PRESOUND DRAFT

WOW

Investor presentation
Senior secured bond issue
August 2018

Disclaimer (1/2)

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a) 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 document or any applicable supplement;
b) 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;
c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
d) understand thoroughly the final terms and conditions for the Bonds; and
e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the relevant risks.

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Conflict of interest

The Sole Bookrunner and/or its Representatives may hold shares, options or other securities of the Group and may, as principal or agent, buy or sell such securities. The Sole Bookrunner may have other financial interests in transactions involving these securities or the Group.

The Issuer and any other member of the Group may, subject to applicable laws, purchase Bonds. It should be noted that the Group may have interests that conflict with other bondholders particularly if the Group encounters difficulties or is unable to pay its debts as they fall due.

Target market

Solely for the purposes of the manufacturer's (as used herein, "**Manufacturer**" refers to the Sole Bookrunner) product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties, professional clients and retail clients each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Bonds to eligible counterparties, professional clients and retail clients] are appropriate.

Any person subsequently offering, selling or recommending the Bonds (a "**Distributor**") should take into consideration the Manufacturer's target market assessment; however, a Distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the Manufacturer's target market assessment) and determining appropriate distribution channels.

PRIIPs regulation

As the Bonds are not deemed to fall within the scope of Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**"), no PRIIPs key information document (KID) has been prepared. For the avoidance of doubt, the target market assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Bonds.

Placement Fee

The Sole Bookrunner will be paid a fee by the Issuer in respect of the placement of the Transaction.

Forward looking statements

Certain information contained in this Presentation, including any information on the Group's plans or future financial or operating performance and other statements that express the Group's management's expectations or estimates of future performance, constitute forward-looking statements (when used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Group or its management, are intended to identify forward-looking statements). Such statements are based on a number of estimates and assumptions that, while considered reasonable by management at the time, Pareto to confirm. are subject to significant business, economic and competitive uncertainties. The Group cautions that such statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Group to be materially different from the Group's estimated future results, performance or achievements expressed or implied by those forward-looking statements.

Claims and legal disputes

Claims or legal action may in the future be made or initiated against the Group which may have significant unfavourable effects on the Group's financial position, performance and market position or on the pricing of the Bonds.

Audit review of financial information

Certain financial information contained in this Presentation has not been reviewed by the Group's auditor or any other auditor or financial expert. Hence, such financial information might not have been produced in accordance with applicable or recommended accounting principles and may furthermore contain errors and/or miscalculations. The Group is the source of the financial information, and none of the Group nor the Sole Bookrunner or any of its Representatives shall have any liability (in negligence or otherwise) for any inaccuracy of the financial information set forth in this Presentation.

The Bonds will be governed by the final terms and conditions

Any potential investor investing in the Bonds is bound by the final terms and conditions of the Bonds which the investor acknowledges having accepted by subscribing for such Bonds.

Governing law and jurisdiction

This Presentation is subject to Swedish law, and any dispute arising in respect of this Presentation is subject to the exclusive jurisdiction of Swedish courts.

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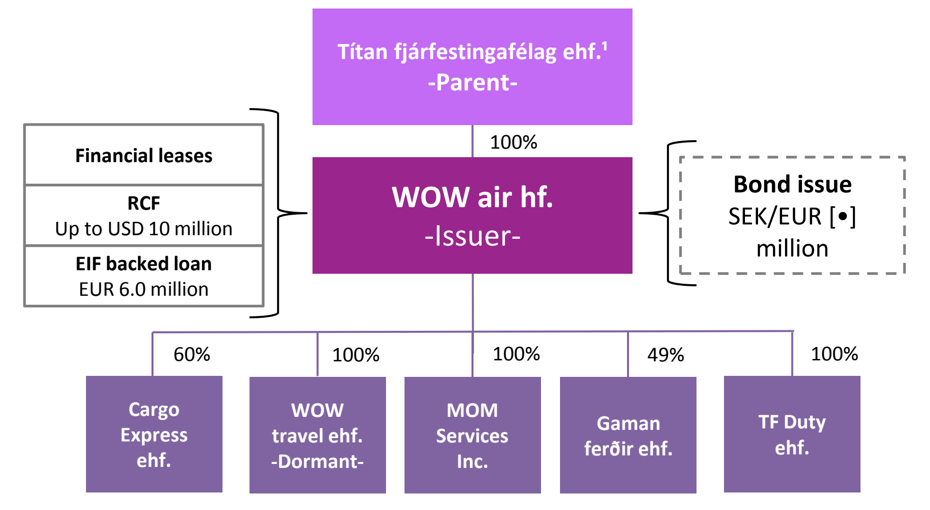
Transaction overview and structure

- The Group intends to issue a senior secured bond in an initial amount of SEK [•] million within a framework amount of SEK [•] million (or an equivalent amount in EUR) (the "**Bond Issue**" or the "**Bonds**")
  - The issuer of the bonds, WOW air hf, is the main operating entity of the Group
- The net proceeds from the Bond Issue will be allocated towards:
  - Prefunding of the Interest Account; and
  - General corporate purposes
- The Bonds will be secured by a comprehensive security package comprising of:
  - Pledge over all the shares in the Issuer
  - Pledge over all the shares in any Material Group Companies
  - Pledge over any current and future Material Intercompany Loans
- The Bonds will feature a robust covenant package comprising of the following maintenance covenants:
  - Minimum equity of at least USD 25 million (tested annually on 30 September), stepping up by USD 5 million per annum until maturity
  - Minimum liquidity, including any amount undrawn under the RCF, equal to or exceeding the Finance Charges of the last twelve months
  - Minimum reserved cash equal to or greater than 12.5% of the Outstanding Nominal Amount to stand on the Interest Account
- The bonds will comprise the only market debt in the structure, which in addition will feature carve-outs for, inter alia:
  - Finance leases (Financing for four Airbus A321 aircraft)
  - Revolving credit facility (USD 10 million)
  - EIF backed loan (EUR 6.0 million)
  - General basket (USD 2.5 million)

Simplified transaction structure



Illustrative post-bond leverage

Bond issue size	Bond size (USDm)	Total debt (USDm)	Debt / EBITDAR[2] x17	x18E	x19E
SEK 500m	56	646	10.4x	10.3x	4.6x
SEK 750m	84	674	10.8x	10.8x	4.8x
SEK 1,000m	112	702	11.3x	11.2x	5.0x

Source: Company Data. Notes: 1) 100% owned by CEO and founder Skúli Mogensen, 2) Illustrative post-bond Debt/EBITDAR based on EBITDAR of USD 62.4 million (2017), USD 62.6 million (2018E) and USD 141.8 million (2019E)

Summary of terms

Issuer	WOW air hf.
Issue volume	SEK [•] million or an equivalent amount in EUR initially, within a total frame of SEK [•] million or an equivalent amount in EUR
Tenor	3 years
Coupon	Floating rate of 3 month STIBOR/EURIBOR + [•] bps p.a., floor at zero
Margin step-down	Margin step-down of 150 bps in the event that a minimum of USD 75 million of equity is raised and the shares of the Issuer have been listed on a regulated market
Issue price	[•]%
Use of proceeds	Fund the Interest Account, pay Transaction Costs, and finance general corporate purposes
Status	Senior secured
Transaction security	- Pledge in respect of all shares in the Issuer - Pledge in respect of all shares in any Material Group Companies; and - Pledge in respect of all current and any future Material Intercompany Loans
Call structure	- Make-whole first 24 months - Thereafter callable @ 100% + 35/0% of the coupon after 24/30 months respectively
Maintenance test	- Minimum equity of at least USD 25 million the first 12 months, thereafter stepping up by USD 5 million every 12 months; - Minimum liquidity, including any amount undrawn on the RCF, to be equal to or greater than the Finance Charges for the last twelve months; and - Minimum reserved cash to be greater than 12.5% of the Outstanding Nominal Amount
Special undertakings	- No other secured market debt allowed during the tenor of the bonds - Carve-outs for, *inter alia*, existing finance leases, an RCF of USD 10 million (subject to annual clean-down), an EIF-backed loan of EUR 6.0 million and a general basket of USD 2.5 million
Distributions	Zero dividends, except after an Equity Listing Event and full utilisation of the Equity Claw Back, following which 25.0% of the previous year's net profit may be distributed, subject at all times to compliance with the maintenance tests
Voluntary partial prepayment	10% of the initial nominal amount p.a. at 104%
Change of control	Investor put at 101% of par
Equity claw back	The Issuer may in connection with an Equity Listing Event repay up to 30% of the initial nominal amount at the applicable call price
Jurisdiction	Swedish law
Listing	Nasdaq Stockholm within 2 months of the Issue Date and intention to list on Frankfurt Stock Exchange as soon as reasonably possible after the Issue Date
Sole Bookrunner	Pareto Securities AB

Investment highlights

Pioneering low-cost long haul carrier set to become Iceland's leading airline	**Pioneering low-cost long haul carrier set to overtake position as Iceland's market leader by 2019** ▪ 37% market share at Iceland's main airport, Keflavik, and likely to overtake Icelandair's leading position by 2019 **Consistent track-record of strong passenger growth paired with high and improving load factor** ▪ Passengers carried expected to reach 3.6 million in 2018, a five-fold increase over 2015 ▪ Prudent capacity and network management has increased LTM load factor to 88.9%, 7.4% above the global peer average **Best-in-class ancillary revenue, constituting a key complement to ticket revenue** ▪ Class-leading ancillary revenue of USD 52.5 per passenger, up by 24% since year-end 2016
Based at Keflavik airport, WOW air is ideally located for transatlantic hub and spoke operations	**Network based around main hub in Iceland allows for smooth connection to 37 destinations** ▪ Connecting over 300 unique city pairs across 37 destinations, 2/3 of which have no available non-stop flight alternative ▪ Newly established route to India opens a channel to a large, fast growing and underserved market **IATA forecasts a doubling of airline passengers to 7.2 billion over the coming two decades** ▪ WOW air now in a strong position to serve two key markets underpinning future passenger growth: the US and India
One of the world's newest and most efficient aircraft fleets	**WOW air benefits from one of the world's newest and most efficient aircraft fleets** ▪ 20 Airbus aircraft, predominantly of the fuel-efficient A320/321 family ▪ Average fleet age of only 3.0 years, well below the global peer average of 9.2 years ▪ All aircraft are held on a combination of finance and operating leases, with an average remaining lease tenor of 8.9 years
Bondholder-friendly structure, yield improvements underway and clear path to IPO	**Tight, bondholder-friendly structure with multiple maintenance covenants, interest account and zero-dividend clause** ▪ Maintenance covenants regulating minimum equity and minimum liquidity ▪ An amount equivalent to minimum 12.5% of the outstanding bond volume shall stand on the interest account **New Comfy & Premium seats rolled out fleet-wide in April 2018 expected to deliver considerably higher profitability** ▪ As of Q2 2018, Comfy & Premium seats deliver 1.9x and 2.9x higher yields, respectively, compared to basic economy fares ▪ Yield improvement, together with higher passenger numbers, expected to improve EBITDAR from USD 63 million at end 2018E to USD 142 million at end 2019 **Bond issue envisaged to act as bridge to IPO over the coming 18 months**

Today's presenters

Skúli Mogensen – Founder, CEO and Owner

- **Prior to founding WOW air Skúli spent 20 years as an entrepreneur and investor, primarily in the technology, media, and telecom industry in North America and Europe**
  - **Co-founder and CEO of OZ Communications**, a mobile software company which sold over 100 million copies of its messaging software to all the major handset manufacturers and mobile operators before OZ being sold to Nokia in 2008
  - **Co-founder of Islandssimi**, which later became Vodafone Iceland
  - Former supervisory board member at Securitas Iceland, Kvika bank and Advania
- Mogensen has been awarded The Businessman of the Year Award in Iceland in 2011 and 2016

Stefán Sigurdsson – CFO

- **Prior to joining WOW air as CFO in 2015, Stefán has held numerous positions within the fields of accounting and financial analysis, having accumulated a total of over 15 years worth of global professional experience**

Selected previous positions

- CCP Games, VP of Finance
- Eide Bailly LLP, Senior Audit Manager

Education

- Certified Public Accountant, Arizona (CPA)
- BS in Accounting from Arizona State University

The WOW Story

2011 — **WOW air is founded**
by Icelandic entrepreneur Skúli Mogensen

2012 — **Inaugural flight**
made on May 31st, from Reykjavik to Paris

2013 — **Over 400,000 passengers**
Network is initially limited to destinations in Europe

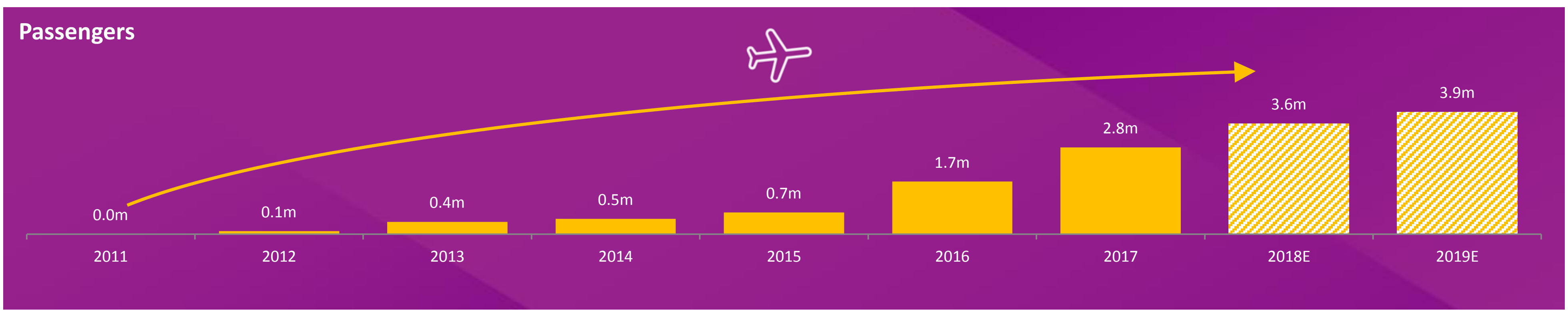
2014 — **Millionth passenger carried**

2015 — **First flights to the US**
Two destinations in the US launched

2016 — **Over 1.6 million passengers**
Delivery of first Airbus A330 aircraft
9 new routes - incl. destinations in the US and Canada

2017 — **Over 2.8 million passengers**
Big seat added to A330 fleet
WOW air surpasses 1,000 employees

2018 — **First flights to India**
5 new US routes added
1,400 employees



Source: Company data.

WOW air at a glance

1 Low cost airline connecting the world through Iceland

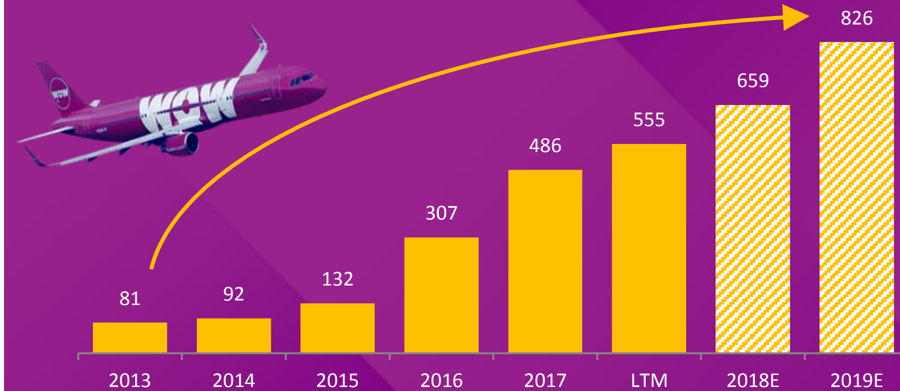
16 countries served

37 destinations

> 53 % of WOW's passengers travel across the Atlantic via Iceland

2 Successful business model has resulted in strong growth

Revenue, USD million



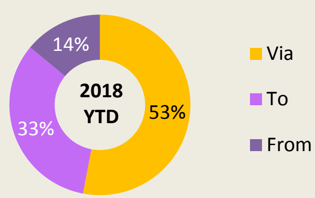
3 Serving an increasingly diverse customer base…

1,400 employees

20 fuel efficient aircraft[1]

3.2 million passengers[2]

Passengers by segment



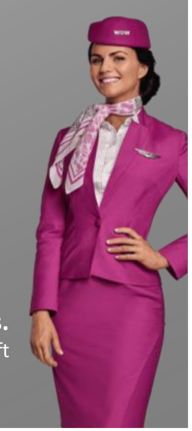
4 …with a service offering built upon four core pillars

We're all about low fares and high performance.
- WOW air strives to provide lower prices than anyone else flying across the Atlantic

On time.
Target of above 80% on time arrivals

Everything we do has the WOW factor.
- Providing an excellent customer experience throughout the Group

Newer planes → less fuel burn & lower costs.
- One of the world's newest aircraft fleets



Source: Company data. Notes: 1) A total of four additional aircraft scheduled for delivery in late 2018 and late 2019, 2) As of the twelve months ending on June 30th 2018

Dubai of the north - hub and spoke network ideally located for transatlantic traffic

16 countries

37 destinations

300+ City pairs connected

67% of city pairs have no non-stop flight options available

Hub at Keflavik airport connects all of WOW air's transatlantic flights…

- Iceland's location in the middle of the North Atlantic ocean makes it an ideal transfer hub for flights between Europe and North America
  - Iceland is located near the ideal flight path for a high number of transatlantic routes, thereby limiting the need to travel additional distance
- The connection at Keflavik airport shortens stage length and allows WOW air to use smaller and more efficient narrow-body aircraft on most routes
- Flights to India in 2018 marking first steps towards Asian connections
  - Iceland's location is optimal for efficiently connecting India to the US

… and allows for successful service of secondary markets in US and Europe

- The use of a hub also allows WOW air to effectively serve as a connection point for many secondary city pairs that would typically not see enough traffic to sustain a direct transatlantic route
  - Currently, 67% of the 300+ city pairs served by WOW air have no direct flight options available
- Secondary city pairs face less competition, allowing for higher yields on average (compared to primary city pairs e.g. New York - London)

Source: Company data Notes: 1) Average during Summer schedule 2018

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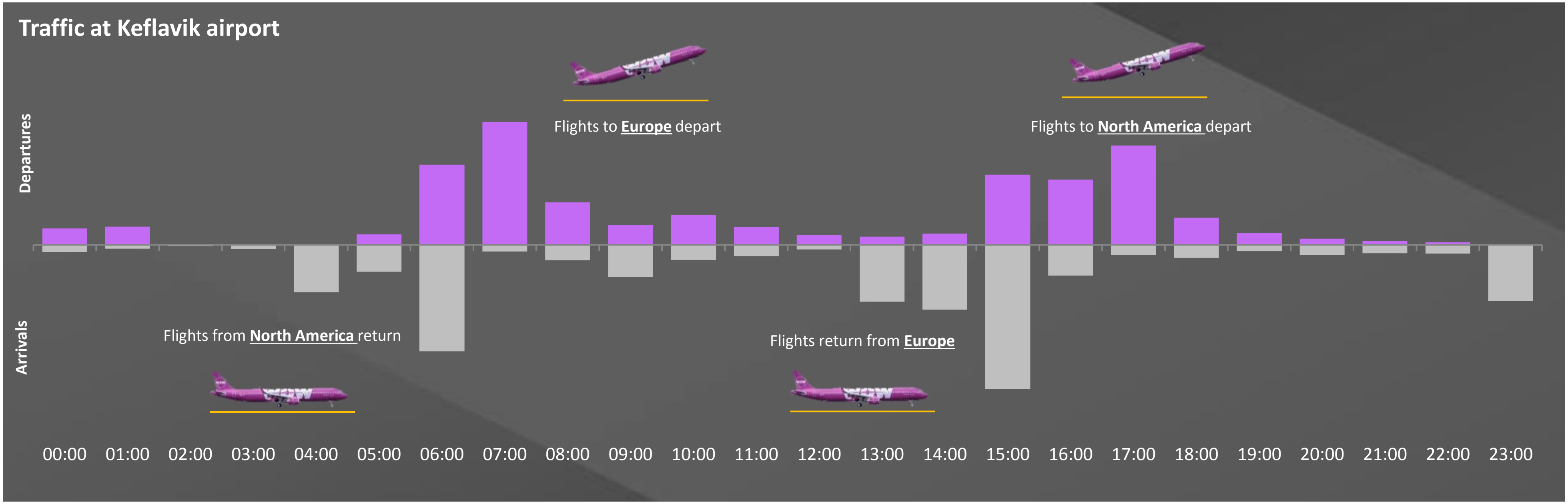
Highly efficient hub operated out of Keflavik airport



Operations centered around 24 hour hub at Keflavik airport

- A typical flight takes off from Keflavik to Europe in the morning, returning later in the day and flying west towards North America, from where it returns to Iceland the following morning

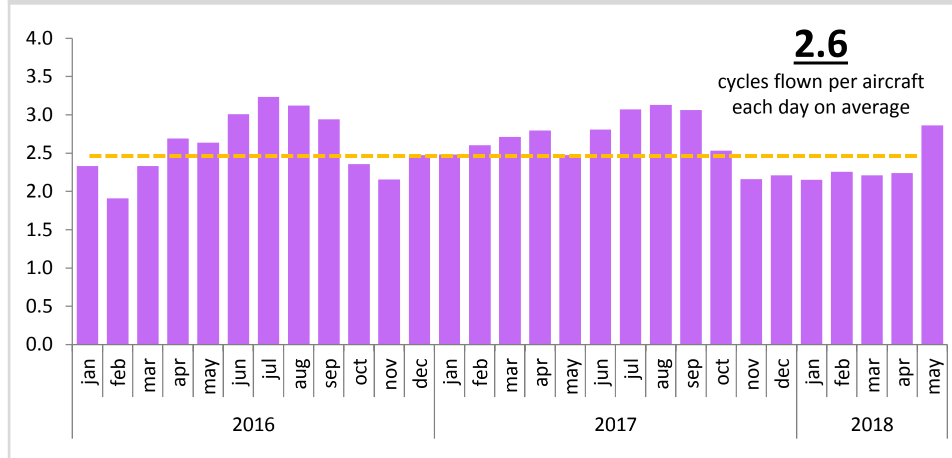
Prudent scheduling allows WOW air to keep turnaround times at a minimum…

- Turnaround times at Keflavik airport are as low as 45 minutes

…while at the same time achieving high fleet utilisation

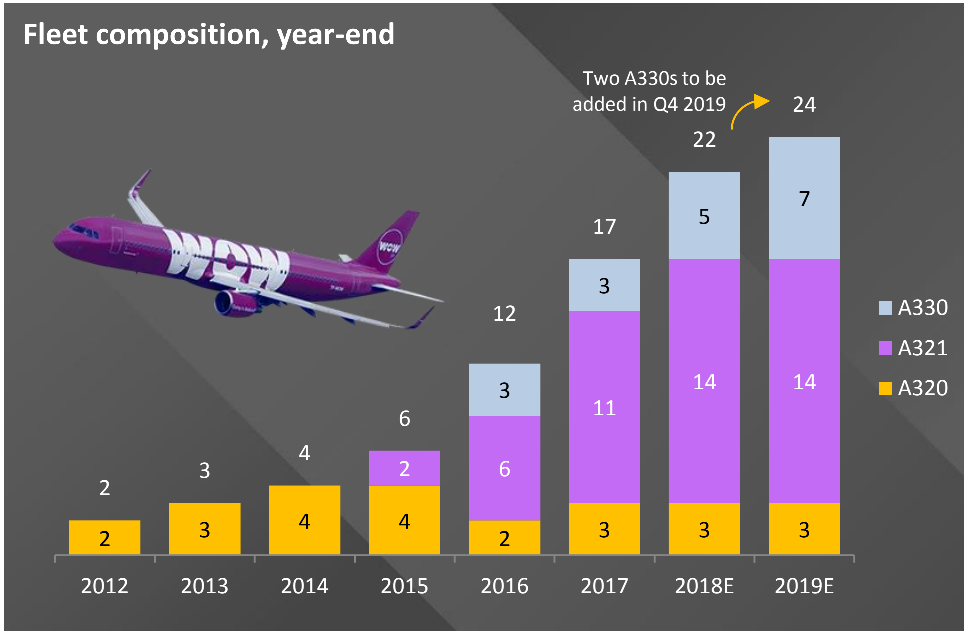
- The average aircraft in WOW air's fleet performs 2.6 take-off/landing cycles each day
- Second wave, added in summer of 2018, will further improve utilization

Average number of daily cycles[1] flown per aircraft



Source: Company data Notes: 1) 1 cycle = 1 take-off and 1 landing

One of the newest and most efficient fleets in the world



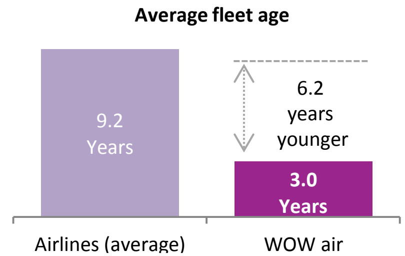
Core fleet comprised of Airbus A320/A321 narrow body aircraft

- Medium range narrow-body aircraft ideally suited to operate routes to destinations in Europe and the Eastern part of North America
  - Maximum range of up to 6,850 km[1]
  - Seating capacity for 200-210 (A321) and 178 (A320) passengers

Long range Airbus A330 wide-body aircraft operated certain routes

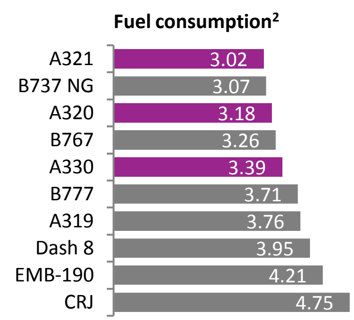
- Long range wide-body Airbus A330 aircraft well suited for outside of A321/A321 range destinations such as India and on the US west coast
  - Maximum range of up to 11,100 km
  - Seating capacity for 345-365 passengers
- Four additional A330s scheduled for delivered to serve new routes to Asia
  - Two scheduled for delivery in Q4 2018, two in Q4 2019

One of the youngest aircraft fleets in the world



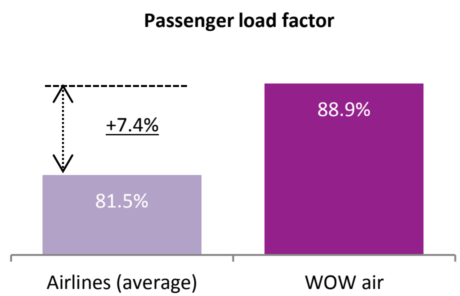
- Fleet wide average age of 3 years
  - Making it one of the youngest in the world
- Numerous benefits of younger fleet
  - Lower maintenance spending
  - Newer engines with higher fuel efficiency
  - Limited need for add-on investments

Highly fuel efficient aircraft is a key competitive edge



- 70% of the current fleet is comprised of Airbus A321 aircraft
  - One of the most fuel efficient passenger aircraft available on the market
  - ~10% lower fuel consumption compared to the weighted average among the top 10 passenger aircraft models

Use of narrow-body aircraft supports load factor



- High load factor derived from optimal fleet composition
  - WOW air has 7.4% higher load factor compared to global airline industry peers
  - Higher load factor drives operating economies of scale

Source: Company Data, Notes: 1) Maximum range of the A321 Neo and the A320 Neo, respectively 2) Fuel consumption per 100 seat kilometres, 10 most common passenger aircraft types

Lease based financing and high aircraft utilisation

wow air

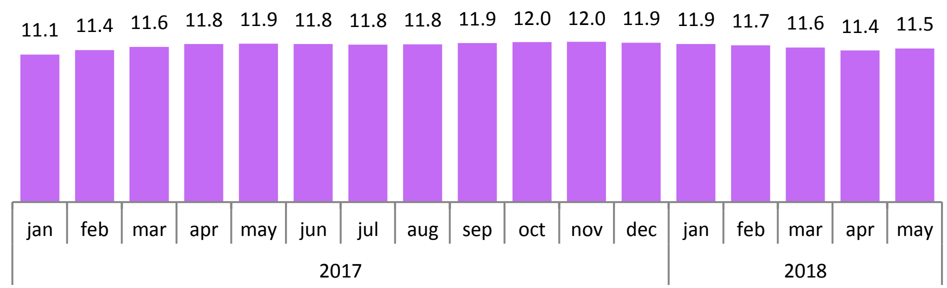
	REG	Type	Seats	Lease Type	Remaining tenor
1	TF - MOM	A321-211	200	Finance Lease	8.5
2	TF - DAD	A321-211	200	Finance Lease	8.5
3	TF - SIS	A320-200	174	Dry Lease	12.1
4	TF - BRO	A320-200	174	Dry Lease	12.1
5	TF - KID	A321-211	200	Finance Lease	7.5
6	TF - SON	A321-211	200	Finance Lease	7.5
7	TF-GMA	A321-200	210	Dry Lease	5.2
8	TF - GAY	A330-343	345	Dry Lease	3.8
9	TF-GPA	A321-200	210	Dry Lease	6.0
10	TF - WOW	A330-300	345	Dry Lease	5.1
11	TF - LUV	A330-300	345	Dry Lease	5.2
12	TF-JOY	A321-200	210	Dry Lease	6.3
13	TF-NEO	A320-NEO	178	Dry Lease	6.6
14	TF-PRO	A321-200	208	Dry Lease	10.7
15	TF-WIN	A321-CEO	208	Dry Lease	6.7
16	TF-SKY	A321-NEO	208	Dry Lease	6.8
17	TF-NOW	A321-200	208	Dry Lease	10.8
18	TF-CAT	A321-200	208	Dry Lease	11.5
19	TF-DOG	A321-200	208	Dry Lease	11.6
20	TF-DTR	A321-NEO	208	Dry Lease	7.8

The Group's entire fleet is leased from external lessors

- 4 aircraft are financed through finance leases with purchase options whereas the remaining 16 aircraft are financed through operating leases
  - Upcoming four aircraft deliveries will be financed with operating leases
  - The Group's financial lease obligations are guaranteed by Títan fjárfestingafélag ehf., the parent of the Issuer, in exchange for which the former receives an annual payment of USD 1 million
- The Group's largest lessors are Avolon (7 aircraft) and Air Lease (7 aircraft)
- Average remaining lease tenor is 8.9 years

Fleet-wide aircraft utilisation

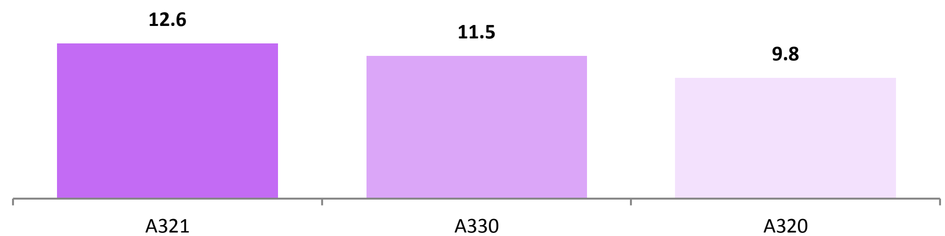
Daily flight hours per aircraft, rolling 12 month average



- The average aircraft in WOW air's fleet sees 11.5 hours of usage per day throughout the entire year
  - 32% more than the global average in the passenger airline industry of 8.7 hours
- Utilisation levels dropped slightly during Q1 2018 due to new aircraft being delivered

Fuel-efficient A321 aircraft see the highest daily usage

Daily flight hours by aircraft type, LTM

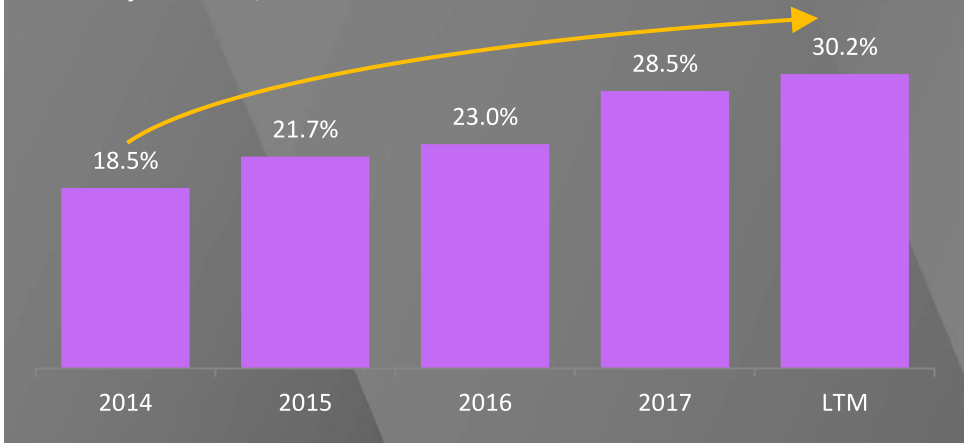


- A321s see the highest daily usage
  - High flexibility and operations on shorter stage lengths help to drive high usage stats
- Fleet utilisation levels are expected to see additional boost following introduction of subleasing of excess capacity during the winter of 2018/19
  - Three A321 aircraft planned to be subleased on ACMI leases during winter months
  - Improved capacity utilisation and additional leasing revenues

Source: Company data.

Best in class ancillary revenue

Ancillary revenue, share of total



Ancillary revenue constitutes a key complement to ticket sales

- Ancillary revenue includes all sales to passengers in excess of the basic flight ticket
  - These account for 28% of revenue (up from 23% in 2016)
- Ancillary revenue supported by no-frills ticket model
  - Basic airfare includes neither carry-on nor checked baggage

New product launches expected to drive ancillary revenue further

- Following the success of new seating classes added to the Group's A330 aircraft in 2017, WOW air launched the new Premium & Comfy products fleet-wide in April 2018
  - Sales roll-out expected to be in progress until the end of 2018
  - New options offer more comprehensive service packages, including seat reservations, priority boarding, flex fares and more advanced hotel, car and other value added services
  - The new products are expected to be the primary driver of ancillary revenue growth during the second half of 2018 and beyond

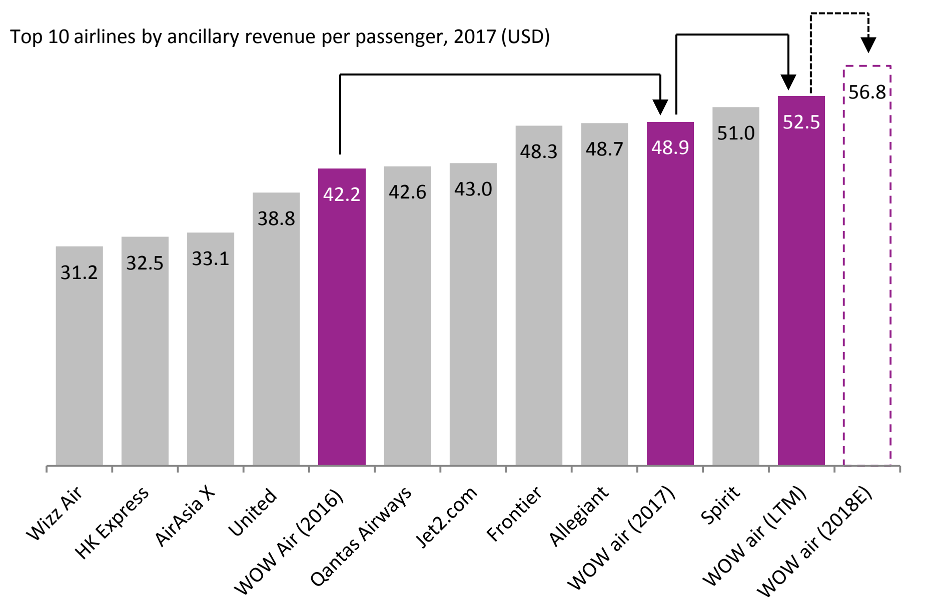
New products are set to boost ancillaries further

WOW BigSeat

	Basic	Plus	Comfy	Premium
Personal item	✓	✓	✓	✓
Carry-on bag	-	✓	✓	✓
Checked bag(s)	-	✓	✓	✓
Seat reservation	-	✓	✓	✓
Priority boarding	-	-	-	✓
On-board meals	-	-	-	✓
Standard seat	✓	✓	-	-
XL/XXL seat	-	-	✓	-
BigSeat	-	-	-	✓

Best-in-class ancillary revenue

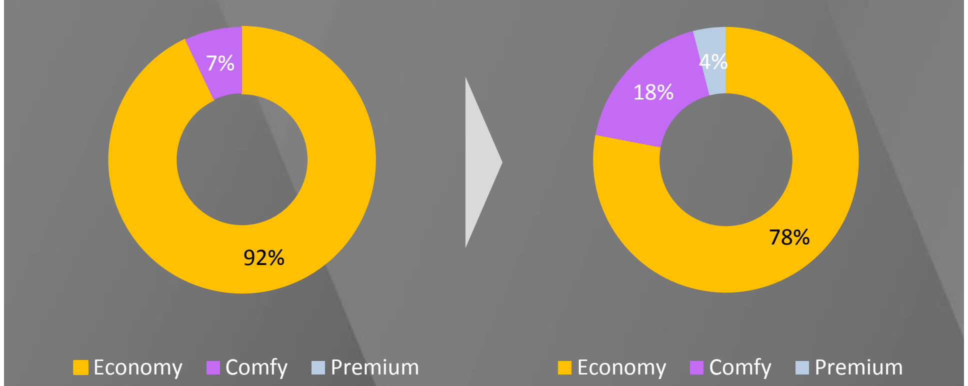
Top 10 airlines by ancillary revenue per passenger, 2017 (USD)



Source: Company data.

Premium seating delivering tangible yield improvements

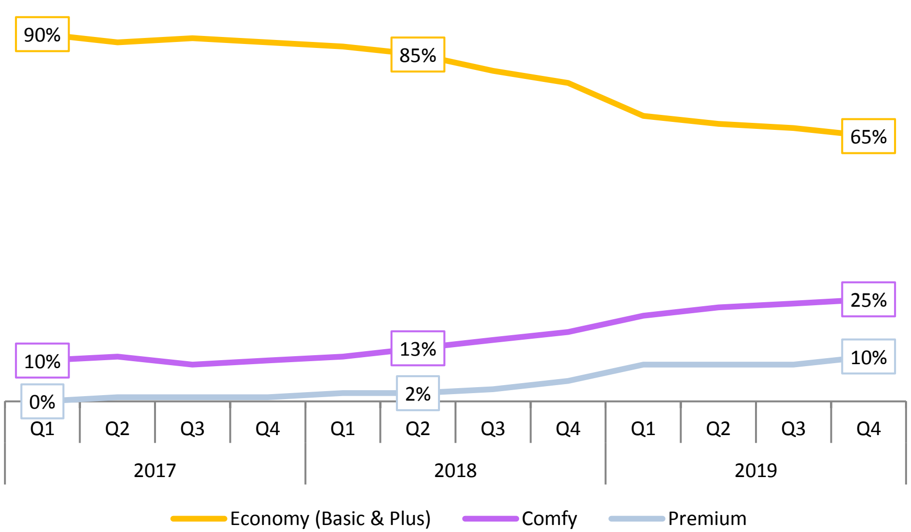
Passenger breakdown by cabin, 2017 vs 2019E



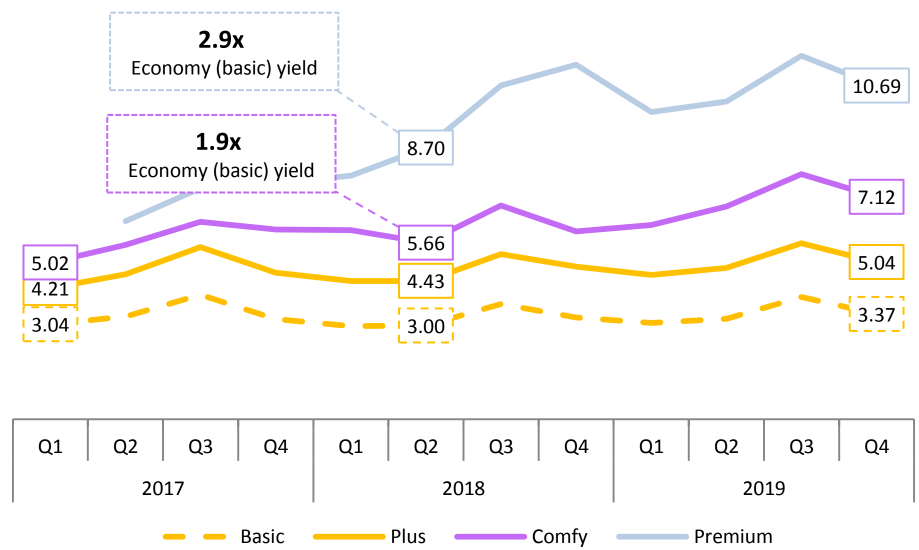
The introduction of the Comfy and Premium classes has come in response to sustained economy yield pressure and clear requests from passenger

- In addition to driving ancillary revenues, the new seat classes have already delivered overall yield improvements owing to their higher prices
- Comfy and Premium products are currently generating 1.9x and 2.9x higher yield than basic fares, respectively
- This favourable mix development results in disproportionately higher revenue impact from the Comfy and Premium cabins
- Development expected to continue into 2019, when Comfy and Premium will together account for 22% of passengers but 35% of total revenues
- Premium and Comfy products allow WOW air to segment its cabin and offer its product to a wider market

Share of revenue by fare category, 2017 to 2019E



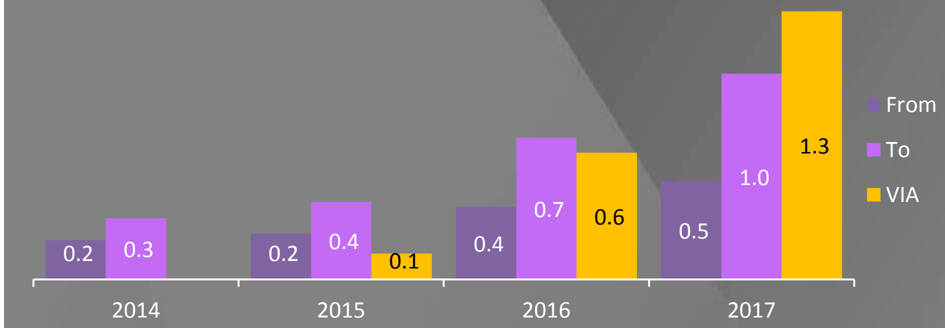
Yield by fare category, USD cents, 2017 to 2019E



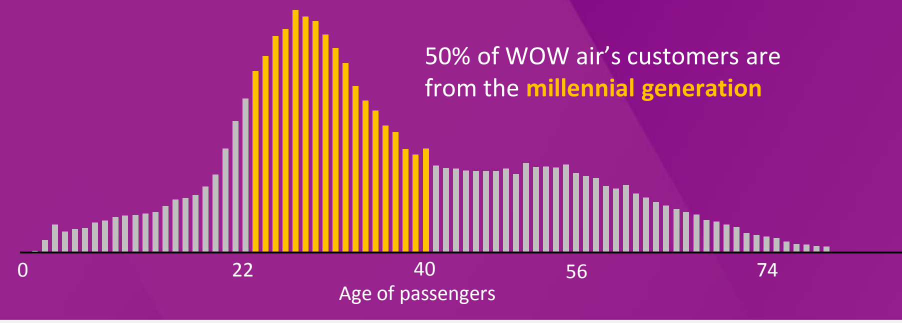
Source: Company data.

Targeting an attractive and increasingly diversified demographic

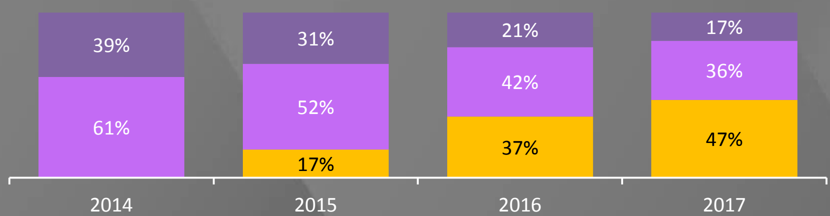
Passengers per segment (millions)



Passenger age distribution



Share of passengers



> 1.8 million
Social media shares

> 57 million
Aggregate readership

=

USD 126 million
Ad value equivalency

Entry into the transatlantic market has been main growth driver

- Transatlantic transfers (Via Iceland) has been the largest contributor to the Group's traffic growth in recent years
  - WOW air entered this market in 2015, when it launched its first routes to destinations in the US, effectively allowing for transatlantic connections
  - The segment has grown to become the Group's largest in less than four years, accounting for more than half of its passengers
- Direct flights to/from Iceland has also seen an increase in absolute terms, despite decreasing its relative share of passengers
  - Annualised passenger growth rate of 45% to/from Iceland during 2014-2017, outpacing the overall rate of tourist arrivals in Iceland

The majority of passengers are leisure travellers below the age of 40

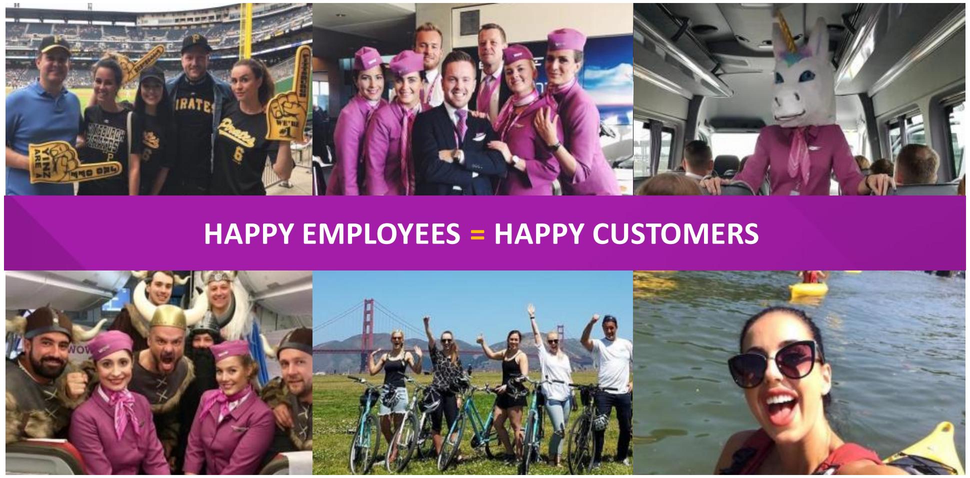
- A core component of WOW air's marketing strategy is comprised of viral marketing campaigns aimed at gaining publicity from both media outlets and on social media
  - WOW air has become a well known brand on both sides of the Atlantic, being recognized as a leading low-cost long haul airline

High internet penetration among customers grant clear benefits

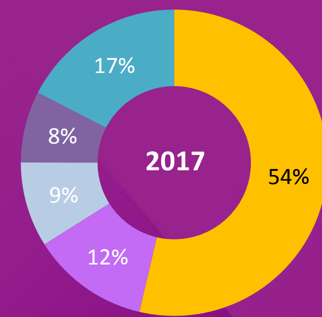
- 65% of all check-ins are either online or through self-service kiosks
  - Decreased need for check-in staff
- Above 90% of all tickets are sold online (70% through own website)
  - Increased ability to market and sell ancillary services

Source: Company data.

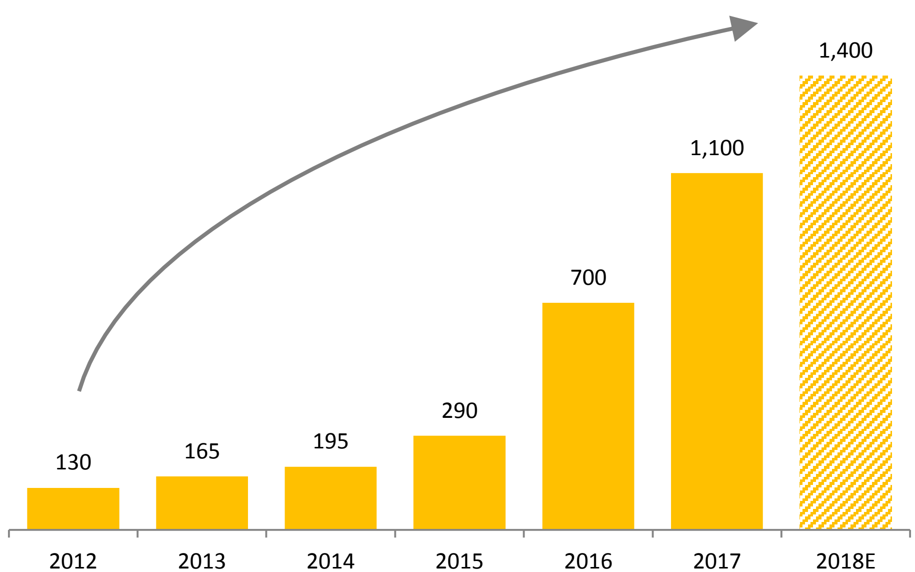
Growing and increasingly flexible workforce



FTEs split by function



Number of employees at year-end



Rapidly growing workforce

- Over 1,100 new hires during past 3 years
- Majority of workforce are Icelandic citizens

Flight deck (pilots) comprises of both local employees and foreign contractors

- Approximately 1/3 of pilots are foreign contractors
- This has been necessitated by the increased demand for pilots in Iceland following the rapid growth of the tourism sector

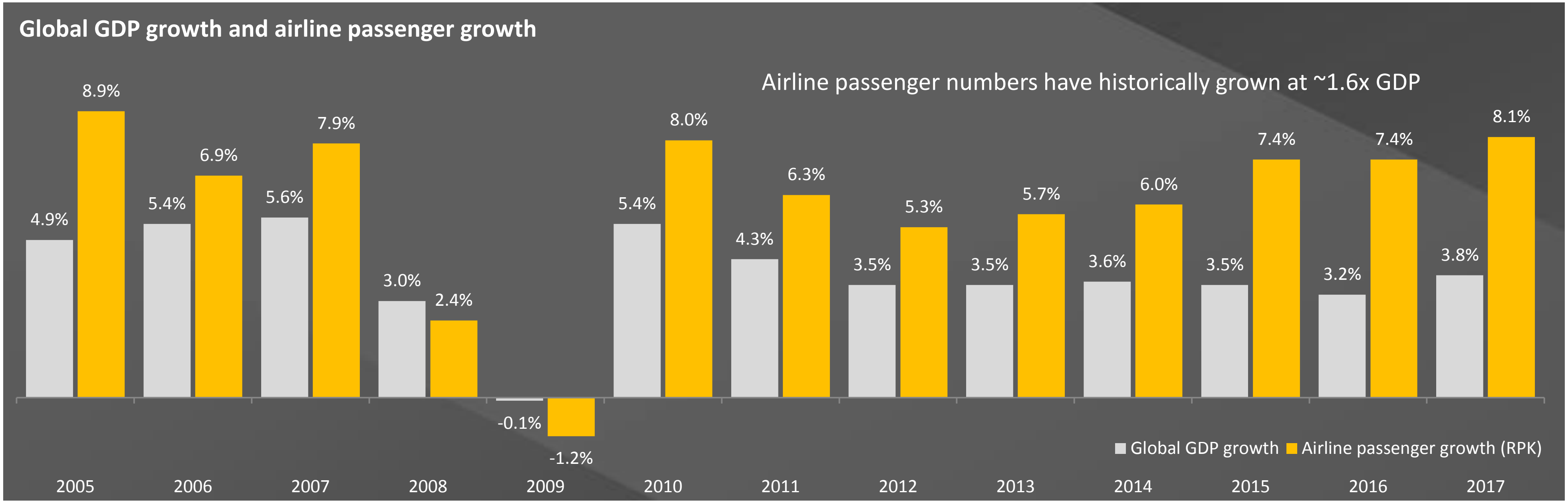
Flexible crew contracts allow WOW air to mitigate seasonal swings

- Approximately 50 % of cabin crews are on short term contracts
  - Flexible contracts enable staffing to be managed during the off-season to better match seasonal flight schedules
- Flight deck crew (pilots) have contracts that compensate less vacation during summer with more vacation during winter
  - The majority of training is also scheduled during the off-seasons

Source: Company data.

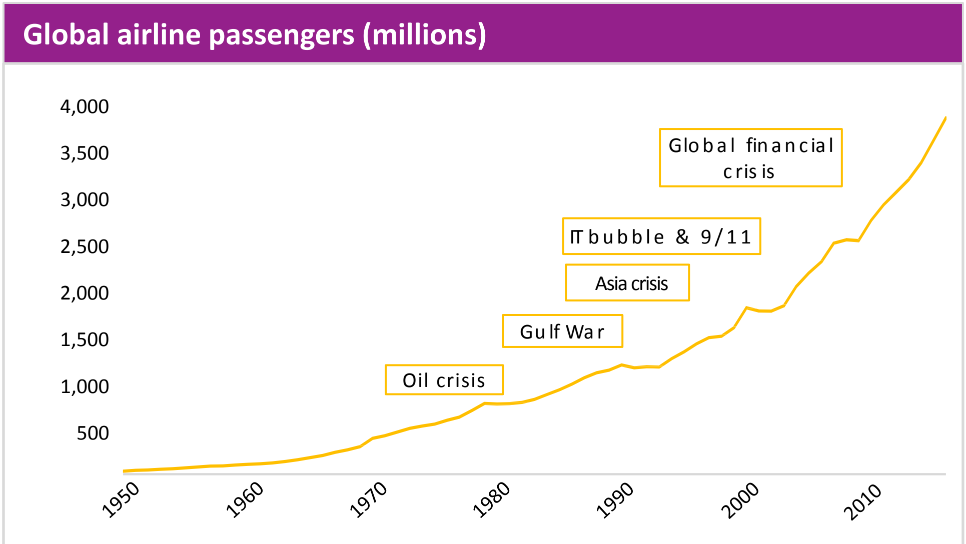
1. Summary of the bond issue
2. Business overview
3. **Market overview**
4. Financials
5. Appendix

Global air travel has closely tracked GDP growth



Air travel has seen a persistent long term growth trend

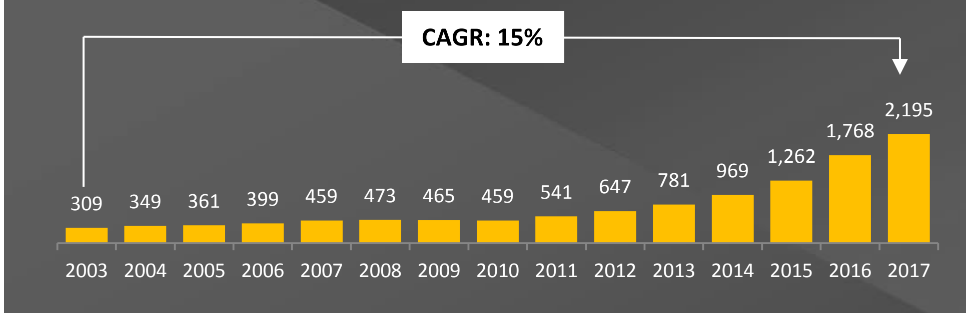
- Airline passenger growth has historically been correlated to GDP growth, albeit outpacing the latter by approximately 1.6x
  - The number of global airline passenger kilometres has grown by over 70% over the past decade
- Seen over an even longer perspective, airline passenger numbers have been in a persistent growth trend since the 1950s
  - External shocks such as the Gulf Wars, 9/11 attacks and the global financial crisis have merely constituted minor dents in the curve



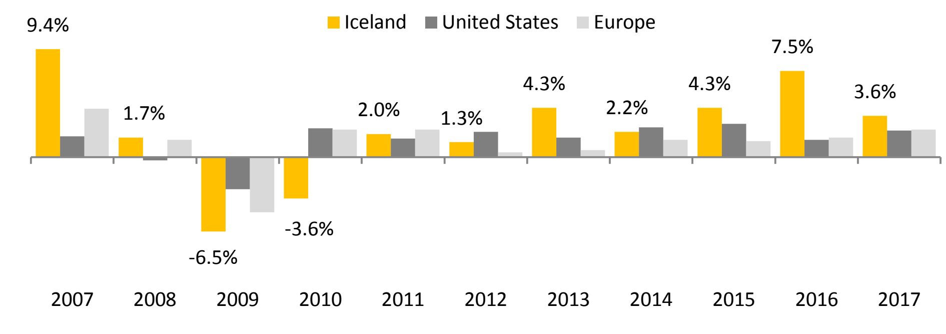
Source: IMF and IATA

Strong recovery of the Icelandic economy since the financial crisis

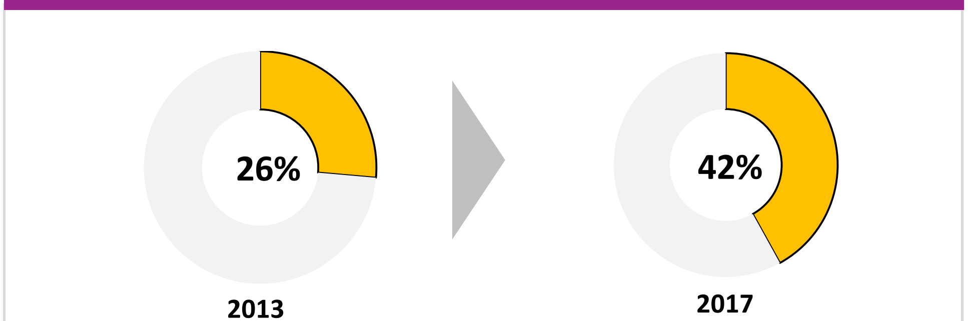
Foreign tourist arrivals ('000), Iceland



Annual GDP development, %



Tourism, share of exports, Iceland



Tourism has played a key role in the Iceland's economic recovery

- In the years leading up to the 2008 financial crisis Iceland experienced continuous growth in foreign tourist arrivals at an annual rate of 8.9%
- Following the financial crisis, tourist arrivals in Iceland fell moderately in 2009 and 2010, dropping by a total of 3% from its pre crisis peak
- In the spring of 2010, the Eyjafjallajökull volcano erupted and spewed ash several kilometres up in the atmosphere, causing major disruptions to air traffic in both Europe and North America.
  - Ironically, the extensive worldwide news coverage of the aforementioned disruption to global air travel helped to spark many travellers' interest in Iceland
  - This also coincided with targeted efforts by the Icelandic tourism industry which aimed to capitalise on the publicity
- The following year, 2011, marked the start of a remarkable turnaround in this statistic, as the number of tourist arrivals to Iceland reached nearly 2.2 million in 2017, representing growth of more than 30% over 2014 and a more than two-fold increase over 2011
  - WOW air has been a key player in contributing to the economic recovery with the addition of new aircrafts and destinations

Strong recovery in the wake of the financial crisis

- Following a steep downturn in the wake of the global financial crisis, the Icelandic economy has seen a strong recovery in recent years
  - The improved strength of the economy has also prompted credit rating agencies to gradually lift the sovereign credit rating, which currently stands at A3 and A by Moody's and S&P, respectively
- Since 2011, GDP has grown consistently at a rate that has largely outpaced that of both Europe and the US
- The tourism industry in particular has played a central role in achieving this high paced growth

Source: IMF, Statistics Iceland, Iceland Tourism Board

WOW is moving towards the position of Iceland’s leading airline

Iceland’s international airline operations based around Keflavik airport

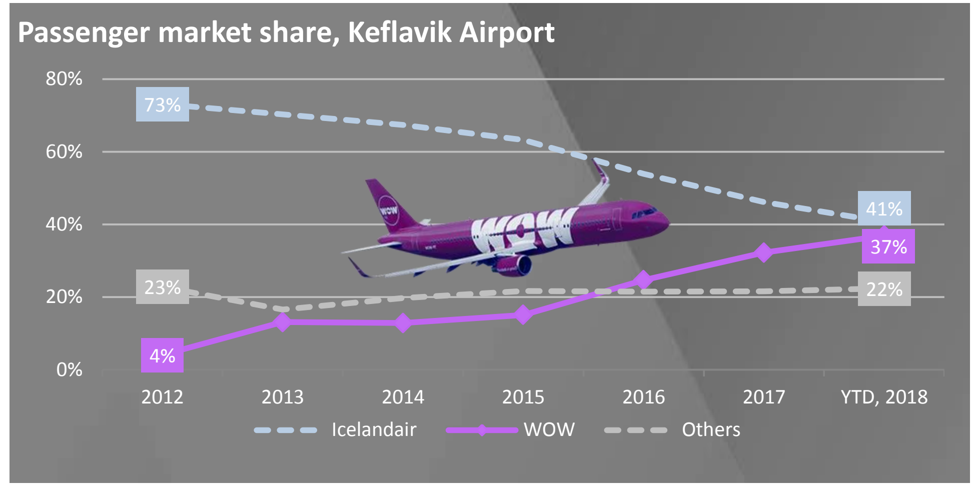
- Keflavik is Iceland’s main international airport, accounting for the vast majority of tourist arrivals in the country
  - The airport has seen a significant increase of traffic in the wake of Icelandic tourism boom, with passenger numbers growing at an average annual rate of 26% over the past six years
- WOW air and Icelandair together account for 78% of passengers at Keflavik, despite a total of 30 airlines operating at the airport
  - While increasing their capacity in absolute terms, other airlines have remained consistent around a relative market share of 20%

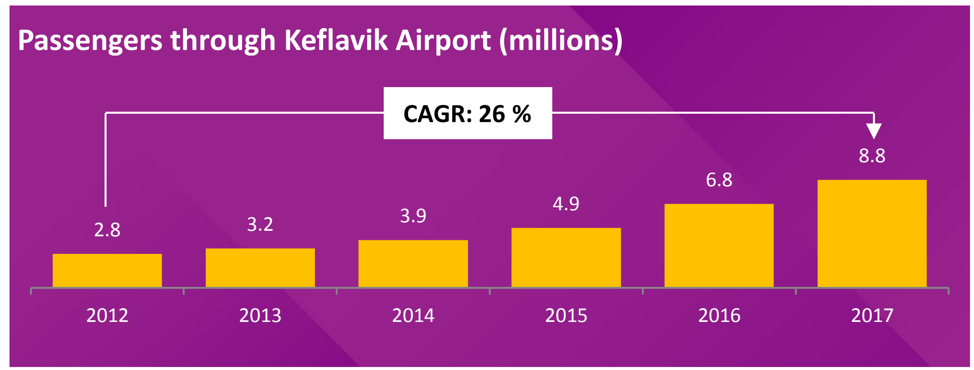
Icelandair is the main competitor in the Icelandic market

- Both airlines operate hub and spoke networks based at Keflavik Airport
  - Icelandair currently operates 47 routes, whereas WOW air operates 37
  - 78% of WOW air’s capacity is on routes that overlap with Icelandair
- Despite similarities, both airlines are differentiated by individual positioning
  - WOW air has traditionally targeted leisure travellers in their 20’s and 30’s with a service light low cost offering, whereas Icelandair has historically targeted an older demographic with its more premium oriented product offering including several seating classes
  - The introduction of new seating classes in 2018 has narrowed this gap, allowing WOW air to target premium customers

WOW air is moving towards the position as Iceland’s leading airline

- Recent growth has increased WOW air’s market share to 37%
- Based on the current fleet plan, WOW air is likely to overtake Icelandair’s position as Iceland’s leading airline by 2019





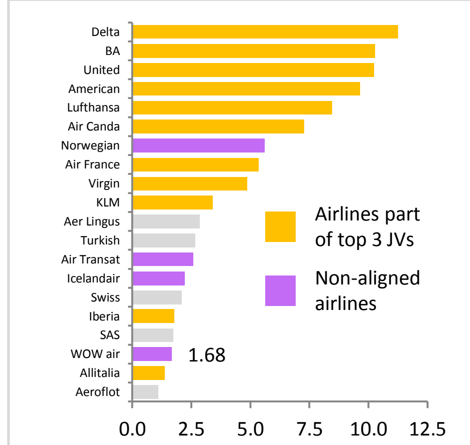
Airlines with hub operations	Airlines only operating point-to-point (28 airlines)				
	ADRIA AIRWAYS	AMERICAN AIRLINES	EDELWEISS	LUXAIR	TRAVEL SERVICE
	AERO AIRLINES	ATLANTIC AIRWAYS	EUROWINGS	NORWEGIAN	UNITED AIRLINES
WOW AIR	AIR BALTIC	AUSTRIAN	FINNAIR	PRIMERA AIR	VUELING
ICELANDAIR	AIR CANADA	BRITISH AIRWAYS	GERMANIA	S7	WIZZ AIR
	AIR GREENLAND	CZECH AIRLINES	IBERIA EXPRESS	SAS	
	AIR ICELAND CONNECT	DELTA AIR LINES	LUFTHANSA	TRANSAVIA	

Source: Icelandic Tourist Board, Statistics Iceland, company information

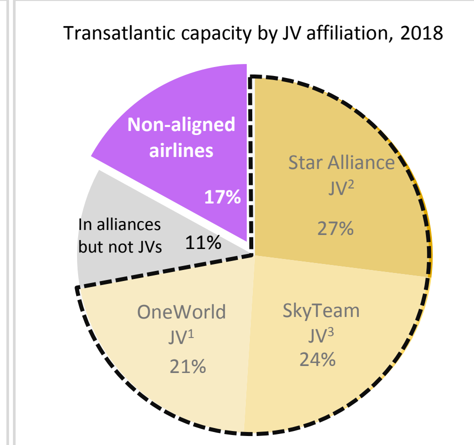
Positioned as an independent low cost airline in the transatlantic market

Relative positioning in the transatlantic market

Top 20 transatlantic airlines by seat capacity (millions), 2018



Transatlantic capacity by affiliation, 2018



WOW air historically positioned as an ultra low cost airline

- WOW has historically been positioned as an ultra low cost airline, offering low airfares paired with a limited service offering more geared towards leisure travellers
- Legacy airlines such as Delta, BA, United and American Airlines traditionally offer a wider range of seating classes and services on transatlantic flights targeting both business and leisure travellers, albeit at a higher price point
- Non-aligned airlines such as Norwegian and Icelandair constitute WOW air's closest competitors on transatlantic routes
  - Icelandair operates a similar hub and spoke network albeit at a higher price point with more focus on a premium service whereas Norwegian is competing with low-cost direct flights which compete with a limited number of WOW air routes

New seating classes will attract passengers preferring a more premium service

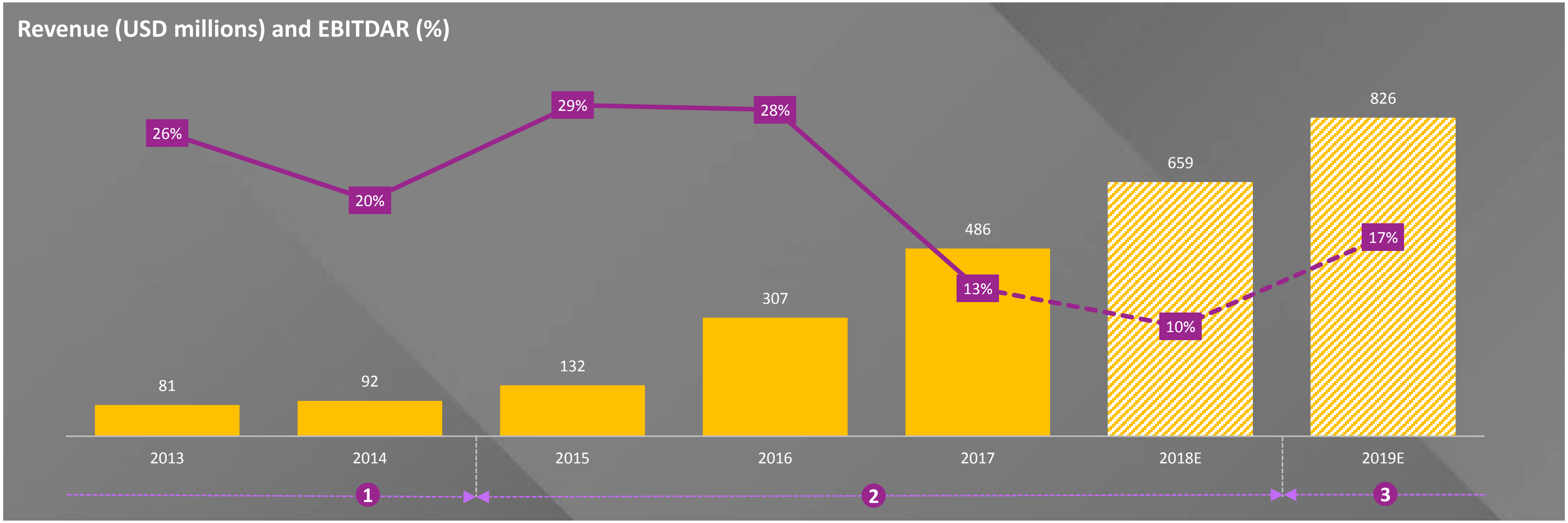
- The newly launched seating classes Premium & Comfy are aimed at widening WOW air's product offering in order to attract passengers preferring a more premium service offering

The North Atlantic market for air travel is highly consolidated into three joint ventures

- Consolidated market dominated by three main alliances broken down into a handful of joint ventures
  - Main alliances are OneWorld, Star Alliance and SkyTeam, each of which has an associated joint venture
  - These are mainly comprised of flag carriers and US legacy carriers
  - These joint ventures bear anti trust immunity from EU and US regulators, allowing carriers to coordinate schedules and fares
  - The three main joint ventures control 72% of transatlantic capacity as per the 2018 schedule

Source: Company data, OAG. Notes: 1) BA, American , Iberia & Finnair, 2) Lufthansa, United, Air Canada, 3) Delta, Air France-KLM, Alitalia, Virgin Atlantic

WOW set to enter mature phase following a period of elevated growth



1 Start-up (2011-2014)

- During the first years of operations, WOW air's services were limited to a small number of routes between Iceland and Europe
- High degree of outsourcing allowed for flexibility, but also burdened profitability
  - Fleet consisted of a handful of wet leased (ACMI) A320 aircraft
  - Relying solely on wet leased aircraft supported initial EBITDAR-margins as several operating expenses (including personnel and aircraft related expenses) were included in leases
  - EBITDA margins did however remain negative until 2015

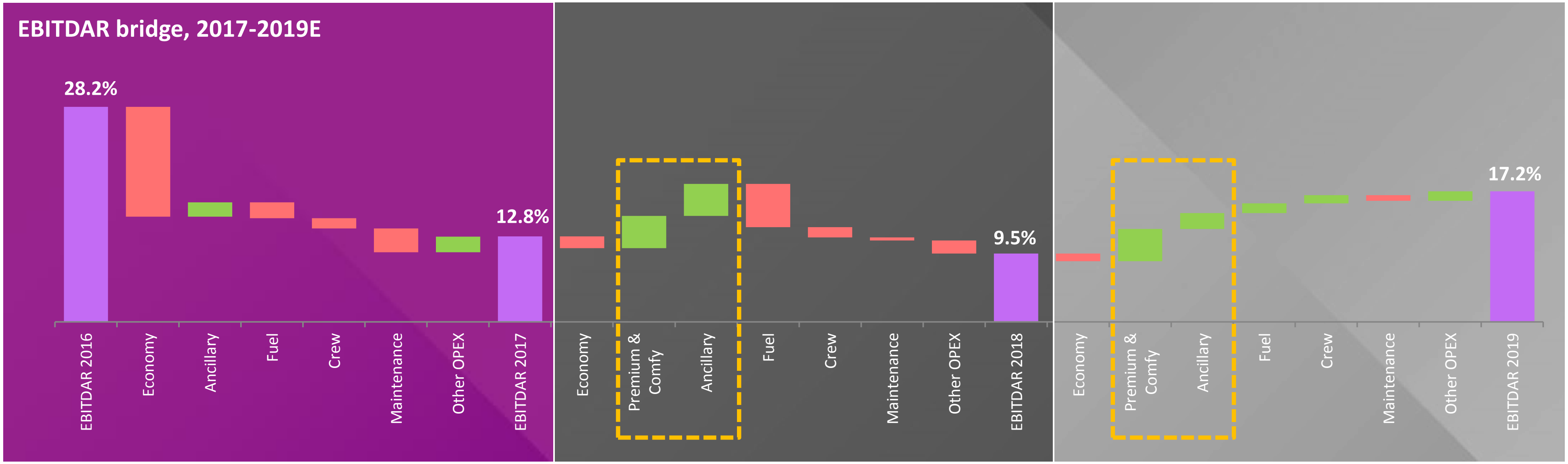
2 Expansion (2015-2018)

- Following the proven success of the Group's business model during the first years of operation WOW air proceeded with expansion plans
  - 16 new aircraft, 17 added destinations and 1,100 + new employees
- Margins were initially supported by declining jet fuel prices
  - 2016 margins benefitted from strong tailwinds stemming from a 20% y/y decline in jet fuel prices paired with 40% y/y growth in tourist arrivals in Iceland
- Price pressure paired with growing pains has suppressed 2017-2018 margins
  - Yields decreased in 2017, as airfares adjusted to previous drops in fuel prices and increased competition
  - Growing pains include (I) higher hiring and training costs, (II) infrastructure investments, (III) delivery costs associated with new aircraft and (IV) start-up costs for new routes

3 Maturing business (2019-)

- Fleet growth rate adjusted to more sustainable levels
  - Only two new aircraft will be added in 2019
- Focus on operational excellence and improving return on already incurred investments
  - First full year with Premium & Comfy with significant positive impact on overall yields
  - Network improvements along with higher ancillary revenue
- Opportunity in India and Asia will drive growth in coming years to build unique network and value proposition

Revenue boost from new seating classes to constitute main margin driver ahead



Key factors affecting margins in 2017

- **Lower yields driven by decreased airfares** - (I) increased competitive pressure paired with (II) delayed price cuts to account from drop in fuel prices in 2015-2016
- **Ancillary revenue supported by launch of "Big Seat"** - the launch of Big Seat (the precursor to WOW Premium and Comfy) on a limited number of the Group's aircraft, offsetting some of the yield decrease
- **Higher jet fuel prices** – average fuel prices rose by 20% in 2017, negatively impacting the Group's profitability as the Group unable to fully offset the higher operating costs by increasing airfares
- **Increased maintenance expenses** - driven by cost relating to the set-up of insourced line maintenance operations at Keflavik Airport

Key factors affecting margins in 2018E

- **Ancillary revenue driven by new seating classes –** Premium and Comfy are forecast to account for the majority of y/y increase in unit revenue, mainly during the latter half of the year
  - Rollout of Premium and Comfy began in April 2018
  - Load factor expected to gradually improve for new seating classes throughout 2018
  - Additional impact from new luggage fee policy which introduces fees on all hand luggage
- **Jet fuel price increase constitutes main headwind** - jet fuel prices rose by 36% during first half of 2018, which had a negative impact on the Group's profitability as yields have not yet increased to reflect this

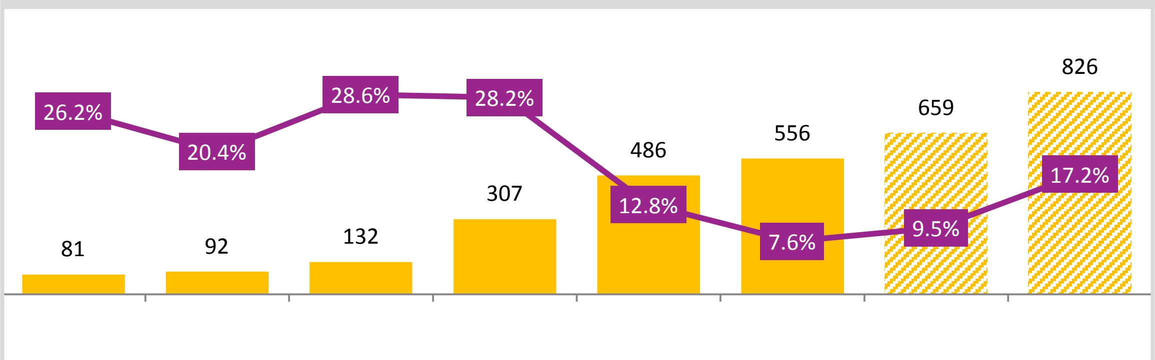
Key factors affecting margins in 2019E

- **Full-year effects and ramp-up within Premium and Comfy –** full year effects paired with gradually improving load factor within Premium and Comfy are forecast to provide support for unit revenue
  - 5% average RASK improvement on established markets due to increased ancillary sales and other strategic projects

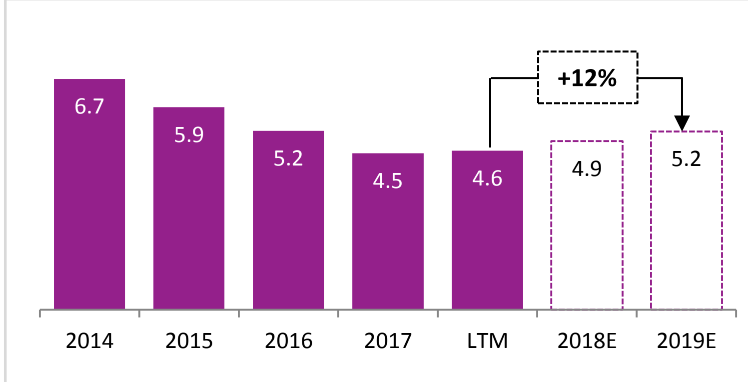
Income statement

USD millions	2015	2016	2017	LTM	2018E	2019E
Revenues from flight operations	121	287	444	507	602	773
Other revenue	11	20	42	49	57	53
Total revenue	**132**	**307**	**486**	**556**	**659**	**826**
Aviation expenses	-67	-152	-295	-358	-414	-473
Salaries and other personnel expenses	-17	-46	-88	-108	-127	-145
Other operating expenses	-10	-23	-42	-48	-55	-65
Total operating expenses	**-94**	**-221**	**-424**	**-514**	**-596**	**-684**
EBITDAR	**38**	**86**	**62**	**42**	**63**	**142**
Aircraft lease	-19	-41	-58	-68	-69	-78
EBITDA	**18**	**46**	**4**	**-26**	**-6**	**64**
Depreciation and Amortization	-7	-16	-18	-19	-22	-22
EBIT	**11**	**30**	**-14**	**-45**	**-28**	**42**
EBIT (%)	8.5%	9.8%	-2.8%	-8.2%	-4.2%	5.1%
EBITDA (%)	13.8%	15.0%	0.8%	-4.7%	-0.9%	7.8%
EBITDAR (%)	28.6%	28.2%	12.8%	7.6%	9.5%	17.2%

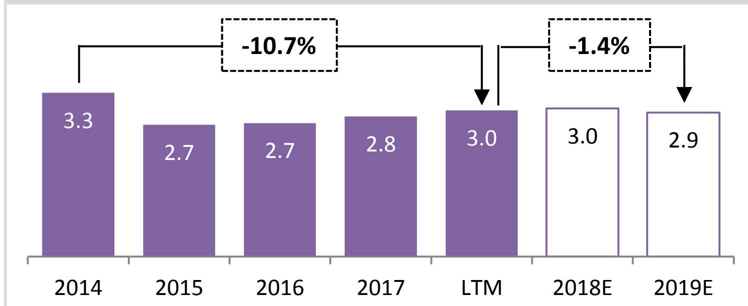
Revenue (USD millions) and EBITDAR (%)



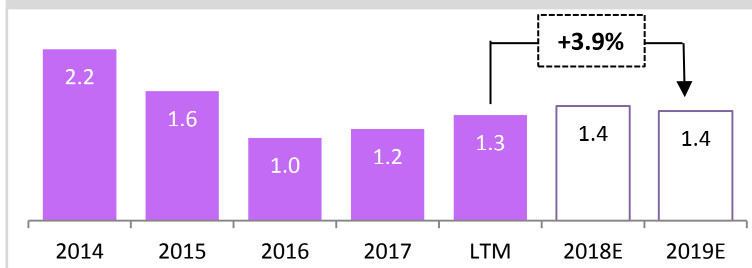
Unit revenue (RASK) development (USD cents)



Non-fuel unit cost (CASK) development (USD cents)



Unit fuel cost (CASK) development (USD cents)



Balance sheet

USD millions	2015-12	2016-12	2017-12	2018-06
Intangible assets & goodwill	3	3	4	23
Operating assets	98	213	211	210
Aircraft deposits & security instalments	4	39	18	20
Investment in associate	1	0	0	1
Deferred tax assets	0	0	0	9
Non-current assets	**106**	**256**	**233**	**262**
Inventories	0	1	2	2
Trade and other receivables	31	63	91	162
Prepaid expense	5	8	11	15
Aircraft deposits	0	0	28	0
Receivables from related parties	2	1	0	1
Cash and cash equivalents	3	5	1	6
Current assets	**41**	**77**	**133**	**185**
Total assets	**147**	**332**	**366**	**448**
Total shareholder equity[1]	13	52	40	14
Subordinated loans	0	0	0	6
Total subordinated capital	**13**	**52**	**40**	**20**
Long-term borrowing	75	135	133	123
Deferred tax liability	0	8	3	0
Non-current liabilities	**75**	**143**	**136**	**123**
Next year instalments	8	16	21	23
Short term borrowing	0	0	5	5
Trade and other payables	16	50	80	126
Payables to related parties[2]	9	10	11	2
Deferred income	26	61	73	149
Current tax payable	0	0	0	0
Current liabilities	**59**	**137**	**190**	**305**
Total subordinated capital and liabilities	**147**	**332**	**366**	**448**

Non-current assets

- Intangible assets comprise of software and website (USD 4.8 million) and goodwill (USD 18.4 million)
- Operating assets are almost exclusively comprised of aircraft held on financial leases
  - In aggregate, four aircraft (Airbus A321) are shown on the balance sheet
- Aircraft deposits and security instalments include both security instalments for lease contracts as well as pre-delivery payment deposits
  - As of 2018-06, these are exclusively comprised of security instalments relating to lease contracts and flight operations vendors

Current assets

- Aircraft pre-delivery payments of USD 28 million were repaid to the Group in H1, 2018 following the completion of sale-leaseback transactions

Equity and subordinated capital

- Equity includes non-controlling interests (USD 0.6 million)
- Subordinated loans are entirely comprised of a USD 5.9 million shareholder loan that will be subordinated to the bonds

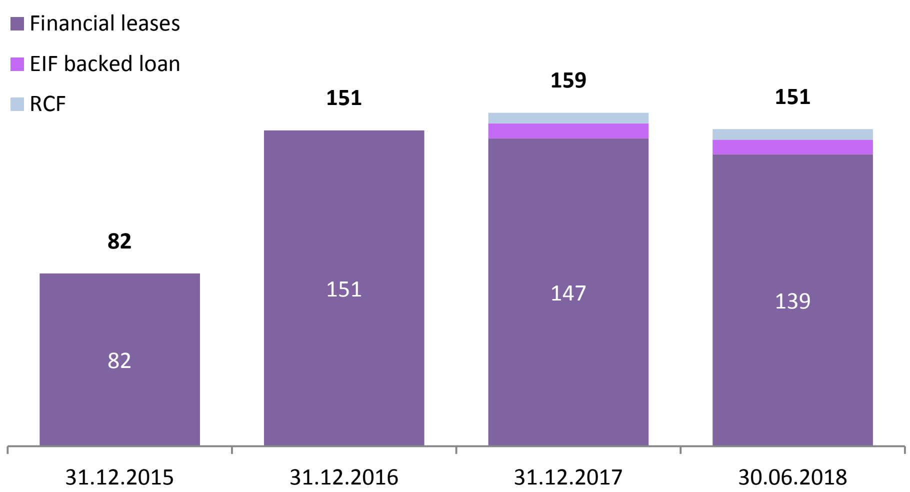
Interest bearing liabilities

- Long-term borrowing comprises largely of financial leases which amount to USD 139 million (including next year's instalments)
- In addition to financial leases, the interest bearing debt includes an EIF backed loan from Arion Bank in an amount of USD 7 million
- In addition to the above, the Group has a revolving credit facility with a current drawdown of USD 5.1 million

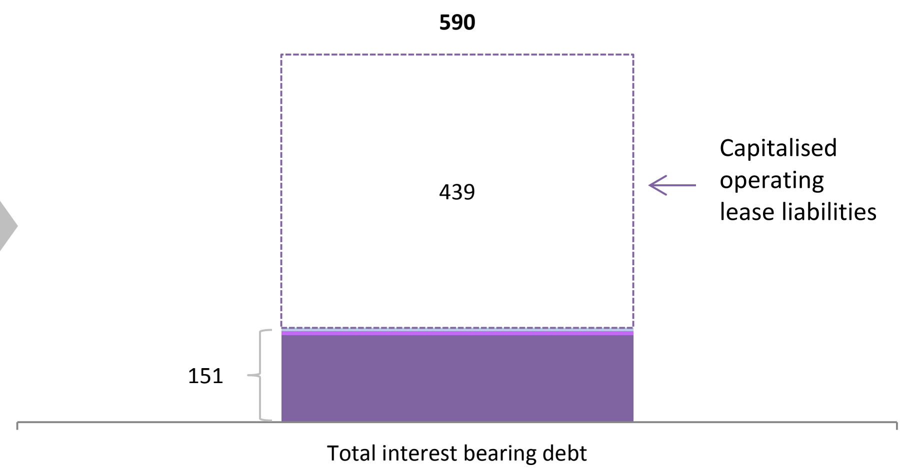
Notes: 1) 2018-06, including USD 0.6 million of non-controlling interests, 2) Payables to related parties as of 2018-06 include a USD 1.4 million one-off deferred payment attributable to the acquisition of Cargo Express ehf.

Lease adjusted debt

Overview of interest bearing debt (USD millions)



Total interest bearing debt including operating leases (USD millions)



Financial leases comprise main on-balance-sheet item

- Financial leases are almost exclusively attributable to the financing of four A321 aircraft
- Contract maturities are evenly split between February 2026 and February 2027

Revolving credit facility (RCF)

- The Group utilises a revolving credit facility provided by Arion Bank to manage seasonal working capital fluctuations

EIF backed loan

- 3 year EUR 6.0 million loan from Arion Bank (maturing in September 2020)
- The European Investment Fund (EIF) guarantees 50% of the nominal amount

Operating lease liabilities to be included on balance sheet in 2019

- Operating lease liabilities to enter balance sheet following IFRS 16 adoption in 2019
- Capitalised operating lease liabilities amount to USD 439 million as of 2018-06-30

USD millions	2018-06
Financial leases	139
EIF Backed loan	7
RCF	5
On-balance sheet interest bearing debt	**151**
Capitalised operating lease liabilities	439
Total interest bearing debt	**590**

Contemplated bond issue to serve as a bridge to an envisaged IPO

Bond issue envisaged to act as bridge to an IPO over the coming 18 months

- The Group has established a roadmap envisaging an IPO within 18 months
- Bond issue is intended to serve as bridge financing ahead of such an IPO
  - Net proceeds used to finance general corporate purposes

Bonds to comprise only market loan in capital structure

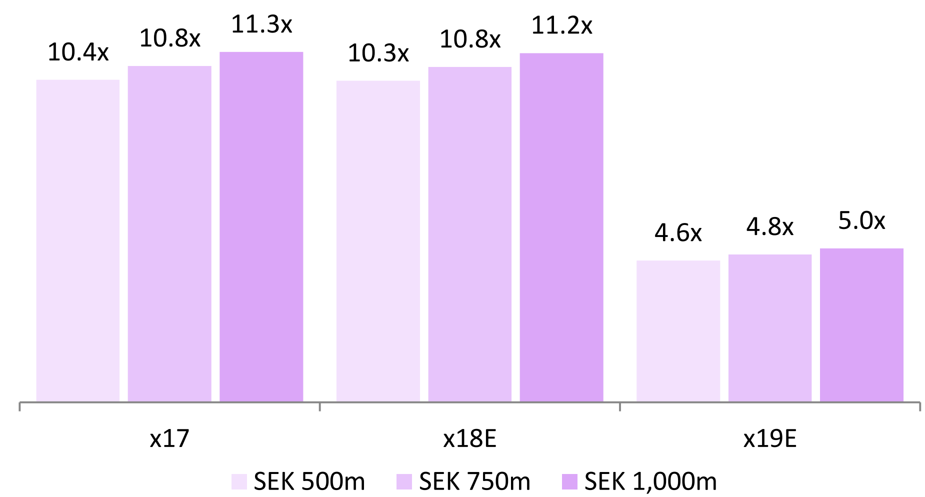
- The bonds will be only material non lease-related long term debt in the structure, save for the EIF backed loan (USD 7 million)

Bond issue size	Bond size (USDm)	Total debt[1] (USDm)	Debt / EBITDAR x17	x18E	x19E
SEK 500m	56	646	10.4x	10.3x	4.6x
SEK 750m	84	674	10.8x	10.8x	4.8x
SEK 1,000m	112	702	11.3x	11.2x	5.0x

The bonds will feature a robust covenant package

- **Minimum equity equal to or greater than USD 25 million** (tested annually on 30 September and stepping up by USD 5 million per annum)
- **Minimum liquidity, including any amount undrawn under the RCF, equal to or greater than the Finance Charges of the last twelve months**
- **Minimum reserved cash equal to or greater than 12.5% of the Nominal Amount** (to stand on the Interest Account)

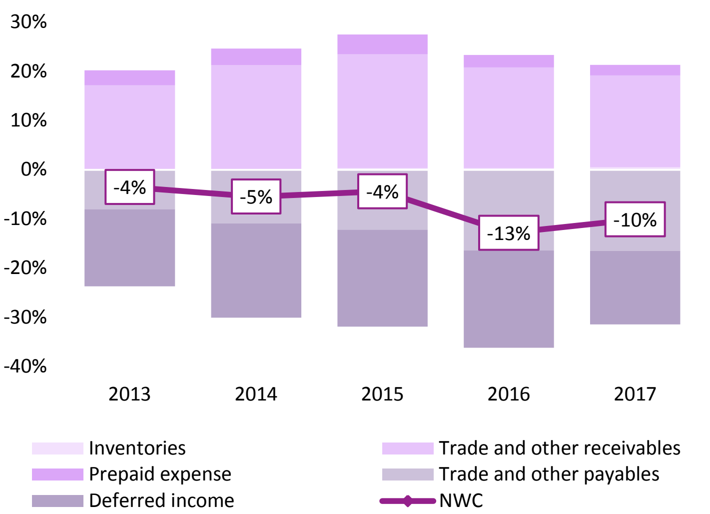
Illustrative pro-forma gross leverage



Notes: 1) Total pro-forma debt including capitalised operating lease liabilities of USD 439 million as of 2018-06-30

Negative NWC and limited maintenance capex

Net working capital (% of revenue)



Capital expenditure (USD millions)

Favourable working capital dynamics

- In line with the airline industry in general, WOW air operates with negative net working capital
  - Historically, net working capital ranged between - 4% and - 13% of revenue at year-end

Driven by high share of deferred income

- Deferred income is the main driver of the Group's negative working capital
- On average, customers book their flight tickets 69 days ahead of departure, resulting in a significant share of deferred income

Security instalments are driven by PDP and security deposits for lease contracts

- Pre-delivery payments of USD 28 million were redeemed in 2018 following sale lease-back transactions
- No additional pre-delivery payments or redemptions are expected based on the Group's current fleet plan
- Remaining security deposits for aircraft on order are USD 2.2 million (due in Q4 2018 and Q4 2019)

Investments in operating and intangible assets

- Operating asset investments mainly relate to aircraft modification and acceptance costs
  - 2017 saw a spike related to investments in tools and housing for line maintenance operations
  - 2018 saw investments made in new seating classes across the fleet
- 2017 and 2018 saw additional investments in software for maintenance operations

Limited maintenance capex requirements

- Going forward, the Group expects annual maintenance capex of USD 9-11 million

Cash flow statement

USD millions	2015	2016	2017	LTM
EBITDA	**18.3**	**46.0**	**4.0**	**-26.0**
Financial income received	0.3	1.4	3.4	2.1
Interest paid	-4.4	-7.3	-8.8	-8.1
Income tax paid	0.0	0.0	0.0	0.0
FFO	**14.2**	**40.1**	**-1.3**	**-32.1**
Δ NWC	-0.2	21.8	11.2	37.7
Other non-cash items	0.0	0.0	-5.2	-5.9
OCF	**14.0**	**61.8**	**4.6**	**-0.2**
Capex	-9.3	-8.7	-16.4	-19.9
Sale of operating assets	0.0	0.0	5.4	6.2
Security instalments, changes	-1.8	-32.5	-6.8	21.0
Other	0.0	0.0	0.0	0.0
FOCF	**2.9**	**20.6**	**-13.0**	**7.0**
Paid share capital	0.0	0.0	0.0	0.0
Net borrowing	-8.0	-14.0	-1.3	-10.8
Related parties, change	6.4	-4.5	11.4	6.1
Net cash flow	**1.4**	**2.1**	**-2.9**	**2.3**

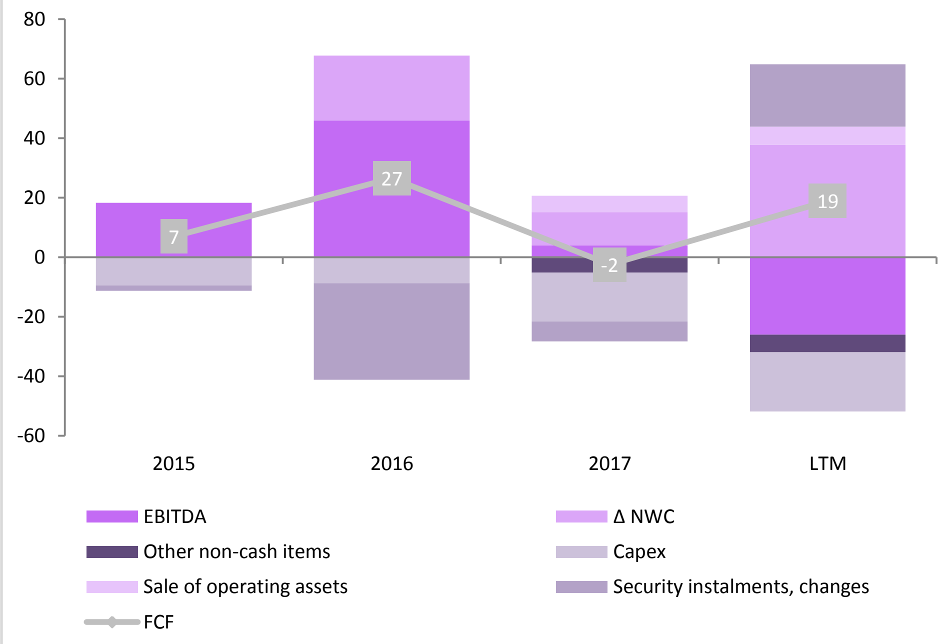
Cash flow supported by favourable working capital dynamics

- Operating with negative net working capital allows the Group to benefit from an additional boost to cash generation during periods of revenue growth
  - LTM working capital changes generated positive cash flows of USD 37.7 million in the LTM period

Positive contribution from sale leasebacks in LTM cash flow

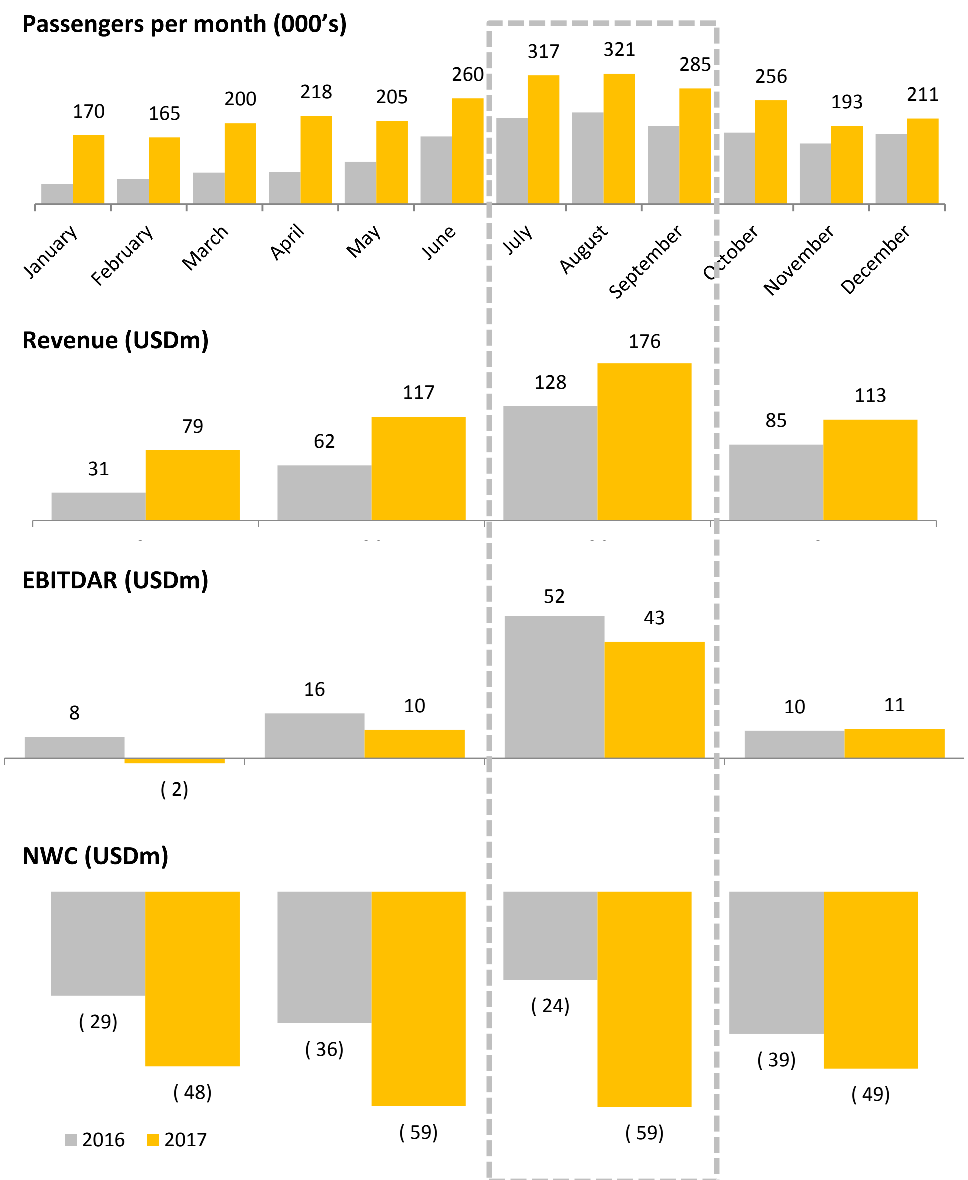
- Sale lease-back transactions generated an aggregate cash flow of USD 27.2 million, stemming mostly from release of previously made aircraft pre-delivery payments

Free cash flow[1] drivers



Notes: 1) Free cash flow defined as EBITDA +/- ΔNWC - CAPEX +/- Security instalments, changes + sale of operating assets +/- other non-cash items

Inherent seasonality balanced by flexible contracts and subleasing



Operations show distinct seasonal patterns

- WOW air's operations are subject to recurring seasonal patterns stemming largely from activity peaks in air travel occurring during the summer months as well as major public holidays
- Third quarter is the seasonally strongest
  - 30-40% of annual passengers
  - 60-70% of annual EBITDAR

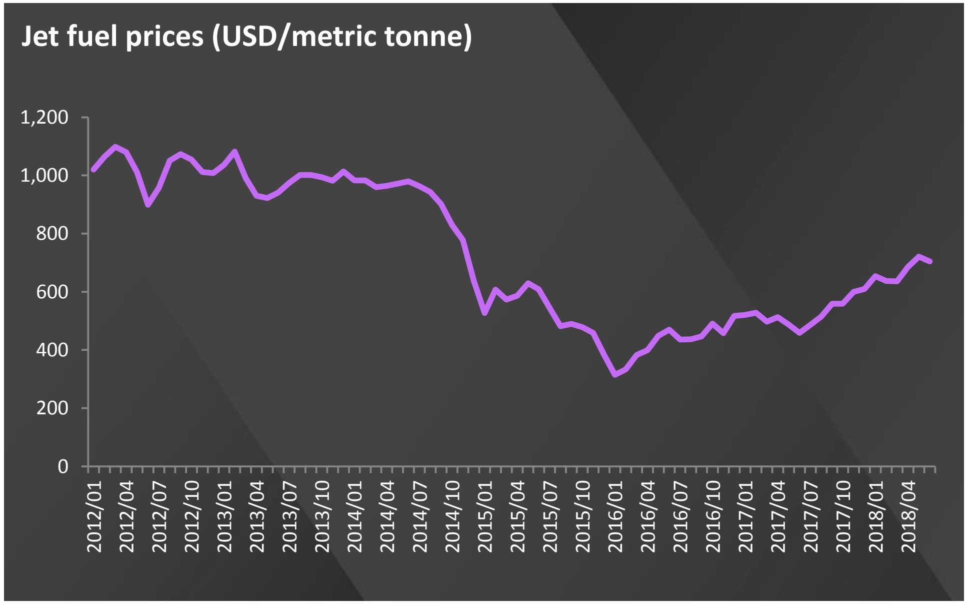
Flexible cabin crew contracts allow WOW air to mitigate seasonal swings

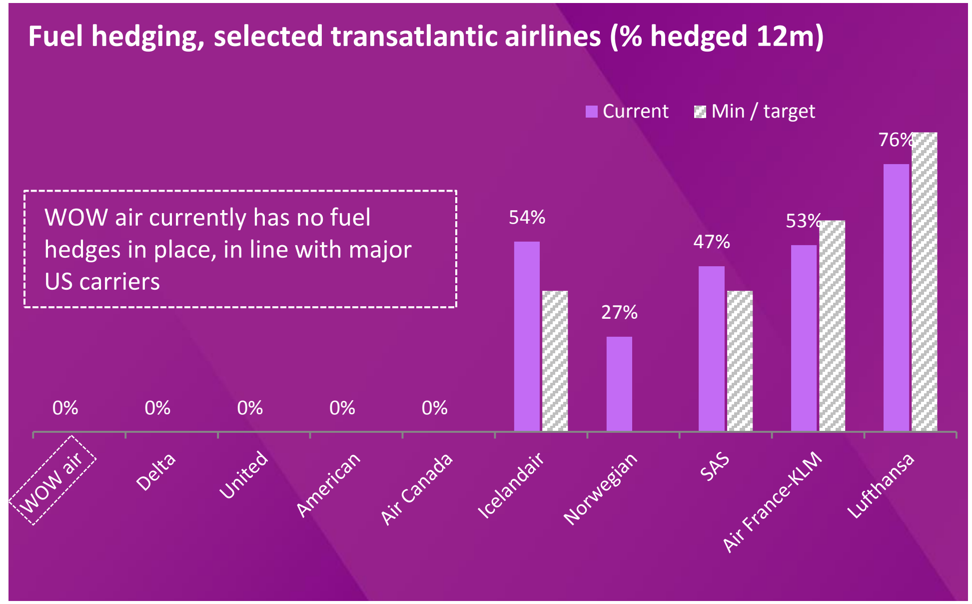
- Approximately 50% of cabin crews are on short term contracts
  - Flexible contracts allowing staffing to be managed during the off-season to better match seasonal flight schedules
- A number of pilots have contracts that compensate less vacation during summer with more vacation during winter
  - All training is also scheduled during the off-seasons

Plans to sublease excess aircraft capacity during winter 2018/2019

- In order to further improve seasonal capacity management, three aircraft are expected to be subleased during the coming winter season (2018/2019)
  - Reduces ownership costs while also improving fleet utilisation

Fuel price exposure and hedging





Jet fuel price constitutes main commodity exposure

- In 2017, fuel expenses corresponded to 25% of revenue
  - Jet fuel is highly commoditised and prices are closely correlated to oil
- At current levels, a 1% increase in fuel prices would impact EBITDAR by USD 1.6m

Persistent changes in fuel prices carry over to airfares

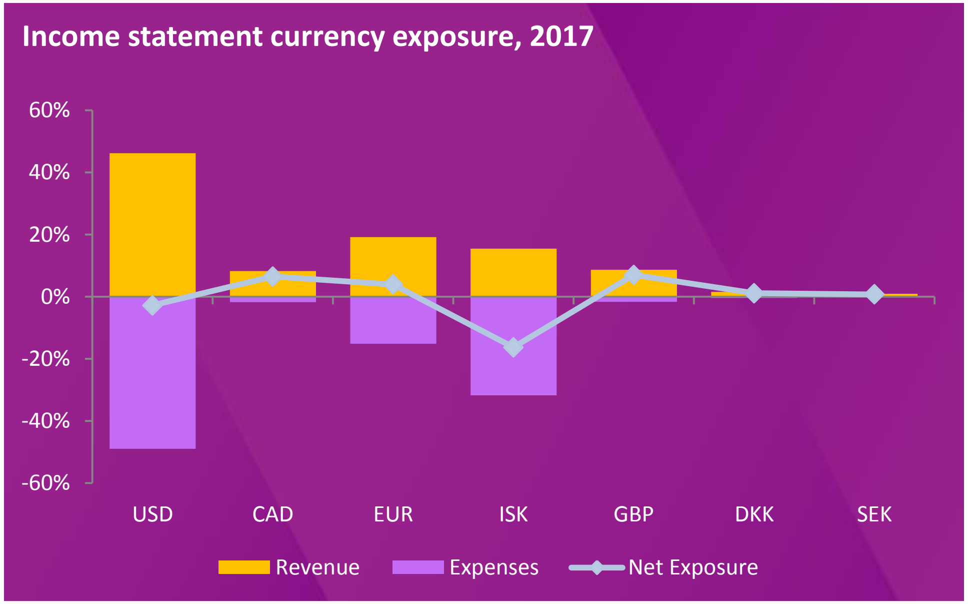
- Given the fact that there are no substitutes to jet fuel, persistent changes in fuel prices have historically been paired with subsequent changes in global airfares
  - These changes do however tend to lag by up to a year as airlines hedge their fuel expenses to varying degrees
- Europe-based transatlantic airlines generally have active fuel hedging policies with range from hedging between 30-80% of expected exposure
  - Meanwhile, US based airlines typically do not use any fuel hedges

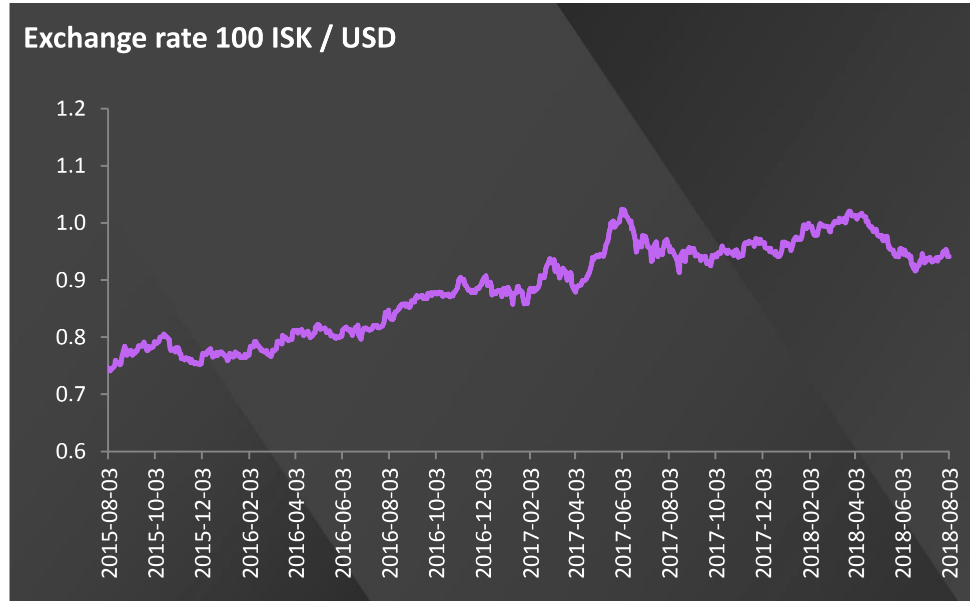
Fuel hedging infrastructure in place

- WOW air's management team closely monitors the jet fuel market in collaboration with market experts in order to asses the ongoing need for hedging
  - Active relationships with Investec, Global Risk Management and Arion Bank allows the Group to enter into fuel forward contracts within minutes
- Currently, WOW air is purchasing all jet fuel in the spot market and has not entered into any fuel hedging arrangements, considering the following factors:
  - WOW air is competing against both US and EU carriers, where US operators generally do not hedge fuel expenses
  - High fuel efficiency of fleet helps to decrease relative fuel usage
  - Successful implementation of fuel savings initiatives which have already delivered 4% less fuel burn per block hour

Source: Company data, Bloomberg, financial reports of competitors

ISK constitutes main net FX exposure





Main trading currencies (USD and EUR) are naturally hedged

- Both USD and EUR are naturally hedged through an even balance between income and expenses in each of the two respective currencies

Icelandic Krona constitutes main net exchange rate exposure

- Short position in Icelandic krona stems from a high share of expenses being denominated in the currency
  - The main driver of these is personnel expenses, which are mainly denominated in ISK

Icelandic Krona has stabilised after a period of strengthening

- The Icelandic krona saw material strengthening versus USD in 2016/2017
  - ISK/USD strengthened by 15.1% in 2016 and an additional 7.8% in 2017
- Subsequent rate cuts by the Icelandic central bank has helped to stabilise the over the past 12 months
  - YTD, ISK/USD has weakened by 2.6%

Source: Company data, Bloomberg

1. Summary of the bond issue
2. Business overview
3. Market overview
4. Financials
5. **Appendix**

Key management

Skúli Mogensen - Founder, CEO and Owner

- 7 years at WOW air (founder)

Selected previous positions

- Co-founder and CEO of OZ Communications
- Co-founder of Islandssimi

Ragnhildur Geirsdóttir - COO

- 1 year at WOW air

Selected previous positions

- MD IT and Operations, Landsbankinn hf
- CEO Promens hf
- CEO, SVP Resource management Icelandair hf

Education

- MS Operations Management, University of Wisconsin
- MS Industrial Engineering, University of Wisconsin
- CS Mechanical Engineering, University of Iceland

Stefán Sigurdsson - CFO

- 3 years at WOW air

Selected previous positions

- CCP Games, VP of Finance
- Eide Bailly LLP, Senior Audit Manager

Education

- Certified Public Accountant, Arizona (CPA)
- BS in Accounting from Arizona State University

Jónína Gudmundóttir – VP HR

- 3 years at WOW air

Selected previous positions

- Advania, HR Manager
- Capacent, Recruitment Consultant

Education

- M.Sc HR management for the Tourism and Hospitality industries
- B.Sc Business Administration in Tourism Management

Sigurdur M. Sigurdsson – VP Operations

- 3 years at WOW air

Selected previous positions

- SVP, VP Flight Operations Air Atlanta Icelandic
- Director Crew Resources Air Atlanta Icelandic

Education

- BSc Air Transport Management, City University, London, England
- FAA Airframe and Powerplant License

Daniel Snæbjörnsson – VP Network planning

- 4 years at WOW air

Selected previous positions

- Managing Consultant at AviaSolutions (UK)
- Aviation Analyst at Ascend Worldwide (UK)

Education

- MSc Air Transport management Cranfield University
- BSc Aviation Business Administration Embry Riddle Aeronautical University

Board of directors

Skúli Mogensen - Founder, CEO and Owner

Time at WOW air

- 7 years (founder)

Selected previous positions

- Co-founder and CEO of OZ Communications
- Co-founder of Islandssimi

Liv Bergþórsdóttir – Chairman of the board

Background

- 20+ years of experience from the telecom sector
- Co-founder of several companies and trademarks in Iceland including; Tal, Vodafone, Sko and Nova
- Co-founder and CEO of Nova Iceland

Other current positions

- Board member, CCP Games

Davíð Másson – Board member

- 25 years aviation veteran,
- Director Ground operations, VP Sales and Marketing (Air Atlanta)
- CEO Avion Aircraft Trading 2006-2009
- Chairman UAB Avion Express 2009-present

Other current positions

- Chairman Straumhvarf ehf.
- Advisory Board Chapman Freeborn

Helga Hlín Hákonardóttir – Board member

Background

- Attorney at Law / Executive – international capital markets (1996-2013)

Other current positions

- Owner at Lixia legal services ehf. – 2011
- Co-founder and consultant at Strategia ehf. - 2013
- Chairman at VÍS hf. (Nasdaq Iceland listed company)
- Board member at several other Icelandic companies

Ben Baldanza – Board member

Background

- Position at multiple airlines, including American Airlines and Northwest Airlines (1986-2005)
- CEO, Spirit Airlines (2005-2016)

Other current positions

- Board Member, Diagnostic Services Holdings (Minneapolis, MN, USA)
- Professor of Economics, George Mason University

Risk factors (1/7)

*This section is subject to the final risk factors to be set out in a future prospectus in conjunction with the admission to trading of the Bonds. WOW air hf. (the "**Issuer**") is a limited company domiciled in Iceland. The Issuer is primarily involved in the airline industry and other related industries. The Issuer and its subsidiaries are jointly referred to as (the "**Group**"). Risk and risk-taking are inevitable parts of investing in the Issuer's senior secured bonds (the "**Bonds**"). There are risks both regarding circumstances linked to the Issuer or the Group as a whole, and those which bear no specific relation to the Issuer or the Group. In addition to the other information in this document as well as a general evaluation of external factors, investors should carefully consider the following risk factors before making any investment decision. The occurrence of any of the events discussed below could materially adversely affect the Issuer's or the Group's financial position and results of operations. Moreover, the trading price of the Bonds could decline and the Issuer may not be able to pay interest or principal on Bonds when due, and investors could lose all or part of their investment. The risks described below are not the only ones the Issuer and the Group are 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 Issuer's or the Group's business and the Issuer'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.*

RISK RELATING TO THE ISSUER AND THE GROUP

The airline industry is highly susceptible to adverse economic developments

General economic and industry conditions significantly affect the Issuer's business, financial condition and results of operations. Strong demand for air travel depends on various factors including, but not limited to, favourable general economic conditions, low unemployment levels, strong consumer confidence, and the availability of consumer and business credit. Conversely, the airline industry tends to experience significant adverse financial results during general economic downturns. Changing corporate travel policies can change corporate travel patterns. Leisure travellers often choose to reduce, delay or eliminate the volume of their air travel during difficult economic times, and businesses also tend to reduce their spending on air travel due to cost savings initiatives or as a result of decreased business activity requiring travel. The Issuer's main focus on the leisure travel market, leaves exposed to the behaviour of leisure travellers. The Issuer's operations are predominantly focused around the hub in Iceland. Its three key markets are tourists coming to Iceland, Icelanders travelling abroad and people travelling across the Atlantic. A potential slowdown in the Icelandic economy may results in less traveling out of Iceland. The tourism industry in Iceland and its development is key for further growth of the tourists coming to Iceland. Furthermore, the transatlantic market is a very big market with many competitors. WOW focuses on finding O&D markets that are underserved.

Moreover, economic downturns in the airline industry generally result in a lower overall number of passengers, which, in turn, leads to overcapacity (or increased existing overcapacity) and price pressure in the affected markets. This situation is exacerbated by the fact that flight operations have a high percentage of fixed costs. The share of fixed flight costs and variable flight related cost, which are the same regardless of the number of passengers flying, is very high compared with the marginal cost for each additional passenger, whereas the revenue from a flight is primarily dependent on the number of passengers or the volume of cargo transported and the fares or freight rates paid. This means that any decline in passenger numbers, cargo volumes or fares or freight rates can lead to a disproportionate decline in profits, since the aforementioned fixed costs generally cannot be reduced on short notice, and some of these costs cannot be reduced by any meaningful amount or at all. Furthermore, reducing flight frequency through the ad hoc cancellation of flights to reduce the fixed costs associated with flights is not always a viable option. After a certain point, decreasing the frequency of flights significantly decreases the attractiveness of the offers for the Issuer's customers, since the necessary minimum flight frequency is no longer assured. The development of the general economy is not within the Issuer's control, but it could affect the overall demand for the Issuer's services. The general economy is subsequently a factor that strongly influences the Issuer's business and overall profit.

Market risk

The Issuer is exposed to general market risk, for example fluctuations in market prices such as fuel prices, exchange rates and interest rates. The failure to control such risks could have a negative impact on the Issuer and could consequently adversely affect the Issuer's earnings and financial position.

The Issuer is exposed to currency exchange rate risk

The Issuer is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the functional currency of the Issuer. The functional currency of the Issuer is, as of 1 January, 2017, USD. Given the international nature of the Issuer's business, a significant portion of its assets, liabilities, revenues and expenses are denominated in currencies other than its functional currency. The currency risk exposure is manly towards EUR and ISK. Failure to successfully monitor and hedge the exchange rates could have an adverse effect on the Issuer's business, earnings or financial position.

The Issuer is exposed to interest rate risk

The Issuer is exposed to interest rate movements through its variable financing arrangements. An increase in interest rates levels could therefore cause the Issuer's interest obligations to increase. Interest rates are sensitive to numerous factors not within the Issuer's control including, but not limited to, government and central bank monetary policy in the jurisdictions in which the Issuer operates.

The Issuer has entered interest rate hedge agreements in relation to two aircrafts which have been acquired by way of finance leases. Consequently, interest risk exposure is inevitable for the Issuer. If the Issuer fails to successfully monitor and hedge the interest rates and the risks associated there with it could have an adverse effect on the Issuer´s business, financial condition and results of operations.

Bonds. However, this does not rule out the possibility that the Bondholders, in certain situations, could bring their own action against the Issuer. To enable the Trustee to represent the Bondholders in court, the Bondholders may have to submit a written power of attorney for legal proceedings.

Risk factors (2/7)

The failure of all Bondholders to submit such a power of attorney could negatively impact the enforcement of the Bonds. Under the Terms and Conditions the Trustee will have the right in some cases to make decisions and take measures that bind all Bondholders. The Terms and Conditions for the Bonds will include certain provisions regarding Bondholders' meetings. Such meetings may be held in order to decide on matters relating to the Bondholders' interests. The Terms and Conditions for the Bonds will allow for stated majorities to bind all Bondholders, including Bondholders 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 and/or the Trustee (as applicable) in such matters could impact a Bondholder's rights in a manner that would be undesirable for some of the Bondholders.

The Issuer is exposed to fluctuation of jet fuel price

Airline operators are highly sensitive to jet fuel prices and the availability of jet fuel. Jet fuel has been subject to significant price volatility due to fluctuations in supply, demand and investor behaviour through speculative trading. The Issuer cannot predict the development of either short or long-term jet fuel prices. Since the Issuer is reliant on jet fuel in its daily operation any significant price movements and/or restricted availability of fuel may affect the Issuer's ability to fuel its aircrafts, which could affect the Issuer's overall operation. Also, if the Issuer is exposed to sustained significant price volatility and/or increases in jet fuel prices there is a risk that the Issuer will not be able to offset such volatility and increases by passing these costs on to customers and/or cost reductions or through fuel hedging arrangements. Currently the Issuer has no active fuel hedge arrangement, instead the Issuer pays the market price on a monthly basis. Further, if the Group starts hedging its fuel prices, the assumptions and estimates that the Group has made with respect to the future development of jet fuel prices may prove to be incorrect, and if prices were to fall as the Group has a higher level of hedging than its rivals, its competitiveness would also be damaged. Then there is also the side effect of liquidity strain due to possible collateral payments and margin calls under such circumstances. Consequently the fluctuation on fuel price is a risk associated with the Issuer and the aircraft industry at large. If the Issuer fails to successfully monitor and hedge the jet fuel price rates and the risks associated there with it could have an adverse effect on the Issuer´s business, financial condition and results of operations

Carbon price risk

Since the beginning of 2012 all airlines offering European destinations have been required to comply with the EU Emissions Trading Scheme (the "**ETS**"), which commits them to raise their carbon permits in proportion to their emissions of carbon. In November 2012 the EU decided to offer airlines flying to and from European destinations an exemption from the ETS with respect to international flights. In April 2014, the EU extended this exemption to 2016 and has therefore relieved airlines temporarily from the uncertainty of the carbon exposures within this time frame. Emission permits are mainly purchased with spot and forward contracts, and carbon exposure is subject to the same scrutiny and risk management as jet fuel. Adverse changes of the ETS will have an adverse effect on the Group's business, financial condition and results of operations.

The airline industry is highly competitive

The level of competition amongst airlines is high, and pricing decisions are heavily dependent on competition from other airlines. In general the airline industry is susceptible to fare discounting due to low marginal costs of adding passengers to otherwise empty seats. New market entrants, especially low-cost brands, mergers, acquisitions, consolidations, new partnerships and increased transparency of pricing in the air travel industry adds to the competition. There is a risk of oversupply in the marketplace, for example because of low fuel prices, which could have a material adverse effect on the Issuer's revenues and profitability. The Group currently has a large number of competitors, and the number of competitors in the market is increasing. There is a risk that an increase in competition will lead to increased costs with regards to seeking out new customers, as well as retaining current customers. The Group's possibility to compete also depends upon the Group's ability to anticipate future market changes and trends and to rapidly react on existing and future market needs. Changes in customer behaviour and/or the tourism market in Iceland and its development can also effect the Issuer's business, financial condition and results of operations. There is an increase in costumer awareness regarding the aviation industries impact on the environment. Given that the Issuer relies on business travellers in addition to leisure travellers, it also faces competition from alternatives to business travel such as video conferencing and other methods of electronic communication as these technologies continue to develop and become more widely used. Any significant change in customer behaviour or travel preference can adversely affect the Issuer and its business, financial condition and results of operations. Also, failure to meet the competition from new and existing airlines could have an adverse effect on the Issuer's operations, revenue and profitability.

Demand for airline travel and the Issuer's business is subject to strong seasonal variations

The airline industry tends to be seasonal in nature and the Issuer, like other airlines, has historically experienced substantial seasonal fluctuations. Generally, the demand peaks during the summer months and is lower during the winter months. Should fluctuations be greater than expected or should the Issuer not adapt its network in accordance with the changed demand in regards to managing overcapacity during the low season, this could have an adverse effect on the Issuer's business, financial condition and results of operations.

Risks relating to the Keflavik Airport

The Keflavik Airport is located on Iceland and is the Issuer's main airport of operations. The success of the Issuer's strategy depends on, among other things, the operation and development of the Keflavik Airport. The Issuer's business would be harmed by any circumstances causing a reduction in demand for, or access to, the Keflavik Airport. The Keflavik airport's capacity is also a risk since there has been a significant growth of air traffic to and from the Keflavik Airport, there is therefore a risk of the Keflavik Airport running out of capacity or not expanding its capacity corresponding with an increase in demand. Other circumstances which would cause a reduction in demand for, or access to air transportation of the Keflavik Airport is for example adverse changes in transportation links to the Keflavik Airport, deterioration in local economic conditions, the occurrence of a terrorist attack or other security concerns, or price increases associated with airport access costs or fees imposed on passengers. The Issuer is also dependent on the ground handling at the Keflavik Airport. The Issuer has entered into ground handling agreements with a ground handling provider at the Keflavik Airport which covers check in services, and baggage and cargo handling. There are only two main ground handling providers at the Keflavik Airport, one them owned by WOW air’s main competitor, Icelandair.

Risk factors (3/7)

WOW air has therefore only one ground handling provider at the Keflavik Airport. This poses a potential risk since there is no substitutable alternative provider available to the Issuer. If the ground handling agreements are not renewed, or if any other disruptions occur which affects the Issuer's existing ground handling provider it could have an adverse effect on the Issuer's operations. If the Issuer can no longer use the existing ground handling provider the Issuer could be forced to carry out its own ground handling at the Keflavik Airport. Should any of the aforementioned risks materialise, it could have an adverse effect on the Issuer's business, financial condition and results of operations.

Risks relating to operating network

The Issuer is also dependent on other airports within its operations. The Group operates an international network based on a hub and spoke concept. This makes access to the right airports in its defined geographical market vital to maintain and open up gateways to large and competitive markets. At some airports, an air carrier needs landing and take-off authorisations (slots) before being able to introduce new services or expand its existing services. If the Group is not able to secure and retain slots, it could be restrained from competing in valuable markets. Further, access to airports is vital to minimise the likelihood of delays. Airports at which the Issuer operates can also impose other operating restrictions such as curfews, limits on aircraft noise levels, mandatory flight paths, runway restrictions and limits on the number of average daily departures as well as increased user fees. Any such operating restriction could affect the Issuer's overall business and operation negatively. Also any failure to maintain existing key slots, obtain new slots or meet the requirements laid down by the airports could have an adverse effect on the Issuer possibility to compete with other airlines.

The Issuer is dependent on third party providers

The Issuer is dependent on services of various third parties, such as aircraft manufacturers, IT service providers, ground services, aircraft leasing companies and distributors such as travel agencies. The Issuer is generally dependent on these third party providers, which are beyond the Issuer's control, for its operations and performance. An interruption, whether temporary or permanent, by a third party provider, any inability to renew or renegotiate contracts with such providers on commercially reasonable terms or action by regulatory bodies having jurisdiction over these suppliers could have an adverse effect on the Issuer's business, financial condition and results of operations.

IT-solution disruption and change of booking system

The Group depends on IT to manage its business processes and administrative functions, for example in relation to suppliers and customers. Extensive downtime of network servers, attacks by IT-viruses or other disruptions or failure of IT-systems are possible and could have an adverse effect on the Group's operations. The Issuer does not currently host any in-house IT-systems, but is dependent on third party providers for these services. All flight operational systems are hosted with Amazon Web Services ("**AWS**") located in Ireland. The Issuer is therefore dependent on the redundance plans of AWS. Failure of the Group's IT-systems will cause transaction errors and loss of customers as well as sales, and could have negative consequences for the Group, its employees, and the Group's business, financial condition and results of operations.

Majority owner and related transactions

The Issuer is wholly owned by Titan Investment Holding Company ("**Titan**"), who is ultimately owned by Skuli Mogensen. The Issuer will convert from a private limited company to a public limited company before the bond issue. This requires there to be at least two shareholders. The two shareholders will be Skuli Mogensen who will own 1 share directly while the other shares will be owned by Titan. The majority shareholder's interest may conflict with those of the bondholders, particularly if the Group encounters difficulties or is unable to pay its debts as they fall due. The majority shareholder has legal power to control a large amount of the matters to be decided by vote at a shareholder's meeting. For example, a majority shareholder has the ability to elect the board of directors. Furthermore, the majority shareholder might also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to the bondholders. There is nothing that prevents the majority shareholder or any of its affiliates from acquiring businesses that directly compete with the Group. Skuli Mogensen is the CEO of the Issuer and also owns directly or indirectly, other entities that have entered into related transactions with the Issuer, for example transactions relating to leasing of housing for non-domestic employees operating on Iceland. The Group has polices to ensure that all related party transactions are made on arm's length terms. However, there is a risk that these policies are not followed or would be deemed insufficient. Risks associated with the majority shareholder, and failure of the Group to adequately ensure arm's length terms regarding related transactions can consequently lead to unforeseen events and complications, which will have an adverse effect on the Issuer's business, financial condition and results of operation.

Incorporation of Cargo Express

Titan transferred 60 per cent of Cargo Express ehf ("**Cargo Express**") to the Issuer on 20 June 2018, by way of an equity contribution in the amount of USD 18.4 million. There is a risk that there are unidentified risks relating to the transfer. If the Issuer fails to adequately and successfully manage the inherent liabilities, there is a risk that this could lead to unforeseen events and complications, which will have an adverse effect on the Issuer's business, financial condition and results of operations.

The adoption of new regional, national and international regulations, or the revision of existing regulations

The Group, and the market in which the Group operates are subject to numerous legislations and regulations. The legislations and regulations that the Group needs to comply with are constantly changing which adds to the risk of the Group being non-compliance with regulatory requirements. The Issuer is currently holding an Air Operator Certificate ("**AOC**") that is obtained from the Icelandic Transport authority ("**ICETRA**"). The certificate is mandatory for conducting aviation services on and from Iceland.

Risk factors (4/7)

Although Iceland is not a member of the European Union, ICETRA is a member of the European Aviation Safety Agency ("**EASA**"). If the Issuer fails to comply with the legislations or regulations, or if existing legislations and regulations changes, or if the Issuer should fail in maintaining existing licences or obtain new, it could Increase the Issuer's cost base or restrict its current and future operations which, in turn, could have an adverse effect on the Issuer's business, financial condition and results of operations.

Changes and expansion of aircraft fleet

The number of aircrafts operated by the Issuer and the total aggregated seating capacity of these are a decisive factor of the Issuer's profitability. The Issuer needs to calculate future capacity in order to have an efficient fleet at hand. If the Issuer's calculations and estimates regarding future capacity proves to be incorrect, it may have an adverse effect on the Issuer's business, financial condition and results of operation. Overcapacity due to lower than expected market growth may, for example, lead to competitors lowering their ticket prices or transferring the excess capacity to markets and routes served by the Issuer. This could lead to increased competition and further price pressure on routes which in turn may have an adverse effect on the Issuer's business, financial condition and results of operations. Too low capacity due to higher than expected market growth might, on the other hand, lead to the Issuer not using its full potential and missing out on customers to competitors, which can impact the Issuer's profitability. The Issuer is highly dependent on a functioning aircraft fleet in its operation. The Issuer currently operates 20 aircrafts. The Issuer is also receiving two Airbus A330Neo at the end of 2018 and two at the end of 2019. Aircraft investments failing to meet the Issuer's expectations may have an adverse effect on the Issuer's ability to compete with other airlines. A miscalculations in demand for aircrafts can also affect the Issuer long-term since the need for new aircrafts can be subject to long delivery time and overcapacity of aircrafts will be a cost liability for the Issuer. Aircraft investments failing to meet the Issuer's expectations may have an adverse effect on the Issuer's business, financial conditions, and result of operations.

Covenants – contractual risk

The Group is contractually bound to honour various contracts in loan and leasing agreements via covenants or default event conditions, for example through certain accounting figure minimum requirements.
Should the Group become unable to fulfil any of its covenants or other major obligations its counterparties may become entitled to rescind these agreements, which might have an adverse effect on the Group's business, financial condition and results of operations.

Airlines are exposed to the risk of losses from air crashes and similar disasters, design defects and operational malfunctions

Airlines can suffer significant losses if an aircraft is lost or subject to an accident. Incidents and wreckages may be caused by several factors, for example, the human factor, design defects, malfunctions, meteorological and other environmental factors and deferred maintenance. Losses can also take the form of passenger claims and repair and replacement costs, as well as losses connected to any public perception that the Issuer's fleet is unsafe or unreliable, causing air travellers to be reluctant to fly with the Issuer. The Issuer has insurance regarding for example aircrafts, cargo, baggage and employees. However, insurance coverage, if available, may not always be sufficiently adequate to cover the losses resulting from an air crash or similar disaster whilst certain other risks are uninsurable. In particular, the Issuer's insurance does not cover losses from decreasing revenues caused by negative public perception resulting from air crashes or similar incidents. Further, the occurrence of an insurable event whether or not involving the Issuer but for which the Issuer has insurance coverage could cause a substantial increase in the Issuer's insurance premium. The Issuer is also at risk of higher premiums due to unforeseen events or renegotiations of their insurance agreements. The occurrence of any incidents involving any of the Issuer's fleet, which results in an accident or the grounding of such aircraft, could therefore have an adverse effect on the Issuer's business, financial condition and results of operations.

Natural disasters have had a material adverse effect on the airline industry in the past and may do so again – The airline industry could also be adversely affected by an outbreak of disease or the occurrence of a natural or man-made disaster that affects travel behaviour

Activity from volcanoes, other natural or man-made disasters or extreme weather conditions, in particular if such occur in the European airspace or otherwise in the region around any of the Issuer's major flight destinations, could have an adverse effect on the Issuer's business, financial condition and results of operations. An outbreak of a disease that affects travel demand or travel behaviour such as Ebola, Zika virus, Severe Acute Respiratory Syndrome ("**SARS**"), avian flu, swine flu or other illness could also have an adverse effect on the Issuer's business, financial condition and results of operations.

Damage to the brand name

Negative publicity or announcement relating to the Group may, regardless of whether justified, deteriorate the Issuer's brand value and have a negative effect on the Group's operations, financial position, earnings and results. The Issuer's brand name and reputation have significant commercial value and the Issuer relies on positive brand recognition as part of its overall business model. Any damage to the Issuer's brand image or reputation, whether owing to a single event or series of events, could have an adverse effect on the Issuer's ability to market its services and retain customers. The Issuer has been subject to bad publication regarding irregular operations, delays and passengers that are held at locations due to unforeseen events. There is a risk of similar events in the future. Ultimately, such impact could have an adverse effect on the Issuer's business, financial condition and results of operations.

The Issuer is subject to data protection regulations, infringements of which could result in fines and reputation damage

As part of its operations, the Issuer collects and retains personal data received from customers. This information is subject to data protection regulations in Europe and elsewhere, in particular, the General Data Protection Regulation (679/2016) (the "**GDPR**") that was implemented in May 2018. Compliance with the GDPR is crucial to the Issuer since non-compliance can lead to fines of up to EUR 20 million or 4 per cent of a company's global annual turnover (whichever is higher). The Issuer is still in the process of becoming compliant with the GDPR regulations. Since the process of making the Issuer compliant with the GDPR regulations is ongoing there is a potential risk of non-compliance. Any non-compliance with the GDPR in the future could have an adverse effect on the Group's business, financial conditions and results of operations.

Risk factors (5/7)

The Issuer depends on motivated managers and employees, and any labour disruptions could adversely affect the Issuer's operations

The Issuer's operations are labour intensive and dependent on being able to attract and retain highly qualified and motivated personnel, for example pilots, cabin crew and employees with expertise in aircraft engineering and maintenance. It is not certain that the Issuer will be able to retain key personnel or recruit enough new employees with appropriate skills at a reasonable cost in the future. The Issuer has collective bargaining agreements with the pilot union, the cabin crew union and the mechanics union. As the Issuer is dependent on its employees for its daily operation any labour disruption would have a negative effects on the Issuer's operations. The airline industry has a history of strikes and work stoppages. The effect of such strikes can be substantial and there is a risk that similar labour disputes with the trade unions (or threats thereof) will arise in connection with the renegotiation of union contracts, outsourcing efforts or other activities involving its unionised employees at some point in the future. Each union’s contract comes up for renegotiation every few years, bringing with it a risk that the parties will not reach an immediate agreement; resulting in a strike being organised. Strikes can materially affect the Group’s operations and financial results; a worst case scenario being a complete halt in the operations for a prolonged period of time. Strikes in the aviation industry are particularly taxing for airlines due to the nature of the business, which is burdened with high fixed costs. In addition to relying on hired personnel, the Group relies on third parties to provide its customers with services on behalf of and in cooperation with it (approximately 1/3 of the Issuer pilots are hired thru crew leasing companies). Any inability of the relevant third party to provide such services or the occurrence of strikes may negatively and adversely affect the Group's results of operations and financial standing.

Disputes and litigations

The Group is currently not involved in any material disputes. However, there is a risk that the Group will become involved in disputes or subject to other litigation in the future. Since the Issuer conducts its business in the US there is also a risk of class actions, such disputes could have an adverse effect on the Group's business, earnings or financial position.

Terrorist attacks and armed conflicts, as well as their aftermath, have had an adverse effect on the Issuer's business and may have so again

Acts of terrors, political uprisings and armed conflicts or any actual or perceived risk thereof significantly adversely impact the airline industry as a result of the consequential reduction in demand for air travel, limitations on the availability of insurance coverage, increase in insurance premia, increase in cost associated with additional security precautions and the imposition of flight restrictions over conflict zones. Future occurrences or risks thereof of terrorist attacks, uprisings or conflicts in the markets in which the Issuer operates may have an adverse effect on the Issuers' business, financial condition and results of operations.

The Issuer is exposed to tax-related risks

It cannot be ruled out that the tax authorities in Iceland and other relevant countries will assess that the Issuer does not conduct its business, including transactions between Group companies, or other countries in accordance with applicable tax laws, treaties and the requirements of tax authorities in such countries. The Issuer's prior or present tax position may change as a result of the decisions of tax authorities or changes in laws and regulations, possibly with retroactive effect, which may have an adverse effect on the Issuer's results of operations and financial position.

RISKS RELATING TO THE BONDS

Risks relating to the transaction security

Although the Issuer's obligations towards the investors under the Bonds will be secured by first priority pledges over all shares in the Issuer, all shares in material group companies, and current or future intercompany loans, it is not certain that the proceeds of any enforcement sale of the security assets would be sufficient to satisfy all amounts then owed to the Investors. The bondholders will be represented by Nordic Trustee & Agency AB (publ) as security agent (the "**Trustee**") in all matters relating to the transaction security. There is a risk that the Trustee, or anyone appointed by it, does not properly fulfil its obligations in terms of perfecting, maintaining, enforcing or taking other necessary actions in relation to the transaction security. Further, the transaction security is subject to certain hardening periods during which times the bondholders do not fully, or at all, benefit from the transaction security. The Trustee is entitled to enter into agreements with members of the Group or third parties or to take any other action necessary for the purpose of maintaining, releasing or enforcing the transaction security or for the purpose of settling, among other things, the bondholders' rights to the security.

Risks relating to enforcement of the transaction security

If a subsidiary, which shares have been pledged in favour of the bondholders, is subject to any foreclosure, dissolution, winding-up, liquidation, recapitalisation, administrative or other bankruptcy or insolvency proceedings, the shares that are subject to such pledge may then have limited value because all of the subsidiary's obligations must first be satisfied, potentially leaving little or no remaining assets in the subsidiary for the bondholders. As a result, the bondholders may not recover the full value (or any value in the case of an enforcement sale) of the shares. In addition, the value of the shares subject to pledges may decline over time. The value of any intracompany loan granted by the Issuer to any subsidiary, which is subject to security in favour of the bondholders, is largely dependent on such subsidiary's ability to repay its loan. Should such subsidiary be unable to repay its debt obligations upon an enforcement of a pledge over the intracompany loan, the bondholders may not recover the full or any value of the security granted over the intra-group loan. If the proceeds of an enforcement are not sufficient to repay all amounts due under or in respect of the Bonds, then the bondholders will only have an unsecured claim against the Issuer and its remaining assets (if any) for the amounts which remain outstanding under or in respect of the Bonds.

Risk factors (6/7)

Corporate benefit limitations in providing security to the bondholders
If a limited liability company provides security for another party’s obligations without deriving sufficient corporate benefit therefrom, the granting of security will require the consent of all shareholders of the grantor and will only be valid up to the amount the company could have distributed as dividend to its shareholders at the time the security was provided. If no corporate benefit is derived from the security provided, the security will be limited in validity. Consequently, any security granted by a subsidiary of the Issuer could therefore be limited which would have an adverse effect on the bondholders' security position.

Security over assets granted to third parties
The Group may, subject to limitations, incur additional financial indebtedness and provide additional security for such indebtedness. In the event of bankruptcy, reorganisation or winding-up of the Issuer, the bondholders will be subordinated in right of payment out of the assets being subject to security. In addition, if any such third party financier holding security provided by the Group would enforce such security due to a default by any Group company under the relevant finance documents, such enforcement will have a material adverse effect on the Group’s assets, operations and ultimately the position of the bondholders.

The market price of the Bonds may be volatile
The market price of the Bonds could be subject to significant fluctuations in response to general market conditions (including, without limitations, actual or expected changes in prevailing interest rates), actual or anticipated variations in the Issuer's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Issuer 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 Issuer's operating results, financial condition or prospects.

Liquidity risks
The Issuer undertakes to apply for listing of the Bonds on Nasdaq Stockholm. However, there is a risk that the Bonds might not be admitted to trading. Further, even if the Bonds are admitted to trading on a Regulated Market, active trading in the Bonds does not always occur and hence there is a risk that a liquid market for trading in the Bonds will not form or will not be maintained, even if the Bonds are listed. As a result, the Bondholders may be unable to sell their Bonds when they so desire or at a price level which allows for a profit comparable to similar investments with an active and functioning secondary market or for a sale at par. Lack of liquidity in the market may have a negative impact on the market value of the Bonds. Furthermore, the nominal value of the Bonds may not be indicative of the market price of the Bonds if the Bonds are admitted for trading on Nasdaq Stockholm, as the Bonds may trade below their nominal value (for instance, to allow for the market's perception of a need for an increased risk premium). Moreover, there is a risk that it may be difficult or impossible to sell the Bonds (at all or at reasonable terms) due to, for example, severe price fluctuations, close-down of the relevant market or trade restrictions imposed on the market.

Interest rate risk
The Bonds' value will depend 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.

Credit risk
Investors in the Bonds assume a credit risk relating to the Issuer. If the Issuer or the Issuers' financial position were to deteriorate then there is a risk that the Issuer would not be able to fulfil its payment obligations under the Bonds. A decrease in the Issuer’s or the Issuer's creditworthiness (i) may cause the market to view the Bonds as a riskier investment and which may, in turn, have an adverse effect on the market value of the Bonds and (ii) may also reduce the prospects of the Issuer arranging debt financing when the Bonds mature.

Refinancing risk
The Issuer may eventually be required to refinance certain or all of its outstanding debt, including the Bonds. The Issuer's ability to successfully refinance its debt, including the Bonds, depends, among other things, on the conditions of the bank market, the capital markets and the Issuer's own financial condition at such time. As a result, the Issuer's access to financing sources may neither be available on favourable terms nor available at all. The Issuer's inability to refinance its debt obligations on favourable terms, or at all, could have an adverse effect on the Issuer's business, financial condition and results of operations and on the Issuer's ability to repay amounts due under the Bonds.

Risk factors (7/7)

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 these Risk Factors or any marketing material distributed in connection with the issue of the Bonds;
- 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.

Ability to comply with the Terms and Conditions
The Group is required to comply with the Terms and Conditions, *inter alia*, to pay interest under the Bonds. 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, among other things, the undertakings set out in the Terms and Conditions. A breach of the Terms and Conditions could result in a default under the Terms and Conditions, which could lead to an acceleration of the Bonds, resulting in the Issuer has to repay the bondholders at the applicable call premium. It is possible that the Issuer will not have sufficient funds at the time of the repayment to make the required redemption of Bonds.

The Bonds may be redeemed prior to maturity
The Terms and Conditions will include certain provisions pursuant to which the Issuer will have the right to redeem all outstanding Bonds prior to the final redemption date. If the Bonds are redeemed before the final redemption date, the Bondholders will receive an early redemption amount which equals or exceeds the nominal amount of the Bonds, together with accrued but unpaid Interest. 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. In addition, the Terms and Conditions of the Bonds will contain certain mandatory prepayment rights in favour of the Bondholders, however, it is possible that the Issuer will not have sufficient funds at the time of the mandatory prepayment to make the required redemption of Bonds.

Bondholder representation and Bondholders' meetings
The Terms and Conditions will include certain provisions pursuant to which the Trustee shall represent all Bondholders in all matters relating to the Bonds. However, this does not rule out the possibility that the Bondholders, in certain situations, could bring their own action against the Issuer. To enable the Trustee to represent the Bondholders in court, the Bondholders may have to submit a written power of attorney for legal proceedings. The failure of all Bondholders to submit such a power of attorney could negatively impact the enforcement of the Bonds. Under the Terms and Conditions the Trustee will have the right in some cases to make decisions and take measures that bind all Bondholders. The Terms and Conditions for the Bonds will include certain provisions regarding Bondholders' meetings. Such meetings may be held in order to decide on matters relating to the Bondholders' interests. The Terms and Conditions for the Bonds will allow for stated majorities to bind all Bondholders, including Bondholders 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 and/or the Trustee (as applicable) in such matters could impact a Bondholder's rights in a manner that would be undesirable for some of the Bondholders.

Restrictions on the transferability of the Bonds.
The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or any U.S. state securities laws. Subject to certain exemptions, a Bondholder may not offer or sell the Bonds in the United States. The Issuer has not undertaken to register the Bonds under the U.S. Securities Act or any U.S. state securities laws or to effect any exchange offer for the Bonds in the future. Furthermore, the Issuer has not registered the Bonds under any other country's securities laws. It is the Bondholder's obligation to ensure that the offers and sales of Bonds comply with all applicable securities laws.

Clearing and settlement
The Bonds will be affiliated to Verdipapirsentralen ASA's ("**VPS**") account-based system. Clearing and settlement as well as payment of interest and the repayment of principal are carried out within VPS' system. Investors are therefore dependent on the functionality of VPS' system, the failure of which entails a risk that the Bondholders may, for example, not receive payment in due time.

Change of law
This document is, and the terms and conditions for the Bonds will be, governed by Swedish law in force at the date of issuance of the Bonds. No assurance can be given on the impact of any possible future legislative measures, regulations, changes or modifications to administrative practices or case law. Such changes could have an adverse effect on the Issuer's ability to fulfil its obligations under the Bonds.