

# NOTICE OF PARTIAL CONVERSION OF BONDS

**LBI ehf.**

(Incorporated in Iceland as a private limited company with registered number 540291-2259)

(the “**Issuer**”)

in respect of the outstanding

**EUR 571,014,708 Convertible Bonds due 2035** (the “**Bonds**”)

Capitalized terms used and not otherwise defined in this notice (the “**Notice**”) shall have the meaning given to them in the Conditions of the Bonds, as set out in Schedule 1 to the trust deed dated 23 March 2016 (the “**Trust Deed**”) between the Issuer, Wilmington Trust (London) Limited (the “**Trustee**”) and Wilmington Trust, National Association (the “**U.S. Trustee**”).

Notice is hereby given by the Issuer that, pursuant to Article 6.2 and 29 of the Issuer’s Articles of Association and Condition 6.1(a) of the terms and conditions of the Bonds (the “**Conditions**”), Bonds in the aggregate amount of EUR 89,635,400 (which represents 15.7% of the Bonds) will be converted into new Class A Shares on a pro-rata basis and in accordance with the Conditions (the “**Conversion**”). The Conversion shall apply in respect of all of the outstanding Bonds, and the reduction in the aggregate principal amount outstanding under the Bonds effected by the Conversion shall be applied on a *pro rata* basis across the holdings of each Bondholder (including any holdings of Bonds by the Securities Escrow Agent in respect of Disputed Claims or Contingent Claims). The effected Conversion Date will be 6 December 2019. The record date for the Conversion will be 6 December 2019.

Further to the above, the Board of Directors of the Issuer will, with reference to Article 6.2 of the Articles of Association and Condition 6.1(a) of the Conditions, increase the Issuer’s share capital by EUR 896,354, from EUR 11,356,884.04 to EUR 12,253,238.04 nominal value, by issuing 89,635,400 new Class A Shares each of a nominal value of EUR 0.01. The conversion rate of the new shares as determined by the Issuer shall be EUR 0.01 per share. Fractions of Class A Shares will not be issued or delivered on the Conversion and no cash payment or other adjustment will be made in lieu thereof. If any conversion in accordance with Condition 6 of the Conditions would result in an entitlement to a fraction of a Class A Share, the Issuer shall round such fraction of a Class A Share down to the nearest whole Class A Share.

Subscription to the new Class A Shares derives from the Conditions. The subscription price shall be paid by way of set-off against the Bonds converted hereunder and will be paid upon issuance of the Subscription Rights (as defined in Article 29.5 of the Articles of Association), issued in relation to the conversion.

For the purpose of the Conversion and allocation of the new Class A Shares and in accordance with the Conditions, the Settlement Instruction form attached to this Notice as Annex 1 must be completed, executed and returned to the Issuer via post to U.S. Bank National Association c/o U.S. Bank Global Corporate Services, 214 N. Tryon Street, 27th Floor, Charlotte, NC 28202 and electronically to CDOAgencyServices.LBIhf@usbank.com, as soon as possible but **no later than on 29 November 2019**. A Settlement Instruction, once delivered, shall be irrevocable and may not be withdrawn without the consent in writing of the Issuer.

If the Settlement Instructions are not completed and returned to US Bank on behalf of LBI ehf., then in accordance with Condition 6.4(f) of the Conditions allocation of the new Class A Shares into LBI’s

shareholders registry shall be issued and registered **on 20 December 2019** in the name of either the Securities Escrow Agent or such Bondholders who have failed to return Settlement Instructions and who, assuming compliance with Condition 3.3 of the Conditions, the Issuer reasonably believes to be Bondholders entitled to such Class A Shares.

**Background to the conversion**

The Issuer has decided to utilize its authority to partially convert the Bonds into new Class A Shares in accordance with Article 6.2 and 29 of the Articles of Association and Condition 6.1(a) of the Conditions.

The Board of Directors of the Issuer believes that the conversion is in the best interests of both the Issuer and the Bondholders, as it is reasonably likely that the Issuer will be unable to redeem the Bonds in full on or before the Final Maturity Date and due to the fact that post income year 2019 the Issuer should not have sufficient tax losses available to cover later income that the Issuer will realize from later conversion or cancellation of debt

This Notice and any non-contractual obligations arising out of or in connection with it shall be governed by, and shall be construed in accordance with, Icelandic law.

The Principal Paying, Transfer and Conversion Agent is:

**U.S. Bank National Association**  
C/o U.S. Bank National Association  
214 N. Tryon Street  
27<sup>th</sup> Floor  
Charlotte, NC 28202  
Email: [CDOAgencyServices.LBIhf@usbank.com](mailto:CDOAgencyServices.LBIhf@usbank.com)  
Attention: CDO Agency Services

The Trustee is:

**WILMINGTON TRUST (LONDON) LIMITED**  
Third Floor, 1 King's Arms Yard  
London  
EC2R 7AF  
United Kingdom  
Email: [adminlondon@wilmingtontrust.com](mailto:adminlondon@wilmingtontrust.com)  
Attention: The Director

The U.S. Trustee is:

**WILMINGTON TRUST, NATIONAL ASSOCIATION**  
Global Capital Markets  
50 South Sixth Street, Suite 1290  
Minneapolis, Minnesota 55402  
Fax: 612-21725651  
Email: [hfield@wilmingtontrust.com](mailto:hfield@wilmingtontrust.com)  
Attention: LBI ehf. Administrator

**This Notice is given by  
LBI ehf.  
as Issuer**

Dated 13 November 2019