

Annual General Meeting of Klakki ehf.

Held on 26 August 2015

Proposals of the Board of Directors of Klakki ehf. to the Company's Annual General Meeting on 26 August 2015.

Agenda item 2: Confirmation of the accounts of the Company for 2014, and proposal for allocation of profit for the year 2014

The Annual General Meeting of Klakki ehf., held on 26 August 2015, agrees that profits for the 2014 financial year, amounting to ISK 6,009,407,677, be transferred to company equity.

Agenda item 3: Proposal for reduction of the Company's share capital

The Board of Directors proposes that the Company's share capital be reduced by ISK 303,327,655 to offset accumulated losses.

Explanatory Note:

It is proposed to apply the Company's current holding of own shares towards the share capital reduction. Subsequent to the reduction of share capital, the Company's share capital will amount to ISK 28,141,576,103 and the Articles of Association will be amended to reflect this.

Agenda item 4: Proposal for amendment of the Company's Articles of Association

The Board of Directors proposes that the maximum aggregate principal amount of the Convertible Loans, as currently prescribed in paragraph 1 (a) of Article 13 in the Articles of Association, shall be ISK 210,000,000,000, instead of ISK 122,061,025,547.

Accordingly, the Board proposes that paragraph 1 (a) of Article 13 be amended to read as follows:

"The Convertible Loans are constituted by an amendment of the loans and liabilities owed to the creditors of the Company (with no new debt issued but existing debt being amended) in an aggregate principal amount equal to 90% of Composition Claims. Further tranches of the Convertible Loan may be issued in the event of further actual Composition Claims arising or being demonstrated (all in accordance with the provisions of the Composition Agreement). The maximum aggregate principal amount of the Convertible Loans shall be ISK 210,000,000,000."

Furthermore, the Board proposes that it shall be granted the authority to increase the share capital of the Company by up to ISK 210,000,000,000, instead of ISK 122,061,025,547, as currently prescribed in paragraph 2 of Article 13 in the Articles of Association.

Accordingly, the Board proposes that paragraph 2 of Article 13 be amended to hereafter read as follows:

On the Conversion Date, as adjusted, the Board of Directors shall be authorised to increase the share capital of the Company by up to ISK 210,000,000,000 nominal value by issuing new shares of nominal value ISK 1 per share. Priority rights of shareholders with respect to subscription to the new shares shall not apply and the new shares shall be issued to creditors under the Convertible

Loans to fulfil the Company's obligations thereunder, in accordance with the Composition Agreement."

Explanatory Note:

According to Article 13 of the Articles of Association, the maximum aggregate principal amount of the Convertible Loans (as defined therein), as incurred under the Company's 2010 composition agreement ("**Composition Agreement**"), is ISK 122,061,025,547. Furthermore, in order to fulfil the Company's obligations under the Convertible Loans, the Board of Directors is authorised to increase the share capital of the Company by up to the same amount on the date on which the Convertible Loans will be converted into equity.

The aforementioned amount represents 90% of known and settled claims as at the date of final approval of the Composition Agreement, not taking into account any disputed or unfiled claims. Since the approval of the Composition Agreement, further claims have been filed and large disputed claims have been settled by the Company, thus increasing the total amount of Composition Claims (as defined in Article 12 of the Articles of Association). Future settlement of claims may further increase this amount. According to Article 13 of the Articles of Association, any amounts outstanding under the Convertible Loans as at the Conversion Date (as defined therein) are to be converted into shares in the Company at a conversion price equal to ISK 1 per share.

Accordingly, it is proposed that the Articles of Association be amended to accurately reflect the potential maximum outstanding amount of Convertible Loans and their conversion into shares in the Company on the Conversion Date, by increasing the referenced maximum aggregate principal amount of the Convertible Loans and the number of shares to be issued upon conversion thereof. Such amendment is necessary to enable the Company to meet its obligations under the Convertible Loans.

Agenda item 6: Proposal for election of auditing firm.

It is proposed that Deloitte hf., Smáratorgi 3, Kópavogi, be re-elected as the Company's auditing firm for 2015.

Agenda item 7: Decision on remuneration to the Members of the Board of the Company.

The Annual General Meeting of Klakki ehf., held on 26 August 2015, agrees that the remuneration of the Board of Directors will be as follows: Chairman of the Board ISK 300,000 per month, other directors ISK 150,000 per month. Vice Board members ISK 100,000 kr. for each meeting they attend. Board members shall in addition receive a set fee of ISK 100,000 for each meeting they attend in excess of one regular Board Meeting per month and for each meeting they attend in the Board's subcommittees, to be capped at three additional meetings per month.

Agenda item 8: Proposal for a Remuneration Policy.

„Remuneration Policy for Klakki ehf.

Article 1 - Objective

The object of Klakki's Remuneration Policy is to offer employees and board members competitive wages for their services. Regard shall be had of position, workload, responsibilities and future prospects when deciding employee remuneration.

Article 2 - 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 54 of Act no. 138/1994 on Private Limited Companies. The Board of Directors shall submit a proposal on the fee for the upcoming operating year.

Article 3 – Chief Executive officer – terms of employment

A written employment contract shall be made between the Company and the Chief Executive Officer (CEO). The objectives stated in Article 1 of this Remuneration Policy shall form the basis of the determination of the CEO's

terms of employment as well as of the determination of rewards in the sense of Art. 54 (a) (1) points 1-6 of Act no. 138/1994 on Private Limited Companies.

The negotiation of the CEO's employment contract shall be based on the aim that upon termination, no retirement or termination payments in addition to those stipulated in the employment contract shall be agreed upon.

Article 4 - Acknowledgements to the management

The Company's CEO makes proposals to the Board of Directors concerning the terms of employment and management of Klakki ehf. The objectives stated in Article 1 of this Remuneration Policy shall form the basis of the determination of the management's terms of employment as well as of the determination of rewards in the sense of Art. 54 (a) (1) points 1-6 of Act no. 138/1994 on Private Limited Companies.

Article 5 - 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 shall be viewed as guidelines for the Company. 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."