



Icelandair Group hf.

Summary – December 2010



NOTICE TO INVESTORS

This Summary should be read as an introduction to the Prospectus, comprising of a Registration Document dated 28 October, this Summary and Securities Note both documents dated 7 December 2010. The Securities Note contains an update of the Registration Document from 28 October 2010.

The Prospectus can be obtained in electronic format on www.icelandairgroup.is. A hard copy can be obtained from Icelandair Group hf. headquarters, Reykjavík Airport, 101 Reykjavík, Iceland. This Summary, Registration Document and Securities Note can be obtained for the next 12 months.

Any investment decision relating to shares in Icelandair Group hf. should be based on a consideration of the Prospectus as a whole by the investor.

Where a claim relating to information contained in the Prospectus is brought before a court, a plaintiff investor may, in accordance with the relevant national legislation of the Contracting Parties to the European Economic Area Agreement, have to bear the costs of translating the Prospectus before legal proceedings are initiated.

Civil liability attaches to those persons who have tabled the Summary, including any translation thereof, and applied for its notification, but only if this Summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus.

No person is authorised to give information or to make any representation in connection with the New Shares other than as contained in the Prospectus. If any such information is given or made, it must not be relied upon as having been authorised by the Company or any of the Company's respective affiliates or advisers. Neither the delivery of the Prospectus nor any sale made hereunder shall under any circumstances imply that there has been no change in the Company's affairs or that the information set forth in the Prospectus is correct as of any date subsequent to the date hereof.

REFERENCES

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

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

References to "the New Shares" in this Summary shall be construed as referring to 500,000,000 to 1,059,000,000 new shares in Icelandair Group hf. for ISK 2.5 per. share, offered to shareholders in the Company, employees and the general public and will be admitted to trading on the Main Market of NASDAQ OMX Iceland, unless otherwise clear from the context.

SUMMARY OF THE SHARE OFFERING

This Summary, which forms part of the Prospectus, concerns an Icelandair Group share offering of 500,000,000 to 1,059,000,000 New Shares to three tranches: 1) The Group's shareholders' in the Company as registered at the end of 17 November 2010 (record date) with the Icelandic Securities Depository, the ex-date being 15 November 2010, will have pre-emptive right to purchase 799,000,000 shares. 2) Employees of the Group and its subsidiaries as of 31 October 2010, except Bluebird Cargo ehf. and SmartLynx AOC, will have preference to purchase 160,000,000 shares. 3) The General Public will be offered to purchase 100,000,000 shares and any remaining shares from the two other tranches. The earliest date on which the New Shares will be admitted to trading on the NASDAQ OMX main market is 11 January 2011.

The offer period is from 10.00 am on 8 December 2010 until 4.00 pm on 23 December 2010.

The Issuer is Icelandair Group hf. ID No. 631205-1780, registered office Reykjavík Airport, 101 Reykjavík Iceland, telephone number: +354 505 0300.

The Listing Advisor is Íslandsbanki hf., ID No. 491008-0160, registered office Kirkjusandur 155, Reykjavík, Iceland, telephone number: +354 440 4000. Íslandsbanki is handling the share offer.

Information about the Issue

The New Shares are all of the same class and bear the same rights and are identical to the existing shares in Icelandair Group. A decision on allocation of the New Shares to subscribers will be made by Icelandair Group's Board of Directors in a meeting following the expiration of the offer period. The Board of Directors reserves the right to reject subscriptions in full or in part at its sole and unfettered discretion.

The results of the share offering will be made public on 30 December 2010. An invoice will be sent to subscribers via their online bank or general mail on 30 December 2010.

Admission to Trading

An application has been made for the New Shares to be admitted to trading on the regulated market of NASDAQ OMX Iceland, which is an EU regulated market within the meaning of Directive 2004/39/EC on Markets in Financial Instruments ("MiFID"), which has been implemented through the Securities Transaction Act No. 108/2007. NASDAQ OMX Iceland is authorised pursuant to the Act on Stock Exchanges No. 110/2007 to operate a regulated market under the supervision of the Icelandic Financial Supervisory Authority (FME). The FME is a governmental agency responsible for, among other things, supervising Icelandic securities market laws. Furthermore, pursuant to the Act on Stock Exchanges No. 110/2007, NASDAQ OMX Iceland is required to have rules of its own, governing the trading on NASDAQ OMX Iceland.

The New Shares will be delivered electronically through the depository agent, the Icelandic Security Depository, Laugavegur 182, Reykjavík, Iceland. The New Shares will be issued electronically at the ISD the earliest date being 10 January 2011, and they will be admitted to trading the earliest date on 11 January 2011.

The Company's share capital consists of one class of shares, each share having a nominal value of ISK 1.0. The ISIN number of the shares is IS0000013464. The shares' ticker symbol in the trading system of the NASDAQ OMX Iceland hf. is ICEAIR.

New Issues

At a shareholders' meeting held on the 6 August 2009, the shareholders of the Issuer granted the Board of Directors the authority to increase the Issuer's share capital by up to 4,000,000,000 nominal value for the purpose of strengthening the Company's financial position.

The Company's Board of Directors decided on 17 November 2010 to use the abovementioned authorisation and increase the share capital of the Company in a public share offering by 500,000,000 to 1,059,000,000 shares.

On 7 December the Company's Board of Directors made public an announcement regarding detailed information about terms and conditions of the share offer which will commence on 8 December 2010.

Reasons for the Issue and Use of Proceeds

The purpose of the offer is to strengthen the Company's financial position and broadening the shareholders base

The Company completed a financial restructuring in the beginning of November 2010 where it increased the share capital in the Company by 2,941,000,000 shares. The financial restructuring included the sale of 2,221,000,000 shares for a price of ISK 2.5 and debt-to-equity conversion by two of the Company's largest creditors in the amount of ISK 7.6 billion, together with assets in a corresponding amount, was transferred to a

separate holding company owned by Íslandsbanki and Glitnir Bank. The net proceeds from that share offering was ISK 9,000,831,250.

After the Company completed the financial restructuring it announced that it would strengthen its financial position more and broaden the shareholders base.

After the completion of the Company's financial restructuring mentioned above the Company's Board of Directors decided on 17 November 2010 to launch a public share offering to increase the Company's current share capital by 500 million to 1,059 million shares. The Company will not issue New Share if it receives fewer subscriptions than 500 million shares.

It was decided that the offering price will be ISK 2.5 per share and all employees of the Company and its subsidiaries, except Bluebird Cargo ehf. and SmartLynx, as of 31 October 2010 and shareholders, according to a shareholders list at the end of 17 November 2010 from the register at the Icelandic Securities Depository, will have priority to a portion of the shares offered but the general public will also have right to participate.

The estimated net proceeds of the share offering from 8 December to 23 December 2010 will be ISK 2,594,523,750 if all the New Shares in the share offer will be purchased.

Details and Process of the Issue

This Summary is constructed in connection with the offer of 500,000,000 to 1,059,000,000 New Shares in Icelandair Group. The share price in the offering is ISK 2.5 per share. The New Shares can only be paid with cash in ISK. The New Shares are all of the same class and bear the same rights and are identical to the existing shares in Icelandair Group. The New Share issue will be allocated in three tranches; an offer to shareholders' in the Company as registered at the end of 17 November 2010 (record date) with the Icelandic Securities Depository, the ex-date being 15 November 2010, Icelandair Group's and its subsidiaries employees, except Bluebird Cargo ehf. and SmartLynx AOC, as of 31 October 2010, and the general public in Iceland. The offer described in this Summary will constitute a public offering pursuant to Article 43 of the Securities Transaction Act No. 108/2007. The share offer will only take place in Iceland. The Company will not issue New Shares if it receives fewer subscriptions than 500 million shares.

The offer period is from 10.00 am on 8 December 2010 until 4.00 pm on 23 December 2010. Subscriptions are binding and investors are not allowed to reduce subscriptions already made. Subscriptions can only be made by the means described in the following sub-chapters.

Subscriptions constitute a legally binding agreement pursuant to which those subscribing are bound to purchase the shares subscribed. When subscribing the investor declares that he has familiarized himself with, understood and agreed the terms and other aspects of the Prospectus.

Minimum subscription for shares in this offering is 10,000 shares for employees and the general public. No minimum will be required for shareholders. Certain persons may belong to more than one tranche and consequently persons who fall under that category will not be limited to subscribe to only one of the relevant tranches.

Assignment of subscription rights is not allowed in this offering.

Subscribers are advised to familiarize themselves with the Rules on Foreign Exchange published by the Central Bank of Iceland. The following is a direct link to those rules: <http://sedlabanki.is/?PageID=1019>.

Íslandsbanki is Listing Advisor and handles this public offering. Íslandsbanki's address is Kirkjusandur 155, Reykjavík, Iceland.

Dilution

On the date of this Summary, the total number of shares in Icelandair Group is ISK 3,941,000,000 in nominal value, divided into an equal number of shares, each with a nominal value of ISK 1.0.

The issue of the New Shares increases Icelandair Group's share capital by 1,059,000,000 shares if all New Shares will be subscribed for. The total number of shares in Icelandair Group after the issue of the New Shares will be up to 5,000,000,000 shares. Assuming that existing shareholders do not take part in the issue of the New Shares at all, and 1,059,000,000 New Shares will be issued, the resulting proportional dilution of their shares will be 20.2%.

Expense of the Issuer

The estimated net proceeds of the share offering from 8 December to 23 December 2010 will be ISK 2,594,523,750 if all the New Shares in the share offer will be sold

The commission payable to the Listing Advisor for placing the New Shares and preparing the Prospectus is ISK 1.75% of the total proceeds from the share offering. The charges from NASDAQ OMX Iceland total ISK 1,250,000. The cost payable by the Company to the Icelandic Securities Depository is estimated under ISK 100,000. Stamp duty costs payable by the Company are estimated ISK 5,295,000 if 1,059,000,000 New Shares will be issued. The maximum cost for the issue of the New Shares will therefore be ISK 52,976,250 if all shares available in the share offering will be issued.

The Company bears all cost of the issue of New Shares. If the share offering will be cancelled without any shares being issued there will be no costs payable to the issuer.

Notification of offer results, allocation and payment instructions

The results of the share offering will be made public on 30 December 2010. The announcement will include the aggregate number of New Shares which were subscribed for and the aggregate number of participants and how many subscriptions were received for each tranche in the share offering along with the Company's Board of Directors decision in regards to allocation of the New Shares.

An invoice will be sent to subscribers who will be allocated New Shares on 30 December 2010 via their online bank, or general mail if they specifically choose so on the subscription form. Those subscribers who do not receive an invoice will not be allocated New Shares in the Company.

The due date for payment of the invoice for the New Shares is 6 January 2011. For any shares unpaid on the due date Icelandair Group's Board of Directors may either collect payment with penalty interest (according to Article 6 of Act No. 38/2001) and costs or cancel the subscription of the shares in question and allocate those shares to a third party without notice or notification to subscribers.

RISK FACTORS

Investing in shares is subject to numerous risks. The following is a summary of those risk factors the management and Board of Directors of Icelandair Group hf. believe are most likely to materially affect the Issuer and any investment made in its shares.

Prior to making any investment decision regarding shares in the Company, please consider all the information in this document and, in particular, the risks and uncertainties described in *Chapter 1 RISK FACTORS* of the Registration Document dated 28 October 2010. and *Chapter 1 RISK FACTORS* of the Securities Note dated 7 December 2010.

These risks and uncertainties may materially affect the Company and any investment made in its shares. If any combination of these events occurs, the trading price of the shares could decline and investors might lose part or all of their 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, liquidity and share price of the Company.

Risk relating to Investment in Icelandair Group's Shares:

- + General equity risk
- + Liquidity risk
- + Changes in the regulatory framework for financial and equity markets
- + Shareholder structure
- + Further capital increase can dilute shareholdings

Icelandair Group's Operational Risks:

- + Fluctuations in market prices such as fuel prices, exchange rates, interest rates and possibly carbon prices in the future can materially impact the Company's profitability.
- + The company is dependent on external economic factors but the economic risk factors have different effects on individual subsidiaries.
- + The Company 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.
- + Air transportation is subject to intensive regulations. An Air Operator's Certificate (AOC) has been issued to the relevant subsidiaries¹ of Icelandair Group authorising it to conduct its airline operations. There is no guarantee that the Company will be issued such licenses in the future.
- + Operating in foreign markets exposes the Company to various risks. There is a risk that its prospects in some markets could diminish due to various factors, including political climate, currency controls and taxation.

¹ Icelandair, Icelandair Cargo and Air Iceland have been issued an AOC.

- + The Company is dependent on its key employees and their willingness to continue working for it. The prospects for future cooperation between the key employees and the Company are always uncertain. If any of them should decide to leave, the Company could be adversely affected.
- + The airline and tourist industry are inherently labour-intensive industries. The majority of the Company's employees are unionised, and is represented by several unions, each of which has its own contract on salaries and benefits with the Company. Each contract comes up for renegotiation every few years, and every time this happens there is a risk that the parties will not reach an agreement; such situations may end in a strike.
- + An increasing proportion of ticket sales take place over the internet. These systems are vulnerable to disruptions that are beyond the Company's control.

Icelandair Group's Risks Relating to the Airline and Tourism Industries:

- + The Group faces intensive competition in all its fields of activities. The level of competition amongst airlines is high and pricing decisions are heavily dependent on competition from other airlines.
- + Airline operators are highly sensitive to jet fuel prices and availability. Increased prices and/or restricted availability of aviation fuel may affect the profitability of Airlines.
- + The Company operates in a seasonal industry where there has traditionally been much higher demand for air travel and general tourism in the summer. The high seasonal fluctuation in turnover makes the business riskier than otherwise.
- + Many government regulations that are often based on international agreements and concern the environment, have in recent years become a growing issue for the airline industry. Attention should also be paid to varying local restrictions around airports to reduce noise and pollution. As such they can both concern opening hours of airports, availability of slots and the usage of airspace.
- + At some airports, an air carrier needs landing and takeoff authorisations (slots) before being able to introduce new services or expand their existing ones. The Company is dependent on such slots in order to be able to compete on the international market.
- + Airline operations tend to be burdened with a high level of fixed costs due to the nature of provided services, e.g. operations of expensive equipment and obligations due to leasing and investments. The high proportion of fixed costs to total operation costs can be devastating when demand shocks take place, which inevitably can happen at any given time, e.g. due to external disruptions of some kind.
- + The airline and tourism industries are subject to an ever changing environment of taxes, aviation and licence fees and charges, which can have direct effect on ticket pricing and demand.
- + The cost of airline insurance can fluctuate and as a result insurance can expose airlines to substantial costs and loss if such developments cannot be met by income sources.
- + The airline and tourism industries are dependent on the state of the world's economy. In a depressed economy, consumers are likely to travel less, which could affect load factors, yield, and utilisation of the fleet and hotel rooms.

- + Delays and cancelled flights occur for various reasons and impose increased costs on airlines. These events have not only direct added costs for operations but also indirect costs through damage to reputation and the brand name which may take a long time to repair.
- + The occurrence of terrorist attacks or an outbreak of a disease that result in a fear of travelling could depress the aviation and tourism industry and affect the Company adversely, both through the airline and tourism operations.
- + The airline industry is vulnerable to volcanic ash clouds due to disruptions of flights and cancelled bookings. With the possibility of continued volcanic eruptions, financial outcome could be exposed to uncertainty.
- + Security measures have increased internationally in the long term, especially after the terrorist attacks in September 2001 when security surveillance was stepped up, and any suspicious activity is treated with greater intensity than before. Such increased security measures may affect the Company's profitability. Airline operators could be affected adversely if one of their aircraft were to be involved in an accident or crash. This may involve not only the repair or replacement of damaged or lost aircraft and the consequent temporary or permanent loss of services, but also claims from injured passengers and the surviving relatives of deceased passengers.

INFORMATION ABOUT ICELANDAIR GROUP HF.

Business Overview

The Group is an operating company with subsidiaries focused on the international airline and tourism sectors. The operations of the Company are based on two business segments; route network and tourism services. The main focus of the route network is to operate flights based on the *Hub and Spoke* concept between Europe and across the Atlantic to North America via Iceland. The focus of the tourism services business segment is on catering to the growing demand for universal services for tourists in Iceland and on offering a wide variety of support services relating to airline operations. During 2009, the Group employed an average of 2,150 full time employees and the Group generated total revenues of ISK 80.3 billion and carried approximately 1.7 million passengers on its routes.

In addition to passenger flights operated by the airline, the Group has vast interests in most parts of Icelandic tourism and aviation, including hotel chains, travel agencies, domestic airlines, support services, ground handling and technical services, as well as a fledgling ACMI² and lease operations.

The future focus of the restructured Group is on the operations of Icelandair ehf., Icelandic Tourism along with the *Hub and Spoke* concept, which is a pivotal part of Icelandair ehf.'s business model.

The Company is adapting to this new environment.

- + The Group has simplified its business model to reflect a new strategy.
- + In the restructuring process, Icelandair Group was advised by DVB bank.
- + From now on, Icelandair Group defines itself as an operating company focusing on route network and tourist services and should not be looked upon as a holding company.
- + By placing Travel Service, Bluebird Cargo and SmartLynx under the ownership of Icelandic creditors the size of the Group's balance sheet will be reduced.

² Acronym for: Aircraft, Crew, Maintenance and Insurance.

- + The new business structure is based on two business segments. As before the support functions will work across both business segments and provide support for the subsidiaries and associate companies.

Item 1. The core Icelandair Group going forward



Item 2. Businesses divested in 2010



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

Milestones in Icelandair Group's History

Icelandair Group traces its roots back to the year 1937 when one of the predecessors of the Group, Flugfélag Akureyrar, was founded in Akureyri. For the sake of brevity the history of the Group is listed below from the year 2006 when the Group took its current form and was listed to OMX ICE main market.

- + **2006** In February, the current structure of Icelandair Group hf. was formed. On 15 October that year, Icelandair Group Holding hf. was established and on the same day acquired Icelandair Group hf. Icelandair Group Holding was listed on Main Market of NASDAQ OMX Iceland on 14 December. On 28 December the merger of Icelandair Group Holding and Icelandair Group was approved by the shareholders of Icelandair Group and the following day by the shareholders of Icelandair Group holding. The Merger was effective as of 1 November 2006.
- + **2006** In June, the Latvian charter airline Latcharter was acquired.
- + **2006** Airline Services Estonia (ASE), Estonian accountancy firm acquired.
- + **2007** Icelandair Group Holding was delisted on 9 February and Icelandair Group listed on the OMX ICE Main Market on 12 February.
- + **2007** A 50% share of Travel Service, the largest privately owned airline in the Czech Republic was acquired. Travel Service became an associate member of the Group as of November and became a subsidiary and was included in the consolidated interim financial statements as of April 2008.
- + **2007** Icelandair Hotels announced a Franchise Agreement with Hilton Hotels Corporations for the 252 room 4-star Nordica Hotel in Reykjavik.
- + **2008** Iceland Travel launched the VITA brand to sell a wide variety of leisure tours to Icelanders travelling abroad.
- + **2008** A new name and appearance were unveiled in September when Latcharter became Smartlynx.
- + **2009** Íslandsbanki hf. acquired 42% of the shares in Icelandair Group hf.

- + **2009** A share capital increase in Travel Service diluted Icelandair Group's share in Travel Service to 50.1% from the previous 66%. The Company sold a 20.1% share in Travel Service in November and holds a 30.0% share in Travel Service.
- + **2009** A shareholders' meeting gave the Board of Directors authorisation to increase the share capital of the Company by up to ISK 4 billion - by means of subscriptions to new shares.
- + **2010** At the end of March 2010 Icelandair Group hf. and its largest lenders, Íslandsbanki and the Resolution Committee of Glitnir Bank, announced that they had reached an agreement on the best way to finalise the financial restructuring of Icelandair Group.
- + **2010** On 14 April 2010 a volcanic eruption commenced in the glacier Eyjafjallajökull in Iceland. The volcanic ash from the eruption had a severe impact on flight schedules around the world.
- + **2010** On 14 June, the Enterprise Investment Fund (EIF – Icelandic: Framtakssjóður Islands), an investment company owned by 16 Icelandic pension funds, entered into a binding agreement with Icelandair Group on an ISK 3 billion investment in the Group. The agreement was concluded with normal reservations regarding the results of due diligence, which the Fund performed. The EIF has subscribed to New Shares in the nominal amount of ISK 1.2 billion at the price of ISK 2.5, for a total of ISK 3 billion.
- + **2010** On 15 June, The Pension Fund of Commerce (PCF – Icelandic: Lífeyrissjóður Verslunarmanna) entered into a binding agreement with Icelandair Group hf. on investing ISK 1 billion in the Group in return for a 10.1% share in the Company. The PCF has subscribed to New Shares in the nominal amount of ISK 400 million at a price of ISK 2.5, for a total of ISK 1 billion.
- + **2010** On 21 October the Company announces that the financial restructuring is completed and the documentation process finalised.

ORGANISATIONAL STRUCTURE

The management team of Icelandair Group is lead by the Executive Board. The Executive Board is comprised of Björgólfur Jóhannsson, Chief Executive Officer, Bogi Nils Bogason, Chief Financial Officer and Sigthor Einarsson Deputy CEO.

The Executive Board 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. In addition, the Executive Board has direct access to the day-to-day operations of each subsidiary, with the focus on strategy, finance, and business development enhancing Group synergies. 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. This team of subsidiary managers is at all times in close liaison with the Group-level management and contributes greatly to the overall insight and functionality of the organisation.

BUSINESS SEGMENTS

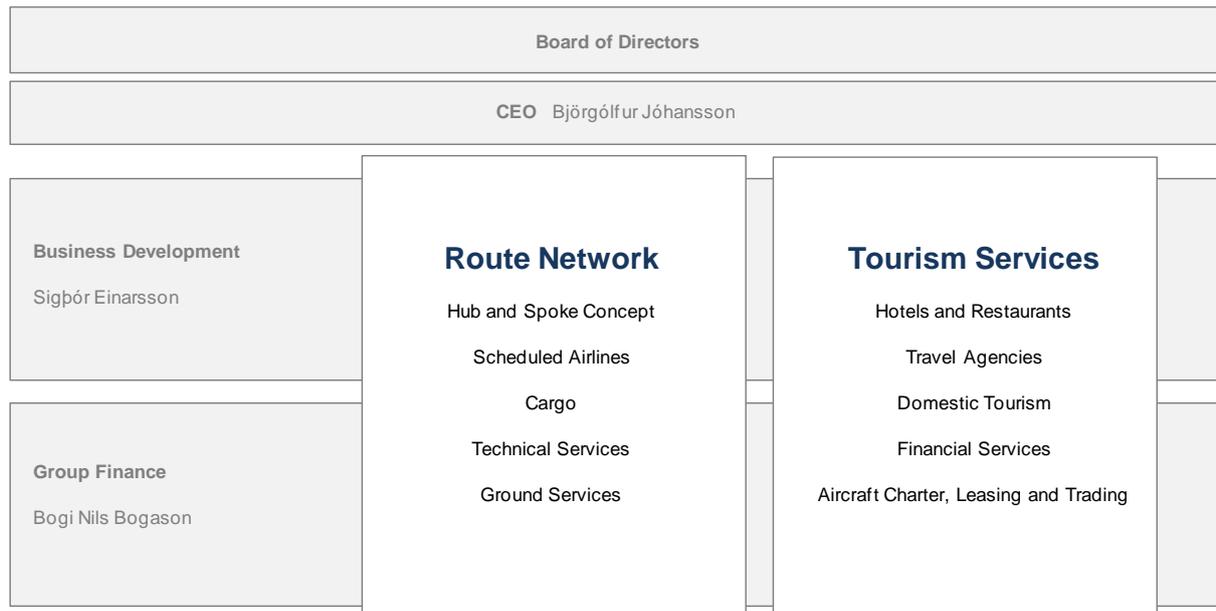
Route Network

This business segment is focused on the well-established international route networks based on the *Hub and Spoke* concept that the Group has developed for the last decades. Three 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, which handles airlines and passenger services at Keflavik Airport;

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.

Item 3. Corporate Structure



Tourism Services

The business segment Tourism Services comprises the following subsidiaries:

- + Air Iceland, a turboprop operator which operates both domestically and internationally to Greenland. The company is in cooperation with the Faroese airline Atlantic Airways and sells seats to the Faroe Islands on flights operated by Atlantic Airways.
- + Loftleidir-Icelandic, the capacity solution provider.
- + Icelandair Hotels, the domestic hotel chain.
- + Iceland Travel travel agency, tour operator and destination management company in Iceland.
- + Icelease, the aircraft trading arrangement company.
- + Icelandair Shared Services (Fjárvakur-fjármálathjónusta ehf.), the accounting and financial support company of the Group.

The main focus of this business segment is international and domestic tourism as well as support functions thereof.

PROFIT FORECAST

On 15 November the Company revised its profit forecast from 21 October 2010 and made public a press release that, among other, stated:

- “The operation of the Group in October and the booking situation going into the last two months of the year have caused the Company to raise its EBITDA forecast for the year from ISK 9.5 billion to ISK 10.5 billion.”

Therefore the EBITDA projection for the year 2010 was revised upwards from ISK 9.5 billion to 10.5 billion for the full year.

On 26 November the Company revised its earlier profit forecast from 15 November 2010 and made public the following announcement:

- Operations of Icelandair Group in the fourth quarter have been successful so far, and booking status for the last few weeks of the year is promising. Therefore the Board of Directors of the Group decided at a meeting today to raise the EBITDA forecast for 2010 from ISK 10.5 billion to ISK 11.5 billion.

EMPLOYEES

The Company believes that one of its principal strengths lies in its employees. Its operations require a wide range of knowledge and specialised personnel within aviation technology, international marketing, finance and management. The average positions for the full years 2007–09 and the first six months of 2010 are presented below.

In the year 2009 a significant reduction was made in the number of employees within the Group. Redundancies were made to meet the changed market conditions and to lower costs going forward. Icelandair and IGS reduced the number of their employees by 15% and 25% respectively, and other subsidiaries reduced their number of employees significantly as is depicted in the table below. It must be noted that SmartLynx and Travel Service increased the number of employees significantly from 2008 to 2009 mainly through hiring's of new cabin crew members. Both companies, SmartLynx and Travel Service, are categorised as discontinued operations.

Item 4. Average number of employees – Continuing Operations

	2007	2008	2009	1H 2010
Icelandair.....	1,464	1,368	1,163	1,150
IGS.....	601	530	400	382
Icelandair Cargo.....	67	58	52	40
Icelandair Hotels.....	276	289	249	290
Iceland Travel.....	92	101	99	99
Loftleidir-Icelandic.....	9	9	10	11
Air Iceland.....	316	306	259	250
Icelandair Shared Services.....	102	97	95	95
Icelandair Group.....	15	15	15	15
BlueBird.....	66	75	70	67
Total.....	3,007	2,848	2,412	2,399

Icelandair ehf. plans to increase its flight operations by 17% in 2011 and expects that the increase will create around 200 new jobs in Icelandair ehf.

Since the Prospectus dated 28 October 2010 no changes have occurred as of the date of this Summary.

BOARD OF DIRECTORS AND EXECUTIVE BOARD

A shareholders' meeting was held on 15 September 2010. A new Board of Directors was elected during the meeting. The following were elected to the Board of Directors of Icelandair Group:

Audur Finnbogadóttir, ID No.: 200767 3739

No. of votes: 466,559,586

Finnbogi Jónsson, ID No.: 180150-2429

No. of votes: 466,559,586

Katrín Olga Jóhannesdóttir, ID No.: 010862-7369

No. of votes: 466,542,492

Sigurdur Helgason, ID No.: 010546-2069

No. of votes: 466,709,586

Úlfar Steindórsson, ID No.: 030756-2829

No. of votes: 597,754,244

Alternate Board members, chosen without election:

Herdís Dröfn Fjeldsted, ID No.: 210971-4329

Magnús Magnússon, ID No.: 160965-4799

Vilborg Lofts, ID No.: 121256-3129

Changes within the Board of Directors

Mrs. Audur Finnbogadóttir resigned from the Company's Board of Directors on 30 November 2010. Mrs. Finnbogadóttir was appointed CEO of the Engineer's Pension Fund and she announced that she feels that her membership of the board of Icelandair Group did not serve the interest of the Engineers' Pension Fund.

Mrs. Finnbogadóttir's position will not be re-elected until the next Company's Annual General Meeting.

At the date of this Summary the Board of Directors has not decided which alternate Board Member will take Mrs. Finnbogadóttir's place in the Board of Directors or the Audit Committee.

Since the Prospectus dated 28 October 2010, Mrs. Katrín Olga Jóhannesdóttir became acting Chairman of the Board of Directors of Já Upplýsingaveitur ehf. until an undisclosed date. Mrs. Jóhannesdóttir is currently a Member of the Board Directors of Já Upplýsingaveitur ehf. In December 2010 she will resign as Chief Strategy Officer of Skipti hf. Mrs. Jóhannesdóttir also became a Member of the Board of Directors for Siminn DK.

Mr. Úlfar Steindórsson became a Member of the Board of Directors of Exista hf on 1 November 2010 but at the date of this Summary he is no longer a Board Member of Exista hf.

Remuneration and Benefits

The table below sets forth a breakdown of the remuneration that the Group paid to certain members of the management and Board of Directors in 2009. It also provides information regarding holdings in the Group's shares by these individuals at December 31, 2009. The table includes the Members of the Board of Directors, Chief Executive Officer and the members of the Executive Board. There is no pension liability regarding Members of the Board of Directors, Chief Executive Officer or Executive Board.

Item 5. The table depicts salaries and benefits for the year ended 31 December 2009.

	Salaries and benefits (million)	Share options (million)	Shares held at year-end 2009 (million)	Shares held by related parties (million)
Board of Directors:				
Sigurður Helgason, Chairman of the Board	1.6 *			
Katrín Olga Jóhannesdóttir	0.8			
Magnús Magnússon, alternative board member	0.1			238.3
Gunnlaugur M. Sigmundsson, former Chairman	4.9			
Ásgeir Baldurs, former board member	1.8			
Einar Sveinsson, former board member	2.3			12.8
Finnur Reyur Stefánsson, former board member	3.0			38.2
Jón Ármann Guðjónsson, former board member	0.8			111.7
Ómar Benediktsson, former board member	1.1			
Pétur J. Eiríksson, former board member	19.1			
Jón Benediktsson, former alt. board member	0.7		0.4	12.8
Kristín Einarisdóttir, former alt. board member	0.2			
Martha Eiríksdóttir, former alt. board member	2.1		0.1	
Sigurður Atli Jónsson, former alt. board member	0.9			
Tómas Kristjánsson, former alt. board member	0.5			20.0
CEOs:				
Björgólfur Jóhannsson, CEO of Icelandair Group hf.	38.7			
Sighór Einarsson, Deputy CEO of Icelandair Group hf.	25.5	1.0	0.1	
Bogi Nils Bogason, CFO of Icelandair Group	26.3			
Birkir Hólm Guðnason, CEO of Icelandair ehf.	33.2	0.1		
Gudni Hreinsson, CEO of Loftleidir-Icelandic ehf.	25.3			
Gunnar Már Sigurfinnsson, CEO of Icelandair Cargo	21.5			
Managing directors:				
Eight MDs of Group companies	152.4	6.2		

Included in the above mentioned list of shares held by management and directors are shares held by companies controlled by them.

*The Chairman of the Board has forgone his right to a salary so instead the Board agreed to pay the same amount to a charity—the Special Children's Travel Fund.

Finnbogi Jónsson (CEO), Herdís Dröfn Fjelsted and Vilborg Loftis are all employed by the Enterprise Investment Fund. Magnús Magnússon is employed by Landsbanki Íslands hf.

STATUTORY AUDITORS

Icelandair Group hf. elected KPMG hf., Icelandic ID No. 590975-0449, Borgartún 27, 105 Reykjavík, Iceland, as the Company's Statutory Auditor at the Annual General Meeting held on 21 May 2010. KPMG was Icelandair Group's Statutory Auditor for the financial periods 2007, 2008 and 2009.

On behalf of KPMG hf. State-authorized accountants and members of The Institute of State Authorized Public Accountants in Iceland Jón S. Helgason Icelandic ID No. 050269-3619 and Guðný Helga Guðmundsdóttir Icelandic ID No. 221168-4029 have audited the Company's financial information for the years ended 31 December 2007, 2008 and 2009 and reviewed the first nine months accounts ended 30 September 2009 and 2010.

FINANCIAL INFORMATION

The financial statements of Icelandair Group are prepared in accordance with International Financial Reporting Standards and comprise the consolidated accounts of the parent company and its subsidiaries.

The following tables show the Income Statement from Icelandair Group's financial statements. The information covers the years 2007, 2008, 2009 and the first nine months of 2010 and 2009.

Item 6. Income Statement FY2007–FY2009

(mISK)	2007	2008**	2009
Transport revenue.....	35,949	41,885	47,139
Aircraft and aircrew lease.....	15,510	16,951	19,425
Other.....	12,018	13,363	13,757
Operating Income.....	63,477	72,199	80,321
Salaries and related expenses.....	20,008	20,275	18,652
Aircraft fuel.....	9,769	15,703	13,250
Aircraft and aircrew lease.....	7,353	8,921	12,797
Aircraft servicing, handling and communication.....	4,367	5,060	5,881
Aircraft maintenance.....	5,128	5,499	6,825
Other.....	11,375	13,688	14,782
Operating Expenses.....	58,000	69,146	72,185
EBITDA.....	5,477	3,053	8,136
Impairment and Depreciation.....	-3,141	-10,404	-6,652
EBIT.....	2,336	-7,351	1,483
EBT.....	128	-8,985	-4,468
Net Profit/Loss from continuing operations.....	257	-8,905	-3,983
Net Profit (Loss) from discontinuing operations.....	0	1,437	-6,681
Net Profit/Loss for the year / quarter.....	257	-7,468	-10,665
EBITDAR.....	11,056	8,821	16,332

** Re-presented

Item 7. Income Statement Q1-Q3 2009 and Q1-Q3 2010

(m. ISK)	9M 2009**	9M 2010
Transport revenue	37,270	43,081
Aircraft and aircrew lease	13,972	14,994
Other operating revenue	10,884	11,175
Operating income	62,126	69,250
Salaries and other personnel expenses	13,758	15,073
Aircraft fuel	10,433	11,634
Aircraft and aircrew lease	9,091	9,370
Aircraft handling, landing and communication	4,645	4,998
Aircraft maintenance expenses	4,725	5,151
Other operating expenses	11,120	11,562
Operating expenses	53,772	57,788
EBITDA	8,354	11,462
Depreciation and amortisation	-3,930	-4,237
EBIT	4,424	7,225
EBT	1,365	4,341
Net Profit/Loss from continuing operations	1,143	3,551
Net Profit (loss) from discontinued operation, net of income tax	-2,161	-400
Net Profit (loss) for the period	-1,018	3,151
EBITDAR	15,346	18,263
<i>EBITDA ratio</i>	13.4%	16.6%
<i>EBITDAR ratio</i>	24.7%	26.4%

**Re-presented

WORKING CAPITAL, CAPITALISATION AND INDEBTEDNESS

The Chairman of the Board of Directors and the CEO on behalf of the Issuer declare that in their opinion the Issuer's working capital is sufficient for the next 12 months.

The following table sets forth the Group's capitalisation and indebtedness as of 30 September 2010. The following table does not reflect the shares issued on 5 November 2010.

Item 8. Capitalisation and indebtedness of Icelandair Group as of 30 September 2010.

Capitalization and Indebtedness (mISK)	30 September 2010
Total current liabilities.....	55,607
Guaranteed*.....	18,227
Secured**.....	4,104
Unguaranteed/unsecured.....	33,276
Total non-current liabilities.....	18,591
Guaranteed*.....	0
Secured**.....	9,680
Unguaranteed/unsecured.....	8,911
Shareholders' equity.....	16,969
Share capital.....	975
Share premium.....	25,450
Fair value and other reserves.....	6,012
Retained earnings.....	-15,508
Minority interest.....	40
Total capitalization on 30 September 2010.....	91,167

* Represents a general pledge in unpledged assets of the Group

** Represents a direct pledge in certain real estates and aircraft

The table above does not reflect the issue of approximately ISK 2.2 billion shares in Icelandair Group in the share offering at the subscription price indicated in the Icelandair Group Prospectus dated 28 October 2010, the debt-to-equity conversion and the intended application of the net proceeds of approximately ISK 5.5 billion. That share offering and the debt-to-equity conversion was completed in November 2010 and the share capital is on 3 December 2010 3,941,000,000 shares. Also, the table does not take into account the current public offer of New Shares where the Company hopes to increase the share capital by between 500 million and 1,059 million shares.

The table on capitalisation represents the current portion of long-term loans, plus short-term liabilities excluding aircraft leases. Total non-current liabilities include long-term interest-bearing debt which amounts to approximately ISK 11.7 billion. The remainder consists of prepayments (ISK 2.1 billion) and long term payables (ISK 4.3 billion) and deferred income tax liability (ISK 0.6 billion). Total current liabilities consist of interest bearing loans and borrowings (ISK 24.4 billion), trade and other payables (ISK 16.9 billion), liabilities held for sale (ISK 5.6 billion) and deferred income (ISK 8.7 billion). Aircraft financing constitutes 40% of the total interest-bearing debt and is solely of a long-term nature and financed by foreign banks. Apart from that source of financing, the interest-bearing debt stems from domestic bank borrowing. Further details of the breakdown of loans can be found in the table below.

Item 9. Net indebtedness of Icelandair Group as of 30 September 2010

Net indebtedness (mISK)	30 September 2010
a) Cash.....	7,182
b) Cash equivalents.....	0
c) Trading securities.....	200
d) Liquidity (a) + (b) + (c).....	7,382
e) Current financial receivables.....	0
f) Current bank debt.....	18,227
g) Current portion of long term debt.....	4,442
h) Other current financial debt.....	1,733
i) Current financial debt (f) + (g) + (h).....	24,402
j) Net current financial indebtedness (i) - (e) - (d).....	17,020
K) Non-current bank debt.....	9,684
l) Non-current bonds issued.....	1,995
m) Other non-current loans.....	11
n) Non-current financial indebtedness (k) + (l) + (m).....	11,690
Net financial indebtedness (j) + (n)	28,710

The cash represents the net figure derived from the consolidated cash flow statement of the Group as published on 15 November 2010.

The capital profile above is based on Icelandair Group's Financial Statements as of 30 September 2010 and before the financial restructuring of the balance sheet. A part of the completion of the financial restructuring was a share capital increase of approximately ISK 9.2 billion (ISK 2,941 million in share capital and ISK 6,212 in share premiums) where approximately ISK 5.5 billion was paid with cash and approximately ISK 3.6 billion was debt-to-equity conversion. Additionally, most of the Group's interest-bearing loans were restructured.

The Group has a total of approximately ISK 30.5 billion in contingent indebtedness in the form of lease obligations due to aircraft financing. The lease obligations are off-balance-sheet items that are not reflected in the balance sheet, but are directly payable through an amortisation schedule, and they are not reflected in the maturity profile of the Group. Furthermore, the Group has a contingent liability stemming from the commitment to acquire four 787-800 Dreamliner aircraft, see note 46 in the consolidated financial statement on 31 December 2009 for further information.

The Group had a total of ISK 6.7 billion in indirect indebtedness at year end 2009, through off-balance-sheet items such as lease obligations and financial guarantees. The only financial guarantee for third parties is the USD 17.7 billion guarantees to SmartLynx as of 30 September 2010.

After the divestment of SmartLynx, Icelandair Group will continue to guarantee USD 17.7 million to SmartLynx. The guarantee will gradually expire until 1 January 2014. The guarantees for SmartLynx are in regard of lease payments on aircraft. If SmartLynx cannot pay its lessors, the guarantee will fall on Icelandair Group. That could happen if SmartLynx could not lease its unused aircraft to another company. Loftleidir has a contract with SmartLynx regarding the lease of two aircraft, where Loftleidir leases two aircraft from SmartLynx. The contracts are on an arm's length basis and they will not be affected by the divestment of SmartLynx from the Group.

The expected net indebtedness after the restructuring is shown in the following table. Please note that the financial information on net indebtedness after the financial restructuring is not audited and is based on information from the management of Icelandair Group.

Item 10. The table shows net indebtedness after financial restructuring

Net indebtedness (mISK)	30 September 2010
a) Cash.....	12,918
b) Cash equivalents.....	0
c) Trading securities.....	200
d) Liquidity (a) + (b) + (c).....	13,118
e) Current financial receivables.....	0
f) Current bank debt.....	0
g) Current portion of long term debt.....	3,200
h) Other current financial debt.....	0
i) Current financial debt (f) + (g) + (h).....	3,200
j) Net current financial indebtedness (i) - (e) - (d).....	-9,918
K) Non-current bank debt.....	19,686
l) Non-current bonds issued.....	1,995
m) Other non-current loans.....	11
n) Non-current financial indebtedness (k) + (l) + (m).....	21,692
Net financial indebtedness (j) + (n)	11,774

Item 10 shows the effects of the restructuring on the Company's net indebtedness after financial restructuring as of 30 September 2010. This information addresses a hypothetical situation and, therefore, does not represent the company's actual financial position or results.

The information provided in this chapter is derived from the last published financial information of the Issuer and information related to the financial restructuring which have not been audited and is based on information from the management of Icelandair Group. As of the date of this Summary the Issuer declares that there have been no material changes since the last published financial information.

MAJOR SHAREHOLDERS.

Item 11. 20 Largest shareholders as of 3 December 2010

Major Shareholders	Number of shares	Percentage of shares	Percentage of votes ⁱ
Framtakssjóður Ísland slhf.....	1,200,000,000	30.45%	30.00%
Íslandsbanki hf.....	1,028,492,387	26.10%	26.51%
The Pension Fund of Commerce.....	400,000,000	10.15%	10.31%
Landsbanki Íslands hf.....	238,348,350	6.05%	6.14%
Lífeyrissjódir Bankastræti 7.....	200,000,000	5.07%	5.16%
Glitnir banki hf.....	182,205,000	4.62%	4.70%
Sparisjóðabankinn hf.....	93,572,562	2.37%	2.41%
Stefnir - Ís-15.....	85,000,000	2.16%	2.19%
Stafir lífeyrissjóður.....	83,656,512	2.12%	2.16%
Landssjóður hf., úrvalsbréfadeild.....	49,924,512	1.24%	1.25%
Stefnir ÍS-5.....	45,000,000	1.14%	1.16%
Sameinaði lífeyrissjóðurinn.....	45,000,000	1.14%	1.16%
Alnus ehf.....	32,992,831	0.84%	0.85%
Icelandair Group hf.....	25,460,000	0.65%	0.00%
Eftirlaunasjóður atvinnuflugmanna.....	20,282,481	0.51%	0.52%
Sigla ehf.....	20,000,000	0.51%	0.52%
Útbod og samningar ehf.....	20,000,000	0.49%	0.50%
Audur Captial safnreikningur.....	18,204,159	0.48%	0.49%
Arkur ehf.....	17,620,000	0.44%	0.45%
Stapi lífeyrissjóður.....	17,500,000	0.38%	0.39%
Lífeyrissjóður Rangeyinga.....	15,000,000	0.38%	0.38%
Total.....		97.29%	97.25%

*The Enterprise Investment Fund voting powers are capped at 29.99% of active voting right.

The table above lists the holding and voting rights of the largest shareholders in the Company as of 3 December 2010. Certain relationships between the following major shareholders and the Company's Board Members : (i) Members of the Company's Board of Directors Finnbogi Jónsson, Herdís Dröfn Fjelsted and Vilborg Loftis are all employed by the Enterprise Investment Fund which is the Company's largest shareholder. (ii) According to publicly available information, 95% of the common stock of Íslandsbanki is held by foreign creditors of the Resolution Committee of Glitnir Bank and (iii) Magnús Magnússon is Managing Director of Corporate Banking for Landsbanki Íslands hf., which owns a 6.14% stake in the Company.

SHARE CAPITAL

The share capital in Icelandair Group is on 3 December 2010 is ISK 3,941,000,000 in nominal value, divided into an equal number of shares, each with a nominal value of ISK 1.0.. All shares carry equal rights and no restrictions are placed on them. The Group's share capital consists of one class of shares, and each issued share carries one vote. All of the Group's shares are fully paid and non-assessable.

RELATED PARTY TRANSACTIONS

When Group companies deliver products or provide services to other Group companies, any such agreement or arrangement is performed at a market price and on market terms. All intra-Group transactions, balance sheet items, revenues and expenses are eliminated upon consolidation of the Group's financial statements and are therefore not included in the Group's consolidated balance sheet or results of operations.

The Board of Directors of the Group believes that the Group's related party transactions described below are conducted on an arm's length basis Íslandsbanki is a shareholder in Icelandair Group with 26.10% share of the common stock in the Company and holds 26.51% of the Company's voting right as of 3 December 2010.

Íslandsbanki is the primary commercial bank of the Group, acts as Listing Advisor in respect of this Summary

and was mandated by the Group to act as the advisor in respect of the New Shares. All transactions with Íslandsbanki have been concluded on an arm's length basis.

No Members of the Board of Directors, nor any member of Group Management, currently, or during the period that is covered in the historical financial information in this Summary has participated directly or indirectly in any transaction with the Group that is, or would have been, unusual or made under unusual conditions. The Group has not granted any loans, provided any guarantees or entered into a guarantee undertaking, to or for the benefit of any member of the Board of Directors.

ARTICLES OF ASSOCIATION

The object of the Company is to own and run airlines and tourism companies, purchase and sell of shares, especially shares in other companies working in the field of aviation, travel industry and transport, purchase and sell real estate, lend and other related business. This can be found in the first chapter of the Company's Articles of Association.

Summary of Provisions with Respect to the Board of Directors, CEO and Management

The Company's Board of Directors consist of five members and three alternate members, elected at the Annual General Meeting for a term of one year. 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 shareholding in the Company. Candidates shall furthermore list any interest connected to main clients and competitors of the Company and shareholders controlling more than 10% of the Company. 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.

The Company's Board of Directors is the supreme authority in the Company's affairs between shareholders' meetings and ensures that the organisation and activities of the Company's operation are generally in correct and good order. The Board of Directors appoints a Managing Director for the Company and decides the terms of his or hers employment. The Board of Directors and the Managing Director are responsible for the management of the Company. The Company's Board of Directors ensures that there is adequate supervision of the Company's accounts and the disposal of its assets and adopts working procedures in compliance with Act No. 2/1995 on Public Limited Companies. Only the Board of Directors grants power of procuration. The signatures of the majority of the members of the Board bind the Company.

The Board of Directors elects a Chairman from among its members, and otherwise allocates its obligations among its members as needed. The Chairman calls board meetings. A meeting shall also be held if requested by a member of the Board of Directors or the Managing Director. Meetings of the board are valid if attended by a majority of the members of the Board. However, important decisions shall not be taken unless all members of the Board have had the opportunity to discuss the matter, if possible. The outcome of issues is decided by force of vote and in the event of an equality of votes the issue is regarded as rejected. The Managing Director attends meetings of the Board of Directors, even though he or she is not a member of the Board, and has the right to debate and submit proposals unless otherwise decided by the Board in individual cases. A book of minutes is kept of proceedings at meetings of the Board and is to be signed by participants in the meeting. A board member, or the Managing Director, who is not in agreement with a decision by the Board of Directors is entitled to have his or her dissenting opinion entered in the book of minutes. A board meeting is able to make decisions when a majority of board members participate in meetings. If possible, an important decision should not be taken without all members of the Board of Directors having had a chance to discuss the matter.

The Managing Director has charge of the day-to-day operations of the Company and observes the policy and instructions set out by the Company's Board of Directors. Day-to-day operations do not include measures which are unusual or extraordinary. Such arrangements can only be made by the Managing Director in accordance with

special authority from the Board, unless it is impossible to await the decision of the Board without seriously damaging the operation of the Company. In such an event, the Managing Director consults with the Chairman, if possible, after which the Board of Directors is immediately notified of the measures. The Managing Director ensures that the accounts and finances of the Company conform to the law and accepted practices and that the disposal of the property of the Company is secure. The Managing Director provides the members of the Board of Directors and Company auditors with any information pertaining to the operation of the Company which they may request, as required by law.

Rights, Preferences and Restrictions of Shares

All shares in the company that carry votes have equal rights and no privileges are attached to shares in the Company. The Company's own shares are restricted in a way that no voting rights are attached to the shares. All the shares are freely transferable, unless otherwise provided for by law. No restrictions are placed on shareholders' rights to sell their shares. The provisions of the Act on Electronic Registration of Title to Securities No. 131/1997, and rules based on the Act shall govern the change of ownership. Sale of shares to foreign parties shall be governed by Icelandic law as it reads at the relevant time.

The Board of Directors of the Company is authorised to increase the share capital of the Company in accordance with Article 15.1 of the Articles of Association. The share capital of the Company may be increased by up to ISK 4,000,000,000 (four billion Icelandic kronur) nominal value with the subscription of New Shares. This authorisation is valid until 31 December 2010. The nominal value of the shares to which the shareholders may subscribe is one Icelandic krona. The subscription rate may be decided by means of a public invitation to tender for new shares in the meaning of section 1 of Article 43 of the Securities Transactions Act No. 108/2007. Shareholders shall have a pre-emptive right to purchase new shares in proportion to their registered holdings. Exemptions from this are authorised; cf. paragraph 3 of Article 34 of Act No. 2/1995 on Public Limited Companies.

Provisions

- + There are no provisions in the Company's incorporation agreement or its Articles of Association that could delay, postpone or prevent a change in the control of the company.
- + There are no provisions in the Company's incorporation agreement or its Articles of Association that include limits on the disclosure of shareholder ownership other than Icelandic law.
- + There are no provisions in the Company's incorporation agreement or its Articles of Association regarding changes of share capital that are stricter than is required by law.

Actions Necessary to Change Shareholders' Rights

According to Article 93 of Act No. 2/1995 on Public Limited Companies, the Articles of Association may only be amended at a lawful Annual General Meeting or extraordinary shareholders' meeting, provided that the notice of the meeting clearly indicates that such an amendment is proposed and outlines the main substance of the amendment. A decision is valid only if it has the support of at least 2/3 of the votes cast and the support of shareholders controlling at least 2/3 of the share capital represented at the meeting, provided always that no other force of vote is required by the Articles of Association or statutory law.

Shareholders' Meetings

The supreme power of the Company's affairs, within the boundaries set in the Articles of Association and Icelandic legislation is in the hands of lawful shareholders' meetings. 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. The Board of Directors is authorised 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 authorisation it shall be announced in the invitation to the meeting. If a shareholder wishes to participate electronically in shareholders' meeting, the shareholder must submit his questions five days before the meeting.

A shareholders' meeting is lawful without regard to attendance if it is lawfully called for. 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. The Board of Directors may decide that a shareholders' meeting will only be held electronically. 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 give clear 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.

An annual general meeting shall be held within eight months from the end of the financial year. 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 ensure the circulation of the invitation to the public in the European Economic Area. Such media include the NASDAQ OMX information system and Huginonline. The meeting shall also be called for with an advertisement in Icelandic media. 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. Shareholders' meetings shall be called for with a minimum of three weeks' notice.

The invitation to an annual general meeting shall include information regarding place of the meeting, time and draft agenda. Clear and precise rules on participation in and voting at shareholders' meetings and information about where shareholders can get all relevant documentation that will be presented at the meeting. 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..

THE LISTING ADVISOR

The Listing Advisor, Íslandsbanki, ID No. 491008-0160, registered office Kirkjusandur 155, Reykjavík, Iceland, has been the advisor to the Issuer in the preparation of this Summary. 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 in this document or any other information provided by the Issuer in connection with the issue of New Shares, which is expected at the earliest date 10 January 2011.

The Listing Advisor has in consultation with the management and the Board of the Directors of Icelandair Group construed this Summary and is acting in reliance on the information provided by the management and Board of Directors of Icelandair Group. Íslandsbanki is also handling this public offering.

Íslandsbanki is a shareholder in Icelandair Group with 26.10% share of the common stock in the Company and holds 26.51% of the Company's voting right as of 3 December 2010. Íslandsbanki is also Icelandair's Group largest creditor

DOCUMENTS ON DISPLAY

For the life of this Prospectus, or for 12 months from the date of the issue, the following documents are available for viewing at the registered office of the Issuer, or electronically from the Company's website www.icelandairgroup.is:

- + The Company's Registration Document dated 28 October 2010 and a Summary and Securities Note dated 7 December 2010.
- + The Issuer's Articles of Association.
- + The Company's audited consolidated financial statements in respect of the year ended 31 December 2007, together with the audit report prepared in connection therewith.
- + The Company's audited consolidated financial statements in respect of the year ended 31 December 2008, together with the audit report prepared in connection therewith.
- + The Company's audited consolidated financial statements in respect of the year ended 31 December 2009, together with the audit report prepared in connection therewith.
- + The Company's reviewed condensed consolidated interim financial statement in respect of the first nine months ended 30 September 2009.
- + The Company's reviewed condensed consolidated interim financial statement in respect of the first nine months ended 30 September 2010.