

Travelshift ehf.

Consolidated  
Financial Statements \*

2022

\* These Financial Statements are translated from the original which are in Icelandic. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.

Travelshift ehf.  
Katrínartún 4  
105 Reykjavík

Reg. no. 530612-2600

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# Endorsement and Signatures by the Board of Directors and CEO

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The year 2022 marked a robust recovery from the pandemic's substantial impact on leisure travel in the prior two years. Revenue of Booking was ISK 5,233.9 million in 2022, which was up 98.5% from 2021. The Operating Revenue margin was 23.5%, up 2.4 points from 2021. In addition, the Company ended the year with ISK 373.0 million of EBITDA and ISK 270.5 million profit in 2022, which follows two years of net losses. The improved business conditions have carried over to 2023, with strong results for the Company in the first quarter.

The year 2022 was also an important milestone for the Company with the launch of Guide to Europe. This is the culmination of our R&D investments, beginning in 2020, to significantly improve the scalability of our technology platform by using artificial intelligence and natural language generation to extend our travel services into the European travel market. This re-engineered platform generates many types of quality vacation packages with complete itineraries and optimized routing anywhere, with no human input required. This is a realization of our vision to enable complete vacations in one booking, and our scalable infrastructure can be further extended geographically.

Despite the slower recovery of the Philippine and Asian travel markets compared to the U.S. and Europe, our joint venture with Philippine Airlines, Guide to the Philippines, achieved improved results in 2022 compared to the previous year. It is worth noting, however, this growth was from a small base of business. Nevertheless, the popularity of the website has been strong, and it has become one of the most popular travel websites about the country. As the market recovers, we anticipate a rise in conversions from site visitors to bookings in 2023.

The 2022 Financial Statements include both the Parent Financial Statements and the Consolidated Financial Statements for Travelshift and its subsidiaries. The profit of the year 2022 amounted to ISK 270.5 million (2021: a net loss of ISK 214.8 million). According to the Balance Sheet, the equity amounted to ISK 1,283.2 million at year-end 2022 (2021: ISK 1,012.7 million). The average number of positions in the year 2022 was 45 for the Parent (2021: 32) and 47 for the Group (2021: 34). There were 12 shareholders in the beginning and at the end of the year 2022. The share capital amounted to ISK 556 thousand.

At year end shareholders in Travelshift ehf. were following:

Djengis ehf. ....	51.01%	Ólafur Óli Ólafsson .....	1.60%
General Electric Pension Trust .....	22.06%	Jakás fjárfestingar ehf. ....	1.09%
Aurora Capital ehf. ....	16.00%	Nanna Gunnarsdóttir .....	0.20%
Chenchen ehf. ....	2.00%	Helena Hanna Guðlaugsdóttir .....	0.20%
Bala K ehf. ....	3.75%	Emilie Marine Pasquet .....	0.19%
6x7 ehf. ....	1.74%	Francisco Rojas Riano .....	0.17%

No dividend will be paid to shareholders in the year 2023. With regards to other changes in the equity, the board refers to the notes attached to the Financial Statements.

The cash and liquidity position of the Company can support continued investments in R&D and ongoing operations in 2023. At year-end 2022, the Group's exposure to credit risk, liquidity risk, and market risk is well managed and both the equity and cash positions are adequate for ongoing Company operations. In addition, the Company continues to have access to committed bank financing of USD 3.8 million (ISK 539.8 million), further strengthening its liquidity position beyond cash on hand. The bank facility was extended by one year in the first quarter of 2023 and has not been utilized since it was made available in 2022.

The year 2022 was a positive year in our Company's history, highlighted by both a strong recovery from the severe disruptions in the leisure travel market caused by the pandemic and successfully launching into the European market with our scalable Guide to Europe technology platform.

## Endorsement and Signatures by the Board of Directors and CEO, cont.:

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### Corporate Governance

The Corporate Governance statement is issued to promote good corporate governance within the Company to strengthen the Company's infrastructure and increase transparency. Further information on Corporate Governance can be found in the Corporate Governance Statement in the appendix to the Financial Statements.

### Non-Financial disclosure

The Company shall provide information on the development, scope, status, and impact of the Company in connection with environmental, social, and human resources issues, the Company's policy on human rights issues, and how it opposes corruption and bribery issues. The Company's strategy and results in these matters are described in an appendix to the Financial Statements.

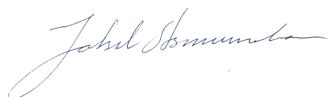
### Statement of the Board of Directors and the CEO

It is the opinion of the Board of Directors and the CEO of Travelshift that these Financial Statements present all the information necessary to show the position of the Parent Company and the Group at year-end, the operating results for the year, and the financial developments during the year 2022.

Reykjavík, 31 March 2023

Board of Directors:

Harshal Chaudhari



Jurk Belegurschi

Ólafur Óli Ólafsson

Chief Executive Officer:



# Independent Auditor's Report

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To the Board of Directors and Shareholders of Travelshift ehf.

## **Report on the Audit of the Financial Statements of the Group and the Parent Company**

### **Opinion**

We have audited the financial statements of Travelshift ehf. (the "Group" and "Parent Company") for the year 2022. The financial statements of the Group and the Parent Company comprise the Balance Sheet as at 31 December 2022, the Income Statement, and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Parent Company as at 31 December 2022, and of the financial performance and cash flows for the Group and the Parent Company for year then ended in accordance with the Icelandic Financial Statements Act.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements of the Group and the Parent Company* section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of the Board of Directors and CEO for the Financial Statements of the Group and the Parent Company**

The Board of Directors and CEO are responsible for the preparation and fair presentation of the financial statements of the Group and the Parent Company in accordance with the Icelandic Financial Statement Act, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and CEO are responsible for assessing the ability of the Group and the Parent Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements of the Group and the Parent Company**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Auditor's Report cont.:

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### **Auditor's Responsibilities for the Audit of the Financial Statements of the Group and the Parent Company, cont.:**

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

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

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

### **Report on Other Legal and Regulatory Requirements**

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statements Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the financial statements of the Group and the Parent Company includes the information required by the Financial Statements Act if not disclosed elsewhere in the financial statements.

Reykjavík, 31 March 2023

**KPMG ehf.**



# Income Statement for the year 2022

		The Group		Parent Company	
	Notes	2022	2021	2022	2021
<b>Gross Profit</b>					
Revenue of bookings .....		5,233,859	2,636,188	4,959,069	2,524,937
Cost of bookings .....		( 4,003,981)	( 2,080,765)	( 3,879,258)	( 2,034,085)
		<u>1,229,878</u>	<u>555,424</u>	<u>1,079,811</u>	<u>490,852</u>
<b>Operating expenses</b>					
Salaries and salary related expenses .....	12	290,191	185,523	254,369	162,603
Other operating expenses .....		<u>566,646</u>	<u>372,180</u>	<u>542,881</u>	<u>347,629</u>
		856,836	557,704	797,250	510,231
<b>Operating profit (loss) before interest, taxes, depreciation and amortisation (EBITDA) ..</b>					
		373,042	( 2,280)	282,561	( 19,380)
Depreciation and amortisation .....	14	( 142,411)	( 266,874)	( 126,168)	( 248,556)
<b>Operating profit (loss)</b> .....		230,631	( 269,154)	156,394	( 267,935)
Finance income .....		36,477	5,877	33,799	5,746
Finance cost .....		( 14,233)	( 12,955)	( 13,856)	( 8,130)
Exchange rate difference .....		<u>14,858</u>	<u>3,327</u>	<u>8,902</u>	<u>( 4,420)</u>
Net finance income .....		37,102	( 3,752)	28,846	( 6,803)
Effects of subsidiaries .....	18	0	0	65,489	884
Effects of associates .....	18	( 25,675)	( 22,159)	( 25,675)	( 22,159)
<b>Profit (loss) before income tax</b>		242,058	( 295,065)	225,053	( 296,013)
Income tax expense .....	13	<u>28,422</u>	<u>80,297</u>	<u>45,426</u>	<u>81,245</u>
<b>Profit (loss) of the year</b> .....	20	<u>270,480</u>	<u>( 214,768)</u>	<u>270,480</u>	<u>( 214,768)</u>

# Balance Sheet as at 31 December 2022

		The Group		Parent Company	
	Notes	2022	2021	2022	2021
<b>Non-current assets</b>					
Goodwill .....	15	73,030	84,885	0	0
Other intangible assets .....	16	1,331,897	929,937	1,331,897	929,937
Operating assets .....	17	257,458	285,100	44,874	54,299
Investment in subsidiaries .....	18	0	0	107,388	58,324
Investment in associates .....	18	30,042	55,717	30,042	55,717
Deferred tax asset .....	19	101,952	69,876	104,298	58,240
Total non-current assets		<u>1,794,379</u>	<u>1,425,515</u>	<u>1,618,500</u>	<u>1,156,517</u>
<b>Current assets</b>					
Trade receivables .....		193,816	109,461	177,176	107,987
Loans to related parties .....	23	0	0	191,521	222,979
Other receivables .....		322,167	6,647	281,904	1,671
Cash and cash equivalents .....	10	1,262,374	1,088,595	1,108,409	917,868
Total current assets		<u>1,778,357</u>	<u>1,204,703</u>	<u>1,759,011</u>	<u>1,250,505</u>
<b>Total assets</b>		<u>3,572,736</u>	<u>2,630,218</u>	<u>3,377,511</u>	<u>2,407,021</u>
<b>Equity</b>					
Share capital .....		556	556	556	556
Share premium .....		935,636	935,636	935,636	935,636
Statutory reserve .....		141	141	141	141
Restricted equity .....		1,104,622	558,599	1,104,622	558,599
Accumulated deficit .....		( 757,773)	( 482,230)	( 757,773)	( 482,230)
Total equity	20	<u>1,283,182</u>	<u>1,012,702</u>	<u>1,283,182</u>	<u>1,012,702</u>
<b>Long term liabilities</b>					
Long term debt .....	21	309,160	314,439	249,820	250,407
Total non-current liabilities		<u>309,160</u>	<u>314,439</u>	<u>249,820</u>	<u>250,407</u>
<b>Current liabilities</b>					
Trade payables .....		713,976	381,316	683,858	378,821
Payable to related parties .....		0	0	4,055	0
Current maturities of long term debt .....	21	24,730	19,968	19,986	10,887
Other current liabilities .....		192,303	137,948	162,394	125,070
Precollected revenue .....	22	1,049,385	763,844	974,216	629,134
Total current liabilities		<u>1,980,394</u>	<u>1,303,077</u>	<u>1,844,509</u>	<u>1,143,912</u>
Total liabilities		<u>2,289,554</u>	<u>1,617,516</u>	<u>2,094,329</u>	<u>1,394,319</u>
<b>Total equity and liabilities</b>		<u>3,572,736</u>	<u>2,630,218</u>	<u>3,377,511</u>	<u>2,407,021</u>



# Statement of Cash Flows for the year 2022

	Notes	The Group		Parent Company	
		2022	2021	2022	2021
<b>Operating activities</b>					
Profit (loss) for the year .....	20	270,480	( 214,768)	270,480	( 214,768)
Adjustments for:					
Loss (gain) on sale of assets .....		1,329	( 27,521)	0	( 27,521)
Depreciation .....	14	142,411	266,874	126,168	248,556
Effects of subsidiaries .....		0	0	( 65,489)	( 884)
Effects of associates .....		25,675	22,159	25,675	22,159
Deferred tax asset, change .....		( 32,076)	( 84,849)	( 46,059)	( 81,245)
		407,818	( 38,106)	310,775	( 53,704)
Change in operating assets and liabilities:					
Short-term receivables, (increase) decrease .....		( 119,187)	13,198	( 91,242)	5,019
Short-term liabilities, increase .....		676,343	700,895	695,021	638,190
Changes in operating assets and liabilities		557,156	714,093	603,779	643,209
Net cash provided by operating activities		964,974	675,987	914,554	589,505
<b>Investment activities</b>					
Investment in intangible assets .....	16	( 947,517)	( 487,524)	( 947,517)	( 487,524)
Tax incentive for capitalized development cost .....		170,633	131,506	170,633	131,506
Investment in operating assets .....		0	( 7)	0	( 279)
Sale of operating assets .....		12,500	48,758	0	48,758
Loans to related parties, change .....		0	0	35,513	( 4,012)
Cash and cash equivalents from merger .....		0	0	8,846	0
Units of mutual fund, change .....		( 26,294)	0	0	0
Investment activities		( 790,678)	( 307,267)	( 732,524)	( 311,551)
<b>Financing activities</b>					
New loans .....		8,512	9,538	8,512	9,538
Payments of loans .....		( 9,029)	0	0	0
Financing activities		( 518)	9,538	8,512	9,538
<b>Net increase in cash and cash equivalents .....</b>		173,779	378,259	190,541	287,492
<b>Cash and cash equivalents at year beginning .....</b>		1,088,595	710,335	917,868	630,376
<b>Cash and cash equivalents at year end .....</b>		1,262,374	1,088,595	1,108,409	917,868
<b>Non-cash activities</b>					
Short-term receivables, increase .....		( 258,180)	0	( 258,180)	0
Tax incentive for capitalized development cost .....		258,180	0	258,180	0

# Notes

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## 1. Basis of preparation

Travelshift ehf. ("The Company") is an Icelandic limited liability company incorporated and domiciled in Iceland. Registered address is Katrínartún 4, 105 Reykjavík. The consolidated financial statements for the Company as at and for the year ended 31 December 2022 comprise the Company and its subsidiaries, together referred to as the *Group* and individually as *Group entities*. The Group primarily operates as an online booking service provider and software developer in tourism industry.

Travelshift ehf. owns the subsidiaries Búngaló ehf., Iceland Photo Workshop ehf., Resort ehf. and Guide to Iceland ehf. These subsidiaries are part of the Consolidated Financial Statements. In the beginning of year 2022 Travelshift Marketplaces ehf. merged with Travelshift ehf.

The Financial Statements are prepared in accordance with the Financial Statements Act and the Regulation on the Presentation and Contents of Financial Statements and Consolidated Financial Statements. The financial statements are prepared in Icelandic króna (ISK) and amounts are presented in thousands. They are prepared on historical costs basis and are, in all main respects, based on the same accounting principles as for the previous year.

## 2. Revenue recognition

Revenue from service rendered is recognised when the travel service has been provided. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration or possible cancellation from the customer.

## 3. Foreign currencies

Transactions in foreign currencies are translated to ISK at foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies are converted to Icelandic currency at the exchange rate at year-end. Net foreign currency exchange difference arising of translation of assets and liabilities is recognised within financial income and expenses in the Income Statement.

## 4. Goodwill

Capitalised goodwill is due to the Company's investment in subsidiaries and capitalized at cost less accumulated amortization and impairment losses. Goodwill is amortised over a period of ten years.

## 5. Other intangible assets

Cost related to software development expected to produce revenue in the future is capitalized. Development costs consists of salary expenses as well as other expenses less refunds for tax incentives. Development costs are amortized over eight years, with first amortization the year after it was capitalized.

## 6. Operating assets

### (i) Recognition and measurement

Operating assets are measured at cost less accumulated depreciation. Profit from sales of operating assets is the difference between sales price and book value of the asset and is recognised among other income in the Income Statement.

### (ii) Depreciation

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life. Estimated useful life specifies as follows:

Equipment .....	3 years
Cars .....	3 - 5 years

## Notes, cont.:

### 7. Subsidiaries

Subsidiaries are companies in which the Company holds controlling interest. Controlling interest exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities. Investment in subsidiaries are included in the consolidated financial statements from obtaining control until the Group loses the control. The subsidiaries are accounted for according to the equity method taken into account the original purchase price and the premium is written off in 10 years.

### 8. Associated companies

Associated companies are companies where the Company has significant influence on the financial and operational policies but not controlling interest. Investments in associated companies are accounted for according to the equity method. The financial statements contain the Company's share in the earnings or losses of associated companies from the beginning of influence until the influence no longer exists. Should the share in loss exceed the book value of an associated company, the book value is recorded as zero and further entries of loss are ceased unless the Company has granted guarantees for the associated company or financed it.

### 9. Trade and other receivables

The Company has made a provision for doubtful receivables. This provision does not represent a final write-off but only a reserve to meet possible losses.

### 10. Cash and cash equivalents

Cash and cash equivalents consist of cash and demand deposits. Part of cash and cash equivalents is restricted due to insurance of repayment by law and amounts to ISK 585.7 million at year-end.

### 11. Deferred tax asset

Deferred tax asset is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Differences are caused by the fact that the assessment of income tax is based on other criteria than the Company's financial statements, it is a temporary difference because expenses are recognized earlier in the tax return than in the financial statements.

### 12. Salaries and salary related expenses

Salaries and salary related expenses are specified as follows:

	The Group		Parent Company	
	2022	2021	2022	2021
Salaries .....	657,511	372,161	625,880	353,995
Salary refund from Government due to Covid-19 ....	0 (	4,413)	0 (	2,418)
Pension fund contribution .....	75,537	42,799	71,902	40,709
Salary related expenses .....	94,799	62,746	94,246	58,086
Capitalised development cost .....	( 537,658)	( 287,769)	( 537,658)	( 287,769)
	<u>290,191</u>	<u>185,523</u>	<u>254,369</u>	<u>162,603</u>
Number of average positions during the year .....	47	34	45	32

## Notes, cont.:

### 13. Income tax

Effective tax rate in the Income Statement is specified as follows:

		<b>The Group</b>		<b>Parent Company</b>
		<b>2022</b>		<b>2022</b>
Profit before income tax .....		242,058		225,053
Income tax according to current tax rate .....	20.0%	48,412	20.0%	45,011
Effects of subsidiaries .....	( 5.4%) (	13,098)	( 5.8%) (	13,098)
Effects of associates .....	2.1%	5,175	2.3%	5,175
Effects of tax incentives .....	( 35.4%) (	85,763)	( 38.1%) (	85,763)
Other changes .....	7.0%	16,852	1.4%	3,245
Effective income tax .....	( 11.7%) (	28,422)	( 20.2%) (	45,426)

### 14. Depreciation

Depreciation and amortisation for the year is specified as follows:

	<b>The Group</b>	<b>Parent Company</b>
	<b>2022</b>	<b>2022</b>
Amortisation of goodwill, note 15 .....	11,855	0
Amortisation of intangible assets, note 16 .....	116,743	116,743
Depreciation of operating assets, note 17 .....	13,813	9,425
	<u>142,411</u>	<u>126,168</u>

### 15. Goodwill

Goodwill is specified as follows:

	<b>31.12.2022</b>	<b>31.12.2021</b>
Balance at 1 January 2022 .....	84,885	96,740
Amortisation for the year 2022 .....	( 11,855)	( 11,855)
Balance at 31 December 2022 .....	<u>73,030</u>	<u>84,885</u>

### 16. Other intangible assets

Other intangible assets are specified as follows:

	<b>Software</b>	<b>Development cost</b>	<b>Total</b>
Balance at 1 January 2022 .....	132,413	1,491,839	1,624,251
Additions during the year .....	0	947,517	947,517
Tax incentive for capitalized development cost .....	0	( 428,814)	( 428,814)
Balance at 31 December 2022 .....	<u>132,413</u>	<u>2,010,542</u>	<u>2,142,954</u>
Previous amortisation at 1 January 2022 .....	105,930	588,384	694,314
Amortisation for the year .....	0	116,743	116,743
Amortisation at 31 December 2022 .....	<u>105,930</u>	<u>705,127</u>	<u>811,057</u>
Book value 1 January 2022 .....	<u>26,483</u>	<u>903,455</u>	<u>929,937</u>
Book value at 31 December 2022 .....	<u>26,483</u>	<u>1,305,415</u>	<u>1,331,897</u>
Amortisation rates .....	0%	0-12,5%	

The depreciation rate for development cost was reduced from 20.0% to 12.5% due to the revaluation of the useful life. During the year, the received tax incentive for 2021 and the estimated tax incentive for capitalized development cost in 2022 that will be refunded in 2023 has been deducted from capitalized cost. In 2021 only received tax incentive for 2020 was deducted.

## Notes, cont.:

### 17. Operating assets

Operating assets are specified as follows:

	<b>Building and land</b>	<b>Fixtures and office equipm.</b>	<b>Cars</b>	<b>Total</b>
<b>The Group</b>				
Balance at 1 January 2022 .....	216,416	38,748	153,165	408,329
Disposals during the year .....	0	0	( 20,460)	( 20,460)
Balance at 31 December 2022 .....	216,416	38,748	132,705	387,869
Previous depreciation at 1 January 2022 .....	0	27,770	95,459	123,229
Disposals during the year .....	0	0	( 6,631)	( 6,631)
Depreciation for the year .....	0	4,480	9,334	13,813
Depreciation at 31 December 2022 .....	0	32,250	98,161	130,411
Book value 1 January 2022 .....	216,416	10,977	57,707	285,100
Book value at 31 December 2022 .....	216,416	6,498	34,544	257,458
Depreciation rates .....	0%	10-30%	20-35%	
	<b>Building and land</b>	<b>Fixtures and office equipm.</b>	<b>Cars</b>	<b>Total</b>
<b>Parent Company</b>				
Balance at 1 January 2022 .....	28,900	29,395	89,467	147,761
Balance at 31 December 2022 .....	28,900	29,395	89,467	147,761
Previous depreciation at 1 January 2022 .....	0	19,006	74,457	93,463
Depreciation for the year .....	0	4,362	5,063	9,425
Depreciation at 31 December 2022 .....	0	23,368	79,520	102,887
Book value 1 January 2022 .....	28,900	10,389	15,009	54,299
Book value at 31 December 2022 .....	28,900	6,027	9,947	44,874
Depreciation rates .....	0%	35%	25%	

## Notes, cont.:

### 18. Subsidiaries and associated companies

Shares in subsidiaries and associated companies are specified as follows:

	Ownership	Share of profit (loss) 2022	Book value 31.12.2022
Subsidiaries:			
Búngaló ehf., Reykjavík .....	100%	12,997	71,216
Iceland Photo Workshops ehf., Reykjavík .....	100%	52,771	36,173
Resort ehf., Reykjavík .....	100%	( 279)	0
Guide to Iceland ehf., Reykjavík .....	100%	0	0
		<u>65,489</u>	<u>107,388</u>
Associate:			
Guide to the Philippines Inc. ....	45%	( 25,675)	30,042
		<u>( 25,675)</u>	<u>30,042</u>

### 19. Deferred tax asset

Deferred tax asset is specified as follows:

	The Group		Parent Company	
	2022	2021	2022	2021
Deferred tax (asset) liability 1 January 2022 .....	( 69,876)	14,973	( 58,240)	23,005
Corrected 1.1. ....	219	( 559)	0	0
Income tax for the year .....	( 28,422)	( 80,297)	( 45,426)	( 81,245)
Effect due to merger .....	0	0	( 632)	0
Other changes .....	( 3,872)	( 3,994)	0	0
Deferred tax asset 31 December 2022 .....	<u>( 101,952)</u>	<u>( 69,876)</u>	<u>( 104,298)</u>	<u>( 58,240)</u>

Deferred income tax liability is attributable to the following:

	The Group		Parent Company	
	2022	2021	2022	2021
Operating assets .....	2,119	50,323	( 1)	50,843
Intangible assets .....	( 44,838)	4,131	( 45,029)	766
Trade receivables .....	2	1	0	0
Exchange rate difference .....	2,258	2,748	927	1,340
Tax losses carried forward .....	( 61,493)	( 127,080)	( 60,195)	( 111,189)
Deferred tax liability 31 December 2022 .....	<u>( 101,952)</u>	<u>( 69,876)</u>	<u>( 104,298)</u>	<u>( 58,240)</u>

## Notes, cont.:

### 20. Equity

According to the Company's Articles of Association, total share capital at the end of the year, amounted to ISK 556 thousand. One vote is attached to each share of one ISK.

Summary of changes in equity:

	Share capital	Share premium	Restricted equity	Accumulated deficit	Total equity
Equity 31 December 2021 .....	556	935,636	558,740	( 482,230)	1,012,702
Transferred to reserves .....			518,703	( 518,703)	0
Profit of subsidiaries and associates net of dividend received .....			27,320	( 27,320)	0
Profit of the year .....				270,480	270,480
Equity 31 December 2022 .....	556	935,636	1,104,763	( 757,773)	1,283,182

Restricted equity is specified as follows:	Statutory reserve	Reserve for undistributed profits	Reserve for development cost	Restricted equity total
Restricted equity 31 December 2021 .....	141	49,478	509,121	558,740
Transfer to reserves, capitalised development cost			518,703	518,703
Effects of subsidiary moved to restricted equity .....		27,320		27,320
Restricted equity 31 December 2022 .....	141	76,798	1,027,824	1,104,763

### 21. Loans

The Group's and the Company's long-term loans are specified as follows:

	The Group 2022	Parent Company 2022
Loans in ISK .....	333,890	269,806
Current maturities of long-term loans .....	( 24,730)	( 19,986)
Total long-term loans .....	309,160	249,820

Annual maturities of the Group's and the Company's long-term loans at year end are specified as follows:

	The Group 2022	Parent Company 2022
In the year 2023 .....	24,730	19,986
In the year 2024 .....	42,990	39,971
In the year 2025 .....	42,990	39,971
In the year 2026 .....	42,990	39,971
In the year 2027 .....	42,990	39,971
Later .....	137,199	89,935
	333,890	269,806

### 22. Precollected revenue

Precollected revenue is prepaid revenue of bookings and licence fee:

	The Group		Parent Company	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Balance at 1 January .....	763,844	471,448	629,134	397,264
Changes during the year .....	285,541	292,396	345,082	231,870
Balance at 31 December .....	1,049,385	763,844	974,216	629,134

## Notes, cont.:

### 23. Related parties

Related parties are those parties which have considerable influence over the Company, directly or indirectly, including owners or their families, large investors, key employees and their families and parties that are controlled or dependent on the Company.

Transactions and balances with related parties in the year 2022:

<b>Parent Company</b>	<b>Licence fee</b>	<b>Loans</b>
Subsidiaries .....	0	191,521
Associates .....	12,997	0
	<u>12,997</u>	<u>191,521</u>

Transactions and balances with related parties in the year 2021:

<b>Parent Company</b>	<b>(Bought) services</b>	<b>Loans</b>
Subsidiaries .....	0	222,979
Associates .....	20,280	0
	<u>20,280</u>	<u>222,979</u>

Executive management salaries and shares owned by management and financially related parties at year end is as follows:

	<b>2022</b>	<b>2021</b>
Salaries and benefits .....	137,759	101,208
Shares at year end, nominal value .....	487	487

### 24. Operating lease arrangements

The Parent Company has a lease arrangement until May 2024. This lease agreement is not included in the balance sheet. The total commitment of the lease arrangement for the next 17 months, at year-end 2022, amounts to ISK 61.0 million. Lease payment in the year 2022 amounted ISK 37.6 million.



# Corporate Governance Statement 2022

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## The Company

The corporate governance statement is issued to promote good corporate governance within the Company with the aim of strengthening the Company's infrastructure and increasing transparency. Good corporate governance provides the basis for sound decision-making and solid communication between shareholders, the Board of Directors, executives of the Company, and other stakeholders.

We base our implementation of good corporate governance on the Corporate Governance Guidelines published by the Icelandic Chamber of Commerce, Confederation of Icelandic Employers, and Nasdaq Iceland as applicable to its operations. The guidelines are accessible at [www.leidbeiningar.is](http://www.leidbeiningar.is).

## Laws, rules and regulation

The major laws the Company is subject to are Act on Private Limited Companies No. 138/1994, Act on Annual Accounts No. 3/2006, the Competitions Act No. 44/2005, and the Data Protection Act No. 90/2018. The Company's Articles of Association, dated 9 September 2021, further stipulate the arrangement of the Company's operations. Laws applicable to the Company's operations are accessible on [www.althingi.is](http://www.althingi.is).

## Composition and activities of the Board of Directors

The Board of Directors holds supreme authority between shareholder's meetings. The Board of Directors ensures that the Company's organization and operations are in good order, promotes the development and long-term performance of the Company, supervises its operations, and ensures that the operations comply with laws, rules, and regulations to which the Company is subject.

The Board of Directors furthermore hires the Chief Executive Officer (CEO) of the Company and is responsible for making decisions regarding the Company's operations that are considered to be major or unusual. All directors of the Board shall possess sufficient knowledge and experience to be able to duly execute their tasks as Board members.

The following are the Board members of the Company:

Harshal Chaudhari (Chairman) is the Chief Investment Officer at General Electric and was appointed to this role in September 2019. In this role, Harshal manages GE's pension investments and serves on the Investment Committee of GE's Health and Life Insurance business. Previously, Harshal held several senior roles at IBM including Chief Investment Officer managing more than \$150 billion in pension assets, Divisional CFO of a Software business as well as several key positions in IBM's Treasury department. Prior to that, he spent several years developing software products and consulting with large institutions helping them develop and execute their technology strategy. Harshal earned an MBA from the University of Chicago's Booth School of Business and a BE from the University of Mumbai. GE Pension Trust holds 22.1% of the shares in the Company.

Ingólfur Shahin (Director) was born in 1981. He is the Chief Product Officer of Travelshift. He is one of the founders of the Company and has previously held positions at the firm as Chief Operating Officer, Chief Marketing Officer, and CEO. Previously, he was a producer at Gryla Productions and a columnist at Morgunblaðið. He is also a member of the board of Djengis ehf. as well as some subsidiaries of Travelshift. He has been a member of the Board of Directors of Travelshift since 2015. He holds 51.0% of the shares in the Company through Djengis ehf.

Jakob Asmundsson (Director) was born in 1975. He took on the role of Chief Financial Officer at Travelshift on 20 September 2022. Jakob was awarded a Ph.D. in industrial engineering in 2002 from Purdue University. He was CEO of Korta (now Rapyd Europe) from 2018 to 2020 and an M&A advisor to Rapyd from 2020 to 2021. He was an Assistant Professor of finance at the University of Iceland from 2016 to 2018. Jakob was CFO and then CEO at Straumur Investment Bank from 2011 to 2015. He was CFO/COO at ALMC hf. (formerly Straumur-Burdaras Investment Bank) between 2009 and 2013 and CRO at Straumur-Burdaras Investment Bank from 2005 to 2009. Jakob also worked at Intel Corporation from 2003 to 2005 as a Solution Architect. He was Vice-Chairman of the MBA program for the University of Iceland 2017-2021, board member at the Icelandic Financial Services Association from 2013 to 2015, Arion Bank from 2017 to 2018, a member of the Examination Committee on Securities Trading, and a member of various other boards. He holds 1.1% of the shares in the Company through Jakas fjárfestingar ehf.

## Corporate Governance Statement 2022. cont.:

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### **Composition and activities of the Board of Directors cont.:**

Iurie Belegurschi (Director) was born in 1983. He has a BA degree in Economy of Commerce, Tourism, and Services from the University of Craiova. He is the CEO of Iceland Photo Workshops ehf. a wholly-owned subsidiary of the Company that operates under the name Iceland Photo Tours. He is one of the founders of Travelshift and was previously the Chief Marketing Officer of the Company. Previously he worked in the service and food and beverage industries in Iceland. He is also a member of the boards of Aurora Capital ehf., Aurora Hunters ehf. and some subsidiaries of Travelshift. He has been a member of the Board of Directors of Travelshift since 2013. He holds 16.0% of the shares in the Company through Aurora Capital ehf.

Ólafur Óli Ólafsson (Director) was born in 1991. He completed coursework at Menntaskólinn við Hamrahlíð and the University of Hólar. He is the Chief Operating Officer at Travelshift. Previously he was a Sales Manager at the Company. Ólafur is not a member of boards of other companies. He has been a member of the Board of Directors of Travelshift since 2019. He holds 1.6% of the shares in the Company.

### **Internal control and risk management**

The Board of Directors shall ensure the existence of a relevant and effective system of internal controls and risk management that are formal, documented, and regularly tested. The objective of internal control and risk management is to provide reasonable assurance of satisfactory results and effectiveness of operations, the production of reliable and correct financial information provided to internal and external stakeholders, and compliance with law, rules, and regulation. Internal controls in connection to accounting are designed to provide reasonable assurance that financial reporting for internal and external stakeholders is without significant deficiencies, such as due to misconduct or mistakes.

The CEO of the Company is responsible for maintaining an organizational chart that specifies responsibilities, authority, and communication channels within the Company. The CEO is also responsible for analysing, assessing, and monitoring the major risk factors that the Company is exposed to at each point in time.

The external auditor of the Company performs audits regarding the effectiveness of the internal controls of the Company in connection to the audit of the financial statements.

### **Financial statements and audit**

The yearly financial statements of the Company are prepared according to the Financial Statements Act and audited in accordance with international audit standards. The external auditor of the Company is elected at the Annual General Meeting. The external audit Company of the firm is KPMG and the external auditor is Hlynur Sigurðsson.

### **Corporate social responsibility and ethical standards**

At Travelshift we are committed to reducing our environmental impact and advancing an increased awareness of tourism's effects on the environment. By promoting eco-friendly behaviours, a dedication to sustainability, and environmental protections against pollution and habitat destruction, we believe we can preserve the natural features that make Iceland the unique ecosystem it is. We pride ourselves on promoting the message of environmental conservation to our tour operators, partners, and travellers, so that the world may continue to responsibly experience Iceland's natural splendour. We are also passionate about sustainably introducing travellers to stunning travel experiences in Europe. Our environmental policy is accessible on [www.guidetoiceland.is/pages/about-us](http://www.guidetoiceland.is/pages/about-us).

### **Organization of communication between shareholders and the Board of Directors**

The Board of Directors is responsible for the communication of information to the shareholders of the Company. The Board of Directors emphasizes equality between shareholders and reasonable formality in this respect. Communication and information sharing with shareholders primarily take place at the Annual General Meeting but also at additional shareholders' meetings as necessary.

### **Sentences and fines**

Travelshift has not been subject to sentences by the courts or fines from relevant public authorities due to breaches of laws, rules, or regulations, nor are such matters pending.

# Non-Financial Reporting

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Travelshift is an online platform that unites travel operators, enabling its users to locate and customize vacations, tours, accommodations, and rental cars for their trips. Travelshift's business model thus relies on the existence of independent travel operators, which provide accommodation, transport, and excursions such as glacier hiking, whale watching, and river rafting. Though Travelshift is not directly accountable for the environmental and social implications of those services, it continues to address the role its platform plays in facilitating them.

## Environmental / Climate Change

Travelshift is aware of the importance of considering the effects of climate change on global value chains, both the physical risks (e.g. sea-level rise and melting of glaciers' impact on infrastructure) and transition risks (e.g. reputational risks for tourism service providers engaged in greenwashing and potential carbon taxes on GHG emissions for transportation providers). It is also aware of the potential macro impact on changed tourism behaviour as the earth gets warmer.

Travelshift has the Icelandic Tourism Board's official quality and environment standard certification, Vakinn, as a travel service, and a bronze class environmental certification from the same institution.

Furthermore, Travelshift encourages eco-friendly behaviour in preserving Iceland's natural resources, such as its undisturbed landscapes, glaciers, waterfalls, and lava, as those same natural resources are the fundamental basis for Iceland being an attractive tourist destination. It also encourages its service providers to reduce local pollution, from GHG emissions to other pollutants like SOx and NOx from boats and ships.

Internally, Travelshift remains committed to reducing its impact from its operation. As Travelshift remains first and foremost a service provider, its main environmental impacts are due to employees' commute and travel during work hours. Travelshift remains committed to reducing this impact as much as possible, as well as offsetting any impact annually.

## Social

Regarding human capital development, Travelshift has been proud of the racial plurality and gender equality of its team since its founding. This ethos is continued today in a hiring process committed to diversity and equal opportunity, and in the role development of employees, particularly regarding fair access to education and training.

Travelshift's management team has an absolute dedication to equality when it comes to salaries and positions in the Company and has an ongoing history of actively seeking out female managers.

## Governance

The Executive Management and Board of Directors have become more aware of the importance of sustainability and will further incorporate those matters in its regular processes to ensure proper oversight. As the Company continues to grow, Travelshift is committed to strengthening its governance practices.

The Chief Technology Officer is designated to maintain the integrity of our cyber-security and ensure that it is upheld to the highest standards. The practices implemented by Travelshift abide by the GDPR.

Travelshift only works with providers and travel agents that have the necessary licenses from the relevant authorities and are thus presumed to adhere to national regulations. Furthermore, it encourages its partners to uphold high standards and to take responsibility for their business practices and the actions of their clients.

As sustainability matters become more important for business globally, Travelshift will continue to monitor developments for proper management of sustainability risks and opportunities relevant to its tourism and services industry. It will further strengthen internal processes, oversight, and monitoring systems of those same risks and opportunities. Travelshift is yet to define key metrics and objectives based on the beforementioned ESG matters.

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