



WOW air hf.

relating to the listing of

up to EUR 100,000,000

Senior Secured Floating Rate Bonds due 2021

ISIN: NO0010832785

Sole Bookrunner

The logo for Pareto Securities, featuring a stylized blue arc above the word "Pareto" in a bold, blue, sans-serif font, followed by the word "Securities" in a smaller, blue, sans-serif font.

Prospectus dated 20 November 2018

IMPORTANT NOTICE:

This prospectus (the "**Prospectus**") has been prepared by WOW air hf. (the "**Issuer**", or the "**Company**" or together with its direct and indirect subsidiaries unless otherwise indicated by the context, the "**Group**"), a limited liability company incorporated in Iceland, having its headquarters located at the address, Katrínartún 4, 105 Reykjavík, with reg. no. 451011-0220, in relation to the application for the listing of the senior secured floating rate bonds denominated in EUR (the "**Bonds**") on the corporate bond list on Nasdaq Stockholm Aktieföretag, reg. no. 556420-8394 ("**Nasdaq Stockholm**"). Pareto Securities AB has acted as sole bookrunner in connection with the issue of the Bonds (the "**Sole Bookrunner**"). This Prospectus has been prepared in accordance with the standards and requirements of the Swedish Financial Instruments Trading Act (Sw. lag (1991:980) om handel med finansiella instrument) (the "**Trading Act**") and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC as amended by the Directive 2010/73/EC of the European Parliament and of the Council (the "**Prospectus Regulation**"). The Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (Sw. Finansinspektionen) (the "**SFSA**") pursuant to the provisions of Chapter 2, Sections 25 and 26 of the Trading Act. Approval and registration by the SFSA does not imply that the SFSA guarantees that the factual information provided in this Prospectus is correct and complete. This Prospectus has been prepared in English only and is governed by Swedish law and the courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection with this Prospectus. This Prospectus is available at the SFSA's website (fi.se) and the Issuer's website (wowair.com).

Unless otherwise stated or required by context, terms defined in the terms and conditions for the Bonds beginning on page 57 (the "**Terms and Conditions**") shall have the same meaning when used in this Prospectus.

Except where expressly stated otherwise, no information in this Prospectus has been reviewed or audited by the Company's auditor. Certain financial and other numerical information set forth in this Prospectus has been subject to rounding and, as a result, the numerical figures shown as totals in this Prospectus may vary slightly from the exact arithmetic aggregation of the figures that precede them. This Prospectus shall be read together with all documents incorporated by reference in, and any supplements to, this Prospectus. In this Prospectus, references to "**EUR**" refer to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, references to "**ISK**" refer to Icelandic króna and references to "**USD**" refer to American Dollars.

Investing in bonds is not appropriate for all investors. Each investor should therefore evaluate the suitability of an investment in the Bonds in light of its own circumstances. In particular, each investor should:

- (a) have sufficient knowledge and experience to carry out an effective evaluation of (i) the Bonds, (ii) the merits and risks of investing in the Bonds, and (iii) the information contained or incorporated by reference in the Prospectus or any supplements;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate in the context of its particular financial situation the investment in the Bonds and the impact that such investment will have on the investor's overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks resulting from an investment in the Bonds, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the investor's own currency;
- (d) understand thoroughly the Terms and Conditions and the other Finance Documents and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the assistance of a financial adviser) possible scenarios relating to the economy, interest rates and other factors that may affect the investment and the investor's ability to bear the risks.

This Prospectus is not an offer for sale or a solicitation of an offer to purchase the Bonds in any jurisdiction. It has been prepared solely for the purpose of listing the Bonds on the corporate bond list on Nasdaq Stockholm. This Prospectus may not be distributed in or into any country where such distribution or disposal would require any additional prospectus, registration or additional measures or contrary to the rules and regulations of such jurisdiction. Persons into whose possession this Prospectus comes or persons who acquire the Bonds are therefore required to inform themselves about, and to observe, such restrictions. The Bonds have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being offered and sold outside the United States to purchasers who are not, or are not purchasing for the account of, U.S. persons in reliance upon Regulation S under the Securities Act. In addition, until 40 days after the later of the commencement of the offering and the closing date, an offer or sale of the Bonds within the United States by a dealer may violate the registration requirements of the Securities Act if such offer or sale of the Bonds within the United States by a dealer may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to an exemption from registration under the Securities Act.

The offering is not made to individuals domiciled in Australia, Japan, Canada, Hong Kong, the Italian Republic, New Zealand, the Republic of Cyprus, the Republic of South Africa, the United Kingdom, the United States (or to any U.S person), or in any other country where the offering, sale and delivery of the Bonds may be restricted by law.

This Prospectus may contain forward-looking statements and assumptions regarding future market conditions, operations and results. Such forward-looking statements and information are based on the beliefs of the Company's management or are assumptions based on information available to the Group. The words "considers", "intends", "deems", "expects", "anticipates", "plans" and similar expressions indicate some of these forward-looking statements. Other such statements may be identified from the context. Any forward-looking statements in this Prospectus involve known and unknown risks, uncertainties and other factors which may cause the actual results, performances or achievements of the Group to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Further, such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Although the Company believes that the forecasts of, or indications of future results, performances and achievements are based on reasonable assumptions and expectations, they involve uncertainties and are subject to certain risks, the occurrence of which could cause actual results to differ materially from those predicted in the forward-looking statements and from past results, performances or achievements. Further, actual events and financial outcomes may differ significantly from what is described in such statements as a result of the materialisation of risks and other factors affecting the Group's operations. Such factors of a significant nature are mentioned in the section "**Risk factors**" below.

Interest payable on the Bonds will be calculated by reference to EURIBOR. As at the date of this Prospectus, the administrator of EURIBOR is not included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011.

This Prospectus shall be read together with all documents that are incorporated by reference, see subsection "**Documents incorporated by reference**" under section "**Other information**" below, and possible supplements to this Prospectus.

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SUMMARY

This summary is made up of disclosure requirements known as "Sections". These Sections are numbered in sections A–E (A.1–E.7).

This summary contains all the Sections required to be included in a summary for this type of securities and issuer. Because some Sections are not required to be addressed, there may be gaps in the numbering sequence of the Sections.

Even though a Section may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Section. In this case a short description of the Section is included in the summary with the mention of "not applicable".

SECTION A – INTRODUCTION AND WARNINGS		
A.1	Introduction and warnings:	This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states, have to bear the costs of translating the Prospectus before the legal proceedings may be initiated. Civil liability can only be imposed on those persons who have put forward the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	Consent by the issuer:	Not applicable.
SECTION B – ISSUER AND GUARANTOR		
B.1	Legal and commercial name:	WOW air hf. (the "Issuer").
B.2	Domicile, legal form, legislation and country of incorporation:	WOW air hf. was incorporated in Iceland on 29 September 2011 and is an Icelandic limited liability company incorporated under the laws of Iceland with headquarters located at Katrínartún, Reykjavik and governed by Icelandic law.
B.4b	Tendencies:	The Group has seen continued increase in jet fuel prices and continued fierce competition on the north-Atlantic market which has created a softness in sales. This is a material adverse change. Airfare yields have continued to stay low and not increased in line with jet fuel prices as it has historically done. Due to the aforementioned reason the Group foresees that year end results will deviate from previously reported expectations in a negative way. This is a material adverse change.
B.5	Description of the group and the issuer's position within the group.	The Icelandic limited liability company Titan fjárfestingafélags ehf., reg. no. 470109-0760, operating under the laws of Iceland, owns 161,861,916 of the Issuer's 161,861,917 shares. Skúli Mogensen, national id. no 180968-4669, owns 1 of the Issuer's 161,861,917 shares.
B.9	Profit forecasts:	Not applicable. The Prospectus contains no profit/loss forecast.

B. 10	Complaints in the auditor's report:	Not applicable. There are no remarks in the auditor's reports.																																																																																							
B.12	Selected historical financial information:	<p>The information below is derived from the Group's audited financial statements for the years ended 31 December 2017 and 31 December 2016 and from the Issuer's unaudited half-yearly report for the six month period ended 31 June 2018. The audited financial statements that are incorporated herein in relation to the Group have been prepared in accordance with IFRS. Please note that the name of the Issuer has been changed from WOW air ehf. to WOW air hf. since the publication of the financial information.</p> <p>No material adverse change has occurred since the date of the Issuer's latest audited accounts.</p> <p><u>Consolidated income statement</u></p> <table border="1" data-bbox="555 680 1425 1420"> <thead> <tr> <th data-bbox="555 680 1011 770">USD '000</th> <th data-bbox="1011 680 1219 770">2017-12-31 (audited)</th> <th data-bbox="1219 680 1425 770">2016-12-31 (audited)</th> </tr> </thead> <tbody> <tr> <td data-bbox="555 770 1011 804">Revenue</td> <td data-bbox="1011 770 1219 804">486,261</td> <td data-bbox="1219 770 1425 804">307,082</td> </tr> <tr> <td data-bbox="555 804 1011 837">Revenues from flight operations</td> <td data-bbox="1011 804 1219 837">444,366</td> <td data-bbox="1219 804 1425 837">287,411</td> </tr> <tr> <td data-bbox="555 837 1011 871">Other revenue</td> <td data-bbox="1011 837 1219 871">41,895</td> <td data-bbox="1219 837 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expenses	(14,039)	14,416	(Loss) / profit before tax	(27,482)	44,359	Income tax recovery / (expense)	5,240	(8,869)	(Loss) / profit for the year	(22,242)	35,490	USD	2017-12-31 (audited)	2016-12-31 (audited)	Non-current assets	232,953	255,505	Intangible assets	4,049	3,300	Operating assets	211,137	213,295	Aircraft deposits & security instalments	17,662	38,906	Investment in associate	106	5	Current assets	133,300	76,890	Inventories	2,328	1,004	Trade and other receivables	90,821	62,862	Prepaid expense	10,627	7,762		28,000	
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Aircraft deposits	356	0
Receivables from related parties	1,167	556
Cash and cash equivalents	366,253	4,706
Total assets		332,395
Total shareholder equity	39,819	52,343
Share capital	958	768
Statutory reserve	206	206
Share premium	12,862	3,357
Other reserves	390	49
Retained earnings	25,402	47,964
Non-current liabilities	136,173	143,176
Long-term borrowing	133,361	134,957
Deferred tax liability	2,812	8,219
Current liabilities	190,261	136,876
Next year instalments	20,818	15,863
Short term borrowing	5,072	0
Payables related to parties	11,497	9,978
Trade and other payables	80,111	50,362
Deferred income	72,704	60,659
Current tax payable	59	13
Total liabilities	326,434	280,052
Total shareholders equity and liabilities	366,253	332,395

Consolidated statement of cash flows

USD '000	2017-12-31 (audited)	2016-12-31 (audited)
Cash flows from operating activities (net cash from operating activities)	4,647	61,838
(Loss) / profit for the year	(22,242)	35,490
Adjustments for depreciation	17,548	16,018
Adjustments for gain on sale of operating assets	(5,219)	0
Adjustments for net finance expense	14,039	(14,416)
Adjustments for share in the profit of associate	(97)	0
Adjustments for income tax	(5,240)	8,869
Changes in operating assets and liabilities	11,185	21,786
Financial income received	3,430	1,419
Interest paid	(8,757)	(7,328)

		Cash flow from investing activities (net cash used in investing activities)	(17,676)	(41,203)
		Acquisition of intangible assets	(2,563)	(1,852)
		Acquisition of operating assets	(13,799)	(6,838)
		Sale of operating assets	5,442	0
		Security instalments, changes	(6,756)	(32,513)
		Cash flow from / (to) financing activities (net cash from / (to) financing activities)	10,092	(18,546)
		Short-term borrowing	5,072	0
		Proceeds from long-term borrowing	7,560	0
		Repayment of borrowings	(13,977)	(14,018)
		Related parties, change	11,437	(4,529)
		(Decrease) / increase in cash and cash equivalents	(2,937)	2,089
		Effect of exchange rate fluctuations on cash held	(602)	(361)
		Cash and cash equivalents at the beginning of the year	4,706	2,979
		Cash and cash equivalents at year end	1,167	4,706
		<u>Income statement – the Issuer</u>		
		USD	Half-yearly report 2018 (unaudited)	Half-yearly report 2017 (unaudited)
		Revenue		
		Flight operations	241,831,893	180,281,373
		Other revenue	24,389,894	15,123,308
		Total Revenue	266,221,787	195,404,681
		Operating expenses		
		Flight operations	240,570,030	160,383,832
		Sales and Marketing	18,483,541	15,138,978
		General and Administrative	18,484,313	11,256,203
		Total Operating expenses	277,537,885	186,779,013
		EBITDAR	(11,316,097)	(8,625,668)
		Aircraft leasing	33,801,272	24,026,840

Operating (loss) / profit before depreciation and amortization (EBITDA)	(45,117,369)	(15,401,171)
Depreciation and Amortization	10,481,684	8,569,207
Operating (loss) / profit (EBIT)	(55,599,053)	(23,970,378)
Financial income	140,020	3,158,762
Interest expense	(5,010,084)	(4,137,236)
Foreign exchange	888,729	(6,283,832)
Net financial income and expenses	(3,981,335)	(7,262,306)
(Loss) / profit before tax	(59,580,388)	(31,232,684)
Income tax	11,916,078	6,246,537
(Loss) / profit for the period	(47,664,311)	(24,986,147)

Balance sheet – the Issuer

USD	2018-06-30 (unaudited)	2017-12-31 (audited)
Assets		
Intangible assets	4,805,063	4,048,784
Operating assets	209,497,858	211,136,733
Aircraft instalments & guarantee deposits	19,966,815	17,661,811
Investment in associate	19,938,520	550,603
Deferred tax assets	9,107,532	0
Non-current assets	263,315,788	233,397,931
Inventories	2,275,601	2,328,363
Trade and other receivable	161,419,585	90,812,430
Prepaid expense	14,664,349	10,379,401
Current aircraft instalments	0	28,000,000
Receivable from related parties	564,863	356,202
Cash and cash equivalents	5,341,528	1,130,940
Current assets	184,265,925	133,007,336
Total assets	447,581,713	366,405,267
Shareholders equity		
Share capital	1,460,721	958,477
Share premium	33,223,115	12,862,125
Statutory Reserves	574,542	574,542
Translation adjustments	21,159	21,159
Retained earnings	(22,262,047)	25,402,263
Total shareholder equity	13,017,490	39,818,566
Non-current liabilities		
Interest-bearing debt	123,155,929	133,360,919
Subordinated loans	5,923,440	0
Deferred tax liability	0	2,808,546
Non-current liabilities	129,079,369	136,169,465

		Current liabilities		
		Current portion of non-current liabilities	23,280,757	20,817,956
		Short term borrowing	5,053,284	5,072,183
		Payables to related parties	2,628,564	12,177,824
		Trade and other payables	125,850,401	80,043,786
		Deferred income	148,671,849	72,305,487
		Current liabilities	305,484,855	190,417,236
		Total liabilities	434,564,223	326,586,701
		Total shareholders equity and liabilities	447,581,713	366,405,267
		<u>Statement of cash flows – the Issuer</u>		
		USD	Half-yearly report 2018 (unaudited)	Half-yearly report 2017 (unaudited)
		Cash flows from operating activities		
		(Loss) / profit for the period	(47,664,311)	(24,986,147)
		Adjustments for		
		Depreciation and Amortization	10,481,684	8,569,207
		Gain on sale of operating assets	(5,885,216)	(5,218,811)
		Net finance expense / (income)	3,981,335	7,262,306
		Income tax, change	(11,916,078)	(6,246,537)
			(51,002,585)	(20,619,982)
		Changes in operating assets and liabilities		
		Inventories, increase	52,762	(916,192)
		Trade and other receivables, increase	(74,892,103)	(56,960,910)
		Trade and other payables, increase	120,855,144	77,356,290
		Changes in operating assets and liabilities	46,015,804	19,479,188
		Cash from operations before interest and taxes	4,986,782	1,140,794
		Interest received	140,020	1,456,462
		Interest paid	(3,565,990)	(4,169,950)
		Net cash to operating activities	(8,412,752)	(3,854,282)

		Cash flows to investing activities Acquisition of intangible assets (1,812,987) (978,991) Acquisition of operating assets (8,078,867) (5,378,399) Proceeds from sale of operating assets 6,177,982 5,451,635 Security instalments, changes 25,694,996 (2,035,621) Net cash used from investing activities 21,981,124 (2,941,376)		
		Cash flows from financing activities Short term borrowing, change (18,899) 10,459,146 Proceeds from long-term borrowings 108,466 120,046 Repayment of long-term borrowings (7,088,188) (8,087,867) Related parties, change (2,359,785) (5,890,431) Net cash used in financing activities (9,357,785) 5,890,431		
		Decrease in cash and cash equivalents 4,210,587 (905,228)		
		Cash and cash equivalents at beginning of the year 1,130,940 4,564,723		
		Cash and cash equivalents at period end 5,341,527 3,659,495		
		Investment and financing without cash flow effect Share capital increase 20,863,234 0 Related parties, change (1,475,317) 0 Acquisition in subsidiary (19,387,917) 0		
B.13	Events that affect solvency:	No events have recently occurred and which could have a material impact on the assessment of the Group's solvency.		
B.14	Dependency on subsidiaries	The Issuer is not dependent on its subsidiaries to generate revenues or profit in order to be able to fulfil its payment obligations under the Securities.		
B.15	Primary operations:	WOW air hf. is a low cost airline connecting the world through Iceland. The Company has historically been positioned as an ultra low cost airline, offering low airfares paired with a limited service offering more geared towards leisure travellers. It serves 16 countries and 37 destinations with around 50 per cent. of their passengers travelling across the Atlantic Ocean via Iceland.		
B.16	Direct or indirect owner:	The Icelandic limited liability company Titan fjárfestingafélags ehf., reg. no. 470109-0760, operating under the laws of Iceland, owns 161,861,916 of the Issuer's 161,861,917 shares. Skúli Mogensen, national id. no 180968-4669, owns 1 of the Issuer's 161,861,917 shares.		

B.17	Credit ratings:	Not applicable. No credit rating has been assigned to the Issuer or the Bonds.
B.18	Nature and scope of guarantee:	Not applicable
SECTION C – SECURITIES NOTE		
C.1	Securities offered	Up to EUR 100,000,000 bonds due 2021 with denomination EUR 1,000 per Bond and ISIN NO0010832785. The Bonds constitute direct, general, unconditional, unsubordinated and secured obligations of the Issuer.
C.2	Currency:	EUR.
C.5	Transferability Restrictions:	Not applicable. The Bonds are freely transferable.
C.8	Rights attached to the securities, including ranking and limitations of rights:	<p>When issued, the Bonds will be debt instruments under the Swedish Financial Instruments Accounts Act (1998:1479). The Bonds will carry the right to repayment of the nominal amount and interest on the relevant due date.</p> <p>The Bonds constitute direct, general, unconditional, unsubordinated and secured obligations of the Issuer, and will at all times rank at least pari passu with all direct, unconditional, unsubordinated and secured obligations of the Issuer without any preference among them, except those obligations which are mandatorily preferred by law.</p> <p>The Bonds are issued under and governed by Swedish law.</p>
C.9	Rights attached to the securities, including the nominal interest rate, starting date for the interest calculation, interest due dates, any base interest rate, maturity, yield and any representatives of debenture holders:	<p><i>Interest Rate:</i> Interest on the Bonds will be paid at a floating rate of three-month EURIBOR plus 9.00 per cent. per annum</p> <p><i>Interest Payment Dates:</i> 24 March, 24 June, 24 September and 24 December each year, commencing on 24 December 2018. Interest will accrue from (and including) the First Issue Date.</p> <p><i>Amortization:</i> during the term of the Bonds, no amortization will be made.</p> <p><i>Maturity:</i> the date falling three (3) years after the First Issue Date.</p> <p><i>Representative of the holders:</i> Nordic Trustee & Agency AB (publ), Swedish Reg. No. 556882-1879.</p>
C.10	Information on interest payments based on derivative components:	Not applicable. The interest rate is not based on any derivative components.
C.11	Admission to trading:	The Issuer shall ensure that the Initial Bonds are listed at the corporate bond list on Nasdaq Stockholm not later than 60 calendar days after the First Issue Date and with an intention to complete such listing within 30 calendar days after the First Issue Date; any Subsequent Bonds are listed on the corporate bond list on Nasdaq Stockholm within 60 calendar days after the issuance of such Subsequent Bonds and with an intention to complete such listing within 20 calendar days after the issuance of such Subsequent Bonds (unless the Subsequent Bonds are issued before the

		<p>date falling 60 calendar days after the First Issue Date in which case such Subsequent Bonds shall be listed within 60 calendar days after the First Issue Date); and once the Bonds are listed on the corporate bond list on Nasdaq Stockholm, ensure that the Bonds continue to be being listed on the corporate bond list on Nasdaq Stockholm for as long as any Bond is outstanding (however, taking into account the rules and regulations of Nasdaq Stockholm and the CSD (as amended from time to time) preventing trading in the Bonds in close connection to the redemption of the Bonds).</p>
SECTION D – RISKS		
D2	Key risks specific to the Group and its industry:	<p>Investment in Bonds is associated with a number of risks. Numerous factors affect or may affect the Group's operations, both directly and indirectly. Risk factors and major circumstances deemed to be of importance for the Group's business and future development are described below in no particular order or priority and without claim to be exhaustive. If any of these or other risks or uncertainties actually occurs, the business, operating results and financial condition of the Group could be materially and adversely affected, which could have a material adverse effect on the Group's ability to meet its obligations (including repayment of the principal amount and payment of interest) under the terms and conditions for the Bonds (the "Terms and Conditions"). Other risks as yet unknown to the Company, may also adversely affect the Group and adversely affect the price of the Bonds and the Group's ability to service its debt obligations.</p> <p>This Prospectus contains statements about the future which may be affected by future events, risks and uncertainties. The Company's actual results may be considerably different to the expected results in statements about the future due to many factors, among them, but not limited to, the risks described below and elsewhere in this Prospectus.</p> <p><i>The airline industry is highly susceptible to adverse economic developments</i></p> <p>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 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 will result 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 air 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</p>

	<p>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 will lead to a disproportionate decline in profits, since the aforementioned fixed costs 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 will 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.</p> <p><i>The Issuer is exposed to currency exchange rate risk</i></p> <p>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 the date of this prospectus, 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 mainly towards EUR and ISK. Failure to successfully monitor and hedge the exchange rates would have an adverse effect on the Issuer's business, earnings or financial position.</p> <p><i>The Issuer is exposed to interest rate risk</i></p> <p>The Issuer is exposed to interest rate movements through its variable financing arrangements. An increase in interest rates levels would 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 into 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 would have an adverse effect on the Issuer's business, financial condition and results of operations. To enable the Security Agent 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 would negatively impact the enforcement of the Bonds. Under the Terms and Conditions the Security Agent has the right in some cases to make decisions and take measures that bind all Bondholders. The Terms and Conditions for the Bonds includes 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 allows 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 Security Agent (as applicable) in such matters would impact a Bondholder's rights in a manner that would be undesirable for some of the Bondholders.</p> <p><i>The Issuer is exposed to fluctuation of jet fuel price</i></p>
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		<p>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 would affect the Issuer's ability to fuel its aircrafts, which would 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 spot market price. 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 would have an adverse effect on the Issuer's business, financial condition and results of operations.</p> <p><i>Risks relating to the Keflavik Airport</i></p> <p>The Keflavik Airport is located in 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 of them owned by WOW air's main competitor, Icelandair. 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 would have an adverse effect on the Issuer's operations. If the Issuer can no longer use the existing ground handling provider the Issuer would be forced to carry out its own ground handling at the Keflavik Airport. Should any of the aforementioned risks materialise, it would have an adverse effect on the Issuer's business, financial condition and results of operations.</p> <p><i>Risks relating to operating network</i></p>
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		<p>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 would 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 would 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 would have an adverse effect on the Issuer possibility to compete with other airlines.</p> <p>Majority owner and related transactions</p> <p>The Issuer is wholly owned by Skuli Mogensen and Titan Investment Holding Company ("Titan"), who is ultimately owned by Skuli Mogensen. 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. 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.</p> <p>Incorporation of Cargo Express</p> <p>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 would lead to unforeseen events and complications, which will have an adverse effect on the Issuer's business, financial condition and results of operations.</p> <p>Changes and expansion of aircraft fleet</p> <p>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 will have an adverse effect on the Issuer's business, financial condition and results of operation.</p>
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		<p>Overcapacity due to lower than expected market growth would, for example, lead to competitors lowering their ticket prices or transferring the excess capacity to markets and routes served by the Issuer. This would lead to increased competition and further price pressure on routes which in turn would 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 would, on the other hand, lead to the Issuer not using its full potential and missing out on customers to competitors, which would 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 one Airbus A330Neo in early 2019 and one in early 2020. Aircraft investments failing to meet the Issuer's expectations will have an adverse effect on the Issuer's ability to compete with other airlines. A miscalculations in demand for aircrafts would 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 will have an adverse effect on the Issuer's business, financial conditions, and result of operations.</p>
D.3	<p>Key risks specific to the securities:</p>	<p><i>Risks relating to enforcement of the transaction security</i> 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 will 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 will 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 will 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.</p> <p><i>The market price of the Bonds may be volatile</i> 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</p>

		<p>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, would adversely affect the market price of the Bonds without regard to the Issuer's operating results, financial condition or prospects.</p> <p>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 will 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.</p> <p>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 will be adversely affected by changes in market interest rates.</p> <p>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) will cause the market to view the Bonds as a riskier investment and which will, in turn, have an adverse effect on the market value of the Bonds and (ii) will also reduce the prospects of the Issuer arranging debt financing when the Bonds mature.</p> <p>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, would 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.</p>
SECTION E – OFFER		
E.2b	Net proceeds and expenses	The proceeds from the Initial Bond Issue shall be used to (i) fund the Interest Account in an amount equal to 12.5 per cent. of the Total Nominal Amount from time to time (being on the First Issue Date an amount equal to EUR 7,500,000), (ii) finance general corporate purposes

		of the Group, and (iii) finance Transaction Costs. The proceeds from any Subsequent Bond Issue shall be used to (i) finance general corporate purposes of the Group, including investments and acquisitions, (ii) refinance existing external debt permitted under the Terms and Conditions, and (iii) finance Transaction Costs.
E.3	Terms and conditions of the offer:	Not applicable. The issue of Bonds did not constitute an offer.
E.4	Interests and conflicts of interest:	Not applicable. There are no material interests or conflict of interests.
E.7	Costs for investors:	Not applicable. No expenses will be charged to the investor.

RISK FACTORS

Investment in Bonds is associated with a number of risks. Numerous factors affect or may affect the Group's operations, both directly and indirectly. Risk factors and major circumstances deemed to be of importance for the Group's business and future development are described below in no particular order or priority and without claim to be exhaustive. If any of these or other risks or uncertainties actually occurs, the business, operating results and financial condition of the Group could be materially and adversely affected, which could have a material adverse effect on the Group's ability to meet its obligations (including repayment of the principal amount and payment of interest) under the terms and conditions for the Bonds (the "Terms and Conditions"). Other risks as yet unknown to the Company, may also adversely affect the Group and adversely affect the price of the Bonds and the Group's ability to service its debt obligations. Apart from this section, an investor should also consider the other information in this Prospectus.

This Prospectus contains statements about the future which may be affected by future events, risks and uncertainties. The Company's actual results may be considerably different to the expected results in statements about the future due to many factors, among them, but not limited to, the risks described below and elsewhere in this Prospectus.

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 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 will result 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 air 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 will lead to a disproportionate decline in profits, since the aforementioned fixed costs 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 will 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 would have a negative impact on the Issuer and would 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 the date of this prospectus, 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 mainly towards EUR and ISK. Failure to successfully monitor and hedge the exchange rates would 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 would 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 into 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 would have an adverse effect on the Issuer's business, financial condition and results of operations. To enable the Security Agent 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 would negatively impact the enforcement of the Bonds. Under the Terms and Conditions the Security Agent has the right in some cases to make decisions and take measures that bind all Bondholders. The Terms and Conditions for the Bonds includes 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 allows 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 Security Agent (as applicable) in such matters would 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 would affect the Issuer's ability to fuel its aircrafts, which would 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 spot market price. 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 would 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 would 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 would also effect the Issuer's business, financial condition and results of operations. There is an increase in customer 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 would adversely affect the Issuer and its business, financial condition and results of operations. Also, failure to meet the competition from new and existing airlines would 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 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 would 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 in 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 of them owned by WOW air's main competitor, Icelandair. 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 would have an adverse effect on the Issuer's operations. If the Issuer can no longer use the existing ground handling provider the Issuer would be forced to carry out its own ground handling at the Keflavik Airport. Should any of the aforementioned risks materialise, it would 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 would 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 would 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 would 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 would 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 would 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 redundancy plans of AWS. Failure of the Group's IT-systems will cause transaction errors and loss of customers as well as sales, and would 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 Skuli Mogensen and Titan Investment Holding Company ("Titan"), who is ultimately owned by Skuli Mogensen. 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. 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 would 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. 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 would increase the Issuer's cost base or restrict its current and future operations which, in turn, would 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 will have an adverse effect on the Issuer's business, financial condition and results of operation. Overcapacity due to lower than expected market growth would, for example,

lead to competitors lowering their ticket prices or transferring the excess capacity to markets and routes served by the Issuer. This would lead to increased competition and further price pressure on routes which in turn would 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 would, on the other hand, lead to the Issuer not using its full potential and missing out on customers to competitors, which would 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 one Airbus A330Neo in early 2019 and one in early 2020. Aircraft investments failing to meet the Issuer's expectations will have an adverse effect on the Issuer's ability to compete with other airlines. A miscalculations in demand for aircrafts would 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 will 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 would 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 will 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 occurrence of any incidents involving any of the Issuer's fleet, which results in an accident or the grounding of such aircraft, would 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 would 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, would 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 would 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 will, 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, would 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 would 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 would 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 would have an adverse effect on the Group's business, financial conditions and results of operations.

The Issuer depends on motivated managers and employees, and any labour disruptions would 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 will 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 will 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 would 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 will 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 would have an adverse effect on the Issuer's results of operations and financial position.

RISK RELATING TO THE BONDS

Risks relating to the transaction security

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 are represented by Nordic Trustee & Agency AB (publ) as security agent in all matters relating to the transaction security. There is a risk that the Security Agent, 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.

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 will 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 will 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 will 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.

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 would 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, would 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 will 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 will 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) will cause the market to view the Bonds as a riskier investment and which will, in turn, have an adverse effect on the market value of the Bonds and (ii) will 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, would 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.

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, will 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 would result in a default under the Terms and Conditions, which would 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

There is a risk that the market value of the Bonds is higher than the early redemption amount and that it will not be possible for Bondholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Bonds and will only be able to do so at a significantly lower rate. It is also 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 includes certain provisions pursuant to which the Security Agent shall represent all Bondholders in all matters relating to the Bonds. To enable the Security Agent 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 would negatively impact the enforcement of the Bonds. Under the Terms and Conditions the Security Agent has the right in some cases to make decisions and take measures that bind all Bondholders. The Terms and Conditions for the Bonds includes 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 allows 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 Security Agent (as applicable) in such matters would 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 each potential Bondholder's obligation to ensure that the offers and sales of Bonds comply with all applicable securities laws.

Clearing and settlement

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

Change of law

The Prospectus and the Terms and Conditions are governed by Swedish law in force at the date of the Prospectus. 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 would have an adverse effect on the Issuer's ability to fulfil its obligations under the Bonds.

THE BONDS IN BRIEF

The following summary contains basic information about the Bonds. It is not intended to be complete and it is subject to important limitations and exceptions. Potential investors should therefore carefully consider this Prospectus as a whole, including documents incorporated by reference, before a decision is made to invest in the Bonds. For a more complete understanding of the Bonds, including certain definitions of terms used in this summary, see the Terms and Conditions.

Issuer	WOW air hf.
Bonds Offered	The aggregate amount of the bond loan will be an amount of up to a maximum of EUR 100,000,000. The Issuer may choose not to issue the full amount of Bonds on the First Issue Date and may choose to issue the remaining amount of Bonds at one or more subsequent dates. At the date of this Prospectus, an aggregate amount of Bonds of EUR 60,000,000 had been issued on the First Issue Date.
Number of Bonds	Maximum 100,000.
ISIN	NO0010832785.
First Issue Date	24 September 2018.
Issue Price	All bonds issued on the First Issue Date have been issued on a fully paid basis at an issue price of 100 per cent. of the Nominal Amount. The issue price of the Subsequent Bonds may be at a discount or at a premium compared to the Nominal Amount.
Interest Rates	Interest on the Bonds will be paid at a floating rate of three-month EURIBOR plus 9.00 per cent. <i>per annum</i> .
Use of Benchmark	Interest payable on the Bonds will be calculated by reference to EURIBOR. As at the date of this Prospectus, the administrator of EURIBOR is not included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011.
Interest Payment Dates	24 March, 24 June, 24 September and 24 December each year, commencing on 24 December 2018. Interest will accrue from (and including) the First Issue Date.
Nominal Amount	The Bonds will have a nominal amount of EUR 1,000 and the minimum permissible investment in the Bonds is EUR 100,000.
Status of the Bonds	The Bonds are denominated in EUR and each Bond is constituted by the Terms and Conditions. The Issuer

undertakes to make payments in relation to the Bonds and to comply with the Terms and Conditions.

The Bonds constitute direct, general, unconditional, unsubordinated and secured obligations of the Issuer, and will at all times rank at least *pari passu* with all direct, unconditional, unsubordinated and unsecured obligations of the Issuer without any preference among them, except those obligations which are mandatorily preferred by law.

- Security** The Bonds are secured by security interests granted on an equal and rateable first-priority basis over the share capital of the Issuer and other assets of the Group. See the definition of "**Security Documents**" in Clause 1.1 (*Definitions*) of the Terms and Conditions.
- Call Option.....** The Issuer has the right to redeem outstanding Bonds in full at any time at the applicable Call Option Amount in accordance with Clause 9.3 (*Voluntary Total Redemption*) of the Terms and Conditions.
- Call Option Amount** Means 100 per cent. of the outstanding Nominal Amount.
- First Call Date.....** Means the date falling 6 months after the date an Equity Listing Event has occurred, provided that such date is prior to the Final Maturity Date.
- Mandatory prepayment of Bonds held by a Warrantholder in the event that no Equity Listing Event has occurred prior to the Final Maturity Date** In the event that no Equity Listing Event has occurred prior to the Final Maturity Date, each Warrantholder shall have the right of:
- a) prepayment of its Bonds (all or some only) held by such Warrantholder at a price of 120 per cent. of the Nominal Amount per Bond, provided that the relevant holder delivers Warrants to the Issuer in a nominal amount corresponding to 50 per cent. of the total Nominal Amount of the prepaid Bonds; or
 - b) prepayment of its Bonds (all or some only) at a price of 100 per cent. of the Nominal Amount per Bond. The Warrant(s) held by such holder may in such case be kept and be exercised at a later date in accordance with the terms of the Share Warrant Instruments.
- Equity Listing Event.....** Means an initial public offering of shares in the Issuer, after which such shares shall be admitted to trading on a Regulated Market.

- Warrantholder.....** .. Means a person to whom a Warrant has been issued or a valid transfer has been made as evidenced by the register of Warrantholders kept by the board of directors of the Issuer.
- Change of Control Event.....** Means the occurrence of an event or series of events whereby one or more persons, not being the Main Shareholder (or an Affiliate of the Main Shareholder), ceases to control, directly or indirectly, more than 50 per cent. of the voting shares of the Issuer, or the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Issuer.
- Certain Covenants.....** The Terms and Conditions contain a number of covenants which restrict the ability of the Issuer and other Group Companies, including, *inter alia*:
- restrictions on making any changes to the nature of their business;
 - a negative pledge, restricting the granting of security on Financial Indebtedness (as defined in the Terms and Conditions);
 - restrictions on the incurrence of Financial Indebtedness (as defined in the Terms and Conditions); and
 - limitations on the making of distributions and disposal of assets.

The Terms and Conditions contain incurrence covenants which govern the ability of the Issuer and the other Group Companies to incur additional debt.

Each of these covenants is subject to significant exceptions and qualifications, see the Terms and Conditions.

The terms and conditions contain maintenance covenants according to which the Issuer shall ensure that:

- () Equity is not be lower than:
 - (i) USD 25,000,000 at each test date during the first twelve months following the First Issue Date;
 - (ii) USD 30,000,000 at each test date during the period from but excluding the date falling twelve months after the First Issue Date

to and including the date falling 24 months after the First Issue Date; and

(iii) USD 35,000,000 at each test date during the period from but excluding the date falling 24 months after the First Issue Date to and including the Final Maturity Date.

(a) Liquidity is not lower than an amount equivalent to the most recent Reference Period's (or in case of an incurrence test the relevant 12 months' period) Finance Charges; and

(b) an amount not lower than 12.50 per cent. of the Outstanding Nominal Amount is standing on the Interest Account one day prior to each Interest Payment Date.

Use of Proceeds	The proceeds from the Initial Bond Issue shall be used to (i) fund the Interest Account in an amount equal to 12.5 per cent. of the Total Nominal Amount from time to time (being on the First Issue Date an amount equal to EUR 7,500,000), (ii) finance general corporate purposes of the Group, and (iii) finance Transaction Costs. The proceeds from any Subsequent Bond Issue shall be used to (i) finance general corporate purposes of the Group, including investments and acquisitions, (ii) refinance existing external debt permitted under the Terms and Conditions, and (iii) finance Transaction Costs .
Transfer Restrictions	The Bonds are freely transferable but the Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable, under local laws to which a Bondholder may be subject. Each Bondholder must ensure compliance with such restrictions at its own cost and expense.
Listing.....	Application has been made to list the Bonds on Nasdaq Stockholm.
Agent.....	Nordic Trustee & Agency AB (publ).
Security Agent	Nordic Trustee & Agency AB (publ).
Governing Law of the Bonds	Swedish law.

Governing Law of the Subordination Agreement... Swedish law.

Risk Factors..... Investing in the Bonds involves substantial risks and prospective investors should refer to the section "*Risk Factors*" for a description of certain factors that they should carefully consider before deciding to invest in the Bonds.

STATEMENT OF RESPONSIBILITY

The issuance of the Bonds was authorised by resolutions taken by the board of directors of the Issuer on 10 August 2018, and was subsequently issued by the Issuer on 24 September 2018. This Prospectus has been prepared in connection with the Issuer's application to list the Bonds on the corporate bond list of Nasdaq Stockholm, in accordance with the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC as amended by the Directive 2010/73/EC of the European Parliament and of the Council and Chapter 2 of the Trading Act.

The board of directors of the Issuer is responsible for the information given in this Prospectus. The Issuer is the source of all company specific data contained in this Prospectus and the Sole Bookrunner has conducted no efforts to confirm or verify the information supplied by the Issuer. The Issuer confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of the Issuer's knowledge, in accordance with the facts and contains no omissions likely to affect its import. Any information in this Prospectus and in the documents incorporated by reference which derive from third parties has, as far as the Issuer is aware and can be judged on the basis of other information made public by that third party, been correctly represented and no information has been omitted which may serve to render the information misleading or incorrect. The board of directors confirms that, having taken all reasonable care to ensure that such is the case, the information in this Prospectus is, to the best of the board of directors' knowledge, in accordance with the facts and contains no omission likely to affect its import.

19 November 2018

WOW air hf.

The board of directors

DESCRIPTION OF MATERIAL AGREEMENTS

The following is a summary of the material terms of material agreements to which the Issuer is a party and considered as outside of the ordinary course of business. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements.

EIF Loan Agreement

A 3 year EUR 6,000,000 loan from Arion Bank (maturing in September 2020) carrying a floating rate interest of EURIBOR plus 4.30 per cent. per annum. The European Investment Fund (EIF) guarantees 50% of the nominal amount.

Subordination Agreement

Titan B ehf. and the Issuer have entered into a subordination agreement with the Agent dated 24 September 2018 (the "**Subordination Agreement**"). Titan B ehf. has, as per the date of this Prospectus, granted a shareholder loan to the Issuer in an amount of USD 5,979,341.97 carrying a fixed rate interest of 10 per cent. per annum. In addition, Titan B ehf. may grant further shareholder loans to the Issuer in the future.

In accordance with the Subordination Agreement, the parties to the Subordination Agreement agree that their respective claims against the Issuer shall rank in the following order of priority:

- i. first, the bond loan; and
- ii. secondly, subordinated debt (including shareholder loans)

DESCRIPTION OF THE GROUP

History and development

WOW air hf. was incorporated in Iceland on 29 September 2011 and is an Icelandic limited liability company operating under the laws of Iceland with reg. no. 451011-0220.

The registered office and the headquarters of the Company is Katrínartún 4, 105 Reykjavik, Iceland, with telephone number +354 590 3000.

In accordance with the articles of association of the Company, adopted on 24 September 2018, the objects of the Company are to conduct airline operations and other connected business, travel services, loan operations linked to the business and other related business.

Business and operations

The Company was founded in 2011 by the Icelandic entrepreneur Skúli Mogensen and is a low cost airline connecting the world through Iceland. Through the hub at Keflavik airport the Company may serve as a connection point for many secondary city pairs that would typically not see enough traffic to sustain a direct transatlantic route. The Company's entire fleet is leased from external lessors with the core fleet being comprised of the airplane Airbus A320/A321, which is a medium range narrow-body aircraft. The Company is targeting an attractive and increasingly diversified demographic and has built its service offering upon four core pillars: (i) low fare and high performance, (ii) being on time, (iii) providing an excellent customer experience throughout the Group (the so-called "WOW-factor") and (iv) newer planes → less fuel burn & lower costs. As of the date of this Prospectus, the Company service its customer base with around 1,400 employees and 20 fuel efficient aircrafts.

Brands and concepts

The Company operates under the brand "WOW air"



Business model and market overview¹

The Company has historically been positioned as an ultra low cost airline, offering low airfares paired with a limited service offering more geared towards leisure travellers. It serves 16 countries and 37 destinations with around 50 per cent. of their passengers travelling across the Atlantic Ocean via Iceland. The Company has had a rapidly growing workforce with over 1,100 new hires during the past three years. Approximately 1/3 of the pilots are foreign contractors and approximately 50 per cent. of the cabin crews are on short term contracts. Flexible crew contracts allow the Company to mitigate

¹ Hereby is confirmed that where information has been sourced from a third party, this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

seasonal swings by managing the staffing during the off-season to better match seasonal flight schedules.

The Company has increased its passenger market share of Iceland's main international airport Keflavik from approximately 4 per cent. in 2012 to around 37 per cent. in 2018.²

Iceland's location in the middle of the North Atlantic ocean makes it an ideal transfer hub for flights between Europe and North America. Transatlantic transfers (via Iceland) has been the largest contributor to the Company's traffic growth in recent years. The Company's newly launched seating classes Premium & Comfy are aimed at widening the Company's product offering in order to attract passengers preferring a more premium service offering.

Global air travel in general have 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 per cent. over the past decade and airline passenger numbers have been in a persistent growth trend since the 1950s.³

Share capital and ownership structure

The shares of the Company are denominated in ISK. Each share carries one vote and has equal rights on distribution of income and capital. As of the date of this Prospectus, the Company had an issued share capital of ISK 161,860,917 divided into 161,860,917 of shares.

The following table sets forth the ownership structure in the Company as per the date of this Prospectus.

<i>Shareholder</i>	<i>No. of shares</i>	<i>Share capital</i>	<i>Voting Rights</i>
Títan Fjárfestingafélag ehf.	161,860,916	99.99 %	99.99 %
Skúli Mogensen	1	0.01 %	0.01 %
Total	161,860,917	100.00 %	100.00 %

Major shareholder - Títan Fjárfestingafélag ehf. 99.99 per cent.

Títan Fjárfestingafélag ehf. is a Icelandic limited liability company operating under the laws of Iceland with reg. no. 470109-0760, incorporated on 10 December 2008. Títan Fjárfestingafélag ehf. is the parent company of the Issuer.

Management shareholders – 0.01 per cent.

Management shareholders include the following members of the Company's management:

- Skúli Mogensen

Shareholders' agreements

The Issuer is not aware of the details of any provision in the arrangement between its shareholders the operation of which may at a subsequent date result in a change in control of the Issuer.

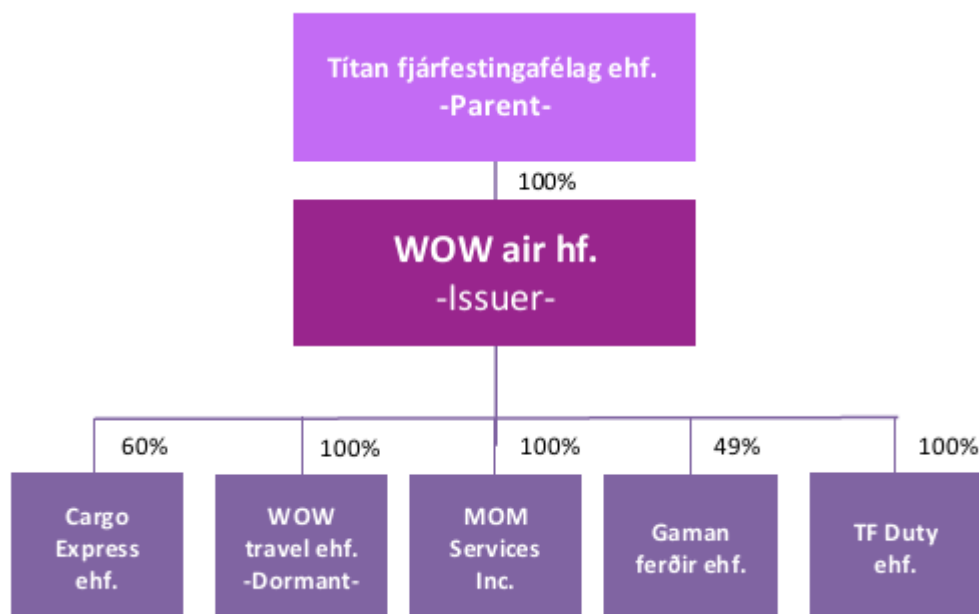
² Source: Icelandic Tourist Board, Statistics Iceland, company information

³ Source: IMF and IATA.

Overview of Group structure

The Issuer is a subsidiary to the Icelandic limited liability company Titan fjárfestingafélag ehf., reg. no. 470109-0760, operating under the laws of Iceland.

Currently, the Issuer has, directly and indirectly, three wholly-owned subsidiaries and two subsidiaries where the Issuer owns 60 per cent. and 49 per cent. of the shares respectively. The Group structure is set out below.



Recent events

The company has signed a Letter of intent in relation to a sale transaction for 4 aircrafts which are currently reported on the company's balance sheet. If an agreement is entered into, this will have a positive effect on the Company's solvency.

Icelandair Group hf. has entered into a share purchase agreement, dated 5 November 2018, to purchase all shares in the Issuer. The acquisition is subject to a number of conditions including, amongst other things, the approval from the Icelandair Group's shareholders, the approval from Icelandic competition authorities, certain amendments to the Terms and Conditions and the outcome from due diligence. The Issuer will need the Bondholders' consent to amend and restate the Terms and Conditions and the share pledge agreement in respect of the shares in the Issuer in order to satisfy the conditions for the completion of the acquisition as set out in the share purchase agreement. Such amendments will include the release of the security over the shares in the Issuer.

Significant change and trend information

The group has seen continued increase in jet fuel prices and continued fierce competition on the north-Atlantic market which has created a softness in sales. This is a material adverse change. Airfare yields have continued to stay low and not increased in line with jet fuel prices as it has historically done. Due to the aforementioned reason the Group foresees that year end results will deviate from previously reported expectations in a negative way.

Legal and arbitration proceedings

Neither the Issuer nor the Group is, or has been over the past twelve months been, a party to any legal, governmental or arbitration proceedings that have had, or would have, a significant effect on the Group's financial position or profitability. Nor is the Issuer aware of any such proceedings which are pending or threatening and which could lead to the Issuer or any member of the Group becoming a party to such proceedings.

Credit rating

No credit rating has been assigned to the Issuer or the Bonds.

MANAGEMENT

The board of directors of the Issuer currently consists of four (4) members which have been elected by the general meeting. The board of directors and the senior management can be contacted through the Issuer at its headquarters at Katrínartún 4, 105 Reykjavik, Iceland. Further information on the members of the board of directors and the senior management is set forth below.

Board of directors

Liv Bergþórsdóttir, chairman of the board since 2012

Education: Business degree, University of Iceland.

Current commitments: Member of the board of the Issuer, member of the board of CCP Games and former Managing Director at Nova.

Skúli Mogensen, member of the board since 2012

Education:

Current commitments: Member of the board of the Issuer. Former member of the following boards: board of Carbon Recycling International, board of STRAX Americas, Inc., board of Advania hf., board of Securitas, board of MP Bank, board of Datamarket and Redline Communication. CEO of the Issuer and owner of Títan Fjárfestingafélag ehf.

David Másson, member of the board since 2012

Education: Marketing degree, Florida Institute of Technology.

Current commitments: Member of the board of the Issuer, member of the board of UAB Avion Express, member of the board of Straumhvarf ehf., member of the advisory board of Chapman Freeborn and partner in Avion Capital Partners.

Helga Hlín Hákonardóttir, member of the board since 2013

Education: Master of Laws, University of Iceland

Current commitments: Member of the board of the Issuer, member of the board of Vátryggingafélag Íslands hf., Meniga hf., owner of Lixia legal services ehf. and co-founder and consultant at Strategia ehf.

Management

Skúli Mogensen, CEO

Education: See "Board of directors of the Issuer" for further details.

Current commitments: See "Board of directors of the Issuer" for further details.

Stefán Sigurdsson, CFO

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

Current commitments: CFO of the Issuer.

Ragnhildur Geirsdóttir, COO

Education: MS operations Management and MS Industrial Engineering, University of Wisconsin. CS Mechanical Engineering, University of Iceland.

Current commitments: COO of the Issuer.

Conflicts of interest within administrative, management and control bodies

Skúli Mogensen is member of the board of the Issuer and the ultimate owner of the Issuer's direct parent company Titan fjárfestingafélags ehf.

While the Issuer recognises the potential conflict described above, the Issuer does not believe that such potential conflict constitute an actual conflict of interest between such individual's duties to the Issuer and his private interests or other commitments.

Interest of natural and legal persons involved in the issue

The Sole Bookrunner and/or its affiliates have engaged in, and may in the future engage in, investment banking and/or commercial banking or other services for the Issuer and the Group in the ordinary course of business. Accordingly, conflicts of interest may exist or may arise as a result of the Sole Bookrunner and/or its affiliates having previously engaged, or engaging in future, in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests.

SELECTED FINANCIAL INFORMATION⁴

The following tables provide a summary of the Group's and the Issuer's historical financial information as of, and for, the periods presented. The financial information of the Issuer has been derived from the Group's audited financial statements for the years ended 31 December 2017 and 31 December 2016 and from the Issuer's unaudited half-yearly report for the six month period ended 31 June 2018. The financial information should be read together with the audited financial statements and the unaudited half-yearly report for the six month period ended 31 June 2018 that are incorporated in this Prospectus by reference. The audited financial statements that are incorporated herein in relation to the Group have been prepared in accordance with IFRS.

Consolidated income statement – the Group

USD '000	2017 (audited)	2016 (audited)
Revenue	486,261	307,082
Revenues from flight operations	444,366	287,411
Other revenue	41,895	19,671
Operating expenses	423,893	220,620
Aviation expenses	294,711	151,567
Salaries and other personnel expenses	87,515	45,611
Other operating expenses	41,667	23,442
Aircraft lease	58,361	40,501
Depreciation and Amortization	17,548	16,018
Operating (loss) / profit (EBIT)	(13,540)	29,943
Financial income	3,430	1,420
Interest expense	(8,732)	(7,189)
Foreign exchange	(8,737)	20,185
Total financial income and expenses	(14,039)	14,416
(Loss) / profit before tax	(27,482)	44,359
Income tax recovery / (expense)	5,240	(8,869)
(Loss) / profit for the year	(22,242)	35,490

Consolidated statement of financial position – the Group

USD	2017 (audited)	2016 (audited)
Non-current assets	232,953	255,505
Intangible assets	4,049	3,300
Operating assets	211,137	213,295
Aircraft deposits & security instalments	17,662	38,906
Investment in associate	106	5
Current assets	133,300	76,890
	2,328	1,004
	90,821	62,862

⁴ Please note that the name of the Issuer has been changed from WOW air ehf. to WOW air hf. since the publication of the selected financial information.

Inventories	10,627	7,762
Trade and other receivables	28,000	0
Prepaid expense	356	556
Aircraft deposits		
Receivables from related parties	1,167	4,706
	366,253	332,395
Cash and cash equivalents		
Total assets		
Total shareholder equity	39,819	52,343
Share capital	958	768
Statutory reserve	206	206
Share premium	12,862	3,357
Other reserves	390	49
Retained earnings	25,402	47,964
Non-current liabilities	136,173	143,176
Long-term borrowing	133,361	134,957
Deferred tax liability	2,812	8,219
Current liabilities	190,261	136,876
Next year instalments	20,818	15,863
Short term borrowing	5,072	0
Payables related to parties	11,497	9,978
Trade and other payables	80,111	50,362
Deferred income	72,704	60,659
Current tax payable	59	13
Total liabilities	326,434	280,052
Total shareholders equity and liabilities	366,253	332,395

Consolidated statement of cash flows – the Group

USD '000	2017 (audited)	2016 (audited)
Cash flows from operating activities (net cash from operating activities)	4,647	61,838
(Loss) / profit for the year	(22,242)	35,490
Adjustments for depreciation	17,548	16,018
Adjustments for gain on sale of operating assets	(5,219)	0
Adjustments for net finance expense	14,039	(14,416)
Adjustments for share in the profit of associate	(97)	0
Adjustments for income tax	(5,240)	8,869
Changes in operating assets and liabilities	11,185	21,786
Financial income received	3,430	1,419

Interest paid	(8,757)	(7,328)
Cash flow from investing activities (net cash used in investing activities)	(17,676)	(41,203)
Acquisition of intangible assets	(2,563)	(1,852)
Acquisition of operating assets	(13,799)	(6,838)
Sale of operating assets	5,442	0
Security instalments, changes	(6,756)	(32,513)
Cash flow from / (to) financing activities (net cash from / (to) financing activities)	10,092	(18,546)
Short-term borrowing	5,072	0
Proceeds from long-term borrowing	7,560	0
Repayment of borrowings	(13,977)	(14,018)
Related parties, change	11,437	(4,529)
(Decrease) / increase in cash and cash equivalents	(2,937)	2,089
Effect of exchange rate fluctuations on cash held	(602)	(361)
Cash and cash equivalents at the beginning of the year	4,706	2,979
Cash and cash equivalents at year end	1,167	4,706

Income statement – the Issuer

USD	Half-yearly report 2018 (unaudited)	Half-yearly report 2017 (unaudited)
Revenue		
Flight operations	241,831,893	180,281,373
Other revenue	24,389,894	15,123,308
Total Revenue	266,221,787	195,404,681
Operating expenses		
Flight operations	240,570,030	160,383,832
Sales and Marketing	18,483,541	15,138,978
General and Administrative	18,484,313	11,256,203
Total Operating expenses	277,537,885	186,779,013

EBITDAR	(11,316,097)	(8,625,668)
Aircraft leasing	33,801,272	24,026,840
Operating (loss) / profit before depreciation and amortization (EBITDA)	(45,117,369)	(15,401,171)
Depreciation and Amortization	10,481,684	8,569,207
Operating (loss) / profit (EBIT)	(55,599,053)	(23,970,378)
Financial income	140,020	3,158,762
Interest expense	(5,010,084)	(4,137,236)
Foreign exchange	888,729	(6,283,832)
Net financial income and expenses	(3,981,335)	(7,262,306)
(Loss) / profit before tax	(59,580,388)	(31,232,684)
Income tax	11,916,078	6,246,537
(Loss) / profit for the period	(47,664,311)	(24,986,147)

Balance sheet – the Issuer

USD	2018-06-30 (unaudited)	2017-12-31 (audited)
Assets		
Intangible assets	4,805,063	4,048,784
Operating assets	209,497,858	211,136,733
Aircraft instalments & guarantee deposits	19,966,815	17,661,811
Investment in associate	19,938,520	550,603
Deferred tax assets	9,107,532	0
Non-current assets	263,315,788	233,397,931
Inventories	2,275,601	2,328,363
Trade and other receivable	161,419,585	90,812,430
Prepaid expense	14,664,349	10,379,401
Current aircraft instalments	0	28,000,000
Receivable from related parties	564,863	356,202
Cash and cash equivalents	5,341,528	1,130,940
Current assets	184,265,925	133,007,336
Total assets	447,581,713	366,405,267
Shareholders equity		
Share capital	1,460,721	958,477
Share premium	33,223,115	12,862,125
Statutory Reserves	574,542	574,542
Translation adjustments	21,159	21,159
Retained earnings	(22,262,047)	25,402,263
Total shareholder equity	13,017,490	39,818,566
Non-current liabilities		
Interest-bearing debt	123,155,929	133,360,919

Subordinated loans	5,923,440	0
Deferred tax liability	0	2,808,546
Non-current liabilities	129,079,369	136,169,465
Current liabilities		
Current portion of non-current liabilities	23,280,757	20,817,956
Short term borrowing	5,053,284	5,072,183
Payables to related parties	2,628,564	12,177,824
Trade and other payables	125,850,401	80,043,786
Deferred income	148,671,849	72,305,487
Current liabilities	305,484,855	190,417,236
Total liabilities	434,564,223	326,586,701
Total shareholders equity and liabilities	447,581,713	366,405,267

Statement of cash flows – the Issuer

USD	Half-yearly report 2018 (unaudited)	Half-yearly report 2017 (unaudited)
Cash flows from operating activities		
(Loss) / profit for the period	(47,664,311)	(24,986,147)
Adjustments for		
Depreciation and Amortization	10,481,684	8,569,207
Gain on sale of operating assets	(5,885,216)	(5,218,811)
Net finance expense / (income)	3,981,335	7,262,306
Income tax, change	(11,916,078)	(6,246,537)
	(51,002,585)	(20,619,982)
Changes in operating assets and liabilities		
Inventories, increase	52,762	(916,192)
Trade and other receivables, increase	(74,892,103)	(56,960,910)
Trade and other payables, increase	120,855,144	77,356,290
Changes in operating assets and liabilities	46,015,804	19,479,188
Cash from operations before interest and taxes	4,986,782	1,140,794
Interest received	140,020	1,456,462
Interest paid	(3,565,990)	(4,169,950)
Net cash to operating activities	(8,412,752)	(3,854,282)

Cash flows to investing activities		
Acquisition of intangible assets	(1,812,987)	(978,991)
Acquisition of operating assets	(8,078,867)	(5,378,399)
Proceeds from sale of operating assets	6,177,982	5,451,635
Security instalments, changes	25,694,996	(2,035,621)
Net cash used from investing activities	21,981,124	(2,941,376)
Cash flows from financing activities		
Short term borrowing, change	(18,899)	10,459,146
Proceeds from long-term borrowings	108,466	120,046
Repayment of long-term borrowings	(7,088,188)	(8,087,867)
Related parties, change	(2,359,785)	(5,890,431)
Net cash used in financing activities	(9,357,785)	5,890,431
Decrease in cash and cash equivalents	4,210,587	(905,228)
Cash and cash equivalents at beginning of the year	1,130,940	4,564,723
Cash and cash equivalents at period end	5,341,527	3,659,495
Investment and financing without cash flow effect		
Share capital increase	20,863,234	0
Related parties, change	(1,475,317)	0
Acquisition in subsidiary	(19,387,917)	0

HISTORICAL FINANCIAL INFORMATION⁵

Historical financial information

The Group's consolidated financial statements for the financial year ended 31 December 2017 and the figures for the financial year ended 31 December 2016 as set out below are incorporated into this Prospectus by reference (please see section "*Other Information*"). The information incorporated by reference is to be read as part of this Prospectus.

The Group's consolidated financial statements for the financial year ended 31 December 2017 and 31 December 2016 have been prepared in accordance with International Financial Reporting Standards ("*IFRS*") as adopted by the EU.

Other than the auditing of the Group's consolidated financial statements for the financial year ended 31 December 2017 and for the financial year ended 31 December 2016, the Group's auditor has not audited or reviewed any part of this Prospectus.

The Group's consolidated financial statements for the financial year ended 31 December 2017 is incorporated into this Prospectus by reference. For particular financial figures, please refer to the pages set out below:

- the audit report, pages 4-5;
- consolidated income statement and statement of comprehensive income, page 6;
- consolidated statement of financial position, page 7;
- consolidated statement of changes in equity, page 8;
- consolidated statement of cash flows, page 9; and
- notes, pages 10-32.

The specific information set out below (as also stated in section "*Other information*" subheading "*Documents incorporated by reference*" in this Prospectus) from the Group's consolidated financial statements for the financial year ended 31 December 2016 is incorporated into this Prospectus by reference. The other information set out in the consolidated financial statements for the financial year ended 31 December 2016 is deemed to not be relevant for the purpose of the Prospectus Regulation as corresponding up to date information is included in the consolidated financial statements for the financial year ended 31 December 2017.

- the audit report, pages 4-5;
- consolidated income statement and statement of comprehensive income, page 6;
- consolidated statement of financial position, page 7;
- consolidated statement of changes in equity, page 8;
- consolidated statement of cash flows, page 9; and
- notes, pages 10-29.

The specific information set out below (as also stated in section "*Other information*" subheading "*Documents incorporated by reference*" in this Prospectus) from the Issuer's unaudited quarterly statements for the period 1 January 2018 to 31 March 2018 are incorporated into this Prospectus by reference. The other information set out in the Issuer's unaudited quarterly statements for the period 1 January to 31 March 2018 is deemed to not be relevant for the purpose of the Prospectus Regulation:

⁵ Please note that the name of the Issuer has been changed from WOW air ehf. to WOW air hf. since the publication of the historical financial information.

- income statement, page 2;
- balance sheet, page 3; and
- statement of cash flows, page 4.

The specific information set out below (as also stated in section "*Other information*" subheading "*Documents incorporated by reference*" in this Prospectus) from the Issuer's unaudited half-yearly statements for the period 1 January 2018 to 30 June 2018 are incorporated into this Prospectus by reference. The other information set out in the Issuer's unaudited half-yearly statements for the period 1 January to 30 June 2018 is deemed to not be relevant for the purpose of the Prospectus Regulation:

- income statement, page 2;
- balance sheet, page 3; and
- statement of cash flows, page 4.

Auditing of the annual historical financial information

The Company's consolidated financial statements as at present and for the years 2017 to 2016 have been audited, as applicable, by KPMG ehf., Borgatún 27, 105 Reykjavik, Iceland. KPMG ehf. has been the Company's auditor since 2012, and was re-elected for an additional year on the latest annual general meeting. Matthías Þór Óskarsson is the auditor who is responsible for the Company. Matthías Þór Óskarsson is an authorised auditor and is a member of the professional body The Institute of State Authorized Public Accountants in Iceland , the professional institute for the accountancy sector in Iceland.

The auditing of the consolidated financial statements was conducted in accordance with international standards on auditing and the audit reports were submitted without comment.

Age of the most recent financial information

The most recent audited financial information has been taken from the consolidated financial statements for the financial year ended 31 December 2017, which was published on 16 November 2018 on the Issuer's website <https://wowair.is/investors/information-investors/>.

OTHER INFORMATION

Assurance regarding the Prospectus

The Company is responsible for the content of the Prospectus and has taken all reasonable precautions to ensure that, as far as the Company is aware, the information in the Prospectus accords with the facts and contains no omission likely to affect its import. To the extent prescribed by law, the board of directors of the Company is also responsible for the content of the Prospectus. The board of directors has taken all reasonable care to ensure that the information in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Clearing and settlement

As of the date of this Prospectus, Bonds have been issued in an amount of EUR 60,000,000 and the Issuer may, subject to certain conditions set out in the Terms and Conditions, issue additional Bonds in a maximum aggregate amount of EUR 100,000,000. Each Bond has a nominal amount of EUR 1,000. The ISIN for the Bonds is NO0010832785.

The Bonds have been issued in accordance with Swedish law. The Bonds are connected to the account-based system of Verdipapirsentralen ASA. No physical notes have been or will be issued. Payment of principal, interest and, if applicable, withholding tax will be made through Verdipapirsentralen ASA's book-entry system.

Representation of the Bondholders

The Terms and Conditions stipulates the provisions for the Agent's representation of the Bondholders.

Material contracts

Other than as described under the section entitled "*Description of Material Agreements*" herein, the Group has not entered into any material contracts not in the ordinary course of its business and which may affect the Group's ability to fulfil its obligations under the Bonds.

Documents incorporated by reference

This Prospectus is, in addition to this document, comprised of information from the following documents which are incorporated by reference and available in electronic format on the Issuer's website at <https://wowair.is/investors/information-investors/>:

- the Group's consolidated financial statements and audit report for the financial year ended 31 December 2017 (pages 4-32);
- the Group's consolidated financial statements and audit report for the financial year ended 31 December 2016 (pages 4-29); and
- the Issuer's unaudited half-yearly statements for the period 1 January 2018 to 30 June 2018 (pages 2-4).

Documents available for inspection

The following documents are available at the Company's headquarters at Katrínartún 4, 105 Reykjavik, Iceland, on weekdays during the Company's regular office hours throughout the period of validity of this Prospectus.

- the Company's articles of association;
- the Company's certificate of registration;
- the Group's consolidated financial statements and audit report for the financial year ended 31 December 2017;
- the Group's consolidated financial statements and audit report for the financial year ended 31 December 2016;
- the Issuer's unaudited half-yearly statements for the period 1 January 2018 to 30 June 2018;
- Cargo Express ehf. annual report and audit report for the financial year ended 31 December 2017;
- Cargo Express ehf. annual report and audit report for the financial year ended 31 December 2016;
- WOW travel ehf. annual report and audit report for the financial year ended 31 December 2017;
- WOW travel ehf. annual report and audit report for the financial year ended 31 December 2016;
- MOM Services Inc. annual report and audit report for the financial year ended 31 December 2017;
- MOM Services Inc. annual report and audit report for the financial year ended 31 December 2016;
- Gaman Services Ferðir ehf. annual report and audit report for the financial year ended 31 December 2017;
- Gaman Services Ferðir ehf. annual report and audit report for the financial year ended 31 December 2016;
- TF Duty ehf. annual report and audit report for the financial year ended 31 December 2017;
- TF Duty ehf. annual report and audit report for the financial year ended 31 December 2016;
- this Prospectus;
- the Subordination Agreement;
- the EIF Loan Agreement; and

- the Agency Agreement.

The following documents are also available in electronic form on the Company's website wowair.is/investors/information-investors/:

- the Group's consolidated financial statements and audit report for the financial year ended 31 December 2017;
- the Group's consolidated financial statements and audit report for the financial year ended 31 December 2016;
- the Issuer's unaudited quarterly statements for the period 1 January 2018 to 30 June 2018; and
- this Prospectus.

Listing costs

The aggregate cost for the Bonds' admission to trading is estimated not to exceed EUR 30,000.

TAXATION

The following is a general discussion of certain tax consequences under the tax laws of Sweden and Iceland of the acquisition, ownership and disposal of the Bonds. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase the Bonds. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of Sweden and Iceland currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

PROSPECTIVE PURCHASERS OF BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSAL OF THE BONDS, INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAXES UNDER THE TAX LAWS APPLICABLE IN SWEDEN, ICELAND AND EACH COUNTRY OF WHICH THEY ARE RESIDENTS.

Sweden

Holders not tax resident in Sweden

Payments of any principal or any amount that is considered to be interest for Swedish tax purposes to the holder of any Bonds should not be subject to Swedish income tax, provided that such a holder (a) is not resident in Sweden for Swedish tax purposes or (b) does not have a permanent establishment in Sweden to which the Bonds are effectively connected.

However, broadly speaking, provided that the value of or the return on the Bonds relates to securities taxed as shares, private individuals who have been residents of Sweden for tax purposes due to a habitual abode or continuous stay in Sweden at any time during the calendar year of disposal or redemption or the ten calendar years preceding the year of disposal or redemption are liable for capital gains taxation in Sweden upon disposal or redemption of such Bonds. In a number of cases though, the applicability of this rule is limited by the applicable tax treaty.

Swedish withholding tax, or Swedish tax deduction, is not imposed on payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes, except in relation to certain payments of interest (and other distributions on Bonds) to a private individual (or the estate of a deceased individual) who is resident in Sweden for Swedish tax purposes (see "Holders tax resident in Sweden" below).

Holders tax resident in Sweden

In general, for Swedish corporations and private individuals (and estates of deceased individuals) with residence in Sweden for Swedish tax purposes, all capital income (for example, income that is considered to be interest for Swedish tax purposes and capital gains on Bonds) will be taxable, currently at the rate of 30 per cent. of the capital income. Specific tax consequences may be applicable to certain categories of corporations, for example life insurance companies. Moreover, specific tax consequences may be applicable if, and to the extent that, a holder of Bonds realises a capital loss on the Bonds and to any currency exchange gains or losses. If amounts that are deemed as interest for Swedish tax purposes are paid by a legal entity domiciled in Sweden, including a Swedish branch, or clearing institution within the EEA, to a private individual (or an estate of a deceased individual) with residence in Sweden for Swedish tax purposes, Swedish preliminary taxes are normally withheld by the legal entity that is making such payments. Swedish preliminary taxes should normally also be withheld on other returns on Bonds (but not capital gains), if the returns are paid out together with such a payment of interest referred to above.

Iceland

Holders not tax resident in Iceland

Payments of any amount that is considered to be payments of Icelandic sourced interest for Icelandic tax purposes to the holder of any Bonds should be subject to Icelandic income tax at 12%.

Icelandic withholding tax of 12% is imposed on payment of any amount that is considered to be Icelandic sourced interest for Icelandic tax purposes.

Bond holders resident in countries that have concluded tax treaties with Iceland may be entitled to exemption from taxation in Iceland or a reduced withholding tax rate according to provisions of the respective agreement.

Holders tax resident in Iceland

In general, for Icelandic corporations and private individuals (and estates of deceased individuals) with residence in Iceland for Icelandic tax purposes, all capital income (for example, income that is considered to be interest for Icelandic tax purposes and capital gains on Bonds) will be taxable, currently at the rate of 22 per cent. of the capital income. Specific tax consequences may be applicable if, and to the extent that, a holder of Bonds realises a capital loss on the Bonds and to any currency exchange gains or losses. If amounts that are deemed as interest for Icelandic tax purposes are paid by a legal entity domiciled in Iceland, including an Icelandic branch, to a corporation or a private individual (or an estate of a deceased individual) with residence in Iceland for Icelandic tax purposes, Icelandic preliminary taxes are normally not withheld by the legal entity that is making such payments.

CORPORATE GOVERNANCE

Corporate Governance

The Issuer is not subject to public corporate governance standards.

Audit Committee and Remuneration Committee

The Issuer has established an Audit Committee. The Audit Committee is appointed by the Issuers Board of Directors. The committee consists of a minimum of three members. A majority of the Committee members shall be independent of the Company. At least one committee member shall be a specialist in the field of financial reporting and auditing. The Committee is responsible for evaluating the independence and the eligibility of both the Company's auditor and its auditing firm. The Committee makes suggestions to the Board of Directors regarding the selection of the Company's auditor. The committee controls and reviews the audit of the annual financial accounts and consolidated statements. The Committee works on behalf of the Board of Directors and their conclusions are advisory for the Board of Directors which is not bound by the committee's conclusions when resolving matters unless otherwise stipulated by law. The Board of Directors have elected Liv Berþórsdóttir, Helga Hlín Hákonardóttir and Anna Skúladóttir as members of the Audit Committee.

The Issuer has decided that the scope of the Issuer's business does not require a Remuneration Committee.

TERMS AND CONDITIONS OF THE BONDS

1. Definitions and Construction

1.1 Definitions

In these terms and conditions (the "**Terms and Conditions**"):

"**Account Operator**" means a bank or other party registered as account operator (No. *Kontofører*) with the CSD, through which a Bondholder has opened a Securities Account in respect of its Bonds.

"**Accounting Principles**" means (i) the generally accepted accounting principles, standards and practices in Iceland as applied by the Issuer in preparing its annual consolidated financial statements, or (ii) following the listing of the Bonds on a Regulated Market, international financial reporting standards (IFRS), within the meaning of Regulation 1606/2002/EC.

"**Adjusted Nominal Amount**" means the Total Nominal Amount less the Nominal Amount of all Bonds owned by a Group Company or an Affiliate, irrespective of whether such person is directly registered as owner of such Bonds.

"**Advance Purchase Agreements**" means (i) an advance or deferred purchase agreement if the agreement is in respect of the supply of assets or services and payment in the normal course of business with credit periods which are normal for the relevant type of project contracts, or (ii) any other trade credit incurred in the ordinary course of business.

"**Affiliate**" means any Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purpose of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agency Agreement**" means the agency agreement entered into on or before the First Issue Date, between the Issuer and the Agent, or any replacement agency agreement entered into after the First Issue Date between the Issuer and an agent.

"**Agent**" means Nordic Trustee & Agency AB (publ), reg. no. 556882-1879, P.O. Box 7329, SE-103 90 Stockholm, Sweden or another party replacing it, as Agent, in accordance with these Terms and Conditions.

"**Bond**" means a debt instrument for the Nominal Amount, denominated in EUR and which is governed by and issued under these Terms and Conditions, with ISIN NO0010832785.

"**Bondholder**" means a person who is registered on a Securities Account as direct registered owner or nominee with respect to a Bond.

"**Bondholders' Meeting**" means a meeting among the Bondholders held in accordance with Clause 17 (*Bondholders' Meeting*).

"**Bond Issue**" means the Initial Bond Issue and any Subsequent Bond Issue.

"Business Day" means a day other than a Saturday, Sunday or a public holiday in Iceland, Norway and Sweden on which the Norwegian Central Bank's and the CSD's settlement systems are open and commercial banks in Iceland, Norway and Sweden are open for business.

"Call Option Amount" means 100 per cent. of the outstanding Nominal Amount.

"Cash and Cash Equivalents" means the cash and cash equivalents as reported in the Group's balance sheet in accordance with the Accounting Principles of the Group from time to time, excluding any undrawn amount under the Working Capital Facility.

"Change of Control Event" means the occurrence of an event or series of events whereby one or more persons, not being the Main Shareholder (or an Affiliate of the Main Shareholder), ceases to control, directly or indirectly, more than 50 per cent. of the voting shares of the Issuer, or the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Issuer.

"Compliance Certificate" means a certificate to the Agent, in the agreed form between the Agent and the Issuer, signed by the Issuer certifying (as applicable):

- (a) that so far as it is aware no Event of Default is continuing or, if it is aware that such event is continuing, specifying the event and steps, if any, being taken to remedy it;
- (b) if the Compliance Certificate is provided in connection with testing of the Maintenance Covenants, including upon incurrence of Financial Indebtedness and the making of a Restricted Payment, the certificate shall include calculations and figures in respect of each Maintenance Covenants; and
- (a) if the Compliance Certificate is provided in connection with that audited annual financial statements are made available, the Material Group Companies and clean down of the Working Capital Facility.

"CSD" means the Issuer's central securities depository and registrar in respect of the Bonds, from time to time, initially Verdipapirsentralen ASA, Norwegian Reg. No. 985 140 421, Fred Olsens gate 1, 0152 Oslo, Norway.

"Deferred Payment" means a one-off deferred payment in relation to a vendor loan outstanding by the Issuer to Títan Fjárfestingafélag ehf. in respect of the acquisition of 60 per cent. of the issued share capital of Cargo Express ehf. for the amount of up to ISK 150,000,000, provided that Cargo Express ehf. distributes dividends to the Issuer for the financial year of 2018 in at least a corresponding amount.

"EIF Loan" means the loan granted to the Issuer from Arion banki hf. backed by EIF in an aggregated amount of maximum EUR 6,000,000.

"Escrow Account" means a bank account of which the Escrow Manager is the beneficial owner, into which the Net Proceeds from the Initial Bond Issue will be transferred and which has been pledged in favour of the Agent and the Bondholders (represented by the Agent) under the Escrow Account Pledge Agreement.

"Escrow Account Pledge Agreement" means the Norwegian law governed escrow account pledge agreement entered into between the Escrow Manager as pledgor and the Agent as trustee on or about the First Issue Date in respect of a first priority pledge over the Escrow

Account and all funds held on the Escrow Account from time to time, granted in favour of the Agent and the Bondholders (represented by the Agent).

"**Escrow Manager**" means NT Services AS, a company existing under the laws of Norway with registration number 916 482 574.

"**Euro**" and "**EUR**" means the single currency of the participating member states in accordance with the legislation of the European Community relating to Economic and Monetary Union.

"**EURIBOR**" means:

- (a) the applicable percentage rate *per annum* displayed on Reuters screen EURIBOR01 (or through another system or website replacing it) as of or around 11.00 a.m. (Brussels time) on the Quotation Day for the offering of deposits in Euro and for a period comparable to the relevant Interest Period; or
- (b) if no such rate as set out in paragraph (a) above is available for the relevant Interest Period, the rate calculated by the Agent (rounded upwards to four decimal places) which results from interpolating on a linear basis between (i) the applicable screen rate for the longest period (for which that screen rate is available) which is less than the Interest Period, and (ii) the applicable screen rate for the shortest period (for which screen rate is available) which exceeds that Interest Period, as of around 11 a.m. (Brussels time) on the Quotation Day;
- (c) if no screen rate is available for the relevant Interest Period, the arithmetic mean of the rates (rounded upwards to four decimal places), as supplied to the Agent at its request quoted by banks reasonably selected by the Agent, for deposits of EUR 10,000,000 for the relevant period; or
- (d) if no quotation is available pursuant to paragraph (b), the interest rate which according to the reasonable assessment of the Agent best reflects the interest rate for deposits in Euro offered for the relevant period; and

if any such rate is below zero, EURIBOR will be deemed to be zero.

"**Equity**" means the equity as reported in the Group's balance sheet in accordance with the Accounting Principles of the Group, including any Subordinated Loans, from time to time.

"**Equity Listing Event**" means an initial public offering of shares in the Issuer, after which such shares shall be admitted to trading on a Regulated Market.

"**Event of Default**" means an event or circumstance specified in any of the Clauses 14.1 (*Non-Payment*) to and including Clause 14.10 (*Continuation of the Business*).

"**Final Maturity Date**" means the date falling three (3) years after the First Issue Date.

"**Finance Charges**" means, for the Reference Period, the aggregate amount of the accrued interest, commission, fees, discounts, payment fees, premiums or charges and other finance payments in respect of Financial Indebtedness whether paid, payable or capitalised by any member of the Group according to the latest Financial Report(s) (calculated on a consolidated basis) other than Transaction Costs, capitalised interest in respect of any loan owing to any member of the Group or any Subordinated Loan, taking no account of any unrealised gains or losses on any derivative instruments other than any derivative instrument which are

accounted for on a hedge accounting basis and excluding any costs relating to any leases, to the extent the arrangement is or would have been treated as an operational lease in accordance with the Accounting Principles applicable on the First Issue Date.

"Finance Documents" means:

- (a) these Terms and Conditions;
- (b) the Agency Agreement;
- (c) the Escrow Account Pledge Agreement;
- (d) the Security Documents;
- (e) the Subordination Agreement; and
- (f) any other document designated by the Issuer and the Agent as a Finance Document.

"Finance Leases" means any finance leases, to the extent the arrangement is or would have been treated as a finance or a capital lease in accordance with the Accounting Principles applicable on the First Issue Date (a lease which in the accounts of the Group is treated as an asset and a corresponding liability), and for the avoidance of doubt, any leases treated as operating leases under the Accounting Principles as applicable on the First Issue Date shall not, regardless of any subsequent changes or amendments of the Accounting Principles, be considered as a finance lease.

"Financial Indebtedness" means any indebtedness in respect of:

- (a) monies borrowed or raised, including Market Loans;
- (b) the amount of any liability in respect of any Finance Leases;
- (c) receivables sold or discounted (other than receivables sold on a non-recourse basis);
- (d) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (e) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark to market value shall be taken into account, provided that if any actual amount is due as a result of a termination or a close-out, such amount shall be used instead);
- (f) any counter indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (g) (without double counting) any guarantee or other assurance against financial loss in respect of a type referred to in the above paragraphs (a)-(f).

"Financial Report" means the Group's annual audited financial statements or quarterly interim unaudited reports, which shall be prepared and made available according to Clauses 11.1(a)(i) and 11.1(a)(ii).

"First Call Date" means the date falling six (6) months after the date an Equity Listing Event has occurred, provided that such date is prior to the Final Maturity Date.

"First Issue Date" means 24 September 2018.

"Floating Rate Margin" means 9.00 per cent. *per annum*.

"Force Majeure Event" has the meaning set forth in Clause 24(a).

"Group" means the Issuer and each of its Subsidiaries from time to time and **"Group Company"** means any of them.

"Incurrence Test" means the testing of the Maintenance Covenants in accordance with Clause 12.3 (*Incurrence Testing*).

"Initial Bond Issue" means the issuance of the Initial Bonds.

"Initial Bonds" means the Bonds issued on the First Issue Date.

"Initial Nominal Amount" has the meaning set forth in Clause 2.1.1(c).

"Insolvent" means, in respect of a relevant person, that it is deemed to be insolvent, or admits inability to pay its debts as they fall due, in each case within the meaning of Chapter 2, Sections 7-9 of the Swedish Bankruptcy Act (*konkurslagen (1987:672)*) (or its equivalent in any other jurisdiction), suspends making payments on any of its debts or by reason of actual financial difficulties commences negotiations with its creditors with a view to rescheduling any of its indebtedness (including company reorganisation under the Swedish Company Reorganisation Act (*lag (1996:764) om företagsrekonstruktion*) (or its equivalent in any other jurisdiction)) or is subject to involuntary winding-up, dissolution or liquidation.

"Interest" means the interest on the Bonds calculated in accordance with Clauses 8(a) to 8(c).

"Interest Account" means a bank account of the Issuer on which the Issuer will on the disbursement of the Net Proceeds on the First Issue Date deposit an amount equal to 12.5 per cent. of the Total Nominal Amount (or its equivalent in any other currency). The Issuer shall be allowed to use the funds standing to the Interest Account to pay interest on each Interest Payment Date, provided that the amount on the Interest Account is not lower than an amount equal to 12.5 per cent. of the Total Nominal Amount on the date falling one day prior to each Interest Payment Date.

"Interest Payment Date" means 24 March, 24 June, 24 September and 24 December each year. The first Interest Payment Date shall be 24 December 2018. The last Interest Payment Date shall be the Final Maturity Date (or such earlier date on which the Bonds are redeemed in full). To the extent any of the above dates is not a Business Day, the first following day that is a Business Day, unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day.

"Interest Period" means (i) in respect of the first Interest Period, the period from (and including) the First Issue Date to (but excluding) the first Interest Payment Date, and (ii) in respect of subsequent Interest Periods, the period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date (or a shorter period if relevant).

"Interest Rate" means EURIBOR plus the Floating Rate Margin.

"Issue Date" the date on which the Bonds are issued.

"Issuer" means WOW air hf., a limited liability company incorporated in Iceland with reg. no. 451011-0220.

"Liquidity" means Cash and Cash Equivalents, including any undrawn amount under the Working Capital Facility

"Main Shareholder" means Skuli Mogensen, identification number 180968-4669.

"Maintenance Covenants" means the maintenance covenants set out in Clause 12.1 (*Maintenance Covenants*).

"Market Loan" means any loan or other indebtedness where an entity issues commercial paper, certificates, subordinated debentures, bonds or any other debt securities (including, for the avoidance of doubt, medium term note programmes and other market funding programmes), provided in each case that such instruments and securities are or can be subject to trade on Nasdaq Stockholm or any other regulated or unregulated recognised market place.

"Material Adverse Effect" means a material adverse effect on:

- (a) the business, financial condition or operations of the Group taken as a whole;
- (b) the Group's ability to perform and comply with the Finance Documents; or
- (c) the validity or enforceability of the Finance Documents.

"Material Group Company" means:

- (a) the Issuer; and
- (b) any other Group Company with earnings before interest, tax, depreciation and amortisation ("**EBITDA**"), calculated based on the same Accounting Principles as used when calculating the total book assets, representing 5.00 per cent. or more of the total EBITDA of the Group, or which has total assets representing 5.00 per cent. or more of the total assets of the Group, calculated on a consolidated basis according to the latest Financial Report.

"Material Intercompany Loan" means any intercompany loans provided by any Group Company to any other Group Company where:

- (a) the term of the intercompany loan is at least 12 months (the term to be determined by the Issuer); and
- (b) the principal amount thereof is at least in an amount exceeding USD 2,000,000 (or its equivalent in any other currency).

"Net Proceeds" means the proceeds from a Bond Issue after deduction has been made for the Transaction Costs payable by the Issuer to the Sole Bookrunner, its legal advisors and the Paying Agent for the services provided in relation to the placement and issuance of the Bonds.

"Nominal Amount" means in respect of each Bond the Initial Nominal Amount, less the aggregate amount by which that Bond has been redeemed in part in accordance with the procedures of the CSD pursuant to Clauses 9.4 (*Mandatory repurchase due to a Change of Control Event (put option)*), 9.5 (*Mandatory prepayment of Bonds held by a Warrantholder in the event of an Equity Listing Event*) and 9.6 (*Mandatory prepayment of Bonds held by a Warrantholder in the event that no Equity Listing Event has occurred prior to the Final Maturity Date*). The Agent may instruct the CSD to split the Bonds to a lower nominal amount in order to facilitate partial redemptions, restructuring of the Bonds or other situations.

"Norwegian Securities Register Act" means the Norwegian Act relating to registration of financial instruments of 5 July 2002 No. 64.

"Parent Company Guarantee" means a guarantee provided by the parent company of the Issuer, Titan fjárfestingafélags ehf., under any lease agreement or hedging arrangement.

"Paying Agent" means the legal entity appointed by the Issuer to act as its paying agent with respect to the Bonds in the CSD, being Pareto Securities AS on the First Issue Date.

"Permitted Debt" means any Financial Indebtedness:

- (a) incurred under the Bonds (except for any Subsequent Bonds);
- (b) arising under a foreign exchange transaction or a commodity transaction for spot or forward delivery entered into in connection with protection against fluctuation in currency rates or prices where the exposure arises in the ordinary course of business or in respect of payments to be made under these Terms and Conditions, but not any transaction for investment or speculative purposes;
- (c) arising under any interest rate hedging transactions in respect of payments to be made under these Terms and Conditions, but not any transaction for investment or speculative purposes;
- (d) incurred under Advance Purchase Agreements;
- (e) incurred by the Issuer if such Financial Indebtedness:
 - (i) is incurred as a result of a Subsequent Bond Issue and meets the Incurrence Test (calculated on a pro forma basis including the relevant incurred debt); or
 - (ii) ranks *pari passu* or is subordinated to the obligations of the Issuer under the Finance Documents, and:
 - (A) meets the Incurrence Test (calculated on a pro forma basis including the relevant incurred debt);
 - (B) has a final maturity date or a final redemption date; and
 - (C) when applicable, early redemption dates or instalment dates, in each case (A) and (B) which occur after the Final Maturity Date.
- (f) incurred under any Subordinated Loan;
- (g) taken up from a Group Company;

- (h) incurred in connection with the redemption of the Bonds in order to fully refinance the Bonds and provided further that such Financial Indebtedness is subject to an escrow arrangement up until the redemption of the Bonds (taking into account the rules and regulations of the CSD), for the purpose of securing, *inter alia*, the redemption of the Bonds;
- (i) incurred as a result of any Group Company acquiring another entity after the First Issue Date which entity already had incurred Financial Indebtedness but not incurred or increased or having its maturity date extended in contemplation of, or since that acquisition, provided that:
 - (i) the Incurrence Test is met on a pro forma basis if tested immediately after the making of that acquisition, and
 - (ii) such Financial Indebtedness is:
 - (A) repaid in full within six (6) months of completion of such acquisition; or
 - (B) refinanced in full within six (6) months of completion of such acquisition with the Issuer as the new borrower.
- (j) of the Group under any pension or tax liabilities of the Group incurred in the ordinary course of business;
- (k) of the Group under any guarantee, letter of credit or counter-guarantee issued by or for a Group Company in the ordinary course of business;
- (l) under the Working Capital Facility;
- (m) incurred under any leases, to the extent the arrangement is or would have been treated as an operational lease in accordance with the Accounting Principles applicable on the First Issue Date;
- (n) incurred under the existing financial leases relating to four Airbus A321 with manufactural serial number 5681, 5733, 6210 and 6232;
- (o) incurred under the EIF Loan; and
- (p) any other Financial Indebtedness incurred by Group Companies (including other Finance Leases and credit cards) not in aggregate exceeding USD 2,500,000.

"Permitted Security"

- (a) provided under the Finance Documents;
- (b) arising by operation of law or in the ordinary course of business (including collateral or retention of title arrangements in connection with Advance Purchase Agreements but, for the avoidance of doubt, not including guarantees or security in respect of any monies borrowed or raised);
- (c) provided in relation to any lease agreement entered into by a Group Company;

- (d) subsisting as a result of any Group Company acquiring another entity after the First Issue Date which entity already had provided security for Financial Indebtedness permitted under paragraph (i) of the definition of "Permitted Debt", provided that such security is discharged and released in full upon the refinancing or repayment of such Financial Indebtedness as set out therein;
- (e) arising under any netting or set off arrangements under financial derivatives transactions or bank account arrangements, including group cash pool arrangements;
- (f) provided in relation to any guarantee provided to Gaman ferðir ehf in the ordinary course of business; and
- (g) provided pursuant to paragraphs (b), (c), (e), (h), (i), (k) and (l) of the definition of Permitted Debt.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality.

"**Quotation Day**" means, in relation to any period for which an interest rate is to be determined, two (2) Business Days before the first day of that period.

"**Record Date**" means the fifth (5) Business Day prior to (i) an Interest Payment Date, (ii) a Redemption Date, (iii) a date on which a payment to the Bondholders is to be made under Clause 15 (*Distribution of Proceeds*), (iv) the date of a Bondholders' Meeting, or (v) another relevant date, or in each case such other Business Day falling prior to a relevant date if generally applicable on the Swedish bond market.

"**Redemption Date**" means the date on which the relevant Bonds are to be redeemed or repurchased in accordance with Clause 9 (*Redemption and Repurchase of the Bonds*).

"**Reference Date**" means 31 March, 30 June, 30 September and 31 December in each year for as long as any Bonds are outstanding.

"**Reference Period**" means each 12-month period ending on a Reference Date.

"**Regulated Market**" means any regulated market as defined in the Markets in Financial Instruments Directive 2014/65/EU (MiFID II), as amended).

"**Secured Obligations**" means all present and future, actual and contingent, liabilities and obligations at any time due, owing or incurred by the Issuer towards the Secured Parties outstanding from time to time under the Finance Documents.

"**Secured Parties**" the Security Agent, the Bondholders and the Agent (including in its capacity as Agent under the Agency Agreement).

"**Securities Account**" means the account for dematerialised securities maintained by the CSD pursuant to the Norwegian Securities Register Act in which (i) an owner of such security is directly registered or (ii) an owner's holding of securities is registered in the name of a nominee.

"Security" means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person, or any other agreement or arrangement having a similar effect.

"Security Agent" means the security agent holding the Transaction Security on behalf of the Secured Parties, being Nordic Trustee & Agency AB (publ) on the First Issue Date.

"Security Documents" means:

- (a) the Icelandic law governed share pledge agreement in respect of all shares in the Issuer (up until an Equity Listing Event, when the shares in the Issuer shall be released);
- (b) any security document pursuant to which additional security is provided over any Material Group Company in accordance with Clause 13.13 (*Additional Security over Material Group Companies*); and
- (c) any security document pursuant to which additional security is provided over any Material Intercompany Loan in accordance with Clause 13.14 (*Additional Security over Material Intercompany Loans*).

"Share Warrant Instruments" means the share warrant instruments entered into between each Warrantholder and the Issuer on substantially the same terms as set out in the term sheet for the Bonds dated 18 September 2018.

"Sole Bookrunner" means Pareto Securities AB.

"Subordinated Loans" means any loan made to the Issuer, if such loan (i) is subordinated to the obligations of the Issuer under these Terms and Conditions pursuant to the Subordination Agreement, (ii) according to its terms have a final redemption date or, when applicable, early redemption dated or instalment dates which occur after the Final Maturity Date, and (iii) according to its terms yield only payment-in-kind interest.

"Subordination Agreement" means a subordination agreement pursuant to which any claims under any Subordinated Loans will be fully subordinated to the Bonds, including with respect to payments (maturity, interest and instalments), tenure and enforcement proceeds.

"Subsequent Bond Issue" shall have the meaning set forth in Clause 2.1.1(d).

"Subsequent Bonds" means any Bonds issued after the First Issue Date on one or more occasions.

"Subsidiary" means, in respect of which such person, directly or indirectly:

- (a) owns shares or ownership rights representing more than fifty (50) per cent. of the total number of votes held by the owners;
- (b) otherwise controls more than fifty (50) per cent. of the total number of votes held by the owners; or
- (c) has the power to appoint and remove all, or the majority of, the members of the board of directors or other governing body.

"Total Nominal Amount" means the total aggregate Nominal Amount of the Bonds outstanding at the relevant time.

"Transaction Costs" means all fees, costs and expenses, stamp, registration and other taxes incurred by the Issuer or any other member of the Group in connection with (i) the Bond Issue and (ii) the listing of the Bonds.

"Transaction Security" means the Security provided for the Secured Obligations pursuant to the Security Documents.

"USD" means the lawful currency of the United States of America.

"Warrants" means the warrants issued in the Issuer which each Bondholder being allocated Initial Bonds are entitled to subscribe for, giving such Bondholder a right to subscribe for shares in the Issuer in an amount equivalent to 50 per cent. of the Nominal Amount of the Initial Bonds subscribed for pursuant to the Share Warrant Instruments.

"Warrantholder" means a person to whom a Warrant has been issued or a valid transfer has been made as evidenced by the register of Warrantholders kept by the board of directors of the Issuer.

"Working Capital Facility" means any working capital facility provided for the general corporate purposes of the Group in the maximum amount of USD 10,000,000.

"Written Procedure" means the written or electronic procedure for decision making among the Bondholders in accordance with Clause 18 (*Written Procedure*).

1.2 Construction

- (a) Unless a contrary indication appears, any reference in these Terms and Conditions to:
- (i) "assets" includes present and future properties, revenues and rights of every description;
 - (ii) any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;
 - (iii) a "regulation" includes any regulation, rule or official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (iv) an Event of Default is continuing if it has not been remedied or waived;
 - (v) a provision of law is a reference to that provision as amended or re-enacted; and
 - (vi) a time of day is a reference to Stockholm time.
- (b) When ascertaining whether a limit or threshold specified in EUR or USD (as applicable) has been attained or broken, an amount in another currency shall be counted on the basis of the rate of exchange for such currency against EUR or USD (as applicable) for

the previous Business Day, as published by the European Central Bank on its website ecb.europa.eu or by the Federal Reserve on its website federalreserve.gov (as applicable). If no such rate is available, the most recently published rate shall be used instead.

- (c) A notice shall be deemed to be sent by way of press release if it is made available to the public within Sweden promptly and in a non-discriminatory manner.
- (d) No delay or omission of the Agent, the Security Agent or of any Bondholder to exercise any right or remedy under the Finance Documents shall impair or operate as a waiver of any such right or remedy.

2. Status of the Bonds

- (a) The Bonds are denominated in Euro and each Bond is constituted by these Terms and Conditions. The Issuer undertakes to make payments in relation to the Bonds and to comply with these Terms and Conditions.
- (b) By subscribing for Bonds, each initial Bondholder agrees that the Bonds shall benefit from and be subject to the Finance Documents and by acquiring Bonds, each subsequent Bondholder confirms such agreement.
- (c) The initial nominal amount of each Initial Bond is EUR 1,000 (the "**Initial Nominal Amount**"). The maximum total nominal amount of the Initial Bonds is EUR 60,000,000. All Initial Bonds are issued on a fully paid basis at an issue price of 100 per cent. of the Nominal Amount.
- (d) The minimum permissible investment in a Bond Issue is EUR 100,000.
- (e) Provided that no Event of Default is continuing or would result from such issuance and provided that the Incurrence Test is met tested pro forma with the new debt being incurred, the Issuer may, at one or several occasions, issue Subsequent Bonds (each such issue, a "**Subsequent Bond Issue**"). Subsequent Bonds shall benefit from and be subject to the Finance Documents, and, for the avoidance of doubt, the ISIN, the Interest Rate, the Nominal Amount and the Final Maturity applicable to the Initial Bonds shall apply to Subsequent Bonds. The price of the Subsequent Bonds may be set at a discount or at a premium compared to the Nominal Amount. The maximum total nominal amount of the Bonds (the Initial Bonds and all Subsequent Bonds) may not exceed EUR 100,000,000 unless a consent from the Bondholders is obtained in accordance with Clause 16(e)(i). Each Subsequent Bond shall entitle its holder to Interest in accordance with Clause 8(a), and otherwise have the same rights as the Initial Bonds.
- (f) The Bonds constitute direct, general, unconditional, unsubordinated and secured obligations of the Issuer and shall at all times rank (i) without any preference among them and (ii) at least *pari passu* with all direct, unconditional, unsubordinated and unsecured obligations of the Issuer, except those obligations which are mandatorily preferred by law.
- (g) The Bonds are freely transferable but the Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable, under local laws to which

a Bondholder may be subject. Each Bondholder must ensure compliance with such restrictions at its own cost and expense.

- (h) No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Bonds or the possession, circulation or distribution of any document or other material relating to the Issuer or the Bonds in any jurisdiction where action for that purpose is required. Each Bondholder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Bonds.

3. Use of Proceeds

- (a) The proceeds from the Initial Bond Issue shall be used to (i) fund the Interest Account in an amount equal to 12.5 per cent. of the Total Nominal Amount from time to time (being on the First Issue Date an amount equal to EUR 7,500,000), (ii) finance general corporate purposes of the Group, and (iii) finance Transaction Costs.
- (b) The proceeds from any Subsequent Bond Issue shall be used to (i) finance general corporate purposes of the Group, including investments and acquisitions, (ii) refinance existing external debt permitted under these Terms and Conditions, and (iii) finance Transaction Costs.

4. Conditions Precedent

- (a) The payment of the Net Proceeds from the Initial Bond Issue to the Escrow Account is subject to the Agent having received documents and evidence of the Escrow Account Pledge Agreement being duly executed and perfected.
- (b) The Issuer shall provide, or procure the provision of, to the Agent, :
 - (i) constitutional documents and corporate resolutions for each party to the Finance Documents (other than the Agent);
 - (ii) copies of the Finance Documents, duly executed;
 - (iii) copies of the Security Documents, duly executed, and evidence that all documents, registrations and other evidences to be delivered pursuant to the Security Documents to perfect the security have been delivered and satisfied, provided that any documents and other evidences to be delivered pursuant to the Security Documents but not required for perfection of the security may be delivered as soon as practicably possible following disbursement of the Net Proceeds from the Initial Bond Issue from the Escrow Account;
 - (iv) an agreed form Compliance Certificate;
 - (v) a certificate nominating Material Group Companies existing on the First Issue Date (if any);
 - (vi) evidence that an amount equal to 12.5 per cent. of the Total Nominal Amount (or the equivalent in any other currency) will be deposited on the Interest Account upon disbursement of the Net Proceeds;

- (vii) legal opinion(s) on the capacity, due execution, in respect of any non-Swedish security providers; and
 - (viii) a legal opinion on the validity and enforceability in respect of any Finance Document unless it is governed by Swedish law which shall also include customary opinions regarding the role of the Security Agent in such jurisdiction (such as no residency or registration requirement and no need to deposit funds), issued by a reputable law firm.
- (c) The Agent may assume that the documentation and evidence delivered to it pursuant to Clause 4(b) is accurate, legally valid, enforceable, correct, true and complete unless it has actual knowledge to the contrary and the Agent does not have to verify or assess the contents of any such documentation. The Agent does not have any obligation to review the documentation and evidence referred to in Clause 4(b) above from a legal or commercial perspective of the Bondholders.
 - (d) When the conditions precedent for disbursement set out in Clause 4(b) have been received by the Agent, the Agent shall instruct the Escrow Manager to instruct the bank (with which the Escrow Manager holds the Escrow Account) to transfer the funds from the Escrow Account for the purpose set out in Clause 3 (*Use of Proceeds*), and the Agent shall thereafter or in connection therewith release the pledge over the Escrow Account.
 - (e) If the conditions precedent for disbursement set out in Clause 4(b) have not been received or waived by the Agent within thirty (30) Business Days from the First Issue Date, the Issuer shall repurchase all Bonds at a price equal to 100 per cent. of the Initial Nominal Amount together with any accrued Interest. Any funds distributed by the Agent to the Bondholders in accordance with the Escrow Account Pledge Agreement shall be deemed to be paid by the Issuer for the redemption under this Clause 4(e). Any shortfall shall be covered by the Issuer. The repurchase date shall fall no later than thirty (30) Business Days after the ending of the thirty (30) Business Days period referred to above.

5. Bonds in Book-Entry Form

- (a) The Bonds will be registered for the Bondholders on their respective Securities Accounts and no physical notes will be issued. Accordingly, the Bonds will be registered in accordance with the Norwegian Securities Register Act and the terms and conditions of the CSD. Registration requests relating to the Bonds shall be directed to an Account Operator.
- (b) Those who according to assignment, Security, the provisions of the Swedish Children and Parents Code (*föräldrabalken (1949:381)*), conditions of will or deed of gift or otherwise have acquired a right to receive payments in respect of a Bond shall register their entitlements to receive payment in accordance with the Norwegian Securities Register Act.
- (c) The Issuer (and the Agent when permitted under the CSD's applicable regulations) shall be entitled to obtain information from the debt register (*skuldbok*) kept by the CSD in respect of the Bonds. At the request of the Agent, the Issuer shall promptly obtain such information and provide it to the Agent.

- (d) For the purpose of or in connection with any Bondholders' Meeting or any Written Procedure, the Paying Agent shall be entitled to obtain information from the debt register kept by the CSD in respect of the Bonds.
- (e) The Issuer shall issue any necessary power of attorney to such persons employed by the Agent, as notified by the Agent, in order for such individuals to independently obtain information directly from the debt register kept by the CSD in respect of the Bonds. The Issuer may not revoke any such power of attorney unless directed by the Agent or unless consent thereto is given by the Bondholders.

6. Right to Act on Behalf of a Bondholder

- (a) If any Person other than a Bondholder wishes to exercise any rights under the Finance Documents, it must obtain a power of attorney or other proof of authorisation from the Bondholder or a successive, coherent chain of powers of attorney or proofs of authorisation starting with the Bondholder and authorising such Person.
- (b) A Bondholder may issue one or several powers of attorney or other proof of authorisation to third parties to represent it in relation to some or all of the Bonds held by it. Any such representative may act independently under the Finance Documents in relation to the Bonds for which such representative is entitled to represent the Bondholder and may further delegate its right to represent the Bondholder by way of a further power of attorney.
- (c) The Agent shall only have to examine the face of a power of attorney or other proof of authorisation that has been provided to it pursuant to Clause 6(b) and may assume that it has been duly authorised, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face.

7. Payments in Respect of the Bonds

- (a) Any payment or repayment under the Finance Documents, or any amount due in respect of a repurchase of any Bonds, shall be made to such Person who is registered as a Bondholder on a Securities Account on the Record Date prior to an Interest Payment Date or other relevant due date, or to such other Person who is registered with the CSD on such date as being entitled to receive the relevant payment, repayment or repurchase amount.
- (b) If a Bondholder has registered, through an Account Operator, that principal and interest shall be deposited in a certain bank account, such deposits will be effected by the CSD on the relevant payment date. In other cases, payments will be transferred by the CSD to the Bondholder at the address registered with the CSD on the Record Date. Should the CSD, due to a delay on behalf of the Issuer or some other obstacle, not be able to effect payments as aforesaid, the Issuer shall procure that such amounts are paid to the Persons who are registered as Bondholders on the relevant Record Date as soon as possible after such obstacle has been removed.
- (c) Any specific payment instructions, including foreign exchange bank account details, to be connected to the Bondholder's account in the CSD must be provided by the relevant Bondholder to the Paying Agent (either directly or through its Account Operator in the CSD) within five Business Days prior to a payment date. Depending on any currency exchange settlement agreements between each Bondholder's bank and

the Paying Agent, and opening hours of the receiving bank, cash settlement may be delayed, and payment shall be deemed to have been made once the cash settlement has taken place, provided, however, that no default interest or other penalty shall accrue for the account of the Issuer for such delay.

- (d) If, due to any obstacle for the CSD, the Issuer cannot make a payment or repayment, such payment or repayment may be postponed until the obstacle has been removed. Interest shall accrue in accordance with Clause 8(d) during such postponement.
- (e) If payment or repayment is made in accordance with this Clause 7, the Issuer and the CSD shall be deemed to have fulfilled their obligation to pay, irrespective of whether such payment was made to a person not entitled to receive such amount.
- (f) The Issuer is not liable to gross-up any payments under the Finance Documents by virtue of any withholding tax, public levy or the similar.
- (g) Notwithstanding anything to the contrary in these Terms and Conditions, the Bonds shall be subject to, and any payments made in relation thereto shall be made in accordance with, the rules and procedures of the CSD.

8. Interest

- (a) Each Initial Bond carries Interest at the Interest Rate applied to the Nominal Amount from (and including) the First Issue Date up to (but excluding) the relevant Redemption Date. Any Subsequent Bond will carry Interest at the Interest Rate from (and including) the Interest Payment Date falling immediately prior to its issuance up to (but excluding) the relevant Redemption Date.
- (b) Interest accrues during an Interest Period. Payment of Interest in respect of the Bonds shall be made to the Bondholders on each Interest Payment Date for the preceding Interest Period.
- (c) Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis).
- (d) If the Issuer fails to pay any amount payable by it on its due date, default interest shall accrue on the overdue amount from (and including) the due date up to (but excluding) the date of actual payment at a rate which is two (2) per cent. higher than the Interest Rate. Accrued default interest shall not be capitalised. No default interest shall accrue where the failure to pay was solely attributable to the Agent or the CSD, in which case the Interest Rate shall apply instead.

9. Redemption and Repurchase of the Bonds

9.1 Redemption at maturity

The Issuer shall redeem all, but not only some, of the outstanding Bonds in full on the Final Maturity Date with an amount per Bond equal to the Nominal Amount together with accrued but unpaid Interest. If the Final Maturity Date is not a Business Day, then the redemption shall occur on the first following Business Day.

9.2 Issuer's purchase of Bonds

The Issuer may, subject to applicable law, at any time and at any price purchase Bonds on the market or in any other way. The Bonds held by the Issuer may at the Issuer's discretion be retained or sold but not cancelled.

9.3 Voluntary total redemption (call option)

- (a) The Issuer may redeem all, but not only some, of the outstanding Bonds in full on any Business Day falling on or after the First Call Date, but before the Final Maturity Date, at an amount per Bond equal to the Call Option Amount.
- (b) Redemption in accordance with Clause 9.3(a) shall be made by the Issuer giving not less than fifteen (15) Business Days' notice to the Bondholders and the Agent. Any such notice is irrevocable but may, at the Issuer's discretion, contain one or more conditions precedent. Upon expiry of such notice and the fulfillment of the conditions precedent (if any), the Issuer is bound to redeem the Bonds in full at the applicable amounts.

9.4 Mandatory repurchase due to a Change of Control Event (put option)

- (a) Upon the occurrence of a Change of Control Event, each Bondholder shall have the right to request that all, or some only, of its Bonds be repurchased at a price per Bond equal to 105 per cent. of the Nominal Amount together with accrued but unpaid Interest, during a period of sixty (60) Business Days following a notice from the Issuer of the Change of Control Event, pursuant to Clause 11.1(d) (after which time period such rights lapse). However, such period may not start earlier than upon the occurrence of the Change of Control Event.
- (b) The notice from the Issuer pursuant to Clause 11.1(d) shall specify the repurchase date and include instructions about the actions that a Bondholder needs to take if it wants Bonds held by it to be repurchased. If a Bondholder has so requested, and acted in accordance with the instructions in the notice from the Issuer, the Issuer shall repurchase the relevant Bonds and the repurchase amount shall fall due on the repurchase date specified in the notice given by the Issuer pursuant to Clause 11.1(d). The repurchase date must fall no later than twenty (20) Business Days after the end of the period referred to in Clause 0.
- (c) The Issuer shall comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Bonds. To the extent that the provisions of such laws and regulations conflict with the provisions in this Clause 9.4, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Clause 9.4 by virtue of the conflict.
- (d) Any Bonds repurchased by the Issuer pursuant to this Clause 9.4 may at the Issuer's discretion be retained or sold, but not cancelled.

9.5 Mandatory prepayment of Bonds held by a Warrantholder in the event of an Equity Listing Event

- (a) Upon an Equity Listing Event, each Warrantholder shall have the right of prepayment of up to 10.00 per cent. of the Nominal Amount per Bond held by such Warrantholder. The prepayment price shall be:
- (i) 200 per cent. during the period from and including the First Issue Date up to, but excluding, the date falling 24 months after the First Issue Date; and
 - (ii) 225 per cent. during the period from, and including, the date falling 24 months after the First Issue Date up to, but excluding, the Final Maturity Date,
- in each case of the Nominal Amount prepaid (plus accrued but unpaid interest), provided that the relevant Bondholder delivers Warrants to the Issuer in an aggregate nominal amount corresponding to 50 per cent. of the total Nominal Amount of the prepaid Bonds.
- (b) The Issuer shall comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Bonds. To the extent that the provisions of such laws and regulations conflict with the provisions in this Clause 9.5, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Clause 9.5 by virtue of the conflict.
- (c) Any Bonds repurchased by the Issuer pursuant to this Clause 9.5 may at the Issuer's discretion be retained or sold, but not cancelled.

9.6 Mandatory prepayment of Bonds held by a Warrantholder in the event that no Equity Listing Event has occurred prior to the Final Maturity Date

- (a) In the event that no Equity Listing Event has occurred prior to the Final Maturity Date, each Warrantholder shall have the right of:
- (i) prepayment of its Bonds (all or some only) held by such Warrantholder at a price of 120 per cent. of the Nominal Amount per Bond, provided that the relevant holder delivers Warrants to the Issuer in a nominal amount corresponding to 50 per cent. of the total Nominal Amount of the prepaid Bonds; or
 - (ii) prepayment of its Bonds (all or some only) at a price of 100 per cent. of the Nominal Amount per Bond. The Warrant(s) held by such holder may in such case be kept and be exercised at a later date in accordance with the terms of the Share Warrant Instruments.
- (b) The Issuer shall comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Bonds. To the extent that the provisions of such laws and regulations conflict with the provisions in this Clause 9.6, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Clause 9.6 by virtue of the conflict.

- (c) Any Bonds repurchased by the Issuer pursuant to this Clause 9.6 may at the Issuer's discretion be retained or sold, but not cancelled.

10. Transaction Security

- (a) As continuing Security for the due and punctual fulfilment of the Secured Obligations, the Issuer and each Group Company party to any Security Document grants the Transaction Security to the Secured Parties as represented by the Security Agent on the terms set out in the Security Documents.
- (b) The Security Agent shall hold the Transaction Security on behalf of the Secured Parties in accordance with the Security Documents. The Issuer shall, and shall procure that each Group Company party to any Security will, enter into the Security Documents and perfect the Transaction Security in accordance with the Security Documents.
- (c) Unless and until the Security Agent has received instructions from the Bondholders in accordance with Clause 16 (*Decisions by Bondholders*), the Security Agent shall (without first having to obtain the Bondholders' consent) be entitled to enter into agreements with the Issuer or a third party or take any other actions, if it is, in the Security Agent's opinion, necessary for the purpose of maintaining, altering, releasing or enforcing the Transaction Security, creating further Security for the benefit of the Secured Parties or for the purpose of settling the Bondholders' or the Issuer's rights to the Transaction Security, in each case in accordance with the terms of the Finance Documents and provided that such agreements or actions are not detrimental to the interest of the Bondholders.

11. Information to Bondholders

11.1 Information from the Issuer

- (a) The Issuer shall make the following information available in the English language by way of press release and by publication on the website of the Issuer:
 - (i) as soon as the same become available, but in any event within four (4) months after the end of each financial year, the annual audited consolidated financial statements of the Group, including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's board of directors;
 - (ii) as soon as the same become available, but in any event within two (2) months after the end of each quarter of its financial year, the quarterly unaudited consolidated reports, including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's board of directors; and
 - (iii) any other information required by the applicable rules and regulations and the rules and regulations of the Regulated Market on which the Bonds are admitted to trading.
- (b) When the Bonds have been listed, the reports referred to in Clause 11.1(a)(i) and Clause 11.1(a)(ii) shall be prepared in accordance with IFRS.

- (c) When the financial statements and other information are made available to the Bondholders pursuant to Clause 11.1(a), the Issuer shall send copies of such financial statements and other information to the Agent.
- (d) The Issuer shall promptly notify the Agent and the Bondholders upon becoming aware of the occurrence of a Change of Control Event, and shall provide the Agent with such further information as the Agent may request (acting reasonably) following receipt of such notice. A notice regarding a Change of Control Event may be given in advance of the occurrence of a Change of Control Event, conditioned upon the occurrence of such Change of Control Event, if a definitive agreement is in place providing for a Change of Control Event.
- (e) The Issuer shall promptly notify the Agent (with full particulars) upon becoming aware of the occurrence of any event or circumstance which constitutes an Event of Default, or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing) constitute an Event of Default, and shall provide the Agent with such further information as it may reasonably request in writing following receipt of such notice. Should the Agent not receive such information, the Agent is entitled to assume that no such event or circumstance exists or can be expected to occur, provided that the Agent does not have actual knowledge of such event or circumstance.
- (f) The Issuer shall submit a duly executed Compliance Certificate to the Agent:
 - (i) in connection with the testing of the Incurrence Test;
 - (ii) in connection with that a Financial Report is made available; and
 - (iii) at the Agent's request, within 20 days from such request.
- (g) The Agent may assume that any information provided by the Issuer in the Compliance Certificate delivered pursuant to paragraph (f) above is correct, and the Agent shall not be responsible or liable for the adequacy, accuracy or completeness of such information.
- (h) The Issuer is only obliged to inform the Agent according to this Clause 11.1 if informing the Agent would not conflict with any applicable laws or, when the Bonds are listed, the Issuer's registration contract with the Regulated Market. If such a conflict would exist pursuant to the listing contract with the Regulated Market or otherwise, the Issuer shall however be obliged to either seek approval from the Regulated Market or undertake other reasonable measures, including entering into a non-disclosure agreement with the Agent, in order to be able to timely inform the Agent according to this Clause 11.1.

11.2 Information from the Agent

- (a) Subject to the restrictions of a non-disclosure agreement entered into by the Agent in accordance with Clause 11.2(b), the Agent is entitled to disclose to the Bondholders any event or circumstance directly or indirectly relating to the Issuer or the Bonds. Notwithstanding the foregoing, the Agent may if it considers it to be beneficial to the interests of the Bondholders delay disclosure or refrain from disclosing certain

information other than in respect of an Event of Default that has occurred and is continuing.

- (b) If a committee representing the Bondholders' interests under the Finance Documents has been appointed by the Bondholders in accordance with Clause 16 (*Decisions by Bondholders*), the members of such committee may agree with the Issuer not to disclose information received from the Issuer, provided that it, in the reasonable opinion of such members, is beneficial to the interests of the Bondholders. The Agent shall be a party to such agreement and receive the same information from the Issuer as the members of the committee.

11.3 Publication of Finance Documents

- (a) The latest version of these Terms and Conditions (including any documents amending these Terms and Conditions) shall be available on the websites of the Issuer and the Agent.
- (b) The latest version of the Finance Documents shall be available to the Bondholders at the office of the Agent during the Agent's normal business hours.

12. Financial Undertakings

12.1 Maintenance Covenants

The Issuer shall ensure that:

- (a) Equity is not be lower than:
 - (i) USD 25,000,000 at each test date during the first twelve months following the First Issue Date;
 - (ii) USD 30,000,000 at each test date during the period from but excluding the date falling twelve months after the First Issue Date to and including the date falling 24 months after the First Issue Date; and
 - (iii) USD 35,000,000 at each test date during the period from but excluding the date falling 24 months after the First Issue Date to and including the Final Maturity Date.
- (b) Liquidity is not lower than an amount equivalent to the most recent Reference Period's (or in case of an incurrence test the relevant 12 months' period) Finance Charges; and
- (c) an amount not lower than 12.50 per cent. of the Outstanding Nominal Amount is standing on the Interest Account one day prior to each Interest Payment Date.

12.2 Testing of the Maintenance Covenants

- (a) The Maintenance Covenants shall be calculated in accordance with the Accounting Principles applicable to the Issuer and tested by reference to each of the Financial Reports on each Reference Date with respect to the Reference Period ending on such Reference Date save for the covenants set out in paragraph (a) of Clause 12.1

(*Maintenance Covenants*) which shall be reported annually at the end of the third quarter of each financial year.

- (b) The first test date shall be 30 September 2018, save for the covenant set out in paragraph (c) of Clause 12.1 (*Maintenance Covenants*) which shall first be tested 31 December 2018.

12.3 Incurrence Testing

The Maintenance Covenants shall be reported and calculated as per the date of the incurrence of the new Financial Indebtedness or the making of a Restricted Payment (as applicable), calculated on a pro forma basis, provided that the Liquidity shall be reported and tested as follows:

- (a) the calculation of Liquidity shall be made as per a testing date determined by the Issuer, falling no more than two months prior to the relevant testing date; and
- (b) the amount of Finance Charge shall be measured on the relevant testing date so determined, taking into account the Finance Charges incurred during the last 12 months period ending on such testing date.

12.4 Adjustments

Finance Charges for the relevant 12-months period ending on a test date shall be:

- (a) reduced to reflect any Finance Charges attributable to a disposed entity or which has been repaid, repurchased or otherwise discharged as a result of or in connection with a disposal of an entity (to the extent such Finance Charges is included in the relevant financial statements);
- (b) increased on a pro forma basis by an amount equal to the Finance Charges directly attributable to (i) any Financial Indebtedness owed by acquired entities and (ii) any Financial Indebtedness incurred to finance the acquisition of entities, in each case calculated as if all such debt had been incurred at the beginning of the relevant test period; and
- (c) increased on a pro forma basis by an amount equal to the Finance Charges directly attributable to any Financial Indebtedness (to the extent such Financial Indebtedness is not included in the relevant financial statements), calculated as if such debt had been incurred at the beginning of the relevant Reference Period.

12.5 General

The Issuer undertakes to (and shall, where applicable, procure that each other Group Company will comply with the undertakings set out in this Clause 12.5 for as long as any Bonds remain outstanding.

13. General Undertakings

13.1 Distributions

- (a) The Issuer shall not, and shall procure that none of its Subsidiaries will:

- (i) pay any dividend on its shares (other than to the Issuer or a wholly-owned Subsidiary of the Issuer);
 - (ii) repurchase any of its own shares;
 - (iii) redeem its share capital or other restricted equity with repayment to shareholders;
 - (iv) grant any loans (other than to the Issuer or a wholly-owned Subsidiary of the Issuer);
 - (v) repay any Subordinated Loans or capitalised or accrued interest thereunder; or
 - (vi) make any other similar distribution or transfers of value to the direct or indirect shareholder of the Issuer, or any Affiliates of the Issuer (paragraphs (i) – (vi) above are together and individually referred to as a "**Restricted Payment**"), provided however that any such Restricted Payment may be made by any of the Issuer's Subsidiaries if such Restricted Payment is made to the Issuer or any of the wholly-owned Subsidiaries of the Issuer or, if made by a Subsidiary which is not directly or indirectly wholly-owned by the Issuer, is made on a pro rata basis.
- (b) Notwithstanding the above, a Restricted Payment may be made by the Issuer if:
- (i) the Restricted Payment is a payment of commission fees under any Parent Company Guarantee up to an aggregated amount of USD 1,000,000 for any financial year;
 - (ii) the Restricted Payment is the Deferred Payment and is made no later than by end of May 2019; or
 - (iii) an Equity Listing Event has occurred, provided that with respect to this paragraph (iii) at the time of the Restricted Payment:
 - (A) no Event of Default is outstanding or would occur as a result of such Restricted Payment;
 - (B) the Incurrence Test is met (calculated on a pro forma basis including the relevant Restricted Payment); and
 - (C) the aggregate amount of all Restricted Payments of the Group in any fiscal year (including the Restricted Payment in question) does not exceed 25 per cent. of the Group's consolidated net profit for the previous fiscal year.

13.2 Listing

The Issuer shall ensure that:

- (a) the Initial Bonds are listed at the corporate bond list on Nasdaq Stockholm not later than 60 calendar days after the First Issue Date and with an intention to complete such listing within 30 calendar days after the First Issue Date;

- (b) any Subsequent Bonds are listed on the corporate bond list on Nasdaq Stockholm within 60 calendar days after the issuance of such Subsequent Bonds and with an intention to complete such listing within 20 calendar days after the issuance of such Subsequent Bonds (unless the Subsequent Bonds are issued before the date falling 60 calendar days after the First Issue Date in which case such Subsequent Bonds shall be listed within 60 calendar days after the First Issue Date); and
- (c) once the Bonds are listed on the corporate bond list on Nasdaq Stockholm, ensure that the Bonds continue to be being listed on the corporate bond list on Nasdaq Stockholm for as long as any Bond is outstanding (however, taking into account the rules and regulations of Nasdaq Stockholm and the CSD (as amended from time to time) preventing trading in the Bonds in close connection to the redemption of the Bonds).

13.3 Issuance of Warrants

The Issuer shall offer to issue Warrants to each Bondholder being allocated Initial Bonds in an amount equivalent to 50 per cent of the Nominal Amount of the Initial Bonds subscribed for by such Bondholder. The terms of the Warrants shall be governed by the Share Warrant Instruments and the Issuer shall procure that the Share Warrant Instruments are entered into with the relevant Bondholders as soon as practically possible following the First Issue Date, but in no event later than the date falling 30 Business Days from the First Issue Date.

13.4 Nature of Business

The Issuer shall procure that no substantial change is made to the general nature of the business carried on by the Group if such substantial change would have a Material Adverse Effect.

13.5 Financial Indebtedness

The Issuer shall not, and shall procure that none of its Subsidiaries will, incur, prolong, renew or extend any Financial Indebtedness, provided however that the Issuer and its Subsidiaries have a right to incur, prolong, renew or extend Financial Indebtedness that constitutes Permitted Debt.

13.6 Disposal of Assets

The Issuer shall not, and shall procure that no Group Company will, sell or otherwise dispose of any shares in any Group Company or of any substantial assets (including but not limited to material intellectual property rights) or operations to any person not being the Issuer or any of its wholly-owned Group Companies, except if the transaction is carried out at fair market value and on terms and conditions customary for such transaction and provided that it does not have a Material Adverse Effect. No asset that is subject to Transaction Security may be disposed of.

13.7 Negative Pledge

The Issuer shall not, and shall procure that none of its Subsidiaries will, provide, prolong or renew any security over any of its/their assets (present or future) to secure Financial Indebtedness, provided however that the Issuer and the Group have a right to provide, retain, prolong or renew, any Permitted Security.

13.8 Loans Out

The Issuer shall not, and shall procure that none of its Subsidiaries will, extend any loans in any form to any other party than (i) to other Group Companies, or (ii) in the ordinary course of business.

13.9 Clean Down of Working Capital Facility

The Issuer shall procure that during each calendar year there shall be a period of three (3) consecutive days during which the amount outstanding under the Working Capital Facility (excluding any non-cash elements of ancillary facilities), less Cash and Cash Equivalents of the Group, amounts to zero (0) or less. Not less than six (6) months shall elapse between two such periods. The clean down shall be confirmed in a Compliance Certificate.

13.10 Dealings at arm's length terms

The Issuer shall, and shall procure that its Subsidiaries will, conduct all dealings with their direct and indirect shareholders (excluding the Issuer and any of its Subsidiaries) and/or any Affiliates of such direct and indirect shareholders on arm's length terms.

13.11 Interest Account

Following the disbursement of the Net Proceeds of the Initial Bond Issue and on each day falling one business day before each Interest Payment Date, the Issuer shall procure that an amount at least equivalent to 12.5 per cent. of the Total Nominal Amount (or its equivalent in any other currency) stands on the Interest Account. The amount standing on the Interest Account on the relevant day falling one business day before the Interest Payment Date shall be confirmed in a Compliance Certificate delivered in connection with the testing of the testing of the Maintenance Covenants.

13.12 Nomination of Material Group Companies

At:

- (a) the First Issue Date and thereafter once every year (starting in 2019) (simultaneously with the publication by the Issuer of the audited annual financial statements of the Group); and
- (b) the date of acquisition of any shares or other assets by a Group Company financed (in whole or in part) by Permitted Debt for a consideration in excess of 5 per cent. of the total book assets of the Group (calculated on a consolidated basis) (simultaneously with the delivery by the Issuer of the Compliance Certificate related the incurrence of such Permitted Debt),

the Issuer shall list each Material Group Company in the relevant Compliance Certificate delivered in connection therewith.

13.13 Additional Security over Material Group Companies

The Issuer shall procure that a pledge over the shares in each Material Group Company is granted as security for the Secured Obligations no later than 60 days after its nomination in

accordance with Clause 13.12 (*Nomination of Material Group Companies*) above and in connection therewith provide the Agent with:

- (a) constitutional documents and corporate resolutions (approving the relevant Security Document and authorising a signatory/-ies to execute that Security Document) for the relevant security provider and each other party to that Security Document (other than the Agent);
- (b) copies of the register of shareholders (or similar) (in each case) with respect to that Material Group Company;
- (c) any legal opinion on the capacity and due execution in respect of any entity being party to the relevant Security Document unless it is incorporated in Sweden, issued by a reputable law firm; and
- (d) any legal opinion on the validity and enforceability in respect of the relevant Security Document unless it is governed by Swedish law which shall also include customary opinions regarding the role of the Security Agent in such jurisdiction (such as no residency or registration requirement and no need to deposit funds), issued by a reputable law firm.

13.14 Additional Security over Material Intercompany Loans

The Issuer shall and shall procure that each Group Company will, upon the incurrence of a Material Intercompany Loan, grant a pledge over that Material Intercompany Loan as security for the Secured Obligations and simultaneously therewith deliver to the Agent (unless previously provided):

- (a) constitutional documents and corporate resolutions (approving the relevant Security Documents and authorising a signatory/-ies to execute the relevant Security Document) for the relevant security provider, and each other party to that Security Document (other than the Agent);
- (b) a legal opinion on the capacity and due execution, in respect of any entity being party to the relevant Security Document unless it is incorporated in Sweden, issued by a reputable law firm; and
- (c) any legal opinion on the validity and enforceability in respect of the relevant Security Document unless it is governed by Swedish law which, if requested by the Agent, shall also include customary opinions regarding the role of the Security Agent in such jurisdiction (such as no residency or registration requirement and no need to deposit funds), issued by a reputable law firm.

14. Events of Default and Acceleration of the Bonds

Each of the events or circumstances set out in this Clause 14 (other than Clause 14.11 (*Acceleration of the Bonds*)) is an Event of Default.

14.1 Non-Payment

The Issuer fails to pay an amount on the date it is due in accordance with the Finance Documents unless its failure to pay is caused by administrative or technical error and payment is made within five (5) Business Days of the due date.

14.2 Maintenance Covenants

The Issuer has failed to comply with any of the Maintenance Covenants.

14.3 Other Obligations

A party (other than the Agent) does not comply with its obligations under the Finance Documents, in any other way than as set out in Clause 14.1 (*Non-Payment*) and 14.2 (*Maintenance Covenants*) above, provided that the Agent has requested the Issuer in writing to remedy such failure or the Issuer becoming aware of the non-compliance and the Issuer has not remedied the failure within fifteen (15) Business Days from such request or from becoming aware of the non-compliance (if the failure or violation is not capable of being remedied, the Agent may declare the Bonds payable without such prior written request).

14.4 Cross-acceleration

Any Financial Indebtedness of a Material Group Company is not paid when due as extended by any originally or other applicable grace period, or is declared to be due and payable prior to its specified maturity as a result of an event of default (however described), provided that no Event of Default will occur under this Clause 14.4 if the aggregate amount of Financial Indebtedness that has fallen due is less than USD 5,000,000 and provided that it does not apply to any Financial Indebtedness owed to a Group Company

14.5 Insolvency

- (a) Any Material Group Company is unable or admits inability to pay its debts as they fall due or is declared to be unable to pay its debts under applicable law, suspends making payments on its debts generally or, by reason of actual or anticipated financial difficulties, commences negotiations with its creditors generally (except for Bondholders) with a view to rescheduling its Financial Indebtedness; or
- (b) a moratorium is declared in respect of the Financial Indebtedness of any Material Group Company.

14.6 Insolvency Proceedings

Any corporate action, legal proceedings or other procedures are taken (other than (i) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within 60 days of commencement or, if earlier, the date on which it is advertised and (ii), in relation to Subsidiaries, solvent liquidations) in relation to:

- (a) the suspension of payments, winding-up, dissolution, administration or reorganisation (by way of voluntary agreement, scheme of arrangement or otherwise) of any Material Group Company; and

- (b) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of any Material Group Company or any of its assets or any analogous procedure or step is taken in any jurisdiction in respect of any Material Group Company.

14.7 Creditors' Process

Any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of any Material Group Company having an aggregate value of an amount equal to or exceeding USD 5,000,000 and is not discharged within 60 days.

14.8 Mergers and demergers

A decision is made that any Group Company shall be demerged or merged if such merger or demerger is likely to have a Material Adverse Effect, provided that a merger subject to existing security between Subsidiaries only or between the Issuer and a Subsidiary, where the Issuer is the surviving entity, shall not be an Event of Default and a merger involving the Issuer, where the Issuer is not the surviving entity, shall always be considered an Event of Default and provided that the Issuer may not be demerged.

14.9 Impossibility or Illegality

It is or becomes impossible or unlawful for the Issuer to fulfill or perform any of the provisions of the Finance Documents or if the obligations under the Finance Documents are not, or cease to be, legal, valid, binding and enforceable.

14.10 Continuation of the Business

The Issuer or any other Material Group Company ceases to carry on its business if such discontinuation is likely to have a Material Adverse Effect.

14.11 Acceleration of the Bonds

- (a) Upon the occurrence of an Event of Default which is continuing, the Agent is entitled to, and shall following a demand in writing from a Bondholder (or Bondholders) representing at least twenty-five (25) per cent. of the Adjusted Nominal Amount (such demand may only be validly made by a person who is a Bondholder on the Business Day immediately following the day on which the demand is received by the Agent and shall, if made by several Bondholders, be made by them jointly) or following an instruction given pursuant to Clause 14.11(d), on behalf of the Bondholders (i) by notice to the Issuer, declare all, but not some only, of the outstanding Bonds due and payable together with any other amounts payable under the Finance Documents, immediately or at such later date as the Agent determines, and (ii) exercise any or all of its rights, remedies, powers and discretions under the Finance Documents.
- (b) The Agent may not accelerate the Bonds in accordance with Clause 14.11(a) by reference to a specific Event of Default if it is no longer continuing or if it has been decided, on a Bondholders Meeting or by way of a Written Procedure, to waive such Event of Default (temporarily or permanently).

- (c) The Agent shall notify the Bondholders of an Event of Default within five (5) Business Days of the date on which the Agent received actual knowledge of that an Event of Default has occurred and is continuing. The Agent shall, within twenty (20) Business Days of the date on which the Agent received actual knowledge of that an Event of Default has occurred and is continuing, decide if the Bonds shall be so accelerated. If the Agent decides not to accelerate the Bonds, the Agent shall promptly seek instructions from the Bondholders in accordance with Clause 16 (*Decisions by Bondholders*). The Agent shall always be entitled to take the time necessary to consider whether an occurred event constitutes an Event of Default.
- (d) If the Bondholders instruct the Agent to accelerate the Bonds, the Agent shall promptly declare the Bonds due and payable and take such actions as may, in the opinion of the Agent, be necessary or desirable to enforce the rights of the Bondholders under the Finance Documents, unless the relevant Event of Default is no longer continuing.
- (e) If the right to accelerate the Bonds is based upon a decision of a court of law or a government authority, it is not necessary that the decision has become enforceable under law or that the period of appeal has expired in order for cause of acceleration to be deemed to exist.
- (f) In the event of an acceleration of the Bonds in accordance with this Clause 14.11, the Issuer shall redeem all Bonds at an amount per Bond equal to the redemption amount specified in Clause 9.3 (*Voluntary total redemption (call option)*).

15. Distribution of Proceeds

- (a) All payments by the Issuer relating to the Bonds and the Finance Documents following an acceleration of the Bonds in accordance with Clause 14 (*Events of Default and Acceleration of the Bonds*) and any proceeds received from an enforcement of the Transaction Security shall be distributed in the following order of priority:
 - (i) first, in or towards payment *pro rata* of (i) all unpaid fees, costs, expenses and indemnities payable by the Issuer to the Agent in accordance with the Agency Agreement (other than any indemnity given for liability against the Bondholders), (ii) other costs, expenses and indemnities relating to the acceleration of the Bonds, the enforcement of the Transaction Security or the protection of the Bondholders' rights as may have been incurred by the Agent, (iii) any costs incurred by the Agent for external experts that have not been reimbursed by the Issuer in accordance with Clause 20.2(g), and (iv) any costs and expenses incurred by the Agent in relation to a Bondholders' Meeting or a Written Procedure that have not been reimbursed by the Issuer in accordance with Clause 16(c);
 - (ii) second, in or towards payment *pro rata* of accrued but unpaid Interest under the Bonds (Interest due on an earlier Interest Payment Date to be paid before any Interest due on a later Interest Payment Date);
 - (iii) thirdly, in or towards payment *pro rata* of any unpaid principal under the Bonds; and

- (iv) fourthly, in or towards payment *pro rata* of any other costs or outstanding amounts unpaid under the Finance Documents.

Any excess funds after the application of proceeds in accordance with paragraphs (i) to (iv) above shall be paid to the Issuer.

16. Decisions by Bondholders

- (a) A request by the Agent for a decision by the Bondholders on a matter relating to the Finance Documents shall (at the option of the Agent) be dealt with at a Bondholders' Meeting or by way of a Written Procedure.
- (b) Any request from the Issuer or a Bondholder (or Bondholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount (such request may only be validly made by a person who is a Bondholder on the Business Day immediately following the day on which the request is received by the Agent and shall, if made by several Bondholders, be made by them jointly) for a decision by the Bondholders on a matter relating to the Finance Documents shall be directed to the Agent and dealt with at a Bondholders' Meeting or by way a Written Procedure, as determined by the Agent. The person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a Bondholders' Meeting than by way of a Written Procedure, it shall be dealt with at a Bondholders' Meeting.
- (c) The Agent may refrain from convening a Bondholders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any person in addition to the Bondholders and such person has informed the Agent that an approval will not be given, or (ii) the suggested decision is not in accordance with applicable laws.
- (d) Only a person who is, or who has been provided with a power of attorney or other proof of authorisation pursuant to Clause 6 (*Right to Act on Behalf of a Bondholder*) from a person who is, registered as a Bondholder:
 - (i) on the Record Date prior to the date of the Bondholders' Meeting, in respect of a Bondholders' Meeting, or
 - (ii) on the Business Day specified in the communication pursuant to Clause 18(c), in respect of a Written Procedure,

may exercise voting rights as a Bondholder at such Bondholders' Meeting or in such Written Procedure, provided that the relevant Bonds are included in the definition of Adjusted Nominal Amount.
- (e) The following matters shall require the consent of Bondholders representing at least sixty-six and two thirds (66 2/3) of the Adjusted Nominal Amount for which Bondholders are voting at a Bondholders' Meeting or for which Bondholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 18(c):
 - (i) waive a breach of or amend an undertaking set out in Clause 13 (*General Undertakings*);

- (ii) release the security provided under the Security Documents;
 - (iii) reduce the principal amount, interest rate or interest amount which shall be paid by the Issuer;
 - (iv) amend any payment day for principal or interest amount or waive any breach of a payment undertaking, or
 - (v) amend the provisions regarding the majority requirements under these Terms and Conditions.
- (f) Any matter not covered by Clause 16(e) shall require the consent of Bondholders representing more than 50 per cent. of the Adjusted Nominal Amount for which Bondholders are voting at a Bondholders' Meeting or for which Bondholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 18(c). This includes, but is not limited to, any amendment to, or waiver of, the terms of any Finance Document that does not require a higher majority (other than an amendment permitted pursuant to Clause 19(a)(i) or (19(a)(iii))), an acceleration of the Bonds, or the enforcement of any Transaction Security.
- (g) Quorum at a Bondholders' Meeting or in respect of a Written Procedure only exists if a Bondholder (or Bondholders) representing at least fifty (50) per cent. of the Adjusted Nominal Amount in case of a matter pursuant to Clause 16(e), and otherwise twenty (20) per cent. of the Adjusted Nominal Amount:
- (i) if at a Bondholders' Meeting, attend the meeting in person or by telephone conference (or appear through duly authorised representatives); or
 - (ii) if in respect of a Written Procedure, reply to the request.
- (h) If a quorum does not exist at a Bondholders' Meeting or in respect of a Written Procedure, the Agent or the Issuer shall convene a second Bondholders' Meeting (in accordance with Clause 17(a)) or initiate a second Written Procedure (in accordance with Clause 18(a)), as the case may be, provided that the relevant proposal has not been withdrawn by the person(s) who initiated the procedure for Bondholders' consent. The quorum requirement in Clause 16(g) shall not apply to such second Bondholders' Meeting or Written Procedure.
- (i) Any decision which extends or increases the obligations of the Issuer or the Agent, or limits, reduces or extinguishes the rights or benefits of the Issuer or the Agent, under the Finance Documents shall be subject to the Issuer's or the Agent's consent, as appropriate.
- (j) A Bondholder holding more than one Bond need not use all its votes or cast all the votes to which it is entitled in the same way and may in its discretion use or cast some of its votes only.
- (k) The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Bondholder for or as inducement to any consent under these Terms and Conditions, unless such consideration is offered to all Bondholders that consent at the relevant Bondholders' Meeting or in a Written Procedure within the time period stipulated for the consideration to be payable or the time period for replies in the Written Procedure, as the case may be.

- (l) A matter decided at a duly convened and held Bondholders' Meeting or by way of Written Procedure is binding on all Bondholders, irrespective of them being present or represented at the Bondholders' Meeting or responding in the Written Procedure. The Bondholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Bondholders.
- (m) All costs and expenses incurred by the Issuer or the Agent for the purpose of convening a Bondholders' Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Agent, shall be paid by the Issuer.
- (n) If a decision shall be taken by the Bondholders on a matter relating to the Finance Documents, the Issuer shall promptly at the request of the Agent provide the Agent with a certificate specifying the number of Bonds owned by Group Companies or (to the knowledge of the Issuer) Affiliates, irrespective of whether such person is directly registered as owner of such Bonds. The Agent shall not be responsible for the accuracy of such certificate or otherwise be responsible to determine whether a Bond is owned by a Group Company or an Affiliate.
- (o) Information about decisions taken at a Bondholders' Meeting or by way of a Written Procedure shall promptly be sent by notice to the Bondholders and published on the websites of the Issuer and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Bondholders' Meeting or Written Procedure shall at the request of a Bondholder be sent to it by the Issuer or the Agent, as applicable.

17. Bondholders' Meeting

- (a) The Agent shall convene a Bondholders' Meeting by sending a notice thereof to each Bondholder no later than five (5) Business Days after receipt of a request from the Issuer or the Bondholder(s) (or such later date as may be necessary for technical or administrative reasons).
- (b) Should the Issuer want to replace the Agent, it may convene a Bondholders' Meeting in accordance with Clause 17(a) with a copy to the Agent. After a request from the Bondholders pursuant to Clause 20.4(c), the Issuer shall no later than five (5) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Bondholders' Meeting in accordance with Clause 17(a).
- (c) The notice pursuant to Clause 17(a) shall include (i) time for the meeting, (ii) place for the meeting, (iii) agenda for the meeting (including each request for a decision by the Bondholders) and (iv) a form of power of attorney. Only matters that have been included in the notice may be resolved upon at the Bondholders' Meeting. Should prior notification by the Bondholders be required in order to attend the Bondholders' Meeting, such requirement shall be included in the notice.
- (d) The Bondholders' Meeting shall be held no earlier than fifteen (15) Business Days and no later than thirty (30) Business Days from the notice.
- (e) Without amending or varying these Terms and Conditions, the Agent may prescribe such further regulations regarding the convening and holding of a Bondholders'

Meeting as the Agent may deem appropriate. Such regulations may include a possibility for Bondholders to vote without attending the meeting in person.

18. Written Procedure

- (a) The Agent shall instigate a Written Procedure (which may be conducted electronically in a manner determined by the Agent) no later than five (5) Business Days after receipt of a request from the Issuer or the Bondholder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a communication to each such person who is registered as a Bondholder on the Business Day prior to the date on which the communication is sent.
- (b) Should the Issuer want to replace the Agent, it may send a communication in accordance with Clause 18(a) to each Bondholder with a copy to the Agent.
- (c) A communication pursuant to Clause 18(a) shall include (i) each request for a decision by the Bondholders, (ii) a description of the reasons for each request, (iii) a specification of the Business Day on which a person must be registered as a Bondholder in order to be entitled to exercise voting rights, (iv) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney, and (v) the stipulated time period within which the Bondholder must reply to the request (such time period to last at least fifteen (15) Business Days from the communication pursuant to Clause 18(a)). If the voting shall be made electronically, instructions for such voting shall be included in the communication.
- (d) When the requisite majority consents of the total Adjusted Nominal Amount pursuant to Clauses 16(e) and 16(f) have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Clause 16(e) or 16(f), as the case may be, even if the time period for replies in the Written Procedure has not yet expired.

19. Amendments and Waivers

- (a) The Issuer and the Agent and/or the Security Agent (as applicable) (in each case acting on behalf of the Bondholders) may agree to amend the Finance Documents or waive any provision in a Finance Document, provided that:
 - (i) the Agent is satisfied that such amendment or waiver is not detrimental to the interest of the Bondholders;
 - (ii) the Agent is satisfied that such amendment or waiver is made solely for the purpose of rectifying obvious errors and mistakes;
 - (iii) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority; or
 - (iv) such amendment or waiver has been duly approved by the Bondholders in accordance with Clause 16 (*Decisions by Bondholders*).

- (b) The consent of the Bondholders is not necessary to approve the particular form of any amendment to the Finance Documents. It is sufficient if such consent approves the substance of the amendment.
- (c) The Agent shall promptly notify the Bondholders of any amendments or waivers made in accordance with Clause 19(a), setting out the date from which the amendment or waiver will be effective, and ensure that any amendments to the Finance Documents are published in the manner stipulated in Clause 11.3 (*Publication of Finance Documents*). The Issuer shall ensure that any amendments to the Finance Documents are duly registered with the CSD and each other relevant organisation or authority.
- (d) An amendment to the Finance Documents shall take effect on the date determined by the Bondholders Meeting, in the Written Procedure or by the Agent, as the case may be.

20. Appointment and Replacement of the Agent and the Security Agent

20.1 Appointment of Agent and the Security Agent

- (a) By subscribing for Bonds, each initial Bondholder appoints the Agent and the Security Agent to act as its agent and security agent (as applicable) in all matters relating to the Bonds and the Finance Documents, and authorises each of the Agent and the Security Agent to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions) in any legal or arbitration proceedings relating to the Bonds held by such Bondholder including any legal or arbitration proceeding relating to the perfection, preservation, protection or enforcement of the Transaction Security.
- (b) By acquiring Bonds, each subsequent Bondholder confirms the appointment and authorisation for the Agent and the Security Agent to act on its behalf, as set forth in Clause 20.1(a).
- (c) Each Bondholder shall immediately upon request provide the Agent and the Security Agent with any such documents, including a written power of attorney (in form and substance satisfactory to the Agent or the Security Agent, as applicable), that the Agent or the Security Agent (as applicable) deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. Neither the Agent nor the Security Agent is under any obligation to represent a Bondholder which does not comply with such request.
- (d) The Issuer shall promptly upon request provide the Agent and the Security Agent with any documents and other assistance (in form and substance satisfactory to the Agent or the Security Agent, as applicable), that the Agent or the Security Agent (as applicable) deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents.
- (e) Each of the Agent and the Security Agent is entitled to fees for its respective work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents and the Agent's and the Security Agent's respective obligations as Agent and Security Agent (as applicable) under the Finance Documents are conditioned upon the due payment of such fees and indemnifications.

- (f) Each of the Agent and the Security Agent may act as agent or trustee for several issues of securities issued by or relating to the Issuer and other Group Companies notwithstanding potential conflicts of interest.

20.2 Duties of the Agent and the Security Agent

- (a) Each of the Agent and the Security Agent shall represent the Bondholders subject to and in accordance with the Finance Documents, including, *inter alia*, holding the Transaction Security pursuant to the Security Documents on behalf of the Bondholders and, where relevant, enforcing the Transaction Security on behalf of the Bondholders. Neither the Agent nor the Security Agent is responsible for the content, valid execution, legal validity or enforceability of the Finance Documents or the perfection of the Transaction Security.
- (b) When acting in accordance with the Finance Documents, each of the Agent and the Security Agent is always acting with binding effect on behalf of the Bondholders. Each of the Agent and the Security Agent shall carry out its duties under the Finance Documents in a reasonable, proficient and professional manner, with reasonable care and skill.
- (c) Each of the Agent's and the Security Agent's duties under the Finance Documents are solely mechanical and administrative in nature and the Agent and the Security Agent only acts in accordance with the Finance Documents and upon instructions from the Bondholders, unless otherwise set out in the Finance Documents. In particular, neither the Agent nor the Security Agent is acting as an advisor (whether legal, financial or otherwise) to the Bondholders or any other Person.
- (d) Neither the Agent nor the Security Agent is obligated to assess or monitor the financial condition of the Issuer or compliance by the Issuer of the terms of the Finance Documents unless to the extent expressly set out in the Finance Documents, or to take any steps to ascertain whether any Event of Default (or any event that may lead to an Event of Default) has occurred. Until it has actual knowledge to the contrary, each of the Agent and the Security Agent is entitled to assume that no Event of Default (or any event that may lead to an Event of Default) has occurred.
- (e) Each of the Agent and the Security Agent is entitled to delegate its duties to other professional parties, but each of them shall remain liable for the actions of such parties under the Finance Documents.
- (f) Each of the Agent and the Security Agent shall treat all Bondholders equally and, when acting pursuant to the Finance Documents, act with regard only to the interests of the Bondholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other Person, other than as explicitly stated in the Finance Documents.
- (g) Each of the Agent and the Security Agent is entitled to engage external experts when carrying out its duties under the Finance Documents. The Issuer shall on demand by the Agent and/or the Security Agent pay all costs for external experts engaged after the occurrence of an Event of Default, or for the purpose of investigating or considering (i) an event which the Agent reasonably believes is or may lead to an Event of Default, (ii) a matter relating to the Issuer or the Transaction Security which the Agent and/or the Security Agent reasonably believes may be detrimental to the

interests of the Bondholders under the Finance Documents or (iii) as otherwise agreed between the Agent and/or the Security Agent and the Issuer. Any compensation for damages or other recoveries received by the Agent and/or the Security Agent from external experts engaged by it for the purpose of carrying out its duties under the Finance Documents shall be distributed in accordance with Clause 15 (*Distribution of Proceeds*).

- (h) Notwithstanding any other provision of the Finance Documents to the contrary, neither the Agent nor the Security Agent is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.
- (i) If in the Agent's or Security Agent's reasonable opinion the cost, loss or liability which it may incur (including its respective reasonable fees) in complying with instructions of the Bondholders, or taking any action at its own initiative, will not be covered by the Issuer, or the Bondholders (as applicable), the Agent or the Security Agent (as applicable) may refrain from acting in accordance with such instructions, or taking such action, until it has received such funding or indemnities (or adequate Security has been provided therefore) as it may reasonably require.
- (j) Unless it has actual knowledge to the contrary, each of the Agent and the Security Agent may assume that all information provided by or on behalf of the Issuer (including by its advisors) is correct, true and complete in all aspects.
- (k) Each of the Agent and the Security Agent shall give a notice to the Bondholders (i) before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Agent or the Security Agent under the Finance Documents or (ii) if it refrains from acting for any reason described in Clause 20.2(i).

20.3 Limited liability for the Agent and the Security Agent

- (a) Neither the Agent nor the Security Agent will be liable to the Bondholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its negligence or wilful misconduct. Neither the Agent nor the Security Agent shall be responsible for indirect loss.
- (b) Neither the Agent nor the Security Agent shall be considered to have acted negligently if it has acted in accordance with advice addressed to it from or opinions of reputable external experts or if it has acted with reasonable care in a situation when it considers that it is detrimental to the interests of the Bondholders to delay the action in order to first obtain instructions from the Bondholders.
- (c) Neither the Agent nor the Security Agent shall be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to the Finance Documents to be paid by it to the Bondholders, provided that it has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by it for that purpose.
- (d) Neither the Agent nor the Security Agent shall have any liability to the Bondholders for damage caused by it acting in accordance with instructions of the Bondholders given in accordance with the Finance Documents.

- (e) Any liability towards the Issuer which is incurred by the Agent or the Security Agent in acting under, or in relation to, the Finance Documents shall not be subject to set-off against the obligations of the Issuer to the Bondholders under the Finance Documents.
- (f) The Agent is not liable for information provided to the Bondholders by or on behalf of the Issuer or any other Person.

20.4 Replacement of the Agent and the Security Agent

- (a) Subject to Clause 20.4(f), each of the Agent and the Security Agent may resign by giving notice to the Issuer and the Bondholders, in which case the Bondholders shall appoint a successor Agent and/or the Security Agent at a Bondholders' Meeting convened by the retiring Agent or by way of Written Procedure initiated by the retiring Agent.
- (b) Subject to Clause 20.4(f), if the Agent and/or the Security Agent is Insolvent, the Agent and/or the Security Agent (as applicable) shall be deemed to resign as Agent and/or the Security Agent (as applicable) and the Issuer shall within ten (10) Business Days appoint a successor Agent and/or a successor Security Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- (c) A Bondholder (or Bondholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount may, by notice to the Issuer (such notice may only be validly given by a Person who is a Bondholder on the Business Day immediately following the day on which the notice is received by the Issuer and shall, if given by several Bondholders, be given by them jointly), require that a Bondholders' Meeting is held for the purpose of dismissing the Agent and/or the Security Agent and appointing a new Agent and/or the new Security Agent (as applicable). The Issuer may, at a Bondholders' Meeting convened by it or by way of Written Procedure initiated by it, propose to the Bondholders that the Agent and/or the Security Agent be dismissed and a new Agent and/or a new Security Agent be appointed.
- (d) If the Bondholders have not appointed a successor Agent and/or successor Security Agent within ninety (90) days after (i) the earlier of the notice of resignation was given or the resignation otherwise took place or (ii) the Agent and/or the Security Agent was dismissed through a decision by the Bondholders, the Issuer shall appoint a successor Agent and/or successor Security Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.
- (e) The retiring Agent and/or the retiring Security Agent (as applicable) shall, at its own cost, make available to the successor Agent and/or the successor Security Agent (as applicable) such documents and records and provide such assistance as the successor Agent and/or successor Security Agent may reasonably request for the purposes of performing its functions as Agent and/or the Security Agent under the Finance Documents.
- (f) The Agent's and the Security Agent's resignation or dismissal shall only take effect upon the appointment of a successor Agent and/or the successor Security Agent and acceptance by such successor Agent and/or the successor Security Agent of such

appointment and the execution of all necessary documentation to effectively substitute the retiring Agent and/or the retiring Security Agent (as applicable).

- (g) Upon the appointment of a successor, the retiring Agent and/or the retiring Security Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of the Finance Documents and remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Agent and/or the Security Agent (as applicable). Its successor, the Issuer and each of the Bondholders shall have the same rights and obligations amongst themselves under the Finance Documents as they would have had if such successor had been the original Agent and/or the Security Agent.
- (h) In the event that there is a change of the Agent and/or the Security Agent in accordance with this Clause 20.4, the Issuer shall execute such documents and take such actions as the new Agent and/or the Security Agent may reasonably require for the purpose of vesting in such new Agent and/or the Security Agent the rights, powers and obligation of the Agent and/or the Security Agent and releasing the retiring Agent and/or the Security Agent from its further obligations under the Finance Documents. Unless the Issuer and the new Agent and/or the new Security Agent agrees otherwise, the new Agent and/or the new Security Agent shall be entitled to the same fees and the same indemnities as the retiring Agent and/or the Security Agent (as applicable).

21. Appointment and Replacement of the Paying Agent

- (a) The Issuer appoints the Paying Agent to manage certain specified tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to and/or issued by the CSD and relating to the Bonds.
- (b) The Paying Agent may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has approved that a commercial bank or securities institution approved by the CSD accedes as new Paying Agent at the same time as the old Paying Agent retires or is dismissed. If the Paying Agent is Insolvent, the Issuer shall immediately appoint a new Paying Agent, which shall replace the old Paying Agent as paying agent in accordance with these Terms and Conditions.

22. No Direct Actions by Bondholders

- (a) A Bondholder may not take any steps whatsoever against the Issuer or with respect to the Transaction Security to enforce or recover any amount due or owing to it pursuant to the Finance Documents, or to initiate, support or procure the winding-up, dissolution, liquidation, company reorganisation (Sw. *företagsrekonstruktion*) or bankruptcy (Sw. *konkurs*) (or its equivalent in any other jurisdiction) of the Issuer in relation to any of the liabilities of the Issuer under the Finance Documents.
- (b) Clause 21(a) shall not apply if the Agent has been instructed by the Bondholders in accordance with the Finance Documents to take certain actions but fails for any reason to take, or is unable to take (for any reason other than a failure by a Bondholder to provide documents in accordance with Clause 20.1(c)), such actions within a reasonable period of time and such failure or inability is continuing. However, if the failure to take certain actions is caused by the non-payment by the Issuer of any fee or indemnity due to the Agent under the Finance Documents or by any reason described in Clause 20.2(i), such failure must continue for at least forty (40) Business

Days after notice pursuant to Clause 20.2(k) before a Bondholder may take any action referred to in Clause 21(a).

- (c) The provisions of Clause 21(a) shall not in any way limit an individual Bondholder's right to claim and enforce payments which are due to it under Clause 9.4 (*Mandatory repurchase due to a Change of Control Event (put option)*) or other payments which are due by the Issuer to some but not all Bondholders.

23. Prescription

- (a) The right to receive repayment of the principal of the Bonds shall be prescribed and become void ten (10) years from the Redemption Date. The right to receive payment of interest (excluding any capitalised interest) shall be prescribed and become void three (3) years from the relevant due date for payment. The Issuer is entitled to any funds set aside for payments in respect of which the Bondholders' right to receive payment has been prescribed and has become void.
- (b) If a limitation period is duly interrupted in accordance with the Swedish Act on Limitations (*Sw. preskriptionslag (1981:130)*), a new limitation period of ten (10) years with respect to the right to receive repayment of the principal of the Bonds, and of three (3) years with respect to receive payment of interest (excluding capitalised interest) will commence, in both cases calculated from the date of interruption of the limitation period, as such date is determined pursuant to the provisions of the Swedish Act on Limitations.

24. Notices and Press Releases

24.1 Notices

- (a) Any notice or other communication to be made under or in connection with the Finance Documents:
 - (i) if to the Agent, shall be given at the address registered with the Swedish Companies Registration Office (*Sw. Bolagsverket*) on the Business Day prior to dispatch or, if sent by email by the Issuer, to the email address notified by the Agent from time to time;
 - (ii) if to the Issuer, shall be given at the address registered with the Icelandic Companies Registration Office on the Business Day prior to dispatch or if sent by email by the Agent, to the email address notified by the Issuer to the Agent from time to time; and
 - (iii) if to the Bondholders, shall be given at their addresses as registered with the CSD, on the Business Day prior to dispatch, and by either courier delivery (to the extent practically possible) or letter for all Bondholders. A Notice to the Bondholders shall also be published on the websites of the Issuer and the Agent.
- (b) Any notice or other communication made by one person to another under or in connection with the Finance Documents shall be sent by way of courier, personal delivery or letter and will only be effective:

- (i) in case of courier or personal delivery, when it has been left at the address specified in Clause 23.1(a); or
 - (ii) in case of letter, three (3) Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause 23.1(a).
- (c) Failure to send a notice or other communication to a Bondholder or any defect in it shall not affect its sufficiency with respect to other Bondholders.
- (d) If an Event of Default is continuing, any notice or other communication made by the Agent to the Issuer under or in connection with the Finance Documents may, provided that the Agent deems it necessary in order to preserve the Bondholders' rights under the Finance Documents, be sent by email and will be effective on the day of dispatch (unless a delivery failure message was received by the Agent), save that any notice or other communication sent by email that is sent after 5.00 pm in the place of receipt shall be deemed only to become effective on the following day. Any notice or other communication to be sent by email by the Agent to the Issuer in accordance with this paragraph (c) shall be sent to the CFO or the CEO of the Issuer, to the email addresses most recently notified by the Issuer to the Agent.

24.2 Press releases

- (a) Any notice that the Issuer or the Agent shall send to the Bondholders pursuant to Clauses 9.3 (*Voluntary total redemption (call option)*), 9.4 (*Mandatory repurchase due to a Change of Control Event (put option)*), 9.5 (*Mandatory prepayment of Bonds held by a Warrantholder in the event of an Equity Listing Event*), 9.6 (*Mandatory prepayment of Bonds held by a Warrantholder in the event that no Equity Listing Event has occurred prior to the Final Maturity Date*), 14.11(c), 16(o), 17(a), 18(a) and 19(c) shall also be published by way of press release by the Issuer or the Agent, as applicable.
- (b) In addition to Clause 23.2(a), if any information relating to the Bonds or the Group contained in a notice the Agent may send to the Bondholders under these Terms and Conditions has not already been made public by way of a press release, the Agent shall before it sends such information to the Bondholders give the Issuer the opportunity to issue a press release containing such information. If the Issuer does not promptly issue a press release and the Agent considers it necessary to issue a press release containing such information before it can lawfully send a notice containing such information to the Bondholders, the Agent shall be entitled to issue such press release.

25. Force Majeure and Limitation of Liability

- (a) Neither the Agent nor the Paying Agent shall be held responsible for any damage arising out of any legal enactment, or any measure taken by a public authority, or war, strike, lockout, boycott, blockade or any other similar circumstance (a "**Force Majeure Event**"). The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Agent or the Paying Agent itself takes such measures, or is subject to such measures.

- (b) The Paying Agent shall have no liability to the Bondholders if it has observed reasonable care. The Paying Agent shall never be responsible for indirect damage with exception of gross negligence and wilful misconduct.
- (c) Should a Force Majeure Event arise which prevents the Agent or the Paying Agent from taking any action required to comply with these Terms and Conditions, such action may be postponed until the obstacle has been removed.
- (d) The provisions in this Clause 25 apply unless they are inconsistent with the provisions of the Norwegian Securities Register Act which provisions shall take precedence.

26. Governing Law and Jurisdiction

- (a) These Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Sweden.
- (b) The Issuer submits to the non-exclusive jurisdiction of the City Court of Stockholm (Sw. *Stockholms tingsrätt*).

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