

ARTICLES OF ASSOCIATION

OF

FL GROUP HF.

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25 September 2007

ARTICLES OF ASSOCIATION OF FL GROUP HF.

Section I

The name, address and object of the company

Art. 1

Name

The name of the company is **FL GROUP hf.**

Art. 2

Address

The address of the company is Sudurlandsbraut 12, 108 Reykjavik.

Art. 3

Object

"The purpose of the company is to earn interest on money that shareholders have tied to activities in the operation of the company, investments, including those in subsidiaries and associated companies working especially in the field of flight operations, the tourism industry, transport and any kind of investment activities."

Section II

Share capital and the handling of share capital

Art. 4

Share capital, shares and classes

The share capital of the company is ISK 8,918,659,060.

The Board of Directors may increase the share capital of the company by up to ISK 2,342,803,798 of nominal value with sale of new shares as follows:

- a. The company's Board of Directors may increase the company's share capital by issuing and selling new shares by up to nominal value of ISK 342,803,797 for the purpose of financing the purchase of shares in Tryggingamidstodin hf. The shareholders shall not have pre-emptive rights to purchase the new shares. The company's Board of Directors decides the price of the shares, justifies it, decides the subscription period and payment method and from which time the new shares are granted rights in the company. It shall be permitted to pay for the new shares with shares in Tryggingarmidstodin hf.
- b. The company's Board of Directors is authorized to increase the company's share capital by up to nominal value of ISK 1,500,000,000. The Board of Directors may implement the increase in stages over the next five years as of from September 25, 2007. The Board of Directors is authorised to sell the increased share capital without the preemptory purchase provisions of Article 34 of Act Respecting Public Limited Liability Companies No. 2/1995 and the provisions of Article 4 of the company's Articles of Association being applicable. The company's Board of Directors decides the tender price of shares, justifies it, decides the rules of sale each time along with the subscription and payment period, and whether it is permitted to pay for the shares by other means than cash payment. The new shares shall grant rights in the company from the date on which they are registered and they shall be governed by the company's Articles of Association.
- c. The company's Board of Directors is authorized to increase the company's share capital by up to nominal value of ISK 500,000,000. The Board of Directors may implement the increase in stages over the next five years as of from September 25, 2007. The increase is subject to the preemptory purchase provisions of Article 34 of Act Respecting Public Limited Liability Companies No. 2/1995 and the provisions of Article 4 of the company's Articles of Association being applicable. The company's Board of Directors decides the tender price of shares, justifies it, and decides the rules of sale each time along with the subscription and payment period and whether it is permitted to pay for the shares by other means than cash payment. The new shares shall grant rights in the company from the date on which they are registered and they shall be governed by the company's Articles of Association.

The new shares shall grant rights in the company from the date on which they are registered and they shall be governed by the company's articles of association.

The offering price of the shares and the rules of sale shall be determined by the board of directors in accordance with section V of Act no. 2/1995 on Public Limited Companies. This authorisation shall be exercised within five years of being approved. The authorisation may be exercised in its entirety or in part as decided by the board of directors.

Share capital is divided into shares of one króna or multiples thereof.

Any increase in share capital must be approved by a shareholders' meeting.

Shares

The company's shares are issued electronically in accordance with the provisions of legislation on the electronic registration of title to securities.

Voting weight

All voting shares which have unrestricted voting rights have equal rights, and there is one vote for each króna of share capital in the company.

The voting rights of share classes with different voting weights depend on the decision of a shareholders' meeting on the issue of such classes.

Classes of shares

Classes of shares with different rights to dividends and voting rights may be issued. It is permitted to issue classes of shares without voting rights.

Pre-emptive rights to new shares

Parties who own shares in the company when the increase takes place have pre-emptive rights to the new shares in direct proportion to their shareholdings in the company.

In the event that a shareholder does not wish to exercise the pre-emptive right, other shareholders have increased subscription rights.

Register of shares

A register of shares, cf. provisions of the act on the electronic registration of title to securities, is considered full proof of ownership of shares in the company, and dividends at any given time and all announcements shall be sent to the party which at any given time is the registered owner of the shares in question in the company's register of shares. The company bears no responsibility if payments or announcements do not reach the intended recipient because of a failure to notify the company of a change of address.

Restrictions on selling shares to foreign parties

The sale of shares to foreign parties is governed by the provisions of Icelandic law as valid at any given time.

Change in ownership

The change in ownership and execution thereof is governed by the existing legislation on the electronic registration of title to securities and regulations based thereupon.

Ban on granting credit

The company is not permitted to grant credit against its shares.

The company is not permitted to grant credit to shareholders, board members, the chief executive officer or management of the company, nor to provide collateral for them. The provisions of this article do not apply however to normal business loans or investments by company employees or those of a related company in the company or investments in shares on their behalf as permitted by law.

Art. 5

The company's own shares

The company is permitted to buy own shares to the extent allowed by law. The company can only acquire shares in accordance with the authorisation granted to the board of directors by a shareholders' meeting. The authorisation granted to the company's board of directors to buy own shares may not be valid for more than 18 months at a time. No voting rights are attached to the company's own shares.

The Annual General Meeting of FL Group hf., held on February 22nd 2007, agrees, with reference to Article 55 of the Act on limited-liability companies, No. 2/1995, to authorize the company's Board of Directors to purchase, over the next 18 months, up to 10% of the company's own shares. The shares' purchase price may be up to 20% above the average sales price of shares on the Iceland Stock Exchange in the two weeks immediately preceding the purchase. No lower limit is set on this authorization, either regarding the purchase price or the size of the share purchased each time. With the approval of this proposal, an identical authorization approved at the last Annual General Meeting is cancelled.

Art. 6

The rights and obligations of shareholders

Shareholders are obliged without any specific commitment to abide by the company's articles of association, both in their current form and any form which may be established legally at a later date. Shareholders will not be obliged, neither by the articles of association nor by amendments to the law, to increase their shareholdings in the company. Shareholders are not obliged to redeem their shares unless the company is dissolved, the share capital is reduced or in accordance with a specific authorisation provided for in the act on public limited companies.

Shareholders are not responsible for the company's liabilities in excess of their holdings in the company. This provision may not be amended by any kind of resolution at a shareholders' meeting.

Art. 7

Pre-emptive rights

No special rights are attached to the shares in the company other than the pre-emptive right to subscribe for new shares.

Section III

Shareholders' meetings

Art. 8

Jurisdiction of shareholders' meetings

A legitimate shareholders' meeting is the supreme authority in all the company's affairs, within the limitations set out in the articles of association.

Shareholders' exercise their executive power at shareholders' meetings.

Proxy

Shareholders can arrange for proxies to attend shareholders' meetings on their behalf. The proxy attending a meeting must provide a written and dated proxy.

Legitimacy and arrangement of shareholders' meetings

A shareholders' meeting is legitimate regardless of attendance if it is rightfully called. Attendance shall be calculated by the number of voting slips handed out.

The chairman of the company or an elected person shall chair shareholders' meetings and shall oversee the election of a secretary to the meeting. The chair of the meeting shall ascertain at the beginning of the meeting whether the meeting is legitimate and will announce if this is the case.

Discussions and voting are carried out in accordance with decisions of the chair of the meeting.

Calling a meeting

Shareholders' meetings shall be called by means of an advertisement in a daily newspaper or in another verifiable manner, with at least one week's notice.

The invitation to the meeting shall specify the agenda of the meeting. If a proposal to amend the articles of association is to be put forward, the main subject of the motion shall be specified in the invitation to the meeting.

Right of shareholders to raise issues for discussion

All shareholders are entitled to raise particular issues for discussion at shareholders' meetings provided that they send a written request to the board of directors with sufficient notice so that the matter can be included in the agenda of the meeting.

Agenda and final proposals at shareholders' meetings

The agenda and the final proposals to be dealt with at the meeting shall be made available to shareholders at the company's offices at least seven days before a shareholders' meeting.

The company's annual accounts, the report of the board of directors and the auditors' report shall be made available to shareholders at the company's offices at least seven days before a shareholders' meeting.

Additional and amended proposals which have been legitimately raised may be put forward at the meeting itself, even if they have not been made available to shareholders. A general meeting can always deal with matters which must be handled according to legislation or the company's articles of association.

Participation in a meeting by electronic means etc.

The Board of Directors may determine that shareholders meetings are held wholly or partly, by electronic means.

If the Board of Directors is of the opinion that sufficiently secure equipment is available to be able to hold shareholders meeting, wholly or partly, electronic and decides to use this authorization it shall be clearly noted in the invitation to the meeting. The invitation to the meeting shall contain information on the necessary equipment shareholders need for participation, information about how shareholders notify the company of their electronic participation, how the voting process will be and where shareholders can get instructions on the electronic device, password for participation and other information. The entered password is equal to the shareholder's signature and deemed as confirmation of his participation in the meeting.

Shareholders who intend to take advantage of their right to participate electronically shall notify the company's office with 5 day prior notice and submit, in writing within the same timelimit, any questions they might have regarding the agenda or presented documents they wish to have answered at the meeting.

If the Board of Directors is of the opinion that it is not plausible to hold shareholder meeting by electronic means, the shareholders shall be entitled to vote on all items of the Agenda in writing. The invitation to the meeting shall specify how such a vote can be performed. Shareholders can request to have their ballot sent and a request thereof shall be delivered to the company's headquarters 5 days prior to the shareholder's meeting. The shareholders can also collect their ballot at the company's headquarters with the same notice or vote there.

Matters not specified in the agenda

Matters which have not been specified on the agenda cannot be decided upon at a shareholders' meeting without the approval of all shareholders in the company, but a resolution thereon may be made for the guidance of the board of directors.

When shall a shareholders' meeting be called

The company's board of directors shall call a shareholders' meeting when it decides it is necessary, in accordance with a resolution passed at a meeting, or when shareholders controlling 1/10 (one tenth) of the share capital request a meeting in writing. They shall also send a report to the board of directors specifying why they request the meeting and the board of directors shall inform the shareholders of the topic of the meeting in the invitation to the meeting.

When a legitimate request to hold a meeting has been put forward, the board of directors is obliged to call the meeting within at least 14 days of receiving the request. If the board of directors has not called the meeting within this period, shareholders can demand that a meeting be called pursuant to the provisions of the act on public limited companies.

Weight of votes

One vote is attached to each króna owned in the company in those classes which have unrestricted voting rights, but otherwise as is specified for such classes of shares.

Casting votes

At shareholders' meetings all normal business is decided by voting, unless otherwise provided for in these articles of association.

Book of minutes

A short report of what occurs at shareholders' meetings and all resolutions passed at the meeting and the result of voting shall be entered in special book of minutes.

The minutes of the meeting shall be read aloud at the end of the meeting and shall be signed by the chair of the meeting and the secretary to the meeting. This report on the meeting shall be full documentation of what occurs at meetings.

Art. 9

Annual general meeting

The annual general meeting shall be held before the end of May every year.

The following matters shall be discussed at an annual general meeting:

1. The company's board of directors reports on the financial position of the company and activities during the past operating year.
2. The audited annual accounts are submitted for approval.
3. How the company's profit or loss during the fiscal year shall be handled.
4. The Board of Directors proposal for a Remuneration Policy
5. Decision shall made on remuneration to the company's board of directors.
6. Election of the company's board of directors pursuant to Art. 12.
7. Election of auditors pursuant to Art. 16.
8. Discussion of, and voting on, other business which may be legitimately raised by the meeting.

Art. 10

Dividends

Dividends are considered due on the day of the annual general meeting and shall be paid to those who are considered shareholders. Payment of dividends shall take place no later than three months after it was determined at the annual general meeting.

Art. 11

Amendments to the articles of association

The company's articles of association may only amended at a legitimate shareholders' meeting, provided that this is clearly stated in the invitation to the meeting that it is intended to amend the articles of association and what the main aspects of such amendment are. A resolution will only be valid if it is approved by at least 2/3 of votes cast and is approved by shareholders controlling at least 2/3 of the share capital represented by votes at the shareholders' meeting.

Qualified majority of votes for approval

The approval of all shareholders or a qualified majority is necessary to approve special proposals on amendments to the articles of association and this depends on the provisions of current legislation on public limited companies.

Section IV

The company's board of directors etc.

Art. 12

Board of directors and terms of the board of directors

The company's Board of Directors shall consist of seven members and two reserve members, elected at the Annual General Meeting for a term of one year. Their qualifications shall be according to law.

The election of a board of directors takes place as follows:

Those who wish to be considered for a seat on the board of directors shall inform the board thereof in writing at least five days before the annual general meeting. The only people eligible for election at the annual general meeting are those who have put themselves forward as a candidate in this way.

In addition to a candidate's name, an identity number and address, information about main occupation, other directorships, education, experience and holdings of share capital in the company shall be stated in the notification of candidature. Furthermore, all interest links with the principal business parties and competitors of the company as well as with shareholders holding over 10% shares in the Company shall be disclosed.

The company's Board of Directors shall review the notifications of candidature and in the case of faults to such notification it shall grant the relevant parties in a verifiable manner an opportunity to improve the faults within 24 hours. If the faults to the notification of candidature are not improved within the time limit the company's Board of Directors will decide upon the validity of candidature. Candidates may appeal the Boards' decision to the shareholders meeting which has the final decisive power on the validity of candidature.

Information concerning candidates to the Board of Directors of a Public Limited Company shall be submitted on display to shareholders at the company's headquarters no later than two days in advance of an Annual General Meeting.

At annual general meetings only those who have put themselves forward as a candidate with the stipulated notice can be voted.

Art. 13

Scope and tasks of board of directors and chief executive officer

The company's board of directors is the supreme authority in the company's affairs between shareholders' meetings and shall ensure that the organisation and activities of the company are generally in correct and good order.

The board of directors appoints the chief executive officer of the company.

The board of directors and the chief executive officer are responsible for managing the company.

The company's board of directors establishes a strategy for the company and sets its targets with the interests of shareholders as a guiding principle in accordance with the company's object. The company's board of directors works in accordance with working rules which the board of directors establishes on the basis of the act on public limited companies.

The company's board of directors shall ensure that there is sufficient supervision of the company's accounts and the handling of the company's funds.

Only the company's board of directors can issue the power of procuration.

The chief executive officer undertakes the day-to-day management of the company and shall adhere to the policy and instructions set out by the company's board of directors. Day-to-day management does not include measures which are considered of an unusual or major nature. The chief executive officer can only take such measures in accordance with special authorisation from the company's board of directors, unless it is not possible to wait for the decision of the company's board of directors without considerable inconvenience to the company's operations. In such instances the chief executive officer shall consult the chairman of the board of directors, if possible, and the board of directors shall immediately be informed of such measure.

The chief executive officer shall ensure that the company's accounts be entered in accordance with legislation and customs and that the company's assets are handled securely.

Art 14.

Meetings of the board of directors

The board of directors elects a chairman from its members but in other respects it delegates tasks between its members as necessary.

The chairman will call board meetings and ensures that other board members are invited to attend.

A meeting shall also be held at all times if requested by a board member or the chief executive officer.

The chief executive officer attends meetings of a company's board of directors even though he or she is not a board member, and he or she has the right to debate and to submit proposals there, unless the company's board of directors decide otherwise in individual instances.

A book of minutes shall be kept to record what occurs at board meetings and this shall be signed by those attending a meeting. A board member or the chief executive

officer who are not in agreement with a decision by the board of directors are entitled to have their dissenting opinion entered in the book of minutes.

Art. 15

Decisions of the board of directors

The company's board of directors is competent to make decisions when the majority of board members attend a meeting. An important decision may not be made, however, unless all board members have been able to discuss the matter, if possible.

Voting

A simple majority decides issues at board meetings.

Obligating the company

The signatures of the majority of board members obligate the company.

Section V

Annual accounts, auditing etc.

Art. 16

Fiscal year

The company's fiscal year is the calendar year.

The annual accounts shall be audited by an auditing company.

An auditing company shall be elected for one year at a time at the annual general meeting.

Section VI

Dissolution of the company etc.

Art. 17

Dissolution of the company, division or merger

The dissolution, division or merger of the company is governed by current legislation on public limited companies.

Art. 18

Other provisions

Where the provisions of these articles of association provide no guidance, the provisions of the current legislation on public limited companies shall apply.

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The memorandum of association and the articles of association of FL GROUP hf. (originally Flugleidir hf.) were approved at the establishment meeting of the company on 20 July 1973, and the founders signed the articles of association in accordance with the authorisation provided at the annual general meetings of Flugfélag Íslands hf. and Loftleidir hf., which were held on 28 June 1973.

The company's articles of association have been amended several times since then.

- At a shareholders' meeting on 4 March 1976.
- At a shareholders' meeting on 8 June 1976.
- At an annual general meeting on 24 May 1977.
- At an annual general meeting on 14 April 1978.
- At an annual general meeting on 28 April 1980.
- At an annual general meeting on 24 April 1981.
- At an annual general meeting on 24 March 1983.
- At an annual general meeting on 29 March 1984.
- At an annual general meeting on 28 March 1985.
- At a shareholders' meeting on 15 May 1986.
- At an annual general meeting on 20 March 1987.
- At an annual general meeting on 22 March 1988.
- At an annual general meeting on 21 March 1989.
- At an annual general meeting on 22 March 1990.
- At a shareholders' meeting on 23 October 1990.
- At an annual general meeting on 21 March 1991.
- At an annual general meeting on 19 March 1992.
- At an annual general meeting on 16 March 1995.
- At an annual general meeting on 14 March 1996.
- At an annual general meeting on 19 March 1998.
- At an annual general meeting on 15 March 2001.
- At an annual general meeting on 11 March 2003.
- At an annual general meeting on 11 March 2004
- At a shareholders' meeting on 18 October 2004
- At a meeting of the board of directors on 3 November 2004
- At an annual general meeting on 10 March 2005
- At a shareholders' meeting on 1 November 2005
- At a meeting of the Board of Directors on 5 December 2005
- At a meeting of the Board of Directors on 26. January 2006
- At an annual general meeting on 21 March 2006
- At a shareholders' meeting on 7 July 2006
- At an annual general meeting on 22 February 2007
- At a shareholders' meeting on 25 September 2007
- At a meeting of the Board of Directors on 25 September 2007

The above articles of association are now the currently valid articles of association of the company with entered amendments which have been approved.

The headings to sections in these articles of association do not form part of the articles of association but are for purposes of convenience only.

Reykjavik, 25 September 2007
FL GROUP hf.

Bernhard Bogason, Attorney at Law