

**PLAY**

# PROSPECTUS

**1 AUGUST**  
**2024**



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## 1. PROSPECTUS SUMMARY

### (A) Introduction and Warning

This summary should be read as an introduction to this Prospectus. This prospectus (the “Prospectus”) relates to the admission to trading and listing in Iceland by Fly Play hf., a public limited liability company, incorporated under the laws of Iceland on 7 March 2019, with its registered address at Suðurlandsbraut 14, 108 Reykjavík, Iceland and registered under the legal entity identifier (“LEI”) 6488JA9V5773X03XRQ10 (the “Issuer”, “Play” or the “Company”), of ordinary shares of the Company with a nominal value of ISK 1 with the International Securities Identification Number (“ISIN”) IS0000032936 in the amount of 1,891,598,895 ordinary shares (the “Shares”) (the “Admission”) on the regulated market in Iceland, Nasdaq Main Market Iceland which is operated by Nasdaq Iceland (“Nasdaq Iceland”).

The Prospectus has been approved by the Icelandic Financial Supervisory Authority of the Central Bank of Iceland (*isl. Fjármálaeftirlit Seðlabanka Íslands*) (“FSA”), as the competent authority under Regulation (EU) 2017/1129 of the European Parliament and the Council of June 14, 2017 on the prospectus to be published when securities are admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended (the “Prospectus Regulation”), on 1 August 2024.

The FSA has its registered office at Kalkofnsvegur 1, 101 Reykjavík, Iceland, with telephone number +354 569 9600.

Investors should base any decision to invest in the Shares on the consideration of this Prospectus as a whole. Investors in the Shares could lose all or part of their invested capital. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary, including any translation thereof, but only where this summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid Investors when considering whether to invest in the Shares.

### (B) Key Information on the Issuer

#### B.1 – Who is the Issuer of the Securities

**Domicile and Legal Form.** The issuer of the Shares is Fly Play hf., a public limited liability company, incorporated under the laws of Iceland on 7 March 2019, with its registered address at Suðurlandsbraut 14, 108 Reykjavík, Iceland and registered under the legal entity identifier (“LEI”) 6488JA9V5773X03XRQ10.

**Principal Activities:** The Issuer is a low-cost airline with its hub in Keflavik, Iceland. The Issuer operates 10 Airbus A321neo Family aircraft. The Issuer’s route network connects Iceland to major cities in Europe and popular leisure destinations for the FROM Iceland market and major cities in North America and use Iceland’s favourable geographical location to operate a hub Keflavik International Airport.

**Major Shareholders:** As of 30 June 2024, entities affiliated with or under the control of Einar Örn Ólafsson, the Issuer’s CEO, collectively hold 10.83%<sup>1</sup> of the Shares in the Issuer, entities affiliated with or under the control, Elías Skúli Skúlason, the Issuer’s vice chairman of its Board of Directors, collectively hold 7.14%<sup>2</sup>, Birta lífeyrissjóður holds 9.62% and Stoðir hf. holds 5.82%. Other shareholders hold less than 5% in the Issuer. Information on the 20 largest shareholders is set out in chapter 8.5 of the Prospectus.

**Key managing Officers:** Einar Örn Ólafsson (Chief Executive Officer); Andri Geir Eyjólfsson (Chief Operations Officer) and Daníel Snæbjörnsson (Chief Network Officer).

<sup>1</sup> See further information in chapter 8.5.1 of the Prospectus.

<sup>2</sup> See further information in chapter 8.5.1 of the Prospectus.

Independent Auditor: Deloitte ehf. reg.no. 521098-2449, Dalvegi 30, Kópavogur, Iceland, is the Issuer's statutory auditor.

## B.2 – What is the Key Financial Information Regarding the Issuer

Unless indicated otherwise, all financial information presented in the tables below is shown in thousands of United States Dollars (USD thousands). Certain financial information has been rounded according to established commercial standards. As a result, rounded figures in the tables below may not add up to the aggregate amounts in such tables (sum totals or subtotals), which are calculated based on unrounded figures. Financial information presented in parentheses denotes the negative of such number presented.

Without modifying Deloitte's opinion on the 2023 consolidated financial statements, therein Deloitte drew attention to the Endorsement and Statement by the Board of Directors and the CEO and Note 2 to the 2023 consolidated financial statements, which indicate that the Company has incurred a net loss of USD 35,171 thousand during the year ended December 31, 2023. As stated in the Endorsement and Statement by the Board of Directors and the CEO and Note 2, these events or conditions indicate that uncertainty existed that may cast doubt on the Company's ability to continue as a going concern.

### Selected Consolidated Financial Information

#### *Statement of Profit or Loss Data*

	For the period 01.01.2024 – 30.06.2024	For the period 01.01.2023 – 30.06.2023
Revenue	132,773	105,884
Operating loss (EBIT)	( 24,919)	( 16,379)
Loss for the period	( 29,737)	( 22,472)
	For the year ended December 31, 2023	For the year ended December, 20223
Revenue	281,777	139,905
Operating loss (EBIT)	(20,686)	(43,786)
Loss for the period	(35,171)	(47,794)

#### *Statement of Financial Position Data*

	As of June 30, 2024	As of June 30, 2023
Total assets	503,269	461,531
Total equity	4,427	1,905
Total liabilities	498,842	459,626
	As of December 31, 2023	As of December 31, 20224
Total assets	461,531	405,139
Total equity	1,905	36,239
Total liabilities	459,626	368,900

#### *Statement of Cash Flows Data*

<sup>3</sup> The comparative information has been restated as discussed in note 2 of the 2023 Consolidated Financial Statements

<sup>4</sup> The comparative information has been restated as discussed in note 2 of the 2023 Consolidated Financial Statements

	<b>For the period 01.01.2024 – 30.06.2024</b>	<b>For the period 01.01.2023 – 30.06.2023</b>
Net cash outflow from operating activities	15,631	42,357
Net cash outflow from investing activities	( 4,920)	( 8,279)
Net cash inflow from financing activities	18,775	( 16,295)
Increase/(Decrease) in cash and cash equivalents	29,486	17,783
	<b>For the year ended December 31, 2023</b>	<b>For the year ended December 31, 2022<sup>5</sup></b>
Net cash outflow from operating activities	17,130	(5,791)
Net cash outflow from investing activities	(12,968)	(10,634)
Net cash inflow from financing activities	(19,923)	2,873
Increase/(Decrease) in cash and cash equivalents	(15,761)	(13,552)

### B.3 – What are the Key Risks that are Specific to the Issuer?

The Issuer's business is subject to a number of risks and uncertainties. If any of the following risks are realized, the Issuer's business, financial condition and results of operations could be materially and adversely affected. Investors should carefully review and consider the full discussion of risk factors in the section titled "Risk Factors" in Chapter 1 of this Prospectus. Set forth below is a summary list of the principal risk factors as:

- The Issuer's operations are highly correlated to general local as well as global economic conditions which could adversely affect its business, results of operation, liquidity, financial condition and capital resources. General macroeconomic risks such as slowing economic growth, changes in interest rates, fluctuations in exchange rates, employment levels and inflation, whether globally or locally, can adversely affect the Issuer's operations. The Issuer is headquartered in Iceland with its international route network operated under an Icelandic Air Operator Certificate ("AOC"). The vast majority of its employees and shareholders are Icelandic and a significant portion of its operating costs are payable in ISK, most notably salaries and salary related expenses. The Issuer is therefore affected by the country's general economic conditions.
- The airline industry is subject to fierce competition that can place downward pressure on yields. The Issuer faces intensive competition in all fields of its activities. The level of competition amongst airlines is high, 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, mergers, acquisitions, consolidations, new partnerships and transparency of pricing in the air travel market could add to airline competition.
- The airline industry is exposed to and affected by geopolitical conditions and sanctions. The airline industry is highly vulnerable to events outside their control such as terrorist attacks, natural disasters and pandemics in this Prospectus. Geopolitical tensions can in general impact the demand of leisure and business travellers for flights, and subsequently supply of air travel to affected areas, as well as potentially impeding the Issuer's supply of fuel or other inputs.
- The airline industry is susceptible to strong seasonality in demand making the Issuer more vulnerable to demand shocks or disruptions in certain parts of the year. Lower demand for air travel, flight cancellations or other factors affecting aircraft utilisation would therefore have a proportionately greater impact on the Issuer during the high season than during other periods. The seasonality in turnover and profitability poses greater risk for the annual financial outcome than otherwise, leaving

<sup>5</sup> The comparative information has been restated as discussed in note 2 of the 2023 Consolidated Financial Statements

the Issuer more vulnerable to disruptions to production inputs or external demand shocks. Any interruptions during the high season could have adverse effects on the financial outcome of operations for the full financial year.

- The Issuer is dependent on airport access and certain preferred time slots to optimise the execution of its chosen business model. Access to airports in the Issuer's defined geographical market, including in its hub Keflavík Airport, is vital to maintain and open up new gateways to large and competitive markets. At some airports, an air carrier needs landing and take-off authorisations (time slots) before being able to introduce new services or expand its existing services. If the Issuer is not able to secure and retain slots, it could be restrained from competing in valuable markets.
- The Issuer's operations are dependent on IT and other systems. Failure or disruption to IT or management systems, whether internal or external, could affect the Issuer'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 Issuer's control. Issuer makes every effort to minimise the risk of disruption with the aim of securing the Issuer's business continuity.
- The markets in which the Issuer competes are subject to constant change, the direction and intensity of which depend on many factors. Thus, the Issuer's future status, market position, income and profit depend on its ability to design and implement a successful strategy as well as on the conditions and trends of the market. This may include identifying and developing suitable opportunities, e.g. the Issuer's route network; choosing the correct business partners and customers, negotiating favourable contract terms; acquiring properties or businesses and successfully integrate them into operations; arranging financing, when needed; and complying with legal regulations. There can be no assurance that the Issuer will succeed in adapting to market conditions, making correct choices for its business strategy or accurately forecast the financial impact of prevailing market trends.
- To secure necessary competence to carry out its business strategy the Issuer is reliant on key members of management and other employees. There is no assurance that these employees will stay with Issuer. To reduce the risk of losing key employees some measures have been implemented, including a share incentive structure. Furthermore, the Issuer actively manages its information systems to keep know-how within the Issuer.
- The Issuer will be exposed to credit risk in case of subleasing of one or more aircraft, i.e. the risk of financial loss if a customer or counterparty to a sublease of aircraft fails to meet its contractual obligations. The risk involved is directly related to the fulfilment of outstanding obligations by the Issuer's counterparties. While the Issuer may seek to limit such risk, i.e. by seeking security for the performance of a sub-lease agreement, such risk may never be fully offset.
- Aviation regulations Air transportation is heavily regulated. AOCs for Icelandic carriers are granted by the Icelandic Transport Authority ("ITA") authorising it to conduct their airline operations. Among general requirements to obtain an AOC are sufficiently experienced personnel; having aircraft suitable for the type of operations requested; a quality assurance system to ensure that all regulations are followed and proof that the operator has sufficient funds to run the operation.
- The Issuer's operating ability is subject to air services agreements between Iceland and respective third countries. These agreements are periodically subject to renegotiation. Changes in aviation policies of either party to such an agreement could result in their termination and adversely affect the Issuer's operations. Individual airline regulators, including the regulator in Iceland, may impose restrictions and requirements that would impact the Issuer's profitability. Icelandic law limits non-EEA ownership of the airlines of its member states to 49% and the airlines must be headquartered in an EEA country.

(C) Key Information on the Securities

### C.1 – What are the Main Features of the Securities?

*Type, Class, and ISIN.* The Shares of the Company are ordinary shares in the capital of the Company in registered form. ISIN: IS0000032936

*Currency, Denomination, Par Value, Number of Securities Issued and Duration.* The Shares are denominated in ISK, Icelandic króna, have an accounting par value of 1 ISK each and do not have a term. As of the date of this Prospectus there are 1,891,598,895 shares issued by the Issuer.

*Rights Attached to the Shares, Relative Seniority, and Transferability.* The Shares rank pari passu among themselves. The capital of the Company is made up of a single class of shares. In the event of the liquidation or bankruptcy of the Issuer, whether voluntary or involuntary, the holders of the Shares are paid in proportion to their share capital holdings using the remainder of the Issuer's assets after all other creditors have had their approved claims paid. There are no transfer restrictions attached to the Shares.

*Dividend Policy.* The Issuer has not paid any cash dividends on the Shares to date and does not intend to pay cash dividends for the foreseeable future. Dividends may be paid only if the Issuer has sufficient distributable profit from previous years or sufficient free reserves to allow the distribution of a dividend.

*Legislation.* The Shares have been created under Icelandic law.

### C.2 – Where will the Securities be Traded?

The Issuer's Shares are currently listed on the multilateral trading facility Nasdaq First North Growth Market Iceland under the symbol "PLAY". An application has been made for admission to trading of the Shares on Nasdaq Iceland Main Market under the symbol "PLAY". The application is considered complete when the FSA has approved and published the Prospectus and a final version of the Application has been delivered to Nasdaq Iceland. Following the Application, Nasdaq Iceland will publish a final decision regarding the Application and, if accepted, the first possible day of trading with the Shares.

### C.3 – What are the Key Risks that are Specific to the Securities?

- Financial markets have from time-to-time experienced price and volume fluctuations, which have been unrelated to the operating performance or prospects of individual companies. Consequently, the market price and liquidity of the Shares may be materially adversely affected by general declines in the market or by declines in the market for similar securities. The market price of the Shares offered may also be affected by market expectations for the Issuer's financial performance and changes in the estimates of the Issuer's results of operations by securities analysts, regardless of the Issuer's actual results of operations and financial conditions. These external factors are outside the control of the Issuer.
- The liquidity of the Shares is subject to fluctuations in response to factors such as actual or anticipated variations in the Issuer's operating results, changes in estimates or recommendations by financial analysts, currency exchange rates, regulatory developments, general market conditions and other factors. An example of this would be if a large shareholder needed, or decided to, liquidate his or her entire holdings at once which would then significantly increase the supply of Shares which in turn would likely put downward pressure on their price. Active market making in the Shares can act to mitigate liquidity risk.

### (D) Key Information on the admission to trading on a regulated market

#### D.1 – Under which Conditions and Timetable is it possible to invest in this Security?

*General terms of the Offering and expected timetable.* Not applicable. This Prospectus does not relate to an offering of shares.

*Listing and Admission to trading.* The Shares are listed on Nasdaq First North Growth Market Iceland. Admission to trading of the Shares on Nasdaq Iceland Main Market is expected to be granted on or about 6 - 9 August 2024 and trading in the Shares on Nasdaq Iceland is expected to commence on or about 6 - 9 August 2024.

*Plan for distribution.* Not applicable. This Prospectus does not relate to an offering of shares.

*Offer Price and Price Range.* Not applicable. This Prospectus does not relate to an offering of shares.

*Estimated Expenses.* The expenses related to the admission to trading on Nasdaq Main Market Iceland, consist of the fees due to the FSA and Nasdaq Iceland, as well as legal and administrative expenses, financial advisor fees, publication costs and applicable taxes, if any. The Company estimates that the total expenses related to this process will amount to approximately ISK 15,000,000.

D.2 – Who is the Offeror?

Not applicable. This Prospectus does not relate to an offering of shares.

D.3 – Why is this Prospectus being produced?

*Reasons for Admission for trading.* The Issuer believes that the admission is a logical and significant next step for it in its development and that the timing is appropriate, given its current profile and level of maturity.

*Use and Estimated Net Amount of Proceeds.* Not applicable. This Prospectus does not relate to an offering of shares.

*Conflicts of Interest.* Arctica Eignarhaldsfélag ehf, the parent company of Arctica Finance, the Issuer's advisor is a shareholder in the Issuer, A/F Stilla slhf., which is an alternative investment fund in which Arctica Finance is an investor holds Shares in the Issuer. For further information please see Chapter

## 1. RISK FACTORS

An investment in the Shares is subject to risks. According to Article 14 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC, as amended, the risk factors featured in a prospectus must be limited to risks which are specific to the issuer and/or to the securities and which are material for taking an informed investment decision. Therefore, the following risks are only those risks that are specific to the Shares and the Issuer and based on our current assessment material for making an informed investment decision. The market price of the Shares could decline if any of these risks were to materialize, in which case investors could lose some or all of their investment.

The following risk factors are divided into categories and subcategories. Within each such subcategory, the order of risk factors is based on our current assessment with respect to the probability of occurrence and expected magnitude of the adverse impact of such risk factors, where the risk factors with the highest probability of occurrence and expected magnitude of the adverse impact of such risk factors are listed first. Irrespective of the order of risk factors, however, any of the risks described below could have a material adverse effect on our business, financial condition, cash flows, results of operations and prospects as well as the price of the Shares.

Any quantification of the significance of each individual category for the Issuer could be misleading, as other categories of risks factors may materialise to a greater or lesser degree. The likelihood of occurrence of any particular event is difficult to assess with any certainty, whether it be regarding its direct effects or knock-on effects which may lead to other events, which may in turn cause damage to the Issuer and/or affect the value of the Shares.

Each of the risk factors listed below could repeatedly or on a stand-alone basis affect the Issuer's operations and finances and thus the value of the Shares. Predicting the extent or time limit of their effects is not possible.

Additional risks and uncertainties not presently known to the Issuer, or that are currently deemed immaterial, may also impair the Issuer's business operations. The business, financial condition, or result of operations of the Issuer could be materially and adversely affected by any of these risks. The trading price of the Issuer's Shares could decline due to any of these risks and investors could lose all or part of their investment.

### 1.1. Risks Related to the Issuer

#### 1.1.1. Risk related to the airline operations

*The Issuer's operations are highly correlated to general local as well as global economic conditions which could adversely affect its business, results of operation, liquidity, financial condition and capital resources.*

General macroeconomic risks such as slowing economic growth, changes in interest rates, fluctuations in exchange rates, employment levels and inflation, whether globally or locally, can adversely affect the Issuer's operations. Negative growth in the Issuer's main markets may reduce impact for air travel which might affect revenues and/or the Issuer'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 Issuer and its share price. Uncertain economic and financial market conditions can affect jet fuel prices, interest rates and currency exchange rates. The Issuer 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.

The Issuer is headquartered in Iceland with its international route network operated under an Icelandic Air Operator Certificate ("AOC"). The vast majority of its employees and shareholders are Icelandic and a significant portion of its operating costs are payable in ISK, most notably salaries and salary related expenses. The Issuer is therefore affected by the country's general economic conditions. The general rate of employment and sentiment

in the local labour market, the exchange rate of the ISK and sentiment in local financial markets are among Iceland-specific issues that can affect the Issuer's finances, operations or share price.

*The airline industry is subject to fierce competition that can place downward pressure on yields The Issuer faces intensive competition in all fields of its activities.*

The Issuer's operates a scheduled airline services for passengers and freight. The level of competition amongst airlines is high, 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, 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 Issuer's key transport markets, including the Icelandic market, could in general affect the Issuer's profitability.

*The airline industry is exposed to and affected by geopolitical conditions and sanctions*

As well as macroeconomic conditions, the airline industry is sensitive to geopolitical conditions. Moreover actions such as in relation to the COVID-19 pandemic which resulted in governments imposing widespread travel restrictions across the world poses a significant risk to the airline industry. The airline industry is highly vulnerable to events outside their control such as terrorist attacks, natural disasters and pandemics in this Prospectus. Geopolitical tensions can in general impact the demand of leisure and business travellers for flights, and subsequently supply of air travel to affected areas, as well as potentially impeding the Issuer's supply of fuel or other inputs. Should changes or increased demands be made that are of any material importance for the Issuer's financial standing or operational results the Issuer will issue a statement to that effect.

*The airline industry is susceptible to strong seasonality in demand making the Issuer more vulnerable to demand shocks or disruptions in certain parts of the year.*

The Issuer operates in an industry where demand has traditionally been much higher in the summer than other seasons. Lower demand for air travel, flight cancellations or other factors affecting aircraft utilisation would therefore have a proportionately greater impact on the Issuer during the high season than during other periods. The seasonality in turnover and profitability poses greater risk for the annual financial outcome than otherwise, leaving the Issuer more vulnerable to disruptions to production inputs or external demand shocks. Any interruptions during the high season could have adverse effects on the financial outcome of operations for the full financial year.

*The airline industry is highly vulnerable to events outside their control such as terrorist attacks, natural disasters and pandemics.*

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 materially 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 COVID-19.

*The airline industry is subject to volatile and high jet fuel prices Airline operators are highly sensitive to jet fuel prices and availability.*

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. To improve risk control relating to volatile and/or high fuel prices, the Issuer integrates hedging into its purchases of jet fuel using forward purchases and options.

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 Issuer's control. Any increase in fuel prices may have a material adverse impact on the Issuer's profitability.

When fuel prices are high or rising, airlines are conventionally more efficient in passing price increases on to their customers through fuel surcharges and other methods. However, global industry trends demonstrate that this has not always been the case due to fierce competition.

*The airline industry is burdened with a high level of fixed costs making it vulnerable to fluctuations in passenger numbers and/or fare pricing.*

Airline operations tend to be affected by high level of fixed costs due to the nature of provided services, i.e. the operation of expensive equipment, obligations due to leasing and investments and clauses in collective wage agreements that place certain restraints on flight crew scheduling. Fixed costs include employees involved in flight operations, service and maintenance, aircraft ownership cost and overhead costs of administration and infrastructure systems. The high proportion of fixed costs makes unit revenues by Available Seat Kilometres ("ASK") important. Fluctuations in revenues per ASK can therefore detrimentally affect the Issuer's profitability particularly in the event of demand shocks such as was evidenced in the COVID-19 crisis and are completely outside the scope of the Issuer's control. Cost awareness and flexibility, i.e. how quickly an airline can adapt to a changed external environment, are important factors in preserving profitability.

*The airline industry is vulnerable to labour disputes and strikes*

The airline and tourism industries are inherently labour-intensive industries. Most of the Issuer's employees are unionised and represented by unions, each of which has its own collective agreement on salaries and benefits. Union 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 production disruptions through strikes. In addition to relying on hired personnel, the Issuer relies on third parties to provide a number of critical support and services on behalf of and in cooperation with it. Any inability of the relevant third parties to provide such services may materially impact the business. Strikes can materially affect the Issuer's operations and financial results; a worst-case scenario being a complete halt in the operations for a prolonged period. Strikes in the aviation industry are particularly taxing for airlines due to proportionately high fixed costs.

*The airline industry is vulnerable to 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, etc. Interruptions due to any of these disruptions could seriously affect sales and the profitability of the Issuer.

*The airline industry is subject to environmental laws and regulations aimed at limiting the allowed emission of greenhouse gas and trading schemes related to such allowances*

Government regulations on environmental protection such as targets for carbon dioxide emissions are a growing issue for the airline industry. Moreover, the industry is subject to various local restrictions around airports such as to reduce noise and pollution. This can concern opening hours of airports, availability of slots and the usage of airspace. Congestion and environmental restrictions can for example lead to delays or increase the complexity of departure and approach manoeuvres which may act to reduce productivity and increase costs. As of January 2012, all airline carriers flying into and out of the EU had to ensure compliance with the legal requirements set forth in Directive 2003/87/EC relating to greenhouse gas emissions (the "Greenhouse Gas Directive"). The Greenhouse Gas Directive brought the airline industry into the Emission Trading Scheme ("EU ETS") whereby airlines must purchase emission units reflecting the physical carbon dioxide emission created by their

consumption of jet fuel. As is the case with jet fuel prices, it is impossible to forecast the future price of emission allowances, but they increase costs borne by the Issuer.

Emission permits are mainly purchased with spot and forward contracts, and carbon exposure is subject to the same scrutiny and risk management as jet fuel. Compared to the magnitude of fuel cost volatility the consequences of the EU ETS compliance are not as economically important, but still constitute a risk for the Issuer and can consequently adversely affect the Issuer's earnings. The Issuer is exposed to carbon price risk. In terms of volume, carbon emission is a fixed proportion of the fuel consumption, but the price volatility of carbon has been greater although the consequential cash flow has been trivial compared to that of fuel costs.

*The airline industry is reliant on airport and air traffic security which is upheld by levying costs on airlines that may not always be passed onto passengers*

In the long-term airport security measures have increased internationally. Security surveillance has generally been stepped up, with any suspicious activity being treated with greater intensity than before. Airline services have therefore occasionally been disrupted on temporary or long-term grounds and bear the risk of being similarly affected in the future. Security measures are essentially paid by airlines through various airport, transit and landing fees. There is a risk of security measures being increased that might result in increased costs or hikes in fees payable to airports and air traffic authorities. Any inability to pass such increased costs onto customers could have an adverse effect on the Issuer's business, financial condition and results of operations.

*The airline industry is subject to wide-ranging taxes, charges, license and aviation fees that may impact demand for air travel*

The airline and tourism industries are subject to a plethora of fees and charges as well as an everchanging tax environment, which can have a direct effect on ticket pricing and demand. Examples of airline specific costs are take-off, transit and landing fees, noise, navigation and emission charges in addition to value added tax.

The Issuer is subject to risk regarding any added or new taxes, fees or charges to the extent these cannot be passed unto passengers.

*The airline industry is exposed to a risk of significant losses from aviation accidents, including flight incidents, aircraft groundings or malfunctions and other disasters*

As is the case with any airline operator the Issuer is exposed to significant potential loss through either flight incidents, malfunctions or other accidents. Costs may involve the repair or replacement of damaged or lost aircraft, consequent temporary or permanent loss of services and claims from passengers. Despite having insurance against this type of incident the Issuer cannot guarantee that insurance coverage and policy pay-outs would in every case fully cover the resulting losses. Moreover, should an aircraft from the Issuer, or of the same type as used by the Issuer be involved in an accident, it might result in a damaged reputation or the Issuer's aircraft not being seen as reliable, which in turn could decrease demand for the Issuer's services. Materialisation of any of these risks may have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

*The airline industry is exposed to risk of insurance not being adequate, becoming too expensive or hard to come by*

The Issuer holds insurance for all of the Issuer's major assets and employees, including Directors' and Officers' liability insurance, 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 Issuer's aircraft fleet, spare parts and other technical equipment as well as liability exposure associated with airline operations. If the Issuer's insurance coverage shows to be inadequate to cover losses the Issuer 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 Issuer's reputation. Terrorist attacks, acts of sabotage, military conflicts 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.

*The airline industry is exposed to risk of holdbacks from credit card acquirers*

The Issuer 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 Issuer, 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 Issuer does not ultimately provide the air travel. The Issuer's agreements allow acquirers, under certain conditions, to hold an amount of cash (referred to as a "holdback") equal to a portion of advance ticket sales that have been processed by the acquirer, but for which the Issuer has not yet provided the air travel. These holdback requirements can, under certain pre-defined conditions such as material adverse changes in financial condition potentially be modified on short notice at the discretion of the acquirers, up to the estimated liability for future air travel processed by the respective acquirer. The amount that the acquirer may withhold also varies as a result of changes in financial risk due to seasonal fluctuations in ticket volume. Additional holdback requirements will reduce the Issuer's liquidity in the form of unrestricted cash and short-term investments by the amount of the holdbacks.

*1.1.2. Risks related to the Issuer's operations*

*The Issuer is dependent on airport access and certain preferred time slots to optimise the execution of its chosen business model*

The Issuer operates an international route network based on a hub-and-spoke model. This makes access to airports in its defined geographical market, including in its hub Keflavík Airport, vital to maintain and open up new gateways to large and competitive markets. At some airports, an air carrier needs landing and take-off authorisations (time slots) before being able to introduce new services or expand its existing services. If the Issuer is not able to secure and retain slots, it could be restrained from competing in valuable markets. Generally, access to airports is vital to minimise the likelihood of delays, which can negatively affect the Issuer's profitability. Occasionally airlines must maintain flights to certain destinations at regular intervals to fulfil potential landing and take-off requirements in order to retain their slots.

*The Issuer is exposed to risk regarding information technology and other systems*

The Issuer's operations are dependent on IT and other systems. Failure or disruption to IT or management systems, whether internal or external, could affect the Issuer'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 Issuer's control. Issuer makes every effort to minimise the risk of disruption with the aim of securing the Issuer's business continuity. Among measures that the Issuer has in place are documented procedures regarding access to information and other systems, the back-up and storing of data, remote access via virtual private network clients and the disposal of confidential or otherwise sensitive material. Virus protection for all computers and servers are centrally managed, internet connectivity is secured by firewalls and web security gateways, and all services open for external usage are secured by an application firewall. All critical servers and systems are monitored and routinely backed up. Data is subject to continuous monitoring with defined parameters for flagging deviations to ensure timely interventions in case of failure or break-down.

*The Issuer's profitability and financial condition are affected by the success of its strategy and its ability to accurately forecast market trends*

The markets in which the Issuer competes are subject to constant change, the direction and intensity of which depend on many factors. Thus, the Issuer's future status, market position, income and profit depend on its ability to design and implement a successful strategy as well as on the conditions and trends of the market. This may include identifying and developing suitable opportunities, e.g. the Issuer's route network; choosing the correct business partners and customers, negotiating favourable contract terms; acquiring properties or businesses and

successfully integrate them into operations; arranging financing, when needed; and complying with legal regulations. There can be no assurance that the Issuer will succeed in adapting to market conditions, making correct choices for its business strategy or accurately forecast the financial impact of prevailing market trends. Failure to do any of the aforementioned may negatively impact the Issuer's profitability, operations and prospects.

*The success of the Issuer's business strategy is dependent on the capabilities and know-how of key personnel*

To secure necessary competence to carry out its business strategy the Issuer is reliant on key members of management and other employees. There is no assurance that these employees will stay with Issuer. To reduce the risk of losing key employees some measures have been implemented, including a share incentive structure. Furthermore, the Issuer actively manages its information systems to keep know-how within the Issuer.

*The Issuer will be exposed to credit risk in case of subleasing of one or more aircraft.*

The Issuer will be exposed to credit risk, i.e. the risk of financial loss if a customer or counterparty to a sublease of aircraft fails to meet its contractual obligations. The risk involved is directly related to the fulfilment of outstanding obligations by the Issuer's counterparties. While the Issuer may seek to limit such risk, i.e. by seeking security for the performance of a sub-lease agreement, such risk may never be fully offset.

*The anticipated subleasing of aircraft subleasing may negatively impact the adaptability of the Issuer and its business strategy*

If the Issuer subleases one or more aircraft, such aircraft will not be available for the ordinary course business of the Issuer and therefore may limit or hinder the Issuer in adapting to new market trends and seek new market opportunities such as new routes.

*The Issuer is exposed to general market risk*

The Issuer is exposed to general market risk, i.e. fluctuations in market prices such as fuel prices, exchange rates, interest rates and carbon emission prices that can materially impact the Issuer's profitability. The Issuer aims to reduce any such risk by managing, e.g. the way that market price fluctuations can also be controlled through surcharges, counterparty risk shifting, economizing, production supply and hedging.

*The Issuer is exposed to foreign currency risk*

The Issuer is exposed to currency risk on sales, purchases and payment obligations that are denominated in other currencies than its operating currency (USD). The largest mismatch will be in ISK where cash inflows are expected to fall short of outflows due to various net cost related items such as salaries and salary related costs. This shortage will be financed by an anticipated surplus of foreign currencies. In addition to the cash flow, risk exposure of this kind affects the balance sheet.

*The Issuer is exposed to liquidity risk*

Liquidity risk is the risk that the Issuer will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Issuer'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 Issuer's reputation. The Issuer's liquidity need is closely aligned with its production levels, i.e. operating cost. The Issuer monitors its cash flow requirements by using a rolling forecast and the liquidity management is based on projected cash flow in different currencies.

*The Issuer is exposed to credit risk*

The Issuer 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 Issuer's receivables from customers. Credit risk is linked to *inter alia* 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 Issuer's counterparties. The Issuer is aware of potential losses relating to credit risk exposure and chooses its counterparties based on business experience and acceptable credit ratings. The Issuer establishes an allowance for impairment that represents the estimate of incurred losses in respect of trade and other receivables.

*The Issuer is exposed to terms and services of its business partners*

The Issuer's operations are dependent upon its ability to secure goods and services from several third-party suppliers. The Issuer has entered into agreements with third-party suppliers to provide services such as passenger handling, aircraft handling, baggage service, ticket counter space, catering, aircraft cleaning, de-icing, aircraft consumables and rotables (spare parts), fuel, navigation, critical software and ticket sales and distribution. Issuer's ticket sales in particular are in certain aspects subject to access to various global distribution systems. Should Issuer be excluded from important distribution platforms or if these platforms were to cease to exist it could negatively affect the Issuer's revenue generation. Interruption in the provision of goods or services from any of these suppliers or inability to renew these agreements or renegotiate contracts with other providers at comparable prices could have various negative consequences for the Issuer, such as increased costs and inability to deliver satisfactory services to its customers. Such interruptions may arise as a result of a wide range of causes, many of which are beyond the Issuer's control. Similarly, the efficiency, timeliness and quality of contract performance by third-party providers are largely beyond the Issuer's direct control and, if these are inadequate, the reputation and performance of the Issuer could be materially and adversely affected. Materialization of any of the above risks may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

*1.1.3. Legal and regulatory risk*

*Aviation regulations Air transportation is heavily regulated.*

AOCs for Icelandic carriers are granted by the Icelandic Transport Authority ("ITA") authorising it to conduct their airline operations. Among general requirements to obtain an AOC are sufficiently experienced personnel; having aircraft suitable for the type of operations requested; a quality assurance system to ensure that all regulations are followed and proof that the operator has sufficient funds to run the operation. There is no guarantee that the Issuer will be issued such certificates in the future. Occasionally, the Federal Aviation Administration ("FAA") and its European counterparts issue directives and other regulations relating to the maintenance of aircraft that may result in significant costs for the Issuer. There is no guarantee that the Issuer will be compensated for this through higher fare prices, making it likely that the Issuer would be adversely affected.

The Issuer's operating ability is subject to air services agreements between Iceland and respective third countries. These agreements are periodically subject to renegotiation. Changes in aviation policies of either party to such an agreement could result in their termination and adversely affect the Issuer's operations. Individual airline regulators, including the regulator in Iceland, may impose restrictions and requirements that would impact the Issuer's profitability. Icelandic law limits non-EEA ownership of the airlines of its member states to 49% and the airlines must be headquartered in an EEA country.

*Data protection*

The Issuer collects and retains personal information received from customers and is therefore subject to the EU's General Data Protection Regulation (EU) 2016/679 ("GDPR") aimed at protecting personal data held by businesses and other organizations. These requirements include but are not limited to implementing certain policies and processes, developing an effective internal data protection management system and appointing a data protection officer. Should companies be found non-compliant to the GDPR regulators can, determined

by the level of the infringement, levy fines of up to 4% of the company's annual worldwide turnover. In addition to fines, the Issuer's reputation will suffer in case of any GDPR breaches.

## **1.2. Risks Related to Issuer's Securities**

### *Market Risk*

Financial markets have from time-to-time experienced price and volume fluctuations, which have been unrelated to the operating performance or prospects of individual companies. Consequently, the market price and liquidity of the Shares may be materially adversely affected by general declines in the market or by declines in the market for similar securities. The market price of the Shares offered may also be affected by market expectations for the Issuer's financial performance and changes in the estimates of the Issuer's results of operations by securities analysts, regardless of the Issuer's actual results of operations and financial conditions. These external factors are outside the control of the Issuer.

### *Liquidity Risk*

The liquidity of the Shares is subject to fluctuations in response to factors such as actual or anticipated variations in the Issuer's operating results, changes in estimates or recommendations by financial analysts, currency exchange rates, regulatory developments, general market conditions and other factors. An example of this would be if a large shareholder needed, or decided to, liquidate his or her entire holdings at once which would then significantly increase the supply of Shares which in turn would likely put downward pressure on their price. Active market making in the Shares can act to mitigate liquidity risk. Despite such an effort there can be no guarantee issued that shareholders in Issuer will be able to dispose of their holdings at the price, or in the volume, desired in the secondary market. Liquidity risk is partially determined by the number of shareholders in the Issuer. Illiquidity may have a severely adverse effect on the market value of the Shares.

### *Dilution*

Generally, the Issuer's shareholders may face dilution in the event of a share capital increase unless they subscribe to Shares in proportion to their existing holdings. Additionally, Shareholders may be faced with increased risk to their investment alongside dilution of their existing shares depending on how the increased capital will be put to use. As of the date of this Prospectus, the nominal value of the share capital of Issuer is ISK 1,891,598,895 divided into an equal number of Shares with a nominal value of one ISK each. The Board of Directors of the Issuer is authorised to issue new share and if that authority is exercised shareholders will face dilution.

### *Ownership and Control*

Investors must take into account that the structure and composition of the Issuer's shareholder base can be a risk factor. Large shareholders, by deciding to jointly apply their voting rights, may decide the vote on any given issue at shareholders' meetings. Such large shareholders further have the power to veto change of control or resolve to take actions that might materially adversely affect the share price of the Issuer. A large concentration of ownership by lead investors further decreases the free float of shares in the secondary market, thereby increasing liquidity risk. Investors should be aware that ownership of the Issuer can change quickly and without notice. To the best of the Issuer's knowledge there exist no shareholders' agreements regarding Shares in Issuer with the purpose of exerting joint influence on the Issuer.

## 2. CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in this Prospectus constitute forward-looking statements that do not directly or exclusively relate to historical facts. The Investors should not place undue reliance on such statements because they are subject to numerous uncertainties and factors relating to the Issuer's operations and business environment, all of which are difficult to predict and many of which are beyond the Issuer's control. Forward-looking statements include information concerning the Issuer's possible or assumed future results of operations, including descriptions of its business strategy. These statements are often, but not always, made through the use of words or phrases such as "believe," "anticipate," "could," "may," "would," "should," "intend," "plan," "potential," "predict," "will," "expect," "estimate," "project," "positioned," "strategy," "outlook" and similar expressions. All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the results expressed in the statements.

These forward-looking statements are based on information available as of the date of this Prospectus, and current expectations, forecasts and assumptions, and involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing the Issuer's views as of any subsequent date, and the Issuer does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Investors should not place undue reliance on these forward-looking statements in deciding to invest in the Issuer's securities. As a result of a number of known and unknown risks and uncertainties, the Issuer's actual results or performance may be materially different from those expressed or implied by these forward-looking statements.

### 3. GENERAL INFORMATION

#### 3.1. Notice to Investors

The Prospectus has been scrutinised and approved by the Financial Supervisory Authority of the Central Bank of Iceland, Kalkofnsvegur 1, 101 Reykjavík (the "FSA"), as competent authority under Regulation (EU) 2017/1129. The FSA only approves the Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval should not be considered as any type of support or endorsement of the Issuer or a statement to the quality of the securities referred to in the Prospectus. Investors should make their own assessment as to the suitability of investing in the securities. This Prospectus has been drawn up as part of a simplified prospectus in accordance with Article 14 of Regulation (EU) 2017/1129 and the level of disclosure complies with Annex 3 (Registration document for secondary issuances of equity securities) and Annex 12 (Securities note for secondary issuances of equity securities or of units issued by collective investment undertakings of the closed-end type) as put forth in the Commission Delegated Regulation (EU) 2019/980. The Prospectus also complies with the Nasdaq Rulebook. The Prospectus was approved by the FSA on 1 August 2024 and is valid for twelve months after this date and will be available for electronic viewing for a period of ten years after the date of publication on the Issuer's website: [www.flyplay.com/en/investor-relations](http://www.flyplay.com/en/investor-relations).

Any dispute that may arise from the Prospectus or related matters shall be governed exclusively by Icelandic law and be subject to the exclusive jurisdiction of Icelandic courts, with venue before the District Court of Reykjavík.

Following the publication of the Prospectus, investors are advised to acquaint themselves with all information publicly disseminated by the Issuer or any other information concerning the Issuer or the Shares. Information in this Prospectus is based on scenarios and facts applicable at the date of its publication and may be subject to changes from the time of publication by the FSA until trading with the Shares commences on Nasdaq Iceland's regulated market. If material new information, mistakes, or inaccuracies regarding the information in this Prospectus or other documentation included in the Prospectus that is likely to affect investors' assumptions of the Issuer or the Shares comes to light during this period, a supplement to the Prospectus will be published in accordance with Article 23 of the Prospectus Regulation. The supplement shall be confirmed by the FSA and published in the same manner as the original Prospectus.

This Prospectus or other documents that constitute a part of the Prospectus shall not be distributed (neither by mail or in any other way) to countries where the distribution would require an additional registration process or other actions other than those stipulated by Icelandic laws and regulations if such distribution is not in accordance with the laws and rules of the countries in question. The Issuer is not liable for damages caused by the distribution of the Prospectus or documents to third parties in other countries.

Following the Issuer's application for admission to trading of shares on the Main Market of Nasdaq Iceland, which will be considered complete when the FSA has approved and published this Prospectus and a final version of the application has been delivered to Nasdaq Iceland (the "Application"), the Issuer and the Shares will be mandated by the provisions of laws, regulations and rules regarding issuers of shares, and shares that have been admitted to trading on a Nasdaq Iceland's regulated market as applicable at any given time. This includes *inter alia* Act No. 20/2021 on the Disclosure and Notification requirements of Issuers of Financial Instruments, Act No. 60/2021 on Measures against Market Abuse, Act No. 115/2021 on Markets in Financial Instruments as well as other rules and regulations based on the aforementioned acts, including FSA rules no. 44/2023 on the Role and Status of Compliance Officers and Registration of Communication according to the Act on Measures against Market Abuse as well as rules No. 320/2022 on Measures against Market Abuse.

#### 3.2. Potential Conflicts of Interest

Investors are advised of the following interests Arctica Finance hf.

*Arctica Finance*

Arctica Finance's Corporate Finance division was retained by the Issuer to oversee the process of having the Shares admitted to trading on Nasdaq Iceland's regulated market. Arctica Finance accepts a fee for their services to the Issuer, which inter alia include the compilation of the Prospectus. At close of business on 22 July 2024 Arctica Finance does not hold any Shares in the Issuer, Arctica Eignarhaldsfélag ehf. (Arctica Finance's parent company) holds a total of 15,361,111 Shares in the Issuer and A/F Stilla slhf., which is an alternative investment fund in which Arctica Finance is an investor holds 12,715,574 Shares in the Issuer.

Maria Rúnarsdóttir, a member of the Board of Directors of the Company, is also a member of the Board of Directors of Arctica Finance.

Arctica Finance has established a Conflict of Interest Policy to treat conflict of interest. The aim of the policy is to ensure coordinated handling of conflicts of interest and effective organisational and managerial processes to control any conflicts of interest that may arise.

Investors are advised to acquaint themselves with a summary of the policy which can be found on Arctica Finance's website [www.arctica.is](http://www.arctica.is).

*Elías Skúli Skúlason*

Elías Skúli Skúlason, the vice Chairman of the Board of Directors, is an indirect shareholder in Airport Associates which the Issuer has entered into a ground handling service agreement pursuant to which Airport Associates will provide all ground handling services for the Issuer's fleet of aircraft at Keflavik International Airport, apart from catering services.

*Valentín Lago*

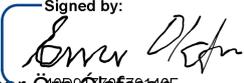
Valentín Lago, a member of the Board of Directors of the Issuer, has through his entity IDEAIR Consulting SL., entered into a consulting agreement with the Issuer pursuant to which he provides the Issuer with various consulting services relating to airline operations.

### 3.3. The Issuer's Statement

This Prospectus is made available by Fly Play hf., reg. no. 660319-0180, Suðurlandsbraut 14, 108 Reykjavík, Iceland (the Issuer). The Issuer accepts responsibility for the information contained in this Prospectus. The Issuer declares that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and this Prospectus does not omit anything likely to affect its import. The opinions, assumptions, intentions, projections and forecasts expressed in this Prospectus with regard to the Issuer are honestly held by the Issuer, have been reached after considering all the relevant circumstances and are based on reasonable assumptions.

1 August 2024

For and on behalf of Fly Play hf.

Signed by:  
  
 Einar Ólafsson

Chief Executive Officer

Signed by:  
  
 Sigurður Kári Kristjánsson

Chairman of the Board of Directors

### 3.4. Advisers

Arctica Finance hf. (with the email address [arctica@arctica.is](mailto:arctica@arctica.is)), an authorized investment firm with its registered office at Katrínartún 2, 105 Reykjavík, Iceland and LEI 967600F5SHVSJ9H5F594, has been retained by the Issuer to manage the process of admission of the Shares to trading on the Regulated Market of Nasdaq Iceland as well as the compilation of the Prospectus in co-operation with the board and management of the Issuer. The Prospectus is based on information supplied by the Issuer, including the audited consolidated annual financial statements for the financial year 2023. Arctica Finance has not verified the information contained in the Prospectus and assumes no responsibility or liability as to the accuracy or completeness of the information contained in the Prospectus.

### 3.5. Documents on Display and Documents Incorporated by Reference

For a period of twelve months from the date of issue of this Prospectus, the following documents will be available for electronic viewing on the Issuer's website: [www.flyplay.com/en/investor-relations](http://www.flyplay.com/en/investor-relations). In addition, all documents incorporated by reference will be available for electronic viewing for a period of ten years from the date of issue of this Prospectus on the same website.

#### 3.5.1. Documents on Display

- The Summary and this Prospectus, both dated 1 August 2024.
- The Issuer's Articles of Association dated 24 April, 2024.
- The Issuer's Board of Directors Procedural Rules, as in force as of March 2023.
- The Issuer's Business Practices Policy, as in force as of March 2024.
- The Issuer's Code of Ethics, as in force as of March 2024.
- The Issuer's Equal Pay and Opportunity Policy, as in force as of March 2024.

- The Issuer’s Anti-Harassment and Non-Discrimination Policy, as in force as of March 2024.
- The Issuer’s Safety and Quality Policy, as in force as of March 2024.
- The Issuer’s Anti-Slavery and Human Trafficking Policy, as in force as of March 2024
- The Issuer’s Communication Policy, as in force as of March 2024.
- The Issuer’s Environmental Policy, as in force as of March 2024.
- The Issuer’s Supplier Code of Conduct, as in force as of March 2024.
- The Issuer’s Whistleblower Policy, as in force as of March 2024.
- The Issuer’s Financial Statements and Interim Financial Information.

### 3.5.2. Incorporation by Reference

The following documents are incorporated by reference and constitute an inseparable part of the Prospectus:

- The Issuer’s unaudited condensed consolidated interim financial statements for the period 1 January - 30 June 2024, prepared in accordance with IFRS, including the notes thereto, dated 25 July 2024, [https://wab-website.cdn.prismic.io/wab-website/ZqJ2rx5LeNNTxgA0\\_FlyPlayhf.CondensedInterimFinancialStatement30.6.2024.pdf](https://wab-website.cdn.prismic.io/wab-website/ZqJ2rx5LeNNTxgA0_FlyPlayhf.CondensedInterimFinancialStatement30.6.2024.pdf).
- The Issuer’s audited consolidated financial statements for the financial year 2023 prepared in accordance with IFRS, including the notes thereto and the statutory auditor’s report thereon, dated 8 February 2024, [https://wab-website.cdn.prismic.io/wab-website/65c51aa49be9a5b998b590ff\\_FlyPlayhf.ConsolidatedFinancialStatement2023.pdf](https://wab-website.cdn.prismic.io/wab-website/65c51aa49be9a5b998b590ff_FlyPlayhf.ConsolidatedFinancialStatement2023.pdf)
- The Issuer’s audited consolidated financial statements for the financial year 2022 prepared in accordance with IFRS, including the notes thereto and the statutory auditor’s report thereon, dated 15 February 2022, [https://wab-website.cdn.prismic.io/wab-website/96f3946b-841c-4f75-ab45-200d4cf986e2\\_Fly+Play+hf.+Consolidated+Financial+Statement+2022.pdf](https://wab-website.cdn.prismic.io/wab-website/96f3946b-841c-4f75-ab45-200d4cf986e2_Fly+Play+hf.+Consolidated+Financial+Statement+2022.pdf)
- The Issuer’s Articles of Association, dated 24 April 2024, [https://wab-website.cdn.prismic.io/wab-website/Zk3rOSol0Zci9WIX\\_Fly\\_Play\\_hf\\_ArticlesofAssociation\\_Sam%C3%BEykkir\\_Bi-lingual\\_24.4.2024.pdf](https://wab-website.cdn.prismic.io/wab-website/Zk3rOSol0Zci9WIX_Fly_Play_hf_ArticlesofAssociation_Sam%C3%BEykkir_Bi-lingual_24.4.2024.pdf)

Other than as stated in this chapter ☞ “incorporation by reference”, the contents of the Issuer’s website ([www.flyplay.com](http://www.flyplay.com)) and other websites mentioned in this Prospectus, including any websites accessible from hyperlinks on the Issuer’s website, do not form part of and are not incorporated by reference into this Prospectus. The information on such websites has not been scrutinized or approved by the FSA.

### 3.6. Information from Third Parties

The Issuer confirms that information from third parties in the Prospectus has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Third party information included in the Prospectus is referenced where applicable.

### 3.7. Corporate Information

The legal and commercial name of the Issuer is Fly Play hf. The Issuer is registered at the Register of Enterprises in Iceland, with the reg. no. 660319-0180. The Issuer’s domicile and headquarters are at Suðurlandsbraut 14, 108 Reykjavík, Iceland. The Issuer is a public limited company incorporated in Iceland operating pursuant to the Icelandic Act No. 2/1995 respecting Public Limited Companies (the “Public Companies Act”). The Issuer is listed on Nasdaq Iceland’s regulated market and is therefore subject to Act No. 115/2021 on markets in financial instruments.

The Issuer's operations are further subject to the Icelandic Aviation Act No. 80/2022, Act No. 41/1949 respecting The Convention for the Unification of certain rules relating to international carriage by air, (commonly known as the "Warsaw Convention") and Act No. 85/2007 respecting food and beverage services, accommodation establishments and entertainment. Notice is made of the fact the above list is not exhaustive as the Issuer as all other companies, is subject to several general bodies of law such as Act No. 90/2003 on Income Tax and Act No. 3/2006 on Annual Accounts.

Issuer:	Fly Play hf.
ID No:	660319-0180
LEI No:	6488JA9V5773X03XRQ10
Legal form:	Public limited company
Date of incorporation:	7 March 2019
Total shares outstanding:	1,891,598,895
Total share capital:	1,891,598,895 divided into shares of one ISK each
Ticker symbol at Nasdaq Iceland:	Issuer
ISIN number:	IS0000032936
Domicile:	Suðurlandsbraut 14, 108 Reykjavík, Iceland
Website:	<a href="http://www.flyplay.com/en/investor-relations">www.flyplay.com/en/investor-relations</a>

### 3.8. Financial Year and Duration

The Issuer's financial year is the calendar year. The Issuer has been established for an unlimited duration and neither the Articles of Association of the Issuer nor the operation of law limit the duration of the Issuer.

### 3.9. Statutory Auditors

Deloitte ehf. reg.no. 521098-2449, Dalvegi 30, Kópavogur, Iceland ("Deloitte"), was appointed as the Issuer's auditor on 7 March 2023 and was the statutory auditor for the financial year ended 31 December 2023. Deloitte hereby confirms that the consolidated financial statements of the Issuer for the aforementioned year give a true and fair view of the financial position of the Issuer for the respective year ended 31 December as well as its financial performance and cash flow for the year in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU. Without modifying Deloitte's opinion Deloitte draws attention to the Endorsement and Statement by the Board of Directors and the CEO and Note 2 to the 2023 consolidated financial statements, which indicate that the Company has incurred a net loss of USD 35.171 thousand during the year ended December 31, 2023. As stated in the Endorsement and Statement by the Board of Directors and the CEO and Note 2, these events or conditions indicate that uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. Deloitte confirms that the abovementioned consolidated financial statements found in Chapter 6 "Operational and Financial Review", in this Prospectus is a true copy of the respective original. Deloitte has no material interest in the Issuer.

1 August 2024

Deloitte ehf.

Signed by:

  
Eyþór Guðjónsson

Member of the Institute of State Authorized Public Accountants in Iceland

State Authorized Public Accountant

**3.10. Information on the Shares**

The Shares of the Issuer are ordinary shares in registered form. The Shares are registered under the ISIN number IS0000032936 and the share capital of the Issuer is made up of a single class of shares.

The Shares carry equal rights in all aspects. The Shares are denominated in ISK, with the par value of ISK 1 each and are created and issued under Icelandic law. As of the date of this Prospectus there are 1,891,598,895 shares issued as per the Issuer's Articles of Association and registered with the Icelandic Register of Enterprises. The Issuer holds no treasury shares.

The Issuer's Articles of Association provide for authorisation to the board of directors to increase the share capital in accordance with the capital band up until 21 March 2029. Furthermore, the Issuer's board of directors has also issued new shares in connection with employee incentive plans.

The Shares are not subject to any transfer restrictions, c.f. Article 4.1 of the Articles of Association. Investors are however urged to familiarise themselves with the provisions of 4.1 of the Articles of Association.

For further information concerning the shares, reference is made to chapter 8.1 "Share Capital".

**3.11. Listing and Admission to Trading**

The Issuer's Shares are currently listed on the Multilateral Trading Facility *First North Iceland Growth Market*.

The Issuer has applied for the admission to trading on Nasdaq Iceland Main Market ("Application"). Following the Application, Nasdaq Iceland will publish a final decision regarding the Application and, if accepted, the first possible day of trading with the Shares on Nasdaq Iceland, which is expected to commence on or around 6 to 9 August 2024.

**3.12. Estimated Expenses**

The expenses related to the admission of the Shares to trading on Nasdaq Iceland consist of fees due to the FSA and Nasdaq Iceland, as well as legal and administrative expenses, financial advisor fees, listing agent fees, publication costs and applicable taxes, if any. The Issuer estimates that the total expenses related to the admission will amount to approximately ISK 15,000,000.

#### 4. BUSINESS AND MARKET OVERVIEW

##### 4.1. Business Overview

###### 4.1.1. General Overview and History

###### Introduction

The Issuer is an Icelandic based low-cost airline that operates in Europe and North America using Keflavik International Airport as a hub to facilitate connections for passengers and cargo. The Issuer targets a modern, digital and efficient setup to ensure high operational efficiency.

###### History and development

The Issuer was formally incorporated in March 2019 by an auditing firm, but in its history, 12 June 2019 is considered to be the founding day, at which date the Issuer was acquired in its dormant state.

Year	Main Events
June 2019	<p>The Issuer was co-founded on 12 June 2019 by Arnar Már Magnússon and Sveinn Ingi Steinþórsson.</p> <p>The Issuer was branded in Iceland as WAB air ehf.</p> <p>Share capital 500,000 ISK, divided into the same number of shares.</p> <p>The Issuer applied for AOC on 28 June 2019.</p>
July 2019	The Issuer hired the first employees.
August 2019	The Issuer moved into its headquarters at Reykjavíkurvegur 76, Hafnarfjörður.
November 2019	The Issuer presented its new name “Fly Play”, changed its corporate name to Fly Play ehf. and Arnar Már Magnússon was appointed as the CEO.
December 2019	<p>The Issuer secured EUR 2 million funding from FEA ehf. and Skúli Skúlason joined the board of the Issuer.</p> <p>Share capital increased to ISK 50,500,000.</p>
May 2020	All shares in the Issuer, previously not owned by FEA ehf., were assumed by FEA ehf., who then became the sole shareholder in the Issuer.
March 2021	The Issuer launched a private placement with Arctica Finance with the goal to raise USD 35 million.
April 2021	<p>The Issuer’s share capital reduced to ISK 5,000,000 and increased again to ISK 100,000,000.</p> <p>The Issuer 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 Issuer introduced new board of directors and Birgir Jónsson was appointed as the CEO of the Issuer.</p> <p>The Issuer signed a lease agreement with AerCap for three A321neo aircraft.</p>
May 2021	<p>The Issuer registered its first aircraft with ICETRA.</p> <p>The Issuer took delivery of its first aircraft.</p> <p>The Issuer received it’s AOC on 15 May 2021.</p>

	The Issuer started ticket sales on 18 May 2021. The Issuer initiated hiring and onboarding of pilots and cabin crew.
November 2021	The Issuer opens an office in Vilnius Lithuania which hosts various support and technical functions.
June 2021	The Issuer moved into its new headquarters at Suðurlandsbraut 14, 108, Reykjavik. The Issuer operated its first commercial scheduled flight to London Stansted Airport on 24 June 2021
August 2021	The Issuer applies for permits to start flying to the United States of America on 23 August 2021
September 2021	The Issuer signs contract with GECAS (now AerCap) for four new Airbus 320neo Family aircraft
December 2021	The Issuer started ticket sales on flights to the United States of America on 16 December 2021
April 2022	The Issuer operated its first flight to the United States of America when scheduled flights to Baltimore International Airport are launched 20 April 2022
December 2022	The Issuer was awarded the Start-up of the Year for 2022 by CAPA – Centre for Aviation
January 2023	The Issuer started tickets sales on flights to Canada on 10 January 2023
May 2023	The Issuer takes delivery of its tenth aircraft on 31 May 2023
June 2023	The Issuer operated its first flight to Canada when scheduled flights to Toronto Hamilton International Airport are launched on 22 June 2023
Q1 2024	The Issuer started ticket sales to two new destinations Vilnius and Split and starts scheduled flights to Vilnius and Split in 2024.
March 2024	The Issuer started ticket sales to two new destinations in March, Madeira Island and Marrakech.
April 2024	The Issuer started ticket sales for a new destination, Cardiff, Wales and will operate two flights per week over a six-week period, starting on October 10, 2024, and concluding on November 20.
June 2024	The Issuer expands its partnership with Dohop to become a retail partner with the launch of PLAY Connect which allows the Issuer to offer its customers hundreds of weekly flight connections worldwide.

#### 4.1.2. Issuer structure

The Issuer carries out all of its business and operations in the same corporate entity. The Issuer owns one subsidiary PLAY Lithuania which is a private limited company and domiciled in Lithuania with its registered office at Lvivo g. 101, Vilnius. The Issuer's ownership in PLAY Lithuania is 100%. The subsidiary operates the Issuer's office in Vilnius and provides technical and administrative support for the Company. The Issuer is not a shareholder, member or otherwise affiliated with other business entities.

The Issuer has, and intends to maintain, a lean and efficient delegation of authority and responsibilities. Shareholder's meeting yields the supreme powers in the Issuer. The Board of Directors is responsible for the

business of the Issuer between shareholder's meetings. A management team consisting of seven executive committee members are responsible for the day-to-day business, led by the CEO.

An integral part of the Issuer's business plan is to remain lean, efficient and focus on its core business. The Issuer 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.

#### *4.1.3. 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 Issuer was granted the AOC on 15 May 2021, simultaneously as taking delivery of its first aircraft.

In addition to regulatory approvals, the Issuer is dependent on having agreements or slots 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 Prospectus the Issuer 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 Issuer intends to fulfil in order to maintain the slots. Furthermore, The Issuer has on long-term lease agreement a total of ten A321neo Family aircraft.

#### *4.1.4. Material contracts*

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

##### *Collective Bargaining Agreements*

The Issuer has entered into two collective bargaining agreements with the labour union Íslenska flugstéttarfélagið. 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 was 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 Issuer 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 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 Issuer has entered into lease agreements for a total of ten Airbus A321neo Family aircraft. The Issuer has on the date of this Prospectus taken delivery of all of these aircraft.

The average leasing period is approximately 9.5 years from the day of delivery. The lease agreements include a provision on base rent, maintenance payments, subject to annual escalation, intended 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

Issuer are secured by cash deposits totalling USD 8,965,000, which will be returned to the Issuer 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 Issuer 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 Issuer's fleet of aircraft at Keflavik International Airport, apart from catering services. As noted in this Prospectus, Airport Associates is an affiliated company of Elías Skúli Skúlason, vice chairman of the board of directors of the Issuer.

#### *Aircraft Mechanics and Maintenance*

The Issuer 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 Issuer's aircraft, as necessary.

### *4.1.5. Business Structure and Strategy*

#### *The Business Model*

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

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

*High aircraft utilisation* – the Issuer operates flights to Europe and North America using the hub-and-spoke model based at Keflavik International Airport. This enables the Issuer to achieve high utilization of its fleet, which was on average 13 hours per aircraft per day.

*Modern fleet* – the Issuer 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 us with several operational and cost advantages, including the ability to optimize crew scheduling, training, and maintenance.

*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.

*Low-cost distribution model* – the Issuer plans to focus on selling tickets directly to customers through its website. This reduces distribution costs and allows the Issuer to offer better customer service.

*Leverage technology* – the Issuer plans to leverage technology in all aspects of its business to reduce the manpower required to run the business on day-to-day basis.

*Highly productive workforce* – the Issuer has entered into collective bargaining agreements with unions that enable the Issuer to achieve competitive utilisation of its workforce.

*Outsourcing non-core functions* – the Issuer intends to outsource non-core functions where it lacks economies of scale and speciality knowledge, including ground handling services, maintenance services and information technology service. The outsourcing model enables the Issuer to provide high-quality services at low costs and provides flexibility for us to align our costs with capacity and demand.

*Simple marketing message and emphasis on digital marketing* – the Issuer 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 Issuer 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 Issuer can more easily track and measure the results of its marketing efforts and reduce waste and the manpower associated with its marketing activities.

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

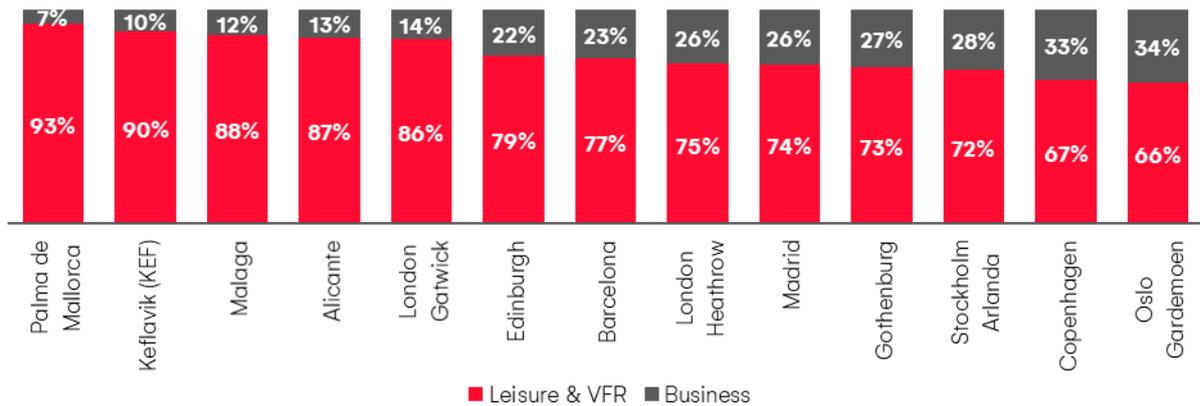
Typically, low-cost airlines do not allow passengers to connect between flights within their networks, i.e., they focus on point-to-point traffic. However, most of the markets that the Issuer plans to serve are not large enough to support frequent service on year-round basis using large aircraft to solely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

*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.

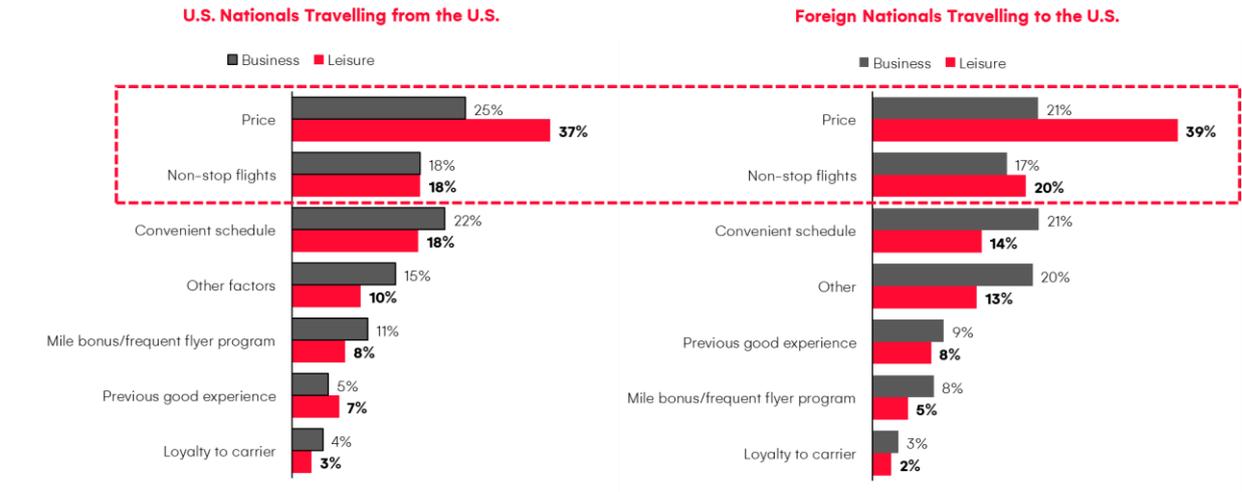
**Journey Purpose of Passengers at Selected European Airports and Keflavik Airport in 2019**

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 on his/her way to the final destination.

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



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

**Revenue Generation**

The Issuer will offer both bundled and unbundled product offerings to its customers, which allows Issuer to stimulate demand for its products and services through low ticket prices, while generating revenue by selling ancillary products and services. Issuer’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 Issuer 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 Issuer sees opportunities to increase ancillary revenues, especially from non-flight related ancillary revenues such as travel insurance, discount club, cargo and/or loyalty program.

**The Route Network**

The Issuer’s route network connects Iceland to major cities in Europe and popular leisure destinations for the FROM Iceland market and major cities in North America and use Iceland’s favourable geographical location to operate a hub Keflavik International Airport.

**The Issuer’s Route Network in 2024**



Iceland’s favourable geographical location allows the Issuer 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 Issuer 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.

In 2024 the Issuer further expanded its partnership with Dohop to become a retail partner with the launch of PLAY Connect which This allows the Issuer to offer its customers hundreds of weekly flight connections worldwide and 80 new destinations, bookable through PLAY Connect.

*The Fleet*

The Issuer’s fleet currently consists of ten aircraft 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 Issuer 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 Issuer minimise its business’s environmental impact and enable the Issuer 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 Issuer's flight crew and cabin crew only have to learn on one to operate them all. Having a fleet with crew commonality and different sizes allows the Issuer to stick to one of its values of simplicity and better match supply with demand.

#### *Subleasing of aircraft*

The Issuer intends to sub-lease one or more aircraft via "wet" or "dry" lease, i.e. with or without crew, over the low season of its operations to better utilise the aircraft and gain revenue against lease obligations when foreseeable that the whole fleet will not be required for the Issuer's day-to-day operations. These sub-lease operations are expected to start when the low seasons commences in the fall of 2024. Sub-leasing of aircraft is a new addition to the business of the Issuer. As of the date of this Prospectus the Issuer has not entered into any sub-lease arrangement.

#### *Developments in passenger numbers, load factor and costs*

The Issuer has seen increases in passenger numbers and load factor month on month over the year 2024 compared to the same period in 2023. The load factor is expressed as a percentage and represents the percentage of full capacity of available seats offered by the Issuer achieved in each month.

- The Issuer carried 99,704 passengers in January 2024, which is a 61% increase from January 2023 when the Issuer carried 61,798 passengers. The load factor in January 2024 was 75% compared to 77% in January 2023.
- The Issuer carried 106,042 passengers in February 2024, which is a 66% increase from February 2023 when the Issuer carried 63,949 passengers. The load factor in February was 81%, compared to 76.9% in February 2023.
- The Issuer carried 142,918 passengers in March 2024, which is a 65% increase from March 2023 when the Issuer carried 86,661 passengers. The load factor in March 2024 was 88.1% compared to 80.6% in March 2023.
- The Issuer carried 122,217 in April 2024, compared to 102,499 in April 2023, marking a notable 19% rise, which is a significant increase in passenger volume. The load factor for April 2024 reached 85.1%, up from 80.8% in April 2023.
- The Issuer carried 146,692 passengers in May 2024, which marked a 14% increase from May 2023 when the Issuer carried 128,847 passengers. The load factor in May 2024 was 86.4% compared to 84.8% in May 2023.
- The Issuer carried 173,109 passengers in June 2024, marking a 7.5% increase from June 2023, when the Issuer carried 160,979 passengers. The load factor in June 2024 was 86.0%, slightly down from 87.2% in June 2023.

At the end of Q1 2024, the Issuer has seen a reduction in cost per available seat kilometre (CASK), compared to Q1 2023 the CASK decreased by nearly 8%, from 6.4 US cents per available seat kilometre in Q1 2023 to 5.9 US cents per available seat kilometre in Q1 2024. Furthermore in comparing the same periods the Issuer has seen a reduction in cost per available seat kilometre excluding fuel (CASK EX-FUEL), the CASK EX-FUEL was 4.3 US cents per available seat kilometre in Q1 2024 compared to 4.5 US cents per available seat kilometre in Q1 2023.

At the end of Q2 2024 the cost per available seat kilometer (CASK) increased by 3% year-on-year, from 5.23 US cents to 5.37 US cents. Cost per available seat kilometer excluding fuel (Ex-fuel CASK) increased by 8% between Q2 2023 and Q2 2024, from 3.50 US cents to US 3.78 cents. Several factors contributed to the higher unit cost. Capacity cuts in April, following the Easter ramp-up of production, drove up unit cost for the month. Maintenance costs were higher due to spare engine lease costs incurred in 2024, and not in 2023, to improve operational resilience. Airport costs were higher due to expiration of new route incentives at some airports as well as higher fees and charges in KEF and lastly marketing costs were higher due to increased marketing activity

in response to a softer VIA market, being the market for transatlantic flights with a stop-over in Iceland, and lingering negative impact on demand from the seismic activity on the Reykjanes peninsula.

#### **4.2. Legal Proceedings**

From time to time, the Issuer may be subject to legal proceedings. The Issuer is not currently a party to, or has been for the last 12 months, or is aware of any governmental, legal or arbitration proceedings that it believes will have, individually or in the aggregate, a material adverse effect on its business, financial condition or results of operations. Regardless of outcome, litigation can have an adverse impact on the Issuer because of defence and settlement costs, diversion of management resources, and other factors.

## 5. CAPITALISATION

### 5.1. Statement of Capitalisation

The following table shows the capitalisation of the Issuer as of 30 June 2024, deriving from the interim financial results of the Issuer (neither audited nor reviewed):

Capitalization of the Issuer	
<i>All amounts are in USD thousands</i>	30 June 2024
Long-term lease liabilities	243,721
Long-term provisions	65,557
<b>Total Non-current liabilities – unguaranteed and unsecured</b>	<b>309,279</b>
Trade payables	62,755
Short-term lease provisions	22,268
Short-term lease liabilities	26,822
Deferred income	77,786
<b>Total Current liabilities – unguaranteed and unsecured</b>	<b>189,631</b>
Share capital	14,046
Legal reserves	1,245
Other reserves	(10,864)
<b>Total Shareholder equity</b>	<b>4,427</b>
<b>Total Capitalization</b>	<b>503,336</b>

As of 30 June 2024, the Issuer had cash and cash equivalents of USD 51 million and short-term financial assets of USD 56 million. The short-term financial assets consist mainly of trade and other receivables with maturities within two months.

On 29 March 2024 and 11 April 2024 the Issuer received binding subscriptions for newly issued shares, pursuant to a private placement and a limited public offering, which were exempt from the Prospectus Regulation, as the private placement was only addressed to investors that are committed to invest at least EUR 100,000 each (the “Private Placement”) and the limited public offering was lower than the ISK equivalent of EUR 8 million. The proceeds from the Private Placement and limited public offering were in the amount of approx. ISK 4.6 billion.

### 5.2. Statement of Indebtedness

The following table shows indebtedness of the Issuer as of 30 June 2024, deriving from the interim financial information of the Issuer (neither audited nor reviewed):

Indebtedness of the Issuer	
<i>All amounts are in USD thousands</i>	30 June 2024
Cash and cash equivalents	51,394
Trade and other receivables	53,356
Prepaid expenses	2,187
<b>Liquidity</b>	<b>106,937</b>
Current portion of non-current Provisions	22,200
Current portion of non-current financial lease	26,822
<b>Current financial indebtedness</b>	<b>49,022</b>
<b>Net current financial indebtedness</b>	<b>57,915</b>
Non-current financial provision debt	65,557
Non-current financial lease liability debt	243,721
<b>Non-current financial indebtedness</b>	<b>309,279</b>

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Total net financial indebtedness	367,194
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All liabilities are unguaranteed and unsecured, and as of the date of this Prospectus, the Issuer has no financial debt related to debt instruments, neither current nor non-current.

### **5.3. Working Capital Statement**

The Issuer's accounts are prepared on a going concern basis and the Issuer is of the opinion, that at the date of this Prospectus the Issuer will have sufficient working capital to fulfil its requirements for the next 12 months following admission to trading on Nasdaq Iceland.

Further information on the Issuer's working capital can be found in chapter 6 "Operational and Financial Review", and in particular in chapter 6.5 "Cash Flows, Liquidation and Capital Resources".

### **5.4. Guidance for 2024**

While preparing the Q2 interim financial report and updating financial outlook for 2024 the results indicated that the Issuer's EBIT results will not be around zero as previously stated by the Issuer but will be negative. As a consequence on 22 July 2024 the Issuer invalidated the previously issued guidance on the financial outlook for 2024 with a regulatory disclosure.

## 6. OPERATIONAL AND FINANCIAL REVIEW

### 6.1. Introduction

The following financial information is taken or derived from the audited financial statements for the year ended 31 December 2023.

The aforementioned financial information, which are incorporated into this Prospectus can be found in chapter 3.5.2 "Incorporation by Reference" and form an integral part of this Prospectus.

### 6.2. Financing Activities in year 2024

#### *Private Placement and limited public offering of ordinary shares*

Other than the changes resulting from the Private Placement (defined below) and the subsequent limited public offering, no significant changes in the financial performance or financial position of the Issuer have occurred and no material adverse changes in the prospects of the Issuer have occurred since the date of the audited financial statement on 31 December 2023.

With respect to changes to the financial position it should be noted On 29 March 2024 and 11 April 2024 the Issuer received binding subscriptions for newly issued shares, pursuant to a private placement and a limited public offering, which were exempt from the Prospectus Regulation, as the private placement was only addressed to investors that are committed to invest at least EUR 100,000 each (the "Private Placement") and the limited public offering was lower than the ISK equivalent of EUR 8 million.

Subscriptions were settled after the reference date of the audited financial statements for the year ended 31 December 2023 and result in the Issuer's cash and cash equivalent, as well as short-term financial assets (excluding transaction costs), will increase by the USD equivalent of ISK 4.6 billion.

### 6.3. Results of Operations

The table below shows the Issuer's unaudited Consolidated Statements of Profit or Loss as of 30 June 2023, and 2024.

<i>All amounts are in USD thousands</i>	2024	2023
	1.1.-30.6	1.1.-30.6
Revenue		
Transport revenue	132.773	105.884
	132.773	105.884
Operating expenses		
Aviation expenses	88.014	67.598
Salaries and other personnel expenses	25.245	19.650
Other operating expenses	13.495	10.882
	126.754	98.131
Operating profit before depreciation and Amortization (EBITDA)	6.018	7.753
Depreciation and Amortization	30.937	24.132
Operating profit (loss) (EBIT)	( 24.919)	( 16.379)
Financial income and expenses		
Financial income	858	844
Financial expenses	( 14.238)	( 11.762)
Foreign exchange	811	( 796)
	( 12.569)	( 11.715)
<b>Loss before tax (EBT)</b>	<b>( 37.488)</b>	<b>( 28.093)</b>

Income tax	7.751	5.621
Loss for the period	( 29.737)	( 22.472)
Other comprehensive (loss) income Items that are or may be reclassified to the income statement on later date		
Net gain (loss) on fuel hedge, net of tax	341	( 2.757)
Net gain (loss) on FX hedge, net of tax	177	0
	518	( 2.757)
Total comprehensive loss for the period	( 29.219)	( 25.230)

The table below shows the Issuer's Audited Consolidated Statements of Profit or Loss as of 31 December 2022, and 2023.

Audited Consolidated Financial Statements of Profit or Loss and other Comprehensive Income		
<i>All amounts are in USD thousands</i>	2023	2022 <sup>6</sup>
Revenue		
Transport revenue	281,777	139,905
Operating expenses		
Aviation expenses	179,503	113,198
Salaries and other personnel expenses	43,975	25,451
Other operating expenses	24,996	13,216
	248,474	151,865
Operating profit (loss) before, depreciation, financial items and tax (EBITDA)	33,303	(11,960)
Depreciation and Amortization	53,989	31,825
Operating loss (EBIT)	(20,686)	(43,786)
<b>Financial income and expenses</b>		
Financial income	1,714	516
Financial expense	(27,404)	(13,950)
Foreign exchange	943	(518)
	(24,748)	(13,952)
Loss before tax (EBT)	(45,434)	(57,737)
Income tax	10,262	9,943
Loss for the year	(35,171)	(47,794)
Other comprehensive (loss) income Items that are or may be reclassified from equity to the income statement on later date		
Fuel hedges - effective portion of changes in fair value, net of tax	316	0
Fuel hedges - reclassified to profit or loss	(121)	0
	195	0
Total comprehensive loss for the year	(34,977)	(47,794)

#### 6.4. Financial Position

<sup>6</sup> The comparative information has been restated as discussed in note 2 of the 2023 Consolidated Financial Statements

The table below shows the Issuer's unaudited Consolidated Statement of Financial Position - Balance Sheet as of 30 June 2024.

<b>All amounts are in USD thousands</b>	<b>30.6.2024</b>
<b>Assets</b>	
Intangible assets	14.381
Right-of-use assets	320.214
Operating assets	15.002
Aircraft deposits & security instalments	12.346
Deferred tax assets	34.040
Non-current assets	395.983
Inventories	349
Trade and other receivables	53.356
Prepaid expenses	2.187
Cash and cash equivalents	51.394
Current assets	107.286
<b>Total assets</b>	<b>503.269</b>
<b>Shareholders equity</b>	
Share capital	14.046
Share premium	125.897
Other components of equity	1.245
Accumulated loss	( 136.761)
Total shareholder equity	4.427
<b>Liabilities</b>	
Provisions	65.557
Lease liabilities	243.721
Non-current liabilities	309.279
Provisions	22.200
Lease liabilities	26.822
Trade and other payables	62.755
Deferred income	77.786
Current liabilities	189.564
<b>Total liabilities</b>	<b>498.842</b>
<b>Total shareholders equity and liabilities</b>	<b>503.269</b>

The table below shows the Issuer's Consolidated Statement of Financial Position - Balance Sheet as of 31 December 2023 and 31 December 2022.

Audited Consolidated Financial Statements of Financial Position

<b>All amounts are in USD thousands</b>	<b>2023</b>	<b>2022<sup>7</sup></b>
<b>Assets</b>		
Intangible assets	14,195	12,561
Right-of-use assets	338,450	298,040
Operating assets	11,855	6,723
Aircraft deposits & security instalments	13,209	10,934
Deferred tax assets	26,290	16,027

<sup>7</sup> The comparative information has been restated as discussed in note 2 of the 2023 Consolidated Financial Statements

Non-current assets	403,998	344,285
<b>Inventories</b>	180	819
Trade and other receivables	32,992	22,861
Prepaid expense	2,755	939
Cash and cash equivalents	21,606	36,234
Current assets	57,533	60,853
<b>Total assets</b>	<b>461,531</b>	<b>405,139</b>
Shareholders equity		
Share capital	6,797	6,740
Share premium	101,490	100,587
Other components of equity	1,160	13,844
Accumulated loss	(107,542)	(84,932)
Total shareholder equity	1,905	36,239
Liabilities		
Provisions	75,965	72,680
Lease liabilities	247,761	206,793
Non-current liabilities	323,726	279,473
Provisions	20,399	16,601
Lease liabilities	25,300	17,260
Trade and other payables	43,731	27,223
Deferred income	46,471	28,342
Current liabilities	135,900	89,427
<b>Total liabilities</b>	<b>459,626</b>	<b>368,900</b>
<b>Total shareholder equity and liabilities</b>	<b>461,531</b>	<b>405,139</b>

## 6.5. Cash Flows, Liquidity and Capital Resources

The table below shows the Issuer's unaudited Consolidated Statement of Financial Position - Balance Sheet as of 30 June 2024 and 30 June 2023.

<i>All amounts are in USD thousands</i>	2024 1.1.-30.6	2023 1.1.-30.6
Cash flows used in operating activities		
Loss for the period	(29.737)	(22.472)
Adjustments for		
Depreciation and amortization	30.937	24.132
Net finance expense	12.569	11.715
Stock options	85	92
Deferred income tax	(7.751)	(5.621)
	6.103	7.845
Changes in operating assets and liabilities		
Inventories, increase	( 169)	( 177)
Trade and other receivables, decrease (increase)	( 747)	(14.485)
Trade and other payables, increase (decrease)	21.312	57.809
Changes in operating assets and liabilities	20.396	43.147
<b>Cash from operations before int. and taxes</b>	<b>26.499</b>	<b>50.992</b>
Financial income received	858	844
Interest paid	(11.726)	( 9.480)
<b>Net cash from operating activities</b>	<b>15.631</b>	<b>42.357</b>

Cash flows to investing activities		
Deposits	863	( 930)
Investment of operating assets	( 3.888)	( 5.553)
Investment of intangible assets	( 1.895)	( 1.796)
Net cash used in investing activities	( 4.920)	( 8.279)
Cash flows from financing activities		
Repayment of lease liabilities	(12.881)	(16.295)
Proceeds from share issue	31.655	0
Net cash (to)/from financing activities	18.775	(16.295)
Increase in cash and cash equivalents	29.486	17.783
Effect of exchange rate fluctuations on cash held	303	511
Cash and cash equiv. at beginning of the period	21.606	36.234
Cash and cash equivalents at the end of the period	51.394	54.528
Investment and financing without cash flow effect		
Acquisition of right-of-use assets	10.224	(134.023)
New leases	(10.224)	134.023
Capitalized maintenance obligation under lease	0	(42.149)
New leases	0	42.149

The table below shows the Issuer's Audited Consolidated Statements of Cash Flows for 31 December 2022 and 2023:

#### **Audited Consolidated Financial Statements of Cash Flows**

<i>All amounts are in USD thousands</i>	<b>2023</b>	<b>2022<sup>8</sup></b>
Cash generated from (used in) operating activities		
Loss for the year	(35,171)	(47,794)
Adjustments for		
Depreciation and amortization	53,989	31,825
Net finance expense	24,748	11,424
Stock options	183	507
Income tax	(10,262)	(9,943)
Non-current assets	33,487	(13,982)
Changes in operating assets and liabilities		
Inventories, decrease (increase)	639	(537)
Trade and other receivables, increase	(12,226)	(16,201)
Trade and other payables, increase	15,682	35,755
Changes in operating assets and liabilities	4,095	19,017
Cash generated from operations before interest and taxes	37,582	5,036
Financial income received	1,714	516
Interest paid	(22,166)	(11,343)
Net cash generated from (used in) operating activities	17,130	(5,791)

<sup>5</sup>

<sup>8</sup> The comparative information has been restated as discussed in note 2 of the 2023 Consolidated Financial Statements

Cash flows (to) from investing activities		
Deposits	(2,218)	(3,162)
Investment of operating assets	(6,320)	(3,501)
Investment of intangible assets	(4,430)	(3,971)
Net cash (to) from investing activities	(12,968)	(10,634)
Cash flows from financing activities		
Repayment of lease liabilities	(20,381)	(13,256)
Loans from shareholders	0	0
Proceeds from share issue	458	16,129
Net cash from financing activities	(19,923)	2,873
Decrease in cash and cash equivalents	(15,761)	(13,552)
Effect of exchange rate fluctuations on cash held	1,133	(1,945)
Cash and cash equivalents at beginning of the year	36,234	51,731
Cash and cash equivalents at year end	21,606	36,234
Investment and financing without cash flow effect		
Acquisition of right-of-use assets	(69,034)	(154,219)
New leases	69,034	154,219
Capitalized maintenance obligation under lease	(21,289)	(66,701)
New leases	21,289	66,701

## 6.6. Regulatory Disclosure

The Issuer's shares are traded on Nasdaq Iceland First North Growth Market and the Isser is therefore subject to disclosure under the Rules of the Exchange and applicable laws.

This Prospectus presents disclosure of information under regulation (EU) No. 596/2014.

INFORMATION DISCLOSED ACCORDING TO THE RULES OF THE EXCHANGE		
Date	Title	Description
30.07.2024	Chang. board/management/certified advisors	PLAY Announces Changes in Management and Directors
25.7.2024	Company Announcement	Fly Play hf.: Increase in revenue and healthy cash position
22.7.2024	Company Announcement	Fly Play hf.: Guidance for 2024 no longer valid
31.5.2024	Chang. board/management/certified advisors	Fly Play hf.: Einar Örn interim CFO
10.5.2024	Managers' transactions	Fly Play hf.: Transactions of closely associated persons
7.5.2024	Company Announcement	Fly Play hf.: Strong Passenger and Load Factor Growth Amid Capacity Expansion
2.5.2024	Chang. board/management/certified advisors	Arnar Már appointed deputy CEO of PLAY airlines
26.4.2024	Chang. board/management/certified advisors	Fly Play hf.: Ólafur Þór has decided to resign
24.4.2024	Interim information	Fly Play hf.: Massive improvement in revenues and passenger numbers accompanied by load factor increase
24.4.2024	Changes in share capital and votes	Fly Play hf.: Increase of share capital
15.4.2024	Managers' transactions	Fly Play hf.: Transactions on April 15 2024
14.4.2024	Company Announcement	Fly Play hf.: Sigurður Örn joins PLAY as Chief of Business Development
11.4.2024	Company Announcement	Fly Play hf.: Results of Funding Round
8.4.2024	Company Announcement	Fly Play hf.: PLAY's share offering will commence tomorrow

8.4.2024	Company Announcement	Fly Play hf.: Best load factor in a winter month in the history of PLAY and a 65% increase in passenger numbers
21.3.2024	Resolutions of annual general meeting	Fly Play hf.: Results of the AGM and Proposed Public Share Offering
17.3.2024	Notice to convene annual general meeting	Fly Play hf.: Candidacy for the Board of Directors of PLAY
17.3.2024	Chang. board/management/certified advisors	Fly Play hf.: New CEO
7.3.2024	Notice to convene annual general meeting	Fly Play hf.: Annual General Meeting 21 March 2024 - Final Agenda and Proposals
7.3.2024	Company Announcement	Fly Play hf.: 81% Load Factor, passenger numbers grew by 66% and 90% on-time performance
29.2.2024	Company Announcement	Fly Play hf.: PLAY has secured share subscription commitments in the amount of 4,000 million Icelandic Krona
29.2.2024	Notice to convene annual general meeting	Fly Play hf.: Annual General Meeting of Fly Play hf.
20.2.2024	Company Announcement	Fly Play hf.: Largest shareholders provide additional share capital
12.2.2024	Company Announcement	Fly Play hf.: Termination of market-making agreement
8.2.2024	Company Announcement	Fly Play hf.: Year of immense growth and progress: revenue doubled, unit cost decreased and EBIT improved significantly
7.2.2024	Company Announcement	Fly Play hf.: Passenger numbers grew by 61% to 100 thousand, and 75% Load Factor in January
8.1.2024	Company Announcement	Fly Play hf.: 1.5 million passengers in 2023 and world-class on-time performance
7.12.2023	Company Announcement	75% Load Factor, 42% increase in passenger numbers and demand picking up
28.11.2023	Company Announcement	Fly Play hf.: Seismic activity impacting short-term demand

7.11.2023	Company Announcement	Fly Play hf.: 83% Load Factor and a 68% growth in passenger numbers
26.10.2023	Interim information	Fly Play hf.: Fly Play hf: 110m USD in sales in Q3, EBIT grew tenfold from last year and a net profit of 5.2m USD
24.10.2023	Company Announcement	FLY PLAY hf.: Q3 2023 Results published on Thursday October 26
9.10.2023	Company Announcement	Fly Play hf.: 85% Load Factor, 164,000 passengers & PLAY Cabin Crew wins USA Today Readers' Choice Award
28.9.2023	Company Announcement	Fly Play hf.: PLAY delivers a USD 12 million profit in summer 2023
25.9.2023	Company Announcement	Fly Play hf.: PLAY býður til upplýsingafundar í sumarlok
7.9.2023	Company Announcement	Fly Play hf.: 89% Load Factor, 185,000 passengers and two new aircraft confirmed
31.8.2023	Changes in share capital and votes	Fly Play hf.: Útgáfa nýs hlutafjár
21.8.2023	Managers' transactions	Fly PLAY hf.: Manager's transactions
8.8.2023	Company Announcement	Fly Play hf.: Busiest month ever for PLAY. Load Factor hits 91.1% with over 191 thousand passengers flown.
27.7.2023	Company Announcement	Correction: Fly Play hf.: Operational profit, growing revenue, and healthy cash position in the second quarter
27.7.2023	Company Announcement	Fly Play hf.: Operational profit, growing revenue, and healthy cash position in the second quarter
7.7.2023	Company Announcement	Fly Play hf.: Another record month for PLAY - 83% increase in passenger numbers from last year, 87.2% load factor and 81.2% punctuality.
7.6.2023	Company Announcement	Fly Play hf.: Highest-ever passenger number in a single month and an 85% load factor in May

8.5.2023	Company Announcement	Fly Play hf.: Passenger numbers tripled in April and 80.8% load factor
27.4.2023	Interim information	Fly Play hf.: Robust revenue growth, healthy cash position, and strong forward bookings

## 7. GOVERNANCE AND MANAGEMENT

### 7.1. Management and Board of Directors

The following table sets forth the current executive officers and directors of the Issuer as of the filing date.

The executive officers and directors of the Issuer have not been involved in bankruptcies, receiverships, liquidations or companies put into administration, fraud or other financial crime related conviction in the past five years nor are they involved with such ongoing procedures. The executive officers and directors of the Issuer have not been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) nor have they been disqualified by a court from acting as a member of the administrative, management or supervisory bodies or from acting in the management or conduct of the affairs for at least the previous five years.

Name	Title	Business address
<i>Executive officers</i>		
Einar Örn Ólafsson	Chief Executive Officer	Suðurlandsbraut 14, 108 Reykjavík
Andri Geir Eyjólfsson	Chief Operations Officer	Suðurlandsbraut 14, 108 Reykjavík
Daníel Snæbjörnsson	Chief Network Officer	Suðurlandsbraut 14, 108 Reykjavík
Sonja Arnórsdóttir	Chief Commercial Officer	Suðurlandsbraut 14, 108 Reykjavík
Sigurður Örn Ágústsson	Chief of Development Officer	Suðurlandsbraut 14, 108 Reykjavík
Rūta Dabašinskaitė-Vitkė	Chief Financial Officer	Lvivog. 101, Vilnius
<i>Directors</i>		
Sigurður Kári Kristjánsson	Chairman of the Board of Directors	Laugavegur 31, 101 Reykjavík
Elías Skúli Skúlason	Director	Fálkavellir 7, 235 Keflavíkurlugvöllur
Valentín Lago	Director	Calle Menorca, 1 – BL 2 Calvia, Balears, Spain
Guðný Hansdóttir	Director	Eskiholti 11, 210 Garðabær
María Rúnarsdóttir	Director	Gnitakór 1, 203 Kópavogur
Auður Björk Guðmundsdóttir	Alternate Director	Safamýri 18, 108 Reykjavík

There are no principal activities performed by the executive officers and directors of the Issuer outside of the Issuer, which are significant to the Issuer. Coverage of any potential conflict of interest is to be found in chapter 3.2.

### 7.2. Executive Officers

#### Einar Örn Ólafsson, CEO

Einar Örn Ólafsson is the chairman of the boards of Terra hf. and Leika Fjárfestingar ehf. Einar was previously the general manager of Fjarðlax, CEO of Skeljungur and before that held various management positions in banking. Einar is also a minority shareholder of Stoðir hf., investment company, which is a substantial investor in the Issuer.

Einar Örn Ólafsson has over the previous five years sat on the board of directors, been an executive officer or sat on a supervisory committee of the following entities, the Issuer (retired as Chairman on 21 March 2024), Barone I ehf., Einir ehf., Ferdinand ehf., Fiskisund ehf., Gnitanes ehf., GP Holding ehf., Hús og hýbýli ehf., Leika fjárfestingar ehf., M22 ehf., S121 ehf., Terra umhverfisþjónusta hf. and Vesturbær – kaffihús ehf.

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

Einar Örn is not considered to be independent from large shareholders in the Issuer.

#### Andri Geir Eyjólfsson, Chief Operations Officer

Andri Geir Eyjólfsson is the COO.

Andri has worked for the Issuer since 2019 as the Technical Director and has served as Deputy COO since 2023. With 18 years of experience in the aviation industry, Andri has held positions such as Deputy Technical Director at WOW air and various roles at WOW air, Air Atlanta, and Icelandair. He studied aircraft maintenance mechanics at TEC Aviation in Denmark. Andri Geir Eyjólfsson has over the previous five years sat on the board of directors, been an executive officer or sat on a supervisory committee of the following entities, AGE ehf., ÁrniRichard ehf., Fastechn ehf. and Mid Atlantic Maintenance ehf.

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#### Daníel Snæbjörnsson, Chief Network Officer

Daníel Snæbjörnsson is the CNO at the Issuer. Daníel has extensive experience within the aviation industry. Before joining the Issuer, 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. Previously, 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.

#### Rūta Dabašinskaitė-Vitkė Chief Financial Officer

Rūta Dabašinskaitė-Vitkė has been engaged as the Chief Financial Officer of the Issuer and Rūta will join the Issuer in August. Rūta has 15 years of experience in finance and 10 years in general management

Rūta holds an MBA degree and has served as the CFO for Bluebird Nordic from 2021 to 2024, with headquarters in both Vilnius, Lithuania, and Reykjavík, Iceland. Prior to that, she was the CEO of TD Baltic UAB, one of the largest distributors of IT products in the Baltics.

#### Sonja Arnórsdóttir, Chief Commercial Officer

Sonja Arnórsdóttir is the CCO at the Issuer and leads the company's efforts in sales, marketing, customer service, PR, revenue management and distribution.

Sonja holds a bachelor's degree in financial engineering from Reykjavik University and has worked in revenue and sales in the airline industry for the past 12 years. She worked as a revenue specialist at WOW air where she led a team of 10 and has been the Director of Revenue and Sales at the Issuer since 2019.

**Sigurður Örn Ágústsson, Chief of Development Officer**

Sigurður Örn Ágústsson is the Chief of Business Development at the Issuer. Sigurður Örn holds an MBA degree from the Katz Graduate School of Business at the University of Pittsburgh and has an extensive background in aviation. Sigurður previously served as CEO and chairman of Bluebird Nordic and was board member of Avion Express. He also played a key role in negotiating major acquisitions for Avia Solutions Group (AGS), including Avion Express, SmartLynx, and Bluebird Nordic.

Sigurður Örn Ágústsson has over the previous five years sat on the board of directors, been an executive officer or sat on a supervisory committee of the following entities, Adríanfjélagið ehf., Arnargerði ehf., Flúðabakki ehf., Fremstagil ehf., Gránufjélagið ehf., Gunnar Eggertsson hf., Íslensk Hrossarækt ehf. And SXI ehf.

### **7.3. Directors.**

**Sigurður Kári Kristjánsson, Chairman**

Sigurður Kári Kristjánsson is a Supreme Court Attorney and a partner of the law firm LLG Lögmenn ehf., where he has practiced law since 2011. Sigurður Kári has been the Chairman of the Board of Iceland's Natural Disaster Insurance for many years, in addition to being a member of various committees and boards, including the Supervisory Board of the Central Bank. 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.

Sigurður Kári Kristjánsson has over the previous five years sat on the board of directors, been an executive officer or sat on a supervisory committee of the following entities, Bfirst ehf., Í hund og kött ehf., LL42 ehf. and LLG Lögmenn ehf.

**Elías Skúli Skúlason, Vice Chairman**

Elías Skúli Skúlason is a shareholder in the Issuer through FEA ehf. and is the Vice-Chairman of the Board of Directors of the Issuer. Elías Skúli has over 28 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 the large shareholders of the Issuer and its management team but is not considered to be independent from the Issuer.

Elías Skúli Skúlason has over the previous five years sat on the board of directors, been an executive officer or sat on a supervisory committee of the following entities, APA ehf., A.Wendel ehf., Deed ehf., Erit ehf., Express ehf., F11 ehf., Fea ehf., Fluguskeið 12 ehf., Hamarsheiði II ehf., Icelandic Home ehf., Nortran ehf., Rea ehf., SiglóHóll ehf., Solid Clouds hf., Stapabraut 1 ehf., Suðurflug ehf., Torstrasse 85, 87 ehf. and Vallarvinir ehf.

**Valentín Lago, Board Member**

Valentín Lago boasts a distinguished career spanning more than 30 years in the airline industry. He has held multiple leadership roles, including serving as a board member and chief executive officer. Notably, he was an executive of Air Nostrum, COO of Iberia Express, and COO of Vueling, as well as CEO of Air Europa. Recently, he has devoted his expertise to running his own consulting agency. Lago's academic background includes a PhD in economics and a degree in aerospace engineering, and a business school Advanced Management Program. Valentín is considered to be independent from the Issuer, its management team, and the large shareholders in the Issuer.

Valentín Lago has over the previous five years sat on the board of directors, been an executive officer or sat on a supervisory committee of the following entities, Vueling, Padesa, Air Europa and Ideair Consulting.

**Guðný Hansdóttir, Board Member**

Guðný Hansdóttir is a shareholder in the company through KG eignarhald. Guðný has over 15 years of experience in the airline industry. Guðný served as a Managing Director of the 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, and VP of Human Resources for both 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 VÍS Insurance as well as chairman of the Remuneration Committee and a member of the Risk Committee. Guðný is considered to be independent from the Issuer, its management team, and large shareholders in the Issuer

Guðný Hansdóttir has over the previous five years sat on the board of directors, been an executive officer or sat on a supervisory committee of the following entities, KG eignarhald ehf., KIB 6 ehf., Medisýn ehf. and Value Factory Ísland ehf.

**María Rúnarsdóttir, Board Member**

María Rúnarsdóttir is an independent investor. María previously worked as the CFO of the real estate company SMI ehf. and Korputorg ehf., a consultant at KPMG 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., Umbra ehf., Uniconta Iceland ehf., NMR ehf., and Höfðakór 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 Issuer, its management team, and large shareholders in the Issuer.

María Rúnarsdóttir has over the previous five years sat on the board of directors, been an executive officer or sat on a supervisory committee of the following entities, Arctica Finance hf., EA11 ehf., Höfðakór ehf., Lækjarkór ehf., MINT solutions ehf., MRI ehf., NMR ehf., SMI Balkan ehf., Svörtu Hamrar ehf., Umbra ehf., Uniconta Ísland ehf. and Vogakór ehf.

**Auður Björk Guðmundsdóttir, Alternate Board Member**

Auður has a B.A. in Communications from the University of South Alabama, an MBA from Reykjavík University, and an AMP (Advanced Management Program) from IESE Business School in Barcelona. For the previous 30 years, she has worked as a managing director in a fintech start-up, VIS insurance company, N1 retail company, and in media, Frjáls fjölmiðlun hf., in addition to serving as a board member in various companies. Audur is currently the chairman of the board of Icelandic Trademark Holding and a board member at Vörður tryggingar and Internet á Íslandi (ISNIC). Auður is considered to be independent from the Issuer, its management team and large shareholders in the Issuer.

Auður Björk Guðmundsdóttir has over the previous five years sat on the board of directors, been an executive officer or sat on a supervisory committee of the following entities, Bambino ehf., Eignarhaldsfélagið Reykir ehf., Icelandic Trademark Holding ehf., Internet á Íslandi ehf., Jata eignarhaldsfélag ehf., Ventura ehf. and Vörður tryggingar hf.

**7.4. Family Relationships**

There are no family relationships among any of the Issuer's executive officers or directors.

**7.5. Corporate Governance**

The Issuer has structured its corporate governance in a manner that it believes closely aligns its interests with those of its shareholders and is compliant with Icelandic law with respect its corporate governance.

Notable features of this corporate governance include:

- The Issuer has five directors and its audit and remuneration. The Issuer’s directors will meet regularly without the presence of its corporate officers. With regards to potential conflicts of interests of the directors, reference is made to chapter 3.2.
- The Issuer has implemented a range of other corporate governance practices.
- The Issuer is dedicated to follow the Icelandic Guidelines on Corporate Governance published by the Iceland Chamber of Commerce, Nasdaq Iceland and SA Confederation of Icelandic Enterprise, 6th edition from 1 July 2021.

#### **7.6. Compensation of Executive Officers**

Historically, the Issuer’s executive compensation program has reflected its innovative growth and development-oriented corporate culture. To date, the compensation of the Chief Executive Officer and other executive officers has consisted of a combination of base salary and long-term incentive compensation in the form of share options. The Issuer’s executive officers who are full-time employees, like all other full-time employees, are participants in applicable retirement plans in the jurisdiction in which they reside.

The Issuer uses base salaries to recognize the experience, skills, knowledge and responsibilities required of all its executive officers. Base salaries are reviewed annually, typically in connection with the Issuer’s annual performance review process and adjusted from time to time to align salaries with market levels after taking into account individual responsibilities, performance and experience.

Furthermore, the Issuer has a formal process with respect to the grant of equity incentive awards to its employees, including the executive officers. It is the belief of the Issuer that equity incentive awards provide its employees with a strong link to long-term performance, create an ownership culture and help to align the interests of its employees, including executive officers, and stockholders. Additionally, it is the belief of the Issuer that equity incentive awards with time-based vesting features promote employee retention because this feature incentivizes its employees, including the executive officers, to remain in the employment of the Issuer during the vesting period.

#### **7.7. Compensation of Directors**

As of the filing date, the Issuer pays each director as fee as determined by the Issuer’s annual general meeting from time to time. As of the date of this Prospectus the compensation for directors is as follows.

- Directors, ISK 329.000 per month
- Vice chairman, ISK 493.000 per month
- Chairman, ISK 658.000 per month
- Alternate director, a single payment of ISK 329.000 on election and ISK 110.000 for each attended meeting.

Remuneration to members of subcommittees, per month:

- Chairmen ISK 67,000
- Other members ISK 47,000

#### **7.8. Last Year’s Compensation of Directors and Executive Officers**

For the year ended 31 December 2023, the aggregate compensation paid and accrued to the members of the Issuer’s board of directors and executive officers for services in all capacities was USD 2,370,000.

During the year ended 31 December 2023, no options to purchase registered Shares were granted to members of the Issuer’s executive officers.

During the year ended 31 December 2023, the fixed and variable compensation earned by the members of

the Executive Committee was as follows<sup>9</sup>:

#### Transactions with management and key personnel

Salaries and benefits of management for their service to Group and the number of shares in ISK directly or indirectly in the Group held by management are specified below

2023	Salaries and benefits (in USD thousand)	Number of shares in ISK thousand	Stock option expenses (in USD thousand)
Einar Örn Ólafsson, chairman	58	93,596	0
Elías Skúli Skúlason, vice chairman	47	35,05	0
Guðný Hansdóttir, board member	32	0	0
María Rúnarsdóttir, board member	34	1,26	0
Valentin Lago, board member .	27	0	0
Birgir Jónsson, CEO	375	6,25	0
Key management, seven members	1,794	9,503	183

Six of key management members have open stock option contracts at year end 2023

2022	Salaries and benefits (in USD thousand)	Number of shares in ISK thousand	Stock option expenses (in USD thousand)
Einar Örn Ólafsson, chairman	60	93,612	0
Elías Skúli Skúlason, vice chairman	46	35,034	0
Auður B. Guðmundsdóttir, board member	31	127	0
Guðný Hansdóttir, board member	31	0	0
María Rúnarsdóttir, board member	39	1,260	0
Birgir Jónsson, CEO	333	6,250	104
Key management, eight members (six at year end)	1,175	769	204

All of the seven key management members have open stock option contracts at year end 2022.

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

## 7.9. Risk Oversight

The board of directors is responsible for overseeing the risk management process of the Issuer. The board of directors focuses on the general risk management strategy of the Issuer, the most significant risks, and oversees the implementation of risk mitigation strategies by management. The audit committee is also responsible for discussing the Issuer's policies with respect to risk assessment and risk management. The board of directors

<sup>9 9</sup> Einar Örn Ólafsson replaced Birgir Jónsson as the CEO on March 7<sup>th</sup> 2024.

believes its administration of its risk oversight function has not negatively affected the board of directors' leadership structure.

#### **7.10. Code of Business Conduct and Ethics**

The Issuer's board of directors has adopted a Code of Business Conduct and Ethics applicable to the directors, executive officers and employees that complies with the rules and regulations of Nasdaq. The Code of Business Conduct and Ethics is available on the Issuer's website. In addition, the Issuer has posted on the Corporate Governance section of its website all disclosures that are required by law or Nasdaq listing standards concerning any amendments to, or waivers from, any provision of the Code of Business Conduct and Ethics. The reference to the Issuer's website address in this Prospectus does not include or incorporate by reference the information on the Issuer's website into this Prospectus.

#### **7.11. Composition of the Issuer's Board of Directors**

The Issuer's board of directors is currently composed of five members. In accordance with the Issuer's Articles of Association, the board of directors is not divided into classes of directors. Each director was appointed on March 21, 2024, to serve as director until the end of the general meeting of shareholders called to approve the Issuer's annual accounts for the 2024 financial year.

Four of five directors are independent as defined in Nasdaq listing standards and the Issuer's board of directors has an independent audit committee, and remuneration committee.

#### **7.12. Committees of the Issuer's Board of Directors**

The Issuer's board of directors has two standing committees: an audit committee and a remuneration committee.

The board has adopted written policies which govern the work of the audit committee and remuneration committee that are available to shareholders on the Issuer's website at <https://www.flyplay.com/en/corporate-governance>. The reference to the website address in this Prospectus does not include or incorporate by reference the information on the Issuer's website into this Prospectus.

##### *7.12.1. Audit Committee*

The audit committee consists of Jón G. Hjálmarsson, Elías Skúli Skúlason and María Rúnarsdóttir.

The Chairman of the audit committee, Jón G. Hjálmarsson, qualifies as independent according to the rules and regulations of Nasdaq with respect to audit committee membership. In addition, all of the audit committee members meet the requirements for financial literacy under applicable Nasdaq rules and at least one of the audit committee members qualifies as an "audit committee financial expert".

The Issuer has adopted an audit committee policy, which details the principal functions of the audit committee, including but not limited to:

- Review the annual financial statements of the company to determine if the external auditor is satisfied with the disclosure and content of the financial statements. Furthermore, review any interim financial reports and submit to the Board for approval.
- Oversee the establishment and implementation of the company's accounting policies.
- Receive an annual report from the auditor on important issues and deficiencies in internal controls and monitoring the company's reactions to any deficiencies.
- Be responsible for the procedure for the selection of an external auditor and make a recommendation to the Board who in turn submits the proposal to the company's shareholders meeting.
- Review the audit scope and frequency of the statutory audit of annual or consolidated accounts.

##### *7.12.2. Remuneration Committee*

The remuneration committee consists of Auður Björk Guðmundsdóttir, Guðný Hansdóttir and Valentín Lago. The remuneration committee assists the board of directors in determining compensation for the Issuer's executive officers and its directors. Auður Björk Guðmundsdóttir serves as chairperson of the remuneration committee.

Each of the members of the Issuer's remuneration committee qualifies as independent according to the Nasdaq rules with respect to remuneration committee membership, including the heightened independence standards for members of a remuneration committee.

The remuneration committee submits to the Company's Annual General Meeting a summary report of its work during the previous year. The report is posted on the Issuer's website.

### **7.13. Related Parties Transactions**

Below is a summary of the Issuer's policies and procedures for related party transactions as well as actual related party transactions for the periods covered by the historical financial information included herein, and also related party transactions for the period up to the filing date.

#### *7.13.1. Agreements with the Issuer's Executive Officers and Directors*

Aside from standard employment agreements, there are no transactions between the Issuer's directors and executive officers on the one hand and the Issuer on the other, with the exception of a consultancy agreement with Valentín Lago based on his expertise and experience in aviation. The remuneration of the directors and executive officers (excluding non-executive directors), who are the key management personnel, is described in the chapter above.

#### *7.13.2. The Subscription Agreements*

Subsequent to the Issuer's share capital increase in April 2024, the following disclosures were made with regard to the participation of management and directors in the share increase, with the price per share being 14.6:

Leika fjárfestingar ehf. acquired 16.845.046 of the Issuer's shares. Einar Örn Ólafsson, the Issuer's CEO, and at the time the chairman of the Board of Directors, and several other investors in the Issuer aggregated their shareholdings in the Issuer into this holding company Leika fjárfestingar ehf.

Fea ehf. acquired 6.849.315 of the Issuer's shares. Elías Skúli Skúlason, the Issuer's vice chairman of its Board of Directors, is a shareholder and chairman of the board of Fea ehf.

KG eignarhald ehf. acquired 1.369.863 of the Issuer's shares. The husband of Guðný Hansdóttir, who is a member of the Issuer's Board of Directors, is the sole owner of KG eignarhald ehf.

Subsequent to the Issuer's share capital increase in April 2024, the following disclosures were made with regard to the participation of management and directors in the share increase, with the price per share being 4.5 ISK:

Gnitanes ehf. acquired 55.555.556 of the Issuer's shares. Einar Örn Ólafsson, the Issuer's CEO, is an investor, manager, and director in the investment company Gnitanes ehf.

Einir ehf. acquired 55.555.556 of the Issuer's shares. Einar Örn Ólafsson, the Issuer's CEO, is the sole owner of Einir ehf.

Therefore, as of 30 June 2024, entities affiliated with or under the control of Einar Örn Ólafsson, the Issuer's CEO, collectively hold 10.83% of the Shares in the Issuer.

Rea ehf. acquired 33.333.333 of the Issuer's shares. Elías Skúli Skúlason, the Issuer's vice chairman of its Board of Directors, is a shareholder and chairman of the board of Rea ehf.

Fea ehf. acquired 66.666.668 of the Issuer's shares. Elías Skúli Skúlason, the Issuer's vice chairman of its Board of Directors, is the sole owner of Fea ehf.

Therefore, as of 30 June 2024, entities affiliated with or under the control, Elías Skúli Skúlason, the Issuer's vice chairman of its Board of Directors, collectively hold 7.14% of the Shares in the Issuer.

KG eignarhald ehf. acquired 7.978.578 of the Issuer's shares. The husband of Guðný Hansdóttir, who is a member of the Issuer's Board of Directors, is the sole owner of KG eignarhald ehf.

## 8. SHARES AND SHAREHOLDERS

### 8.1. Share Capital

#### *8.1.1. Capital Structure of the Issuer*

##### *Issued share capital*

As of the date of this Prospectus, the nominal value of the share capital of the Issuer ISK 1,891,598,895 divided into an equal number of Shares with a nominal value of one ISK each. In accordance with Article 55 of the Public Companies Act the Issuer is authorised to own up to 10.0% of its own share capital. The authorisation of a shareholders' meeting to the Board of Directors is needed for the Issuer to acquire treasury Shares. Such an authorisation, if issued, can only be granted for a period of eighteen months at a time. No formal buy-back programme has been established as of the date of this Prospectus.

#### *8.1.2. Share Classes*

The Articles of Association of the Issuer provide for one class of ordinary shares with a nominal value of ISK 1 per share. Each Share carries one vote in general meetings, and the Shares are listed on the Nasdaq Iceland First North Growth Market and will be listed on Nasdaq Iceland Main Market.

In the event of the liquidation or bankruptcy of the Issuer, whether voluntary or involuntary, the holders of the Shares are paid in proportion to their share capital holdings using the remainder of the Issuer's assets after all other creditors have had their approved claims paid.

#### *8.1.3. History of share capital*

On 20 November 2022 the Issuer issued 228,670,505 new Shares to investors following a private placement of shares and a limited public offering. The shares were issued at a rate of ISK 14.6 per share. In connection with the aforementioned issuance of new shares the Issuer issued warrants in relation to 57,167,631 these warrants have expired without exercise.

On 24 April 2024 the Issuer issued 1,023,155,559 new Shares to investors following a private placement of shares and a limited public offering. The shares were issued at a rate of ISK 4.5 per share.

#### *8.1.4. Share Capital Increases*

The increase of share capital can exclusively be decided by a shareholders' meeting and requires the same number of votes as do amendments to the Articles of Association. If share capital is increased, existing shareholders enjoy pre-emptive rights to new Shares in proportion to their existing holdings, as prescribed by law at each given time. That notwithstanding a shareholders' meeting may resolve to waive such pre-emptive rights. Such a resolution can only be passed by the same proportion of votes needed to amend the Issuer's Articles of Association. If a shareholder does not exercise his or her pre-emptive rights in full, other shareholders are entitled to increase their subscription rights. A shareholders' meeting's resolution is also needed to lower share capital and requires the same number of votes as do amendments to the Articles of Association.

In Article 2.7 of the Articles of Association, the Board of Directors has an authorization to increase the Issuer's share capital by up to ISK 300,000,000 in nominal value, by issuing new shares, all at once or in separate steps. This authorization is valid until 21 March 2029.

Furthermore, In Article 2.3 and 2.5 of the Articles of Association, the Board of Directors has an authorization to increase the Issuer's share capital by up to ISK 36,590,910 and ISK 40,000,000 (respectively) in nominal value, by issuing new shares, all at once or in separate steps. This authorization is limited to issuing new shares in connection with employee share-based incentive programmes and the authorisation is valid until 12 April 2026 and 21 March 2029 (respectively).

#### *8.1.5. Employee share based incentive plan*

The Issuer's remuneration policy allows for a share-based incentive program in the form of option rights. Several option agreements have been made with key employees. 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 Issuer and its shareholders.

The Issuer has issued three bundles of options, based on shareholders' authorization granted in 2021, in addition to establishing a new share-based incentive plan in 2024, under which no options have been granted at the date of this Prospectus.

#### *2021 Incentive plan*

Under the 2021 Incentive plan, three different option agreements bundles were issued.

- In 2021, the Company granted Birgir Jónsson, then 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 the 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 exercise of the option is subject to certain conditions as set forth in the option agreement.
- In 2021, and prior to the NASDAQ listing and the subsequent launch of operations, the Company granted several employees - that together were a "founding" group of the company - options to purchase shares in the Company as part of their remuneration to purchase a total of 16,666,669 shares in the Company, at a purchase price of ISK 8 per share. Approximately 60% of these options were exercised. The remaining about has now expired.
- In 2022, the Company granted the members of the executive committee options to purchase shares in the Company as part of their remuneration. The members have varied options to purchase a total of 13,850,000 shares, at a purchase price of ISK 16 per share. The options have a vesting period of 36-60 months from November 2022. The options vest in three, annual, equal parts during this vesting period. The vesting of the options is subject to certain conditions as set forth in the option agreements.

#### *2024 Incentive plan*

Under the 2024 Incentive plan framework, the option agreements have a vesting period of three years. The options can be exercised for a period of one year after they have vested. The Issuer has the authority to issue 40,000,000 new shares in the Issuer pursuant to option agreements.

No options have been granted as of the date of this Prospectus under the 2024 Incentive plan.

##### *8.1.6. Treasury Shares*

Under Icelandic law, the Issuer may only hold 10% of its own shares in treasury. As of the date of this Prospectus the Issuer does not hold any treasury shares.

##### *8.1.7. Pre-Emptive Rights and Advance Subscription Rights*

Icelandic law provides that any share issue, whether for cash or non-cash consideration, is subject to the prior approval at a general meeting of shareholders. Shareholders are granted certain pre-emptive rights to subscribe for new issues of shares in proportion to the nominal amount of shares held. Pursuant to the Articles of Association, a resolution adopted at a general meeting by a majority of two-thirds of the votes represented at the meeting is required to repeal, limit or suspend pre-emptive rights.

##### *8.1.8. Dividends*

The Issuer has not paid any cash dividends on the Shares to date and does not intend to pay cash dividends for the foreseeable future. Dividends may be paid only if the Issuer has sufficient distributable profit from previous years or sufficient free reserves to allow the distribution of a dividend.

When forming their proposal, the Board of Directors shall take into account and considers the risk policy in place, market conditions, the Issuer's liquidity needs, financial covenants, approved capex plans and other possible factors that might limit payments to shareholders at any given time. These considerations might affect the proposed amount of dividend and even lead to no dividend being proposed.

The Issuer's share register is held in accordance with the provisions of the Act no. 7/2020 on Central Securities Depositories, Settlement and Electronic Registration of Financial Instruments and any subsequent rules based thereon and shall be regarded as sufficient proof of ownership over shares in the Issuer. Dividend payments are sent to the Shareholder which is at each time registered as an owner of the relevant shares in the Issuer's share register. Shareholders are responsible for making sure that their residence is correctly entered into the Issuer's share registry.

There are no provisions in the Issuer's articles of association regarding the expiration of the right to dividends that have not been collected. As a result, such rights lapse after four years according to Act No. 150/2007 on the Limitation Periods of Claims.

In deciding the amount of dividend to be paid, the Issuer is bound by the provisions of the Public Companies Act. According to Article 99 (1) of said Act companies are only allowed to allocate as dividend, profits according to the previous fiscal year's annual accounts, profits that have been carried over from prior years and available funds from which unsettled losses and agreed or lawfully required reserves have been deducted. The Issuer is bound by covenants concerning dividend payments that loan agreements and other agreements may contain at any given time. Dividend payments will not be paid during the time the government guaranteed credit facility is in place, neither during the drawdown period, or if drawn on, while it is being amortized. The declaration and payment of future dividends will be determined by the Board of Directors and shareholders. There can be no assurance that the Issuer will pay dividends in the future.

#### *8.1.9. Voting Right*

Each Share carries one vote at shareholders' meetings, where matters are decided by simple majority unless otherwise prescribed by the Articles of Association or law. No voting rights are attached to treasury Shares or Shares held by the Issuer's subsidiaries.

### **8.2. General Meetings of Shareholders**

#### *8.2.1. Convening of Meetings*

General meetings of shareholders must be convened by the board of directors at least three weeks before the date of the meeting. The notice of a general meeting of shareholders must state the items on the agenda, the proposals to be acted upon and, in case of elections, the names of the nominated candidates.

In addition, one or several shareholders that represent at least 5% of the share capital may also request to convene a general meeting.

#### *8.2.2. Representation of Shareholders*

Each shareholder may have its shares represented in the general meeting by itself or by a third person who does not need to be a shareholder by means of written proxy.

#### *8.2.3. Quorum and Majority Requirements at General Meetings of Shareholders*

Except where the law or the Articles of Association provide otherwise, the general meeting passes its resolutions and performs elections with the absolute majority of the votes cast, excluding any abstentions, blank or invalid votes. The chairperson of the general meeting determines the voting procedure.

According to article 9. 1 (c.f. inter alia article 15) of the Articles of Association, a resolution of the general meeting passed with at least two-thirds of the votes represented at the meeting and the absolute majority of the nominal values of the Shares represented at the meeting is required for certain decisions, such as amendment of the purpose of the Issuer, changes of the transferability of registered shares, creating of shares with voting rights, delisting of Shares, merger or demerger of the Issuer, etc.

Provisions of the Articles of Association which require higher majorities for the passing of certain resolutions than provided by law can only be adopted and removed with that same proposed majority.

#### *8.2.4. Takeover offers*

According to Art. 100 of act no. 108/2007 on takeovers a party which has acquire direct or indirect control over a company whose shares are admitted to trading on a regulated market, is obligated to make a takeover offer.

Control is defined as a party or parties acting in concert;

1. Gaining at least 30% of the votes in the company;
2. Having on the basis of an agreement with other shareholders, the right to control at least 30% of the votes; or
3. Gaining the right to nominate or elect the majority of the directors of the company.

A takeover offer shall be submitted no later than 4 weeks after gaining control in accordance with act. 103 of act no. 108/2007 on takeover the offeror shall offer all holders of the same class of shares the same terms.

The price set forth in the offer shall be at least equal to the highest price paid by the offeror (or any party acting in concert with the offeror) in the past 6 months prior to the submission of the offer. The price shall however at least be equal to the closing price on the date prior to the obligation to submit the offer arising.

No party has control over the Issuer and no takeover offer has been submitted in relation to the offeror since its incorporation.

#### *8.2.5. Redemption*

According to the Articles of Association no shareholder is required to be subject to redemption of shares unless provided for in law. According to act no. 2/1995 on public limited liability companies, a shareholder which holds more than 90% of a company's share capital and controls the corresponding votes can, together with the board of directors, decide to redeem other shareholders. According to Art. 26 of act no 2/1995 on public limited liability companies each other shareholder can demand redemption.

#### *8.2.6. Winding-up or dissolution*

Shareholders have the right to receive payment from the assets of the Issuer in case of winding-up, dissolution on bankruptcy on a pro rata basis and in accordance with act no. 21/1991 on bankruptcy. Any proposal on the winding-up, dissolution or merger of the Issuer shall be voted on in accordance with Chapters XIII and XIV of Act no. 2/1995 on public limited liability companies. A proposal must be approved by 2/3 of cast votes as well as approved by shareholders which control at least 2/3 represented at the meeting.

### **8.3. Disclosure Obligations of Shareholders**

#### *8.3.1. Transparency Directive*

Following the admission to trading of the Issuer's Shares on Nasdaq Iceland, Iceland will be the home Member State of the Issuer for the purposes of Directive 2004/109/EC of the European Parliament and of the Council of December 15, 2004, on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, as amended (the "Transparency Directive"). As a result, the Issuer will be subject to financial and other reporting obligations under the relevant Icelandic Law.

Holders of shares that have been admitted to trading on Nasdaq Iceland, as well as other financial instruments relating to such shares may be subject to notification obligations pursuant to Act, no 20/2021, on the disclosure obligations of issuers of securities and disclosure of major holdings implementing the Transparency Directive (the “Disclosure Act”).

The following description summarizes these obligations. Holders are advised to consult with their own legal advisors to determine whether the notification obligations apply to them.

The Disclosure Act provides that, once the Shares are admitted to listing and trading on Nasdaq Iceland, if a person acquires or disposes of a shareholding in the Issuer, and if following the acquisition or disposal the proportion of voting rights held by the person reaches, exceeds or falls below one of the thresholds of 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50%, 66 2/3% and 90% (each a “Relevant Threshold”) of the total voting rights existing when the situation giving rise to a declaration occurs, such person must simultaneously notify the Issuer and the FSA of the proportion of voting rights held by it further to such event.

A person must also notify the Issuer and the FSA of the proportion of his or her voting rights if that proportion reaches, exceeds or falls below a Relevant Threshold as a result of events changing the breakdown of voting rights and on the basis of the information disclosed by the Issuer.

The same notification requirements apply to a natural person or legal entity to the extent it is entitled to acquire, to dispose of, or to exercise voting rights in any of the following cases or a combination of them:

- voting rights held by a third party with whom that person or entity has concluded an agreement, which obliges them to adopt, by the concerted exercise of the voting rights they hold, a lasting common policy towards the management of the Issuer;
- voting rights held by a third party under an agreement concluded with that person or entity providing for the temporary transfer for consideration of the voting rights in question;
- voting rights attaching to shares which are lodged as collateral with that person or entity, provided the person or entity controls the voting rights and declares his/her/its intention of exercising them;
- voting rights attaching to shares in which that person or entity has the life interest;
- voting rights which are held, or may be exercised within the meaning of the aforementioned points, by an undertaking controlled by that person or entity;
- voting rights attaching to shares deposited with that person or entity which the person or entity can exercise at his/her/its discretion in the absence of specific instructions from the shareholders;
- voting rights held by a third party in its own name on behalf of that person or entity; and/or
- voting rights which that person or entity may exercise as a proxy where the person or entity can exercise the voting rights at his/her/its discretion in the absence of specific instructions from the shareholders.

The notification requirements set out above also apply to a natural person or legal entity that holds, directly or indirectly:

- financial instruments that, on maturity, give the holder, under a formal agreement, either the unconditional right to acquire or the discretion as to his or her right to acquire the Shares, to which voting rights are attached, already issued by the Issuer; or
- financial instruments which are not included in point (i) but which are referenced to the Shares referred to in that point and with an economic effect similar to that of the financial instruments referred to in that point, whether or not they confer a right to a physical settlement.

The notification required shall include the breakdown by type of financial instruments held in accordance with point (i) above and financial instruments held in accordance with point (ii) above, distinguishing between the

financial instruments which confer a right to a physical settlement and the financial instruments which confer a right to a cash settlement.

The number of voting rights shall be calculated by reference to the full notional amount of shares underlying the financial instrument except where the financial instrument provides exclusively for a cash settlement, in which case the number of voting rights shall be calculated on a 'delta-adjusted' basis, by multiplying the notional amount of underlying shares by the delta of the instrument. For this purpose, the holder shall aggregate and notify all financial instruments relating to the same underlying company. Only long positions shall be taken into account for the calculation of voting rights. Long positions shall not be netted with short positions relating to the same underlying company.

For the purposes of the above, the following shall be considered to be financial instruments, provided they satisfy any of the conditions set out in points (i) or (ii) above: transferable securities, options, futures, swaps, forward rate agreements, contracts for differences and any other contracts or agreements with similar economic effects which may be settled physically or in cash.

The notification requirements described above shall also apply to a natural person or a legal entity when the number of voting rights held directly or indirectly by such person or entity aggregated with the number of voting rights relating to financial instruments held directly or indirectly reaches, exceeds or falls below a Relevant Threshold. Any such notification shall include a breakdown of the number of voting rights attached to securities and voting rights relating to financial instruments.

Voting rights relating to financial instruments that have already been notified to that effect shall be notified again when the natural person or the legal entity has acquired the underlying shares and such acquisition results in the total number of voting rights attached to shares issued by the same company reaching or exceeding a Relevant Threshold.

The notification to the Issuer and the FSA must be effected promptly, but no later than four trading days after the obligation to notify arises. In cases where the Relevant Threshold is crossed as a result of events changing the breakdown of voting rights, the notification should be made within four trading days after the Issuer discloses such changes to the public. Upon receipt of the notification, but no later than three trading days thereafter, the Issuer must disclose to the public all the information contained in the notification in accordance with the Disclosure Act.

## **8.4. Market Abuse Regime**

### *8.4.1. General*

Following the Issuer's application for admission to trading of shares on Nasdaq Iceland (the "Application"), the rules on preventing market abuse set out in Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse, as amended ("MAR"), implemented into Icelandic Law through Act No 60/2021, on measures against market abuse (the "Market Abuse Act"), will be applicable to the Issuer, persons discharging managerial responsibilities within the Issuer (including the members of the board of directors) (the "PDMRs"), persons closely associated with PDMRs, other insiders and persons performing or conducting transactions in the Issuer's financial instruments. Certain important market abuse rules set out in the MAR and the Market Abuse Act that are relevant for investors are described hereunder.

The Issuer will be required to make inside information public. Pursuant to the MAR, inside information is information of a precise nature, which has not been made public, relating, directly or indirectly, to the Issuer or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments. Unless an exception applies, the Issuer must without delay publish the inside information by means of a press release and post and maintain it on its website for at least five years. The Issuer may not combine the disclosure of inside information to the public with the marketing of its activities. The Issuer must also provide Nasdaq Iceland and the FSA with its press release that contains inside information at the time of publication.

It is prohibited for any person to make use of inside information by acquiring or disposing of, for its own account or for the account of a third party, directly or indirectly, financial instruments to which that information relates, as well as an attempt thereto (insider dealing). The use of inside information by cancelling or amending an order concerning a financial instrument to which the information relates where the order was placed before the person concerned possessed the inside information also constitutes insider dealing. In addition, it is prohibited for any person to disclose inside information to anyone else (except where the disclosure is made in the normal exercise of an employment, profession, or duties) or, whilst in possession of inside information, to recommend or induce anyone to acquire or dispose of financial instruments to which the information relates. Furthermore, it is prohibited for any person to engage in or attempt to engage in market manipulation, for instance by conducting transactions which give, or are likely to give, false or misleading signals as to the supply of, the demand for or the price of a financial instrument.

Non-compliance with the notification obligations under the Market Abuse Act, set out in the paragraphs above could lead to administrative sanction and other measures. The FSA is tasked with the supervision of the Issuer of financial instruments admitted to trading in Iceland, as well as imposing any administrative sanctions or measures in relation to an infringement of MAR.

### *8.4.2. Management*

Pursuant to Article 19 of the MAR, PDMRs become subject to notification requirements under MAR and the Icelandic Market Abuse Act as described above in chapter 8.4.1. This means that PDMRs must notify the FSA and the Issuer of any transactions conducted for his or her own account relating to shares or any debt instruments of the Issuer or to derivatives or other financial instruments linked thereto.

A PDMR shall not conduct any transactions on its own account or for the account of a third party, directly or indirectly, relating to the Shares of the Issuer or to derivatives or other financial instruments linked to them during a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report which must be made publicly available. The MAR and the regulations promulgated thereunder cover, inter alia, the following categories of persons: a person who is (i) a member of the administrative, management or supervisory body of that entity, (ii) a senior executive who is not a member of the bodies referred to in point, or (iii) who has regular access to inside information relating directly or indirectly to that entity and power to take managerial decisions affecting the future developments and business prospects of that entity.

In addition, pursuant to the MAR and the regulations promulgated thereunder as well as the Market Abuse Act, certain persons who are closely associated with PDMRs, are also required to notify the FSA and the Issuer of any transactions conducted for their own account relating to Shares or any debt instruments of the Issuer or to derivatives or other financial instruments linked thereto. The MAR and the regulations promulgated thereunder cover, inter alia, the following categories of persons closely associated with PDMRs: (i) the spouse or any partner considered by national law as equivalent to the spouse; (ii) dependent children, in accordance with national law; (iii) other relatives who have shared the same household for at least one year at the relevant transaction date; and (iv) any legal person, trust or partnership, the managerial responsibilities of which are discharged by a PDMR or by a person referred to under (i), (ii) or (iii), which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interest of which are substantially equivalent to those of such a person.

The notifications pursuant to the MAR described above must be made to the FSA and the Issuer promptly and no later than three business days following the relevant transaction date. The Issuer must ensure that any information on relevant transactions notified to it is made public promptly and no later than three business days after the transaction in a manner that enables fast access to this information on a non-discriminatory basis. These notifications may be postponed until the moment that the value of the transactions performed for that person's own account reaches or exceeds an amount of €5,000 in the calendar year in question, calculated by adding without netting all relevant transactions relating to the Shares.

#### 8.5. Major Shareholders and Management

As of the date of this Prospectus, the total number of the Issuer's shareholders is approximately 2,000.

The 20 largest shareholders, shown below, are listed monthly on the company's website, [www.flyplay.com/en/corporate-governance](http://www.flyplay.com/en/corporate-governance).

The Issuer declares that to the best of its knowledge the below listed are the rightful owners of the Issuer and that the Issuer is not aware that it is, whether directly or indirectly, under the control or influence of a party or parties other than those listed below.

Investors are advised to familiarise themselves with possible conflicts of interest regarding the Issuer in Chapters 3.2 Potential Conflict of Interest.

The Issuer's 20 largest shareholders are as follows, as of 30 June 2024:

Shareholders	Number of Shares in ISK	% Percent
Birta lífeyrissjóður	182,054,879	9.62%
Stoðir hf.	110,000,000	5.82%
Fea ehf.	101,700,903	5.38%
Leika fjárfestingar ehf.	93,596,040	4.95%
IS EQUUS Hlutabréf	65,779,384	3.48%
Landsbankinn hf.	65,382,916	3.46%
Gnitanes ehf.	55,555,556	2.94%
Einir ehf.	55,555,556	2.94%
IS Hlutabréfasjóðurinn	49,748,023	2.63%
Lífsvirk lífeyrissjóður	48,457,787	2.56%

Akta Stokkur hs.	47,495,499	2.51%
Fossar fjárfestingarbanki hf.	43,333,336	2.29%
TM tryggingar hf.	37,096,324	1.96%
Pólaris ehf.	36,483,333	1.93%
Arion banki hf.	35,144,319	1.86%
Lífeyrissjóður Vestmannaeyja	34,000,000	1.80%
Stefnir - Innlend hlutabréf hs.	33,507,867	1.77%
Rea ehf	33,333,333	1.76%
Eignarhaldsfélagið Mata hf.	31,937,974	1.69%
Vátryggingafélag Íslands hf.	31,514,661	1.67%
<b>Total top 20 shareholders</b>	<b>1,191,677,690</b>	<b>62.99%</b>
Other shareholders	699,921,205	37.01%
<b>Total issued Shares</b>	<b>1,891,598,895</b>	<b>100.00%</b>

#### 8.5.1. Shareholding of Management and Directors

The following sets forth information regarding the management and directors' ownership of issued shares and shares issuable upon conversion of options in the Issuer as of the date of this Prospectus:

Gnitanes ehf. holds 55,555,556 of the Issuer's shares. Einar Örn Ólafsson, the Issuer's CEO, is an investor, manager, and director in the investment company Gnitanes ehf.

Einir ehf. holds 55,555,556 of the Issuer's shares. Einar Örn Ólafsson, the Issuer's CEO, is the sole owner of Einir ehf. Einir ehf. also holds 338,364 shares in Leika fjárfestingar ehf. or 2.75%. Leika fjárfestingar ehf. holds 93,596,040 shares in the Issuer.

Barone I ehf. holds 29,111,111 in Leika fjárfestingar ehf. or 31,77%. Einar Örn Ólafsson, the Issuer's CEO, is the chairman of the Board of Directors of Barone I and an indirect owner of 28% holding in Barone I. Leika fjárfestingar ehf. holds 93,596,040 shares in the Issuer.

Fiskisund ehf. holds 3,777,777 shares in Leika fjárfestingar ehf., or 4,12%. Leika fjárfestingar ehf. holds 93,596,040 shares in the Issuer. Einar Örn Ólafsson, the Issuer's CEO, is the chairman of the Board of Directors of Fiskisund and an owner of 33,33% holding in Fiskisund.

Rea ehf. holds 33,333,333 shares in the Issuer. Elías Skúli Skúlason, the Issuer's vice chairman of its Board of Directors, is a shareholder and chairman of the board of Rea ehf.

Fea ehf. holds 101,700,903 shares in the Issuer. Elías Skúli Skúlason, the Issuer's vice chairman of its Board of Directors, is the sole owner of Fea ehf.

KG eignarhald ehf. holds 15,773,638 shares in the Issuer. The husband of Guðný Hansdóttir, who is a member of the Issuer's Board of Directors, is the sole owner of KG eignarhald ehf.

The following table displays the holdings of other board members and members of the executive committee.

Shareholder	Number of Shares
Andri Geir Eyjólfsson	476,363

María Rúnarsdóttir	1,259,896
Auður Björk Guðmundsdóttir	126,653
Daníel Snæbjörnsson	51,676
Sonja Arnórsdóttir	19,444

As at the date of this Prospectus, the Issuer has awarded share options to key employees amounting to 27,486,366 shares that are unvested or not exercised. A third of the shares will vest annually between 2025-2027. The options will be settled with equity.

#### *8.5.2. Direct/indirect Ownership/Control of the Issuer*

The Issuer is not aware of any ownership beyond that which has previously been disclosed in this chapter and Prospectus, or that any of the major shareholders are controlled by other parties than disclosed. Furthermore, the Issuer is not aware of any agreements that may lead to a change in control of the Issuer.

#### *8.5.3. Arrangements that Result in Change of Control*

The Issuer is not aware of any arrangements in place involving the major shareholders that may at a subsequent date of the submission of this Prospectus result in a change of control.

#### *8.5.4. Voting Rights*

The voting rights of the major shareholders correlate to their shareholding and do not differ from the voting rights of other shareholders.

## 9. TAXATION

### 9.1. Introduction

The income received from the Shares may be impacted by applicable tax legislation, in particular by the tax legislation of the country of residence of the investor, as well as the tax legislation of the Issuer's country of incorporation. The discussions below summarize the relevant tax consequences, at the date of this Prospectus, under Icelandic law.

Prospective holders of Shares should consult their own tax advisors on the possible tax consequences of the acquisition, ownership and transfer of Shares.

### 9.2. Material Iceland Tax Considerations

Owners of the Shares who are resident in Iceland for tax purposes are subject to income tax in Iceland on any income from the Shares in accordance with Icelandic tax laws. The applicable tax rate depends on the tax status of such owners. Subject to certain exemptions, the owners are subject to taxation on income from shares. Exemptions from such taxation tax apply for public and private limited companies tax resident in Iceland in addition to domestic pension funds.

Individuals who are resident in Iceland for tax purposes are subject to a final 22.0% tax on dividend payments in Iceland. Limited companies (e.g., ehf. and hf.), which are tax resident in Iceland, enjoy an effective participation exemption, allowing them to deduct the full amount of the dividend payments received resulting in zero taxation.

Capital gains from the sale of the Shares are also subject to 22.0% tax in the case of individuals, tax resident in Iceland, subject to certain rights to deduct capital losses resulting from the sale of shares or similar assets in the same year as the gain is generated. Limited companies (e.g., ehf. and hf.), which are tax resident in Iceland, enjoy an effective participation exemption, allowing them to deduct the full amount of the capital gains, as applies in the case of dividends.

With respect to shareholders who are not resident in Iceland, Article 3(7) of the Income Tax Act provides that any income received from the Shares by any person or entity residing outside Iceland constitutes taxable income in Iceland. According to Article 70(7) of the Income Tax Act, the current tax rate on taxable income under Article 3(7) of the Income Tax Act amounts to (i) 22.0% for individuals and (ii) 21.0% for limited legal entities. The tax rate applicable to income from any disposal of the Shares is also (i) 22.0% for individuals and (ii) 21% for limited legal entities.<sup>10</sup>

The tax liability under Icelandic tax laws may be reduced under certain applicable tax treaties. If a qualifying holder of the Shares would like to take advantage of such applicable tax treaties by relief at source, such holder is required to obtain a confirmation from the Icelandic tax authorities regarding the applicable treaty protection. The confirmation is obtained via a filing of Icelandic tax form RSK 5.42. The U.S.-Iceland Treaty reduces the Icelandic tax rate on capital gains from any disposal of the Shares to 0.0% and Icelandic tax rate on dividend payments to 15.0% for individuals and legal entities and to 5.0% for legal entities only if the shareholding of such legal entities amounts to at least 10.0% of the issued Shares. The same reduction applies in case of the Nordic Tax Treaty with the exception that the dividend tax rate applicable to qualifying legal entities holding at least 10% of the issued share capital is reduced to 0.0%. Relief via a refund in line with an applicable tax treaty is carried out via a filing of Icelandic tax form RSK 5.43. Irrespective of the availability of any tax treaty protection, limited companies resident in the EEA, a state party to EFTA or in the Faroe Islands enjoy the effective statutory participation exemption which comparable Icelandic entities also enjoy, allowing them to deduct the full amount of the dividend payments and capital gains received. This exemption does not apply at source but requires the filing of a tax return in Iceland to obtain a refund of taxes withheld.

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<sup>10</sup> Pursuant to Provisional Act no. 100/2023 the applicable capital income tax for the tax year 2024 is 21%.

There are no estate or inheritance taxes, succession duties or gift taxes imposed by the Icelandic government or any governmental authority in Iceland in respect of the Shares if, at the time of death of the holder of the Shares or transfer of the Shares, such holder or transferor was not a resident of Iceland.

No Icelandic issue tax or stamp duty will be payable in connection with the Shares.

## 10. GENERAL LIST OF DEFINED TERMS

The following list of defined terms is not intended to be an exhaustive list of definitions but provides a list of the defined terms used throughout this Prospectus.

Any reference to the “Issuer” shall be interpreted as a reference to Fly Play hf. Reg. No. 660319-0180. headquartered at Suðurlandsbraut 14, 108 Reykjavík, Iceland. Fly Play is the Issuer’s legal and operating name.

Any reference to the “FSA” shall be interpreted as a reference to Fjármálaeftirlit Seðlabanka Íslands, reg. no. 560269-4129, having its registered office at Kalkofnsvegur 1, 101 Reykjavík.

Any reference to “Nasdaq Iceland” shall be interpreted as a reference to Nasdaq Iceland hf., reg. no. 681298-2829, having its registered office at Laugavegur 182, 105 Reykjavík.

Any reference to “Nasdaq CSD Iceland” shall be interpreted as a reference to Nasdaq CSD SE, útibú á Íslandi, reg. no. 510119-0370, having its registered office at Laugavegur 182, 105 Reykjavík.

Any reference to the “Shares” shall be interpreted as a reference to all issued share capital of the Issuer.

Any reference to the “Nasdaq Main Market” shall be interpreted as a reference to the regulated market operated by Nasdaq Iceland.

Any reference to “ISK”, “króna” or “kr.” shall be interpreted as a reference to the currency of Iceland, króna. The abbreviation “m.kr.” shall be interpreted as a reference to millions ISK.

Any reference to legislation or regulation in this Prospectus applies to Icelandic legislation or regulation unless otherwise explicitly stated.

Airlines for Europe is a reference to an airline association in the EU

AOC is a reference to Air Operator’s Certificate

*Articles of Association*, the is a reference to the Issuer’s Articles of Association, dated 24 April 2024

ASK is a reference to Available Seat Kilometres

*Board of Directors*, the is a reference to the Board of Directors of the Issuer, the individuals detailed in Chapter 9.1

EASA is a reference to European Aviation Safety Agency

EBIT is a reference to Earnings Before Interest and Tax

EBITDA is a reference to Earnings Before Interest, Taxes, Depreciation and Amortization

EBITDAR is a reference to Earnings Before Interest, Taxes, Depreciation, Amortization and rent cost

EEA is a reference to the European Economic Area, whereby Iceland, Norway and Liechtenstein gain access to the EU’s single market on the basis that they adopt most EU legislation concerning the single market

EU is a reference to the European Union

EUA is a reference to European Emission Allowances

FAA is a reference to the Federal Aviation Administration, a United States’ government agency tasked with managing the country’s aerospace and national airport system

GDP is a reference to Gross Domestic Product

GDPR is a reference to the EU’s General Data Protection Regulation

IATA is a reference to the International Air Transport Association, a trade association for the world’s airlines

*IFRS* is a reference to International Financial Reporting Standards as approved by the EU according to Directive 1606/2002

*ISAVIA* is a reference to ISAVIA ohf., ID No. 550210-0370, Reykjavíkurlugvelli, 101 Reykjavík, Iceland. ISAVIA handles the operation and development of all airports in Iceland and, furthermore, manages air traffic in the Icelandic control area.

*ISK* is a reference to Icelandic Krona, the legal tender of Iceland

*ISO* is a reference to the International Organization for Standardization which is an independent, non-governmental international organization that develops and publishes international standards

*ITA* is a reference to the Icelandic Transport Authority, reg. No. 540513-1040, Ármúli 2, 108 Reykjavík, Iceland

*Jet fuel* is a reference to the type of fuel used to power aircraft

*Deloitte* is a reference to auditing firm Deloitte ehf., reg. No. 5210982449, Dalvegi 30, 201 Kópavogur, Iceland.

*Listing Advisor*, the is a reference to Arctica Finance hf., Corporate Finance division, reg. No. 5405091820, Katrínartúni 2, 105 Reykjavík, Iceland

*Nasdaq Iceland* and the *Nasdaq Iceland Stock Exchange* is a reference to Kauphöll Íslands hf. (Nasdaq Iceland) ID No. 681298-2829, Laugavegur 182, 105 Reykjavik, which operates Iceland's only regulated market

*Mt* is a reference to metric tonnes

*Prospectus* is a reference to this Prospectus

*Shares*, the is a reference to shares issued by the Issuer

*USD* is a reference to United States dollar, the legal tender of the United States of America

*Yield* is a reference to the average fare per passenger per kilometre

*YoY* is a reference to Year on Year, i.e. a comparison from a point in time of one year to the same point in time in the following year