the price at which bondholders would be able to sell the Bonds. If such a market were to exist, the Bonds could trade at prices that may be lower than the principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar notes and the Issuer's financial performance and outlook. If an active market does not develop or is not maintained, the price and liquidity of the Bonds may be adversely affected.
- **The Issuer's ability to repay its debt is dependant on its ability to obtain cash from its subsidiaries:** The Issuer's subsidiaries own effectively all of the Issuer's assets and conduct all of its operations. Accordingly, repayment of the bonds, and other indebtedness, will be wholly dependent upon on the ability of the Issuer's subsidiaries to make such cash available to it, by dividend, debt repayment or otherwise.
- **Risks related to transfer restrictions on the Bonds:** The Group is relying upon exemptions from registration under the U.S. Securities Act, applicable state securities laws, Canadian securities law and UK and EU securities laws in the placement of the Bonds. As a result, in the future the Bonds may be transferred or resold only in a transaction registered under or exempt from the registration requirements of such legislation. Therefore, investors may not be able to sell their Bonds at their preferred time or price. The Group cannot assure investors as to the future liquidity of the Bonds and as a result, investors bear the financial risk of their investment in the Bonds.
- **The terms and conditions of the bond agreement will allow for modification of the Bonds or waivers or authorizations of breaches and substitution of the Issuer which, in certain circumstances, may be affected without the consent of bondholders.** The bond agreement will contain provisions for calling meetings of bondholders. These provisions permit defined majorities to make decisions affecting and binding all Bondholders. The bond trustee may, without the consent of the bondholders, agree to certain modifications of the bond agreement and other finance documents which, in the opinion of the Trustee, are proper to make.
- **Prospective investors may not be able to recover in civil proceedings for U.S. securities laws violations:** The Bonds will be issued by the Issuer, which is incorporated under the laws Norway. All of the Issuer's members of senior management and Directors and executives currently reside outside the United States and all of its assets are currently located outside the United States. As a result, prospective investors may be unable to effect service of process within the United States, or to recover on judgments of U.S. courts in any civil proceedings under the U.S. federal securities laws.



**BORGESTAD**

# Table of contents

Transaction summary

Introduction to Borgestad

Borgestad Properties

Borgestad Industries

Financials

Risk factors

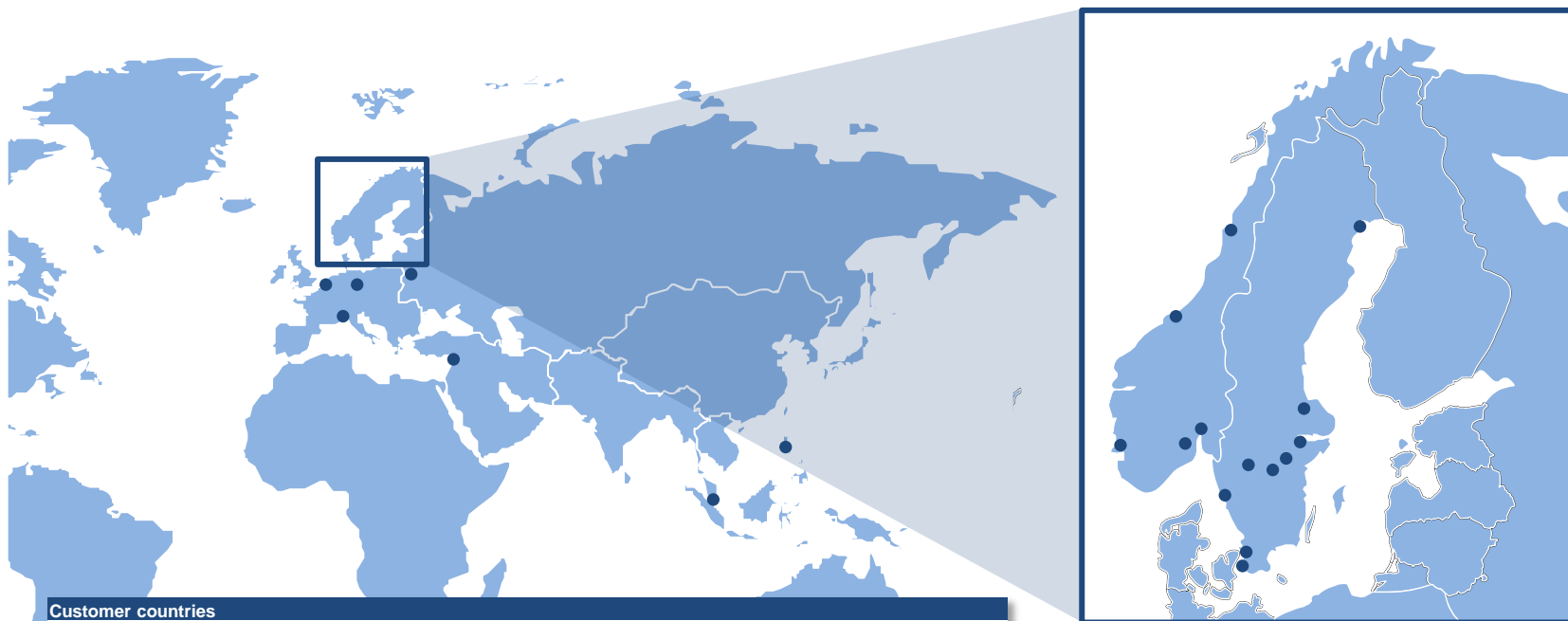
**Appendix**





**BORGESTAD**

# BIND locations – A global company





## Customer countries

Angola	Cyprus	Ireland	Nicaragua	Sweden
Albania	Czech Republic	Italy	Nigeria	Switzerland
Australia	Denmark	Jordan	Norway	Taiwan
Austria	Ecuador	Kazakhstan	Oman	Taiwan
Bahrain	Egypt	Kosovo	Pakistan	Thailand
Belarus	Estonia	Latvia	Philippines	Tunisia
Belgium	Finland	Lebanon	Poland	turkey
Bolivia	France	Lithuania	Qatar	UAE
Bosnie-Hercegovina	Germany	Luxembourg	Romania	Ukraine
Bulgaria	Georgia	Lybia	Russia	United Kingdom
Canada	Greece	Macedonia	Saudi Arabia	USA
Chile	Guatemala	Malaysia	Serbia	Vietnam
China	Honduras	Mexico	Singapore	
Colombia	Iceland	Morocco	Slovakia	
Croatia	Indonesia	Namibia	Slovenia	
	Iraq			



**BORGESTAD**

## Other assets

Company	% share	Book value	Description
	3.1%	27.6	Develop, construction and sales of wind energy projects in northern China
Buskerud Telemark Investeringsfond AS	3.05%	2.7	Investments in Buskerud, Vestfold and Telemark
Borgestad HQ	100%	3.1 (16.5 appraisal value)	Borgestad ASA's headquarter Located in Gunnar Knudsens Veg 144, Skien NOK 1.35m lease income annually Appraised by Eiendomsmegler1 November 2017
	33.3%	1.7	Crew management services for the shipping industry Share of 2017 net profit of NOK 114k
<b>Total values</b>		<b>35.1 (48.5)</b>	



**BORGESTAD**

# Key personnel Borgestad Properties



**Pål Feen Larsen**

CFO/COO, Borgestad  
ASA

Responsible for  
Borgestad Properties AS



**Miroslav Cechowski**

Asset manager,  
Agora Bytom



**Hanna Petters**

Director,  
Agora Bytom



**Marcin Pal**

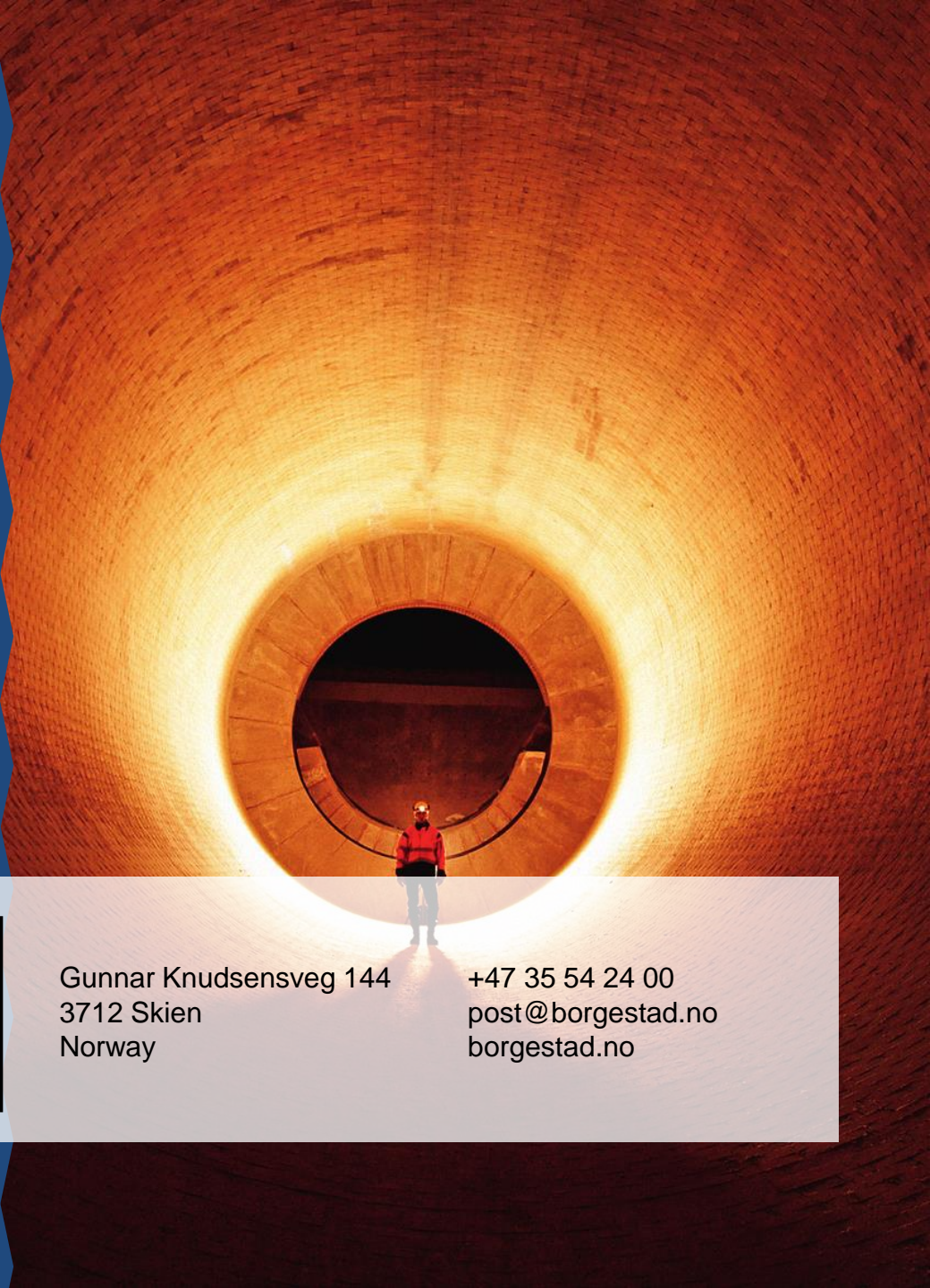
Technical manager,  
Agora Bytom



**Marta Radomska**

Leasing manager,  
Agora Bytom





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