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OFFER DOCUMENT

**VOLUNTARY PUBLIC OFFER
TO THE PRIVATE SHAREHOLDERS ¹⁾ OF**

Atlantic Airways P/f

(Company registration No. 1223)

**(¹⁾ Defined as all shareholders of Atlantic Airways P/f, excluding Vinnumálaráðið
(Føroya Landsstýri) and Atlantic Airways P/f)**

7 March 2014

IMPORTANT NOTICES CONCERNING THIS OFFER

This Offer Document and appendices hereto contain important information and should be carefully read before any decision is made with respect to accepting the Offer.

No person is authorized to give any information or to make any representation on behalf of the Offeror, Atlantic Airways P/f, on the Offer not contained in this Offer Document, including its appendices. If given or made, such information or representation cannot be relied on as having been authorized.

The making of this Offer shall not under any circumstances imply in any way that there has been no change in the affairs of the Offeror, Atlantic Airways P/f, since the date of this Offer Document, or that the information in this Offer Document or in the documents referred to herein is correct as of any time subsequent to the date hereof or thereof.

Terms

Certain defined terms used in this Offer Document are set out in section 7.

Choice-of-law

The Offer described in this Offer Document has been prepared as a voluntary public offer pursuant to the Icelandic Securities Transactions Act No. 108/2007, as amended. The Offer as set out in this Offer Document as well as any acceptance hereof are governed by Icelandic law.

The Offer is made for the Shares in Atlantic Airways not already owned by Vinnumálaráðið (hereafter referred to as 'Føroya Landsstýri') or Atlantic Airways (these shares are hereafter referred to as 'Private Shares' owned by the 'Private Shareholders'). Atlantic Airways is listed on both NASDAQ OMX Iceland and also has an unsponsored listing on NASDAQ OMX Copenhagen. The Offer is subject to disclosure requirements under Icelandic law. However, simultaneous disclosure will be made to the Danish market via NASDAQ OMX Copenhagen. The Offer is not made directly or indirectly in or into USA, Canada, Australia, Japan, or South Africa and the Offer does not apply and cannot be accepted from within USA, Canada, Australia, Japan or South Africa.

The Offer is not directed at Shareholders whose participation in the Offer would require the issuance of an offer document, registration or other measures other than what is required under Icelandic law. The Offer is not made, directly or indirectly, to Shareholders resident in any jurisdiction in which the submission of the Offer or acceptance thereof would contravene the law of such jurisdiction, and this Offer Document may not be distributed to Shareholders resident in any such jurisdiction. Any Person acquiring possession of this Offer Document is expected and assumed to have obtained any necessary regulatory approval, information on any applicable restrictions personally and to comply with such restrictions.

Changes to the Offer Document

Any changes to the terms or conditions set out in this Offer Document in connection with the Offer will be made public in accordance with par. 3 of article 107 and article 114 of the Icelandic Securities Transactions Act No. 108/2007.

Language

This Offer Document has been prepared in English and translated into Icelandic. In case of inconsistency, the Icelandic FSA has approved with reference to par. 3 of article 113 of Act No. 108/2007 that the English text shall prevail.

The Icelandic FSA has only approved the English version with reference to par. 2 and 3 of article 113 of Act No. 108/2007. Accordingly, the English version shall prevail in case of inconsistencies.

Forward-looking statements

This Offer Document may contain statements relating to future matters or occurrences, including statements on future results, growth or other forecasts on developments and benefits in connection with the Offer. Such statements may generally, but not always, be identified by the use of words such as "anticipates", "assumes", "expects", "plans", "will", "intends", "projects", "estimates" or similar expressions. By their nature, forward-looking statements involve risks and uncertainty as they relate to events and depend on circumstances occurring in the future. There can be no assurance that actual results will not differ, possibly materially, from those expressed or implied by such forward-looking statements due to many factors, many of which are outside of the control of the Offeror, including the effect of changes in general economic conditions, the level of interest rates, fluctuation in the demand for Atlantic Airways' products and services, competition, technological developments, employee relations, regulation, foreign currency exchange rates and the potential need for increased capital expenditures (including those resulting from increased demand, new business opportunities and development of new technologies).

Binding acceptance

Shareholders should note that if they accept the Offer, their acceptance is irrevocable and binding, except as set forth in this Offer Document, unless the Offeror announces that the Offer will not be completed. The effect on the Shareholders' possible acceptance of the Offer in the event of a competing offer and the maximum length of the Offer Period is described in section 3 of this Offer Document.

1 INTRODUCTION

Pursuant to the Icelandic Securities Transactions Act No. 108/2007, as amended, Atlantic Airways hereby submits a voluntary conditional public tender offer to the Private Shareholders of:

Atlantic Airways P/f

(Company registration No. 1223)

380 Sørvágur, Faroe Islands

regarding the acquisition of all of the outstanding Private Shares of Atlantic Airways against cash consideration on the terms and conditions specified in this Offer Document.

The Offer is valid as of Thursday 13 March 2014 and expires on Tuesday 22 April 2014 at 16.00 (Faroese time) or at the expiration of any extension of the Offer Period. Acceptances of the Offer must be received by VP Securities (acting as Issuer Agent) with respect to Shares admitted to trading on NASDAQ OMX Iceland or on NASDAQ OMX Copenhagen, through the tendering Shareholder's own custodian bank or stockbroker prior to the expiration of the Offer Period, as further set out in Section 3 below. Atlantic Airways reserves the right to extend the Offer Period as described in Section 3 below.

The Private Shareholders of Atlantic Airways are offered an Offer Price of 4,403.28 ISK, or 210 DKK, in cash for each share of Atlantic Airways (ISIN securities code FO 0000000062), having a nominal value of DKK 100 each. If Atlantic Airways pays dividends or makes other distributions to its shareholders prior to the settlement of the Offer, the Offer Price to be paid pursuant to the Offer will be reduced by the amount per Share of such dividend or other distribution (ISK for ISK or DKK for DKK).

The Board of Directors of Atlantic Airways will provide a mandatory statement, which will include a statement from Straumur Fjárfestingabanki hf. as to assess the Offer and its terms, in accordance with article 104 of the Icelandic Securities Transactions Act. The statement will be made public no later than one week before the Offer Period expires.

At the time of publication of the Offer Document, Atlantic Airways holds 11,111 Shares, corresponding to about 1.07% of the outstanding Shares. Atlantic Airways has no voting rights in the Company. Føroya Landsstýri holds 693,450 Shares, corresponding to 67% of the outstanding Shares in the Company. Atlantic Airways and Føroya Landsstýri are acting in concert.

Two employees of Atlantic Airways, as defined in Section 7.1. below, are members of the Board of Directors of the Company. Ingi S. Joensen hold in total 197 Shares in Atlantic Airways, which constitute 0.02% of the outstanding Shares and voting rights. Olaf S. Poulsen hold in total 383 Shares, which constitute 0.04% of the outstanding Shares and voting rights.

Marius Davidsen is the Chief Financial Officer of the Company. Marius Davidsen holds Shares corresponding to 0.14% of the share capital of the Company. Kaj Johannesen is a member of the Board of Directors of the Company. He is associated with one of the private shareholders of the Company, P/f Enniberg, which owns 50,254 Shares, corresponding to 4.86% of the share capital of the Company. The Shares are admitted to trading on NASDAQ OMX Iceland and also have an unsponsored listing on NASDAQ OMX Copenhagen. Due to the primary listing in Iceland, the Icelandic takeover rules apply.

Atlantic Airways is a public limited Company, registered in the Faroe Islands. The Government of the Faroe Islands, via the Ministry of Trade and Industry, owns 67% of the share capital of the Company,

corresponding to 693,450 Shares of the share capital of the Company, which is in total 1,035,000 Shares (1,023,889 Shares, excluding own Shares). The Offer from Atlantic Airways is only put forward towards the Private Shareholders of the Company, which represent 33% of the entire share capital of the Company, corresponding to 341,550 Shares (330,439 Shares, excluding own Shares).

The Board of Directors consists of six members. Four board members are elected at the Annual General Meeting, while the employees of Atlantic Airways appoint two members of the board of directors of the Company. If the Offer is accepted by the Private Shareholders of the Company, which represent in total of at least 248,400 Shares, or 24% of the share capital of the Company, it is the intention to seek a compulsory acquisition of the remaining outstanding Private Shares as well as delist the Company so that the Faroese Government (through the Ministry of Trade and Industry) thereafter will be the only shareholder of the Company. It is not the intention to sell any shares to other Private Shareholders. The intention is that the Company after the contemplated acquisition of the Private Shares shall be a public limited company with the Government of the Faroe Islands as the sole shareholder of the Company.

The Board of Directors of Atlantic Airways has held negotiations with the Government of the Faroe Islands, which has decided to present the matter to the Faroese Parliament for approval. In this connection Atlantic Airways and the Ministry of Trade and Industry have agreed that if shareholders representing at least 24% of the entire share capital of the Company accept the Offer, the Government of the Faroe Islands shall subsequently have the possibility to acquire the remaining Private Shares of the Company through a compulsory acquisition.

According to the Faroese Companies Act it is a precondition for a compulsory acquisition that a single shareholder executing such a compulsory acquisition shall hold at least 90% of the Shares of the Company.

If Private Shareholders, representing at least 24% of the share capital of the Company sell their Shares to Atlantic Airways, the Ministry of Trade and Industry will directly and indirectly hold a total of 90% of the shares of the Company, and the Ministry of Trade and Industry will then be able to acquire the remaining shares through a compulsory acquisition according to the relevant rules in §§ 69-73 in the Faroese Companies Act. According to article 110 of the Icelandic Transactions Act the same rule applies.

The Offer will be financed as to 50% by the Company's own free cash resources, and as to 50% by new loans. Payment for Shares is guaranteed by BankNordik in accordance with par. 5 of article 103 of the Icelandic Securities Transactions Act.

The Offer is conditional upon certain conditions. Atlantic Airways reserves the right to waive one or more of the conditions of the Offer. The detailed terms and conditions of the Offer are set forth in Section 3 below.

Atlantic Airways has not entered into any agreements relating to the Offer, including any agreements with the Company or its shareholders relating to the future purchase of Shares or the exercise of voting rights in the Company.

None of the members of the Company's Board of Directors and none of the Company's members of management has received or will receive fees, remuneration, shares, options or other kinds of payments from Atlantic Airways or related to the Offer, except in connection with a potential sale of Shares by members of the Board of Directors or management pursuant to the Offer.

Atlantic Airways and Føroya Landsstyri has not acquired Shares in the Company at a price above the Offer Price within the last 6 months prior to the publication of the Offer Document.

Atlantic Airways or financially related parties have not acquired Shares in the Company above the Offer Price within the last 6 months prior to the publication of the Offer Document.

Atlantic Airways confirms that all agreements of importance to the assessment of the Offer which Atlantic Airways is aware of are described in this Offer Document.

2 BACKGROUND AND REASONS FOR THE OFFER AND PROSPECTS FOR ATLANTIC AIRWAYS

Atlantic Airways was established in 1987. The Company's objective is to run aviation/airline business and other businesses related thereto.

Shortly after the establishment of the Company, the Faroese Government became the sole shareholder of the Company. The Company has since its establishment conducted airline business with scheduled flights to and from the Faroe Islands.

In its first years the Company conducted scheduled flights between the Faroe Islands and neighbouring countries, but later the Company also took upon itself other work within charter flights. In 2005, the Company became the sole operator on the route to the Faroe Islands, with Maersk Air terminating scheduled flights to and from the Faroe Islands. In the period May to December 2006, a Faroese company introduced competition on the route to Copenhagen, but failed to continue its business and ceased to operate.

In 2006, the Faroese Government initiated a process with the aim of privatising the Company. The Faroese Government obtained the necessary authority to privatize the Company with Parliamentary Act No. 102 from 4 December 2006. In the Act, it was stipulated that a third of the Company should be sold to private shareholders. In 2007, the Company was listed on NASDAQ OMX Iceland, and in 2008 on NASDAQ OMX Copenhagen.

When the Company was privatised, the Faroese Government stated that it was the intention to sell another third of the share capital of the Company to Private Shareholders, but it was a precondition for this that the Parliament adopted an amended Act.

The Board of Directors of the Company have since found that there is not a political majority in favour of continuing the privatisation of the Company.

This has led to some dissatisfaction amongst the Private Shareholders of the Company. For the last years, there has been a limited trade and liquidity in the Shares of the Company and the Share Price has fallen substantially since the listing of the Company on NASDAQ OMX Iceland and NASDAQ OMX Copenhagen. When the Company was listed on NASDAQ OMX Iceland, the Share Price was DKK 261 per share. On Friday 7 February 2014, one trading day before the announcement on Monday 10 February 2014 of Atlantic Airways's intention to buy back the Private Shares of the Company, the public closing price of the Atlantic Airways shares was 148 DKK per share and DKK 141 per share, respectively, on NASDAQ OMX Iceland and NASDAQ OMX Copenhagen. Hence, the Offer Price is 41.9% and 48.9%, respectively, above the closing prices on NASDAQ OMX Iceland and NASDAQ OMX Copenhagen of Atlantic Airways's Shares on 7 February 2014.

The Board of Directors is aware of the fact that selected larger Private Shareholders in several instances have approached the Faroese Government, requesting that the Government repurchase the Shares from the Private Shareholders. The Private Shareholders have several times, e.g. July 2012 and January 2014, proposed that the Faroese Government repurchase the shares at a rate of DKK 220 per share (compared to the current Offer Price of DKK 210 per share). Selected larger Private Shareholders have also proposed that the Company repurchase the Private Shares, and that the Shares are purchased in cash and a part of the purchase price is financed via a new loan taken up by the Company.

After having learned of the wish of the Private Shareholders to sell their shares back to the Faroese Government, the Board of Directors has discussed with the Faroese Government repurchasing the Private Shares.

The Faroese Government has informed the Board of Directors that the Faroese Government has no interest in repurchasing the Private Shares. Based on this, the Board of Directors has proposed that the Faroese Government accepts a repurchasing plan according to which the Company repurchases the Private Shares.

The Share purchase as described in this Offer Document will be financed by the Company as to 50% by the Company's own free cash resources, and as to 50% by new loans. In this connection surveys have been made on the financial strength of the Company to repurchase the Shares. The Board of Directors has reached the conclusion that under the current financial circumstances of the Company, the Company is able to repurchase the shares at DKK 210 per share. It is important to emphasize that the Board of Directors' decision to offer DKK 210 per share for the Private Shares is primarily based on a wish to accommodate the wish of certain Private Shareholders to dispose off their Private Shares, as well an evaluation of the financial capacity of Atlantic Airways. Hence, the Offer price of DKK 210 per share is not based on an independent evaluation of the underlying fundamental value of Atlantic Airways's Shares.

The offer to the shareholders is also based on the wishes of certain major private shareholders to have their Shares repurchased by the Government of the Faroe Islands. The last time that this wish was put forward to the Government was in November 2013. It is furthermore the intention of the Board of Directors to provide the Shareholders with an offer exceeding the market price prior to the day of the announcement of the decision to present an offer to repurchase the Private Shares. As the Offer exceeds the closing price of the Company's share on NASDAQ OMX Iceland and NASDAQ OMX Copenhagen, respectively, by 41.9% and 48.9%, the Board of Directors' intentions are met.

The aggregated costs of repurchasing the shares are estimated to be DKK 72,000,000. The Company intends to finance DKK 36,000,000 million hereof by loans, corresponding to 50% of the expected total cost, while the remainder will be financed by the Company's own free cash resources.

Reference is made to chapter 4, Description of Atlantic Airways.

3 TERMS, CONDITIONS AND ACCEPTANCE PROCEDURE FOR THE OFFER

OFFEROR

The Offeror is Atlantic Airways, a company duly incorporated under registration number 1223, whose registered office is at Vága Floghavn, FO-380 Sørvágur, Faroe Islands.

The offeror and Føroya Landsstyri are acting in concert.

OFFEREE

The Offer set out in this Offer Document extends to all Shares in Atlantic Airways, which are not already owned or owned by Føroya Landsstýri or Atlantic Airways, on the day when the Offer is made. A copy of this Offer Document will be sent to all Shareholders listed in Atlantic Airways's share registry at the beginning of the day Friday 7 March 2014, along with an acceptance form. Furthermore, the Offer document can be obtained in English and in an Icelandic translation on the website of Atlantic Airways, www.atlantic.fo.

DEGREE OF CONTROL

Prior to the Offer, Atlantic Airways holds 1.07% of the Shares in Atlantic Airways. It is a condition that the Company's offer to purchase shares is accepted by Private Shareholders representing not more than 31.93% and not less than 24% of the Company's total Share Capital.

OFFER PRICE

The Private Shareholders of Atlantic Airways are offered an Offer Price of 4,403.28 ISK, or 210 DKK, in cash for each Share (nominal value of DKK 100) (securities identification code: FO 0000000062).

The Offeror and Føroya Landsstyri has not acquired Shares for a higher price during the last six months prior to making the Offer.

The Offer Price, and settlement thereof, satisfies the requirements for mandatory bids according to paragraph 2-4 of Article 103 of the Icelandic Securities Transactions Act No. 108/2007.

FINANCING

The Offer will be financed as to 50% by the Company's own free cash resources, and as to 50% by new loans. BankNordik guarantees Atlantic Airways's payment for Shares pursuant to the Offer.

PAYMENT TERMS AND SETTLEMENT

Payment for Shares in respect of which acceptances are received will be made in the form of cash in ISK for shares registered in Iceland, and DKK for shares registered in Denmark. If shareholders holding Shares on NASDAQ OMX Copenhagen want to receive payment in ISK they will have to transfer their Shares to the Icelandic securities system, before they accept the Offer and then use the acceptance form for shares registered in the Icelandic securities system, cf. explanations below about the acceptance procedure. If shareholders holding Shares on NASDAQ OMX Iceland want to receive payment in DKK they will have to transfer their Shares to the Danish securities system, before they accept the Offer and then use the acceptance form for shares registered in the Danish securities system, cf. explanations below about the acceptance procedure. Transfer between the two securities systems is subject to approval of the Central Bank of Iceland.

Payment, in respect of Shares listed on NASDAQ OMX Iceland and registered in the Icelandic securities system (settlement in ISK), will be deposited into the relevant Shareholder's bank account, specified in the acceptance form.

Payment, in respect of Shares listed on NASDAQ OMX Copenhagen and registered in the Danish securities system (settlement in DKK), will be made through the Shareholder's own custodian bank or stockbroker and deposited into the relevant Shareholder's bank account.

Payment is subject to (i) an acceptance form having been correctly completed, or deemed valid by Atlantic Airways, (ii) the Shareholder holding account at an account operator or financial institution, and (iii) the Shareholder's Shares being free from any pledges and encumbrances, as attested in their registration on an electronic securities account. Atlantic Airways reserves the right to ascertain whether any pledges or encumbrances are in place before making a payment.

If Shares are encumbered, Atlantic Airways reserves the right to view the Offer as not having been accepted and also reserves the right to negotiate the release of such an encumbrance directly with the beneficiary of such encumbrance, including transferring the payment for Shares in Atlantic Airways to such beneficiary in satisfaction of a due and payable claim.

Settlement shall take place within five Business Days after the expiration of the Offer Period. Settlement is expected to take place on Monday 28 April 2014 unless the Offer Period is extended.

No interest will be paid on the Offer Price. This also applies if payment is delayed as a result of the Offer Period being extended.

The selling Shareholders shall be responsible for all brokerage fees and other costs arising from their sale of Shares pursuant to the Offer.

The Offeror will be able to exercise the voting rights attached to the acquired Shares once payment and delivery has been completed and the Offeror has been registered as the owner of the Shares in the Company's share registry.

SETTLEMENT AGENT AND FINANCIAL ADVISER

Any questions in connection with the settlement and acceptance of the Offer from Shareholders may be directed to the Shareholder's own custodian bank or the respective bank responsible for the settlement of the Offer in Denmark and Iceland.

In respect to settlement of Shares listed on NASDAQ OMX Iceland and registered in the Icelandic securities system (settlement in ISK), Shareholders should contact:

VP Securities A/S, Weidekampsgade 14, DK-2300 Copenhagen S, Denmark

In respect to settlement of Shares listed on NASDAQ OMX Copenhagen and registered in the Danish securities system (settlement in DKK), Shareholders should contact:

VP Securities A/S, Weidekampsgade 14, DK-2300 Copenhagen S, Denmark

The independent Icelandic investment bank, Straumur Fjárfestingabanki hf., will provide a fairness opinion on the terms and conditions of the Offer.

OFFER PERIOD

The Offer is valid as of Thursday 13 March 2014 and expires on Tuesday 22 April 2014 at 16.00 (Faroese time) or at the expiration of any extension of the Offer Period. In respect of Shares listed on NASDAQ OMX Iceland and registered in the Icelandic securities system (settlement in ISK), VP Securities (acting as Issuer Agent) must receive acceptance of the Offer prior to the expiration of the Offer Period. In respect of Shares listed on NASDAQ OMX Copenhagen and registered in the Danish securities system (settlement in DKK), VP Securities (acting as Issuer Agent) must receive acceptance of the Offer through the tendering Shareholder's own custodian bank or stockbroker prior to the expiration of the Offer Period.

The Offeror reserves the sole right to decide whether acceptance forms received after the end of the Offer Period will be accepted.

The Offer Period can be extended to the extent authorised in the Icelandic Securities Transactions Act. The Offer Period is at least four weeks and a maximum of ten weeks. The Icelandic FSA may, however, extend the Offer Period if there are valid reasons for so doing.

ACCEPTANCE

Acceptances of the Offer are irrevocable and binding upon the Shareholders until such time as Atlantic Airways may announce in accordance with Article 114 of the Icelandic Securities Transactions Act that the Offer will not be completed. Shareholders who have accepted the Offer will remain bound by their acceptance if the Offer Period is extended.

All acceptances will, however, be cancelled automatically if a competing tender offer for the Shares is announced during the Offer Period which, in Atlantic Airways's reasonable opinion, includes a higher offer price and other terms and conditions not less favourable to the selling Shareholders than the terms and conditions of the Offer – unless, no later than seven calendar days after the submission of the competing offer, Atlantic Airways amends the Offer so that the Offer Price equals or exceeds the offer price of the competing tender offer.

If Atlantic Airways increases the Offer Price, the Shareholders who have accepted the Offer at a lower price will automatically be entitled to such increased Offer Price if the Offer is completed. Shareholders who have accepted the Offer will, however, be given the option of choosing either offer.

Atlantic Airways reserves the absolute right to reject any and all tenders determined by it not to be in proper form or the acceptance for payment of which may, in the opinion of its counsel, be unlawful or contrary to the terms of the Offer. Neither Atlantic Airways nor any other Person will be under any duty to provide any notification of any defects or irregularities in tenders or will incur any liability for failure to give any such notification.

ACCEPTANCE PROCEDURE

Shareholders, in respect of Shares listed on NASDAQ OMX Iceland and registered in the Icelandic securities system (settlement in ISK), who wish to tender their Shares on the terms and conditions set out in this Offer must deliver the acceptance form to VP Securities (acting as Issuer Agent) in respect of Shares registered in the Icelandic securities system.

Shareholders, in respect of Shares listed on NASDAQ OMX Copenhagen and registered in the Danish securities system (settlement in DKK), who wish to tender their Shares on the terms and conditions set out in this Offer must contact their own custodian bank or stockbroker, requesting that acceptance of the Offer be communicated to VP Securities (acting as Issuer Agent) in respect of Shares registered in the Danish securities system.

Shareholders, in respect of Shares listed on NASDAQ OMX Copenhagen and registered in the Danish securities system (settlement in DKK), of Atlantic Airways should note that acceptance must be notified to their own custodian bank or stockbroker in due time to allow the custodian bank or stockbroker to process and communicate the acceptance to VP Securities (acting as Issuer Agent) , before the Offer Period expires.

Shareholders wishing to accept the Offer may use the acceptance form attached to this Offer Document.

Shareholders should note that any Shares tendered pursuant to the Offer must remain registered with the respective securities system in Denmark and Iceland until settlement of the Offer has taken place. Consequently, requests to transfer or convert the registration of Shares between the securities systems in Iceland and Denmark cannot be made once the Shares have been tendered and the binding acceptance has been submitted to the Shareholder's custodian bank.

All Shares to be sold to Atlantic Airways pursuant to the Offer must be free from any and all charges, liens and other encumbrances. Shares shall be transferred inclusive of any dividends declared or any other distributions in respect of the transferred Shares that have not been paid by Atlantic Airways prior to settlement of the Offer. The Offeror reserves the right to ascertain whether any pledges or encumbrances are in place before making a payment.

No cost are payable by Shareholders who is accepting the offer.

ANNOUNCEMENT OF THE RESULT

A notification on the results of the Offer will be made public on NASDAQ OMX Iceland's and NASDAQ OMX Copenhagen's news system and on Atlantic Airways's website (www.atlantic.fo) within three Business Days from the expiry of the Offer Period in accordance with article 109 of the Icelandic Securities Transactions Act.

CONDITIONS

The Offer is made subject to the following conditions precedent being met:

- It is a condition that as of the end of the Offer Period there are no changes, proposed changes or binding undertakings in relation to the articles of association, the share capital, treasury shares, issuance of convertible debt, stock options, warrants or other securities including directly or indirectly convertible or exchangeable into Shares or disposal in whole or in part of any material assets or shares of any company within the Group;
- It is a condition that Atlantic Airways have, as of the end of the Offer Period, obtained any and all necessary approvals from public, judicial or regulatory authorities on terms that Atlantic Airways shall deem, in its sole reasonable discretion, satisfactory to acquire all of the Private Shares in Atlantic Airways in accordance with the Offer, and that no competition authority or any other public, judicial or regulatory authority has asserted or threatened any objection which could affect the completion of the Offer;

- It is a condition that, as of the end of the Offer Period, the completion of the Offer has not been otherwise threatened or in any way obstructed as a consequence of any law, rule or regulation or any order of any public, judicial or regulatory authority;
- It is a condition that no events, matters or circumstances have occurred, as of the end of the Offer Period, including as a result of the submission or completion of the Offer, which have or may have a material adverse effect on Atlantic Airways and/or the Group, its operations and business activities, its financial position, properties or its prospects and that Atlantic Airways does not publish information about matters that may have such a material adverse effect on Atlantic Airways and/or the Group;
- It is a condition that at least two thirds of the Shareholders on an extraordinary general meeting of the Company adopt the proposal that Atlantic Airways buy all the Company's outstanding Private Shares, corresponding to 33.0% (31.9%, excluding own Shares) of the share capital of the Company, equaling 341,550 Shares (330,439 Shares, excluding own Shares) at a price of 4,403.28 ISK, or 210 DKK, in cash for each Share (nominal value of DKK 100).
- It is a condition that the Offer from the Company should be agreed in writing by shareholders representing not more than 31.93% and not less than 24% of the Company's total share capital within the offer period.

The Offer may be revoked if any of the following conditions are satisfied:

1. Another public offer pursuant to the Icelandic Securities Transactions Act is made which is equivalent to or more favourable than the Offer;
2. A condition to which the Offer is subject is not fulfilled;

Revocation of the Offer is subject to the approval of the Icelandic FSA.

Any withdrawal of the Offer will be made public in accordance with article 114 of the Icelandic Securities Transactions Act.

Atlantic Airways has no obligation to acquire any Shares and shall not be deemed to have acquired any Shares pursuant to the Offer unless and until all of the above conditions have been satisfied or waived by Atlantic Airways.

Atlantic Airways reserves the right in its sole discretion to waive one or more of the conditions set forth above, purchase Shares and complete the Offer even though one or more of the above conditions are not satisfied, in whole or in part.

EXTENSION/INCREASE OF THE TENDER OFFER

Atlantic Airways reserves the right to extend the Offer Period and/or make the Offer more favourable for the Shareholders in accordance with applicable rules. Notification of any such extension and/or changes will be made public in accordance with article 114 of the Icelandic Securities Transactions Act. The announcement will specify the possible revised offer period and/or the revised offer price, which will then be referred to as the "Offer Period" or the "Offer Price", respectively. Any extension of the Offer Period and/or any increase of the Offer Price shall not constitute a new tender offer. Shareholders who have accepted the Offer will continue to be bound by their acceptances if the Offer Period is extended and/or the Offer Price is increased. If Atlantic Airways increases the Offer Price, Shareholders who have accepted

the Offer at a lower Offer Price will automatically be entitled to such increased Offer Price if the Offer is completed.

If Atlantic Airways increases the Offer Price within the last two weeks of the Offer Period, Atlantic Airways will hold the Offer open so that it expires two weeks from the date on which notice of such increase is first published, and otherwise as required by Icelandic law.

OPEN MARKET PURCHASES

Subject to compliance with applicable law, including the receipt of any required approvals or regulatory guidance, Atlantic Airways or its affiliates may purchase or make arrangements to purchase Shares during the Offer Period from the Shareholders who are willing to sell such Shares outside of the Offer, including purchases in the open market at prevailing prices or in private transactions at negotiated prices. Any such purchase will be subject to the conditions of par. 3 of article 103 of the Icelandic Securities Transactions Act. If a higher price is thus paid than provided for in the Offer during the Offer period, the Offeror will adjust the Offer and offer that price. If the Offeror, or parties acting in concert with the Offeror, will pay a higher price or offer better terms for the Shares during the three months following the conclusion of the Offer Period, those Shareholders who accepted the original offer shall be paid a supplemental payment corresponding to the difference.

OTHER TERMS AND CONDITIONS

Shareholders accepting this Offer by selling Shares will be eligible to vote at any general meeting Atlantic Airways may hold during the Offer Period, and such Shareholders will retain their right to any dividends or other distributions with respect to their Shares until payment and delivery has been completed, and the Offeror has been registered as the owner of the Shares in the Company's share registry.

ADDITIONAL MEASURES

Foreign exchange transactions have been subject to capital controls in Iceland since the autumn of 2008. Issues regarding foreign currency exchange are governed by the Icelandic Act No. 87/1992 on Foreign Exchange, as amended (the "FX Act"). Foreign Shareholders of the Company and Shareholders living abroad can be affected by the FX Act, if their Shares have been admitted to trading at the NASDAQ OMX Iceland. The FX Act does not affect the Shareholders' ability to accept the Offer. However, they can inter alia affect the Shareholders' possibility to exchange the proceeds to foreign currency. Further information on the FX Act is available on the website of the Central Bank of Iceland, www.sedlabanki.is. Foreign Shareholders and Shareholders living abroad are encouraged to seek professional assistance regarding the FX Act.

TAX CONSIDERATIONS

The tax consequences for Shareholders in connection with an acceptance of the Offer depend on each Shareholder's individual circumstances. Atlantic Airways's Shareholders are advised to seek specialist advice from tax advisers on the taxation of Shares in connection with this Offer.

APPLICABLE LAW AND JURISDICTION

This Offer Document, the acceptance form and all agreements and communications between the Offeror and Shareholders in connection with the offer are governed by Icelandic law. Any disputes which may arise from the substance and the execution of the Offer shall be resolved by the District Court of Reykjavík, Iceland.

LANGUAGE

This Offer Document has been prepared in English and translated into Icelandic. In case of inconsistencies the Icelandic FSA has approved with reference to par. 3 of article 113 of Act No. 108/2007 that the English text shall prevail.

The Icelandic FSA has only approved the English version with reference to par. 2 and 3 of article 113 of Act No. 108/2007. Accordingly, the English version shall prevail in case of inconsistencies.

DOCUMENTS

A copy of this Offer Document along with an acceptance form will be sent to the Shareholders listed in Atlantic Airways's share registry at the beginning of the day Friday 7 March 2014, except for Shareholders in such jurisdictions in which the distribution of the Offer would be contrary to law or otherwise restricted, including the United States, Canada, Japan, South Africa and Australia.

A copy of the Offer Document can also be downloaded via the internet from Atlantic Airways's website, www.atlantic.fo.

Expected timeline for the Offer:

<u>Date</u>	<u>Event</u>
10 February 2014	Announcement of decision to launch the Offer
7 March 2014	Announcement of the Offer document
31 March 2014	Extraordinary General Meeting to approve the Offer
15 April 2014	Expected announcement of an independent financial undertaking regarding the Offer
22 April 2014	Expiry of the Offer Period for the Offer
25 April 2014	Expected announcement of the result of the Offer
28 April 2014	Expected settlement of the Offer

4 DESCRIPTION OF ATLANTIC AIRWAYS

Overall description

Atlantic Airways was established in 1987 in order to develop the Faroese airline industry and airline services, and through this establish a competent aviation environment in the Faroe Islands.

Since the Company's establishment, it has grown from a small company with one aircraft and limited capabilities to a company, which operates several aircraft and helicopters. At year-end 2013 Atlantic Airways had 181 full-time equivalent employees, and operated 4 aircraft and 2 helicopters.

In 2007, the Company was listed on NASDAQ OMX Iceland, and in 2008 on NASDAQ OMX Copenhagen.

Further information on Atlantic Airways can be found on the Company's website, www.atlantic.fo.

Business overview

The Company's mission is to transport people and cargo by air with the Faroe Islands as our cornerstone. The Company's vision is to enable the Faroese people to travel the world, providing the best possible service and to remain the preferred airline carrier in the Faroe Islands.

In line with Company's mission and vision statement, Atlantic Airways strives to provide the Faroe Islands with safe, commercially viable, diverse, and competitive air travel to the rest of the world. Internationally, it is the Company's strategy to be competitive in niche markets outside the Faroe Islands, while as a company to remain flexible and responsive to changes and opportunities at all times. The Company's strategy is currently being reviewed, and the results of this strategy review is expected to be announced by the end of the first half of 2014.

The total revenue of the Company in 2012 was DKK 501.3 million, earnings before depreciation (EBITDA) were DKK 83.3 million in 2012 and the net result after tax was DKK 14.0 million. As at 31 December 2012, the equity was DKK 247 million, resulting in an equity ratio of 49%. The cash position at year-end 2012 was DKK 97.1 million.

The total revenue of the Company in 2013 was DKK 542.2 million, earnings before depreciation (EBITDA) were DKK 81.5 million in 2013 and the net result after tax was DKK 7.4 million. As at 31 December 2013, the equity was DKK 248 million, resulting in an equity ratio of 51%. The cash position at year-end 2013 was DKK 116 million.

Key financial figures

The key financial figures set forth in the table below are an extract from Atlantic Airways' annual report 2013. Further details on Atlantic Airways financials are available in the Company's annual report for 2013. Atlantic Airways annual reports and quarterly statements are available on the Company's website, www.atlantic.fo.

Key Financial Figures (DKK millions)

	2013	2012	2011	2010
Income Statement				
Net sales	542	501	436	403
EBITDA	82	83	74	69
Profit (after tax)	7	14	23	12
Balance sheet				
Total assets	484	500	382	411
Equity	248	247	250	227
Total non-current liabilities	142	165	64	67
Cash flow				
Net cash flow from operating activities	74	86	83	62
Net cash flow used in invest. activities	-24	-188	1	-31
Net cash flow from financing activities	-31	100	-66	-15
Cash flows for the period	19	-1	17	16
Key Figures				
EBITDAR margin (%)	18	19	19	19
Return on investment (%)	4	5	8	5
Current ratio (%)	162	147	207	164
Solvency ratio (%)	51	49	65	55
Return on equity after tax (%)	3	6	10	6
Income/cost ratio (%)	1.02	1.04	1.07	1.04
Shares				
Numbers of shares (1,000 DKK)	1,035	1,035	1,035	1,035
Earnings after tax per share (DKK)	7.12	13.56	21.78	11.93
Share price end of period (DKK)	141	121	100	116
Price/earnings ratio (P/E)	19.81	8.92	4.59	9.73

5 ATLANTIC AIRWAYS SHAREHOLDER INFORMATION

5.1 Share capital

The Company's share capital consist of 1,035,000 Shares (1,023,889 Shares, excluding own Shares) having a nominal value of DKK 100 each. Only one class of shares exists, and all Shares have equal rights.

5.2 Shareholders

Shareholders	Number of shares	Share capital %	Votes %
Vinumálaráðið (Føroya Landsstýri)	693,450	67.0	67.7
Sp/f 07.12.2007	58,269	5.6	5.7
Other registered shareholders	264,639	25.6	25.8
Non-registered shareholders	7,531	0.7	0.7
Total (Excluding own shares)	1,023,889	98.9	100.0
Own shares	11,111	1.1	0.0
Total	1,035,000	100.0	100.0

Atlantic Airways' large shareholders, cf. the Companies Act, are: The Ministry for Industry of the Faroe Islands, and Sp/f 07.12.2007. These shareholders each own more than 5% of the Company's shares. The holding of the Ministry for Industry of the Faroe Islands amounted to 67.0% on 24 January 2014. The total number of registered shareholders amounted to 1,069 as at 24 January 2014.

5.3 Board of Directors and management interests

Below is information on the number of Shares and share options of the Board of Directors and the Executive Management (including their financially linked parties), as applicable.

<u>Name</u>	<u>Shares</u>	<u>Share options</u>
Board of Directors		
Niels Mortensen, Chairman of the Board	0	0
Kaj Johannesen, Vice chairman	0	0
Tezz Tordsdotter Åkerman, Board member	0	0
Søren Jespersen, Board member	0	0
Ingi S. Joensen, Board member	197	0
Olaf S. Poulsen, Board member	383	0

Executive Management

Jørgen Holme, CEO	0	0
Marius Davidsen, CFO	1,450	0
Joen Remmer, COO	0	0

The remuneration for the Board of Directors and Executive Management is determined in accordance with the Company's remuneration policy, which was approved at the Atlantic Airways's Annual General Meeting on 17 April 2012.

Remuneration of the Board of Directors and Executive Management (DKK 1,000)

Board of Directors	2013	
Niels Mortensen, Chairman of the Board (Joined the Board 8 march 2013)	Fixed salary	211
Kaj Johannesen, Vice chairman (Joined the Board 23 April 2009)	Fixed salary	240
Tezz Tordsdotter Åkerman , Board member (Joined the Board 25 March 2010)	Fixed salary	140
Søren Jespersen, Board member (Joined the Board 19 June 2013)	Fixed salary	82
Ingi S. Joensen, Board member (Joined the Board in 2006)	Fixed salary	140
Olaf S. Poulsen, Board member (Joined the Board 29 October 2010)	Fixed salary	140
Bjarni A. Bjarnason (Left the Board 8 March 2013)	Fixed salary	26
Jens Wittrup Willumsen (Left the Board 14 May 2013)	Fixed salary	83
Exetutive Management		
2013		
Jørgen Holme, CEO (From 16 November 2013)	Fixed salary	262
	Pensions	35
	Bonus	0
Marius Davidsen, CFO	Fixed salary	926
	Pensions	109
	Bonus	59
Joen Remmer, COO	Fixed salary	828
	Pensions	122
	Bonus	0
Magni Arge, Former CEO (Left the Company on 16 November 2013)	Fixed salary	1,061

Termination

Benefits 2,709

Pensions 157

The Offeror has not and will not grant members of the Board of Directors or Executive Management any fringe benefits, payments or compensation that has not been offered to other Shareholders pursuant to the Offer.

Atlantic Airways's remuneration policy and further details on the remuneration of the Board of Directors and Executive Management can be found on the Company's website, www.atlantic.fo.

5.4 Share price and turnover

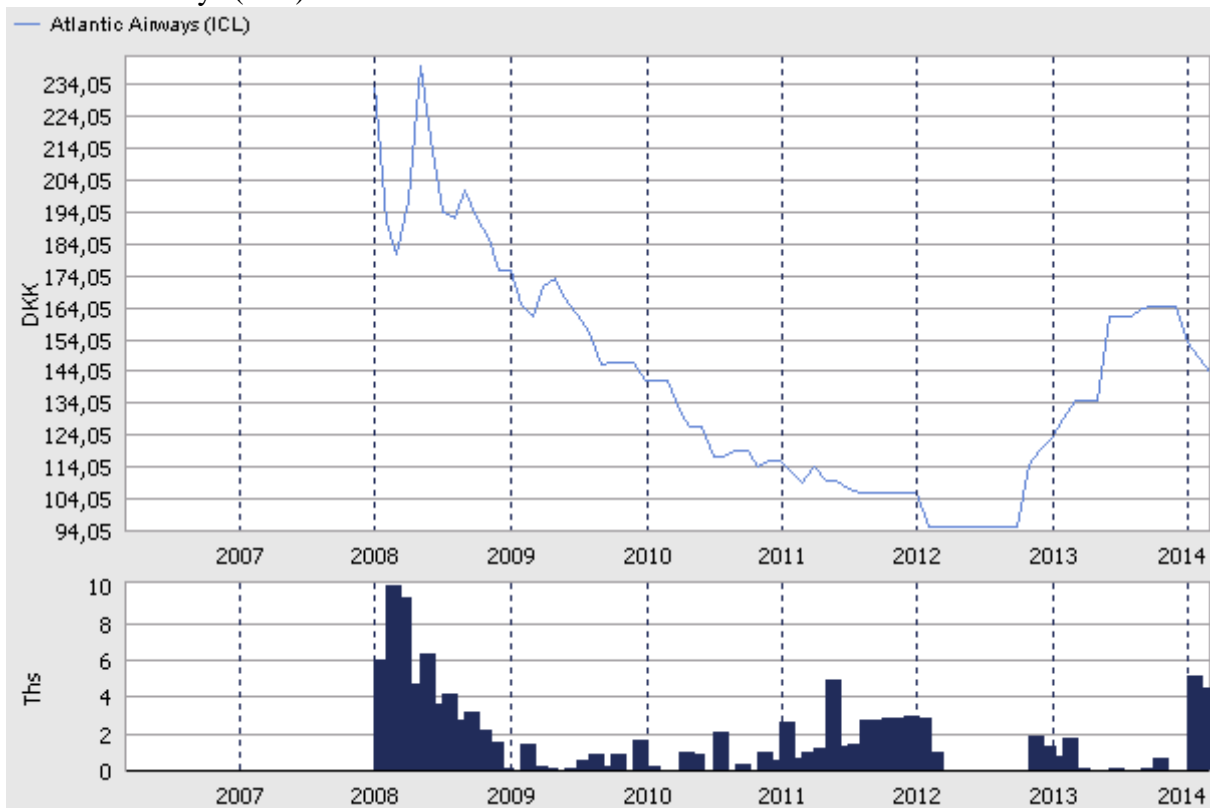
Set out below is the share price and turnover developments of Atlantic Airways shares on the NASDAQ OMX Copenhagen and NASDAQ OMX Iceland, respectively.

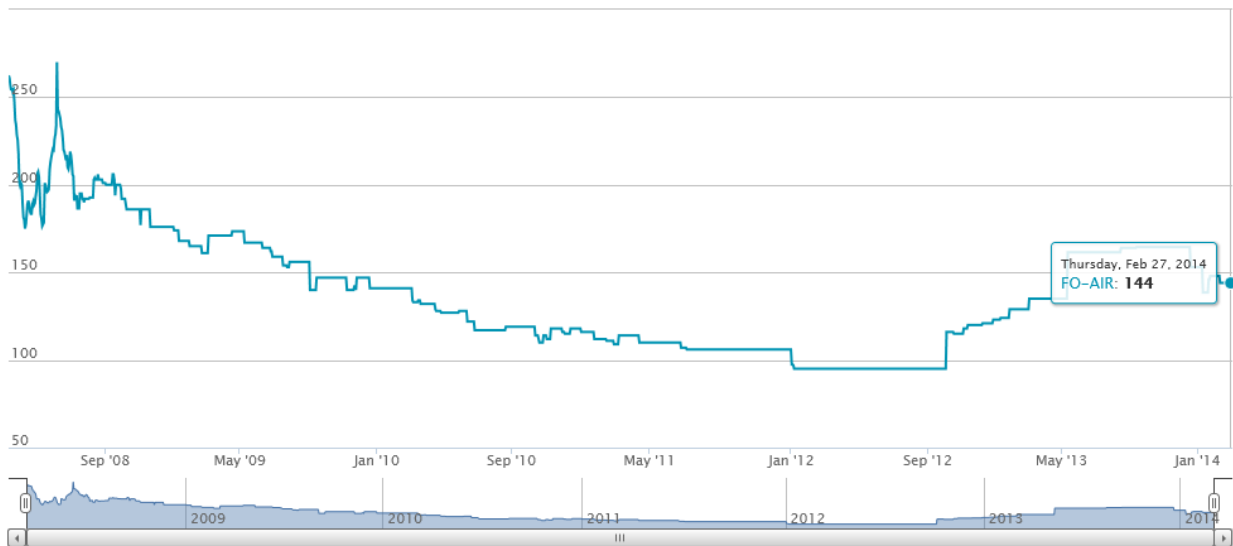
Atlantic Airways (COP) Shares





Atlantic Airways (ICL) Shares





In the below table is an illustration of the closing price of the Atlantic Airways share prior to the announcement on Monday 10 February 2014 of the Company's intention to make an Offer for the Private Shares of Atlantic Airways (data relates to Atlantic Airways's closing price on NASDAQ OMX Copenhagen and NASDAQ OMX Iceland):

Time prior to Monday 10 February 2014	NASDAQ OMX Copenhagen¹⁾	NASDAQ OMX Iceland¹⁾
One day	141 (+48.9%)	148 (+41.9%)
One week	145.5 (+44.3%)	148 (+41.9%)
One month	135 (+55.6%)	138.5 (+51.6%)
Three months	155 (+35.5%)	164.5 (+27.7%)

¹⁾ Percentages show the premium compared the Offer price of 210 DKK.

6 SIGNIFICANT EVENTS SINCE 31 DECEMBER 2012 FOR ATLANTIC AIRWAYS

Atlantic Airways has published the following stock exchange releases since financial year end 31 December 2012:

- 12.02.13: Annual Report 2012
- 13.02.13: Calling Annual General Meeting
- 14.02.13: Annual Report 2012 (correction)
- 27.02.13: Calling Annual General Meeting (correction)
- 03.03.13: Atlantic Airways signs second contract with Atlantis Rejser
- 08.03.13: Results of Annual General Meeting
- 08.03.13: Constitution of Board of Directors
- 14.05.13: Results of Q1 2013
- 14.05.13: Jens Wittrup Willumsen resigns from the Board of Directors
- 22.05.13: Calling Extraordinary General Meeting
- 19.06.13: Results of Extraordinary General Meeting
- 09.08.13: Adverse weather caused delays and extra costs
- 21.08.13: Results of Q1-Q2 2013
- 31.10.13: Results of Q1-Q3 2013
- 16.11.13: Atlantic Airways appoints new CEO
- 10.12.13: Atlantic Airways sells on RJ-85 aircraft
- 18.12.13: Financial Calendar 2014
- 20.12.13: Atlantic Airways have to stop operating duty-free sales at Vagar Airport from May 2014
- 09.01.14: Atlantic Airways wins tender to provide Statoil helicopter service
- 10.02.14: Atlantic Airways wants to buy the privately owned shares in the Company
- 11.02.14: Atlantic Airways leases out one RJ-100 aircraft to Malmø Aviation
- 13.02.14: The Faroese Parliament has deleted the statutory provision that Atlantic Airways shall be listed
- 20.02.14: Vagar Airport chooses to form a new company together with Atlantic Airways P/F to operate the duty-free store at Vagar Airport
- 13.02.14: The Faroese Parliament has deleted the statutory provision that Atlantic Airways shall be listed

- 04.03.14: Annual Report 2013

Information on Atlantic Airways is published through NASDAQ OMX and on the Company's website and shareholders are advised/encouraged to pay attention to them (including any potential news that may be released during the Offer Period).

7 DEFINITIONS AND COMPANY NAMES

As used in this Offer Document, the following terms shall have the following meaning:

“Affiliates” means any company or other legal entity controlling or controlled by, directly or indirectly, the Company, or the Offeror, as the case may be. (For the purpose hereof, the Group immediately prior to Completion shall not be considered Affiliates of the Oticon Foundation or the Offeror.)

“Atlantic Airways” means Atlantic Airways P/f, company registration no. 1223, a public limited liability company incorporated under the laws of Faroe Islands its registered office at Vága Floghavn, 380 Sørvágur.

“Board of Directors” means the Board of Directors of Atlantic Airways.

“Business Days” means any day where the banks in Iceland are generally open for transaction of business.

“Company” means Atlantic Airways.

“Completion” means the completion, including settlement, of the Offer in accordance with the terms and conditions as set out in this Offer Document and “Complete”/“Completed” shall be interpreted accordingly.

“Conditions” means the conditions for Completion as set out in section 3 of this Offer Document.

“Executive Management” means Executive Management of Atlantic Airways.

“Group” means Atlantic Airways, including subsidiaries or activities of Atlantic Airways.

“Icelandic FSA” means the Icelandic Financial Supervisory Authority (in Icelandic: “Fjármálaeftirlitið (FME)”).

“NASDAQ OMX Copenhagen” means NASDAQ OMX Copenhagen A/S, company registration no. (CVR) 19042677.

“NASDAQ OMX Iceland” means NASDAQ OMX Iceland hf., company registration no. 681298-2829.

“Offer” means this voluntary public offer.

“Offer Document” means this document on the voluntary public offer submitted by the Offeror to the Shareholders.

“Offer Period” means a period of four weeks commencing on 13 March 2014 and expiring on 22 April 2014 at 16.00 (Faroese Time) or at the expiration of an extension of the offer period as decided by the Offeror pursuant to section 3 of this Offer Document.

“Offer Price” means a cash consideration of DKK 210 per Share, as potentially amended in accordance with the Offer Document.

“Offeror” means Atlantic Airways.

“Person” means any individual, corporation, limited liability company, joint venture, partnership, association, trust, unincorporated organization or any other entity or group.

“Private Shareholder” means all shareholders of Atlantic Airways, excluding Vinnumálaráðið (Føroya Landsstýri) and Atlantic Airways.

“Shareholder” means a shareholder of the Company at any given time.

“Share price” means the price of the Share of the Company, cf. NASDAQ OMX Iceland or NASDAQ OMX Copenhagen.

“Shares” means Shares each having a nominal value of DKK 100 in Atlantic Airways any given time.

Sørvágur on 7 March 2014

The Board of Directors of Atlantic Airways P/f

Appendix 1 – Acceptance Form

Acceptance of the sale of Shares in Atlantic Airways P/f

(To be submitted to the Shareholder's custodian bank for endorsement and processing.)

Acceptance must take place through the Shareholder's custodian bank and must be in BankNordik P/F's possession not later than 22 April 2014 at 16:00 p.m. (Faroese time) or in case of an extended Offer Period such later date and time as stated in the notice of extension of the Offer Period.

The undersigned represents that the Shares sold are free from any and all charges, liens, encumbrances and other third party rights.

Subject to the terms set out in the Offer Document published by Atlantic Airways P/f, on 7 March 2014, I/we the undersigned hereby accept the Offer for payment of 4,403.28 ISK, or 210 DKK, in cash for each Atlantic Airways P/f Share of a nominal value of 100 DKK and place an order for sale of the following number of shares of 100 DKK nominal value in Atlantic Airways P/f (ISIN securities code FO 0000000062):

No. of Atlantic Airways P/f Shares:

I/we permit the effectuation of the sale by transfer of the Atlantic Airways P/f Shares from my/our custodian account with:

Custodian bank:
VP-account:

The proceeds from the Atlantic Airways P/f Shares sold must be transferred to:

Bank:
Registration No./Account No.

Information about the tendering shareholder and signature:

Name:	
Address:	
City and postcode:	Registration No./Personal Identification No.:
Telephone:	Date and signature:

The undersigned custodian bank agrees to transfer the above Atlantic Airways P/f Shares to BankNordik P/F if Atlantic Airways P/f determines in its reasonable discretion that this acceptance form is in accordance with the Offer dated 7 March 2014 for the acquisition of shares in Atlantic Airways P/f and that the Conditions to the Offer have been satisfied or waived by Atlantic Airways P/f:

Registration No.:	CD-identification:
Company stamp and signature:	

Information to the custodian bank:

Upon the endorsement of this acceptance form, the Shareholder's custodian bank shall no later than by 22 April 2014 at 16:00 p.m. (Faroese time) or in case of an extended Offer Period at such later date and time as stated in the notice of extension of the Offer Period have submitted the acceptance of the Offer to BankNordik P/F:

BankNordik P/F

Postbox 3048

Húsagøta 3

FO-110 Tórshavn

Faroese Islands

Phone: +298 330 330 (ask for Markeds FO)

Fax: +298 319 055

E-mail: ilogur@banknordik.fo