



Prospectus for the admission to trading on NASDAQ OMX Stockholm of  
up to SEK 700,000,000  
8.00 % Senior Secured Bonds  
2013/2018  
ISIN: SE0005133360

11<sup>th</sup> March 2014

## Important information

This Prospectus (the “Prospectus”) has been prepared by West Atlantic AB (publ), formerly known as West Air Europe AB (publ), in relation to the application for listing of the Company’s up to SEK 700,000,000 8.00% Bond Loan 2013/2018, with ISIN: SE0005133360 (the “Bonds”) on the corporate bond list on NASDAQ OMX Stockholm (“NASDAQ OMX Stockholm”). References to West Atlantic, the Company, the Issuer or the Group refer in this Prospectus to West Atlantic AB (publ) and its subsidiaries, unless otherwise indicated by the context. Words and expressions defined in the Terms and Conditions beginning on page 22 have the same meanings when used in this Prospectus, unless expressly stated or the context requires otherwise. The Prospectus shall be read together with all documents which have been incorporated by reference (see Section “Documents incorporated by reference” below) and possible supplements to the Prospectus.

The Prospectus has been prepared in accordance with the rules and regulations in the Swedish Financial Instruments Trading Act (Sw. lag (1991:980) om handel med finansiella instrument) and Commission Regulation (EC) no 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council. The Prospectus has been approved by and registered with the Swedish Financial Supervisory Authority in accordance with the provisions in Chapter 2, Section 25 and 26 of the Swedish Financial Instruments Trading Act. It should be noted that such approval and such registration does not constitute any guarantee from the Swedish Financial Supervisory Authority that the information in the Prospectus is accurate or complete. It will be available at the Swedish Financial Supervisory Authority’s web site ([www.fi.se](http://www.fi.se)) and the Company’s web site ([www.westatlantic.eu](http://www.westatlantic.eu)).

This Prospectus is not an offer for sale or a solicitation of an offer to purchase the Bonds in any jurisdiction. It has been prepared solely for the purpose of listing the Bonds on Nasdaq OMX Stockholm. It may not be distributed in any country where such distribution or disposal require additional prospectus, registration or additional measures or is contrary to the rules and regulations in such country. Persons into whose possession this Prospectus comes or persons who acquire the Bonds are therefore required to inform themselves about, and to observe, such restrictions. The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. Subject to certain exemptions, the Bonds may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of, U.S. persons. Unless otherwise explicitly stated, no information contained in this Prospectus has been audited or reviewed by auditors. Unless otherwise specified or unless the context otherwise requires, “USD” refers to United States dollars, “EUR” refers to Euros and “SEK” refers to Swedish kronor.

This Prospectus may contain forward-looking statements and assumptions regarding future market conditions, operations and results. Such information is based on the beliefs of the Company’s management and/or are assumptions based on information available to the Group. The words “consider”, “intends”, “deems”, and similar expressions indicate some of these forward-looking statements. Other such statements may be identified from the context. Any forward-looking statements in this Prospectus involve known and unknown risks, uncertainties and other factors which may cause the actual results, performances or achievements of the Group to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Further, such statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. Further, actual events and financial outcomes may differ significantly from what is described in such statements as a result of the materialization of risks and other factors affecting the Group’s operations. Such factors of a significant nature are mentioned in the Section “Risk Factors”.

The Prospectus is governed by Swedish law. Disputes concerning, or related to, the contents of this Prospectus shall be the exclusive jurisdiction of the courts of Sweden. The district court of Stockholm (Sw. Stockholms tingsrätt) shall be the court of first instance.

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## Risk factors

Investing in Bonds involves inherent risks. A number of risk factors and uncertainties may adversely affect the Group. These risk factors include, but are not limited to, financial risks, technical risks, risks related to the business operations of the Group, environmental and regulatory risks. If any of these or other risks or uncertainties actually occurs, the business, operating results and financial condition of the Group could be materially and adversely affected, which could have a material adverse effect on the Group's ability to meet its obligations (including repayment of the principal amount and payment of interest) under the Bonds. The risks described below are not the only ones the Group is exposed to. Additional risks that are not currently known to the Issuer, or that the Issuer currently considers to be immaterial, could have a material adverse effect on the Group's ability to fulfil its obligations under the Bonds. The order in which the risks are presented is not intended to provide an indication of the likelihood of their occurrence or of their relative significance. Prospective investors should consider carefully the information contained in this Prospectus and make an independent evaluation before making an investment decision.

## Company specific risks

The Group's operations are dependent on a number of factors, which each may have an adverse or favourable effect on the Group's earnings.

### Assets and aircraft operations

As an owner of two airlines, the Company is exposed to any risks such operations include. Operational risks primarily contain potential aircraft incidents which could carry significant liability if incurred. Such incidents can result in material damage and personal injury. The Company's liability of such incidents can impair the Company's financial position and indirect the ability to meet the Terms and Conditions of the Bond.

The Company is through subsidiary indirect owner of a large aircraft fleet, with a majority of the aircraft from the same production line. Any such incident described above can have material effect of the status and valuation of such aircraft. The Company will also be subject to potential changes in support and maintenance for such aircraft, which can have a material effect on future maintenance cost.

The Company also faces the general risks of aviation, which consist of but are not limited to, natural catastrophes, acts of terrorism and other risks outside of the Company's control. Such risks can be both aircraft and airport specific and the industry is highly susceptible to adverse economic developments.

### Service development

The Group's growth and development is dependent upon its ability to develop new and innovative services. Furthermore, there is no guarantee that the Group will continue to be successful in this field. If not successful, The Group's operations, earnings and financial position may be affected.

### Fluctuations in demand

The Group is reliant on demand for the Group's services. Changes in demand arising due to economic downturn or customers sourcing alternative suppliers, amongst other factors, could adversely impact the Group's financial performance.

### Suppliers

The Group's manufacturing and service process depend on the availability and timely supply of components from external suppliers. Navigation equipment is particularly sensitive for the Group. In order to avoid supply-related problems, the Group works closely with its suppliers. Many components, such as engines, airscrews and landing gear are generic and the Group may use components from other aircraft types. Further, many aircraft manufacturers guarantee the supply of spare parts and components as long as a certain number of aircraft a particular model is still in use. However, delays in supplies may create delays in the conversion and

maintenance process of aircraft, resulting in an adverse effect on the Group's net sales, financial position and earnings.

#### **Employees and labour conflicts**

Historically, the Group has not been subject to labour conflicts to any great degree, although the Group has been and is involved in certain labour related disputes. However, if labour conflicts occur or occur more frequently, such conflicts may have an adverse effect on the Group's net sales, financial position and earnings.

#### **Human error**

Mistakes made by the Group's pilots or other personnel, as well as personnel not employed by the Group, may lead to incidents and result in litigations or other adverse effects to the Group. Up to the date of this Prospectus, no material incidents have occurred in the operations of the Group.

#### **Digitalisation**

The market trend is that less mail is sent by post and instead sent by email, which has a negative effect on the Group's volumes and obtained prices for these air freight services. If this trend continues or accelerates, it may have an adverse effect on the Group's net sales, financial position and earnings.

#### **Threat from Express Integrators**

Express integrators may themselves carry out the services provided by companies such as West Atlantic. If one or several integrators would begin to carry out services now provided by West Atlantic, it may have an adverse effect on the Group's net sales, financial position and earnings.

#### **Customers**

Compared to many other industries, the Group's customer portfolio consists of a limited number of customers. Should the Group lose a customer, the Group's revenues may suffer until the capacity is purchased by another customer which could have a negative effect on West Atlantic's operations, earnings and financial position.

#### **Key personnel**

West Atlantic is dependent upon a number of key employees who have been engaged in the Group for a long time, and have together developed the day-to-day operations and system within West Atlantic. These personnel also have a comprehensive knowledge of the industry in general and of West Atlantic in particular. It cannot be excluded that such key personnel will leave the Group in the future, or that they will take up employment with a competing business, which could have a negative effect on West Atlantic's operations, earnings and financial position. It is not certain that West Atlantic is able to recruit new, qualified personnel to the extent that West Atlantic wishes.

#### **Permits and authorities**

The Group's operations depend on authorisation and permits from various government authorities, primarily in the countries the Group's aircraft are registered. There is a risk that the necessary permits cannot be obtained – and once obtained; renewed – without extensive investigations or costly adaptations of the business. In the event that a critical permit is revoked or not renewed, the Group can be forced to cease operations, which could have a negative effect on West Atlantic's operations, earnings and financial position. Currently the Group holds all necessary permits.

#### **Exchange rate and interest rate fluctuations**

Although the Group's primary operations and cash flows typically are denominated in SEK and the Group's functional currency is SEK, West Atlantic currently has sales in, amongst other countries, Sweden, Luxembourg and the United Kingdom, which leads to revenues being earned in different currencies. These other currencies include NOK, USD, EUR, GBP and DKK. Subsidiaries earnings and financial position is restated in SEK. West

Atlantic purchases services and parts from providers and manufacturers in several countries. Exchange rate fluctuations can however have a negative effect on West Atlantic's operations, earnings and financial position. Similarly, changes in the interest rate can have an adverse effect West Atlantic's operations, earnings and financial position.

#### **Taxes and charges**

West Atlantic conducts its business in accordance with its interpretation of applicable tax regulations and applicable requirements and decisions. The Group cannot guarantee that its interpretation and application of laws, provisions, judicial practice has been, or will continue to be, correct or that such laws, provisions and practice will not be changed, potentially with retroactive effect. If such an event should occur, West Atlantic's tax liabilities can increase, which could have a negative effect on the Group's earnings and financial position.

During 2013, the Group sold its Luxembourg based airline West Air Luxembourg SA to an external party. Within the operations performed by West Air Luxembourg SA in France, the French authorities claim that staff that historically has periodically operated in France, should have been socially secured within the French republic and thus claiming that the airline is liable for unpaid social charges and adhering operating taxes in France. The airline employed the all the concerned staff in Luxembourg and paid all applicable social charges and taxes, whereby the maximum liability is expected to be the unpaid residual amount between French and Luxembourgish social charges and/or taxes plus any applicable penalties. However, these claims are not yet resolved and could therefore have a negative effect on the Group's future earnings and financial position.

#### **Credit risk**

The Group is exposed to credit risk. The number of customers with financial difficulties increases during a recession and thereby also the Company's customer credit risk. It cannot be excluded that credit losses in relation to the Company's customers may have a material adverse effect on the business, operating results and financial position of the Group.

#### **Ability to comply with the Terms and Conditions for the Bonds**

The Terms and Conditions for the Bonds require the Group to maintain specified financial ratios and satisfy financial covenants, including covenants related to interest coverage and net debt to EBITDA. Events beyond the Group's control, including changes in the economic and business conditions in which the Group operates, may affect the Group's ability to comply with these ratios and covenants. The Group cannot assure that it will meet these ratios or satisfy these covenants. A breach of any of the covenants or the Group's inability to maintain the required financial ratios could result in a default under the Terms and Conditions for the Bonds.

#### **Ability to service debt**

The Group's ability to service its debt will depend upon, among other things, the Group's future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond the Group's control. If the Group's operating income is not sufficient to service its current or future indebtedness, the Group will be forced to take actions such as reducing or delaying its business activities, acquisitions, investments or capex, selling assets, restructuring or refinancing its debt or seeking additional equity capital. The Group may not be able to affect any of these remedies on satisfactory terms, or at all.

#### **Legal disputes**

The Group cannot provide any assurances that in the future claims or legal action are taken against the Group which may have significant negative effects on the Group's financial position, performance, market position, or pricing of the Bonds. The Group is involved in proceedings with French authorities as related to French claims for social security charges and taxes.

### **Global economic conditions**

A lengthy economic downturn or problems for the Group's customers in financing their businesses could trigger a decrease in demand for the Group's services and a decline in sales for the industry. This could have an adverse impact on the Group's net sales, financial position and earnings.

### **Capital and credit market conditions**

In recent years, the capital and credit markets have been experiencing extreme volatility and disruption. The Group requires liquidity to pay operating expenses and interest on debt and to repay maturing liabilities. Without sufficient liquidity, the Group will be forced to curtail its operations.

Volatility and disruption on capital and credit markets may also cause the Group to be in breach of financial covenants in credit and/or loan agreements. In the event that current resources do not satisfy the Group's financial requirements, it may have to seek additional financing, or be forced to renegotiate financial instruments on less than favourable terms.

Disruptions, as the ones described above, in the financial markets could adversely affect the Group's net sales, financial position and cash flow. Difficult conditions in the global capital markets and the economy in general may materially adversely affect the Group's results of operations. The Group's net sales are materially affected by conditions in the global capital markets and the economy in general in Europe and elsewhere in the world. Recently, concerns over energy costs, geopolitical issues and the availability and cost of credit have contributed to increased volatility and negative future expectations for the economy and the global market.

Factors such as consumer spending, business investment, government spending, the volatility and strength of the capital markets, and inflation all affect the business and economic environment and, ultimately, the amount and profitability of the Group's business. In an economic downturn characterised by higher unemployment, lower incomes, lower corporate earnings, lower business investment and lower consumer spending, the Group's business may be adversely affected.

### **Changes in the fuel price**

Whilst the Group's is continuously working on cost effectiveness, if the price for aircraft fuel increases, the Group's services within some areas may become less attractive as existing contracts stipulate that fuel price increases shall be transferred to the customers, making other transportation alternatives more cost-efficient. Fuel prices are negotiated on an annual basis. Volatile pricing of fuel materials can have an adverse effect on the Group's turnover, financial position and earnings.

### **Environment**

EU Emissions Trading System is a system for emissions stipulating that airlines shall submit carbon credits following emission. Initially, costs related to the system were expected to be immense, but the system has been implemented successively following the financial crisis, thereby reducing the impact. The EU Commission expressed its desire to amend the terms, which may result in a negative effect on the Group's emission related expenses. Such expense increases are however covered by the contractual right to transfer cost increases to its clients.

## **Risks relating to the Bonds**

### **Credit risks**

Investors in the Bonds carry a credit risk relating to the Group. The investor's ability to receive payment under the Terms and Conditions is therefore dependent on the Group's ability to meet its payment obligations, which in turn is largely dependent upon the performance of the Group's operations and its financial position. The Group's financial position is affected by several factors, a number of which have been discussed above.

An increased credit risk may cause the market to charge the Bonds a higher risk premium, which would have an adverse effect on the value of the Bonds. Another aspect of the credit risk is that any deterioration in the financial position of the Group may reduce the possibility for the Group to receive debt financing when the Bonds mature.

#### **Interest rate risks**

The Bonds' value depends on several factors, one of the most significant over time being the level of market interest. Investments in the Bonds involve a risk that the market value of the Bonds may be adversely affected by changes in market interest rates.

#### **Liquidity risks**

The Group intends to apply for listing of the Bonds on NASDAQ OMX Stockholm. However, the Group cannot guarantee that the Bonds will be admitted to trading. Further, even if securities are admitted to trading on a regulated market, there is not always active trading in the securities, so there are no guarantees that there will be a liquid market for trading in the Bonds or that this market will be maintained even if the Bonds are listed. This may result in the bondholders being unable to sell their Bonds when desired or at a price level which allows for a profit comparable to similar investments with an active and functioning secondary market. Lack of liquidity in the market may have an adverse effect on the market value of the Bonds. Furthermore, the nominal value of the Bonds may not be indicative compared to the market price of the Bonds if the Bonds are admitted to trading on NASDAQ OMX Stockholm.

It should also be noted that during a given time period it may be difficult or impossible to sell the Bonds (at all or on reasonable terms) due to, for example, severe price fluctuations, the relevant market being shut down or trade restrictions imposed on the market.

#### **The market price of the Bonds may be volatile**

The market price of the Bonds could be subject to significant fluctuations in response to actual or anticipated variations in the Group's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Bonds, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Bonds without regard to the Group's operating results, financial condition or prospects.

#### **Defaults and insolvency of subsidiaries**

In the event of insolvency, liquidation or a similar event relating to one of the Group's subsidiaries, all creditors of such subsidiary would be entitled to payment in full out of the assets of such subsidiary before the Group, as a shareholder, would be entitled to any payments. Defaults by, or the insolvency of, certain subsidiaries of the Group could result in the obligation of the Group to make payments under parent company financial or performance guarantees in respect of such subsidiaries' obligations or the occurrence of cross defaults on certain borrowings of the Group or its subsidiaries. There can be no assurance that the Group and its assets would be protected from any actions by the creditors of any subsidiary of the Group, whether under bankruptcy law, by contract or otherwise.

#### **Dependence on other companies in the Group**

The Company is a parent company and is dependent upon receipt of sufficient income related to the operation of and the ownership in the other entities within the Group to enable it to make payments under the Bonds. The Group's operating companies are legally separate and distinct from the Company and have no obligation to pay amounts due with respect to the Group's obligations and commitments or to make funds available for such payments. The ability of the Group's operating companies to make such payments to the Company is subject to, among other things, the availability of funds.



**Security package**

The Bonds are secured through the security package described in the Terms and Conditions. There can be no guarantee that the pledged assets will be sufficient for the bondholders should the pledges be realised. Other than the security created under the aforementioned pledges, the Bonds represent an unsecured obligation of the Group. This means that in the event of bankruptcy, reorganisation or winding-up of the Group, the holders of the Bonds normally receive payment after any priority creditors have been paid in full.

**Risks related to early redemption**

Under the Terms and Conditions, the Group has reserved the possibility to redeem all outstanding Bonds before the final redemption date. If the Bonds are redeemed before the final redemption date, the holders have the right to receive an early redemption amount which exceeds the nominal amount. However, there is a risk that the market value of the Bonds is higher than the early redemption amount and that 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 may only be able to do so at a significantly lower rate. It is further possible that the Group will not have sufficient funds at the time of the mandatory prepayment to make the required redemption of Bonds.

**Risks relating to the clearing and settlement in Euroclear's book-entry system**

The Bonds are affiliated to Euroclear's account-based system, and no physical notes have been, or will be, issued. Clearing and settlement relating to the Bonds is carried out within Euroclear's book-entry system, as are payment of interest and repayment of principal. Investors are therefore dependent on the functionality of Euroclear's account-based system for timely and accurate payment.

**Bondholder representation**

The Bond Trustee will, in accordance with the Terms and Conditions, represent all Holders in all matters relating to the Bonds. However, this does not rule out the possibility that the Holders, in certain situations, could bring their own action against the Group. To enable the Bond Trustee to represent the Holders in court, the Holders may have to submit a written power of attorney for legal proceedings. Under the Terms and Conditions, the Bond Trustee will have the right in some cases to make decisions and take measures that bind all Holders.

The Terms and Conditions include certain provisions regarding bondholders' meetings. Such meetings may be held in order to resolve on matters relating to the bondholders' interests. The Terms and Conditions allow for stated majorities to bind all Holders, including Holders who have not taken part in the meeting and those who have voted differently to the required majority, at a duly convened and conducted bondholders' meeting. Consequently, the actions of the majority in such matters could impact a bondholder's rights in a manner that would be undesirable for some of the Holders.

## Responsible for the information in the Prospectus

The Company issued the bond loan referred to in this Prospectus on 8<sup>th</sup> May 2013. The Prospectus has been prepared for the purpose of listing the Bonds at the corporate bond list on Nasdaq OMX Stockholm and in accordance with the Commission Regulation (EC) no 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council and the rules and regulations in Chapter 2 of the Swedish Financial Instruments Trading Act.

The Company is responsible for the contents of this Prospectus. The Company hereby assures that the Company has taken all reasonable care to ensure that the information in the Prospectus, to the best of the Company's knowledge, is in accordance with the actual conditions and that no information has been omitted which may distort the picture of the Company. The information in the Prospectus and in the documents incorporated by reference which derive from third parties has, as far as the Company knows and can judge on basis of other information made public by the respective third party, been correctly represented and no information has been omitted which may serve to render the information misleading or incorrect.

The Board of Directors is responsible for the contents of this Prospectus only under the conditions and to the extent set forth in Swedish law. The Board of Directors hereby assures that the Board of Directors has taken all reasonable care to ensure that the information in the Prospectus, to the best of the Board of Directors' knowledge, is in accordance with the actual conditions and that no information has been omitted which may distort the picture of the Company.

Gothenburg, 11<sup>th</sup> March 2014  
WEST ATLANTIC AB (PUBL)  
The Board of Directors

## The Bonds in brief

The following is a summary description of the Terms and Conditions of the Bonds and is qualified in its entirety by the full Terms and Conditions included in the section "Terms and Conditions".

The Bonds are debt instruments (Sw. skuldförbindelse) of the type set forth in Chapter 1 Section 3 of the Swedish Financial Instruments Accounts Act (Sw. lag (1998:1479) om kontoföring av finansiella instrument), intended for public market trading, which confirm that the holder has a claim on the Company. The Bonds constitute direct, general, unconditional, unsubordinated and secured obligations of the Company, and shall at all times rank pari passu without any preference among them. The Board of Directors of the Company resolved to issue the Bonds on 18<sup>th</sup> April 2013 and the Bonds were issued on 8<sup>th</sup> May 2013 and are the only bonds issued by the Company. The Bonds are secured in accordance with the Terms and Conditions including through pledges of lease agreements, intracompany loans, shares in the Company's aircraft owning subsidiary, European Turboprop Management AB (a Swedish limited liability company with corporate registration number 556609-4800), a pledged escrow account, and a pledged deposit account as well as pledged aircraft mortgages, as specified within the complete Terms and Conditions included within this Prospectus. The Bonds have been allocated the ISIN code SE0005133360.

The purpose of the Bond Issue was to use the net proceeds from the Bond Issue to acquire certain aircraft leased by the Group and to repay the loans relating to certain aircraft owned by the Group (approximately SEK 320,000,000), to repay certain corporate loans (approximately SEK 35,000,000) and to acquire additional aircraft and/or to repay the loans relating to certain other aircraft owned by the Group (approximately SEK 125,000,000).

The Bonds are denominated in SEK and the nominal amount of each Initial Note is SEK 1,000,000 (the "Nominal Amount"). The nominal amount of the 500 Initial Notes issued as of the date of this Prospectus is SEK 500,000,000. All Initial Notes were issued on a fully paid basis at an issue price of 100 per cent of the Nominal Amount. Provided that no Event of Default is continuing or would result from such issue and provided that certain financial covenants are fulfilled, the Issuer may, at one or several occasions, issue Bonds in (a) Subsequent Bond Issue(s). The price of such subsequent Bonds may be set at a discount or at a premium compared to the Nominal Amount. The maximum total nominal amount of Bonds may not exceed SEK 700,000,000 unless consent from the Holders is obtained in accordance with the Terms and Conditions. Subsequently issued Bonds shall benefit from and be subject to the Finance Documents, and the ISIN, the interest rate, the nominal amount and the final maturity applicable to the initially issued Bonds shall apply also to subsequently issued Bonds.

The Bonds have been issued in accordance with Swedish law and are connected to the account-based system of Euroclear, meaning that the Bonds are registered on behalf of the Holders on a Securities Account. No physical notes have been or will be issued. Payment of principal and interest as well as, if applicable, withholding of preliminary tax will be made through Euroclear.

The Company shall redeem all outstanding Bonds at the Nominal Amount together with accrued interest on the Final Redemption Date (8 May 2018) unless previously redeemed, pre-paid or repurchased and cancelled in accordance with Section 9 (Early redemption by request of the Company), Section 12 (The Group Companies' purchase of Bonds) or Section 18 (Put option due to a Change of Control Event) of the Terms and Conditions for the Bonds.

Payment in respect of principal and interest shall be made to the person who is a Holder on the relevant Record Date. The right to receive payment of the Nominal Amount is time-barred and becomes void ten years from the relevant redemption date. The Bonds bear interest from, but excluding, the Issue Date up to, and including, the Redemption Date at a fixed interest rate of 8.0% per annum. The interest is paid in arrears on

each Interest Payment Date and is calculated on a 30/360-days basis. Interest Payment Dates are 8 November and 8 May each year. The right to receive payment of interest is time-barred and becomes void three years from the relevant due date for payment.

Swedish Trustee AB (publ) is initially acting as the Company's Bond Trustee under the Terms and Conditions for the Bonds. Even without a separate authorization from the Holders, the Bond Trustee, or a person appointed by the Bond Trustee, is entitled to represent the Holders against the Company in every matter concerning the Bonds, whether or not in court or before an executive authority. Further, each Holder shall immediately upon request by the Bond Trustee provide the Bond Trustee with any such documents, including a written power of attorney, which the Bond Trustee deems necessary for the purpose of carrying out its duties under the Terms and Conditions for the Bonds. For further information on Swedish Trustee AB (publ), please see [www.swedishtrustee.se](http://www.swedishtrustee.se).

Each of the Company, the Bond Trustee and Holders representing 10% of the total outstanding Nominal Amount may, at any time, request that a Holders' meeting is convened or request a procedure in writing amongst the Holders, see further Section 20 (The Bond Trustee's right to represent the Holders, the authority of the Bond Trustee etc.) and Section 21 (Holders' meetings and procedure in writing) of the Terms and Conditions of the Bonds. Such meetings or procedures in writing can lead to a majority decision, binding for all Holders, is being passed.

The Bonds are freely transferrable and trading can occur from the Issue Date. The Bonds have been issued through a so called private placement. To simplify trading in the Bonds, the Company intends to apply for listing of the Bonds at the corporate bond list on Nasdaq OMX Stockholm in connection with the Swedish Financial Supervisory Authority's approval of this Prospectus. Further, the Terms and Conditions for the Bonds include an undertaking to list the Bonds not later than one year after the Issue Date, see further Section 13 (Special undertakings) of the Terms and Conditions for the Bonds. It is estimated that the total costs in conjunction with the admission to trading will be no higher than SEK 200,000. The number of Bonds being admitted to trading if the application is approved by NASDAQ OMX Stockholm is 500. Additional Bonds issued within the framework amount of SEK 700,000,000 under the Terms and Conditions may be admitted to trading pursuant to this Prospectus within one year after the approval of this Prospectus by the Swedish Financial Supervisory Authority. The listing is expected to occur during April 2014.

**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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact other Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- understand thoroughly the Terms and Conditions ; and

be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks. Each investor should be aware that there is a risk that an investor in the Bonds may lose all or part of their investment if the Group is declared bankrupt, carries out a reorganisation or is wound-up.

## Financial advisor

Pareto Securities AB acted as Issuing Agent and financial advisor to the Company in connection with the issue of the Bonds and received remuneration from the Company relating to its assistance.

## The Company and its operations

The Group, originally founded in 1962, is an outsourced provider of efficient regional air freight services to Express Integrators (23 percent of sales in 2012), such as DHL and UPS, and National Mail Organizations (“NMO”) (54 percent of sales in 2012), such as the Swedish Post, the Norwegian Post and the Royal Mail. The outsourced providers offer full turnkey air cargo capacity solutions supplying all of the necessary equipment, services, functions, licenses and expertise necessary to provide and manage a complete air cargo operation.

The Group, in its current form, was created in 2011 through the merger of two of European independent cargo airlines, West Air from Sweden and Atlantic Airlines from the United Kingdom. Now based in Gothenburg, the merged entity is Europe’s largest outsourced provider and the most experienced provider of unique, integrated ground-to-air logistics for the mail industry, based on the Group’s internal competitive analysis that is based on the number of national mail organisations served and the number of aircraft deployed.

The Group currently possesses over fifty aircraft, including 40 aircraft of the type ATP-F, which is recognized as the optimal model for short-haul regional air freight services. By the number of cargo aircraft. The Group is four times larger, according to the Group’s internal competitive analysis by turnover, than its closest and only competitor in the Nordic region, Amapola Flyg.

The Issuer, West Atlantic AB (publ), also being the Group’s parent company, was founded on 17<sup>th</sup> January 1995 and is a Swedish registered public liability company in accordance with the Swedish Companies Act (aktiebolagslagen 2005:551) with the corporate registration number 556503-6083, with the registered address at the Group’s headquarters at Prästgårdsgatan 1, 412 71 Göteborg, Sweden. The main operations for the parent company is related to air freight services within the Nordic region, primarily within Norway and Sweden.

## Business and operations

### The industry and market

Outsourced Providers such as West Atlantic are suppliers of air freight services to the Express and Mail sectors.

Express traffic was almost non-existent until the early 1990s when the Express Integrators (such as DHL and UPS) built air networks that were capable of offering overnight international delivery services and this service offering has been responsible for almost all of the European market growth since then. Express traffic now accounts for 54 percent of the entire intra-EU air freight market.

Whilst not showing the strong growth of the Express segment, air mail volumes have been consistently stable since the early 1990s, supported by increasing B2C e-commerce activity that compensates for the volume loss experienced through the general decline of traditional letter post. The Mail sector is not to a great extent affected by economic downturn. Being a service provided by state owned NMOs, regulated and monitored by governmental services' obligation to provide a high quality, next-day domestic mail service is rather stable.

### Business model and value added

The Group's revenues primarily derive from three different operations. Firstly, the Group offers customized air freight services for the global market. Secondly, the Group offers aircraft leasing, including wet and dry leases as well and aircraft management. Thirdly, the West Atlantic business includes base and line maintenance control and services.

The Integrated Express customers of the Group all operate their own long-haul large aircraft however, with the exception of TNT; none of them have their own in-house regional cargo aircraft capability and consequently require to outsource this part of their delivery chain. The Group has longstanding relationships with some of these customers and has, for instance, had DHL as a customer for 21 years.

The NMO customers of the Group are required to use dedicated air mail services in order to be able to meet their governmentally imposed, next-day, national delivery targets. Fundamental barriers of distance, geography and lack of alternative surface based road or rail infrastructure require that aircraft are employed to meet their service obligations and therefore the services offered by the Group are indispensable to its National Mail Organization customers. The Swedish Post has been with the Group for 18 years whereas the Royal Mail was a customer already 38 years ago.

Common to all contracts is that West Atlantic sells the entire cargo capacity of the aircraft to its customers and therefore takes no commercial risk in commercializing the available capacity. Furthermore, West Atlantic has no exposure to increasing fuel prices or landing fees as these risks are transferred to customers through contractual mechanisms.

## Group history

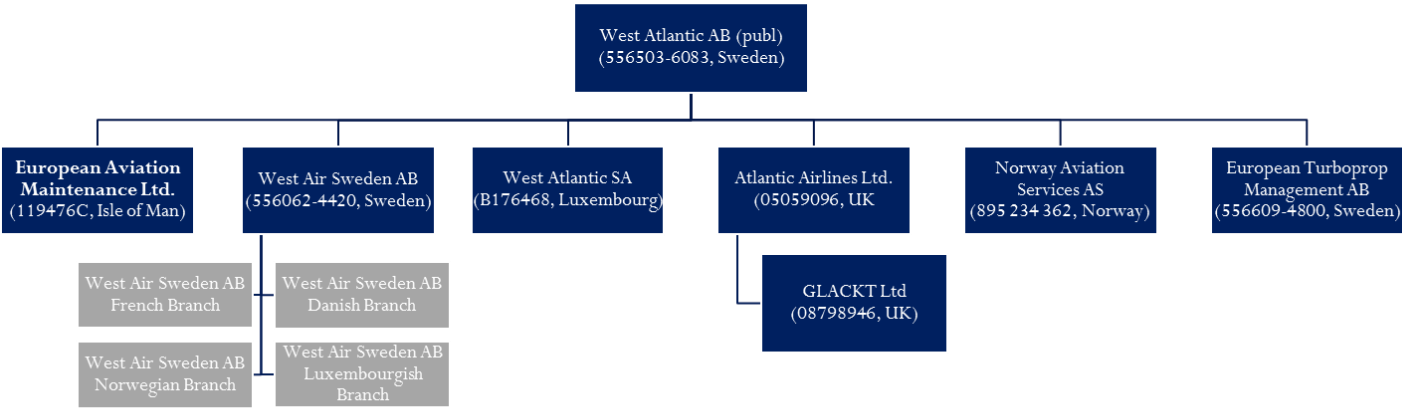
The below history of the Company includes the West Atlantic Group of companies in order to form a more comprehensive view of the Company and its history:

Year	Event
1962	The Company was founded and named Abal Air AB.
1967	The Company became a commercial air-taxi operator.
1989	New owner developed the Company further and expanded the fleet with new aircraft types and started mail operation.
1990	The Company increased mail and passenger operation with a new aircraft type, the Westwind.
1995	The Company was sold to Göran Berglund Intressenter AB, who made an investment and introduced the BAE HS 748 aircraft.
1996	The Company was honored 4 Swedish mail contracts with the new aircraft type.
1997	The Company was honored with two additional contracts and started to operate for Swedish manufacturers, e g Ericsson Communication.
1997	The Board of Directors took the decision to leave the passenger service and became a dedicated cargo airline.
1998	The Company started to fly outside of Sweden for the global integrators.
1999	The Company expanded its customer profile with increased operation outside of Scandinavia.
1999	The ATP-F development started.
2002	The ATP freighter was launched and the decision to set up an additional airline was taken
2003	West Air Luxembourg S.A started its operation with one ATP.
2005	The ATR freighter operation was launched.
2007	The Norwegian mail market was won in a public tender. The CRJ200PF was introduced as a new aircraft type for operations in northern Norway.
2011	The West Air Group acquired Atlantic Airlines Ltd, thus acquiring a large part of the UK market.
2012	The company commenced operations in Chile, South America. Further the Boeing 737-300 was introduced as a new aircraft type.
2013	The group sold its Luxembourg based airline West Air Luxembourg SA to an external investor. As part of a Group consolidation scheme the company closed the ATR operations (one aircraft) and exited South America to focus on core European operations. Thereto, a project to introduce Boeing 767-200/300 was launched coupled with the signing of a strategic partnership with Air Transport Services Group, Inc. (Nasdaq: ATSG), which in turn provided ATSG with a 25% shareholding of West Atlantic.

Overview of Group structure

The Issuer’s legal and commercial name is West Atlantic AB (publ) and its Swedish Reg. No. is 556503-6083. The registered office is at Prästgårdsgatan 1, 412 71 Göteborg, Sweden. The telephone number of the Issuer is +46 31 703 04 50. The Issuer was registered with the Swedish Companies Registration Office (Bolagsverket) on 17 January 1995. The Issuer is a public limited liability company (publikt aktiebolag) regulated by the Swedish Companies Act.

The Issuer is the parent company within the Group that consists of two airlines, West Air Sweden AB based in Gothenburg, Sweden, and Atlantic Airlines Ltd based in Coventry, United Kingdom as well as a leasing company that owns the Group’s aircraft portfolio, European Turboprop Management AB based in Gothenburg, Sweden. The Group also consists of four other subsidiaries and four branches to West Air Sweden for maintenance and corporate purposes, as detailed by the organisational chart below. Since the majority of the revenues of the Group come from the Company’s operational subsidiaries, the Company is dependent upon such subsidiaries.





## Share capital, shares and major shareholders

The Group, with the parent company West Atlantic AB (publ.) had a total shareholders' equity (aktiekapital) of SEK 27,004,640 million divided upon 27,004,640 shares as at 31 December 2012. The shares are denominated in SEK. The company has one class of shares, where each share entitles its holder to one vote at the general meeting and carries equal right to the Company's assets and profits. Following the strategic partnership agreement with Air Transport Services Group, Inc. (ASTG) the distribution between shareholders was allocated according to the table below as per 3<sup>rd</sup> January 2014.

Shareholder	Shares	% votes/capital
Göran Berglund	10 058 559	37,25%
ATSG WEST LIMITED (533753, IRE)	6 751 160	25,00%
Gustaf Thureborn	5 131 551	19,00%
Russell Ladkin	2 025 348	7,50%
Tony Auld	2 025 348	7,50%
ATLANTIC HOLDINGS LIMITED (02811673, UK)	759 506	2,81%
Nigel Hiorns	253 168	0,94%
<b>Total</b>	<b>27 004 640</b>	<b>100%</b>

## Market trends and recent developments

Following the issuance of the Bond the Group acquired the planned aircraft and re-financed the corporate loans as detailed within the Terms and Conditions.

In further progress during 2013, the Group sold its Luxembourg based airline West Air Luxembourg SA to an external party. Within the operations performed by West Air Luxembourg SA historically there has been continued negotiations with the French tax authorities – in total at this point in time not considered a material adverse change by the Group and negotiations as well as proceedings are well underway regarding the claims, which are yet to be conclusive.

Thereto, as part of a Group consolidation scheme the company ceased all ATR operations (a single aircraft) and the Group also chose to exit South America in order to focus on core European operations. Continuing to bringing added-value to our customers, the Group was also retained and gained new operations, primarily developing the 737 segment.

In addition, a project to introduce the significantly larger Boeing 767-200/300 was launched coupled with the signing of a strategic partnership with Air Transport Services Group, Inc. (Nasdaq: ATSG), which in turn provided ATSG with a 25% shareholding of West Atlantic.

There has been no material adverse change in the prospects of the Company since the date of publication of its last audited financial report and no significant change in the financial or market position of the Group since the end of the last financial period for which interim financial information has been published.

## Board of Directors, senior management and auditors

The business address for all members of the Board of Directors and the senior management is West Atlantic AB (Publ), Prästgårdsgatan 1, 412 71 Göteborg, Sweden. Main office switchboard is available at +46 31 703 04 50. The Board of Directors consist of five members and information concerning the Board of Directors and senior management is further detailed below.

### Board of Directors

**Göran Berglund**, Chairman of the board (born in 1942)

Mr Berglund acquired West Air Sweden in 1995 and has been the major shareholder and chairman since then. Mr Berglund currently owns 37.2 percent of the shares in the Group.

He has a background as professor of medicine and Dean of the Faculty of Medicine, Lund University. He also has extensive experience as a board member in medium (Hansa Medical AB, Biolin Scientific AB) and large size companies such as Ambea AB.

Mr Berglund has had a key role in the strategic decision making behind the growth of the Group and also in creating its corporate governance structure. Currently serves as a board member for the following non Group companies: Medicinkonsulterna Göran Berglund AB and NaturalCycles Nordic AB.

**Gustaf Thureborn**, Director & Group Chief Executive Officer (born in 1959)

In 1996, Mr Thureborn joined the cargo airline industry and was appointed Managing Director of West Air Sweden AB. Extensive financial experience from working for PK Banken for ten years followed by five years within corporate finance at Gamlestaden Industrier. Owns 19.0 percent of the shares in the Group.

Currently serves as a board member for the following non Group companies: Svenska Flygbranschens Service AB, Kommanditbolaget Maskrosen 17, Förvaltnings Aktiebolaget Säteriet, Fruit Processors i Götene Aktiebolag, Arcsec AB, VACS AB, Arne Jönsson Intressenter Aktiebolag, Fastigheten Welandergatan 48 Kommanditbolag, Bostadsrättsföreningen Förläggaregården Lövås, Förläggaregården Tyngel Kommanditbolag, Sundbo Fastighets Aktiebolag, Fastigheten Stenyxan 10 Kommanditbolag and Fastigheten Göteborg 6:8 Kommanditbolag.

**William Anthony Auld**, Director & CEO Atlantic Airlines Ltd (born in 1960)

Mr Auld joined Atlantic Airlines in 1999 where, in 2001, he and Mr Ladkin formed a MBO team to acquire Atlantic Airlines. Accountable Manager within the aviation industry for more than 20 years. Previously held various posts ranging from Ground Services Manager, Commercial Manager, Airport Manager, Managing Director and Chief Executive Officer. Owns 7.5 percent of the shares in the Group.

**Fredrik Lindgren**, Director (born in 1971)

Mr Lindgren joined West Atlantic as a Director in 2013. Holds a legal degree and a CEFA from the Stockholm School of Economics. Experience as a CEO, CFO and as a board member of several Swedish listed companies during the last twenty years. Currently a director in West Atlantic AB (publ), Image Systems AB, Borgeby Kids & Friends AB, Exini Diagnostics Aktiebolag, ProstaLund AB, Hansa Medical AB, Bölebyns Garveri Aktiebolag, Agbaleo AB, Larodan Fine Chemicals AB, Sustainably Yours AB and Larodan Holding AB.

**W. Joseph Payne**, Director (born in 1964)

Joined West Atlantic's Board during 2014. Senior Vice President, Corporate General Counsel and Secretary at Air Transport Services Group, Inc. Mr Payne was Vice President, General Counsel and Secretary, from January 2004 to February 2008, Corporate Secretary/Counsel from January 1999 to January 2004, and Assistant Corporate Secretary from July 1996 to January 1999. Mr Payne joined the ATSG group in April 1995.

## Senior management

**Magnus Dahlberg**, Chief Financial Officer (born in 1968)

Mr Dahlberg joined West Air Sweden in 2002 as Finance Director. Previous experience from Swedish regional passenger airlines and extensive financial experience from the banking industry. Graduated in Business Administration at Karlstad University.

**Robert Drews**, Group Technical Director (born in 1960)

Mr Drews joined West Atlantic in 1995 as Technical Manager and was appointed Technical Director in 2003. Mr Drews holds a university aeronautical degree and has accumulated 25 years of experience in senior roles within aviation maintenance management in a number of positions.

**Russell Ladkin**, Group Sales & Operations Director (born in 1971)

Joined Atlantic Airlines in 1989 serving as a pilot until 2002 when he transferred to full time ground duties.

Accrued more than 6,000 flying hours for the airline. In 2001, Mr Ladkin together with Mr Auld joined to form a successful partnership MBO team to acquire Atlantic Airlines.

Responsible for the Group's airline sales and marketing activity, including strategic direction, products and services development, new markets and regions, customer relationship management and operational service delivery. Owns 7.5 percent of the shares in the Group.

**Gustaf Thureborn** and **William Anthony Auld** are also members of the senior management, please see section "Board of Directors".

## Auditors

**Grant Thornton Sweden AB** has been appointed as the auditor of West Atlantic AB (publ) since 2010.

The assigned group partners, both being members of FAR, the professional institute for accountants in Sweden are **Ulf Careland**, Partner and Authorized Public Accountant, and **Claes Jörstam**, Partner and Authorized Public Accountant. Grant Thornton's business address is Kungsgatan 15, 403 14 Göteborg, Sweden.

## Conflict of interests

As far as the board of directors is aware, there exist no conflicts of interest between the duties of the board members in respect of the Issuer and their private interests and/or other duties.

## Financial interests

Several of the members of the Board of Directors as well as several of the members of the senior management have financial interests in the Company through direct or indirect shareholding of the Company.

## Documents incorporated by references

The following information has been incorporated into this Prospectus by reference and should be read as part of this Prospectus:

<b>Annual Report for 2011</b>	<b>Section</b>	<b>Pages</b>
	Directors' report	1–4
	The Group's profit and loss	5
	The Group's balance sheet	6–7
	The Group's cash flow statement	8
	The Company's profit and loss	9
	The Company's balance sheet	10–11
	The Company's cash flow statement	12
	Accounting Principles and Notes	13-26
<b>Appendix Annual Report 2011</b>	Auditors' report 2011	1-2

<b>Annual Report for 2012</b>	<b>Section</b>	<b>Pages</b>
	Directors' report	1–4
	The Group's profit and loss	5
	The Group's balance sheet	6–7
	The Group's cash flow statement	8
	The Company's profit and loss	9
	The Company's balance sheet	10–11
	The Company's cash flow statement	12
	Accounting Principles and Notes	13-25
<b>Appendix Annual Report 2012</b>	Auditors' report 2012	1-2

The reports can be obtained in paper at the Company's head office or can be viewed electronically on [www.westatlantic.eu](http://www.westatlantic.eu).

## Financial overview

The Group reports its accounts in accordance with Swedish Generally Accepted Accounting Principles ("SGAAP") and the Annual Reports are prepared in accordance with the Annual Accounts Act (1995:1554), as well as statements and general recommendations issued by the Swedish Accounting Standards Board (SASB). If general recommendations are not issued by SASB, guidance has been taken from the Swedish Financial Accounting Standards Council (SFASC) recommendations and in applicable cases statements issued by FAR, the professional institute for authorized public accountants in Sweden. In such cases this will be detailed in particular order within the report.

The incorporated annual reports by attachments are audited by the Issuer's auditor and includes an audit report for each year. These documents have been made public and have been handed in to the Swedish Financial Supervisory Authority. Investors should read all information which is incorporated in the Prospectus. The reports can be obtained in paper at the Company's head office or can be viewed electronically on [www.westatlantic.eu](http://www.westatlantic.eu).

## Legal information and supplementary information

### Material agreements

No company in the Group is party to any material agreement outside of the ordinary course of business which could result in such company having a right or an obligation that could materially affect the Company's ability to meet its obligations to the bondholders.

### Litigation

The Group is involved in proceedings with French authorities as described in section "Market trends and recent developments". Except for such proceedings, the Company has not, during the previous twelve months, been involved in and is not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

### Credit rating

Neither the Company nor the Bonds have a credit rating from an international credit rating institute.

## Documents available for inspection

Printed copies of the following documents are available at the Issuer's office during regular office hours, Prästgårdsgatan 1, 412 71 Göteborg, Sweden, during the validity period of this Prospectus:

- the Issuer's Articles of Association;
- the Agency agreement;
- the Terms and Conditions; and
- all documents which – by reference – are a part of this Prospectus.

TERMS AND CONDITIONS FOR  
WEST AIR EUROPE AB (PUBL)  
MAXIMUM SEK 700,000,000  
8.00% SENIOR SECURED BONDS  
2013/2018

ISIN: SE0005133360

Issue Date 8 May 2013

*The distribution of this document and the private placement of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required to inform themselves about, and to observe, such restrictions.*

**TERMS AND CONDITIONS FOR  
WEST AIR EUROPE AB (PUBL)  
MAXIMUM SEK 700,000,000  
8.00% SENIOR SECURED BONDS  
2013/2018  
ISIN SE0005133360**

**1 Definitions**

For the purpose of these Terms and Conditions the following definitions shall apply:

<b>“AAL”</b>	means Atlantic Airlines Ltd, reg. no. 05059096, Hangar 5, Coventry Airport, Baginton, Coventry, Warwickshire, CV8 3AZ, United Kingdom;
<b>“Account Operator”</b>	means a bank or other party duly authorised to operate as an account operator pursuant to the Swedish Financial Instruments Accounts Act (Sw. <i>lag (1998:1479) om kontoföring av finansiella instrument</i> ) and through which a Holder has opened a Securities Account in respect of the Bonds;
<b>“Accumulated Deferred Purchase Price”</b>	means the aggregate amount of all payments of the Deferred Purchase Price which, when made, exceeds the amount of the distribution which can be made in a fiscal year under Section 13.1 (a) (taking into account any other distributions made under that fiscal year);
<b>“Additional Aircraft”</b>	means any aircraft acquired by ETM (except for Leased Aircraft and Swedish Unmortgaged Aircraft) by use of funds released from the Escrow Account;
<b>“Advance Purchase Agreement”</b>	means (a) an advance or deferred purchase agreement if the agreement is in respect of the supply of assets or services and payment is due not more than 60 days after the date of supply, or (b) any other trade credit incurred in the ordinary course of business;
<b>“Affiliate”</b>	means, with respect to any entity, a person or other legal entity which, whether through ownership of voting securities, by contract or otherwise, controls, is under direct or indirect common control with, or manages such entity and which has the power to, directly or indirectly, direct the management and policies of the relevant entity;



<b>“Agent Agreement”</b>	means the fee agreement entered into between the Bond Trustee and the Company on or about the Issue Date regarding, <i>inter alia</i> , the remuneration payable to the Bond Trustee;
<b>“Aircraft-owning Company”</b>	means a legal entity which main objective is to own and operate aircraft;
<b>“Aircraft Pledge Agreements”</b>	means the aircraft pledge agreements to be entered into by the Bond Trustee and ETM pursuant to these Terms and Conditions, templates of which, relating to Swedish, English and Luxembourg law, respectively, shall have been agreed upon by the Bond Trustee, the Company and ETM as of the Issue Date;
<b>“Bank”</b>	means Svenska Handelsbanken AB (publ), reg. no. 502007-7862, SE-106 70 Stockholm, Sweden;
<b>“Banking Day”</b>	means a day (other than a Saturday, Sunday or other public holiday) on which banks are open for general business in Stockholm, Sweden;
<b>“Banking Day Convention”</b>	means the first following day that is a Banking Day;
<b>“Bond”</b>	means a debt instrument (Sw. <i>skuldförbindelse</i> ) of the type set forth in Chapter 1 Section 3 of the Swedish Financial Instruments Accounts Act (Sw. <i>lag (1998:1479) om kontoföring av finansiella instrument</i> ) and issued by the Company under these Terms and Conditions;
<b>“Bond Issue”</b>	means the issuance of the Bonds;
<b>“Bond Trustee”</b>	means the Holders’ agent and security trustee under these Terms and Conditions from time to time; initially Swedish Trustee AB (publ), reg. no. 556882-1879, c/o Stiftelsen Ackordscentralen, Strandvägen 35, SE-114 56 Stockholm, Sweden;
<b>“Bond-related Aircraft”</b>	means any Additional Aircraft, Financed Aircraft, Leased Aircraft, Swedish Unmortgaged Aircraft, SHB Aircraft (provided that the loan such SHB Aircraft is pledged as security for as of the Issue Date has been repaid by use of Net Proceeds) or any aircraft which has been acquired for funds released from the Deposit Account or raised through a Subsequent Bond Issue;
<b>“Bond-related Aircraft-owning Company”</b>	means an Aircraft-owning Company acquired for funds released from the Deposit Account or raised through a Subsequent Bond Issue;
<b>“Bond-unrelated Aircraft”</b>	means any aircraft which is not a Bond-related Aircraft;

<b>“Change of Control Event”</b>	means the occurrence of an event or series of events whereby one or more persons (not being one or more Majority Shareholders or its/their Affiliate(s)) acting together, acquire control over the Company and where <b>“control”</b> means (a) acquiring or controlling, directly or indirectly, more than 50.00 percent of the voting shares of the Company, or (b) the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Company;
<b>“Company”</b>	means West Air Europe AB (publ), reg. no. 556503-6083, P.O. Box 5433, SE-402 29 Gothenburg, Sweden;
<b>“Compliance Certificate”</b>	means a certificate, in form and substance satisfactory to the Bond Trustee, signed by the Company and certifying that, so far as it is aware, no Event of Default is continuing or, if it is aware that such event is continuing, specifying the events and steps, if any, being taken to remedy it, and, if the Compliance Certificate is provided in connection with a Financial Report being made available, the certificate shall include calculations and figures in respect of the ratio of Net Interest Bearing Debt to EBITDA and the Interest Coverage Ratio;
<b>“Conditions Precedent for Disbursement”</b>	means all actions set forth in Section 16.1 and the documents set forth in Section 16.2 (a) or 16.2 (b), as applicable;
<b>“Contemplated Structural Change”</b>	means the possible or ongoing changes to the Group’s legal structure, including the divestments of the Subsidiaries West Air Luxembourg S.A. and Medicinkonsulterna Berglund KB, the absorption of West Air Holding AB by the Company, the absorption of EAM Logistics Ltd by European Aviation Maintenance Ltd, the absorptions of Elite Crew Training Scandinavia AB and Regional Airlines of Sweden AB by West Air Sweden AB and the liquidation of ATR Leasing Ltd;
<b>“Corporate Loans”</b>	means approximately SEK 15,000,000 borrowed under the loan agreement entered into between certain Group Companies and Proventus AB on 19 November 2012, any amount borrowed under the invoice discounting agreement entered into between AAL and RBS Invoice Finance Limited on 11 November 2011, approximately SEK 1,200,000 borrowed by AAL from Silverstar and approximately SEK 500,000 borrowed by AAL and from Jupiter Trustee (in total, approximately SEK 35,000,000 will be outstanding under the Corporate Loans on the Issue Date);
<b>“CSD”</b>	means the central securities depository and registrar in respect of the Bonds from time to time, initially Euroclear Sweden AB,

reg. no. 556112-8074, P.O. Box 191, SE-101 23 Stockholm, Sweden;

<b>“Deferred Purchase Price”</b>	means the amount of the cash component of the purchase price for the shares in AAL which has not been paid, from time to time, and which amounted to approximately GBP 1,331,000 as of 22 April 2013;
<b>“Deposit Account”</b>	means the bank account with account number 725 255 498 held by the Company with the Bank which has been pledged in favour of the Bond Trustee and the Holders (represented by the Bond Trustee) under the Deposit Account Pledge Agreement;
<b>“Deposit Account Pledge Agreement”</b>	means the pledge agreement entered into between the Company and the Bond Trustee on or about the Issue Date in respect of a first priority pledge over the Deposit Account and all funds held on the Deposit Account from time to time, granted in favour of the Bond Trustee and the Holders (represented by the Bond Trustee);
<b>“Distribution Threshold”</b>	means, for the period up until 31 December 2015, 25.00 percent of the Group’s consolidated net profit (Sw. <i>årets resultat</i> ) after tax for the previous fiscal year based on the annual audited financial statements (and without accumulation of profits from previous fiscal years), and for the period after 31 December 2015, 50.00 percent of the Group’s consolidated net profit after tax for the previous fiscal year based on the annual audited financial statements (and without accumulation of profits from previous fiscal years);
<b>“Early Redemption Amount”</b>	means: <ul style="list-style-type: none"><li>(a) 104.00 percent of the Nominal Amount if the Early Redemption Date occurs during the period 9 May 2016 – 8 May 2017; and</li><li>(b) 102.00 percent of the Nominal Amount if the Early Redemption Date occurs during the period 9 May 2017 – 7 May 2018;</li></ul>
<b>“Early Redemption Date”</b>	means any Banking Day after 8 May 2016, but before the Final Redemption Date;
<b>“EBITDA”</b>	means, in respect of the Relevant Period, the consolidated profit of the Group from ordinary activities according to the latest Financial Report(s): <ul style="list-style-type: none"><li>(a) before deducting any amount of tax on profits, gains or income paid or payable by any Group Company;</li><li>(b) before deducting any Net Finance Charges;</li></ul>

- (c) not including any accrued interest owing to any Group Company;
- (d) before taking into account any exceptional or extraordinary items in accordance with IFRS or GAAP, as applicable, and before taking into account any Transaction Costs;
- (e) not including any costs in relation to aircraft leases attributable to the time prior to the Group accounts its financials in accordance with IFRS;
- (f) before taking into account any unrealised gains or losses on any derivative instrument (other than any derivative instruments which is accounted for on a hedge account basis);
- (g) after adding back or deducting, as the case may be, the amount of any loss or gain against book value arising on a disposal of any asset (other than in the ordinary course of trading) and any loss or gain arising from an upward or downward revaluation of any asset;
- (h) after deducting the amount of any profit (or adding back the amount of any loss) of any Group Company which is attributable to minority interests;
- (i) after adding back or deducting, as the case may be, the Group's share of the profits or losses of entities which are not part of the Group; and
- (j) after adding back any amount attributable to the amortisation, depreciation or depletion of assets of Group Companies;

**“Escrow Account”**

means a bank account with account number 725 254 718 of the Company held with the Bank, into which the Net Proceeds will be transferred and which has been pledged in favour of the Bond Trustee and the Holders (represented by the Bond Trustee) under the Escrow Account Pledge Agreement;

**“Escrow Account Pledge Agreement”**

means the pledge agreement entered into between the Company and the Bond Trustee on or about the Issue Date in respect of a first priority pledge over the Escrow Account and all funds held on the Escrow Account from time to time, granted in favour of the Bond Trustee and the Holders (represented by the Bond Trustee);

**“ETM”**

means European Turboprop Management AB, reg. no. 556609-4800, P.O. Box 5433, SE-402 29 Gothenburg, Sweden;

<b>“Event of Default”</b>	means the events, circumstances and situations set forth in Section 19.1;
<b>“Final Redemption Date”</b>	means 8 May 2018;
<b>“Finance Charges”</b>	means, for the Relevant Period, the aggregate amount of the accrued interest, commission, fees, discounts, payment fees, premiums or charges and other finance payments in respect of Financial Indebtedness whether paid, payable or capitalised by any Group Company according to the latest Financial Report(s) (calculated on a consolidated basis) without taking into account any Transaction Costs;
<b>“Financed Aircraft”</b>	means the eight aircraft which, as of the Issue Date, are owned by a Group Company and pledged as security for a loan (and which are not an SHB Aircraft), as set forth in Schedule 1 Section A, and where all loans which the Financed Aircraft are pledged as security for shall be refinanced, using the Net Proceeds, whereby all Financed Aircraft shall be pledged to the Holders (as represented by the Bond Trustee) and the Bond Trustee;
<b>“Financial Indebtedness”</b>	means any indebtedness in respect of: <ul style="list-style-type: none"> <li>a) monies borrowed or raised, including Market Loans;</li> <li>b) the amount of any liability which would constitute a finance lease according to IFRS (a lease which in the accounts of the Group is treated as an asset and a corresponding liability), regardless if the Group account its financials in accordance with IFRS or GAAP;</li> <li>c) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);</li> <li>d) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;</li> <li>e) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark to market value shall be taken into account);</li> <li>f) any counter indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and</li> </ul>

	g) (without double counting) any guarantee or other assurance against financial loss in respect of a type referred to in the above items (a)-(f);
<b>“Financial Report”</b>	means the annual audited consolidated financial statements of the Group, the annual audited unconsolidated financial statements of the Company, the quarterly interim unaudited consolidated reports of the Group or the quarterly interim unaudited unconsolidated reports of the Company, which shall be prepared and made available according to Section 13.1 (n) and 13.1 (o);
<b>“Force Majeure Event”</b>	has the meaning set forth in Section 28.1;
<b>“Group”</b>	means the Company and all Subsidiaries from time to time;
<b>“Group Company”</b>	means the Company or any of the Subsidiaries;
<b>“Holder”</b>	means a person registered on a Securities Account as direct registered owner (Sw. <i>ägare</i> ) or nominee (Sw. <i>förvaltare</i> ) with respect to a Bond;
<b>“ICAO Contracting State”</b>	means a state which has adhered to the Chicago Convention on International Civil Aviation;
<b>“Incurrence Test”</b>	the Incurrence Test is met if the ratio of Net Interest Bearing Debt to EBITDA is not greater than 4.00 and that the Interest Coverage Ratio exceeds 2.50;
<b>“Intercompany Loan”</b>	means the intercompany loan agreement entered into between the Company and ETM on or about the Issue Date, under which ETM shall borrow all amounts of the Net Proceeds which shall be used by ETM for the purposes set forth in Section 2.5;
<b>“Intercompany Loan Pledge Agreement”</b>	means the pledge agreement entered into between the Company and the Bond Trustee on or about the Issue Date regarding a first priority pledge of all the Company’s present and future money claims under the Intercompany Loan;
<b>“Interest Coverage Ratio”</b>	means the ratio of EBITDA to Net Finance Charges;
<b>“Interest Payment Date”</b>	means 8 May and 8 November of each year or, to the extent such day is not a Banking Day, the Banking Day following from an application of the Banking Day Convention (with the first Interest Payment Date on 8 November 2013 and the last Interest Payment Date being the relevant redemption date);
<b>“Interest Period”</b>	means (i) in respect of the first Interest Period, the period from, but excluding, the Issue Date up to and including the first Interest Payment Date, and (ii) in respect of subsequent Interest Periods, the period from, but excluding, an Interest Payment

	Date up to and including the next succeeding Interest Payment Date (or a shorter period if applicable), in no case adjusted due to an application of the Banking Day Convention;
<b>“Interest Rate”</b>	means interest at a fixed rate of 8.00 percent per annum;
<b>“Issue Date”</b>	means 8 May 2013;
<b>“Issuing Agent”</b>	means the issuing agent from time to time; initially Pareto Öhman AB, reg. no. 556206-8956, P.O. Box 7415, SE-103 91 Stockholm, Sweden;
<b>“Jet Stream Aircraft”</b>	means the seven aircraft set forth in Schedule 1 Section B;
<b>“Leased Aircraft”</b>	means the 21 aircraft which, as of the Issue Date, are leased by a Group Company (and which are not a leased Swedish Unmortgaged Aircraft or a Jet Stream Aircraft), as set forth in Schedule 1 Section C, and where all Leased Aircraft shall be acquired by ETM by use of Net Proceeds whereby all Leased Aircraft shall be pledged to the Bond Trustee and the Holders (as represented by the Bond Trustee);
<b>“Leasing Pledge Agreement”</b>	means the pledge agreement entered into between the relevant Group Companies and the Bond Trustee on or about the Issue Date regarding all Group Companies’ rights under any present or future leasing agreements entered into by any Group Company as lessor (except for leasing agreements relating to Bond-unrelated Aircraft), which shall be perfected upon an Event of Default;
<b>“Maintenance Test”</b>	the Maintenance Test is met if: <ul style="list-style-type: none"> <li>a) the ratio of Net Interest Bearing Debt to EBITDA is not greater than 5.00 during the year 2013, 4.50 during the year 2014 and 4.00 during the years 2015-2018; and</li> <li>b) the Interest Coverage Ratio exceeds 2.00 during the year 2013, 2.25 during the year 2014 and 2.50 during the years 2015-2018;</li> </ul>
<b>“Majority Shareholder”</b>	means any shareholder which owns at least 20.00 percent of all issued shares in the Company on the Issue Date;
<b>“Market Loan”</b>	means any loan or other indebtedness where an entity issues commercial paper, certificates, convertibles, subordinated debentures, bonds or any other debt securities (including, for the avoidance of doubt, medium term note programmes and other market funding programmes), provided in each case that such instruments and securities are or can be subject to trade on OMX or any other regulated or unregulated recognised market place;

<b>“Material Adverse Effect”</b>	means a material adverse effect on (a) the business, financial condition or operations of the Company and/or the Group taken as a whole, (b) the Company’s or any other Group Company’s ability to perform and comply with its obligations under these Terms and Conditions, the Escrow Account Pledge Agreement or the Pledge Agreements, or (c) the validity or enforceability of these Terms and Conditions, the Escrow Account Pledge Agreement or the Pledge Agreements;
<b>“Material Group Company”</b>	means the Company or a Subsidiary representing more than 5.00 percent of the total assets or 5.00 percent of the net sales of the Group on a consolidated basis according to the latest Financial Report;
<b>“Net Finance Charges”</b>	means, for the Relevant Period, the Finance Charges according to the latest Financial Report(s), after deducting any interest payable for that Relevant Period to any Group Company and any interest income relating to cash or cash equivalent investments;
<b>“Net Interest Bearing Debt”</b>	means the aggregate interest bearing debt less cash and cash equivalents, including funds held on the Deposit Account and the Escrow Account, of the Group according to the latest Financial Report or per the relevant testing date if measured in relation to the Incurrence Test (excluding interest bearing debt borrowed from any Group Company) in accordance with the applicable accounting principles of the Group from time to time;
<b>“Net Proceeds”</b>	means the proceeds from the Bond Issue which, after deduction has been made for certain transaction costs and an amount to be used by the Company for general corporate purposes (amounting to SEK 20,000,000 in total), shall be transferred to the Escrow Account;
<b>“Nominal Amount”</b>	has the meaning set forth in Section 2.1;
<b>“OMX”</b>	means NASDAQ OMX Stockholm AB, reg. no. 556383-9058, SE-105 78 Stockholm, Sweden;
<b>“Overdraft Facility”</b>	means the maximum SEK 50,000,000 overdraft facility agreement entered into between the Company and the Bank on 29 September 2011, or a maximum SEK 50,000,000 overdraft facility agreement with a reputable bank on principally the same terms as, and which may replace, the initial overdraft facility agreement;
<b>“Perfection Measures”</b>	means all measures required to perfect the security interest granted under the Deposit Account Pledge Agreement, the



Intercompany Loan Pledge Agreement and the Share Pledge Agreement;

**“Permitted Debt”**

means any Financial Indebtedness:

- a) comprised of the Deferred Purchase Price;
- b) related to any Group Company’s lease agreements (*Sw. hyresavtal*) or finance leases (excluding any finance leasing agreements entered into in relation to an aircraft), provided that such Financial Indebtedness is incurred in the ordinary course of such Group Company’s business and, as regards finance leases, which aggregate maximum amount does not exceed SEK 10,000,000 at any given time;
- c) existing prior to the Issue Date and related to the Leased Aircraft, the Financed Aircraft, the Swedish Unmortgaged Aircraft, the SHB Aircraft or the Jet Stream Aircraft;
- d) comprised of the Corporate Loans or incurred under the Overdraft Facility;
- e) taken up from a Group Company;
- f) arising under a derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price where such exposure arises in the ordinary course of business or in respect of payments to be made under these Terms and Conditions, but not a derivative transaction for investment or speculative purposes;
- g) incurred in the ordinary course of business under Advance Purchase Agreements;
- h) incurred under any counter-indemnity obligation having the effect of Financial Indebtedness incurred in the ordinary course of business and constituting Permitted Security; or
- i) if such Financial Indebtedness is incurred by another Group Company than ETM, meets the Incurrence Test and:
  - (i) is incurred as a result of a Subsequent Bond Issue by the Company under these Terms and Conditions, provided that the proceeds raised through the Subsequent Bond Issue are used to finance the

acquisition of new aircraft or an Aircraft-owning Company;

(ii) is incurred in order to finance the acquisition of Bond-unrelated Aircraft, an aircraft engine or an Aircraft-owning Company after the Issue Date;

(iii) is due to that an Aircraft-owning Company acquired after the Issue Date holds Financial Indebtedness; or

(iv) has a final redemption date or, when applicable, early redemption dates or instalment dates which occur after the Final Redemption Date, is unsecured and no guarantee has been provided in relation to the Financial Indebtedness;

**“Permitted Security”**

means any guarantee or security:

- a) created in accordance with these Terms and Conditions;
- b) arising by operation of law or in the ordinary course of business (including collateral or retention of title arrangements in connection with Advance Purchase Agreements but, for the avoidance of doubt, not including guarantees or security in respect of any monies borrowed or raised);
- c) provided in relation to any lease agreement (Sw. *hyresavtal*) entered into by a Group Company;
- d) existing on the Issue Date and provided in relation to the Financed Aircraft, the SHB Aircraft, a Corporate Loan or the Overdraft Facility;
- e) constituting counter-indemnity obligations under any bank guarantees or letters of credit issued by a bank or financial institution and drawings under any such bank guarantees or letters of credit, which in each case is provided in the ordinary course of business in relation to suppliers, other business partners, governmental bodies or authorities, and in an aggregate maximum amount not, at any time, exceeding the equivalent of 5.00 percent of the total outstanding aggregate Nominal Amount, and any security granted in relation to such counter-indemnity obligations;
- f) provided pursuant to a Subsequent Bond Issue by the Company under these Terms and Conditions; or
- g) comprised of a Bond-unrelated Aircraft, an Aircraft-owning Company or an aircraft engine acquired after the

Issue Date and such asset is pledged as security for the Permitted Debt raised to finance the acquisition of it (directly or indirectly);

<b>“Pledge Agreements”</b>	means the Aircraft Pledge Agreements, the Deposit Account Pledge Agreement, the Intercompany Loan Pledge Agreement, the Leasing Pledge Agreement, the Share Pledge Agreement and any other pledge agreement entered into by a Group Company under these Terms and Conditions, except for the Escrow Account Pledge Agreement;
<b>“QIB”</b>	has the meaning set forth in Section 5.6;
<b>“Qualified Majority”</b>	has the meaning set forth in Section 21 (d);
<b>“Record Date”</b>	means the fifth Banking Day prior to a payment date or, if at the relevant time another Banking Day is generally applied in the Swedish bond market as record date for such payment, such other Banking Day;
<b>“Relevant Period”</b>	means each period of 12 consecutive calendar months;
<b>“Restricted Payment”</b>	has the meaning set forth in Section 13.1 (a);
<b>“Securities Account”</b>	means a securities account (Sw. <i>VP-konto</i> ) in which each Holder’s holding of Bonds is registered;
<b>“SEK”</b>	means the lawful currency for the time being in Sweden;
<b>“Share Pledge Agreement”</b>	means the pledge agreement entered into between West Air Holding AB, reg. no. 556526-0378, or the Company (depending on if the ongoing Contemplated Structural Change involving the Company and West Air Holding AB has been completed) and the Bond Trustee on or about the Issue Date regarding a first priority pledge over the shares in ETM;
<b>“SHB Aircraft”</b>	means the two aircraft set forth in Schedule 1 Section D;
<b>“Subsequent Bond Issue”</b>	has the meaning set forth in Section 2.4;
<b>“Subsequent Perfection Measures”</b>	means, in relation to any Bond-related Aircraft or Bond-related Aircraft-owning Company, all measures required under applicable law to perfect a pledge over such aircraft or Aircraft-owning Company, including but not limited to such measures as described in a legal opinion which may be obtained by the Bond Trustee according to these Terms and Conditions;
<b>“Subsidiary”</b>	means a subsidiary of the Company according to Chapter 1 Section 11 of the Swedish Companies Act (Sw. <i>aktiebolagslagen (2005:551)</i> ) (or under such provision as may replace this provision);

<b>“Swedish Unmortgaged Aircraft”</b>	means the seven aircraft which, as of the Issue Date, are owned or leased by a Group Company and registered in Sweden but which have not been mortgaged (Sw. <i>intecknat</i> ), as set forth in Schedule 1 Section E;
<b>“Terms and Conditions”</b>	means these Terms and Conditions, as amended from time to time;
<b>“Transaction Costs”</b>	means all fees, costs and expenses, stamp, registration and other taxes incurred by a Group Company in connection with the (i) Bond Issue and (ii) the repayment of the Corporate Loans and the loans relating to the Financed Aircraft; and
<b>“U.S. Securities Act”</b>	has the meaning set forth in Section 5.5;
<b>“Voting List”</b>	has the meaning set forth in Section 21 (g).

## 2 The amount of the Bonds and undertaking to make payments

- 2.1** The aggregate amount of the bond loan will be an amount of up to SEK 700,000,000 and will be represented by Bonds, each of a nominal amount of SEK 1,000,000 or full multiples thereof (the “**Nominal Amount**”). The ISIN for the Bonds is SE0005133360.
- 2.2** The minimum permissible investment in connection with the Bond Issue is SEK 1,000,000.
- 2.3** The Company undertakes to repay the Bonds, to pay interest and to otherwise act in accordance and comply with these Terms and Conditions.
- 2.4** The Company may choose not to issue the full amount of Bonds on the Issue Date and may in such case, provided that (i) no Event of Default is continuing or would result from such issue and (ii) the Incurrence Test is met, choose to issue the remaining amount of Bonds at one or more subsequent dates (“**Subsequent Bond Issue**”). Bonds issued through a Subsequent Bond Issue (a) may be issued at another price than 100.00 percent of the Nominal Amount, (b) shall benefit from and be subject to the Pledge Agreements and a similar escrow arrangement as set forth in Section 16 and (c) shall, for the avoidance of doubt, have the same ISIN, Interest Rate, Nominal Amount, Final Redemption Date and other rights as Bonds issued on the Issue Date.
- 2.5** The Group shall use the Net Proceeds to acquire the Leased Aircraft and the six Swedish Unmortgaged Aircraft not already owned by a Group Company as of the Issue Date as well as to repay the loans relating to the Financed Aircraft (approximately SEK 320,000,000) and to repay the Corporate Loans (approximately SEK 35,000,000) and may use the remaining part of the Net Proceeds to acquire Additional Aircraft and/or to repay the loans relating to the SHB Aircraft (approximately SEK 125,000,000).
- 2.6** The Net Proceeds shall be transferred by the Issuing Agent to the Escrow Account on or about the Issue Date. For the purpose of securing that the Net Proceeds will be used by the Company in accordance with Section 2.5, the Escrow Account has been pledged in favour of the Holders (as represented by the Bond Trustee) and the Bond Trustee under the Escrow Account Pledge Agreement and any release from the Escrow Account is subject to Section 16.

### **3 Status**

The Bonds constitute direct, general, unconditional, unsubordinated and secured obligations of the Company and shall at all times rank *pari passu* and without any preference among them.

### **4 Security**

**4.1** As a continuing security for the due and punctual fulfilment of the Company's present and future obligations under these Terms and Conditions and the Agent Agreement, the Company and certain Subsidiaries have entered into and shall enter into the Pledge Agreements for the benefit of the Holders and the Bond Trustee.

**4.2** The Company shall ensure that the Pledge Agreements are duly executed by the respective Group Company in favour of the Holders (as represented by the Bond Trustee) and the Bond Trustee and that the Pledge Agreements are legally valid, perfected, enforceable and in full force and effect, subject to and in accordance with Section 16 as well as taking into account that the Leasing Pledge Agreement shall not be perfected until the occurrence of an Event of Default and that the Aircraft Pledge Agreements shall be executed, and the pledges thereunder consequently shall be perfected, continuously. The Company shall execute and procure the execution of such further documentation as the Bond Trustee may reasonably require in order for the Holders and the Bond Trustee to at all times maintain the security position envisaged hereunder.

**4.3** The Bond Trustee will hold the security created under the Pledge Agreements on behalf of itself and the Holders in accordance with these Terms and Conditions and the Pledge Agreements.

**4.4** Except if otherwise decided by the Holders according to the procedures set out in Section 21, the Bond Trustee is, without first having to obtain the Holders' consent, entitled to enter into binding agreements with the Company, its Subsidiaries or third parties if it is, in the Bond Trustee's sole discretion, necessary for the purpose of maintaining, releasing or enforcing the security created under the Pledge Agreements or for the purpose of settling the various Holders' relative rights to the security created under the Pledge Agreements, respectively.

**4.5** If the Bonds are declared due and payable according to Section 19, the Bond Trustee is, without first having to obtain the Holders' consent, entitled to enforce the security created under the Pledge Agreements, in such manner and under such conditions that the Bond Trustee finds acceptable (if in accordance with the Pledge Agreements).

**4.6** If a Holders' meeting has been convened to decide on the termination of the Bonds and/or the enforcement of all or any of the security created under all or any of the Pledge Agreements, the Bond Trustee is obligated to take actions in accordance with the Holders' decision regarding the security created under the Pledge Agreements. However, if the Bonds are not terminated due to that the cause for termination has ceased or due to any other circumstance mentioned in these Terms and Conditions, the Bond Trustee shall not enforce any of the security created under the Pledge Agreements. If the Holders, without any prior initiative from the Bond Trustee or the Company, have made a decision regarding termination of the Bonds and enforcement of any of the security created under the Pledge Agreements in accordance with the procedures set out in Section 21, the Bond Trustee shall promptly declare the Bonds terminated and enforce the security created under the Pledge Agreements. The Bond Trustee is however not liable to take action if the Bond Trustee considers cause for termination and/or acceleration not to be at hand,

unless the instructing Holders in writing commit to holding the Bond Trustee indemnified and, at the Bond Trustee's own discretion, grant sufficient security for the obligation.

- 4.7** Funds that the Bond Trustee receives on account of the Holders in connection with the enforcement of any or all of the security created under the Pledge Agreements constitute escrow funds (Sw. *redovisningsmedel*) according to the Escrow Funds Act (Sw. *lag (1944:181) om redovisningsmedel*) and must be held on a separate account on behalf of the Holders. The Bond Trustee shall promptly arrange for payments to be made to the Holders in such case. If the Bond Trustee deems it appropriate, it may, in accordance with Section 4.8, instruct the CSD to arrange for payment to the Holders.
- 4.8** For the purpose of exercising the rights of the Holders and the Bond Trustee under these Terms and Conditions and for the purpose of distributing any funds originating from the enforcement of any security created under any Pledge Agreement, the Company irrevocably authorises and empowers the Bond Trustee to act in the name of the Company, and on behalf of the Company, to instruct the CSD to arrange for payment to the Holders in accordance with Section 4.7. To the extent permissible by law, the powers set out in this Section 4.8 are irrevocable and shall be valid for as long as any Bonds remain outstanding. The Company shall immediately upon request by the Bond Trustee provide the Bond Trustee with any such documents, including a written power of attorney (in form and substance to the Bond Trustee's satisfaction), which the Bond Trustee deems necessary for the purpose of carrying out its duties under Section 4.7. Especially, the Company shall, upon the Bond Trustee's request, provide the Bond Trustee with a written power of attorney empowering the Bond Trustee to change the bank account registered with the CSD to a bank account in the name of the Bond Trustee and to instruct the CSD to pay out funds originating from an enforcement in accordance with Section 4.7 to the Holders through the CSD.

## **5 The Bonds and transferability**

- 5.1** Each Holder is bound by these Terms and Conditions without there being any further actions required to be taken or formalities to be complied with.
- 5.2** The Bonds are freely transferable. All Bond transfers are subject to these Terms and Conditions and these Terms and Conditions are automatically applicable in relation to all Bond transferees upon completed transfer.
- 5.3** Holders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable from time to time under local laws to which a Holder may be subject (due to, *e.g.*, its nationality, its residency, its registered address or its place(s) of business). Each Holder must ensure compliance with local laws and regulations applicable at its own cost and expense.
- 5.4** Upon a transfer of Bonds, any rights and obligations under the Escrow Account Pledge Agreement and the Pledge Agreements relating to such Bonds are automatically transferred to the transferee.
- 5.5** The Bonds have not been registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") and the Company is under no obligation to arrange for registration of the Bonds under the U.S. Securities Act or under any other law or regulation.
- 5.6** The Bonds are not offered to and may not be subscribed by investors located in the United States except for "Qualified Institutional Buyers" ("**QIB**") within the meaning of Rule 144A under the

U.S. Securities Act. In the application form each person applying for the Bonds must confirm whether it is a U.S. person as defined in Rule 902 of Regulation S under the U.S. Securities Act, and if it is a U.S. person it must confirm, *inter alia*, that it is a QIB.

- 5.7** Holders located in the United States are not permitted to transfer Bonds except (a) subject to an effective registration statement under the U.S. Securities Act, (b) to a person that the Holder reasonably believes is a QIB within the meaning of Rule 144A that is purchasing for its own account, or the account of another QIB, to whom notice is given that the resale, pledge or other transfer may be made in reliance on Rule 144A, (c) outside the United States in accordance with Regulation S under the U.S. Securities Act and (d) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder (if available).
- 5.8** For the avoidance of doubt and notwithstanding the above, a Holder which allegedly has purchased the Bonds in contradiction to mandatory restrictions applicable may nevertheless utilise its voting rights under these Terms and Conditions and shall be entitled to exercise its full rights as a Holder hereunder in each case until such allegations have been resolved.

## **6 Bonds in electronic book-entry form**

- 6.1** The Bonds will be issued in accordance with the Swedish Financial Instruments Accounts Act in electronic book-entry form and will be registered on behalf of each Holder on a Securities Account. No physical notes will be issued. Registration requests relating to the Bonds shall be directed to an Account Operator. Those who, according to assignment, pledge, the provisions of the Swedish Children and Parents Code (Sw. *Föräldrabalken (1949:381)*), conditions of will or deed of gift or otherwise have acquired a right to receive payments in respect of a Bond shall register their entitlement to receive payment in accordance with the Swedish Financial Instruments Accounts Act.
- 6.2** The Company and the Issuing Agent (in relation to Holders' meetings and procedures in writing under Section 21) shall be entitled to obtain information from the debt register (Sw. *skuldbok*) kept by the CSD in respect of the Bonds. At the request of the Bond Trustee, the Company shall request and provide any information in the debt register to the Bond Trustee.
- 6.3** The Company shall issue any necessary power of attorney to the Bond Trustee in order for the Bond Trustee to independently obtain information directly from the debt register. The Company may not revoke any such power of attorney unless directed by the Bond Trustee or unless consent thereto is given by the Holders.

## **7 Payments of principal and interest**

- 7.1** Payment of the Nominal Amount and/or interest will be made to the person who is a Holder, or who otherwise according to registration on a Securities Account is entitled to receive payment in respect of Bonds, on the Record Date immediately preceding the relevant payment date.
- 7.2** If a Holder has registered, through an Account Operator, that capital and interest shall be paid to a designated bank account, such payment will, subject to Section 7.3, be effectuated by the CSD on the relevant payment date. In other cases, payments will be transferred by the CSD to the Holder at the address registered with the CSD on the Record Date.

- 7.3** Should the CSD, due to a delay on behalf of the Company or some other obstacle, not be able to effect the payment of any amounts according to this Section 7, the Company shall procure that such amount is paid to the person who is registered as a Holder on the relevant Record Date as soon as possible after such obstacle has been removed.
- 7.4** If a person to whom payment has been made in accordance with this Section 7 was not entitled to receive such payment, the Company and the CSD shall nevertheless be deemed to have fulfilled their obligations, provided that the Company and/or the CSD did not have knowledge that such payment was made to a person not entitled to receive such amount and provided that the Company and/or the CSD acted with normal care.
- 7.5** The Company may not apply or perform any counterclaims or set-off against any payment obligations under these Terms and Conditions.

## **8 Redemption at maturity**

The Company shall redeem all outstanding Bonds at 100.00 percent of the Nominal Amount on the Final Redemption Date.

## **9 Early redemption by request of the Company**

- 9.1** The Company may redeem all, but not only some, of the Bonds early on any Early Redemption Date. The Company can exercise its option by giving the Holders not less than 30 calendar days' notice in accordance with Section 26. The notice shall be irrevocable and state the redemption date and the relevant Record Date.
- 9.2** The Bonds shall be redeemed at the relevant Early Redemption Amount together with accrued but unpaid interest in accordance with Section 10 from, but excluding, the preceding Interest Payment Date up to and including the relevant Early Redemption Date.
- 9.3** The Bonds may not be redeemed by request of the Company prior to the Final Redemption Date in any other circumstances.

## **10 Interest**

- 10.1** The Bonds will bear interest at the Interest Rate applied to the Nominal Amount from, but excluding, the Issue Date up to and including the relevant redemption date. Bonds issued pursuant to a Subsequent Bond Issue will, however, bear interest at the Interest Rate applied to the Nominal Amount from, but excluding, the Interest Payment Date falling immediately prior to their issuance up to and including the relevant redemption date.
- 10.2** Interest accrues during an Interest Period. Payment of interest in respect of the Bonds shall be made semi-annually in arrears to the Holders on each Interest Payment Date for the preceding Interest Period and shall be calculated on a 30/360-days basis.

## **11 Default interest**

- 11.1** If the Company fails to pay any amount due under these Terms and Conditions, the Company shall pay default interest on such amount at an annual rate corresponding to the Interest Rate plus 2.00 percentage points, from, but excluding, the date such payment was due, up to and including, the date of actual payment. Accrued default interest shall not be capitalised.



- 11.2 If the delay is due to a Force Majeure Event for the Company, the Bond Trustee, the CSD or the Issuing Agent, the default interest shall not exceed the Interest Rate.

## 12 The Group Companies' purchase of Bonds

- 12.1 Any Group Company may at any time purchase Bonds. Bonds held by a Group Company may at such Group Company's discretion be retained, sold or, if held by the Company, cancelled.
- 12.2 Bonds held by a Group Company in accordance with Section 12.1, 17.1 (c) or 18 will, as long as they are held by a Group Company, not carry the right to attend and vote at the Holders' meetings and will not be taken into account, *inter alia*, for the purposes of Section 20.4 or 21.

## 13 Special undertakings

- 13.1 So long as any Bonds remain outstanding, or until such other date as set forth below, the Company undertakes:
- (a) not to, and shall procure that no Subsidiary, (i) pay any dividend on shares, (ii) repurchase any of its own shares, (iii) redeem its share capital or other restricted equity with repayment to shareholders, (iv) repay or pay interest under any shareholder loans, (v) grant any loans, or (vi) make any other similar distribution or transfers of value (Sw. *värdeöverföringar*) to the Company's, or the respective Subsidiary's, direct and indirect shareholders or the Affiliates of such direct and indirect shareholders ((i) – (vi) above are together and individually referred to as a “**Restricted Payment**”), provided however that any such Restricted Payment can be made (a) by the Company if it is a payment (partly or fully) of the Deferred Purchase Price, (b) by the Company or any Subsidiary if such Restricted Payment is made to the Company or any Subsidiary and, if made by a Subsidiary which is not wholly-owned, is made on a *pro rata* basis or (c) if, at the time of the payment, no Event of Default is continuing and the aggregate amount of all Restricted Payments (including, for the avoidance of doubt, any payment of the Deferred Purchase Price) of the Group in any fiscal year (including the Restricted Payment in question) and of the aggregate Accumulated Deferred Purchase Price does not exceed the Distribution Threshold, provided that the Incurrence Test is met after including the Restricted Payment in question in the calculation of the Incurrence Test;
  - (b) to ensure (a) that the Bonds are listed at the corporate bond list on OMX not later than one year after the Issue Date and shall take all measures required to ensure that the Bonds, once listed on OMX, continue being listed on OMX for as long as any Bond is outstanding (however, taking into account the rules and regulations of OMX and the CSD (as amended from time to time) preventing trading in the Bonds in close connection to the redemption of the Bonds) and (b), upon any Subsequent Bond Issue, that the volume of Bonds listed on OMX promptly, but not later than 10 Banking Days after the relevant issue date, is increased accordingly;
  - (c) to procure that no substantial change is made to the general nature of the business carried on by the Group as of the Issue Date;
  - (d) not to, and shall procure that no Subsidiary, incur any additional Financial Indebtedness unless such Financial Indebtedness constitutes Permitted Debt;

- (e) not to, and shall procure that no Material Group Company, sell or otherwise dispose of shares in any Material Group Company or of all or substantially all of its or that Material Group Company's assets (including, for the avoidance of doubt, any sale of an aircraft) or operations (except if due to a Contemplated Structural Change) to any person not being the Company or any of its wholly-owned Subsidiaries, unless the transaction is carried out at fair market value and on Terms and Conditions customary for such transaction and provided that it does not have a Material Adverse Effect;
- (f) to, and shall procure that the Subsidiaries, (i) comply in all material respects with all laws and regulations applicable from time to time, and (ii) obtain, maintain (except if due to a Contemplated Structural Change), and in all material respects comply with, the Terms and Conditions of any authorisation, approval, licence or other permit required for the business carried out by the respective Group Company;
- (g) not to, and shall procure that no Subsidiary, (a) issue any floating charges (*Sw. företagsinteckning*) over its assets or pledge any floating charges existing as of the Issue Date or (b) provide, prolong or renew any guarantee or security over any of its/their assets (present or future) to secure any loan or other indebtedness; however that the Group Companies have a right to (i) provide, prolong and renew any Permitted Security, and (ii) retain, but not prolong or renew, any existing security in relation to indebtedness held by an Aircraft-owning Company acquired by a Group Company after the Issue Date;
- (h) to ensure that the Maintenance Test is met;
- (i) to ensure that ETM is the owner of all Bond-related Aircraft and all Bond-related Aircraft-owning Companies held by the Group with proprietary rights (*Sw. äganderätt*) from time to time (if applicable, as soon as possible after any such aircraft is acquired and then taking into account the possibility of back to back acquisitions where ETM is the final purchaser), except for any aircraft owned by a Bond-related Aircraft-owning Company;
- (j) to ensure that all Bond-related Aircraft (unless registered in Sweden and unmortgaged) and Bond-related Aircraft-owning Companies acquired by the Group are pledged with first priority in favour of the Holders (as represented by the Bond Trustee) and the Bond Trustee under a pledge agreement in accordance with the applicable Aircraft Pledge Agreement or which otherwise is acceptable to the Bond Trustee and that all Subsequent Perfection Measures in relation to such pledge are taken to the satisfaction of the Bond Trustee as soon as practically possible after the acquisition;
- (k) to procure that ETM, when a pre-existing pledge over a Financed Aircraft or an SHB Aircraft is released (provided that the loan such SHB Aircraft is pledged as security for as of the Issue Date has been repaid by use of Net Proceeds) or a Swedish Unmortgaged Aircraft is registered in Luxembourg or the United Kingdom, pledges such Financed Aircraft, SHB Aircraft or Swedish Unmortgaged Aircraft with first priority in favour of the Holders (as represented by the Bond Trustee) and the Bond Trustee under a pledge agreement in accordance with the applicable Aircraft Pledge Agreement or which otherwise is acceptable to the Bond Trustee and that all Subsequent Perfection Measures

are taken to the satisfaction of the Bond Trustee as soon as practically possible after the pre-existing lender has released the pledge over the relevant aircraft;

- (l) to procure that no Group Company divests any Bond-related Aircraft or Bond-related Aircraft-owning Company unless an amount corresponding to the purchase price for the aircraft or Aircraft-owning Company is transferred to the Deposit Account in connection with such divestment (whereby such funds may be used in accordance with Section 17.1), in which case the Bond Trustee shall be obligated to release the security interest over the divested Bond-related Aircraft or the Bond-related Aircraft-owning Company when the purchase price therefor has been transferred to the Deposit Account;
- (m) to, and shall procure that the Subsidiaries, conduct all dealings with the direct and indirect shareholders of the Group Companies (excluding other Group Companies) and/or any Affiliates of such direct and indirect shareholders, at arm's length terms;
- (n) to prepare and make available the annual audited consolidated financial statements of the Group and the annual audited unconsolidated financial statements of the Company, both including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Company's board of directors, on its website not later than 4 months after the expiry of each financial year;
- (o) to prepare and make available the quarterly interim unaudited consolidated reports of the Group and the quarterly interim unaudited unconsolidated reports of the Company, both including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Company's board of directors, on its website not later than 2 months after the expiry of each relevant interim period (where the first relevant interim period is the second quarter of the year 2013);
- (p) to issue a Compliance Certificate to the Bond Trustee when and each time a Financial Report is made available and, at the Bond Trustee's request, within 20 calendar days from such request; and
- (q) to keep the latest version of these Terms and Conditions available on the website of the Group.

**13.2** The Company shall notify the Bond Trustee of any transaction referred to in Section 13.1 (e) and shall, upon request by the Bond Trustee, provide the Bond Trustee with (i) any information relating to the transaction which the Bond Trustee deems necessary, and (ii) a determination from the Company which states whether the transaction has a Material Adverse Effect or not. The Bond Trustee may assume that any information provided by the Company is correct, and the Bond Trustee shall not be responsible or liable for the adequacy, accuracy or completeness of such information. The Bond Trustee is not responsible for assessing if the transaction may have any Material Adverse Effect, but is not bound by the Company's determination whether the transaction has a Material Adverse Effect or not.

**13.3** When the Bonds have been listed on OMX, the Financial Reports referred to in in Section 13.1 (n) and 13.1 (o) shall, in addition, be prepared in accordance with IFRS and made available in accordance with the rules and regulations of OMX and the Swedish Securities Market Act (Sw. *lag (2007:528) om värdepappersmarknaden*).

## **14 Calculations of the Incurrence Test and the Maintenance Test**

### **14.1** Calculations in relation to the Incurrence Test shall be made taking into account that:

- (a) the ratio of Net Interest Bearing Debt to EBITDA shall be measured as per a testing date determined by the Company, falling no more than one month prior to the incurrence of the new Financial Indebtedness or payment of the Restricted Payment, as applicable, where the Net Interest Bearing Debt shall be measured on the relevant testing date so determined, but include the new Financial Indebtedness, provided it is an interest bearing obligation (however, any cash balance resulting from the incurrence of the new Financial Indebtedness shall not reduce the Net Interest Bearing Debt) or payment of the Restricted Payment, as applicable, and where the EBITDA for the Relevant Period shall be measured on the last day of the period covered by the most recent Financial Report;
- (b) the Interest Coverage Ratio for the Relevant Period shall be measured on the last day of the period covered by the most recent Financial Report; and
- (c) the figures for EBITDA, Finance Charges and Net Finance Charges shall, if relevant, be adjusted so that:
  - (i) any Aircraft-owning Company acquired or disposed of by the Group during the Relevant Period, or after the end of the Relevant Period but before the relevant testing date, shall be included or excluded (as applicable), *pro forma*, for the entire Relevant Period; and
  - (ii) any Aircraft-owning Company to be acquired with the proceeds from new Financial Indebtedness shall be included, *pro forma*, for the entire Relevant Period;

provided that the *pro forma* adjustments for EBITDA, Finance Charges and Net Finance Charges have been confirmed by a reputable accounting firm and the Company has provided evidence thereof to the Bond Trustee.

### **14.2** Calculations in relation to the Maintenance Test shall be made taking into account that the ratio of Net Interest Bearing Debt to EBITDA and the Interest Coverage Ratio for the Relevant Period shall be measured on the last day of the period covered by the most recent Financial Report, where, if relevant, the figures for EBITDA, Finance Charges and Net Finance Charges shall be adjusted so that any Aircraft-owning Company acquired or disposed of by the Group during the Relevant Period shall be included or excluded (as applicable), *pro forma*, for the entire Relevant Period provided that the *pro forma* adjustments for EBITDA, Finance Charges and Net Finance Charges have been confirmed by a reputable accounting firm and the Company has provided evidence thereof to the Bond Trustee.

## **15 Registration as of nationality of the Group's aircraft fleet**

### **15.1** No aircraft owned or leased by any Group Company (except for Bond-unrelated Aircraft), but not pledged in favour of the Holders (as represented by the Bond Trustee) and the Bond Trustee, may be transferred from the nationality register in which it is registered to the nationality register of any state unless (i) such other state is an ICAO Contracting State and (ii) the Bond Trustee, in its sole opinion and discretion, deems that when a pledge will be granted over the aircraft in

favour of the Bond Trustee, under the laws of such ICAO Contracting State, such pledge will confer upon the Holders (as represented by the Bond Trustee) and the Bond Trustee an, in all material respects, equivalent or better security interest than if such pledge had been granted under the laws of Sweden, the United Kingdom or Luxembourg (as applicable), and the rights of the Holders (as represented by the Bond Trustee) and the Bond Trustee would not be negatively affected in any other way by such change of registration. For the avoidance of doubt, this means that no aircraft registered outside Sweden may be registered in Sweden, unless the Company procures that such aircraft is pledged to the Holders (as represented by the Bond Trustee) and the Bond Trustee when it is acquired by the Group.

- 15.2** If an aircraft has been pledged in favour of the Bond Trustee and the Holders (as represented by the Bond Trustee) and the Bond Trustee, the Group Companies shall only have a right to make a change to the registration as of nationality of the aircraft from the nationality register in which it is registered to the nationality register of another state if such other state is an ICAO Contracting State and (i) the pledge over the aircraft survives the change of registration and the rights of the Holders (as represented by the Bond Trustee) and the Bond Trustee under the pledge are, in the Bond Trustee's sole opinion and discretion, preserved, protected and not adversely affected by such change of registration, or (ii) a new pledge is granted over the aircraft after the change of registration has been made which, in the Bond Trustee's sole opinion and discretion, confer upon the Holders (as represented by the Bond Trustee) and the Bond Trustee an, in all material respects, equivalent or better security interest and provided that the rights of the Holders (as represented by the Bond Trustee) and the Bond Trustee are not, in the Bond Trustee's sole opinion and discretion, negatively affected by such change of registration in any other way.

## **16 Conditions Precedent for Disbursement of the Net Proceeds**

- 16.1** The Bond Trustee's approval of the disbursement from the Escrow Account of any amount of the Net Proceeds is subject to that the Deposit Account Pledge Agreement, the Intercompany Loan Pledge Agreement, the Leasing Pledge Agreement and the Share Pledge Agreement have been entered into, that all Perfection Measures have been taken in form and substance satisfactory to the Bond Trustee and that templates for the Aircraft Pledge Agreements have been agreed by the Company, ETM and the Bond Trustee.
- 16.2** The Bond Trustee's approval of disbursement of any funds from the Escrow Account is, in addition to Section 16.1, subject to the following documents being received by the Bond Trustee, in form and substance satisfactory to it:
- (a) if the proceeds shall be used to acquire a Leased Aircraft, a Swedish Unmortgaged Aircraft or an Additional Aircraft:
    - (i) a purchase agreement entered into by ETM regarding the acquisition of such aircraft and that no conditions for the fulfilment of the purchase agreement are outstanding except for payment of the purchase price and delivery of the aircraft and the thereto related bill of sale;
    - (ii) a pledge agreement in accordance with the applicable Aircraft Pledge Agreement or which otherwise is acceptable to the Bond Trustee entered into by ETM in favour of the Holders (as represented by the Bond Trustee) and the Bond Trustee

in relation to such aircraft (unless the aircraft is registered in Sweden and unmortgaged); and

- (iii) evidence that the amount to be released from the Escrow Account (if necessary after a foreign exchange transaction has been made) shall be applied towards payment of the purchase price for the aircraft; or
- (b) if the proceeds shall be used to repay a Corporate Loan or a loan relating to a Financed Aircraft or an SHB Aircraft:
  - (i) evidence that the amounts to be released from the Escrow Account (if necessary after a foreign exchange transaction has been made) shall be applied towards repayment of such loan;
  - (ii) in relation to a Financed Aircraft or an SHB Aircraft, a pledge agreement in accordance with the applicable Aircraft Pledge Agreement or which otherwise is acceptable to the Bond Trustee entered into by ETM in favour of the Holders (as represented by the Bond Trustee) and the Bond Trustee in relation to such Financed Aircraft or SHB Aircraft; and
  - (iii) a duly executed release letter from the relevant lender confirming that all security provided in relation to the loan will be released, that any promissory note (Sw. *skuldebrev*) issued in relation to the loan will be returned upon repayment thereof and that any facility in relation to the loan is cancelled.

**16.3** Each time the relevant Conditions Precedent for Disbursement have been fulfilled to the satisfaction of the Bond Trustee, the Bond Trustee shall instruct the Bank to transfer the amount set forth in the evidence of payment referred to in Section 16.2 (a) (iii) or 16.2 (b) (i), as applicable, from the Escrow Account for the purpose of payment of the purchase price for the Leased Aircraft, Swedish Unmortgaged Aircraft or Additional Aircraft or repayment of the Corporate Loan or the loan relating to the Financed Aircraft or the SHB Aircraft, as applicable.

**16.4** When:

- (a) all Conditions Precedent for Disbursement set forth in Section 16.2 relating to all Leased Aircraft, Swedish Unmortgaged Aircraft, Financed Aircraft and Corporate Loans and all Conditions Precedent for Disbursement set forth in Section 16.2 relating to any acquired Additional Aircraft and/or any SHB Aircraft have been fulfilled to the satisfaction of the Bond Trustee; and
- (b) all Leased Aircraft and Financed Aircraft and any acquired Additional Aircraft and/or any SHB Aircraft have been pledged with first priority to the Holders (as represented by the Bond Trustee) and the Bond Trustee and all Subsequent Perfection Measures in relation thereto have been completed (unless an aircraft is registered in Sweden and unmortgaged);

the Bond Trustee shall upon the request of the Company instruct the Bank to transfer:

- (c) an amount not exceeding the difference between the balance on the Escrow Account and SEK 125,000,000 (if such amount is positive) to a bank account specified by the Company to be used for general corporate purposes; and/or

- (d) any residual funds from the Escrow Account to the Deposit Account (whereby such funds may be used in accordance with Section 17.1).
- 16.5** When the transfer under Section 16.4 (d) has been made, the Bond Trustee shall release the pledge over the Escrow Account.
- 16.6** If the SEK 355,000,000 designated for the acquisition of the Leased Aircraft and the Swedish Unmortgaged Aircraft and the repayment of the loans relating to the Financed Aircraft and the Corporate Loans as set forth in Section 2.5 would not suffice for such purposes, additional monies of the SEK 125,000,000 designated for the acquisition of Additional Aircraft and repayment of the loans relating to the SHB Aircraft shall be applied for such former purposes.
- 17 Release of funds from the Deposit Account**
- 17.1** Upon request by the Company, the Bond Trustee shall be obligated to release funds from the Deposit Account if:
  - (a) such funds shall be used to acquire a Bond-unrelated Aircraft or an Aircraft-owning Company, provided that:
    - (i) the funds to be released from the Deposit Account constitute the purchase price for the Bond-unrelated Aircraft or the Aircraft-owning Company (partly or in full) and such funds are transferred directly to the seller of the Bond-unrelated Aircraft or the Aircraft-owning Company;
    - (ii) no conditions for the fulfilment of the acquisition of the Bond-unrelated Aircraft or the Aircraft-owning Company are outstanding except for payment of the purchase price and (as regards a Bond-unrelated Aircraft) delivery of the Bond-unrelated Aircraft and the thereto related bill of sale or (as regards an Aircraft-owning Company) delivery of the share certificates representing the shares of the Aircraft-owning Company (if applicable); and
    - (iii) a pledge agreement in accordance with the applicable Aircraft Pledge Agreement or which otherwise is acceptable to the Bond Trustee has been entered into in favour of the Holders (as represented by the Bond Trustee) and the Bond Trustee in relation to such Bond-unrelated Aircraft (unless the Bond-unrelated Aircraft is registered in Sweden and unmortgaged) or Aircraft-owning Company and (as regards a Bond-unrelated Aircraft) a complete application for the registration of such pledge is submitted to the relevant authority in immediate connection with the release of the funds from the Deposit Account;
  - (b) such funds shall be used to pay for performed value-adding upgrades, improvements, repairs and reconfiguration of an aircraft, provided that:
    - (i) the funds to be released from the Deposit Account constitute the price to pay for such modifications (partly or in full) and such funds are transferred directly to the party which shall perform such modifications (however not a Group Company); and

- (ii) the aircraft which is subject to the modifications is owned by ETM and pledged in favour of the Holders (as represented by the Bond Trustee) and the Bond Trustee; or
  - (c) the funds shall be used to acquire Bonds, provided that the funds to be released from the Deposit Account for the purchase for such Bonds do not exceed the Nominal Amount of such Bonds. Such acquired Bonds may, in the sole discretion of the Company, be either
    - (i) cancelled by the Company (whereby the aggregate outstanding Nominal Amount thereby is decreased),
    - (ii) retained and/or
    - (iii) sold provided that, when such Bonds are sold, the proceeds are transferred to the Deposit Account.
- 17.2** If the Bond Trustee, in its own discretion, deems that the conditions relating to the relevant situation as set forth in Section 17.1 have been or will be (as applicable) duly completed (as evidenced by a purchase agreement, payment instruction, pledge registration application, contract note or similar), the Bond Trustee shall be obligated to release the funds from the Deposit Account for the specified purpose.

## **18 Put option due to a Change of Control Event**

- 18.1** The Company shall immediately notify the Holders and the Bond Trustee upon becoming aware of the occurrence of a Change of Control Event. Such notice may be given in advance of the occurrence of a Change of Control Event, conditioned upon the occurrence of such Change of Control Event, if a definitive agreement is in place providing for a Change of Control Event.
- 18.2** Upon occurrence of a Change of Control Event, each Holder shall have the right to request that all or some of its Bonds are repurchased at a price per Bond equal to 101.00 percent of the Nominal Amount together with accrued but unpaid interest, during a period of 60 calendar days following a notice from the Company of the Change of Control Event pursuant to Section 18.1 (after which time period such right shall lapse). However, such period may not start earlier than upon the occurrence of the Change of Control Event.
- 18.3** The notice from the Company pursuant to Section 18.1 shall specify the repurchase date and include instructions about the actions that a Holder needs to take if it wants Bonds held by it to be repurchased.
- 18.4** If a Holder has so requested, and acted in accordance with the instructions in the notice from the Company, the Company shall repurchase the relevant Bonds and the repurchase amount shall fall due on the repurchase date specified in the notice given by the Company pursuant to Section 18.1. The repurchase date must fall no later than 20 Banking Days after the end of the period referred to in Section 18.2.
- 18.5** The Company shall comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Bonds. To the extent that the provisions of such laws and regulations conflict with the provisions in this Section 18, the Company shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Section 18 by virtue of the conflict.



## **19 Termination of the Bonds**

**19.1** The Bond Trustee is entitled, on behalf of the Holders, to terminate the Bonds and to declare all but not only some of the Bonds due for payment immediately or at such later date as the Bond Trustee determines (such later date not falling later than 20 Banking Days from the date on which the Bond Trustee made such declaration), if:

- (a) the Company fails to pay an amount on the date it is due in accordance with these Terms and Conditions unless its failure to pay is due to an existence of a Force Majeure Event or payment is made within 5 Banking Days of the due date;
- (b) any Group Company does not comply with these Terms and Conditions, in any other way than as set out in Section 19.1 (a) or with the Pledge Agreements or the Escrow Account Pledge Agreement, provided that the Bond Trustee has requested the Company in writing to remedy such failure and the relevant Group Company has not remedied the failure within 15 Banking Days from such request (if in the opinion of the Bond Trustee (acting reasonably), the failure or violation is not capable of being remedied, the Bond Trustee may declare the Bonds payable without such prior written request);

- (c)
  - (i) any Financial Indebtedness of any Material Group Company is not paid when due or within any originally applicable grace period;
  - (ii) an event of default howsoever described (or any event which with the giving of notice, lapse of time, determination of materiality or fulfilment of any other applicable condition or any combination of the foregoing would constitute such an event of default) occurs under any document relating to Financial Indebtedness of any Material Group Company; or
  - (iii) any security interest securing Financial Indebtedness over any asset of any Material Group Company becomes enforceable;

provided however that the amount of Financial Indebtedness referred to under (i), (ii) and/or (iii), individually or in the aggregate exceeds an amount corresponding to SEK 10,000,000 and provided that it does not apply to any Financial Indebtedness owed to a Group Company;

- (d)
  - (i) any Material Group Company is unable or admits inability to pay its debts as they fall due or is declared to be unable to pay its debts under applicable law, suspends making payments on its debts generally or, by reason of actual or anticipated financial difficulties, commences negotiations with its creditors with a view to rescheduling its Financial Indebtedness; or
  - (ii) a moratorium is declared in respect of the Financial Indebtedness of any Material Group Company;
- (e) any corporate action, legal proceedings or other procedures or steps are taken (other than (i) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within 30 calendar days of commencement or, if earlier, the date on

which it is advertised and (ii) in relation to Subsidiaries, solvent liquidations) in relation to:

- (i) the suspension of payments, winding-up (except if due to a Contemplated Structural Change), dissolution (except if due to a Contemplated Structural Change), administration or reorganisation (Sw. *företagsrekonstruktion*) (by way of voluntary agreement, scheme of arrangement or otherwise) of any Material Group Company;
- (ii) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of any Material Group Company or any of its assets; or
- (iii) any analogous procedure or step is taken in any jurisdiction;

(f)

- (i) a decision is made that any Material Group Company shall be demerged or merged into a company which is not a Group Company, unless the Bond Trustee has given its consent (not to be unreasonably withheld or delayed) in writing prior to the merger and/or demerger (where consent is not to be understood as a waiver of the rights that applicable law at the time assigns the concerned creditors); or
- (ii) the Company merges with any other person, or is subject to a demerger, with the effect that the Company is not the surviving entity;

(g) any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of any Material Group Company having an aggregate value equal to or exceeding SEK 10,000,000 and is not discharged within 30 calendar days;

(h) it is or becomes impossible or unlawful for a Group Company to fulfil or perform any of the provisions of these Terms and Conditions, any Pledge Agreement or the Escrow Account Pledge Agreements or if the obligations under these Terms and Conditions, any Pledge Agreement or the Escrow Account Pledge Agreement are not, or cease to be, legal, valid, binding and enforceable; or

(i) any Material Group Company ceases to carry on its business, except if due to (i) a permitted merger or demerger as stipulated in Section 19.1 (f) above, (ii) a permitted disposal of assets as stipulated in Section 13.1 (e) or (iii) a Contemplated Structural Change.

**19.2** If the Bonds are declared due and payable, the Company shall redeem the Bonds at a redemption amount equal to the applicable Early Redemption Amount (or at 104.00 percent of the Nominal Amount if the Bonds are declared due and payable before or on 8 May 2016) plus the accrued but unpaid interest, if any, pursuant to Section 10 from but excluding the preceding Interest Payment Date (or, if such date has not occurred, the Issue Date), up to and including the payment date.

**19.3** Termination for payment prematurely on the grounds mentioned in Sections 19.1 (b) and (c) above or, regarding any of the Subsidiaries, on the grounds mentioned in Sections 19.1 (d), (e),

(f), (g), (h) and (i) above may only occur if the nature of the particular circumstance is such that it would have a Material Adverse Effect and that the cause of termination is continuing at the time of the Bond Trustee's declaration. However, if a moratorium occurs, the ending of that moratorium will not prevent termination for payment prematurely on the ground mentioned in Section 19.1 (d).

- 19.4** The Bond Trustee shall only give its consent to a merger and/or demerger in accordance with Section 19.1 (f) (i) if an accountant, engaged in accordance with Section 20.2 (f), has assured that the merger and/or demerger will not have a Material Adverse Effect.
- 19.5** It is not necessary that a decision of a court of law, a government authority or an annual general meeting has acquired legal force or that the period of appeal has expired in order for it to be a cause for termination.
- 19.6** The Company is obligated to inform the Bond Trustee immediately if any circumstance of the type specified in Section 19.1 should occur. Should the Bond Trustee not receive such information, the Bond Trustee is entitled to assume that no such circumstance exists or can be expected to occur, provided that the Bond Trustee does not have knowledge of such circumstance. The Bond Trustee is under no obligations to make any investigations relating to the circumstances specified in Section 19.1. The Company shall further, at the request of the Bond Trustee, provide the Bond Trustee with details of any circumstances referred to in Section 19.1 and provide the Bond Trustee with all documents that may be of significance for the application of this Section 19.
- 19.7** The Company is only obligated to inform the Bond Trustee according to Section 19.6 if informing the Bond Trustee would not conflict with any statute or, when the Bonds are listed, the Company's registration contract with OMX. If such a conflict would exist pursuant to the listing contract with OMX or otherwise, the Company shall however be obligated to either seek the approval from OMX or undertake other reasonable measures, including entering into a non-disclosure agreement with the Bond Trustee, in order to be able to timely inform the Bond Trustee according to Section 19.6.
- 19.8** If the Bond Trustee has been notified by the Company or has otherwise determined that there is a default under these Terms and Conditions according to Section 19.1, the Bond Trustee shall decide, within 10 Banking Days of the day of notification or determination, if the Bonds shall be declared terminated. If the Bond Trustee has decided not to terminate the Bonds, the Bond Trustee shall, at the earliest possible date, notify the Holders that there exists a right of termination and obtain instructions from the Holders according to the provisions in Section 21. If the Holders vote in favour of termination, the Bond Trustee shall promptly declare the Bonds terminated. However, if the cause for termination according to the Bond Trustee's appraisal has ceased before the termination, the Bond Trustee shall not terminate the Bonds. The Bond Trustee shall in such case, at the earliest possible date, notify the Holders that the cause for termination has ceased. The Bond Trustee shall always be entitled to take the time necessary to consider whether an occurred event constitutes an Event of Default and whether such event has a Material Adverse Effect.
- 19.9** If the Holders, without any prior initiative to decision from the Bond Trustee or the Company, have made a decision regarding termination in accordance with Section 21, the Bond Trustee shall promptly declare the Bonds terminated. The Bond Trustee is however not liable to take

action if the Bond Trustee considers cause for termination not to be at hand, unless the instructing Holders agree in writing to indemnify and hold the Bond Trustee harmless from any loss or liability and, if requested by the Bond Trustee in its discretion, grant sufficient security for such indemnity.

**19.10** If the Bonds are declared due and payable in accordance with the provisions in this Section 19, the Bond Trustee shall take every reasonable measure necessary to recover the amounts outstanding under the Bonds.

**19.11** For the avoidance of doubt, the Bonds cannot be terminated and become due for payment prematurely according to this Section 19 without relevant decision by the Bond Trustee or the Holders' pursuant to Section 21.

**20 The Bond Trustee's right to represent the Holders, the authority of the Bond Trustee etc.**

**20.1 The Bond Trustee's right to represent the Holders**

- (a) Even without a separate authorisation from the Holders and without having to obtain any Holder's consent (if not required to do so under these Terms and Conditions), the Bond Trustee, or a person appointed by the Bond Trustee, is entitled to represent the Holders in every matter concerning the Bonds, these Terms and Conditions, the Escrow Account Pledge Agreement and the Pledge Agreements and is authorised to act on behalf of the Holders whether or not in court or before an executive authority (including any legal or arbitration proceeding relating to the perfection, preservation, protection or enforcement of the Bonds).
- (b) Each Holder shall immediately upon request by the Bond Trustee provide the Bond Trustee with any such documents, including a written power of attorney (in form and substance satisfactory to the Bond Trustee), as the Bond Trustee deems necessary for the purpose of carrying out its duties under these Terms and Conditions, the Escrow Account Pledge Agreement and the Pledge Agreements. The Bond Trustee is under no obligation to represent a Holder which does not comply with such request of the Bond Trustee.
- (c) Other than to the extent expressly provided for under these Terms and Conditions, the Escrow Account Pledge Agreement and the Pledge Agreements, no Holder may take any action against any Group Company in matters relating to the Bonds, these Terms and Conditions, the Escrow Account Pledge Agreement or the Pledge Agreements. Further, no Holder may take any legal steps whatsoever to recover any amount due or owing to it pursuant to these Terms and Conditions, the Escrow Account Pledge Agreement or the Pledge Agreements, or file an application for, or otherwise take any legal steps in respect of, the winding-up, bankruptcy, or liquidation of any Group Company or the making of an administration order in relation to any Group Company or the service of a notice of intention to appoint an administrator in relation to any Group Company in respect of any of the liabilities of a Group Company whatsoever under these Terms and Conditions, the Escrow Account Pledge Agreement or the Pledge Agreements, other than to the extent expressly permitted under these Terms and Conditions.
- (d) Section 21 (c) shall not apply if the Bond Trustee has been instructed by the Holders in accordance with these Terms and Conditions to take certain actions but fails for any

reason to take, or is unable to take (for any reason other than a failure by a Holder to provide documents in accordance with Section 20.1(b)), such actions within a reasonable period of time and such failure or inability is continuing. However, if the failure to take certain actions is caused by the non-payment by the Company of any fee or indemnity due to the Bond Trustee under these Terms and Conditions, the Agent Agreement, the Escrow Account Pledge Agreement or a Pledge Agreement or by any reason described in Section 20.5 (a), such failure must continue for 40 Banking Days after notice pursuant to Section 20.5 (b) before a Holder may take any action referred to in Section 20.1 (c).

- (e) The provisions of Section 20.1 (c) shall not in any way limit an individual Holder's right to claim and enforce payments which are due to it under Section 18 or other payments which are due by the Company to some but not all Holders.

## **20.2 The role and authority of the Bond Trustee**

- (a) The Bond Trustee shall monitor the compliance by the Group Companies of their obligations under these Terms and Conditions, the Escrow Account Pledge Agreement and the Pledge Agreements. The Bond Trustee shall further arrange any Holders' meetings that shall be held in accordance with Section 21 and implement any decisions which have been taken on such meetings or otherwise under these Terms and Conditions. The Bond Trustee is not obligated to assess the Company's financial situation beyond what is expressly set forth in these Terms and Conditions. The Bond Trustee shall carry out its duties under these Terms and Conditions, the Escrow Account Pledge Agreement and the Pledge Agreements in a reasonable, proficient and professional manner and with reasonable care and skill.
- (b) In its capacity as security trustee, the Bond Trustee shall ensure that all security to be granted in favour of the Holders (as represented by the Bond Trustee) become perfected in due course. Without limitation, the Bond Trustee shall contact the Company within four weeks after an Aircraft Pledge Agreement has been entered into (*e.g.* in relation to the situations set forth in Section 13.1 (j) and 13.1 (k)) and control that all Subsequent Perfection Measures have been fulfilled to the satisfaction of the Bond Trustee. If that is not the case, the Company shall provide a statement to the Bond Trustee, setting forth the reasons why such measures have not been fulfilled, the steps and measures the Company shall take in order to fulfil the Subsequent Perfection Measures, when they are expected to be fulfilled and any other information as the Bond Trustee may reasonably require. Further, the Bond Trustee shall hold and, if applicable, enforce any security created under the Escrow Account Pledge Agreement and the Pledge Agreements on behalf of the Holders and shall monitor the compliance by the Group Companies of their respective obligations under these Terms and Conditions, the Escrow Account Pledge Agreement and the Pledge Agreements with respect to the security interests created under the Escrow Account Pledge Agreement and the Pledge Agreements.
- (c) In performing its obligations, the Bond Trustee has a right to take any steps that it, in its sole discretion, deems necessary or appropriate to ensure and preserve the rights of the Holders under these Terms and Conditions, but does not have a right to adopt resolutions which give certain Holders, or any other persons, an unreasonable advantage at the

expense of one or more Holders. The Bond Trustee may, in its sole discretion, postpone taking any action until a resolution has been passed on the matter at a Holders' meeting.

- (d) The Bond Trustee may act as agent and/or security trustee for several bond issues relating to the Company notwithstanding potential conflicts of interest. The Bond Trustee may delegate the exercise of its powers to other professional parties.
- (e) For the avoidance of any doubt, the Bond Trustee is not obligated to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality. Further, the obligations of the Bond Trustee does not limit the Bond Trustee's right to discuss matters with the Company that are confidential in nature and which are not made public to the Holders.
- (f) The Bond Trustee may engage, pay for and rely upon the advice or services of any lawyers, accountants or other experts where such advice or services are reasonably required to fulfil or evaluate its rights and obligations under these Terms and Conditions, the Escrow Account Pledge Agreement and the Pledge Agreements (including but not limited to the assessments of the rights of the Holders (as represented by the Bond Trustee) and the Bond Trustee following a potential change of registration as of nationality of an aircraft in accordance with Section 15). The costs of such third party advice shall be borne by the Company. The Bond Trustee is however obligated to always inform the Company prior to engaging any third party experts. The Bond Trustee may choose to rely on copies of all documents that are to be presented to the Bond Trustee and may assume that any document presented to the Bond Trustee is correct, and the Bond Trustee shall not be responsible or liable for the adequacy, accuracy or completeness of such documents.

### **20.3 Limited liability for the Bond Trustee**

- (a) The Bond Trustee will not be liable to the Holders for damage or loss caused by any action taken or omitted by it under or in connection with these Terms and Conditions, the Escrow Account Pledge Agreement or the Pledge Agreements, unless directly caused by its negligence or wilful misconduct. The Bond Trustee shall never be responsible for indirect loss.
- (b) The Bond Trustee shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts engaged by the Bond Trustee or if the Bond Trustee has acted with reasonable care in a situation when the Bond Trustee considers that it is detrimental to the interests of the Holders to delay the action in order to first obtain instructions from the Holders.
- (c) The Bond Trustee shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to the these Terms and Conditions, the Escrow Account Pledge Agreement or the Pledge Agreements to be paid by the Bond Trustee to the Holders, provided that the Bond Trustee has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Bond Trustee for that purpose.

- (d) The Bond Trustee shall have no liability to the Holders for damage caused by the Bond Trustee acting in accordance with instructions of the Holders given in accordance with Section 21.
- (e) Any liability towards the Company which is incurred by the Bond Trustee in acting under, or in relation to, these Terms and Conditions, the Escrow Account Pledge Agreement and the Pledge Agreements shall not be subject to set-off against the obligations of the Company to the Holders under these Terms and Conditions, the Escrow Account Pledge Agreement or the Pledge Agreements.

#### **20.4 Replacement of Bond Trustee and Issuing Agent**

- (a) Subject to Section 20.4 (f), the Bond Trustee may resign by giving notice to the Company and the Holders, in which case the Holders shall appoint a successor Bond Trustee in accordance with the procedures in Section 21.
- (b) Subject to Section 20.4 (f), if the Bond Trustee is insolvent, the Bond Trustee shall be deemed to resign as Bond Trustee and the Company shall within 10 Banking Days appoint a successor Bond Trustee which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- (c) A Holder (or Holders) representing at least 10 percent of the total outstanding Nominal Amount may, by notice to the Company (such notice may only be validly given by a person who is a Holder on the day the notice is received by the Company and shall, if given by several Holders, be given by them jointly), require that a Holders' meeting is held for the purpose of dismissing the Bond Trustee and appointing a new Bond Trustee. The Company may, at a Holders' meeting convened by it or procedure in writing initiated by it, propose to the Holders that the Bond Trustee be dismissed and a new Bond Trustee appointed.
- (d) If the Holders have not appointed a successor Bond Trustee within 90 calendar days after (i) the earlier of the notice of resignation was given or the resignation otherwise took place or (ii) the Bond Trustee was dismissed through a decision by the Holders, the Company shall appoint a successor Bond Trustee which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- (e) The retiring Bond Trustee shall, at its own cost, make available to the successor Bond Trustee such documents and records and provide such assistance as the successor Bond Trustee may reasonably request for the purposes of performing its functions as Bond Trustee under these Terms and Conditions, the Escrow Account Pledge Agreement or the Pledge Agreements.
- (f) The Bond Trustee's resignation or dismissal shall only take effect upon the appointment of a successor Bond Trustee and acceptance by such successor Bond Trustee of such appointment and the execution of all necessary documentation to effectively substitute the Bond Trustee.
- (g) Upon the appointment of a successor, the retiring Bond Trustee shall be discharged from any further obligation in respect of these Terms and Conditions, the Escrow Account

Pledge Agreement and the Pledge Agreements but shall remain entitled to the benefit of these Terms and Conditions, the Escrow Account Pledge Agreement and the Pledge Agreements and remain liable under these Terms and Conditions, the Escrow Account Pledge Agreement or the Pledge Agreements in respect of any action which it took or failed to take whilst acting as Bond Trustee. Its successor, the Company and each of the Holders shall have the same rights and obligations amongst themselves under these Terms and Conditions, the Escrow Account Pledge Agreement and the Pledge Agreements as they would have had if such successor had been the original Bond Trustee.

- (h) In the event that there is a change in the identity of the Bond Trustee in accordance with this Section 20.4, the Company shall execute such documents and take such actions as the new Bond Trustee may reasonably require for the purpose of vesting in such new Bond Trustee the rights, powers and obligations of the Bond Trustee and releasing the retiring Bond Trustee from its further obligations under these Terms and Conditions, the Escrow Account Pledge Agreement, the Pledge Agreements and the Agent Agreement. Unless the Company and the new Bond Trustee agrees otherwise, the new Bond Trustee shall be entitled to the same fees and the same indemnities as the retiring Bond Trustee.
- (i) The Company appoints the Issuing Agent to manage certain specified tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to and/or issued by the CSD and relating to the Bonds.
- (j) The Issuing Agent may retire from its assignment or be dismissed by the Company, provided that the Company has approved that a commercial bank or securities institution approved by the CSD accedes as new Issuing Agent at the same time as the old Issuing Agent retires or is dismissed. If the Issuing Agent is insolvent, the Company shall immediately appoint a new Issuing Agent, which shall replace the old Issuing Agent as issuing agent in accordance with these Terms and Conditions.

## **20.5 Remuneration for the Bond Trustee**

- (a) The Bond Trustee is, according to the Agent Agreement, entitled to receive remuneration from the Company for acting as Bond Trustee under these Terms and Conditions. If in the Bond Trustee's reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Bond Trustee) in complying with instructions of the Holders, or taking any action at its own initiative, will not be covered by the Company, the Bond Trustee may refrain from acting in accordance with such instructions, or taking such action, until it has received such funding or indemnities (or adequate security has been provided therefore) as it may reasonably require, save that the Bond Trustee shall make the arrangements stated in Section 19.8 and 19.9 without first having received such funding or indemnities.
- (b) The Bond Trustee shall give a notice to the Holders (i) before it ceases to perform its obligations under these Terms and Conditions, the Escrow Account Pledge Agreement or a Pledge Agreement by reason of the non-payment by the Company of any fee or indemnity due to the Bond Trustee under these Terms and Conditions, the Escrow Account Pledge Agreement, the Pledge Agreement or the Agent Agreement or (ii) if it refrains from acting for any reason described in Section 20.5 (a).



## **21 Holders' meeting and procedure in writing**

- (a) Each of the Company, the Bond Trustee and Holders representing at least 10 percent of the total outstanding Nominal Amount, may request that a Holders' meeting is convened or request a procedure in writing among the Holders. Such request shall be made in writing, and be notified in accordance with Section 26, to the Company and the Bond Trustee including (i) information regarding the issues that shall be decided and, where applicable, (ii) documentation of the holding of Bonds of the requesting Holders. The request shall clearly state that the matter is urgent. If the Bond Trustee establishes that a request for a Holders' meeting or procedure in writing has been made in due order the Bond Trustee shall, within 20 Banking Days from receipt of such request, convene a meeting or initiate a procedure in writing. The Company shall assist the Bond Trustee and take any measures that, in the opinion of the Bond Trustee, are required to convene the Holders' meeting or procedure in writing. The Bond Trustee is not required to convene a Holders' meeting or initiate a procedure if the Bond Trustee determines that (i) the proposal must be approved by the Company and the Company informs the Bond Trustee that it will not give such approval, or (ii) the proposal is not in accordance with applicable laws.
- (b) Notice shall be given by the Bond Trustee to the Holders or, as the case may be, the Company in accordance with Section 26 not later than 10 Banking Days and not earlier than 30 Banking Days prior to the Holders' meeting or the last day for replies in the procedure in writing. The notice shall include (i) time for the Holders' meeting or the last day for replies in the procedure in writing, (ii) place for the Holders' meeting or the address for replies, (iii) the agenda for the Holders' meeting, (iv) information regarding which day a Holder shall be registered as owner to be entitled to vote, and (v) what is otherwise required by a Holder in order to attend the Holders' meeting. Further, the notice shall include information on the matters that shall be discussed and resolved upon by the Holders' meeting and the main content of each proposal (if any). The Bond Trustee shall determine the contents in the notice and provide, in writing or electronically, a proxy form or, in case of a procedure in writing, a resolution form with the relevant alternatives for resolution. When the Bonds have been listed, the notice shall also be sent to OMX for publication.
- (c) Only Holders registered as Holders on the fifth Banking Day prior to the Holders' meeting (or the procedure in writing) are entitled to vote at the Holders' meeting (or the procedure in writing). The Bond Trustee shall ensure that there is an excerpt from the register kept by the CSD available at the Holders' meeting (or the procedure in writing) showing the registered Holders on the fifth Banking Day prior to the Holders' meeting (or the procedure in writing).
- (d) Only matters that have been included in the notice sent out according to Section 21 (b) may be resolved upon by the Holders' meeting. A resolution is passed through voting at a Holders' meeting (or, in case of a procedure in writing, through calculation by the Bond Trustee of the replies), at which each Holder entitled to vote shall have one vote per Bond at a Nominal Amount of SEK 1,000,000 held. A Holder need not use all of its votes and is not obligated to vote in the same manner for all Bonds held. Bonds held by any Group Company shall not carry any voting right. The resolution of the Holders shall be

in accordance with the opinion held by the majority of the Nominal Amount of the Bonds represented at the meeting (or, in case of a procedure in writing, received answers at the end of the time for replies). In respect of the below issues, the following qualified majority is required among the votes casted or, as applicable, the answers received for a resolution to be passed (“**Qualified Majority**”):

- (i) two thirds (2/3) to (1) waive a breach of a special undertaking in Section 13, and (2) amend a provision in these Terms and Conditions, the Escrow Account Pledge Agreement or a Pledge Agreement, subject to (ii) below; and
- (ii) three quarters (3/4) to (1) reduce the principal amount, interest rate or interest amount which shall be paid by the Company, (2) amend any redemption day for principal or interest amount, (3) release the security created under the Escrow Account Pledge Agreement or a Pledge Agreement (unless such release is provided for in these Terms and Conditions) and (4) amend the provisions in this Section 21 (d).

If the number of votes are equal, the opinion which is most beneficial for the Company, according to the chairman of the meeting (or, in case of a procedure in writing, the Bond Trustee), will prevail.

- (e) Quorum exists only if Holders representing at least one fifth (1/5) of the aggregate outstanding Nominal Amount attend the meeting in due order (or, in case of a procedure in writing, provide replies). Bonds held by any Group Company shall not be considered when calculating if necessary majority has been achieved. If quorum is not achieved within 15 minutes from the fixed time (or, in case of a procedure in writing, through received answers at the end of the reply period), the meeting shall be adjourned (or, in case of a procedure in writing, the time for replies shall be extended) to the tenth Banking Day thereafter, provided that the relevant proposal has not been withdrawn by the person(s) who initiated the procedure. Notice containing information regarding time and place for a continued meeting (or, in case of a procedure in writing, information regarding extended period for replies) shall promptly be provided to the Holders in accordance with Section 26. At a continued meeting (or, in case of a procedure in writing, at a new calculation) a resolution can be passed through an ordinary resolution (or, if required in accordance with Section 21 (d), through Qualified Majority) by Holders entitled to vote irrespective of the share of Bonds represented.
- (f) At the meeting, the Company, the Holders (or the Holders’ representatives/proxies) and the Bond Trustee may attend along with its representatives, counsels and assistants. Further, the directors of the board, the managing director and other officials of the Company and the Company’s auditors may attend the meeting. The meeting may decide that further individuals may attend. If a representative/proxy shall attend the Holders’ meeting instead of the Holder, the representative/proxy shall present a duly executed proxy or other document establishing its authority to represent the Holder.
- (g) The meeting shall be opened by a present person appointed by the Bond Trustee and the meeting shall be chaired by that person until a chairman of the meeting has been elected by the meeting. The chairman shall prepare a list of the Holders and representatives/proxies present and entitled to vote (the “**Voting List**”). The list shall

include information on the Nominal Amount that each Holder (or, as the case may be, representatives/proxies) represents. The chairman shall further arrange for minutes to be kept at the meeting. The minutes shall include the Voting List (which shall be approved by the Holders' meeting), any other persons that have been attending, what has been discussed, the result of the voting and the resolutions that were passed. The minutes shall be signed by the chairman and by at least one person appointed by the meeting to verify the minutes. In case of a procedure in writing, the Bond Trustee shall provide for the calculation of votes and keep minutes in respect of the calculation of votes and the resolutions passed by the procedure in writing. The Bond Trustee may request supplements and clarifications but is not obligated to do so and may disregard any unclear or illegible votes. The Bond Trustee shall disregard any answers that deviate from the listed alternatives or from an alleged Holder whose voting right is not apparent from the documentation provided by the Holder or CSD. The minutes shall be completed promptly and be held available for the Holders at the Company and the Bond Trustee. The relevant resolutions from the meeting shall also be sent to the Holders in accordance with Section 26.

- (h) If the Company and the Bond Trustee deem it appropriate, a Holders' meeting may be combined with a possibility for Holders to provide answers through a written resolution form as an alternative to being present or being represented at the Holders' meeting.
- (i) If a procedure in writing is held among the Holders, the Holders can provide answers and vote electronically by sending an email to the Bond Trustee at the address set out by the Bond Trustee in the notice which shall be sent to the Holders according to Section 21 (b). For the avoidance of doubt, electronic answers that deviate from listed alternatives (in a resolution form or otherwise) will be disregarded in accordance with Section 21 (g).
- (j) A resolution that has been passed at a duly convened and held meeting or a procedure in writing is binding for all Holders irrespective of whether they have been present or represented at the meeting or if they have participated in the procedure in writing and irrespective of how and if they have voted. No Holder shall be liable for any damages caused to any other Holder due to a resolution being or not being passed at the Holders' meeting.
- (k) If the Bond Trustee, in breach of these Terms and Conditions, has not convened a Holders' meeting within 20 Banking Days after having received such request, the requesting person may convene the Holders' meeting itself. If the requesting person is a Holder, the Company shall upon request from such Holder provide the Holder with necessary information from the register kept by the CSD and, if no person referred to in Section 21 (g) exists, the meeting shall be opened by a person appointed by the requesting person.
- (l) For the purpose of this Section 21, holders of Bonds registered with nominees in accordance with Section 27 shall be considered Holders instead of the authorised nominee if the holder shows a certificate from the authorised nominee, or other sufficient evidence, (i) certifying, or evidencing, that the relevant person was the holder of Bonds on the fifth Banking Day prior to the Holders' meeting (or procedure in writing), and (ii)

showing the number of Bonds held by that person on the fifth Banking Day prior to the Holders' meeting (or the procedure in writing). In respect of Bonds registered with authorised nominees, the authorised nominee shall be regarded as present at the Holders' meeting (or the procedure in writing) with the number of Bonds that the nominee represents as Holder according to Section 27 and this Section 21 (l).

- (m) The Company shall bear all its and the Bond Trustee's costs in connection with a Holders' meeting or a procedure in writing irrespective of who has requested the meeting or the procedure in writing. If these Terms and Conditions have been revised or replaced due to a decision on a Holders' meeting, the Bond Trustee, or anyone acting on behalf of the Bond Trustee, shall arrange for new or revised Terms and Conditions to be sent to the CSD.

## **22 Fees, expenses and tax**

- 22.1** Unless otherwise stipulated in these Terms and Conditions, the Escrow Account Pledge Agreement or the Pledge Agreements, the Company shall cover all costs and expenses (including legal costs) incurred by it in connection with, and the fulfilment of its obligations under, these Terms and Conditions, the Escrow Account Pledge Agreement and the Pledge Agreements, including the negotiation, preparation, execution and enforcement of these Terms and Conditions and any registration or notifications relating thereto (including any stamp duty) and the listing of the Bonds on OMX.
- 22.2** The fees and expenses payable to the Bond Trustee shall be paid by the Company and are set forth in the Agent Agreement.
- 22.3** Subject to applicable law and regulation, (i) the Company shall pay any stamp duty and other public fees accruing in connection with the Bond Issue and shall deduct at source any applicable withholding tax payable and (ii) the Holders shall pay any stamp duty or public fees accruing in connection with trading of Bonds in the secondary market. The Company shall not be liable to reimburse any stamp duty or public fee under item (ii) above or to gross-up any payments under these Terms and Conditions by virtue of any withholding tax.

## **23 Amendments of these Terms and Conditions**

- 23.1** The Bond Trustee may, on account of the Holders, agree with the Company to amend these Terms and Conditions, the Escrow Account Pledge Agreement and the Pledge Agreements or provide consents and/or waivers in relation to these Terms and Conditions, the Escrow Account Pledge Agreement and the Pledge Agreements as long as such amendment, consent or waiver does not limit the obligations of the Company to pay amounts of principal or interest or in any other way, in the Bond Trustee's discretion, may materially adversely affect the interests of the Holders or that such amendment, consent or waiver is solely made in purpose to rectify obvious errors and mistakes in these Terms and Conditions, the Escrow Account Pledge Agreement or the Pledge Agreements. Subject to decisions of the Holders in accordance with Section 21, the Bond Trustee may also agree with the Company regarding other amendments.
- 23.2** The Bond Trustee may also, on account of the Holders, agree with the Company to make necessary amendments to these Terms and Conditions to the extent such amendments are required by applicable law, court rulings or decisions by relevant authorities or, when the Bonds

are listed on OMX, and as long as such amendments do not materially adversely affect the interests of the Holders, to ensure that they comply with any requirements for listing.

- 23.3** Amendments of, and consents and/or waivers in relation to, these Terms and Conditions, the Escrow Account Pledge Agreement and the Pledge Agreements shall be notified without delay by the Company in accordance with Section 26, setting out the date, when applicable, from which the amendments will be effective. Amendments of these Terms and Conditions shall further be notified to the CSD under the address set forth in Section 1.

## **24 Time-bar**

- 24.1** The right to receive payment of the Nominal Amount shall be time-barred and become void 10 years from the relevant redemption date. The right to receive payment of interest shall be time-barred and become void 3 years from the relevant due date for payment. The Company is entitled to any funds set aside for payments in respect of which the Holders' right to receive payment have been time-barred and become void.

- 24.2** If such periods for limitation are duly interrupted, in accordance with the Swedish Act on Limitations (Sw. *preskriptionslag (1981:130)*), a new time-bar period of 10 years with respect to the Nominal Amount, and of 3 years with respect to interest payments, will commence, in both cases calculated from the date of interruption of the time-bar period as such date is determined pursuant to the provisions of the Swedish Act on Limitations.

## **25 Allocation of payments**

### **25.1 Application of proceeds following an Event of Default**

All payments by the Company relating to the Bonds and the Pledge Agreements following a termination of the Bonds in accordance with Section 19 and any proceeds received from an enforcement of the security under the Escrow Account Pledge Agreement and the Pledge Agreements shall be distributed in the following order of priority, in accordance with the instructions of the Bond Trustee:

- (a) *first*, in or towards payment *pro rata* of (i) all unpaid fees, costs, expenses and indemnities payable by the Company to the Bond Trustee in accordance with the Agent Agreement (other than any indemnity given for liability against the Holders), (ii) other costs, expenses and indemnities relating to the acceleration of the Bonds, the enforcement of the security under the Escrow Account Pledge Agreement and the Pledge Agreements or the protection of the Holders' rights as may have been reasonably incurred by the Bond Trustee, (iii) any costs incurred by the Bond Trustee for external experts that have not been reimbursed by the Company in accordance with Section 20.2 (f), and (iv) any costs and expenses incurred by the Bond Trustee in relation to a Holders' meeting or a procedure in writing that have not been reimbursed by the Company in accordance with Section 21 (m);
- (b) *secondly*, in or towards payment *pro rata* of accrued but unpaid interest under the Bonds according to Section 10 (interest due on an earlier Interest Payment Date to be paid before any interest due on a later Interest Payment Date);
- (c) *thirdly*, in or towards payment *pro rata* of any unpaid principal under the Bonds; and

- (d) *fourthly*, in or towards payment *pro rata* of any other costs or outstanding amounts unpaid under these Terms and Conditions or a Pledge Agreement.

Any excess funds after the application of proceeds in accordance with Sections 25.1 (a)–(d) above shall be paid to the Company. The application of proceeds in accordance with Section 25.1 (a)–(d) above shall, however, not restrict a Holders' meeting from resolving that accrued interest (whether overdue or not) shall be reduced without a corresponding reduction of principal.

- 25.2** If a Holder or another party has paid any fees, costs, expenses or indemnities referred to in Section 25.1(a), such Holder or other party shall be entitled to reimbursement by way of a corresponding distribution in accordance with Section 25.1(a).
- 25.3** If the Company or the Bond Trustee shall make any payment under this Section 25, the Company or the Bond Trustee, as applicable, shall notify the Holders of any such payment at least 15 Banking Days before the payment is made. Such notice shall specify the Record Date, the payment date and the amount to be paid. Notwithstanding the foregoing, for any interest due but unpaid the Record Date specified in Section 7.1 shall apply.

**25.4 Allocation of payments to the Holders**

If both the Nominal Amount and interest are due for payment and if the available funds are insufficient to discharge all the amounts due and payable, the available funds shall first be applied towards payment of interest and secondly towards payment of the Nominal Amount.

**26 Notices and press releases**

- 26.1** Any notice or other communication to be made under or in connection with these Terms and Conditions, the Escrow Account Pledge Agreement or a Pledge Agreement (unless otherwise is stipulated in such agreement):
- (a) if to the Bond Trustee, shall be given at the address registered with the Swedish Companies Registration Office (Sw. *Bolagsverket*) on the Banking Day prior to dispatch or, if sent by email by the Company, to such email address notified by the Bond Trustee to the Company from time to time;
  - (b) if to the Company, shall be given at the address registered with the Swedish Companies Registration Office on the Banking Day prior to dispatch or, if sent by email by the Bond Trustee, to such email address notified by the Company to the Bond Trustee from time to time; and
  - (c) if to the Holders, shall be given at their addresses as registered with the CSD, on the Record Date prior to dispatch, and by either courier delivery or letter for all Holders. A notice to the Holders shall also be published on the websites of the Group and the Bond Trustee.
- 26.2** Any notice or other communication made by one person to another under or in connection with these Terms and Conditions, the Escrow Account Pledge Agreement or a Pledge Agreement (unless otherwise is stipulated in such agreement) shall be sent by way of courier, personal delivery or letter (and, if between the Bond Trustee and the Company, by email) and will only be effective, in case of courier or personal delivery, when it has been left at the address specified

in Section 26.1 or, in case of letter, 3 Banking Days after being deposited postage prepaid in an envelope addressed to the address specified in Section 26.1 or, in case of email to the Bond Trustee or the Company, when received in legible form by the email address specified in Section 26.1.

- 26.3** Failure to send a notice or other communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.
- 26.4** Any notice that the Company or the Bond Trustee shall send to the Holders pursuant to Section 9.1, 18.1, 19.8, 21 (b), 21 (g) or 23.3 shall also be published by way of press release by the Company or the Bond Trustee, as applicable.
- 26.5** In addition to Section 26.4, if any information relating to the Bonds or the Group contained in a notice the Bond Trustee may send to the Holders under these Terms and Conditions has not already been made public by way of a press release, the Bond Trustee shall before it sends such information to the Holders give the Company the opportunity to issue a press release containing such information. If the Company does not promptly issue a press release and the Bond Trustee considers it necessary to issue a press release containing such information before it can lawfully send a notice containing such information to the Holders, the Bond Trustee shall be entitled to issue such press release.

## **27 Nominee registration**

In respect of Bonds registered with authorised nominees in accordance with the Swedish Financial Instruments Accounts Act, the authorised nominee shall be deemed to be the Holder for the purpose of applying these Terms and Conditions (subject to the provisions about the voting rights of the Holders in Section 21).

## **28 Force majeure and limitation of liability**

- 28.1** Neither the Bond Trustee nor the Issuing Agent shall be held responsible for any damage arising out of any legal enactment, or any measure taken by a public authority, or war, strike, lockout, boycott, blockade or any other similar circumstance (a “**Force Majeure Event**”). The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Bond Trustee or the Issuing Agent itself takes such measures, or is subject to such measures.
- 28.2** The Issuing Agent shall have no liability to the Holders if it has observed reasonable care. The Issuing Agent shall never be responsible for indirect damage with exception of gross negligence and wilful misconduct.
- 28.3** Should a Force Majeure Event arise which prevents the Bond Trustee or the Issuing Agent from taking any action required to comply with these Terms and Conditions, the Escrow Account Pledge Agreement or a Pledge Agreement, such action may be postponed until the obstacle has been removed.
- 28.4** The provisions in this Section 28 apply unless they are inconsistent with the provisions of the Swedish Financial Instruments Accounts Act which provisions shall take precedence.

**29 Governing law and jurisdiction**

- 29.1** These Terms and Conditions shall be governed by and construed in accordance with the laws of Sweden.
- 29.2** Any dispute or claim arising in relation to these Terms and Conditions shall, subject to Section 29.3, be determined by Swedish courts and the District Court of Stockholm shall be the court of first instance.
- 29.3** The submission to the jurisdiction of the Swedish courts shall not limit the right of the Bond Trustee (or the Holders, as applicable) to take proceedings against the Company in any court which may otherwise exercise jurisdiction over the Company or any of its assets.
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## Addresses and contact information

### The issuer

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### Auditor

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### Bond trustee

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### Central Securities Depository

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