

**ICELANDAIR GROUP HF. – ANNUAL GENERAL MEETING 7 MARCH 2024**

Electronic Meeting - Live from Berjaya Iceland Hotels Reykjavik Natura - 4.00 pm

The Board of Directors has decided that Icelandair Group's Annual General Meeting on 7 March 2024 will be held electronically, cf. Article 4.6 of the Company's Articles of Association. Shareholders who intend to participate in the meeting shall notify the Company with 3 days notice thereof and submit written questions regarding the agenda or documents to be presented at the meeting which they require answers to, cf. Article 4.4 of the Company's Articles of Association. Registration at the meeting takes place at [www.icelandairgroup.com/agm](http://www.icelandairgroup.com/agm). Registered participants will receive information via e-mail prior to the meeting on how to participate and cast their votes together with a link to a live stream of the meeting. The meeting will be live streamed from Reykjavik Natura but will be open for physical attendance. Voting and discussions will be electronic only. [The meeting will be conducted in Icelandic but live English translation will be offered both at the live stream and at Berjaya Iceland Hotels Reykjavik Natura.]

**AGENDA**

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1. The Board of Director's report on Icelandair Group's operations in 2023
2. Confirmation of Annual Accounts and decision on the handling of profit or loss for the financial year
3. Decision on payments to Board Members
4. Proposal of the Board of Directors regarding the Remuneration Policy
5. Report and proposal from the Nomination Committee regarding Board Membership
6. Election of two members of the Nomination Committee
7. Election of Board Members
8. Nomination of Audit Committee Member
9. Election of Auditors
10. Share-Based Incentive Program
11. Changes to the Articles of Association
12. Authorization to purchase Treasury Shares
13. Other lawfully submitted matters

**PROPOSALS**

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*a) Annual Accounts (Item 2)*

*The Board of Directors proposes to the Annual General Meeting that the Annual Accounts of the Company for 2023 will be approved.*

*b) Dividends payments (Item 2)*

*The Board of Directors proposes to the Annual General Meeting that no dividends will be paid for the 2023 financial year.*

*c) Remuneration to Board Members (Item 3)*

*The Board of Directors proposes to the Annual General Meeting that remuneration to Board Members and Sub-Committee Members shall remain unchanged: Each Board Member will receive ISK 380,000*

*per month, the Chairman will receive ISK 760,000 per month, the Deputy Chairman will receive ISK 570,000 per month, Sub-Committee Members will receive ISK 120,000 per month, the Chairman of the Audit Committee will receive ISK 275,000 per month and the Chairman of other sub-committees will receive ISK 150,000 per month. The Board of Directors will decide on compensation for the members nominated by shareholders in the Nomination Committee. Compensation will be paid on hourly basis.*

*d) Remuneration Policy (Item 4)*

*The Board of Directors proposes to the Annual General Meeting that the Company's Remuneration Policy will be approved unchanged.*

*The Remuneration Policy is a part of the meeting documents.*

*e) Nomination Committee (item 5)*

*Icelandair Group's Nomination Committee proposes that the following candidates, listed in alphabetical order, will be elected to the Company's Board of Directors::*

- 1. Guðmundur Hafsteinsson*
- 2. John F. Thomas*
- 3. Matthew Evans*
- 4. Nina Jonsson*
- 5. Svafa Grönfeldt*

*f) Nomination of Audit Committee Member*

*The Board of Directors proposes that Mr. Alexander Edvardsson will be elected to the Company's Audit Committee as an independent Committee member.*

*This proposal is put forward in accordance with Article 108 (a)(2) of the Icelandic Act on Annual Accounts no. 3/2006.*

*g) Auditors (Item 9)*

*The Board of Directors proposes to the Annual General Meeting that KPMG ehf. will be the Company's auditors.*

*h) Share-Based Incentive Program (Item 10)*

*The Board of Directors proposes to the Annual General Meeting that a renewed long-term incentive program will be approved.*

*It is proposed that the Company continues and enhances the established long-term incentive program, initially approved in 2022. The objective of the performance based incentive program is to strengthen the Company by incentivizing its key employees to deliver exceptional performance, set clear standards for expected performance and significantly reduce the likelihood of such employees leaving the Company on short notice. Furthermore, the program would assist the Company in attracting and retaining good key employees worldwide and thus strengthen the competitiveness of the Company. This*

would both be beneficial for the Company's interests short-term and long-term to secure exceptional employees in key employee positions going forward. Such long-term incentive program would also be beneficial to the shareholders since it would align the interests of shareholders with those of key employees which would not solely be compensated by their annual base salary but also based on their performance and the success of the Company. The incentive program, comprising both short-term and long-term elements, is supported by an effective performance evaluation system, refined in 2022 with the introduction of a more robust and equitable framework. The estimated cost of the incentive program is USD 2.2 million, based on the Black-Scholes model given current share price and interest rate. However, the program would not require any direct cash outflow from the Company since new shares would be issued in order to fulfill the Company's obligations in relation to the incentive program, instead of purchase of treasury shares.

The Board of Directors proposes that the terms of the long-term incentive program will be as follows:

**Type of share-based incentive program:** Stock options

**Participants:** The Executive Committee and other selected key employees.

**Total number of share options:** The total maximum amount of shares granted under the program would be 900 million during a three year period following the approval of the long-term incentive program on the Annual General Meeting 2024.

**Vesting time:** Three years from the granting date.

**Granting:** Granting would be yearly and based on the performance of the participants in the preceding year.

**Exercise period:** One year following the three-year vesting period. Exercise periods are two per year starting in April and October for 15 days following the disclosure of the respective Q1 and Q3 financials.

**Exercise price:** The exercise price will be based on the share price in Icelandair Group at closing of NASDAQ Iceland on granting date with the addition of interest which shall be equal to the Central Bank of Iceland's policy interest rate, as they are at any given time. However, interest applied shall never fall below 4%. The exercise price shall be adjusted for any future dividend payments decided after the granting date.

**Other key terms and conditions:**

- *The Remuneration Committee shall have sole discretion on granting to each participant based on performance assessment.*
- *Vested stock options which will not be exercised within the exercise periods will become invalid.*
- *Participants are required to hold shares, corresponding to the net profit gained from the options (after tax) measured in total share value as decided by the Board of Directors and the Remuneration Committee.*
- *The options are valid only if the holder is still employed by Icelandair Group or its subsidiaries on the exercise date. The Remuneration Committee can waive this condition under certain circumstances.*
- *If a change of control occurs, in accordance with Article 100 of the Icelandic Takeovers Act No. 108/2007, any outstanding stock options shall vest.*
- *The Company shall not grant any kind of loans or guarantees on relation to the stock option program.*
- *Rights and obligations under the stock option program cannot be assigned to a third party.*
- *The Company has the option to reclaim, in whole or in part, remuneration that has been based on false, misleading, insufficient or incorrect data, or if the recipient acted in bad faith in respect*

*of other matters, which resulted in too high remuneration or remuneration which would otherwise not have been granted.*

- *The Company will issue new shares following the exercise periods corresponding to the total number of exercised shares. The Annual General Meeting 2024 approves that the Board of Directors will have authority to issue new shares in accordance with the terms of the long-term incentive program.*

*i) Changes to the Articles of Association (Item 11)*

- a. *The Board of Directors proposes the following changes to the Articles of Association. It is being proposed that the following Article 15.2, will be added subject to approval of Item 10.*

*“The Company’s Board of Directors is authorized to increase the share capital of the Company in stages by up to ISK 900,000,000 shares of nominal value. This authorization shall only be utilized to fulfil terms under stock option agreements granted pursuant to the Company’s Share-Based Incentive Program approved by the Company’s annual general meeting held on 7 March, 2024. The shareholders of the Company will not have pre-emptive subscription rights to shares issued pursuant to this provision. Share prices and subscription shall be in accordance with the Share Based Incentive Program and stock option agreements entered into pursuant to that. This authorization shall be valid until 31 December 2030.”*

- b. *In accordance with Article 85 of the Icelandic Aviation Act no. 80/2022 it is proposed that the following Article will be added as new paragraph to Article 2.9 in the Company’s Articles of Association:*

*“Ownership, transfer, or sale of shares in the Company that results or could result in parties other than the Icelandic state, Icelandic citizens, and/or entities within the European Economic Area owning or coming to own 49% or more of the Company, or effectively controlling it, whether directly or indirectly, through one or more parties, is prohibited as per Article 85 of the Aviation Act No. 80/2022. The Company may require shareholders who acquire shares in contravention of this clause to sell their shares. Should the shareholders fail to comply with such a demand, the Company is entitled to redeem the shares of the concerned shareholder or entity. The voting rights attached to shares owned by entities outside the European Economic Area may be reduced if such entities hold more than 49% of the voting rights in the Company.”*

- c. *The Board of Directors proposes that the following text will be added to paragraph 1 of Article 4.29 in the Company’s Articles of Association:*

*“which may not also be a member of the Company’s Board of Directors.”*

*The suggested change will ensure that no member of the Company’s Nomination Committee will also be a member of the Board of Directors although there would still be one member of the Committee who is elected by the Board of Directors.*

*j) Authorization to purchase Treasury Shares (Item 12)*

*The Board of Directors of Icelandair Group proposes to the Annual General Meeting that the Company will be authorized to purchase in the next 18 months up to 10% of its own shares in accordance with Article 55 of the Icelandic Companies Act No 2/1995 in order to set up a formal buy-back programme in accordance with the provisions of Article 5 of MAR (Regulation (EU) No 596/2014 of the European*

*Parliament and of the Council), which has been transposed into Icelandic legislation with Act No 60/2021, as well as the provisions of the Commission Delegated Regulation (EU) 2016/1052 which contains regulatory technical standards for the conditions applicable to buy-back programmes.*

*All the current board members have confirmed that they intend to seek renewed mandate from shareholders at the meeting. Those who intend to run for the Board of Directors or the Nomination Committee shall notify the Board of Directors of their candidacy at least 7 days before the meeting. A request for proportional or cumulative voting shall be presented to the Board of Directors at least 5 days before the meeting.*

*Shareholders have the right to put items on the agenda of the Annual General Meeting and submit proposed resolutions, provided a request thereof has been received by the Company no later than 10 days prior to the meeting via email to [compliance@icelandairgroup.is](mailto:compliance@icelandairgroup.is).*

*For further information:*

*Ari Guðjónsson, General Counsel*

*Email: [ari@icelandairgroup.is](mailto:ari@icelandairgroup.is) or Tel: +354 661-2188*

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