
Merger plan

**FOR THE CROSS BORDER MERGER OF
GARD MARINE & ENERGY FÖRSÄKRING AB (PUBL)**

AS THE TRANSFEROR COMPANY

directly into

VARMEKROGEN AS

AS THE TRANSFEREE COMPANY

12 SEPTEMBER 2014

1 BACKGROUND AND PURPOSE OF THE MERGER

- 1.1 The board of directors of Gard Marine & Energy Fors akring AB (publ), a public limited liability company having its principle business address and registered office in V stra Hamngatan 5, SE-411 77 G teborg, Sweden, and Swedish business registration number 516406-0633 ("**Gard M&E AB**") and Varmekroger AS, a limited liability company having its principle business address in Kittelsbuktheien 31, 4836 Arendal, Norway, and Norwegian business registration number 913 861 825, to be renamed Gard Marine & Energy Insurance (Europe) AS, ("**Gard M&E AS**") have today agreed to propose to their respective general meetings a cross border merger of Gard M&E AB directly into Gard M&E AS (the "**Merger**"). The proposal is based on this merger plan (the "**Merger Plan**").
- 1.2 Gard M&E AB is involved in the business of insurance and is currently licensed by the Swedish Financial Supervisory Authority ("**SFSA**") to carry out insurance and reinsurance business. This business shall be transferred to Gard M&E AS according to this Merger Plan. Gard M&E AB and Gard M&E AS are both wholly owned subsidiaries of Gard Marine & Energy Limited (Bermuda).
- 1.3 The Merger is for Norwegian purposes regulated by the Norwegian Public Limited Liability Companies Act (the "**NPLCA**") Section 13-25 et seq., as well as the Norwegian Insurance Activities Act 2005 ("**NIAA**"). For Swedish purposes the Merger is regulated by the Swedish Companies Act (2005:551) (the "**SCA**") chapter 23 and the Swedish Insurance Business Act (2010:2043) (the "**SIBA**") chapter 11, Sections 31-39.

2 MERGER

- 2.1 Gard M&E AB is merged into Gard M&E AS by way of
 - (i) a distribution of all of Gard M&E AB's assets, rights and obligations from Gard M&E AB to Gard M&E AS;
 - (ii) a share capital increase in Gard M&E AS towards Gard Marine & Energy Limited as consideration for the distribution of assets, rights and obligations from Gard M&E AB; and
 - (iii) a dissolution of Gard M&E AB upon the completion of the Merger.
- 2.2 Following the Merger Gard M&E AS will be the owner of all the assets rights and obligations in Gard M&E AB.
- 2.3 The purpose of the Merger is to streamline the organisation and having group supervision of all risk carries in the Gard Group by the Norwegian Financial Supervisory Authority ("**NFSA**"). The Merger will have the effect that Gard M&E AS will continue the whole operation of Gard M&E AB, but that the business as such will be unchanged.
- 2.4 The shareholder of both companies has confirmed that an independent statement regarding the Merger Plan is not necessary, ref. NPLCA Section 13-28 (4).
- 2.5 The shareholder of both companies has confirmed that the auditor's statement regarding the Merger Plan is limited to the circumstances referred to in SCA chapter 23 Section 11 subsection 2.

3 MERGER CONSIDERATION

- 3.1 Based on the estimates of fair values of Gard M&E AB's assets, rights and obligations to be transferred to Gard M&E AS pursuant to this Merger Plan and the book equity value of Gard M&E AB as of 20 August 2014, the board of directors of Gard M&E AB and Gard M&E AS have concluded that Gard M&E AS receives a total value of NOK 114,300,000, which is a price-to-book equity of 1.0. However, the transfer shall for accounting purposes be based on continuity of existing book values.
- 3.2 In order to find the market value of Gard M&E AB's business an internal valuation has been prepared. The fundamental valuation methodology used has been discounted cash flows ("DCF"), which has been compared to available market valuation multiples of insurance companies, which operate in similar insurance markets. Publicly available information on transactions of similar insurance operations has been reviewed. The DCF valuation has been done on cash flow available to equity method. The fair values of the Gard M&E AB's assets, rights and obligations have been estimated to be in a range 0.94x to 1.02x of book equity, which is equivalent to USD 18.0 million to USD 19.5 million based on the exchange rate SEK/USD as of 30 June 2014. The independent accounting firm BDO has been engaged to provide a fairness opinion on this valuation, while the independent accounting firm RSM Hasner Kjellstrup & Wiggen has been engaged to provide the independent statement on the share capital increase.
- 3.3 Gard M&E AS has issued 300 shares each with a par value of NOK 100. All of the shares in Gard M&E AS are owned by Gard Marine & Energy Limited As consideration for the Merger and distribution of assets, rights and obligations from Gard M&E AB, the shareholder of Gard M&E AB, Gard Marine & Energy Limited, shall receive an increase of the par value of the shares in Gard M&E AS with NOK 319,936 per share, which gives a total increase of NOK 95,980,800. No new shares shall be issued. Since the merger for accounting purposes shall be based on continuity, the value of the contribution to Gard M&E AS shall be equal to the current book value of the assets, rights and obligations, ref the NPLCA Section 2-7 as of 20 August 2014. The value of the assets, rights and obligations transferred to Gard M&E AS that exceeds the increase in par value, shall be considered as share premium and free equity. Since the current book values in Gard M&E AB are recorded in SEK, a conversion to NOK at the date of this Merger Plan has been carried out.
- 3.4 The increase in share capital in Gard M&E AS gives full shareholder rights from the time of completion of the Merger in accordance with section 5.1 below.

4 REGULATORY REQUIREMENTS

- 4.1 The Merger is subject to the approval from both the SFSA and the NFSA. Gard M&E AS must also obtain a licence for being an insurance company. Immediately following the signing of this Merger Plan, both companies will send the necessary applications to SFSA and NFSA respectively. The Merger will not be completed before the necessary approvals and licences are obtained.

5 ACCOUNTING AND TAX TREATMENT

- 5.1 All the assets, rights and obligations of Gard M&E AB shall be considered transferred from Gard M&E AB to Gard M&E AS with legal effect from the time of registration of

- completion of the Merger in accordance with the NPLCA Section 13-32, ref. Section 13-33 ("**Completion**"). The parties assume that the merger will have effect from 1 January 2015.
- 5.2 The Merger shall for accounting purposes have effect from 1 January 2015. The NPLCA does not require a draft opening balance sheet for cross border mergers, but the parties have nevertheless prepared the draft opening balance sheet for Gard M&E AS for information purposes (attached as Appendix 1).
- 5.3 The Merger shall be completed based on the accounting principle of continuity, which means that the book value of the assets, right and obligations transferred as contribution in kind into Gard M&E AS, is recorded in Gard M&E AS' balance sheet unchanged, however, taking into account the difference in accounting currency in the transferor and transferee. The exchange rate at date of this Merger Plan has been applied. The principle of continuity is considered applicable since there is no change in ownership and it is an internal reorganisation.
- 5.4 The annual accounts, annual report and auditor's report for Gard M&E AB for 2013, 2012 and 2011 as well as the interim financial report as of 20 August 2014 are attached in Appendix 2. The Merger is based on the annual accounts for Gard M&E AB for 2013 and the interim financial report as of 20 August 2014. Gard M&E AS was incorporated on 26 June 2014, thus no annual accounts, annual reports or auditor reports have been prepared, and the opening balance sheet is the basis for the Merger.
- 5.5 For Gard M&E AB the Merger will be considered as a taxable event as all the assets, rights and obligations are transferred out of Sweden. Thus, the Merger shall for tax purposes not be based on the principle of continuity for Gard M&E AS in Norway. Gard M&E AS will have new tax basis on the assets, rights and obligations transferred from Gard M&E AB based on the market values.

6 REGISTRATION AND EXTRAORDINARY GENERAL MEETING RESOLUTIONS

- 6.1 Gard M&E AB and Gard M&E AS shall register the Merger Plan with the Norwegian Register of Business Enterprises ("**NRBE**") and the Swedish Companies Registration Office ("**SCRO**") as soon as practically possible following approval by the respective boards of directors.
- 6.2 The extraordinary general meetings of Gard M&E AB and Gard M&E AS shall consider and approve the Merger Plan on or about 17 October 2014, which shall be at least one month following the electronic publication of the Merger Plan in the NRBE and the publication of the Merger Plan by the SCRO, cf. section 6.1 above.
- 6.3 The boards' proposals for general meeting resolutions, including changes to the share capital and the articles of association, are included in Appendix 3.
- 6.4 The board of directors of Gard M&E AS has engaged an independent auditor to provide the statement regarding the contribution in kind (cf. NPLCA Section 2-6), which is attached in Appendix 4.
- 6.5 The parties' current articles of association are attached in Appendix 5, and the proposed post Completion articles of association for Gard M&E AS are attached in Appendix 6.

- 6.6 The board of directors of Gard M&E AS and Gard M&E AB shall procure that the general meeting resolutions are registered in the NRBE as soon as practically possible following the date of approval, cf. the NPLCA Section 13-14, in order to start the creditor notice period. In no event shall such notification to the NRBE be sent later than one month following the date of the general meeting.
- 6.7 After the expiry of the creditor notice period, the board of directors of Gard M&E AS shall notify the NRBE regarding completion of the Merger, and the Norwegian Business Register shall issue a merger certificate to SCRO, cf. the NPLCA Section 13-31. SCRO shall upon receipt of the merger certificate from the NRBE issue a merger certificate. Subsequently, the board of directors of Gard M&E AS shall register the completion of the Merger in the NRBE, which notifies the Swedish Business Register of the completion of the Merger, cf. the NPLCA Section 13-32. Gard M&E AB is then dissolved and deleted from the SCRO.
- 6.8 The new articles of association of Gard M&E AS reflecting that it is an insurance company will be registered at the same time as the Completion of the Merger. The new composition of the Board of Directors will also be registered at Completion.

7 IMPACT ON THE EMPLOYEES

- 7.1 Managing Director Thomas Nordberg is the only employee in Gard M&E AB and shall receive the required information regarding the Merger and will be offered to continue his employment with Gard M&E AS.

8 CONDITIONS TO COMPLETION OF THE MERGER

- 8.1 Completion of the Merger is subject to the following conditions being satisfied or waived (as applicable):
- i. The extraordinary general meeting of Gard M&E AB having approved the Merger materially on the terms set out in Appendix 3;
 - ii. The extraordinary general meeting of Gard M&E AS having approved the Merger materially on the terms set out in Appendix 3;
 - iii. The six weeks' creditor notice period in NPLCA section 13-15 having expired, without any creditor objections, or any such objections having been settled or secured;
 - iv. Licence from the Norwegian Financial Supervisory Authority ("NFSA") with respect to the insurance activity performed by Gard M&E AS after the Merger;
 - v. Approval from the NFSA with respect to Gard M&E AS' participation in the Merger;
 - vi. Consent from the SFSA with respect to Gard M&E AB participation in the Merger;
 - vii. Any other requirements that the NFSA or SFSA may request in their approval and licences.

viii. Registration by Gard M&E AS of the completion of the Merger in accordance with the NPLCA Section 13-32; and

8.2 The parties undertake not to resolve, initiate or implement any material investments, changes in the respective companies' business operations, changes in share capital, payments of dividends or other distributions or similar actions in the period from the date of this Merger Plan and up to Completion, other than as set out in this Merger Plan, or following a written consent from the other party.

9 SPECIAL CONDITIONS AND RIGHTS

9.1 Other than following from chapter 4 of the Norwegian Private Limited Liability Companies Act, there are no particular requirements for being registered as shareholder in Gard M&E AS, and no special conditions for exercising shareholders rights. Gard Marine & Energy Limited will have full shareholder rights related to the new shares in Gard M&E AS from the time of Completion.

9.2 No special rights (cf. NPLCA Section 13-6 (1) no. 5) or subscription rights (cf. NPLCA Sections 11-1, 11-10 and 11-12) exist for any shareholder in Gard M&E AB, and no such rights will be established in Gard M&E AS in connection with the Merger.

9.3 None of the board members, CEO's or independent experts of the parties will have any special rights or benefits in connection with to the Merger, cf. NPLCA Section 13-6 (1) no. 6.

10 AMENDMENTS TO THE MERGER PLAN

10.1 Subject to mandatory law, the board of directors of Gard M&E AB and Gard M&E AS may on behalf of their respective general meetings carry out minor adjustments, amendments and corrections in the Merger Plan if required or appropriate in the boards' sole discretion.

11 COSTS

11.1 Each of Gard M&E AB and Gard M&E AS shall carry their own costs in connection with the Merger and this Merger Plan. Costs that are not directly attributable to one of the parties shall be carried by Gard M&E AS.

12 GOVERNING LAW

12.1 This Merger Plan shall be governed by Norwegian law to the extent not governed by mandatory Swedish law provisions.

13 APPENDICES

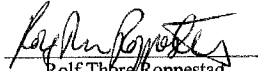
13.1 This Merger Plan includes the following appendices:

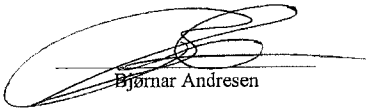
Appendix 1 Draft opening balance sheet

Appendix 2	Annual accounts, annual reports and auditor's reports for Gard M&E AB for the last three accounting years and interim financial report as of 20 August 2014
Appendix 3	Proposed general meeting resolutions
Appendix 4	Independent report, cf. NPLCA Section 2-6
Appendix 5	Current articles of association for Gard M&E AB and Gard M&E AS
Appendix 6	Post Completion articles of association for Gard M&E AS

Arendal, 12 September 2014

The board of directors of Gard Marine & Energy Försäkring AB:


Rolf Thore Røppestad
chairman of the board


Bjørnar Andresen

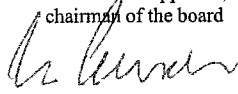

Kjetil Eivindstad

Arendal, 12 September 2014

The board of directors of Varmekrogen AS



Rolf Thore Røppestad,
chairman of the board



Kjetil Eivindstad
director