

Atlantic Airways  
Board of Directors  
Vagar Airport  
Sørvágur  
Faroe Islands

Reykjavík, 10 April 2014

## **FAIRNESS OPINION**

Straumur fjárfestingabanki hf. (“Straumur”) has been requested to provide its opinion as to the fairness, from a financial point of view, of the terms of the Voluntary Public Offer to the Private Shareholders of Atlantic Airways P/f, company registration No. 1223, 380 Sørvágur, Faroe Islands (the “Company”) set forth by the Company as Offeror in an Offer Document dated 7 March 2014 (the “Transaction”).

## **TRANSACTION BACKGROUND**

On 7 March 2014 the Company issued a voluntary public offer to the private shareholders of the Company. Private Shareholders, for the purposes of the offer, are defined as all shareholders of the Company except Vinnumálaráðið (Føroya Landsstýri) and the Company. The offer constitutes a voluntary public offer pursuant to the Icelandic Securities Transactions Act No. 108/2007, as amended. The offer is governed by the laws of Iceland. The offer has been reviewed and accepted by the Financial Supervisory Authority, Iceland. 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. Settlement will take place five business days after the expiration of the offer period.

The Private Shareholders of the Company are offered an Offer Price of ISK 4,403.28 or DKK 210 in cash for each share of Atlantic Airways (ISIN securities code FO 0000000062) having a nominal value of DKK 100 each. If dividends are paid by the Company or if the Company makes other distributions to its shareholders prior to the settlement of the Offer the Offer Price shall be reduced accordingly. The offer will be financed 50% by the Company’s own free cash resources and 50% with bank financing. Payment of shares is guaranteed by BankNordik.

At the time of publication of the Offer Document the Company held 11,111 Shares, corresponding to approx. 1.07% of the outstanding share capital in the Company. Føroya Landsstýri (The Government of the Faroe Islands) held 693,450 Shares corresponding to 67% of the outstanding share capital in the Company. The Company and The Government of the Faroe Islands are acting in concert with respect to the Offer.

The Company is a public limited company registered in the Faroe Islands. The Government of the Faroe Islands holds 67% of the share capital in the Company. If the Offer is accepted by the Private

Shareholders of the Company which represent at least 248,400 shares, or 24% of the share capital, 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 becomes the only shareholder in the Company. The intention is accordingly to delist the Company with the Government of the Faroe Islands as the sole shareholder.

The Company and Føroya Landsstyri have 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. We refer in other respects to the Offer Document, including the terms and conditions, which should be reviewed in its entirety.

## **SCOPE OF ANALYSIS**

In preparing this fairness opinion Straumur has (i) Used customary valuation methods as Straumur has deemed necessary or relevant for the purposes of this opinion. The valuation is prepared based on a net present value calculation of the Company. Future cash flows are based on Straumur estimates on the development of the Company's business and on long term market estimates. Straumur has assumed no major changes to the business during the forecast period, for example relating to shareholders, fleet or operating schedule or any future events that might unfold synergies with other businesses. The analysis was prepared only for the purpose of enabling Straumur to provide this opinion and may not necessarily reflect the prices at which businesses or securities may actually be sold; (ii) Reviewed the terms and conditions of the Transaction; (iii) Reviewed publicly available financial and other information deemed relevant relating to the operations of the Company; (iv) Reviewed reported prices and trading activity for shares in the Company; (v) Reviewed and discussed certain financial information and business characteristics on a high level basis with senior management of the Company.

Subsequent developments after the date of this letter may affect this opinion and the assumptions made in preparing this opinion. Straumur is not obliged to update, revise or reaffirm this opinion if such conditions change.

## **RESTRICTIONS AND LIMITATIONS**

Straumur has not independently verified any information relating to the Company, whether publicly available or furnished to Straumur, or otherwise reviewed by Straumur for the purposes of this opinion, including without limitation any financial information. Straumur has assumed and relied upon, without independent verification, the accuracy and completeness of any such information, and does not assume any responsibility or liability as a result thereof. For the avoidance of doubt, in relation to the preparation of this opinion, Straumur has not taken into consideration the individual financial situation or circumstances of any shareholder.

Straumur has not carried out an inspection of any of the properties or assets of the Company and has not prepared any valuation or appraisal of any of the Company's assets and liabilities. Straumur has not reviewed any financing agreements or any contracts with suppliers or customers. Straumur has not been provided with forecasts, projections or forward looking statements from the Company, except for the budget for the year 2014, which Straumur assumes is based on best currently available

estimates and judgements of the Company's management. Straumur has not carried out any due diligence exercises relating to the Company. As a result of the foregoing neither Straumur nor any officer or employee thereof has assumed or does assume any responsibility or liability for any direct or consequential loss arising from any use of this fairness opinion or its contents.

This letter is provided solely for the benefit of the Board of Directors of the Company in connection with and for the purposes of their evaluation of the Transaction and shall not provide rights or remedies to any party. It does not constitute an investment recommendation by Straumur to any party to accept or reject the offer. This letter may not be relied upon by any third party for any purpose. This letter is provided on the condition that it carries no legal responsibility on the part of Straumur.

For the avoidance of doubt, Straumur has not been involved in work related to the preparation of the Transaction and its role is solely to provide this fairness opinion. Straumur has accordingly not been involved in any negotiations or any decision making in relation to setting forth the terms of the Transaction.

## CONCLUSION

Based on our analysis and the foregoing Straumur is of the opinion that, as of the date hereof, the price offered in the Transaction to the Private Shareholders of the Company is fair from a financial point of view.

This letter may not be reproduced or referred to in any public document or given to any person without the prior written consent of Straumur. However, this letter may be included in any disclosure document filed by the Company with any applicable regulatory body provided the letter is reproduced in full and any other reference to Straumur in such disclosure in a form acceptable to Straumur. This letter is governed by the laws of Iceland and any dispute arising out of or in connection with it shall be exclusively settled before the District Court in Reykjavík.

Yours faithfully  
10 April 2014



Straumur fjárfestingabanki hf.