

**Icelandair Group hf. - Notice to convene annual general meeting
- Agenda and proposals - AGM 2 March 2009**

Agenda

1. Report of the Board of Directors on the activities of the company in 2008
2. The Annual Accounts of the company for 2008, including Auditors Report, submitted for confirmation
3. Disposal of the profit of the Company during the fiscal year, incl. dividends
4. Authorization to company to purchase treasury shares
5. Remuneration of the Board of Directors
6. Election of Board of Directors
7. Election of auditing firm
8. Remuneration policy
9. Any other lawfully submitted business

Proposals

- a) No dividends payments (Item 3)
The Board of Directors proposes to the Annual General Meeting that no dividends will be paid in respect of profits for the year 2008.
- b) Purchase of treasury shares (Item 4)
The Board of Directors proposes to the Annual General Meeting that the company will be authorized to purchase up to 10% treasury shares, with reference to Article 55 in Act No. 2/1995.
- c) Decrease of remuneration to Board Members by 20% (Item 5)
The Board of Directors proposes to the Annual General Meeting that remuneration to Board Members will be decreased by 20% so that each Board Member will receive ISK 160,000 per month, the Chairman of the Board of Directors will receive ISK 320,000 per month and Alternate Board Members will receive ISK 80,000 for each meeting attended.
- d) KPMG to be auditors (Item 7)
The Board of Directors proposes to the Annual General Meeting that KPMG hf. should be the company's auditors.
- e) Remuneration Policy (Item 8)
The Board of Directors proposes to the Annual General Meeting that the Remuneration Policy below shall be approved.

Icelandair Group hf. Remuneration Policy

Article 1 - Objective

The objective of this Remuneration Policy is to make employment at Icelandair Group hf. an attractive option for first-class employees and thereby to secure for the Company a position in the front ranks. For this to be possible the Board of Directors of the Company must be able to offer competitive salaries and other payments, such as bonuses and options.

Article 2 - Remuneration Committee

The Remuneration Committee shall be composed of three members elected by the Board of Directors of the Company from their own number. The Committee will operate pursuant to specific terms of reference.

The role of the Remuneration Committee is to provide guidance to the Board of Directors of the Company and executive management concerning the employment terms of the Company's key management staff and to provide advice on the Remuneration Policy. The Committee will also monitor that the remuneration of key management staff is within the framework of the Remuneration Policy and report to the Board of Directors annually on this subject in connection with the Company's Annual General Meeting. The rules of procedure of the Board shall provide further for the work of the Committee.

Article 3 - Remuneration of Board members

Members of the Board of Directors shall be paid a monthly remuneration in accordance with the decision of the Annual General Meeting each year, as provided in Article 79 of the Companies Act. The Board of Directors will submit a motion concerning the remuneration for the ensuing year of operation, taking account of the time spent by members on the work, the responsibility attached and the results of the Company.

The remuneration of the Chairman of the Board shall be double the remuneration of other members of the Board.

Alternate members shall receive a fixed remuneration for each meeting that they attend, with the remuneration decided at the Company's Annual General Meeting.

The Company shall ensure that Board Members are not liable for claims that may be filed against them in terms of their work for the Company. No severance agreements are permitted with members of the Board.

Article 4 - Remuneration of Chief Executive Officer

A written employment contract shall be concluded with the Chief Executive Officer. The employment contract with the CEO may be renewed while it is still in effect.

The amount of the basic salary and other payments to the CEO shall take account of the CEO's education, experience and former employment and shall always be competitive in the market that the Company acts in. Other terms of employment shall be as customary at comparable companies, e.g. as regards contributions to a pension fund, vacation, use of vehicle and notice period.

The determination of the notice period in the employment contract may include special provisions concerning length of the notice period, taking into account the employment term of the CEO, up to a maximum of 24 months. Furthermore, the employment contract shall provide for the conditions for termination of the CEO's employment.

The basic salary of the CEO shall be reviewed annually, taking into account the assessment by the Remuneration Committee of the CEO's performance, general remuneration terms in comparable companies and the Company's results.

In the conclusion of an employment contract with the CEO it should be taken into account that there will be no payments at the end of employment other than those provided for in the employment contract. However, it is permitted under special conditions, at the discretion of the Remuneration Committee, to conclude a separate severance agreement at the end of the CEO's employment.

Article 5 - Remuneration of vice-presidents

The CEO will appoint vice-presidents within the Group in consultation with the Board Directors of the Company. The determination of the remuneration of the vice-presidents shall be subject to the same guidelines as those outlined in Article 4.

Article 6 - Bonuses

Key management staff of the Company may be paid bonuses in the form of cash or shares in the Company on the basis of plans decided by the Board of Directors of the Company. Bonuses shall be based on the performance of the employee in question, the results of the Company, important milestones in the Company's operation and business activities, including the attainment of established objectives. Bonuses may only be paid to persons who are actually working for the Company at the time of payment of the bonus.

Article 7 - Options

The Remuneration Committee may submit a proposal to the Board of Directors of the Company concerning stock options for key management staff in excess of options negotiated in the respective managers' employment contracts.

In deciding whether to grant stock options to key managers account shall be taken of the position, responsibility, performance and future prospects of the manager in question within the Company. Furthermore, account shall be taken of similar agreements granted to the manager in question, whether or not the options have been exercised. A stock option is exercisable only when the party that has entered into such an agreement is working for the Company at the time that the stock option becomes effective.

If the Board of Directors decides to grant stock options to company managers a plan for such stock options shall be submitted to the Annual General Meeting of the Company for approval or rejection. The Board of Directors shall provide at the meeting an account of the cost that may accrue to the Company from the stock option plan, if approved.

Furthermore, the Company shall be permitted, directly or indirectly, to grant loans or provide guarantees in connection with the purchase by key managers of the Company or related companies of shares in the Company, whether such acquisitions are connected with the above stock option plans or other acquisitions by key managers of shares in the Company.

Article 8 - Other employees

In the determination of the wage terms of other employees, the vice-presidents of individual divisions shall take account of the above rules, as applicable.

Article 9 - Disclosure requirements

At Annual General Meetings the Board of Directors shall provide an account of the employment terms of the CEO, vice-presidents and members of the Board of Directors. Information shall be provided on the total amount of paid remuneration over the year, payments from other companies within the same Group, the amount of bonuses and stock options, other payments connected with shares in the Company, severance payments, if any, and the total amount of other payments.

This Remuneration Policy shall be published on the Company's website.

Article 10 - Approval of Remuneration Policy etc.

The Company's Remuneration Policy shall be submitted for deliberation at the Annual General Meeting and submitted to review each year and placed before the Annual General Meeting for approval or rejection.

The Remuneration Policy is binding for the Board of Directors of the Company as regards its provisions on stock option contracts and any contracts or payments that follow the trends of the price of stocks in the Company, as provided in Article 79 (a) of the Companies Act No. 2/1995. In other respects, the Remuneration Policy serves as a guideline for the Company and its Board of Directors. The Board of Directors shall enter into their records any significant deviations from the Remuneration Policy and the deviations shall be supported by clear reasoning. An account must be given of such deviations at the following Annual General Meeting of the Company.

Explanatory notes with the Icelandair Group hf. Remuneration Policy

Act No. 89/2006 amended the Companies Act with the addition of Article 79(a). The Article imposes the obligation on the Board of Directors of Icelandair Group to submit the Company's Remuneration Policy to the Annual General Meeting of the Company for approval or rejection. The Remuneration Policy must provide for the salaries and other payments to the Chief Executive Officer and other key managers of the Company, as well as its directors. The Act stipulates that the Remuneration Policy should disclose all principal aspects relating to managers and directors, as well as the policy of the Company with regard to contracts with managers and directors. Furthermore, the policy must reveal whether, and under what circumstances and within what framework, it is permitted to pay or remunerate managers and board members in addition to their basic salaries, e.g. in the form of transfers of shares, performance-linked payments, share certificates, call and put options, pre-emptive rights and other types of payments which are linked to shares in the Company, movements in the price of shares, loan agreements, pension agreements and severance agreements.

The amendment was made in line with Commission Recommendation No 2004/913/EC of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies.

The Board of Directors of Icelandair Group hf has the objective, in submitting this Remuneration Policy now before the Annual General Meeting of the Company, of establishing for the Company a reasonable Remuneration Policy that will make it possible for the Company to attract directors of the highest quality and thereby secure the Company's international competitive position.