

# Term Sheet



ISIN: NO 0010682255

## AS Tallink Grupp Senior Unsecured Bond Issue 2013/2018 (the "Bonds" / the "Bond Issue")

**Settlement date: 18 June 2013**

Issuer:	AS Tallink Grupp, a public limited company organized under the laws of Estonia with company registration number 10238439, the shares of which are listed on NASDAQ OMX Tallinn Stock Exchange.
Group:	The Issuer with all its direct and indirect subsidiaries from time to time (each a " <b>Group Company</b> ").
Trustee:	Norsk Tillitsmann ASA, Postboks 1470 Vika, 0116 Oslo.
Currency:	NOK.
Issue Amount:	NOK 900 million.
Purpose of the Bond Issue:	Refinancing of existing senior bank loans in the amount of approx. EUR 100 million and general corporate purposes.
Coupon Rate:	NIBOR 3M +500 bps. p.a., quarterly interest payments.
Settlement Date:	18 June 2013. Notice is expected to be given to subscribers minimum two banking days prior to Settlement Date.
Final Maturity Date:	18 October 2018 (5 years and 4 months after Settlement Date).
Amortization:	The Bonds shall be repaid in full at Final Maturity Date at 100% of par value (plus accrued unpaid interest on redeemed amount).
First Interest Payment Day:	18 October 2013 (4 months after Settlement Date, long first coupon period).
Last Interest Payment Day:	Final Maturity Date.
Interest Payments:	Interest on the Bonds will start to accrue on the Settlement Date and shall be payable quarterly in arrears on the Interest Payment Day in October, January, April and July each year. Daycount fraction is "act/360", business day convention is "modified following" and business day is "Oslo".
Price:	100 % of par value.
Nominal value:	The Bonds will have a nominal value of NOK 1,000,000. Minimum subscription amount shall be NOK 1,000,000.

Status of the Bonds:	The Bonds shall rank at least pari passu with all other senior obligations of the Issuer other than obligations which are mandatory preferred by law. The Bonds shall rank ahead of subordinated capital.
Representations and Warranties:	See Schedule 1.
Information and General Covenants:	See Schedule 2.
Events of Default:	See Schedule 3.
Material Adverse Effect:	An event or circumstance which has a material adverse effect on: (a) the business, financial condition or operations of the Issuer and/or the Group as a whole, (b) the Issuer's ability to perform and comply with its obligations under the Bond Agreement; or (c) the validity or enforceability of the Bond Agreement.
Negative pledge and financial assistance:	<p>During the term of the Bonds, the Issuer shall not and shall ensure that no member of the Group:</p> <ul style="list-style-type: none"> <li>(i) creates or permits to subsist any Encumbrances (as defined below) upon its or any of its subsidiaries' existing or future assets or revenues, except for Encumbrances granted to secure obligations of the Issuer or any other Group Company, always provided that the amount of obligations which has the benefit of the Encumbrances does not (from time to time) exceed in aggregate an amount equivalent to 60.0% of the Group's consolidated Total Assets (and for avoidance of doubt, disregarding the nominal amount stated to be secured by any document evidencing an Encumbrance); or</li> <li>(ii) grants or permits to subsist any guarantees, indemnities, loans or other financial assistance to or on behalf of any third party not being a Group Company, except for any guarantees and indemnities granted to secure obligations of the Issuer or any Group Company in the ordinary course of business, including in connection with acquisitions or investments as part of the ordinary course of business.</li> </ul>
Financial Covenant:	<p>The Issuer undertakes to comply with the following financial covenant during the term of the Bonds:</p> <p><b>Equity Ratio:</b> The Issuer shall ensure that the Group, on a consolidated basis, maintains a Book Equity ratio which constitutes more than 30.0%, calculated on each Quarter Date.</p>
Financial Definitions:	<p><b>Book Equity:</b> The aggregate consolidated book value of the Group's total equity in accordance with IFRS.</p> <p><b>Total Assets:</b> The aggregate consolidated book value of the Group's total assets in accordance with IFRS.</p> <p><b>Quarter Date:</b> Each 31 March, 30 June, 30 September and 31 December.</p> <p><b>Encumbrances:</b> mean any encumbrance, mortgage, pledge, lien, charge (whether fixed or floating), assignment by way of security, finance lease, sale and repurchase or sale and leaseback arrangement, sale of receivables on a recourse basis or security interest or any other agreement or arrangement having the effect of conferring security, save for any lien or security arising by operation of law in respect of claims which are not overdue.</p> <p><b>Financial Indebtedness:</b> Means any indebtedness for or in respect of:</p> <ul style="list-style-type: none"> <li>a) moneys borrowed;</li> <li>b) any amount raised by acceptance under any acceptance</li> </ul>

- credit facility or dematerialized equivalent;
- c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as finance or capital lease;
- e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- g) 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); and
- h) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (g) above.

Dividend Restrictions:	During the term of the Bonds, the Issuer shall not (i) declare or make any dividend payment or distribution, whether in cash or in kind, (ii) repurchase any of its shares or undertake other similar transactions (including, but not limited to total return swaps related to shares in the Issuer), or (iii) grant any loans or make other distributions or transactions constituting a transfer of value to its shareholders (items (i)-(iii) collectively referred to as the “ <b>Distributions</b> ”) if such Distributions exceed in aggregate during any calendar year 50.0% of the Issuer’s consolidated net profit after taxes based on the audited annual accounts for the previous financial year (any un-utilized portion of the permitted dividend pursuant to the above may not be carried forward).
Change of Control Clause:	Upon a Change of Control Event and/or De-Listing Event occurring, each bondholder shall have a right of pre-payment (Put Option) of the Bonds at a price of 101.0% of par value (plus accrued interest) during a period of 60 days following the notice of a Change of Control Event.
Change of Control Event:	Any event where any person or group acting in concert, directly or indirectly, gains decisive influence or control directly or indirectly, of more than 50.0% of the issued share capital or the voting rights of the Issuer.
De-Listing Event:	An event where the Issuer ceases to be a publicly listed company on the NASDAQ OMX Tallinn Stock Exchange or on any other reputable exchange.
Bond Agreement:	The bond agreement governing the Bond Issue (the “ <b>Bond Agreement</b> ”) will be entered into by the Issuer and the Trustee acting as the bondholders’ representative, and shall be based on the Trustee’s current Norwegian high-yield standard.

The Bond Agreement shall regulate the bondholders’ rights and obligations with respect to the Bonds. If any discrepancy should occur between this Term Sheet and the Bond Agreement, then the Bond Agreement shall prevail.

A subscriber of Bonds is by its application for Bonds (see further details under Terms of Subscription below), such application documented by a taped telephone conversation, an executed application form (the “**Application Form**”), e-mail or otherwise, deemed to have granted an irrevocable authority to the Trustee to finalize the Bond Agreement. Although minor adjustments to the structure described in this Term Sheet may occur, the provisions in the Bond Agreement will be substantially consistent with those set forth in this Term Sheet.

The Bond Agreement will specify that it shall be available to the general public for

inspection purposes and may, until redemption in full of the Bonds, be obtained on request by the Trustee or the Issuer.

Finance Documents:	Means <ul style="list-style-type: none"> <li>(i) the Bond Agreement;</li> <li>(ii) the Trustee's fee letter;</li> <li>(iii) any other document the Issuer and the Trustee agree in writing to be a Finance Document.</li> </ul>
Governing Law:	Norwegian law.
Taxation:	The Issuer shall pay any stamp duty and other public fees accruing in connection with issuance of the Bonds or the Security Documents, but not in respect of trading of the Bonds in the secondary market (except to the extent required by applicable laws), and the Issuer shall deduct before payment to the bondholders at source any applicable withholding tax payable pursuant to law, subject to standard gross up provisions.
Approvals:	The Bonds will be issued in accordance with the Issuer's board approval dated 14 May 2013.
Registration:	The Bonds will be registered in book-entry form in the Norwegian Central Securities Depository ("VPS"). Principal and interest accrued will be credited the bondholders through VPS.
Paying Agent:	Danske Bank A/S.
Issuer's ownership of bonds:	The Issuer has the right to acquire and own the Bonds. Such Bonds may at the Issuer's discretion be retained by the Issuer, sold and discharged against the remaining Bonds.
Stock Exchange listing:	An application will be made for the Bonds to be listed on Oslo Stock Exchange.
Market Making:	No market-maker agreement has been made for this Issue.
Managers:	Danske Bank Markets, Stortingsgaten 6, NO-0107 Oslo, Norway. SEB Markets, Filipstad Brygge 1, NO-0252 Oslo, Norway.
Terms of Subscription:	Application for and subscription of Bonds will, regardless of the manner of such application and subscription, only be made on the terms set out in the Application Form (the " <b>Application Terms</b> "). The Application Terms inter alia provides that applicants/subscribers, through their application for Bonds, specifically authorizes the Trustee to execute and deliver the Bond Agreement on behalf of the prospective bondholders, who will execute and deliver such Application Forms prior to receiving Bond allotments. On this basis, the Issuer and the Trustee will execute and deliver the Bond Agreement and the latter's execution and delivery is on behalf of all of the subscribers, such that they thereby will become bound by the Bond Agreement. The Bond Agreement specifies that by virtue of being registered as a Bondholder (directly or indirectly) with the Securities Depository, the Bondholders are bound by the terms of this Bond Agreement and any other Finance Document, without any further action required to be taken or formalities to be complied with.
Subscription Restrictions:	The Bonds will only be offered or sold within the United States to Qualified Institutional Buyers ("QIBs") as defined in Rule 144A under the U.S. Securities Act.  The Bonds have not and will not be registered under the U.S. Securities Act, or any state securities law except pursuant to an exemption from the registration requirements of the U.S. Securities Act and appropriate exemptions under the laws of any other jurisdiction. The Bonds may not be offered or sold within the United States to, or for the account or benefit of, any U.S. Person (as such terms are defined in regulations), except pursuant to an exemption from the registration requirements of the U.S. Securities Act. See further

details in the Application Form. Failure to comply with these restrictions may constitute a violation of applicable securities legislation.

- Transfer Restrictions: The Bonds are freely transferable and may be pledged, subject to the following:
- (i) bondholders 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 bondholder may be subject (due e.g. to its nationality, its residency, its registered address, its place(s) for doing business). Each bondholder must ensure compliance with local laws and regulations applicable at own cost and expense.
  - (ii) notwithstanding the above, a bondholder which has purchased the Bonds in contradiction to mandatory restrictions applicable may nevertheless utilize its voting rights under the Bond Agreement.
- Subject to: The issue of the Bonds shall in addition to the relevant conditions precedents be subject to finalized and executed Bond documentation, and approval thereof by the Trustee and Issuer.

Oslo, 3 June 2013

**AS Tallink Grupp**

*As Issuer*

**Danske Bank Markets**

*Joint Lead Manager*

**SEB Markets**

*Joint Lead Manager*

**SCHEDULE 1****REPRESENTATIONS AND WARRANTIES**

The Issuer represents and warrants that:

*(a) Status*

It is a limited liability company, duly incorporated and validly existing and registered under the laws of its jurisdiction of incorporation, and has the power to own its assets and carry on its business as it is being conducted.

*(b) Power and authority*

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, this Bond Agreement and any other Finance Document to which it is a party and the transactions contemplated by those Finance Documents.

*(c) Valid, binding and enforceable obligations*

This Bond Agreement and each other Finance Document to which it is a party constitutes (or will constitute, when executed by the respective parties thereto) its legal, valid and binding obligations, enforceable in accordance with their respective terms, and (save as provided for therein) no further registration, filing, payment of tax or fees or other formalities are necessary or desirable to render the said documents enforceable against it.

*(d) Non-conflict with other obligations*

The entry into and performance by it of this Bond Agreement and any other Finance Document to which it is a party and the transactions contemplated thereby do not and will not conflict with (i) any law or regulation or judicial or official order; (ii) its constitutional documents; or (iii) any agreement or instrument which is binding upon it or any of its assets.

*(e) No Event of Default*

- (i) No Event of Default exists or is likely to result from the making of any drawdown under this Bond Agreement or the entry into, the performance of, or any transaction contemplated by, any Finance Document.
- (ii) No other event or circumstance is outstanding which constitutes (or with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (howsoever described) under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which has or is likely to have a Material Adverse Effect.

*(f) Authorizations and consents*

All authorisations, consents, approvals, resolutions, licenses, exemptions, filings, notarizations or registrations required:

- (i) to enable it to enter into, exercise its rights and comply with its obligations under this Bond Agreement or any other Finance Document to which it is a party; and
- (ii) to carry on its business as presently conducted and as contemplated by this Bond Agreement,

have been obtained or effected and are in full force and effect.

*(g) Litigation*

No litigation, arbitration or administrative proceedings or investigations of or before any court, arbitral body or agency which, if adversely determined, is likely to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it or any of its Subsidiaries.

*(h) Financial Statements*

Its most recent Financial Statements and Interim Accounts fairly and accurately represent the assets and liabilities and financial condition as at their respective dates, and have been prepared in accordance with IFRS, consistently applied.

*(i) No Material Adverse Effect*

Since the date of the Financial Statements, there has been no change in its business, assets or financial condition that is likely to have a Material Adverse Effect.

*(j) No misleading information*

Any factual information provided by it to the subscribers or the Bond Trustee for the purposes of this Bond Issue was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

*(k) No withholdings*

The Issuer is not required to make any deduction or withholding from any payment which it may become obliged to make to the Bond Trustee or the Bondholders under this Bond Agreement.

*(l) Pari passu ranking*

Its payment obligations under this Bond Agreement or any other Finance Document to which it is a party rank at least as set under "Status of the Bonds" above.

*(m) Security*

No Security exists over any of the present assets of any Group Company in conflict with this Bond Agreement.

**SCHEDULE 2****INFORMATION AND GENERAL COVENANTS***(I) Information Covenants*

The Issuer shall

- (a) without being requested to do so, promptly inform the Bond Trustee in writing of any Event of Default, any event or circumstance which the Issuer understands or ought to understand may lead to an Event of Default and any other event which may have a Material Adverse Effect;
- (b) without being requested to do so, inform the Bond Trustee in writing if the Issuer agrees to sell or dispose of all or a substantial part of its assets or operations, or change the nature of its business;
- (c) without being requested to do so, prepare Financial Statements and make them available on its website in the English language (alternatively by arranging for publication at Stamdata) as soon as they become available, and not later than 120 days after the end of the financial year;
- (d) without being requested to do so, prepare Interim Accounts and make them available on its website in the English language (alternatively by arranging for publication on Stamdata) as soon as they become available, and not later than 60 days after the end of the relevant quarter;
- (e) at the request of the Bond Trustee, report the balance of the Issuer's Bonds;
- (f) without being requested to do so, send the Bond Trustee copies of any statutory notifications of the Issuer, including but not limited to in connection with mergers, de-mergers and reduction of the Issuer's share capital or equity;
- (g) if the Bonds are listed on an exchange, without being requested to do so, send a copy to the Bond Trustee of its notices to the Exchange;
- (h) if the Issuer and/or the Bonds are rated, without being requested to do so, inform the Bond Trustee of its and/or the rating of the Bond Issue, and any changes to such rating;
- (i) without being requested to do so, inform the Bond Trustee of changes in the registration of the Bonds in the Securities Depository; and
- (j) within a reasonable time, provide such information about the Issuer's business, assets and financial condition as the Bond Trustee may reasonably request.

The Issuer shall in connection with the issue of its financial reports confirm to the Bond Trustee in writing the Issuer's compliance with the covenants set out in the Bond Agreement, unless the Bond Trustee explicitly waives such requirement. Such confirmation shall be undertaken in a compliance certificate, and in the event of non-compliance, the Compliance Certificate shall describe the non-compliance, the reasons therefore as well as the steps which the Issuer has taken and will take in order to rectify the non-compliance.

*(II) General Covenants**(a) Pari passu ranking*

The Issuer shall ensure that its obligations under this Bond Agreement and any other Finance Document shall at all time rank at least as set under "Status of the Bonds" above.

*(b) Mergers*

The Issuer shall not, and shall ensure that no other Group Company shall, carry out any merger or other business combination or corporate reorganization involving a consolidation of the assets and

obligations of the Issuer or any other Group Company with any other companies or entities if such transaction would have a Material Adverse Effect.

*(c) De-mergers*

The Issuer shall not, and shall ensure that no other Group Company shall, carry out any de-merger or other corporate reorganization involving a split of the Issuer or any other Group Company into two or more separate companies or entities, if such transaction would have a Material Adverse Effect.

*(d) Continuation of business*

The Issuer shall not cease to carry on its business, and shall procure that no substantial change is made to the general nature of the business of the Group from that carried on at the date of this Bond Agreement, and/or as set out in this Bond Agreement.

*(e) Disposal of business*

The Issuer shall not, and shall procure that no other Group Company shall, sell or otherwise dispose of all or a substantial part of the Group's assets or operations, unless:

- (i) the transaction is carried out at fair market value, on terms and conditions customary for such transactions; and
- (ii) such transaction would not have a Material Adverse Effect.

*(f) Arm's length transactions*

The Issuer shall not, and the Issuer shall ensure that no other Group Company shall, enter into any transaction with any person except on arm's length terms and for fair market value.

*(g) Corporate status*

The Issuer shall not change its type of organization or jurisdiction of incorporation.

*(h) Compliance with laws*

The Issuer shall, and shall ensure that all other Group Companies shall, carry on its business in accordance with acknowledged, careful and sound practices in all material aspects and comply in all material respects with all laws and regulations it or they may be subject to from time to time.

*(i) Subsidiary distribution*

The Issuer shall not permit any subsidiary to create or permit to exist any contractual obligations (or encumbrances) restricting the right of any subsidiary to (i) pay dividends or make other distributions to its shareholders, (ii) pay any Financial Indebtedness to the Issuer, make any loans to the Issuer or (iii) transfer any of its assets and properties to the Issuer, other than permitting to subsist such contractual obligation which is not reasonably likely to prevent the Issuer from complying with its payment obligations under the Bond Agreement.

*(j) Insurance*

The Issuer shall, and the Issuer shall procure that each subsidiary will, maintain with financially sound and reputable insurance companies, funds or underwriters adequate insurance or captive arrangements with respect to its properties and business against such liabilities, casualties and contingencies and of such types and in such amounts as are consistent with prudent business practice.

### SCHEDULE 3

#### EVENTS OF DEFAULT

The Bond Trustee may declare the Bonds to be in default upon occurrence of any of the following events:

*(a) Non-payment*

The Issuer fails to fulfil any payment obligation due under this Bond Agreement or any Finance Document when due, unless, in the opinion of the Bond Trustee, it is likely that such payment will be made in full within five Business Days following the original due date.

*(b) Breach of other obligations*

The Issuer does not comply with any provision pursuant to this Bond Agreement or any other Finance Document, unless, in the opinion of the Bond Trustee, such failure is capable of being remedied and is remedied within ten Business Days after notice thereof is given to the Issuer by the Bond Trustee.

*(c) Cross default*

If for any Group Company:

- (i) any Financial Indebtedness is not paid when due nor within any originally applicable grace period;
- (ii) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described);
- (iii) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described); or
- (iv) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described),

always provided that a threshold in the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iv) above of a total of EUR 15 million, or the equivalent thereof in other currencies, shall apply.

*(d) Misrepresentations*

Any representation, warranty or statement (including statements in compliance certificates) made under this Bond Agreement or any other Finance Document or in connection therewith is or proves to have been incorrect, inaccurate or misleading in any material respect when made or deemed to have been made.

*(e) Insolvency*

- (i) A Group Company is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.
- (ii) The value of the assets of the Issuer or any Group Company which has an EBITDA representing 2.5 per cent or more of the consolidated EBITDA of the Group or which has gross assets or turnover representing 2.5 per cent or more of the gross assets or turnover of the Group calculated on a consolidated basis (a "**Material Group Company**") is less than its liabilities (taking into account contingent and prospective liabilities)
- (iii) A moratorium is declared in respect of any indebtedness of any member of the Group.

*(f) Insolvency proceedings and dissolution*

If for the Issuer or any Material Group Company, any corporate action, legal proceedings or other procedure step is taken in relation to:

- (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than solvent liquidation or reorganization;
- (ii) a composition, compromise, assignment or arrangement with any creditor, having an adverse effect on the Issuer's ability to perform its payment obligations hereunder;
- (iii) the appointment of a liquidator (other than in respect of a solvent liquidation), receiver, administrative receiver, administrator, compulsory manager or other similar officer of any of its assets; or
- (iv) its dissolution,

or any analogous procedure or step is taken in any jurisdiction.

*(g) Creditors' process*

Any Material Company has a substantial proportion of the assets impounded, confiscated, attached or subject to (i) distraint, or (ii) is subject to enforcement of any security over any of its assets.

*(h) Impossibility or illegality*

It is or becomes impossible or unlawful for the Issuer to fulfill or perform any of the terms of any Finance Document to which it is a party.

*(i) Material Adverse Change*

Any other event or circumstance occurs which, in the reasonable opinion of the Bond Trustee, after consultations with the Issuer, would have a Material Adverse Effect.