



# ICELANDAIR GROUP HF.

PROSPECTUS

MAY 2015



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## ICEAIR 15 1

### USD 74,750,000 Senior Unsecured Bond Issue

**Issuer:** Icelandair Group hf.

**Outstanding amount:** USD 23,660,000

This Prospectus is published in relation to the application for all outstanding bonds in the bond issue ICEAIR 15 1 (the „**Bonds**“) to be admitted to trading on the regulated Nasdaq Iceland Main Market.

The Bonds are issued by Icelandair Group hf. (the „**Issuer**“). The total size limit of the issue is USD 74,750,000. Should the Issuer’s application be accepted Nasdaq Iceland will publicly announce its acceptance and the subsequent first day of trading in the Bonds. Such a notification will be announced with a minimum notice of one business day.

Investments in interest bearing securities involve certain risks. Investors are encouraged to thoroughly acquaint themselves with the discussion on Risk Factors detailed in this Prospectus.

The Prospectus was compiled in accordance with Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the “**Prospectus Directive**”) which has been ratified by Icelandic authorities and incorporated into Icelandic Act No. 108/2007 respecting Securities Transactions. The Prospectus follows the disclosure requirements set forth in Annexes IX. and XIII. to the Prospectus Directive. The Prospectus further takes into account the requirements contained in the Issuer Rules of the Nasdaq Iceland. The Prospectus is published in English in electronic form, as two separate modules, a Securities Note and a Registration Document. The Prospectus has been scrutinised and approved by the Financial Supervisory Authority, Iceland.

This Prospectus may not neither be distributed nor mailed into any country or jurisdiction where any additional action, other than that required by applicable Icelandic law, is required or where such distribution would be a direct violation of applicable law.

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The date of this Prospectus is 7 May 2015

Listing Advisor



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# **ICELANDAIR GROUP HF.**

**SECURITIES NOTE**

**ICEAIR 15 1 SENIOR UNSECURED BOND ISSUE**

**MAY 2015**

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## 01 RISK FACTORS

All investments in interest bearing securities are subject to various risks. The risk is related to the general volatility in the market for such securities, varying liquidity in a single bond issue as well as company specific risk factors. These risks and uncertainties may materially affect Icelandair Group hf.'s ("the Company" or "the Issuer") financial position and consequently any investment made in bonds issued by the Company. An investment in this ICEAIR 15 1 USD denominated bond issue ("the Bonds" or "the Issue") is only suitable for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment.

Additional risks and uncertainties that do not currently exist, that are not presently considered material, or of which the Company is unaware, may also impair the business and operations of the Company. These risks and uncertainties could have a material adverse impact on the business, income, profits, assets and liquidity of the Company.

There are three main risk factors generally associated with investments in interest bearing securities such as the Issue: liquidity risk, interest rate risk and market risk (both in general and Issuer specific).

Bond prices can further be subject to the risk and influence of external market related disturbances, e.g. currency exchange fluctuations, changes in general interest rates, changes in the legislation governing securities, trading and/or taxation, market mood, news, speculation, investor sentiment, risks accompanying political developments, changes in the economic outlook, etc.

### 1.1 Liquidity risk

The Issue is subject to liquidity risk; i.e. the risk that the desired amount of bonds cannot be bought or sold quickly enough to prevent or minimize a loss due to a lack of marketability. A thin market in any given bond issue can lead to substantial price volatility and possibly have an adverse impact on a bondholders' total return (upon sale).

To facilitate liquidity the Company has entered into a market-maker agreement with Íslandsbanki hf. in relation to the Issue. Nonetheless the Company cannot guarantee efficiency in the secondary trading of the Issue and the liquidity of the Issue will continue to depend on the market participants' view of the credit quality of the Issuer as well as established and available credit lines.

### 1.2 Interest rate risk

The Issue is subject to interest rate risk. The Issue has a fixed rate of interest. Investors are exposed to the risk that the price of the bonds falls as a result of changes in the market interest risk. Interest rates and bond prices move in contrary directions; as interest rates fall, the price of bonds trading in the marketplace generally rises. Conversely, when interest rates rise, the price of bonds tends to fall.

Market price fluctuations of the Issue depend on various factors, such as changes of market interest rate levels, the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the Issue.

### 1.3 Market risk

The Issue is subject to general market risk. Bond markets are sensitive to various influencing factors that can prompt unforeseen and sudden changes in the price of bonds, including this Issue.

### 1.4 Inflation risk

The Issue is not linked to inflation. Investors are exposed to the risk that the rate of return on their investment will deviate from their expectations, as at the time of purchase, if inflation proves higher than stated projections during the tenure of the Issue.

### 1.5 Credit risk

The Issue constitutes senior debt of the Issuer and ranks at least pari passu with all of the Company's other senior unsecured debt (save for claims preferred by bankruptcy, insolvency, liquidation or other similar laws of general application) and ahead of any subordinated debt.

The Issue is not secured by collateral. As with all interest bearing securities there is a risk that the Issuer will default on its obligations under the Issue. To mitigate this risk the Issuer has undertaken a set of financial and Issue specific covenants. These covenants include, but are not limited to, the negative pledge of assets, maintaining a minimum equity ratio, maintaining a minimum cash position, maintaining a maximum debt ratio, restrictions to the payment of dividends or lowering of share capital, a ban of the divestment of the Issuer's key subsidiary, a ban of the merger/divestment of the Company, a change of control clause, a ban of a material change to the purpose or scope of business of the Company as well as conditions for terms of disclosure on any breach of covenants.

As of the date of this Securities Note the Issuer is in compliance with all covenants and conditions agreed to under the Bonds. For detailed information on the covenants please refer to chapter 04 *INFORMATION CONCERNING THE SECURITIES* in this Securities Note.

Neither the Issuer nor the Issue have obtained a credit rating.

### 1.6 Call risk

The Issue is callable and bond holders face the risk that the Issuer will retire the Issue prior to maturity. The call feature is exercisable, in part or in full, starting 15 January 2018 and on subsequent interest payment dates thereafter.

### 1.7 Settlement risk

Trading in the Bonds is settled electronically. Bond holders face the risk that one party of a contract will fail to fulfil their contractual obligations arising under securities trading, either in terms of timing differences or a default in delivery at the time of settlement.



## 1.8 Exemption from capital controls

The Bonds are issued with an exemption from capital controls, granted by the Central Bank of Iceland, whereby the following conditions need to be met by the Issuer and, in some cases, investors. The Central Bank of Iceland reserved the right to cancel the exemption subject to significant changes in the premises of the exemption application. Should the Central Bank cancel the exemption, in part or in full, this could result in the Issue not being tapped. It would however, not have any implications for already issued bonds under the Issue.

### 1.8.1 Conditions set by the Central Bank

Denomination of the Bonds:	The Company has been granted an exemption to issue USD denominated bonds with a maturity of 5 years. The total nominal amount of the Issue may not exceed USD 75m. Participation in the primary offering of the Bonds was only open to domestic pension funds and institutional investors.
Bonds are payable in ISK on the Issue date:	The qualified investors may, on the Issue date, pay for the Bonds using ISK while collecting coupon and principal payments in USD over the Bonds' lifetime.
Secondary trading:	Listing and secondary trading in the Bonds is permitted, subject to settlement in USD. Investors may, for this purpose, use foreign currency held in foreign currency accounts of domestic financial institutions, regardless of whether the funds used are subject to repatriation, as per Art. 13 I of the Foreign Exchange Act No. 87/1992, or are funds that fulfil requirements to be re-invested, as per Art. 13 e of the same Act. Investors engaging in secondary trading in the Bonds, using foreign currency that may be re-invested, as per Art. 13 e of the Foreign Exchange Act, may use the proceeds from the eventual sale of bonds in the Issue for subsequent re-investment, i.e. the proceeds will not become subject to repatriation by investing in the Bonds.
Non-resident trading in the secondary market:	Parties that meet the criteria of being non-residents, as per Art. 1 of the Foreign Exchange Act, may invest in the Bonds in the secondary market using foreign currency brought into Iceland for such a purpose. Non-residents may, subsequent to an eventual sale of the Bonds, transfer the proceeds to a non-Icelandic bank account.
Market making:	Icelandic commercial banks, as well as Straumur investment bank, are authorized to act as the Issue's market makers in foreign currency.
Disclosure:	The Arranger is obliged to submit, to the Central Bank, a list of the names of participants in the primary offering of the Bonds.

## 1.9 Resolutions of bond holders

The Terms and Conditions of the Issue stipulate that bond holders may, under certain circumstances, pass resolutions with regards to the Issue, either in a meeting of bond holders or by vote taken without a meeting. A bond holder is subject to the risk of being outvoted by a majority resolution of the bond holders. Properly adopted resolutions are binding on all bond holders and could therefore act to amend, reduce or cancel certain rights of individual bond holders against the Issuer.

## 02 NOTICE TO INVESTORS

This Securities Note has been compiled in accordance with Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (“the Prospectus Directive”). The Prospectus Directive has been implemented into Icelandic law.

This Securities Note has been prepared to provide clear and thorough information on the securities bearing the symbol ICEAIR 15 1, issued by Icelandair Group hf. The Company plans to apply for the Issue to be admitted to trading on a regulated market. This Securities Note does not constitute legal, financial or tax advice. Investors are strongly advised to consider their legal status, including taxation issues that may concern the purchase or sale of the Company’s securities and seek external and independent advice in that respect. Investors are encouraged to acquaint themselves thoroughly with information provided in this Securities Note. Particular emphasis is placed on investors paying due attention to *Chapter 01 RISK FACTORS*.

Under no circumstances should information contained in this Securities Note be viewed or construed as a promise by the Company, or other parties, of future success either in operations or return on investments. Investors are reminded that investing in securities entails risk, as the decision to invest is based on expectations and not promises. Investors must rely on their own judgement regarding any decision to invest in the Company’s securities, bearing in mind *inter alia* the business environment in which the Company operates; anticipated profits, external conditions and the risk inherent in the investment itself. Prospective investors are advised to contact experts, such as licensed financial institutions, to assist them in their assessment of the securities issued by the Company as an investment option.

Only the Issuer is entitled to provide information about conditions described in this Securities Note. Information supplied by any other person is of no relevance in relation to the Securities Note and must not be relied upon.

This Securities Note is neither an offer to sell nor a request to buy bonds issued by the Company. Neither the delivery of the Securities Note nor any sale made hereunder shall under any circumstances be taken to mean that there has been no change in the Company’s affairs or that the information set forth in the Securities Note is correct as of any date subsequent to the date hereof.

The Securities Note may neither be distributed nor mailed, or otherwise distributed or sent, in or into countries in which distribution would require any additional registration measures or other measures to be taken, other than as applicable under Icelandic law and regulations, or where such distribution would be in conflict with any law or regulation in such country. However, the Securities Note may be passported in accordance with the provisions of the Prospectus Directive into other jurisdictions within the European Economic Area.

Unless otherwise stated, references to any laws, acts or regulations are references to acts passed by the Icelandic parliament and regulations issued by Icelandic governmental agencies unless otherwise clear from the context.

If the Company's application for the Issue's admission to trading is approved, the admission to trading will proceed pursuant to Icelandic law and regulations. The Financial Supervisory Authority, Iceland has scrutinised and approved this Securities Note, which is published in English only.

In the event of any significant new factor, material mistake or inaccuracy relating to information included in this Securities Note which might result in a change in the assessment of the market value of bonds in the Issue, during the period from when this Securities Note is approved and until the commencement of trading on a regulated market, the Issuer will, in accordance with Art. 46 of Act no. 108/2007 respecting Securities Transactions publish a supplement to the Prospectus. The supplement shall be approved within seven business days and published in the same manner as the Prospectus. In the event of the above mentioned, the Issuer will also issue a public statement to that effect.

## 2.1 Potential conflict of interest

Investors' attention is drawn to the following interests of the Listing Advisor on the date of this Securities Note:

- | Íslandsbanki hf. acted as Manager in the Offering of the bonds to investors and as such received a fee from the Issuer for this work.
- | Íslandsbanki hf. is the Listing Advisor to the Issuer and has compiled this Securities Note in their capacity as such. Íslandsbanki receives a fee from the Issuer for this work.
- | Íslandsbanki hf. is a holder of shares in the Issuer, Icelandair Group hf. The total volume of shares held by Íslandsbanki at the date of the Issuer's latest shareholders' list, dated 5 May 2015, was 114.290.479 which constitutes 2.29% of the total number of outstanding shares.
- | Íslandssjóðir hf., a subsidiary of Íslandsbanki, hold a 2.47% share of the common stock in Icelandair Group and a corresponding voting right as of 5 May 2015.
- | Íslandsbanki hf. provides Icelandair Group hf. with general financial services.
- | Íslandsbanki hf. is a market maker for the Issue and receives a payment from the Issuer for this service.

## 03 PERSONS RESPONSIBLE

### 3.1 Issuer's Statement

The CEO and the Board of Directors of Icelandair Group hf., ID No. 631205-1780, registered office Reykjavik Airport, 101 Reykjavík, Iceland, hereby declare that having taken all reasonable care to ensure that such is the case, the information contained in the Securities Note is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, 7 May 2015  
Reykjavik Airport, 101 Reykjavík, Iceland:

Sigurdur Helgason,  
Chairman of the Board of Directors,  
ID No. 010546-2069

And

Björgólfur Jóhannsson,  
CEO,  
ID No. 280855-3409.

## 3.2 The Listing Advisor

The Listing Advisor, Íslandsbanki hf., ID No. 491008-0160, registered office Kirkjusandur 155, Reykjavík, Iceland, has been the advisor to the Issuer in the preparation of this Securities Note. The Listing Advisor has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Listing Advisor as to the accuracy or completeness of the information contained or incorporated by reference in this document or any other information provided by the Issuer, neither in connection with the issuing of these bonds nor their admittance to trading.

The Listing Advisor has in consultation with the management and the Board of the Directors of Icelandair Group compiled this Securities Note and is acting in reliance on the information provided by the management and Board of Directors of Icelandair Group.

## 04 INFORMATION CONCERNING THE SECURITIES

Issuer:	Icelandair Group hf., Reykjavík Airport, 101 Reykjavík, Iceland ( “the <b>Company</b> ” or “the <b>Issuer</b> ”)
Ticker symbol:	ICEAIR 15 1
Security type:	Fixed interest bond
ISIN code:	IS0000025427
The Issue:	This ICEAIR 15 1 senior unsecured bond issue ( “the <b>Bonds</b> ” or “the <b>Issue</b> ”)
Bond holders:	All holders of bonds in the Issue ICEAIR 15 1
Issue date:	15 January 2015
Maturity date:	15 January 2020
Currency:	USD
Maximum amount:	USD 74,750,000
Outstanding amount:	USD 23,660,000
Denomination:	USD 130,000
Interest rate:	Fixed, flat 4.25%
Day count fraction:	30/360
Interest accrual date:	Issue date
Interest / principal payment date:	Interest is payable on 15 July 2015 (first payment) and then every six months thereafter, on 15 January and 15 July each year, until maturity. The principal is paid in a single payment on the final maturity date, 15 January 2020.
Business day:	Any day on which commercial banks are open for general business in Iceland.
Business day convention:	Following. If the relevant interest payment date falls on a day that is not a business day, that date will be the first following day that is a business day.
Point of payment:	The Issuer will, through the intermediation of the Icelandic Securities Depository (“ <b>ISD</b> ”), make interest and principal payments on the Bonds to bond holders’ ISD accounts. Funds will subsequently be transferred to individual bond holder’s bank accounts by their respective financial institution.
Late receipt of payments/ non-payment:	<p>In the event that a bond holder fails to attach a bank account to his/her ISD account, resulting in the late receipt of payments under the Issue no penalty interest will be accrued to the outstanding amount.</p> <p>In the event that the Issuer defaults on the payment of the principal on the final maturity date, bond holders may collect penalty interest on any amount outstanding and overdue, pursuant to paragr. 1, Art. 6</p>

of Act No. 38/2001 respecting interest and indexation. The aforementioned is contingent on the bond holders having presented satisfactory confirmation of their holding in the Bonds.

If payment dates fall on non-business days and the Issuer settles any outstanding amount on the following business day, no penalty interest can be collected.

**Callability:** The Bonds are callable on 15 January 2018 at the earliest. Pre-payments can only take place on subsequent interest payment dates as defined under the Issue.

**Call premium:** During the period from 15 January 2018 until 15 January 2019 the Issuer may redeem the Bonds, in part or in full, at a price of 102.10% of par plus accrued interest.

Subsequent to 15 January 2019 until maturity the Issuer may redeem the Bonds, in part or in full, at a price of 101.05% of par plus accrued interest.

**Guarantee of payment:** The Issuer is solely responsible for payments under the Bonds. The Issuer is responsible for meeting its financial obligations, including this bond Issue, only with assets belonging to the Issuer at any given time.

**Bond agent:** KPMG ehf., ID no. 590975-0449, Borgartún 27, 105 Reykjavík, Iceland ("**the Agent**") acts as the Agent for the bond holders of the Issue. The Agent's responsibilities are as follows:

- (a) Convene meetings of the bond holders at a minimum notice of seven days.

The Agent is obligated to convene a meeting:

**(i)** At the demand of bond holders collectively holding at least 25% of the total outstanding amount. **(ii)** In the event the Issuer gives notice that an event of default under the Issue has transpired. **(iii)** At the demand of the Issuer.

Representatives of the Issuer shall be heard at meetings of the bond holders.

All notices of such meetings and a summary of their respective results shall be published by the Issuer through the news service of the Nasdaq Iceland (after the commencement of trading) or with the intermediation of the ISD (prior to the commencement of trading).

- (b) Bring bond holders' meetings to order, tally votes and keep minutes.

At all bond holders' meetings, voting rights shall be calculated based on the holdings of individual bond holders on the date the notice to convene was published.



The Issuer is liable for all cost stemming from the responsibilities of the Agent. Should the Agent step down or resign from his/her post the Issuer is obligated to appoint a new agent. The appointment shall be ratified by the vote of bond holders representing at least 2/3 of the Issue's outstanding amount at a special meeting. The appointment shall be made public through the news service of the Nasdaq Iceland (after the commencement of trading) or with the intermediation of the ISD (prior to the commencement of trading).

Negative pledge:

See Terms and Conditions.

Terms and Conditions:

The Issuer has undertaken to adhere to the following Terms and Conditions from the Issue date until final maturity.

Financial covenants: The calculation of financial covenants under the Bonds shall be based on the International Financial Reporting Standards ("IFRS") as at the Issue date.

**(i) Equity ratio:** The Company's equity ratio (equity as a ratio of total assets) shall not be lower than 25% at the end of each quarter. **(ii) Cash and cash equivalent:** The Company's cash and cash equivalent position at the end of each quarter must cover all debt service payments falling due in the next six months thereafter. The aforementioned notwithstanding, cash and cash equivalents of the Issuer must never be less than USD 50,000,000. **(iii) Debt ratio:** The ratio of interest bearing debt to trailing twelve month EBITDA shall not exceed 3.5 at the end of each quarter. The trailing twelve month EBITDA under the Bonds is defined as the combined earnings before interest, taxes, depreciation and amortization during the previous twelve months. **(iv) Debt ratio II:** The ratio of interest bearing debt and liabilities due to aircraft lease to trailing twelve month EBITDAR shall not exceed 4.0 at the end of each quarter. The trailing twelve month EBITDAR under the Bonds is defined as the combined earnings before interest, taxes, depreciation, amortization and rent costs during the previous twelve months.

Issue specific covenants: **(i) Negative pledge:** The Issuer undertakes to keep fixed assets with book value amounting to a minimum of 115% of the remaining outstanding principal of the Issue at any time, unpledged to creditors. The share capital of the Issuer's subsidiaries may not be pledged as collateral to creditors.

At the Issue date the share capital of the Issuer's subsidiaries is unpledged. At 31 March 2015 the book value of the Issuer's unpledged fixed assets amounted to USD 291.6m.

**(ii) Dividend payments:** The Issuer is authorized to pay dividends provided that the Issuer is current on all issued debt and will remain so for the foreseeable future. The Issuer declares that the Issuer will not pay dividends, neither in cash nor by other means, unless the Issuer is in full compliance with the financial covenants stipulated under the Bonds and will remain so, according to the Issuer's projections, for a period of twelve months immediately following the dividend payment.

**(iii) Lowering of share capital:** The Issuer undertakes not to lower share capital without the explicit, written pre-approval of a qualified majority of bond holders, representing 85% of the Issue amount outstanding at a minimum.

**(iv) Divestment of Icelandair ehf.:** In the event that the Issuer's Board of Directors votes to divest the Issuer's subsidiary Icelandair ehf., in part or in full, each bond holder can demand a full pre-payment of his/her holding in the Issue.

**(v) Pari passu ranking:** The Issuer's obligations under this Issue shall at all times rank at least pari passu with all of the Issuer's other unsubordinated debt, save for claims preferred by Icelandic bankruptcy law. The Issuer undertakes not to make payments to an individual bond holder unless an equal pro rata amount is disbursed to all other bond holders of the Issue, provided that the Terms and Conditions of the Issue do not stipulate otherwise.

**(vi) Mergers and de-mergers:** The Issuer undertakes neither to merge with any other Company/Companies nor carry out any de-merger whereby the Issuer would be split into two or more separate companies or entities without the explicit, written pre-approval of a qualified majority of bond holders, representing 85% of the Issue amount outstanding at a minimum.

**(vii) Change of control:** In the event that any single party or related parties acquire at least 50% of the share capital in the Issuer or control at least 50% of the votes attached to shares in the Issuer each bond holder can demand a full pre-payment of the full amount owed to him/her under the Issue.

**(viii) Continuation of business:** The Issuer undertakes to secure that no material change to the general nature or scope of the business carried out by the Issuer, that would require a change in the Issuer's purpose as defined in the Issuer's Articles of Association dated 13 March 2013, is made.

**(ix) Listing:** The Issue shall be listed on the Nasdaq Iceland Main Market with trading commencing no later than 30 June 2015.

**(x) De-listing:** Neither the Issuer's shares nor this bond Issue can be de-listed from the Nasdaq Iceland Main Market.

Terms of disclosure:

**(i) Publication of financial covenant compliance:** The Issuer undertakes to publicly disclose the calculation of the financial covenants stipulated in the Terms and Conditions of this Issue. The calculations will be published on the Issuer's website four times per calendar year. The calculations will be published within two months from the close of the pre-ceeding financial quarter but no later than seven days from the publication of the Issuer's quarterly financial statements.

**(ii) Notice of a breach of covenants:** In the event that the Issuer is in breach of the covenants as set out in the Terms and Conditions of this Issue, the Issuer undertakes to immediately make such a breach public through the news service of the Nasdaq Iceland.

Events of default:

**(i) Breach of covenants:** The Issue may be declared to be in default upon the occurrence of a breach of any of the financial or Issue specific covenants as set out in the Terms and Conditions of the Issue.

**(ii) Non-payment:** If the Issuer neglects to fulfil contractual payment obligations when due under this Issue and such neglect lasts at least 30 days the entire amount outstanding under the Issue may be declared to be in default.

In the event the Issue is declared in default the Issuer shall immediately notify bond holders through the news service of the Nasdaq Iceland (after the commencement of trading) or through the intermediation of the Icelandic Securities Depository (prior to the commencement of trading).

**(iii) Insolvency:** If levy is executed against the Issuer's assets, if the Issuer defaults on other debt in the minimum amount of USD 10,000,000 (for single obligations) or a collective amount of USD 20,000,000 (for multiple obligations), if the Issuer is resolved to be dissolved or a liquidator, administrator or the like is appointed or requested to be appointed in respect of the Issuer or if the Issuer's assets are subject to attachment or injunction as a part of creditors' enforcement procedures.

Approval of declaration of default:

Individual bond holders are unable to unilaterally declare their bonds in default. All declarations of breaches of covenants and Events of Default, as stipulated in the Terms and Conditions of this Issue, are subject to the approval of bond holders representing at least 5% of the amount outstanding.

Non-payment, the divestment of Icelandair ehf. and change in control of the Issuer are exempt from the aforementioned. In any of the above events, bond holders shall be allowed to demand a full pre-payment of their holdings in the Bonds.

If bond holders execute their right to declare the Issue in default they shall without delay notify the Issuer who upon the receipt of such notice shall immediately alert the Nasdaq Iceland and the ISD.

Should the Issue be declared in default, the Issuer's assets may be subject to attachment or distraint for security of the debt without prior judgment or court settlement in accordance with clause 7, paragr. 1, Art. 1 of the Act respecting Attachment No. 90/1989 following a call for payment in accordance with Art. 7 of said Act. This applies to the principal amount as well as all interest, fees and other charges and legal and other costs accrued or that shall be paid by the Issuer under the bonds, pursuant to paragr. 2, Art. 1 of the aforementioned Act.

If bond holders execute their right to declare the Issue in default prior to the commencement of trading in the Bonds they shall notify other bond holders of their actions.

Transferability:

The Bonds can only be transferred to a named party. The Bonds are issued electronically and registered in book-entry form with the ISD. The Bonds can only be transferred through the intermediation of a recognized financial institution, in accordance with Act No. 131/1997 respecting the electronic registration of securities. The electronic registration of securities with the ISD affords their listed owners full legal ownership and a statement issued by the ISD shall constitute sufficient proof of ownership. Payments and notifications will be relayed to the person listed as the owner of record at any given time. No other constraints are placed on the transferability of bonds in this Issue.

Dispute resolution:

Any dispute arising in respect of the Issue shall be referred to the Reykjavík District Court pursuant to the rules of Chapter XVII. of Act No. 91/1991 respecting Civil Procedure.

Purpose:

The net proceeds of the Issue shall be used to fund the operations and investments of the Issuer.

Changes to Terms and Conditions:

Changes to the Terms and Conditions of the Issue can only be implemented with the consent of a qualified majority of bond holders, representing 85% of the Issue amount outstanding at a minimum, as well as the approval of the Issuer. Any changes made to the Terms and Conditions must be communicated to the Icelandic Securities Depository.

Withdrawal of electronic bonds from the ISD system:	Seven days after the final maturity date, the Bonds will be withdrawn from the register of the ISD, unless otherwise notified by the Issuer. The Issuer is obligated to notify the ISD if the Issuer defaults on the obligations undertaken with respect to the Issue.
Governing law:	The Issue is subject to Icelandic law.
Authorization:	The Board of Directors of the Company authorized the issue of a USD 74,750,000 bond at its meeting on 30 October 2014.
Lapse of rights:	The lapse of rights to payments under this Issue expires in either, 10 years (principal) as per Art. 5 of Act No. 150/2007 on the limitation periods for claims or 4 years (coupons) as per Art. 3 of the same Act.
Calculating agent:	The Issuer

## 05 ADMISSION TO TRADING

Upon the formal approval of this Prospectus by the Financial Supervisory Authority, Iceland an application will be made to the Nasdaq Iceland for all bonds in the Issue to be admitted to trading on the Main Market of the Nasdaq Iceland.

The Issue's first day of trading will be announced by the Nasdaq Iceland with a minimum notice of one business day. The cost incurred by the Issuer in relation to the Issue's admittance to trading is estimated to be ISK 12.100.000. This includes the compiling and approval of the Prospectus, the fees payable to the Listing Advisor as well as the listing fees of the Nasdaq Iceland. No cost is credited to bond holders in relation to the admittance of the Issue to trading.

## 06 REFERENCES

References to “Icelandair Group”, “the Issuer”, and “the Company” in this Securities Note shall be construed as referring to Icelandair Group hf., ID No. 631205-1780, unless otherwise clear from context.

References to “Icelandair ehf.” in this Securities Note shall be construed as referring to Icelandair ehf., ID No. 461202-3490, unless otherwise clear from the context. Icelandair ehf. is the largest subsidiary within Icelandair Group.

References to “the Issue”, or “the Bonds” in this Securities Note shall be construed as referring to the issue of bonds, issued by the Company, bearing the ticker symbol ICEAIR 15 1 and ISIN IS0000025427, unless otherwise clear from context.

References to “the Agent” in this Securities Note shall be construed as referring to KPMG ehf., ID no. 590975-0449, Borgartún 27, 105 Reykjavík, Iceland, unless otherwise clear from context.

References to “the ISD” in this Securities Note shall be construed as referring to the Icelandic Securities Depository (Icelandic name, Verðbréfasráning Íslands hf.) incorporated under the laws of Iceland, ID No. 500797-3209, unless otherwise clear from context.

References to “Nasdaq Iceland” in this Securities Note shall be construed as referring to Nasdaq Iceland hf., incorporated under the laws of Iceland, ID No. 681298-2829.

Reference to “the Main Market Nasdaq Iceland” in this Securities Note shall be construed as referring to the Main Market at Nasdaq Iceland hf.; it shall also refer to the former names of the Main Market of Nasdaq Iceland such as OMX ICE Main Market, unless otherwise clear from context. The Main Market of the Nasdaq Iceland is a regulated market for the purpose of the Market in Financial Instruments Directive 2004/39/EC.

References to “the Listing Advisor”, “The Arranger” and “Íslandsbanki” in this Securities Note shall be construed as referring to Íslandsbanki hf., ID No. 491008-0160, unless otherwise clear from context.

References to “the Prospectus” in this Securities Note shall be construed as referring to the Issuer’s Prospectus dated 7 May 2015, comprising a Registration Document and a Securities Note, which are issued on the same date, unless otherwise clear from context.

References in this Securities Note to “USD” refer to United States Dollars, the currency of the United States of America.

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# **ICELANDAIR GROUP HF.**

**REGISTRATION DOCUMENT**

**MAY 2015**

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## 01 RISK FACTORS

Various financial and enterprise-related risks can impact the Issuer's operations and its ability to honour its obligations under this Issue. The risk is related to the general volatility in the market for such securities, varying liquidity in a single bond issue as well as company specific risk factors. These risks and uncertainties may materially affect the Group's financial position and consequently any investment made in bonds issued by the Company. An investment in this USD denominated Bond is only suitable for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment.

An internal Risk Management Committee, chaired by the Group's CEO, endeavours to reduce risk exposure to the maximum feasible extent within the Board's policy limits. The main policy objectives determine the methods to be used to reduce costs and disadvantages arising from any instability and uncertainty in the Company's operating environment.

Additional risks and uncertainties that do not currently exist, that are not presently considered material, or of which the Company is unaware, may also impair the business and operations of the Company. These risks and uncertainties could have a material adverse impact on the business, income, profits, assets and liquidity of the Group.

### 1.1 Market risk

The Group is exposed to general market risk, i.e. fluctuations in market prices such as fuel prices, exchange rates, interest rates and carbon prices can materially impact the Group's profitability. The Group aims to reduce any such risk as much as possible by actively managing its currency balance and capital structure. Market price fluctuations can also be controlled through surcharges, counterparty risk shifting, economizing, production supply and hedging. Each subsidiary is expected to use the abovementioned tools to reduce market risk exposure.

#### 1.1.1 Foreign currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of Group entities. The Group seeks to reduce its foreign exchange exposure arising from transactions in various currencies through internal foreign exchange trading. Any residual mismatch is dealt with by trading spot and forwards with external parties. The USD and ISK cash inflows fall short of outflows due to various net cost related items such as salaries, fuel costs and lease- and capital-related payments. This shortage is financed by a surplus of European currencies, most importantly EUR and Scandinavian currencies, GBP and CAD. The Group follows a policy of hedging 40-80% of a rolling 9-12 month currency exposure with spot and forward contracts and options. In addition to the cash flow, risk exposure of this kind affects the Balance Sheet. The Group's risk committee monitors on a monthly basis the net currency mismatch and mitigates the exposure through short-term management of assets, loans and liabilities within the scope of the cash flow objectives.

### **1.1.2 Fuel Price and Availability**

Airline operators are highly sensitive to jet fuel prices and availability. Jet fuel has been subject to significant price volatility due to fluctuations in supply and demand and investor behaviour through speculative trading. These are influenced by factors ranging from political unrest to terrorist attacks and producer market strategies. Extreme price movements and/or restricted availability of aviation fuel may affect the profitability of the Group.

Within the year 2014, prices of jet fuel fluctuated from US\$1,004/t to US\$589/t. In order to improve risk control relating to volatile fuel prices, the Group's integrates hedging into its purchases of jet fuel. The Group's risk policy requires a hedge ratio between 40% and 60% of estimated usage between 9-12 months forward.

While hedging provides certain constancy in this important cost item, the dilemma of a hedging decision is the risk involved. If fuel prices rise, and the Company has little or no hedging in place to mitigate its effect, the Company's cost structure and its competitiveness vis-à-vis its competitors will be damaged. However, if prices were to fall with the Company having a higher level of hedging than its rivals, its competitiveness would also be damaged. Then there is also the side effect of liquidity strain due to possible collateral payments and margin calls under such circumstances.

## **1.2 Liquidity risk**

The Group faces the risk of having insufficient working capital to meet payments, e.g. due to inability or difficulties in liquidating its assets. This risk is mitigated to some extent by maintaining liquid assets. Liquidity risk is also reduced to some extent by the nature of the Group's business, as it realises income before paying the cost associated with providing the services.

The Group's policy on liquidity risk extends to three asset classes determined by duration. Those classes are matched against the Group's liquidity preferences as annually suggested by the Risk Committee and confirmed by the Board of Directors on the basis of target amounts in each class of assets, set once a year with reference to the 3-month operating costs.

## **1.3 Credit risk**

The Group is exposed to credit risk linked to the amount of outstanding trade receivables, allocation of liquid funds, security payments, and agreements with financial institutions relating to financial operations, e.g. credit support annexes concerning hedging. The relative spread of trade receivables across counterparties is also crucial for credit risk exposure. The risk involved is directly related to the fulfilment of outstanding obligations by the Group's counterparties. The Group is aware of potential losses relating to credit risk exposure and chooses its counterparties based on business experience and acceptable credit ratings.

## 1.4 Airport Access

The Group operates an international route network based on a *Hub and Spoke* concept. This makes access to the right airports in its defined geographical market vital to maintain and open up gateways to large and competitive markets. At some airports, an air carrier needs landing and take-off authorisations (slots) before being able to introduce new services or expand its existing services. If the Company is not able to secure and retain slots, it could be restrained from competing in valuable markets. Generally, access to airports is vital to minimize the likelihood of delays, which can affect the Group's profitability negatively.

## 1.5 Competition

The Group faces intensive competition in all its fields of activities. The airline aspect of the Group's operations includes both scheduled<sup>1</sup> and charter<sup>2</sup> services for passengers and freight. The level of competition amongst airlines is high, and pricing decisions are heavily dependent on competition from other airlines. In general the airline industry is susceptible to fare discounting due to low marginal costs of adding passengers to otherwise empty seats. New market entrants, especially low-cost brands, mergers, acquisitions, consolidations, new partnerships and increased transparency of pricing in the air travel market add to airline competition. Should competition increase even further in any of the Company's key transport markets, including the Icelandic market, it could have considerable effect on the Company's profitability.

Despite Icelandair ehf. being the most important subsidiary in the Group, the Company, in other segments of the industry, faces intense competition with hotels, B&Bs, hostels, home-exchange websites and, as of late, private individuals letting their apartments. As a result of the aforementioned overall accommodation capacity has substantially increased in Iceland, especially in the capital region.

## 1.6 Seasonality

The Group operates in a seasonal industry where there has traditionally been much higher demand for air travel and general tourism in the summer. Although strides have been made in reducing seasonality in the past years, the Company's earnings in the second and third quarters continue to be significantly higher than that of the first and fourth each year. Lower demand for air travel, flight cancellations or other factors affecting aircraft utilisation would therefore have a proportionately greater impact on the Company during the summer than during other periods. The seasonality in turnover and profitability poses greater risk for the annual financial outcome than otherwise, leaving the Group more vulnerable against disruptions to production inputs or external demand shocks. Any interruptions during the high season could have adverse effects on the financial outcome of operations for the whole financial year.

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<sup>1</sup> Icelandair, Air Iceland and Icelandair Cargo

<sup>2</sup> Loftleidir-Icelandic.

## 1.7 Volcanic eruptions

Iceland, home to the Group's *Hub and Spoke* base, is an active volcanic site with eruptions occurring somewhat regularly. The airline industry, in general, seems vulnerable to volcanic ash clouds due to resulting disruptions of flights and cancelled bookings. In the event of an eruption, near or under the flight path of the Group's scheduled route network aircraft, resulting in disruptions or cancellations, the Group's financial results could be negatively impacted.

However, after the volcanic eruption in the Eyjafjallajökull Glacier, at the beginning of the year 2010, the Group has gained valuable experience in dealing with flight disruptions stemming from volcanic ash distribution.

## 1.8 Labour Disputes and Strikes

The airline and tourism industries are inherently labour-intensive industries. The majority of the Group's employees is unionised; and represented by several unions, each of which has its own agreement on salaries and benefits with the Company. Each union's contract comes up for renegotiation every few years, bringing with it a risk that the parties will not reach an immediate agreement; resulting in a strike being organised.

Strikes can materially affect the Company's operations and financial results; a worst case scenario being a complete halt in the operations of one or more of its subsidiaries for a prolonged period of time. Strikes in the aviation industry are particularly taxing for airlines due to the nature of the business, which is burdened with high fixed costs.

In addition to relying on hired personnel, the Company relies on third parties to provide its customers with services on behalf of and in cooperation with it. Any inability of the relevant third parties to provide such services may impact the business.

## 1.9 Covenants – Contractual Risk

The Company is contractually bound to honour various contracts in loan and leasing agreements as well as under the Terms and Conditions of the Issue via covenants or default event conditions, e.g. through certain accounting figure minimum requirements. Should the Company become unable to fulfil the relevant covenants, or for some reason discontinue to do so, the lessors and bond holders may become entitled to rescind these agreements, which might have financial consequences for the Company.

## 1.10 Legal risk

### 1.10.1 Aviation regulations

Air transportation is subject to intensive regulation. An Air Operator's Certificate (AOC) has been issued to the relevant subsidiaries of the Group authorising it to conduct its airline operations. There is no guarantee that the Group will be issued such licenses in the future. Occasionally, the Federal Aviation Administration (FAA) and its European counterparts issue directives and other regulations relating to the maintenance of aircraft that may result in significant costs for the Group. There is no guarantee that the Group will be compensated for this through higher ticket prices, making it likely that the Group would be adversely affected.

The Group's operating authority is subject to aviation agreements between governmental authorities of the European Union and the respective countries. Those agreements are periodically subject to renegotiation. Changes in the aviation policies of those countries could result in the termination of such agreements and adversely affect the Group's operations. Individual airline regulators, including the regulator in Iceland, may impose restrictions and requirements that would impact the Group's profitability.

### **1.10.2 Securities Regulation**

The Company's shares are traded on the Nasdaq Iceland and therefore subject to Icelandic securities regulations, e.g. those in the Securities Transactions Act No. 108/2007, government regulations and rules adopted by the Nasdaq Iceland. Violation, whether intended or unintentional, of these provisions may have a financial impact on the Company. Serious breaches may result in penalties and the Nasdaq Iceland halting trading in the Company's securities.

### **1.10.3 Litigation**

Given the Issuer's size and the scope of its operations, it can easily find itself involved in some form of litigation at any given time which might adversely affect its financial position. At the time of the publishing of this Registration Document, the Issuer is involved in various legal disputes, none of which is of any financial significance.

At the time of the publishing of this Registration Document the Issuer is not party to any governmental, legal or arbitrational proceedings. Further, the Issuer is not aware of any such proceedings being pending or threatened during the period covering the previous 12 months which may have, or have in the recent past had significant effect on the Issuer and/or the Issuer's financial position or profitability.



## 02 NOTICE TO INVESTORS

This Registration Document has been compiled in accordance with Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (“the Prospectus Directive”). The Prospectus Directive has been implemented into Icelandic law.

This Registration Document has been prepared to provide clear and thorough information on the consolidated company Icelandair Group, in its capacity as Issuer of the securities bearing the symbol ICEAIR 15 1, being admitted to trading. This Registration Document does not constitute legal, financial or tax advice. Investors are strongly advised to consider their legal status, including taxation issues that may concern the purchase or sale of the Company’s securities and seek external and independent advice in that respect. Investors are encouraged to acquaint themselves thoroughly with information provided in this Registration Document. Particular emphasis is placed on investors paying due attention to Chapter 01 *RISK FACTORS*.

Under no circumstances should information contained in this Registration Document be viewed or construed as a promise by the Company, or other parties, of future success either in operations or return on investments. Investors are reminded that investing in securities entails risk, as the decision to invest is based on expectations and not promises. Investors must rely on their own judgement regarding any decision to invest in the Company’s securities, bearing in mind inter alia the business environment in which the Company operates; anticipated profits, external conditions and the risk inherent in the investment itself. Prospective investors are advised to contact experts, such as licensed financial institutions, to assist them in their assessment of the securities issued by the Company as an investment option.

Only the Issuer is entitled to provide information about conditions described in this Registration Document. Information supplied by any other person is of no relevance in relation to the Registration Document and must not be relied upon.

This Registration Document is neither an offer to sell nor a request to buy bonds issued by the Company. Neither the delivery of the Registration Document nor any sale made hereunder shall under any circumstances be taken to mean that there has been no change in the Company’s affairs or that the information set forth in the Registration Document is correct as of any date subsequent to the date hereof.

The Registration Document may neither be distributed nor mailed, or otherwise distributed or sent, in or into countries in which distribution would require any additional registration measures or other measures to be taken, other than as applicable under Icelandic law and regulations, or where such distribution would be in conflict with any law or regulation in such country. However, the Registration Document may be passported in accordance with the provisions of the Prospectus Directive into other jurisdictions within the European Economic Area.

Unless otherwise stated, references to any laws, acts or regulations are references to acts passed by the Icelandic parliament and regulations issued by Icelandic governmental agencies unless otherwise clear from the context.

The admission to trading will proceed pursuant to Icelandic law and regulations. The Financial Supervisory Authority, Iceland has scrutinised and approved this Registration Document, which is published in English only. This Registration Document, along with a Securities Note, both dated 7 May 2015, will be made available to investors on the Company's website, <http://www.icelandairgroup.is/investors/reports-and-presentations/prospectus/>, for a period of twelve months from publication on 7 May 2015. Hard copies will be available to investor that so choose at the Company's headquarters.

In the event of any significant new factor, material mistake or inaccuracy relating to information included in this Registration Document which might result in a change in the assessment of the market value of bonds in the Issue, during the period from when this Registration Document is approved and until the commencement of trading in the Bonds on a regulated market, the Issuer will, in accordance with Article 46 of Act no. 108/2007 respecting Securities Transactions, publish a supplement to the Prospectus, of which this Registration Document forms a part. The supplement shall be approved within seven business days and published in the same manner as the Prospectus. In the event of the above mentioned, the Issuer will also issue a public statement to that effect.

## 03 PERSONS RESPONSIBLE

### 3.1 Issuer's Statement

The CEO and the Board of Directors of Icelandair Group hf. ID No. 631205-1780, registered office Reykjavik Airport, 101 Reykjavík, Iceland, hereby declare that having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, 7 May 2015  
Reykjavik Airport, 101 Reykjavík, Iceland:

Sigurdur Helgason,  
Chairman of the Board of Directors,  
Icelandic ID No. 010546-2069

And

Björgólfur Jóhannsson,  
CEO,  
Icelandic ID No. 280855-3409.

### 3.2 Statutory Auditor's Statement

KPMG hf., ID No. 590975-0449, registered office Borgartún 27, 105 Reykjavík, Iceland, which contains members of the Institute of State Authorized Public Accountants in Iceland and

Alexander G. Eðvardsson, state-authorized public accountant at KPMG hf., and Guðný Helga Guðmundsdóttir, state-authorized public accountant at KPMG hf.,

hereby jointly declare that we have audited and expressed an opinion on the consolidated financial statements of the Company for the financial year ended 31 December 2013, and declare that nothing has come to our attention that causes us to believe that the consolidated financial statements for the abovementioned financial year does not give a true and fair view of the financial position of the Company as at 31 December 2013, and of the results of the Company's operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavik, 7 May 2015

On behalf of KPMG hf.

Alexander G. Eðvardsson

State-authorized public accountant and member of The Institute of State Authorized Public Accountants in Iceland

Icelandic ID No. 300957-4399

Guðný Helga Guðmundsdóttir

State-authorized public accountant and member of The Institute of State Authorized Public Accountants in Iceland

Icelandic ID No. 221168-4029

KPMG hf., ID No. 590975-0449, registered office Borgartún 27, 105 Reykjavík, Iceland, which contains members of the Institute of State Authorized Public Accountants in Iceland

and

Alexander G. Eðvardsson, state-authorized public accountant at KPMG hf. and Auður Ósk Þórisdóttir, state-authorized public accountant at KPGM hf.

hereby jointly declare that we have audited and expressed an opinion on the consolidated financial statements of the Company for the financial year ended 31 December 2014 and declare that nothing has come to our attention that causes us to believe that the consolidated financial statements for the abovementioned financial year do not give a true and fair view of the financial position of the Company as at 31 December 2014, and of the results of the Company's operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavik, 7 May 2015

On behalf of KPMG hf.

Alexander G. Eðvardsson

State-authorized public accountant and member of The Institute of State Authorized Public Accountants in Iceland

Icelandic ID No. 300957-4399

and

Auður Ósk Þórisdóttir

State-authorized public accountant and member of The Institute of State Authorized Public Accountants in Iceland

Icelandic ID No. 311261-7549

### 3.3 Third Party Information

Where third party information has been used in this Registration Document, the information has been accurately reproduced and the source of such information has been identified. As far as the Company is aware and able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

When third party information has been used in this Registration Document, it has been on the basis of publicly available information which is cited in footnotes where they are referred to. The footnotes are structured in such a way as to make it straightforward for the reader to identify the relevant source of the information, if the need or will arises, to examine the underlying documents in further detail.

### 3.4 The Listing Advisor

The Listing Advisor, Íslandsbanki hf., ID No. 491008-0160, registered office Kirkjusandur 155, Reykjavík, Iceland, has been the advisor to the Issuer in the preparation of this Registration Document. The Listing Advisor has not independently verified the information contained herein.

Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Listing Advisor as to the accuracy or completeness of the information contained or incorporated by reference in this document or any other information provided by the Issuer in connection with the Company's Issue of bonds bearing the symbol ICEAIR 15 1.

The Listing Advisor has in consultation with the management and the Board of the Directors of Icelandair Group compiled this Registration Document and is acting in reliance on the information provided by the management and Board of Directors of Icelandair Group.

Íslandsbanki is a shareholder in Icelandair Group with a 2.29% share of the common stock and a corresponding voting right.

Íslandssjóðir hf., a subsidiary of Íslandsbanki, hold a 2.47% share of the common stock in Icelandair Group and a corresponding voting right.

Íslandsbanki provides general financial services to Icelandair Group.

Íslandsbanki hf. is a market maker for the Issue and receives a payment from the Issuer for this service.

## 04 THE COMPANY

### 4.1 Name, Incorporation and Registration

The legal and commercial name of the Company is Icelandair Group hf. The Company is registered at the Register of Enterprises in Iceland, with the ID No. 631205-1780. Icelandair Group's domicile and headquarters are at Reykjavik Airport, 101 Reykjavík, Iceland, and the telephone number is +354 50 50 300.

Icelandair Group hf. is a public limited company incorporated in Iceland operating pursuant to the Icelandic Act No. 2/1995 respecting Public Limited Companies. The Group's operations are further subject to the Icelandic Aviation Act No. 10/1998, Act No. 41/1949 respecting The Convention for the Unification of certain rules relating to international carriage by air, (commonly known as the "Warsaw Convention"), Act No. 80/1994 respecting Package Tours and Act No. 85/2007 respecting food and beverage services, accommodation establishments and entertainment. The date of incorporation was 20 December 2005.

### 4.2 Brief history

Icelandair Group traces its roots to the year 1937 when one of its predecessors, Flugfélag Akureyrar, was founded. In 1943, the company moved its headquarters to Reykjavík and changed its name to Flugfélag Íslands, which later assumed the international trade name Icelandair.

Another important milestone was passed in 1944, when three young Icelandic pilots, returning from flight training in Canada, founded Loftleiðir, which later became known as Icelandic Airlines. Initially, both companies concentrated on Icelandic domestic air services. However, in 1945 Icelandair made its first international flight to Scotland and Denmark. Air Iceland began international operations in 1947, and its pioneering low-fare services across the North-Atlantic commenced in 1953.

In 1973, the two airlines, Icelandair and Air Iceland, were merged under a new holding company, Flugleiðir. In October 1979, Flugleiðir assumed all the operating responsibilities of its two parent companies, and decided to use Icelandair as its international trade name, only retaining the Flugleiðir name in the domestic market.

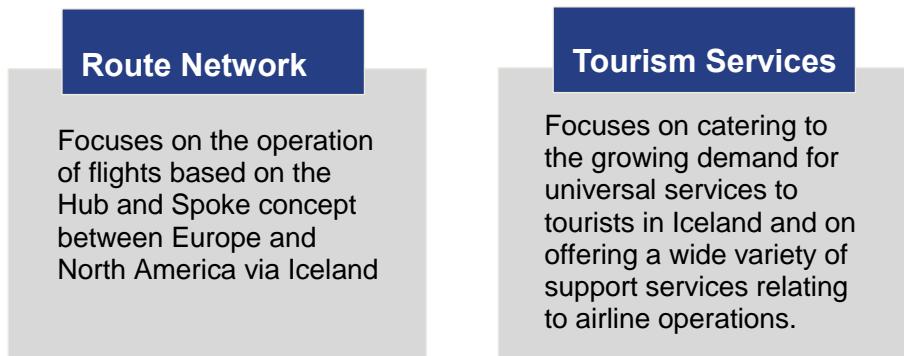
Although its formal founding date is 20 December 2005, Icelandair Group, in its current day form, is the result of a series of acquisitions, mergers, de-mergers, in- and divestments and comprehensive restructuring spanning the three decades, from 1979 - 2010. The Group's shares have been traded on the Nasdaq Iceland since 12 February 2007.

In 2012, Icelandair Group celebrated 75 years of successful operations in scheduled flight services making the name Icelandair one of the longest serving airline names in the world.

### 4.3 Business Overview

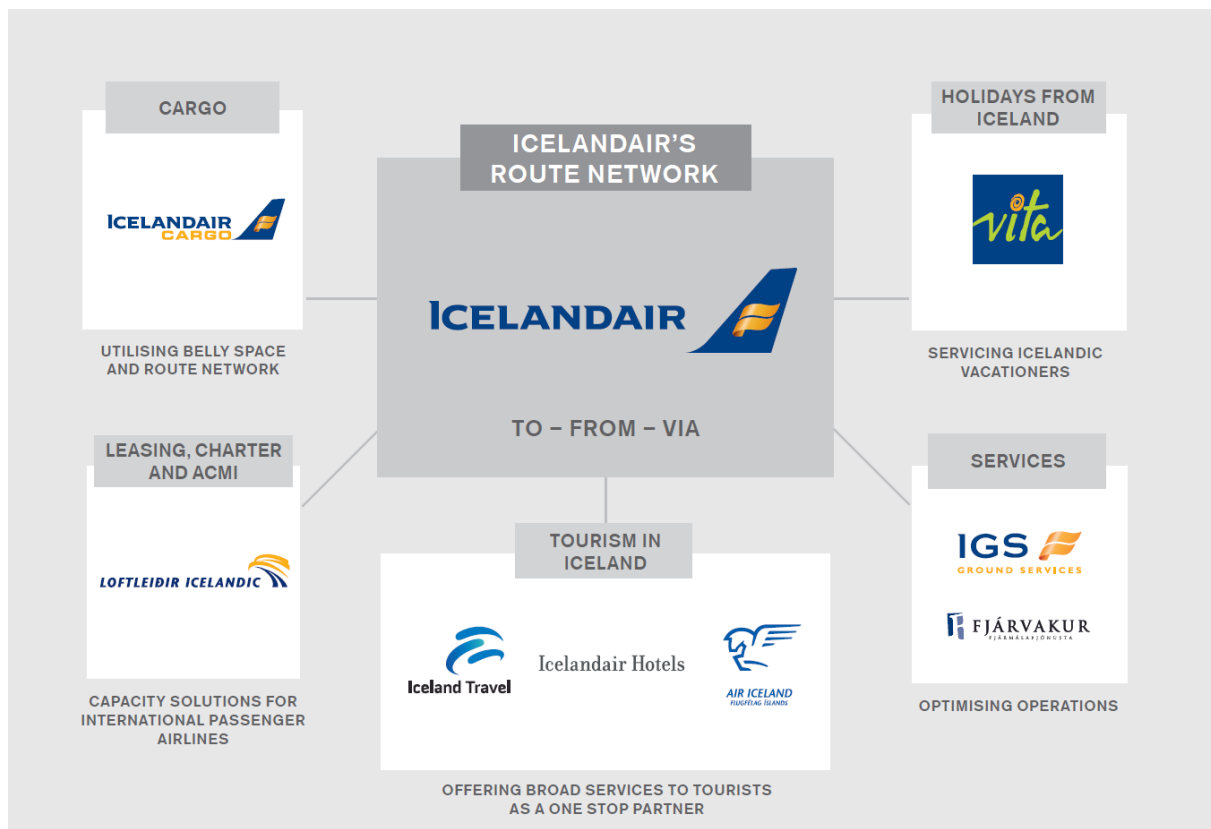
Icelandair Group (the “Group”) operates in the international airline and tourism sectors, with Iceland as the focal point of its international Route Network. Icelandair Group is the parent company of nine fully-owned subsidiaries (see item 1 below) covering two business segments: Route Network and Tourism Services.

Item 1. The business concept of the Group



In addition to the passenger flights operated by Icelandair, the Group has extensive interests in most other parts of Icelandic tourism and aviation, including hotel chains, travel agencies, domestic airline and cargo, support services and ground handling and technical services, in addition to its leasing and charter operations.

Item 2. Icelandair Route Network





The strategy of the Group is regularly and continually tested in order to enable the Company to fully understand the competitive market in which it operates and to take advantage of any hidden opportunities that may exist and any new opportunities that may arise. To this end Icelandair Group strives to develop tools that will enable the Company to create more value than its competitors for the benefit of all of the Company's stakeholders.

The Group's long-term strategy remains firmly centred on five key points:

- | Focus on the Route Network and tourism services
- | Focus on reducing seasonality in the Group's operations
- | Focusing on organic growth and business development.
- | Focus on achieving greater synergies between Group companies.
- | Focus on improving efficiency with special emphasis on continuous cost control.

#### 4.4 Business Segments: Route Network

This business segment is focused on the well-established international route networks based on the *Hub and Spoke* concept. Seven companies are categorised as being part of the Route Network business segment:

- | Icelandair ehf., the international, full-service airline with a hub in Iceland;
- | Icelandair Cargo, a full-service air freight company;
- | Icelandair Ground Services, handling agent for airlines and passenger services at Keflavik Int'l Airport.
- | Air Iceland, the regional airline operator.
- | Loftleidir-Icelandic, the aircraft leasing operation.
- | FERIA, parent company of travel agencies VITA and Ferð.is
- | Icelandair Shared Services (Fjárvakur-fjármálathjónusta ehf.), the accounting and financial support company of the Group.

These companies work closely together and have long historical ties. The main common task of the focus group is to run a profitable airline network operation with growth potential while supporting local tourism in Iceland. This is done through sales and marketing activity on behalf of all companies, as well as through placing emphasis on revenue management and cost control throughout the operation.

The Issuer is relied on the successful operations of the entities within the Group, with Icelandair ehf. being the largest and most important subsidiary responsible for over 2/3 of Group operating income in 2014.

#### 4.4.1 Icelandair ehf.

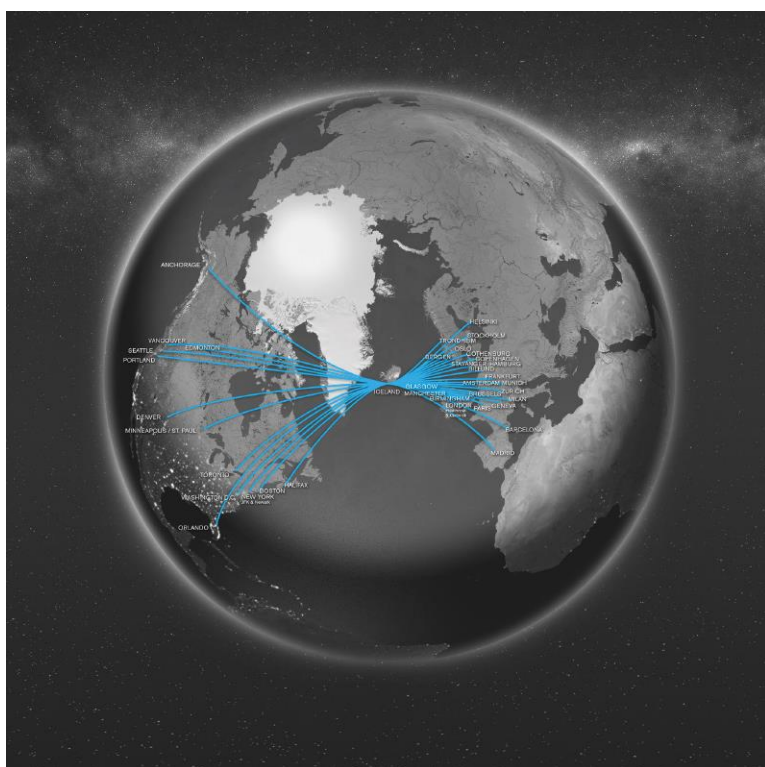
Icelandair ehf., an international airline (the “**Airline**”), is the Group’s largest subsidiary and a key factor in the Group’s operations. The Airline’s operating result is the largest determining factor in the Group’s overall results. The Airline’s CEO is Birkir Hólm Guðnason.

The Airline’s business strategy is based on the geographical position of Iceland on the flight route between northern Europe and North America. By combining in its aircraft, passengers visiting Iceland, passengers departing from Iceland and passengers travelling across the Atlantic via Iceland, the Airline has been able to expand its network steadily. In 2015 Icelandair ehf. will connect 25 European cities to 14 North American cities through the hub in Iceland in its summer schedule. The network is based on a 24-hour rotation with morning and afternoon connections in Iceland (see item 3 below).

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#### Item 3. The Airline’s Route Network in 2015

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#### 4.4.2 Icelandair Cargo

Icelandair Cargo bases its business on scheduled services between Iceland, Europe and North America. In addition to marketing and selling space on its own freighters, Icelandair Cargo sells the cargo hold space on the Airline’s passenger aircraft. Icelandair Cargo has two Boeing 757-200 freighters in its fleet. Icelandair Cargo is one of the carriers on the To and From Iceland market offering direct services to 40 destinations with its own cargo fleet as well as the Airline’s passenger aircraft. The freighters are placed on the Airline’s Air Operators Certificate (AOC) and crews are leased from the Airline. Aircraft maintenance, warehousing, cargo handling and part of cargo sales are outsourced.

Icelandair Cargo is the largest air freight service provider in Iceland. The Managing Director of Icelandair Cargo is Gunnar Már Sigurfinnsson.

#### 4.4.3 Icelandair Ground Services

Icelandair Ground Services (“**IGS**”) provides comprehensive airport ground handling services for airlines and passengers at Keflavík International Airport.

IGS is a service provider enabling airlines and other customers to obtain all services required through one service provider. In addition to offering aircraft ground handling services for all types of aircraft, IGS operates a first-class flight kitchen and bonded stores and a state-of-the-art cargo centre at Keflavík International Airport. All these units are organised and settled as profit-making units. The Managing Director of IGS is Gunnar S. Olsen.

#### 4.4.4 Air Iceland (Flugfélag Íslands)

Air Iceland is a regional airline servicing domestic flights to 4 destinations in Iceland, Reykjavík, Akureyri, Egilsstaðir and Ísafjörður as well as flights to Kulusuk, Nuuk, Ilulissat and Narsarsuaq in Greenland. Through its cooperation with Norlandair, Air Iceland offers flights to Grímsey, Vopnafjörður and Þórshöfn in Iceland and Ittoqqortoermiit in Greenland. In cooperation with Atlantic Airways, flights to Thorshöfn in the Faroes Islands are offered.

The Managing Director of Air Iceland is Árni Gunnarsson.

#### 4.4.5 Loftleiðir-Icelandic

Loftleidir–Icelandic is a capacity solution provider for the international passenger airlines and tour operator industries. The company currently operates AM (Aircraft and Maintenance) ACMI (aircraft, crew, maintenance and insurance) and full charter contracts in Europe, the Middle East and America. Furthermore, Loftleidir-Icelandic has established itself as a business class operator serving one of the most prestigious operators in the USA, A&K (Abercrombie & Kent), by operating first-class flights around the world on which all seats are business class.

The Managing Director of Loftleidir-Icelandic is Guðni Hreinsson.

#### 4.4.6 FERIA

FERIA operates VITA travel which offers Icelanders travelling abroad a variety of leisure tours, taking advantage of opportunities that arise through the company’s partnership with Icelandair ehf. VITA offers a secure and attractive option for Icelanders seeking services and assistance for organised groups and individual tours, such as vacation tours, golf and ski trips and city breaks. FERIA has been an independent subsidiary of the Group since early 2012 when it was split from Iceland Travel.

The Managing Director of FERIA is Hörður Gunnarsson.

#### 4.4.7 Icelandair Shared Services (Fjárvakur)

Icelandair Shared Services operates a support department for finances with the shared services concept as a cornerstone and was one of the largest companies in Iceland specialising in this area of business. The company has three business units. Financial Services provides services such as general accounting, debt collection, payments of supplier invoices, management information and reporting including systems for customers in Iceland. Human Resource Services provides payroll and HR services for customers in Iceland. Revenue Accounting Services provides services such as sales accounting, other airline accounting, revenue uplift, ticket refunds and sales audits for airlines, both in Iceland and abroad.

The Managing Director of Icelandair Shared Services is Magnús Kr. Ingason.

#### 4.5 Business Segments: Tourism Services

The business segment Tourism Services comprises the following subsidiaries:

- | Icelandair Hotels, the domestic hotel chain.
- | Iceland Travel, a travel agency, tour operator and destination management company in Iceland.

The focus of this business segment is on catering to the growing demand for universal services to tourists in Iceland and on offering a wide variety of support services relating to airline operations.

##### 4.5.1 Icelandair Hotels

Icelandair Hotels is a quality hotel provider in Iceland, representing a total of 22 hotels under three separate brands; Hilton Reykjavík Nordica, 9 Icelandair Hotels<sup>3</sup> and 12 Edda hotels. All the Icelandair Hotels, as well as the Hilton Reykjavík Nordica are open year-round while Edda is a chain of summer hotels, many of which utilise buildings that serve as boarding schools during the winter months. Icelandair Hotels rents all the properties that it uses for its operations.

The Managing Director of Icelandair Hotels is Magnea Þórey Hjálmarsdóttir.

##### 4.5.2 Iceland Travel

Iceland Travel produces, markets, distributes and sells package tours to foreign tourists in Iceland. It specialises in advanced services and working with almost all licensed vendors operating in the tourist industry in Iceland, from car rentals to hotels and accommodation providers, professional guides, etc. Iceland Travel organises various vacation packages, scheduled tours, day tours and activities, as well as planning MICE (Meetings -Incentives - Conferences -Events).

The Managing Director of Iceland Travel is Hörður Gunnarsson.

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<sup>3</sup> Whereof five are run in accordance with a franchise agreement which allows them to use the Icelandair Hotels trademark.

## 05 MANAGEMENT

### 5.1 Board of Directors

The Group's Board of Directors consists of five members, each of whom is elected at the Annual General Meeting for a term of one year. The Board of Directors of the Company has supreme authority in the Company's general affairs between Shareholders Meetings. The Company's Board of Directors directs company affairs and sets its objective and future vision, dealing with the annual budget and Company's goals presented by the CEO and the strategy to be taken to reach them.

#### 5.1.1 Members of the Board of Directors as of 11 March 2015:

	<b>Born:</b>	<b>Position held outside Company:</b>	<b>Business address:</b>	<b>Elected to the Board:</b>	<b>Education:</b>
<b>Sigurður Helgason</b>	1946	Retired, former CEO of Icelandair.	Icelandair Group Head Office, Reykjavik Airport, 101 Reykjavík, Iceland	August 2009	Cand.Oecon degree from the University of Iceland. MBA from the University of North Carolina, Chapel Hill.
<b>Úlfar Steindórsson</b>	1956	CEO, Toyota Iceland ehf.	Nýbýlavegur 8, 200 Kópavogur, Iceland	September 2010	Cand. Oecon degree from the University of Iceland and MBA from Virginia Commonwealth University.
<b>Katrín Olga Jóhannesdóttir</b>	1962	Co-owner and Chairman of Já ehf.	Álfheimar 74, 104 Reykjavík, Iceland	August 2009	Cand. Oecon degree from the University of Iceland. MSc in business economics from Odense University.
<b>Ásthildur M. Otharsdóttir</b>	1968	Independent management consultant	Austurstræti 16, 155 Reykjavík, Iceland.	March 2012	Cand. Oecon. in business from the University of Iceland. MBA degree from the Rotterdam School of Management, Erasmus University in the Netherlands.
<b>Magnús Magnússon</b>	1965	LBI hf.	Álfheimar 74, 104 Reykjavík, Iceland	August 2014	Bachelor's degree in business from the University of Iceland. Master's degree from the Norwegian Business School.

## 5.2 Group Management

The management team of Icelandair Group is led by the Executive Committee. The Executive Committee comprises Björgólfur Jóhannsson, Chief Executive Officer, Bogi Nils Bogason, Chief Financial Officer, Birki Hólm Guðnason, Managing Director of subsidiary Icelandair ehf. and Magnea Þórey Hjálmarsdóttir, Managing Director of subsidiary Icelandair Hotels.

The Group's management emphasises the importance of collaboration between its subsidiaries as highlighted in the segmentation by the Group into the Route Network and Tourism Services. The business segmentation stresses the importance for subsidiaries to focus on a Group-wide approach to their daily operations.

The Executive Committee leads a team of specialists whose task is to harness the potential synergy effects, organise the overall operational network and ensure efficient financial management of Icelandair Group and its subsidiaries. The management team also formulates and ensures compliance by all subsidiaries with the overall strategy of the Group. All operational companies of the Group have their individual management, with executives in charge of the daily business, supported by the Group management.

### 5.2.1 Executive Committee

	<b>Born:</b>	<b>Position:</b>	<b>Business address:</b>	<b>Former work experience:</b>	<b>Education:</b>
<b>Björgólfur Jóhannsson</b>	1955	CEO	Icelandair Group Head Office, Reykjavik Airport, 101 Reykjavik, Iceland	CEO of Síldarvinnslan hf.(2005), Icelandic Group hf. (2007), The Federation of Icelandic Fishing Vessel Owners (LÍÚ) (2008) and Bidleikur ehf. (2009)	Cand. Oecon degree in business administration from the University of Iceland and a state-authorised public accountant in Iceland.
<b>Bogi Nils Bogason</b>	1969	CFO	Icelandair Group Head Office, Reykjavik Airport, 101 Reykjavik, Iceland	Auditor, partner and board member at KPMG ehf. in Iceland until 2004. CFO of Icelandic Group 2004-2007 and CFO of Askar Capital from Jan. 2007-Oct. 2008.	Bachelor's and Cand. Oecon degrees in business from the University of Iceland and a state-authorised public accountant in Iceland.
<b>Birkir Hólm Guðnason</b>	1974	MD of Icelandair ehf.	Icelandair Group Head Office, Reykjavik Airport, 101 Reykjavik, Iceland	Various positions within the Group since joining in 2000, among them Sales Manager in Iceland and later North America and General Manager for Central Europe and Scandinavia.	Bachelor's degree in business economics and administration and an MBA in international business and economics, from Aalborg University, Denmark.

<b>Magnea Þórey Hjálmarsdóttir</b>	1967	MD of Icelandair Hotels	Icelandair Group Head Office, Reykjavík Airport, 101 Reykjavík, Iceland	Joined Icelandair Hotels in 1994 and had previously held management positions within hotels in Iceland, Switzerland and Japan.	MBA from the University of Surrey, UK.
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### 5.2.2 Audit Committee

The Group Audit Committee is appointed by the Group's Board of Directors. The committee consists of a minimum of three members who are independent of the Company's day-to-day operations. The members must have relevant experience and expertise regarding auditing and applicable laws.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The Committee oversees the Company's annual accounts and the Group's consolidated accounts.

The Committee is responsible for evaluating the independence and the eligibility of both the Company's auditor and its auditing firm. The Committee makes suggestions to the Board of Directors regarding the selection of the Company's auditor.

According to Article 8.8 of the Articles of Association of the Company, committees working on behalf of the Board of Directors are elected in accordance with provisions of the rules of the Board of Directors, and their conclusions are advisory for the Board of Directors which is not bound by the committee's conclusions when resolving matters unless otherwise stipulated by law.

The Board of Directors have elected Katrín Olga Jóhannesdóttir, Ásthildur Margret Otharsdóttir and Magnús Magnússon as members of the Group's Audit Committee with Katrín Olga acting as Chairman.

According to the Guidelines on Corporate Governance, issued by the Iceland Chamber of Commerce, Nasdaq Iceland and the Confederations of Icelandic Employers, the Audit Committee must consist of at least three members, the majority of whom must be independent of the Company.

### 5.3 Conflict of Interest

To the extent that can be reasonably verified by the Company, no conflict of interest exists regarding the private affairs, family relations, or any other kind, between members of the administrative and senior management bodies that might conflict with the Company's interests or prevent the aforementioned to faithfully execute their duties to the Company.

## 06 SHAREHOLDERS

According to the latest shareholders' list of the Company, dated 5 May 2015, Icelandair Group has a total of 2.131 shareholders. The three largest shareholders in the Company were Lífeyrissjóður Verzlunarmanna, Stefnir – ÍS 15 and Lífeyrissjóður Starfsmanna Ríkisins A-deild with a total of 32.33% of shares. The ten largest shareholders hold 60.65% of the shares. None of them are considered related parties. The remaining 39.35% of shares are disbursed among 2.128 shareholders.

To the extent that this can be verified by the Company, Icelandair Group is neither directly nor indirectly, owned nor controlled by parties other than the listed shareholders.

All shares in the Company are freely transferrable and traded on the Main Market of the Nasdaq Iceland. No shareholders agreement or any other such arrangement exists that may at a subsequent date result in a change in control of the Company.

### 6.1 Largest Shareholders

#### Item 4. 20 Largest shareholders as of 5 May 2015

Shareholder name	Number of shares	% of shares outstanding
Lífeyrissjóður Verzlunarmanna	729.136.116	14,58%
Stefnir - ÍS 15	551.875.103	11,04%
Lífeyrissj.starfsm.rík. A-deild	335.670.000	6,71%
Stefnir - ÍS 5	324.133.768	6,48%
Gildi - lífeyrissjóður	306.740.441	6,13%
Stafir lífeyrissjóður	179.650.270	3,59%
Stapi lífeyrissjóður	171.447.000	3,43%
Sameinaði lífeyrissjóðurinn	146.582.219	2,93%
A.C.S safnreikningur I	146.044.669	2,92%
Lífeyrissj.starfsm.rík. B-deild	141.031.500	2,82%
Landsbréf - Úrvalsbréf	125.902.001	2,52%
Íslandssjóðir - IS Hlutabréfasj.	123.420.724	2,47%
Íslandsbanki hf.	114.290.479	2,29%
Söfnunarsjóður lífeyrisréttinda	93.797.131	1,88%
Virðing safnreikningur	81.063.558	1,62%
Lífeyrissjóður starfsm sveitarf	79.714.280	1,59%
Straumur fjárfestingabanki hf.	60.417.072	1,21%
Landsbréf Öndvegisbréf	51.924.646	1,04%
MP banki hf.	50.359.608	1,01%
Festa - lífeyrissjóður	49.657.499	0,99%
<b>TOTAL</b>	<b>3.862.858.084</b>	<b>77,26%</b>

The table above lists the holdings and voting rights of the 20 largest shareholders in the Company as of 5 May 2015.



## 07 FINANCIAL INFORMATION

The consolidated financial statements of the Company for the years 2013 and 2014 and the consolidated interim financial statements for the period of 1 January – 31 March of the years 2014 and 2015 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and correspond with the interpretations of the International Accounting Standards Board.

The Company’s consolidated financial statements for the abovementioned full years have been audited by KPMG ehf. and are incorporated in this Registration Document by reference. No other information contained in this chapter or other chapters of this Registration Document have been audited.

The Company’s condensed consolidated interim financial statements for the period 1 January – 31 March 2014 and 2015 respectively have neither been audited nor reviewed by the Company’s external auditors.

Detailed information regarding the items in the income statements, cash flow and balance sheets are accessible in the policies and explanatory notes in the relevant financial statements, incorporated into this Registration Document by reference, see Chapter 08 *DOCUMENTS ON DISPLAY AND INCORPORATED BY REFERENCE*.

### 7.1 Consolidated statement of comprehensive income for the years ended 31 December 2013 and 2014, and for the quarters ended 31 March 2014 and 2015 respectively

#### Item 5. Consolidated statement of comprehensive income

USD '000	2015	2014	2014	2013
	01.01.-31.03. <i>Unaudited</i>	01.01.-31.03. <i>Unaudited</i>	01.01.-31.12. <i>Audited</i>	01.01.-31.12. <i>Audited</i>
Operating income	186,075	191,277	1,113,297	1,022,957
Operating expenses	(188,343)	(204,581)	(958,959)	(879,247)
<b>Operating profit before depreciation and amortisation (EBITDA)</b>	<b>(2,268)</b>	<b>(13,304)</b>	<b>154,338</b>	<b>143,710</b>
Depreciation and amortisation	(17,011)	(17,296)	(75,329)	(70,699)
<b>Operating profit (EBIT)</b>	<b>(19,279)</b>	<b>(30,600)</b>	<b>79,009</b>	<b>73,011</b>
Finance income	2,427	460	7,194	6,777
Finance costs	(1,542)	(3,147)	(6,079)	(8,702)
<b>Net finance (costs) income</b>	<b>885</b>	<b>(2,687)</b>	<b>1,115</b>	<b>(1,925)</b>
Share of loss of associates, net of tax	90	(75)	(216)	(38)
<b>Profit/loss before tax</b>	<b>(18,304)</b>	<b>(33,362)</b>	<b>79,908</b>	<b>71,048</b>
Income tax	3,752	6,641	(15,483)	(14,630)
<b>Profit for the period</b>	<b>(14,552)</b>	<b>(26,721)</b>	<b>64,425</b>	<b>56,418</b>

## 7.2 Consolidated statement of financial position as at 31 December 2013 and 2014

### Item 6. Consolidated statement of financial positions

<i>USD '000</i>	<b>2015</b> 31.03. <i>Unaudited</i>	<b>2014</b> 31.12. <i>Audited</i>	<b>2013</b> 31.12. <i>Audited</i>
<b>Assets</b>			
Non-current assets	521,216	514,203	496,957
Current assets	471,747	335,017	335,918
<b>Total assets</b>	<b>992,963</b>	<b>849,220</b>	<b>832,875</b>
<b>Equity</b>			
<b>Total equity</b>	<b>335,616</b>	<b>365,055</b>	<b>346,082</b>
<b>Liabilities</b>			
Non-current liabilities	98,376	82,643	130,226
Current liabilities	558,971	401,522	356,567
<b>Total liabilities</b>	<b>657,347</b>	<b>484,165</b>	<b>486,793</b>
<b>Total equity and liabilities</b>	<b>992,963</b>	<b>849,220</b>	<b>832,875</b>

## 7.3 Consolidated statement of cash flow for the years 2013 and 2014, and for the quarters ended 31 March 2014 and 2015 respectively

### Item 7. Consolidated statement of cash flow

<i>USD '000</i>	<b>2015</b> 01.01.-31.03. <i>Unaudited</i>	<b>2014</b> 01.01.-31.03. <i>Unaudited</i>	<b>2014</b> 01.01.-31.12. <i>Audited</i>	<b>2013</b> 01.01.-31.12. <i>Audited</i>
<b>Cash flow from operating activities:</b>				
Net cash from operating activities	117,687	121,371	215,315	230,874
Net cash used in investing activities	(37,611)	(33,946)	(130,156)	(113,223)
Net cash used in financing activities	19,880	(29,138)	(88,684)	(45,232)
(Decrease) increase in cash and cash equivalents	<b>99,956</b>	<b>58,287</b>	<b>(3,525)</b>	<b>72,419</b>
Effect of exchange rate fluctuations on cash held	(2,063)	388	(3,251)	2,059
Cash and cash equivalents at the beginning of the period	184,762	191,538	191,538	117,060
<b>Cash and cash equivalents at the end of the period</b>	<b>282,655</b>	<b>250,213</b>	<b>184,762</b>	<b>191,538</b>

## **7.4 Significant Change in the Issuer's Financial or Trading Position**

As of the date of this Registration Document, there has been no material adverse change in the prospects of the Group, or its subsidiaries, taken as a whole, since the date of its last published audited financial statements nor is it likely to change for at least the current financial year.

In particular, there has been no significant change in the financial or trading position, or results of operations of the Group as a whole since the end of the last financial period for which financial information has been published. No such change is foreseen nor expected to materialise in the current financial year.

## 08 DOCUMENTS ON DISPLAY AND INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated by reference in, and to form part of, this Registration Document:

- | The Company's unaudited condensed consolidated interim financial statements in respect of the period 1 January to 31 March 2015.
- | The Company's unaudited condensed consolidated interim financial statements in respect of the period 1 January to 31 March 2014.
- | The Company's audited consolidated financial statements in respect of the year ended 31 December 2014, together with the audit report prepared in connection therewith.
- | The Company's audited consolidated financial statements in respect of the year ended 31 December 2013, together with the audit report prepared in connection therewith.

Copies of the aforementioned documents can be obtained from the registered office of the Issuer or may be downloaded from the Company's website <http://www.icelandairgroup.is/investors/reports-and-presentations/>.

For a period of twelve months from the date of approval of this Registration Document, the following documents are available for viewing at the registered office of the Issuer, or may be downloaded from the Company's website <http://www.icelandairgroup.is/investors/reports-and-presentations/>:

- | The Registration Document and Securities Note, dated 7 May 2015.
- | The Company's Issue Description for the ICEAIR 15 1 bond class
- | The Company's Articles of Association, dated 13 March 2015.
- | The Company's unaudited consolidated interim financial statements in respect of the period 1 January to 31 March 2015.
- | The Company's unaudited consolidated interim financial statements in respect of the period 1 January to 31 March 2014
- | The Company's audited consolidated financial statements in respect of the year ended 31 December 2014, together with the audit report prepared in connection therewith.
- | The Company's audited consolidated financial statements in respect of the year ended 31 December 2013, together with the audit report prepared in connection therewith.

## 09 REFERENCES

References to “Icelandair Group”, “the Issuer”, “we”, “us”, “the Group” and “the Company” in this Registration Document shall be construed as referring to Icelandair Group hf., Icelandic ID No. 631205-1780, unless otherwise clear from context.

References to “Icelandair ehf.” in this Registration Document shall be construed as referring to Icelandair ehf., Icelandic ID No. 461202-3490, unless otherwise clear from the context. Icelandair ehf. is the largest subsidiary within Icelandair Group.

References to “Loftleidir-Icelandic” in this Registration Document shall be construed as referring to Loftleidir-Icelandic ehf., Icelandic ID No. 571201-4960, unless otherwise clear from the context. Loftleidir-Icelandic is a subsidiary within Icelandair Group.

References to “the Issue”, “the Bond” or “the Bonds” in this Securities Note shall be construed as referring to the issue of bonds, issued by the Company, bearing the ticker symbol ICEAIR 15 1 and ISIN IS0000025427, unless otherwise clear from context.

References to the “European Union” or “EU” shall be construed as referring to the member states of the European Union, unless otherwise clear from context.

References to “Nasdaq Iceland” in this Registration Document shall be construed as referring to Nasdaq Iceland hf., incorporated under the laws of Iceland, ID No. 681298-2829.

Reference to “the Main Market of the Nasdaq Iceland” or “the Main Market” in this Registration Document shall be construed as referring to the Main Market at Nasdaq Iceland hf.; it shall also refer to the former names of the Main Market of Nasdaq Iceland such as OMX ICE Main Market, unless otherwise clear from context. The Main Market of the Nasdaq Iceland is a regulated market for the purpose of the Market in Financial Instruments Directive 2004/39/EC.

References to “the Listing Advisor” and “Íslandsbanki” in this Registration Document shall be construed as referring to Íslandsbanki hf., ID No. 491008-0160, unless otherwise clear from context.

References to “the Prospectus” in this Registration Document shall be construed as referring to the Issuer’s Prospectus, dated 7 May 2015, comprising a Registration Document and a Securities Note, which are issued on the same date, unless otherwise clear from context.

The Company presents the historical financial information contained within and incorporated by reference in this Registration Document in United States Dollars (“USD”), and references in this Registration Document to “USD” refer to the currency of the United States of America.

References to “Euro” and “EUR” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, unless otherwise clear from context.

References to the *Hub and Spoke* concept in this Registration Document shall be construed as referring to a system created in the 1980s unless otherwise clear from the context. The Airline’s *Hub and Spoke* concept is based on the geographical position of Iceland on the flight route between Europe and North America. By combining in its aircraft, passengers

visiting Iceland, passengers departing from Iceland and passengers travelling across the Atlantic via Iceland, the Airline and its predecessors have been able to expand their network steadily over the past decades. Icelandair ehf. connects 25 European cities to 14 North American cities through the hub in Iceland in 2015. The network is based on a 24-hour rotation with morning and afternoon connections in Iceland.

## ÚTGÁFULÝSING

### ÚTGÁFA SKULDABRÉFA Í KERFI VERÐBRÉFASKRÁNINGAR ÍSLANDS HF

#### 1. kafli

#### *Almennar upplýsingar um útgefanda:*

1.1 *Nafn útgefanda, kennitala, heimild til útgáfu, stofndagur, skráð aðsetur og höfuðstöðvar ef þær eru aðrar en hið skráða aðsetur.*

*Icelandair Group hf., kt. 631205-1780, Reykjavíkflugvelli, 101 Reykjavík. Félagið var stofnað í Reykjavík þann 20. desember 2005.*

*Stjórn Icelandair Group hf. samþykkti útgáfu skuldabréfaflokks þessa á fundi stjórnar þann 30. október 2014.*

1.2 *Nöfn og kennitölur forsvarsmanna útgefenda.*

*Stjórn Icelandair Group hf. skipa sky. fundi dags. 11. mars 2014:*

*Sigurður Helgason, kt. 010546-2069, formaður.*

*Úlfar Steindórsson, kt. 030756-2829, varaformaður.*

*Ásthildur Margrét Otharsdóttir, kt. 300368-3799.*

*Katrín Olga Jóhannesdóttir, kt. 010862-7369.*

*Magnús Magnússon, kt. 160965-4799.*

*Forstjóri:*

*Björgólfur Jóhannsson, kt. 280855-3409.*

1.3 *Lög og reglur sem útgefandi starfar eftir ef sérlög gilda um starfsemi hans.*

*Icelandair Group hf. starfar samkvæmt lögum um hlutafélög nr. 2/1995.*

Upplýsingarnar sem skjal þetta hefur að geyma voru ekki unnar af NASDAQ OMX og eru birtar án ábyrgðar NASDAQ OMX. NASDAQ OMX ábyrgist ekki nákvæmni skjalsins eða upplýsinganna, tímanleika þeirra, heildstæðni, framkvæmd/eindir eða notagildi í ákveðnum tilgangi. Engin ábyrgð er tekin af eða fyrir hönd NASDAQ OMX á nokkrum villum, gloppum/úrfellingum eða ónákvæmum/röngum upplýsingum í skjalinu.

Ekki skal grípa til, eða láta hjá líða að grípa til, neinna ráðstafana á grundvelli upplýsinganna sem er að finna í skjalinu. NASDAQ OMX tekur enga ábyrgð á afleiðingum hvers kyns ráðstafana sem eru gerðar á grundvelli upplýsinganna.

BW 3  
TD

Vextir: Fastir, flatir 4,25% vextir

Dagaregla: 30/360

Fyrsti vaxtadagur: 15. janúar 2015

Greiðslur vaxta og höfuðstóls Vextir greiðast í fyrsta sinn þann 15. júlí 2015 og á sex mánaða fresti þar á eftir („vaxtagjalddagar“). Höfuðstóll er greiddur að fullu í einu lagi á lokagjalddaga þann 15. janúar 2020 („lokagjalddagi“).

Beri vaxtagjalddaga eða lokagjalddaga upp á dag sem er ekki bankadagur skal vaxtagjalddagi eða lokagjalddagi vera næsti bankadagur þar á eftir. Bankadagur í skuldabréfaflokki þessum telst vera virkur dagur þegar bankar eru opnir á Íslandi.

Greiðslustaður: Útgefandi mun, með milligöngu Verðbréfaskráningar Íslands hf., greiða af skuldabréfunum á viðeigandi gjalddögum vexti og höfuðstól til þeirra reikningsstofnana þar sem skráðir eigendur skuldabréfanna hafa VS-reikning (með VS-reikningi er átt við reikning í skilningi laga nr. 131/1997, um rafræna eignarskráningu verðbréfa). Viðkomandi reikningsstofnanir annast endanlegar greiðslur inn á reikninga eigenda.

Viðtökudráttur og vanskil: Ef ekki er tengdur bankareikningur við VS-reikning eiganda skuldabréfs, sbr. 5. tl. 9. gr. reglugerðar nr. 397/2000, um rafræna eignaskráningu verðbréfa í verðbréfamíðstöð, skal eigandinn snúa sér til útgefanda til að móttaka greiðslu og þarf til þess að framvísa viðeigandi eignaréttindum. Verði greiðslu ekki vitjað hjá útgefanda á réttum gjalddaga mun eigandi ekki geta krafist dráttarvaxta úr hendi útgefandi frá gjalddaga til þess dags sem greiðslunnar er krafist og hún fer fram.

Greiði útgefandi ekki höfuðstól á lokagjalddaga skuldabréfanna er skuldabréfaeiganda heimilt að innheimta dráttarvexti í samræmi við ákvörðun Seðlabanka Íslands á hverjum tíma um grunn dráttarvaxta og vanefndarálag, sbr. 1 mgr. 6. gr. laga nr. 38/2001 um vexti og verðtryggingu, af gjaldfallinni eða gjaldfelldri upphæð, enda hafi skuldabréfaeigandi fyrir þann tíma framvísað með sannanlegum hætti staðfestingu á eign sinni á vörslureikningi hjá

Upplýsingarnar sem skjal þetta hefur að geyma voru ekki unnar af NASDAQ OMX og eru birtar án ábyrgðar NASDAQ OMX. NASDAQ OMX ábyrgist ekki nákvæmni skjalsins eða upplýsinganna, tímanleika þeirra, heildstæðni, framkvæmd/efndir eða notagildi í ákveðnum tilgangi. Engin ábyrgð er tekin af eða fyrir hönd NASDAQ OMX á nokkrum villum, glöppum/úrfellingum eða ónákvæmum/röngum upplýsingum í skjalinu.

Ekki skal grípa til, eða láta hjá líða að grípa til, neinna ráðstafana á grundvelli upplýsinganna sem er að finna í skjalinu. NASDAQ OMX tekur enga ábyrgð á afleiðingum hvers kyns ráðstafana sem eru gerðar á grundvelli upplýsinganna.



reikningsstofnun. Falli lokagjalddagi skuldabréfaflokksins á helgi eða almennan frídag, þegar bankar eru lokaðir, og útgefandi greiðir á næsta bankadegi þar á eftir, er ekki leyfilegt að innheimta dráttarvexti.

**Uppgreiðsluheimild:** Óheimilt er að greiða upp skuldabréfin fyrr en að þremur árum liðnum frá útgáfudegi skuldabréfanna eða þann 15. janúar 2018. Uppgreiðsla skal fara fram á vaxtagjalddögum skuldabréfanna.

**Uppgreiðslugjald:** Á tímabilinu 15. janúar 2018 til 15. janúar 2019 er útgefanda heimilt að greiða upp skuldabréfin, að hluta eða að öllu leyti, og skal útgefandi þá greiða uppgreiðslugjald sem nemur 2,10% af höfuðstól skuldabréfaflokksins umfram hina samningsbundnu greiðslu vaxta.

Eftir 15. janúar 2019 og fram að lokagjalddaga er útgefanda heimilt að greiða upp skuldabréfin, að hluta eða öllu leyti, og skal útgefandi þá greiða uppgreiðslugjald sem nemur 1,05% af höfuðstól skuldabréfaflokksins umfram hina samningsbundnu greiðslu vaxta.

**Ábyrgð á greiðslu:** Útgefandi ber einn ábyrgð á greiðslum vegna skuldabréfanna. Útgefandi ber ábyrgð á fjárskuldbindingum sínum, þar með talið skuldabréfum þessum, eingöngu með þeim eignum sem tilheyra honum hverju sinni.

**Umboðsaðili  
Skuldabréfaeigenda:**

Umboðsaðili skuldabréfaeigenda í flokknum ICEAIR 15 1 er skuldabréfaeigenda KPMG ehf., kt. 590975-0449, kpmg@kpmg.is, s. 545 6000 (hér eftir „umboðsmaður“). Hlutverk umboðsmanns er eftirfarandi:

- a) Að annast fundarboðun skuldabréfaeigenda og skal ávallt boða til fundar með a.m.k. sjö daga fyrirvara.

Umboðsmanni er skylt að boða til fundar ef:

- (i) skuldabréfaeigendur sem ráða yfir a.m.k. 25% skuldabréfanna (að fjárhæð) krefjast þess. (ii) útgefandi hefur tilkynnt um að gjaldfellingarheimild samkvæmt skuldabréfaflokknum sé til staðar eða (iii) ef útgefandi krefst þess.

Upplýsingarnar sem skjal þetta hefur að geyma voru ekki unnar af NASDAQ OMX og eru birtar án ábyrgðar NASDAQ OMX. NASDAQ OMX ábyrgist ekki nákvæmni skjalsins eða upplýsinganna, tímanleika þeirra, heildstæðni, framkvæmd/efndir eða notagildi í ákveðnum tilgangi. Engin ábyrgð er tekin af eða fyrir hönd NASDAQ OMX á nokkrum villum, gloppum/úrfellingum eða ónákvæmum/röngum upplýsingum í skjalinu.

Ekki skal grípa til, eða láta hjá líða að grípa til, neinna ráðstafana á grundvelli upplýsinganna sem er að finna í skjalinu. NASDAQ OMX tekur enga ábyrgð á afleiðingum hvers kyns ráðstafana sem eru gerðar á grundvelli upplýsinganna.

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## 2. kafli

### Upplýsingar um útgáfuna:

2.1 Viðtakandi greiðslna og annarra upplýsinga hjá útgefanda sem varða útgáfuna, nafn/nöfn, kennit. og netfang.

**Fyrirtækjaráðgjöf Íslandsbanka hf., kt. 491008-0160, Kirkjusandi 2, 155 Reykjavík, sími 440-4000, tekur við greiðslum vegna útgáfunnar og ráðstafar þeim til útgefanda.**

2.2 Auðkenni útgáfunnar, nafnverð svo og önnur skilyrði sem varða útgáfuna og skuldbinda útgefanda, sjá einnig viðaukann „skilmálar flokks“ aftast í útgáfulýsingunni.

Útgefandi: Icelandair Group hf., kt. 631205-1780, Reykjavíkurlflugvelli, 101 Reykjavík (hér eftir einnig „félagið“ eða „útgefandi“).

Auðkenni: ICEAIR 15 1

Tegund bréfs: Vaxtagreiðslubríf

ISIN: IS0000025427

Skuldabréfin: Skuldabréf í skuldabréfaflokki þessum með auðkennið ICEAIR 15 1 (hér eftir einnig „skuldabréfaflokkurinn“).

Skuldabréfaeigendur: Allir þeir sem eiga kröfur á útgefanda á grundvelli skuldabréfa í skuldabréfaflokknum og geta framvísað staðfestingu á eign sinni á vörslureikningi hjá reikningsstofnun með sannanlegum hætti (hér eftir einnig „eigendur“).

Útgáfudagur: 15. janúar 2015

Lokagjalddagi: 15. janúar 2020

Gjaldmiðill: USD

Heildarheimild útgáfu: USD 74.750.000

Fjárhæð útgáfu nú: USD 23.660.000

Nafnverðseining: USD 130.000

Upplýsingarnar sem skjal þetta hefur að geyma voru ekki unnar af NASDAQ OMX og eru birtar án ábyrgðar NASDAQ OMX. NASDAQ OMX ábyrgist ekki nákvæmni skjalsins eða upplýsinganna, tímanleika þeirra, heildstæðni, framkvæmd/efndir eða notagildi í ákveðnum tilgangi. Engin ábyrgð er tekin af eða fyrir hönd NASDAQ OMX á nokkrum villum, glöppum/úrfellingum eða ónákvæmum/röngum upplýsingum í skjalinu.

Ekki skal grípa til, eða láta hjá líða að grípa til, neinna ráðstafana á grundvelli upplýsinganna sem er að finna í skjalinu. NASDAQ OMX tekur enga ábyrgð á afleiðingum hvers kyns ráðstafana sem eru gerðar á grundvelli upplýsinganna.

Fyrirsvarsmönnum útgefanda skal vera heimilt að tjá sig á fundi skuldabréfaeigenda.

Fundarboðun og niðurstöður fundarins skal útgefandi birta í fréttakerfi NASDAQ á Íslandi eða, á meðan skuldabréfin hafa ekki verið tekin til viðskipta, koma slíkum upplýsingum til skuldabréfaeigenda fyrir milligöngu Verðbréfaskráningar Íslands hf.

b) Að stýra fundum skuldabréfaeigenda, halda utan um atkvæðagreiðslur á slíkum fundum og halda fundargerðabók.

Á öllum fundum skuldabréfaeigenda skal atkvæðisréttur skuldabréfaeigenda miðast við stöðu krafna þeirra á þeim degi sem umboðsmaður sendir fundarboð.

Útgefandi ber allan kostnað af störfum umboðsmannsins. Komi til þess að hann láti af eða segi sig frá slíkum störfum skal útgefandi skipa nýjan umboðsmann gegn samþykki 2/3 skuldabréfaeigenda (að fjárhæð) á sérstökum fundi skuldabréfaeigenda, og skal það tilkynnt eigendum þegar í stað í gegnum fréttakerfi NASDAQ á Íslandi eða, á meðan skuldabréfin hafa ekki verið tekin til viðskipta, til eigenda fyrir milligöngu Verðbréfaskráningar Íslands hf.

Veðsetningarbann: Veðsetningarbann er útfært undir sérstökum skilmálum í útgáfulýsingu þessari.

Skilmálar: Útgefandi skuldbindur sig til þess að hlíta eftirtöldum skilmálum frá útgáfudegi skuldabréfanna uns þau eru að fullu uppgreidd.

Fjárhagslegir skilmálar: Útreikningur vegna fjárhagslegra skilmála skal miða við IFRS reikningsskilastaðla eins og þeir eru á dagsetningu útgáfulýsingar þessarar.

- i. **Eiginfjárvöð:** Eiginfjárlutfall (eigið fé sem hlutfall af heildareignum) skal ekki vera lægra en 25% í lok hvers ársfjórðungs.

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Ekki skal grípa til, eða láta hjá líða að grípa til, neinna ráðstafana á grundvelli upplýsinganna sem er að finna í skjalinu. NASDAQ OMX tekur enga ábyrgð á afleiðingum hvers kyns ráðstafana sem eru gerðar á grundvelli upplýsinganna.

- ii. **Lágmarkssjóðstaða:** Handbært fé útgefanda skal í lok hvers ársfjórðungs vera hærra en sem nemur heildaraborgunum höfuðstóls lána og vaxtagreiðslna næstu sex mánaða. Handbært fé útgefanda skal þó aldrei vera lægra en USD 50.000.000.
- iii. **Hámarksskuldsetning:** Hlutfall vaxtaberandi skulda, á móti T12M EBITDA skal vera undir tölugildinu 3,5 í lok hvers ársfjórðungs. T12M EBITDA er skilgreint sem samanlögð afkoma fyrir afskriftir, skatta og fjármagnsliði síðustu 12 mánaða.
- iv. **Hámarksskuldsetning II:** Hlutfall vaxtaberandi skulda, að viðbættum skuldbindingum vegna fjármögnunarleigu flugvéla, á móti T12M EBITDAR skal vera undir tölugildinu 4,0 í lok hvers ársfjórðungs. T12M EBITDAR er skilgreint sem samanlögð afkoma fyrir afskriftir, skatta, fjármagnsliði og leigugreiðslur vegna fjármögnunarleigu flugvéla síðustu 12 mánaða.

Sérstakir skilmálar:

- i. **Bann við veðsetningu:** Veðsetning fastafjármuna er alltaf háð því skilyrði að óveðsettir og að fullu veðbandalausir fastafjármunir séu að bókfærðu virði a.m.k. 115% af útistandandi höfuðstól skuldabréfanna á hverjum tíma. Veðsetning hlutafjár dótturfélaga útgefanda er ekki heimil.

Við dagsetningu útgáfu skuldabréfanna er hlutfé í dótturfélögum útgefanda ekki veðsett. Við lok síðasta fjárhagstímabils fyrir útgáfu skuldabréfanna, þann 30.9.2014, var bókfært virði óveðsettra og veðbandalausra fastafjármuna útgefanda USD 216,6 milljónir.

- ii. **Greiðsla arðs:** Útgefanda er heimilt að greiða út arð enda sé útgefandi í skilum og engin vanefnd hafi átt sér stað né sé fyrirsjáanleg. Útgefandi skuldbindur sig til þess að greiða ekki

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út arð, hvorki í reiðufé né á annan hátt, til hluthafa nema fjárhagslegir skilmálar sem útgefandi hefur skuldbundið sig til þess að hlíta skv. skuldabréfaflokki þessum séu uppfylltir og fyrirsjáanlegt að þeir verði uppfylltir samkvæmt áætlunum félagsins fyrir næstu 12 mánuði eftir arðgreiðslu.

- iii. **Bann við lækkun hlutafjár:** Lækkun hlutafjár er óheimil án fyrirfram skriflegs samþykkis aukins meirihluta (85%) skuldabréfaeigenda miðað við fjárhæð.
- iv. **Sala á Icelandair ehf.:** Taki stjórn útgefanda ákvörðun um sölu á Icelandair ehf., að hluta eða heild, getur hver og einn skuldabréfaeigandi krafist uppgreiðslu á skuldabréfum sínum að fullu.
- v. **Jafn rétt háar kröfur (pari passu):** Kröfur samkvæmt skuldabréfaflokki þessum standa ávallt jafnar og óheimilt er að inna af hendi greiðslu til skuldabréfaeiganda nema sama hlutfall sé greitt til allra skuldabréfaeigenda enda sé ekki sérstaklega kveðið á um annað í skilmálum skuldabréfaflokksins.

Kröfur samkvæmt skuldabréfum þessum standa ávallt að minnsta kosti jafnar öðrum óveðtryggðum skuldbindingum útgefanda.

- vi. **Bann við sameiningu eða skiptingu í fleiri félög:** Útgefandi skuldbindur sig til þess að sameinast ekki öðru félagi eða félögum eða skipta félaginu upp í tvö eða fleiri sjálfstæð félög án fyrirfram skriflegs samþykkis aukins meirihluta (85%) skuldabréfaeigenda miðað við fjárhæð.
- vii. **Breytingar á hluthafahópi:** Ef einn aðili eða tengdir aðilar eignast a.m.k. 50% hlutafjár í útgefanda eða stjórna a.m.k. 50% atkvæða í útgefanda getur hver og einn skuldabréfaeigandi krafist uppgreiðslu á skuldabréfum sínum að fullu.

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- viii. **Bann við breytingum á starfsemi eða tilgangi útgefanda:** Útgefandi skuldbindur sig til þess að breyta ekki starfsemi sinni þannig að þörf verði á breytingum á tilgangi í samþykktum útgefanda dags. 13. mars 2013.
- ix. Skuldabréfin skulu tekin til viðskipta á NASDAQ á Íslandi fyrir 30. júní 2015.
- x. Ekki er heimilt að afskrá hlutabréf útgefanda eða skuldabréfaflokk þennan af NASDAQ á Íslandi.

Skilmálar um upplýsingaskyldu:

- i. **Birting útreikninga fjárhagslegra skilyrða:** Útgefandi skuldbindur sig til að birta opinberlega útreikninga á þeim fjárhagslegu skilyrðum sem taka til starfsemi útgefanda í tengslum við skuldabréfin. Útreikningarnir verða birtir á vefsíðu útgefanda, fjórum sinnum á ári og innan tveggja mánaða frá lokum fjárhagstímabils hvers ársfjórðungs. Þó ekki síðar en sjö dögum eftir birtingu árshlutauppgjörs félagsins.
- ii. **Tilkynning um brot á skilmálum:** Útgefandi skuldbindur sig til að tilkynna rafrænt gegnum fréttakerfi NASDAQ á Íslandi þegar í stað, ef útgefandi verður var við að brot á fjárhagslegum eða sérstökum skilmálum hafi átt sér stað.

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Gjaldfellingarheimildir:

- i. Við brot á fjárhagslegum skilmálum og sérstökum skilmálum skuldabréfaflokks þessa myndast gjaldfellingarheimild.
- ii. Hafi greiðsla vaxta eða höfuðstóls ekki verið innt af hendi 30 dögum eftir vaxta- eða lokagjalddaga er skuldabréfaeiganda heimilt að fella alla skuldina skv. skuldabréfafloknum í gjalddaga. Verði skuldabréfaflokkurinn gjaldfelldur skal útgefandi þegar í stað senda tilkynningu um slíkt til NASDAQ á Íslandi og Verðbréfaskráningar Íslands hf. sem kemur henni áleiðis til skuldabréfaeigenda.
- iii. Ef fjárnám verður gert hjá útgefanda, séu önnur lán útgefanda að lágmarki fjárhæð USD 10.000.000 fyrir einstakar skuldbindingar eða að samtölu USD 20.000.000 gjaldfelld, komi fram ósk um gjaldþrotaskipti á búi útgefanda, ef útgefandi leitar nauðasamninga, eignir útgefanda eru auglýstar á nauðungaruppboði eða ef eignir útgefanda eru kyrrsettar sem hluti af fullnustuaðgerðum kröfuhafa er skuldabréfaeigendum heimilt að krefjast gjaldfellingar skuldabréfaflokksins.

Samþykki fyrir gjaldfellingu:

Einstakur skuldabréfaeigandi hefur ekki einhliða rétt til að gjaldfella skuldabréf sín. Allar gjaldfellingarheimildir skuldabréfaflokksins sem taldar eru upp hér að ofan eru háðar því skilyrði að 5% skuldabréfaeigenda miðað við fjárhæð, samþykki slíkt.

Undantekning frá framangreindu eru vanefnd á greiðslu vaxta eða höfuðstóls og sérstakir skilmálar skuldabréfaflokksins um sölu á Icelandair ehf. og breytingar á hluthafahópi útgefanda en við slíkar aðstæður hefur hver og einn skuldabréfaeigandi heimild til að krefjast fullrar uppgreiðslu á skuldabréfum í hans eigu.

Nýti skuldabréfaeigandi heimild til gjaldfellingar skal hann þegar í stað senda tilkynningu um slíkt til útgefanda sem samdægurs skal koma tilkynningunni til NASDAQ á Íslandi og Verðbréfaskráningar Íslands hf.

Upplýsingarnar sem skjal þetta hefur að geyma voru ekki unnar af NASDAQ OMX og eru birtar án ábyrgðar NASDAQ OMX. NASDAQ OMX ábyrgist ekki nákvæmni skjalsins eða upplýsinganna, tímanleika þeirra, heildstæðni, framkvæmd/efndir eða notagildi í ákveðnum tilgangi. Engin ábyrgð er tekin af eða fyrir hönd NASDAQ OMX á nokkrum villum, glöppum/úrfellingum eða ónákvæmum/röngum upplýsingum í skjalinu.

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Verði skuldin gjaldfelld samkvæmt framansögðu má gera aðför hjá skuldara til fullnustu skuldarinnar, án undangengins dóms eða réttarsáttar, sbr. 7. tl. 1. mgr. 1. gr. laga nr. 90/1989 um aðför, að undangenginni greiðsluáskorun skv. 7. gr. sömu laga. Aðfararheimild þessi nær til höfuðstóls, vaxta, og dráttarvaxta auk alls kostnaðar af innheimtuaðgerðum, sbr. 2. mgr. 1. gr. fyrrgreindra laga.

Gjaldfelli skuldabréfaeigandi kröfu sína í tengslum við skuldabréfaflokkinn áður en til töku hans til viðskipta kemur skal útgefandi upplýsa aðra skuldabréfaeigendur um slíka gjaldfellingu.

Framsal:

Einungis er heimilt að framselja skuldabréfin til nafngreinds aðila. Skuldabréfin eru gefin út með rafrænum hætti í kerfi Verðbréfasráningar Íslands hf. og er reikningsstofnunum, eins og þær eru skilgreindar samkvæmt lögum nr. 131/1997, um rafræna eignaskráningu verðbréfa, einum heimilt að annast milligöngu um framsal á þeim. Eignaskráning rafréfa hjá Verðbréfasráningu Íslands hf. veitir skráðum eiganda hennar lögformlega heimild fyrir þeim réttindum sem hann er skráður eigandi að. Yfirlit Verðbréfasráningar Íslands hf. um eigendur skuldabréfanna skal skoðast sem fullgild sönnun fyrir eignarrétti. Greiðslur og tilkynningar eru sendar til þess aðila sem á hverjum tíma er skráður eigandi viðkomandi skuldabréfa. Engar aðrar hömlur eru á framsali skuldabréfa þessara.

Ágreiningsmál:

Rísi mál út af skuldabréfaflokki þessum skal reka það fyrir Héraðsdómi Reykjavíkur samkvæmt reglum XVII. kafla laga nr. 91/1991 um meðferð einkamála.

Meðferð andvirðis  
skuldabréfaflokksins:

Andvirði skuldabréfaflokksins skal nýtt til þess að fjármagna rekstur og fjárfestingar útgefanda.

### Breytingar á skilmálum:

Aukinn meirihluta (85%) skuldabréfaeigenda miðað við fjárhæð, auk samþykkis útgefanda þarf til að breyta skilmálum skuldabréfaflokksins. Útgefanda ber að tilkynna Verðbréfasráningu um hvers kyns breytingar á skilmálum skuldabréfaflokks.

Upplýsingarnar sem skjal þetta hefur að geyma voru ekki unnar af NASDAQ OMX og eru birtar án ábyrgðar NASDAQ OMX. NASDAQ OMX ábyrgist ekki nákvæmni skjalsins eða upplýsinganna, tímanleika þeirra, heildstæðni, framkvæmd/efndir eða notagildi í ákveðnum tilgangi. Engin ábyrgð er tekin af eða fyrir hönd NASDAQ OMX á nokkrum villum, glöppum/úrfellingum eða ónákvæmum/röngum upplýsingum í skjalinu.

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**Afskráning:**

Skuldabréfaflokkur verður afskráður sjö sólarhringum eftir lokagjalddaga, nema tilkynning um annað berist frá útgefanda. Útgefanda ber að tilkynna Verðbréfaskráningu Íslands hf. um greiðslufall flokksins og skal í því tilviki senda Verðbréfaskráningu Íslands hf. tilkynningu þar um þegar greiðsla hefur farið fram.

**Annað:**

2.3 *Hlunnindi sem tengd eru skuldabréfunum, útreikningar þeirra og nýting.*

***Engin hlunnindi eru tengd skuldabréfunum.***

2.4 *Skattur á tekjur af skuldabréfum sem haldið er eftir til staðgreiðslu í upprunalandinu og/eða í skráningarlandinu. Greint skal frá hvort útgefandi ábyrgist að staðgreiðsluskatti sé haldið eftir.*

***Um skattalega meðferð bréfanna fer eftir gildandi skattalögum á hverjum tíma. Útgefandi mun ekki halda eftir staðgreiðsluskatti af greiðslum vegna skuldabréfanna. Skuldabréfaeigendur bera sjálfir ábyrgð á staðgreiðslu fjármagnstekna sinna af skuldabréfum.***

2.5 *Verðbréfaskráning ráðstafar útgefnum skuldabréfum á VS-reikning útgefanda nr. 58418 í Íslandsbanka*

2.6 *Aðrar upplýsingar um hina fyrirhuguðu útgáfu eða útgefendur sem Verðbréfaskráning telur nauðsynlegar.*

***Engar sem félaginu eru kunnugar.***

Upplýsingarnar sem skjal þetta hefur að geyma voru ekki unnar af NASDAQ OMX og eru birtar án ábyrgðar NASDAQ OMX. NASDAQ OMX ábyrgist ekki nákvæmni skjalsins eða upplýsinganna, tímanleika þeirra, heildstæðni, framkvæmd/efndir eða notagildi í ákveðnum tilgangi. Engin ábyrgð er tekin af eða fyrir hönd NASDAQ OMX á nokkrum villum, glöppum/úrfellingum eða ónákvæmum/röngum upplýsingum í skjalinu.

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### 3. kafli

#### **Upplýsingar um þá sem annast útgáfulýsingu og ábyrgjast endurskoðun ársreikninga:**

3.1 Nöfn, kennitölur, netföng og sími þeirra sem annast útgáfulýsingu.

**Fyrirtækjaráðgjöf Íslandsbanka hf., kt. 491008-0160, Kirkjusandi 2, 155 Reykjavík. Sími 440-4000, fyrirtaekjaradgjof@islandsbanki.is.**

3.2 Nöfn, kennitölur, netföng og sími löggiltra endurskoðenda útgefanda undanfarin þrjú ár.

**KPMG ehf., kt. 590975-0449, kpmg@kpmg.is, 545 6000**

3.3 Nöfn, netföng og símar starfsmanna þeirrar reikningsstofnunar sem annast útgáfulýsinguna.

**Daði Hannesson, dadi.hannesson@islandsbanki.is, 440-4539 og  
Sigrún Hjartardóttir, sigrun.hjartardottir@islandsbanki.is, 440-4748**

### 4. kafli

#### **Fylgigögn með útgáfulýsingu:**

4.1 Staðfesting opinbers skráningaraðila á tilurð útgefanda.

**Liggur fyrir hjá Verðbréfaskráningu**

4.2 Staðfesting á að útgefandi hafi tekið formlega ákvörðun um hina fyrirhuguðu rafrænu útgáfu eða önnur gögn þar að lútandi svo sem staðfest afrit af fundargerð eða visun í lög eða reglur sem gilda um útgáfuna.

**Fyrir liggur formleg bókun stjórnar Icelandair Group hf., dagsett þann 30. október 2014, um skuldabréfaútgáfuna.**

Upplýsingarnar sem skjal þetta hefur að geyma voru ekki unnar af NASDAQ OMX og eru birtar án ábyrgðar NASDAQ OMX. NASDAQ OMX ábyrgist ekki nákvæmni skjalsins eða upplýsinganna, tímanleika þeirra, heildstæðni, framkvæmd/efndir eða notagildi í ákveðnum tilgangi. Engin ábyrgð er tekin af eða fyrir hönd NASDAQ OMX á nokkrum villum, glöppum/úrfellingum eða ónákvæmum/röngum upplýsingum í skjalinu.

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4.3 Nafn frumsöluaðila eins eða fleiri ef um nýja útgáfu eða viðbótarútgáfu er að ræða og afrit af samningi útgefanda við hann.

**Fyrirtækjaráðgjöf og verðbréfamiðlun Íslandsbanka hf., kt. 491008-0160, Kirkjusandur 2, 155 Reykjavík.**

4.4 Óski Verðbréfaskráning eftir því skal leggja fram staðfesta yfirlýsingu héraðsdómara um að félag sé ekki undir gjaldþrotaskiptum.

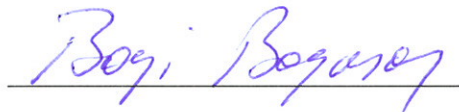
**Á ekki við**

4.5 Önnur fylgigögn vegna hinnar fyrirhuguðu útgáfu sem Verðbréfaskráning telur nauðsynleg.

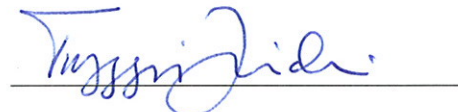
**Engin sem félaginu eru kunnug.**

Reykjavík  
15. janúar 2015

F.h. útgefanda,



F.h. banka/verðbréfafyrirtækis,



Upplýsingarnar sem skjal þetta hefur að geyma voru ekki unnar af NASDAQ OMX og eru birtar án ábyrgðar NASDAQ OMX. NASDAQ OMX ábyrgist ekki nákvæmni skjalsins eða upplýsinganna, tímanleika þeirra, heildstæðni, framkvæmd/efndir eða notagildi í ákveðnum tilgangi. Engin ábyrgð er tekin af eða fyrir hönd NASDAQ OMX á nokkrum villum, glöppum/úrfellingum eða ónákvæmum/röngum upplýsingum í skjalinu.

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## Skilmálar flokks

<b>Útgefandi:</b>	Icelandair Group hf. (hér eftir einnig „félagið“ eða „útgefandi“).
<b>Kennitala:</b>	631205-1780
<b>Heimilisfang:</b>	Reykjavíkurlugvelli, 101 Reykjavík.
<b>Skuldabréf/víxlar:</b>	Skuldabréf
<b>Auðkenni (Ticker)</b>	ICEAIR 15 1
<b>ISIN númer</b>	IS0000025427
<b>CFI númer</b>	D-B-F-U-F-R
<b>Skráð rafrænt</b>	Já
<b>Tegund afborgana</b>	Vaxtagreiðslubréf, höfuðstóll greiddur í einu lagi á lokagjalddaga.
<b>Útgáfuland</b>	Ísland
<b>Gjaldmiðill</b>	USD
<b>Dagsetning töku til viðskipta í Kauphöll</b>	Útfyllt af Nasdaq á Íslandi
<b>Orderbook ID</b>	Útfyllt af Nasdaq á Íslandi
<b>Undirflokkur</b>	Útfyllt af Nasdaq á Íslandi
<b>Markaður</b>	Útfyllt af Nasdaq á Íslandi
<b>Veltulisti</b>	Útfyllt af Nasdaq á Íslandi
<b>Nafnverðseining í verðbréfaskráningu</b>	USD 130,000
<b>Heildarheimild sbr útgáfulýsingu</b>	USD 74,750,000
<b>Heildarútgáfa</b>	USD 23,660,000
<b>Upphæð tekin til viðskipta nú</b>	USD 23,660,000
<b>Útgáfudagur</b>	fimmtudagur, 15. janúar 2015
<b>Fyrsti gjalddagi höfuðstóls</b>	15. janúar 2020
<b>Fjöldi gjalddaga höfuðstóls í heildina</b>	1
<b>Fjöldi á ári</b>	1
<b>Lokagjalddagi höfuðstóls</b>	miðvikudagur, 15. janúar 2020
<b>Vaxtaþrósent</b>	4,25% fastir flatir ársvextir

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Vaxtaruna ef breytilegir vextir	NA
Álagsprósenta á vaxtarunu	NA
Reikniregla vaxta	Einfaldir
Dagaregla	30/360
Fyrsti vaxtadagur	fimmtudagur, 15. janúar 2015
Fyrsti vaxtagjalddagi	miðvikudagur, 15. júlí 2015
Fjöldi vaxtagjalddaga á ári	2
Fjöldi vaxtagjalddaga í heildina	10
Vístölutrygging	Nei
Nafn vísitölu	NA
Dagvísitala eða mánaðarvísitala	NA
Grunngildi vísitölu	NA
Dags. grunnvísitölugildis	NA
Verð með áföllnum vöxtum/án áfallinna vaxta (e. dirty price/clean price)	Clean price
Innkallanlegt	Já
Innleysanlegt	Nei
Breytanlegt	Nei
Aðrar upplýsingar	
Viðskiptavakt	Já
Lánshæfismat (matsfyrirtæki, dags.)	NA
Verðbréfamiðstöð	Verðbréfaskráning Íslands
Umsjónaraðili – taka til viðskipta	Íslandsbanki hf.
Ef óreglulegt greiðsluflæði, þá hvernig	NA
Ef afborgun lendir á helgi/frídegi, á að bæta við vöxtum yfir þá daga sem afborgun seinkar um?	Nei

Upplýsingarnar sem skjal þetta hefur að geyma voru ekki unnar af NASDAQ OMX og eru birtar án ábyrgðar NASDAQ OMX. NASDAQ OMX ábyrgist ekki nákvæmni skjalsins eða upplýsinganna, tímanleika þeirra, heildstæðni, framkvæmd/efndir eða notagildi í ákveðnum tilgangi. Engin ábyrgð er tekin af eða fyrir hönd NASDAQ OMX á nokkrum villum, glöppum/úrfellingum eða ónákvæmum/röngum upplýsingum í skjalinu.

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ARTICLES OF ASSOCIATION

FOR

**ICELANDAIR GROUP HF.**

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# ARTICLES OF ASSOCIATION

for

ICELANDAIR GROUP HF.

## **1 THE NAME OF THE COMPANY, DOMICILE AND OBJECT**

- 1.1 The name of the Company Icelandair Group hf.,
- 1.2 The Company is a public limited liability company
- 1.3 The Company is domiciled at Reykjavíkurlugvöllur, Reykjavík.
- 1.4 The object of the Company is to own and run airlines and tourism companies, purchase and sale of shares, especially shares in other companies working in the field of aviation, travel industry and transport, purchase and sale of real estate, lending and other related business.

## **2 SHARE CAPITAL OF THE COMPANY**

### **Share capital – shares - votes**

- 2.1 The Company's share capital is 5,000,000,000.
- 2.2 Each share is ISK one krona.
- 2.3 One vote is attached to each share at shareholders' meetings.

(Special provisions on increase of share capital and other special provisions are contained in Clause 15 and 16).

### **Increase of share capital**

- 2.4 Only a Shareholders' Meeting may decide to increase the Company's share capital, either by subscription of new shares or issuance of compensation shares.

### **Preemptive rights**

- 2.5 Shareholders shall have a preemptive right to purchase new shares in proportion to their registered holdings. Exemptions from this are authorized; cf. paragraph 3 of Article 34 of Act no. 2/1995 respecting limited liability companies (the "**Company Act**").

### **Shares – share register**

- 2.6 The Company's shares shall be issued electronically in accordance with the provisions of the act on Electronic Registration of Title to Securities.
- 2.7 A share register in accordance with the provisions the Act on Electronic Registration of Title to Securities shall be regarded as sufficient proof ownership over shares in the Company and dividends and all notifications shall be sent to the party which is at each time registered as an owner of the relevant shares in the Company's share register.



## **Sale of shares and changes of ownership**

- 2.8 No restrictions are placed on the shareholder's right to sell his shares. The provisions of the Act on Electronic Registration of Title to Securities and rules based on the Act shall govern the change of ownership.
- 2.9 Sale of shares to foreign parties shall be governed by Icelandic law as it reads at the relevant time.

## **Rights and obligations of shareholders**

- 2.10 Shareholders are obligated, without any statement on their behalf, to abide by the Articles of Association as they are issued or later lawfully amended. Shareholders will not, neither according to the Articles of Association or subsequent amendments, become obligated to increase their holdings in the Company and shall not be subjected to redemption of their shares. Shareholders are not responsible for the Company's obligations exceeding their holding in the Company unless they take on such liability in a legally binding document. This provision will not be changed or discontinued by any resolution of a shareholders' meeting.
- 2.11 No special rights accompany the shares.

## **Communication with shareholders**

- 2.12 Electronic file communication and e-mailing is permitted between the Company and shareholders instead of sending and submitting written documents. The authorization extends to any kind of communication between the Company and shareholders, e.g. invitations to shareholders' meetings, distribution of dividends and other notifications which the Board of Directors sends the shareholders. Such electronic communication is equal to correspondence written on paper. The Board of Directors shall set rules stipulating the conduct of electronic communication and the standards of the software used for this purpose. The rules shall be accessible to shareholders. Shareholders who wish to communicate electronically with the Company shall send the Company a confirmation thereof in accordance with the rules set by the Board of Directors.

## **3 CORPORATE GOVERNANCE**

- 3.1 The Company shall be governed by:
- a) The Shareholders' meetings.
  - b) The Board of Directors.
  - c) The Managing Director.

## **4 SHAREHOLDERS' MEETINGS**

- 4.1 The supreme power of the Company's affairs, within the boundaries set by these Articles of Association and Icelandic legislation is in the hands of lawful shareholders' meetings.

### **Right to participation**

- 4.2 Shareholders, shareholders' agents, the Company's accountants and the managing director, even if he is not a shareholder, have the right to participate in shareholders' meetings. Furthermore, the Board of Directors may invite specialists to attend the shareholders' meeting if their advice or assistance is required.

- 4.3 The Board of Directors is authorized to decide that shareholders may participate in shareholders' meetings by electronic means without being physically present. If the Board of Directors feels that the Company has equipment which is sufficiently safe to allow shareholders to participate in shareholders' meetings electronically without being physically present and the Board of Directors decides to use this authorization it shall be announced in the invitation to the meeting.
- 4.4 Shareholders who intend to participate electronically in shareholders' meetings shall notify the Company's office with 5 days notice thereof and submit written questions regarding the agenda or documents to be presented at the meeting which they require answers to.
- 4.5 The shareholders shall have access to instructions regarding electronic participation in shareholders' meetings along with a password and necessary equipment for participation. An inserted password into a computer system is deemed to be equal to the shareholder's signature and is viewed as valid participation in the shareholders' meeting.

#### **Electronic shareholders' meetings**

- 4.6 The Board of Directors may decide that a shareholders' meeting only be held electronically.
- 4.7 If the Board of Directors feels that the meeting can be held only electronically with suitable equipment and thereby allowing shareholders to participate electronically, the invitation to the meeting shall clearly give information regarding the technical equipment and information on how shareholders notify the Company of their electronic participation and where they can receive information, instructions and a password for participation. An inserted password into a computer system is deemed to be equal to the shareholder's signature and is viewed as valid participation in the shareholders' meeting.

#### **Voting outside a meeting**

- 4.8 If the Board of Directors feels that it is not possible to allow shareholders to participate in shareholders' meetings electronically they shall be allowed to vote on proposals or participate in voting in writing or electronically. The Board of Directors shall set rules regarding the execution of such voting.

#### **Power of Attorney**

- 4.9 A shareholder may send an agent to the shareholders' meeting on his behalf. The agent shall submit a written or an electronic power of attorney which shall be dated.
- 4.10 A power of attorney will not be validly revoked after it has been submitted at the delivery of meeting documents or after the shareholders' meeting has been declared open, whichever happens first.

#### **Lawfulness of shareholders' meetings**

- 4.11 A shareholders' meeting is lawful without regard to attendance if it is lawfully called for.

#### **Annual General Meeting**

- 4.12 An annual general meeting shall be held within eight months from the end of the financial year. Annual general meetings shall be called with the same

method as other shareholders' meetings in accordance with the provisions of Clause 4.16 and 4.17.

### **Agenda of the Annual General Meeting**

4.13 The following matters shall be addressed at annual general meetings:

1. The Board of Director's report on the Company's operations in the past year shall be presented.
2. Confirmation of annual accounts and decision on the handling of profit or loss of the financial year.
3. Decision on payments to board members.
4. Proposals of the Board of Directors regarding the remuneration policy.
5. Election of the Board of Directors in accordance with the provisions of Clause 5.
6. Election of auditor in accordance with the provisions of Clause 10.1.
7. Proposals from shareholders which shall be on the agenda according to the provisions of Clause 4.20, cf. paragraph 4 of Article 88 of the Company Act.
8. Other matters.

If shareholders who control at least 1/3 of the Company's share capital insist in writing at the annual general meeting, a decision on item 2 on the agenda shall be postponed to the extended annual general meeting which shall be held no earlier than one month and no later than two months later. No further continuance can be requested.

The Company's annual accounts, report of the Board of Directors, and report of the auditor shall be available for review by the shareholders at the Company's offices 7 days before the annual general meeting.

### **Invitation to shareholders' meetings**

4.14 The Board of Directors shall call for shareholders' meetings when it deems it necessary, or when the elected auditor or shareholders controlling at least 1/10 of the share capital insist in writing and suggest an agenda for the meeting.

4.15 When a lawful claim for a shareholders' meeting is presented, the Board of Directors is obligated to call for a meeting within 14 days from receiving such a claim. If the Board of Directors has not called for a meeting within that time limit a meeting can be called for in accordance with the provisions of paragraph 2 of Article 87 of the Company Act.

4.16 Shareholders' meetings shall be called for with a method which is considered to ensure swift access to the meeting on equal grounds. Trustworthy media shall be used which ensures the circulation of the invitation to the public in the European Economic Area. Such media includes the OMX information system and Huginonline. The meeting shall also be called for with an advertisement in Icelandic media.

### **Deadline for calling meetings**

4.17 Shareholders' meetings shall be called for with a minimum of three weeks' notice.

### **Invitation**

4.18 The invitation shall include information regarding:

1. The place of the meeting, time and draft agenda.
2. Clear and precise rules on participation in and voting at shareholders' meetings.
3. Where and how shareholders can get:
  - a. Unabridged documents as they will be presented at the shareholders' meeting;
  - b. Unabridged proposals and/or comments of the Board of Directors or its committees on each item on the draft agenda;
  - c. Unabridged shareholder proposals as received by the Company.
4. Website where information can be located on the issues that shareholders shall, according to law, have access to in connection to a shareholders meeting.

4.19 If a proposal on amendments to the Company's Articles of Association is to be addressed at the meeting the substance of the proposal shall be described in the invitation.

### **Proposals from shareholders**

4.20 Each shareholder has the right to have certain matters addressed at the shareholder's meeting if he so requests in writing or by electronic means to the Board of Directors of the Company with time enough in advance so that the matter can be placed on the agenda and presented to shareholders seven days before the meeting.

### **Agenda**

4.21 The agenda shall be available for shareholders' review at the Company's office, along with final proposals to be addressed at the meeting, no later than seven days before the meeting.

### **Proposals for changes**

4.22 Lawfully proposed additions or amendments may be presented on the shareholders' meeting itself, even though they were not available for the shareholders' review prior to the meeting.

### **Matters not on the agenda**

4.23 Matters which have not been listed on the agenda may not be finally resolved at the shareholders' meeting without the consent of all shareholders in the Company. Those matters may however be resolved as directions to the Board of Directors.

4.24 If proposals under them item "Other matters" are presented they may not be finally resolved at the meeting, cf. Clause 4.23.

### **Chairman**

4.25 Shareholders' meetings are chaired by a chairman elected by the meeting and he will nominate a secretary with the approval of the meeting. The chairman shall solve all matters which arise concerning the lawfulness of the meeting and its conduct in accordance with these Articles of Association and Icelandic legislation. He shall furthermore, decide the form of discussions, procedures for addressing matters at the meeting and voting.

### **Minutes of shareholders' meetings**

- 4.26 Minutes of the meeting shall be kept in detail and all resolutions and results of voting recorded. The minutes shall be read out loud at the end of the meeting and comments on the minutes noted in the minutes. The minutes shall be signed by the chairman and secretary. The minutes shall constitute full proof of the events of shareholders' meetings.

### **Weight of votes**

- 4.27 A simple majority of votes will decide matters at shareholders' meetings unless otherwise stipulated in these Articles of Association or Icelandic law. A proposal is stricken if votes are equal. If two or more men receive the equal amount of votes in elections a tossup shall determine the election.

## **5 BOARD OF DIRECTORS**

- 5.1 The annual general meeting of the Company annually elects 5 men for the Board of Directors. Their ability is determined by law.

### **Candidacy**

- 5.2 Those who intend to run for the Board of Directors shall notify the Board of Directors of their candidacy at least 5 days before a shareholders' meeting. The notification shall list the name, identification number and address of the candidate along with information about his main employment, other board memberships, education, experience and shareholdings. Candidates shall furthermore list any interest connected to main clients and competitors of the Company and shareholders controlling more than 10% of the Company.
- 5.3 The Board of Directors shall review notifications of candidacy and give the candidate, in verifiable manner, the opportunity to correct any flaws the notification has within a specific time limit. If the flaws are not corrected within the given time limit the Board of Directors shall decide on the validity of candidacy. The Board's decision can be put to the decision of the shareholders' meeting which shall have supreme power in deciding the validity of the candidacy.
- 5.4 Information about candidates for the Board of Directors shall be available for shareholders' review at the Company's offices no later than 2 days before the shareholders' meeting.

## **6 ELECTION OF THE BOARD OF DIRECTORS**

- 6.1 The election of board members shall be based on a majority vote between individuals.
- 6.2 The election shall usually be written if the number of candidates is greater than the number of board members to be elected.
- 6.3 If the Company's shareholders are more than 200, shareholders controlling at least 1/10 of the share capital can insist that the voting of board members be proportional or cumulative. If the shareholders are fewer than 200 shareholders who control 1/5 of the share capital can request these voting methods.
- 6.4 A claim for proportional or cumulative voting shall be presented to the Board of Directors at least five days before the shareholders' meeting.
- 6.5 The two female candidates and the two male candidates that receive the most votes and the person who receives the most votes after the

aforementioned in the election of board members shall be deemed as the rightfully elected board members.

## **7 DIVISION OF TASKS**

- 7.1 The Board of Directors elects a chairman of the board from the members of the board. Otherwise the Board of Directors divides tasks as necessary.
- 7.2 The chairman of the Board of Directors calls board meetings and chairs the meetings. Board meetings shall be held whenever the chairman deems necessary. A meeting shall usually be held if a board member or the Managing Director insists.
- 7.3 The board members may participate in board meetings through communication systems. Board meetings may also be held with the assistance of electronic media in so far as it is consistent with Article 70 of the Company Act.

## **8 MEETINGS OF THE BOARD OF DIRECTORS**

### **Lawfulness of board meetings**

- 8.1 A board meeting is able to make decisions when a majority of board members participate in meetings. If possible, an important decision may not be taken without all members of the Board of Directors having had a chance to discuss the matter.

### **Voting**

- 8.2 A simple majority of votes decides matters in board meetings. Proposals are stricken if votes are equal. If votes are equal in elections between men a tossup shall decide the election.

### **Minutes of meetings**

- 8.3 Board members shall keep minutes of meetings and confirm the minutes with their signature.

### **Goals and obligations**

- 8.4 The Board of Directors has supreme powers in matters concerning the Company between shareholders' meetings and sets the Company's goals regarding its business and represents the Company's and the shareholder's interests in accordance with the object of the Company. The Board of Directors governs the social affairs of the Company between shareholders' meetings and binds the Company with its resolutions and agreements. The Board of Directors hires a managing director, one or more, decides his terms of employment and executes a written contract of employment.
- 8.5 The Board of Director grants power of procuration.
- 8.6 The signature of the majority of the Board of Directors is required to bind the Company.
- 8.7 The Board of Directors works in accordance with rules set by the Board of Directors in accordance with the Company Act.

### **Board committees**

- 8.8 If committees working on behalf of the Board of Directors are elected in accordance with provisions of the rules of the Board of Directors their conclusions shall only be directive for the Board of Directors and it is not bound by their conclusions when resolving matters unless otherwise stipulated by law.

## **9 MANAGING DIRECTOR**

- 9.1 The Managing Director handles the day to day operations of the Company in accordance with the rules the Board of Directors has or will set forth. The day to day operations do not include matters which are unusual or of great significance.
- 9.2 The Managing Director shall make sure the Company's accounts are kept in accordance with law and practice and that the Company's assets are kept in a secure manner.
- 9.3 The Managing Director is obligated to abide by all instructions of the Board of Directors. He shall give the auditor any information he requests.

## **10 ACCOUNTING AND AUDITING**

- 10.1 The financial year of the Company is the calendar year. The annual accounts shall be audited by an auditing company. An auditor or auditor company shall be elected at an annual general meeting for a term of one year.

## **11 THE COMPANY'S SHARES**

- 11.1 The Company is authorized to own up to 10% of the Company's share capital. Votes are not attached to shares owned by the Company. The Company can only acquire shares in accordance with the authorization of a shareholders' meeting to the Board of Directors. An authorization to the Board of Directors to purchase shares in the Company may not be valid for more than 18 months at a time. Rules concerning purchasing and selling shares shall be stipulated in the rules of the Board of Directors.

## **12 CHANGES TO THE ARTICLES OF ASSOCIATION**

- 12.1 The Articles of Association may only be changed by a lawful shareholders' meeting as long as the proposal for the change is described in the invitation to the meeting. The decision is only valid if approved by 2/3 of the votes and approved by shareholders controlling at least 2/3 of the votes represented at the shareholders' meeting.

## **13 DISSOLUTION**

- 13.1 Should it be advisable or necessary to dissolve the Company, proposals thereof shall be governed by Chapter XIII of the Company Act.

## **14 MERGER**

14.1 The provisions of Chapter XIV of the Company act shall apply to a merger of the Company with other companies.

## **15 SPECIAL PROVISIONS ON INCREASE OF SHARE CAPITAL**

15.1 The Board of Directors of the Company is authorized to increase the share capital of the Company in the following manner:

- a) The share capital of the Company may be increased by up to ISK 500.000.000 nominal value with subscription of new shares.
- b) This authorization is valid until 1 March 2013.
- c) The subscription rate shall be decided with by means of invitation to tender new shares.
- d) The shareholders shall not have priority rights to subscribe to new shares.
- e) The Board of Directors shall lay down further rules relating to respite for subscription and payments for shares.

## **16 OTHER PROVISIONS**

16.1 Where the provisions of these Articles of Association do not stipulate the form of proceedings the provisions of the Company Act shall be abided by.



Headlines of specific articles and information in smaller font within brackets do not form part of these Articles of Association but are inserted for practical reasons.

These Articles of Association were approved by the Company's shareholder's meeting on 21 May 2010 and replace the older Articles of Association.

Article 2.1 was changed on 9 September 2010.

Article 2.1 was changed on 27 December 2010.

Article 5.1 was changed on 23 March 2012.

Article 15.1 was changed on 23 March 2012.

Articles 6.5 and 6.6 were added on 13 March 2013.

Article 5.1 changed and article 6.6 removed in 11 March 2015.

A handwritten signature in blue ink, appearing to read 'Þjónvæðingur Jóhannsson'.