



**ANNUAL GENERAL MEETING OF ICELANDIC GROUP HF.
HELD ON 18 APRIL 2008 AT 4 PM**

The Annual General Meeting of Icelandic Group hf. will be held at Radisson SAS, Hotel Saga, Sunnusalur, at Hagatorg, Reykjavik, on April 18th 2008 and will start at 4:00 pm.

Agenda:

1. Presentation of the Board's annual report for 2007.
2. Presentation of financial statements for 2007.
3. Decision on how the profit or loss of the year 2007 shall be allocated.
4. Decision on fees payable to members of the Board.
5. Election of Board of Directors.
6. Election of auditors.
7. Motion for Remuneration Policy.
8. Motion for the Company to be authorised to issue a convertible loan, as provided for in Chapter VI of the Act on Public Limited Companies, No. 2/1995.
9. Motion for the Board of Directors to be authorised to request that the Company's shares be delisted from Nasdaq OMX Nordic Exchange in Iceland.
10. Other matters.

Those wishing to stand for election to the Board of Directors are reminded that they must submit written notification to that effect to the Board, at least five days before the Annual General Meeting. 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. Only those who have submitted such notice are eligible for election to the Board.

Shareholder's proposals must be submitted to the board at least seven days before the general meeting.

The agenda, final submissions and financial statements will be available for inspection by shareholders at Icelandic Group's headquarters seven days before the annual meeting. The documents will also be posted for inspection at www.icelandic.is.

Ballots and other documents will be available at the place of the meeting, from 3.30 PM on the day of the Annual General Meeting.

Reykjavík, 11 April 2008.

The Board of Directors of Icelandic Group hf.

PROPOSALS OF THE BOARD OF DIRECTORS OF ICELANDIC GROUP HF. TO THE COMPANY'S ANNUAL GENERAL MEETING ON 18 APRIL 2008

1. Proposal of the Company's Board of Directors on the disposals of losses for the preceding fiscal year

The Board of Directors of Icelandic Group hf. proposes that the Annual General Meeting, held on 18 April 2008, approves that no dividends be paid and that the loss for the preceding fiscal year shall be allocated to decrease the Company's equity.

2. Proposal on remuneration to the members of the Board of the Company for the upcoming term

The Annual General Meeting of Icelandic Group hf., held on 18 April 2008, agrees that the remuneration of the Board of Directors in 2008 will not be altered and will be as follows:

Chairman of the Board ISK 200,000 per month, other Directors ISK 100,000 per month.

Alternate Directors ISK 30,000 per meeting they attend, though a maximum amount of ISK 100,000 per month.

3. Candidates for the Board of Directors

Notification of candidature for the Board of Directors shall be submitted at least five days before the Annual General Meeting. Information on candidates will be published at least two days before the Annual General Meeting.

4. Proposal of the Company's Board of Directors on auditing firm

It is proposed that KPMG hf., reg. no. 590975-0449, Borgartun 27, 105 Reykjavik, be re-elected as the Company's auditing firm for 2008.

5. Proposal on a Remuneration Policy

Remuneration Policy for Icelandic Group hf.

Article 1 - Objective

The object of this Remuneration Policy is that an employment for Icelandic Group hf. is desirable for first class personnel and thereby guaranteeing the Company a position among the best in the world. In order to do so it is necessary that the Board of Directors of the Company is in a position to offer competitive wages and other payments, such as bonuses and stock options at an international standard.

Article 2 - Remuneration Policy Committee

The Remuneration Committee shall consist of three of the members of the Board of Directors of the Company elected by the Board. The Committee shall work in accordance with a mandate resolved by the Board.

The Committee shall be advisory to the Board of Directors and the management regarding the terms of employment for the ranking employees and regarding the Remuneration Policy. The Board shall also supervise that the terms of employment for the ranking employees are in line with the Employment Policy and report to the Board of Directors annually thereof in connection with the annual general meeting of the Company.

Article 3 - Board of Directors – terms of employment

Board members shall receive a fixed monthly payment in accordance with the decision of the annual general meeting of the Company, as stipulated in article 79 of the Act on Public Limited Companies. The Board of Directors shall submit a proposal on the fee for the upcoming operating year and shall take into account the time board members spend on their duties, the responsibility involved and the Company's operations in general.

Board members shall receive a fixed fee for each meeting they attend in the Board's subcommittees. The fee shall be decided by the annual general meeting of the Company.

Article 4 – Chief Executive officer – terms of employment

A written employment contract shall be made between the Company and the Chief Executive Officer. His terms of employment shall be competitive on an international standard.

The amount of the salary and other payments to the CEO shall be decided on the basis of his education, experience and previous occupation. Other terms of employment shall be specified in the contract, along with pension payments, vacation rights, benefits and terms of notice. An initial payment at recruitment is permitted.

When deciding on the terms of notice special clauses adverting to the extension of the term of notice in proportion with the CEO's period of employment are permitted. Furthermore, the contract shall specify the terms of notice.

The CEO's salary shall be revised annually. At such revision the committee shall value the performance of the CEO, wages in comparable companies and the progress and operations of the Company in general.

In general no additional retirement or termination payments to those stipulated in the employment contract shall be agreed upon in the case of termination. However special circumstances may lead to a separate termination agreement is concluded with the CEO of which contents may be retirement or termination payments.

Article 5 - Managing directors – terms of employment

The CEO recruits the managing directors of the Company after consulting with the Board of Directors. The same aspects as stipulated in article 4 shall apply when deciding on their terms of employment.

Article 6 - Acknowledgements to the management

The Remuneration Committee is authorized to propose to the Board of Directors that the management should be rewarded in addition to their set terms of employment in the form of delivery of shares, performance based payments, stock options or any payment having to do with Company shares or the future value of such shares, loan contracts, pension fund contributions, retirement or redundancy payments.

The status of the relevant member of management or employee, responsibility and future prospects and the main objectives of this Policy shall be taken into consideration when deciding whether he should be granted rewards in addition to his set terms of employment. A stock option shall in general only be exercisable by a person employed by the Company at the time of exercise.

Article 7 - Other employees

The managing directors shall, when applicable, take the above into consideration when deciding on the terms of employment of other employees.

Article 8 - Information

In the annual general meeting of the shareholders the Board of Directors shall disclose to the shareholders the terms of employment of the CEO, managing directors and board members of the Company. The Board of Directors shall disclose the total amount paid in salaries in any form in the previous financial year, payments from other companies within the Group, and stock options and all other forms of payment pertaining to stock in the Company and retirement payments, if any.

Article 9 - Approval of the Remuneration Policy and other matters

The Remuneration Policy shall be presented to the shareholders in the annual general meeting for their approval. The Remuneration Policy shall be subject to annual review.

The Remuneration Policy is binding for the Board of Directors in regards to stock options and any payment under which directors are remunerated in shares, share options or any other right to acquire shares or to be remunerated on the basis of share price movements and any substantial change in such schemes as per paragraph 2 Art. 79. a of the Act on Public Limited Companies. In all other aspects the policy shall be viewed as guidelines. The Board of Directors shall note in the minutes of its meeting any major deviation from the Remuneration Policy and such deviation shall be well justified. The Board of Directors shall inform the annual general meeting of such a deviation.

Exposition with the Remuneration Policy for Icelandic Group hf.

According to Article 79 a. of the Act on Public Limited Companies, the Board of Directors of Icelandic Group hf. is obliged to set forth a Remuneration Policy prior to the general meeting of the shareholders where it is put to a vote. The Remuneration Policy shall stipulate the salary and other payments to the CEO and other ranking employees as well as the Board of Directors. The Act also states that the Remuneration Policy shall include all fundamentals on terms of employment of ranking employees and Board members along with the Company's policy on contracts with ranking employees and board members. It shall moreover include details on if, how, under what circumstances and within what limits the management and directors can receive additional awards in the form of delivery of shares, performance based payments, stock options and any and all payments having to do with Company shares or the future value of such shares, loan contracts, pension funds, retirement or redundancy payments.

With this Remuneration Policy, hereby submitted to the annual general meeting of the shareholders, the Board of Directors of Icelandic Group hf. aims to set forth a Remuneration Policy that will enable the Company to attract leading managers and thereby guaranteeing the Company's competitiveness on an international basis. The Remuneration Policy hereby submitted has not been amended from the Remuneration Policy approved at the last Annual General Meeting.

6. Proposal for the Company to be authorised to take a convertible loan, as provided for in Chapter VI of the Act on Public Limited Companies, No. 2/1995.

The Board of Icelandic Group hf. submits the following proposal to the Company's Annual General Meeting in relation to the Company's authority to take on a subordinated credit on specific conditions which entitles the creditor to convert his claim into shares in the Company, in accordance with Section VI of the Act on Public Limited Companies no. 2/1995.

This loan is subordinated and shall give way to all other claims except claims for the refund of equity.

The proposal also involves the authorisation to increase the Company's share capital by up to ISK 15,000,000,000 and that the Board will be authorised, in accordance with article 47 of the Act on Public Limited Companies, to amend Article 2 of the Company's Articles of Association in accordance with the capital increase resulting from the conversion.

The Board's proposal reads as follows:

"Icelandic Group hf.'s Annual General Meeting, held on 18 April 2008, resolves, with reference to Section VI of the Companies Act, specifically Art. 47, that the Company will issue loan which grants the creditor the right to convert his claim against the Company into shares in the Company. The Company shall be authorized to sign loan documents in ISK equal to EUR 41,000,000 and the loan period shall be 4 years. The debt bears fixed annual interest of 23%. The final

maturity date of the loan shall be on the fourth anniversary of the loan. Accrued interest shall be added to the principal each year, the first time 12 months following the issuance of the loan, and shall be paid on the final maturity date of the loan.

The loan shall be subordinated to all other claims against the borrower with the exception of the claim of the repayment of the share capital. Upon bankruptcy, or the liquidation of the borrower, the loan shall be repaid after all other general claims while before claims as to the repayment of share capital.

During the period commencing 30 days prior to the final maturity date of the loan and until the final maturity date (inclusive), the lender shall be authorised to convert the principal of the loan, in addition to accrued interest, into shares in Icelandic Group hf. The same applies if the terms of the loan documents allow for acceleration of the loan, such as if a shareholders' meeting resolves upon a capital increase, issuance of warrants, capital decrease, taking of further credit on specific conditions, division of the Company, merger or if motion of the payment of dividends and/or other distribution of the Company's funds to shareholders is submitted. The lender shall be notified of any such pending events with sufficient notice to be able to exercise the conversion right. Furthermore, the lender shall be authorised to convert the loan into shares in the Company in case one shareholder holds 50% or more of the total issued share capital of the Company. The lender may also exercise his conversion right if the Company is subject to attachment or insolvency or enters into composition with its creditors. Furthermore, the lender may convert the loan into shares in the Company if the Company has notified to the lender that it intends to pay the loan in full prior to the final maturity date, as further prescribed below. In other respects, the events mentioned above shall not affect the legal status of the lender prior to his claim being converted into share capital.

Upon conversion of the loan into shares, the conversion price shall be 1.0.

In the event the lender wishes to convert his claim into shares in Icelandic Group hf., he shall notify the Company of this in writing. The Board of Directors of the Company shall, as soon as possible, issue shares in the Company for the benefit of the lender at no cost to him so as to satisfy the right of conversion.

Icelandic Group hf. shall be authorised to prepay the loan in full at any time during the term of the loan, provided that partial payments shall not be authorised. If the Company intends to exercise this right of prepayment, it shall notify the lender thereof in writing with at least two weeks' notice.

In case the lender exercises the conversion right according to the acceleration provisions of the loan documents, or if the Company exercises its right of prepayment, a prepayment fee shall be added to the loan amount and the total payable amount of the loan, including the prepayment fee, shall be equal to the future cash flow of the loan including incurred interest, calculated to the present value on the basis of REIBOR interest for the applicable period.

In the event the claim is converted into shares in Icelandic Group hf., a full settlement shall be deemed to have taken place when the borrower has issued new shares in Icelandic Group hf. in the name of the lender. The shares will be issued in an electronic form in keeping with Art. 2.6 of the Company's Articles of Association, and the Company shall be considered to have satisfied its obligations when the shares have been entered into the computer system of the Icelandic Securities Depository in the ID No. of the lender.

The conversion of the loan into shares is subject to the provisions of Article 47(4) of the Act on Public Limited Companies.

The Company's Board of Directors shall be authorised to raise the Company's share capital by up to ISK 15,000,000,000 in nominal value so as to satisfy the above obligation. The Shareholders waive their priority rights to subscribe for shares issued under this authorisation. The new shares shall grant rights in the Company from the day of the recording of the increase."

If the proposal will be approved it will be implemented into the Articles of Association as Article 15.1, replacing the current Article 15.1 which has expired.

Exposition

The proposal for the Company to be authorised to issue a convertible loan, as provided for in Chapter VI of the Act on Public Limited Companies, No. 2/1995, entails that the Company be authorised to take on credit, where the amount of which, including incurred interest, may be converted into shares in the Company. The conversion price shall be ISK 1.00 per share.

Work on financial restructuring and cost reduction in Icelandic Group hf.'s operations has been underway for some time and is expected to continue. The proposed taking of a convertible loan is part of this financial restructuring and will be used for further strengthening of the Company's infrastructure and to decrease the proportion of short-term debt to total debt.

The proposal entails an amendment to Article 15 of the Articles of Association which was approved at the Company's last Annual General Meeting. The proposal entails that the Board is authorised to increase the share capital of the Company by up to ISK 15,000,000,000 to fulfil the Company's obligations under the convertible loans, but this authorisation previously amounted to ISK 5,000,000,000. If the mid-rate issued by the Central Bank of Iceland as of 10 April 2008 is used as a benchmark, the total principal amount of the loans under the proposal would be ISK 4,708,850,000, the Company would be issuing new shares of nominal value of ISK 10,777,928,595 in four years.

7. Proposal for the Board of Directors to be authorised to request that the Company's shares be delisted from Nasdaq OMX Nordic Exchange in Iceland.

The Board of Directors of Icelandic Group hf. submits the following proposal:

"The Annual General Meeting of Icelandic Group hf. held on 18 April 2008 resolves to authorise the Board of Directors to request that the Company be delisted from Nasdaq OMX Nordic Exchange in Iceland."

Exposition

The proposal entails that the Board of Directors of the Company be authorised, if it so requires, to request that the Company be delisted from Nasdaq OMX Nordic Exchange in Iceland. The main reasons for the proposal are that the Board believes that the Company has for the recent years not managed to avail itself of the benefits of being a listed company. Trading of the Company's shares has been limited and price formation ineffective, in addition to which the dispersal of share ownership in the Company is limited and below the thresholds provided by Nasdaq OMX Nordic Exchange in Iceland. The Board of Directors of Icelandic Group hf. considers that delisting of the Company is a prudent arrangement, as

listing can be burdensome, for instance, due to disclosure obligations which can harm the Company's position towards competitors. Therefore, the Board considers that delisting of the Company is in the best interest of all shareholders and the Company. If the Annual General Meeting approves the Board's proposal, the Board intends to request for the Company to be delisted from Nasdaq OMX Nordic Exchange in Iceland as soon as possible.

Further information:
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