

PLAY

Company Description | June 2021

Listing of shares on Nasdaq First North Iceland



This Company Description (hereafter referred to as the “**Company Description**”) has been prepared by and under the responsibility of Fly Play hf., reg. no. 660319-0180, Reykjavíkurvegur 76, 220 Hafnarfjörður, an Icelandic public limited company (hereinafter referred to as the “**Company**”, “**Play**” or the “**Issuer**”) in relation to a proposed listing of Play’s shares on the Nasdaq First North Growth Market Iceland (“**First North**” or “**First North Iceland**”), and has been reviewed by Nasdaq Iceland hf., reg. no. 681298-2829, Laugavegi 182, Reykjavík, Iceland, as the operator of First North Iceland (the “**Exchange**”).

The listing of shares on First North Iceland completes a financing round by Play, consisting of two separate offerings of shares.

In March 2021 Play launched the first part of the round of financing, intended and structured to secure sufficient working capital for at least the first year of operation. Play initiated a private placement with Arctica Finance hf. with the goal to raise USD 35 million. The private placement was successfully completed in April with a total transaction size of USD 47 million in new equity. The private placement attracted strong support and interest and was oversubscribed at the subscription price.

In parallel with the issuance of this Company Description, the Company will launch the second part of the round of financing, an IPO in two separate tranches, offer book A and offer book B (together the “**IPOs**” or “**Offerings**”), with the aim to raise around ISK 3.9 – 4.3 billion in new equity.

Offer book B, structured for larger investors, is expected to raise up to ISK 2.84–3.16 billion. Offer book A is limited in size to the equivalent of EUR 8,000,000 in ISK, around 1.15 billion ISK on the current exchange rate.

The subscription period in the Offerings is scheduled to open on 24 June and the Offerings are expected to close on 25 June 2021, and the shares subsequently admitted to trading on the First North market.

The admission to trading and listing of shares in Play completes the financing and funding of the Company’s operations given its current growth plan and market conditions.

This Company Description does not constitute a prospectus under the Act on Prospectus for Securities When Offered to the Public Offering or Admitted to Trading on a Regulated Market no. 14/2020 or Regulation (EU) 2017/1129 of the European Parliament and of the Council.



ARCTICA FINANCE

Arctica Finance hf.

Certified Adviser to Play in relation to its listing on First North Iceland

Nasdaq First North Disclaimer

Nasdaq First North Growth Market Iceland is an MTF, as defined in EU legislation (as implemented in national law), operated by Nasdaq Iceland hf. Issuers on Nasdaq First North Growth Market Iceland are not subject to all the same rules as issuers on a regulated main market, as defined in EU legislation (as implemented in national law). Instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in an issuer on Nasdaq First North Growth Market Iceland may therefore be higher than investing in an issuer on the main market. The Exchange approves the application for admission to trading.

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1 GENERAL INFORMATION

1.1 REASONS FOR TRADING ON FIRST NORTH

Play considers a First North listing of the Company's shares as an important milestone for the Company and its expected growth. The listing will benefit the Company's future development and it is on those grounds that the company has applied for admission of trading of the Company's shares on First North Iceland.

The Company considers the listed environment to be exciting and challenging and believes that the listing will create opportunity to grow and mature the Company's culture. The Company is looking forward to further enhance its corporate governance and build a reputation of discipline, transparency and professionalism, which the listed environment demands.

The listing of shares will provide better access to capital markets and enable additional investors to take part in the Company's future growth and value creation. The listing attracts institutional investors and allows for a trading platform and provides increased liquidity in the trading of the shares, which is advantageous for existing shareholders. The listing creates transparency of valuation of the Shares and therefore, the Company itself.

Finally, a listing enhances the Company's profile with investors and customers, as well as media and other stakeholders.

1.2 IMPORTANT INFORMATION FOR INVESTORS

Prospective investors in the Company should carefully consider all information provided in the Company Description, particularly the Risk Factors in chapter 2, describing certain risks associated with an investment in Play. The Company Description shall not in any way be viewed as a recommendation or solicitation to buy, hold or sell any security, including but not limited to the Company's shares, or to take any investment decision. Prospective investors are solely responsible for any investment decision taken based on the information in the Company Description.

This Company Description is prepared solely in connection with the listing of the Company's shares on First North Iceland and may not be used for any other purpose. Copyright of this Company Description and its contents is the property of Play. No part of this Company Description may be reproduced, distributed or copied in any manner without the prior written approval of the Company. The prohibition to reproduce, distribute or copy applies regardless of the nature of the information at issue and the purpose of the reproduction, distribution or copy. Despite the aforementioned, the information in the Company Description may be copied for private and non-commercial purpose.

Copies of this Company Description may not be distributed or sent, directly or indirectly, into the United States, the United Kingdom, Canada, Australia, South Africa, Japan or any jurisdiction where its distribution or publication would be unlawful.

1.2.1 Approximation of numbers

Quantitative values in this Company Description (e.g. monetary values, percentages etc.) are presented with such precision that is deemed by the Company to be sufficient to convey adequate and appropriate information on the relevant matter. Some quantitative values have been rounded up to the nearest reasonable decimal or integer value to avoid excessive detail. As a result, certain values presented as percentages do not necessarily add up to 100% because of approximation.

1.2.2 Information from third parties

The Company Description contains historical and future oriented information. In cases where the information has been obtained from third parties, the Company is responsible for ensuring that such information has been reproduced correctly. To the best of the Company's knowledge, no information has been omitted in such a way that could make the information incorrect or misleading in relation to the original sources. However, the Company has not verified the figures, or other information that has been obtained from third parties. As a result, the Company's Board of Directors does not accept any responsibility for the completeness or accuracy of such information that is presented in the Company Description. This should be taken into consideration when reading such information.

1.2.3 Completeness of information

When it comes to evaluating Play as an investment opportunity, the risk factors listed in this Company Description are the most important ones, in the opinion of the Board of Directors and management of the Company. However, other risk factors might influence the operations and financial results of the issuer. This should be taken into consideration when evaluating Play as an investment opportunity.

1.3 DATING OF INFORMATION AND UPDATES

This Company Description is based on information available at **21 June** unless otherwise stated. Financial information is based on information available in the Company's historical financial statements and an interim financial report for the period 1 January 2021 — 30 April 2021. Any relevant and significant changes from this time will be addressed and indicated where applicable.

Certain information contained in this Company Description, including any information on the Company's plans or future financial or operating performance and other statements that express the Company's management's expectations or estimates of future performance, constitute forward-looking statements (when used in this document, the words "anticipate", "believe", "estimate" and "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements). Such statements are based on a number of estimates and assumptions that, while considered reasonable by management at the time, are subject to significant business, economic and competitive uncertainties. The Company cautions that such statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements.

The Company will update the information contained in this Company Description only to such extent, at such intervals and by such means as required by the applicable law or the Nasdaq First Growth Market

— Rulebook, dated 1 September 2019 (the “**First North Rulebook**”) or considered necessary and appropriate in the Company’s sole discretion.

1.4 FIRST NORTH ICELAND AND CERTIFIED ADVISER

First North Iceland is a multilateral trading facility operated by Nasdaq Iceland hf. It does not have the same legal status as a regulated market. Companies on First North Iceland are regulated by First North Iceland’s rules and laws on securities transaction no. 108/2007, but not by the same legal requirements set for companies admitted to trading on a regulated market. An investment in a company traded on First North Iceland generally involves more risk than an investment in a company on a regulated market. Nasdaq Iceland hf. approves applications regarding admission to trading. Nasdaq Iceland hf. is responsible for checking that both companies and Certified Advisers comply with First North Iceland’s rules as well as monitoring the trading on First North Iceland.

Arctica Finance hf., reg. no. 540509-1820, Katrínartún 2, 105 Reykjavík (hereafter referred to as the “**Certified Adviser**” or “**Arctica Finance**”), which is a member of and has an agreement with Nasdaq Iceland hf., is the Certified Adviser for the Company in its application and listing process on the First North market. Arctica holds an investment firm license under the Act on Financial Undertakings, no. 161/2002 and is regulated by the Icelandic Financial Supervisory Authority.

The Issuer has chosen to be fully Exchange-monitored after the shares have been admitted to trading. The Certified Adviser does therefore not have an obligation to make sure that the conditions of the First North Rulebook are fulfilled initially or complied with continuously, c.f. clause 1.2 of Supplement A — Iceland of the First North Rulebook.

1.5 MARKET MAKING

The Company has entered into market making agreements with Arion banki hf., reg. no. 581008- 0150, Borgartúni 19 (“**Arion bank**”), 105 Reykjavík and Landsbankinn hf., reg. no. 471008-0280, Austurstræti 11, 155 Reykjavík (, effective on the first day of trading, who will, according to the agreements, place bids and offers for certain amounts or number of shares with a defined spread between the bid and offer prices.

Arion banki will, at any given time, have bids and offers for a designated minimum number of shares, the number of which to be fixed on the first day of trading. The minimum number of shares will be calculated as amounting to around ISK 5 million at market value on the first day of trading. The maximum volume of trade per day is four times the value of the minimum number of shares, as fixed on the first day of trading, amounting to around ISK 20 million at market value on the first day of trading. The maximum spread between bid and ask offers is 2%, but if the intraday price change is more than 5%, the spread is allowed to be increased to maximum of 3%.

Landsbankinn will have bids and offers amounting to at least ISK 5 million at market value at any given time. Net value of trades is capped at ISK 10 million per day, i.e. the difference between the aggregate value of all accepted offers and the aggregate value of all accepted bids within the day, but there is no absolute maximum value of trades or absolute number of trades within the day. The maximum spread between bid and ask offers is calculated on a 10 day weighted average basis and is 1.5% when

fluctuations in the 10 day weighted average are 20% or less, 2.5% when fluctuations are between 20-35% and 4% when fluctuations exceed 35%.

1.6 TAXATION ISSUES IN ICELAND

The Company's shares might be subject to taxation in Iceland in accordance with effective tax legislation at any given time. Capital gains arising from the sale or disposal of shares in the Company are generally subject to tax in Iceland. Furthermore, in the event that dividends are paid in respect of the shares, the Company is obligated to withhold taxes on such payments. Foreign parties should establish whether a double taxation treaty is in force between their country of residency and Iceland in order to determine their tax liability in Iceland. In addition, limited liability companies residing within the European Economic Area, EFTA and the Faroe Islands can apply to have withholding tax on dividends reimbursed by filing an Icelandic tax return for the year in which the withholding is incurred. Prospective investors are strongly advised to seek independent legal and tax advice regarding sale or purchase of shares in the Company.

1.7 LIABILITY STATEMENT OF THE BOARD OF DIRECTORS

By the virtue of our signatures under this Company Description, the members of the board of directors of the Company declare that, to the best of our knowledge, the information provided in the Company Description is accurate and that, to the best of our knowledge, the Company Description is not subject to any omissions that may serve to distort the picture the Company Description is to provide, and that all relevant information in the minutes of board meetings, auditors' records and other internal documents is included in the Company Description.

1.8 LIABILITY STATEMENT OF CERTIFIED ADVISER

Arctica Finance as the Certified Adviser to Play expressly disclaims any liability based on the information contained in this Company Description or individual parts thereof and will not accept any responsibility for the correctness, completeness or import of such information. No information contained in this Company Description or disseminated by the Company may be construed to constitute a warranty or representation, whether express or implied, made to any third parties by any person other than the Company.

1.9 POTENTIAL CONFLICTS OF INTEREST

For the purposes of preparing and issuing this Company Description, The board of directors has relied on the advice and expertise of the Company's management team and independent counsels.

Arctica Finance, the Certified Adviser, manages an investment fund which is a shareholder in the Company. In addition, the company Arctica Eignarhaldsfélag ehf., and affiliate of Arctica Finance, owns shares in the Company. Apart from the above, the board of directors is of the opinion that there are no potential conflicts of interest in relation to the involvement and contribution of independent counsels while assisting the board of directors in preparing this Company Description.

Certain members of the board of directors own shares in the Company and/or are affiliated with certain shareholders in the Company. Certain members of the management team have entered into option

agreements to buy shares in the Company, following the vesting of such options. Some of these individuals have contributed significantly to the preparation of this Company Description and the admission of the Company's shares to trading on the First North market.

For a more detailed description of potential conflicts of interest of key shareholders, members of the Board of Directors and the management team, see section 5.5 in this Company Description.

1.10 INVESTOR EXAMINATION AND ANALYSIS

By acquiring any shares in the Company or otherwise engaging in transactions depending on the value of such shares, investors agree that they are relying on their own examination and analysis of this Company Description (including the financial information that forms an indispensable part of this Company Description) and any information on the Company that is available in the public domain. They also acknowledge the risk factors that may affect the outcome of such transaction (as presented under "Risk Factors" below).

In the case of a dispute related to this Company Description, under certain circumstances, courts other than the Icelandic courts may have jurisdiction, and consequently a need may arise for the plaintiff to bear relevant state fees and translation costs in respect of this Company Description or other relevant documents.

2 RISK FACTORS

Investing in the Company's shares involves inherent risks. Before making an investment decision, investors should carefully consider the risk factors and all information contained in this Company Description. The following overview of risk factors is based on what the Company, at its own discretion, considers to be of importance in relation to its present and future operations. While the Company considers the following to be a fair, full and comprehensive disclosure of all relevant risk factors, this overview is not a substitute for the rest of the Company Description and should not be perceived as such. A full and accurate assessment of the Company's operations may only be made based on the entire Company Description. The risks and uncertainties described in this Company Description are the principal known risks and uncertainties faced by the Company as of the date hereof that the Company believes are the material risks relevant to an investment in the shares.

If any of the risks were to materialize, individually or together with other circumstances, it could have a material and adverse effect on the Company and/or its business, financial condition, results of operations, cash flow and/or prospects, which may cause a decline in the value of the shares that could result in a loss of all or part of any investment in the shares. The absence of a negative past experience associated with a given risk factor does not mean that the risks and uncertainties described herein should not be considered prior to making an investment decision.

Additional risks and uncertainties not presently known to the Company or the board of directors or, that they currently deem immaterial may also impair the Company's business operations. The business, financial condition or result of operations of the Company could be materially and adversely affected by any of these risks. The trading price of Play's shares could decline due to any of these risks and investors could lose all or part of their investment. An investment in the shares is suitable only for

investors who understand the risks associated with this type of investment and that, by investing in the shares, they could lose all or part of their investment.

The order in which risks are presented below does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Company's business, financial condition, results of operations, cash flows and/or prospects. The information in this risk factor section is as of the date of this Company Description.

2.1 EQUITY INVESTMENT RISKS

Equity investments involve a variety of risks. Examples of such risk factors that may have a considerable effect on the price of Play's shares, and thereby on the investment value, are market risk and liquidity risk. In addition, it must be kept in mind that shares are a subordinated claim on the assets of companies. That means that in the event of a company's liquidation, the shareholders receive what is left after all other claims have been met.

Investors should bear in mind that even though investment in shares can provide a good return in general, there is always a risk that an investment in the shares of individual companies will decline in value or even lose all their value. In many countries, equities have yielded better returns than bonds over long periods. Nonetheless, bonds have outperformed equities for long periods and return on equities has even been negative. Those who intend to invest in the Company need to be aware that there is no guarantee of a return on the investment in the future. Therefore, diversification of risk is suggested for those who intend to invest in equities.

2.1.1 Market risk

The shares will be listed on Nasdaq First North Iceland and may, therefore, be impacted by events that affect the Icelandic equity market in general, such as macro-economic, political or other news-driven events. The price of Play's shares may fluctuate due to these factors.

The Company cannot predict at what price the Company's shares will trade upon, if traded at all, after the admission. In addition, there can be no assurance that, if a market for the Company's shares is developed, such a market will be sustained at a certain price level.

2.1.2 Liquidity risk

There has been no trading in the Company's shares prior to the proposed listing on First North Iceland and it is not possible to predict how the liquidity of the shares will develop and how active the trading will be. Inactive trading may result in difficulties for shareholders when it comes to selling shares. The Company has entered into market making agreements, instructing two separate market makers to put forth and maintain a certain minimum amount of bids and offers, with a defined maximum spread. The purpose of the market making arrangements is to improve the liquidity of the shares

2.1.3 Denomination of shares

When admitted to trading on First North, the share capital of the Company will be denominated and traded in Icelandic króna and any potential future payments of dividends on the shares will be denominated in ISK. Exchange rate movements of the ISK will therefore affect the value of any dividends

paid and other distributions of unrestricted equity for investors whose principal or reference currency is not ISK. Further, the market price of the shares as expressed in foreign currencies will fluctuate in part as a result of foreign exchange fluctuations. This could affect the value of the shares and of any dividends paid on the shares for an investor whose principal currency is anything other than ISK. Therefore, investors could become subject to certain foreign exchange risks when investing in the shares.

2.1.4 Ownership risk

Shareholder ownership structure can be a risk factor for investors. Lack of leading investors or concentrated ownership are examples of circumstances that can have negative effects on liquidity, price formation or shareholder control, among other things. The Company's ownership structure is fairly distributed. As of the date of this Company Description two shareholders hold more than 10% of total shares in the Company each, as further detailed in section 6 of this Company Description.

2.1.5 Dividend policy risk

The Company is currently in a growth phase and is not in a position to pay any dividends or adopt a specific policy in relation thereto. Moreover, there are no guarantees that the Company will be able to distribute dividends in the future or that shareholders will be able to obtain a return on their investment. The payment of future dividends will depend on legal restrictions, the Company's capital requirements, including capital expenditure requirements, its financial condition, general business conditions as well as any restrictions that future financing or other contractual arrangements may place on the Company's ability to pay dividends.

2.1.6 Potential equity raises and dilutive effects

The Company may in the future decide to offer additional shares or other securities in connection with unanticipated liabilities or expenses, in order to finance new capital-intensive projects, to pursue its growth strategy or for any other purposes. The Company cannot predict what effect, if any, future issuances and sales of shares will have on the price of the shares. Furthermore, depending on the structure of any future offering, existing shareholders may not have the ability to subscribe for or purchase additional equity securities. If the Company raises additional funds by issuing additional equity securities, this may result in a significant dilution of the existing shareholders, including in relation to dividends, shareholding percentages and voting rights.

2.1.7 Ownership restrictions for non EEA-nationals

The Company is subject to statutory rules requiring it to be more than 50% owned and be effectively controlled by shareholders who are EEA nationals. If non-EEA nationals were to obtain control over the Company, the Company will be at risk for having its license to carry out air traffic operations annulled or temporary revoked.

2.2 ISSUER AND MARKET SPECIFIC RISKS

Play is an Icelandic aviation company whose main purpose is commercial flight operations. Following are *risk factors* that the Company believes are material to its operations and the industry in which it operates.

2.2.1 Regulatory permissions for air traffic operations

The Company is newly established with no operating history and commencement of operating activities is dependent on numerous factors, including necessary regulatory approvals and other permissions for air traffic operations. In order to commence and then continue air traffic activities, the Company is dependent on maintaining its air operating certificate (“AOC”) from the Icelandic Transport Authority (“ITA”). The ITA granted the Company its AOC on 15 May 2021. The AOC includes conditions and requirements that must at all times be fulfilled and complied with, including financial, personal and technical requirements.

If the Company does not maintain AOC or is not able to execute commercially viable agreements with airports for its contemplated air routes, the Company will not be able to start or continue its operating activities, and, thus, start and continue to generate revenue.

2.2.2 The Company’s actual activities and performance and forward-looking ambitions

This Company Description includes certain of the Company’s financial ambitions and funding aspirations, which are associated with substantial uncertainty. The Company’s ambitions and aspirations do not reflect any forecast by the Company of expected financial performance and investors cannot rely on such figures for any indication whatsoever of future results applicable for the Company. The actual activities and financial performance of the Company in the future is subject to numerous risk factors, including those stipulated in this Company Description, but also other circumstances outside the Company’s control.

2.2.3 The outbreak of the Covid 19 pandemic

The outbreak of the Covid-19 pandemic has had a dramatic impact on the airline industry and may continue to have negative impacts in the future. The outbreak of the Covid-19 virus was recognized as a pandemic by the World Health Organization in March 2020. The airline industry was, and still is, severely impacted by extraordinary health measures and restrictions imposed by authorities in Iceland and across the world to combat this pandemic. Airlines have since March 2020 reported major losses. A report from the UN’s air transportation agency confirms that there was a dramatic fall in international passenger traffic due to the Covid-19 pandemic, with a 60% decline over 2020. According to information from Isavia, passenger traffic through Keflavík Airport declined over 80% in the year 2020 from the previous year. Although vaccination efforts have significantly increased, Covid-19 related restrictions are to a great extent still being enforced worldwide. The airline industry is expected to continue to be significantly affected by the Covid-19 pandemic in the short term.

It is impossible to predict how long the Covid-19 pandemic will last. Thus, there is great uncertainty related to when current travelling restrictions and recommendations will be abolished and the demand for commercial flight travels will return to a pre-Covid-19 level. Consequently, no assurances can be given that there will be a demand or available market for the Company’s flights when these are offered.

Even if Covid-19 related restrictions continue to be gradually lifted going forward, outbreaks of new mutations of Covid-19 or new pandemics may entail reinforcement of restrictions causing a new negative hit to the commercial travel and airline industry. Accordingly, even if commercial air traffic

activity speed up during the course of 2021, restrictions may be reinforced from time to time with short notice, creating an unpredictable market for air travels, which may have a material negative impact on the Company's activities, income and results.

2.2.4 Competitive landscape

The Company will operate within a highly competitive industry and pricing decisions are heavily dependent on competition from other airlines. In general, the airline industry is susceptible to fare discounting due to low marginal costs of adding passengers to otherwise empty seats. New market entrants, especially low-cost carriers, mergers, acquisitions, consolidations, new partnerships and transparency of pricing in the air travel market could add to airline competition. Changes in competition in any of the Company's key transport markets, including the Icelandic market, could in general affect the Company's profitability.

Even though Play will aim to adapt and optimize scale and production to demand with a business model that is profitable on a lower scale of operation, there are no guarantee that the Company will be successful with such a strategy, which may have a material adverse effect on the Company's business, financial condition, results of operation and future prospects.

2.2.5 Extensive and complex regulations

The aviation industry is subject to extensive regulations and the Company's business is subject to a set of complex rules and regulations, imposed both in the EEA and in Iceland. The regulatory regime includes safety and security standards such as requirements and procedures relating to, without limitation, certification and supervision, flight operations, weather conditions, aircraft performance and equipment, maintenance, flight crew, cabin crew and transportation of dangerous goods. Moreover, detailed EU regulations also implemented in the EEA relating to airport slot allocations, flight compensation requirements and air carrier liability will apply to the Company, as well as requirements relating to environmental approvals for aircrafts and reporting of emission levels.

Any changes to the regulatory environment in which the Company will operate can have a material adverse effect on the Company's estimated costs, marketing strategy, business model and its ability to expand, which may in turn have significant negative impact on the Company's activities, income (or potential of income), financial condition and results. Also, if the Company is not able to comply with the extensive and complex regulations to which it is subject, it faces risks of, inter alia, having its license for air traffic revoked and not being allowed to continue its business.

2.2.6 Seasonal variations

Prior to the outbreak of the Covid-19 pandemic, the commercial airline industry has historically been subject to seasonal variations where demand normally increase from May to October and decrease from November to April. If the Company is not able to predict these variations correctly and plan its operations accordingly, the Company's flights may be subject to over- or under-capacity, which in turn may negatively affect the Company's business, financial condition, income or results. Moreover, it may also be difficult to predict the flying patterns and frequency of consumers after travelling and other restrictions imposed under the Covid-19 are abolished. If the demand for air travel does not increase at the rate anticipated by the Company after abolishment of current Covid-19 restrictions, this may have

a material adverse effect on the Company's timeline for commencing activities and growth, which may in turn have a material impact on the Company's future income and financial condition.

The Company is also dependent on being able to predict and adapt to changes in customer behaviour and preferences. For example, there is an increasing trend of consumers booking travels nearer to the time of travel than what has traditionally been the case. This trend may be further intensified in the future due to the reduced visibility on travelling restrictions and self-quarantine requirements related to the Covid-19 pandemic. This change in booking behaviour might make seasonal planning and capacity adjustments more difficult for the Company, which in turn can have a material adverse impact on the Company's working capital. This risk is increased by the Company having high fixed costs, see descriptions of this risk factor below.

2.2.7 Aircraft leasing

The Company leases existing aircraft for its flights and intends to continue to do so. There are no guarantees that additional aircraft will be available for lease at the time needed. If the Company is not successful in acquiring a sufficient number of aircraft at commercially viable terms at the right time, the Company may not be able to offer flights at its contemplated routes and destinations, which in turn can have a material adverse effect on the Company's potential for income and future prospects. Moreover, and on this background, the Company will be dependent on making forecasts of demand and capacity and plan leasing of aircraft accordingly. If these assumptions and estimates prove to be incorrect, the Company faces risk of not utilizing the full capacity of aircraft that are leased by the Company, which can impact the Company's profit from operations.

2.2.8 Capacity constraints at airports or inability to acquire and maintain airport slots or overflight rights

Air traffic is limited by the infrastructure of airports and the number of slots available for aircraft arrivals and departures. The Company is dependent on access to the right airports at the locations for its contemplated routes and there is no guarantee that the Company will be able to obtain access at a cost level or on other terms and conditions that is favourable to the Company. That may have a material adverse effect on the Company's earnings. Airports might also introduce new restrictions or limitations relating to, inter alia, operational hours, noise levels, use of runway or total numbers of daily departures, which may affect the Company's ability to offer services at such airports in the future or increase its flight activity.

The price and availability of over-flight rights, which allow airlines to fly over individual countries or territories, as well as the cost of traffic charges, such as arrival, departure and navigation charges, may significantly affect the Company's business. Decisions on slots, overflight rights and/or absence of such rights may affect the Company's ability to offer attractive and affordable routes, which may affect the customers' demand for the Company's services.

2.2.9 Growth strategy

The Company's strategy is to gradually scale operations and it might experience difficulties in achieving and managing growth. As the Company's development and commercialization plans and strategies for its services continue to develop, it may need additional managerial, operational, sales, marketing,

financial and other resources. The Company has also entered into certain agreements with suppliers that will support the Company in its growth phase, and there is a risk that the co-operation with these suppliers may not succeed or proceed as planned. There can be no assurance that the Company will be successful in achieving and realizing its development and commercialization plans, and its contemplated upscaling of operations. The Company's business, results of operations and financial position and the development and commercialization of its services will depend, in part, on its ability to manage future growth effectively.

2.2.10 Compliance with environmental requirements

Over the last few years, there has generally been an increased focus and concern about climate change, greenhouse gas emissions and environmental matters, both among governments across the world and the public at large. There is a risk that environmental regulations as a general trend will increase in stringency. It is difficult to predict how and when any stricter environmental regulations will be imposed, however, any new or changes to current requirements could impose limitations on the Company's operational flexibility, business model, growth strategy and impose new and/or additional significant costs, which can have a material adverse impact on the Company's future prospects. Moreover, the Company may experience a reduced demand for its services if customers become more reluctant to travel by air because of the increased focus on the environmental impact of air travels.

2.2.11 Taxes, laws and charges

The airline industry is subject to numerous fees and charges, such as ticket and passenger taxes, aviation and license fees, take-off charges, emission charges, noise charges, terminal navigation charges, which will comprise a substantial part of the Company's operating costs. Current airport fees may be increased for several reasons, e.g. due to new security measures. Airline tax and charges are normally imposed by national legislation and may regularly be subject to adjustments.

Any increase of existing or introduction of new airport or flight taxes and charges may increase costs for the Company. Even if the Company to some extent can pass new fees and taxes onto customers through ticket prices, increased prices may significantly impact the Company's competitiveness in the commercial air travel market as more established airlines may to a greater extent be able to bear the cost of new fees and taxes. Moreover, increased flight taxes and fees may in general reduce the demand for airline travel. Accordingly, any increase in taxes and fees may substantially affect the Company's income and/or results from operations.

2.2.12 Changes in demand

A significant part of the operating expenses of an airline are fixed costs that cannot be scaled against the number of tickets sold, number of passengers or flights flown. Such costs include aviation fees, taxes and charges as well as the cost of the aircraft, employees and overhead costs of administration and infrastructure systems. Consequently, the Company's results from operations may be significantly affected by smaller negative deviations in demand as the Company often will not be able to reduce costs accordingly. The Company may be particularly vulnerable to these factors as the Company is a start-up and has no operating history to look to when predicting demand. Furthermore, the Covid-19 pandemic and related restrictions can make predictions about trends in air travel during the coming years generally very uncertain.

2.2.13 Volatility of global economic and social conditions

Several macroeconomic factors impact the air travel industry and, thus, will affect the demand for the Company's services. For example, spending on leisure travel is discretionary and economic conditions in the Company's markets may be a significant driver for such demand. Adverse developments such as recession, increasing unemployment rates, or increases in interest rates, direct or indirect taxes, or the cost of living could reduce consumers' disposable income and therefore cause significant reduction in demand for travel as consumers reduce or eliminate their spending on travel.

Both in Iceland and globally, the Covid-19 pandemic has had serious adverse economic consequences, including declining economic growth and increased unemployment, which may in turn have negative impact on the demand for the Company's services. There is also a risk that the Covid-19 pandemic has fundamentally changed parts of the travel industry that is detrimental for airlines. For example, the pandemic has forced in-person meetings to be held on virtual platforms, which may have evidenced a lesser need for business travels going forward.

Uncertain economic and financial market conditions can affect jet fuel prices, interest rates and currency exchange rates. The Company cannot guarantee that its liquidity and access to acceptably priced financing will always be sufficient or unaffected by external macroeconomic trends or financial market volatility, whether global or domestic. This in turn might have subsequent implications for loan covenants, the Company's financing costs, fair value of assets and overall financial condition.

Little or slowing growth in the Company's main markets may reduce impact for air travel which might affect revenues and/or the Company's strategy of positioning Iceland as the hub in its international route network. A sustained period of negative growth would likely result in diminished consumer and business confidence, rising unemployment and lower purchasing power which would have adverse impact on the profitability of the Company and its share price.

2.2.14 Volatile aviation fuel price

One of the Company's most material costs will be jet fuel, and thus the Company's financial performance can be materially affected by changes in the price and availability of fuel. Jet fuel can be subject to significant price volatility due to fluctuations in supply and demand and investor behaviour through speculative trading. These are influenced by factors ranging from political unrest to terrorist attacks and producer market strategies.

Both the cost and availability of fuel are therefore subject to economic and political factors beyond the Company's control. Any increase in fuel prices may have a material adverse impact on the Company's profitability.

2.2.15 Foreign currency risk

The Company's functional currency is USD. The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in other currencies. The largest exposure will be in ISK where cash inflows in ISK are expected to fall short of outflows due to various net cost related items such as salaries and salary related costs. Other notable currency risks exposures will include EUR and Scandinavian currencies. In addition to the cash flow, risk exposure of this kind affects the balance sheet. The Company does not have a foreign currency hedge program.

2.2.16 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

2.2.17 Credit risk

The Company is exposed to credit risk, i.e. the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

Credit risk is linked to trade receivables, investment in debt securities, bank deposits and agreements with financial institutions related to hedging. The relative spread of trade receivables across counterparties is also crucial for credit risk exposure. The risk involved is directly related to the fulfilment of outstanding obligations by the Company's counterparties.

The Company is aware of potential losses relating to credit risk exposure and seeks counterparties with established business experience and acceptable credit ratings to the extent reasonably practicable.

2.2.18 Disruptions and interruptions in flight schedules

Delays and cancelled flights occur for various reasons and impose increased costs on airlines. Possible reasons include computer faults, accidents, labour unrest, weather conditions, delays by service providers, congestion and unexpected maintenance. These events incur not only direct added costs for operations, and possible compensation payable to passengers, but also indirect costs through damage to reputations and brand names which may take a long time to repair.

Successful business turnover is contingent on successful third-party service providers and an undisrupted supply chain mechanism. This includes a range of crucial suppliers, including travel agents, air traffic control, ground services, maintenance support, IT service providers, etc. Interruptions due to any of these disruptions could seriously affect sales and the profitability of the Company.

2.2.19 Flight incidents, malfunctions or other accidents

After commencing operational activities, the Company will be exposed to potential significant losses if any of its aircraft are lost or involved in flight incidents, malfunctions or other accidents. Such losses relate to passenger claims, repairs or replacement of a damaged or lost aircraft and its temporary or permanent loss from services. There are no guarantees that the Company's insurances would be sufficient to cover such losses.

In addition, any incident of that nature may have a huge negative impact on the Company's reputation and the public perception of the safety and reliability of the Company's aircraft fleet, which in turn may cause air travellers to be reluctant to fly with the Company's aircraft.

Moreover, should an aircraft from the Company, or of the same type as used by the Company be involved in an accident, it might result in a damaged reputation or the Company's aircraft not being seen as reliable, which in turn could decrease demand for the Company's services.

2.2.20 Terrorist attacks, natural disasters, pandemics and other unforeseen events

Terrorist attacks and armed conflicts can affect demand for airline travel. Similarly, airlines may be affected by natural disasters such as large-scale floods, earthquakes, hurricanes or volcanic eruptions that cause disruptions to flight schedules that in extreme cases can lead to prolonged suspension of certain routes and closure of airports.

Outbreaks of easily communicable diseases can affect airlines such as was the case with SARS (Severe Acute Respiratory Syndrome) in 2003, the Bird flu pandemic in 2007 and 2008, the Swine flu pandemic in 2009 and the ongoing COVID-19 pandemic from 2019.

2.2.21 Insurance not being adequate, becoming too expensive or hard to come by

The Company holds insurance for the Company's major assets and employees, to reduce the risk of major economic impact in case of incidents. The insurance covers a range of risks, among them potential damage to the Company's aircraft fleet and other technical equipment as well as liability exposure associated with airline operations.

The Company ensures its aircraft fleet to the extent it deems reasonable and practical. This practice is in accordance with what other major airlines operating in the sector are doing as well as in accordance with applicable regulations regarding indemnity payments. The Company considers that its insurance coverage is reasonable to carry out its current commercial activities.

If the Company's insurance coverage shows to be inadequate to cover losses the Company could be obliged to bear substantial costs if (i) its insurance policies do not cover a specific claim; (ii) the amounts insured under such policies are insufficient; or (iii) an insurer is not able to pay the insured amounts. In addition, the damage may not be limited to damages eligible for compensation but could include harm done to the Company's reputation.

Terrorist attacks, acts of sabotage and other incidents, especially if they were to be directed against air traffic, could result in insurance coverage for aviation risks becoming more expensive and/or certain risks becoming uninsurable.

2.2.22 Holdbacks from credit card acquirers

The Company has agreements with acquirers that process customer credit card transactions for the sale of air travel and other services. Acquirers bear financial risk associated with tickets purchased for travel because, although the acquirer generally forwards the cash related to the purchase to the Company, according to settlement agreements, soon after the purchase is completed, the air travel generally occurs after that time, and the acquirer may have liability if the Company does not ultimately provide the air travel. The Company's agreements allow acquirers to hold an amount of cash (referred to as a "holdback") equal to the total amount of advance ticket sales that have been processed by the acquirer, but for which the Company has not yet provided the air travel. These holdback requirements

can reduce the Company's liquidity in the form of unrestricted cash and short-term investments by the amount of the holdbacks.

2.2.23 Information technology and other systems

The Company's operations are dependent on IT and other systems. Failure or disruption to IT or management systems, whether internal or external, could affect the Company's ability to carry out its business operations and services to its customers. Many factors that can cause such systems to fail are outside the Company's control. Play makes every effort to minimize the risk of disruption with the aim of securing the Company's business continuity.

2.2.24 Data protection and data privacy

From such time as the Company will commence its operations, the Company will receive, store and process personal information and other customer data through its business. This makes the Company exposed to data protection and data privacy laws and regulations it must comply with. Those laws and regulations impose stringent data protection requirements and provides high possible penalties for noncompliance, in particular relating to storing, sharing, use, processing, disclosure and protection of personal information and other user data on its platforms. The main regulations applicable for the Company are the General Data Protection Regulation (EU) 2016/679 ("**GDPR**") and the local law implementations of GDPR in the EU member states that the Company operates in, including the Icelandic Act no. 90/2018 on Data Protection and the Processing of Personal Data.

Any failure to comply with data protection and data privacy policies, privacy-related obligations to customers or third parties, privacy-related legal obligations, or any compromise of security that results in an unauthorized release, transfer or use of personally identifiable information or other customer data, may result in governmental enforcement, actions, litigation or public statements against the Company. Any such failure could cause the users of the Company's services to lose trust in the Company. If third parties violate applicable laws or its policies, such violations may also put users of the Company's services at risk and could in turn have an adverse effect on the Company's business. Any significant change to applicable laws, regulations or industry practices regarding the collection, use, retention, security or disclosure of users' personal data, or regarding the manner in which the express or implied consent of users for the collection, use, retention or disclosure of such personal data is obtained, could increase the Company's costs and require the Company to modify its services and features, possibly in a material manner, which the Company may be unable to complete and may limit its ability to store and process user data or develop new services and features.

2.2.25 Proprietary intellectual property rights

The success of the Company's business depends to a certain extent on its ability to protect and enforce trademarks and other intellectual property rights. The Company has registered the trademark "PLAY" with the Icelandic Intellectual Property Office. Other than such trademarks subject to registration, the Company will mainly be dependent on protecting its intellectual property rights through provisions in its commercial contracts and through confidentiality undertakings, and there is no guarantee that the Company will be able to provide sufficient protection through such agreements. The Company may also be required to spend significant resources to monitor and protect its intellectual property rights.

Failure to protect the Company's intellectual property rights could lead to a competitive disadvantage and result in a material adverse effect on the Company's business, prospects, financial position and results of operations.

2.2.26 Pilots and cabin crew collective bargaining agreements

The Company (then WAB air) has entered into two collective bargaining agreements with a flight operation union, Íslenska flugstéttafélagið. The union represents the collective interests of both pilots and cabin crew.

The agreements are new and no crew member, an employee of the Company itself or otherwise, has enjoyed salaries and other benefits pursuant to the agreements for flight operations. The implementation and performance of the agreements remains unknown.

Since the approval of the collective bargaining agreements, the Icelandic Confederation of Labour and certain regional unions have levelled criticism against the Company for negotiating collective bargaining agreements in the absence of real employee representation. As of the date of this Company Description, no court proceeding has been announced or initiated regarding the validity or enforceability of the collective bargaining agreements.

The collective bargaining agreements form essential parts of the Company's business plan and future prospects. Any invalidity or unenforceability of the collective bargaining agreements may result in a competitive disadvantage and have negative effect on the Company's business, prospects, financial position and results of operations.

2.2.27 Labour disputes and strikes

The airline and tourism industries are inherently labour-intensive industries. Most of the Company's employees are unionized and are represented by several unions, each of which has its own collective agreement on salaries and benefits. Each union's contract comes up for renegotiation every few years, bringing with it a risk that the parties will not reach an immediate agreement, resulting in a jeopardy of disruptions through strikes.

In addition to relying on hired personnel, the Company relies on third parties to provide its customers with services on behalf of and in cooperation with it. Any inability of the relevant third parties to provide such services may impact the business of the Company. Strikes can materially affect the Company's operations and financial results, a worst-case scenario being a complete halt in the operations of one or more of its subsidiaries for a prolonged period. Strikes in the aviation industry are particularly taxing for airlines due to proportionately high fixed costs.

2.2.28 Negative publicity

The Company's reputation is important for its business. Should the Company's reputation be damaged, the Company's customers and other stakeholders could lose confidence in the Company. Reputation damage could have a material negative impact on the Company's operations, earnings and financial position.

2.2.29 Legal disputes

Save for what is described in section 4.1.6 of this Company Description, the Company has not encountered any legal disputes and the board does not foresee any such issues in the immediate future. However, the Company may in the future be involved in disputes or be subject to claims. Such disputes could be time consuming and result in costs, the size of which cannot always be foreseen. Disputes could, therefore, have a material negative impact on the Company’s operations, earnings and financial position.

2.2.30 Key personnel

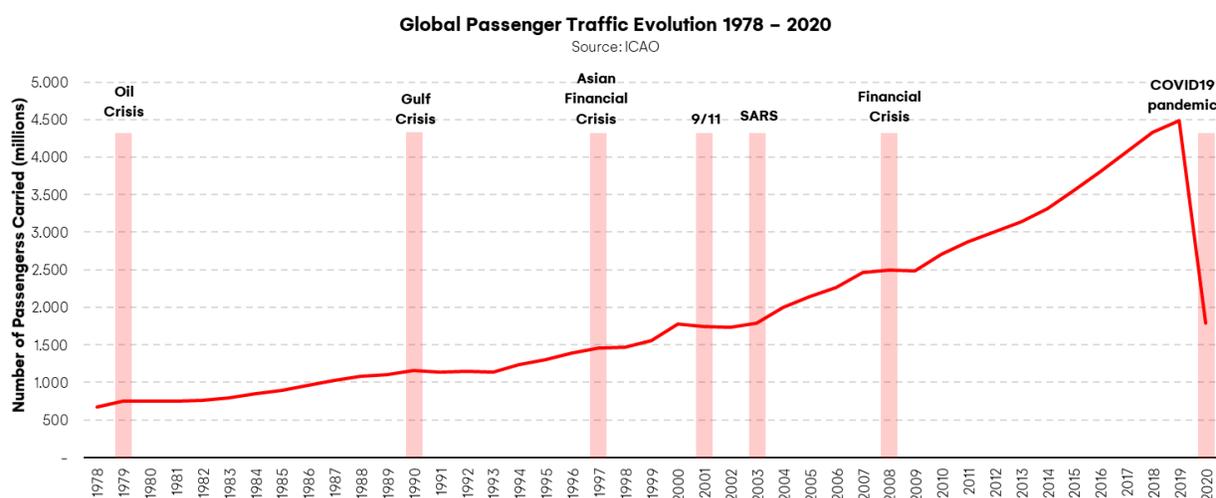
To secure necessary competence to carry out its business strategy the Company is reliant on key members of management and other employees. There is no assurance that these employees will stay with the Company. To reduce the risk of losing key employees some measures have been implemented, including an incentive and loyalty-based option plan.

The AOC is contingent upon the Company having employees of certain credentials. There are no assurances that these employees will stay with the Company. The Company has temporary substitute plans but there is no guarantee that the Company will be able to hire replacements of same or comparable credentials as current employees.

3 ECONOMIC AND MARKET OVERVIEW

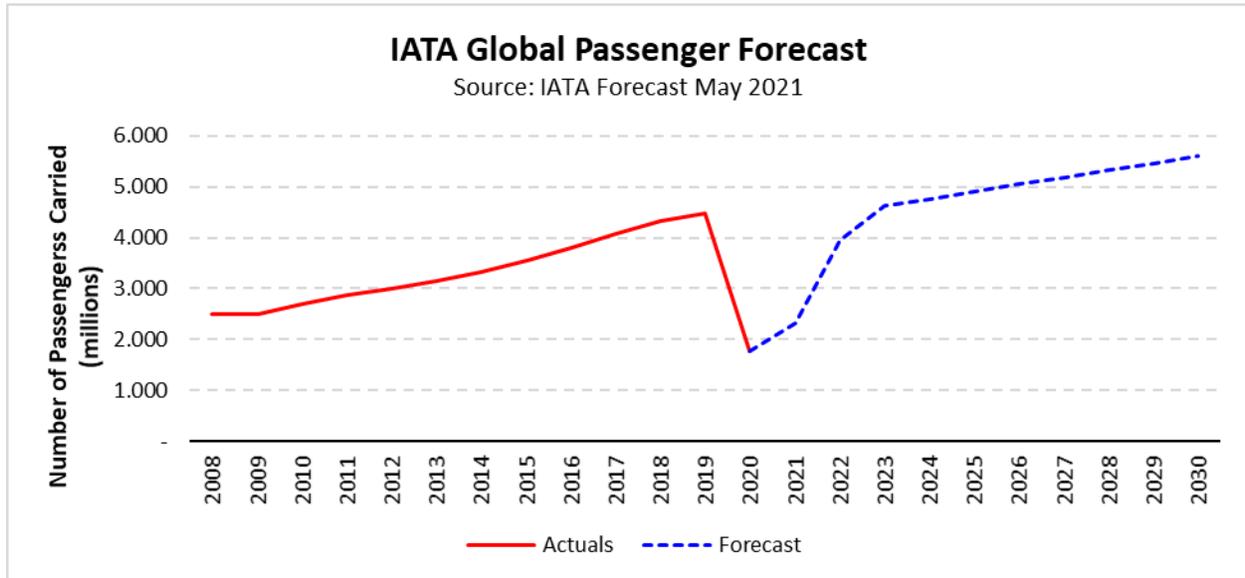
3.1 OVERVIEW

Between 1978 and 2019, global passenger traffic grew by a CAGR of 4.7%. The COVID19 pandemic had a significant impact, with global passengers traffic declining by 60% in 2020.



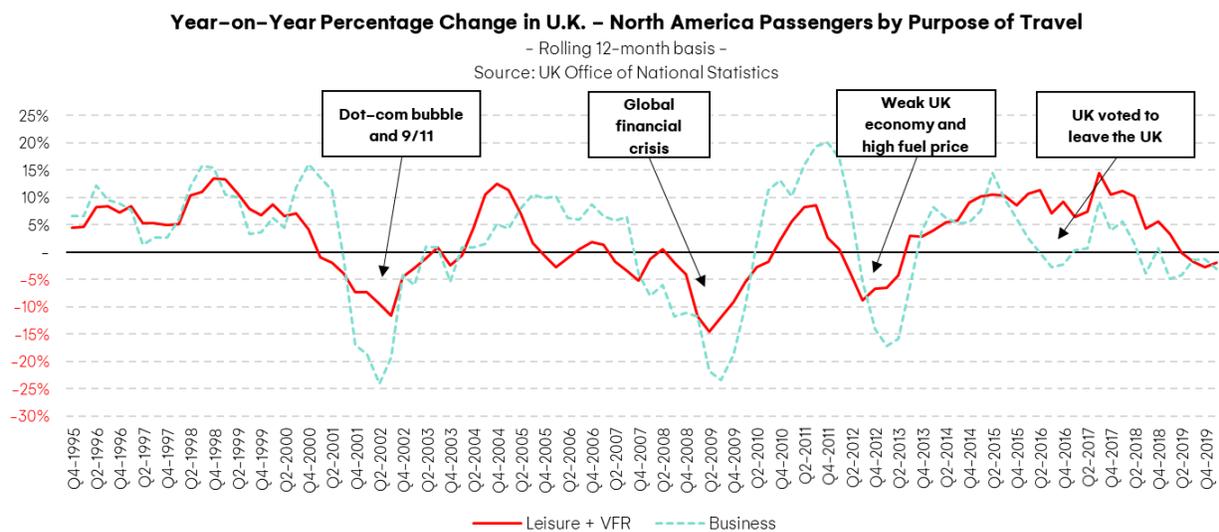
In the past, passenger traffic has proven resilient to external shocks, and the consensus is that global passenger traffic will recover when vaccine for COVID19 will be more widely distributed, travel restrictions imposed by governments are lifted, and the economy starts to recover. According to the

International Air Transport Association (“IATA”), global passenger traffic is projected to recover to 2019 levels by 2023.



Historically, leisure and VFR (“visiting friends and relatives”) traffic has performed better than business traffic during times of downturn and it is the first market segment to recover. In general, business travel is more impacted by downturns as companies cut headcount, which results in fewer flights taken by employees.

The figure below shows how business and leisure/VFR passenger traffic between the U.K. and North America has developed. The U.K – North America market is the largest country–region market across the Atlantic, and can be used as a proxy for other markets across the Atlantic. The figure shows that the percentage decline in business traffic has been greater than the percentage decline in leisure/VFR traffic during times of downturn.



The Company aims to have a low unit cost by following the low-cost business model, and the typical customer will be a cost-conscious leisure traveller. This positions the Company well as the economy and traffic recovers.

3.2 COMPETITIVE SITUATION

The airline industry is competitive. Airlines compete principally in terms of ticket price, service, frequency, punctuality, safety, brand recognition, passenger loyalty and other service-related factors. Surveys have shown that the ticket price is the main factor that consumers look at when choosing the airline they fly with¹.

The Company will compete with a number of airlines operating to and from Iceland and across that Atlantic in the future. Some of the competitors that PLAY will compete with include Icelandair, Wizz Air, EasyJet, SAS, British Airways, Delta Air Lines, American Airlines, United Airlines and Lufthansa. Many of these competitors are larger companies with both significant resources and strong brand recognition.

The Company intends to compete by having competitive unit cost (“**CASK**”²) achieved through 1) high aircraft utilization, 2) modern fleet, 3) fuel efficient fleet, 4) low-cost distribution model, 5) leverage technology, 6) highly productive workforce, 7) outsourcing of non-core functions, 8) simple marketing message and emphasis on digital marketing, 9) emphasis on low-cost culture.

3.3 PRINCIPAL MARKETS

The Company intends to establish itself as a low-cost airline offering flights between Iceland and Europe and between Iceland and North America. The company divides the market that it intends to compete in into three sub-markets.

3.3.1 The TO Market

The Company defines the TO market as passengers that fly to Iceland with Iceland as their destination, e.g., foreign nationals visiting Iceland for business or leisure purposes.

Between 2010 and 2018, the TO market grew by CAGR of 22%, reaching 2.3 million tourist arrivals in 2018, which equates to 4.6 million arriving and departing passengers. The bankruptcy of WOW air in 2019 and the COVID19 pandemic results in significant decline in the number of tourist arrivals in 2019 and 2020.

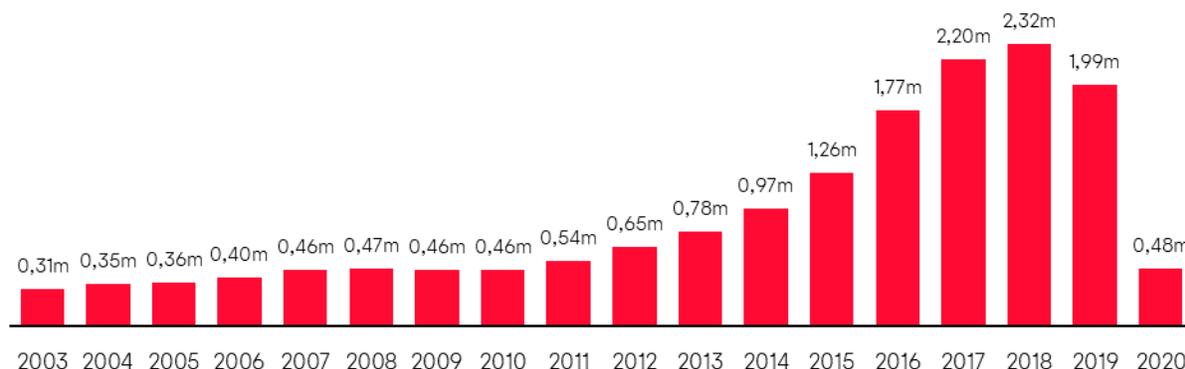
The Company expects the TO market to recover in the future due to Iceland’s strong position as an attractive destination to visit for foreign tourists post-COVID19. The Company will play an important role in attracting visitors to Iceland in the future because direct seat capacity is one of the main drivers for growth in visitors.

¹ U.S. Department of Commerce 2017 Survey of International Air Travelers

² CASK is abbreviation for Cost of Available Seat Kilometer. The term is used to measure the unit cost expressed in cash value to operate each seat for every kilometre. To get the CASK, direct operational cost is divided by the available seat per kilometre. CASK is one of the most important terms to be reviewed as it affects airline economics.

Visitors to Iceland Through Keflavik International Airport

Source: Icelandic Tourist Board



3.3.2 The FROM Market

The Company defines the FROM market as passengers that originate their journey in Iceland, e.g., Icelanders travelling abroad for business or leisure purposes.

In 2018, before the collapse of WOW air and before the COVID19 pandemic hit, Icelandic nationals made approximately 670,000 trips abroad, which equates to circa 1.3 million arriving and departing passengers. Six hundred seventy thousand trips abroad equate to about 1.9 trips per capita per annum, which is high compared to other island nations in Europe.

Iceland Outbound Propensity to Travel by Air versus Ireland and the UK

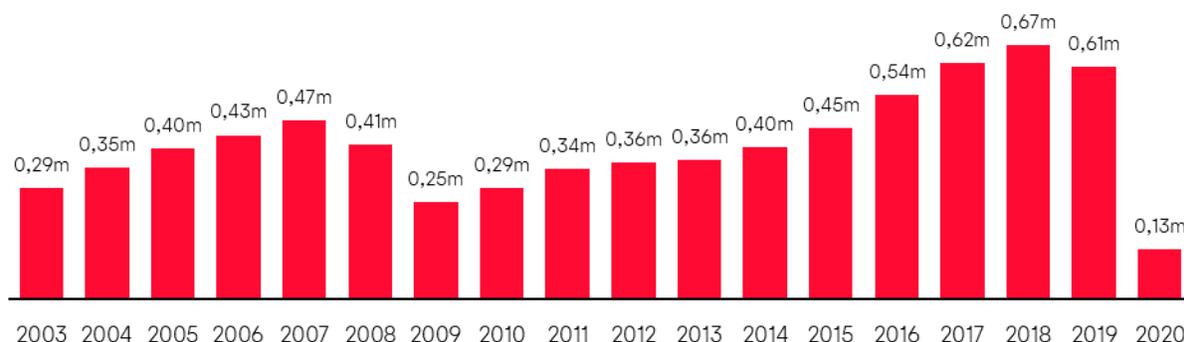
	Population (millions)	Outbound Trips by Air (millions)	Outbound Trips per Population
Iceland	0,35	0,67	1,9
Ireland	4,87	7,78	1,6
United Kingdom	66,46	76,36	1,1

Source: World Bank, Iceland Tourist Board, UK National Statistics Office, Ireland Central Statistics Office and Company Analysis

With few alternatives to air travel when travelling abroad, the Company expects the FROM market to recover after the COVID19 pandemic. Air travel will continue to remain an essential part of Iceland’s infrastructure for the foreseeable future, and it will play a critical role in enhancing people’s quality of living and facilitate business transactions.

Icelandic Nationals Departing Through Keflavik International Airport

Source: Icelandic Tourist Board



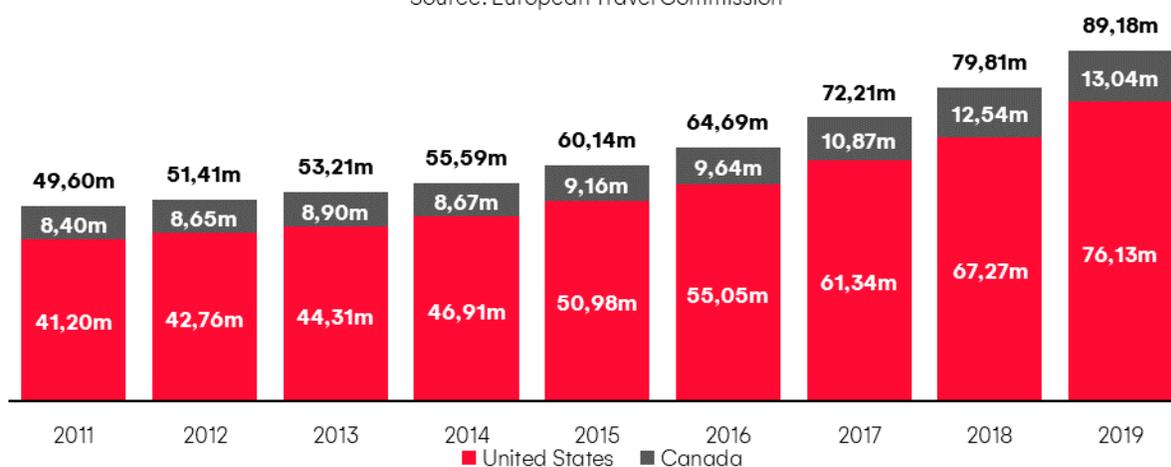
3.3.3 The VIA Market (The Transatlantic Market)

The Company defines the VIA market as passengers that neither have Iceland as their destination or origin, but passengers that either fly directly across the Atlantic or transfer at Keflavik International Airport (“KEF”), or any other airport, on their journeys from North America to Europe, or vice versa.

In 2019, estimated 89 million passengers travelled across the Atlantic. The VIA market experienced significant growth between 2013 and 2019 as low-cost airlines like Norwegian expanded their operations across the Atlantic. Due to the COVID19 pandemic and travel restrictions imposed by governments on both sides of the Atlantic, the transatlantic market experienced significant decline in both capacity and passenger traffic in 2020.

Total Passengers Travelling Between Europe and North America

Source: European Travel Commission



The Company expects the VIA market to recover post-COVID19 when vaccine will be more widely distributed, and travel restrictions imposed by governments on both sides of the Atlantic are lifted. In

their market forecast published before the COVID19 pandemic hit, Airbus and Boeing projected that the transatlantic market would grow by CAGR of 2.4–2.8% in the next twenty years³.

4 BUSINESS DESCRIPTION

4.1 GENERAL OVERVIEW AND HISTORY

4.1.1 Introduction

PLAY is an Icelandic based low-cost airline that plans to operate to Europe and North America using Keflavik International Airport as a hub to facilitate connections for passengers and cargo. The Company targets a modern, digital and efficient setup to ensure high operational efficiency. The Company aims to align its start of business with the recovery of the international airline with a strategy of scaling up operations in line with up-tick in demand.

4.1.2 History and development

The Company was formally incorporated in March 2019 but in its history, 12 June 2019 is considered to be the founding day, at which date the Company was acquired by its founders who have since then, together with a highly ambitious team, been working on establishing Play as a fully operational airline.

Year	Main Events
June 2019	The Company was co-founded on 12 June 2019 by Arnar Már Magnússon and Sveinn Ingi Steinþórsson. The Company was branded in Iceland as WAB air ehf. Share capital 500,000 ISK, divided into the same number of shares. The Company applied for AOC on 28 June 2019.
July 2019	The Company hired the first employees.
August 2019	The Company moved into its headquarters at <u>Reykjavíkurvegur 76, Hafnarfjörður</u> .
November 2019	The Company presented its new name “PLAY”, changed its corporate name to Fly PLAY ehf. and Arnar Már Magnússon was appointed as the CEO.
December 2019	The Company secured EUR 2 million funding from FEA ehf., an investment group led by Elías Skúli Skúlason, and Elías Skúli, the current vice-chairman, joined the board of the Company. Share capital increased to ISK 50,500,000.
May 2020	All shares in the Company, previously not owned by FEA ehf., were assumed by FEA ehf., who then became the sole shareholder in the Company.
March 2021	The Company launched a private placement with Arctica Finance with the goal to raise USD 35 million.

³ Airbus Global Market Forecast 2019–2038 and Boeing Current Market Outlook 2020–2039

<p>April 2021</p>	<p>The Company's share capital reduced to ISK 5,000,000 and increased again to ISK 100,000,000.</p> <p>The Company's corporate form was changed from private limited liability company to limited liability company (from having its corporate designation as ehf. to hf.)</p> <p>The Company raised USD 47 million in new equity through private placement.</p> <p>Share capital increased to ISK 478,093,200, divided into the same number of shares.</p> <p>The Company introduced new board of directors and Birgir Jónsson is appointed as the CEO of the Company.</p> <p>The Company signed a lease agreement with AerCap for three A321neo aircraft.</p>
<p>May 2021</p>	<p>The Company registered its first aircraft with ICETRA.</p> <p>The Company took delivery of its first aircraft.</p> <p>The Company received its AOC on 15 May 2021.</p> <p>The Company started ticket sales on 18 May 2021.</p> <p>The Company initiated hiring and onboarding of pilots and cabin crew.</p>

Start of commercial operations and first take-off is scheduled to take place on 24 June 2021.

4.1.3 Company structure

The Company will carry out all of its business and operations in the same corporate entity. The Company does not own any subsidiaries. The Company is not a shareholder, member or otherwise affiliated with other business entities.

The Company has, and intends to maintain, a lean and efficient delegation of authority and responsibilities. Shareholder's meeting yields the supreme powers in the Company. The board of directors is responsible for the business of the Company between shareholder's meetings. A management team consisting of five managers is responsible for the day-to-day business, under the supervision of the CEO.

An integral part of the Company's business plan is to remain lean, efficient and focus on its core business. The Company therefore intends to rely on third party service providers by outsourcing various functions. This applies, inter alia, to aircraft maintenance and mechanics, ground handling, catering and software solutions.

4.1.4 Significant contract, patents, licenses, etc.

An AOC is an operational and technical approval issued by a country's Civil Aviation Authority ("**CAA**"), which together with an operating license (issued by the CAA pursuant to Regulation (EC) No 1008/2008 of the European Parliament and of the Council of 24 September 2008 on common rules for the operation

of air services in the Community) ("**Operating License**") grants the holder the right to conduct commercial aircraft operations and is valid as long as the holder complies with the terms of the AOC and Operating License.

The Company submitted its application for AOC to the ITA on 28 June 2019. The Company was granted the AOC on 15 May 2021, simultaneously as taking delivery of its first aircraft.

No other licenses or certificates other than the AOC and the Operating License are required in order to commence commercial aircraft operations carrying passengers and cargo within the EEA.

In addition to regulatory approvals, the Company is dependent on having agreements with all relevant airports or airport coordinators for its desired routes and destinations at the arrival and departure times requested.

As of the date of this Company Description the Company has secured its required access (slots) and agreements to all relevant airports for its current schedule. The access slots are subject to minimum utilisation requirements which the Company intends to fulfil in order to maintain the slots. Furthermore, The Company has secured long-term lease agreement for a total of three A321neo aircraft.

4.1.5 Material contracts

The Company deems the following contracts as being material for its business:

Collective Bargaining Agreements

The Company has entered into two collective bargaining agreements with the labour union Íslenska flugstéttarfélagið. The agreements were originally made in the name of WAB air and were intended to form an integral part of the restoration of the then recently collapsed airline WOW air. There are two separate agreements, one for pilots and one for cabin crew. Both pilots and cabin are members of the labour union Íslenska flugstéttarfélagið.

The collective bargaining agreements were made on 27 September 2019 and 9 October, respectively, and were set to expire on 1 February 2023. The term of the agreements has been extended and pursuant to amendments, dated 19 March 2020, the agreements are set to expire on 1 February 2025.

The long-term nature of the collective bargaining agreements allows the Company to make more accurate and precise plans for the ramp-up of its operations by providing certainty on cost of labour for a considerable time.

The collective bargaining agreements contain provisions to provide for holiday, pension contributions and bonuses in accordance with general principles of the Icelandic labour market. Provisions on flight-hours and rest-periods are structured around and in accordance with applicable law and regulations.

Aircraft Lease Agreements

The Company has entered into lease agreements for a total of three Airbus A321neo aircraft (the "Lease Agreements") with affiliated of the aircraft leasing company AerCap. The Company has on the date of this Company Description taken delivery of one of these three aircraft, with the remaining two expected to be delivered within few weeks.

The average leasing period is approximately 9.5 years from the day of delivery. The Lease Agreements include a flexible price structure for the initial periods based on a price per flight hour per aircraft, ending on 31 December 2021. Following the initial period, the rent increases gradually until 2023. In addition to the base rent, the Lease Agreements include provisions for payment of monthly maintenance payments subject to annual escalation, to secure funding for subsequent regular maintenance events.

The Lease Agreements include customary event of default provisions in accordance with standard market practice, including cross-default provisions between the individual lease agreements. The obligations of the Company are secured by cash deposits totalling USD 3,090,000, which will be returned to the Company upon return of the aircraft in accordance with the lease agreements.

The Lease Agreements are governed by English law, with disputes to be resolved by the London Court of International Arbitration.

Ground Handling Services Agreement

The Company has entered into ground handling services agreement with Airport Associates ehf., a private entity specialised in that particular field of business. Pursuant to the agreement, Airport Associates will provide all ground handling services for the Company's fleet of aircraft at Keflavík airport, apart from catering services. As noted in section 5.5 of this Company Description, Airport Associates is an affiliated company of Elías Skúli Skúlason, vice chairman of the board of directors of the Company.

Aircraft Mechanics and Maintenance

The Company has entered into an agreement with GMT ehf., which will provide certified aircraft mechanics to carry out inspections and maintenance as prescribed by aircraft manuals and regulations (line services). GMT ehf. will also provide certain spare parts for the Company's aircraft, as necessary.

Booking System and Software Solutions Agreement

The Company has entered into an agreement with Avilabs ehf., as project manager for the adoption and integration of a booking system. In addition, Avilabs ehf. is independently developing software solutions for airlines which, inter alia, supports customer service functions.

4.1.6 Legal and regulatory proceedings

One of the earlier investors in Play, Bogi Guðmundsson, initiated legal proceedings against the Company by submitting a petition for the Company to be declared bankrupt. The Company responded and defended against the petition. The dispute was settled by a settlement agreement between the parties. Pursuant to the agreement, Play shall make payments to two companies affiliated to Bogi if and when certain criteria relating to the performance of the Company is met. The payments constitute repayments of early-stages financing contributions. All parties waived, and released each other from, any other present or future claims and the settlement agreement constitutes a final resolution to the dispute between the parties. The contingent claim, which may or may not become payable in the future, is off balance sheet and remains a negligent amount in proportion to the Company's current financing.

From time to time, the Company may become involved in litigation, disputes and other legal proceedings arising in the course of its business. As of the date of this Company Description, the Company is not, nor

has been since its incorporation, apart from the case above, involved in any legal, governmental or arbitration proceedings which may have, or have had in the recent past, significant effects on its financial position or profitability. The Company is not aware of any such proceedings which are pending or threatened.

4.2 BUSINESS STRUCTURE AND STRATEGY

4.2.1 The Business Model

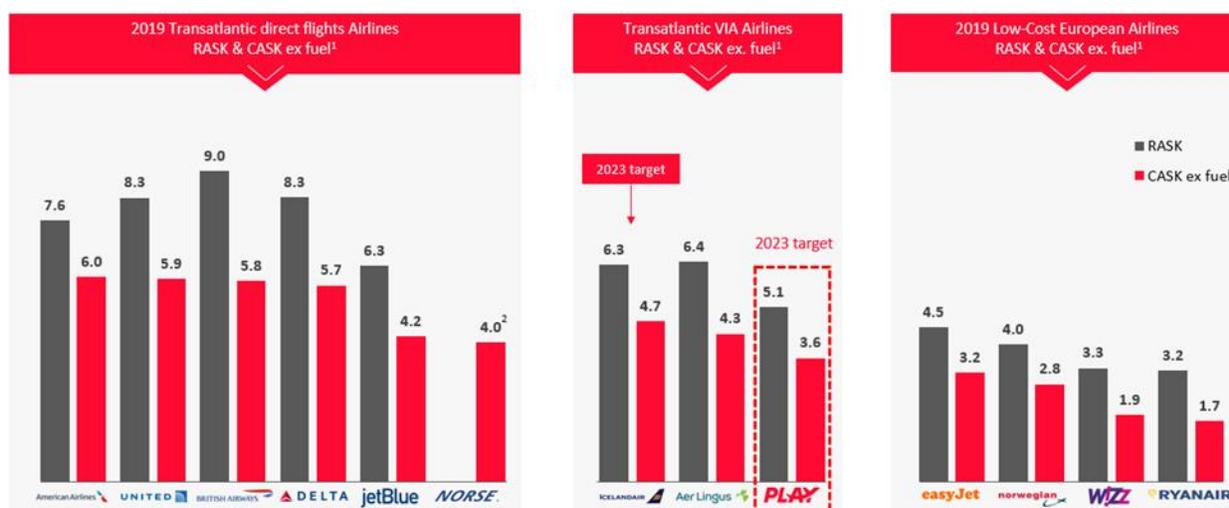
Play's business model is based on the low-cost business model, which aims to have low-cost structure to offer competitive ticket prices. The Company believes low costs are essential to competitive success in the airline industry.

The Company's low-cost structure will be driven by several factors:

- 1) *High aircraft utilisation* — initially, the Company will operate between Iceland and Europe. However, once the Company will have further developed and market conditions are desirable and feasible for initiating operations to North America, the Company expects aircraft utilisation will increase to 13-14 hours per aircraft per day.
- 2) *Modern fleet* — the Company plans to operate a modern fleet comprised of Airbus A320neo Family aircraft known for high reliability and low operating costs. Operating a single family of aircraft provides several operational and cost advantages, including the ability to optimize crew scheduling, training, and maintenance.
- 3) *Fuel efficient fleet* — the Airbus A320neo Family has the newest engine technology, which means that fuel consumption per block hour is 15-25% lower than older generation aircraft. Lower fuel consumption also translates into lower carbon emissions.
- 4) *Low-cost distribution model* — the Company plans to focus on selling tickets directly to customers through its website. This reduces distribution costs and allows the Company to offer better customer service.
- 5) *Leverage technology* — the Company plans to leverage technology in all aspects of its business to reduce the manpower required to run the business on day-to-day basis.
- 6) *Highly productive workforce* — the Company has entered into collective bargaining agreements with unions that enable the Company to achieve competitive utilisation of its workforce.
- 7) *Outsourcing non-core functions* — the Company intends to outsource non-core functions where it lacks economies of scale and speciality knowledge, including ground handling services, maintenance services, information technology, and catering services. The outsourcing model enables the Company to provide high-quality services at low costs and provides flexibility to align costs with capacity and demand.
- 8) *Simple marketing message and emphasis on digital marketing* — the Company plans to use a simple marketing message "*Pay less. Play More!*" to keep marketing costs low. This message is in line with the attitude of most travellers, i.e., most travellers are price conscious and want to

spend their hard-earned money at their destination. The Company will focus on effective use of low-cost tools such as press announcements, organization of press conferences and events, social media, online advertising, and search engine optimization to increase the visibility of its website in major search engines results, rather than traditional high-cost marketing and advertising campaigns. By using digital marketing, the Company can more easily track and measure the results of its marketing efforts and reduce waste and the manpower associated with its marketing activities.

- 9) *Low-cost culture* — PLAY’s management team will emphasize on low-cost part of its organisational culture that is keenly focused on driving costs lower.



- 1) Stage adjusted with PLAY’s average sector length in 2023 of 2,899 km. 2023 targets for Icelandair and PLAY discounted to 2019 with 2,5% inflation. Icelandair’s stage length in 2023 assumed to be 3,100 kilometers compared to 3,208 kilometers in 2018
- 2) RASK means revenue per available seat kilometre, as opposed to CASK as cost per available seat kilometre
- 3) CASK for Norse Atlantic Airways is based on projected CASK in 2022 presented in company’s prospectus, discounted to 2019. The company has not published its target RASK

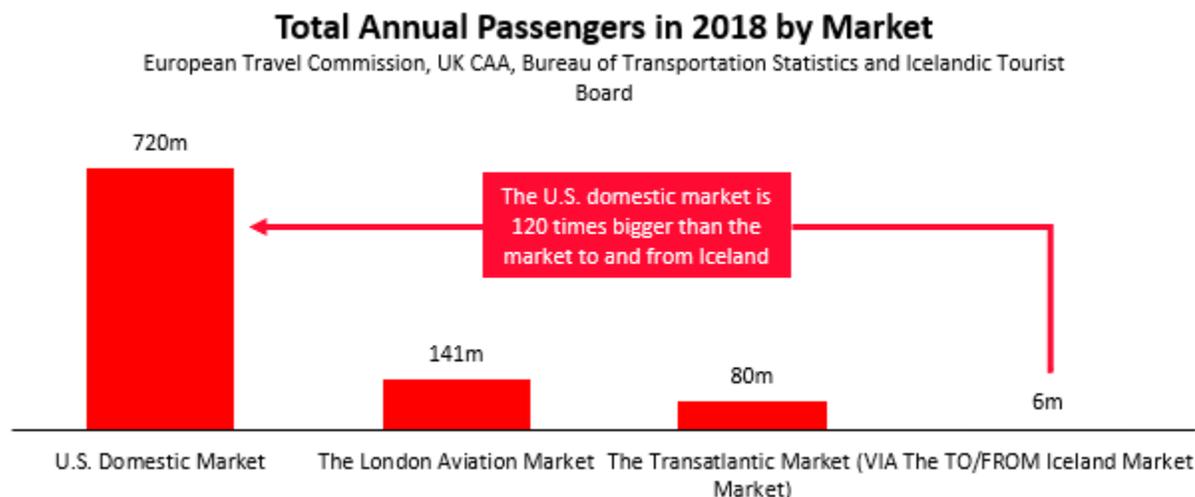
Typically, low-cost airlines do not allow passengers to connect between flights within their networks, i.e., they focus on point-to-point traffic. However, most of the markets that the Company plans to serve are not large enough to support frequent service on year-round basis using large aircraft to solely serve local itineraries, i.e., true point-to-point markets. Therefore, the Company plans to operate a hub-and-spoke model at Keflavik International Airport in the future to facility connections within its route network.

4.2.2 The Hub & Spoke Model Provides Access to Larger Markets

The market TO and FROM Iceland and the VIA market are small markets compared to other aviation markets.

In 2018, before the bankruptcy of WOW air and before the COVID19 pandemic hit, Keflavik International Airport handled approximately 6 million TO and FROM passengers (arriving and departing passengers).

In that same year, close to 80 million passengers travelled between North America and Europe (the VIA market)⁴. For comparison, in 2018, the five airports serving London handled 141 million TO and FROM passengers, i.e., passengers not transferring between flights at the five airports, and the U.S. domestic market totalled 720 million passengers⁵.



The hub-and-spoke model, which the Company anticipated to operate in the future, allows the Company to combine passenger flows to and from various cities within its network and grow and expand its network. The hub-and-spoke model also enables the Company to serve markets that could not sustain service depending only on the TO/FROM market alone.

4.2.3 The Right Business Model for the Market

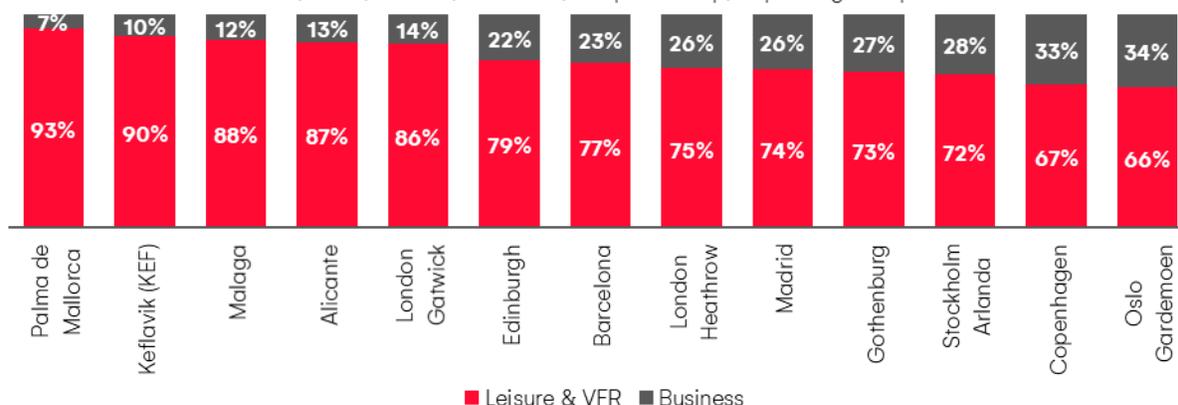
In 2019, 90% of passengers using Keflavik International Airport were travelling for leisure purposes, and only 10% travelling for business purposes. The share of leisure passengers at Keflavik International Airport is high when compared against other airports in Europe.

⁴ European Travel Commission

⁵ UK CAA Passengers Survey for 2018 (includes London Heathrow, London Gatwick, London Stansted, London Luton and London City) and U.S Bureau of Transportation Statistics.

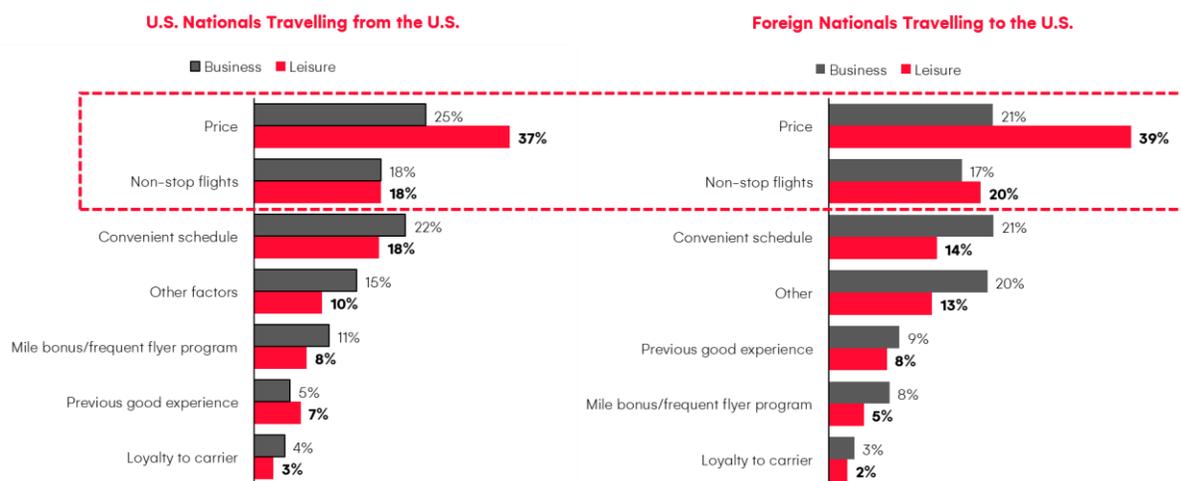
Journey Purpose of Passengers at Selected European Airports and Keflavik Airport in 2019

Source: ISAVIA, AENA, UK CAA, Swedavia, Schiphol Group, Copenhagen Airport and Avinor



The price of the ticket and whether the flight is a non-stop flight or not are important factors that consumers consider when selecting an airline to travel with. Because of the importance of these two factors, having low unit cost is critical for an airline to succeed if it operates in a market dominated by leisure traffic and operating a hub where the passenger has to connect through enroute to the final destination.

Main Factor in Airline Choice for International Travellers to/from the U.S. in 2017



Source: U.S. Department of Commerce 2017 Survey of International Travellers

Therefore, the Company believes that the low-cost business model is the most suitable model to use to serve the markets that the Company plans to serve.

4.2.4 Revenue Generation

The Company will unbundle product offerings to its customers, which allows to stimulate demand for products and services through low ticket prices, while generating revenue by selling ancillary products and services. The Company’s ancillary revenue will be generated through:

- Fees charged on travel-related features such as seat allocation, checked baggage, large cabin baggage and cancellation protection;
- Booking-related fees such as change fees;
- Commissions from the sale of products and services offered in partnership with third parties, including hotels, car rental, airport transfers, tickets to tours, activities and events, parking and on-board retail sales.

The Company seeks to maximize revenue opportunities through multiple interactions with customers at different stages of their travel, from pre-purchase, through travel and post-trip. Over time the Company sees opportunities to increase ancillary revenues, especially from non-flight related ancillary revenues such as travel insurance, discount club, cargo and/or loyalty program.

4.2.5 The Route Network

Initially, The Company's route network will connect Iceland to major cities in Europe and popular leisure destinations for the FROM Iceland market. However, once the Company has secured all the necessary permits to operate to the U.S. and Canada, the airline plans to launch services to major cities in North America and use Iceland's favourable geographical location to operate a hub at Keflavik International Airport.

Illustrative Route Network



Once major cities on both sides of the Atlantic have been connected, it is possible to start adding services to smaller markets with less direct competition, both TO and FROM Iceland and across the Atlantic.

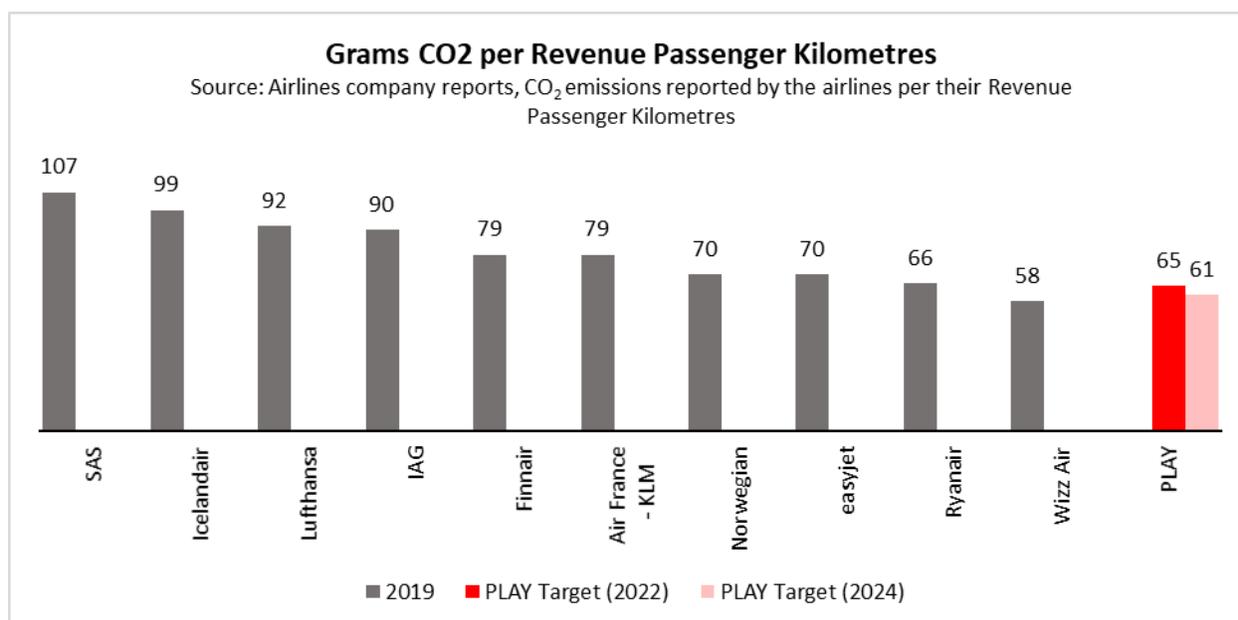
Iceland’s favourable geographical location allows the Company to use narrowbody aircraft, like the Airbus A320neo Family with 140–240 seats, to connect cities on both sides of the Atlantic. Because of the distance between these cities, an airline operating directly from Europe to North America, or vice versa, would have to use widebody aircraft with 250–400 seats in most cases to connect these cities. However, widebody aircraft have a greater risk profile than narrowbody aircraft because of their larger size, generally higher ownership cost and higher operating cost.

The ability to use smaller narrowbody aircraft enables the Company to offer more frequency of service on routes that it serves versus widebody aircraft. More frequency of service enhances connectivity within the network and results in a more competitive network/schedule.

4.2.6 The Fleet

The Company’s fleet will consist of the Airbus A320neo Family aircraft. The Airbus A320neo Family is a family of narrowbody aircraft that includes the A319, A320 and A321. The A320neo Family, and its predecessor the Airbus A320ceo Family, is one of the most successful aircraft ever produced, with passenger seating ranging from 140 to 240 seats and flight range of up to 7,400 kilometres. Due to the different aircraft sizes available and the range capability, the A320neo Family allows Play to serve small, medium, and large markets close to and far from Iceland.

Due to its new engines, the Airbus A320neo Family has a nearly 50% lower noise footprint and it is 15–25% more fuel-efficient than older generation aircraft, which means that it emits less carbon. The low-cost business model with high seat density, high seat factor, and investment in the latest aircraft technology will help the Company minimise its business's environmental impact and enable the Company to have a low emission rate measured in carbon emission per passenger kilometre.



Each aircraft in the A320neo Family is the same aircraft in a different size, so the Company’s flight crew and cabin crew only must learn on one to operate them all. Having a fleet with crew commonality and

different sizes allows the Company to stick to one of its values of simplicity and better match supply with demand.

4.2.7 Flexibility of Operations

Phase one of the Company's business scenario assumes soft take off with point to point offering in accordance with demand. Phase two assumes a hub and spoke model with destinations in Europe and North America, servicing the TO, FROM and VIA markets.

The key to the Company's operations is flexibility, as the Company has the opportunity for faster or slower growth in its ramping-up of operations, in accordance with market conditions from time to time. The following figures show a potential scenario of what the Company's operations might look like in the coming years. The scenario is not presented as future earnings forecast and should not be interpreted or construed as such. The scenario could change significantly due to changes in the market environment.

Business Scenario

USD million	2021	2022	2023	2024	2025
Revenue	25m	170m	319m	422m	509m
EBITDA	(10)	28m	64m	93m	122m
EBIT	(16m)	11m	33m	53m	71m
EBIT%	(61.1%)	6.4%	10.3%	12.6%	14.0%
Profit	(15)	4	17	31	43

KPI's and assumptions

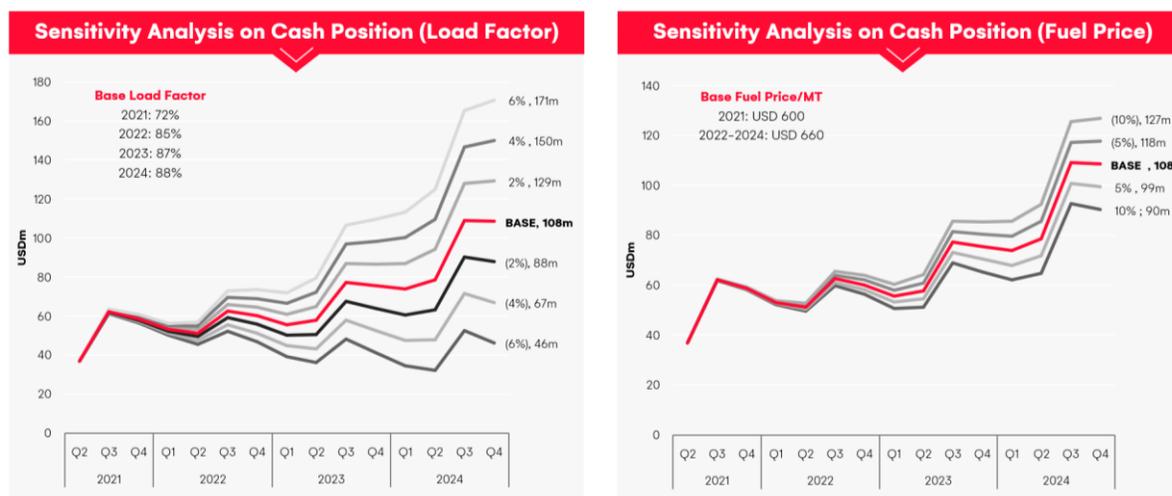
RASK¹ US cents	4.9c	5.5c	5.6c	5.7c	5.8c
CASK ex. Fuel US cents	7.2c	4.3c	4.0c	3.8c	3.8c
Load factor%	71.8%	84.6%	87.2%	88.1%	89.2%
Air fare per pax	114	126	125	124	122
Ancillary revenue per pax	55	58	61	63	65
Total sold seats (pax)	143 th.	865 th.	1.651 th.	2.201 th.	2.669 th.
FTE per aircraft²	42	50	49	48	47
#Aircraft in operation³	3	6	10	12	15

- 1) Rask = airfare + ancillary revenue per available seat kilometre.
- 2) Increases from 2021-2022 due to fewer FTEs during the first part of 2021.
- 3) Number of aircraft at year end.

The scenario assumes a strong liquidity position and flexibility which enables the Company to react to growth opportunities as well as negative changes in market demand. Revenue assumptions are based on experience, but downward adjustments have been made to reflect the impact of COVID-19 pandemic

and ramp-up. Targeted load factor is 72% in 2021 with a gradual increase from 85% in 2022 to 89% in 2025. The scenario assumes an increase in fuel prices to the highest 2019 levels of USD 660 per MT. CASK is assumed to be higher in the first year due to less efficiency in the beginning, while optimal level is targeted in 2024. In this scenario, first flights to North America are assumed to commence in April 2022.

Below are sensitivity analysis on the Company's liquidity position, showing base case assumptions and changes in load factor and fuel prices. The figures assume 100% holdbacks from credit card acquirers.



With respect to the Company's balance sheet, the IFRS16 standard is expected to inflate the Company's assets and liabilities, as aircraft lease agreements are recognised as assets and liabilities.

Balance Sheet

USD million	2021	2022	2023	2024	2025
Right of use assets¹	87	180	310	352	439
Cash & cash equivalents	59	60	75	108	154
Other assets	32	59	87	99	114
Total assets	177	299	473	559	706

Equity and liabilities

Equity	72	76	93	124	168
Lease liability	90	187	322	369	462
Other liabilities	15	36	57	66	77
Total equity and liabilities	177	299	473	559	706

5 CORPORATE GOVERNANCE

5.1 ARTICLES OF ASSOCIATION

The Company's Articles of Association, which are valid on the date of this Company Description, were approved by a shareholders meeting on 12 April 2021, as amended by the board of directors on 19 April 2021 in relation to a share capital increase, and are replicated in full in their agreed form in Appendix I.

5.2 BOARD OF DIRECTORS

Play's board of directors consists of five members and one alternate board member. The members of the board are elected at an annual general meeting. Main members are elected for a period of one year and alternate members for a period of two years.

The board of directors has adopted several procedural rules and policies and has created sub-committees. These include Rules of Procedure, List of Signatories, Remuneration Policy and more.

The following individuals were elected to serve on the board of directors at the last annual general meeting, held on 12 April 2021:

Einar Örn Ólafsson, Chairman

Einar Örn Ólafsson is the chairman of the boards of Terra hf. and Löður. Einar was previously the general manager of Fjarðalax, CEO of Skeljungur and before that held various management positions in banking. Einar is also a significant shareholder and a board member of the majority owner of Stoðir hf., an investment company.

Einar holds an MBA degree from NYU, Stern School of Business and an industrial engineering degree from the University of Iceland.

Einar Örn is considered to be independent from the Company and its management team but is not considered to be independent from large shareholders in the Company.

Elías Skúli Skúlason, Vice Chairman

Elías Skúli Skúlason is a shareholder in the Company through FEA ehf. and is the vice chairman of the board of directors of Play.

Elías Skúli has over 25 years of aviation and airline operations experience. Elías Skúli was one of the founders of Airport Associates (est. in 1997) and Bluebird Cargo (est. in 1999). At Bluebird Cargo, Elías Skúli served multiple key management roles, including CEO from 2007-2014.

Elías Skúli is considered to be independent from large shareholders the Company and its management team but is not considered to be independent from the Company.

Auður Björk Guðmundsdóttir, Board Member

Auður Björk Guðmundsdóttir is the CEO of Two Birds, fintech company. She was previously a managing director at VÍS Insurance from 2005–2018. Auður has extensive experience in marketing, management and strategic planning.

Auður holds an MBA degree from Reykjavik University, an AMP degree from IESE Business School in Barcelona and a BA degree in Communications, Public Relations/Marketing from the University of South Alabama.

In 2011–2012, Auður sat on the board of Icelandair as an alternate member. She is currently a vice chairman of the board of Iceland Post, member of the board of Origo, ISNIC–Internet in Iceland and Icelandic Trademark Holding.

Auður is considered to be independent from the Company, its management team and large shareholders in the Company.

Guðný Hansdóttir, Board Member

Guðný Hansdóttir has over 15 years of experience in the airline industry. Guðný served as a Managing Director of cabin crew for Icelandair. She served as VP of Human Resources at Air Atlanta for 5 years. Other previous positions include Foreign Marketing coordinator at Penninn Officeday, VP of Human Resources both for Skeljungur and Innnes.

Guðný holds an MBA degree from the Florida Institute of Technology and a BS degree in Marketing from the same school. Guðný has been vetted through an eligibility assessment by the Financial Supervisory Authority in Iceland.

Guðný sat on the boards of Parlogis and Mjöll Frigg. She is currently a board member of Frumherji and VÍS Insurance, as well as being on the Remuneration Committee and Auditing Committee of the latter.

Guðný is considered to be independent from the Company, its management team and large shareholders in the Company.

María Rúnarsdóttir, Board Member

María Rúnarsdóttir is an independent investor. María previously worked as the CFO of real estate company SMI ehf. and Korputorg ehf., a consultant at KMPG Consultants and CFO of Svar technologies. She was also one of the founders of MINT Solutions ehf. María currently sits on the board of numerous companies, including Arctica Finance hf., MINT Solutions BV., Umbra ehf., Uniconta Iceland ehf., NMR ehf., and EA14 ehf.

María has an MBA degree from MIT (Massachusetts Institution of Technology) in the United States and a BSc degree in Business from Reykjavik University.

María is considered to be independent from the Company, its management team and large shareholders in the Company.

Sigurður Kári Kristjánsson, Alternate Board Member

Sigurður Kári Kristjánsson is an independent attorney at law and a partner of the law firm Lögmenn Lækjargötu, where he has practiced law since 2011. Sigurður Kári was a member of parliament from 2003–2009 and served intermittently as an alternate member of parliament until 2011.

Sigurður Kári is considered to be independent from the Company, its management team and large shareholders in the Company.

5.3 MANAGEMENT TEAM

Birgir Jónsson, Chief Executive Officer

Birgir has extensive experience in international management and operations, including in airline operation, as CEO of Iceland Express and later Deputy CEO of WOW air. Birgir was Össur's Regional Director in Asia, based in Hong Kong. He lived and worked in Romania, Bulgaria and Hungary, where he was CEO of Infopress Group, one of the largest printing companies in Eastern Europe. He was CEO of Iceland Post and has also been involved in many projects in the field of restructuring and transformation across a diverse range of industries.

Birgir holds an MBA from the University of Westminster in London and a BA (Hons) from the University of the Arts London.

Póra Eggertsdóttir, Chief Financial Officer

Póra is the CFO at Play and leads the division of Finance, which includes Legal.

Póra has over 17 years of experience working in finance, operations and business management. She also has few years of aviation experience. Her latest position was Director of Regional Aviation within Icelandair and previously she worked as CFO and Director of IT at Air Iceland Connect. Prior to joining Air Iceland Connect she worked in a financial role within the energy sector and before that she worked for Morgan Stanley in Tokyo.

Póra holds a bachelor's degree in Business Administration from University of Reykjavik, a master's degree in Marketing from EADA University in Barcelona and an executive MBA from Reykjavik University as well as being a certified stockbroker.

Arnar Magnússon, Chief Operations Officer and Founder

Arnar Magnússon is the COO and one of the founders of Play. Arnar has excellent leadership and management skills and over 14 years of experience within the aviation industry.

Arnar worked for WOW air for six years before joining Play. He held various positions within the airline, such as VP of Operations/Accountable Manager and Director of Flight Operations.

Arnar graduated as a licensed pilot from Oxford Aviation Academy in 2007 and worked as Chief Pilot, Captain and Training Captain for WOW air and as Captain for Ryanair.

Georg Haraldsson, Chief Commercial Officer/ Chief Information Officer

Georg Haraldsson is the CCO/CIO at Play and leads the division of Commerce, which includes Digital Development, Revenue Management, Sales & Marketing and Service Delivery.

Georg has diverse experience. He worked as an Ecommerce and Distribution Manager for Iceland Express for 6 years and an Ecommerce Manager for Dohop for a year. Georg held the position of a Managing Director and Regional Sales Director in the Middle East for Marorka for a few years and as a Product Director for Valka for a year. Then he held the position of a CCO at Iceland Travel for a year. For the last two years Georg worked as The Chief Information and Digital Officer at Pósturinn, the national postal service of Iceland.

Georg holds a bachelor's degree in Computer Science and a master's degree in International Business from University of Reykjavik in association with IE Business School in Madrid.

Daníel Snæbjörnsson, Chief Network Officer

Daníel Snæbjörnsson is the CNO at Play. Daníel designs the network, focusing on optimizing Play's key resources, including fleet and slots, as well as monitoring market trends and searching for new destinations.

Daníel has extensive experience within the aviation industry, having worked for both airports and airlines. Before joining Play, Daníel served as a manager within the network planning and scheduling team at Icelandair.

From 2014 until 2019, Daníel was Vice President of Network Planning at WOW air. Before joining WOW air, Daníel co-founded Altitude Aviation Advisory, a UK based consultancy firm focusing on the aviation industry. Prior to that, Daníel worked as a Consultant for AviaSolutions/GECAS from 2007 until 2013 and as an Aviation Analyst at Ascend Worldwide from 2006 to 2007, based in the UK. From 2004 to 2005, Daníel worked in operations at Íslandsflug and Air Atlanta Icelandic.

Daníel earned his bachelor's degree in Aviation Business Administration from Embry Riddle Aeronautical University. He later received a master's degree in Air Transport Management from Cranfield University. He holds an Icelandic Private Pilot's License.

Jónína Guðmundsdóttir, Chief People and Culture Officer

Jónína Guðmundsdóttir is the CPO at Play and leads the division of People and Culture, which includes the HR department, Payroll, Uniforms and Travel.

Jónína's experience within the aviation industry includes her work for WOW air as Senior Vice President of Human Resources from 2015 until 2019.

Jónína holds a bachelor's degree in Business Administration with a focus on tourism from the University of Akureyri and later earned a master's degree from Strathclyde University, where she studied Human Resources, focusing on the tourism and hospitality industries. Before her career in aviation, she worked for the information technology service corporation Advania, as Human Resource Manager from 2012

until 2015. Jónína also worked in recruitment and as an HR consultant for Capacent from 2005 until 2012.

5.4 BONUS SCHEMES AND SHARE BASED INCENTIVE PROGRAMS

The Company's remuneration policy establishes a share-based incentive program in the form of option rights. Several option agreements have been made with key employees, as detailed below. The purpose of a long-term share-based incentive program is to align the interest of key employees with the long-term goals of the Company and its shareholders. The board of directors of the Company has the authority to determine which employees are granted options and the specific terms thereof. The Company has entered into option agreements with certain employees of the Company. At the date of this Company description, there have two types of agreements been made, as detailed below.

- The Company has granted Birgir Jónsson, the CEO of the Company, an option to purchase shares in the Company as part of his remuneration. Birgir has an option to purchase a total of 13,636,366 shares, at a purchase price of ISK 16 per share. The option has a vesting period of 36-48 months from commencement of employment. The option vests in two parts, whereas 50% vests and becomes exercisable after 36 months and the remaining 50% vests and becomes exercisable after 48 months. In both instances, the exercise period is 6 months from vesting. The vesting of the option is subject to certain conditions as set forth in the option agreement..
- The Company has granted several members of the management team and other key employees options to purchase shares in the Company, as part of their remuneration. The employees have options to purchase a total of 20,000,000 shares in the Company, at a purchase price of ISK 8 per share. These options have a vesting period of one year and become exercisable in April 2022. The exercise period is 12 months, until April 2023, at which point the options expire. The options may be exercised at any time during the exercise period.

New shares will be issued to honor the Company's commitments under the option agreements, if and when vested options are exercised, pursuant to an authorisation in the Company's articles of association, granting the board of directors the authority to issue a total of 47,500,000 new shares in the Company for the purposes of granting options to employees. Accordingly, the board of directors can and may enter into additional option agreements with employees and grant options to purchase a total of 13,863,634 shares, in addition to the options for a total of 33,636,366 shares which have at the date of this Company Description been granted. At the date of this Company Description, no decision or plan has been made as to the issuance of these remaining options. The options may or may not be granted to employees and if granted, the options will be subject to the terms and conditions as decided by the Company's board of directors.

The Company's board of directors is, following approval by the Company's remuneration committee, authorised to establish an alternative bonus scheme. The scheme may include payments and benefits to employees, including cash, special pension payments and share-related rights, including options to purchase shares. These bonuses are not part of the fixed terms of employment of employees.

5.5 POTENTIAL CONFLICT OF INTERESTS AND RELATED PARTY TRANSACTIONS

The Company has entered into the following agreements with related parties or which might otherwise pose potential conflict of interests:

- Arctica Finance has been the lead advisor in the share offerings and is acting as the Certified Advisor in relation to the listing of Play's shares. Arctica Eignarhaldsfélag ehf., an affiliate of Arctica Finance, and an investment fund operated by Arctica Finance, own shares in the Company. In addition, María Rúnarsdóttir, member of the board of directors of the Company, is a board member in Arctica Finance.
- Arion bank is the commercial bank of the Company, providing banking services for daily operations, and is acting as a joint financial advisor in the public offering and second private placement. Arion bank will, upon the first day of trading of Play's shares on First North, become one of two market makers for the shares.
- Skúli Skúlason, the vice chairman of the Board of Directors of the Company, is a large shareholder of Airport Associates ehf., the ground handling service provider for the Company. Airport Associates ehf. is affiliated with Fea ehf., a shareholder in the Company, through Skúli.
- Premis ehf. operates the Company's computer systems and provides various other services in relation to software licensing and computer security systems. Einar Örn Ólafsson, the chairman of the Board of Directors of the Company is an indirect minority shareholder in Premis ehf. The business with Premis ehf. is expected to grow as operations commence, but is expected to remain of negligent amount in proportion to the Company's overall finances.

Apart from the above, and otherwise as what is declared in terms of their shareholding and/or options to shares, the Company is not aware of any other potential conflicts of interests between any duties of the members of the board of directors or the management team, and their private interests and/or other duties.

5.6 INVOLVEMENT IN BANKRUPTCY, LIQUIDATION OR FRAUD RELATED CONVICTIONS

During the period of the last five years preceding the date of this Company Description, no member of the board of directors or the management team has been convicted of a fraudulent offence. Save for the proceedings discussed below, no member of the board of directors or the management team have, for the period of five years preceding the date of this Company Description, been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

- Since 2020, María Rúnarsdóttir, member of the board of directors of the Company, has been the subject of an investigation pursuant to the income tax act no. 90/2003 for her tax returns for the years 2011 and 2012. The prosecutor has not made any indication as to whether the case will be dropped or might be prosecuted.

- In June 2016, Íslandsbanki filed charges against Einar Örn Ólafsson, member of the board of directors of the Company, due to alleged illegal activities undertaken by him and others, in relation to the sale of Skeljungur and related companies and subsequent transactions between the bank and owners of said companies during 2008–2009. The case is still under investigation by the District Prosecutor who has not yet concluded if criminal charges will be brought or if the investigation dropped.
- The Director of Tax Investigations in Iceland initiated a case against Birgir Jónsson, the CEO of the Company, in September 2018 in relation to the taxation of capital income for previous years. The case is still pending before the Internal Revenue Board. The dispute regards the timing of the realization of capital income as the tax authorities claim that the timing was in 2013 which was after Birgir moved his residency to Iceland after living in Romania for a few years. The case is still open with the District Prosecutor although the case involves a legal dispute before the Internal Revenue Board. Birgir has made a clear claim that the case should be closed based on the nature of the dispute.

Arnar Magnússon, the Company's COO, Daníel Snæbjörnsson, the Company's CNO, and Jónína Guðmundsdóttir, the Company's CPO, were employed by WOW air hf. which was declared bankrupt in March 2019. All of them held positions in high levels of management, but none of them have been involved in any legal proceedings relating to responsibility or claims for damages due to events leading to WOW air hf.'s bankruptcy. Apart from the above, none of the members of the board of directors or the management team have, in the past five years, been associated with companies, in their capacity as a founder, director or senior manager, which have filed for bankruptcy or gone into receivership or liquidation.

6 SHARE CAPITAL AND SHAREHOLDERS

The share capital of Play at the date of this Company Description is 478,093,200. The share capital is divided into the same number of shares of nominal value ISK 1 each, all belonging to the same class of ordinary shares. The same and identical rights attach to every share in the Company. For further information on the Company's shares, a reference is made to the Company's Articles of Association which are attached to this Company Description in Appendix I.

The shares of the Company are registered electronically at Nasdaq CSD SE, Iceland branch, in accordance with the Act on Central Securities Depository, Settlement and Electronic Registration of Financial Instruments no. 7/2020. The ISIN number for the shares is IS0000032936.

At the date of this Company Description, Play's shareholders are 63, and the largest shareholder is Birta lífeyrissjóður with a 12.55% share. Below is a list of shareholders holding 1% or more in the Company:

Shareholder:	Number of shares	%
Birta lífeyrissjóður	59,984,252	12.55%
Fiskisund ehf.	56,699,294	11.86%
Stoðir hf.	40,000,000	8.37%

Fea ehf.	28,184,920	5.90%
Brimgarðar ehf.	22,993,701	4.81%
Dalía ehf.	22,047,244	4.61%
Akta HS1	20,472,441	4.28%
Lífsverk Lífeyrissjóður	20,472,000	4.28%
Akta Stokkur	17,637,796	3.69%
Akta HL1	15,433,071	3.23%
Kjartan Páll Guðmundson	11,791,526	2.47%
IS EQUUS Hlutabréf	10,000,000	2.09%
Gildur ehf	10,000,000	2.09%
Attis ehf.	8,000,000	1.67%
Vátryggingafélag Íslands hf.	8,000,000	1.67%
Alpha Hlutabréf	8,000,000	1.67%
IS Hlutabréfasjóðurinn	8,000,000	1.67%
P300 ehf.	6,681,864	1.40%
Skinnuhúfuklettur ehf.	5,000,000	1.05%
Pund ehf.	5,000,000	1.05%
Íslenska fjallatrukkafélagið ehf.	5,000,000	1.05%
Fagfjárfestasjóðurinn Algildi slhf	4,903,545	1.02%
Others	83,791,546	17.53%
Total:	478,093,200	100.00%

6.1 SHARE INCREASE ALLOWANCES AND OPTIONS

As noted above, the Company's share capital, at the date of this Company Description, is ISK 478,093,200. Pursuant to articles 2.3 - 2.5 in the Company's Articles of Association, the board of directors is authorized to increase the share capital of the Company up to a total of ISK 747,500,000.

The board of directors of the Company has the authority to increase the share capital by up to ISK 400,000,000 in relation to a private placement of cornerstone investors. The authorization is in effect until 30 June 2021. On 19 April 2021 the Board of Directors utilized part of this authorization to increase the share capital by ISK 378,093,200 to conclude the private placement to cornerstone investors. Accordingly, ISK 21,906,800 remain of this authorization.

The board of directors of the Company has the authority to increase the share capital by up to ISK 200,000,000 in relation to an offering of shares. The authorization is in effect until 31 December 2021. On the date of this Company Description, no part of this authorization has been utilized.

For the purposes of these authorizations, the board of directors is authorized to decide or negotiate the offering price and other terms of subscription for the shares. Current shareholders have waived their priority rights of subscription to new shares in relation to these authorizations.

In addition to the foregoing authorizations, the board of directors has the authority to increase the share capital by up to ISK 47,500,000 for the purposes of honoring the Company's commitments pursuant to share-based option agreements entered into with the Company's employees. The authorization, if fully utilized, will constitute around 8% of the Company's share capital, if the offerings of shares will be successful and the authorizations to increase the share capital, described above, will be fully utilized. The board of directors is authorized to negotiate and decide the purchase price for new shares. Current shareholders have waived their priority rights of subscription to new shares in relation to this authorization. The authorization is in effect until 26 March 2026. On the date of this Company Description, no part of this authorization has been utilized, but the Company has committed to issuing a total of 33,636,366 new shares pursuant to option agreements previously made with employees, subject to the vesting and exercise of these options. Reference is made to chapter 5.4 for further information on commitments under current option agreements.

6.2 SHARE OWNERSHIP BY STAKEHOLDERS

The following lists the shareholdings of members of the Board of Directors, employees and Certified Adviser at the date of this Company Description. The list includes holding entities in which the relevant stakeholder is a shareholder, directly or indirectly through other entities, or an affiliate of such holding entity through ownership, structural ties or marital status.

Stakeholder	Holding entity	Number of shares	%
Einar Örn Ólafsson ⁶	Fiskisund ehf.	57,455,200	11.86%
	Stoðir hf.	40,000,000	8.37%
Elías Skúli Skúlason ⁷	Fea ehf.	28,184,920	5.90%
Guðný Hansdóttir ⁸	Dalía ehf.	22,047,244	4.6%
María Rúnarsdóttir ⁹	NMR ehf.	1,259,896	<1%
Arctica Finance hf.	Arctica Finance safnreikningur	4,724,584	<1%
	Arctica eignarhaldsfélag ehf.	3,150,000	<1%
Birgir Jónsson ¹⁰	Morus ehf.	3,150,000	<1%

⁶ Einar Örn Ólafsson's beneficial ownership in Fiskisund ehf. is 33.33% and around 6% in Stoðir hf.

⁷ Elías Skúli Skúlason is the sole beneficial owner of FEA ehf.

⁸ Guðný Hansdóttir's husband, Kristján Grétarsson, is the beneficial owner of 29.1% in Dalía ehf.

⁹ María Rúnarsdóttir is the sole beneficial owner of NMR ehf.

¹⁰ Birgir Jónsson is the sole beneficial owner of Morus ehf.

The list includes holding entities in which the relevant stakeholder is a shareholder, directly or indirectly through other entities, irrespective of whether it is a minority or majority shareholding. The number of shares represents the total number of shares held by the relevant holding entity and might therefore not represent the stakeholder's ultimate or beneficial ownership in the Company. For additional details on individual stakeholder's relationship to each holding entity a reference is made to the footnote below.

6.3 TRANSFERABILITY OF THE COMPANY'S SHARES

Pursuant to the Articles of Association of the Company, all shares in the Company are freely transferrable. The shares are electronically registered and transfer of title subject to the provisions of the Act on Central Securities Depository, Settlement and Electronic Registration of Financial Instruments no. 7/2020.

Several shareholders have entered into lock-up agreements with respect to their shares in the Company. These include most of the participants in the private placement concluded in April 2021. The shares, subject to lock up requirements, will be released as follows:

- 30.864.464 shares will be released on the first day of trading;
- 92.593.392 shares will be released on the day falling 6 months from the first day of trading;
- 92.593.392 shares will be released on the day falling 9 months from the first day of trading;
- 92.593.392 shares will be released on the day falling on the first anniversary of the first day of trading.

Following the final release date above, no shares issued in the private placement will be subject to transfer restrictions.

In addition to the above, the Company is subject to, inter alia, statutory rules requiring them to be owned and controlled by a majority of shareholders who are EEA nationals. Transfers to non-EU nationals could therefore be restricted, under certain circumstances, by statute.

6.4 THE OFFERINGS

In April 2021 the Company launched a series of equity financing, intended to secure sufficient working capital for the first year of operations. The financing is divided into two separate sets of offerings: private placement and the IPOs. The IPOs are announced on or around the same day as this Company Description. The proceeds of the IPOs are intended to enhance the Company's financial position and working capital, to further support its growth and ramp-up process. The proceeds are also intended to allow the Company more flexibility in terms of timing of its ramp-up process, allowing it to either speed-up or delay its current plans for ramp-up.

6.4.1 The Private Placement

The private placement was launched in April 2021. The goal was to raise USD 35 million. The offering was oversubscribed and exceeded expectations. The private placement was closed at USD 47 million, around ISK 6 billion, on 19 April 2021. A total of 378,093,200 new shares were subscribed to and issued.

6.4.2 The Public Offerings

In parallel with the issuance of this Company Description, the Company will launch the Offerings, offer book A and offer book B, with the aim to raise up to around ISK 3.9 – 4.3 billion in new equity, by the issuance of up to 221,906,800 new shares in the Company.

Offer book B is structured to raise up to around ISK 3.2 billion, by the issuance of up to 157,906,800 new shares at the purchase price range of ISK 18 – 20 per share. All shares will be sold at the same price, equal to the lowest accepted bid. Minimum subscription in offer book B is ISK 20 million. The Company reserves the right to increase the size of the offering in case of oversubscription.

Offer book A is structured to raise up to the equivalent of EUR 8 million in ISK, around ISK 1.15 billion, at which offer book A is capped, by the issuance of up to 64,000,000 new shares at the purchase price of ISK 18 per share.

Subscriptions will be open at a purchase price in the range of ISK 100,000 – 20 million. In case of oversubscription, reductions will be proportional. Efforts will be made not to reduce subscriptions below a purchase price of ISK 500,000.

6.4.3 Subscription Period, Allocation and Delivery of Shares

The Offerings will be launched and completed simultaneously. Subscription period is 24–25 June 2021. Subscriptions will be accepted electronically through the Company's website.

The results of the offerings are expected to be published on 25 June and allocation of shares is expected to be announced on 28 June. Electronic invoices will be generated and delivered to subscribers in their online bank, with a payment date of 5 July.

Following completion of the offerings, which will be electronically created and registered, the newly issued shares will be delivered to subscribers' securities accounts.

The Company reserves the right to accept or reject any and all subscriptions, in part or in whole, and to increase or lower the size of the Offerings.

6.5 THE ADMISSION AND LISTING OF SHARES

6.5.1 Admission to trading

On 9 June 2021, the Company applied to begin procedure for admission of its shares to trading on First North Iceland. The first day of trading is expected to be on or around 9 July 2021.

The Company does not have nor has applied to have any securities listed on any other securities exchange or other regulated market place.

6.5.2 Shareholders' meeting and financial statements

The Company's first publication of interim financial statements following the admission to trading is scheduled to the Company's half-year report on or around 31 August 2021.

The Company's first shareholders' meeting following the admission to trading is scheduled to be held on or around 31 March 2022.

6.5.3 Independent Auditor

The Company's independent auditor is Grant Thornton endurskoðun ehf., reg. no. 430190-1999, Suðurlandsbraut 20, 108 Reykjavík, Iceland. The Company has not had any other independent auditor than Grant Thornton in the period covering the financial statements.

6.5.4 Advisors

Arctica Finance is acting as the Company's Certified Advisor and Lead Financial Advisor in relation to the Offerings of shares. The Offerings will be managed by Arctica Finance.

Arion bank is acting as Joint Financial Advisor in relation to the Offerings.

6.5.5 Documents on display

Copies of the following documents are available for inspection on the Company's website for a period of 5 years from the date of this Company Description:

- the Articles of Association of the Company;
- the Financial Statements; and
- this Company Description.

6.5.6 Third-party information

In this Company Description, certain information has been sourced from third parties. The Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified. The Company confirms that no statement or report attributed to a person as an expert is included in this Company Description.

7 FINANCIAL OVERVIEW

The financial information contained in this Company Description are from the Company's audited financial statements for the years 2019 and 2020, together with an unaudited interim management accounts for the period 1 January 2021 to 30 April 2021. All figures shown below are in USD.

The Company was incorporated in 2019 and as explained in this Company Description, the Company schedules to commence its business operations with its maiden flight on 24 June 2021. The financial statement show that the Company is yet to generate revenue.

The Company presents its financial statements in USD, which is the Company's functional currency. However, it is noted that the financial statements for the year 2019, attached to this Company Description on Appendix II are presented in ISK.

7.1 WORKING CAPITAL STATEMENT

The Company is of the opinion that the working capital available to the Company is sufficient for the Company's present requirements, for the period covering at least 12 months from the date of this Company Description. The proceeds from the Offerings which will close prior to admission to trading will further enhance the Company's financial position and working capital.

7.2 SIGNIFICANT DEVELOPMENTS AFTER THE LATEST REPORTING DATE

The private placement which closed in April 2021 raised USD 47 million. This is reflected in the interim financial statement for the period 1 January — 30 April 2021. The Company is in the progress of hiring employees and crew members before flight operations commence. Cost of labour has increased significantly, relative to the previous periods.

The interim management accounts report that aircraft security deposits have been delivered to the aircraft leasing company in the amount of USD 1.06 million. The Company is yet to make additional security deposits in the amount of USD 1.03 million, bringing such security deposits up to a total of USD 3.09 million for the first three aircraft.

7.3 INCOME STATEMENT

The table below shows the company's income statement for the period 1 January 2021 to 30 April 2021, as declared in the management accounts. As the Company is in the process of ramping up its operations, the results for the period are not entirely comparable to previous periods, especially in relation to operating expenses which have increased significantly as the Company nears closer to its scheduled maiden flight:

	Notes	1/1-30/4 2021	2020
Operating expenses			
Salaries and related expenses	1	(762.912)	(338.112)
General and administrative expenses		(499.720)	(1.302.993)
		<u>(1.262.632)</u>	<u>(1.641.105)</u>
Result for the period before financial items		(1.262.632)	(1.641.105)
Financial income and expenses			
Financial income		1	35
Financial expenses		(3.181)	(45.428)
Foreign exchange difference		581.986	(226.589)
		<u>578.806</u>	<u>(271.982)</u>
Net result for the period		<u>(683.826)</u>	<u>(1.913.087)</u>

7.4 BALANCE SHEET

The table below shows the Company's balance sheet as of 30 April 2021. As the Company completed a private placement in April 2021, there are significant changes from the position at end of year 2020.

Assets	Notes	30/4 2021	31/12 2020
Intangible assets	1	7.956.576	6.365.873
Aircraft lease deposits		2.058.000	
Fixed assets		<u>10.014.576</u>	<u>6.365.873</u>
Accounts receivables and other	2	325.825	230.434
Cash and cash equivalent		46.620.528	6.579
Current assets		<u>46.946.353</u>	<u>237.012</u>
Total assets		<u>56.960.929</u>	<u>6.602.886</u>
Stockholders' equity			
Share capital		57.895.196	416.875
R&D reserve		7.956.576	6.365.873
Accumulated losses		(10.664.860)	(8.765.931)
Stockholders' equity	3	<u>55.186.912</u>	<u>(1.983.183)</u>
Related parties		0	7.207.374
Accounts payable	4	712.149	1.063.231
Accrued liabilities and expenses	4	1.061.868	315.464
Current liabilities		<u>1.774.017</u>	<u>8.586.069</u>
Total liabilities		<u>1.774.017</u>	<u>8.586.069</u>
Liabilities and stockholders' equity		<u>56.960.929</u>	<u>6.602.886</u>

7.5 CAPITALISATION AND INDEBTEDNESS

The table below shows the capitalisation and indebtedness of the Company as of 30 April 2021:

Capitalisation	30 April 2021
Current debt	
Payables	712,149
Other debt	1,061,868

<i>Total debt</i>	<i>1,774,017</i>
Shareholder's equity	
Share capital	57,895,196
Other equity	(2,708,284)
<i>Total equity</i>	<i>55,186,912</i>
Total capitalisation	56,960,929

APPENDICES

**APPENDIX I —
ARTICLES OF ASSOCIATION**

SAMÞYKKTIR
FLY PLAY HF.

1 NAFN FÉLAGSINS, HEIMILI OG TILGANGUR

- 1.1 Félagið er hlutafélag. Heiti félagsins er Fly Play hf.
- 1.2 Tilgangur félagsins er flugrekstur, rekstur fasteigna, fjárfestingar, lánastarfsemi og skyldur rekstur.
- 1.3 Varnarþing félagsins er í Reykjavík.

2 HLUTAFÉ FÉLAGSINS

- 2.1 Hlutafé félagsins er kr. 478.093.200 og skiptist það í jafnmarga hluti sem hver er að fjárhæð ein króna.
- 2.2 Heimilt er að hækka hlutafé félagsins með ályktun hluthafafundar og þarf til sama magn atkvæða og til breytinga á samþykktum þessum. Hluthafar skulu hafa forgangsrétt að öllum nýjum hlutum í hlutfalli við skráða hlutfjáreign sína. Hluthafafundur einn getur ákveðið lækkun hlutfjár.
- 2.3 Stjórn félagsins er heimilt að auka hlutafé félagsins um allt að 400.000.000¹ hluta að nafnvirði með útgáfu nýrra hluta í tengslum við fjárfestingu kjölfestufjárfesta í félaginu. Hluthafar falla frá forgangsrétti sínum til nýrra hluta sem gefnir verða út á grundvelli þessarar heimildar. Stjórn ákveður verð nýrra hluta sem og aðra skilmála. Áskriftir að nýjum hlutum skulu gerðar í samræmi við samþykktir þessar og lög um hlutafélög. Hinir nýju hlutir skulu veita réttindi frá skráningardegi hlutfjárhækkunarinnar. Heimild þessi gildir til 30. júní 2021.
- 2.4 Stjórn félagsins er heimilt að auka hlutafé félagsins um allt að 200.000.000 hluta að nafnvirði með útgáfu nýrra hluta í hlutfjárútboði. Hluthafar falla frá forgangsrétti sínum til nýrra hluta sem gefnir verða út á grundvelli þessarar heimildar. Stjórn ákveður verð nýrra hluta sem og aðra skilmála sem birtir skulu í útboðsgögnum vegna hlutfjárútboðsins. Áskriftir að nýjum hlutum skulu gerðar í samræmi við samþykktir þessar, lög um hlutafélög og skilmála sem birtir eru í útboðsgögnum. Hinir nýju hlutir skulu veita réttindi frá skráningardegi hlutfjárhækkunarinnar. Heimild þessi gildir til 31. desember 2022.
- 2.5 Stjórn félagsins er heimilt að auka hlutafé félagsins um allt að 47.500.000 hluta að nafnvirði með útgáfu nýrra hluta til að efna skuldbindingar félagsins samkvæmt kaupréttarsamningum við starfsmenn félagsins. Hluthafar falla frá forgangsrétti sínum til nýrra hluta sem gefnir verða út á grundvelli þessarar heimildar. Stjórn ákveður verð nýrra hluta sem og aðra skilmála sem tilgreindir skulu í viðkomandi kaupréttarsamningum. Hinir nýju hlutir skulu veita réttindi frá skráningardegi hlutfjárhækkunarinnar. Heimild þessi gildir til 12. apríl 2026.

3 HLUTABRÉF OG HLUTASKRÁ

¹ Hlutir að nafnvirði kr. 378.093.200 gefnir út á grundvelli heimildar, skv. ákvörðun stjórnar þann 19. apríl 2021.

3.1 Hlutabréf félagsins eru gefin út með rafrænum hætti samkvæmt ákvæðum laga um verðbréfamiðstöðvar, uppgjör og rafræna eignarskráningu fjármálagerninga.

3.2 Hlutaskrá samkvæmt ákvæðum fyrrnefndra laga skoðast sem fullgild sönnun fyrir eignarrétti að hlutum í félaginu og skal arður og tilkynningar, á hverjum tíma, sendast hverjum þeim er skráður er eigandi viðkomandi hluta í hlutaskrá félagsins.

4 HÖMLUR Á MEÐFERÐ HLUTA

4.1 Engar hömlur eru lagðar á rétt hluthafa til meðferðar hluta sinna. Um eigendaskipti að hlutum í félaginu fer eftir ákvæðum laga um verðbréfamiðstöðvar, uppgjör og rafræna eignarskráningu fjármálagerninga.

5 EIGIN HLUTIR

5.1 Félagið má eigi veita lán út á hluti í félaginu. Félaginu er heimilt að kaupa eigin hluti að því marki sem lög leyfa. Óheimilt er að neyta atkvæðisréttar fyrir þá hluti sem félagið á sjálft.

6 SKULDBINDINGAR HLUTHAFA

6.1 Hluthafar bera ekki ábyrgð á skuldbindingum félagsins umfram hlut sinn í félaginu.

7 HLUTHAFAFUNDIR

7.1 Æðsta vald í málefnum félagsins, innan þeirra marka er samþykktir þessar og landslög setja, er í höndum lögmætra hluthafa.

7.2 Aðalfundur skal haldinn fyrir lok ágústmánaðar ár hvert. Aukafundi skal halda eftir ákvörðun stjórnar.

7.3 Boða skal aukafundi ef endurskoðandi eða hluthafar sem ráða a.m.k. einum tuttugasta hlut hlutafjár í félaginu krefjast þess. Skal krafan skriflega gerð og fundarefni tilgreint og fundur boðaður þá innan fjórtán daga frá því að krafa um fund er gerð.

7.4 Boða skal til hluthafafundar með auglýsingu í innlendum fjölmiðli, með rafrænum hætti eða með öðrum sannanlegum hætti þannig að tryggður sé skjótur aðgangur að fundarboðinu á jafnréttisgrundvelli. Nota skal trausta miðla sem tryggja virka útbreiðslu upplýsinga til almennings á Evrópska efnahagssvæðinu.

7.5 Hluthafafundi skal boða með minnst þriggja vikna fyrirvara en mest fjögurra vikna fyrirvara.

7.6 Hluthafafundur er lögmætur ef hann er löglega boðaður án tillits til fundarsóknar. Hluthafafundur kýs fundarstjóra og fundarritara.

7.7 Fundargerðarbók skal haldin og í hana skráð það sem gerist á hluthafafundum.

8 RAFRÆNIR HLUTHAFAFUNDIR

8.1 Stjórn er heimilt að ákveða að hluthafafundur verði haldinn rafrænt, hvort heldur að hluta eða öllu leyti.

- 8.2 Ákveði stjórn að nýta þessa heimild skal hún tryggja að rafrænn fundur fari fram á öruggan hátt og að tækjabúnaður sem notaður er uppfylli skilyrði hlutafélagalaga.
- 8.3 Þess skal getið í fundarboði fari fundur fram með rafrænum hætti. Fundarboðið skal þá jafnframt bera með sér slíkar upplýsingar um framkvæmd fundarins að hluthöfum sé gert kleift að taka þátt í honum.
- 8.4 Hluthafar sem hyggjast taka þátt í rafrænum hluthafafundi skulu tilkynna skrifstofu félagsins um þátttöku sína með a.m.k. tveggja daga fyrirvara. Samtímis skulu þeir leggja fram skriflegar spurningar varðandi dagskrá eða framlögð skjöl sem þeir óska svara við á fundinum. Spurningar og svör eiga að vera aðgengileg hluthöfum í síðasta lagi við upphaf hluthafafundar.
- 8.5 Innslegið aðgangsorð í tiltekinn fjarskiptabúnað jafngildir undirskrift viðkomandi hluthafa og telst staðfesting á fundarsókn.

9 ATKVÆDISRÉTTUR

- 9.1 Eitt atkvæði er fyrir hvern einnar krónu hlut. Hluthafar geta með skriflegu umboði veitt umboðsmönnum heimild til að sækja hluthafafund og fara með atkvæðisrétt sinn. Á hluthafafundi ræður afl atkvæða nema öðruvísi sé fyrir mælt í landslögum eða samþykktum þessum.
- 9.2 Hluthafa skal þó ávallt gefinn kostur á að greiða atkvæði, bréflaga eða rafrænt, um þau mál sem eru á dagskrá hluthafafundar.

10 AÐALFUNDIR

- 10.1 Á aðalfundum skulu tekin fyrir þessi mál:
- (a) Stjórn félagsins skal skýra frá rekstri þess á liðnu ári og hag þess í árslok.
 - (b) Ársreikningur félagsins fyrir liðið starfsár skal lagður fram ásamt athugasemdum endurskoðanda félagsins til samþykktar.
 - (c) Tekin skal ákvörðun um hvernig fara skal með hagnað eða tap og um arð og framlög í varasjóð.
 - (d) Kosning í stjórn félagsins.
 - (e) Kosning löggilts endurskoðanda eða endurskoðunarstofu.
 - (f) Ákvörðun um þóknun til stjórnarmanna, og ef við á undirnefnda stjórnar.
 - (g) Tillaga stjórnar um starfskjarastefnu.
 - (h) Tillögur frá hluthöfum sem taka ber á dagskrá.
 - (i) Umræður og atkvæðagreiðslur um önnur málefni sem löglega eru upp borin.

11 STJÓRN OG STJÓRNARKJÖR FÉLAGSINS

- 11.1 Stjórn félagsins skal skipuð fimm mönnum, kjörnum á aðalfundi til eins árs í senn. Kjósa skal einn varamann á aðalfundi og skal hann kjörinn til tveggja ári í senn. Stjórn félagsins stýrir

öllum málefnum félagsins milli hluthafafunda og gætir hagsmuna þess gagnvart þriðja manni. Undirskrift meirihluta stjórnarmanna skuldbindur félagið.

- 11.2 Stjórnarkjör fer fram sem meirihlutakosning, nema löggild krafa komi fram um annað, og skal að jafnaði vera skriflega ef fleiri eru í framboði en kjósa skal.
- 11.3 Þær tvær konur og þeir tveir karlar sem flest atkvæði fá í stjórnarkjöri skulu teljast réttkjörin auk þess frambjóðanda sem flest atkvæði fær af þeim frambjóðendum sem eftir standa. Sá aðili sem flest atkvæði fær í kjöri til varastjórnar skal teljast réttkjörinn.
- 11.4 Stjórn starfar eftir starfsreglum sem stjórnin setur á grundvelli laga um hlutafélög.

12 FRAMKVÆMDASTJÓRI

- 12.1 Stjórn félagsins skal ráða framkvæmdastjóra til félagsins og ákveður þá starfskjör hans og veitir prókúruumboð fyrir félagið.
- 12.2 Framkvæmdastjóri hefur með höndum stjórn á daglegum rekstri félagsins og kemur fram fyrir þess hönd í öllum málum sem varða venjulegan rekstur. Framkvæmdastjóra ber að hlíta fyrir mælum stjórnar. Hann sér um reikningshald og ráðningu starfsmanna. Framkvæmdastjóra ber að veita stjórnarmönnum og skoðunarmanni eða endurskoðanda allar upplýsingar um rekstur félagsins sem þeir kunna að óska eftir og veita ber lögum samkvæmt.

13 UPPGJÖR OG ENDURSKOÐUN

- 13.1 Á aðalfundi skal kjósa endurskoðanda eða endurskoðunarfélag fyrir félagið. Endurskoðandi skal endurskoða reikninga félagsins og leggja niðurstöður sínar fyrir aðalfund. Endurskoðanda má ekki kjósa úr hópi stjórnarmanna eða starfsmanna félagsins.
- 13.2 Starfsár og reikningsár er almanaksárið. Stjórn félagsins skal hafa lokið gerð ársreiknings og lagt fyrir endurskoðanda eigi síðar en fjórum vikum fyrir aðalfund.

14 ARÐSÚTHLUTUN OG VARASJÓÐIR

- 14.1 Aðalfundur tekur ákvörðun um úthlutun arðs og greiðslur í varasjóð að fenginni tillögu stjórnar um ráðstöfun ágóðans.
- 14.2 Óheimilt er að ákveða á aðalfundi meiri úthlutun arðs en stjórn félagsins leggur til eða samþykkir. Arðgreiðslur skulu inntar af hendi eigi síðar en sex mánuðum frá samþykkt úthlutunar.

15 BREYTINGAR Á SAMÞYKKTUM

- 15.1 Samþykktum þessum má breyta á lögsmætum aðalfundi eða aukafundi með 2/3 hlutum þess hlutafjár í félaginu sem farið er með atkvæði fyrir á fundinum, enda sé annað atkvæðamagn ekki áskilið í samþykktum, hluthafasamkomulagi eða landslögum. Verði hluthafi í félaginu aðeins einn getur hann breytt samþykktum þessum með skráningu ákvörðunar sinnar í gerðabók félagsins.

16 FÉLAGSSLIT OG SAMRUNI

- 16.1 Með tillögum um slit og skipti á félaginu eða samruna við annað félag eða önnur félög skal fara sem um breytingar á samþykktum þessum. Þarf atkvæði hluthafa sem ráða minnst 2/3 hlutum af heildarhlutafé félagsins til að ákvörðun um slit eða samruna verði gild, nema hluthafasamkomulag mæli fyrir með öðrum hætti. Hluthafafundur, sem tekið hefur löglega ákvörðun um slit eða skipti félagsins, skal einnig ákveða ráðstöfun á eignum þess og skuldum.

17 ÖNNUR ÁKVÆÐI

- 17.1 Þar sem ákvæði samþykpta þessara segja ekki til um hvernig með skuli farið skal hlíta ákvæðum laga um hlutafélög, svo og öðrum lagaákvæðum er við geta átt.

ÞANNIG SAMÞYKKT Á HLUTHAFAFUNDI 12. APRÍL 2021.

ÞANNIG BREYTT Í SAMRÆMI VIÐ ÁKVÖRDUN STJÓRNAR UM ÚTGÁFU HLUTAFJÁR ÞANN 12. APRÍL 2021.

ÞANNIG BREYTT Í SAMRÆMI VIÐ ÁKVÖRDUN STJÓRNAR UM ÚTGÁFU HLUTAFJÁR ÞANN 19. APRÍL 2021.

Bjarar Jónsson



**APPENDIX II —
FINANCIAL STATEMENTS**

Management accounts



Fly Play ehf.

January to April 2021

Income Statements for the years 2021 and 2020

	Notes	1/1-30/4 2021	2020
Operating expenses			
Salaries and related expenses	1	(762.912)	(338.112)
General and administrative expenses		<u>(499.720)</u>	<u>(1.302.993)</u>
		<u>(1.262.632)</u>	<u>(1.641.105)</u>
Result for the period before financial items		(1.262.632)	(1.641.105)
Financial income and expenses			
Financial income		1	35
Financial expenses		(3.181)	(45.428)
Foreign exchange difference		581.986	(226.589)
		<u>578.806</u>	<u>(271.982)</u>
Net result for the period		<u>(683.826)</u>	<u>(1.913.087)</u>

Balance Sheet as of 31 December 2020

Assets	Notes	30/4 2021	31/12 2020
Intangible assets	1	7.956.576	6.365.873
Aircraft lease deposits		2.058.000	
Fixed assets		10.014.576	6.365.873
Accounts receivables and other	2	325.825	230.434
Cash and cash equivalent		46.620.528	6.579
Current assets		46.946.353	237.012
Total assets		56.960.929	6.602.886
 Stockholders' equity			
Share capital		57.895.196	416.875
R&D reserve		7.956.576	6.365.873
Accumulated losses		(10.664.860)	(8.765.931)
Stockholders' equity	3	55.186.912	(1.983.183)
Related parties		0	7.207.374
Accounts payable	4	712.149	1.063.231
Accrued liabilities and expenses	4	1.061.868	315.464
Current liabilities		1.774.017	8.586.069
Total liabilities		1.774.017	8.586.069
Liabilities and stockholders' equity		56.960.929	6.602.886

Notes to Financial Statements

Intangible assets

1. Intangible assets and their amortization are specified as follows:

	Aviation licence	Brand	Software	Total
Total value 1.1. 2021	2.949.951	792.511	2.623.412	6.365.873
Additions during the period	745.504	281.565	563.634	1.590.703
Book value 30.4. 2021	<u>3.695.455</u>	<u>1.074.076</u>	<u>3.187.045</u>	<u>7.956.576</u>

Accounts receivable and other

2. Other receivables	30.4. 2021	30.4. 2020
Prepaid expenses	86.322	67.726
VAT for refund	233.387	141.312
Related party claims	0	19.653
Other	<u>2.973</u>	<u>1.743</u>
	<u>322.683</u>	<u>230.434</u>

Stockholders' equity

3. Changes in stockholders' equity are as follows:

	Share capital	R&D reserve	Accumulated loss	Total
Balance at beginning of period	416.875	6.365.873	(8.765.931)	(1.983.183)
Share capital decrease	(375.600)	0	375.600	0
Shareholder loan converted to share capital	10.000.000	0	0	10.000.000
Share capital increase	47.853.921	0	0	47.853.921
Transferred to restricted equity		1.590.703	(1.590.703)	0
Net result for the period			<u>(683.826)</u>	<u>(683.826)</u>
Balance 30.4. 2021	<u>57.895.196</u>	<u>7.956.576</u>	<u>(10.664.860)</u>	<u>55.186.912</u>

Accounts payable and other current liabilities

4. Accounts payable	30.4. 2021	31.12.2020
Domestic vendors	233.664	539.564
Foreign vendors	410.262	422.412
Accrued expenses	68.223	101.255
	<u>712.149</u>	<u>1.063.231</u>
 Current liabilities		
Payroll taxes due	501.136	257.814
Pension fund liabilities due	72.436	55.930
Other payroll expensed due	2.877	1.720
Accrued vacation obligations	485.420	0
	<u>1.061.868</u>	<u>315.464</u>

Financial Statements



Fly Play ehf.

December 31, 2020

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Board of Fly Play ehf.:

Eliás Skúli Skúlason, Chairman of the Board
Arnar Már Magnússon
Sveinn Ingi Steinþórsson

CEO:

Arnar Már Magnússon

Auditors:

Grant Thornton endurskoðun ehf.
Sturla Jónsson
State authorised public accountant

Endorsement by the board of directors and CEO

The Company primarily operates in the airline industry.

These financial statements are prepared all main aspects based on the same accounting principles as for the previous year. The Company's functional currency was changed from ISK to US dollars during the year. Comparative figures have been restated.

The Company has been developing its brand, acquiring aviation licence, and preparing for selling passenger flights to and from Iceland from its founding in 2019.

Stockholder's Equity was negative in the amount of \$2 million compared to negative in the amount of \$70 thousand at the beginning of the year. The Board of Directors proposes no dividend payment to shareholders in 2021 for the year 2020. It is also suggested that the Company's share capital will be decreased by offsetting accumulated losses in the amount of \$318 thousand (40.5 million ISK). For further information on the Company's financial status the Board of Directors refers to the Financial Statements.□

Average number of employees during the year amounted to 38 (2019: 17) and total payments of salaries and related expenses amounted to \$2.5 million during the year (\$781 thousand).□

The COVID-19 pandemic had a large effect on the Icelandic economy and financial markets. There is still uncertainty on the progression of the pandemic and its effect on the Company and its business environment. The Company had planned to start sale of airline tickets during 2020 but plans were revised due to the effect the pandemic had on tourism in Iceland. The Company currently plans to start selling during 2021.

Fea ehf was the sole shareholder of the Company at year end.

The Board of Directors and the CEO have today discussed the financial statements for the year 2020 and confirm them by means of their signatures.□

Hafnarfjörður, 23. March 2021

Independent Auditors' Report

To the board and shareholders of Fly Play ehf.

Opinion

We have audited the accompanying Financial Statements of Fly Play ehf. (hereafter the 'Company') for the year 2020. The Financial Statements comprise the the Statement of Income, Balance Sheet, the Statement of Cash Flows, a summary of significant accounting policies and other explanatory information.

In our opinion, the Financial Statements present fairly, in all material respects, the results of operations of Fly Play ehf. for the year 2020, its financial position as at December 31, 2020, and its cash flows for the year then ended in accordance with the Financial Statements Act.

In accordance with the provisions of Article 104, paragraph 2 of the Icelandic Financial Statements Act No. 3/2006, we confirm that the Statement by the Board of Directors and CEO accompanying the Financial Statements includes at least the information required by the Financial Statements Act if not disclosed elsewhere in the Financial Statements.

Emphasis of matter

We draw attention to Note 10 to the Financial Statements which describes the uncertainty related to the COVID-19 pandemic and the Company's going concern. Our opinion is not qualified in respect of this matter.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our Report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in Iceland, and we have fulfilled all ethical requirements therein. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The Board of Directors and CEO's Responsibilities for the Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the Financial Statements in accordance with the Financial Statements Act, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Board of Directors and CEO are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors and CEO either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exist related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicated with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Hafnarfjörður, 23. March 2021

on behalf of

Grant Thornton endurskoðun ehf.

Sturla Jónsson

State Authorized Public Accountant

Income Statements for the years 2020 and 2019

	Notes	2020	2019
Operating expenses			
Salaries and related expenses	3	(338.112)	(82.325)
General and administrative expenses		<u>(1.302.993)</u>	<u>(350.884)</u>
		<u>(1.641.105)</u>	<u>(433.209)</u>
Result for the year before financial items		(1.641.105)	(433.209)
Financial income and expenses			
Financial income		35	2
Financial expenses		(45.428)	(25.864)
Foreign exchange difference		<u>(226.589)</u>	<u>(27.899)</u>
		<u>(271.982)</u>	<u>(53.761)</u>
Net result for the year		<u>(1.913.087)</u>	<u>(486.970)</u>

Balance Sheet as of 31 December 2020

Assets	Notes	2020	2019
Fixed assets			
Intangible assets	5	6.365.873	2.120.767
Fixed assets		<u>6.365.873</u>	<u>2.120.767</u>
Accounts receivables and other	6	230.434	262.163
Cash and cash equivalent		6.579	124.355
Current assets		<u>237.012</u>	<u>386.518</u>
Total assets		<u>6.602.886</u>	<u>2.507.285</u>
Liabilities and stockholders' equity			
	Notes	2020	2019
Share capital		416.875	416.875
R&D reserve		6.365.873	2.120.767
Accumulated losses		(8.765.931)	(2.607.737)
Stockholders' equity	7	<u>(1.983.183)</u>	<u>(70.096)</u>
Convertible bond		0	1.122.308
Long-term debt		<u>0</u>	<u>1.122.308</u>
Related parties	8	7.207.374	0
Accounts payable		1.063.231	1.199.134
Accrued liabilities and expenses		315.464	255.938
Current liabilities		<u>8.586.069</u>	<u>1.455.072</u>
Total liabilities		<u>8.586.069</u>	<u>2.577.380</u>
Liabilities and stockholders' equity		<u>6.602.886</u>	<u>2.507.285</u>

Statement of cash flows 2020

	Notes	2020	2019
Operating activities			
Net result for the year		(1.913.087)	(486.970)
Items not affecting cash:			
Accrued interests convertible bond	1	(3.948)	3.948
Foreign exchange difference	2	289.060	0
		<u>(1.627.975)</u>	<u>(483.022)</u>
Change in current assets and liabilities:			
Change in trade and other receivables		31.729	(262.163)
Change in trade and other payables		(76.377)	1.455.072
		<u>(44.648)</u>	<u>1.192.909</u>
		<u>(1.672.623)</u>	<u>709.887</u>
Investing activities			
Investment in intangible assets		(4.245.107)	(2.120.767)
		<u>(4.245.107)</u>	<u>(2.120.767)</u>
Financing activities			
Proceeds from convertible bond		0	1.118.360
Loans from shareholders		5.799.954	0
Proceeds from share issue		0	416.875
		<u>5.799.954</u>	<u>1.535.235</u>
Increase (decrease) in cash		(117.776)	124.355
Cash and cash equivalents at beginning of year		124.355	0
Cash and cash equivalents at end of year		<u>6.579</u>	<u>124.355</u>

Notes to Financial Statements

1. General information

Reporting entity

Fly Play ehf. (the 'Company') is domiciled in Hafnarfjörður, Iceland. The Company primarily operates in the airline industry.

Summary of accounting principles

Basis of preparation

2. These financial statements are prepared in accordance with the Financial Statements Act and generally accepted accounting principles of Iceland and are in all main aspects based on the same accounting principles as for the previous year. The financial statements are prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are presented in US dollars, which is the Company's functional currency.

Restatement of comparison amounts

The Company application for changing its functional currency from ISK to US dollars was approved, effective from the financial year 2020. Comparative figures have been converted to US dollars given the exchange rate at the date of each transaction.

Use of judgements and estimates

As according to the Financial Statement Act, in the preparation of the Financial Statements directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Management's responsibility also applies to the notes of the Financial Statements. The estimates and associated assumptions are based on historical experience and other factors deemed to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Foreign currency

Transactions in foreign currencies are recorded at the exchange rate on the transaction date. Assets and liabilities denominated in foreign currencies are converted to US dollars at the exchange rate at year-end 2020. Exchange rate differences are included in the Statement of Operations. The Company uses the exchange rates issued by the Central Bank of Iceland.

Financial expenses

Financial income and expenses are recognized in the income statement in the period in which they occur.

Revenue recognition

Passenger ticket sales are recognized as revenue when transportation has been provided. Revenue from the rendering of services is recognized when the service is provided. Revenue is shown in the income statement net of discounts.

Expense recognition

Expenses are recognized in the Statement of Operations when they have incurred and the right to make a claim has been transferred to the seller.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which cases it is recognized in equity.

Current Tax:

The tax currently payable is based on taxable profit for the period. Taxable profits differ from net profit as reported in the income statement as it excludes both items of income or expense that are taxable or deductible in other periods and items that are non-taxable or deductible.

Deferred tax:

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Intangible assets

Intangible assets are capitalized when it is probable that future economic benefits associated with the asset will flow to the company and the cost of the asset can be measured reliably. Intangible assets are developed software solutions, cost of airflight license and development and design of the Company's brand. Intangible assets are amortized over the expected useful live of the asset. Estimated useful lives are as follows:

Brand and website	3-5 years
Aviation licence	3-5 years
Software	2-5 years

Property, plant and equipment

Property, plant and equipment is recognized as an asset when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Property, plant and equipment which qualifies for recognition as an asset is initially measured at cost. The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition.

Depreciation is calculated as a fixed annual percentage of the cost of the asset over its useful life, less residual value.

Gains or losses on the sale of assets is the difference between the sale price and the carrying amount of assets on the date of sale.

Impairment

At each balance sheet date, the Company reviews the carrying amount of assets to determine whether there is any indication that there has been an impairment loss. If evidence of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating units is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment of cash-generating units are first deducted from the related permanent quota, then the relative decrease in the carrying amount of the other assets of the unit. An impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised estimate of its recoverable amount, but not in excess of the original cost. Impairment loss of goodwill is not reversed.

Accounts receivable

Account's receivables are valued at nominal value less an allowance for doubtful accounts. The allowance is deducted from accounts receivable in the balance sheet and does not represent a final write-off.

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank deposits.

Long-term debt

Long-term debt is valued at nominal value less payments made, and the remaining nominal value is calculated relative to the current exchange rate or index at the end of the period as appropriate. Interest expense of long-term debt is expensed in the period to which it belongs. Borrowing costs for new loans is recognized as an expense in the year they are incurred.

Accounts payable

Accounts payable are valued at nominal value and accounts payable in other currencies are valued at the exchange rates prevailing on the balance sheet date.

Provisions

Provisions are recognized in the balance sheet when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation and the amount of the obligation can be assessed reliably.

Salaries and other employee expenses

3. Salaries and related expenses are as follows:	2020	2019
Salaries	2.566.881	788.385
Pension fund contributions	332.103	104.741
Other salary related expenses	221.066	68.890
Capitalized salary expenses as intangible assets	(2.781.938)	(879.691)
Salaries and related expenses total	<u>338.112</u>	<u>893.126</u>
Average number of employees	38	17

4. Taxes

The entity does not pay any income tax related to the financial year due to taxable losses.

Loss carries forward amounts to \$5.1 million at the end of the year. Deferred tax asset is not recognized due to uncertainty of its useful life.

Intangible assets

5. Intangible assets and their amortization are specified as follows:

	Aviation licence	Brand	Software	Total
Total value 1.1. 2020	791.514	184.976	1.144.277	2.120.767
Additions during the year	2.158.437	607.535	1.479.135	4.245.107
Book value 31.12. 2020	<u>2.949.951</u>	<u>792.511</u>	<u>2.623.412</u>	<u>6.365.873</u>

6. Accounts receivable and other

Other receivables	2020	2019
Prepaid expenses	67.726	0
VAT for refund	141.312	235.924
Related party claims	19.653	20.644
Other	1.743	5.594
	<u>230.434</u>	<u>262.162</u>

Stockholders' equity

7. The Company's capital stock at year end amounted to 50.5 million ISK (\$416,875). One vote is attached to each share of one ISK.

R&D reserve is derived from capitalization of R&D expenses in accordance with Article 16 of the Financial statements Act. Dividends cannot be distributed from the R&D reserve. The reserve is amortized through retained earnings or accumulated losses equally to the amortization of intangible assets. If intangible asset is sold or fully amortized or impaired, the reserve is fully amortized accordingly.

Changes in stockholders' equity are as follows:

	Share capital	R&D reserve	Accumulated loss	Total
Balance at beginning of year	416.875	2.120.767	(2.607.737)	(70.096)
Transferred to restricted equity		4.245.107	(4.245.107)	0
Net result for the year			(1.913.087)	(1.913.087)
Balance 31.12. 2020	<u>416.875</u>	<u>6.365.873</u>	<u>(8.765.931)</u>	<u>(1.983.183)</u>

8. Related parties

Related parties are the Company's parent, subsidiaries, affiliates, directors, the CEO, close family members of forementioned and other large shareholders with significant influence.

Liabilities due to related parties are against the Company's shareholder, Fea ehf. The Company issued a convertible bond to Fea ehf during 2019 which was replaced with a general shareholder loan in 2020. The shareholder loan does not bear any interest, is denominated in ISK and amounts to 946.5 million ISK at year end.

There were no other transactions with related parties other than shareholders during the year.

9. Other matters

The COVID-19 pandemic had a large effect on the Icelandic economy and financial markets. There is still uncertainty on the progression of the pandemic and its effect on the Company and its business environment. The Company had planned to start sale of airline tickets during 2020 but plans were revised due to the effect the pandemic had on tourism in Iceland. The Company currently plans to start selling during 2021.

The Company's shareholder, Fea ehf, has declared it will support continuing operations of the Company to ensure it's going concern with further funding. In addition, the Company is discussing further funding opportunities with domestic and foreign investors.□

Approval of the Financial statements

10. The Board of directors approved the financial statements on 23. March 2021

Upplýsingar með ársreikningi

Kennitala:

660319-0180

Nafn:

Fly Play ehf.

Reikningsár:

2019

Reikningstegund:

Ársreikningur

Dagsetning aðalfundar:

10.9.2020

Ársverk

17

Stjórnarmenn

Kennitala	Nafn
160865-3189	Eliás Skúli Skúlason
280779-3699	Sveinn Ingi Steinþórsson
260685-3179	Arnar Már Magnússon

Endurskoðendur/skoðunarmenn

Kennitala	Nafn
4301901999	Grant Thornton endurskoðun ehf.

Tíu stærstu hluthafar

Kennitala	Nafn	Hluttur %	Hlutfé
550419-1060	NEO ehf.	10100	50.500.000

Ársreikningur

Fly Play ehf.

2019

Kt. 660319-0180

1400 Hafnarfirði



Skýrsla stjórnar

Aðalstarfsemi félagsins er flugrekstur og tengd starfsemi.

Félagið var stofnað á árinu. Félagið hefur unnið að þróun vörumerkis, umsókn flugrekstrarleyfis og hafið undirbúning á sölu flugferða til og frá Íslandi frá stofnun þess í júní 2019.

Samkvæmt rekstrarreikningi nam rekstrartap félagsins 54,4 millj.kr. á árinu. Eigið fé félagsins í lok árs var neikvætt um 3,9 millj.kr. Stjórn félagsins leggur til að rekstrartapi ársins verði ráðstafað til næsta árs. Að öðru leyti vísast til ársreikningsins varðandi fjárhagsstöðu félagsins og rekstur þess á liðnu ári.

Stöðugildi hjá félaginu voru 17 og launagreiðslur félagsins námu um 95,6 millj.kr. á árinu.

Áhrif faraldurs vegna COVID-19 veirunnar á íslenskt efnahagslíf og fjármálamarkaði eru víðtæk og mikil óvissa ríkir um framhaldið. Vegna áhrifa faraldursins á ferðaþjónustu á Íslandi hafa áætlanir félagsins riðlast. Að mati stjórnar og forstjóra hafa ekki komið fram vísbendingar við undirritun ársreiknings þess efnis að vafi kunni að leika á rekstrarhæfi félagsins.

Félagið hefur fengið samþykkt af ársreikningaskrá að færa bókhald sitt og ársreikninga í bandaríkjadólar frá og með reikningsárinu 2020.

Hluthafi hjá félaginu var einn í lok árs sem og við stofnun.

Neo ehf	50.500.000	100,0%
	<u>50.500.000</u>	

Stjórn Fly Play ehf og forstjóri staðfesta hér með ársreikning félagsins fyrir árið 2019 með undirritun sinni.

Hafnarfirði, 10. september 2020

Áritun óháðs endurskoðanda

Til stjórnar og hluthafa félagsins Fly Play hf.

Álit

Við höfum endurskoðað meðfylgjandi ársreikning Fly Play ehf. (hér eftir félagið) fyrir rekstrarárið 1. janúar 2019 til 31. desember 2019. Ársreikningurinn hefur að geyma skýrslu stjórnar, rekstrarreikning, efnahagsreikning, yfirlit um sjóðstreymi, upplýsingar um mikilvægar reikningsskilaaðferðir og aðrar skýringar.

Það er álit okkar að ársreikningurinn gefi glögga mynd af afkomu félagsins á árinu 2019, efnahag þess 31. desember 2019 og breytingu á handbæru fé á rekstrarárinu, í samræmi við lög um ársreikninga.

Í samræmi við ákvæði 2. mgr. 104. gr. laga nr. 3/2006 um ársreikninga staðfestum við samkvæmt okkar bestu vitund að í skýrslu stjórnar sem fylgir ársreikningi þessum eru veittar þær upplýsingar sem þar ber að veita í samræmi við lög um ársreikninga og koma ekki fram í skýringum.

Ábending vegna atburða eftir reikningsskiladag og rekstrarhæfis

Án þess að gera fyrirvara við álit okkar viljum við vekja athygli á umfjöllun í skýrslu stjórnar og í skýringu 13 við ársreikninginn um atburði eftir reikningsskiladag vegna áhrifa COVID-19 faraldursins og óvissu sem fyrir hendi er í rekstrarumhverfi félagsins.

Grundvöllur fyrir álit

Endurskoðað var í samræmi við alþjóðlega endurskoðunarstaðla (ISA). Ábyrgð okkar samkvæmt þeim stöðlum er nánar lýst í kaflanum Ábyrgð endurskoðanda. Við erum óháð félaginu í samræmi við settar siðareglur fyrir endurskoðendur á Íslandi og höfum við uppfyllt ákvæði þeirra. Við teljum að við endurskoðunina höfum við aflað nægilegra og viðeigandi gagna til að byggja álit okkar á.

Ábyrgð stjórnar og framkvæmdastjóra á ársreikningnum

Stjórn og framkvæmdastjóri eru ábyrg fyrir gerð og framsetningu ársreikningsins í samræmi við lög um ársreikninga. Stjórn og framkvæmdastjóri eru einnig ábyrg fyrir því innra eftirliti sem nauðsynlegt er varðandi gerð og framsetningu ársreikningsins, þannig að hann sé án verulegra annmarka, hvort sem er vegna sviksemi eða mistaka.

Við gerð ársreikningsins eru stjórn og framkvæmdastjóri ábyrg fyrir því að meta rekstrarhæfi félagsins. Ef við á, skulu stjórn og framkvæmdastjóri setja fram viðeigandi skýringar um rekstrarhæfi og hvers vegna ákveðið var að beita forsendunni um rekstrarhæfi við gerð og framsetningu ársreikningsins, nema stjórn og framkvæmdastjóri hafi ákveðið að leysa félagið upp eða hætta starfsemi, eða hafa enga aðra raunhæfa möguleika en að gera það.

Stjórn skal hafa eftirlit með gerð og framsetningu ársreikningsins.

Ábyrgð endurskoðanda

Markmið okkar er að afla nægjanlegrar vissu um að ársreikningurinn sé án verulegra annmarka, hvort sem er af völdum sviksemi eða mistaka og að gefa út áritun sem felur í sér álit okkar.

Nægjanleg vissu er mikil vissu, en ekki trygging þess að endurskoðun framkvæmd í samræmi við alþjóðlega endurskoðunarstaðla muni uppgötva allar verulegar skekkjur séu þær til staðar. Skekkjur geta orðið vegna mistaka eða sviksemi og eru álitnar verulegar ef þær gætu haft áhrif á fjárhagslega ákvarðanatöku notenda ársreikningsins, einar og sér eða samanlagðar.

Sem hluti af endurskoðuninni sem framkvæmd er í samræmi við alþjóðlega endurskoðunarstaðla, beitum við faglegu mati (e. professional judgment) og við höfum faglega tortryggni (e. professional skepticism). Eftirfarandi atriði eru einnig hluti af endurskoðun okkar á ársreikningi félagsins:

- Greinum og metum hættuna á verulegri skekkju í ársreikningnum, hvort sem er vegna mistaka eða sviksemi, hönnum og framkvæmum endurskoðunaraðgerðir til að bregðast við þeim hættum og öflum endurskoðunargagna sem eru nægjanleg og viðeigandi til að byggja álit okkar á. Hættan á að uppgötva ekki verulega skekkju vegna sviksemi er meiri en að uppgötva ekki skekkju vegna mistaka, þar sem sviksemi getur falið í sér samsæri, skjalafals, misvísandi framsetningu ársreiknings, að einhverju sé viljandi sleppt eða að farið sé framhjá innri eftirlitsaðgerðum.
- Öflum skilnings á innra eftirliti, sem snertir endurskoðunina, í þeim tilgangi að hanna viðeigandi endurskoðunaraðgerðir, en ekki í þeim tilgangi að veita álit á virkni innra eftirlits félagsins.
- Metum hvort reikningsskilaaðferðir sem notaðar eru, og tengdar skýringar, séu viðeigandi og hvort reikningshaldslegt mat stjórnenda sé raunhæft.
- Ályktum um notkun stjórnenda á forsendunni um rekstrarhæfi og metum á grundvelli endurskoðunarinnar hvort verulegur vafi leiki á rekstrarhæfi eða hvort aðstæður séu til staðar sem gætu valdið verulegum efasendum um rekstrarhæfi. Ef við teljum að verulegur vafi leiki á rekstrarhæfi ber okkur að vekja sérstaka athygli á viðeigandi skýringum ársreikningsins í áritun okkar. Ef slíkar skýringar eru ófullnægjandi, þurfum við að víkja frá fyrirvaralausri áritun. Niðurstaða okkar byggir á endurskoðunargögnum sem aflað er fram að dagsetningu áritunar okkar. Engu að síður geta atburðir eða aðstæður í framtíðinni valdið óvissu um rekstrarhæfi félagsins.
- Metum í heild sinni hvort ársreikningurinn gefi glögga mynd af undirliggjandi viðskiptum og atburðum, metum framsetningu, uppbyggingu, innihald og þar með talið skýringar með tilliti til glöggrar myndar.

Okkur ber skylda til að upplýsa stjórn meðal annars um áætlað umfang og tímasetningu endurskoðunarinnar og veruleg atriði sem komu upp í endurskoðun okkar, þar á meðal verulega annmarka á innra eftirliti sem komu fram í endurskoðuninni, ef við á.

Reykjavík, 10. september 2020

Grant Thornton endurskoðun ehf.

Sturla Jónsson
löggiltur endurskoðandi

Rekstrarreikningur ársins 2019

	Skýr.	2019
Rekstrargjöld		
Laun og tengd gjöld	3	(11.241.422)
Annar rekstrarkostnaður		(40.978.997)
		<u>(52.220.419)</u>
Tap fyrir fjármagnsliði		(52.220.419)
Fjármagnsliðir	4	
Fjármunatekjur		203
Fjármagnsgjöld		(3.144.107)
Gengismunur		934.113
Hrein fjármagnsgjöld		<u>(2.209.791)</u>
Tap ársins		<u>(54.430.210)</u>

Efnahagsreikningur 31. desember 2019

Eignir	Skýr.	2019
Óefnislegar eignir	6	259.003.674
Fastafjármunir		<u>259.003.674</u>
Viðskiptakröfur og aðrar skammtímakröfur		34.637.934
Handbært fé		15.059.384
Veltufjármunir		<u>49.697.318</u>
Eignir alls		<u>308.700.992</u>
 Eigið fé og skuldir		
Hlutfé		50.500.000
Bundið eigið fé vegna óefnislegra eigna		259.003.674
Ójafnað tap		(313.433.884)
Eigið fé	8	<u>(3.930.210)</u>
 Breytanlegt skuldabréf	9	137.078.100
Langtímaskuldir		<u>137.078.100</u>
Viðskiptaskuldir	10	144.561.278
Ýmsar skammtímaskuldir		30.991.824
Skammtímaskuldir		<u>175.553.102</u>
Skuldir alls		<u>312.631.202</u>
Skuldir og eigið fé alls		<u>308.700.992</u>

Sjóðstreymi ársins 2019

	Skýr.	2019
Rekstrarhreyfingar		
Tap af reglulegri starfsemi	(54.430.210)
Rekstrarliðir sem ekki hafa áhrif á fjárstreymi:		
Áfallnir vextir langtímaskulda		478.100
	(<u>53.952.110)</u>
 Breyting á rekstrartengdum eignum og skuldum:		
Skammtímakröfur; lækkun (hækkun)	(34.637.934)
Skammtímaskuldir; hækkun (lækkun)		175.553.102
Breyting á rekstrartengdum eignum og skuldum		<u>140.915.168</u>
Handbært fé frá rekstri		<u>86.963.058</u>
 Fjárfestingarhreyfingar		
Fjárfest í óefnislegum eignum	(259.003.674)
Fjárfestingarhreyfingar	(<u>259.003.674)</u>
 Fjármögnunarhreyfingar		
Breytanlegt skuldabréf		136.600.000
Innborgað hlutfé	8	50.500.000
		<u>187.100.000</u>
Fjármögnunarhreyfingar		
 Hækkun á handbæru fé		15.059.384
 Handbært fé í lok árs		<u>15.059.384</u>

Skýringar

1. Starfsemi

Aðalstarfsemi Fly Play ehf er flugrekstur og tengd starfsemi og er félagið með aðalstarfsstöð í Hafnarfirði.

2. Reikningsskilaaðferðir

Grundvöllur reikningsskilanna

Ársreikningur Fly Play ehf fyrir árið 2019 er gerður í samræmi við lög um ársreikninga og settar reikningsskilareglur. Ársreikningurinn byggir á kostnaðarverðsreikningsskilum. Fjárhæðir eru í íslenskum krónum.

Eftirfarandi er samantekt á helstu reikningsskilaaðferðum félagsins.

Mat og ákvarðanir

Í samræmi við lög um ársreikninga ber stjórnendum við gerð ársreiknings að meta, draga ályktanir og taka ákvarðanir sem hafa áhrif á eignir, skuldir, tekjur og gjöld á reikningsskiladegi. Það sama gildir um ábyrgð stjórnenda varðandi upplýsingar í skýringum ársreiknings. Við mat og ályktanir byggja stjórnendur á reynslu og ýmsum öðrum þáttum sem taldir eru viðeigandi og mynda grundvöll ákvarðana sem teknar eru um bókfært verð eigna og skulda sem ekki liggur fyrir með öðrum hætti.

Breytingar á reikningshaldslegu mati eru færðar á því tímabili sem þær eiga sér stað.

Erlendir gjaldmiðlar

Eignir og skuldir í erlendum gjaldmiðlum eru færðar á gengi viðskiptadags. Eignir og skuldir í erlendum gjaldmiðlum eru umreiknaðar í íslenskar krónur á gengi í lok árs 2019. Viðskipti í erlendum gjaldmiðlum á árinu eru umreiknuð í íslenskar krónur á viðskiptadegi. Gengismunur sem myndast er færður í rekstrarreikning. Gengi evru (EUR) sem stuðst er við í árslok nemur 135,45 og gengi bandaríkjadollars (USD) nemur 120,81.

Fjármagnsliðir

Fjármagnsliðir eru færðir í rekstrarreikning á því tímabili sem þeir falla til.

Skráning tekna

Tekjur af sölu fargjalda og annarrar þjónustu eru færðar þegar til þeirra hefur verið unnið. Tekjur af sölu fargjalda eru færðar í rekstrarreikning að flugi loknu. Vörusala er skráð þegar vörur eru afhentar eða verulegur hluti áhættu og ávinnings af eignarhaldi flyst yfir til kaupanda. Þjónustutekjur eru færðar þegar þjónustan hefur verið innt af hendi. Sala er sýnd í rekstrarreikningi að teknu tilliti til afsláttar.

Lotun gjalda

Útgjöld eru færð í ársreikninginn á því tímabili sem til þeirra er stofnað og kröfuréttur seljanda hefur myndast.

Skattamál

Tekjuskattur er reiknaður og færður í ársreikning. Útreikningur hans byggir á afkomu fyrir skatta að teknu tilliti til varanlegs mismunar á skattalegri afkomu og afkomu samkvæmt ársreikningi. Tekjuskattshlutfall er 20%.

Tekjuskattur til greiðslu er sá tekjuskattur sem áætlað er að komi til greiðslu á næsta ári vegna skattskylds hagnaðar ársins auk leiðréttinga á tekjuskatti til greiðslu vegna fyrri ára.

Frestaður skattur stafar af mismun efnahagsliða í skattuppgjöri annars vegar og ársreikningi hins vegar. Mismunurinn stafar af því að tekjuskattsstofn félagsins er miðaður við aðrar forsendur en reikningsskil þess.

Tekjuskattsinneign er metin á reikningsskiladegi og er einungis færð að því marki sem talið er að hún nýtist á móti skattskyldum hagnaði næstu ára.

Óefnislegar eignir

Óefnislegar eignir eru einungis eignfærðar þegar líklegt er að hagrænn ávinningur tengdur eigninni muni nýtast félaginu og hægt er að meta kostnaðarverð eignarinnar með áreiðanlegum hætti. Óefnislegar eignir samstanda af kostnaði við hönnun og þróun á vörumerki félagsins, kostnaður vegna flugrekstrarleyfis og hugbúnaðarþróun.

Óefnislegar eignir eru afskrifaðar á áætluðum líftíma. Áætlaður líftími óefnislegra eigna er sem hér segir:

Vörumerki og heimasíða	3-5 ár
Flugrekstrarleyfi	3-5 ár
Hugbúnaður	2-5 ár

Varanlegir rekstrarfjármunir

Eignir eru skráðar meðal varanlegra rekstrarfjármuna þegar líklegt er að hagrænn ávinningur tengdur eigninni muni nýtast félaginu og hægt er að meta kostnað vegna eignarinnar með áreiðanlegum hætti. Varanlegir rekstrarfjármunir eru upphaflega skráðir á kostnaðarverði. Kostnaðarverð varanlegra rekstrarfjármuna samanstendur af kaupverði og öllum beinum kostnaði við að koma eigninni í tekjuhæft ástand.

Afskriftir eru reiknaðar sem fastur árlegur hundradshluti af kostnaðarverði miðað við eignarhaldstíma á tímabilinu að teknu tilliti til væntanlegs hrakvirðis.

Hagnaður eða tap vegna sölu eigna er mismunur söluverðs og bókfærðs verðs eigna á söludegi.

Virðisrýrnun

Á reikningsskiladegi er bókfært verð eigna metið með tilliti til virðisrýrnunar. Komi fram vísbending um virðisrýrnun er endurheimtanlegt virði eignarinnar metið í því skyni að hægt sé að ákvarða umfang virðisrýrnunar, ef um er að ræða.

Endurheimtanlegt virði er annað hvort söluvirði eða nýtingarvirði eignar, hvort sem hærra er. Við mat á nýtingarvirði er notað vænt fjárstreymi sem fært hefur verið til núvirðis með vaxtaþrósentu sem viðeigandi er við fjármögnun slíkrar eignar að teknu tilliti til skatta. Þegar ekki er hægt að meta endurheimtanlegt virði einstakra eigna þá metur félagið endurheimtanlegt virði þeirrar sjóðskapandi einingar sem eignin fellur undir.

Sé endurheimtanlegt virði eignar eða fjárskapandi einingar metið lægra en bókfært verð er bókfært verð eignarinnar lækkað í endurheimtanlegt virði. Virðisrýrnun fjárskapandi eininga er fyrst færð til lækkunar á tengdri varanlegri aflaheimild, en síðan til hlutfallslegrar lækkunar á bókfærðu verði annarra eigna einingarinnar. Tap vegna virðisrýrnunar er fært í rekstrarreikning.

Virðisrýrnun frh.

Ef áður færð virðisrýrnun á ekki lengur við er bókfært verð eignarinnar hækkað aftur, þó ekki umfram upphaflegt kostnaðarverð. Virðisrýrnun viðskiptavildar er ekki heimilt að bakfæra.

Viðskiptakröfur

Viðskiptakröfur eru færðar á nafnverði að frádreginni niðurfærslu til að mæta þeim kröfum sem kunna að tapast. Niðurfærslan er byggð á mati á tapsáhættu gagnvart einstökum kröfum og kröfunum í heild.

Handbært fé

Sjóður og bankainnstæður teljast til handbærs fjár í efnahagsreikningi og við gerð sjóðstreymis.

Langtímaskuldir

Langtímaskuldir eru færðar á nafnverði að frádregnum greiddum afborgunum og eru eftirstöðvar nafnverðs reiknaðar upp miðað við gildandi gengi eða vísitölu í lok tímabilsins eftir því sem við á. Vaxtagjöld vegna langtímalána eru færð til gjalda á því tímabili sem þau tilheyra. Lántökukostnaður vegna nýrra lána er færður í efnahagsreikning og færður til gjalda með reglbundnum hætti á lánstímanum.

Viðskiptaskuldir

Viðskiptaskuldir eru færðar á nafnverði að teknu tilliti til gengismunar.

Skuldbindingar

Skuldbindingar eru færðar upp í efnahagsreikningi ef líklegt þykir að félagið verði fyrir fjárhagslegum útgjöldum í framtíðinni vegna tiltekins atburðar eða viðskipta og hægt er að meta fjárhæð hennar með áreiðanlegum hætti.

3. Laun og launatengd gjöld

Laun og launatengd gjöld greinast þannig:	2019
Laun	95.578.252
Lífeyrissjóðsgjöld	12.824.520
Önnur launatengd gjöld	9.369.221
Eignfærður launakostnaður meðal óefnislegra eigna	(106.530.571)
Laun og launatengd gjöld samtals	<u>11.241.422</u>
Meðalfjöldi starfsmanna umreiknaður í heilsársstörf	<u>17</u>

4. Fjármagnsliðir

Fjármunatekjur greinast þannig:	2019
Vaxtatekjur	<u>203</u>
	<u>203</u>
Fjármagnsgjöld greinast þannig:	
Vaxtagjöld og verðbætur	480.137
Dráttarvextir	<u>2.663.970</u>
	<u>3.144.107</u>

5. Skattamál

Skattstofnar félagsins sem fram koma í uppgjörinu eru neikvæðir, og kemur því ekki til greiðslu opinberra gjalda á árinu 2020.

Uppsafnað skattalegt rekstrartap félagsins til næsta árs nam um 55,1 millj.kr. í lok ársins. Ekki er færð skattinneign vegna yfirfæranlegs taps vegna óvissu um nýtingu.

6. Óefnislegar eignir

Óefnislegar eignir og afskriftir, sem reiknaðar eru sem fastur árlegur hundraðshluti, greinast þannig:

	Flugrekstrarleyfi	Vörumerki	Hugbúnaður	Samtals
Viðbót á árinu	96.000.400	22.618.177	140.385.097	259.003.674
Bókfært verð 31.12. 2019	<u>96.000.400</u>	<u>22.618.177</u>	<u>140.385.097</u>	<u>259.003.674</u>

7. Viðskiptakröfur og aðrar skammtíma kröfur

Aðrar skammtíma kröfur

2019

Fjármagnstekjuskattur, afdreginn	44
Inneign virðisaukaskatts	29.170.390
Kröfur á tengda aðila	2.500.000
Annað	<u>2.904.500</u>
	<u>34.637.934</u>

8. Eigið fé

Hlutfé félagsins nam 50,5 millj.kr. í lok ársins. Eitt atkvæði fylgir hverjum einnar krónu hlut í félaginu.

Myndaður er bundinn eiginfjárreikningur sem óheimilt er að úthluta arði af vegna eignfærðra óefnislegra eigna og þróunarkostnaðar í samræmi við 16. gr. laga um ársreikninga. Eiginfjárreikningurinn er leystur upp til jafns við fjárhæð árlegrar afskriftar óefnislegra eigna. Ef eignin er seld, tekin úr notkun eða fullafskrifuð er eiginfjárreikningurinn leystur upp.

Yfirlit um eiginfjárreikninga:

	Hlutfé	Bundið eigið fé óefnislegar eignir	Ójafnað tap	Samtals
Innborgað stofnfé	500.000			500.000
Hlutfjárhækkun	50.000.000			50.000.000
Bundið eigið fé vegna óefnislegra eigna ...		259.003.674	(259.003.674)	0
Tap ársins			(54.430.210)	(54.430.210)
Eigið fé samtals 31.12. 2019	<u>50.500.000</u>	<u>259.003.674</u>	<u>(313.433.884)</u>	<u>(3.930.210)</u>

Hlutfé félagsins var hækkað um 50 m.kr. á árinu með skuldajöfnun við skuldir við hluthafa. Hækkunin var skráð hjá fyrirtækjaskrá á árinu 2020.

9. Breytanlegt skuldabréf

Breytanlegt skuldabréf er við Fea ehf og er á gjalddaga 30. apríl 2020. Um lánaheimild er að ræða sem nemur 273,2 m.kr. (2 millj. EUR) og var lánsheimildin að fullu nýtt í janúar 2020. Kröfuhafa er heimilt að breyta skuldinni í hlutafé sem nemur 15% að útgefnu hlutafé. Breytirétturinn er virkur á tímabilinu 1. janúar 2020 til 30. apríl 2020. Allt hlutafé félagsins er lagt að veði sem trygging skuldarinnar.

10. Viðskiptaskuldir og aðrar skammtímaskuldir

Viðskiptaskuldir	2019
Lánardrottinnar	55.561.901
Erlendir lánardrottinnar	88.967.031
Kreditkort	32.346
	<hr/>
	144.561.278
	<hr/>
Aðrar skammtímaskuldir	
Ógreidd laun og launatengd gjöld	30.991.824
	<hr/>
	30.991.824
	<hr/>

Atburðir eftir reikningsskiladag

11. Í mars 2020 fóru áhrif faraldurs vegna COVID-19 veirunnar að gæta í íslensku efnahagslífi. Mikil óvissa ríkir um framhaldið en almenn áhrif faraldursins á íslenskt efnahagslíf og fjármálamarkaði eru víðtæk. Vegna áhrifa faraldursins á ferðaþjónustu á Íslandi hafa áætlanir félagsins riðlast. Ekki er fyrirséð um áhrif faraldursins á starfsemi félagsins en að mati stjórnar og framkvæmdastjóra hafa ekki komið fram vísbendingar við undirritun ársreiknings þess efnis að vafi kunni að leika á rekstrarhæfi félagsins.

12. Önnur mál

Félaginu hafa borist kröfur frá félögum tengdum fyrrum starfsmanni og eins stofnanda félagsins. Kröfurnar lúta annars vegar að framlögum frá hluthöfum til félagsins og tengdri hlutafjárútkningu og hins vegar veittri þjónustu á árinu 2019. Samtals nema framlagðar kröfur 22,6 m.kr. Félagið hefur hafnað öllum framsettum kröfum og telja þær tilhæfulausar með öllu. Engar skuldbindingar hafa verið færðar í ársreikninginn vegna þessa.

Samþykki ársreiknings

13. Ársreikningur félagsins var samþykktur á stjórnarfundi þann 10. september 2020.