

**Republic of Iceland
launches cash tender offer and
announces intention to issue new notes**

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5 June 2019. The Republic of Iceland (the **Offeror**) announces today an invitation (such invitation, the **Offer**) to holders of its €750,000,000 2.50 per cent. Notes due 15 July 2020 (ISIN: XS1086879167) (of which €52,422,000 in aggregate nominal amount is outstanding as at the date hereof) (the **Notes**) to tender their Notes for purchase by the Offeror for cash.

The Offer is being made on the terms and subject to the conditions contained in the tender offer memorandum dated 5 June 2019 (the **Tender Offer Memorandum**) prepared by the Offeror in connection with the Offer, and is subject to the offer and distribution restrictions set out below and as more fully described in the Tender Offer Memorandum. Noteholders are advised to read carefully the Tender Offer Memorandum for full details of, and information on the procedures for participating in, the Offer.

Copies of the Tender Offer Memorandum are (subject to distribution restrictions) available from the Tender Agent as set out below. Capitalised terms used but not otherwise defined in this announcement shall have the meaning given to them in the Tender Offer Memorandum.

A summary of certain terms of the Offer appear below:

Description of the Notes	ISIN / Common Code	Outstanding nominal amount	Purchase Yield*	Amount subject to the Offer
€750,000,000 2.50 per cent. Notes due 15 July 2020	XS1086879167 / 108687916	€52,422,000	-0.40 per cent.	Any and all

* For information purposes only, the Purchase Price will, when determined in the manner described in the Tender Offer Memorandum on the basis of a Tender Offer Settlement Date of 20 June 2019, be 103.112 per cent. Should the Tender Offer Settlement Date in respect of any Notes accepted for purchase pursuant to the Offer differ from 20 June 2019, the Purchase Price will be recalculated, as further described in the Tender Offer Memorandum.

Rationale for the Offer

The Offeror intends to issue the New Notes. Part of the proceeds from the New Notes will be used for purchasing the Notes. The rationale of the Offer is thus to proactively manage upcoming debt repayments and to extend the average debt maturity profile of the Offeror.

Purchase Price and Accrued Interest

The Offeror will pay for any Notes validly tendered and accepted for purchase by the Offeror pursuant to the Offer a purchase price (the **Purchase Price**) to be determined in the manner described in the Tender Offer Memorandum by reference to a fixed purchase yield of -0.40 per cent. (the **Purchase Yield**).

The Purchase Price will be determined in accordance with market convention and expressed as a percentage of the nominal amount of the Notes accepted for purchase pursuant to the Offer (rounded to the nearest 0.001 per cent., with 0.0005 per cent. rounded upwards), and is intended to reflect a yield to the maturity of the Notes on the Tender Offer Settlement Date equal to the Purchase Yield. Specifically, the Purchase Price will equal (a) the value of all remaining payments of principal and interest on the Notes up to and including the scheduled maturity date, discounted to the Tender Offer Settlement Date at a discount rate equal to the Purchase Yield, minus (b) Accrued Interest.

The Offeror will also pay, on the Tender Offer Settlement Date, Accrued Interest in respect of any Notes accepted for purchase pursuant to the Offer.

New Financing Condition

The Offeror intends to issue euro-denominated fixed-rate notes (the **New Notes**) under its U.S.\$5,000,000,000 Euro Medium Term Note Programme (the **Programme**).

*The target market for the New Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**) and the New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded).*

The Offeror is not under any obligation to accept for purchase any Notes tendered pursuant to the Offer. The acceptance for purchase by the Offeror of Notes tendered pursuant to the Offer is at the sole discretion of the Offeror and tenders may be rejected by the Offeror for any reason. The purchase of any Notes by the Offeror pursuant to the Offer is also subject, without limitation, to (i) the pricing of the issue of the New Notes, (ii) the signing by the Offeror and the relevant managers of a subscription agreement in respect of the subscription for the New Notes and (iii) such subscription agreement remaining in full force and effect as at the Tender Offer Settlement Date (the **New Financing Condition**).

The Offeror reserves the right at any time to waive any or all of the conditions of the Offer (including the New Financing Condition) as set out in the Tender Offer Memorandum.

New Issue Allocation

A Noteholder that wishes to subscribe for New Notes in addition to tendering Notes for purchase pursuant to the Offer will receive priority in the allocation of the New Notes, subject to the completion of the Offer, the issue of the New Notes and the satisfaction of the various steps set out below, as further described in the Tender Offer Memorandum. It is the Offeror's intention that such priority will be given for an aggregate nominal amount of New Notes (such priority amount, a **New Issue Allocation**) equal to the aggregate nominal amount of Notes subject to a valid Tender Instruction in which a New Issue Allocation is also requested (such Tender Instruction, a **Tender and New Issue Allocation Instruction**).

However, the aggregate principal amount of New Notes, if any, for which priority will be given to any Noteholder will be subject to the sole and absolute discretion of the Offeror and may be less than, equal to or greater than the aggregate principal amount of Notes validly tendered by such Noteholder in the Offer and accepted for purchase by the Offeror.

Such priority will be given over any investor who is applying to purchase New Notes without having validly tendered Notes for purchase pursuant to the Offer.

For the avoidance of doubt, a Noteholder may request a New Issue Allocation for a nominal amount of New Notes that is equal to or less than the aggregate nominal amount of Notes which are the subject of such Noteholder's Tender and New Issue Allocation Instruction; provided that, as the minimum denomination of the New Notes is €100,000, such requested New Issue Allocation must be for at least €100,000 in aggregate nominal amount of the New Notes for the relevant Noteholder to be eligible to receive a priority allocation in the New Notes.

To be eligible to receive a New Issue Allocation, a Noteholder must:

- (i) contact a Dealer Manager to register its interest and to obtain its unique reference number (the **Allocation Code**);
- (ii) deliver, or arrange to have delivered on its behalf, a Tender and New Issue Allocation Instruction. Each Noteholder that wishes to receive a New Issue Allocation to subscribe for New Notes in addition to tendering Notes for purchase pursuant to the Offer should specify in the free format text field of its Tender and New Issue Allocation Instruction the Allocation Code so provided to the Noteholder by the relevant Dealer Manager; and

- (iii) make an application to the relevant Dealer Manager (in its capacity as a Joint Lead Manager) from whom the Allocation Code was obtained for the purchase of New Notes in accordance with the standard new issue procedures of such Dealer Manager (in its capacity as a Joint Lead Manager), including a reference to such Allocation Code.

The receipt of an Allocation Code in conjunction with any tender of Notes is not an application for the purchase of the New Notes.

Noteholders that have obtained an Allocation Code and satisfied the other steps in (ii) and (iii) above will only receive a New Issue Allocation to the extent that they accept the final pricing of the New Notes.

Each Dealer Manager will only provide an Allocation Code to a Noteholder who (a) confirms to such Dealer Manager that it is outside the United States, is not a U.S. person (as defined in Regulation S under the United States Securities Act of 1933, as amended (the **Securities Act**)) and is eligible to purchase the New Notes pursuant to all applicable securities laws and regulations in force in any relevant jurisdiction (including the jurisdiction of such Noteholder) and (b) has an account with such Dealer Manager (in its capacity as a Joint Lead Manager) or is otherwise an approved counterparty of such Dealer Manager (in its capacity as a Joint Lead Manager) or who has made such request through an approved counterparty of such Dealer Manager (in its capacity as a Joint Lead Manager).

If any Noteholder wishes to subscribe for New Notes in addition to its New Issue Allocation it must make a separate application to subscribe for such additional New Notes to a Joint Lead Manager in accordance with the standard new issue procedures of such Joint Lead Manager.

A Noteholder that wishes to tender Notes for purchase pursuant to the Offer but does not wish to receive a New Issue Allocation, or is not eligible to receive a New Issue Allocation, must complete a Tender Instruction with no request for a New Issue Allocation (a **Tender Only Instruction** and, each Tender Only Instruction together with any Tender and New Issue Allocation Instructions, the **Tender Instructions**).

Acceptance and no scaling

If the Offeror decides to accept valid tenders of Notes pursuant to the Offer, the Offeror will accept for purchase all of the Notes that are validly tendered in full, with no *pro rata* scaling.

Tender Instruction

In order to participate in the Offer, Noteholders must validly tender their Notes for purchase by delivering, or arranging to have delivered on their behalf, a valid Tender Instruction that is received by the Tender Agent by 5.00 p.m. (Central European Time) on 12 June 2019 (the **Expiration Deadline**).

Tender Instructions will be irrevocable except in the limited circumstances described in the Tender Offer Memorandum.

Tender Instructions must be submitted in respect of a minimum nominal amount of no less than €100,000, being the minimum denomination of the Notes, and may be submitted in integral multiples of €1,000 thereafter. In addition, the New Issue Allocation requested in any Tender and New Issue Allocation Instruction must be for an amount which is at least €100,000 in aggregate nominal amount of the New Notes for the relevant Noteholder to be eligible to receive priority in the allocation of the New Notes.

Tender Instructions which relate to a nominal amount of Notes of less than €100,000 will be rejected.

Indicative Timetable for the Offer

Events

Times and Dates

Commencement of the Offer

Wednesday, 5 June 2019

Expiration Deadline

5.00 p.m. (Central European Time) on
Wednesday, 12 June 2019

<i>Pricing of the New Notes</i>	Expected to be on or around Thursday, 13 June 2019
<i>Announcement of Acceptance and Final Results</i>	Expected to be on Thursday, 13 June 2019
<i>Settlement of New Notes</i>	Expected to be on Thursday, 20 June 2019
<i>Tender Offer Settlement Date</i>	Expected to be Thursday, 20 June 2019

The Offeror may, in its sole discretion, extend, re-open, amend, waive any condition of or terminate the Offer at any time (subject to applicable law and as provided in the Tender Offer Memorandum) and the above times and dates are subject to the right of the Offeror to extend, re-open, amend, waive any condition of and/or terminate the Offer.

Noteholders are advised to check with any bank, broker or other intermediary through which they hold Notes by when such intermediary would need to receive instructions from a Noteholder in order for that Noteholder to be able to participate in, or (in the limited circumstances in which revocation is permitted) revoke their instruction to participate in, the Offer by the deadlines set out above. The deadlines set by any such intermediary and each Clearing System for the submission and withdrawal of Tender Instructions will be earlier than the relevant deadlines above.

Unless stated otherwise, announcements in connection with the Offer will be made (i) by publication through RNS and (ii) by the delivery of notices to the Clearing Systems for communication to Direct Participants. Such announcements may also be made on the relevant Reuters Insider Screen and/or by the issue of a press release to a Notifying News Service. Copies of all such announcements, press releases and notices can also be obtained upon request from the Tender Agent, the contact details for which are set out below. Significant delays may be experienced where notices are delivered to the Clearing Systems and Noteholders are urged to contact the Tender Agent for the relevant announcements during the course of the Offer. In addition, Noteholders may contact the Dealer Managers for information using the contact details set out below.

Noteholders are advised to read carefully the Tender Offer Memorandum for full details of, and information on the procedures for, participating in the Offer.

Barclays Bank PLC, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc and Nomura International plc are acting as Dealer Managers for the Offer and Citibank, N.A., London Branch is acting as Tender Agent.

Questions and requests for assistance in connection with the Offer may be directed to the Dealer Managers.

THE DEALER MANAGERS

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

For information by telephone:
+44 20 3134 8515
Attention: Liability Management Group
Email: eu.lm@barclays.com

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

For information by telephone:
+44 20 7134 2468
Attention: Liability Management
Email: emea_lm@jpmorgan.com

Nomura International plc
1 Angel Lane
London EC4R 3AB
United Kingdom

For information by telephone:
+44 20 7677 7799
Attention: Liability Management
Email: liabilitymanagementeuropa@morganstanley.com

For information by telephone:
+44 20 7103 6597
Attention: Liability Management
Email: liability.management@nomura.com

Questions and requests for assistance in connection with the delivery of Tender Instructions may be directed to the Tender Agent.

THE TENDER AGENT

Citibank, N.A., London Branch

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Telephone: +44 20 7508 3867
Attention: Exchange Team
Email: citiexchanges@citi.com

DISCLAIMER

This announcement must be read in conjunction with the Tender Offer Memorandum. This announcement and the Tender Offer Memorandum contain important information which should be read carefully before any decision is made with respect to the Offer. If any Noteholder is in any doubt as to the action it should take, it is recommended to seek its own financial and legal advice, including as to any tax consequences, from its broker, bank manager, solicitor, accountant or other independent financial adviser. Any individual or company whose Notes are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to tender such Notes for purchase pursuant to the Offer. Each of the Dealer Managers is acting exclusively for the Offeror and no one else in connection with the arrangements described in this announcement and the Tender Offer Memorandum and will not be responsible to anyone other than the Offeror for providing the protections afforded to customers of the Dealer Managers or for advising any other person in connection with the Offer. None of the Offeror, the Dealer Managers and the Tender Agent, nor any of their respective directors, employees or affiliates, makes any recommendation as to whether Noteholders should tender Notes for purchase pursuant to the Offer.

The New Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S of the Securities Act). For the purposes of this paragraph, United States means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia.

No action has been or will be taken in any jurisdiction in relation to the New Notes that would permit a public offering of securities and the minimum denomination of the New Notes will be £100,000.

OFFER AND DISTRIBUTION RESTRICTIONS

Italy

None of the Offer, this announcement, the Tender Offer Memorandum or any other document or materials relating to the Offer have been submitted to the clearance procedures of the *Commissione Nazionale per le Società e la Borsa* (**CONSOB**) pursuant to Italian laws and regulations. The Offer is being carried out in Italy as exempted Offer pursuant to article 101-bis, paragraph 3-bis of the Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and article 35-bis, paragraph 4 of CONSOB Regulation No. 11971 of 14 May 1999, as amended. Accordingly, Noteholders or beneficial owners of the Notes that are

located in Italy can tender Notes for purchase pursuant to the Offer through authorised persons (such as investment firms, banks or financial intermediaries permitted to conduct such activities in the Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018, as amended from time to time, and Legislative Decree No. 385 of 1 September 1993, as amended) and in compliance with applicable laws and regulations or with requirements imposed by CONSOB or any other Italian authority.

Each intermediary must comply with the applicable laws and regulations concerning information duties *vis-à-vis* its clients in connection with the Notes or the Offer.

United Kingdom

The communication of this announcement, the Tender Offer Memorandum and any other documents or materials relating to the Offer is not being made and such documents and/or materials have not been approved by an authorised person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **Financial Promotion Order**)) or any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (including, without limitation, pursuant to Article 34 of the Financial Promotion Order).

France

The Offer is not being made, directly or indirectly, to the public in the Republic of France (**France**). None of this announcement, the Tender Offer Memorandum nor any other document or material relating to the Offer has been or shall be distributed to the public in France and only qualified investors (*investisseurs qualifiés*) other than individuals, in each case acting on their own account and all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code Monétaire et Financier*, are eligible to participate in the Offer. Neither this announcement nor the Tender Offer Memorandum has been, or will be, submitted for clearance to nor approved by the *Autorité des Marchés Financiers*.

General

Nothing in this announcement or the Tender Offer Memorandum or the electronic transmission thereof constitutes an offer to buy or the solicitation of an offer to sell Notes (and tenders of Notes for purchase pursuant to the Offer will not be accepted from any Noteholder) in any circumstances in which such offer or solicitation is unlawful. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer and either of the Dealer Managers or any of their respective affiliates is such a licensed broker or dealer in such jurisdiction, the Offer shall be deemed to be made by such Dealer Manager or affiliate, as the case may be, on behalf of the Offeror in such jurisdiction.

Nothing in this announcement or the Tender Offer Memorandum or the electronic transmission thereof constitutes an offer to sell or the solicitation of an offer to buy the New Notes in the United States or any other jurisdiction.

Each holder of Notes participating in the Offer will be deemed to give certain representations in respect of the jurisdictions referred to above and generally as set out in the Tender Offer Memorandum. Any tender of Notes for purchase pursuant to the Offer from a Noteholder that is unable to make these representations will not be accepted. Each of the Offeror, the Dealer Managers and the Tender Agent reserves the right, in its absolute discretion, to investigate, in relation to any tender of Notes for purchase pursuant to the Offer, whether any such representation given by a Noteholder is correct and, if such investigation is undertaken and as a result the Offeror determines (for any reason) that such representation is not correct, such tender may be rejected.